



November 2014

# FREE TRADE AGREEMENTS

Office of the U.S.  
Trade Representative  
Should Continue to  
Improve Its Monitoring  
of Environmental  
Commitments

# GAO Highlights

Highlights of [GAO-15-161](#), a report to congressional requesters

## Why GAO Did This Study

The United States has signed free trade agreements that lower barriers to trade with 20 countries, including 5 Central American countries and the Dominican Republic. Reflecting Congress's interest in balancing commercial interests with environmental protection, the United States and FTA partners have agreed to strengthen environmental protection. In 2009, GAO recommended improved FTA monitoring. GAO was asked for an update.

This report examines, among other things: (1) steps selected partners have taken, with U.S. assistance, to implement FTA environmental commitments; (2) resources to assist partners in implementing environmental commitments; and (3) U.S. agency monitoring of cooperation activities and partner compliance with their FTA environmental commitments.

GAO reviewed FTA environmental provisions and cooperation agreements; analyzed U.S. funding data for cooperation activities from fiscal years 2003 through 2013; and evaluated documentary and testimonial evidence. GAO visited Guatemala and El Salvador, two of six CAFTA-DR countries, and Peru and Chile, and met with U.S., host government, private sector, and NGO officials. GAO selected these countries because they reflect a range of per capita income, U.S. assistance, environmental progress, and challenges.

## What GAO Recommends

GAO recommends that USTR establish timeframes and indicators to assess the extent to which Peru is meeting commitments in the bilateral action plan and establish timeframes and indicators to implement its plan for enhanced monitoring across all FTA partner countries.

View [GAO-15-161](#). For more information, contact Kimberly Gianopoulos at (202) 512-8612 or [Gianopoulosk@gao.gov](mailto:Gianopoulosk@gao.gov).

November 2014

## FREE TRADE AGREEMENTS

### Office of the U.S. Trade Representative Should Continue to Improve Its Monitoring of Environmental Commitments

## What GAO Found

The four free trade agreement (FTA) partners that GAO selected for this review all passed environmental laws and established institutions to improve environmental protection, in line with their FTA commitments to strive to improve their laws on and levels of environmental protection. For example, Chile created enforcement agencies and modernized its system for evaluating the environmental impact of projects; El Salvador launched a National Environmental Strategy; and Guatemala created a unit to verify compliance with natural resource protections. According to U.S., Peruvian, and nongovernmental organization (NGO) officials, U.S. assistance has helped Peru improve management and monitoring of its forest resources. However, each FTA partner continues to face challenges in capacity and enforcement of environmental protection.

### Peruvian Officials Conduct Timber Inspection



Source: GAO. | GAO-15-161

U.S. resources for cooperation activities have declined since 2009 because of shifting priorities. Peru and countries in the Dominican Republic–Central America–United States Free Trade Agreement (CAFTA-DR) received 90 percent of the roughly \$151 million of total funding for FTA cooperation activities from fiscal years 2004 through 2013. CAFTA-DR countries received over \$87 million from fiscal years 2004 through 2013, and Peru received nearly \$49 million from fiscal years 2009 through 2013. However, in fiscal year 2013, U.S. funding for environmental cooperation activities to CAFTA-DR countries was 18 percent of its 2009 level, and funding for Peru FTA activities was 41 percent of its 2009 level.

The Department of State has improved monitoring of environmental cooperation activities since 2009, and the Office of the U.S. Trade Representative (USTR) developed a plan for monitoring partner compliance with FTA environmental commitments. However, USTR's monitoring lacks timeframes and performance indicators to measure partner progress in meeting FTA environmental commitments. In addition, the U.S.-Peru bilateral action plan addresses specific challenges in Peru's forestry sector and identifies actions for Peru to take, but does not include timeframes and indicators. Lack of timeframes and performance indicators precludes stakeholders and the public from having a clear understanding of the extent to which Peru is meeting its commitments since agreeing to the terms of the bilateral action plan.

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## Abbreviations

CAFTA-DR	Dominican Republic–Central America –United States Free Trade Agreement
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
EPA	Environmental Protection Agency
FTA	free trade agreement
GDP	gross domestic product
NAFTA	North American Free Trade Agreement
NGO	nongovernmental organization
NOAA	National Oceanic and Atmospheric Administration
OSINFOR	Organismo de Supervision de los Recursos Forestales y de Fauna Silvestre
USAID	United States Agency for International Development
USFS	Department of Agriculture's United States Forest Service
USTR	Office of the United States Trade Representative

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November 06, 2014

The Honorable George Miller  
Ranking Member  
Committee on Education and the Workforce  
House of Representatives

The Honorable Sander M. Levin  
Ranking Member  
Committee on Ways and Means  
House of Representatives

Free trade agreements (FTA) phase out barriers to trade in goods with particular countries or groups of countries and contain other commitments to open access for services and investment, and have become an important component of U.S. trade policy. By 2014, the United States had signed free trade agreements with 20 countries, including 5 Central American countries and the Dominican Republic as part of a regional arrangement known as the Dominican Republic–Central America–United States Free Trade Agreement (CAFTA-DR). These 20 countries are as diverse as Australia, Chile, Colombia, Honduras, Korea, Morocco, Oman, Panama, and Peru. The United States is also in negotiations on a proposed regional Asia-Pacific trade agreement, known as the Trans-Pacific Partnership, and a free trade agreement with the European Union known as the Transatlantic Trade and Investment Partnership.

Congress expressed an interest in balancing U.S. commercial interests with other goals, including environmental protection, when it gave the President trade promotion authority in 2002.<sup>1</sup> In addition, the May 10, 2007 Bipartisan Agreement on trade policy between congressional leadership and the administration committed the United States to negotiate for strengthened environmental provisions in FTAs, among other things. For example, the May 10, 2007 agreement called for FTA environmental obligations to be enforced with the same remedies, procedures, and sanctions as FTA commercial obligations. In addition, the agreement recognized a previous U.S. commitment to work with Peru on comprehensive steps to address illegal logging and to restrict imports

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<sup>1</sup>Bipartisan Trade Promotion Authority Act of 2002, 19 U.S.C.A. §§ 3801-13,

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of products that are harvested and traded in violation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Certain FTAs also create a process that allows members of the public to formally raise concerns if they believe that a party is not effectively enforcing its environmental laws. This is known as a “public submissions” process.

In 2009, we issued a report on four of the first FTAs concluded under 2002 trade promotion authority and made recommendations to improve how U.S. agencies monitor implementation of those FTAs.<sup>2</sup> We recommended that the Department of State (State) work with other agencies to develop a more structured approach to manage and monitor the implementation of environmental projects and that the Office of the United States Trade Representative (USTR), in cooperation with other agencies, prepare updated plans to implement, enforce, monitor, and report on compliance with and progress under the FTAs’ environmental provisions. In 2012, we found that State and USTR were making progress to address our recommendations.<sup>3</sup> Additional information on monitoring partner progress and compliance with FTA environmental provisions is discussed later in this report.

You asked us to provide an update on agency and partner actions, including the current status of partners’ implementation of FTA environmental commitments, and to review U.S. monitoring and enforcement efforts. This review of FTA environmental provisions examines (1) steps selected partners have taken, with U.S. assistance, to implement FTA environmental commitments; (2) selected partner mechanisms to process public environmental submissions; (3) U.S. resources to assist partners in implementing environmental commitments; and (4) U.S. agency monitoring of cooperation activities and partner compliance with their FTA environmental commitments.

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<sup>2</sup>GAO, *International Trade: Four Free Trade Agreements GAO Reviewed Have Resulted in Commercial Benefits, but Challenges on Labor and Environment Remain*, [GAO-09-439](#) (Washington, D.C., July 10, 2009).

<sup>3</sup> For further information on the steps agencies had taken by that point, see [GAO-09-439](#).

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To address these objectives, we reviewed text and associated annexes of the environmental chapters of 11 FTAs that went into effect (that is, entered into force) from 2003 through 2013; the May 10, 2007 Bipartisan Agreement; and reports and other FTA documents such as environmental cooperation agreements, work programs, and FTA implementing legislation.

We met with officials from State and USTR who are, respectively, responsible for implementing and monitoring partner cooperation projects and enforcing compliance with FTA commitments. We also met with officials from other U.S. agencies involved in carrying out environmental cooperation activities with FTA countries, including the United States Agency for International Development (USAID), the Department of the Interior (Interior), the Department of Agriculture's U.S. Forest Service, the Environmental Protection Agency (EPA), the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA), and the Department of Justice (Justice). We also made site visits to El Salvador, Guatemala, Peru, and Chile, where we met with U.S. and host government officials and representatives of the private and public sectors, to obtain firsthand perspectives and current information on partner efforts, the nature and impact of cooperation activities, and ongoing challenges. We selected countries for site visits and associated FTAs on which to focus based on several factors, for example FTAs that entered into force before the May 10 2007 Bipartisan Agreement (CAFTA-DR, which includes El Salvador and Guatemala) and after (Peru), and to follow up on a country that had been one of the four covered in our 2009 report (Chile). These countries also reflect a range of income, U.S. assistance, environmental progress, and challenges. We also met with officials at the CAFTA-DR Secretariat for Environmental Matters, which is responsible, on behalf of CAFTA-DR signatories, for receipt, evaluation, and reporting on environmental submissions. In Geneva, Switzerland, we met with officials, including the Secretary General of CITES, since protection of certain CITES-listed species is specifically referenced in the Peru FTA, as well as with officials from the United Nations Environment Program and the World Trade Organization. We also discussed monitoring of CAFTA-DR partner progress with officials from the Organization of American States, in Washington, D.C. To obtain information on U.S. resources to help FTA partners improve environmental protection and meet FTA commitments and to assess U.S. agency monitoring, we interviewed USTR, State, and USAID officials, and obtained and reviewed data and documents. See appendix I for further details of our scope and methodology.

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We conducted this performance audit from August 2013 to November 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

FTAs—which phase out barriers to trade in goods with particular countries or groups of countries and contain rules designed to improve access to foreign markets for U.S. goods, services, and investment—remain a major component of U.S. trade policy. Collectively, according to USTR, FTAs with 20 countries accounted for about 40 percent of U.S. trade in goods in 2013. Eleven of these 20 FTAs were negotiated under trade promotion authority in the Trade Act of 2002, went into effect from 2003 through 2013, and involved 16 partner countries.<sup>4</sup>

The 20 FTAs involve partners ranging from high income countries such as Australia, Bahrain, Singapore, Chile, Korea, Oman, and Canada to lower middle income countries such as Morocco, El Salvador, Guatemala, Honduras, and Nicaragua. Colombia, Costa Rica, the Dominican Republic, Jordan, Mexico, Panama, and Peru are upper middle income countries. The two CAFTA-DR countries (El Salvador and Guatemala) and the two countries with bilateral FTAs (Peru and Chile) that we visited reflect a range of national per capita incomes. See fig.1.

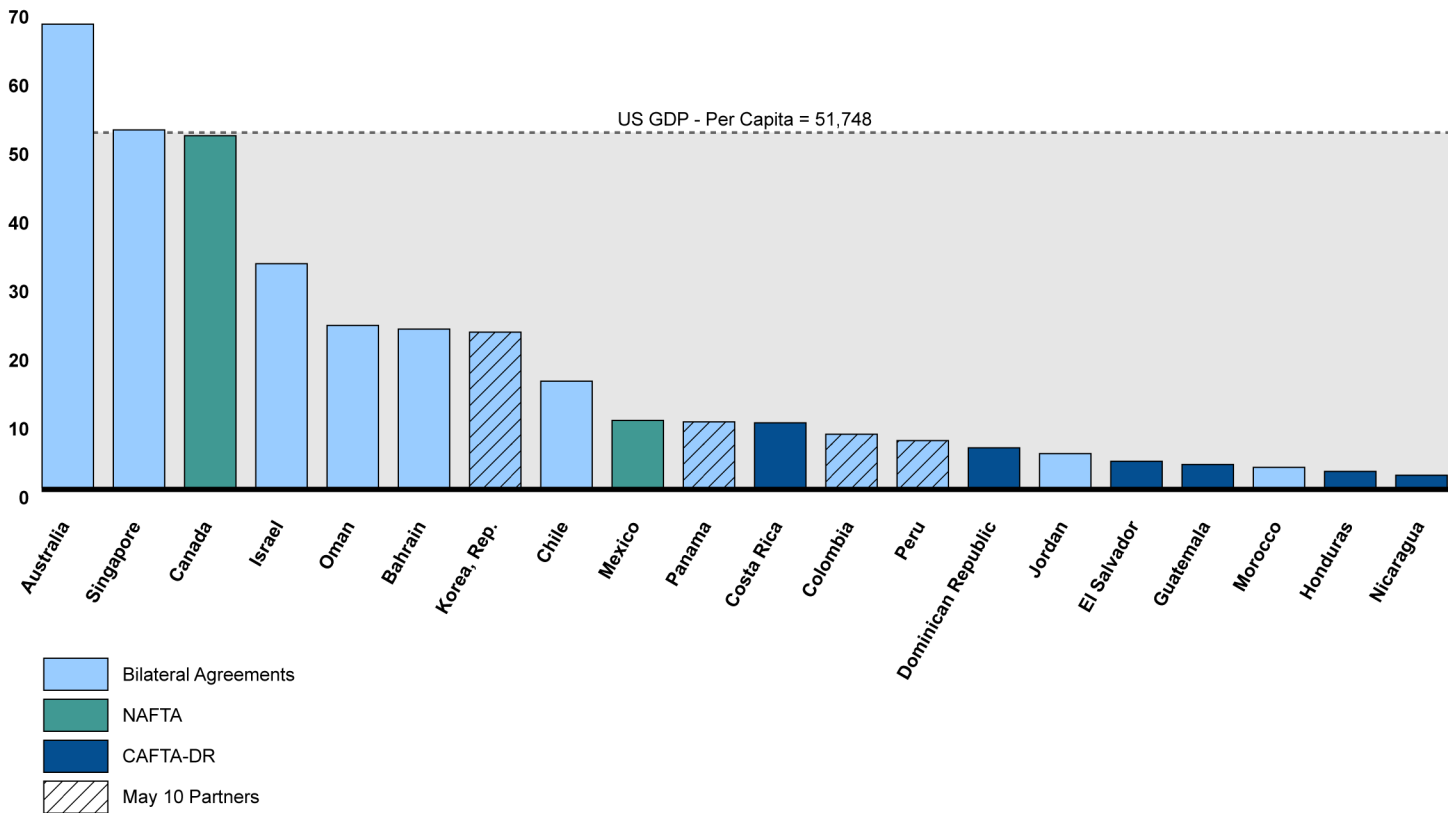
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<sup>4</sup>These 11 FTAs include Chile, Singapore, Australia, Morocco, Bahrain, CAFTA-DR countries (El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic, and Costa Rica), Oman, Peru, Korea, Colombia, and Panama.



**Figure 1: Per Capita Gross Domestic Product (GDP) for the United States and Free Trade Agreement Partner Countries, 2012**

U.S. dollars (in thousands)



Source: World Bank, World Development Indicators. | GAO-15-161

Chile, El Salvador, Guatemala, and Peru also face a range of environmental challenges.

- Chile—According to Chilean officials, the country’s environmental challenges (described later in this report) relate to natural resource and extractive industries, including mining, fishing, forestry, and agriculture. For example, Chile’s agriculture and mining sectors are water-intensive, placing strains on its water supply. Chile is a top producer and exporter of fish, and mitigating the fishing sector’s water

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pollution and impact on ecosystems is a challenge.<sup>5</sup> The United States and Chile have been working together under the framework of the FTA as well as a June 2003 environmental cooperation agreement and related work program to assist Chile in addressing its environmental challenges and FTA commitments.

- El Salvador and Guatemala—countries under CAFTA-DR. According to Salvadoran and Guatemalan officials, environmental challenges facing one or both of these countries include preservation of biodiversity and threats to endangered species, water and air pollution, deforestation, and degradation of marine resources. To assist these countries in addressing their environmental challenges and FTA commitments, the United States and these countries have been working together under the framework of the FTA as well as a February 2005 environmental cooperation agreement and related work programs.
- Peru—Peru has about 13 percent of the world's tropical forests. These forestry resources include forestry concessions used for logging, natural protected areas, and reservations for indigenous communities.<sup>6</sup> Peru's myriad environmental challenges include deforestation and water contamination from small mining operations. Because of concerns related to illegal logging, the FTA included an annex on forest sector governance. To address Peru's environmental challenges and FTA commitments, the United States and Peru have been working together under the framework of the FTA as well as a July 2006 environmental cooperation agreement and related program.

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<sup>5</sup> For further information on Chile's and Peru's environmental challenges see USTR, *Interim Environmental Review, Trans-Pacific Partnership Agreement* (August 2013), accessed August 28, 2014, <http://www.ustr.gov/trade-topics/environment/environmental-reviews>.

<sup>6</sup> According to the Society of American Foresters, *The Dictionary of Forestry*, a forestry concession is "a contract, license, or permit granted to a firm or a person to extract and market timber (timber concession) or other produce commercially from a defined area of the forest within a given period—note a timber concession may specify the number, type, and size of tree that may be harvested." Accessed August 28, 2014, [http://dictionaryofforestry.org/dict/term/forest\\_concession](http://dictionaryofforestry.org/dict/term/forest_concession).

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## Recent FTAs Contain Environmental Provisions in Environmental Chapters

The 11 agreements negotiated under trade promotion authority include environmental chapters as part of the agreements.<sup>7</sup> The environmental chapters contain several provisions that call for strengthened environmental protection and allow for increased public participation in the implementation of environmental provisions. For example, the 11 FTAs include provisions for formal opportunities and mechanisms for public participation in government environmental decision making. Four of the 11 FTAs additionally provide for submissions to a secretariat by persons or organizations of an FTA partner country asserting that the FTA partner country is failing to effectively enforce its environmental laws; the secretariat is to consider these claims and may develop a report, known as a “factual record,” about them. CAFTA-DR, which entered into force in 2006, was the first to include such a mechanism, and the Peru FTA also includes one. The three FTAs that were the focus of our review (Chile FTA, CAFTA-DR, and Peru FTA) contain provisions regarding partner countries’ levels of protection and strengthening of their environmental laws. For example, these three FTAs commit each partner country to ensure that its laws provide for high levels of environmental protection and to strive to continue to improve those laws or levels of protection; to strive to ensure that it does not waive or otherwise derogate from such laws in a manner that weakens or reduces the protections afforded in those laws as an encouragement for trade with another party; and to ensure that judicial, quasi-judicial, or administrative proceedings are available under its laws to sanction or remedy violations of its environmental laws. Finally, each of the three FTAs commits the parties “to not fail to effectively enforce its own environmental laws, through a sustained or recurring course of action, in a manner affecting trade between the parties.” This provision is enforceable, meaning a party that fails to comply is subject to dispute settlement, under the respective FTA.

The Peru FTA, which entered into force following the May 10, 2007 Bipartisan Agreement, also includes commitments that each party shall adopt, maintain, and implement laws, regulations, and other measures to fulfill certain obligations under seven listed multilateral environmental agreements, and that the parties will not fail to enforce their laws, regulations, and other measures to fulfill those multilateral environmental

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<sup>7</sup>According to USTR, the provisions in FTAs provide for an FTA’s entry into force through an exchange of formal diplomatic notes among the parties. In the United States, the President must first determine that the trading partner has come into compliance with obligations that will take effect when the agreement enters into force.

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agreement obligations. Unique among FTAs, it also contains an annex on forest sector governance with detailed requirements pertaining to improved forest management and protection of CITES-listed endangered species, including big-leaf mahogany and Spanish cedar.

According to USTR officials, an Environmental Affairs Council, involving both trade and international environment ministries of the FTA parties (State and USTR in the United States), is charged with overseeing the FTA environmental chapter. Each of the 11 FTAs includes an article on environmental cooperation that provides for, among other things, negotiation of a separate agreement on environmental cooperation among the parties to the FTA. State has the lead in negotiating and administering these agreements, which have typically been concluded about a year after the FTAs enter into effect; implementation is overseen by an Environmental Cooperation Commission.<sup>8</sup> Environmental cooperation is programmed through agreed-upon work plans covering specified periods, and involves such activities as professional exchanges, workshops, and in-country projects aimed at improving laws, institutions, and practices that may involve U.S. funding.

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### State Is Responsible for Overseeing Cooperation Activities and USTR for Monitoring Compliance with FTA Commitments

State is primarily responsible for overseeing implementation of environmental cooperation activities, while USTR is responsible for the negotiation and administration of trade agreements and has lead responsibility for monitoring and enforcing compliance with FTA commitments. State supports cooperation activities that enable FTA countries to develop capacity to meet their FTA environmental commitments.<sup>9</sup> Other U.S. agencies with technical expertise in specific areas carry out cooperation activities. According to USTR officials, they rely on a network of other agencies to support their monitoring and enforcement functions. Accurate monitoring is necessary to track the extent to which partners are complying with FTA commitments and ensure that resources are targeted to areas where they can be most effective, according to U.S. officials.

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<sup>8</sup>The environmental cooperation agreement establishes an Environmental Cooperation Commission, which State chairs. Under the agreement, the commission is responsible for developing a work program.

<sup>9</sup>State's Bureau of Oceans and International Environmental and Scientific Affairs *has* the lead responsibility for FTA-related cooperation activities.

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## Partners Have Taken Steps to Improve Environmental Protection, with U.S. Assistance, but Continue to Face Challenges

According to officials in Chile, Peru, El Salvador, and Guatemala, their countries passed or made changes to their environmental laws and established or strengthened environmental institutions since signing their respective FTAs. U.S. agencies worked with these partners under environmental cooperation agreements to help them build capacity to meet FTA environmental commitments. However, these countries continue to face challenges, including limited technical capacity and inadequate resources for enforcing environmental protection.

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## FTA Countries Have Passed Environmental Laws and Established or Strengthened Environmental Institutions

### Chile

According to State, Chile has taken steps to strengthen environmental standards since signing the FTA and improved enforcement of its environmental laws. In addition, according to Chilean officials, the country continues to take steps to increase transparency of government information on the environment and has made progress in increasing public participation in government environmental decision making. According to U.S. and Chilean officials, much of the progress was the result of a new environmental law, approved in 2010 that they said reformed the country's environmental framework by establishing new agencies.<sup>10</sup> For example:

- Environment Ministry—along with the president, is responsible for designing and implementing environmental policies, plans, and programs.

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<sup>10</sup>According to State officials, Chile passed a key environmental law (Law 19.300) in 1994; in 2010 it passed a law (Law 20.417) that reformed the 1994 general environmental regulatory law and created the Environment Ministry, Environmental Evaluation Service, and Environmental Superintendency; it also passed Law 20.600 that established the environmental tribunals in 2012.

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CAFTA-DR: El Salvador  
and Guatemala

- Environmental Superintendency—responsible for enforcing environmental laws and regulations, including assessing fines and sanctions for violations.
- Environmental Evaluation Service—responsible for managing and modernizing Chile’s environmental impact assessments for both public and private sector projects to ensure compliance with applicable environmental standards.
- Environmental tribunals—responsible for judicial review of Environmental Superintendency decisions and settling environmental challenges or resolution of environmental damage claims, and hearing other environmental cases.

According to Salvadoran officials, a key step in El Salvador’s meeting its CAFTA-DR environmental commitments was the 2012 reform of its 1998 Environmental Law. The law established the Ministry of Environment and Natural Resources, with the authority to protect the environment and conserve, restore, and promote the use of natural resources. The ministry is responsible for implementing the environmental law as well as the Natural Protected Areas and Wildlife Conservation laws. According to Salvadoran officials, the 2012 reform allowed for the creation of environmental tribunals and establishment of the tribunals as legal authorities responsible for determining the civil liability for acts against the environment. According to State officials, another important step was taken in 2013, when the ministry launched its National Environment Policy and Strategy to address sanitation, biodiversity, climate change, and water resources. In addition, according to a Salvadoran official, the establishment of an environmental “hotline” in 2011 increased the opportunity for public participation in oversight.

According to a Guatemalan official, Guatemala’s legal reforms established a Ministry of Environment and Natural Resources in 2000. The ministry is responsible for formulating and implementing environmental policies and approves and oversees compliance with environmental impact assessments. Guatemala joined the CITES convention in 1980. According to a Guatemalan Environment Ministry official, its 2013 climate change legislation was another important step in

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meeting the CAFTA-DR environmental commitments.<sup>11</sup> Environmental regulations are included in other sector-specific laws and regulations, including the Forest, Hydrocarbons, and General Fishing and Aquaculture laws, according to a ministry official. According to this official, other key steps include the ministry's creation in 2011 of the Environmental Auditing Unit and the setting up of the environmental hotline for persons to make environmental submissions.

Although we focused on El Salvador and Guatemala for our site visits, CAFTA-DR officials we met with in Washington, D.C., provided examples of steps their countries have taken to improve environmental protection. For example, according to these officials, Honduras improved waste water treatment; the Dominican Republic created programs for issuing environmental permits; and Costa Rica increased its use of renewable energy.

## Peru

U.S., Peruvian, and NGO officials credit the FTA with helping the country take steps to improve environmental protection. Peruvian officials cited actions that include establishing the Environment Ministry, with an investigative arm, to verify compliance with environmental legislation and oversee the process of obtaining environmental impact assessments; establishing an independent forestry oversight body to conduct audits of forestry concessions and take administrative enforcement actions, assess monetary fines, and cancel concessions for noncompliance; and enacting a new Forestry and Wildlife Law in 2011. According to State officials, Peru also undertook a public consultations process to collect input from all interested stakeholders, including indigenous communities, on draft implementing regulations for the new law. In addition, according to USTR, Peru did the following:

- adopted laws and administrative procedures for managing and supervising the issuance of export permits for big-leaf mahogany and Spanish cedar, two endangered CITES-listed timber species;
- strengthened the Organismo de Supervision de los Recursos Forestales y de Fauna Silvestre (OSINFOR), an independent forestry

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<sup>11</sup>According to U.S. officials, recognizing the country's vulnerability to climate change, Guatemala passed Law-Initiative No. 4139: Framework Law to Regulate the Reduction of Vulnerability, Obligatory Adaptation, Facing Climate Change and the Mitigation of Green House Gases Effects in Guatemala in 2013.

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oversight body that conducts post-harvest audits to limit illegal logging;<sup>12</sup>

- amended the criminal code to include substantial penalties for illegal activities related to the environment, such as illegal logging and wildlife trafficking;
- developed and began implementing a national anti-corruption plan for forestry and wildlife.

According to U.S., Peruvian, and NGO officials, the FTA helped motivate Peru to establish its National Forest Service and increase staff and capacity of OSINFOR. For example, according to Peruvian officials, post-harvest verifications of concessions increased from 49 in 2009 to 1,255 in 2013. According to the Ministry of Culture, which is responsible for addressing issues that affect indigenous people, since entry into force of the FTA and enactment of the new environmental laws, Peru has taken steps to increase consultation with indigenous groups during the drafting of regulations to help them benefit from resources located on their traditional lands.<sup>13</sup> Despite these steps, according to U.S. officials, full implementation of the new environmental law and sustainable actions for environment protection will require finalization and implementation of regulations, and setting up viable mechanisms to assure the law is implemented.

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## U.S. Assistance Helped Partners Build Capacity to Meet FTA Commitments

### Chile

The overall objective of U.S. environmental cooperation with Chile was to establish a framework for cooperation to promote the conservation and protection of the environment, the prevention of pollution and degradation of natural resources and ecosystems, and the rational use of natural

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<sup>12</sup>OSINFOR includes seven regional offices. It was created by law in 2008 to verify concessions to strengthen the regulation of the forest sector, according to Peruvian officials.

<sup>13</sup>According to Peruvian officials, following entry into force of the FTA, indigenous people blocked a highway near Bagua for 2 months, demanding the repeal of decrees passed by the government that opened up native territories in the Amazon forest to oil, mining, and logging companies. The decrees were eventually repealed, according to these officials.



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resources in support of sustainable development. According to U.S. and Chilean officials, Chile benefited from cooperation activities, including exchange programs with EPA, Interior, the Park Service and NOAA.<sup>14</sup> For example, in 2010, Chilean officials traveled to the United States to observe how EPA addresses environmental disasters. According to officials from the Ministry of Environment, assistance provided by Interior and EPA in the areas of biodiversity, oversight of protected areas, conservation of endangered species, and implementation of multilateral environmental agreements has been valuable. Chile continues to receive help in meeting FTA commitments. For example, a World Wildlife Fund official described the fund's work with the Chilean government, under a grant from State, to help Chile implement its 2013 fishing and aquaculture law, which aims to protect vulnerable marine ecosystems and bring Chile's practices in line with international standards.

Chilean officials stated that EPA and Interior helped them establish the new Risk Assessment Unit at the Ministry of Environment, focusing on hazardous chemicals and pesticides and their impact on biodiversity. As part of this effort, EPA and Interior hosted Chilean officials in the United States to share best environmental practices for mining, strengthen processes for mine closure, and improve risk assessment and evaluation through workshops and a study tour, according to EPA officials. EPA also provided assistance for managing risk assessment related to working and closed mines. According to Chilean Ministry of Environment officials, in 2014, the Risk Assessment Unit plans to complete a map of contaminated areas and implement the National Environment Risk Assessment Plan that it developed in 2012, with assistance from EPA.

Since 2004, the government of Chile has worked in partnership with NOAA to develop a cooperation program on marine protected areas that includes training. Since 2009, NOAA's National Ocean Service has worked with the National Park Service to establish an interagency cooperation program on marine and terrestrial protected areas with the

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<sup>14</sup>According to Interior officials, its assistance to date has focused on mining regulation and oversight, biodiversity, protected area management, and improved CITES implementation.

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government of Chile.<sup>15</sup> Representatives of Chile's Forest Service we met with in Santiago indicated their agency has had a very good relationships with several national parks, with Interior's National Park Service, and the U.S. Forest Service under "sister park-to-park memorandums of understanding." For example, there is a 5-year agreement with Yosemite National Park and an arrangement with Redwood National Park in California that have enabled Chilean Forest Service officials to make several U.S. visits to observe how to manage wildfires. According to Chilean Environment Ministry officials, in 2009, NOAA, with the support of the National Park Service, organized a Chilean delegation visit to Glacier Bay National Park and Preserve, and 2 years later, the United States and Chile developed the first bilateral marine-related sister park agreement.

CAFTA-DR: El Salvador and  
Guatemala

According to State, the CAFTA-DR parties identified the following four thematic areas for environmental cooperation: (1) institutional strengthening; (2) biodiversity and conservation; (3) market-based conservation; and (4) private sector performance.

Government and NGO officials we met with in El Salvador and Guatemala confirmed cooperation activities with U.S. agencies have helped these countries improve their capacity to meet CAFTA-DR environmental commitments. In addition, according to U.S. officials, State and USAID have supported the operations of the CAFTA-DR Secretariat for Environmental Matters. USAID and other agencies, including Interior, EPA, Justice, and NOAA, supported capacity building activities to help strengthen institutions to improve environmental protection.<sup>16</sup> For example, according to USAID officials, USAID supported the Central American Commission on Environment and Development by providing equipment and software to strengthen information and management

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<sup>15</sup>According to NOAA officials, in January 2013, NOAA, the National Park Service, the Chilean Ministry of Environment, the National Forest Corporation, and the Under-secretariat for Fisheries and Aquaculture entered into an interagency memorandum of understanding that provides a framework for cooperation on marine and terrestrial protected areas. This agreement was possible due to the work that NOAA and the National Park Service developed with Chile with funding from State under the FTA environmental cooperation agreement, according to U.S. and Chilean officials.

<sup>16</sup>According to NOAA, with State and USAID funding, the National Marine Fisheries Service supported projects, including use of turtle excluder devices; development and implementation of fisheries observer programs; and fisheries law enforcement, including establishment of a Fisheries Monitoring and Control Network for countries in the region.

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systems in El Salvador. To support biodiversity and natural resource conservation, Interior helped El Salvador draft and adopt new legislation to achieve CITES category 1 status, indicating that El Salvador's legislation fully implements the CITES agreement, according to Interior officials. These officials stated that Interior supported the creation of the Central American Wildlife Enforcement Network, of which El Salvador and Guatemala are participants. The network brings together government officials across relevant agencies to combat the illegal wildlife trade at national and regional levels. The wide range of activities Interior worked on for the network included arranging technical advice by the U.S. Fish and Wildlife Service and supporting countries in developing studies to update scientific information. According to USAID officials, to improve private sector environmental performance and cleaner production, USAID and the Central American Commission on Environment and Development completed cleaner production assessments in the pig, poultry, and dairy sectors to identify areas for savings by implementation of improved production practices. At one dairy production facility that we visited, USAID and its partner, the World Environment Center, provided assistance that helped decrease the cost of production by reducing inputs. World Environment Center consultants pointed out several instances in which the company was wasting raw materials, energy, and other inputs such as water, and helped the firm streamline operations, according to an official at the facility. (See fig. 2.)

**Figure 2: Dairy Production Facility, San Salvador**



Source: GAO. | GAO-15-161

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According to the Salvadoran Minister of Environment, EPA provided expertise in areas where El Salvador could not have addressed issues alone; for example, by providing assistance for setting standards for lead contamination and equipment, and advice to help set up a national water quality reference laboratory. (See fig. 3.)

**Figure 3: Water Quality Reference Laboratory, San Salvador**



Source: GAO. | GAO-15-161

EPA and Justice participated in discussions with Salvadoran officials in 2008 regarding El Salvador's efforts to establish environmental tribunals and conducted a workshop on environmental adjudication for judges from El Salvador in 2009. The Minister of Environment credited assistance from EPA and Justice with helping the National Police and Attorney General establish environmental units to address violations of environmental laws and regulations. This assistance included attorneys from Justice and EPA giving presentations and providing training in El Salvador, Guatemala, and Costa Rica, according to Justice officials.

According to U.S. and Guatemalan officials, environmental cooperation activities in Guatemala have helped strengthen Guatemalan institutions and capacity to meet environmental standards and enforce its environmental laws. According to U.S. and Guatemalan officials, USAID-supported activities helped the Guatemalan government draft a cleaner

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production policy and encouraged market-based conservation.<sup>17</sup> For example, a related State-sponsored program also supported a number of training activities and has helped introduce cleaner production into the curriculum in universities in the CAFTA-DR countries. At the Guatemalan Cleaner Production Center, an official told us that the project was instrumental in expanding their work with the Ministry of Environment and Natural Resources and private enterprises, and that it had a major impact in both strengthening institutions and helping small- and medium-sized enterprises participate in the cleaner production program that decreased electricity and water use.<sup>18</sup> According to this official, U.S. support helped the center and the Ministry of Environment and Natural Resources decrease the cost of production by reducing the waste of raw materials, energy, water, and other inputs and helped the ministry achieve the following key steps:

- Issuing a National Cleaner Production Policy in 2010—In 2011, Guatemala established a National Cleaner Production Committee to implement the policy.
- Conducting environmental diagnostics by sector—The center is partnering with industry associations to help companies implement recommended improvements.
- Working in rural Guatemala—The center provided training to familiarize 10 small- and medium-sized restaurants and hotels in the Panajachel region with legal requirements for environmental protection and helped them implement cleaner technology.

According to a ministry official, EPA assistance helped Guatemala set up a reference laboratory for testing waste water by providing training, books, manuals, and equipment that enable them to analyze chemical, physical, and microbiological samples. According to this official, the waste water reference laboratory is recognized as one of the best in the region.

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<sup>17</sup>Clean production requires updating practices to reduce water and energy consumption, as well as waste.

<sup>18</sup>The Guatemala Cleaner Production Center is one of 14 national centers operating throughout Central and Latin America. Since 2008, it has been working closely with the Ministry of Environment and Natural Resources and USAID on CAFTA-DR environmental improvement projects. The center functions as a specialist on technical issues as well as a mediator between industry and government in implementing cleaner production requirements.

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According to Guatemalan officials, assistance from Justice and EPA helped improve the capacity of judges and adjudicators to address environmental issues. For example, Justice and EPA officials spoke at two workshops for Guatemalan judges on environmental adjudication that addressed subjects including principles of environmental law; regulations; permits; health and ambient based standards; public participation in environmental decision making; case management by judges. According to these officials, workshops also addressed civil and criminal penalties.

Under a State-funded cooperative agreement (grant), the Humane Society International conducted a number of outreach and public awareness projects centered on biodiversity and endangered species conservation in Guatemala and other CAFTA-DR partner countries, according to State officials. For example, the Humane Society International awarded grants to two NGOs in Guatemala for public outreach campaigns that have reached 195,000 people, including students and farmers. According to a Humane Society International official, getting people from the public and private sectors to recognize the importance of environmental protection and compliance is challenging, but many, including regional government officials, are beginning to value environmental preservation. We visited a wildlife rescue center run by a Humane Society International grant recipient. The grant was used to help maintain the center for endangered species, including construction of a quarantine center for birds and mammals. (See fig. 4.)



**Figure 4: Wildlife Rescue Center, Petén, Guatemala**



Source: GAO. | GAO-15-161

We also visited a USAID-supported community forestry enterprise sawmill, run by a timber industry consortium representing a group of companies that have logging concessions in the protected area. USAID funding to the Rainforest Alliance helped the group improve certification of logging for timber production, according to an executive at the sawmill.

## Peru

The objective of the U.S. environmental cooperation agreement with Peru was to establish a framework for enhancing bilateral and regional environmental cooperation between the parties to protect, improve, and preserve the environment, including the conservation and sustainable use of their natural resources. According to USTR officials, the focus of cooperation activities was on commitments included in the FTA forest

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sector annex and improvement of forest sector governance. Key themes and objectives outlined in the work program include:

- institutional and policy strengthening for effective implementation and enforcement of environmental laws;
- transparency and public participation in environmental decision making and enforcement;
- community and market-based activities; and
- improved environmental performance in the productive sector.

To support these objectives and help Peru build capacity to combat trade associated with illegal logging, enhance forest governance, and promote legal trade in timber products, U.S. agencies supported a variety of cooperation activities. For example, according to officials, Interior provided assistance to help develop the institutional framework for effective management of indigenous territories, as well as sustainable forest, fisheries, and wildlife management. A USAID project helped Peru develop regulations for implementing its new forestry and wildlife law and enhance public participation in environmental decision making. In addition, a representative from an organization representing indigenous communities said that USAID helped his group recognize the threat that subsistence farming by poor indigenous people poses to the forest and identify options that are less damaging. The U.S. Forest Service is also helping Peru build technical capacity for forest management and monitoring, and improve institutional capacity for forest administration, according to its officials. Forest Service officials said a key activity to help Peru increase effective implementation and enforcement of its environmental laws and multilateral commitments was a project to develop a prototype for an information and control system for forest and wildlife resources. The system tracks timber that originates from the Amazon forest in Peru by creating electronic records of harvested timber that allows officials to monitor the flow of the timber, including CITES-listed species. Forest Service officials also said the prototype is designed to replace a paper-based system, which is subject to fraud and falsification of documents, and allow operators to limit opportunities for illegally harvested timber to enter the chain of custody. The U.S. Forest Service has also helped Peru provide training and outreach to civil society—particularly indigenous communities—in order to solicit comments on the draft regulations and enhance public participation in environmental decision making. In addition, the U.S. Forest Service helped Peru implement an online portal to gather public comment on the



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regulations, and provided training to Peru on management and analysis of public comment. Finally, the U.S. Forest Service supported Peru in developing the methodology, management, dissemination, and legal framework for field-based forest inventory data as well as remote sensing data for improved coordination and management of the Amazon forest, according to officials. (See fig. 5.)

**Figure 5: Pucallpa Checkpoint, Ucayali, Peru**



Source: GAO. | GAO-15-161

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## Partners Continue to Face Environmental Challenges, Including Limited Technical Capacity and Resources for Enforcement of Environmental Laws

### Chile

Chile continues to face environmental challenges, including water contamination due to mining and fish farming, according to U.S. officials. In addition, threats to biodiversity and marine biodiversity are ongoing concerns, according to U.S. and Chilean officials. Officials also identified the challenge of the government's limited technical capacity and resources in the regions to conduct investigations and enforce environmental laws and standards. In January 2013, the United States and Chile approved a work program that established priorities for cooperation activities. These priorities include strengthening

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CAFTA-DR: El Salvador  
and Guatemala

implementation and enforcement of environmental laws and encouraging development of sound environmental practices, according to State.

El Salvador and Guatemala continue to face environmental challenges, including water pollution, deforestation, threats to endangered species, and limited capacity and resources to enforce environmental laws, according to U.S. officials.

According to Salvadoran officials, water quality remains a concern in El Salvador, where only 5 percent of surface water meets water quality standards. Other challenges include toxic waste from abandoned industrial facilities, destruction of forests and habitat for endangered species, air pollution, urban sprawl, solid waste pollution, coastal pollution, and depletion of marine resources, according to officials. U.S. officials cited limited resources and technical capacity at the Ministry of Environment and Natural Resources to enforce environmental laws and regulations as an ongoing challenge. Similarly, Guatemala faces challenges including water pollution, deforestation, and illicit trade of endangered species, according to Guatemalan officials. According to an official from the Environment Ministry, of key concern are water contamination and degradation of the country's watersheds and the impact of climate change. Guatemalan officials stated that limited capacity and resources continue to challenge Guatemala's ability to enforce environmental laws. Guatemalan officials also cited the high turnover in ministries and agencies responsible for environmental protection as a challenge.

Peru

Peru continues to face environmental challenges, including illegal activities on protected lands, illegal logging and mining, and limited resources and enforcement capacity, according to U.S. officials. Deforestation for agricultural production, including production of palm oil and illegal cultivation of coca, was also cited by an industry group and NGOs as a growing threat. They said that while the focus of the implementation of the FTA forest sector annex is on illegal logging of CITES-listed species, deforestation and transformation of the forest into agriculture production, including for illegal production of coca and expanded production of palm oil and coffee cultivation, is a significant threat to conservation of forest resources. Timber officials said that small-scale gold mining in the forest is also contributing to deforestation in the Peruvian Amazon forest. In addition, according to NGO officials, lack of resources and low wages for government officials limit environmental enforcement. An NGO official also noted that cuts in funding for OSINFOR, the agency responsible for auditing forest concessions, has

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led to a drop in inspections and limits training opportunities for regional staff and restricts its ability to enforce sanctions. According to this official, decentralization of authority to regional governments presents strains on resources for environmental protection, because funds have not been allocated to support delegation of functions from the central government to the regions. In addition, NGO officials noted the lack of coordination between the Ministries of Environment and Agriculture. For example, according to an NGO official, the Ministry of Agriculture is allowing the expansion of deforestation for agricultural production, while the Ministry of Environment's mission is to protect the forest from clear-cutting, which removes all trees from a given tract of forest, threatening the area's ecological integrity.

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## Partners Are Establishing Secretariats to Process Submissions Regarding Environmental Issues

### CAFTA-DR Secretariat for Environmental Matters Is Functioning

Representatives from the United States and other CAFTA-DR countries have established a Secretariat for Environmental Matters. The United States is also working with Peru, Panama, and Colombia to establish similar institutions. The secretariat provides a means for members of the public to submit allegations that the country is failing to enforce its environmental laws and, by investigating and publishing the findings, can bring pressure on the FTA countries to increase enforcement.

According to CAFTA-DR Secretariat officials, the Secretariat for Environmental Matters began operating in 2007, and is staffed by three attorneys and other experts.<sup>19</sup> The secretariat provided data showing that it received submissions, conducted investigations regarding those submissions, and published the results in the form of factual records.<sup>20</sup>

CAFTA-DR partners agreed on official procedures for the secretariat's work that, among other things, provide that the secretariat may consider the submission if it meets certain criteria, including:

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<sup>19</sup>The CAFTA-DR environmental chapter established the environmental submissions mechanism, which allows persons of CAFTA-DR countries to file submissions claiming that a party to the agreement is failing to effectively enforce its environmental laws.

<sup>20</sup>A factual record is a report based on the facts of the investigation, which is publically available after publication.

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- be written in English or Spanish,
  - clearly identify the person making the submission,
  - appear to be aimed at promoting enforcement rather than at “harassing” industry,
  - be filed by a person of a CAFTA-DR partner country.

Once the secretariat determines that the submission meets certain specified criteria, it determines whether the submission merits requesting a response from the government in question. If so, the government has 45 days to respond, unless there are exceptional circumstances. In its response, the government in question must inform the secretariat whether, among other things, the issue is the subject of a pending judicial or administrative proceeding. In general, secretariat officials compare the response from the government with the assertions in the submission, and decide whether to look further into the matter, according to secretariat officials. The secretariat can determine that the submission warrants a factual record and inform the Environmental Affairs Council of its determination.<sup>21</sup> The secretariat then prepares the factual record if the council, by a vote, instructs it to do so. Only one party’s vote is required, and so far all votes to proceed with a factual record have come from the United States, according to secretariat and State officials. To date, according to USTR officials, all final factual records have been made public.

The secretariat has received 29 submissions since its inception. Of these, 24 were either suspended or withdrawn. This includes submissions that were suspended because (1) the parties voted not to proceed with the secretariat’s recommendation to draft a factual record or (2) there were pending judicial or administrative procedures to address the concerns of the submission, according to secretariat officials. To date, the secretariat has recommended that 5 submissions proceed to factual records. Ultimately, the secretariat prepared and published three factual records. (See table 1.)<sup>22</sup>

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<sup>21</sup>The Environmental Affairs Council consists of representatives from each FTA country and is charged with overseeing the operation of the CAFTA-DR environmental chapter.

<sup>22</sup>One active submission is pending a party response, according to secretariat officials.

**Table 1: Status of Dominican Republic–Central America–United States Free Trade Agreement (CAFTA-DR) Secretariat Submissions Received from 2007 to 2014**

Suspended and/or withdrawn submissions	24
Active submissions	2
Published factual records	3
<b>Total submissions</b>	<b>29</b>

Source: CAFTA-DR Secretariat for Environmental Matters. | GAO-15-161

Note: The secretariat recommended 5 of 29 submissions for the preparation of draft factual records; however, the council has voted for the publication of 3 of 29 submissions.

According to USTR officials, the Environmental Affairs Council considers the final factual record in light of the environmental chapter and the associated Environmental Cooperation Agreement and, as appropriate, may make recommendations to the Environmental Cooperation Commission related to matters addressed in the factual record (such as recommending that environmental cooperation projects be designed and funded) to enhance the party's mechanisms for monitoring its environmental enforcement. During the April 2014 CAFTA-DR Environmental Affairs Council meeting, for example, the council discussed a factual record about environmental licensing in Honduras, noted areas for expanded environmental cooperation, and heard from Honduras about actions it is taking to improve enforcement.

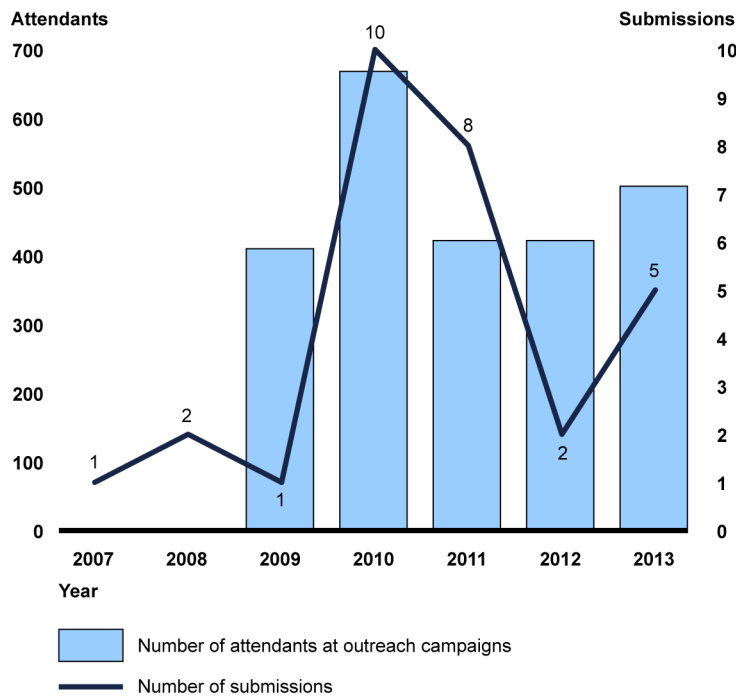
Some CAFTA-DR governments have addressed some environmental concerns as a result of submissions and factual records publication, according to U.S., host government, secretariat, and NGO officials. For example, the Dominican Republic responded to a factual record regarding sea turtles and addressed the issue by instituting seizures and fines that, according to the secretariat, NGO, and government representatives, resulted in a significant reduction in the sale of products made from sea turtles as well as the number of places that trade them.

#### The Number of Submissions to the CAFTA-DR Secretariat Increased Following Its Public Participation Outreach Campaign

The number of submissions to the CAFTA-DR Secretariat increased following an outreach campaign to increase public awareness, according to secretariat officials. The secretariat translated into multiple indigenous languages literature and other information about the FTA, functions of the secretariat, and criteria for drafting and turning in submissions, according to secretariat documents. The secretariat has conducted 39 of 77 planned outreach efforts in El Salvador and Guatemala thus far, but officials stated that they will be focusing their efforts in additional CAFTA-DR countries.

According to secretariat data, the number of submissions the secretariat received in 1 year peaked at 10 in 2010, when it conducted its most extensive outreach efforts. Prior to 2010, the secretariat received a total of 4 submissions and, from 2010 on, received an average of 6 per year. Similarly, the number of people that the secretariat reported to have attended outreach events totaled roughly 2,500 from 2007 through 2013, and peaked at almost 700 in 2010. (See fig.6.)

**Figure 6: Numbers of People Attending Outreach Campaign Events and Numbers of Submissions Received, 2007 to 2013**



Source: CAFTA-DR Secretariat. | GAO-15-161

The CAFTA-DR Secretariat created a strategy that was specific to the country for the citizen outreach campaigns, according to officials. For example, the secretariat engaged human rights organizations and NGOs in El Salvador and Guatemala to assist with outreach campaigns, according to officials. According to secretariat officials, while the secretariat has raised awareness through its outreach, it cannot provide direct assistance to persons drafting submissions, in order to preserve independence and avoid giving the appearance of supporting a particular submission.

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## Negotiations to Establish the Peru Secretariat Have Taken Longer than Anticipated

The United States, Peru, and the Organization of American States continued to negotiate the establishment of the Peru Secretariat for Submissions on Environmental Matters as of July 2014, more than 5 years after the FTA entered into force. The FTA commits the United States and Peru to establish a secretariat to receive submissions about a party's effective enforcement of environmental laws. In 2010, the Environmental Cooperation Commission agreed to an Environment Cooperation Work Program for 2011-2014, which listed establishing a secretariat to receive submissions on environmental matters as an objective.<sup>23</sup>

According to USTR and State officials, the negotiations have included a number of complex issues, such as the structure of the secretariat's substantive functions and financial issues arising from the secretariat's operations. As of June 2014, USTR and State officials informed us that the United States and Peru had concluded negotiations on a bilateral Secretariat Agreement and on three Environmental Affairs Council decisions pertaining to issues such as staffing. USTR also indicated that the United States, Peru, and the Organization of American States agreed to the final terms of an agreement. According to USTR and State officials, final documents are all expected to be signed by the parties and approved by the council before the end of 2014.

In the absence of an operational Secretariat for Submissions on Environmental Enforcement Matters, the United States and Peru established an interim procedure to receive environmental submissions from the public, consistent with the FTA. According to these procedures, both governments shall provide written responses to submissions addressed to them, and shall make such submissions and responses publicly available in a "timely and accessible manner." In June and July 2013, USTR received submissions—in the form of two letters—from an environmental organization based in Lima expressing concerns over palm oil cultivation in Peru to the detriment of Peru's forests and wildlife.

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<sup>23</sup> The United States and Peru established an Environmental Cooperation Commission, pursuant to the Environmental Cooperation Agreement signed on July 26, 2006. The commission is responsible for defining a work program that establishes specific goals and objectives and areas for cooperation that reflect national priorities for each party, among other responsibilities, which included establishing a secretariat as far back as 2010.

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On July 31, 2013, in its response to the organization, USTR indicated that United States officials had been in touch with their governmental counterparts in Peru and would consider raising the matter with Peru at the Environmental Affairs Council. USTR also referred the representative from the environmental organization to a June 2013 joint communiqué that highlighted the interim procedure for submissions, and recommended that the environmental organization engage with the Peru Ministry of Trade. The organization sent updates to the June and July letters, and USTR officials told us that they met with representatives from the environmental organization on two occasions after providing the July response, in November 2013 and March 2014.

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## U.S. Resources for Cooperation Activities Have Declined Since Fiscal Year 2009

U.S. funding resources for FTA-related cooperation activities have declined since fiscal year 2009, because of a decline in CAFTA-DR funding and shifting budget priorities. In fiscal year 2013, funding for cooperation activities to countries under CAFTA-DR was 18 percent of its fiscal year 2009 level, while funding under the Peru FTA was 41 percent of its fiscal year 2009 level. In general, funding levels for cooperation activities have varied for partner countries under FTAs for fiscal years 2004 through 2013. For example, cooperation activities in Peru and CAFTA-DR partner countries received over 90 percent of the almost \$151 million of funding for cooperation activities from fiscal years 2004 through 2013. More specifically, countries under CAFTA-DR received over \$87 million in funding for cooperation activities from fiscal years 2004 through 2013, and Peru received nearly \$49 million from fiscal years 2009 through 2013.<sup>24</sup> Cooperation activities in Chile received over \$4 million in funding since fiscal year 2009, as well. Funding for environmental cooperation to other FTA countries—including Morocco, Oman, Panama, and Jordan—totaled almost \$10 million from fiscal years 2004 through 2013. (See fig. 7.)

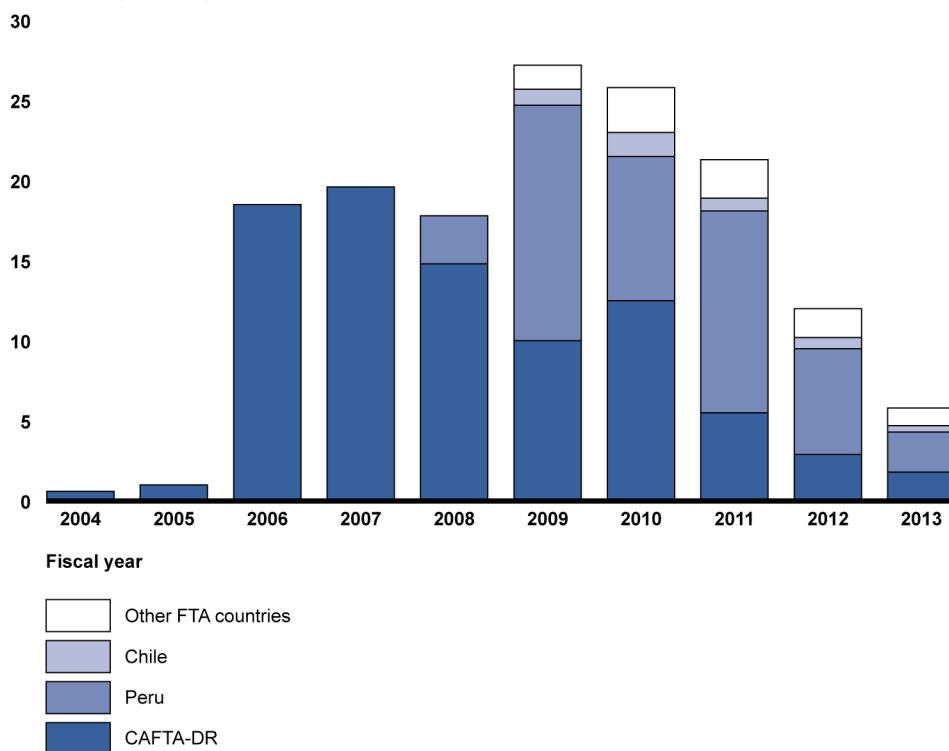
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<sup>24</sup>According to USAID, total FTA funding for Peru was about \$59 million through fiscal year 2013, of which, according to our analysis, about \$49 million was provided for FTA environmental activities.



**Figure 7: U.S. Funding for Cooperation Activities for Free Trade Agreement (FTA) Partner Countries for Fiscal Years 2004 through 2013**

U.S. dollars (in millions)



Source: Department of State. | GAO-15-161

Note: "Other FTA countries" are Morocco, Oman, Panama, and Jordan.

State and USAID provide funds for cooperation activities, spelled out in the environmental cooperation agreement work plans between the United States and an FTA country in order to achieve specific long-term goals. For example, the CAFTA-DR environmental cooperation program has structured cooperation activities under the following five objectives: (1) institutional strengthening for effective implementation and enforcement of environmental laws; (2) multilateral environmental agreements, biodiversity, and conservation; (3) market-based conservation; (4) improved private sector environmental performance; and (5) implementation of specific CAFTA-DR commitments. For CAFTA-DR, State and USAID provided the largest share of funding (45 percent) for strengthening environment-related legal institutions. For the Peru FTA, USAID provided nearly all of the \$49 million funding to support forest

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conservation activities, of which 51 percent was used to implement activities through a contractor and 49 percent through the U.S. Forest Service.<sup>25</sup> For the Chile FTA, State provided the largest portion of funding (35 percent) for development of environmental practices and technologies.

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## State and USTR Improved Monitoring, but USTR's Process Lacks Key Elements

Since 2009, State has improved its management and monitoring of U.S.-funded FTA cooperation activities, by working with the Organization of American States and a private firm that specializes in monitoring and evaluation. According to USTR officials, a focus of its efforts to monitor compliance and implementation of environmental commitments has been on the Peru FTA and its Annex for Forest Sector Governance. In terms of the remaining 19 FTA partners, USTR has taken initial steps to improve monitoring FTA partner country compliance with environmental commitments—such as developing a monitoring plan. However, its monitoring plan lacks key elements, such as indicators and time frames, to effectively track progress and partner countries' compliance with their FTA commitments. Internal control standards require establishing and reviewing performance measures and indicators and conducting ongoing monitoring to assess the quality of performance over time.

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## State Improved Monitoring of United States-Funded FTA Cooperation Activities

Since our 2009 report, State has improved its monitoring and reporting of the results from environmental cooperation activities. In 2009, we found that State lacked mechanisms that would allow it to assess the effectiveness or efficiency of cooperation activities, among other things. Since then, State has funded contracts with the Organization of American States and a private firm to improve monitoring and evaluation, and reporting of cooperation activities in CAFTA-DR countries, and bilateral FTA partner countries such as Chile, Morocco, and Oman, according to State officials. USAID manages and funds cooperative efforts related to improving Peru's forest sector governance and therefore is responsible for monitoring activities in the Peru Forest Sector Initiative, according to

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<sup>25</sup>State provided \$600,000 for environmental cooperation through Development Assistance funds.

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State and USAID officials. State officials told us that USAID program managers in Peru provide them with quarterly reports.<sup>26</sup>

Since 2009, the Organization of American States has published four reports on monitoring and evaluation of cooperation activities in CAFTA-DR countries. Implementing agencies that provide assistance to the FTA countries, such as Interior, provide data and information on the results of the cooperation activities, according to Organization of American States officials. These officials then analyze the information and publish a public report, on behalf of State, on the extent to which the cooperation activities are achieving the broader objectives of the environmental cooperation agreement. Organization of American States officials added that, initially, implementing agencies did not align their performance indicators with the objectives of the environmental cooperation agreement. As a result, sometimes the activities did not reflect the needs of the partner country, and it was difficult to measure progress that resulted from the activities. According to Organization of American States officials, they conducted workshops for officials in the implementing agencies on developing indicators that focused on results of the cooperation activities. In addition, these officials assisted implementing agencies by providing them with the performance management framework that the Organization of American States created to guide the efforts of the implementing agencies, which reduced the amount of duplicative activities implementing agencies conducted with partner countries in the region, according to Organization of American State officials. In addition, Organization of American State officials developed a reporting template and distributed the template to implementing agencies to streamline data collection from the implementing agencies. This addressed a problem identified in the Organization of American States' first evaluation report of cooperation activities—that aggregating information to assess the extent to which cooperation activities achieved results was difficult because of the lack of a standardized reporting format. In addition, Organization of American States officials worked with officials from the partner countries to get them to agree on broad environmental principles and priorities and have them develop a vision of what environmental improvements they wanted to achieve. Next, the Organization of American States officials linked

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<sup>26</sup>According to State officials, USAID issues quarterly reports for the USAID/U.S. Forest Service Peru Forest Sector Initiative. In addition to the quarterly reports, officials at State conduct regular conference calls with USAID and U.S. embassy officials on the status of cooperation activities in Peru, according to State and U.S. embassy officials in Lima.

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specific projects to those broad goals of the partner countries and the environmental cooperation agreement, according to Organization of American States officials.

Similarly, since 2010, State has contracted with a private sector firm to monitor and evaluate cooperation activities in Chile, Morocco, and Oman. According to a representative of the firm, these efforts included:

- Developing indicators that measured the results of the cooperation activities, rather than measuring the amount and types of activities conducted.
- Conducting workshops with officials from implementing agencies to assist them with developing indicators suited to measuring the impact of their activities. In these workshops, representatives from the private sector firm also provided training to officials from implementing agencies on ways to harmonize indicators to streamline the reporting. This included developing harmonized indicators based on State's standard foreign assistance indicators, known as F-indicators.<sup>27</sup> For State and some implementing agencies, using the F-indicators as a basis to develop additional indicators for measuring outcomes of the cooperation activities was important, because State and other agencies are required to report on them separately.
- Assisting implementing agencies with developing a reporting template, using the harmonized indicators, to streamline the data collection process. According to implementing agencies, the reporting template has simplified processes, giving them a more defined scope when developing cooperation activities, and has enabled them to report with targeted, specific indicators and outcomes.

In addition, State has created formal and informal mechanisms to share information with stakeholders involved with conducting cooperation activities and officials in the partner countries. For example, State established a website to provide information to stakeholders involved in implementing cooperation activities in CAFTA-DR countries. In addition, State has instituted quarterly conference calls between agencies

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<sup>27</sup> State and USAID, drawing on technical expertise within both agencies and from within the development and security communities, have jointly developed standard indicators to measure what is being accomplished with foreign assistance.

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managing projects in the region to support coordination and avoid duplication of efforts.

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### USTR Has Pledged More Robust Enforcement and Uses Bilateral Meetings with FTA Partner Countries as a Mechanism for Monitoring Implementation

USTR has pledged to vigorously monitor and enforce trade agreements, and included specific goals related to implementation of FTAs and FTA environmental provisions in its recent strategic and performance plans. USTR's 2014-17 Strategic Plan states that USTR will establish and lead a robust interagency program for monitoring implementation of FTA labor and environment obligations across all FTA partners. It also states that USTR will promptly analyze issues identified through monitoring and develop appropriate strategies to resolve them. In addition, its 2015 Performance Budget sets a performance goal to monitor implementation of each of the FTAs to ensure full compliance with all FTA and related commitments.

The Government Performance and Results Act Modernization Act of 2010 sets several requirements for performance plans, including that they provide a basis for comparing results.<sup>28</sup> For example, performance plans should include a basis for comparing actual program results with the established performance goals and a description of how the goals are to be achieved, including defined milestones.<sup>29</sup>

USTR uses bilateral meetings of the Environmental Affairs Councils as one mechanism for monitoring implementation of FTA commitments with FTA partner countries, according to USTR officials.<sup>30</sup> They further stated that most FTAs in our review require the United States and FTA partner countries to establish a council composed of senior officials of the United States and partner countries, and convene them annually unless the United States or the FTA partner country agree on an alternative date. The councils have generally convened every 10 to 14 months for all

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<sup>28</sup>For the GPRA Modernization Act, see P.L. 11-352. For performance plan requirements, see 31 U.S.C. § 1115(b). For further information see: [http://www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government/issue\\_summary](http://www.gao.gov/key_issues/managing_for_results_in_government/issue_summary).

<sup>29</sup>For milestones, see 31 U.S.C. § 1115(b)(5)(B) and 1115(b) (7). For further information see: [http://www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government/issue\\_summary](http://www.gao.gov/key_issues/managing_for_results_in_government/issue_summary).

<sup>30</sup>Some FTAs provide for establishment of a body under a different name; such bodies function in the same manner as an Environmental Affairs Council.

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agreements. In some instances, officials from USTR meet with officials from FTA partner countries several times within a year, according to USTR officials. For example, USTR officials told us that they have met—either through the council, or informally—with cabinet-level officials from CAFTA-DR countries to discuss implementation and environmental challenges, and to coordinate activities by country, or regionally. Most FTAs in our review also require that the councils host a public session, unless the United States and the FTA partner agree otherwise. USTR officials stated that the public sessions provide an opportunity for citizens and groups to introduce environmental issues to USTR and the FTA partner country, and raise implementation issues; these issues can become part of ongoing discussions or future council meetings.

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### Much of USTR's Monitoring Efforts Have Focused on the Peru FTA and Its Annex for Forest Sector Governance

USTR officials told us that they have focused much of their efforts to improve FTA monitoring and enforcement since our 2009 report on Peru because of the extensive environmental commitments contained in the Peru FTA and the forest sector annex, and associated work underway to enable Peru's compliance. The officials stated that their efforts were in response to inputs from U.S. environmental stakeholders about what is important, as well as resource limitations.<sup>31</sup> USTR developed several mechanisms for monitoring compliance with, and implementation of, commitments in the environmental chapter and Annex for Forest Sector Governance of the Peru FTA. For example, the Subcommittee on Forest Sector Governance was established under the annex to facilitate cooperation for activities specified in the annex and provide a forum for the United States and Peru to share views and information on any matter arising under the annex. For example, the forest sector annex includes specific commitments, such as the development of a system that will track and verify the chain of custody for wood harvested in Peru's forests, and the supervision and issuance of permits for timber species covered by CITES. The subcommittee has met on several occasions.

USTR formally reviews the progress that Peru and the United States have made in ensuring effective implementation of, and compliance with,

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<sup>31</sup>According to USTR officials, USTR's Environment and Natural Resources Office had six full-time staff as of 2013, consisting of five professional staff and one administrative assistant. USTR does not precisely track hours dedicated to monitoring and implementing FTA environmental commitments; however agency officials provided estimates of staffing resources dedicated to FTA environmental activities.

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Environmental Group  
Petitioned the Timber  
Committee to Request Peru  
to Audit Timber Exporters

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commitments in the environmental chapter of the Peru FTA in the Environmental Affairs Council, according to USTR.<sup>32</sup> The environmental chapter established the Environmental Affairs Council, and states that it should convene at least yearly, unless otherwise determined by the United States and Peru.

Officials in Peru created a matrix that tracks the status of implementation of commitments from the environmental chapter and the annex, and shares this information with the public and with USTR. According to USTR officials, they use information from this matrix to help them oversee how Peru is addressing issues outlined in the forest sector annex of the FTA. In addition, according to these officials, USTR coordinates with State, USAID, and U.S. Forest Service staff in Peru to corroborate the information contained in the matrix. Stakeholders in the environmental and forestry sectors can access the matrix to verify the validity of the information published by the Peruvian government. Stakeholders, including environmental groups, with which GAO met in Peru said that they had taken such opportunities to seek clarification, request more robust steps, and encourage progress. Nevertheless, an NGO official told us that the timetable for action is not precisely defined and that progress is not meeting officials' expectations. Additional information on the lack of time frames is further discussed later in this report.

Following the entry into force of the FTA, the President established the Interagency Committee on Trade in Timber Products from Peru (Timber Committee). The Timber Committee has authority to oversee operation of the agreement's forest sector annex, including requests to the government of Peru to conduct audits of particular exports and producers in Peru and verifications of particular export shipments to determine compliance with Peruvian law, according to U.S. agencies. The Timber Committee is chaired by USTR and composed of senior officials from the Departments of State, Justice, Interior, and Agriculture. Representatives from the Department of Homeland Security and USAID serve as observers.

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<sup>32</sup>It is important to note that where an FTA establishes an environmental affairs council, the council meets annually to review implementation of the chapter. These meetings are co-chaired by USTR and State on the U.S. side and relevant officials of the FTA partner government.

Bilateral Plan Developed to Address Concerns of the Petition, but It Lacks Performance Indicators and Time Frames for Achieving Objectives

In April 2012, an environmental group petitioned USTR to exercise its authority under the Peru FTA Annex on Forest Sector Governance to request Peru to conduct an audit or verification of certain timber shipments, producers, and exporters of big-leaf mahogany and Spanish cedar that it considered to have been illegally harvested and exported to the United States. The environmental group also released an investigative report alleging the systematic export of timber from Peru to the United States it claimed was illegally harvested, transported, and traded.<sup>33</sup>

According to USTR, the Timber Committee investigated the allegations, but declined to exercise its authority under provisions in the forest sector annex to request the government of Peru to conduct audits and verifications of certain exporters, citing a significant decline in reported exports of these species and actions taken by the government of Peru in response to the investigation, among other things. However, in order to address challenges highlighted by the review and contribute to ongoing reform efforts undertaken by Peru, the committee decided to take the following actions:

- seek agreement with Peru on specific actions it will undertake to address challenges Peru faces regarding management of big-leaf mahogany and Spanish cedar;
- target U.S. capacity-building resources to assist Peru to carry out such actions; and
- regularly monitor Peru's progress.

In January 2013, less than 1 month after the Timber Committee issued its decision, USTR staff traveled to Peru and reached agreement on a bilateral plan to address specific challenges in Peru's forestry sector. The bilateral plan covers areas addressed in the forest sector annex, but with greater specificity, reflecting challenges identified by the Timber Committee in its review of the petition. For example, the bilateral plan includes details not included in the forest sector annex, such as expanding Internet connectivity of transportation check points to improve systems to track and verify the chain of custody of timber products. According to the plan, the targeted set of actions includes:

<sup>33</sup>For more information on the specifics of this case, see Environmental Investigation Agency, *The Laundering Machine* (Washington, D.C.: 2012).



- 
- strengthening physical inspections of big-leaf mahogany and Spanish cedar contained in harvesting plans prior to their approval, in accordance with Peru's forest and wildlife laws and regulations;
  - strengthening accurate harvest plan development and implementation by improving capacity of forest sector stakeholders, such as forest engineers, and native communities, among other stakeholders;
  - ensuring timely criminal and administrative proceedings to sanction any party who violates Peru's forestry and wildlife laws;
  - improving systems to track and verify the chain of custody of timber exports of big-leaf mahogany and Spanish cedar; and
  - strengthening the implementation of Peru's National Anti-Corruption Forest and Wildlife Sector Plan.

Federal internal controls standards call for ongoing monitoring. This includes establishing performance indicators and time frames to track performance over time.<sup>34</sup> Although the bilateral plan identifies a targeted set of actions for Peru to undertake to address challenges in its forestry sector, the lack of performance indicators and time frames for completing action precludes USTR from having a clear understanding of the extent to which Peru is meeting its commitments in the bilateral plan. For example, USTR was unable to provide us data on the extent to which Peru has improved the verification of the chain of custody of timber exports. Moreover, an NGO official stated that the stakeholders and the public do not know the extent to which Peru is meeting its commitments because there are no time frames or performance indicators included in the plan.

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<sup>34</sup>See GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1, 1999).

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## USTR Has Taken Steps to Improve Monitoring FTA Partner Country Compliance with Environmental Commitments, but Its Process Lacks Key Elements

USTR has taken some important steps to strengthen monitoring. In 2012, USTR established a subcommittee for monitoring partner countries' compliance with, and implementation of, their FTA commitments.<sup>35</sup> In our 2009 report, we said that USTR lacked plans to enforce, monitor, and report on progress under the FTAs, and recommended that USTR take steps to improve its plans. In April 2013, the subcommittee developed a plan for monitoring partner countries' compliance with commitments across all agreements, according to USTR. More specifically, the goal of the plan is to assist the monitoring subcommittee in identifying any positive or negative developments, and to develop strategies to address any concerns, according to USTR. The monitoring plan consists of four elements: (1) gathering facts from relevant and reliable sources, (2) assessing and evaluating the information obtained, (3) identifying and prioritizing issues, and (4) developing a strategy for addressing priority issues.

USTR began implementing the first element of its monitoring plan—gathering facts from relevant and reliable sources—in 2013, after it requested that U.S. embassies in partner countries provide information, in reporting cables, on the major environmental developments that have occurred in those countries in the past 5 years. USTR officials stated that the subcommittee meetings, held in December 2013 and April 2014, featured an initial assessment of information collected from all FTA partners in the reporting cables prepared in response to USTR's request (step 2). USTR indicated that it has begun to identify issues (step 3) and in some cases begun to take steps to address concerns (step 4), such as by gathering additional information, engaging in discussions with FTA partners, raising issues in meetings of institutional bodies, or working on targeted capacity building.

According to USTR officials, they are executing their monitoring plan on a partner-by-partner basis. For example, USTR indicated that based on information learned through fact gathering, it has raised several issues in recent Environmental Affairs Council meetings with Colombia, Panama, and the CAFTA-DR partner countries, as well as technical discussions with Peru. Further, it is working to develop an updated environmental cooperation work plan with Oman.

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<sup>35</sup>The Subcommittee on Monitoring of Implementation of and Compliance with FTA Environment Chapter Obligations is a subcommittee to the Trade Policy Staff Committee.

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Although USTR's plan for monitoring FTA environmental chapter implementation calls for processes, such as developing strategies and solutions on a partner-by-partner basis, as previously discussed, federal internal control standards call for monitoring that includes establishing indicators and time frames to track performance over time and ensure that the priorities identified as a result of its monitoring processes are promptly resolved.<sup>36</sup> USTR's monitoring process is missing these key elements. USTR officials told us that FTA-related environmental issues do not lend themselves to monitoring in the form of identifying performance indicators or designating a specific completion date for measuring progress. However, as noted above, the Government Performance and Results Act Modernization Act of 2010 requires agencies to provide a means for assessing performance. Although the matrix Peru has developed is useful for tracking the status of steps Peru is supposed to take under its FTA environmental chapter and forest sector annex, use of the matrix does not preclude the internal control criteria requiring performance indicators and time frames. Establishing performance indicators and time frames would improve USTR's ability to monitor progress and ensure that each partner country is meeting its FTA environmental commitments.

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## Conclusions

Chile, El Salvador, Guatemala and Peru continue to face environmental challenges, including limited technical capacity and enforcement resources. Chile has taken significant steps to meet its FTA obligations since 2009, while concerns remain about Peru's capacity to enforce protection of endangered timber species and address emerging deforestation threats to the Amazon. Given the decline in funding for environmental cooperation activities in recent years, it is particularly important that State and other U.S. agencies target resources in ways that will most effectively assist partner countries in addressing continued and emerging environmental challenges. USTR has taken several steps to improve monitoring since we issued our 2009 report, but its plan for monitoring all 20 FTA partner countries' compliance, and the U.S.–Peru bilateral plan to address specific challenges in Peru's forestry sector, lack time frames and performance indicators to assess progress. Notably, USTR is unable to determine the impact of the verification system in Peru and assure stakeholders and the public that Peru is meeting its

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<sup>36</sup>See [GAO/AIMD-00-21.3.1](#).

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commitments in the bilateral action plan. The lack of time frames and indicators also limits USTR's ability to provide accurate information on the extent to which all FTA partners are meeting their environmental commitments. In addition, information on the status of each FTA partner's progress in meeting its environmental commitments will enable USTR to provide guidance on where State and other implementing agencies should best target resources. Improved monitoring would help ensure that expanded trade does not come at the expense of environmental protection.

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## Recommendations for Executive Action

To enhance its ability to monitor partner compliance with FTA environmental commitments and provide timely and useful information to help target assistance where it is most needed, USTR should:

- establish time frames and develop performance indicators to assess the extent to which Peru's actions are meeting the commitments of the U.S.–Peru bilateral action plan to address specific challenges in Peru's forestry sector, and
- work with its interagency monitoring subcommittee to establish time frames and performance indicators to implement its plan for enhanced monitoring of implementation of FTA environmental commitments across all FTA partner countries.

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## Agency Comments and Our Evaluation

We provided a draft of this report to State and USTR, as well as USAID, Interior, the Department of Agriculture's U.S. Forest Service, EPA, the Department of Commerce's NOAA, and Justice for review and comment. We received technical comments from State, USTR, Interior, Justice, and NOAA, which we incorporated, as appropriate. The Department of Agriculture's U.S. Forest Service provided written comments which we have reprinted in appendix II.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, the Secretary of State, the U.S. Trade Representative, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staff has any questions about this report, please contact Kimberly M. Gianopoulos at (202) 512-8612 or [GianopoulosK@gao.gov](mailto:GianopoulosK@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink, reading "Kimberly M. Gianopoulos". The signature is written in a cursive, flowing style.

Kimberly M. Gianopoulos  
Acting Director, International Affairs and Trade

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# Appendix I: Scope and Methodology

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To examine steps selected partner countries have taken with U.S. assistance to implement free trade agreement (FTA) environmental commitments, we analyzed the structure and provisions of the environmental chapters of the 11 FTAs that entered into force from 2003 through 2013 to identify the range of their provisions and the procedures, if any, for the receipt and consideration of public environmental submissions under those FTAs. We also examined in detail the environmental chapters in the Chile FTA, Dominican Republic–Central America–United States Free Trade Agreement (CAFTA-DR), and Peru Trade Promotion Agreement to identify similarities and differences among their key environmental provisions.<sup>1</sup> We interviewed officials from the Office of the United States Trade Representative (USTR), Department of State (State), and United States Agency for International Development (USAID) in Washington, D.C., and State, USAID, and host government and nongovernmental organization (NGO) officials in two CAFTA-DR countries, El Salvador and Guatemala, as well as in Chile and Peru. To discuss illustrative examples of assistance provided by U.S. agencies to help partners meet FTA environmental commitments, we interviewed officials from State, USTR, the Interior Department (Interior), the Environmental Protection agency (EPA), the Department of Justice (Justice), the National Oceanic and Atmospheric Administration (NOAA), and the U.S. Forest Service prior to making field visits to El Salvador, Guatemala, Chile, and Peru, where we interviewed State, USAID, and U.S. Forest Service staff and host government, NGO, and private sector officials.

In addition, in the four countries we visited a number of project sites. For example, in El Salvador we visited the wastewater reference laboratory that EPA helped set up, as well as several private firms that participated in cleaner production activities, including a boutique hotel, a producer of dairy products; and a dairy and pig farm. Among the project sites we visited in Guatemala were the Cleaner Production Center, the ARCAS Wildlife Rescue Center, and a sawmill in the Petén region. In Chile, we met with World Wildlife Fund officials and a group of olive oil producers participating in a clean production program. Finally, we visited a number of project sites in the Ucayali province in Peru. For example, we visited a site where logs are transported from the Amazon region down the river to

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<sup>1</sup>Our analysis was not intended to be interpretive of the environmental provisions' legal texts or to demonstrate or provide evidence regarding the effectiveness of those provisions.

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sawmills for processing. We witnessed a demonstration of USAID's and U.S. Forest Service's prototype of an electronic tracking system. In addition, we met with regional government officials and officials implementing the USAID/ Peru-Bosque project to enhance public participation by helping local groups and indigenous people comment on draft regulations for the new Forestry and Wildlife Law.

To examine selected partner mechanisms to process public environmental submissions, we reviewed the environmental chapters of FTAs, which entered into force from 2003 through 2013, to determine which agreements required the establishment of an independent body, such as a secretariat, to receive and respond to citizen submissions. We interviewed officials at State, USTR, and USAID. In addition, we interviewed officials at the CAFTA-DR Secretariat for Environmental Matters in Guatemala City, Guatemala; and analyzed data obtained from the CAFTA-DR Secretariat to determine the number of citizen submissions it had received, and the number of factual records published since the establishment of the CAFTA-DR Secretariat. To determine the status of negotiations for establishing the Peru Secretariat for Environmental Matters, we interviewed officials from USTR, State, and the Organization of American States; and submitted questions to officials in the government of Peru.

To examine U.S. resources to assist partners in implementing environmental commitments, we collected budget data on funding of FTA environmental activities from State and USAID. To show trends in total funding for environmental activities by FTA, we aggregated funding for each FTA across agencies and plotted total funding over the years in which the FTA was in effect. We depicted total resources for each FTA by adding available funding data across both agencies and years in which the FTA was active. We also used FTA-level budget data to show the allocation of funding across programs. We asked USTR officials for estimates of staff resources dedicated to FTA implementation and monitoring. We assessed the reliability of the data by (1) performing electronic testing for errors in accuracy and completeness and (2) interviewing agency officials knowledgeable about the data sources. We determined that the data were sufficiently reliable for illustrating trends in FTA-related environmental assistance across agencies.

To examine how State monitors FTA environmental cooperation activities and USTR monitors partner compliance with FTA environmental commitments, we interviewed officials at State and USTR and implementing agencies, including EPA, Justice, Interior, USAID, the U.S.

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Forest Service and NOAA. In addition, we interviewed officials from the Organization of American States and Le Groupe-conseil Baastel (Baastel), a private firm, which have assisted State with collecting, analyzing, and reporting the results of nine partner countries under four agreements. Furthermore, we reviewed documentation, such as data collection templates, monitoring reports, and performance management plans from State, the Organization of American States, Baastel, and supporting U.S. agencies, such as EPA and USAID. We interviewed officials at USTR, and reviewed documentation, such as its plan to monitor compliance and implementation. Furthermore, we reviewed cables detailing the status of the environment in partner countries over the past 5 years. USTR requested this information—through State—from U.S. embassies in partner countries, to collect information as part of its plan to monitor progress under the provisions. We interviewed officials at USTR to identify mechanisms that it uses—such as the Interagency Timber Committee—to monitor compliance and implementation of provisions in the environmental chapter of the Peru Trade Promotion Agreement, and its Annex on Forest Sector Governance. Also, we reviewed documentation, such as the environmental chapter of the Peru Trade Promotion Agreement, and its Annex on Forest Sector Governance, the matrix detailing the status of implementing provisions provided to USTR and the public by the government of Peru, and the Joint Communiqué of the Meetings of the Governments of the United States and Peru Regarding Forest Sector Governance.

We conducted this performance audit from May 2013 to November 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



# Appendix II: Comments from the Department of Agriculture's U.S. Forest Service



United States  
Department of  
Agriculture

Forest  
Service

Washington  
Office

1400 Independence Avenue, SW  
Washington, DC 20250

File Code: 1420

Date: SEP 08 2014

Ms. Kimberly M. Gianopoulos  
Acting Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G. Street NW  
Washington, DC 20548

Dear Ms. Gianopoulos:

The Forest Service (FS) appreciates the opportunity to respond to the U.S. Government Accountability Office (GAO) draft report, GAO-14-717, "Free Trade Agreements (FTA): Office of the U.S. Trade Representative Should Continue to Improve Its Monitoring of Environmental Commitments." This draft does not contain recommendations for USDA. The agency has reviewed the draft report and generally agrees with the recommendations.

Thank you again for the opportunity to review your draft report. If you have any questions, please contact Thelma Strong, Chief Financial Officer, at 202-205-0429 or [tstrong@fs.fed.us](mailto:tstrong@fs.fed.us).

Sincerely,

THOMAS L. TIDWELL  
Chief



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# Appendix III: GAO Contacts and Staff Acknowledgments

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## GAO Contact

Kimberly M. Gianopoulos (202) 512-8612 or [GianopoulosK@gao.gov](mailto:GianopoulosK@gao.gov)

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## Staff Acknowledgements

In addition to the contact named above, Kim Frankena, (Assistant Director), Tom Zingale (Analyst-in-Charge), Kyerion Printup and John O'trakoun made key contributions to this report. Sada Aksartova, Juan P. Avila, Karen Deans, David Dornisch, Ernie Jackson, and Oziel Trevino provided additional assistance.

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