Embargoed

Ambassador Michael Froman
United States Trade
Representative
Written Statement
Senate Committee on Finance
May 1, 2014

Chairman Wyden, Ranking Member Hatch, Members of the Senate Finance Committee, thank you for the opportunity to testify on the President's 2014 Trade Policy Agenda.

The core of the Obama Administration's economic strategy is to create jobs, promote growth, and strengthen the middle class. Our trade and investment policy contributes significantly to that strategy by opening markets for Made-in-America exports, leveling the playing field by raising standards and enforcing our trade laws and our trade rights.

Done right, trade policy creates opportunities for American workers, farmers and ranchers; manufacturers and service providers; innovators, creators, investors and businesses – large and small. Done right, trade policy promotes not only our interests, but also our values. And it gives us the tools to make sure others play by the same rules as we do.

In 2014, USTR will take steps to: (1) enhance the global competitiveness of U.S. goods and services by negotiating high-standard trade agreements, including the Trans-Pacific Partnership Agreement (TPP), the Transatlantic Trade and Investment Partnership Agreement (T-TIP), the expansion of the World Trade Organization (WTO) Information Technology Agreement (ITA) and the Trade in Services Agreement (TiSA); (2) enhance key trade and investment relationships, including with China, India, Brazil, and countries in the Middle East and Sub-Saharan Africa; and (3) ensure that our trading partners honor their commitments, including in the WTO. To update the process through which we partner with Congress in these efforts, we look forward to working with this Committee and the Congress to secure trade promotion authority (TPA) that has broad bipartisan support.

The Obama Administration has a strong record of success in promoting U.S. exports and creating jobs here at home. Over the past four years, U.S. exports have increased by nearly 50 percent – four times faster than our economy as a whole – reaching a record high of $2.3 trillion in 2013. In fact, a third of our total economic growth is attributed to this increase in U.S. exports.

Exports mean jobs. Each $1 billion in exports supports 5,400-5,900 U.S. jobs. U.S. exports have supported 1.6 million additional private sector jobs since 2009 – that means a total 11.3 million Americans now owe their jobs to exports, and those jobs pay 13-18 percent more on average than non-export related jobs.

Expand Job-Supporting U.S. Trade

In 2014, we will work to conclude negotiations on the TPP. TPP is currently being negotiated among 12 countries in the fastest growing region in the world representing nearly 40 percent of global GDP and a third of global trade. When completed, TPP will create a platform for regional integration in the Asia-Pacific.

Last week, during the President's visit to Japan, the United States and Japan made significant progress in our bilateral market access discussions. In doing so, we have identified a path forward on agriculture and autos, two of the most challenging areas of our negotiations with Japan. Although work remains to close the gaps, this milestone achievement – spurred by the President's direct engagement – will provide significant momentum to the overall negotiations. We are continuing to work to ensure that the TPP will open markets for U.S. goods and services, include strong and enforceable labor and environmental commitments, promote strong intellectual property (IP) protection and enforcement, and include groundbreaking rules on issues like State-owned enterprises (SOEs) and the digital economy.

Building on last year's successful launch, we expect to make significant progress this year toward a T-TIP with the European Union. This will strengthen the world's largest trade and investment relationship.

In March, Leaders reinforced their firm commitments to T-TIP during the EU-U.S. Summit in Brussels, and urged negotiators to make swift progress on a comprehensive agreement. Through T-TIP, we are seeking to update and modernize trade rules, and crucially, to bridge divergences that exist between our regulatory and standards systems, while preserving high levels of safety, environmental, and consumer protections on both sides of the Atlantic. We are seeking to eliminate tariffs and knock down non-tariff barriers. Such 'behind-the-border' barriers, especially on agricultural goods, often constitute the most significant obstacles to transatlantic trade.

Agriculture is vital to the American economy. In 2013, U.S. farmers and ranchers exported a record $148.4 billion of food and agricultural goods to consumers around the world. In 2014, the Administration aims to help them build on that record performance. Through TPP and T-TIP, we will open new export markets. We will continue to use these agreements, and other tools, to press for non-discriminatory sanitary and phytosanitary standards that are based on science. We will also continue to work on streamlining the trade of organic agriculture across borders by negotiating organic equivalence agreements.

U.S. manufacturing will always play a vital role in our economy. As American manufacturers increase their capacity to produce more advanced and value-added goods, consumers around the world continue to place a high value on Made-in-America products. In 2013, the United States exported nearly $1.4 trillion in manufactured goods, which accounted for 87 percent of all U.S. goods exports and 61 percent of U.S. total exports. To support the growth of manufacturing and associated high-quality jobs here at home, the Obama Administration will continue to pursue trade policies aimed at keeping American manufacturers competitive with their global peers. Throughout our trade negotiations, we aim to create rules that ensure SOEs do not compete unfairly with private firms, and seek to ensure that rules of origin and global supply chain provisions create incentives for manufacturers to locate here in the United States.

The United States is an innovative economy, and the Obama Administration is committed to protecting IP, which is vital to promoting and encouraging innovation and creativity. Millions of American jobs rely on IP, and we will continue to use our trade agenda in 2014 to defend the IP rights of our creators and innovators. Through our trade agreements, including TPP and T-TIP, we will continue to promote strong and balanced IP protection and enforcement and to open markets for IP-intensive goods and services, which are critical to defending the jobs that rely on innovation. Our commitment to advancing these priorities is informed by diverse views of both producers and users of innovative products and services. We will also continue to support a free and open Internet that encourages the flow of information across the digital world.

The United States continues to fight against the theft of U.S. intellectual property. IP theft not only puts American jobs at risk, but counterfeit products oftentimes pose a threat to the health and safety of consumers in the United States and around the world. In 2014, we will continue to deploy a variety of tools to promote and protect innovation. Just yesterday, we released our 25th annual "Special 301" Report, a tool through which we identify and resolve IP concerns around the world. Through sustained engagement with our trading partners, we have made great strides in protecting IP rights so that Americans can reap the rewards of their creations. The "Special 301" process, along with our ongoing negotiations, are key elements of the Administration's Strategy on Mitigating Theft of U.S. Trade Secrets. We are also seeking to advance progress on IP-issues with our trading partners through the WTO Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS).

We will continue to work closely with Congress and all our stakeholders on a wide range of trade issues related to the protection and enforcement of copyrights, trademarks, patents, trade secrets, and other forms of IP. We will also work to ensure that our farmers and exporters can continue to use common food names for their products. In the critical area of public health, the Administration continues to seek and embrace diverse stakeholder input that will help shape the development of proposals to promote access to high-quality innovative and generic medical products.

The Obama Administration is also determined to tackle non-tariff barriers, which increasingly pose the greatest obstacles to U.S. exports. For example, we are seeking to tackle "localization barriers to trade," measures and policies that protect domestic industries at the expense of the workers and firms of other countries. These types of barriers to trade are becoming increasingly pervasive, particularly in emerging economies, and tilt the playing field against American exporters. In 2014, we will continue to address the distortionary effects of these policies with trading partners around the world.

At the WTO, we will capitalize on the success at the 9th Ministerial meeting in Bali last December, where the United States worked with the WTO Director General and other WTO members to help the WTO conclude its first new multilateral trade agreement, the WTO Trade Facilitation Agreement, which will make it easier and less costly for U.S. exporters to trade by reducing the customs barriers they face abroad. In addition, WTO Members agreed on important steps to address key issues with regard to food security and agricultural trade, and to alleviate poverty and improve economic opportunities through trade policy and development assistance.

We will continue to show U.S. leadership and support for the multilateral trading system by identifying new opportunities. In March, we notified Congress of our intent to enter into negotiations on an Environmental Goods Agreement with the world's largest traders in environmental goods, representing nearly 90 percent of this $1.4 trillion market. This Agreement, which will eliminate tariffs on environmental goods, will reinforce our efforts to expand exports, protect the environment, promote the development and increase the availability of renewable and clean energy technologies.

We will also move towards conclusion of negotiations on two major sectoral agreements: 1) the TiSA and 2) expansion of the ITA. As the world's largest trader in services, the United States is pursuing the TiSA to establish state-of-the-art trade rules that promote fair and open competition across a broad spectrum of service sectors, including services trade through electronic channels. Fifty countries are represented in the TiSA negotiations, accounting for 70 percent of world trade in services and a combined services market exceeding $30 trillion – or approximately half of the global economy.

The ITA was concluded in 1996 and eliminated duties on information technology products. ITA provided a significant boost for U.S. technology products. In recent years, tremendous technological advances have taken place, and new technology products are hitting the market every day. The United States has led the effort to expand the scope of the ITA's product coverage to take account of these changes. In 2014, our negotiators will work to conclude negotiations on a balanced and commercially meaningful expansion agreement.

Enforce U.S. Trade Rights Around the World

The Obama Administration has placed an unprecedented emphasis on trade enforcement. Since 2009, the Administration has filed 17 WTO complaints, and doubled the rate of cases filed against China. In fact, in late March, the United States scored an important victory for America's workers and manufacturers and for upholding WTO rules on fair access to rare earths and other raw materials that are essential for maintaining U.S. manufacturing competitiveness. This decision is significant, and sends a clear signal that USTR will go to the mat for American manufacturers to ensure that America gets the benefit of non-discriminatory access to industrial raw materials. In addition to this recent victory, in 2013, we won key legal victories against China, including a finding that China's antidumping and countervailing duties were applied in violation of WTO rules.

Through our ongoing enforcement agenda, we are leveling the playing field for key agricultural producers in Georgia and Oregon, aircraft workers in Kansas and Washington State, manufacturers of wind turbines in Ohio, and hi-tech batteries in Michigan.

In 2014, the Administration will continue to monitor and enforce WTO obligations, along with those in our bilateral, plurilateral, and regional trade agreements, to ensure that we bring home the full benefits of those agreements. These efforts are particularly important as we work to ensure free trade agreements with South Korea, Colombia, and Panama that went into force in 2012 are fully implemented and that each country adheres to its commitments.

We also continue to draw upon the significant "whole of government" capabilities of the Interagency Trade Enforcement Center (ITEC) in our enforcement efforts. Led by USTR, in close collaboration with the U.S. Department of Commerce and with the support of many other agencies, ITEC brings together research, analytical resources, and expertise from across the Federal Government into one organization. The ITEC significantly enhances the ability of the United States to investigate foreign trade practices that are potentially unfair or adverse to U.S. commercial interests. China rare earths, Argentina import licensing, and India local content requirements are all examples of cases where the ITEC has provided important value-added assistance.

Enhance Trade and Investment Partnerships around the World

Whether in China, India, Brazil, or sub-Saharan Africa, the Administration continues to work to strengthen our trade relationships to support U.S. jobs.

<u>China</u>: The Obama Administration's principal goal for U.S. trade policy with China is to provide U.S. businesses and workers a level playing field in order to compete in this rapidly growing market. In 2014, we will continue to engage China through bilateral fora such as the Joint Commission on Commerce and Trade and the Strategic and Economic Dialogue to press for additional progress on these fronts, and to ensure full implementation of commitments China has made. Particular areas of concern include measures impeding U.S. exports of food and agricultural products, information technology and telecommunications equipment, medical devices, and an array of other manufactured products. We will also seek to make progress on China's accession to the Government Procurement Agreement, which will require significant engagement on difficult issues such as SOEs and China's domestic procurement regimes. We will press China through our established bilateral channels, including the current Bilateral Investment Treaty (BIT) negotiations, to more fully open its economy and eliminate preferences for SOEs. And, finally, we will continue to engage in dialogue with China to improve the climate for intellectual property protection and enforcement through a number of avenues, recognizing that a strong rule of law – including assurance that enterprises can make decisions regarding technology transfer without government interference – is essential to encourage and support continued innovation.

<u>India</u>: The Administration will work to make the U.S.-India Trade Policy Forum a productive mechanism to address concerns and engage with India on a wide range of trade and investment issues. This includes intellectual property protection and potentially trade-restrictive localization policies.

Brazil: We will also utilize the U.S.-Brazil Agreement on Trade and Economic Cooperation as a productive mechanism for dialogue between our two countries. In 2014, we will work to continue to grow our exports and deepen our trade and investment policy engagement with Brazil. In addition, we will continue to pursue with Brazil a long-term mutually agreeable solution to the WTO dispute on cotton, preventing costly retaliatory counter-measures from damaging American consumers and exports.

Sub-Saharan Africa: Over the next year or so, we have an important opportunity to review and refresh our longstanding and deep trade and economic relationship with Sub-Saharan Africa. We are working to conclude a comprehensive review of the African Growth and Opportunities Act (AGOA) program, which expires next year, and develop a series of recommendations as to the future of AGOA. We have already begun consultations with Members of Congress, stakeholders in the United States and Africa, experts in civil society, NGOs, and academics in this regard. We hope to intensify these discussions in the lead-up to the first U.S.-Africa Leaders Summit in August 2014. AGOA has always attracted broad support across the political spectrum and been an area of close collaboration between the Congress and the Administration. We look forward to continuing in that tradition as we work to renew and revitalize the program.

Middle East and North Africa: The revolutions and other changes that swept through the Middle East and North Africa region beginning in 2011 have prompted a comprehensive reevaluation of U.S. trade and investment policies toward this critical part of the world. This year, the United States will work with regional partners through various forms of engagement (including free trade agreement Joint Committees, TIFA Councils, and other arrangements) to continue developing the President's MENA Trade and Investment Partnership (MENA TIP) initiative. We will continue to advance several initiatives with MENA countries, including on trade facilitation, investment, and the information and communication technology sector. In addition, we will engage governments on a further range of issues identified by stakeholders as important to better trade relations, such as IP rights, services, government procurement, small and medium enterprises, and labor practices. We will also seek where possible to craft and pursue initiatives that can help lay the groundwork for the greater economic integration among MENA countries which will be critical to the future prosperity in the region.

Western Hemisphere: We have our most extensive network of trade agreements with our partners in the Western Hemisphere – 12 of our 20 current FTA partners, which alone account for 39 percent of our global exports. We are working intensively to complete implementation of our more recent agreements so they continue to provide new opportunities for U.S. goods, services and investment. We also have a robust monitoring and enforcement agenda in the region as we use the tools contained in our agreements to ensure their benefits are broadly available.

Generalized System of Preferences: The United States is dedicated to using our trade preference programs, trade capacity building, and other initiatives to create economic growth as a means to lift people out of poverty and develop markets around the world. Through the Generalized System of Preferences (GSP) – the oldest and most widely used U.S. preference program – the United States gives developing countries duty-free access on a range of goods. This not only allows developing countries to grow their economies, but it reduces the cost of imported goods being used in U.S production. In 2014, the Administration urges Congress to expeditiously renew authorization of the GSP program, and we stand ready to work with you to that end.

In addition to key emerging markets, the United States will continue our robust engagement with trading partners across the globe as we seek additional bilateral and regional trade and investment opportunities to help increase U.S. exports and grow our economy. Building on successful past efforts, the United States will seek to advance trade-enhancing investment measures with key trading partners in order to continue attracting the best jobs and industries here in America. We will seek to secure high-standard BITs with China, India, and Mauritius, among others, and explore a regional investment agreement with the East African Community countries.

Working with Congress, Stakeholders, and the Public

As we pursue this agenda, we will continue to consult with Congress and seek input from a wide range of advisors, stakeholders, and the public at large.

We have held over 1,250 meetings with Congress about TPP alone – and that doesn't include the meetings we've had on T-TIP, TPA, AGOA, and other initiatives. Our Congressional partners preview our proposals and give us critical feedback every step of the way. We also ensure that any Member of Congress who is interested has access to the negotiating text and the opportunity to receive detailed briefings by our negotiators.

Further, we have cast a wide net to draw in the views of stakeholders and the public more generally, and to share information with them. We have solicited public comments regarding negotiating aims and objectives through notices in the Federal Register; public hearings; open invitations to stakeholders to meet with U.S. and foreign negotiators at negotiating rounds; the dissemination of trade policy updates through press releases, fact sheets, blog posts, statements on USTR's website – and, yes, tweets; and direct and constant outreach by U.S. trade officials to solicit, obtain, and incorporate public input in the course of their daily work. Most recently, we published detailed goals and objectives for T-TIP negotiations that outline what we are seeking in every chapter of the agreement.

We are increasing the diversity of trade policy input we receive through the creation of the Public Interest Trade Advisory Committee (PITAC). We are soliciting nominations for new candidates who represent a broad cross section of interests in order to ensure that a diverse pool of advisors are providing input to our trade policy. Consistent with the statute for our Industry Trade Advisory Committees and other advisory committees, we are also soliciting nominations for candidates that are representative of industry, agriculture, services, and labor interests.

In a variety of other areas, we will continue to engage with stakeholders from non-governmental organizations, academia, labor unions, trade associations, environmental and consumer groups, state and local governments, the business community, including small businesses, and a variety of other perspectives that will collectively help to inform and guide our trade policy decisions. We will strengthen our relationships with states and localities through enhanced engagement with the National Governors Association, the National Conference of State Legislatures, the U.S. Conference of Mayors, and outreach to state and local elected officials.

Finally, let me say a word about Trade Promotion Authority (TPA). TPA is the mechanism by which Congress has worked with Presidents since 1974 to give the Executive its marching orders about what to negotiate, how to work with Congress before and during the negotiations, and how Congress will take up and approve or disapprove the final agreement. There is no other area of policy that reflects closer coordination between the Executive branch and Congress than trade policy.

The last TPA legislation was passed over a decade ago. Much has changed since that time, from the May 10, 2007 agreement on labor, environment, innovation, and access to medicines to the rise of the digital economy and the increasing role of SOEs. We agree with the broad group of stakeholders that these issues should be reflected in a new TPA bill.

Issues raised by the emergence of the digital economy and the increasing role of SOEs in the global economy should be part of the statutory negotiating objectives. And there are new forms of protectionism which threaten U.S. exports, which should be reflected as well.

We have heard from many that TPA needs to be updated. We agree. The Administration welcomed the introduction of bipartisan TPA legislation in January, and looks forward to working with this Committee and Congress as a whole to secure TPA that has as broad bipartisan support as possible. We also look forward to renewing Trade Adjustment Assistance (TAA), which helps provide American workers with the skills to compete in the 21st century.

Conclusion

The ambitious trade agenda I laid out today creates opportunities for new, well-paying jobs, higher growth, and a stronger middle class. It incentivizes individuals and companies to expand production, start new production, and bring back production in the United States. At its core, the trade agenda emphasizes strong, enforceable rules that promote core U.S. values and interests, including protection of U.S. creativity and innovation, access to medicines, fundamental labor rights, and robust environmental commitments. And of course, we can only accomplish these shared goals and priorities through strong bipartisan cooperation between Congress and the Administration.

Working together, we can ensure that our trade policy creates opportunities for all Americans. In the end, trade can be a force that improves the quality of life for American families in every state, county, and city.

Thank you again for the opportunity to testify today. I am happy to take your questions.