

**FINANCE COMMITTEE QUESTIONS FOR THE RECORD**

**United States Senate  
Committee on Finance  
Nominations Hearing  
April 30, 2009**

**Questions from Chairman Baucus**

**Questions for Mr. Marantis**

**Question 1:**

**I have long said that we should move the pending FTAs in the order in which they are ready to move. And I think the Panama FTA is ready to move. The Panama FTA should garner widespread support, and I consider it a litmus test for the Administration's trade agenda. If we can't move the Panama FTA forward, it is difficult to see how we can move more difficult issues on the agenda. As Deputy USTR, can you assure me that you will make the Panama FTA a top priority, and that you will complete the deal and send it to Congress as soon as possible?**

**Answer:** The Panama FTA is a top priority. USTR is working closely with the Government of Panama to address concerns regarding Panama's labor laws and international tax policies. We will decide in consultation with the Congress on the appropriate timing for submitting the Panama FTA to the Congress for approval. The Administration hopes to move the Panama FTA relatively quickly.

**Question 2:**

**Mr. Marantis, you know that I have long called for the United States to engage Asia, bilaterally, regionally, and multilaterally. We need to think big and go after the biggest economic prize. And I think that prize is in Asia. But thinking big may mean you start small. For example, I see the Trans-Pacific Partnership (TPP) agreement as a small agreement with big potential – maybe one day growing to include all of the APEC economies. If confirmed, will you work to continue America's economic engagement in the TPP, APEC, and in other fora that hold promise for America's workers, farmers, and ranchers?**

**Answer:** Active U.S. engagement in the Asia-Pacific region is critical given that region's present and future economic significance. As trade integration deepens in that region, we must act purposefully to be sure that our exporters are well-positioned to compete. If confirmed, I will take a close look at U.S. participation in the TPP, taking into account your advice on how to proceed and the best timeframe for doing so.

With respect to APEC, I believe that APEC needs to remain central to our efforts to strengthen economic integration in the Asia-Pacific region. I understand that the Administration's efforts in this regard are intended to demonstrate a continued strong U.S. commitment and willingness to play a leadership role on trade in the region, and to bolster APEC vis-à-vis other regional groupings that do not include the United States. It is now in the process of putting in place an ambitious agenda for the next few years in APEC to result in significant and concrete achievements between now and the U.S. APEC host year of 2011. If confirmed, I will consult closely with you on this agenda.

**Question 3:**

**Mr. Marantis, there are few policies this Administration can approach as a clean slate. You will face past successes, past failures, past promises, and past frustrations. This is certainly the case with our China policy.**

**Mr. Marantis, if confirmed, what lessons will you bring to this Administration on China policy? What missteps of previous Administrations would you counsel against? What successes would you try to replicate? What lessons from your experience in Congress will you bring to your new position?**

**Answer:** Our relationship with China is enormously complex. On the one hand, China is a critical market for our goods and services, and on the other, the United States has its largest bilateral trade deficit with China and faces a variety of very difficult market access and enforcement problems. The complexity of our relationship means that we have to approach China trade and economic policy with energy and creativity and act on all fronts.

The Administration needs to be as vigilant as possible in addressing the range of enforcement problems we face in China, which include concerns that they are raising unscientific sanitary and phytosanitary barriers, deficiencies in enforcement of U.S. intellectual property rights, market access barriers to U.S. services exports, and the increasing use of regulatory barriers that impede trade. If confirmed, I pledge to use every tool available in U.S. law, in the World Trade Organization, and through bilateral engagement to address enforcement concerns with China.

We also need to address Chinese policies designed to develop national champions and reserve important sectors of the Chinese economy to state-owned enterprises. These policies can negatively impact U.S. producers and workers, not only in the China market but also in the U.S. and third countries.

In addition, another area where we can – and must – do better than previous administrations is working harder with our small and medium sized exporters to help identify export opportunities in China. In the 4 plus years that I worked with small and medium Montana businesses on trade issues, I discovered great interest in exporting to China but frustration in lacking the information and guidance to do so. If confirmed, I hope to work with the Department of Commerce and other government agencies to help our companies overcome these challenges.

**Question 4:**

**Mr. Marantis, you know that I have called for a trade agreement with Korea for a decade. I have done so knowing full well the negotiations would be very tough, but also recognizing huge economic opportunities. We cannot let tough issues blind us to the opportunities in this agreement, nor can we let the opportunities blind us to the tough issues we must resolve. I have long made it clear, for example, that Korea must open its beef market further.**

**If confirmed, will you keep both the opportunities and challenges of the U.S.-Korea FTA in balanced perspective? Will you work equally hard at realizing economic opportunities and resolving differences, and without delay?**

**Answer:** I agree with you that the United States-Korea FTA both presents significant economic opportunities and would strengthen our relationship with a vital strategic ally. However, I also recognize that concerns remain with the Agreement, particularly with respect to autos, and that there is a need for further progress on reopening Korea's market to U.S. beef. I understand that USTR Kirk and his staff are undertaking a thorough review of the FTA and will be consulting extensively with Congress and other stakeholders to understand fully the exact nature of those concerns and how they can be addressed. If confirmed, I will devote considerable efforts to this process, and to consulting closely with our Korean colleagues to effectively address U.S. concerns so that we can be in a position to move forward with the Agreement as soon as practicable.

**Question 5:**

**I support the Colombia FTA. It's good for Montana's wheat and barley exporters, and it's good for U.S. exporters generally. But more must be done to address violence against labor leaders in Colombia and to prosecute those who are responsible for the violence. I have long called for an action plan to address these issues. And I was pleased that the President called for a similar plan in his annual Trade Agenda.**

**Can I count on the administration to develop this action plan in close cooperation with Colombia, key stakeholders, and this Committee? What is the timetable for developing the action plan?**

**Answer:** You can count on the Administration to work with Colombia, key stakeholders and your Committee to identify the further steps that Colombia needs to take on this important issue. The substance of this review will determine the timing of when the plan is ready.

**Question 6:**

**Mr. Marantis, I have long been concerned by the persistence of existing SPS barriers to U.S. agricultural products, and I am increasingly concerned by the proliferation of new SPS barriers as countries seek mechanisms to protect their agricultural markets during this economic downturn. Can you assure me that addressing SPS barriers will be a high priority for you as Deputy USTR? Will you work with your colleagues at USDA and other agencies to develop a strategy for reducing these barriers in the short and long term?**

**Answer:** Sanitary and phytosanitary measures that are not science-based are a key problem for U.S. farm exporters and a high priority at USTR. I have spent several years working to address these issues in my current job. If I am confirmed, I intend to work closely with all of the relevant U.S. authorities including USDA to address these unjustified barriers, including through WTO cases where appropriate.

**Question 7:**

**Mr. Marantis, I have been, and continue to be, a strong supporter of multilateral trade negotiations, including the Doha Round. But I am concerned that the deal on the table does not provide enough new access to emerging country markets. Those markets are the consumers of the future.**

**If the United States is going to make deep concessions by cutting its own tariffs and altering its domestic support programs, it needs to know it will get real market access in return. As Deputy USTR, can you assure me that you will work closely with Congress to develop your strategy for resuming Doha negotiations? And can you assure me that significant, new market access opportunities will remain a top priority?**

**Answer:** If confirmed I will work closely with Congress as the Doha negotiations advance, and will ensure that a key U.S. objective remains to secure significant new market access opportunities through a balanced and ambitious Doha outcome. You have often said that “no deal is better than a bad deal.” I can assure you that the administration will not conclude a Doha deal that does not work for U.S. farmers, ranchers, manufacturers, and service providers.

**Question 8:**

**Our preference programs were established to help developing countries attain sustainable economic growth through trade. This is a worthy goal. But many Members are concerned that our preference programs provide too much assistance to countries that do not need the benefits, and not enough assistance to those that do.**

**We must make sure these programs are assisting those countries that need the most help. And I plan to introduce legislation in the coming months to address these issues. Mr. Marantis, what recommendations do you have to make our preferences work better?**

**Answer:** If confirmed, I would first examine whether the programs are meeting U.S. objectives, including reducing poverty and bringing developing countries, particularly the least-trade active, into the global trading system. Second, I would consider the programs' current and potential impact on U.S. importers and consumers of beneficiary-supplied products, workers/farmers and import-sensitive U.S. industries. Third, I would explore fully the other elements of our preference programs, such as product coverage and operation of the GSP competitive need limitation provisions, which might be modified to ensure that benefits are going to beneficiary countries that need it most. Finally, but not least, I would work closely with this Committee and solicit advice from international and domestic stakeholders to help craft improvements to these programs.

**Question 9:**

**I know that the ROZ proposal is a priority for some members of the Finance Committee. What is USTR's position on ROZ legislation?**

**Answer:** As you know, the President strongly supports ROZs. If confirmed, I look forward to working with you to advance this important legislation.

**Question 10:**

**The LCIA (formerly the London Court of International Arbitration) recently found that Canada breached its obligations under the 2006 U.S. – Canada Softwood Lumber Agreement by failing to properly adjust export volume caps on shipments of softwood lumber from Canada's Eastern provinces. In March, the LCIA ordered Canada to provide the United States CDN \$68.26 million (approximately U.S. \$54.8 million) in compensation for breaching its SLA obligations. Despite the panel's decision, Canada failed to properly compensate the United States, thus forcing the United States to apply 10 percent duties on imports of softwood lumber from Canada's Eastern provinces until full compensation has been realized.**

**The LCIA's decision, and the United States' swift action, shows that our trade agreements can work when properly enforced. Can you assure me that SLA enforcement will be among USTR's top priorities? What steps will you take to enforce the SLA?**

**Answer:** As the decision to impose the 10 percent duties shows, USTR is committed to carefully monitoring and enforcing the SLA. This is a major priority with respect to our relationship with Canada. We will continue monitoring compliance, work with the Canadians where possible, and pursue dispute resolution when necessary.

**Question 11:**

**Senator Grassley, Chairman Rangel, Mr. Camp, and I worked hard to pass an expanded Trade Adjustment Assistance bill earlier this year. Passage of this bill was a good first step toward rebuilding a bipartisan trade consensus, and I intend to build upon that work by introducing customs reauthorization and trade enforcement bills this Congress. But workers, farmers and ranchers need to know and experience more of the benefits of trade expansion. What steps do you think Congress should take to promote the benefits of trade? What steps will you take to do the same?**

**Answer:** In the past four years of working with Montana's small businesses, farmers, and ranchers, I have learned that Congress and the Administration need to do a far better job at helping America's agriculture and manufacturing exporters take advantage of the opportunities our trade agreements provide. USTR plans to work more closely with the Commerce Department on its export promotion programs as well as enhance its outreach programs with external groups, locally elected officials and local business leaders. USTR also plans to improve its website with information of interest and will engage local changers of commerce through outreach and events.

**Question 12:**

**I understand that Japan is trying to develop an attractive and competitive pharmaceutical industry and market that recognizes the value of innovation to provide the world's best medicines to Japanese patients. At the same time, so have raised concerns that the Japanese government practice of "special repricing due to market expansion" may unfairly punish successful products, discriminate against innovative pharmaceutical companies, and discourage the development of new drugs.**

**Answer:** If confirmed, I would work, in coordination with other U.S. government agencies, to urge Japan to refrain from implementing reimbursement policies that hinder the development and introduction of innovative pharmaceutical products.

Such policies may, for example, result in slower or fewer introductions of advanced pharmaceutical products into Japan's market, and also can serve as a disincentive to further research.

## **Questions from Senator Grassley**

### **Question 1:**

**Ambassador Kirk announced last week that he would "immediately" begin to develop an action plan for moving the Colombia trade agreement through Congress. Implementation of the Colombia trade agreement is my number one priority on the trade agenda.**

**Ambassador Kirk also pledged to involve Congress in the development of any benchmarks the Administration will apply in its consideration of implementing the Colombia trade agreement.**

**I intend to hold him to his pledge. Members of the Finance Committee must be fully involved in this process.**

**When can we expect USTR to engage us on this issue?**

**Answer:** The Administration intends to work closely with you and members of the Finance Committee, as well as with Colombia and key stakeholders, to identify the further steps that Colombia needs to take to address the outstanding issues. USTR will seek to engage with you as soon as possible.

### **Question 2 :**

**As you know, Chairman Baucus and I have sent a letter to the President urging him to start engaging South Korea on our pending trade agreement.**

**If you are confirmed, will you immediately get to work on the outstanding issues?**

**If we can resolve our differences on beef and address concerns that have been expressed by some on autos, would you support trying to implement the Korea trade agreement this year?**

**Answer:** The United States -Korea FTA has the potential to provide significant benefits to the United States. However, I also recognize that concerns remain with the Agreement, particularly with respect to autos, and that there is a need for further progress on reopening Korea's market to U.S. beef. I understand that USTR Kirk and his staff are undertaking a thorough review of the FTA and will be consulting extensively with Congress and other stakeholders to understand fully the exact nature of those concerns and how they can be addressed. If confirmed, I will devote considerable efforts to this process, and to consulting closely with our Korean colleagues to effectively address U.S. concerns, so that we can be in a position to move forward with the Agreement as soon as practicable.



**Question 3:**

**I've seen press reports indicating that the Administration does not want to reopen the texts of the Colombia, Panama, and Korea agreements.**

**I was pleased to see these reports. I agree that we should not reopen the agreements' texts.**

**If you are confirmed, will you work to ensure that the texts are not reopened?**

**`Answer:** There are outstanding concerns with the three pending FTAs. It is USTR's first preference to address those concerns outside the text of the agreement but will explore all options in close consultation with you and members of the Committee.

**Question 4:**

**The President's Trade Policy Agenda states that we need to "build on" the labor provisions in our existing trade agreements.**

**I disagree.**

**You were involved in the negotiation of the so-called May 10<sup>th</sup> deal, so you know what a very difficult compromise it was.**

**Any effort to alter the terms of that compromise risks losing the support that led to the compromise in the first place.**

**What is your position on this issue?**

**Answer:** As with other provisions in our trade agreements, experience will tell us if the provisions we worked out in the May 10 agreement work well or need to be amended. The May 10 agreement was a bipartisan agreement and USTR will not seek to build on that foundation without bipartisan support.

**Question 5:**

**I support the negotiation of a Trans-Pacific Partnership Agreement.**

**Do you agree that the United States should participate in those negotiations?**

**If you are confirmed, will you advocate that the United States reengage in the negotiations as soon as possible?**

**Answer:** Active U.S. engagement in the Asia-Pacific region is critical given that region's present and future economic significance. As trade integration deepens in that region, we must act purposefully to be sure that our exporters are well-positioned to compete. If confirmed, I will take a close look at U.S. participation in the Trans-Pacific Partnership, taking into account your advice on how to proceed and the best timeframe for doing so.

**Question 6:**

**As you know, there have been calls to reinstate the "Super 301" provisions of U.S. trade law.**

**In your view, how would the international community respond to such a step?**

**Do you think reinstating Super 301 would be consistent with the spirit of the G-20 standstill agreement?**

**Answer:** The G-20 Declaration of November 2008 provides that countries will refrain from raising new barriers to trade in goods and services for 12 months. I do not see any inconsistency between strong enforcement of our trade agreements and the Declaration. To the contrary, I think it is especially important to fight protectionist measures by enforcing our trade agreement rights in this time of economic difficulties.

That said, I am committed to ensuring full and vigorous enforcement of U.S. rights under our trade agreements and I would be pleased to work with you to ensure that we have all the tools appropriate for enforcement.

**Question 7:**

**(i) If you are confirmed, how would you anticipate splitting the China portfolio with the Treasury and State Departments? Will you insist on USTR's primacy on trade issues involving China?**

**Answer:** Many agencies have important roles to play in the U.S.-China relationship. While the final structure and agenda of the Strategic and Economic Dialogue is still taking shape, it holds the promise of being an important mechanism to advance our cooperation with China on a range of issues. The Joint Commission on Commerce and Trade (JCCT) will remain a core mechanism for addressing bilateral trade and economic issues. In addition, there are a wide number of other bilateral dialogues between the United States and China that are ongoing and can make important contributions. While the development of new mechanisms to engage China may require closer interagency coordination than in the past, this does not indicate that the functional responsibilities for specific policy areas have shifted from one agency to another.

The JCCT, chaired by USTR and Commerce, will remain the primary forum to address trade and commercial issues. To the extent that trade and commercial issues may be addressed in other dialogues, USTR will have a central role in those efforts, and USTR will continue to have primary responsibility for developing, and for coordinating the implementation of, United States international trade policy.

**(ii) I'm troubled by evidence of repeat offenses by the Chinese adopting policies that are inconsistent with their obligations under the World Trade Organization. In November 2007, China agreed to terminate a number of prohibited subsidies. That was in response to a challenge that we filed in the World Trade Organization.**

**A year later, we're back in litigation over Chinese government support of "Famous Brands" that appears to incorporate prohibited export subsidies.**

**At the same time, China has not been particularly helpful in driving the Doha Round trade negotiations to an ambitious conclusion.**

**What can be done to induce more responsible actions by the Chinese as a stakeholder in the World Trade Organization?**

**Answer:** If confirmed, one of my highest priorities at USTR would be to do everything I can to try to ensure that China complies with the obligations that it took on when it joined the WTO in December 2001. This effort will require continued vigilance, supported by sustained and vigorous bilateral engagement and the use of enforcement tools, such as WTO dispute settlement, where appropriate. We need to use every opportunity to make clear to the Chinese that adherence to internationally agreed trade rules is critical to a positive, cooperative and comprehensive U.S.-China trade relationship. Sustained effort is required overall -- including closer coordination with our key trading partners -- to ensure China goes much farther down the path toward behavior as a WTO member that reflects its position in the global economy, including in the context of the Doha negotiations, where it needs to show much greater leadership through market-opening contributions that are necessary to ensure a successful completion of the Round.

**(iii) A constituent of mine, Amsted Industries Incorporated, is currently pursuing a Section 337 claim against one of its Chinese competitors. I was concerned to hear about the allegations in the case and I want to ensure that Amsted is able to take advantage of all possible options under U.S. trade law and our international agreements to address the matter.**

**Can you ensure me that, if you are confirmed, USTR will look into Amsted's concerns and determine whether there are any possible avenues under our trade laws and our international agreements (in addition to the action it is currently pursuing under Section 337) for addressing those concerns?**

**Answer:** One of Ambassador Kirk's top priorities is to ensure that our trade relationship with China is fair, sustainable, and mutually beneficial. Working with affected stakeholders to resolve the trade problems they are experiencing is obviously key to achieving this goal. If I am confirmed, I will look into Amsted's concerns and will work closely with U.S. companies such as Amstead to find the most effective ways to address them.

**Question 8:**

**India is a major market for food and agricultural products. Yet many U.S. agricultural exporters have found it difficult to penetrate this market, and the United States currently provides only about 5 percent of India's current food imports.**

**This low figure appears to be due, at least in part, to high tariffs as well as non-tariff barriers that U.S. exporters encounter when trying to sell their products in the Indian market. What will you do to further open the Indian market to imports of U.S. agricultural products?**

**Answer:** I share your concern about this situation, and if confirmed I will do everything I can to address trade barriers and increase access to India's market for U.S. agricultural products. The results of the Section 332 study that you and Senator Baucus requested the International Trade Commission to produce will help determine the most effective way to penetrate India's market.

**Question 9:**

**U.S. produced beef and pork encounter significant non-tariff barriers in Asian markets. Countries such as China, Japan, South Korea, and Taiwan, continue to impose restrictions on imports of U.S. beef citing concerns about BSE.**

**Yet the World Organization for Animal Health recognizes that U.S. beef from cattle of all ages, both boneless and bone-in, can be traded safely.**

**In addition, China and Taiwan impose non-science based restrictions on imports of U.S. pork due to alleged concerns about a veterinary drug that is commonly used in the United States.**

**Some countries in Asia are now using recent flu detections in humans in the United States as an excuse to impose new barriers on imports of U.S. pork.**

**But according to the World Organization for Animal Health, this virus is transmitted through human-to-human contact—it is not transmissible by food, and has not been detected in pigs.**

**What will you do to see that countries in Asian remove their scientifically unfounded restrictions on imports of U.S. beef and pork?**

**Answer:** This Administration is committed to ensuring strong enforcement of existing trade rules. Having spent the past few years working to press our trading partners to dismantle unscientific barriers to our agriculture exports, I understand the importance of exports to the U.S. beef sector, and if confirmed, I can assure you that I will work closely with Ambassador Kirk, USDA and other agencies to engage with Japan, China and Taiwan as well as other trading partners to normalize our trade in beef in these important markets. If confirmed, I will also work to normalize our trade in beef and beef products to Korea. Since the Korean market reopened to U.S. beef in June 2008, U.S. suppliers have sold \$343 million worth of U.S. beef and beef products through this February, restoring Korea as the United States' third largest export market for beef and beef products.

In the case of barriers to U.S. pork, sanitary measures that are not science-based, including bans on the use of a veterinary drug that is commonly used in the United States, are a key problem for U.S. exporters. If confirmed, I will assist Ambassador Kirk in taking appropriate actions, including WTO cases where appropriate, in order to address barriers for U.S. pork and other agricultural producers.

Ambassador Kirk and USTR staff are also working to contact trade ministers in a number of countries which have taken non-science-based actions against U.S. pork due to concerns about the H1N1 human flu outbreak, urging them to comply with their international obligations and lift these non-science based bans. It is my intention to work closely with Ambassador Kirk, if I am confirmed, to remove any additional restrictions.

**Question 10:**

**As you know, Congress is considering whether to enact a cap and trade system to address carbon emissions.**

**Do you agree that any effort to limit such emissions must include the advanced developing countries, such as China and India?**

**What should we do if China and India refuse to participate in these efforts?**

**Answer:** It's critical to get countries like India and China to take strong action to limit emissions, including through a global climate change agreement, and I understand that USTR is working closely with the State Department and other agencies in pursuing this objective.

If confirmed, I will work with Congress and other agencies on developing options to address various concerns, such as the potential for carbon leakage. I would additionally want to ensure that any system that we put in place here to address climate change mitigation is consistent with our international obligations.

**Question 11:**

**The Japanese government-owned company “Japan Post Insurance” is seeking approval to introduce a new product into the Japanese insurance market.**

**I raised this issue in the context of Ambassador Kirk’s confirmation, and he pledged that USTR will press Japan in all appropriate fora to provide fair treatment to U.S. insurance companies.**

**What is the current status of this issue?**

**Answer:** Ambassador Kirk and other USTR officials have been actively engaged in making clear to Japan our continuing concerns about fair treatment and the need for a level playing field in Japan's insurance sector before new postal insurance products are approved that compete with the private sector. USTR has made clear its serious questions as to whether a level playing field exists and that the U.S. Government looks to Japan to live up to its international obligations in this matter.

**Question 12:**

**As you know, there is an important difference between the House and Senate bills to establish Reconstruction Opportunity Zones in Afghanistan and the Pakistan border region.**

**The House bill contains labor provisions taken from the Haiti preference program.**

**I do not support the use of the Haiti labor provisions as a template for other preference programs, including this one.**

**What is your view of the ROZ concept?**

**Answer:** The President strongly supports the creation of ROZs. There are many views on the details of how ROZs would operate; I look forward to working with you and your colleagues on the ROZ legislation to find an approach that will achieve our shared goals for this program.

**Question 13:**

**Do you support including Vietnam in the Tran-Pacific Partnership negotiations?**

**The decision to designate a country as eligible to receive benefits under the Generalized System of Preferences lies with the Administration. Do you believe that Vietnam meets the criteria to be designated as a beneficiary country under GSP?**

**Do you have other ideas for further developing our trading relationship with Vietnam?**

**Answer:** Vietnam has indicated its interest in participation in the Trans-Pacific Partnership (TPP) negotiations. I understand that the TPP members have responded positively to this interest because of the seriousness with which Vietnam has implemented its commitments in its WTO protocol of accession. TPP members also believe that Vietnam's participation would encourage other ASEAN countries to join the TPP. If confirmed, I would want to consider this issue in the context of U.S. participation in the TPP and would consult closely with you on this question.

The United States initiated a review of Vietnam's request to become a GSP beneficiary in May 2008. Based on this review, I believe Vietnam will have to take additional actions, including on labor issues, to comply with the statutory eligibility criteria before the Administration would be able to designate it as a beneficiary country under GSP.

If confirmed, I want to consider how best to further develop our relationship with Vietnam in the context of overall U.S. engagement in the Asia Pacific and other issues and concerns unique to Vietnam. U.S. trade with Vietnam has grown significantly since the signing of the Bilateral Trade Agreement in 2001 and Vietnam's membership the WTO in 2007.

The United States signed a Trade and Investment Framework Agreement with Vietnam in 2007 and uses this forum to monitor Vietnam's implementation of its WTO commitments and to consider ways to further build the relationship. The Administration is currently engaged in Bilateral Investment Treaty negotiations with Vietnam, and Vietnam has indicated its interest in participation in the Trans-Pacific Partnership negotiations, which the Administration is considering as well.

**Question 14:**

**(i) The United States currently provides duty-free treatment for certain sensitive products to African least-developed countries, but not to the Asian least-developed countries.**

**Should we extend the benefits afforded to African least-developed countries to Asian least-developed countries?**

**Answer:** This is an important issue that has arisen as we consider whether and how to extend benefits to the least-developed countries (primarily in Asia) that do not currently have access to our more advanced regional trade preference programs like AGOA. I would like to work with you to address this issue, especially as the Finance Committee conducts its planned review of preference programs this year.

**(ii) Is there a way to provide all least-developed countries with similar market access under U.S. preference programs while also being sensitive to the special needs of the sub-Saharan African region?**

**Answer:** If confirmed, I will work closely with Congress, countries from sub-Saharan Africa and other interested groups to ensure that the countries needing the most help receive the benefits of our preference programs.

**(iii) Should our trade preference programs be limited to least-developed countries?**

**Answer:** The largest preference program, the GSP program, and the regional programs (AGOA, Andean, and CBI) extend benefits beyond the least-developed countries. Eliminating preferences for current beneficiaries that are not least-developed countries could adversely affect U.S. businesses that import those products and consumers. In addition, there are many countries where poverty levels are significant but the countries are not LDCs. In Africa, regional economic communities include both developing and least developed countries, and we should be mindful of the impact a change in policy would have on their regional integration goals. I do support close examination of the programs to ensure that the developing countries that need them most are benefiting from the programs and I look forward to working with you on the evaluation of your question.

**(iv) The President's Trade Policy Agenda states that the Administration "will give careful consideration to proposals to concentrate benefits more effectively on the poorest countries."**

**Do you have any ideas for concentrating benefits in this manner?**

**Answer:** I know that USTR staff has ideas that they would like to present to me if I am confirmed and there are a number of suggestions put forward by NGOs, international institutions and think-tanks. I also understand that you have ideas on this subject as well. I do not want to prejudge any of those and, if confirmed, will work with this Congress and solicit input from all stakeholders to identify the best way to make preference programs work.



**Question 15:**

**(i) Should least-developed countries be subject to program eligibility criteria, or should they be exempted from otherwise applicable eligibility criteria?**

**Answer:** I believe the United States should continue to require beneficiaries of preference programs to satisfy the programs' eligibility criteria.

**(ii) Some have criticized our preference program eligibility criteria for being too complex, while others have asserted that the criteria should be expanded to include additional elements.**

**What is your view on reforming eligibility criteria in U.S. preference programs?**

**Answer:** One area I would like to see improved is the coordination of U.S. foreign assistance with the needs of developing countries to meet preference program eligibility criteria and to assist the least-trade active countries benefit more from the programs. A better-funded U.S. assistance program would likely assist countries in satisfying appropriate eligibility criteria. In addition, as the Finance Committee reviews trade preference programs in the coming months, I look forward to working with you to evaluate the programs' eligibility criteria.

**Question 16:**

**(i) Some have cautioned that the textile and apparel sector is not a sustainable growth sector in Africa because of strong competition from Asian nations. Instead, they recommend that African nations invest in sectors that require value-added activities, such as processed foods. What is your view?**

**Answer:** The textile and apparel sector is one that has been an important "gateway" to industrialization for many countries. Though there are various challenges, AGOA has helped Africa to improve its competitiveness in this important sector, to attract considerable investment, and create tens of thousands of jobs. Vertical integration is beginning to occur – including the use of African cotton and fabric for apparel being produced for the U.S. and other markets. We will continue to work with African governments and the private sector to improve African competitiveness – particular in niche apparel and textiles markets. Work in this sector does not, in USTR's view, preclude efforts to enhance investment and value-added activities in other sectors such as processed foods.

**(ii) Long-term investment is critical to economic development in the African region. How can we reform U.S. trade preference programs to spur long-term investment?**

**Answer:** U.S. preference programs such as AGOA are spurring investments in Africa in key sectors such as apparel, agribusiness, and other non-traditional sectors like cut flowers. Many African countries are making the kinds of reforms in their business environment, implementing investment-friendly policies and practices, and thereby attracting more FDI. USTR will continue to work with African nations to advance these types of reforms as well as educate the American business community about investment opportunities in sub-Saharan Africa.

**(iii) If confirmed, what will you do to help developing countries better appreciate the economic benefits associated with liberalizing South-South trade?**

**Answer:** Through regional economic organizations and the establishment of customs unions and free trade areas, intra-African trade is increasing. If confirmed, I will work hard to continue to support regional integration and to help countries realize the economic benefits of increased South-South trade.

**Question 17:**

**(i) Should petroleum continue to receive preferential treatment under the Generalized System of Preferences?**

**Answer:** Petroleum receives duty-free treatment just from least-developed beneficiaries. USTR believes that this treatment should continue, but I would welcome the opportunity to discuss this further with the Committee, if I am confirmed. I understand that there are concerns about corruption and misuse of oil revenues. I also understand that some steps are being taken to address these concerns. A positive development related to petroleum in Africa is the Extractive Transparency Initiative, which encourages oil-rich countries to focus on and improve transparency regarding use of oil revenues and investment in public works including infrastructure, health, and housing.

**(ii) Should we continue to “graduate” super-competitive products imported from advanced developing economies—such as India—from the program?**

**Answer:** Yes, as currently mandated by the GSP statute, USTR supports the continued review of “super-competitive” products as part of the annual GSP reviews.

**(iii) Should we expect more cooperation from advanced developing preference program beneficiaries in multilateral trade negotiations?**

**Answer:** USTR expects to work with all of our trading parties to reach a successful outcome to all multilateral trade negotiations. If confirmed, I look forward to working with you on this issue.

**(iv) Should we consider requiring eligible beneficiaries under our trade preference programs to implement domestic reforms as a condition of enjoying preferential access to our market? If so, what model would you recommend?**

**Answer:** Similar to my answer on eligibility criteria, better-coordinated U.S. assistance program support of preference programs (AGOA, ATPA, CBI, and GSP) would result in more domestic reforms occurring in the beneficiary countries.

**Question 18:**

**(i) As you know, each year this Committee considers an annual renewal of trade sanctions against Burma. What is your view on maintaining trade sanctions against Burma? What steps can we take to achieve better cooperation from China and Thailand in responding to the abuses of the Burmese junta?**

**(ii) Last year, Congress passed the JADE Act, which imposed stricter sanctions against Burma. Will you commit to keeping this Committee updated on the status of its implementation?**

**Answer:** Trade sanctions are an important element in an overall strategy to bring about positive change for the Burmese people. The Administration is currently conducting a comprehensive review of U.S. policy toward Burma. As part of this review, it also will be important to review strategies for outreach to key regional partners, including Thailand and China, in order to strengthen our efforts to maintain and increase international pressure on the Burmese junta.

If confirmed, I will work closely with the Committee and will coordinate with agencies involved in implementation of the JADE Act (and Burmese Freedom and Democracy Act) including State, Treasury, and Homeland Security to keep the Committee updated on the status of implementation.

**Question 19:**

**Some have suggested that we work to provide for cumulation among all our trade agreement partners for rules of origin purposes. What is your view?**

**Answer:** As USTR considers next steps in trade expanding agreements, I look forward to working with you on a range of issues, if I am confirmed. Cumulation is a term that is defined in different ways by different partners. As with any other potential element of our agreements, any consideration of an approach to cumulation will have to be built upon a strong analysis that is particularly focused on costs, benefits, and consistency with WTO commitments.

## **Question from Senator Wyden**

### **Question 1:**

**With the launch of a broader Strategic and Economic Dialogue (SED) with China on geopolitical and economic reforms issues, it is important that commercial issues not get crowded out on the bilateral agenda. The Joint Commission on Commerce and Trade (JCCT) has been effective at resolving many important industry-level commercial concerns and should remain a high-level forum that gets sufficient attention and resources. Can you give assurances that USTR will make commercial diplomacy with China – through the JCCT and other mechanisms – a high priority in addition to trade enforcement and broader economic policy goals?**

**Answer:** While we must seek progress on a wide range of important issues with China, trade and commercial issues will remain a core priority. President Obama made this clear during his meeting with President Hu on the margins of the G20 meeting in London last month. During that meeting, President Obama stated his conviction that the JCCT should continue to serve as a core, high-level mechanism to resolve important bilateral trade issues, and President Hu agreed. Ambassador Kirk has already indicated that one of his top priorities will be ensuring that our trade relationship with China is fair, sustainable, and mutually beneficial. During his first meeting with Chinese Minister of Commerce Chen Deming on April 27, Ambassador Kirk made clear his view that the U.S. and China must work together to ensure that the JCCT is effective in generating concrete outcomes on our priority trade issues. If I am confirmed, I will work to advance U.S. commercial interests on a priority basis, including through the JCCT and other mechanisms.

## **Question from Senator Stabenow**

### **Question 1:**

**In your testimony, you talk about taking lessons learned through your experience with the Committee and previous work experiences and using those lessons to manage existing challenges associated with issues regarding the pending Korea free trade agreement. The auto provisions in the pending agreement are unsatisfactory to the US auto companies that are already struggling and currently restructuring in an effort to survive. How do you propose renegotiating the auto provisions with Korea so that we can have a level playing field without non-tariff barriers that continue to put the autos at a disadvantage?**

**How do you propose to be more helpful and transparent to small businesses in negotiations?**

**Answer:** As Ambassador Kirk said during his confirmation, “successful completion of the U.S.-Korea FTA holds the promise of expanding opportunities for American workers, farmers and businesses.” I share Ambassador Kirk’s belief that the FTA presents both huge economic opportunities and would strengthen our relationship with a vital strategic ally. However, I fully recognize that concerns remain, in particular related to the need to ensure a level playing field for U.S. autos in Korea and the need for further progress on reopening Korea’s market to U.S. beef. I understand that USTR Kirk and his staff are undertaking a thorough review of the FTA and will be consulting extensively with Congress and other stakeholders to understand fully the exact nature of those concerns and how they can be addressed. Ambassador Kirk’s preference is to work to address these concerns without reopening or renegotiating the Agreement. If confirmed, I will devote considerable efforts to this process, and to consulting closely with our Korean colleagues to effectively address U.S. concerns and make sure that this is an Agreement that works for America.

Increased transparency in the trade policy and negotiation process for domestic stakeholders including small business is a priority for USTR under this Administration. We are seeking to increase outreach and opportunities for input by small businesses before and during our negotiations through improvements to our website which will provide timely information on trade topics of interest to small business. To make sure small business fully benefit from the results of those negotiations, we are providing links to government resources at SBA and the Department of Commerce to help small businesses take advantage of trade opportunities and solve market access problems they encounter. Finally, we are reaching out around the country to state and local chambers of commerce on the trade agenda; and appointing more small business advisors in our statutory trade advisory committee system to ensure that the small business perspective is heard in negotiations and enforcement of agreements.

**Question 2:**

**There is consensus from economists that China's currency is undervalued. This undervaluation has caused many small businesses parts suppliers to go out of business and their workers are left without a job. Do you believe that China keeps their currency artificially low to keep their exports competitive? What are your thoughts on dealing with this issue?**

**With the impending near-term expiration of dealer inventory financing, what actions should the Treasury take to address this important issue? Can I get your commitment, that if confirmed, you will work with my colleagues and I, along with the Fed, to fix the program to ensure it addresses the lack of liquidity in the dealer floorplan financing markets?**

**Answer:** Although the Treasury Department has the lead within the Administration on matters relating to other countries' currency practices, USTR recognizes the importance of the issues it raises. In its recent foreign exchange report, the Treasury Department did not identify any country that met the standard. But it also underscored that China's currency remains undervalued. Treasury noted that China has taken positive steps, including reaffirming its commitment to achieving greater exchange rate flexibility. But, as Treasury indicated, there is more that China can and should do.

Speaking more broadly, if confirmed, I will work closely with the Treasury Department and other agencies – as well as you and other Members of Congress - to develop a comprehensive policy to address the full range of China economic and trade issues that affect the United States.

## **Question from Bill Nelson**

### **Question 1:**

**In Florida we have a fairly serious problem with contaminated drywall, imported mostly from China, that causes corrosion in wiring, creating potential fire hazards, and health problems in some individuals. It is my understanding that some companies have already contacted USTR on this issue, though USTR apparently has no regulatory responsibility in this situation.**

**You will be the Deputy U.S. Trade Representative with primary responsibility for Asia and I assume will have regular dealings with the Chinese Government. While most of the faulty drywall found so far has come from a German company with a manufacturing facility in China, we have identified some other problematic drywall that has come from entities directly owned by the Chinese Government. To date, the Chinese Government has made no effort to address this problem or remedy any of the faulty drywall. Can you assure me that you will raise this drywall issue with the Chinese authorities at the earliest opportunity?**

**Answer:** I understand that USTR is one of several federal agencies that have been briefed on this issue related to Chinese drywall imports. Since USTR is not a regulatory agency, it is, as you note, not engaged in assessing the technical situation or the proper regulatory response to this specific situation. However, there is no doubt that our government has the right and responsibility to protect the public from unsafe products. If confirmed, you can be sure I will work closely with CPSC, EPA, and CBP, so that we can effectively protect the public from unsafe imports from all of our trading partners, including China, consistent with international trade rules. As part of that effort, I will take the earliest opportunity, consistent with the regulatory agencies' work, to underscore our concerns with China directly. I think it is very important, and to everyone's benefit, for Chinese authorities to cooperate with CPSC in its investigation of the cause of the problem in order to ensure that this does not happen again.

## **Questions from Senator Robert Menendez**

### **Question 1:**

**For three years, the medical library of the Chinese People's Liberation Army (PLA) has been improperly making copyrighted U.S. medical and scientific journal articles available for online re-sale by a private Chinese company. Last December—together with my colleagues Senator Lautenberg and Senator Schumer--I wrote a letter to the China's ambassador to the United States to call his attention to the actions of this firm, Kangjian Shixun Science and Technology, Ltd., and asking that this infringement be stopped. To date, there has been no response from the Chinese government, and pirated copies of U.S. scientific and medical journal articles made available by the PLA are still available for sale on the company's website. To make matters worse, several copycat companies have now emerged in China and are also re-selling copyrighted U.S. journals for illegal profit.**

**As a result of this increasing commercial piracy, U.S. publishers are losing tens of millions of dollars, and jobs at these companies have been placed at risk. China's Minister of Commerce Chen Deming said just this week that he hoped to achieve "concrete results" at this year's meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT).**

**If confirmed as Deputy U.S. Trade Representative, what actions will USTR take to halt the rampant theft of U.S. copyrighted journals by the Chinese military and its private-sector allies?**

**Answer:** I understand that USTR officials have been working to address this specific issue, and they have been raising the issue with Chinese officials. USTR is presently consulting with the affected U.S. industry about appropriate next steps. If I am confirmed, I will ensure that we use all appropriate avenues to resolve this issue.

**Do you believe such acts of commercial piracy should be addressed through the JCCT mechanism?**

**Answer:** I am concerned that this may not be an isolated case, but may point to a systemic problem with ensuring that State-affiliated libraries in China respect copyrights. I believe that this sort of issue is appropriate for the JCCT mechanism.



**If not, by what other means can acts of commercial piracy be raised with the government of China?**

**Answer:** If confirmed, I will work closely with Congress and industry stakeholders and will continue to devote considerable staff resources to address the many IP challenges that U.S. industries, including the publishing industry, face in China. I will carefully consider the best approach, whether through robust engagement or through trade enforcement actions, to get substantive results from China in responding to these intellectual property challenges.

## **Questions from Senator Bunning**

### **Question 1:**

**Mr. Marantis, before Secretary Geithner was confirmed, he told this Committee that he believed China was engaged in currency manipulation. Yet the Treasury Department's recent Semi-Annual Report to Congress did absolutely nothing about it. I am aware that USTR nominees normally defer to Treasury on questions of currency misalignment. But I am asking if you – personally – believe that the Chinese government is deliberately undervaluing its currency?**

**Answer:** The Treasury Department has the lead within the Administration on matters relating to other countries' currency practices. As you are aware, in its recent foreign exchange report, the Treasury Department did not identify any country that met the standard. But it also underscored that China's currency remains undervalued. Treasury noted that China has taken positive steps, including reaffirming its commitment to achieving greater exchange rate flexibility. But, as Treasury indicated, there is more that China can and should do.

Speaking more broadly, if confirmed, I will work closely with the Treasury Department and other agencies to develop a comprehensive policy to address the full range of China economic and trade issues that affect the United States.

**Do you believe that deliberate undervaluation of currency can act as a trade subsidy by reducing prices on exports and increasing prices on imports?**

**Answer:** Although the issue of China's currency practices is handled by the Treasury Department, USTR recognizes the importance of the issues it raises, especially the trade effects of an undervalued currency. We need to work hard to ensure that we address the full range of Chinese practices that may disadvantage U.S. businesses and workers. In that regard, if confirmed, I will work closely with USTR staff and other agencies to develop a comprehensive and integrated approach to address all of China's economic policies that have an impact on the United States.

**Would one of your roles at USTR be to oppose trade subsidies that are hurting American businesses?**

**Answer:** I believe that the Administration should use all of the trade tools available to discipline the use of trade-distorting government subsidies that are harming U.S. businesses, farmers, ranchers and workers. One part of that effort must be vigorous enforcement of the U.S. countervailing duty law, which the Commerce Department administers. At USTR, if I am confirmed, I would strongly support the use of both bilateral engagement and enforcement of WTO

subsidy disciplines through WTO mechanisms, including WTO dispute settlement, where appropriate.

**What would you do specifically to address our massive trade imbalance with China?**

**Answer:** Our \$266 billion goods trade deficit with China is emblematic of the severe imbalances that developed in our relationship in past years. There is no one cause for these imbalances. Nor is there one solution. One consequence of the global economic situation is that the international economy is beginning to rebalance. The overall U.S. current account deficit has declined from 6.6 percent of GDP in 2005 to 3.7 percent at the end of 2008.

But there is more that we can do. If I am confirmed I will certainly press for greater market access for U.S. goods and services in China. And a continued decline in these imbalances will also require countries like China to do more to stimulate domestic demand. If confirmed, I will work closely with other agencies to encourage China to take these and other steps. The administration intends to use every forum – including the Joint Committee on Commerce and Trade and the newly announced Strategic and Economic Dialogue – to do so.

**Question 2:**

**Mr. Marantis, one of the stipulations of our trade agreement with South Korea is a ban on including rendered products in livestock feed. Rendering is the most commonly used and cost-effective way to dispose of dead livestock. In Kentucky, farmers are scrambling to find an alternative method of disposal that is as friendly to their family budgets and the environment. But their options are limited and will take time to put in place.**

**USDA last week issued a new rule stating that the FDA feed ban would go into effect at the end of October. This was after Members of Congress and farmers urged that the rule's comment period be re-opened so that USDA could fully understand the consequences of the ban. The comment period was re-opened only briefly and the rule was re-issued without reflecting the concerns raised by farmers and cattlemen.**

**I realize you are not a nominee for the USDA, but do you believe this rule should be further delayed -- to give farmers time to develop alternatives to rendering -- until we have a clear commitment by the Administration that we are moving forward with the South Korea free trade agreement?**

**In light of the fact that South Koreans still object to receiving bone-in-beef shipments from the United States – one of our stipulations to the trade agreement – do you believe this rendering ban should be reconsidered? While I believe we need to comply with our trade agreements, we do not want to be in a situation where farmers are dumping their dead livestock in ditches and streams because they have no other cost-effective alternatives.**

**Answer:** There is no provision in the Korea FTA requiring the United States to ban rendered products in livestock feed. In April 2008, the United States and Korea signed a new protocol to bring Korea's import rules for U.S. beef into conformity with international standards on Bovine Spongiform Encephalopathy (BSE). Under the April 2008 protocol, Korea would accept imports of U.S. beef and beef products from animals aged 30 months or more upon the publication of the Food and Drug Administration's (FDA) final enhanced feed ban rule on April 25, 2009. A private commercial agreement, however, temporarily limits U.S. exports to all beef and beef products, including deboned and bone-in beef and offals and variety meats, from cattle under 30 months until confidence among consumers improves in Korea. On April 9, 2009, the Food and Drug Administration (FDA) requested comments on the implementation date of the enhanced feed ban and based on the comments received, decided to confirm the April 27, 2009 effective date, and established a compliance date of October 26, 2009. If I am confirmed, as a USTR trade official, I will work closely with FDA and other regulatory agencies to ensure that U.S. sanitary and phytosanitary measures, as well as those of our trading partners, are based on science.

## **Question from Senator Crapo**

### **Question 1:**

**What is your view of the importance of continuing to make U.S. commercial interests in China a priority for this Administration?**

**Answer:** While we must seek progress on a wide range of important issues with China, trade and commercial issues will remain a core priority. President Obama made this clear during his meeting with President Hu on the margins of the G20 meeting in London last month. During that meeting, President Obama stated his conviction that the JCCT should continue to serve as a core, high-level mechanism to resolve important bilateral trade issues, and President Hu agreed. Ambassador Kirk has already indicated that one of his top priorities will be ensuring that our trade relationship with China is fair, sustainable, and mutually beneficial. During his first meeting with Chinese Minister of Commerce Chen Deming on April 27, Ambassador Kirk made clear his view that the U.S. and China must work together to ensure that the JCCT is effective in generating concrete outcomes on our priority trade issues. If I am confirmed, I will work to advance U.S. commercial interests on a priority basis, including through the JCCT and other mechanisms.