Testimony of Ambassador Demetrios Marantis
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Hearing before the Senate Committee on Finance on
The President's 2013 Trade Policy Agenda
March 19, 2013

Chairman Baucus, Ranking Member Hatch, members of the Finance Committee, thank you for the opportunity to testify.

We are now three years into President Obama's National Export Initiative (NEI), and despite many challenges we have faced over this time period, I am pleased to report that increased U.S. exports over the last three years have supported 1.3 million additional American jobs. In fact, in 2012, U.S. exports overcame slackening global demand and a devastating drought in the Midwest to reach record highs in all major sectors: manufacturing exports were up 47 percent; agricultural exports were up 44 percent; and services exports were up 24 percent over 2009 levels.

Through action on President Obama's trade agenda for 2013, together, we will build on this progress and take bold steps that will support greater economic growth and jobs for more Americans. Bipartisan cooperation between Congress and the Administration has been – and will remain – critical to secure additional job-supporting trade opportunities for U.S. farmers, ranchers, businesses, workers, manufacturers, and service providers. In 2013, the Administration will continue to consult closely with Congress on U.S. trade negotiating objectives, and to engage in robust trade enforcement efforts to defend U.S. rights and to hold our trading partners accountable for meeting their commitments.

In 2013, as President Obama announced in his State of the Union address to Congress, we are preparing to begin negotiations with the European Union toward a Transatlantic Trade and Investment Partnership (TTIP) to further strengthen the world's largest trade relationship. We are intensifying negotiations with Trans-Pacific Partnership (TPP) countries to finalize a next-generation, high-standard trade agreement in the world's fastest growing region. We are nearly ready to begin negotiations on an International Services Agreement (ISA) to open up global trade in services, a sector where U.S. providers are highly competitive. At the World Trade Organization (WTO), we are advancing promising pathways for 21st century trade liberalization in trade facilitation and expansion of the Information Technology Agreement. And to facilitate the conclusion, approval, and implementation of market-opening negotiating efforts, we also look forward to beginning our work with you on Trade Promotion Authority.

This year, the Administration will seek to further improve the effectiveness of U.S. trade preference programs by working with you to renew and extend the Generalized System of Preferences (GSP) program in 2013 and the African Growth and Opportunity Act (AGOA) before 2015. And as additional countries still subject to Jackson-Vanik join the WTO, we will work to ensure that U.S. businesses and workers benefit fully from those partners' WTO commitments. To maintain support for hard-working Americans undergoing trade-related transitions, we also look forward to working with you to connect more effectively workers in trade-impacted industries, and other displaced workers and businesses, with employment services in their communities.

Your support for President Obama's tough approach to trade enforcement will help ensure that American entrepreneurs, innovators, creators, workers, farmers, ranchers, manufacturers, and service providers are able to seize all of the job-supporting opportunities available under U.S. trade agreements. In 2013, the Administration will continue to ensure that our trading partners abide by WTO rules – while also monitoring and enforcing obligations in our bilateral, plurilateral, and regional trade agreements – in order to maintain open markets and to uphold key commitments. Where appropriate, we will expand U.S. trade enforcement work in conjunction with fellow WTO Members that share concerns related to trade practices which appear to be inconsistent with WTO rules. That work is now proceeding on issues such as prohibited subsidies, export restraints, burdensome import licensing requirements, and unwarranted sanitary and phytosanitary (SPS) measures.

Since its inception just more than a year ago, the Interagency Trade Enforcement Center (ITEC) already has begun playing a critical role in multiple enforcement actions, including two WTO challenges regarding practices by China and one WTO challenge each regarding practices by Argentina, Indonesia, and India, as well as a number of additional ongoing investigations. ITEC brings together staff from a variety of agencies – including the Departments of Commerce, Agriculture, Justice, Treasury, and State, with a diverse set of language skills and expertise including intellectual property rights, subsidy analysis, economics, agriculture, and animal health science. On a daily basis, ITEC implements a clear cross-government commitment to strong trade enforcement.

It is important to note, however, that that the cuts we are experiencing under the sequester may compromise the Administration's abilities both to enforce U.S. rights under trade agreements and to pursue market-opening negotiations. Under these circumstances, the Office of the U.S. Trade Representative (USTR) may have reduced capacity to initiate new legal disputes, resulting in reduced enforcement of trade agreements. USTR is also currently conducting or preparing to launch three major trade negotiations; budget cuts due to sequestration may significantly hamper these and other efforts to open global markets and support American jobs, by reducing staffing and impeding USTR's ability to engage with trading partners to advance U.S. trade priorities.

And with regard to USTR's resources, I am glad for this timely opportunity to share a strong concern today. In the continuing resolution that is currently moving through Congress, USTR's budget would be cut by an additional $1 million – on top of the $2.6 million sequester. USTR has cut everything from travel to hiring to parking spots to security to save money. A further $1 million hit could undermine USTR's ability to conduct multiple major trade negotiations simultaneously as well as severely compromise enforcement.

The initiatives described in greater detail below comprise the core focus of USTR's work in 2013; the scope and complexity of each of these initiatives serves to underscore the challenges USTR's highly competent and dedicated team of legal and policy experts will face in seeking to achieve these goals during this time of budget constraints.

The Trans-Pacific Partnership is a flagship initiative of President Obama's trade policy. TPP partners are seeking to achieve a high-standard trade agreement that will link dynamic economies throughout the rapidly growing Asia-Pacific region, and to provide a more robust and responsive trade model for the 21st century. TPP negotiators from the United States, Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam are working diligently toward the goal put forward by President Obama and fellow TPP Leaders last November – to strive to complete the negotiations this year. During the 16th round of TPP negotiations concluded last week, TPP negotiators were able to put the talks on an accelerated track toward achieving this goal within the 2013 time frame. At the same time, the United States continues to engage with Japan regarding its interest in the TPP negotiations and has welcomed public expressions of interest by other countries in the region as well. As we consider the entry of additional countries, the Administration will continue to coordinate closely with Congress to ensure that new participants meet the TPP's high standards and address issues of concern.

The Administration is coordinating closely with Congress as we prepare to begin negotiations with the EU toward a Transatlantic Trade and Investment Partnership. Such an agreement would include ambitious reciprocal market opening in goods, services, and investment, and would offer additional opportunities for modernizing trade rules and identifying new means of reducing the non-tariff barriers that now constitute the most significant obstacle to increased transatlantic trade. A successful agreement of this kind could generate new business and employment by expanding trade and investment opportunities in both economies; pioneer rules and disciplines that address challenges to global trade and investment that have grown in importance in recent years; and further strengthen the extraordinarily close strategic partnership between the United States and Europe. We look forward to regular and rigorous consultations with Congress and stakeholders on all elements of the agreement throughout the course of the negotiations.

The United States is the world's largest services trader; last year, U.S. service suppliers combined to achieve a $195 billion services trade surplus based on overall exports worth $635 billion. In 2012, every $1 billion in U.S. services exports supported an estimated 4,000 jobs in America. Service industries employ workers in every congressional district across the United States, and approximately three out of every four workers nationwide. Services support jobs and economic growth in agriculture and manufacturing as well. Although U.S. services exports account for roughly 30 percent of total U.S. exports in the aggregate, that figure becomes roughly 55 percent when services' input to U.S. goods exports are taken into account. Furthermore, a Peterson Institute for International Economics study notes that tradable services are still five times less likely to be exported than manufactured products. To realize the potential for additional services exports to support more American jobs, we need to surmount a range of barriers that lock out, constrain, or disrupt the international supply of services. That is why the Administration notified Congress on January 15, 2013 of our intent to negotiate an International Services Agreement with 20 like-minded trading partners. Since then, we have received substantial additional input from Congress and stakeholders to inform U.S. negotiating objectives, and we will be ready next month to start ISA negotiations in Geneva.

All of these negotiating initiatives have the potential to influence future trade liberalization in the WTO. While trade ministers agreed at the 8th Ministerial Conference that the Doha Round is at an impasse, they also directed that efforts should be made to find new, creative approaches to WTO negotiations and to conclude early results where progress can be made. In preparation for the next Ministerial Conference in Bali at the end of this year we are working with other WTO Members to try to negotiate a package of results in areas such as trade facilitation, agriculture and development that could be a harbinger for a new can-do spirit in Geneva negotiations in the future. We can foresee the possibility that developments in the TPP, TTIP, and ISA could provide ideas and momentum for the WTO's negotiating agenda in years to come.

In parallel with the major trade negotiations described above, the Administration will pursue a number of cross-cutting trade policy initiatives to help U.S. producers export high-quality products Made in America to consumers worldwide.

To support American farmers, ranchers, and workers throughout the U.S. agricultural supply chain, in 2013 the Administration will continue to advocate for market access and science-based international standards for agricultural trade in support of additional exports of products grown and raised in America. We are maintaining close engagement with Korea, Colombia, and Panama, using consultative mechanisms established in our bilateral agreement with each of these trading partners and by other means as necessary, to ensure that all relevant commitments are upheld, including commitments related to agricultural market access and application of science-based SPS standards for U.S. agricultural exports. We are also working with other key trading partners such as Russia and China, using a full range of trade tools, to secure market access and application of science-based SPS standards for U.S. agricultural exports. And we look forward to seeing increased U.S. beef exports to Japan as a result of our January 2013 agreement with Japan regarding trade in this important sector and to making more progress as Japan's risk assessment process continues.

To help U.S. companies, workers, manufacturers, and service providers compete in global markets, the Administration is advancing rules-based international trade that promotes innovation and competition to the benefit of all businesses and consumers worldwide. In the TPP and TTIP negotiations, for example, the United States is seeking new disciplines to address trade distortions and unfair competition associated with the increasing engagement of large, State-owned enterprises in international trade. The Administration is also actively combating "localization barriers to trade" – i.e., measures designed to protect, favor, or stimulate domestic industries, service providers, and/or intellectual property (IP) at the expense of goods, services, or IP from other countries. Localization barriers to trade have increased in the last few years, especially in some of the world's largest and fastest growing markets. The Administration is taking an interagency all-hands-on-deck approach – working with businesses and like-minded countries – to tackle this growing challenge in bilateral, regional, and multilateral fora, and through trade agreements, enforcement, and policy advocacy.

To protect and promote the ability of U.S. investors to deploy capital in support of U.S. exports and economic growth, and to attract job-supporting investment to American shores, the Administration is advancing trade-enhancing investment measures with key trading partners. Building on last year's comprehensive review of the U.S. model bilateral investment treaty (BIT), we are seeking to secure high-standard BITs with trading partners such as China and India, as well as Mauritius. We are also continuing exploratory discussions regarding possible

BITs with partners including Russia, Cambodia, Ghana, Gabon, and the East African Community (EAC) as a region.

To support U.S. innovators, creators, and a wide range of American workers whose jobs are supported by intellectual property, the Administration continues to seek greater market access for IP-intensive U.S. products. At the same time, we seek to protect job-supporting innovation and creativity in a balanced policy that benefits both producers and users of innovative products and services worldwide. We are working to secure full implementation of IP-related commitments in all U.S. trade agreements, particularly our agreements with Korea, Colombia, and Panama, all of which entered into force last year. And we are closely monitoring compliance with IP-related commitments secured in 2012, such as those related to pharmaceutical protection in Israel and U.S. film exports to China, among others.

In the TPP negotiations, we continue to work with TPP partners to advance state-of-the-art, high-standard provisions that will protect and promote the spread of IP-intensive products and services throughout the entire region to the benefit of producers and consumers in all TPP countries. In addition to seeking the kind of high standards familiar from existing agreements, we are exploring the possibility of making new progress on key emerging IP issues, such as trade secrets. Input from diverse stakeholders helped to shape our efforts last year to introduce another proposal that would, for the first time in any U.S. trade agreement, obligate TPP Parties to seek to achieve an appropriate balance in their copyright systems in providing copyright exceptions and limitations for purposes such as criticism, comment, news reporting, teaching, scholarship, and research. In the area of public health, the Administration continues to welcome diverse stakeholder input to shape the development of proposals to promote access to innovative and generic medicines.

As we seek expanded markets for U.S. products, we also continue to defend aggressively millions of American jobs threatened by the wholesale theft of U.S. intellectual property, and we are combating global counterfeiting that endangers the health and safety of consumers everywhere. The "Special 301" process and related "Out-of-Cycle Reviews of Notorious Markets" are key tools in our ongoing monitoring and enforcement efforts to shine a spotlight on and encourage the elimination of trade practices and marketplaces that facilitate and sustain job-stealing piracy and counterfeiting. We look forward to making additional progress this year under action plans, dialogues, and a wide range of other efforts agreed to by key trading partners on a range of IP issues.

The Administration continues to promote mutual accountability and shared ambition in all of our trade relationships with partners around the world. The President's 2013 Trade Agenda provides a short survey of our ongoing efforts to strengthen trade and investment relationships on a both a regional and bilateral basis. For example, as part of the Obama Administration's comprehensive strategy to support progress and development across the Middle East and North Africa (MENA), we are working with regional partners to continue developing the Middle East and North Africa Trade and Investment Partnership (MENA TIP). With Egypt, we recently modified the designation of existing Qualifying Industrial Zones (QIZs) to make all production facilities, present and future, located in these zones potentially eligible to export goods duty-free to the United States.

In sub-Saharan Africa, which contains some of the fastest growing economies in the world, we are intensifying engagement with trading partners to advance key regional trade and investment initiatives. We continue to use the annual AGOA Forum and our TIFAs with 11 bilateral and regional partners, encompassing 37 of the 49 sub-Saharan African countries, to help address some of the policy and capacity issues that challenge U.S. businesses wishing to trade and invest with Africa, and African businesses trying to take advantage of AGOA. With the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda – we are advancing a new U.S.-EAC Trade and Investment Partnership, which seeks to conclude a comprehensive U.S.-EAC trade agreement over time, beginning with an investment treaty, a trade facilitation agreement, continued trade capacity building assistance, and a commercial dialogue. In addition, under a new White House-led strategy, with an initial focus on East Africa, we are aligning additional resources and tools from across the U.S. government to support the EAC's own regional integration efforts and foster greater U.S.-EAC trade and investment.

We continue to deepen trade relationships with our partners in Central America and the Dominican Republic, both bilaterally and through the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), and a revised Trade and Investment Framework Agreement (TIFA) with the Caribbean Community (CARICOM).

Promoting regional economic integration also remains a key objective of the Asia-Pacific Economic Cooperation (APEC) forum. The United States looks forward to working with other APEC economies in 2013 on a range of trade and investment initiatives, including the further facilitation of trade in environmental goods and services; promotion of good regulatory practices; improvement in supply chain performance; initiation of work on elimination of local content requirements; and the implementation of market-driven, non-discriminatory innovation policy.

The complex trade and economic relationship between the United States and China continues to mature and evolve. The United States has welcomed China's growing leadership role at both the regional and multilateral levels. Moving forward, we will seek to enhance cooperation toward common objectives on the basis of our shared responsibility to sustain global economic growth and stability in support of trade-related jobs. Bilateral engagement in 2012 – through the Joint Commission on Commerce and Trade and the Strategic and Economic Dialogue, as well as the Innovation Dialogue and other key working groups and bilateral fora – produced meaningful results on key trade and investment issues, though there is more work to do. In 2013, the Administration will continue to use all available tools – including dialogue, negotiation, and enforcement when appropriate – to expand opportunities for U.S. firms and workers in China's rapidly growing market. For example, we are seeking to advance BIT negotiations with China to secure improved market access, important investor protections, and increased certainty for U.S. investors. We will also engage with China on its domestic reforms to promote a greater reliance on household consumption and to promote movement away from trade-distorting industrial policies that favor state-owned enterprises and national champions. We continue to seek a comprehensive offer from China to join the WTO Government Procurement Agreement at a level commensurate with other Parties' coverage. We are closely monitoring implementation of China's bilateral and WTO commitments to respect and protect U.S. intellectual property, and we are working with China to improve intellectual property protection and enforcement, recognizing that strong rule of law is essential to encourage and support continued innovation. At the same time, we continue to hold China accountable for its other WTO commitments through appropriate enforcement efforts that aim to end discriminatory policies wherever they are discovered in China. Whether it is challenging China's export restrictions on raw materials critical to our traditional and green technology manufacturing industries, calling China on its misuse of trade remedies, or tackling China's reliance on prohibited export subsidies to support its auto and auto parts industries, we will work relentlessly to use WTO dispute settlement to ensure that China lives up to its promises and that our workers and industries have the competitive opportunities they are entitled to under WTO rules.

Major emerging markets such as India, Russia, and Brazil also present significant opportunities to expand job-supporting trade, and therefore remain key areas of focus for U.S. trade policy.

Two-way U.S.-India trade in goods in 1980 was only $2.8 billion; since then, it has skyrocketed to $62.9 billion in 2012. India's impressive economic growth and development will support significantly more U.S. exports and jobs in the future, particularly if India resists adopting trade-restrictive measures and continues to open its market at a level commensurate with its increasing role in global trade. In 2013, the United States will engage with India in a variety of ways to enhance two-way trade and increase opportunities for U.S. investment in and exports to India's large and growing market. To enable U.S. investors to do business with greater certainty and predictability in India, we will continue to pursue negotiations for a high-standard BIT. We will convene the U.S.-India Trade Policy Forum to address concerns and engage with the government of India on a wide range of trade and investment issues, including concerns related to potentially trade-restrictive localization policies and SPS barriers. Through the Trade Policy Forum, the United States and India will also expand previous engagement to cooperate in areas such as manufacturing and innovation, where both countries can strengthen their respective economies in a manner that facilitates bilateral trade and investment.

Two-way U.S.-Brazil trade in goods increased 160 percent from 2000 to 2012, and both U.S. goods exports to and imports from Brazil have more than doubled since 2000. In 2013, the Administration looks forward to the next Agreement on Trade and Economic Cooperation (ATEC) meeting to be hosted by Brazil this year. To complement the Investment Dialogue we established with Brazil last year under the ATEC, we will also engage with Brazil through a new IPR and Innovation Working Group. In addition, the Administration will continue to work with Congress to find a mutually-agreeable solution to the Brazil Cotton dispute in the next farm bill.

The Administration worked closely with Congress last year to establish permanent normal trade relations with Russia, and the WTO Agreement now applies between our two countries. This year, the Administration will seek to strengthen further the U.S.-Russia trade and investment relationship through the WTO, while also continuing bilateral dialogue to address important concerns. We will monitor Russia's implementation of its WTO obligations, including those under the Sanitary and Phytosanitary Agreement, and take action as necessary to ensure U.S. exports are treated consistently with those obligations. And we will work closely with Russia on a bilateral basis to execute its action plan to improve IP rights protection and enforcement, including through the United States-Russia IPR Working Group. At the same time, we will seek to establish with Russia new opportunities for dialogue to explore jointly additional trade-expanding policy initiatives, such as a potential TIFA.

U.S. trade preference programs are intended to provide opportunities for the world's poorest people to climb out of poverty through trade. This principle will guide the Administration's work with Congress this year to renew authorization of the GSP program, which is scheduled to expire on July 31, 2013. The GSP program, initially established in the Trade Act of 1974, helps developing countries to expand their economies by allowing many goods from these countries to be imported to the United States duty free. The GSP program also aids American manufacturing by lowering the cost of imported goods used as inputs in value-added U.S. production. As the Administration consults with Congress on the future of the GSP program, it will examine options that take into account both the needs of the world's poorest countries and the growing competitiveness of many emerging market GSP beneficiaries, as well as the impact of the program on U.S. businesses and consumers. In parallel with our conversations on GSP, the Administration will consult closely with Congress about the future of AGOA, as we seek to extend and ensure a seamless renewal of the program beyond 2015. The Administration will also continue to review beneficiary countries' compliance with the statutory GSP and AGOA eligibility criteria, including through careful monitoring and evaluation of labor, investment, and other conditions in beneficiary countries.

Respect for and protection of labor rights and the environment will remain critical elements of the Obama Administration's comprehensive trade policy moving forward. In 2013, the Administration will actively work with Colombia on continued implementation of the Action Plan Related to Labor Rights, with Guatemala to resolve the pending dispute settlement case, and with Bahrain, Jordan, the Dominican Republic, Honduras and others to address labor issues under our trade agreements. In the TPP negotiations, we will seek to ensure a high standard text that protects worker rights, helps to raise working conditions and standards, and becomes a model for other trade negotiations. We will also continue to seek strong environmental protection commitments in trade negotiations and explore additional opportunities to liberalize trade in environmental goods and services globally. In TPP, for example, we have submitted a comprehensive set of environmental proposals, including innovative elements designed to advance conservation challenges. In APEC, we will work toward implementation of the landmark 2012 commitment to reduce applied tariffs on environmental goods; seek to further address non-tariff barriers in this sector; and work to combat illegal forest products trade and promote trade in legally sourced products. Building on successful work in 2012 with the government of Peru to prevent trade in illegally-harvested forest products, the Administration will also continue to work closely with our trading partners to monitor and enforce all of the environmental obligations contained in U.S. trade agreements.

To develop and advance balanced and responsible U.S. trade policy, the Administration will continue to solicit input from diverse perspectives and pursue enhanced public engagement through a variety of means. In particular, as we seek an ambitious conclusion to TPP negotiations, we will continue to build on our unprecedented direct engagement with stakeholders, including during TPP negotiating rounds. In addition, we will maintain open channels of communication for public feedback on all aspects of the TPP, as well as new or potential future trade agreements. At the same time, the Administration will vigorously defend and work to preserve the integrity of confidential negotiations, because they present the greatest opportunity to achieve agreements that fulfill U.S. trade negotiation objectives – which are directly aimed at supporting jobs for more Americans here at home.

In conclusion, the Administration will continue to work with willing trading partners to seek ambitious, comprehensive, and high-standard trade and investment commitments that will enhance the ability of U.S. workers, farmers, ranchers, and firms to compete here at home and on a level playing field around the world. We will continue to enforce our trade agreements rigorously to bring home their economic benefits, preserve and support additional U.S. jobs, and discourage trade-inhibiting actions that diminish economic growth. We will strengthen trade relationships in every region, partner with developing countries to share the benefits of trade more broadly, and continue to reflect and uphold American values in trade policy.

I thank the Committee for your thoughtful consideration of critical trade issues and continued support for our ambitious agenda. Working together, we can ensure that our trade policy continues to create job-supporting opportunities for all Americans.