

**PRESIDENT OBAMA'S 2015
TRADE POLICY AGENDA**

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED FOURTEENTH CONGRESS
FIRST SESSION

JANUARY 27, 2015



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CONTENTS

OPENING STATEMENTS

| | Page |
|--|------|
| Hatch, Hon. Orrin G., a U.S. Senator from Utah, chairman, Committee on Finance | 1 |
| Wyden, Hon. Ron, a U.S. Senator from Oregon | 3 |

ADMINISTRATION WITNESS

| | |
|--|---|
| Froman, Hon. Michael, U.S. Trade Representative, Executive Office of the President, Washington, DC | 5 |
|--|---|

ALPHABETICAL LISTING AND APPENDIX MATERIAL

| | |
|---|----|
| Brown, Hon. Sherrod: Prepared statement | 41 |
| Froman, Hon. Michael: Testimony | 5 |
| Prepared statement | 41 |
| Responses to questions from committee members | 49 |
| Hatch, Hon. Orrin G.: Opening statement | 1 |
| Prepared statement | 82 |
| Wyden, Hon. Ron: Opening statement | 3 |
| Prepared statement | 84 |

COMMUNICATIONS

| | |
|--|-----|
| Advanced Medical Technology Association (AdvaMed) | 87 |
| American Apparel and Footwear Association (AAFA) | 89 |
| American Council of Life Insurers (ACLI) | 90 |
| American Enterprise Institute | 91 |
| Coalition for GSP | 94 |
| International Wood Products Association (IWPA) | 98 |
| National Association of Manufacturers | 99 |
| National Cotton Council of America | 106 |
| Outdoor Industry Association | 109 |
| Rocky Mountain District Export Council | 112 |
| Telecommunications Industry Association (TIA) | 113 |
| U.S. Chamber of Commerce | 114 |
| United States Council for International Business (USCIB) | 122 |

PRESIDENT OBAMA'S 2015 TRADE POLICY AGENDA

TUESDAY, JANUARY 27, 2015

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Orrin G. Hatch (chairman of the committee) presiding.

Present: Senators Grassley, Crapo, Roberts, Cornyn, Thune, Isakson, Portman, Toomey, Coats, Heller, Scott, Wyden, Schumer, Stabenow, Nelson, Menendez, Carper, Cardin, Bennet, and Casey.

Also present: Republican Staff: Chris Campbell, Staff Director; Everett Eissenstat, Chief International Trade Counsel; Rebecca Eubank, International Trade Analyst; Kevin Rosenbaum, Detailee; and Shane Warren, International Trade Counsel. Democratic Staff: Elissa Alben, International Trade Counsel; Michael Evans, General Counsel; Jocelyn Moore, Deputy Staff Director; Joshua Sheinkman, Staff Director; and Jayme White, Chief Advisor for International Competitiveness and Innovation.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will come to order. Good morning. It is a pleasure to welcome everyone to today's hearing on our Nation's trade agenda. I want to thank Ambassador Froman for taking time to be with us here today, with all the obligations he has.

I have to say that the trade agenda is looking up since the last time you testified. Things seem to be improving with our ongoing trade negotiations. For example, while significant gaps remain, the administration seems to be inching ever closer toward a conclusion of the Trans-Pacific Partnership agreement. Morale at the Office of the United States Trade Representative, after a long period of decline, is beginning to rise. Of course, there is still a lot to be done, and renewal of Trade Promotion Authority, or TPA, is at the top of my list.

But even in that regard, things seem to be looking up. Compared with this time last year, this administration is much more engaged at all levels in making the case for renewal of TPA. President Obama's strong call for TPA in the State of the Union address was welcome, though, in my opinion, it was long overdue. I hope that he will follow his latest call to action with a real concerted effort to help us get TPA through Congress.

Here in the Finance Committee, we are doing all we can to help in this effort. Although the bill I introduced last year with Chairmen Camp and Baucus received broad support, I am currently working with Senator Wyden to see if there is a way to address some additional issues that he has raised. We are working with Chairman Ryan as well. And while there may be some improvements we can make to the bill, I want to make one thing clear: the time for TPA is now.

TPA is how Congress tells the administration and our negotiating partners what a trade agreement must contain to be successfully enacted into law. And TPA empowers our negotiators to get the best deal possible for American workers.

Now, to succeed in getting TPA renewed, we will need an all-out effort by the administration to make the case for why TPA is so vital to our Nation's ability to fairly engage in international trade and to enhance the health of our own economy.

Simply put, trade means jobs. Today, 95 percent of the world's consumers live outside of the United States. These potential customers account for 92 percent of global economic growth and 80 percent of the world's purchasing power.

To maintain a healthy economy, we need the opportunity to sell American products in these markets. Right now the United States is engaged in some of the most ambitious trade negotiations in our Nation's history. The first, which I already mentioned, is the Trans-Pacific Partnership, or TPP. Renewal of TPA is key to the success of this agreement. And without TPA, the administration will not be able to bring back the high-standard agreement Congress needs to ensure its enactment.

Let me be clear here. It would be a grave mistake for the administration to close TPP before Congress enacts TPA. Doing so may lead to doubt as to whether the U.S. could have gotten a better agreement, ultimately eroding support for TPP and jeopardizing its prospects for passage in Congress.

There are also some key outstanding issues that need to be resolved in TPP. As I have stated in the past, my support for TPA by no means ensures that I will support just any version of TPP that happens to be submitted to Congress for approval. For me, the agreement must achieve a very high standard for the protection of intellectual property, including 12 years of data protection for biologics and strong copyright and trademark protections. The intellectual property provisions of TPP must also effectively address the theft of trade secrets and ensure effective implementation and enforcement of IP obligations. Provisions to enhance digital trade and address state-owned enterprises are also critical, as is real market access for U.S. exports.

There are other major negotiations that are ongoing, and I am confident that renewal of TPA would help and will help in bringing those to successful conclusions as well. Most notably, there is the Transatlantic Trade and Investment Partnership, or TTIP. TTIP must be a comprehensive agreement and include provisions on financial services regulation and strong investor-state dispute settlement mechanisms. The agreement must also achieve a high level of IP protection and effectively address the systemic misuse of geographical indications to create market barriers.

I am also hopeful the administration will soon be able to conclude negotiations to update the Information Technology Agreement, and I expect we will see progress in advancing the negotiation of a Trade and Investment Services Agreement and an Environmental Goods Agreement.

Ambassador Froman, all of this represents a very ambitious agenda for your office and for the administration as a whole. But if I have not been clear up to now, let me restate. TPA must be considered an essential element for all of these endeavors. I believe congressional renewal of TPA will unleash new energy in our international trade agenda, helping to propel our economy to greater growth and prosperity.

History shows that trade agreements concluded with TPA in place create new economic opportunities and, importantly, higher-paying American jobs. This year we truly are at the precipice of opportunity. The only question is whether both parties in Congress and the administration can work together to put in place the necessary tools to seize this opportunity.

I certainly think we can, and I will do everything in my power as chairman of this committee to ensure our mutual success.

Ambassador Froman, I look forward to your testimony today and to working with you to advance a strong pro-growth trade agenda.

[The prepared statement of Chairman Hatch appears in the appendix.]

The CHAIRMAN. I would now like to turn it over to Senator Wyden for his opening remarks.

**OPENING STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you very much, Chairman Hatch. And it is good to be working with you and to have the Ambassador here.

Today's global economy seems to move at a million miles an hour, so clinging to yesterday's outdated trade policies is a loser for the millions of middle-class American workers counting on political leadership to create more high-skill, high-wage jobs.

Trade agreements need to bulldoze the trade barriers and open new markets to exports made by America's middle class—the things we grow or raise, build or forge. Done right, trade agreements can help grow the paychecks of middle-class families. That can help take our economic recovery from a walk to a sprint.

According to a report by the Commerce Department's International Trade Administration, many export-driven jobs, from precision welding to engineering design, offer higher pay and more generous benefits than jobs that are not tied to exports. American workers who design and build products like machinery, electrical gear, or transportation equipment can get into the winner's circle when the goods they make are exported. The goal of trade agreements should be to take the fruits of American labor and to ship them to markets around the world.

That said, it is easy to understand why many American workers are frustrated when they have not seen a meaningful pay raise in decades—or worse, they have lost their job and fallen out of the middle class. When discouraged Americans argue they have been hurt by trade, those voices must not be ignored. Those voices have

to be heard, and those who favor a trade agenda that takes on the challenges of a hyper-competitive global economy have a responsibility to make the case that it is going to work for the middle class.

I am raising that issue especially because the President said during the State of the Union address, and I quote, “Past trade deals haven’t always lived up to the hype,” unquote. So I am looking forward to the Ambassador outlining today how the administration plans to change that with fresh policies that are going to lift wages, help create middle-class jobs, and expand the winner’s circle. It is also important to hear what safeguards are going to be in place to ensure that any workers impacted by trade have access to retraining, health coverage, and other sources of support that connect them to new opportunities.

Briefly, I am going to wrap up by mentioning three key issues. The first is, there must be tough trade law enforcement. There has never been a greater need for the U.S. to back its workers and businesses by strongly enforcing our trade laws and agreements. And, in the face of unfair schemes by foreign governments and companies that undercut our jobs and our exports, trade enforcement is essential.

Just ask any one of the hundreds of workers who work in my State at Solar World, a solar panel manufacturer. When the Chinese made an end-run around our trade laws, it threatened Solar World and its employees. The company fought back and won. That victory preserved 900 good-paying Oregon jobs. And American trade enforcers have to keep at it, because China and other governments will not stop trying to get around the trade laws anytime soon.

With 21st-century trade agreements, tough enforcement also needs to hold foreign governments accountable for commitments to uphold strong labor rights and environmental protections. Those are bedrock elements of a trade agreement, and they cannot be ignored or pushed to the sidelines.

The second issue to address is technology. Just as containers changed trade in the 20th century, the Internet is changing trade in the 21st, enabling more efficient ways to exchange goods and services internationally. Three decades ago, an entrepreneur with big dreams in a town like Mount Vernon, OR, with a population of 500, did not have the Internet as a tool to access global markets. Today that entrepreneur does, and that access could be direct or through Internet platforms.

The Nation’s trade policies must take advantage of economic areas where there is clearly “Advantage USA.” That means promoting and protecting a free and open Internet, keeping open what is, in my view, the shipping lane of the 21st century.

The last point I want to mention is transparency. The American people have made it clear that they are not going to accept secretly written agreements that do not see the light of day until the very last minute. That was too often the way things worked in the past. It is not good enough anymore. Nor is it enough to respond to important questions with the same inadequate refrain that somehow, some way people are going to benefit from trade deals. The American people have a right to know what is at stake in negotiations before they wrap up. Our trade policies are stronger when the

American people are part of the debate and when their elected officials in Congress conduct effective and vigorous oversight.

Furthermore, transparency is also critical for a Trade Promotion Authority bill. Once it is ready, that bill must be available to the public, and there has to be a fair and open process for its review and consideration, and Chairman Hatch and I have been discussing these and other issues.

Finally, whatever a member of this committee feels with respect to trade, let us have a serious debate and work together on a bipartisan basis to find as much agreement as possible. My focus is going to be on finding new opportunities to sell red, white, and blue American goods overseas; helping our businesses create high-skill, high-wage jobs; and growing paychecks for middle-class families.

Chairman Hatch, thank you for the opportunity this morning to discuss these important issues. We are glad the Ambassador is here, and I look forward to his views.

The CHAIRMAN. Thank you, Senator Wyden. We appreciate your work in this area, and we are highly hopeful we can continue to work in a bipartisan way to do this very important work.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. We are so happy to have you here, Mr. Ambassador. I do not think you need an introduction beyond saying that we are very pleased to see you working in this area. We believe you are one of the best people we have had in this area, and we intend to work with you to try to make sure that we get this work done.

But you come here with all the credentials and with an awful lot of experience in this administration. So we are looking forward to working with you, and we will turn the time over to you.

STATEMENT OF HON. MICHAEL FROMAN, U.S. TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador FROMAN. Thank you, Chairman Hatch, Ranking Member Wyden, members of the Finance Committee. Thanks for this opportunity to talk about the President's trade agenda.

As a central part of the President's overall economic strategy, our trade agenda is committed to supporting more good jobs, promoting growth, and strengthening the American middle class. At USTR, we are advancing those goals by knocking down barriers to U.S. exports and leveling the playing field for American workers and businesses of all sizes. As we work to open markets around the world—

[Outbursts from the audience.]

The CHAIRMAN. Let us have order. All right. Remove this person from the room. And if anybody else—if anybody else does this, you are going to be removed.

[Outbursts from the audience.]

The CHAIRMAN. Remove these people.

[Outbursts from the audience.]

The CHAIRMAN. All right. Let us take them out. Now look, the committee will be in order. Comments from the audience are inappropriate; they are out of order. If there is any further disruption, the committee will recess until the police can restore order.

Let me just say this. I understand that some people have strong feelings about the subjects we are talking about today. That is fine. The First Amendment guarantees your right to express your views, but we have to allow civil discussion to occur in the context of this hearing—

[Outbursts from the audience.]

The CHAIRMAN [continuing]. So for people who are protesting, I ask that you respect the rights of others, respect this committee, and remain quiet so the hearing can continue, and we would appreciate having the signs removed as well. Show some courtesy here. But we are not going to put up with it, and, if we have to recess this committee, we will, which would be a shame, but we will recess until order is restored. So let us have no more of that. I ask our Capitol Hill Police to make sure that we do not have any more of this type of activity.

Ambassador Froman, we turn the time back to you.

[Outbursts from the audience.]

The CHAIRMAN. Look, you are not representing your people properly. Take him out.

[Outbursts from the audience.]

The CHAIRMAN. You are not helping your case, I will tell you that right now.

Mr. Ambassador?

Ambassador FROMAN. As we work to open markets around the world—

The CHAIRMAN. If any signs go up again, we are going to throw you out of the meeting too. So let us just stop the cheap politics.

Ambassador Froman?

Ambassador FROMAN. Mr. Chairman, as we work to open markets around the world, we are enforcing our trade rights so that American workers, farmers, ranchers, and businesses get the full benefit of all the economic opportunities the United States has negotiated over the years.

Taken together, these efforts have contributed greatly to America's economic comeback. Since 2009, America's total exports have grown by nearly 50 percent and contributed nearly one-third of our economic growth. And, during the most recent year on record, 2013, U.S. exports reached a record high of \$2.3 trillion and supported a record-breaking 11.3 million jobs. At a time when too many workers have not seen their paychecks grow in much too long, these jobs typically pay up to 18 percent more, on average, than non-export-related jobs.

Over the past year, I have traveled around the country and heard many of the stories behind these statistics. I listened to small business owners in Colorado, Maryland, and Ohio; farmers and ranchers in Iowa and Wisconsin; manufacturers and service providers in Texas and the State of Washington; and many others. And across our country, I have heard the same resounding message: confidence that as long as the playing field is level, our workers and businesses can win.

Today, more small businesses are exporting than ever before, and, by tapping into global markets, these companies are able to increase their sales and their payrolls. And this success is all the more impressive when you consider that the United States is an

open economy and other countries are not necessarily playing by the same rules. That is why we are working harder than ever to bring home trade agreements that will unlock opportunities by eliminating barriers to U.S. exports, trade, and investment, while raising labor, environmental, and other important standards across the board.

If we sit on the sidelines, we will be faced with a race to the bottom in global trade, not a race to the top. And, as the President said last week, we should be the one to engage and lead. That leadership is apparent in our work during the last year to advance the Trans-Pacific Partnership, or TPP. The contours of a final agreement are coming into focus, and we have made important progress in the market access negotiations, and in addressing a number of 21st-century issues such as intellectual property, digital trade, competition with state-owned enterprises, and labor and environmental protections. At the November TPP leaders meeting, all 12 countries reaffirmed their commitment to concluding a comprehensive, high-standard agreement as soon as possible.

Another promising area is the Transatlantic Trade and Investment Partnership, or TTIP. With the new European Commission in place, the United States and the European Union are moving forward with a fresh start in the TTIP negotiations, which will build upon the \$1 trillion in two-way annual trade. In November, President Obama and E.U. leaders reaffirmed their commitment to an ambitious, comprehensive, and high-standard TTIP agreement.

At the World Trade Organization, the United States is working to conclude a WTO Information Technology Agreement expansion deal, which would cover roughly \$1 trillion in trade, while moving forward in negotiations on the Trade in Services Agreement, and the Environmental Goods Agreement.

This will be a critical year for trade. We look forward to continuing our efforts to engage the public, stakeholders, and members of Congress in a robust discussion about how we are opening markets and creating opportunities for American exports; how we are raising labor and environmental standards to level the playing field for American workers; how we are promoting innovation and creativity, as well as access to its products; and how we are ensuring that governments will be able to regulate in the public interest, while giving Americans abroad the same kind of protections we guarantee domestic and foreign investors here at home.

As we move ahead, we are committed to providing maximum transparency consistent with our ability to negotiate the best agreements possible. We look forward to working with this committee and others in Congress to determine the best way to achieve that goal.

Mr. Chairman, there is no other area of policy that reflects closer coordination between the executive branch and Congress than trade policy. To further strengthen that cooperation, as the President made clear last week, we look to Congress to pass bipartisan Trade Promotion Authority. TPA puts Congress in the driver's seat to define our negotiating objectives and strengthens congressional oversight by requiring consultations and transparency throughout the negotiating process.

The previous TPA legislation was passed over a decade ago. An updated TPA bill is needed to address the rise of the digital economy, the increasing role of SOEs, and to reflect the latest congressional views on labor, environment, innovation, and access to medicines. TPA also establishes the timeline and process for the trade agreements we bring home to be reviewed not only by Congress, but also by the American people. TPA is Congress's best tool to ensure that there is ample time for public scrutiny and debate on U.S. trade agreements. And the administration looks forward to working with this committee and the new Congress as a whole to secure a TPA that has bipartisan support.

We also look forward to working with Congress to renew a number of other programs, including Trade Adjustment Assistance; the Generalized System of Preferences, which expired in 2013; and the African Growth and Opportunity Act program well before its expiration in September of this year.

We can only accomplish these shared goals and priorities through strong bipartisan cooperation between Congress and the administration. Together we can assure that our trade policy continues unlocking opportunity for all Americans.

Once again, thank you for the invitation to testify, and I am happy to take your questions.

The CHAIRMAN. Thank you, Mr. Ambassador.

[The prepared statement of Ambassador Froman appears in the appendix.]

The CHAIRMAN. Last year I expressed my profound disappointment that you refused to bring a WTO case against India for its continuing efforts to undermine U.S. intellectual property rights. High-level working groups and meetings are simply not good enough. I have long feared that if you did not act, more problems would emerge. Now, less than 2 weeks ago, India's patent office refused to grant a patent on an important drug that treats hepatitis C. Their rationale is based on a patentability standard that is out of step with the rest of the world, and which many believe is inconsistent with India's obligations under the World Trade Organization.

Now, would you express to us today your plan to take meaningful action against India's breaches of our various companies' intellectual property rights?

Ambassador FROMAN. We have been concerned about the deterioration of the innovation environment in India, and we have engaged with the new government since they came into office in May of last year about our concerns. We held the first trade policy forum in 4 years in November, and I just returned from India yesterday, as a matter of fact. And in all of these areas, we have laid out a work program with the government of India to address these and other outstanding issues.

Recently the government of India published a draft intellectual property rights proposal, a policy proposal, that is now open for public comment, and we are in the process of providing comments on that draft proposal. And we are committed to continuing to engage with them to underscore areas of work that needs to be done in copyright, in trade secrets, as well as in the area of patents.

I believe we have a good dialogue going now with the new government on this issue, and we are committed to working to achieve concrete progress in this area.

The CHAIRMAN. Well, I hope you will follow up on that.

China's leadership continues to pledge that the market will play a greater role in China's economy. Yet the government continues to use law as an instrument of industrial policy. This is increasingly pronounced in the use of China's anti-monopoly law. Now, how will you ensure that China administers its anti-monopoly law in a nondiscriminatory and transparent manner?

Ambassador FROMAN. Well, this has been an area of strong interest of ours. At the recent Joint Commission on Commerce and Trade that we held—that Secretary Pritzker and I held with China in December—this was one of the issues very much on the agenda. And we have made some progress in moving ahead on the application of anti-monopoly law, which we think should be applied to deal with issues of competition, not issues of industrial policy.

So we are engaged with them, as are our competition authorities at the Department of Justice and the FTC, to work to encourage them to apply the law as it is intended to be applied.

The CHAIRMAN. I know these are tough areas. Canada's creation of a heightened standard for patentable utility for pharmaceutical patents is a serious problem for our U.S. innovators. This standard is inconsistent with other countries and undermines the ability of U.S. innovators to obtain and enforce patent rights in Canada. It is also inconsistent with Canada's obligations under the World Trade Organization and under NAFTA.

What are you doing to ensure Canada's patentability standards are consistent with its international obligations?

Ambassador FROMAN. We have raised this concern directly and repeatedly with the Canadian authorities. That issue is now being litigated, and I believe the Canadian authorities are looking to see how it proceeds in litigation as we continue that dialogue with them.

The CHAIRMAN. Thank you. Ambassador Froman, in remarks last June, you highlighted data localization requirements as a significant problem for U.S. services companies. Now, some foreign governments require U.S. financial services providers to set up local data centers as a condition of doing business in their markets. New trade agreements need to fix this problem. Do you agree that it is important that all U.S. industries, including financial services providers, receive protection against data localization requirements in ongoing trade negotiations?

Ambassador FROMAN. I do agree, and this is a key area right now in our TPP negotiations, where, as Ranking Member Wyden mentioned, the digital economy is playing an increasingly important role in trade. And we want to, through TPP, secure agreements and commitments to maintain the open flow of data across borders so that our small businesses, for example, can be based here and sell into markets abroad, but also to ensure that there are not localization requirements which require the construction of redundant infrastructure, making companies build infrastructure in each country which they want to service.

So this is a key part of our TPP negotiations. We are making progress in that area, and we hope that will set a new standard for bringing trade rules into the digital economy.

The CHAIRMAN. Thank you so much. I am going to be strong on enforcing the 5-minute rule so everybody can have an opportunity here.

Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman.

Mr. Ambassador, the President said in his State of the Union speech, and I quote here, "Past trade agreements haven't always lived up to the hype." And my sense is, based on my town hall meetings—this has come up repeatedly—what middle-class families are going to ask is, "So what is going to be different this time?"

I think it would be helpful if you would spell that out.

Ambassador FROMAN. Thank you. Thank you, Senator. Look, I think the President has made clear that as we pursue a new trade policy, we need to learn from the experiences of the past, and that is certainly what we are doing through TPP and the rest of our agenda.

For example, when he was running for President, he said we ought to renegotiate NAFTA. And what that meant was to make labor and environment not side issues that are not enforceable, but bring labor and environment into the core of the agreement and make them enforceable just like any other provision of the trade agreement, consistent with what Congress and the previous administration worked out in the so-called May 10th agreement.

That is exactly what we are doing through TPP. There will be strong labor and environmental protections in the core of the agreement, and they will be fully enforceable, consistent with the rest of the agreement. And that is important, because it is part of our effort to level the playing field, raise labor and environmental standards, as well as strengthen intellectual property rights standards and access to their products, creating new disciplines on the issues that are affecting real workers and real production right now, like state-owned enterprises.

Right now, state-owned enterprises in other countries compete against our private firms on an unlevel playing field. TPP will put disciplines on state-owned enterprises for the first time and require those state-owned enterprises, if they are engaged in commercial activity, to act on a commercial basis, and also—you mentioned the digital economy—update our trade agenda to reflect changes in the global economy.

So in all of these areas, we are working to make sure, and we are trying to use every tool at our disposal in the trade negotiations, to drive more production, more manufacturing, to the United States to make the U.S. the production platform of choice.

Senator WYDEN. Let us talk about transparency next, because I think this is another area where the public looks at the Internet and says, hey, we can find out a lot of information that you could not have, for example, back when the trade deals were being discussed in the 1990s. So there has, of course, been a concern about transparency in the Trans-Pacific Partnership discussion. And the concern here is that the President would sign a TPP deal that

would be protected by fast-track, and then you would have middle-class families saying, “We do not know what is in it.”

Now, you and I have discussed this before, and I think it would be helpful if you could address the question of whether you expect the President to sign a Trans-Pacific deal before the agreement is made public for the American people to see.

Ambassador FROMAN. Well, certainly in the past, the practice has been for it to be public before it is signed. That is our expectation here. We need to consult with our trading partners to understand what their processes and domestic constraints are, but we are beginning that consultation process with that expectation in mind.

Senator WYDEN. Good. On the issue of, again, looking at some of the sector-specific questions that you and I have discussed, there is a lot of concern with respect to dairy, and this is a very important issue in the Pacific Northwest. We, of course, have both defensive and offensive interests with respect to dairy. For example, we may be willing to open our market to more dairy goods from Australia and New Zealand, but only if Japan’s and Canada’s market is more open to our dairy products.

How are you going to ensure that a Trans-Pacific agreement, on balance, is a better deal than what the industry has now?

Ambassador FROMAN. Well, whether it is dairy or other agricultural commodities, we want to make sure TPP creates additional opportunity for them, and that includes both market access—getting access to markets abroad like Japan, Vietnam, Malaysia, Canada, and others—but also, dealing with issues like sanitary and phytosanitary standards and making sure that other countries are applying SPS standards consistent with science.

It also goes back to an issue that the chairman mentioned of geographical indications, making sure that we can sell our high-quality products from the United States and have their trademarks and the common names respected in other countries.

So we are working on a package as a whole to make sure that it benefits our dairy farmers, and the same thing could be said of our other commodity groups.

Senator WYDEN. One last question, if I might, and it addresses what the President touched on with respect to China. I think the President basically said that, if America is not leading in writing the trade rules in the Asia-Pacific region, China will.

With which countries in the Asia-Pacific area does China either seek or already have a trade agreement, and how specifically would those agreements disadvantage America’s middle-class workers?

Ambassador FROMAN. It is my understanding that China has negotiated 14 FTAs since 2002, one with ASEAN—which is 10 countries in total—plus Australia, Chile, Costa Rica, Hong Kong, Iceland, Korea, Macau, New Zealand, Pakistan, Peru, Singapore, Switzerland, and Taiwan. And right now they are engaged in what is called the Regional Comprehensive Economic Partnership negotiations, which include 16 countries spanning from India all the way to Japan.

I think what is important about this is, these are the fastest-growing markets of the world. Right now there are about 570 million middle-class consumers in Asia, but that number is expected

to grow to 2.7 billion over the next 15 years. And the question is, who is going to serve that market? Is it going to be Made in America and Grown in America products, or is it going to be products made by China or others? And what are the rules of the road for that region going to be?

The big differences between what we are doing in TPP and other trade agreements are things like raising labor and environmental standards, having strong intellectual property rights protection and commitments to access, putting disciplines on state-owned enterprises, and bringing into the digital economy rules like the free flow of data and information that come from the real economy.

Those types of discipline do not exist in these other trade agreements, and that is why it is so important for American interests and American values that we be the ones who engage and lead to create a fair and level playing field to protect our workers and protect our jobs.

Senator WYDEN. Thank you, Mr. Chairman.

The CHAIRMAN. It looks like China has a robust trade policy.

Senator Grassley?

Senator GRASSLEY. First of all, I want to thank you for the number of times you have taken my telephone calls and given me updates on negotiations that we are talking about here. Having the opportunity to get updates is very important.

Also, I want to, since you talk to the President probably more frequently than I do on trade, give a little bit of advice. I know that the President is very much a believer in trade and wants Trade Promotion Authority. I know he has mentioned it at least in the last two State of the Union messages, to the Business Roundtable, to the Export Council. But I hope you will tell him that if we are going to get Trade Promotion Authority passed, he is going to have to work the telephones one-on-one with some Senators to get us to the 60-vote threshold.

Now, I am going to ask my first question a little bit along the lines of what you discussed with Senator Wyden.

When you were at the Iowa State Fair with me last August meeting with Iowa farmers, you stated—and I hope I am quoting you accurately—that you would “know a good deal for agriculture when you saw it,” end of quote. And that was in regard to TPP.

My question for you is very simple. How close do you think we are to seeing a good deal for agriculture with TPP, and, more specifically, related to pork, how are the market access negotiations with Japan going?

Ambassador FROMAN. Thank you, Senator. We are making good progress in these market access areas, including on agriculture and including on pork. We are not done yet. We still have work to do with Japan and other countries, and we have been working very closely with our stakeholders in this area, the pork producers and others, to ensure that the package that we come up with addresses their concerns and creates real value for American farmers and American ranchers.

So we are not done yet, but I feel confident that we are making good progress, and we hope to close out a very positive package soon.

Senator GRASSLEY. Just to emphasize something from history, as well as things I have related to you in the past: for an overall agreement, whether it is manufacturing, services, or agriculture, it seems to be, at least from the part of the U.S. Senate, a good agriculture agreement tends to be the locomotive that brings along everything else, and I hope manufacturing and services will help along that line as well, for their own good.

Second, over the last year we have seen China and the European Union continue to drag their feet on approvals of certain biotechnology traits. In some cases, market disruption developed from the lack of regulatory approvals. I know you have been working hard on these issues. But what else can we do to facilitate regulatory review processes throughout the world that are science-based, regarding biotechnology?

Ambassador FROMAN. Thank you, Senator. That is very much our perspective on this: to encourage other countries to engage in SPS approvals based on science.

Let me take the two examples you give separately. With regard to China, in the run-up to the Joint Commission on Commerce and Trade in December, we had a series of dialogues with them about biotechnology. They approved three biotech events on the eve of the JCCT, and we have a commitment now to have a strategic agriculture policy working group—co-chaired by USDA and ourselves on our side and various Chinese ministries on their side—to work on the improvement of their overall process for biotech approvals; so not just the particular events, but how they can bring their processes into conformity with international standards.

With the E.U., we are very much encouraging them to—and we were disappointed that over the course of 2014, they did not approval any biotech events. There is a backlog of biotech events that have been designated as safe by the European Food Safety Agency, and we are encouraging the new commission to take those up, consistent with its WTO obligations, and to approve those.

Senator GRASSLEY. I have had a number of U.S. companies visit with me about the need to address currency manipulation in TPP. Has that issue been raised in negotiations?

Ambassador FROMAN. This is an issue, as you know, of top importance to the administration, and we have been pursuing it, from the President on down, directly with countries such as China, but also through the G-7 and G-20 and the IMF, to encourage countries to move toward market-determined exchange rates.

And I know you will be seeing Secretary Lew here soon. He obviously has the lead on those issues. It is something that he and I are consulting on and continue to engage with others about.

Senator GRASSLEY. Is your answer that it is being negotiated with individual countries through the President's efforts and your efforts? What my question was referring to is, is it being done through TPP negotiations, or is it not being done through TPP negotiations? And that is my last question.

Ambassador FROMAN. At this point, Secretary Lew, who obviously has the lead on this, has been having conversations in the context of these other mechanisms bilaterally and with the G-7, the G-20, and the IMF.

Senator GRASSLEY. But not through TPP. Thank you.

The CHAIRMAN. Senator Schumer?

Senator SCHUMER. Thank you, Mr. Chairman. And thank you, Ranking Member Wyden.

Ambassador, I think you know what I am going to say, but I am going to keep saying it until the administration actually hears me. I appreciate the value of our engagement in the Asia-Pacific region through TPP. However, I am skeptical about supporting another trade deal based on the results of our existing agreements.

To me, the number-one issue facing America is that middle-class incomes are shrinking. So people can say that these trade agreements grow GDP, these trade agreements help corporate profits. But if they cannot show that they are going to help middle-class incomes increase when all the evidence is that lots of them help middle-class incomes decrease, I have some real problems.

And even further, I am very skeptical about enforcement in these deals. It seems to me we sign these deals, we go right to the letter of WTO, and the other countries thumb their nose at WTO and say, "Take us to court," and we lose.

It took 4 years for WTO to rule on China's rare earth monopoly, and they captured the global market in that time. It is a never-ending battle with South Korea dumping steel pipes and tubes into our market. While all the litigation goes on, our people get clobbered, and our workers lose jobs. India regularly waives patent rights on pharmaceuticals. We seem to shrug our shoulders. The enforcement mechanism is powerless.

So I am exploring proposals to combat intellectual property theft by countries like China and streamline adjudication when U.S. businesses are taken advantage of by state-owned monopolies, and I hope you will work with me on some of these ideas. If you are going to have any hope of gaining support for this agenda from many of us on this side of the aisle, not all, the administration needs to prove to us and to the world that we are going to start fighting back.

We need concrete, predictable and unilaterally—that is a whole new world—unilaterally enforceable mechanisms in place to show the world that we are going to protect our workers and our economy. Let us start with currency. A bipartisan majority of both the Senate and the House have made it clear we want strong and enforceable currency manipulation language enacted as part of any TPP agreement. But it also must deal with those countries that are not part of the TPP agreement, particularly China.

Now, I know you cannot have that in the agreement, but we can have the two things go alongside one another. And I for one, as China continues to manipulate currency, over the years throwing millions of American workers out of jobs unfairly, do not want to go forward with another trade agreement if we are not going to finally address this issue.

And with all due respect, Secretary Lew is great and he talks to me, but the administration has not done very much here. They have never called China a currency manipulator when it is plain as the nose on your face that they are. And Japan and other countries, part of TPP, distort their currency exchange rates to push up their trading surpluses.

And I am disappointed to hear your response to Senator Grassley that that will not be part of the TPP negotiations. It has very real consequences for jobs in the middle class. A study by the Peterson Institute for Economics found that foreign currency manipulation has cost America between 1 million and 5 million jobs. According to the Economic Policy Institute, eliminating currency manipulation will reduce the U.S. trade deficit by \$500 billion, increase annual U.S. GDP by \$300 billion to \$700 billion, and add between 2.3 million and 5.8 million new jobs.

I have long been the advocate here—in 2003 I was, I think, alone when I talked about this issue, and I was very proud when both the *Wall Street Journal* and *New York Times* editorial pages condemned me for it. Now, people have come around and said currency manipulation is real, but we still do not do anything about it. Administration after administration, unfortunately, yours as well as President Bush's, have taken the position that the issue can be dealt with, as Senator Grassley said, by country-to-country negotiation rather than legislative changes.

Well, not for this Senator. We have had enough of country-to-country negotiations for over a decade under Democratic and Republican administrations. So I want to make clear, I cannot support a TPP agreement if we do not, at the same time, enact new statutory law that includes objective criteria to define and enforce against currency manipulation. I will not support moving this trade agreement forward if we are not fighting to make sure we have the necessary tools to protect the American middle class and American jobs. You would not go to a game of baseball where your team only got two strikes per bat and the other team got four.

If we enter into TPP without strong currency language, that is exactly what we are doing.

The CHAIRMAN. Senator, your time is up.

Senator SCHUMER. And I am just finished.

The CHAIRMAN. That is a miracle. [Laughter.]

Senator SCHUMER. All things come to those who wait.

The CHAIRMAN. I am very proud of you, I will tell you.

Mr. Ambassador, would you care to comment on Senator Schumer's comments?

Ambassador FROMAN. Well, first of all, thank you. Thank you, Senator, and thank you for your leadership on this issue and on enforcement more generally, and we very much look forward to working with you on it.

I will say the following. This administration has taken enforcement very seriously. We have brought more cases than ever before, more than any other country. We have brought 18 cases before the WTO and the first 421 case against China. We have won every single case that has been brought to conclusion, and we are continuing to work to bring additional cases wherever we find that there is a problem and where we can make a case and win.

So we look forward to working with you. We have set up the Interagency Trade Enforcement Center, which has allowed us to bring more resources from across the government, have a whole-of-government approach to trade enforcement. It has allowed us to bring more complex and more sophisticated cases.

We look forward to working with you on the kind of enforcement actions that could be taken going forward, because we agree with you completely that it is important that it is not two strikes and four strikes, that there is a level playing field and that we do everything we can under our laws, consistent with our international obligations, to enforce our trade rights.

Senator SCHUMER. Thank you, Mr. Ambassador.

The CHAIRMAN. Senator Cornyn?

Senator CORNYN. Thank you, Mr. Ambassador. I would like to join Senator Grassley in expressing my appreciation for your outreach on both the TPP negotiations and TPA.

I have to think that if other members of the administration followed your good example in terms of letting Congress know what is going on, seeking input, we would be a lot more productive working together, as I hope we will be.

I do not share the ambivalence that the senior Senator from New York has about the benefits of these trade agreements, when you consider the fact that 80 percent of the purchasing power in the world lies outside our shores. And selling our manufactured goods and things we grow and produce here in America to those markets abroad seems like an unequivocal good thing for the American middle class and for our economy and economic growth.

I want to ask basically two questions. One really has to do with something outside of your immediate purview, but it is something I want to make sure you are aware of, and the other falls squarely within your purview.

As you know, there has been a prolonged labor dispute out on the west coast that has resulted in a lot of our exports to Asia, particularly of our beef, pork, and poultry, basically sitting and rotting on the docks there at the Port of Oakland and other locations.

The U.S. exports over 200,000 metric tons of beef, pork, and poultry a month to key Asian markets, and, of course, in 2014, it was roughly \$8.4 billion that cleared west coast ports. So I know that the Federal mediator has now gone to try to facilitate negotiations there, but even if that dispute in the Port of Oakland was concluded tomorrow or today, it would take 30 to 45 days to clear the backlog.

I just would like to hear from you whether you know whether the administration views resolving this dispute as a priority.

Ambassador FROMAN. Well, I understand, as you suggested, that the parties to the dispute have asked for Federal mediation and that Federal mediation is now happening, and we do hope that it will be successful and we will get this resolved as soon as possible.

Senator CORNYN. I appreciate that. I hope you will carry that message back that this is a matter of grave concern to some members of Congress, and presumably all who represent constituents who are engaged in selling poultry, pork, and beef to Asian markets, and those who recognize the important impact that has on our economy and, conversely, the negative impact it would have if these shipments start rotting at our ports on the west coast.

The second issue has to do with the critical importance of protecting intellectual property for biologic medicines in the TPP. As you know, the founders of our great country thought it was so important to protect our intellectual property in terms of advancing

science that there is a provision, article I, section 8, known as the copyright clause, in our Constitution.

Yet, a number of the countries we are negotiating with basically offer zero protection to intellectual property rights in their countries. And I would just like to hear from you about the administration's commitment, particularly on the issue of biologic medicines, to making sure that the 12 years for data protection in particular is included in the Trans-Pacific Partnership negotiations.

Ambassador FROMAN. Senator, we have 40 million Americans whose jobs depend on IP-intensive industries, and certainly a key part of what we are doing in TPP is to promote strong intellectual property rights, including strong enforcement of those rights, as well as access to medicine, consistent with the bipartisan consensus that has emerged here over the last several years.

Biologics, specifically, as you suggest, of the 12 countries in TPP, five countries have 0 years, four have 5 years of protection, two have 8 years, and we have 12 years. And so this is one of the most difficult outstanding issues in the negotiations. We are continuing to make the case with our trading partners about how data protection can lead to greater innovation around the region, greater investment in this area, how to achieve access consistent with promoting strong intellectual property rights, and we are continuing to have that dialogue with our trading partners.

Senator CORNYN. Thank you very much, Mr. Ambassador. I appreciate your good work, and we look forward to continuing to work with you.

Senator Grassley [presiding]. For the chairman, I will announce that Senator Cardin is next. And after that, it looks like Isakson, Coats, and Carper.

Senator Cardin?

Senator CARDIN. Thank you very much, Mr. Chairman. I want to join the praise to you, Ambassador Froman, for your consultation with us, your working with us, the open way that we have been able to work together and share views and share the challenges we have on the trade agenda. So I very much appreciate the manner in which you have involved us in the process.

As Chairman Hatch pointed out, we have a challenge, and the challenge is that TPP is so far along the way—normally, we would have had a TPA enacted, we would have voiced our negotiating objectives, you would have come back to us with consultation on those trade objectives, negotiating objectives, and we would have had a chance to adjust our expectations along the way.

Well, TPP is so far along the way that that becomes somewhat awkward, whether TPA really will work in the way that it was intended to work, with congressional input. I mention that because you know my number-one concern. My number-one concern is, in TPP, that TPA has very strong negotiating objectives as it relates to good governance, as it relates to anti-corruption issues.

We are dealing with countries that are challenging in TPP: Brunei, where the LGBT community has legitimate human rights concerns; in Brunei and Malaysia and Vietnam, their record on labor is very suspect. And on anti-corruption, they could pass laws, but they do not have the institutions, the independent prosecutors

and courts, to give us confidence that they would enforce those laws.

So my priority from the beginning—and I think I have been very open about it—is that our trading objectives be very strong on good governance because of the TPP negotiations and that, yes, we are careful to make sure that we continue to have a level playing field on environment, on labor protections, but also on good governance, anti-corruption measures, and, as Senator Schumer said, enforcement, because if it is not enforceable under trade sanctions, it becomes very difficult to see whether we have really elevated the situation.

And for those who are concerned, as I know some of my colleagues are, about mixing trade and human rights, let me just remind you that it was U.S. leadership in trade that helped change the apartheid government of South Africa. It was the U.S. leadership that spoke to the Soviet Union about their human rights and immigration issues through Jackson-Vanik that brought about change.

It is critically important, if we are going to see change in Vietnam and Malaysia and Brunei and other countries that do not have that record, that we use this opportunity to achieve those objectives. So I will be evaluating very carefully, not just what we do on TPA, because we are so far down the line on TPP, but also an open process on both TPP and TPA as it deals with human rights and good governance.

I want to ask one more question and then have your response on that and the second question.

That is, TPA would deal with more than TPP. It would deal with TTIP, as you have already pointed out. And there is a growing concern with our European partners that they are sympathetic to BDS legislation dealing with boycotts, divestitures, and sanctions. I would be interested as to, in those discussions, whether we have been raising the issue that such action by our European partners would be considered to be against our overall trading objectives and whether we are using TTIP as an opportunity to protect against such legislation.

I would be glad to hear your comments on both of my points.

Ambassador FROMAN. Thank you, Senator, and thank you for your leadership on human rights and governance issues.

TPP, in fact, does have strong governance and anti-corruption provisions in it, and really it is one of the innovations of TPP to make that a core part of the agreement. And it really goes throughout the whole agreement with regard to transparency, regulatory transparency, and across the board. And of course it has strong enforcement mechanisms generally in the agreement. So we agree with you on the importance of that.

TPP has also given us an opportunity to engage with countries like Vietnam, Malaysia, and Brunei on the kinds of issues that you have mentioned. So with regard to labor rights, for example, we are in deep consultations with these countries about what it would take to bring their labor regime into conformity with international standards; not just in terms of changing laws, as you said, but also what kind of capacity-building, what kind of practice is necessary to really have changes on the ground.

And it is only because of TPP that we have the opportunity to have that kind of dialogue with Vietnam, Malaysia, and Brunei. And even on the human rights issue with Brunei, which has been raised, we are working very closely with the State Department, which has the lead on the human rights issues. TPP gives us the opportunity to engage with them about their practices and ensure that what they do is consistent with their international human rights obligations.

So I feel good that, through TPP, we will be able to make progress in all those areas and that TPP will set a new milestone in terms of good governance, anti-corruption, and improving labor rights across the board.

On the European issue, I am not familiar with that particular area of legislation. It is not something that has come up in our negotiations yet, but we are happy to follow up with you and look into it.

Senator CARDIN. Thank you. Thank you, Mr. Chairman.

Senator ISAKSON. Thank you, Senator Grassley.

Welcome, Ambassador Froman. For Senator Cardin's benefit, I was with Ambassador Froman in Addis Ababa, Ethiopia 2 years ago on the AGOA negotiations with the African Union and watched him hold Swaziland accountable for workers' rights as a participatory requirement of the United States in terms of AGOA.

So I have seen this man firsthand look out for exactly what you are talking about, and I might add that Millennium Challenge Corporation compacts have the strongest anti-corruption language of any agreement the United States negotiates. And I think the fact that TPP is talking about including that is a big benefit, because it has worked in Millennium Challenge. It has held people accountable who in the past have not been, and that is an excellent and outstanding point.

And you do a terrific job. I will pile on with Senator Cornyn and with Senator Grassley and the others to thank you for the job you are doing. But I have a couple of questions for you.

Question number one is—you and I have talked a lot about poultry. I traveled to South Africa a year ago with an industry representative—I think his name is Davies. I met with him at length at Johannesburg. Yesterday he was quoted as saying that there is an offer on the table regarding poultry between South Africa and the United States.

To the extent that, as a negotiator, you can talk in public about that, is that a misleading quote or is that an accurate quote?

Ambassador FROMAN. I saw Minister Davies a few days ago in Switzerland. He handed me a letter from the South African Poultry Association to the U.S. Poultry Association. We have not yet heard back from our poultry association what their reaction to that is. But we have made very clear to South Africa that resolving issues around poultry is going to be critical to moving ahead on a whole range of areas, including AGOA renewal.

Senator ISAKSON. Well, I appreciate that, because that is very important to my State of Georgia. But Senator Coons, from Delaware, and I have joined together in a joint letter, which you will be receiving when you get back to the office, reinforcing our position that you use the opportunity of AGOA and the leverage that

it brings with the South Africans, to be sure that we break through the impasse regarding poultry.

With regard to enforcement, which Senator Schumer was talking about, I think nobody has mentioned it yet, but your work with India, in the case we took to the WTO against India in terms of poultry, proved to be very successful. We just recently won that particular ruling, and I thank you for doing that.

On commodities, there is another great product of my State, and it is cotton. Cotton was at \$0.80 to \$0.85 a pound not too long ago. It is \$0.55 to \$0.57 a pound now. China is basically hoarding, buying cotton and hoarding it and stockpiling it, and they are subsidizing their producers at twice the world market price.

What can be done with China, through the WTO or through any agreements we might otherwise have, to keep them from manipulating the cotton prices and suppressing the cotton market?

Ambassador FROMAN. Well, I think there is a very important point more generally, which is that the whole pattern of agricultural subsidies has changed a lot over the last 10 or 15 years. When the Doha round was first started, the focus on agricultural subsidies was really the United States and the European Union, but in both of those areas, subsidies have come down while subsidies from China and India in the agricultural area have increased and, by some measure, China is now the largest subsidizer of cotton.

So we are engaging with them, and we had conversations also in the last couple of days about that, and about taking a fresh look at where subsidies are being provided, how they are distorting the market, and how that should play into global trade negotiations.

I think it is important that we update our view of where subsidies are coming from and what impact they have. If you are a poor subsistence farmer in Africa, it does not matter whether the subsidy is coming from the U.S. or from China. It matters that the subsidy exists.

So we are hoping to engage with China on this and to create some disciplines around this.

Senator ISAKSON. Would that case have standing at the WTO if a case was brought?

Ambassador FROMAN. We are looking at all of our options there. We have not yet determined whether there is a case to be brought in that area.

Senator ISAKSON. One last point with regard to poultry. I was in Brussels shortly after a trip you had made—and I repeat again the respect the European negotiators have for your ability and your engagement.

But one of the problems we have had in terms of market access is, on the one hand, the Europeans will talk about giving market access, for example to poultry, but on the other hand they will say, but we will not take any poultry that is washed with hyperchlorinated water. Well, that is the way it is produced in the United States of America, whether it is Delaware or Georgia or Texas or California. They use the regulation as the barrier, not the product.

What are you doing in negotiations on TTIP to try to avoid that type of thing happening again?

Ambassador FROMAN. Well, you put your finger on it, because market access is not meaningful if it is just talking about tariffs and not talking about the other barriers that can exist.

And our perspective on this with regard to Europe is that we are not interested in forcing anybody to eat anything, but we do think the decision about what is safe should be made by science, not by politics. And we are encouraging them to ensure that decisions on SPS standards reflect science, reflect the evidence, as based on safety.

Senator ISAKSON. Thank you for your service to the country.

Ambassador FROMAN. Thank you, Senator.

Senator CARPER. Thanks, Senator Grassley.

Welcome, Ambassador. It is great to see you. And others have already said this, but we very much appreciate your responsiveness, and, frankly, your short, crisp answers are welcome too.

I was talking to one of my sons earlier today—I have two boys, 24 and 26. And when they were little kids growing up, I used to say to them—they would make a mistake, and I would say, “There is nothing wrong with making a mistake; let us just make sure we do not make the same mistake over and over again.” And they are probably better at not making the same mistake over and over again than I am today. So I think it sunk in.

NAFTA has been mentioned here before today. If we had to negotiate NAFTA all over again, we would probably do some things differently. The point that you made earlier today is that we do have the opportunity here to negotiate NAFTA, at least in part—maybe in whole, I am not sure.

Just drill down on that particular issue. People say NAFTA has not been all that helpful to the U.S. It has been I think, arguably, very helpful to Mexico. They have a vibrant middle class today. There are probably as many Mexicans going into Mexico as there are Mexicans coming into the U.S. today. Arguably, it has been pretty good for the Mexicans. Not entirely bad for us, but sort of a mixed bag.

But in terms of one of the issues mentioned by Senator Isakson, poultry, we have a real problem in NAFTA with Canada, as you probably know, and it is one that we can fix. But just drill down on the things that we know now about NAFTA. What can we do differently, and what are we going to do differently with respect to the Trans-Pacific Trade Partnership?

Ambassador FROMAN. Thank you. NAFTA was 22 years ago and, as you said, there is a lot that we have learned from that experience and the experience since. There is a lot that has changed in the global economy and the global trading system.

So first and foremost, I think one lesson we have learned is that labor and environmental issues need to be core to the agreement. They need to be fully enforceable just like any other provision of the trade agreement, and that is exactly what we are doing through TPP. But not just with Canada and Mexico, with 40 percent of the global economy.

So we are spreading those enforceable labor provisions to half a billion workers around the world, and that reflects a very meaningful evolution of the global trading system. Whereas labor and envi-

ronment were once considered to be literally side issues, now they are central, and they are going to be fully enforceable.

It has also given us an opportunity to go back and address market access issues that we could not address in NAFTA. We are still negotiating. We have a ways to go. But we have made clear, for example, as you said, on poultry with Canada, that this is an area that we are going to want to see progress on in TPP.

And there are other issues that have arisen since: some of the intellectual property rights issues that have evolved over time or the digital economy issues that have emerged since that time before there was an Internet economy. This gives us an opportunity to renegotiate and update our approach in all of these respects.

Senator CARPER. Thank you. Senator Schumer raised some serious concerns about enforcement mechanisms. There is an old saying, “justice delayed is justice denied,” and I think you mentioned that we have brought about 18 or so cases to the WTO. Those that have been resolved have been resolved in our favor.

Could you just give us a breakdown of, out of the 18, how many have been resolved and how many are still outstanding?

Ambassador FROMAN. I believe seven have been resolved fully through the process, all of them in our favor. We just recently won the case with Argentina on import licensing. As Senator Isakson mentioned, we won a case on poultry with regard to India. They are now appealing that case. But we have won, and up to now we feel confident in our approach.

Some of the others we are resolving, we are trying to resolve through consultations to settle the case, and we are waiting for the other ones to make their way through the system.

Senator CARPER. Is there something that we need to do in the Congress in order to expedite the amount of time it takes to resolve these issues?

Ambassador FROMAN. Well, I think the key thing is, with TPP we are able to have our own dispute settlement mechanism among TPP countries, and we have a very strong dispute settlement mechanism that we are negotiating with our partners, and one that has firm timetables and schedules and which we hope will find expedited resolutions.

Senator CARPER. The reason why Senator Isakson, yours truly, Senator Cardin, and Senator Warner continue to focus on poultry is, it is a huge industry on the Delmarva Peninsula. In Sussex County, DE—we only have three counties in Delaware, and Sussex is the third largest county in America—we raise more soybeans there than any county in America, and we use the soybeans and the corn that we raise on the Delmarva Peninsula to raise all of those chickens. They outnumber us 300 to 1 in Delaware, and we want to make sure that we can sell them to as many markets as possible.

The last thing I want to say is, I just want to reemphasize a point made—I think it was by Senator Cornyn—on biologics. And you and I had an opportunity to discuss this earlier this month. Maryland, Delaware, Pennsylvania, other States, New Jersey, right along this row here, have huge interests, tens of thousands of jobs depend on our ability to have a fair settlement and a fair agree-

ment with respect to biologics, and I would just continue to raise that issue with you.

Ambassador FROMAN. Thank you.

Senator CARPER. Thank you.

Senator GRASSLEY. Senator Coats, I apologize. I passed over you to call on Senator Carper. I did not mean to do that. Thank you very much for being patient for me. So I call on Senator Coats. And then it would be Thune and Roberts, in that order.

Senator COATS. Mr. Chairman, no apology needed. I am happy to yield to my friend and colleague from Delaware.

Senator CARPER. I owe you one.

Senator COATS. I am new. I am trying to figure out the rules here in terms of—and I rushed over to be here on time, get my name on the list. You saw me. I had to go out and make a quick stop at another place and come back. And then I thought, oh, I have the rules wrong, it must go back and forth between parties. That is fine with me.

In any event, I appreciate your apology, though it is not necessary.

Ambassador, thank you, first of all, for diligent work on a very tough subject, but a very important issue for the economy and for the future of our country and for many, many people from my State and from many States that rely on trade for their well-being and their lifestyle and for our economy.

In Indiana, we are a big export State. Getting this right means a great deal to many, many Hoosiers, several hundreds of thousands, approaching a million, whose jobs are there because we are able to export agricultural products, steel, auto products, pharmaceutical products, medical devices, and a whole range of other products that are produced in my State. So I wish you nothing but success.

I am a strong supporter of trade, and I want to affirm that some of the reservations that have been expressed here by my colleagues relative to making sure that we have a level playing field and that we have established the rules and they are accepted and enforced, will be important.

But my question to you is this. At the State of the Union address, one of the things that brought Republicans to their feet faster than anything else that the President said was his announcement that he wanted to go forward to gain Trade Promotion Authority and move these trade agreements forward.

To get this done, in my opinion, based on my experience, it has to be an all-in. It has to be above partisan politics. It has to be done in a bipartisan way. There have been some reservations raised about proclamations from the White House in terms of what they will support and what they will not support. I want to just make sure that we are all in. If we are all in, we can get this done. "All in" means that Republicans and Democrats need to work together here in this committee and in the Ways and Means Committee in the House. Our colleagues have to work together to bring this home along with the President and the administration.

Can you affirm to us that the President is all in on this, that the administration is all in, and that you have the support you need

from your administration in order to work with us to get this accomplished?

Ambassador FROMAN. Yes, Senator. The President has made that clear publicly and privately—and he has been meeting with folks privately as well—but we also have a structure now at the White House, organizing a whole-of-administration effort involving virtually the entire Cabinet, to promote the overall trade agenda, talking to members about TPP and what is in TPP and addressing their concerns and their questions, and talking about the importance of moving ahead on a bipartisan basis with Trade Promotion Authority as well.

So I have a great deal of support from the President on down. It is a priority for him. We want to work on a bipartisan basis and make sure we are addressing concerns of Democrats and Republicans as we move this forward.

Senator COATS. I am happy to hear you say that. I think the voters in November sent a very strong message to all of us on both sides: “Get it done; get something done.”

I think this ranks very close to the top in terms of things we can get done that will make a measurable improvement in terms of economic growth and providing jobs for people. So thank you for that. I wish you nothing but the best, and we look forward to working with you.

Ambassador FROMAN. Thank you, Senator.

The CHAIRMAN. Senator Thune?

Senator THUNE. Mr. Chairman, the Senator from Kansas has been waiting. I would defer to him first, even though he is after me.

The CHAIRMAN. Senator Roberts?

Senator ROBERTS. I want to thank you, Senator Thune. It is remarkable that you would do that—well, it is not remarkable. As a matter of fact, I just appreciate it.

Senator Coats has pretty well summed up what I was going to say at the first in my comments. And so I would just like to reiterate that this committee is all in, and you have heard that with a strong statement from Senator Hatch, and you heard it with a strong statement from Senator Wyden, who represents the great State of Oregon but was born in Kansas. And you heard it with pertinent questions from Senator Grassley.

Senator Grassley asked you about this, and this is of interest to the chairman emeritus of the sometimes powerful Senate Agriculture Committee, Senator Stabenow: a package soon on agriculture. What is soon?

Ambassador FROMAN. Well, the market access negotiations are proceeding in parallel with the negotiations over the text and over the rules. And literally as we speak, our negotiators are meeting with the other 11 countries on both sets of issues.

The market access negotiations on agriculture are done on a bilateral basis. So we meet with the other 11 countries one-on-one and have our areas—

Senator ROBERTS. I know that. But what is soon? What do you think?

Ambassador FROMAN. Well, look, I am—

Senator ROBERTS. I know it is hard to predict, and I am not trying to put you on the spot.

Ambassador FROMAN. Our view is that, obviously, the timetable should be set by the substance, but we think everyone is focused on trying to get done in a short period of time, in the next small number of months.

Senator ROBERTS. You say that, but here we have—I am not going to Schumerize you now. I want some questions back and forth.

With the GIs, as the USTR, you really made this an issue with China at the end of the year, making our argument on trademarks much stronger. But we had 43 members of the Senate write you a letter on the GI issue, the geographical indications.

By prohibiting the use of common generic food names such as parmesan and bologna, pardon me, baloney, and feta—thank goodness we do not have an Italian community named “cheese.” Last year, I wrote to you, along with the 43. I want to thank you and your negotiators for their steadfast support. But where are we on that, on the GIs?

Ambassador FROMAN. This is one of the toughest outstanding issues still in TPP, because we and the E.U. have diametrically opposed positions. Our view is that our system works well for Europe. There are 18 trademarks for parmesan reggiano in the U.S., and Europe sells hundreds of millions of dollars of cheese in the United States, and we do not sell any in Europe.

So we have been out there fighting hard to make clear that we can have a system where countries can take into account common names and trademarks before they grant any geographical indications, and that is the only way to balance the perspectives of the United States and the E.U.

Our challenge is, our trading partners are negotiating with us, but they also want to negotiate and want to have good relations with the European Union. So they are stuck in the middle, and we are trying to find a middle path that will protect our trademarks and those common names.

Senator ROBERTS. I appreciate that. Let me bring up the biotech situation. There are currently 12 products awaiting final approval by the E.U.’s College of Commissioners. The queue is growing. I am more concerned now that the new European Commission announced its intention to conduct a review of the entire European biotech import approval process. There is concern that the 12 products pending final import approval will not advance.

The E.U. is sort of calling for instant replays on every play, and that is just not going to work. Would you comment on that, please?

Ambassador FROMAN. We share that concern. We have raised it in our meetings with the European Union. I have had now three meetings with my new counterpart, the trade commissioner. We have made clear these are products that their own European Food Safety Agency has determined are safe and that they have an obligation under the WTO. They have an obligation even under their European Court of Justice decisions to move ahead with these approvals, and we are encouraging them to move ahead as quickly as possible.

Senator ROBERTS. Thank you for answering these questions. I would like to repeat what Senator Coats said again. I think we have a unique opportunity here and you have done some excellent work, and I thank you for that. I think you know that every member of this committee is behind you. Each of us has our own initiatives that we are interested in.

But I worry about the President's seven State of the Union veto messages, but as Senator Coats said, we were all on our feet on the trade issue to help the middle class, as Senator Schumer said.

So we are in. I know you are in. I hope the President is. And I thank you for the job that you do. Thank you.

The CHAIRMAN. Thank you. Now, Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

Ambassador Froman, thank you for your efforts to engage the Chinese on agricultural biotech issues over the last year. It is critically important to American farmers, and I echo and associate myself with the comments of the Senator from Kansas and the Senator from Iowa who spoke to this issue earlier, both with regard to China, and I continue to emphasize how important those efforts are.

Then also, with the TTIP agreement with the E.U., it is going to be very hard, I think, to get that agreement through unless we give American farmers more certainty with regard to the approval process for biotechnology products.

So I wanted to make that point. I also want to just speak to an issue. Last year, in Brookings, SD, we had welcomed the opening of a state-of-the-art cheese plant by Bell Brands USA. It is a 170,000 square foot facility and employs 250 people, with the hope of more in the future, especially if we can bring down what are very high barriers to U.S. dairy products in Canada.

As you know, Canada's dairy market was not sufficiently opened as part of NAFTA, and many of the tariff rates on dairy products range from 200 percent to 295 percent. So I want to strongly urge you to continue pushing our friends to the north when it comes to market access for cheese and other dairy products. And I guess I would appreciate any thoughts that you might want to share on that subject.

Ambassador FROMAN. Well, this has been a high priority for us, and, before Canada joined TPP, we had a dialogue with them about this and how this is going to be an important part of a successful outcome. We are engaged with them on a whole range of outstanding issues, and they know that this is very important to us, and we are working toward hopefully a successful conclusion there.

Senator THUNE. That would be very helpful. The dairy business in places in the Midwest, especially processing, is really starting to explode in some ways, and we certainly want to see more of that and all the jobs that come with it, but these tariffs are pretty prohibitive.

You made remarks last June in which you highlighted data localization requirements as a significant problem for U.S. service companies working to expand into foreign markets and to compete globally. I agree with your view on that matter. I am concerned about TPP not fully addressing those types of barriers for U.S. financial services companies, such as banks and insurers. Specifi-

cally, I understand that TPP will not explicitly prohibit our trading partners from requiring U.S. financial service firms to set up local data centers as a condition of doing business in their markets.

That is a serious concern, and I am wondering if your office can work with mine to correct this oversight and to ensure that this omission is not repeated in other trade negotiations, such as TTIP and TiSA.

Ambassador FROMAN. We are happy to work with your office on that. We are continuing to pursue our efforts to put disciplines on localization and to ensure free flow of data across borders. But we are happy to work with your office on that.

Senator THUNE. It is a big issue, and for the Europeans, in particular, it is an area where they are really—for reasons unrelated, I think, to trade—really trying to create some of these barriers, and I think that would be a big mistake and certainly make it more difficult for a lot of our businesses, service industries and financial services being a good example, to continue to do business in that part of the world.

Could you just quickly comment on—it is an issue I brought up with you before—the E.U.’s decision in February of 2013 to impose a 10-percent duty on ethanol and what steps USTR is taking to bring that case to the WTO?

Ambassador FROMAN. We have engaged in dialogue with the E.U. about that. We have not yet resolved it. We are hoping, with the new commission in place, to reengage with them on this and, as part of our overall discussion in TTIP about areas of cooperation, to try to bring that to a conclusion as well.

Senator THUNE. Thank you, Mr. Chairman. And I would echo what has already been said. We really need to get TPA done, and I hope that we can. The President talks about it; he talked about it in the State of the Union address, but we really need the administration engaged up here trying to help us as we push this across the finish line.

Thanks.

The CHAIRMAN. Senator Casey?

Senator CASEY. Thank you, Mr. Chairman.

Ambassador Froman, thanks for being here. Thanks for your service on a tough issue, which we all have deep concerns about as it relates to not only our States, but the country overall.

I wanted to start with a premise, or a foundation, upon which I will make determinations about these agreements, and that is that in my home State of Pennsylvania, despite promises and assertions in the lead-up to trade agreements, too often our State has gotten the short end of the stick. We can debate how that happened, we can debate the reasons for that, but I have real concerns and real skepticism, which I know we have talked about.

And at the same time, when it comes to what I call the short end of the stick—job loss or dislocation or workers not getting basic fairness when it comes to these agreements—that is bad enough in and of itself, but then they see very powerful and well-financed special interests, in this town especially but in other places as well, that do not get the short end of the stick. They do quite well. So I have that concern, that skepticism. And frankly, it is more than skepticism—it is real worry.

Then when we come to the question of, well, let us try to mitigate that somehow by remedies, trade remedies, that play out in the trade cases that are brought, even when we are successful, it seems that we are never where we ought to be as it relates to those workers. So I have real concerns, and I know you understand that, that the playing field never seems to be level when it comes to our workers.

I know earlier you spoke, in answer to a question from the panel, about the improvements to labor rights or environmental protections or IP standards, but the question I have to get to is the question of jobs.

Just when you look in the context of China, here is just some data. Between 2001, when China joined the WTO, and 2013, roughly 12 years, the trade deficit with China increased by \$240 billion or \$20 billion a year. When that plays out for Pennsylvania, we rank fifth in total net jobs displaced by trade with China.

So how do you answer the question that these agreements and the path that you are on are good for workers in Pennsylvania?

Ambassador FROMAN. Thank you. Thank you, Senator. Pennsylvania's goods exports are now \$41 billion. They have grown by 150 percent over the last 10 years. More than 200,000 Pennsylvanians are employed by export-related businesses; 15,600 firms export from Pennsylvania, and almost 90 percent of them are small and medium-sized businesses.

The question is whether, with these trade agreements, we can create more opportunities for those kinds of businesses. You talk about China and the trade deficit. If you take all of our FTA partners as a whole, we have a trade surplus, and that surplus has grown. Our trade deficit, as you note, is largely comprised of countries with whom we do not have trade agreements.

So trade agreements are a way of shaping the forces of globalization, of opening markets, because our market is already quite open. Our average applied tariff is 1.4 percent. We do not use regulations as a barrier to trade, but other countries do.

Just look at Pennsylvania's exports, sort of the five top areas of your exports. Chemicals face 35-percent tariffs in some of these markets. Pennsylvania exported \$5 billion of these products. Those tariffs will go to zero. Minerals and fuels, 30-percent tariffs in some of these markets. Pennsylvania exported \$4 billion of these products. That tariff will go to zero. Metals and ores, 35 percent. And it goes on and on and on.

What we are going to do through this trade agreement is open up markets and then level the playing field so we can protect workers, protect American jobs, and then ensure a fair and level playing field by raising labor and environmental standards, raising intellectual property rights standards and enforcement, and making sure that we are putting disciplines on the type of practices, for example by state-owned enterprises, that pose a real threat to workers in Pennsylvania.

Senator CASEY. I have no doubt about your intention. The problem is that we have heard some of this before, and you mentioned some industries or some economic sectors in our State, but when I look at, whether it is sugar or solar panels or furniture or tires or paper or probably the best example would be steel, which is

iconic as it relates to our State, we have had, time and again, promises made prior to trade agreements and then efforts after the fact to bring enforcement cases that have never been commensurate with the promise that was made.

And I would argue that, as much as I know you want to level the playing field, I would hope we could level the playing field long before we have trade agreements in place. But we will continue to talk, and I appreciate your time.

The CHAIRMAN. Thank you, Senator. We will now go to Senator Portman.

Senator PORTMAN. Thank you, Mr. Chairman.

And I appreciate your being here, Ambassador Froman, and I thank you for what you do every day and what your team of professionals does to open up markets for the workers I represent, the farmers I represent, and the service providers I represent.

We had some discussion earlier from some folks in the audience about how this affects people who are frustrated about the lack of wage growth, concerned about whether they are going to have a job at all going forward, and all I can say is, I think you just answered the question well with Senator Casey.

If we are not selling to the 95 percent of the world outside of our borders, we are letting our people down. And we do have relatively low barriers here, as you said, but the rest of the world has a lot of barriers, and that is not fair. And so what you every day to knock down those barriers is what we want more of.

I will give you one example. We have a little company in Akron, OH. You guys worked with us. We just opened up the Japanese market for them for their processed meat product. They were getting shut out. These are workers in Akron, OH who now have a chance to have a job, and, as you said, these jobs pay, on average, 18 percent more. They also have better benefits.

The agreements that we talked about today, people say some agreements are good, some are bad. I am sure we can improve all the agreements that we have made. But the reality is that we send 45 percent or more of our exports to 10 percent of the world, because we only have trade agreements with 10 percent of the world—we do not have a trade agreement with China; we do not have a trade agreement with Japan or Europe—and we have a surplus with these countries.

We have to figure out a better way to open more markets. It is unbelievable to me that we have not had the ability to open any markets since 7 years ago, because Trade Promotion Authority expired. Every President since FDR has had the ability to open up markets by trade negotiating authority until this President. And he has now asked for it. We, as Americans, ought to say—Republicans, Democrats, Independents, whatever—we want our President out there opening up markets.

During those 7 years, there have been over 100 trade agreements negotiated. We are left out of all of them. You mentioned China. China has negotiated plenty of agreements. Out of that 100, China has at least 14 of those agreements that they have negotiated during that time period. Maybe some of them came just before that, but around that time period. One of them, by the way, is with 10

different countries, and we are not part of it. So our workers are getting left out.

And I do not know how we are going to make progress in terms of affecting this concern on stagnant wages, lack of benefits, high expenses, unless we do a better job of selling to those countries all around the world, and we do not do a good job. I mean, our exports per capita, we are somewhere between Tonga and Ethiopia, I think. Nothing wrong with Tonga and Ethiopia, but we are not a big trader. We are just not.

We are, I think, looking at a great opportunity here to expand trade if we can get this negotiating authority done, do it the right way, and continue to make progress on leveling that playing field.

We also have to do a better job on imports coming in. And as you know—you have been very helpful to me on this—we have had a couple good successes, one with China, one with Korea and other countries in the last year alone, on tubular products. These are steel pipes we make in Ohio. We want to keep making them. We do not want unfairly subsidized imports coming into our country, and that is what has been happening. So it is a balance here. We have to both get more exports out there, but also do a better job of making sure that imports are being fairly traded.

I have so many questions for you, more than half a dozen. I am going to submit most of them to you to answer in writing, since we do not have time to go through them today. But they are all about Ohio workers and Ohio farmers, Ohio service providers who want to know what more we can do to open up more markets to them. Twenty-five percent, a quarter of manufacturing jobs in Ohio, factory jobs, are now export jobs. We want that to increase, because these are good-paying jobs.

I will ask you one question, and it is one that will put you on the spot. Again, having said how much I appreciate all you have been doing, there is one thing that does concern me, and that is currency.

When I was sitting in your seat, I was asked by Chuck Schumer, who spoke a little earlier—he did give me a chance to respond before his time was up. This was, gosh, almost 10 years ago probably.

But he asked me about currency, and I said, yes, I think it does affect trade, and it affects it negatively. And I know it is not your bailiwick, in a sense. The Secretary of the Treasury has the responsibility for currency. But I would just ask you today about this new report by Larry Summers, former Secretary of Treasury, and other finance ministers from around the world that says, and I quote, “New trade agreements should explicitly include enforceable disciplines against currency manipulations that appropriately tie mutual trade preferences to mutual recognition that exchange rates should not be allowed to subsidize one party’s exports at the expense of others.” That is what it says.

Does that affect your thinking on this, and what are your views on currency and what we can do in trade agreements going forward?

Ambassador FROMAN. Thank you, Senator, and thank you for so much leadership on trade and for being a great source of advice and guidance.

Currency is a great concern to us, and it is a top priority. There is no difference of opinion about that. We think it is important that countries move toward market-determined exchange rates so that there is not a misalignment of exchange rates.

The Treasury Department, the President, and everyone on down has been focused on that bilaterally with countries like China, where, after pushing them to move their currency in June 2010, they began to let their currency appreciate, and it has appreciated about 15 percent in real terms against the dollar. That is not fast enough, not far enough, and we need to keep on pushing toward full market-determined exchange rates, but we are making progress in that area.

When Prime Minister Abe came in in Japan, the G-7 finance ministers got together and said, "You may want to stimulate your economy, but you have to do it through domestic actions for domestic purposes," and the Bank of Japan has effectively done so. It has had an effect on currency as well, but they have done the same kind of thing that our Federal Reserve did with quantitative easing.

So I think it is important. This is a very important issue. We need to find the right ways of achieving the results. We are fully committed to doing that in the administration.

There is a wide range of views, I know, in Congress, even on this committee, about how best to go about addressing the issue, and we are looking forward to continuing that dialogue.

Senator PORTMAN. I know my time is up. But I would hope that you will put some time and effort into it. I know, again, it is a Treasury issue, but the issue is intervention, and I do think that currency is something that more and more of us on this side of the aisle, and that side of the aisle certainly, are going to be concerned about, because it does affect trade. It affects our ability to have that level playing field we have talked about today.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Stabenow?

Senator STABENOW. Thank you very much, Mr. Chairman. I too want to talk about currency. I know that is no surprise. And I do want to start by saying last Congress, as you know, a significant bipartisan majority, 60 Senators, sent a letter to you, and 230 Representatives signed letters supporting the inclusion of strong and enforceable currency disciplines in all future trade agreements. But before I get to that, I would like very much to raise something that came up this morning in the press.

First of all, thank you for your enforcement. Thank you for continuing to have dialogue. I appreciate that. And I do appreciate the aggressive posture of the administration on enforcement.

I care very much about agriculture, as you know, but I also care very much about manufacturing and about automobiles. I do not think we have a middle class unless we make things and grow things and sell both of those. The key is to export our products, not our jobs. That is the fundamental debate: exporting products, not jobs. And right now, as you know, 70 percent of our trade deficit with Japan is autos.

And this morning, as reported in the *Detroit News*, based on Asian reporting, we understand that the administration will end

negotiations with Japan on standards for car imports in exchange for Japan's agreement to import more U.S. rice.

I am all for Japan importing more rice. When you and I talked earlier, you indicated that the auto negotiations were totally separate from agriculture. The fact is that today we cannot put an American automobile in a car dealership in Japan. They will not even allow that—you know all the restrictions. We cannot sell to Japan right now.

So first, I want to know whether or not this is true that you have decided not to proceed in opening up the ability for us to sell automobiles into Japan.

Ambassador FROMAN. Senator, one thing I have learned in this job is not to believe everything you read in the press, and particularly the Japanese press. It is categorically wrong. We are continuing to pursue the parallel negotiations on autos and to address the non-tariff measures, including standards, financial incentives, regulatory transparency, and having strong and effective dispute settlements around that to make sure that Japan upholds its obligations.

Senator STABENOW. Thank you. That is critically important. So let me go on now to currency. All we are asking is for internationally accepted principles on currency—that countries have all agreed to—to be enforceable in trade agreements.

And over and over again, we have had conversations, you and I. You know the numbers. We are talking about anywhere between \$6,000 and \$8,000 per vehicle, off the price of a vehicle coming in. We have seen numbers where, at various points, the Japanese automakers have made more off of manipulating currency than other profits on selling automobiles.

This is a huge issue in terms of not having a level playing field. We are talking about millions of jobs, anywhere from 2 million to 5 million jobs, if we were, in fact, to enforce what everybody knows is potential at various points—they may not be doing it right this minute, but we know what they have done with the Bank of Japan. We also know that with Korea, with China, with others that we are involved in with this agreement, that this is a major issue.

So where are we on this, and are we going to see enforceable currency provisions in these trade agreements?

Ambassador FROMAN. As I have said, this is a priority issue for us that the administration, with the Treasury Department in the lead, has been addressing since day one.

We have been pushing countries to level the playing field by moving toward market-determined exchange rates. We have been using bilateral engagement, for example with China, where I think we have made some progress. We have been using our engagement with the G-7, the G-20, the IMF.

I know you will have Secretary Lew up here as early as next week, and I refer you to him for further discussion of it.

Senator STABENOW. Let me just stress again, as you know, this is an absolutely critical issue in terms of making sure that American workers and the American people are getting a good deal on trade agreements, and so far I have not seen anything, any indication that, in fact, we will see currency issues addressed either in TPA or TPP or other agreements, and that is a serious flaw.

So I would encourage you to continue to do everything you can and to actually give us some specifics.

The CHAIRMAN. Thanks, Senator.

Senator STABENOW. Thank you.

The CHAIRMAN. Your time is up. Senator Bennet?

Senator BENNET. Thank you very much, Mr. Chairman. And thank you very much for holding this hearing.

Ambassador Froman, thanks for your efforts. Thanks for being here today. I know you have touched on this in the hearing today, and I appreciate your mentioning Colorado in your testimony and the importance of exports there. Nowhere is that more important really than in our agriculture sector, where we export roughly \$2 billion a year. It is hugely important to our State's economic well-being. Our State's wheat growers export 80 percent of what they grow, and even through droughts and the tough times that we have had, exports have continued to grow.

About a year ago, Senator Grassley and I sent you a letter—I know he touched on it generally, but I wondered if you could offer some more details. We sent you a letter to urge you to negotiate in a strong fashion with Japan to make sure that that market was really open to our beef producers, to dairy, to wheat, and I wonder whether you would speak in more detail about where you feel we are.

What are the hurdles that remain, and what do you hope to achieve in the coming weeks in the closing of your negotiations?

Ambassador FROMAN. Thank you, Senator. We have been engaged with Japan in agricultural market access negotiations for almost the better part of a year now, and it has been an ongoing process of going through the 1,800 tariff lines of agriculture, including their sensitive products, what they have identified as what they call their "sanctuary" products, and working with them and our stakeholders to, first of all, get agreement that all products will be covered.

So, even beyond what we did in our agreement with Korea, all products will be covered in our TPP agreement with Japan. And then we will go line by line through those products to maximize the number of products where there can be full tariff elimination. And where there cannot be full tariff elimination, we will have a dialogue about how to achieve commercially meaningful market access for our stakeholders on their priority issues.

And that is the process we have been going through. I think we have made substantial progress in a number of areas, but we still have work to do to complete that. Those discussions are ongoing.

Senator BENNET. Certainly, in my case, the outcomes there are going to be really important to deciding whether or not to support this going forward. Do they include the sanctuary products in the products that are part of the negotiation?

Ambassador FROMAN. Yes. All products will be covered. It is a question of how, and that is where we have worked very closely with our commodity groups, our stakeholder groups, to get the best understanding from them as to what their priorities are and what can create commercially meaningful market access for them.

Senator BENNET. Thank you for the work you are doing. Thank you, Mr. Chairman, for giving me a chance.

The CHAIRMAN. Thank you so much, Senator. I think we have completed the round. So maybe I can ask a question or two, and then I know you have a few questions.

Senator WYDEN. Thank you, Mr. Chairman.

The CHAIRMAN. Ambassador Froman, last year I expressed my concern that, despite Russia's serial violations of its WTO commitments, you have not brought a single case against Russia in the World Trade Organization, or WTO. Now, this is despite the fact that the administration told Congress during consideration of PNTR that one of the major benefits to having Russia in the WTO would be our ability to bring them to dispute settlement.

Could you explain why you have not brought a case against Russia?

Ambassador FROMAN. Well, we have been exploring all the various issues around areas of trade friction with Russia. We have been consulting with other parties, such as the European Union and others.

All the options are on the table. We are considering how best to address the outstanding issues and where to devote our efforts. So it is an area that we are keenly focused on, but not one that we have brought a case on yet.

The CHAIRMAN. I suggest that you consider that.

It is very important that the Trans-Pacific Partnership agreement provide for transparency and procedural fairness in reimbursement decisions regarding medical devices and pharmaceuticals. These are crucial elements which build public trust in national health care systems. And I consider strong provisions addressing transparency and procedural fairness in reimbursement decisions crucial to the strength of the final TPP agreement.

I understand that some countries, such as Japan, may be resisting these efforts. What are you doing to ensure that strong provisions will be included in the agreement?

Ambassador FROMAN. Well, we are working with our trading partners, but also our stakeholders here, to have a transparency provision that is based off of U.S. law and U.S. practice, the national coverage determinations process, that applies to Medicare.

Nothing that we are doing is going to require any change of U.S. law. It is not going to affect Medicaid or veterans' benefits or anything else in our system.

It is taking a national coverage determination process, as you say, the fairness and due process, and encouraging other countries to have that as well. It does not affect the level of reimbursement that a country might decide on. It simply makes sure that an individual can raise a request that a medical device, for example, be covered by their national health system. And we think that kind of procedural due process would be a positive development in this region, and we are continuing to negotiate on that.

The CHAIRMAN. The Transatlantic Trade and Investment Partnership, or TTIP, is an opportunity to improve upon the already deep relationship between the world's two largest financial markets, the European Union and the United States. Now, do you agree that the inclusion of a financial services framework, including regulatory cooperation, is an essential part of a successful, comprehensive TTIP?

Ambassador FROMAN. Our view is that financial services are a key part of our transatlantic relationship and should be part of this trade agreement, as in any other trade agreement, in terms of market access.

In terms of regulatory cooperation, this is an area where there has been an explosion of activity since the financial crisis, whether it is in the Financial Stability Board, the Basel Committee, the G-20, or bilaterally. We have a bilateral dialogue with the E.U. over financial regulatory issues that the Treasury Department leads on behalf of our regulators. And our position has been that that is where we ought to make progress in parallel, alongside TTIP on financial services regulation, by looking at and strengthening existing mechanisms.

The CHAIRMAN. Thank you. Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman.

Ambassador, I want to talk to you for a couple of minutes about the importance of a free and open Internet. It is obviously critically important to the economy, but it is also a platform not just for commerce, but for the free exchange of ideas. Of course, there have been a lot of battles, a lot of them waged in this room, to come up with the policies that will ensure that the Net stays free and open.

I know that years ago we were faced with the challenge that, if you owned a website, you could be held liable for something that was posted on the site, which would have pretty much meant you would not have had social media, because nobody would have been comfortable investing in it.

So what I would like to hear briefly is how you are going to make sure that nothing in these trade agreements will undermine an open Internet?

In effect, our challenge here is to buttress what we have accomplished in the United States to keep the Net free and open, and then do everything we can to build those principles into discussions and agreements we are having with our partners. And I do not think I am the only one who feels strongly about it, and I would be interested in your views on that.

Ambassador FROMAN. Well, that is exactly right, Senator, and that is exactly our perspective. We view TPP as an opportunity to bring into the digital economy fundamental principles from the "real" or the physical economy, including the importance of the free flow of information and data across borders and maintaining a free and open Internet.

So what we are pursuing in TPP is based on the approach that has been crafted here under U.S. law, including around issues like ISP liability, or around technology protection measures, or around copyright, making sure there are strong copyright laws. But at the same time, this is the first trade agreement in history that we will put forward that allows for exceptions and limitations to copyright consistent with U.S. practice. So our approach has been very much consistent with that approach.

Senator WYDEN. I just think that millions of Internet users want it clear and they want it straightforward that nothing is going to be done to undermine an open Internet. And particularly they want to buttress the victories that have been won here and look to overseas opportunities for the same kind of policies.

Let me get into one other area, and that is the relationship of TPA to TPP. And suffice it to say, there are a fair number of people in Washington scratching their head trying to think through the relationship.

We all know that TPA basically tells the President here, in effect, are the negotiating objectives for a trade agreement. And so people say, okay, that is what TPA is about. Then they open up their morning newspaper, and the morning newspaper says that TPP is pretty much done or close to being done and the like.

I think it would be helpful as we wrap up to have your sense of what are the outstanding issues still left in the Trans-Pacific Partnership agreement and how does the procedural issue, the Trade Promotion Authority discussion, impact what is still being discussed in the Trans-Pacific agreement.

Ambassador FROMAN. TPP is really two parallel negotiations, one on market access and one on a set of rules. So on market access, as we discussed here, we have made very good progress, but we still have remaining issues, whether it is in agricultural access to Japan, Canada, a few other markets, or resolving manufacturing tariffs in a few countries, or in the services area what we call non-conforming measures. And so we have bilateral negotiations with the other 11 partners to resolve those issues.

On the rules side, we have made very good progress and continue to make progress this week in terms of closing out various issues, but there are, I would say, in the intellectual property rights area still a number of open issues; in the environmental area, still a couple of issues; some in state-owned enterprises and investment. And those are all areas where we have been working with our partners bilaterally and in groups to try to find an appropriate landing zone to close out these agreements.

In terms of the relationship with TPA, we had the expiration of TPA in 2007. Notwithstanding that, we have worked with Congress to ensure that we are consulting throughout the negotiation and getting input from this committee and from other members about what our negotiating objectives should be, and we have benefitted enormously from that give-and-take and that feedback.

And I feel confident that, as we work in parallel on completing TPP consistent with the high-standard, ambitious, comprehensive objectives we set out, and securing TPA consistent with the work that has been done and continues to be done to try to build bipartisan support, we will be able to achieve those objectives.

Senator WYDEN. Ambassador, thank you. That is helpful. And suffice it to say I am sure you are going to get that question in other forums too, of the relationship between TPA and TPP.

I will tell you, your answer also enforces something you and I have talked about, and that is the fact that the more information you can make available in a fashion that is understandable to Americans, the more likely, particularly middle-class families, who have been skeptical of trade agreements, are going to say, "This makes sense."

The days are over when the American people are going to say, "Hey, they can just go negotiate this thing, we will take their word for it." I think that last point just reinforces, as these discussions go forward, how important it is to make the information that is

available, available to the public and to do it in an understandable fashion.

Ambassador FROMAN. If I could just comment on that, Senator. We completely agree, and our objective is to achieve maximum transparency, whether it is with Congress, stakeholders, or the public, consistent with being able to negotiate the best possible agreement.

I would say that this morning, for example, we have launched a new website as part of our continuing effort to increase transparency. We have added a number of features to increase the accessibility and facilitate communication between the administration and the public, including a new TPP information center on the website. And this is just one step.

We can always do a better job of being more transparent and are committed to working with all of you to determine the best way to do so.

The CHAIRMAN. Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

And thank you, Ambassador, for your testimony.

Before I start my line of questioning, I just want to say I think you are one of the brighter lights in the administration and certainly very responsive. So I appreciate your responsiveness on so many different issues.

Now, I know this question has been asked—and I have been in between hearings and trying to glean from the TV and meetings your answer, but I still do not quite get it. And that is, you say you need fast-track from Congress to provide you with marching orders for negotiations and that it puts Congress in the driver's seat. Yet, the TPP is almost complete.

So I am not quite sure how it is that the things that some of us who might contemplate supporting TPP would want to see in TPP, ultimately have an effect if your negotiations are almost complete.

Ambassador FROMAN. Well, the Trade Promotion Authority that I believe this committee and Ways and Means have been working on, of course, is broader than TPP. It encapsulates TTIP, it encapsulates agreements that we might negotiate at the WTO.

It is intended to be not just for this agreement in this year, but for a longer term.

Senator MENENDEZ. I get that. But TPP is first up at bat, and that is almost finished.

Ambassador FROMAN. And with TPP, that is one reason why we have spent so much effort consulting with Congress, both this committee, Ways and Means, but also the membership more broadly, to get input throughout on what they would like to see us negotiate on it, whether it is on the digital economy or state-owned enterprises, market access, or labor and environment. Those are all issues that, through our consultations with this committee and others, we have been able to put on the table in our TPP negotiations, and I am confident we will come up with a positive result.

Senator MENENDEZ. All right. Some of us are very concerned about strong labor provisions, given the inclusions of countries like Vietnam and Brunei and Malaysia, just to mention a few. But that is all going to come, from my perspective, after the fact.

So this is one of my concerns. What is the use of TPA if you have a deal done? Let me just join those colleagues, I think, including the chairman, who have talked about intellectual property rights, which is a critical issue for our country. We lead the world in this regard, and we see it stolen very often with impunity.

And particularly, as part of that, in a State like New Jersey, which is the medicine cabinet to the world, there is the question of pharmaceutical intellectual property, including the goal to have 12 years of data protection for biologics within TPP as currently stipulated in U.S. law.

I know you have talked about that, but I just want to make it very clear to you that this is a critical issue in my consideration of either TPP or, for that matter, any individual trade agreement. If we cannot protect, at the end of the day, the intellectual property of our companies, and if we cannot give them a reasonable time to recoup their investment after they invest billions of dollars in research—sometimes it works out and sometimes it does not—then it is a real problem.

Let me ask you one other question. Getting the details right in TPP is particularly important because the agreement, as I understand it, will feature a docking mechanism that allows other countries to join in the future: Korea, China, Taiwan are potential newcomers. How is that docking mechanism going to work? For example, will the ascension of China, in the future, require new Trade Promotion Authority or any other role for Congress, or will they be able to dock and accede to such an agreement that is already in place?

Ambassador FROMAN. As you suggest, Senator, the TPP is intended to be a platform which other countries that are able and willing to meet the high standards could potentially join with the consent of all of the countries around the table, and that consent has to reflect their domestic processes as well.

So no country would be able to join TPP without Congress's involvement and approval.

Senator MENENDEZ. So each future country that wishes to accede to any agreement that would be made would need, individually, Congress's approval?

Ambassador FROMAN. They would need Congress's approval.

Senator MENENDEZ. And finally, on CAFTA, several of our current free trade partners in Central America have raised concerns that if the final TPP includes concessions requested by Vietnam regarding rules of origin and short supply lists for textile and apparel, it will result in severe job losses and potentially gut the textile and apparel industry in the western hemisphere.

As someone who is very concerned about our challenges already with Central America—its stability, its prosperity, and, as we saw last year in those who seek to flee their country because of instability and whatnot—this would be an enormous blow.

How do you intend to deal with that reality?

Ambassador FROMAN. We have worked in the textile area through the forward rule, the short supply list, rules of origin, and customs enforcement and cooperation, to take those issues into consideration, and we have been working very closely with our textile manufacturers in the U.S. who are part of the supply chain with

Central America to get a best understanding of what their sensitivities are and to take that into account in our negotiations.

Senator MENENDEZ. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. Senator Scott?

Senator SCOTT. Thank you, Mr. Chairman.

Ambassador, how are you today? A quick question for you on the Information Technology Agreement.

As conversations continue surrounding the expansion of the WTO's ITA, China has recently agreed to include multi-component semiconductors into the agreement. This is a huge step forward, as China is one of the largest importers of semiconductors and could represent hundreds of millions of dollars for the U.S. semiconductor industry.

Considering the importance of the Multi-Component Integrated Circuits or MCO agreement to the U.S. and to the ITA, what is the USTR's plan to bring the ITA to completion?

Ambassador FROMAN. Thank you, Senator. We reached a significant breakthrough with China in November along the lines that you mentioned, which allows us to restart the ITA negotiations in Geneva. We have made some progress there, but there are remaining issues, particularly between China and Korea, and we are encouraging both parties to come to the table to negotiate.

We are trying to create enough benefit for all the parties around the table to sign onto the agreement, and we are encouraging China to show flexibility in accommodating some of Korea's interests in order to bring ITA to a close. As you know, it would be a significant agreement for the U.S. and for the world. It would cover \$1 trillion of trade. It is estimated to increase global GDP by \$190 billion, including 60,000 jobs in the U.S. And so we are very focused on trying to resolve the remaining differences.

Senator SCOTT. Thank you. During the State of the Union address, the President asked both parties to come together on TPA, and we have heard lots of conversation today about TPA, and it certainly is something that is important to my State of South Carolina, without any question. It is perhaps one of the States that would benefit the most from such an agreement.

But when I look at the President's record as it relates to negotiating on behalf of the Nation, I turn my attention to things like the Iran sanctions negotiations, where we have seen delay after delay after delay. I think about the freeing of dangerous terrorists who really seem to be bent on killing more Americans or the deal with China on carbon emissions. We are going to work toward a 15-year timeline, and theirs really does not start until 2030.

So my question to you is, what type of confidence—while I realize that the agreement has to come back to Congress for approval, my question to you really is, what kind of confidence should we have on the type of deals that will be structured going into the future with TPA?

Ambassador FROMAN. Well, we are consulting closely with this committee and other members of Congress throughout the negotiations—and with stakeholders and with the public—to come back with the best possible agreement for the U.S.

I think we have a strong record of doing that. For example, when we were renegotiating KORUS to deal with some of the auto

issues, the President walked away from the negotiation, because the deal was not good enough. And 3 months later, we got a much better deal, and we were able to bring it back to Congress and get it approved with strong bipartisan support.

So that is the model that we use. We want to bring back strong agreements that promote jobs in the U.S., go straight to the middle class, promote growth here, help create good, well-paying jobs across all the areas—manufacturing, services, agriculture—that level the playing field, while protecting American jobs and American workers.

We are creating a fair and level playing field by raising these standards and making sure that they are fully enforceable. And one thing that is very important is, we really are facing an important choice here, because we are out there trying to work on an agreement that reflects American values and American interests, and to us that has the greatest prospect of supporting and protecting American workers and businesses here.

But there are others out there negotiating agreements that do not have these kinds of protections, whether it is labor and environment or intellectual property rights or state-owned enterprises or additional economic benefits. It is critically important to American workers and American businesses that it is the U.S. that leads and that we do not cede that role to another country.

Senator SCOTT. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

I want to thank you, Ambassador Froman, for your good testimony and for being with us today. I want to thank all the members who asked questions and everyone who was also able to attend the hearing today, even our noisy friends at the beginning of the hearing.

The hearing record will remain open for 48 hours for any member's written questions.

With that, you will be happy to know, Mr. Ambassador, the hearing is adjourned.

[Whereupon, at 12:05 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. SHERROD BROWN,
A U.S. SENATOR FROM OHIO

Mr. Chairman, I want to thank you for holding today's hearing on the 2015 trade agenda. The Administration is pursuing an aggressive trade agenda, and it is important that Congress continue to provide equally aggressive oversight of all trade negotiations. I look forward to legislative hearings on the individual elements of U.S. trade policy, particularly on fast track.

The United States Trade Representative is negotiating numerous, far-reaching trade agreements this year. USTR is aiming to conclude the Trans-Pacific Partnership in the next few months. Talks with Europe on the Trans-Atlantic Trade and Investment Partnership will pick back up. And negotiations on the Trade In Services Agreement and the Environmental Goods Agreement at the World Trade Organization will advance.

President Obama has requested fast track from Congress for all of these trade agreements. It has been more than 12 years since Congress passed this type of bill. Fast track is truly singular legislation that gives full authority to the White House to negotiate U.S. trade policy and restricts Congress to an up or down vote on that trade policy. Besides budget reconciliation, no other procedure in the Senate expedites consideration of legislation and limits Congress' ability to amend it.

These agreements will have major consequences for workers and companies in the U.S. and the global economy. They will shape the flow of goods and services and wages and employment and investment. They will affect our manufacturers, our farms, our service providers, our communities, and our families.

If they have the same impact as previous trade agreements, they will erode the U.S. manufacturing sector, offshore jobs, and hurt American workers. Congress' task this year is to redirect our trade policy and prevent us from repeating these mistakes. We must work to ensure trade agreements create good-paying jobs here in the U.S.

Trade agreements that grow the U.S. manufacturing sector, increase workers' wages, and create opportunities for the middle class would get broad bipartisan support in both chambers of Congress. They would not need to be considered under strict rules with limited amendments. They would pass overwhelmingly.

I look forward to participating in more hearings on trade this year, and I hope my colleagues on the Finance Committee will join me in pursuing trade policies that benefit the middle class.

Thank you.

PREPARED STATEMENT OF HON. MICHAEL FROMAN,
U.S. TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT

Chairman Hatch, Ranking Member Wyden, Members of the Senate Finance Committee, thank you for the opportunity to testify on the President's trade agenda.

The Obama Administration's economic agenda of creating jobs, promoting growth, and strengthening America's middle class is supported by the work we do at USTR: opening markets and leveling the playing field to ensure that American workers,

farmers, ranchers; manufacturers and service providers; innovators, creators, investors and businesses—both large and small—can compete in the world’s fastest growing markets.

BUILDING ON RECORD-BREAKING U.S. EXPORTS

In 2014, USTR built on record-breaking exports, market opening initiatives, intensive engagement, and trade enforcement to achieve strong results for America’s economy. The data is compelling: Unemployment has dipped to 5.6 percent and we are creating more than 200,000 jobs per month. Those jobs include a gain of 786,000 new manufacturing jobs over the last five years. Manufacturing exports have grown by 9 percent a year on average. Our total exports have grown by nearly 50 percent and contributed nearly one-third of our economic growth since the second quarter of 2009. In 2013, the most recent year on record, American exports reached a record high of \$2.3 trillion and supported a record-breaking 11.3 million jobs.

It’s clear, more exports means more good jobs and more jobs are dependent upon exports than ever before. That’s why we’ve worked hard to open more markets to Made-In-America goods and services, agricultural products, innovation, and investment. In the last four years, the increase in U.S. exports has supported 1.6 million more good jobs, which typically pay 13–18 percent more on average than jobs not related to exports.

Done right, trade policy unlocks opportunities for Americans. 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. The United States is an open economy and our borders are already open to trade. But other countries still erect real barriers to our exports.

EXPORTS DRIVE SMALL BUSINESS GROWTH AND CREATE JOBS ACROSS THE UNITED STATES

Over the past year, I heard many of the stories behind these statistics. I listened to workers, small business owners, farmers and ranchers talk about their efforts to grow their businesses and create jobs. I traveled to Iowa to promote President Obama’s “Made in Rural America” export and investment initiative through the White House Rural Council and meeting with dairy farmers in Wisconsin to talk about USTR’s efforts to open new markets. I toured a small brewery in Denver and a waste water treatment equipment manufacturer in Cleveland, where I heard about each company’s contribution to Colorado and Ohio’s record-breaking exports last year. I met with a high-tech firm in San Antonio and an advanced manufacturer in Baltimore to discuss the future of the digital economy and share how our trade agreements can unlock opportunities for their businesses. Today, more small businesses are exporting than ever before, and by tapping into global markets, these companies are able to increase their sales and their payrolls.

But we know that the status quo is not an option to compete in the global economy. And we know that our workers are competing against workers in countries that lack even the most basic labor rights. Our businesses are competing against companies that get subsidies from their governments or that don’t have to maintain any environmental standards. If we sit on the sidelines, we will be faced with a race to the bottom in global trade instead of continuing to promote a race to the top. That’s not how we want to compete. As the President said last week, we should be the ones to engage and lead. We want to take the field, establish the rules of the game that reflect our interests and our values, and do so with all the tools we need to win.

Our trade agreements will support American jobs by boosting Made in America exports from our businesses, farms, and factories. In fact, for every \$1 billion we export, between 5,400 and 5,900 jobs are supported here at home. By opening rapidly expanding markets with millions of new middle-class consumers in parts of the globe like the Asia-Pacific, our trade agreements will help our businesses and workers access overseas markets, where 95 percent of the world’s consumers and 80 percent of the world’s purchasing power reside. Combined with our supply of energy, highly skilled work force, and culture of innovation, our trade agreements will help once again make America the global production platform of choice.

USTR PRIORITIES FOR 2015

In 2015, USTR will take steps to: (1) lead the Administration’s effort to secure Trade Promotion Authority with bipartisan support; (2) make significant progress to bring home high-standard trade agreements, including the successful conclusion

of the Trans-Pacific Partnership (TPP) negotiations and the plurilateral deal to expand the Information Technology Agreement (ITA), and the advancement in the Transatlantic Trade and Investment Partnership Agreement (T-TIP), the Trade in Services Agreement (TiSA), and the Environmental Goods Agreement (EGA); (3) harness the preferential access provided by our FTA agreements to further expand exports of U.S. goods, services, and investment with those countries; (4) strengthen key trade and investment relationships, including with China, India, Burma, Taiwan, Brazil, and the countries of Sub-Saharan Africa; and (5) ensure that our trading partners honor their commitments, including in the WTO and under our trade agreements.

UNLOCKING OPPORTUNITIES THROUGH U.S. JOB-SUPPORTING TRADE AGREEMENTS

We're working harder than ever to bring home trade agreements that will unlock opportunities by eliminating barriers to U.S. exports, trade, and investment while raising labor, environment, and other important standards across the board.

Trans-Pacific Partnership (TPP)

In 2014, we significantly advanced negotiation of the TPP, a state-of-the-art trade agreement that will guarantee expanded U.S. access to the rapidly growing economies in the Asia Pacific. Together with the 11 other TPP countries, we have made important progress in the market access negotiations for agricultural products, industrial goods, services and investment, and government procurement. We have also made substantial progress on ambitious, high-standard trade rules that will promote U.S. commercial interests and values in the region, in such areas as intellectual property, digital trade, competition with State-owned enterprises, and labor and environmental protections. The Peterson Institute for International Economics estimates that TPP will add \$123.5 billion to U.S. exports each year when it is fully implemented.

We continue to make progress in closing gaps related to autos, agriculture, and other market access issues in our bilateral negotiations with Japan. Japan agreed upfront to provide the longest staging of any TPP products for U.S. autos and truck tariffs, and we continue to work with Japan to address the long-standing barriers to American autos in the Japanese market. We will continue to closely consult with our auto workers and industry as the negotiations proceed in order to get the best deal possible for them. In agriculture, we continue to work hard to dismantle high tariffs, restrictive quotas, and complex administrative policies to create new opportunities for U.S. producers.

At the TPP Leaders meeting in November convened by President Obama, all 12 countries took note of the progress that has been made on TPP, and agreed that the end of the negotiation is now coming into focus. And the TPP countries reaffirmed their commitment to concluding a comprehensive, high-standard agreement, and to work toward finalizing the TPP agreement as soon as possible.

Transatlantic Trade and Investment Partnership (T-TIP)

With the new European Commission, the United States and the European Union see an opportunity for a fresh start in the T-TIP negotiations as we work to bolster our economic partnership that already supports \$1 trillion in two-way annual trade, \$4 trillion in investment, and 13 million jobs across the Atlantic. In November, President Obama and EU leaders reaffirmed their commitment to an ambitious, comprehensive, and high-standard T-TIP agreement. We look forward to building on the progress we've made at the 8th T-TIP negotiating round next week in Brussels and we hope to make good progress across all chapters in 2015.

World Trade Organization (WTO)

At the WTO, the United States played a critical role in building consensus on the first-ever fully multilateral trade agreement in the 20-year history of the WTO, the Trade Facilitation Agreement (TFA). As WTO Members move towards TFA implementation, the cost of trading for developed and developing countries alike will be significantly reduced. By some estimates, the global economic value of the new WTO deal could be worth hundreds of billions of dollars. In November, the United States and China announced a major breakthrough in negotiations to expand the scope of goods covered by the WTO Information Technology Agreement (ITA), which provided the basis for the resumption of plurilateral negotiations in Geneva. We are working closely with all ITA participants to bring about the successful conclusion of an ITA expansion deal as soon as possible. This would be the first major tariff-cutting deal at the WTO in 17 years and help boost American exports to growing markets around the world. When completed, the ITA expansion is estimated to

cover roughly \$1 trillion in trade, adding \$190 billion to the global economy and supporting tens of thousands of good-paying U.S. manufacturing and technology jobs. The United States will also work with WTO Members to develop a post-Bali work program that ensures balance among the largest Members in areas such as agriculture and industrial market access in the Doha Round negotiations.

Trade in Services Agreement (TiSA)

The United States is the largest exporter of services in the world, and in 2013, services exports accounted for a majority of U.S. export growth. Services liberalization abroad is necessary to sustain that growth for industries such as information technology and communications, distribution, energy services, environmental services, professional services, express delivery services, and more. U.S. service providers should have opportunities and fair treatment abroad that other countries' firms already enjoy in the United States. To support this vital sector, the United States engaged in the Trade in Services Agreement (TiSA) negotiations, a free trade agreement focused exclusively on services. TiSA brings together nearly two dozen countries, which makes up more than two-thirds of the global trade in services market. In 2015, we will continue to push for greater access and promote fair and open competition across a broad spectrum of service sectors.

Environmental Goods Agreement (EGA)

In July 2014, 14 WTO Members, including the United States and China, launched negotiations on the Environmental Goods Agreement (EGA) at the WTO. The goal in 2015 is to make essential progress toward our environmental protection and economic goals by eliminating tariffs faced by American exporters on a range of environmental goods. Tariffs on these environmental goods, including wind turbines, solar water heaters, and catalytic converters are unnecessarily high and limit the technological advancement for green technologies. In fact, as I speak, my team is in Geneva at the 4th round of negotiations pushing for the inclusion of key clean energy technologies, of which the United States is a major producer.

Agriculture

In 2013, U.S. farmers and ranchers exported a record \$148.7 billion of food and agricultural goods to consumers around the world. And we expect that we had another record year in 2014. Going into 2015, the Administration aims to help build on that record performance. America's strong competitive advantage is greatly due to our agricultural exports, and liberalizing trade in agricultural goods remains a priority issue in all of our bilateral engagements. We will open new export markets through our ongoing trade negotiations, including TPP and T-TIP. We will continue to work to remove non-science based sanitary and phytosanitary measures restricting exports of a variety of U.S. agricultural products.

Manufacturing

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. Here too, we expect that 2014 was a record year. In 2015, the Obama Administration will continue to pursue trade policies aimed at supporting the growth of manufacturing and associated high-quality jobs here at home and maintaining American manufacturers' competitive edge. U.S. manufacturing is vital to our economy and the Obama Administration is committed to making sure that the United States is competitive in attracting businesses to locate here. This is why we support a dynamic manufacturing sector and research and development policies to support broad-based innovation and advanced manufacturing that will help U.S. workers and firms win the future. 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. Across our trade negotiations, we aim to create rules that ensure state-owned enterprises (SOEs) do not compete unfairly with private firms, and seek to ensure that rules of origin and global supply chain provisions create conditions for manufacturers to locate here in the United States.

Innovation, Intellectual Property, and the Digital Economy

America's economic growth and competitiveness depend on its capacity to innovate. Our trade agreements, including TPP and T-TIP, promote strong and balanced IP protection and enforcement while opening markets for U.S. produced IP-intensive goods and services. In negotiations, like TPP, we are working to ensure access to affordable life-saving medicines, including in the developing world, and create incentives for the development of new treatment and cures that benefit the world and which create the pipeline for generic drugs. And to ensure we are advancing a bal-

anced policy and defending jobs that rely on innovation, we are committed to receiving input from across the spectrum of the U.S. economy: those who create, distribute, produce, and use intellectual property.

We will continue to support a free and open Internet that encourages the flow of information across the digital world. We know that the impact of digital trade is enormous, and thus that a supportive trade framework is critical for its continued expansion. Therefore, among the other twenty-first century issues we are addressing, we are modernizing our trade agenda to promote growth in the digital economy in particular. 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 push back against efforts by our trading partners to improperly use geographical indications to limit the ability of our farmers and exporters to use common food names and trademarks for their products.

The theft of U.S. intellectual property puts American jobs at risk and generates counterfeit products that can pose a threat to the health and safety of consumers around the world. We utilize our annual “Special 301” Report to identify and resolve IP concerns with many trading partners. This year, it included specific focus on India through an out-of-cycle review during which we were able to highlight the need for India to increase its engagement with the U.S. Government and with U.S. stakeholders on a broad range of IPR issues identified in the Special 301 Report. Use of the out-of-cycle review helped to secure commitments from India in the 2014 Trade Policy Forum on a broad range of IP issues of concerns to the United States and its stakeholders. And Israel, Italy and the Philippines were removed from the Watch List for their important legislative and regulatory reforms in enhancing intellectual property enforcement.

ENFORCEMENT TOOLS UTILIZED TO PROTECT U.S. TRADE RIGHTS AROUND THE WORLD

As we work to open markets around the world, we are simultaneously working to hold our trading partners accountable for their commitments under existing agreements so that American workers, businesses, farmers and ranchers get the full benefit of all the economic opportunities the United States has negotiated over the years. From day one, the Obama Administration has shown an unwavering commitment to enforce our trade rights around the world. Within existing resources, we have undertaken a bold and ambitious trade enforcement agenda reflected in the scale, scope, and systemic importance of our disputes. And for every part of our economy, USTR is fighting on their behalf—from American auto workers to farmers to high-tech manufacturers that need rare earth metals to American service providers.

WTO Enforcement

USTR is building upon significant WTO victories for the United States as we move forward with a robust monitoring and enforcement agenda in 2015. We continue to build on our strong success with major victories in several WTO disputes. In June, the WTO found that China had breached WTO rules by imposing on American cars and SUVs unjustified extra duties, which were assessed on over \$5 billion of U.S. auto exports in 2013. In August, the WTO found that China again breached WTO rules by imposing duties and quotas on exports of rare earths, tungsten, and molybdenum, which discriminate against U.S. manufacturers of hybrid car batteries, wind turbines, energy-efficient lighting, steel, advanced electronics, automobiles, and more. In October, a WTO panel found India’s ban on U.S. agricultural products—such as poultry—allegedly to protect against avian influenza was imposed without sufficient scientific evidence, among other things. And earlier this month, the WTO finalized the outcome of a dispute against Argentina’s import licensing requirement and other import restrictions that were imposed as protectionist measures against billions of dollars of Made-In-America electronics, aerospace, pharmaceuticals, precision instruments, medical devices and motor vehicles and parts. These outcomes are an example of our strong record on trade enforcement. For the 18 WTO complaints filed since 2009, every single case that has been decided has resulted in a win for the United States. And when you consider those victories I just mentioned—the range of trading partners, the types of trade barriers, and value and diversity of exports involved—the power of robust trade enforcement becomes clear. We’re absolutely committed to ensuring American workers get all the benefits of U.S. trade agreements because we’ve seen that trade, done right, supports high-quality, middle class American jobs.

Enforcement of U.S. Free Trade Agreements

The Administration also continued to vigorously monitor our FTA partners' implementation of their obligations under Congressionally-approved FTAs. Under the CAFTA-DR, the Administration proceeded with a labor rights enforcement case against Guatemala to ensure it implements the labor protections to which its workers are entitled. We convened Labor Affairs Council meetings with our counterparts in Peru and Panama to discuss labor rights, including labor inspections and subcontracting arrangements. We convened FTA labor subcommittee meetings with Jordan and Morocco, where we discussed Jordan's progress on the Labor Implementation Plan, which was signed by both governments in 2013, and a U.S. Department of Labor (DOL) technical assistance project to combat child labor and empower women in Morocco. We engaged in constructive FTA labor consultations with Bahrain in 2014. Also working together with DOL, USTR released a report in April describing the progress and the work that remains in Colombia to address concerns about labor protection and labor rights. We also convened Environmental Affairs Councils and other bilateral meetings with our CAFTA-DR partners, as well as with Morocco, Panama, and Peru to review progress under our environmental chapters and discuss concerns. To ensure that the U.S.-Korea FTA is fully implemented, we worked closely with our Korean counterparts to make important progress in resolving issues related to customs origin verification, financial services, and automotive issues.

We will continue to be vigilant in 2015 to ensure that Korea, along with our other current FTA partner countries, fully adheres to the letter and spirit of their FTAs.

DEEPENING OUR TRADE AND INVESTMENT PARTNERSHIPS AROUND THE WORLD

The Administration continues to work to deepen our trade relationships around the world. This includes engagement with China, India, Burma, Sub-Saharan Africa and other regions to address concerns with our bilateral trading partners.

China

On China, the Administration made progress on a wide range of issues, including protection and enforcement of trade secrets and other intellectual property rights, as well as SOEs, investment, services, global drug supply chain integrity, and transparency at the U.S.-China Strategic and Economic Dialogue in July. These engagements yielded concrete changes which support jobs and exports from the United States. We also made significant progress on key issues like transparency and a level playing field in competition law enforcement, agricultural biotechnology, the protection and enforcement of trade secrets, and technology localization at the 25th Joint Commission on Commerce and Trade held in December. There was further progress in the pharmaceutical sector at the JCCT, where China agreed to streamline its approval processes for pharmaceutical and medical devices. We also intensified our negotiations toward a Bilateral Investment Treaty (BIT) with China and expect to initiate the critical "negative list" market access negotiations in early 2015.

India

In November, I led a U.S. delegation to the U.S.-India Trade Policy Forum (TPF), the first TPF since 2010 and an important step in invigorating our bilateral relationship. The TPF provided the forum for the discussion of several key trade and investment issues, including intellectual property rights, agriculture, services, manufacturing and others. The meeting resulted in substantive work plans for regularized engagement across these priority issues. In advance of this meeting, India and the United States worked together to address outstanding concerns arising from the WTO Bali package which, with the support of the other WTO members, will now allow the Trade Facilitation Agreement to be fully implemented. For 2015, we are planning a significant ramp up of our engagement with India to strengthen our bilateral relationship and work to address outstanding concerns in a number of areas.

Burma

In November, the United States launched an initiative with the Government of Burma, the International Labor Organization, Japan and Denmark to improve fundamental labor rights and promote responsible business practices in Burma through a multi-year labor law reform plan and a stakeholder consultative mechanism. This is part of broader efforts to promote responsible trade and investment practices and sustainable economic development. Earlier in the year, the United States held the first-ever Trade and Investment Framework Agreement meeting with Burma to address economic reform, implementation of Burma's WTO commitments and labor rights.

Taiwan

We continue to make progress with Taiwan on a broad range of trade and investment issues through the TIFA Council, during which Taiwan took concrete steps to lift data center localization requirements, address technical barriers to trade, and clarify investment criteria. Taiwan also made important commitments involving investment, agriculture, pharmaceuticals, and medical devices. In 2015, we look forward to make progress on these and other trade and investment issues important to the United States and Taiwan.

Brazil

After resolving the long-standing cotton dispute with Brazil, we are looking to enhance cooperation on trade and investment through the U.S.-Brazil Agreement on Trade and Economic Cooperation. Brazil is one of the most dynamic countries in the world and a top customer of the United States for value-added goods, such as machinery, aircraft, chemicals and fuels. Our 2013 goods trade surplus of \$16.5 billion is our largest in the hemisphere. In 2015, we will explore opportunities to deepen cooperation on a number of issues of mutual concern, including innovation, trade facilitation, and technical barriers to trade, and working together to reduce barriers to agriculture trade in third markets.

Africa

In August, President Obama welcomed leaders from across the African continent for the historic U.S.-Africa Leaders Summit, which marked the largest event any U.S. President has held with African heads of state and government. During the Summit, I convened the AGOA Forum Ministerial with African trade ministers to discuss the future of the African Growth Opportunity Act (AGOA) program and opportunities to strengthen trade and investment ties between the United States and Africa—one of the world's most dynamic and fastest-growing regions. Before those meetings, President Obama determined that Swaziland would no longer be eligible for AGOA benefits because it failed to meet AGOA's eligibility criteria related to internationally recognized worker rights. The President also determined that Madagascar should regain its AGOA eligibility, following that country's return to democratic rule following a 2009 coup d'état. Later in the year, the President determined that Guinea-Bissau would regain its AGOA eligibility following its return to democratic rule, and that The Gambia and South Sudan would lose their AGOA eligibility for reasons related to AGOA's human rights criteria. In addition, USTR hosted separate Trade and Investment Framework Agreement (TIFA) Council meetings with Nigeria and Angola. The Administration stands ready to work with Congress to renew the AGOA program prior to its September 30, 2015 expiration.

Generalized System of Preferences (GSP)

The United States is committed to creating economic growth and development around the world through our trade preference programs, trade capacity building, and other initiatives. The Generalized System of Preferences (GSP)—the oldest and most widely used U.S. preference program—provides developing countries with duty-free access on a range of goods. The GSP program promotes economic growth in developing countries while also helping to improve competitiveness for U.S. business because it reduces the cost of imported inputs used in U.S. manufacturing and production. We have made effective use of the GSP statute's labor provisions to encourage trading partners such as Bangladesh to make greater efforts to ensure respect for internationally recognized labor standards within their economies. The Administration urges Congress to expeditiously renew authorization of the GSP program, which lapsed in July 2013, and we stand ready to work with you to that end.

In addition to important emerging markets, the United States will continue our robust engagement with trading partners around the world as we seek additional bilateral and regional trade and investment opportunities to help increase U.S. exports and grow our economy. 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.

Trade Promotion Authority (TPA)

Let me build upon the President's remarks on trade at the State of the Union. As the President made clear last week, the Administration is committed to securing bipartisan Trade Promotion Authority. America has always been strongest when it speaks with one voice, and that's exactly what Trade Promotion Authority, or TPA, helps us do. TPA puts Congress in the driver's seat to define U.S. negotiating objectives and priorities for trade agreements. It clarifies and strengthens public and Congressional oversight by requiring consultations and transparency throughout the

negotiating process. It makes clear to our trading partners that the Administration and Congress are on the same page negotiating high standards in our trade agreements. There is no other area of policy that reflects closer coordination between the Executive branch and Congress than trade policy. And in return, I can promise you that we'll continue working hard to strike balanced agreements that benefit our workers, employers, our environment and the economy at large.

The previous TPA legislation was passed over a decade ago and we agree with the Congressional voices that an update is necessary. The global economy has changed significantly since 2002 and Congressional views on labor, environment, innovation, and access to medicines need to be memorialized while the rise of the digital economy and the increasing role of SOEs need to be addressed. We agree with the broad group of stakeholders that these issues should be reflected in a new TPA bill.

The Administration looks forward to continue working with this Committee and the new Congress as a whole to secure TPA that has bipartisan support. We also look forward to renewing Trade Adjustment Assistance (TAA), which helps provide American workers with the skills to compete in the 21st century.

PROMOTING INCREASED ENGAGEMENT AND TRANSPARENCY IN NEGOTIATIONS

As we work to open markets to support more American jobs, an important part of that work is keeping the public, Congress, and a diverse array of stakeholders engaged and informed. We believe that public participation, Congressional input, and an open national debate enhance trade policy. And to ensure these agreements are balanced, we seek a diversity of voices in America's trade policy.

The Administration has taken unprecedented steps to increase transparency. Those steps have resulted in more public dialogue and outreach on trade agreements like TPP and T-TIP than on any other free trade agreements in history. This includes the more than 1,600 consultations we've had on TPP alone. We have provided access to the current negotiating texts of both agreements to Members of Congress. We have previewed every new U.S. proposal with the Committees of jurisdiction before tabling them in both negotiations. And we have briefed interested Members of Congress before and after every negotiating round—seeking feedback at every stage of the game.

The Administration has also engaged with the public around its trade agenda in new ways. We have held public hearings soliciting the public's input on the negotiations and suspended negotiating rounds to host first-of-a-kind stakeholder events so that the public can provide our negotiators with direct feedback on the negotiations. We have also shared information on the current status of the negotiations through an array of tools on our website.

We are always looking for new ways to engage the public and welcome input, including from your committee, which will help inform and guide our trade policy. Enhancing transparency will remain a priority, consistent with the ability to deliver on our ultimate mission, which is to deliver agreements that achieve the maximum possible benefit for the American people.

CONCLUSION

The Obama Administration's trade agenda is focused on expanding opportunities to export more Made-in-America products, support jobs at home, and create economic growth by opening overseas markets and leveling the playing field for American workers, farmers, and businesses. In doing so, we will continue to advocate for 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. We can only accomplish these shared goals and priorities through strong bipartisan cooperation between Congress and the Administration. We look forward to working with you to ensure our trade policy creates opportunities for all Americans.

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

QUESTIONS SUBMITTED FOR THE RECORD TO HON. MICHAEL FROMAN

QUESTIONS SUBMITTED BY HON. ORRIN G. HATCH

Question. Strong intellectual property (IP) rights and enforcement are vitally important to our economy. In the Transatlantic Trade and Investment Partnership (TTIP), both the United States and the EU are already home to robust IP regimes. For that reason, TTIP provides an important opportunity for the two sides to demonstrate international leadership and to establish minimum benchmark standards that the United States and the EU should seek in future trade agreements with third parties. Even though the United States and the EU have strong, sophisticated systems in place to protect and enforce IP, each also faces challenges to the protection of those intellectual assets elsewhere in the world. How can the United States and the EU use TTIP to address critical issues surrounding the erosion of IP rights by our trading partners?

Answer. T-TIP provides a significant opportunity to build on the shared transatlantic commitment to strong IPR protection and enforcement, consistent with our respective systems, to enhance our joint leadership in this area and to continue our work to promote those high standards, including in other markets. We start these negotiations in a unique and fortunate position, where both sides already have among the highest levels of IPR protection and among the most robust IPR enforcement in the world, as well as a successful track record of joint coordination. The United States and the EU are the world's most creative economies, and IP protection and enforcement are essential for encouraging innovation in new technologies, stimulating investment in research and development, and contributing to exports of U.S. products and the creation of American jobs. Nearly 40 million American jobs are directly or indirectly attributable to "IP intensive" industries. These jobs also pay higher wages to their workers, and these industries drive about 60 percent of U.S. merchandise exports and a large fraction of services exports. Our T-TIP objectives seek to build on our common IP strengths and successes to address IP issues in our own markets, while promoting good policies in third countries and international organizations as well.

Question. As you know we will soon be considering legislation to renew the Generalized System of Preferences and to extend the African Growth and Opportunity Act. Forced localization in many of these beneficiary countries hurts U.S. exporters of high-tech goods and services, as well as many other U.S. producers of goods and services. For example, in Asia, we are seeing that Indonesia is systematically introducing a host of measures that force local manufacturing in order to sell in that market, without any due process or notice. The measures range in scope, requiring local content to manipulating its licensing regime, or both, along with a host of measures to force local production of ICT products and local storage of data. Another example is Nigeria, where Nigeria has imposed a host of local content and localization measures affecting ICT hardware, software, services, and data.

I don't think we need to revise the eligibility criteria to deal with this problem. Countries that deliberately disregard their existing international obligations need to understand that there will be consequences to taking such action. I would like to know what you are doing to enforce existing prohibitions to local content manufacturing in beneficiary countries.

Answer. Localization barriers to trade distort trade, result in higher costs for consumers, lower quality, reduce foreign investment and, over time, lessen employment in countries that have them. The U.S. Government has advocated against the development and implementation of local content requirements in both Indonesia and Nigeria, including in the ICT industry. We have raised concerns both bilaterally with Indonesia, including during the U.S.-Indonesia Trade and Investment Framework Agreement (TIFA) meetings, and multilaterally in multiple committees at the WTO. I most recently raised this in January 2015 with the Indonesian Minister of Trade. USTR has also raised this issue with senior members of the Nigerian government on a number of occasions, including during the most recent U.S.-Nigerian TIFA Council meeting in Washington in March 2014. We will continue to address these trade and investment distorting practices around the world.

Question. Even though we have a free trade agreement with Australia, U.S. beef has not been approved for sale to Australian consumers even though there is no legitimate science-based reason to restrict U.S. beef. Meanwhile, Australia is one of the largest sources of beef imports for the United States with over \$1 billion of Aussie beef consumed by Americans in 2013. What is USTR doing to resolve this

issue with Australia so that American ranchers can compete on a level playing field with Australian ranchers?

Answer. USTR is working closely with the U.S. Department of Agriculture (USDA) to regain access to Australia for U.S. beef and has raised this issue in a number of meetings with the Government of Australia. Under Australia's food safety import requirements, Food Standards Australia New Zealand (FSANZ), a regional food safety agency, conducts an individual country risk assessment. In August 2013, an audit team from FSANZ conducted an inspection of U.S. production and processing facilities. The United States reviewed the draft report from that inspection, and the final report is currently being completed by FSANZ. In addition to the FSANZ review, the Australian Department of Agriculture conducts a separate import risk analysis for each exporting country to address animal health issues. USTR and USDA will continue to urge Australia to open its market fully to U.S. beef and beef products based on science, the OIE guidelines, and the United States' BSE negligible risk status.

Question. As you know, we recently received the findings from the U.S. International Trade Commission's report on India. The report documented a number significant barriers to trade faced by U.S. business in India, including customs procedures, tariffs, IP protection, and local content requirement. In particular, it found that improved protection for intellectual property would improve economic engagement in India and increase U.S. exports in all sectors, with pharmaceutical exports increasing the most by almost 200 percent. As you know, I am profoundly disappointed that there is no meaningful action plan in place to address these problems. With a rising share of U.S. companies substantially adversely affected by Indian policies, how do you plan to work to address the challenges identified in the report?

Answer. We appreciate the report produced by the U.S. International Trade Commission on India, and look forward to the subsequent report that will take into account the economic reform efforts of the new government under Prime Minister Narendra Modi. We have seen a significant increase in our engagement with the Modi government on trade and investment issues, including on those issues that the report highlights as having the most significant effect on U.S. companies operating in India, namely, tariffs and customs procedures, taxes, and financial regulations. We have also increased our engagement on intellectual property rights (IPR) related issues. Through this new and regularized engagement across trade and investment issues with India, we will continue to encourage the Indian Government to adopt policy reforms that address measures that have the most significant effect on U.S. companies operating in India. During the November 2014 Trade Policy Forum (TPF), India committed to structured work plans for continued engagement in 2015 on IPR, promoting investment in manufacturing (tariffs and customs procedures, and localization), agriculture (tariff and non-tariff barriers), and services (financial, distribution, and professional).

With respect to IPR, we are actively engaging India on how to create an ecosystem that supports innovation through strong IPR protection and enforcement. USTR conducted a Special 301 Out-of-Cycle Review of India's IPR environment, focused on the level of government engagement with the U.S. on IPR issues, and during that OCR, we were able to achieve—for the first time ever—the establishment of a joint U.S.-India annual high-level Intellectual Property Working Group based on the common recognition of the need to foster innovation in a manner that promotes economic growth and job creation. We also continue to work with India on the entire range of IPR concerns under the Trade Policy Forum, including through intensive, technical discussions on policies to provide adequate protection for trade secrets and patents. We are also working closely on efforts to increase information sharing and enforcement against copyright infringement that affects U.S. and Indian industries alike.

Question. It is my understanding that U.S. films are not able to freely enter the Chinese market today. However, almost three years ago the U.S. and China entered into an agreement to address China's WTO trade violations restricting access of U.S. films to the China market. Why has this agreement not been fully implemented? What steps must the U.S. take to ensure that China fulfills its trade commitments?

Answer. In February 2012, the United States and China signed a memorandum of understanding (MOU) with regard to certain film-related findings and recommendations in a WTO case that the United States had won. The MOU provided for substantial increases in the number of foreign films imported and distributed in China each year, along with substantial additional revenue for foreign film pro-

ducers. While work under the MOU continues, significantly more U.S. films have been imported and distributed in China since the signing of the MOU, and the revenue received by U.S. film producers has increased significantly. Benefits that have accrued to date under the MOU flow primarily to U.S. film producers whose films are imported and distributed in China on a revenue-sharing basis. China needs to do more on certain MOU commitments regarding film distribution opportunities for imported films that are distributed in China on a flat-fee basis rather than a revenue-sharing basis. The United States has been pressing China on these issues, and will continue to do so until U.S. concerns are fully resolved.

Question. Many of our TPP negotiating partners share the goal of the United States of opening the TPP agricultural markets to greater trade. I am concerned, however, that certain partners, especially Japan and Canada, are currently unwilling to make the types of commitments needed to achieve a strong outcome for U.S. farmers and ranchers. I am particularly concerned as to whether we will achieve a balanced market access in the dairy sector, where other TPP partners also have a strong interest in our market. I ask for your assurance that you will achieve a strong and balanced market access package for U.S. farmers and ranchers, including dairy producers.

Answer. We are working to provide new and expanded export opportunities for all American farmers and ranchers, including for U.S. dairy farmers, across the TPP markets. This will be achieved through tariff elimination, deep tariff reductions, and new preferential tariff rate quotas. Gaining new and commercially meaningful dairy market access in Canada and Japan are top priorities of the TPP agricultural market access negotiations, as it gains valuable new market access for U.S. dairy products exported to Vietnam and Malaysia. We are mindful of the sensitive nature of dairy imports in the United States, and are taking these sensitivities into account as we discuss providing expanded access to the U.S. market as part of the TPP negotiating process.

QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. In your March 2014 hearing QFRs, you asserted that you “are looking at Japan and Canada . . . to provide comprehensive and meaningful access to its [sic] agricultural markets, including for U.S. dairy products. . . .” How do you define “comprehensive and meaningful access?”

Answer. We are working to build on the recent strong export performance of our agricultural sector and provide new and expanded opportunities for U.S. farm products, including dairy products in all of the TPP markets. This will be achieved through tariff elimination, deep tariff reductions, and new preferential tariff rate quotas. Gaining new and commercially meaningful dairy market access in Canada and Japan are top priorities of the TPP agricultural market access negotiations, as it gains valuable new market access for U.S. dairy products exported to Vietnam and Malaysia. We continue to work closely with U.S. stakeholders to ensure we reflect their priorities and concerns.

Question. Many Members of Congress support a full enforcement dispute settlement mechanism for sanitary and phytosanitary measures. If USTR seeks any exclusion from comprehensive enforceable dispute settlement, how will such variances be determined?

Answer. We have reflected on feedback received from our extensive consultations with Members of Congress and U.S. stakeholders on the TPP SPS chapter, including with respect to dispute settlement. Although the United States is confident that under the TPP SPS chapter U.S. regulators will be able to continue ensuring the safety of our food and protecting animal and plant health, we prefer excluding two provisions from dispute settlement to maintain the utmost flexibility and minimize any defensive concerns. We are also mindful that we can always take countries to dispute settlement in the World Trade Organization over SPS measures not based on science.

Question. Meaningful market access for agricultural and service products must result from the U.S.-Japan bilateral negotiations. Can you assure the committee that significant additional market access for commodities Japan considers “sensitive” will be included in any TPP agreement?

Answer. U.S. exports of agricultural products to Japan reached nearly \$13.2 billion in 2014, up 8 percent from a year earlier. Shipments of beef, pork, rice, wheat, and dairy products—identified by Japan as being their leading agriculture-related

sensitivities—combined to account for over \$5.1 billion of that total. Through the TPP negotiations, we are working to build on this already strong foundation and deliver new and expanded market access opportunities in Japan for all U.S. food and agricultural products including with respect to Japan’s co-called sensitive products. We expect this outcome to be achieved through a combination of tariff elimination, deep tariff reductions, and new preferential tariff-rate quotas.

Question. Given that we allowed Mexico to export potatoes to the U.S. without first ensuring a viable agreement to permit U.S. potatoes into Mexico, what steps is USTR taking to address backsliding by Mexico, given its long history of non-compliance on SPS? Do you consider the Mexican government’s own defense of its March 2014 rules sufficient?

Answer. Prior to joining the TPP negotiations, Mexico reaffirmed its commitment to science-based SPS decisions, in line with the high standards of the WTO SPS Agreement. In March 2014, Mexico issued a final rule to expand access for U.S. potatoes. However, a Mexican court granted an injunction pending resolution of a lawsuit filed by the Mexican potato industry. We will continue to monitor this legal issue closely and press for an outcome that results in further market opening for U.S. potato exports.

Question. With the potential expiration of the SLA in 2015, what changes to the agreement is USTR negotiating with Canada to address better the persistent Canadian flouting of the lumber restrictions?

Answer. The nearly-decade-old 2006 Softwood Lumber Agreement (SLA) has been the most successful of several agreements reached over the past three decades to address U.S. concerns about imports of Canadian softwood lumber. USTR is continuing to consult with domestic stakeholders. To date, the Government of Canada has said it cannot consider any changes to the 2006 agreement. We continue to encourage the Government of Canada to engage with its stakeholders on a path forward.

Question. Many Senators are concerned that, once implemented, the unnecessary and duplicative USDA catfish inspection program will harm the business interests of many American food producers and threaten our trade interests. As the program may officially be implemented in the near future, to what extent is this program a part of TPP negotiations? Do you have recommendations for Congress to consider on the future of the USDA catfish inspection program?

Answer. The Congressionally-mandated change to how the United States assures the safety of catfish is not part of the TPP negotiations, although Vietnam as a TPP partner has raised concerns. USTR is working with USDA to ensure that any final rule is consistent with our international obligations and prevents unnecessary trade disruptions.

Question. It is critical the TPP yields meaningful market access for the U.S. dairy producers, particularly with regard to Canada and Japan. As you know, concern persists among commodity groups that TPP negotiations may come up short in securing real market opportunities for U.S. exporters. What assurances can you share that USTR is diligently working to ensure significant market access for dairy in Canada and Japan?

Answer. We are working to provide new and expanded opportunities for U.S. dairy products in all of the TPP markets. This will be achieved through tariff elimination, deep tariff reductions, and new preferential tariff rate quotas. Gaining new and commercially meaningful dairy market access in Canada and Japan are top priorities of the TPP agricultural market access negotiations, as it gains valuable new market access for U.S. dairy products exported to Vietnam and Malaysia. We continue to work closely with U.S. stakeholders to ensure we reflect their priorities and concerns.

Question. Despite its WTO accession commitments, Russia has banned the import of U.S. beef and other agricultural products for two years. What substantial progress has USTR made in ending this problem since your previous testimony before this committee?

Answer. In August, 2014, Russia banned imports of U.S. beef and other agricultural products from countries that have imposed sanctions in response to Russia’s illegal actions in Ukraine. By imposing an import ban on food items, the Russian government is placing a burden on its own citizens. We are sensitive to the negative impact that this ban has had on specific agricultural producers. Nevertheless, the overwhelming reaction from U.S. industry has been one of solidarity with the over-

all objective of not condoning Russia's illegal actions in Ukraine and efforts to use trade as a political weapon. We have and will continue to use the tools of the WTO to ensure that Russia implements the WTO Agreement on Sanitary and Phytosanitary Measures, and the commitments in its Working Party Report. For example, USTR and USDA met numerous times with Russian officials to open the Russian market to U.S. exports of, among other items, beef, pork, poultry and dairy, both at the technical expert level and at senior levels. We were able to make some progress and restart some U.S. exports of turkey and pork before Russia banned general food imports from the United States.

QUESTIONS SUBMITTED BY HON. MICHAEL B. ENZI

Question. In his State of the Union address, President Obama said that we shouldn't let China write the rules for the world's fastest-growing region, as that would put our workers and businesses at a disadvantage. One of the ways that China puts U.S. exporters at a disadvantage is through its use of value-added tax (VAT) policy to distort trade. China incentivizes exports of soda ash, for example, by giving a 9 percent rebate of its VAT on soda ash that is exported. As you may know, soda ash is the largest exported product from Wyoming. In the context of the 2012 JCCT, China committed to have discussions with the United States to work toward a trade-neutral VAT system in China. Will the Administration commit to following through on these VAT-related consultations with China?

Answer. Since the 2012 meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT), the Administration has continued to press China to move toward a trade-neutral VAT system, using both the JCCT process and the U.S.-China Strategic & Economic Dialogue (S&ED) process. This past year, at the 2014 S&ED meeting, China recognized "the importance of fostering a more streamlined, efficient, and market-based business environment in which the market plays a decisive role in allocating resources" and committed "to improve its Value Added Tax rebate system, including actively studying international best practices, and to deepen communication with the United States on this matter, including regarding its impact on trade," as set forth in the Joint Fact Sheet reflecting the outcomes of discussions between the United States and China. China acknowledged that this approach would support "strong, sustainable, and balanced economic growth" in China and "the transformation of China's economic development pattern." Going forward, the United States is committed to following through in this area with China.

Question. The Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (T-TIP) are very important to the U.S. soda ash industry, based in Green River, Wyoming. Soda ash production is a shining example of U.S. competitiveness. The industry exports over \$1 billion annually, about half its total output. The soda ash industry faces continuing challenges from subsidized suppliers such as China's soda ash industry; however, it is very important that soda ash tariffs imposed by Japan and Vietnam are eliminated immediately in the TPP, and by Europe in the TTIP. Can you speak to the status of the industrial tariff negotiations in these trade negotiations?

Answer. USTR is aiming for rapid elimination of tariffs on a broad range of industrial goods in the TPP and T-TIP negotiations, including soda ash, which will enhance market access to the European market, as well as three key Asia-Pacific markets—Japan, Malaysia, and Vietnam. In addition, in both TPP and T-TIP, we are seeking to include disciplines to ensure that state-owned enterprises compete fairly and do not cause harm to U.S. companies and workers as a result of subsidies or other advantages they receive from the governments that own them, which would address a significant global challenge U.S. soda ash exporters face.

Question. A number of my colleagues touched on the status of agricultural trade in a number of areas but I am concerned specifically about U.S. lamb exports. What opportunities do you see in the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (T-TIP) for U.S. lamb producers?

Answer. While most TPP countries' tariffs on lamb meat are already zero, Vietnam maintains a 7 percent tariff, which we would expect to be eliminated under the TPP agreement. More broadly, the TPP region encompasses a number of countries characterized as having an expanding middle class base and rising consumer incomes, where we would expect a growing market in lamb meat. Under T-TIP we also aim to increase market access for U.S. lamb exports. For those countries, like EU Member States and Japan, that maintain SPS-based market access restrictions on U.S. lamb, USDA is continuing its work at the technical level to address and

resolve these constraints. As such, we would expect to see new market opportunities emerge over the coming years for high-quality U.S. lamb.

QUESTIONS SUBMITTED BY HON. JOHN CORNYN

Question. Ambassador Froman, as you know, farmers and ranchers in Texas rely heavily on exports. However, an example of one question that I get from producers is this: “It is great to have trade agreements but what is the United States doing to ensure that the parties to all of our agreements are playing by the rules that they agreed to”? We continue to see foreign governments use tariff and non-tariff barriers to restrict U.S. agriculture products.

Can you tell us what you are doing to ensure that countries who sign trade agreements with the United States are living up to their commitments?

Answer. President Obama has made trade enforcement a top priority for U.S. trade policy. USTR and USDA continuously monitor and work to resolve barriers to U.S. food and agricultural products through a variety of mechanisms, and where we cannot resolve issues, we use dispute settlement as needed to enforce U.S. rights. For example, USDA has staff posted around the world that work to resolve unwarranted trade barriers on a daily basis. USTR and USDA also work together to resolve barriers, such as opening Malaysia to U.S. pork last year, and getting Mexico to fully open its market to U.S. beef. We utilize the consultation mechanisms in bilateral agreements where we have them to find resolution to barriers, such as pet food exports to Panama. Where needed, we have taken dispute settlement cases in the World Trade Organization, such as against India on its prohibitions on poultry and against China on its antidumping duties on poultry. The Administration will continue to work to hold trading partners accountable for trade agreement obligations and vigorously enforce the rules-based trading system to stand up for American workers, families, farmers and businesses. As we seek to dismantle unwarranted foreign SPS barriers, we need to ensure that the United States maintains a rigorous science-based approach to our own regulations.

Question. For over ten years, U.S. beef has been out of the Chinese market over BSE concerns. Even though some U.S. beef may find its way to stores and restaurants in China, U.S. beef is officially banned in China. China has proven to be a great market for U.S. pork and poultry exports as well as beef exports from our competitors in Australia, New Zealand, and South America. In 2013 the United States received the safest declaration possible from the World Organization for Animal Health (OIE), that of “negligible risk”. Thankfully, USDA and USTR have worked with Hong Kong and Mexico to lift remaining age-based restrictions on U.S. beef and exports have increased as a result (Hong Kong and Mexico were both \$1 billion markets for U.S. beef exports in 2014). Unfortunately, many countries in addition to China have age-based restrictions on U.S. beef. For example, beef is only acceptable if the cow was slaughtered before it reaches 30 months in age.

What is USTR doing to lift the remaining age-based restrictions in China, Japan, and Vietnam?

Answer. Full market access globally for U.S. beef, consistent with international, science-based standards—including lifting of the remaining age-based restrictions on beef, is a high priority for the Administration. One of USTR’s top priorities has been to reopen China’s market in a manner that is based on science, consistent with international standards, and commercially viable. Despite high-level engagement last year, we were not able to come to agreement with China on the opening of its market due to persistent demands from China that were neither scientifically necessary, nor commercially practicable. We are working with USDA to consider next steps.

In February 2013, Japan allowed imports of beef from cattle less than 30 months of age, compared to the previous limit of 20 months, among other steps. In 2014, the value of U.S. beef and beef product exports to Japan, the United States top export market on a value basis, approached \$1.58 billion, up 14 percent from the previous year. Efforts to address Japan’s remaining access constraints are ongoing.

While Vietnam lifted a ban on U.S. pork, poultry, and beef offal last year, we continue to work with the Government of Vietnam to ensure effective and full implementation of that decision, as well as to achieve full market access for U.S. beef, consistent with international standards.

Question. Last fall, USDA–APHIS solicited comments on a proposed rule that will allow the importation of fresh and frozen beef from Brazil. Many of the cattlemen in my home state of Texas have raised serious concerns over this proposed rule due to USDA’s lack of transparency and thorough risk assessment and analysis, especially given Brazil’s long history of foot-and-mouth disease. As you know, the beef industry is still recovering from one isolated BSE case in 2003 that cost the industry billions in lost export opportunities.

How long do you think it would take to recover lost market access, and do you have the resources to focus on regaining market access from a foot-and-mouth disease outbreak?

Is it wise to risk the entire U.S. cattle herd over one rule that lacks transparency and a thorough risk analysis?

Answer. USDA is responsible for the regulatory process for imports of beef from Brazil, consistent with U.S. law and science. USDA issued a proposed rule on December 23, 2013 and the public comment closed on April 22, 2014.

QUESTIONS SUBMITTED BY HON. JOHN THUNE

Question. Ambassador Froman, thank you for your leadership and high-level engagement with China regarding its process to approve new ag biotech products, which, as you will agree, is essential to both the health of innovative R&D in agriculture here at home and the nearly \$17 billion worth of U.S. grain that is shipped there each year.

Thanks to your leadership, there have been some great outcomes that should materialize into long-term gains. However, I remain concerned about the short term. I understand there are now five new products in the final stage of China’s review process. Under normal circumstances, these products would secure a final import approval in early 2015.

Given what is at stake for America’s farmers and the future of innovation in agriculture, is it your belief that China will pursue a science-based decision-making process and approve these products?

Answer. Advancement in agricultural technology are critical to helping feed the world’s growing population and reduce the impact of agriculture on the environment. USTR works closely with other U.S. government agencies, including the U.S. Departments of Agriculture and State, to ensure export markets are open to U.S. agricultural products. Central to this effort is a strategy to address trade disruptions resulting from differences globally in approval systems.

We engaged China on this important issue at the December 2014 Joint Commission on Commerce and Trade (JCCT). Around these meetings, China approved three products that had faced considerable delays. We also agreed to a new bilateral dialogue with China to discuss innovation in agriculture. We continue to use opportunities like the JCCT and other meetings to press China to improve the timeliness and transparency of its biotech approvals process and make decisions based on science.

Question. We have seen a disturbing trend in recent years whereby countries are ignoring international commitments and standards for patent issuance in a veiled attempt to support certain domestic industries and constituencies. These decisions are shortsighted and ultimately discourage innovation, investment, and job growth.

What is your agency doing to enforce existing intellectual property commitments and deter countries from weakening such standards in their own IP regimes, whether that is in India, Canada, or other trading partners? Additionally, can you also speak to your agency’s efforts to secure IP protections that mirror U.S. law through the Trans-Pacific Partnership trade agreement?

Answer. One of our key priorities is to protect intellectual property rights around the world and to ensure effective enforcement of IP rights to maintain markets for the full range of job supporting exports of products and services embodying American creativity and innovation. We use every possible avenue to engage with countries to strengthen their IPR systems, including their patent systems.

We are actively engaging India on how to create an ecosystem that supports innovation through strong intellectual property rights protection (IPR) and enforcement. USTR conducted a Special 301 Out-of-Cycle Review of India’s IPR environment, focused on the level of government engagement with the U.S. on IPR issues, and during that OCR, we were able to achieve—for the first time ever—the establishment

of a joint U.S.-India annual high-level Intellectual Property (IP) Working Group based on the common recognition of the need to foster innovation in a manner that promotes economic growth and job creation. We also continue to work with India on the entire range of IPR concerns under the Trade Policy Forum, including through intensive, technical discussions on policies to provide adequate protection for trade secrets and patents. We are also working closely on efforts to increase information sharing and enforcement against copyright infringement that affects U.S. and Indian industries alike.

As detailed in the 2014 Special 301 report, we are actively engaged with Canada on issues related to the patent utility standard, as well as in other areas, including copyright and border enforcement. We are closely monitoring developments, consulting with affected stakeholders, and pressing Canada to address our concerns. As the United States' largest bilateral trading partner, it is critical for Canada to promote innovation through strong intellectual property rights protection, which is essential to economic growth throughout North America.

For the TPP, we seek to obtain strong standards of IPR protection and enforcement that are grounded in U.S. law, and that will stand alongside those of U.S. FTAs in the Asia Pacific region, foster regional integration, and support U.S. economic growth and the creation and retention of American jobs.

Question. As the world's fourth most populous country, Indonesia is a huge potential market for American goods and services. I understand, though, that the Indonesian government has enacted onerous local content requirements for mobile telecommunications devices, likely in violation of WTO commitments, that will harm the American technology industry.

What is your office doing to combat this and other protectionist measures that would deny American companies access to the Indonesian market?

Answer. We have been concerned about the rise of localization requirements, such as domestic manufacturing and local content, in Indonesia over the last couple years, especially recent efforts by Indonesia to force the development of a domestic IT industry. We have been raising our concerns both bilaterally with Indonesia, as well as in multiple committees at the WTO. Several other WTO Members, including Japan and the EU, have expressed similar concerns. This issue will be a priority for us in our discussions with the new government in Indonesia.

Question. As you know, there has been a protracted labor dispute between the Longshoremen's Union and the Pacific Maritime Association, which has resulted in severe port congestion that could impact the economy by up to \$1 billion per day. While a federal mediator has joined the talks, there has been no resolution, and the situation continues to deteriorate.

What else can the administration do to resolve this issue as soon as possible?

Answer. The Administration is engaged and we have urged both sides to resolve this dispute quickly at the bargaining table. Successful resolution of these negotiations is critical to both the ports—the employers, workers and communities—and our exports, including agricultural products, which depend on the smooth functioning of the ports to reach their markets. As you noted, the two parties in this labor negotiation, the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA), have jointly requested federal mediation, and the Federal Mediation and Conciliation Service (FMCS) has begun mediation to assist the two parties to secure an agreement. In addition, out of concern for the economic consequences of further delay, the President directed Secretary of Labor Tom Perez to travel to California to meet with the parties to urge them to resolve their dispute quickly at the bargaining table. Secretary Perez arrived in San Francisco on February 16 and will keep the President fully updated on his meetings with the parties.

Question. The U.S. film and television industry is a network of 108,000 small businesses, 85 percent of which employ fewer than 10 people. With a trade surplus of \$12.2 billion in 2011, or 6 percent of the total U.S. private sector exports in services, I am concerned by the European Commission's effort to remove this sector from the scope of the T-TIP services negotiations.

What are you doing to ensure that this sector is included within the scope of the T-TIP services and ecommerce negotiations?

Answer. The EU and several of its Member States support policies designed to promote national content in television, film, and radio programming. We are con-

fidant that the consumer appetite for U.S. content is sufficient to support both U.S. and EU industries, and that we can find ways in T-TIP to accommodate EU sensitivities without unnecessarily restricting trade in a sector in which both EU and U.S. firms are globally competitive.

QUESTIONS SUBMITTED BY HON. RICHARD BURR

Question. In 2009, the U.S. and EU reached the U.S./EU WTO Agreement on Bananas, under which the EU committed not to discriminate against U.S. banana service suppliers on licensing measures. Since then, it is my understanding that the country of Italy has levied sizable discriminatory penalties against U.S. banana service suppliers for engaging in licensing arrangements that were widespread and permitted under EU law. Italy's practices raise important questions about the EU's willingness to honor its trade agreements.

Although USTR has protested these Italian measures in Brussels for nearly two years, the European Commission has not corrected the problem. What further enforcement actions, including consultations under the 2009 Agreement and other recourse, does USTR intend to take in the short term to uphold the Agreement and WTO ruling and remedy the situation?

Answer. The United States in 2010 signed a bilateral agreement on bananas with the EU, which entered into force on January 24, 2013. That agreement was in turn related to a banana tariff-cutting agreement the EU concluded at the same time with a number of Latin American banana exporting countries. Both agreements were designed to bring an end to the longstanding bananas-related disputes then pending in the WTO. On November 8, 2012, the EU and Latin American countries announced they had settled all bananas-related disputes and claims pending between them.

We have been in frequent contact over recent months with representatives of Chiquita, as apparently the sole affected U.S. banana service supplier, regarding the company's concerns about actions taken by Italian customs authorities, and related decisions taken by Italian courts, challenging Chiquita's use of certain EU banana import licenses under pre-2006 EU banana import regulations.

Because Chiquita is insisting that its use of import licenses during the period in question was consistent with EU governing regulations in effect at the time, we have been pressing the European Commission to clarify its position on this matter, and will continue to do so.

Before taking further action to settle the U.S.-EU dispute settlement proceeding on bananas, the United States will consider whether the EU has fulfilled the undertakings to which it committed itself under the U.S.-EU bilateral agreement.

Question. North Carolina is home to some of the most groundbreaking research and development that is taking place anywhere in the world. I'm proud of this important work being done in North Carolina and it is important that our policies respect and reflect the hard work and many years that go into developing these life-saving products.

It's critically important that robust intellectual property protections for biopharmaceuticals in general, and biologic drugs specifically, be included in trade agreements like the Trans-Pacific Partnership. Biologics have already given us treatments for cancer and asthma, and could help us uncover the secrets of some of our most debilitating diseases. The current standard of 12 years regulatory data protection for biologics, in addition to being U.S. law, is supported by a wide bipartisan consensus and is vital for ensuring R and D dollars continue to flow toward development of next-generation medicines like biologics.

Given the important role strong intellectual property protections play in supporting the research and development of these life-saving medicines, what is being done to safeguard IP for biologics in these trade negotiations?

Answer. Biologic drugs offer great potential for new treatments and cures that will benefit all of humankind, and this sector also is one in which U.S. companies are leading global innovators and competitors. As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic

drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

QUESTIONS SUBMITTED BY HON. ROB PORTMAN

Question. In December 2013, I, along with a number of my colleagues, wrote you about our concerns for the glassware industry in these negotiations. As you may know, Toledo is the “Glass City”—anchored by hundreds of workers at Libbey Glass for over 125 years. Another Ohio company, The Anchor Hocking Co. was founded in 1905, and continues its work in Lancaster. The glass making sector has been treated as import sensitive for more than 30 years, and now is not the time to change that designation for workers in the Glass City and beyond. I understand there are efforts to complete the TPP negotiations later this year, can you reassure these Ohio workers that your negotiators will continue to treat this sector as import sensitive and ensure that that designation is fully reflected in the treatment it receives on rules of origin and on potential tariff phase-outs?

Answer. We continue to treat glassware as an import-sensitive sector in TPP, and as such, are seeking a long tariff phase-out and a rule of origin that would require that glassware products be entirely formed, finished, and packaged in TPP countries.

Question. I would like to reiterate the importance of the TPP Transparency and Procedural Fairness (TPF) provision to medical device companies in the state of Ohio and around the country, noting the provision has the potential to not only support trade and investment in medical devices between the U.S. and the TPP countries but it will also set an important precedent in future trade agreements for a key U.S. industry. I would also like to thank you for your outstanding support to date on securing this TPF provision in the TPP agreement. The medical device industry in Ohio is concerned about Japan’s intransigence on the TPF provision as it pertains to medical device reimbursement policies. Specifically, the industry is concerned about concessions made to date on the TPF provision (i.e., the positive coverage list and no commercial dispute settlement). I would like to stress the importance of making sure the TPF provision is included without any further dilution. Could you please elaborate on how talks are going concerning the TPF provision in the TPP agreement?

Answer. Transparency and good governance are key priorities for the Obama Administration’s trade policy, and we are negotiating in the TPP specific transparency and due process provisions. These elements are already an integral part of the U.S. system, and through the TPP, we are seeking to promote a similar level of transparency throughout the Asia-Pacific region. We are engaging actively with all TPP partners, including Japan, to secure a robust outcome for these important provisions.

Question. I understand the Administration has said throughout the Trans-Pacific Partnership talks that it is negotiating as if the 2002 TPA law were still in place. Given that, the TPA objective for Intellectual Property is to obtain a standard of protection similar to that found in U.S. law. Current U.S. law regarding data-protection for biologics is clearly set at 12 years. So—consistent with TPA and current U.S. law—my firm hope is that the Administration and its trading partners will agree to 12 years of data protection for biologics as a part of these negotiations. Can you assure us that this is still your intention?

Answer. Biologic drugs offer great potential for new treatments and cures that will benefit all of humankind, and this sector also is one in which U.S. companies are leading global innovators and competitors. As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

Question. I understand that a factor in the TPP negotiations for USTR is to consider the implications of an agreement on the Western Hemisphere textile and apparel supply chain. The Nicaragua Tariff Preference Level (TPL), which expired at the end of last year, has enabled companies to produce uniforms and certain other types of garments competitively in the CAFTA–DR region. At the same time, the special provision on woven trousers, which is part of the TPL, promotes the use of

U.S. made fabrics. I think the extension of the Nicaragua TPL is even more important with, hopefully, the conclusion of the TPP negotiations on the horizon. This issue is vital to Cintas, which is headquartered in Ohio with over 3,000 workers in our state. Will USTR work with Congress to extend this important program and strengthen global supply chains?

Answer. The Administration has not yet taken a position on extending the Nicaragua one-for-one program. However, we will continue to consult closely with Congress and the various stakeholders on this important issue.

Question. I believe reaching agreement on the Information Technology Agreement is very important for American manufacturers and entrepreneurs. How is the U.S. helping to reach a final deal in 2015?

Answer. Expanding the Information Technology Agreement's (ITA) product coverage to include new, technologically advanced products is a key U.S. trade policy priority, and one of the key initiatives we are pushing at the World Trade Organization (WTO). The benefits of an expanded ITA would be significant, and it is a result that could be achieved in the very near term if China and Korea are willing to work towards a bilateral compromise.

We were disappointed that we were not able to reach a conclusion of the ITA expansion negotiations in Geneva last December, especially in light of the major breakthrough with China at APEC that allowed the multilateral talks in Geneva to resume. But we will continue to work closely with key players, and with WTO Director General Azevedo, in an attempt to break the current impasse, and conclude this important agreement as soon as possible. An expanded ITA would be the first major tariff-cutting deal at the WTO in 17 years and help boost American exports to growing markets around the world. When completed, the ITA expansion is estimated to cover \$1 trillion in trade, adding \$190 billion to the global economy and supporting tens of thousands of good-paying U.S. manufacturing and technology jobs.

Question. I understand the U.S. is negotiating an environmental goods agreement that impacts a number of sectors, including glass composite manufacturers like Owens Corning, headquartered in Toledo, Ohio. This sector is very interested in the ongoing environmental goods agreement negotiations. Will the US support the inclusion of categories of glass fiber without consideration given to the application of these glass fiber products?

Answer. The Administration is working to negotiate an environmental goods agreement (EGA) under the auspices of the WTO that advances our national priorities. We are currently in the process of evaluating a wide range of products for potential inclusion in the EGA. We will continue to consult closely with interested stakeholders as this important negotiation continues in order to ensure a strong outcome for the United States.

Question. Mr. Ambassador, in remarks last June, you highlighted data localization requirements as a significant problem for U.S. services companies working to expand into foreign markets and compete globally. Specifically, you stated:

"Restrictions on the flow of data across borders or requirements that companies duplicate their IT infrastructure in a country in order to serve that market makes it harder for companies of all sizes, based in all countries, to compete, and for buyers of all types to connect."

I support your efforts to ensure that such barriers are addressed in ongoing trade negotiations, including the TPP. However, I am concerned that TPP won't fully address these barriers for U.S. financial services companies including insurers, reinsurers, banks, and electronic payments services providers. Specifically, I am concerned that the TPP won't explicitly prohibit our trading partners from requiring U.S. financial services firms to set up local data centers as a condition of doing business in their markets. Will your office work to ensure that this is not repeated in other trade negotiations, such as TTIP and TiSA?

Answer. The significant increase in localization barriers to trade around the world is of serious concern to the Obama Administration. We are advancing efforts to reduce and prevent the proliferation of localization barriers to trade, including restrictions on data flows and requirements to establish infrastructure domestically, through the full range of bilateral, multilateral, and regional forums, including the WTO, APEC, and the OECD. We have also created for the first time ever a specific group in the T-TIP negotiations to develop concrete ways that the United States and the European Union can cooperate to address these issues around the world.

Question. I would like to express my concerns with a recent WTO Appellate Body ruling that found a provision of U.S. trade remedy law which requires the International Trade Commission to assess the effects of subsidized imports with the effects of dumped, non-subsidized imports for purposes of its material injury analysis (i.e., cross-cumulation), inconsistent with the United States' WTO obligations. Given the serious implications this ruling could have on domestic industries who rely on the trade remedy laws to counter foreign competitors' unfair trade practices, can you commit to us that you will brief this committee on our options for compliance should the U.S. Government decide to comply with this ruling and work with us to ensure we do not undermine the effectiveness of our trade remedy laws?

Answer. The findings of the WTO Appellate Body were disappointing. USTR has consulted with the Committee regarding this and other issues raised in the dispute on a number of occasions. It is the responsibility of the International Trade Commission (ITC) to determine whether and how to comply with the WTO findings regarding cross-cumulation. We welcome the Committee's views on this issue, and will continue to consult with both the ITC and USTR's committees of jurisdiction, as well as interested Members, regarding compliance with the findings in this dispute.

Question. Ambassador Froman, what can you tell me about the current situation with the West Coast ports and what can the Administration do to resolve this issue as soon as possible?

Answer. The Administration is engaged and we have urged both sides to resolve this dispute quickly at the bargaining table. Successful resolution of these negotiations is critical to both the ports—the employers, workers and communities—and our exports, including agricultural products, which depend on the smooth functioning of the ports to reach their markets. As you noted, the two parties in this labor negotiation, the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA), have jointly requested federal mediation, and the Federal Mediation and Conciliation Service (FMCS) has begun mediation to assist the two parties to secure an agreement. In addition, out of concern for the economic consequences of further delay, the President directed Secretary of Labor Tom Perez to travel to California to meet with the parties to urge them to resolve their dispute quickly at the bargaining table. Secretary Perez arrived in San Francisco on February 16 and will keep the President fully updated on his meetings with the parties.

Question. As you know, a Grain Oriented Electrical Steel, or GOES, dispute with China has been ongoing since 2010 which has a direct impact on Ohio workers. China's non-compliance is costing American jobs and hurting U.S. exports. What steps has the Administration taken to persuade China to comply with its WTO obligations including the removal of these duties? Did the United States raise this issue at the JCCT in December? If not, why not? If so, can you share any of the conversation? Further, the Secretaries of Commerce and Energy are planning an upcoming trade mission to China on energy efficient technology. Will you recommend this issue as a topic of discussion with Chinese officials during that trip?

Answer. In November 2012, the WTO adopted the panel and Appellate Body reports in the GOES dispute. In July 2013, China issued its compliance measure, which continued the imposition of duties on GOES. We consider that China has not addressed the inconsistencies found by the WTO in the original GOES dispute. As a result, the United States initiated compliance proceedings against China in January 2014. This is the first-ever compliance proceeding initiated against China. A meeting with the compliance panel took place in October 2014. The compliance panel is expected to issue its final public report in the first half of this year. Because we are pressing forward on the GOES matter in an active dispute at the WTO, we did not raise this matter at the JCCT in December 2014. We will determine on next steps once we receive the compliance panel's decision.

Question. The U.S. Department of Defense and U.S. Department of Energy have identified several critical materials whose availability is restricted but which provide essential functionality for defense systems and renewable energy production, respectively. Likewise, the European Commission has identified 20 substances it considers to be in short supply and essential for the European economy. The metal beryllium is an example, which DoD has designated as the only critical and strategic material for national security, and the EC has recognized as critical. Our European trading partners are proposing workplace exposure and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations that will restrict the use of beryllium and other critical materials, essentially creating non-tariff trade barriers for U.S. exports to Europe. It is my understanding support for either

of these restrictive regulatory policies is not uniform within EU Member States or within all branches of the EU federal government. Have you or your office objected to these trade restrictions on U.S. critical materials? What is USTR doing on a bilateral basis to oppose these proposed regulations before they become legal requirements?

Answer. USTR is carefully examining this issue and is engaged with other U.S. agencies and stakeholders. Generally, the U.S. Government has urged the Commission and individual Member States to ensure transparency in the development of regulations. We have also stressed that regulation should be based on science and that all parties, including U.S. exporters, should have the opportunity to provide meaningful input on options under consideration.

Question. Ambassador Froman, as you move forward with trade negotiations, you know that Congress will be watching the extent to which the Administration is enforcing existing trade policies and rules. However, in the sanctions area, the Belarus Government, led by President Lukashenko, one of the most reviled leaders of our time, appears to be evading U.S. sanctions without sufficient enforcement by the Administration. Lukashenko has engaged in a corporate maneuver to split off Belaruskali, the state-owned potash company, from a sanctioned entity, permitting them to argue Belaruskali is no longer subject to the sanctions. If Lukashenko succeeds, this would put Lukashenko in the driver's seat in deciding the force of U.S. sanctions. Those charged with enforcing U.S. trade and sanctions policy should not permit that to happen. Will the Administration conduct an investigation of this sidestepping of U.S. sanctions and ensure that they are rigorously enforced?

Answer. Enforcing U.S. sanctions is a key objective of the Administration. However, U.S. sanctions, such as those imposed against Belarus, are administered by the Office of Foreign Asset Control (OFAC) of the Department of Treasury and the U.S. Department of the Justice. I will share these concerns with these agencies, and work with them to ensure that our sanctions are enforced.

QUESTIONS SUBMITTED BY HON. PATRICK J. TOOMEY

Question. U.S. law provides 12 years of data protection for biologic medicines. The biopharmaceutical research industry maintains that this exact amount of time is necessary to recoup the costly R&D investments that are made to bring new treatments to market. I am pleased that you working to ensure that this high level of intellectual property protection is included in the final Trans Pacific Partnership (TPP) agreement, but I understand you are facing some opposition from our negotiating partners. What are you and your staff doing to ensure that other nations agree to implement the full 12 years of data protection for biologics; and that nothing in this agreement threatens the future ability of American research firms to develop new lifesaving treatments?

Answer. Biologic drugs offer great potential for new treatments and cures that will benefit all of humankind, and this sector also is one in which U.S. companies are leading global innovators and competitors. As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

Question. The dairy industry is very important to my state and the PA Milk Marketing Board estimates that dairy related activity supports over 60,000 direct and indirect jobs in Pennsylvania. To date, the dairy industry has been generally supportive of finalizing TPP negotiations and very excited about the possibility of selling their products in new markets. That said, I am concerned that some of our negotiating partners—namely Canada and Japan—may refuse to open their markets to U.S. dairy products. Can you assure me that if TPP is finalized, it will offer new and meaningful market access opportunities for the U.S. dairy industry in these key markets?

Answer. We are working to build on the recent strong export performance of our agricultural sector and provide new and expanded opportunities for U.S. farm products, including dairy products in all of the TPP markets. This will be achieved through tariff elimination, deep tariff reductions, and new preferential tariff rate quotas. Gaining new and commercially meaningful dairy market access in Canada

and Japan are top priorities of the TPP agricultural market access negotiations, as it gains valuable new market access for U.S. dairy products exported to Vietnam and Malaysia. We continue to work closely with U.S. stakeholders to ensure we reflect their priorities and concerns.

Question. On December 19, 2014, the Commerce Department signed suspension agreements with Mexico to restrain U.S. imports of Mexican sugar. On net, these agreements will negatively impact our economy by limiting the supply of an essential input for U.S. food manufacturers, thereby reducing their global competitiveness. Do you recognize that policies prohibiting foreign sugar from entering the United States are detrimental to domestic sugar using industries and place the 600,000 jobs they provide at risk? Will you seek provisions in ongoing trade negotiations that ensure American food manufacturers have adequate access to foreign sugar, such as that produced in Australia and other nations?

Answer. Several countries in the TPP are seeking access into the U.S. market for sugar and sugar containing products. Our goal in these and all trade negotiations is to achieve a comprehensive market access package that reduces barriers and opens markets for U.S. food and agricultural exports. We also are guided by the laws passed by the U.S. Congress, and will seek to negotiate TPP in a way that does not undermine the U.S. sugar program as enacted by the U.S. Congress.

Question. Mack Trucks employs over 1,800 of my constituents at their Macungie, Pennsylvania plant where they build heavy-duty work trucks. Exports of work trucks to Colombia face a high tariff—currently 9 percent—that decreases by only 1.5 percent every year under the U.S.-Colombia Trade Promotion Agreement. Exports of competing trucks from Mexico, however, enter Colombia duty free, placing American made trucks at a competitive disadvantage. I first highlighted this issue three years ago in a bipartisan, bicameral letter that urged USTR to negotiate with the Colombians to accelerate the reduction of the tariff on U.S. work trucks. I want to thank you and your staff at USTR for commencing that process and continuing to act with urgency on this matter. Will you continue to task your staff with getting this done as soon as possible? How do you see the process playing out?

Answer. As a result of a USTR notice in the Federal Register, a number of U.S. stakeholders proposed products for tariff acceleration under Article 2.3 of the U.S.-Colombia Trade Promotion Agreement, including certain tariff lines for heavy trucks. Based on responses received, we have identified for Colombia products for possible tariff acceleration and are encouraging Colombia to inform us about any products for which Colombia wishes to seek tariff acceleration in order to develop a balanced package. Once a balanced package of products is jointly agreed upon, both sides would need to carry out their respective domestic procedures before the new tariff staging would enter into force. In the case of the United States, the domestic process follows statutory requirements and includes, among other things, advice from the ITC and advisory committees, a period of consultation and layover, and publication in a Presidential Proclamation. Engagement with Colombia on this issue slowed during Colombia's election season in 2014; however, we are working with Colombia to move this process forward as soon as possible.

Question. As you know, the Colombian government has enacted an anticompetitive regulation that requires Colombian businesses to scrap old commercial vehicles before they can purchase newly constructed ones. This policy is a blatant violation of Colombia's WTO commitments and your office estimates it has prevented the sale of three thousand American made trucks in Colombia. I understand and appreciate that USTR has been working to resolve this issue for nearly two years. What progress can you report thus far and what additional actions will you take to settle this matter?

Answer. We have been pressing the Government of Colombia to address this issue. The United States has sought to address this issue in multiple fora and at multiple levels, including in the negotiations on Colombia's membership in the OECD. Both USTR and other U.S. Government agencies have voiced strong concerns on this issue with senior Colombian officials. Colombia took some steps to improve the situation of the existing inventory of trucks in Colombia and has recently taken some additional actions intended to facilitate compliance with the scrappage program. We are continuing to press for a comprehensive solution that will restore market access for U.S. exports of trucks as soon as possible.

QUESTIONS SUBMITTED BY HON. DANIEL COATS

Question. What is USTR doing to ensure that provisions are included in the TPP that provide for transparency and procedural fairness in the process by which reimbursement decisions are made for medical devices and pharmaceuticals? What progress has been made with Japan, in particular, on this important issue?

Answer. Transparency and good governance are key priorities for the Obama Administration's trade policy, and we are negotiating in the TPP specific transparency and due process provisions. These elements are already an integral part of the U.S. system, and through the TPP, we are seeking to promote a similar level of transparency throughout the Asia-Pacific region. We are engaging actively with all TPP partners, including Japan, to secure a robust outcome for these important provisions.

Question. What is USTR doing to ensure the TPP provides for 12 years of regulatory data protection for biologics? What is the status of the TPP negotiations with regard to this important issue?

Answer. Biologic drugs offer great potential for new treatments and cures that will benefit all of humankind, and this sector also is one in which U.S. companies are leading global innovators and competitors. As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

Question. What is USTR doing to address Canada's standards for patent utility to ensure that pharmaceuticals and medical devices will be protected under the TPP? What is the status of the patent utility negotiations with Canada?

Answer. As detailed in the 2014 Special 301 report, we are actively engaging Canada on intellectual property issues. We are closely monitoring developments, consulting with affected stakeholders, and pressing Canada to address our concerns. As the United States' largest trading partner, it is critical for Canada to promote innovation through strong intellectual property rights protection, which is essential to economic growth throughout North America. With respect to the TPP, we are seeking to obtain strong standards of IPR protection and enforcement that will stand alongside those of other U.S. FTAs in the Asia-Pacific region.

Question. What is USTR doing to address the growing global subsidization of steel and its impact on domestic U.S. producers? What is USTR doing on this issue in the context of the TPP?

Answer. The Administration is committed to strong enforcement of U.S. trade remedy laws to ensure that U.S. industry can effectively address subsidized injurious imports. Using WTO dispute settlement, USTR has vigorously defended U.S. trade remedy laws and enforced WTO rules on practices that provide unfair advantages to foreign steel producers, including prohibited export subsidies programs, export restraints on raw materials, and misuse of anti-dumping and countervailing duties against U.S. exporters. USTR is also actively engaged with other countries on steel trade and policy issues at the OECD Steel Committee. The OECD provides helpful statistical and analytical work on steel capacity and trade, but also provides a venue for the United States and other like-minded countries to raise subsidy concerns. In June 2014, the United States was joined by the Governments of Canada and Mexico in a joint statement urging other governments to refrain from subsidies and other policies that can contribute to global excess steelmaking capacity.

USTR's International Trade Enforcement Center has also devoted significant resources to identifying steel subsidy programs in China. These efforts resulted in the counter notification to the WTO of over a dozen steel Chinese subsidy programs. We remain committed to working with industry to identify trade-distorting subsidies in the global steel industry and address them wherever possible. On February 11, the Administration launched a new WTO case on prohibited export subsidies that the Chinese are providing to a variety of industrial sectors, including textiles, apparel and footwear, advanced materials and metals, light industry, specialty chemicals, medical products, hardware and building materials, and agriculture.

The steel industry in a number of developing economies is dominated by State-owned and State-supported enterprises. While subsidies rules are generally governed by the WTO, the TPP negotiations provide us with a unique opportunity to

lay down rules to ensure that State-owned enterprises compete fairly with private companies, and do not put U.S. exporters, workers, and investors at a disadvantage.

Question. What is USTR doing to engage with China on its subsidies related to steel?

Answer. The Administration is engaging with China on multiple fronts in an effort to address the subsidies that China provides to its steel sector. The Administration has made sure to include excess capacity as a key part of its engagement with China. This past year, at the U.S.-China Strategic & Economic Dialogue (S&ED) meeting in July 2014, the Administration secured China's agreement to "establish mechanisms that strictly prevent the expansion of crude steelmaking capacity and that are designed to achieve, over the next five years, major progress in addressing excess production capacity in the steel sector" in the context of China's "efforts to rein in excess production capacity in key manufacturing sectors and to foster a business environment in which the market can play a decisive role in allocating resources." In addition, at the December 2014 meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT), the Administration held a candid, high-level strategic dialogue with China on excess capacity, including steel.

At the same time, the Administration is committed to strong enforcement of U.S. trade remedy laws. Indeed, last year, the Commerce Department initiated a total of 52 antidumping (AD) and countervailing duty (CVD) investigations involving products from numerous countries, of which 33 were steel-related investigations. Through WTO dispute settlement, the Administration also has been successfully challenging Chinese government practices that have provided unfair advantages to the Chinese steel industry, including not only prohibited export subsidies programs, but also export restraints on raw materials and the misuse of AD and CVD investigations. The United States won a WTO dispute on China's export quotas and export duties on tungsten and molybdenum, two important steel inputs. And we brought the first WTO challenge to a Chinese compliance action addressing duties that China imposed on U.S. grain-oriented electrical steel. USTR has devoted significant resources to identifying steel subsidy programs in China. Recently, these efforts resulted in the counter notification to the WTO of over a dozen Chinese subsidy programs benefiting the steel sector.

QUESTIONS SUBMITTED BY HON. RON WYDEN

Question. Within the 2011 USTR Green Paper on Conservation and the Trans-Pacific Partnership, you outlined a proposed conservation framework to address trade in illegally harvested or traded natural resource products, including timber, wildlife, and fish. This is an area of serious concern in the Asia-Pacific region. For this reason, with respect to conservation, the words on paper in the trade agreement must translate into meaningful action on the ground. If a deal is concluded, with respect to conservation, what tangible improvements do you expect to see in countries like Japan, Vietnam and Malaysia?

Answer. The United States has put forward ambitious proposals in TPP to include provisions that would address some of the region's most urgent environmental challenges, including wildlife trafficking, illegal logging and fishing, and harmful fisheries subsidies. Once concluded, the TPP environment chapter will provide us with trail-blazing, first-ever tools to effect on-the-ground change in places like Japan, Vietnam, and Malaysia, including by spurring environmental reforms, and providing for enhanced cooperation and enforcement efforts.

Question. In recent trade agreements, the United States has required trading partners to commit to adopt and maintain laws implementing core labor standards such as freedom of association and the right to collective bargaining, and to effectively enforce their labor laws. Yet several countries participating in the Trans-Pacific Partnership negotiation, such as Vietnam, do not currently adhere to these important standards, and many question whether they will follow through on commitments once made. Indeed, serious labor concerns remain in countries that made labor commitments in connection with previous trade agreements, including Colombia and Mexico. How do you intend to ensure that TPP partners live up to their labor obligations if an agreement is reached?

Answer. TPP will provide an important tool for ensuring protection of worker rights in Vietnam and other TPP parties. We are working closely with Vietnam and other TPP parties to ensure that they are prepared to live up to the high standard, enforceable commitments of a final agreement. Vietnam's inclusion in the TPP nego-

tiations presents an unprecedented opportunity to make historic progress on labor rights and working conditions. Under the TPP, Vietnam would be expected to undertake significant reforms, particularly in the area of freedom of association, but also concerning forced labor, child labor, and employment discrimination. Officials from USTR and the Department of Labor have engaged closely with Vietnam to discuss needed reforms and will closely monitor Vietnam's continued implementation of these reforms, including the ability of workers to exercise freedom of association, after the agreement is in place.

Question. In the town hall meetings I have held throughout Oregon, many citizens have expressed concern about the impact of investor-state dispute settlement on the ability of the U.S. government to adopt regulations that protect Americans' health and safety. Many are worried that TPP will simply lead to more corporations challenging U.S. laws, and that this will exacerbate problems dating to NAFTA. Given all of the concerns expressed to date, why is the United States Trade Representative pursuing investor-state dispute settlement procedures in TPP? If a final TPP agreement contains these procedures, how will it be any different from NAFTA?

Answer. Ensuring that U.S. investors operating abroad receive fair, transparent, and non-discriminatory treatment—the same kind of treatment foreign investors receive in the United States under U.S. law—is an important component of our trade and investment policy. In our trade agreements, we advance this objective through rules establishing a level playing field and basic rule of law protections for our investors, and through procedures for neutral arbitration of investment disputes. We are seeking in TPP to establish meaningful investor-state dispute settlement (ISDS) procedures that are in keeping with the goals of fair, expeditious, and transparent dispute resolution. As in the U.S. model bilateral investment treaty, our approach in these negotiations is to seek a high level of protection for our investors while also ensuring that legitimate governmental interests in regulating in the public interest are fully protected. Through these negotiations, we seek to raise the standards for ISDS, including by adding important procedural safeguards, such as provisions on expedited review of potentially frivolous claims, transparency in investor-state proceedings, and participation of civil society organizations and other members of the public in investor-state proceedings. While the United States has never lost a case under NAFTA, the TPP investment rules will include significantly stronger safeguards than in NAFTA, including clearer definitions of key legal rules (e.g., incorporation of key U.S. Supreme Court criteria on expropriation) and stronger procedural safeguards, such as stronger transparency provisions and rules on expedited review and dismissal of claims.

Question. Many citizens in my town hall meetings in Oregon are worried that obligations in the TPP will make the drugs they buy more expensive by delaying the marketing of generic drugs, and that other requirements being considered could hurt Medicare and Medicaid. Will you commit to ensure that any TPP agreement does not contain provisions that increase drug prices for ordinary Americans or require changes to U.S. health programs such as Medicare and Medicaid?

Answer. Access to healthcare, strengthening the U.S. health system, and safeguarding programs such as Medicare and Medicaid are key priorities for the Obama administration. U.S. TPP intellectual property (IP) and pharmaceutical reimbursement proposals will not require any changes to U.S. law relating to IP or pharmaceuticals, including the legal framework that has fostered a marketplace in which 8 out of 10 prescriptions are filled with generic pharmaceuticals, resulting in billions of dollars in savings to U.S. consumers annually. Nor will these proposals undermine the ability of the U.S. Government to set healthcare expenditure priorities or negotiate or manage pharmaceutical drug prices.

Every U.S. trade agreement negotiated in the past 15 years has contained intellectual property provisions relating to pharmaceuticals. Yet, the proportion of generic drugs sold in the United States has nearly doubled from 43 percent of all drugs sold in 1996 to at least 80 percent of all drugs sold today. As stated in the "U.S. Objectives" for the TPP, the U.S. Government is seeking, "pharmaceutical IP provisions that promote innovation and the development of new, life-saving medicines, create opportunities for robust generic drug competition, and ensure affordable access to medicines, taking into account levels of development among the TPP countries and their existing laws and international commitments."

Question. The open, global Internet is transforming the way people express themselves, share ideas, and engage in commerce. Non-discrimination is a pillar of an open Internet just as it is to international rules. What do you expect to see in a final TPP agreement that promotes an open, global Internet that facilitates speech,

discourse, and commerce? Will the U.S. agree to any proposal that constrains the U.S. in ensuring net neutrality, or will it agree to any intellectual property rights obligations that are more rigid than those found in the U.S.?

Answer. We are looking to include in the TPP provisions that support an open Internet, including provisions that: (1) facilitate the ability of U.S. suppliers to invest in and operate Internet-based platforms in TPP markets, and to supply Internet-based services on a cross-border basis; (2) move data cross-border; and (3) ensure that products distributed digitally do not face discrimination. In addition, we are seeking to affirm the principle that consumers should have access to legitimate products and services of their choice, consistent with net neutrality principles. Nothing being proposed would constrain implementation of any net neutrality proposals of which we are aware. With respect to intellectual property rights obligations, nothing the United States is proposing would be inconsistent with U.S. law.

QUESTIONS SUBMITTED BY HON. CHARLES E. SCHUMER

Question. New York's largest agricultural sector is the dairy industry and it supports a significant number of jobs in my state. Can you provide assurances that the U.S. will insist on concluding a package that will result in a balanced market access outcome for my state's dairy industry where new imports from big dairy countries are able to be offset by sizable, across-the-board new access into Canada and Japan?

Answer. We are working to build on the recent strong export performance of our agricultural sector and provide new and expanded opportunities for U.S. farm products, including dairy products in all of the TPP markets. This will be achieved through tariff elimination, deep tariff reductions, and new preferential tariff rate quotas. Gaining new and commercially meaningful dairy market access in Canada and Japan are top priorities of the TPP agricultural market access negotiations, as it gains valuable new market access for U.S. dairy products exported to Vietnam and Malaysia. All TPP partners are working to conclude an agreement that is comprehensive and high standard, and Canada agreed to these goals when it joined TPP. We are mindful of the sensitive nature of dairy imports in the United States and we continue to work closely with stakeholders to ensure we reflect their priorities and concerns.

Question. The European Union continues to pursue the creation of monopolies in markets around the globe, including right here in the United States, by excluding other countries from using common, generic food names like "parmesan," "bologna," and "feta." Last year I joined my colleagues on letters to you and USDA Secretary Vilsack expressing our concern for the continued use of cheese names, signed by 55 Senators, and meat names, signed by 45 Senators. Thank you for your work on this "geographic indications" issue—the Administration has been helpful in pushing back against the Europeans' aggression, and in protecting American jobs and preserving our domestic market and markets overseas. Congratulations on your recent progress with China on this issue at the end of last year. This issue is critical for my producers and processors in New York. What is the latest update on this issue?

Answer. The United States and the EU have long-standing differences over the scope and level of intellectual property rights protection for geographical indications (GIs). We have raised our strong concerns regarding the impact of the EU's GI policies on made in America products, including those that use generic food names, such as "parmesan," "bologna," and "feta." Within the Transatlantic Trade and Investment Partnership (T-TIP) negotiations, we have been clear with the EU regarding our strong opposition to existing and future barriers. We will continue to press the EU to expand market access for U.S. producers into the EU and third country markets, including through the removal of barriers such as over-broad GI protection for EU products.

QUESTIONS SUBMITTED BY HON. DEBBIE STABENOW

Question. During his State of the Union address last week, President Obama asked for Congress to give him Trade Promotion Authority. As you enter the late stages of the Trans-Pacific Partnership negotiations, how would Trade Promotion Authority alter those negotiations?

What if Congress were to mandate a negotiating objective that required strong and enforceable currency disciplines in our future trade agreements?

How exactly would such a requirement work, if a deal is nearly done?

Answer. Addressing currency misalignments is a top priority for President Obama and this Administration. The Administration, led by the Treasury Department, which is responsible for currency issues, has worked hard to promote a level global playing field by moving major economies to market-determined exchange rate systems with transparent and flexible exchange rates that reflect underlying economic fundamentals. We have leveraged our engagement in the most important multilateral fora—the G-7, the G-20, the International Monetary Fund (IMF), and the World Trade Organization—as well as bilaterally, including, in particular, with China through the Strategic and Economic Dialogue (S&ED) and other fora.

With regard to addressing exchange rates in our trade initiatives, we will continue to engage with Congress and our domestic stakeholders on how best to achieve our policy objectives in this area.

Question. The administration oversaw the highly successful restructuring of the domestic auto industry, directly saving almost one million jobs and leading to commitments by the domestic automakers to create thousands of new American jobs going forward. More than two-thirds of the U.S. trade deficit with Japan is in automotive goods. I remain concerned that the Trans-Pacific Partnership could make this trade imbalance with Japan even worse. As you continue with bilateral negotiations, what are the primary auto-related issues you are still negotiating with Japan?

Will you commit to consulting closely with me and my staff on these issues—including on rules of origin—as you enter the home stretch of these negotiations?

Answer. Since early 2009, employment in the U.S. auto industry has been increasing steadily, dramatically reversing a five-year period of declining industry employment. This job growth has been supported by growing U.S. exports. From 2009 to 2013, U.S. auto exports doubled to \$65 billion, and U.S. exports of auto parts increased by more than 70 percent, with exports of both autos and auto parts now at all-time record highs. U.S. auto exports to our FTA partners have increased by 442,000 vehicles. We are pursuing a two-prong strategy with Japan—working to keep our auto and truck tariffs in place for as long as possible, while addressing the wide range of non-tariff measures in Japan that have impeded access to the Japanese market for U.S. vehicles for decades. Japan has agreed that the timetable for eliminating U.S. motor vehicle tariffs will be the longest for any product in the TPP, and that the phase-out period will be back-loaded. With respect to non-tariff measures, we are making good progress in our parallel negotiations with Japan to address such issues as transparency in regulations, standards, certification, financial incentives, and distribution. We are also pursuing commitments for strong and accelerated dispute settlement procedures with stiff penalties in the event of non-compliance. We will continue to work with Congress as we negotiate with Japan to achieve the best possible deal in all of these areas.

Question. You mentioned during your testimony that the Trans-Pacific Partnership incorporates many proposals suggested and supported by the U.S. labor community. Beyond the so-called, “May 10 Agreement,” will you please highlight some of those proposals?

Answer. The provisions that the United States is seeking on labor in TPP include the key May 10 requirement for each TPP country to “adopt and maintain” fundamental labor rights as recognized by the International Labor Organization, including freedom of association and the right to collective bargaining. We are also pursuing first-ever obligations to improve worker rights and working conditions in TPP countries—specifically, provisions to discourage trade in goods produced by forced labor, including forced child labor; establish acceptable conditions of work, including minimum wages, maximum hours, and safe workplace conditions; and ensure labor protections in export processing zones. All the obligations of the TPP Labor chapter would be subject to the same dispute settlement mechanism as the rest of TPP including trade sanctions.

We have also consulted with the U.S. labor community on a broad range of TPP issues beyond the labor obligations, and have worked to incorporate their suggestions, including with regard to disciplines on state-owned enterprises, rules of origin, tariffs, transparency in export licensing procedures, technology transfers, and reforms to investor-State dispute settlement.

Question. You have argued that the Trans-Pacific Partnership will create U.S. jobs and grow the economy. Yet, that is at odds with our experiences with other free trade agreements, including NAFTA and the U.S.-Korea Free Trade Agreement. Will you please explain in which sectors you expect to see the greatest U.S. job and wage growth as a result of finalizing the Trans-Pacific Partnership?

Answer. U.S. exports have grown to all of our existing FTA partners, ranging from 587 percent growth to Israel, 513 percent to Chile, and 505 percent to Jordan. U.S. goods exports to NAFTA countries are up 289 percent, while U.S. goods exports to Korea (despite its economic downturn during the first two years of entry into force of the Agreement) are up 2.5 percent. U.S. exports to FTA partners supported an estimated 4.1 million jobs in 2013. Every billion dollars of U.S. exports supported between 5,400 and 5,900 jobs in 2013. Jobs supported by exports pay an estimated 13 to 18 percent more than non-export jobs.

TPP will open many new export opportunities for U.S. agricultural, manufacturing, and services exporters in sectors where high tariffs and non-tariff barriers currently exist.

In agriculture, the largest gains are expected to occur in the high value categories of meats, dairy, fruits and vegetables, and a variety of processed foods and beverages. For example, U.S. apples and poultry exporters face tariffs of 10 percent and 40 percent, respectively, in Vietnam; U.S. beef and wine exporters face tariffs of 38.5 percent and 50 percent, respectively, in Japan; and U.S. tree nuts exporters face tariffs of 20 percent in Malaysia.

By addressing tariffs and easing non-tariff barriers, TPP will support increased U.S. exports and the development and expansion of regional supply chains, and will promote the competitiveness of both large and small U.S. manufacturers. For example, U.S. beauty and skin preparations exporters currently face tariffs of 20 percent in Vietnam, U.S. auto exporters face tariffs of 30 percent in Malaysia, U.S. construction equipment exporters face tariffs of 5 percent in New Zealand, and U.S. exporters of aluminum bars and rods face tariffs of 7.5 percent in Japan.

TPP will ensure fair and open markets in the dynamic Asia-Pacific region for our world-class service providers, which employ nearly 80 percent of Americans. TPP will prohibit tariffs on digital trade, which will benefit all U.S. producers of software and audiovisual products stakeholders. Prohibiting restrictions on data flows and local server requirements will benefit all U.S. companies that do business over the internet. Establishing a level playing field with postal operators abroad will lead to benefits to our express delivery industry here in the United States. TPP will be the first trade agreement specifically guaranteeing rights to provide electronic payment services on a cross border basis, benefiting U.S. suppliers of such services.

Question. In Michigan and many states across the country, agriculture has played a leading role in the economic recovery. Farm exports are a big part of that success story. Michigan's dairy sector, for example, continues to break its own export records year after year and supports nearly 40,000 jobs. When trade deals are done right, American agriculture wins big.

With respect to the Trans-Pacific Partnership, significant and comprehensive market access in both Japan and Canada is critical to achieving a balanced package for farmers and ranchers, including Michigan's dairy farmers. Will you please update the Committee on the status of market access negotiations with Japan and how USTR's agriculture team plans to engage Canada, which has only half-heartedly participated in farm issue discussions thus far, before concluding the agreement?

Answer. We are working to build on the recent strong export performance of our agricultural sector and provide new and expanded opportunities for U.S. farm products, including dairy products in all of the TPP markets. This will be achieved through tariff elimination, deep tariff reductions, and new preferential tariff rate quotas. Gaining new and commercially meaningful dairy market access in Canada and Japan are top priorities of the TPP agricultural market access negotiations, as it gains valuable new market access for U.S. dairy products exported to Vietnam and Malaysia. All TPP partners are working to conclude an agreement that is comprehensive and high standard, and Canada agreed to these goals when it joined TPP.

Question. One of the biggest challenges facing U.S. agriculture in the ongoing T-TIP negotiations is the issue of geographic indications (GIs). As you know, the EU is keen on protecting GIs for certain food products, including many that are produced widely in the U.S. The GI issue is especially pressing for our dairy farmers and cheese manufacturers, which could be blocked from accessing European markets if the protective measures pushed by EU negotiators manifest in a final T-TIP agreement. I greatly appreciate your efforts thus far on the GI issue, and there is broad support in the Senate for maintaining the pressure. Could you please provide me with an update on where the negotiations currently stand with respect to GIs?

Answer. The United States and the EU have long-standing differences over the scope and level of intellectual property rights protection for geographical indications (GIs). We have raised our strong concerns regarding the impact of the EU's GI policies on made in America products, including those produced by U.S. dairy farmers and cheese manufacturers. Within the Transatlantic Trade and Investment Partnership (T-TIP) negotiations, we have been clear with the EU regarding our strong opposition to existing and future barriers. We will continue to press the EU to expand market access for U.S. producers into the EU and third country markets, including through the removal of barriers such as over-broad GI protection for EU products.

QUESTIONS SUBMITTED BY HON. MARIA CANTWELL

Question. According to Reuters and the Brookings Institution, the middle class around the world is expected to more than double in size from 2 billion today to 4.9 billion by 2030. A majority of this growth is expected to occur in Asia and by 2030, Asia is expected to have 64 percent of the global middle class and account for 40 percent of consumption. But less than five percent of U.S. small businesses are currently exporting. How can we do more to raise awareness about this great potential market for all U.S. businesses, both large and small? Additionally, how does the Export-Import Bank help reduce the risk to exporting to markets with a rising middle class that have other challenges such as corruption and limited access to financial markets?

Answer. USTR is actively reaching out to companies of all sizes, especially small businesses, about the benefits of U.S. market-opening trade agreements in Asia, Europe, and around the world since 95 percent of the world's consumers, representing roughly 80 percent of the world's purchasing power, live outside our borders. Small business are especially poised to benefit from the elimination of tariffs, reduced costs and red tape, greater transparency, regulatory cooperation, and the rule of law afforded by the TPP agreement being negotiated between the United States and 11 other Asia-Pacific countries. For example, of the 12,510 companies that exported from Washington State locations in 2012, 90 percent (11,262 companies) were small and medium-sized enterprises with fewer than 500 employees. In 2014, Washington State exported \$26.9 billion in goods, with 30% of total goods exports to TPP markets. To raise awareness about this great potential market for all U.S. businesses, USTR is teaming up with the U.S. Small Business Administration and briefing hundreds of small businesses around the country through webinars, conference calls, and meetings with business groups about the potential benefits of the agreement. The Export-Import Bank has also held 75 Exporter Forums over the past four years, including Washington State forums in Bothell, Seattle and Tacoma, to provide insights and expertise to small businesses seeking access to global markets.

Question. In 2014 the Export-Import Bank provided \$7.2 billion in financing for small businesses in Washington state and proved to be instrumental for increasing market access for small to medium size businesses. With your extensive experience can you explain some of the barriers that companies face in exporting their products overseas, especially when countries like China, Brazil, and India offer below-market concessionary financing?

Answer. Ensuring a level playing field for U.S. exporters is a core U.S. government objective, and specifically with regard to export financing, our goal is to ensure that our exporters are able to compete based on the quality and price of their goods and services, rather than based on the availability of any government-supported financing. Advancing this objective requires both U.S. government ability to match the financing that other governments provide their exporters, and for all major providers of official export credit support to operate within a set of international export credit guidelines.

In early 2012, the Administration secured a commitment from China to establish the International Working Group on Export Credits (IWG) to negotiate a new set of international export credit disciplines that would apply to all major export credit providers. Through the IWG, the United States seeks to discipline official export credit support provided by China, Brazil, India and other large emerging market countries by developing new international export credit guidelines that that would bring their official export credit activities within a set of clear financing and transparency standards. Important progress has been made in these negotiations, including during President Obama's November 2014 visit to China, where the Administration secured China's commitment to take all steps necessary to advance the IWG

initiative, such as by supporting the start of negotiations on horizontal guidelines as soon as possible, and by supporting comprehensive guideline coverage.

Question. The current EU import ban on both frozen and fresh shellfish unfairly prevents U.S. shellfish harvesters from entering the European market. This has a particularly detrimental effect on certain American Indian communities along the West Coast who rely heavily on Geoduck export revenues and want to diversify their export markets. Recognizing SPS issues are going to be one of the toughest parts of the TTIP negotiations, what are you doing to ensure lifting the shellfish import ban is part of the SPS conversation? What, in particular, are you doing to open up the EU market to U.S. Geoduck?

Answer. Recent bilateral technical exchanges are helping to establish a path forward for U.S. exports of molluscan shellfish, including Geoduck, to the European Union (EU). The next step will be an EU audit of the U.S. food safety system for molluscan shellfish in March 2015.

Question. Trade is an essential component of the economy of Washington State, with nearly one in every three jobs directly supported by international commerce. It is particularly important to the high-tech industry, and Washington is home to many global leaders in this vibrant sector.

By lowering tariffs on a wide range of tech products, the WTO's Information Technology Agreement (ITA) has helped facilitate domestic job creation and growth in the U.S. tech sector and U.S. economy over the past decade and a half. In fact, from 1996 to 2008, total global trade in ITA products has increased more than 10 percent annually, from \$1.2 trillion to \$4 trillion.

While technological innovation has continued to grow, the list of products covered by the agreement has not been updated. As I understand it, trade negotiators have begun to meet monthly in Geneva to expand this agreement. If confirmed, do you intend to make this a high priority at USTR and within the Administration to ensure expansion of the ITA is completed by the end of this summer? What concrete steps will you take to get these important negotiations across the finish line?

Answer. Expanding the Information Technology Agreement's (ITA) product coverage to include new, technologically advanced products is a key U.S. trade policy priority, and one of the key initiatives we are pushing at the World Trade Organization (WTO). The benefits of an expanded ITA would be significant, and it is a result that could be achieved in the very near term if China and Korea are willing to work towards a bilateral compromise.

We were disappointed that we were not able to reach a conclusion of the ITA expansion negotiations in Geneva last December, especially in light of the major breakthrough with China at APEC that allowed the multilateral talks in Geneva to resume. But we will continue to work closely with key players, and with WTO Director General Azevedo, in an attempt to break the current impasse, and conclude this important agreement as soon as possible. An expanded ITA would be the first major tariff-cutting deal at the WTO in 17 years and help boost American exports to growing markets around the world. When completed, the ITA expansion is estimated to cover \$1 trillion in trade, adding \$190 billion to the global economy and supporting tens of thousands of good-paying U.S. manufacturing and technology jobs.

Question. In the NAFTA agreement, Canada included a broad cultural carveout, allowing them flexibility to limit US exports to Canada. That agreement is now 20 years old and Canada is pursuing a similar policy now in the TPP. What are your thoughts on that?

Answer. We have had longstanding concerns on the issues of cultural carve-outs, particularly as countries seek to extend these carve-outs to the digital realm. We are working to try to address this issue in the TPP in a way that allows countries to promote their cultural heritages without impacting U.S. exports of products or services of so-called "cultural industries," in which the United States is highly competitive.

QUESTION SUBMITTED BY HON. BILL NELSON

Question. As we all know, Haiti is still reeling from a terrible earthquake in 2010. Damages were estimated at \$7.8 billion, which was greater than Haiti's gross do-

mestic product (GDP) in 2009. Haiti is the poorest country in the Western Hemisphere, and one of the poorest in the world.

According to the World Bank, over 2.5 million people—about 24 percent of the population—live on under \$1.24 per day, and almost 60 percent of the population lives under the national poverty line of \$2.44 per day.

This isn't a far-off country in a distant land. This is a country that's 597 miles from the coast of Florida. And that has consequences for regional security.

It benefits no one to have so many people living in abject poverty. That's why I believe we must renew the trade preference program for Haiti. It's not only good for American consumers, but it's also good for our producers. A stronger Haiti will in turn create a better market for our higher-quality goods. It just plain makes sense. What are your thoughts on this?

Answer. Haiti remains the poorest country in the Americas and one of the poorest in the world (with a GDP per capita of \$820 in 2013) with significant needs in basic services. We expect donor financing to continue to decline, making it all the more critical for the Haitian government to use domestic and external resources more efficiently and effectively, as well as seek to develop the private economy. The IMF estimates economic growth was 3.75 percent in 2014 for Haiti, down from 4.3 percent in 2013, and per capita GDP in 2014 was estimated at \$853. Factors contributing to the slight slowdown in 2014 include delays in budget approval and adverse weather conditions that affected agricultural production.

We see timely renewal of the HOPE II preference program for Haiti, which expires in part in 2018, as one way to remove uncertainty for those companies seeking to invest in Haiti. The HOPE II program has had a clear and direct role in supporting the creation of thousands of jobs in the textile and garment sectors, while providing important protections to workers. In 2013, total export revenues from the textile and garment industry accounted for 91 percent of national export earnings and 10 percent of national GDP. The apparel industry is also among the largest employers within Haiti, creating jobs for nearly 30,000 people; sixty-five percent of these workers are women.

QUESTIONS SUBMITTED BY HON. ROBERT MENENDEZ

Question. Can you please explain in which U.S. sectors you expect to see the greatest job and wage growth due to the TPP? How many jobs do you expect to be created due to the TPP within the first year, 5 years, and 10 years?

Answer. U.S. exports have grown to all of our existing FTA partners, ranging from 587 percent growth to Israel, 513 percent to Chile, and 505 percent to Jordan. U.S. goods exports to NAFTA countries are up 289 percent, while U.S. goods exports to Korea (despite its economic downturn during the first two years of entry into force of the Agreement) are up 2.5 percent. U.S. exports to FTA partners supported an estimated 4.1 million jobs in 2013. Every billion dollars of U.S. exports supported between 5,400 and 5,900 jobs in 2013. Jobs supported by exports pay an estimated 13 to 18 percent more than non-export jobs.

TPP will open many new trade opportunities for U.S. agricultural, manufacturing, and services exporters in sectors where high tariffs and non-tariff barriers currently exist.

In agriculture, the largest gains are expected to occur in the high value categories of meats, dairy, fruits and vegetables, and a variety of processed foods and beverages. For example, U.S. apples and poultry exporters face tariffs of 10 percent and 40 percent, respectively, in Vietnam; U.S. beef and wine exporters face tariffs of 38.5 percent and 50 percent, respectively, in Japan; and U.S. tree nuts exporters face tariffs of 20 percent in Malaysia.

By addressing tariffs and easing non-tariff barriers, TPP will support increased U.S. exports and the development and expansion of regional supply chains, and will promote the competitiveness of both large and small U.S. manufacturers. For example, U.S. beauty and skin preparations exporters currently face tariffs of 20 percent in Vietnam, U.S. auto exporters face tariffs of 30 percent in Malaysia, U.S. construction equipment exporters face tariffs of 5 percent in New Zealand, and U.S. exporters of aluminum bars and rods face tariffs of 7.5 percent in Japan.

TPP will ensure fair and open markets in the dynamic Asia-Pacific region for our world-class service providers, which employ nearly 80 percent of Americans. TPP

will prohibit tariffs on digital trade, which will benefit all U.S. producers of software and audiovisual products stakeholders. Prohibiting restrictions on data flows and local server requirements will benefit all U.S. companies that do business over the internet. Establishing a level playing field with postal operators abroad will lead to benefits to our express delivery industry here in the United States. TPP will be the first trade agreement specifically guaranteeing rights to provide electronic payment services on a cross border basis, benefiting U.S. suppliers of such services.

Question. News reports from last year indicated that the United States was attempting to strike language related to climate change from the TPP. Can you comment on whether the final TPP will include commitments specifically related to climate change?

Answer. The TPP Environment Chapter is still under negotiation. Proposals to enhance cooperation on issues such as energy efficiency, deforestation, development of cost-effective, low emissions technologies and alternative, clean, and renewable energy sources, are under active discussion.

Question. I would like to follow up on my question regarding the docking mechanism that will presumably be included in the TPP. You assured the Committee that the accession of a new country to TPP would be subject to a vote in the U.S. Congress. Please address how that would work.

If a new country attempts to join TPP while U.S. Trade Promotion Authority is in place, would the Congressional vote on this new country's accession be subject to expedited consideration as a trade deal would be under TPA?

Can Congress impose additional conditions on that country at the time of the vote?

Will docking require the unanimous approval of all TPP members?

Answer. TPP is intended be open to accession by new members willing and able to meet its high standards. The precise terms of any accession would need to be agreed by all TPP Parties after each Party had completed applicable domestic legal procedures. For the United States, this would include compliance with TPA procedures. As with the consideration of entrants to the initial group of TPP Parties, the Administration would consult with Congress and stakeholders as it engages with any candidate country. The United States would also expect to consult in depth bilaterally with any TPP candidate country before agreeing to its participation in accession negotiations. During this time, the United States would seek to ensure that the candidate country could demonstrate its readiness to adopt the high standards and ambitious commitments of TPP, as well as to address bilateral issues of concern.

Question. I appreciate the attention you have given to our Latin American trading partners with regard to their concerns over TPP's effect on US-CAFTA trade, particularly in the apparel sector. During the hearing, you mentioned that the Administration is working to address some concerns of CAFTA countries.

How specifically do you plan to address the potential negative impact the TPP could have on the apparel industry in Central America? Will this be done by amending the CAFTA agreement or through other means?

Answer. We understand the importance of the textile and apparel sector to our FTA partners in Central America, as well as to our domestic industry, which provides much of the yarn and textile inputs utilized for these products. USTR has worked closely with our domestic industry in crafting our approach to TPP so as to take full account of their concerns and sensitivities, including with respect to the Central American apparel industry. We are committed to working with Congress and stakeholders to ensure these concerns will continue to be considered.

Question. When we met last September, I expressed my interest in beginning negotiations for a bilateral investment agreement (BIA) with Taiwan in tandem with our bilateral investment treaty (BIT) negotiations with China.

What is the administration's current position on pursuing a BIA with Taiwan?

In your opinion, would opening BIA negotiations with Taiwan at this point in time significantly undermine efforts to finalize the BIT with China?

What is the Administration's current understanding of the legal framework under which we would pursue such an agreement?

Answer. We are continuing to look at the complex issues that would be raised by BIA negotiations with Taiwan. Consistent with the Taiwan Relations Act, a BIA would need to be entered into between the American Institute in Taiwan (AIT) and the Taiwan Economic and Cultural Representative Office (TECRO). This raises difficult and novel challenges. Even as we continue to consider these issues, we are concurrently working through other channels such as the investment dialogue established under the Trade and Investment Framework Agreement (TIFA) to address concrete investment barriers for U.S. firms in the Taiwanese market and to strengthen the bilateral investment relationship between the two economies.

Question. USTR has conducted several six-month reviews of Bangladesh's progress toward achieving the commitments it made under the GSP Action Plan. These reviews helped focus attention on areas of the action plan that required further progress, like the protection of workers' rights. I understand that USTR no longer plans to conduct these reviews every six months, but will initiate a review only after developments warrant one. I am concerned by the vagueness of this threshold. Please provide details on the conditions under which USTR would initiate a review of Bangladesh's progress on its commitments under the GSP Action Plan.

Answer. Since the President's June 2013 decision to suspend Bangladesh's trade benefits under the Generalized System of Preferences (GSP), USTR has led three, formal interagency reviews of Bangladesh's progress in implementing the GSP Action Plan. Each review concluded that more progress was needed on worker rights and worker safety issues before reinstatement of Bangladesh's GSP benefits could be considered. Moving forward, USTR believes that a more flexible review cycle would encourage more open and effective discussions with the government of Bangladesh on the GSP Action Plan. Accordingly, USTR does not plan to conduct the next formal review until significant further progress on the GSP Action Plan has been reported, the Government of Bangladesh requests a review, or other circumstances warrant a review. Our ongoing engagement with the government of Bangladesh and other stakeholders on the GSP Action Plan will continue. This engagement, which involves USTR, the Departments of State and Labor, the U.S. Agency for International Development, and the U.S. Embassy in Bangladesh includes (1) high-level discussions in Bangladesh under the "3+5" consultation mechanism, (2) consultations with Bangladesh, the EU and the International Labor Organization (ILO) under the July 2013 Sustainability Compact, (3) bilateral discussions with the government of Bangladesh in Dhaka and Washington, and (4) continuing discussions with project implementers, including the ILO, on technical assistance programs. USTR will also continue to coordinate closely with Members of Congress and their staffs on worker rights and worker safety issues in Bangladesh and to brief congressional offices on progress under the GSP Action Plan.

Question. Would the Administration support a democracy and human rights clause in a future TPA bill that would limit expedited consideration of trade agreements to only those with nations that respect the freedom of association, free speech, fundamental human rights, and similar American values as determined by our State Department?

Answer. The Administration is a strong advocate for democracy and human rights, including labor rights, and has a strong record promoting these American values through our international engagement. The Administration supports reflecting in TPA the protections that we have been negotiating in TPP and TTIP with respect to freedom of association, the right to collectively bargain, the right to be free of child and forced labor and to non-discrimination in employment. The Administration also supports the inclusion in TPA of provisions relating to rule of law and good governance that are the basis of a functioning system of basic human rights. Further, the Administration will continue to vigorously promote democracy and human rights using all of the leverage afforded by trade agreements as well the broad range of diplomatic and economic tools that we have available.

Question. The recently implemented Sharia law in Brunei allows gay persons to be flogged, unmarried mothers to be imprisoned and Christians to be whipped. How are those practices consistent with your commitment to include strong labor and human rights protections in the TPP?

Answer. We have serious concerns about aspects of Brunei's new Penal Code, which is in the process of being implemented. USTR has been working closely with the Department of State in conveying the strong concerns of both the Administration and Congress to the Bruneian government. In recent meetings with senior Bruneian government officials, we have made clear that protecting human rights—including the rights of LGBT individuals, women, and religious minorities—is a core

U.S. value, and have stressed that Brunei should abide by its international human rights commitments. Brunei has not yet implemented certain sections of the law. As we work to conclude TPP, we will continue to engage closely with Brunei to address this issue. Brunei's engagement in TPP negotiations gives us a mechanism to press for action on human rights.

Question. Mr. Ambassador, you have frequently stated that the labor chapter of the TPP will include high labor standards. Will the TPP prohibit signatory countries from repressing its citizens who try to exercise these rights? How will you deal with countries such as Vietnam that will be out of compliance from day one?

Answer. We are working closely with Vietnam and other TPP parties to ensure that they live up to the high standard, enforceable commitments of a final agreement. Vietnam's participation in the TPP negotiations presents an unprecedented opportunity to make historic progress on labor rights and working conditions. Under the TPP, Vietnam would be expected to undertake significant reforms, particularly in the area of freedom of association, but also concerning forced labor, child labor, and employment discrimination. Officials from USTR and the Department of Labor have engaged closely with Vietnam to discuss needed reforms and will closely monitor Vietnam's continued implementation of these reforms, including the ability of workers to exercise freedom of association, after the agreement is in place. TPP will provide an on-going tool for ensuring protection of worker rights in Vietnam and other TPP parties.

Question. USTR has outlined in a blog that the U.S. "will insist on a robust, fully enforceable environment chapter in the TPP or we will not come to agreement." Will you only finalize such an agreement if it has: (a) a compliance mechanism for the Environment Chapter that is based on the exact same structure as the commercial chapters; and (b) binding and enforceable obligations and timelines for countries to improve their public health, environmental, and conservation standards in the near-term that will have a tangible impact on the ground?

Answer. Environmental stewardship is a core value of the United States, and advancing environmental protection and conservation efforts across the Asia-Pacific region is a key priority for the United States in the TPP. We continue to insist that the TPP environment chapter be fully enforceable through the same type of dispute settlement mechanism and timetable that apply to the commercial obligations in the agreement, and that countries effectively enforce their environmental and conservation laws. The Administration is also insisting on the inclusion of provisions that will address illegal logging and fishing, wildlife trafficking, and other environmental challenges. The Administration believes that these trail-blazing, first-ever conservation commitments will have a near-term, tangible impact on our work to tackle some of the region's most urgent environmental challenges.

QUESTION SUBMITTED BY HON. THOMAS R. CARPER

Question. Mr. Ambassador, I believe a comprehensive Transatlantic Trade and Investment Partnership (T-TIP) with the European Union represents enormous opportunities for U.S. manufacturers, farmers, and service providers. These opportunities exist by way of eliminating tariff and non-tariff barriers to trade as well as in enhanced regulatory cooperation.

Financial regulation is one area where I believe regulatory cooperation could be mutually beneficial. As you know, the enactment of Dodd-Frank was the most comprehensive financial regulatory reform in the U.S. since the Great Depression. In this comprehensive legislation, we sought to empower a robust regulatory regime, and protect American consumers and taxpayers.

However, as the law is being implemented, we have seen that many of the rules our regulators are working to propose have cross-border implications, and greater cooperation and dialogue could result in a more efficient and effective implementation of regulations.

Can you give me a sense of how you plan to use the T-TIP negotiations to increase regulatory cooperation between the U.S. and the EU?

Answer. Financial services are a critical part of our transatlantic economic relationship. In T-TIP, as in all of our free trade agreements, the Administration seeks robust market access commitments for financial services to help protect U.S. financial services suppliers from discriminatory treatment in foreign markets.

The United States is pursuing an ambitious and comprehensive agenda on regulatory cooperation in the financial sector—multilaterally in the G-20 and the Financial Stability Board, bilaterally with the European Union in the Financial Markets Regulatory Dialogue, and in international standard-setting bodies. The Administration believes that financial regulatory cooperation should continue to make progress in existing and appropriate bilateral and multilateral fora, in parallel alongside the T-TIP negotiations.

QUESTIONS SUBMITTED BY HON. BENJAMIN L. CARDIN

Question. As I'm sure you know, Colombia in 2011 began a 10 year, \$55 billion plan to update its infrastructure. As the U.S. Commercial Service has recognized, that makes it a top export opportunity for companies like Mack Trucks, whose unionized workers build engines that go into trucks exported to Colombia in a manufacturing plant in Hagerstown. But those truck exports to Colombia face a very high tariff, whereas competing truck exports from Mexico face no tariff at all. Under the U.S.-Colombia Trade Promotion Agreement, the tariff facing U.S. truck exports will not be at parity with Mexican exports until 2021, the year the Colombia's investment infrastructure plans are to end. Every month Mack sees significant sales lost in Colombia due to the high tariff. I raised this issue during your confirmation hearing. In answers to questions for the record from your confirmation you stated, "If confirmed, I will ensure that USTR continues to pursue an agreement with Colombia on accelerated tariff elimination."

Where do those efforts stand? What do we have to do to get that done quickly given that the first U.S.-Colombian Free Trade Commission meeting is coming up?

Answer. As a result of a USTR notice in the Federal Register, a number of U.S. stakeholders proposed products for tariff acceleration under Article 2.3 of the U.S.-Colombia Trade Promotion Agreement, including certain tariff lines for heavy trucks. Based on responses received, we have identified for Colombia products for possible tariff acceleration and are encouraging Colombia to inform us about any products for which Colombia wishes to seek tariff acceleration in order to develop a balanced package. Once a balanced package of products is jointly agreed upon, both sides would need to carry out their respective domestic procedures before the new tariff staging would enter into force. In the case of the United States, the domestic process follows statutory requirements and includes, among other things, advice from the ITC and advisory committees, a period of consultation and layover, and publication in a Presidential Proclamation. Engagement with Colombia on this issue slowed during Colombia's election season in 2014; however, we are working with Colombia to move this process forward as soon as possible.

Question. The Colombian heavy duty truck market is very important for America's manufacturers. As recently as 2011, the Colombian commercial truck market neared 12,000 units annually and American brands captured market share exceeding 90%. The sales of those trucks, valued at nearly \$1 billion, support thousands of manufacturing jobs across the United States and in Maryland. Those jobs, however, are threatened by the adoption of a restrictive series of decrees regarding the scrapping and registration of commercial vehicles. These regulations appear to violate both the spirit and letter of Colombia's obligations under the bilateral Trade Promotion Agreement, the World Trade Organization, and the free market principles of the Organization for Economic Cooperation and Development, to which Colombia aspires to join. You have since assured us that USTR would "continue to press them until they have rescinded the measures that caused this problem and have restored market access for U.S. truck exports that existed prior to implementation of this measure."

What recent steps has USTR taken to restore American truck exports to Colombia?

Answer. We have been pressing the Government of Colombia to address this issue. The United States has sought to address this issue in multiple fora and at multiple levels, including in the negotiations on Colombia's membership in the OECD. Both USTR and other U.S. Government agencies have voiced strong concerns on this issue with senior Colombian officials. Colombia took some steps to improve the situation of the existing inventory of trucks in Colombia and has recently taken some additional actions intended to facilitate compliance with the scrappage program. We are continuing to press for a comprehensive solution that will restore market access for U.S. exports of trucks as soon as possible.

QUESTIONS SUBMITTED BY HON. SHERROD BROWN

Question. In your prepared testimony, you identified securing Trade Promotion Authority as one of USTR's top priorities for 2015. Trade Promotion Authority has typically included negotiating objectives for the Administration to follow during negotiations of trade agreements. Absent existing fast track authority, please identify what negotiating objectives USTR has been using during the Trans-Pacific Partnership talks to guide your negotiations. In addition, please identify the negotiating objectives from the 2002 Trade Act that you do not expect to meet in the Trans-Pacific Partnership.

Answer. TPP negotiations are informed by the expired 2002 Trade Promotion Authority, the bipartisan "May 10 agreement", and well over 1,600 Congressional consultations with Members of Congress and their staffs. We also regularly engage with the advisory committees established pursuant to the Trade Act of 1974. Further, USTR solicits views from the public and interested stakeholders—including civil society, non-governmental organizations, labor unions, concerned citizens, businesses, and academia. As negotiations proceed, we will continue to rely on these broad-based consultations to guide our negotiations.

Question. Have you consulted with any TPP partners on what their parliamentary procedures are for examination, ratification, passage, and implementation of trade agreements? If so, please provide an analysis of those procedures.

Answer. We are consulting with other TPP Parties on their procedures for examining, approving, ratifying and implementing trade agreements. Procedures vary widely across the TPP countries depending on the form of government and other factors. Some governments simply require the approval of their Cabinet in order to ratify a trade agreement and bring it into force. Others require implementing legislation to be approved and authorization for ratification be provided.

Question. What impact will TPP have on collective bargaining rights of U.S. workers? Does USTR estimate union membership in the U.S. will increase or decrease as a result of the agreement?

Answer. The United States will be taking on the same labor obligations as other TPP Parties, including with respect to the fundamental labor rights that encompass the right to collective bargaining. United States law and practice is in compliance with those obligations and we would not expect any changes to U.S. labor law to be required to implement TPP. U.S. workers' collective bargaining rights would not be affected by TPP.

Question. In your testimony, you stated that 95 percent of the world's consumers and 80 percent of the world's purchasing power reside outside of the U.S. But in many TPP countries, the average consumer's purchasing power is much lower than in the U.S. For example, the GDP per capita in Malaysia is \$9,700 per person. The GDP per capita in Vietnam, where the minimum monthly salary was recently raised to between \$12 USD and \$19 USD, is even less. Given these low wages, what specific non-agricultural, American-made goods does USTR expect consumers in Malaysia and Vietnam to purchase? And in what specific U.S. sectors does USTR expect to see export-related jobs created as a result?

Answer. The United States already exports many products to emerging markets and developing economies. Nearly 47 percent of total U.S. goods exports were purchased by these countries in 2014. Malaysia is our 24th largest goods export market in 2014, with \$13.1 billion in goods exports (93 percent manufactured products) in 2014, up 21 percent over the past 10 years. Vietnam is our 44th largest goods export market, with \$5.7 billion in goods exports (69 percent manufactured products), up 418 percent over the past 10 years. The OECD has projected that Asia's middle class will grow to 3.2 billion by 2030, more than 8 times the projected size of the U.S. market, making it paramount that the United States have access to these markets.

Currently Malaysia and Vietnam have much higher tariffs than the United States. In some sectors, such as autos, their tariffs run as high as 30 percent and 80 percent, respectively. TPP will level the playing field for U.S. exporters and provide them opportunities in many sectors. For example, in Vietnam, U.S. switches, relays, and fuses face tariffs of up to 20 percent. In Malaysia, U.S. polymers of ethylene face tariffs of up to 20 percent. Increases in U.S. exports will support additional jobs in these sectors. Every billion dollars of U.S. exports supported between an estimated 5,400 and 5,900 jobs. In 2013, an estimated 11.3 million jobs were supported by exports.

Question. The Administration, at the most recent Asia-Pacific Economic Cooperation (APEC) summit, agreed to a study paving the way for the Free Trade Area of the Asia Pacific (FTAAP). In various comments, you and other officials have indicated that the TPP is a vehicle for stemming China's influence in the region. As the Administration has now agreed to a process leading to the FTAAP, why won't that broader agreement, which will include China, undermine U.S. interests and undermine the value you claim the TPP will have?

Answer. The FTAAP is not a trade negotiation, it's an aspiration for a free trade area in the Asia-Pacific region supported by APEC Leaders for a number of years. In 2010, APEC noted that TPP and other ongoing regional negotiations are the appropriate paths toward an FTAAP. At the November 2014 APEC meetings, APEC economies agreed to conduct an analytical study related to the realization of the FTAAP. This study would address such issues as potential benefits of an FTAAP, measures affecting trade between APEC economies, existing FTAs among APEC economies, and previous APEC analyses.

Question. Has USTR received from ITC any economic analysis (informal or formal) of TPP's potential impact on the U.S. economic generally and/or on any specific sectors, employment, foreign direct investment, and wages? Has the USTR asked for or received any economic analysis (informal or formal) of TPP's potential impact from any other federal entities? If so, please provide descriptions of the analysis. Have these analyses been shared with cleared advisors?

Answer. The ITC conducts analysis regarding U.S. trade negotiations, including with regard to potential U.S. product sensitivities. The ITC's work will culminate in a report, ahead of congressional consideration of TPP, based on a detailed analysis of the outcome of the negotiations. This report typically includes discussion of the impact of the trade agreement on trade and investment, including on merchandise and services imports and exports and related macroeconomic analysis. The ITC's report will be informed by its own economic analysis of producer and consumer effects as well as a detailed literature review, public comments solicited through the Federal Register, and hearing testimony. The views of cleared advisors typically serve as an input into the ITC's process of writing the report.

Question. If TPP is implemented, what percentage of federal procurement dollars do you believe will be spent on goods manufactured in TPP countries? Conversely, what approximate amount of procurement dollars from TPP countries should U.S. companies expect to gain because of TPP that they don't currently have access to?

Answer. Our approach to government procurement in TPP is consistent with the Trade Agreements Act of 1979. It allows our trading partners to compete for a defined pool of U.S. Federal government procurement opportunities in exchange for their making comparable commitments to open their government procurement to U.S. suppliers. 8 of our 11 TPP partners already have access to this pool of U.S. Federal government procurement opportunities. TPP will not change that. It is difficult to predict how successful the exporters of the three additional partners will be in competing for the same pool of U.S. federal procurement already open to over 50 other countries. U.S. exporters are globally competitive and can be expected to see expanded opportunities as a result of new market access and transparency of government procurement with our trading partners.

Question. In Mexico, protection contracts and labor boards routinely prevent workers from exercising their fundamental rights. What changes, both statutory and enforcement-related, is USTR asking Mexico to implement before the TPP agreement takes effect? Is USTR considering delaying implementation of TPP for Mexico to ensure sustained, institutional protection of Mexican workers' fundamental rights is achieved?

Answer. TPP will provide an important tool for ensuring protection of labor rights in Mexico and the other TPP parties. Officials from USTR and the Department of Labor have engaged closely with Mexico to discuss issues related to the rights of worker rights in that country. We will continue to do so as TPP negotiations proceed.

Question. What specific source(s) of data has USTR used to shape your TPP rule of origin proposal for autos? Has this data been shared and reviewed with all stakeholders, including manufacturers and employees, in the supply chain?

Answer. We have taken a wide variety of information sources into account when developing our rules of origin proposal for automotive products, including academic studies, interviews with analysts in both the public and private sector, and experi-

ences from workers, traders, and producers with the rules of origin in previous FTAs. We have had extensive consultation with a wide range of stakeholders and Congress on this issue.

Question. As you know, I am concerned about the impact of investor-state dispute settlement on public health policies. You have said that the TPP investment provisions will include protections for public health policies. Will these protections prohibit investors from bringing an investor-state case challenging U.S. public health policies and government health programs?

Answer. The United States would not negotiate away its right to regulate in the public interest, including in the critical area of public health. The TPP investment rules have been carefully crafted through many years of close stakeholder consultation and a public comment process. They are specifically designed to protect legitimate, non-discriminatory public interest measures from challenge and to prevent some of the abuses of the investor-state dispute settlement (ISDS) process that have occurred under agreements negotiated by other countries that are less clear, more expansive, and have few (or none) of the extensive safeguards being proposed in TPP. These safeguards include clearer definitions of key legal rules (e.g., incorporation of key U.S. Supreme Court criteria on expropriation) and stronger procedural safeguards, such as more expansive provisions on transparency and public participation in ISDS proceedings and rules on expedited review and dismissal of claims. The rules are designed to protect legitimate, non-discriminatory public interest measures from any successful challenge and to provide a disincentive for non-meritorious claims. Even in cases where a private party has a legitimate claim that its rights are being violated and it is entitled to compensation, a government cannot be compelled to change a law or regulation under the TPP investment rules.

Question. Earlier this month the European Commission publicly released the texts of the EU's proposals for the legal text of the TTIP. Will USTR commit to publicly releasing the text of U.S. proposals for the legal text of TTIP? If so, when will they be released? If not, why not?

Answer. We are committed to maximizing transparency, consistent with negotiating the best possible agreement for U.S. interests. Though the United States and the EU have very different government structures and processes, we share the view that our trade agreements are made better with public input and vigorous debate. The U.S. made public all of our negotiating objectives before we started the negotiations—a step the EU only took late last year—and, more recently, we published a detailed, chapter-by-chapter summary of those objectives. We have paused in the middle of every T-TIP round so that U.S. and EU negotiators can hear from the public. We provide detailed public read-outs of every negotiating round. We give every T-TIP negotiating proposal, before it is tabled, to Congress, and every Member can review our proposals. We also make our proposals available to nearly 600 outside experts who serve on our congressionally-mandated trade policy advisory committees, including representatives of small business, labor unions, environmental organizations, consumer groups, and academia. Together with the EU, consistent with our respective systems, are continuing to look at additional avenues for making sure that legislators, stakeholders, and the public are able to help shape our negotiating objectives and understand what it is that we are—and are not—negotiating in T-TIP.

Question. In Ohio, the Jones Act supports 10,300 jobs and wages of \$547 million annually. Preserving the Jones Act is critical to preserving these jobs and the \$1.8 billion annual economic impact they bring to my state. Can I get your assurance that the Jones Act will be excluded from both the TPP and the TTIP agreements?

Answer. Our TPP and T-TIP counterparts understand our longstanding sensitivity about domestic cabotage and other activities covered by the Jones Act statutes, and they know that those laws and related measures are exempted from the WTO Agreement and all of our previous FTAs. Having consulted with Congress as well as industry and labor groups, we do not foresee a change in this position.

QUESTIONS SUBMITTED BY HON. ROBERT P. CASEY, JR.

Question. In December 2010, the U.S. International Trade Commission estimated that the U.S.-Korea Free Trade Agreement would increase American goods exports to Korea by \$10 billion, supporting 70,000 American jobs. Last March marked the second anniversary of that agreement, and International Trade Commission data showed that U.S. exports to Korea fell by \$3.1 billion and imports from Korea in-

creased \$5.6 billion during the first two years of the agreement, driving up the U.S. trade deficit with Korea by a total of \$8.7 billion, or 60 percent. According to the Economic Policy Institute, this growing trade deficit cost nearly 60,000 U.S. jobs.

How can we be confident that future trade agreements do not have a similar impact?

Answer. A full review of the trade statistics, in particular those for the past year, presents a different picture. Despite headwinds resulting from the slowdown in the Korean economy over the first two years that the agreement was in force, U.S. goods and services exports combined were up 4.1 percent between full year 2011 (pre-FTA) and 2013, and were up 7.0 percent between the first three quarters of 2014 and the same period in 2013 (latest figures available). In comparison, U.S. goods and services exports to the world were up 2.9 percent for 2014.

The initial decline in goods exports was comprised of a fall in corn exports (due to a drought in the U.S.) and coal exports (due to slower economic growth in Korea). Both have now rebounded. While U.S. exports (goods and services) increased 2.4 percent during Korea's slowdown, Korea's imports of products from its non-FTA partners (China, Japan, and India) have decreased (by 4 percent, 12 percent, and 20 percent, respectively), underscoring the contribution of KORUS to maintaining and increasing U.S. market share.

Year-on-year goods exports to Korea for 2014 were up 6.8 percent compared to 2013. At \$44.5 billion, these were record export levels. Likewise, U.S. agricultural exports were up 31.2 percent to \$6.9 billion in 2014, making Korea our fifth-largest market for agricultural exports. U.S. agricultural exports to Korea grew nearly four times faster than U.S. agricultural export growth to the world. Similarly, U.S. services exports to Korea experienced robust growth since the entry into force of the agreement, and were up 25.4 percent to an estimated \$20.9 billion in 2013 as compared to 2011. This rate was more than twice as fast as U.S. services export growth to the world (9.5 percent).

On the import side, much of the growth in U.S. goods imports from Korea was due to increased imports of intermediate products (such as semiconductors, electrical equipment, and plastic materials), which means many of them supported U.S. production. For 2013, 51 percent of total imports were intermediate products, as compared to 48 percent in 2011.

The study you cite is based on the false premise that both exports and imports have the same effect on jobs on a one for one basis (in effect saying that the trade deficit cost jobs). There is not a direct relationship between trade deficits and unemployment; in fact unemployment has often been low when trade deficits have been large. Conversely, the U.S. ran trade balances and surpluses when unemployment peaked at 25 percent during the Great Depression. Exports are made by U.S. labor, a U.S. work effort and job component that can be measured. But the relationship of imports to domestic jobs is more complex. While some imports displace U.S. production, others have no effect. American businesses large and small use imports to create or support U.S. jobs, such as the case with Korea, where the intermediate products were imported as inputs to build sophisticated manufactured goods, make processed foods, and create other job-supporting American goods.

Question. Confronting currency manipulation is critical and will be a key issue in the upcoming trade debate. Thus far, I am greatly concerned by the Administration's response. The Peterson Institute recently estimated that upwards of 5 million U.S. jobs have been lost due to currency manipulation—a staggering figure. Despite the fact that 230 Members of Congress and 60 Senators have called for disciplines to be included in TPP, the Administration has by all accounts remained silent on the issue during negotiations.

What are your plans for addressing currency manipulation in TPP?

Answer. Addressing currency misalignments is a top priority for President Obama and this Administration. The Administration, led by the Treasury Department, which is responsible for currency issues, has worked hard to promote a level global playing field by moving major economies to market-determined exchange rate systems with transparent and flexible exchange rates that reflect underlying economic fundamentals.

We have leveraged our engagement in the most important multilateral fora—the G-7, the G-20, the International Monetary Fund (IMF), and the World Trade Organization—as well as bilaterally, including, in particular, with China through the Strategic and Economic Dialogue (S&ED) and other fora.

With regard to addressing exchange rates in our trade initiatives, we will continue to engage with Congress and our domestic stakeholders on how best to achieve our policy objectives in this area.

Question. Strong and aggressive enforcement of our trade laws is critical, particularly to vital Pennsylvania industries such as steel. Over the last several years, we have seen a large surge in imports of steel products. In response, the industry has filed a number of trade remedy cases. I appreciate the Administration's focus on enforcement but I think we can all agree that the recourse is often too little, too late. As such, I believe we should be looking for ways to strengthen enforcement. The President alluded to the need for this type of enforcement in his State of the Union speech earlier this week when asking Congress to grant him Trade Promotion Authority (TPA).

What are your plans in this regard, and in particular, as it relates to getting Congress to pass TPA and to your ongoing negotiations on the TPP and TTIP?

Answer. From the outset, this Administration has put a major emphasis on trade enforcement, standing up for American trade rights abroad, so that American workers and businesses can compete on a level playing field. The Obama Administration has launched 19 WTO complaints since 2009, and we've won every one decided so far. We have announced four important victories in the past year alone on foreign barriers affecting billions of dollars of U.S. exports, including on China's unjustified duties on U.S. cars and SUVs and on China's export quotas and duties on key steel inputs. And on February 11, the Administration launched a new WTO case on prohibited export subsidies that the Chinese are providing to a variety of industrial sectors, including textiles, apparel and footwear, advanced materials and metals, light industry, specialty chemicals, medical products, hardware and building materials, and agriculture.

Question. As you have acknowledged, the rise of state-owned-enterprises (SOEs) represents a growing threat to fair trade and the ability of American companies to compete globally. In Pennsylvania, I have seen firsthand how these distortions impact the global steel markets and other global industries.

Given the prevalence of SOEs throughout the global economy, especially in China and Asia, the establishment of new disciplines to address this anti-competitive behavior is critical. What can you tell us about USTR's efforts to address SOEs in the TPP and the China BIT?

Answer. New rules on SOEs are one of the key innovations in TPP. Based on extensive consultation with stakeholders and Congress, we have developed a set of rules that focus on the activities of commercial SOEs and seek to ensure that governments do not provide the companies they own with unfair advantages. For example, we are pursuing strong rules on subsidies to SOEs that cause harm to our companies and workers, including subsidies given to SOEs operating in the U.S. domestic market. We are also negotiating rules that ensure that SOEs make commercial purchases and sales on the basis of commercial considerations and do not discriminate against U.S. goods and services. We are also seeking strong new transparency obligations related to SOEs so we have a better understanding of how commercial SOEs are affecting trade and investment between TPP countries. These new rules go significantly beyond the obligations in the WTO and our previous FTAs. Because this is a new and very complicated area, we have been careful to craft the rules that strike the right balance between strong enforceable rules on commercial SOEs and preserving space to supply public services through government corporations, when necessary.

With China, we are pursuing a high standard BIT that would require major economic reforms and would play a significant role in addressing key concerns of U.S. and other foreign investors, including the need to level the playing field and ensure that domestic companies, whether privately or state-owned, do not benefit from unfair advantages. We are analyzing all opportunities to use the BIT to achieve these goals, including assessing valuable stakeholder input on SOEs.

Question. Under the U.S.-Colombia Trade Promotion Agreement, the tariff facing U.S. truck exports draws down over a ten year period. Until that tariff is eliminated American made products are at a severe disadvantage. This includes Mack Trucks that are exported from Pennsylvania.

I understand that USTR is attempting to accelerate the elimination of this harmful tariff but no progress has been made. What is the earliest possible time do you

think we will be able to eliminate the tariff so that Mack can participate fully in the Colombian market?

Answer. As a result of a USTR notice in the Federal Register, a number of U.S. stakeholders proposed products for tariff acceleration under Article 2.3 of the U.S.-Colombia Trade Promotion Agreement, including certain tariff lines for heavy trucks. Based on responses received, we have identified for Colombia products for possible tariff acceleration and are encouraging Colombia to inform us about any products for which Colombia wishes to seek tariff acceleration in order to develop a balanced package. Once a balanced package of products is jointly agreed upon, both sides would need to carry out their respective domestic procedures before the new tariff staging would enter into force. In the case of the United States, the domestic process follows statutory requirements and includes, among other things, advice from the ITC and advisory committees, a period of consultation and layover, and publication in a Presidential Proclamation. Engagement with Colombia on this issue slowed during Colombia's election season in 2014; however, we are working with Colombia to move this process forward as soon as possible.

Question. In response to regulations, the Colombian heavy duty truck market has contracted by 70 percent from its high a few years ago, despite the recent U.S.-Colombia Trade Promotion Agreement. In a market where 90 percent of new trucks are imported that translates to thousands of lost American truck sales and the loss of more than \$500 million in exports.

How is USTR addressing this issue? What are your future plans to ensure that Colombia reverses this policy?

Answer. We have been pressing the Government of Colombia to address this issue. The United States has sought to address this issue in multiple fora and at multiple levels, including in the negotiations on Colombia's membership in the OECD. Both USTR and other U.S. Government agencies have voiced strong concerns on this issue with senior Colombian officials. Colombia took some steps to improve the situation of the existing inventory of trucks in Colombia and has recently taken some additional actions intended to facilitate compliance with the scrappage program. We are continuing to press for a comprehensive solution that will restore market access for U.S. exports of trucks as soon as possible.

Question. The biopharma industry is a major employer in Pennsylvania—directly employing over 44,000 jobs and supporting another 168,000 jobs. As such, one area of concern is that we reach 12 years of data protection for biologics within TPP.

I know USTR has been pushing for provisions that reflect U.S. law for biologics—how do you intend to finalize the agreement in this area?

Answer. Biologic drugs offer great potential for new treatments and cures that will benefit all of humankind, and this sector also is one in which U.S. companies are leading global innovators and competitors. As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

Question. In recent years, there has been an increase in economic espionage and cyber-attacks designed to steal trade secrets from U.S. companies. Last May, military hackers apparently linked to the Chinese government infiltrated the computers of several companies headquartered in Pennsylvania. I am deeply concerned about the threat of this type of economic espionage.

Recognizing recent legislative action to strengthen cybersecurity defenses, particularly in last year's National Defense Authorization Act, from your perspective at USTR what other steps can Congress take to ensure our trade secrets are adequately protected from foreign cyber attacks?

Answer. On February 20, 2013, the U.S. Intellectual Property Enforcement Coordinator (IPEC) issued the *Administration Strategy on Mitigating the Theft of U.S. Trade Secrets*. The Strategy highlights efforts to combat the theft of trade secrets that could be used by foreign governments or companies to gain an unfair economic advantage by harming U.S. innovation and creativity, including: (1) focusing diplomatic efforts to protect trade secrets overseas, which include sustained and coordinated engagement with trading partners, the use of trade policy tools (including through the use of the Special 301 Report), cooperation, and training, among others;

(2) promoting voluntary best practices by private industry to protect trade secrets, including information security, physical security, and human resources policies; (3) enhancing domestic law enforcement operations, especially through the activities of the Department of Justice, Federal Bureau of Investigations, Department of Defense, and the National IPR Coordination Center; (4) improving domestic legislation to protect against trade secret theft, as exemplified by the *Theft of Trade Secrets Clarification Act of 2012*, which clarified provisions in the *Economic Espionage Act* with respect to the theft of trade secret source codes, and the *Foreign and Economic Espionage Penalty Enhancement Act of 2012*, which increased criminal penalties for economic espionage; and (5) conducting public awareness campaigns and stakeholder outreach to encourage all stakeholders to be aware of the dangers of trade secret theft.

Consistent with the trade policy elements of this strategy, in the TPP negotiations we are supporting new trade secret provisions that will go farther than any previous agreement in requiring Parties to make available to rights holders remedies consistent with those provided for in U.S. law. Specifically, this includes criminal procedures and penalties against the theft of trade secrets, including by cyber means. These enhancements in the international legal framework relating to trade secrets will provide an important platform for our global efforts to fight trade secret theft.

QUESTION SUBMITTED BY HON. MARK R. WARNER

Question. USTR and the International Trade Commission (ITC) work hand in hand to ensure U.S. trade policy protects American intellectual property, while promoting U.S. competitiveness and innovation. One key to that protection is the authority under Section 337 to ensure foreign companies aren't unfairly importing products that infringe on U.S. products. Over the last decade, many U.S. interests have become concerned that the use of Section 337 is increasingly being used by patent assertion entities (PAEs) that don't make or sell anything to file abusive complaints at the ITC. The ITC announced a pilot project last year that would help limit abuse at the ITC by PAEs. It's my understanding the pilot project has been used only once. Given USTR's unique role in helping to provide policy guidance to the ITC, can you provide an update regarding the effectiveness of ITC's pilot project in curbing abuse by PAEs under the domestic industry standard?

Answer. The ITC is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade. In addition to other statutory responsibilities, the ITC conducts investigations under Section 337 of the Tariff Act of 1930 involving imported articles that allegedly infringe intellectual property rights or other unfair acts or unfair methods of competition in the importation of articles into the United States. Although USTR has authority, delegated from the President, to review certain ITC section 337 determinations for policy reasons, USTR's delegated review authority does not extend to matters of ITC procedure. For that reason, and because the referenced pilot project was developed at the initiative of the ITC, USTR defers to the ITC for an assessment of that effort.

PREPARED STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH,
CHAIRMAN, COMMITTEE ON FINANCE

WASHINGTON—U.S. Senator Orrin Hatch (R-Utah), Chairman of the Senate Finance Committee, today delivered the following opening statement at a committee hearing on President Obama's 2015 Trade Agenda:

The committee will come to order.

Good morning. It's a pleasure to welcome everyone to today's hearing on our nation's trade agenda.

Thank you, Ambassador Froman, for being here today. I have to say that the trade agenda is looking up since the last time you testified.

Things seem to be improving with our ongoing trade negotiations. For example, while significant gaps remain, the administration seems to be inching ever closer toward a conclusion of a Trans-Pacific Partnership agreement.

Morale at the Office of the United States Trade Representative, after a long period of decline, is beginning to rise.

Of course, there is still a lot to be done. And, renewal of Trade Promotion Authority, or TPA, is at the top of my list. But, even in that regard, things seem to be looking up.

Compared with this time last year, the administration is much more engaged at all levels in making the case for renewal of TPA. President Obama's strong call for TPA in the State of the Union was welcome, though, in my opinion, it was long overdue. I hope that he'll follow his latest call to action with a real concerted effort to help us get TPA through Congress.

Here in the Finance Committee, we're doing all we can to help in this effort.

Although the bill I introduced last year with Chairmen Camp and Baucus received broad support, I am currently working with Senator Wyden to see if there is a way to address some additional issues he has raised. We're working with Chairman Ryan as well.

While there may be some improvements we can make to the bill, I want to make one thing clear: The time for TPA is now.

TPA is how Congress tells the administration and our negotiating partners what a trade agreement must contain to be successfully enacted into law. And, TPA empowers our negotiators to get the best deal possible for American workers.

To succeed in getting TPA renewed, we will need an all-out effort by the administration to make the case for why TPA is so vital to our nation's ability to fairly engage in international trade and to enhance the health of our economy.

Simply put, trade means jobs.

Today 95 percent of the world's consumers live outside the United States. These potential customers account for 92 percent of global economic growth and 80 percent of the world's purchasing power. To maintain a healthy economy, we need the opportunity to sell American products in those markets.

Right now, the United States is engaged in some of the most ambitious trade negotiations in our nation's history. The first, which I already mentioned, is the Trans-Pacific Partnership, or TPP.

Renewal of TPA is key to the success of this agreement. Without TPA, the administration will not be able bring back the high-standard agreement Congress needs to ensure its enactment.

Let me be clear here: It would be a grave mistake for the administration to close TPP before Congress enacts TPA. Doing so may lead to doubt as to whether the U.S. could have gotten a better agreement, ultimately eroding support for TPP and jeopardizing its prospects for passage in Congress.

There are also some key outstanding issues that need to be resolved in TPP. As I have stated in the past, my support for TPA by no means ensures that I will support just any version of TPP that happens to be submitted to Congress for approval.

For me, the agreement must achieve a very high standard for the protection of intellectual property, including twelve years of data protection for biologics, and strong copyright and trademark protections. The intellectual property provisions of TPP must also effectively address the theft of trade secrets and ensure effective implementation and enforcement of IP obligations. Provisions to enhance digital trade and address state-owned enterprises are also critical, as is real market access for U.S. exports.

There are other major negotiations that are ongoing, and I am confident that renewal of TPA would help will help bring those to successful conclusions as well.

Most notably, there is the Trans-Atlantic Trade and Investment Partnership, or TTIP. TTIP must be a comprehensive agreement, and include provisions on financial services regulation and strong investor-state dispute settlement mechanisms. The agreement must also achieve a high level of IP protection and effectively address the systemic misuse of geographical indications to create market barriers.

I am also hopeful the administration will soon be able to conclude negotiations to update the Information Technology Agreement. And I expect we will see progress in advancing the negotiation of a Trade and Investment Services Agreement and an Environmental Goods Agreement.

Ambassador Froman, all of this represents a very ambitious agenda for your office and for the administration as a whole. But, if I haven't been clear up to now, let me restate: TPA must be considered an essential element for all of these endeavors.

I believe Congressional renewal of TPA will unleash new energy in our international trade agenda, helping to propel our economy to greater growth and prosperity. History shows that trade agreements concluded with TPA in place create new economic opportunities and higher-paying American jobs.

This year we truly are at the precipice of opportunity. The only question is whether both parties in Congress and the Administration can work together to put in place the necessary tools to seize this opportunity.

I certainly think we can, and I will do everything in my power as Chairman of this committee to ensure our mutual success.

Ambassador Froman, I look forward your testimony today and to working with you to advance a strong, pro-growth trade agenda.

I'd now like to turn it over to Senator Wyden for his opening remarks.

PREPARED STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON

Thank you, Chairman Hatch, and thank you, Ambassador Froman, for being here today. My bottom line on how the U.S. can improve its trade policy is this:

Today's global economy moves at a million miles an hour, so clinging to yesterday's outdated trade policies is a loser for the millions of middle-class American workers counting on political leadership to help create more high-skill, high-wage, middle-class jobs.

Trade agreements need to bulldoze barriers and open new markets to exports made by America's middle class—the things we grow or raise, build or forge. Done right, trade agreements can help grow the paychecks of middle-class families. That will help take our economic recovery from a walk to a sprint.

According to a report by the Commerce Department's International Trade Administration, many export-driven jobs—from precision welding to engineering design—offer higher pay and more generous benefits than jobs that aren't tied to exports.

Workers who design and build products like machinery, electrical gear or transportation equipment get into the winners' circle when the goods they make are exported. The goal of trade agreements should be to take the fruits of American labor and ship them to markets around the world.

With that said, it's easy to understand why many American workers are frustrated when they haven't gotten a meaningful raise in decades—or worse, they've lost jobs and fallen out of the middle class. When discouraged Americans argue that they've been hurt by trade, their voices should not be ignored. They must be heard. Those who favor a trade agenda that takes on the challenges of a hyper-competitive global economy have a responsibility to make the case that it will work for America's middle class.

I bring that up because the President said during the State of the Union address that, “. . . past trade deals haven't always lived up to the hype.”

So, Ambassador Froman, I'd like you to outline today how the administration plans to change that with fresh trade policies that will lift wages, help create middle-class jobs, and expand the winner's circle.

I hope to discuss what safeguards will be in place to ensure that any workers impacted by trade have access to retraining, health coverage, and other sources of support that connect them with new opportunities. And perhaps most importantly, I hope to hear how the administration will make the case to America's workers that these modern policies will deliver for them.

To keep my remarks brief, there are a few specific issue I'll address.

The first is tough enforcement. There has never been a greater need for the U.S. to back its workers and businesses by strongly enforcing our trade laws and agreements. And in the face of unfair schemes by foreign governments and companies that undercut American jobs and exports, trade enforcement works.

Just ask any one of the hundreds of Oregonians who work at SolarWorld, a solar-panel manufacturer in my home state. When Chinese companies made an end-run around our trade laws that threatened SolarWorld and its employees, SolarWorld fought back and won. That victory preserved 900 good Oregon jobs. And American trade enforcers have to keep at it, because China and other governments won't stop trying to get around the rules anytime soon.

With 21st century trade agreements, tough enforcement also needs to hold foreign governments accountable for commitments to uphold strong labor rights and environmental protections. Those are bedrock elements of trade agreements, and they are not to be ignored or pushed to the periphery.

The second issue to address is technology. Just as containers changed trade in the 20th century, the Internet is changing trade in the 21st, enabling more efficient ways to exchange goods and services internationally. Three decades ago, an entrepreneur with big dreams in a place like Mt. Vernon, Oregon—a small town of 500—didn't have the Internet as a means to access global consumers. Today, that entrepreneur does. And that access could be direct or through Internet platforms, which could include eBay, Amazon, and Etsy.

The nation's trade policies must take advantage of economic areas where there is clearly "Advantage USA." That means promoting and protecting a free and open Internet—keeping open what is, in effect, the shipping lane of the 21st century.

The third issue to address today is transparency. The American people have made it very clear that they will not accept secretly-written agreements that don't see the light of day until the very last minute. That was too often the way things worked in the past, but that's not good enough anymore. Nor is it enough to respond to important questions with the same inadequate refrain: that Americans will benefit from trade deals. People have the right to know what's at stake in negotiations before they wrap up. Our trade policies are stronger when the American people are part of the debate—and when their elected representatives in Congress are able to conduct effective oversight.

Furthermore, transparency is also critical for a trade promotion authority bill. Once a bill is ready, it must be available to the public. And there must be a fair and open process for its review and consideration. I will work with Chairman Hatch to develop a process along these lines.

No matter where members of this committee stand, I know everyone here is ready to have a serious debate on how to make trade policy work best. My focus will be on finding new opportunities to sell red, white and blue American goods overseas, helping businesses create jobs, and growing the paychecks for middle-class families. I'm eager to find ways for this committee to work on a bipartisan basis with the administration to accomplish those goals.

COMMUNICATIONS

**Advanced Medical Technology Association
(AdvaMed)**

SENATE FINANCE COMMITTEE HEARING

U.S. Trade Policy Agenda 2015

January 27, 2015

STATEMENT FOR THE RECORD

Introduction

The Advanced Medical Technology Association (AdvaMed) appreciates the opportunity to provide comments on the U.S. trade policy agenda for 2015 to the Senate Finance Committee. AdvaMed represents approximately 300 of the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and medical information systems. AdvaMed members range from the smallest to the largest medical technology innovators and companies. AdvaMed is dedicated to the advancement of medical science, the improvement of patient care, and in particular to the contribution that high quality health care technology can make toward achieving those goals.

The medical technology industry is one of the few remaining manufacturing sectors of the U.S. economy with a positive net balance of trade (over \$6.3 billion in 2013), and the people who work in the U.S. medical technology industry depend on trade to ensure security, growth, and new opportunities. In fact, medical technology industry salaries are nearly 30% higher than the average U.S. salary because the industry employs so many highly skilled workers in the areas of research and development, manufacturing, sales and management. Nearly two million American jobs depend on the success of the medical technology industry—roughly 350,000 directly and 1.6 million indirectly.

Medical technology accounts for 3 percent of U.S. Gross Domestic Product. The United States exports over \$42 billion worth of medical devices annually. AdvaMed members supply medical technology to almost every country in the world. Opening markets and ensuring a level playing field are essential to the future growth of the U.S. medical technology industry.

Our industry supports the Administration's current trade agenda and recognizes the Finance Committee's work to help push major agreements forward. We appreciate the committee's work with USTR on the negotiations on the Trans-Atlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) and other elements of the Administration's trade agenda. We look forward to continuing to work with the Congress to secure support for strong, comprehensive free trade agreements.

Trade Promotion Authority

AdvaMed members support free trade and believe Trade Promotion Authority (TPA) is critical to guide and strengthen United States Trade Representative's objectives in trade negotiations. AdvaMed supports the early adoption of trade promotion authority outlining key negotiating objectives for U.S. free trade agreements. TPA should include procedures for Congress to consider as it addresses trade legislation.

This will help ensure trade agreements are implemented in a fixed time period and without amendments.

TPP

The negotiations on a Trans-Pacific Partnership (TPP) Agreement provide a critical opportunity to deepen the U.S. commercial relationship with the vital Asia Pacific region. While the United States already has FTAs with several of the TPP countries, the negotiations with this broader bloc provide an important demonstration of U.S. trade policy and can expand and enhance the economic benefits in these agreements. This is also an opportunity to demonstrate the U.S. commitment to strong FTA provisions.

AdvaMed strongly supports the inclusion of provisions in the TPP that would establish transparency and procedural fairness in the process by which national health care authorities establish reimbursement for medical devices. Such provisions would provide for a fair, predictable process that would limit disputes and enhance confidence in decision-making processes, thus contributing to good governance.

AdvaMed believes that in order to fulfill its promise as a high-level, 21st century trade agreement, the TPP agreement should include specific provisions to ensure full access to safe, effective, and high quality medical devices in order to advance public health and patient access. It is important for the TPP agreement to address non-tariff barriers affecting the medical device industry, especially non-transparent or discriminatory regulatory procedures. AdvaMed supports the inclusion in the TPP agreement of provisions that will ensure that members grant efficient regulatory approvals, while ensuring product safety.

TTIP

AdvaMed supports the negotiation of a comprehensive free trade agreement (FTA) between the United States and the European Union (EU), under the framework of the TTIP. We would like to see provisions addressing issues affecting our industry in U.S.–EU bilateral trade and in trade with third countries.

Although the U.S. and EU use different approaches to determine the safety and efficacy and/or performance, as appropriate of medical technology, studies have demonstrated that each system delivers similar results in terms of these basic objectives. AdvaMed supports cooperation between the regulatory agencies on both sides of the Atlantic as a way to promote understanding and reduce unnecessary regulatory burdens. Rather than attempting comprehensive “convergence” of these two systems, such as a mutual recognition agreement (MRA), we recommend focusing on specific areas of “convergence.” We have provided USTR an explanation of these issues.

We also believe that there should be improved transparency in the regulatory process in the EU. Stakeholders should be provided regulatory proposals while there is still a possibility of making meaningful changes—which is usually before the proposals are sent from the European Commission to the Parliament and Council. The Commission should be required to recognize such contributions—much in the way U.S. agencies operate under the Administrative Procedures Act. This process would improve the regulatory process.

AdvaMed also recommends that TTIP include a regular dialogue between the U.S. Food and Drug Administration (FDA) and DG Internal Market, Industry, Entrepreneurship and SMEs (GROW), involving USTR and U.S. Department of Commerce, to exchange information on regulatory measures being considered by either party that could impact trade and determine areas for additional “convergence.” In advance of these meetings, industry would be consulted to provide their views on regulators’ proposals. This dialogue could be held under provisions similar to Korea-U.S. FTA, but strengthened to ensure that future measures be explicitly discussed and industry has the opportunity to comment on non-confidential proposals and has access to the results of such meetings.

In addition to regulatory cooperation, we urge both governments to address the following issues in the context of a comprehensive Free Trade Agreement. We have provided USTR our views on the eliminating border tariffs, improving Customs procedures, enhancing the single market in the EU for medical technology, reducing late payments to our members, and including provisions on transparency and procedural fairness in Member States’ reimbursement systems.

Our industry faces an array of issues outside the U.S. and EU. Our member companies source many of their products sold globally from the U.S. and/or the EU. Therefore, governments in both the U.S. and EU should be interested in ensuring that

medical technology companies are treated fairly by third country governments. We ask that the TTIP include provisions that encourage the relevant agencies to work on behalf of our medical technology firms. We have provided USTR with a list of specific areas for cooperation on third country issues.

Conclusion

Trade liberalization through the conclusion of TTIP and TPP would enhance economic growth and improve the quality of life for millions of patients in Europe, Asia, Latin America, and the U.S. The adoption of trade promotion authority that guides and strengthens USTR's negotiating objectives is critical for the early conclusion of these agreements. We hope the Administration and Congress will work together to accomplish these very important objectives.

**American Apparel & Footwear Association (AAFA)
we wear[®] jobs**

**Statement by Juanita D. Duggan
President and CEO**

American Apparel & Footwear Association

**Before the Senate Finance Committee
On The
2015 U.S. Trade Policy Agenda**

January 27, 2015

On behalf of the members of the American Apparel & Footwear Association (AAFA), and the four million U.S. workers our industry employs, we welcome this hearing and the opportunity to secure quick action on a number of pending trade measures.

Our members make and sell clothes and shoes around the world and in the United States. In order to reach our customers and do business, our products and inputs need to be able to cross those borders easily and seamlessly.

Earlier this month, we submitted a letter to House Ways & Means Committee Chairman Paul Ryan (R-WI) and Senate Finance Committee Chairman Orrin Hatch (R-UT), urging immediate enactment of legislation to renew expired and expiring trade programs. The letter is attached for reference.

A robust trade agenda eliminates barriers that separate our members from their customers and from their suppliers. When we knock down these barriers, we create jobs, reduce costs, and generate consumer opportunities.

Below are some key statistics that highlight the importance of free and open trade for the U.S. apparel and footwear industry:

- 98 percent of U.S. footwear is made offshore;
- 97 percent of U.S. apparel is made offshore; and
- 95 percent of the people on the planet who wear clothes and shoes live offshore.

In 2015, we urge Congress to take immediate action on a number of pending measures, including:

- Renewal and update of the Generalized System of Preferences (GSP) program;
- Renewal of the African Growth and Opportunity Act (AGOA);
- Renewal of the Nicaraguan Tariff Preference Level (TPL) program;
- Renewal of Trade Promotion Authority (TPA) to pave the way for conclusion of trade agreements being negotiated with trading partners in Europe and the Pacific Rim; and
- Renewal and restart of the expired Miscellaneous Tariff Bill (MTB) process.

Early, bipartisan action on these measures will support trade-based U.S. jobs, benefit U.S. consumers, and signal immediate re-engagement to our trading partners.

We thank you for the opportunity to submit our comments, and look forward to working with the Committee toward quick Congressional approval of these critical programs.

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ACLI

Financial Security . . . for Life

Statement for the Record
Senate Finance Committee
Hearing titled “President Obama’s Trade Policy Agenda”

January 27, 2015

The American Council of Life Insurers (ACLI) is pleased to submit this statement for the hearing record expressing support of the life insurance industry for a robust U.S. international trade agenda.

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with approximately 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers’ products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums. Our public website can be accessed at www.acli.com.

ACLI is a strong supporter of international trade liberalization, open markets and regional global efforts to remove unnecessary barriers for the efficient provision of insurance, reinsurance, and retirement security products. We thank the Chairman and Ranking Member of the Senate Finance Committee for holding this important hearing, and we support the Administration’s robust trade agenda, which includes the Trans-Pacific Partnership (TPP), the Trade in Services Agreement (TISA) and the Trans-Atlantic Trade and Investment Partnership (TTIP) initiatives.

ACLI also supports passage of a modernized Trade Promotion Authority (TPA) for purposes of providing Congressional, and thus stakeholder, input into the negotiating process and to support conclusion and Congressional consideration of the aforementioned trade initiatives. TPA is critical to a seriously dedicated and effective trade agenda.

Trade issues presently of concern to the insurance industry include:

- Foreign equity caps—A threshold issue is the need for elimination of unjustifiable and anticompetitive foreign equity caps, which are particularly prevalent in Asia (China, India, Malaysia, Myanmar, Philippines, Thailand, Indonesia, etc.) and truly alter and restrict ACLI’s member companies’ ability to operate effectively and holistically overseas. We are optimistic that the cap will be raised in India from 26% to 49% as an incremental but important improvement.
- Limitations on the conduct of cross border reinsurance—reinsurance is a global risk transfer mechanism designed to diversify risk, reduce risk concentrations in local markets and provide additional capacity and coverage to local markets often against the occurrence of low frequency high intensity events. Therefore, the changes in Brazil and Argentina in 2012, India in 2013 and now Indonesia not only place constraints on reinsurers’ business operations, but also risk pushing up prices, limiting capacity for local consumers and increasing local risk concentrations, and global fragmentation and stagnation.
- Restrictions on cross border data flows (forced localization)—ACLI believes that requirements that all data be maintained in a given jurisdiction should be pro-

hibited. Foreign companies doing business in a foreign country should be permitted to transfer electronic information out of that country for processing offshore. Companies should be free to manage and maintain data from headquarters, through affiliates, through regional centers, and through third party vendors as long as the data protection requirements of the local jurisdiction are satisfied. Forced domestication of data processing in Korea is already the subject of dispute with several of its trade partners, and proposals in other countries would put many global companies in a conflict of laws predicament between their home country supervisor's requirement for comprehensive group risk management and reporting.

- Reversals of Private Account Pensions—ACLI supports the maintenance and expansion of the World Bank model of individually funded defined contribution pensions, managed by the private sector. We believe now more than ever that the twin pressures of increased longevity and lower fertility rates will only increase funding gaps for national governments in both developed and developing markets. While still relatively new in some markets (India 2013), these systems have substantially reduced underfunding of government liabilities and created deep and sustained markets for long term investment instruments.
- Other issues of strong interest include provisions supporting regulatory predictability and transparency, provisions addressing unfair competition from State-Owned Enterprises and clearly articulated and transparent investment protections.

We appreciate the Administration's dedicated work on the TPP, TISA and TTIP initiatives, as well as on issues of implementation and enforcement of a bilateral nature—such as the cross border data flows issues currently under review in KORUS, and stopping the implementation of mandatory reinsurance cessions to a new state owned reinsurer in Indonesia. We look forward to Congressional passage of TPA as soon as is practicable. ACLI believes that such efforts will result in an open, strong and sustainable global marketplace.

The insurance industry is not only a provider of financial security by indemnifying risks faced by individuals and business—such as sickness, loss of life, liability, and property damage, to name a few, but also one of the world's largest institutional investors. A strong global marketplace with clear, transparent and dependable trade rules is critical to the health of our industry and to global security.

We appreciate the opportunity to submit this statement for the record. If you have any questions, please contact Maurice Perkins, Senior Vice President—Federal Relations (202.624.2137, mauriceperkins@acli.com) or Dianne Sullivan, Vice President—Trade (202.624.2106, diannesullivan@acli.com).

The Honorable James K. Glassman
American Enterprise Institute
1150 17th St NW
Washington DC 20036
jglassman@aei.org

Senate Committee on Finance
Attn. Editorial and Document Section
219 Dirksen Senate Office Building
Washington, DC 20510

February 9, 2015

Dear Members of the Committee:

As the Senate Committee on Finance examines key issues within President Obama's 2015 trade policy agenda, I would like to share the attached op-ed that I wrote for Roll Call recently. The piece outlines the importance of resolving the problem of Sovereign Patent Funds (SPFs) via the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP)—trade agreements that present historic opportunities to open up new markets and strengthen economic ties with important trading partners.

Already established in France, Korea, and China, SPFs are an increasingly important—and troubling—trade policy issue. SPFs are government-controlled entities

that operate with the full authority and resources of national and local governments and distort markets by propping up home enterprises by threatening or pursuing intellectual property (IP) infringement litigation against foreign industrial rivals. Examples of these offenders include Intellectual Discovery (Korea), France Brevets (France), and the Chinese Government's Ruichuan IPR Funds, which was established in the spring of 2014.

As my op-ed argues, the United States must be a leader in preventing foreign governments from channeling their financial and diplomatic clout into SPFs, thus risking harm to free and fair trade, innovation, and the well-being of consumers both here and abroad. SPFs threaten this mission by degrading established trade relationships through *de facto* subsidization of private home companies and through threatened or realized retribution against competitive foreign companies. In this environment, U.S. businesses face an unnecessary threat, especially since the U.S. Government has prudently chosen not to go down the path of creating an SPF of its own.

For this reason, Congress must ensure that both TIIP and TPP prevent SPFs from becoming viable instruments of 21st Century international trade policy. In addition, the G-20, with Congressional support, should urge the World Trade Organization (WTO) to prevent member nations from hosting SPFs, on the grounds that these funds' existence and operations undermine the global economic growth and stability that the G-20 advocates. SPFs also violate the spirit, and perhaps the letter, of the Agreement on Subsidies and Countervailing Measures, which prevents members of the WTO from using government power to secure advantages against foreign competitors.

The Senate Committee on Finance is committed to supporting free trade, fair competition and innovation. SPFs are on the rise and should be addressed as part of the Committee's agenda to prevent more serious problems from arising in the future.

Thank you for your work on this important issue and for considering my views.
Sincerely,

Ambassador James K. Glassman
Visiting Fellow, American Enterprise Institute
Member, Investment Advisory Committee, Securities and Exchange Commission
Former U.S. Under Secretary of State for Public Diplomacy and Public Affairs

The views in this letter are my own and do not represent those of any organization with which I am affiliated.

Will Patent Reform Tackle Government Trolls?—Commentary

Roll Call, James K. Glassman, November 30, 2015

With the election victory by the Republicans, Congress at last seems ready to tackle two issues on which the parties' differences are narrow: trade and intellectual property.

There's already a broad consensus that the U.S. must do more to open markets in Europe and Asia and that our patent system is badly broken.

These two issues are linked. The goal of reform for each is economic growth, driven in large measure by technological innovation, America's comparative advantage. But Europeans and Asians are well aware of the U.S. edge, and they are working hard to blunt it. One effective means affects both trade and IP policy. It's the sovereign patent fund, or SPF.

SPFs have become tools to deter foreign competition in countries where such practices exist, such as China, Japan, Korea and France. They are, in effect, government-sponsored patent trolls. Like private-sector trolls, or patent-assertion entities, they exist not to produce anything themselves but to own patents, license them and threaten or file litigation against what they consider to be infringers.

Certainly, there's a good case to be made for private patent-assertion firms, such as Intellectual Ventures, founded in 2000 by Nathan Myhrvold. He argues persuasively that "our goal is to grow a more efficient invention economy that will energize technological progress, potentially changing the world for the better."

But SPFs are different. They are owned, or co-owned, by governments, and the unabashed goal of these funds is to protect and promote home-grown industries, not improve the global economy. “Some SPFs, like France Brevets, even admit to being retaliatory or discriminatory instruments against foreign actors regardless of whether the original claim is legitimate or not,” concludes a recent report by the European Centre for International Political Economy.

France Brevets is a €100 million SPF owned jointly by the French government and Caisse des Depots, a private firm “under Parliament’s supervision and guarantee.” It’s been aggressive in defending national interests, filing lawsuits last year against HTC America and LG Electronics. As a state-owned enterprise, SPFs can marshal government resources—including not just money but regulatory power, or the threat of it—against foreign firms.

Such behavior appears to be a violation of the spirit, and perhaps the letter, of the Agreement on Subsidies and Countervailing Measures, which prevents members of the World Trade Organization from using government power to secure advantages against foreign competitors. By marshaling state authority against innovators, they deter economic growth.

France Brevets, however, pales in comparison to China. Local and federal authorities are establishing patent pools “to defend domestic companies,” the ECIPE report states. SPFs are becoming an important element of China’s announced strategy of promoting “indigenous innovation.” The ECIPE authors worry that SPFs “legitimize similar behavior by bigger economies like China that are actively pursuing industrial policy through . . . the establishment of their own SPFs.”

Japan, an innovator in industrial policy if not necessarily in technology, established the Innovation Network of Japan in 2009 as a public-private partnership to promote home-grown industries. In July, the Network set up its own pool with plans to acquire and defend 5,000 patents to start.

These SPFs—still growing in Asia and Europe—are exercises in mercantilism in nations where growth and innovation is slowing. IP rights are valuable assets, and with the weight of government behind them, they can be mobilized into battle against foreign competition.

In the long run, protectionism is futile. Only innovation itself can bring economic rewards. But SPFs can do enormous damage, igniting retaliation, raising the costs of innovation and reducing the value that flows to consumers from new technology. The ECIPE study says it’s a “lose-lose scenario.”

Patent reform in the United States must address the SPF phenomenon, placing restrictions on the ability of funds sponsored by foreign governments to litigate unfairly against U.S. firms. Also, the Transatlantic Trade and Investment Partnership and the Trans-Pacific Partnership, both under negotiation, must prevent SPFs from becoming protectionist instruments with the power to corrupt the free-trade objectives of those agreements. And last, the G-20 should assert its opposition to the very concept of SPFs with a consensus declaration that they should be outlawed by the WTO. The G-20’s goal is to promote global economic growth and stability. SPFs do the opposite.

Ambassador James K. Glassman, a visiting fellow at the American Enterprise Institute, served as undersecretary of State for public diplomacy and public affairs from 2008 through 2009. From 1987 to 1993, Glassman was part owner and editor of Roll Call.

President Obama's 2015 Trade Policy Agenda
 United States Senate Committee on Finance
 Tuesday, January 27, 2015

Statement for the record on behalf of:

Coalition for GSP
 1001 Connecticut Ave, NW Suite 1110
 Washington, DC 20036
 202-347-1085

The Coalition for GSP welcomes the opportunity to submit the following statement for the "President Obama's 2015 Trade Policy Agenda" hearing record. We are particularly happy to echo the testimony of U.S. Trade Representative Michael Froman, who stated "the Administration urges Congress to expeditiously renew authorization of the GSP program." Like Ambassador Froman, the Coalition for GSP "stands ready to work with you to that end."

The Coalition for GSP is a group of American companies and trade associations organized to educate policy makers and others about the important benefits to American companies, workers, and consumers of the Generalized System of Preferences (GSP) program. Its members range from small, family-owned businesses to Fortune 500 corporations and operate in all 50 states, the District of Columbia, and Puerto Rico.

Implemented in 1976, the Generalized System of Preferences (GSP) is a special trade program that eliminates U.S. import duties on certain products from about 125 developing countries. Over time, American companies have come to rely on the GSP program to lower costs for inputs needed to produce goods in the United States and finished products for American families. Lower costs spur demand and allow companies to create good-paying American jobs.

However, GSP expired on July 31, 2013 and Congress has not yet passed legislation to renew it. As a result, American companies have paid nearly \$2 million a day—and more than \$1 billion to date—in higher taxes while awaiting congressional reauthorization of the GSP program. The mounting costs and uncertainty surrounding when GSP might be renewed have had a chilling effect on companies' ability to grow and compete in the competitive global marketplace.

American companies are impacted in a number of ways—sales fall if companies try to raise prices to compensate for the higher taxes, while margins are squeezed if they do not. Some companies with locked-in, long-term contracts actually lost money on every sale because of the imposition of new import taxes. All aspects of GSP importers' operations feel the effects of this negative business environment.

The Coalition for GSP surveyed hundreds of U.S. GSP program users in 2014 and found that :

- **44% of companies have delayed planned hires.** For example, Kona Bicycle in Washington has been unable to hire new R&D and product development personnel, while Varaluz in Nevada and McGuire Manufacturing in Connecticut cannot afford to replace workers that have left voluntarily because of higher costs resulting from GSP expiration.
- **40% of companies have delayed or canceled job-creating investments.** B&C Technologies bought a facility to begin manufacturing in Florida by April 2015, but it cannot afford the necessary building upgrades to create those American manufacturing jobs as planned because of higher costs imposed by GSP expiration.
- **22% of companies have cut employee wages and benefits.** The cost of import duties has cut into the monies available to Stackhouse Athletic in Oregon to pay for health care, forcing the company to cut health care benefits for its nine workers.

- **13% of companies have laid off workers.** Matrix Metals laid off 75 workers at facilities in Iowa and Texas, while Vispak LLC in Minnesota is going out of business completely because higher production costs resulting from GSP expiration have made the companies uncompetitive.

The full report, which includes many other company-specific examples, can be downloaded at <http://bit.ly/GSP1Year>.

Congress can stop this bleeding, and quickly, by passing legislation that provides for an immediate, retroactive GSP reauthorization. Renewal has bipartisan support in both the House and the Senate. Renewing the GSP program is “low-hanging fruit” for the 2015 trade agenda. It should be a priority because it would have an immediate positive impact on U.S. jobs and competitiveness.

More than 660 American companies and associations have joined the Coalition for GSP’s call for Congress to do just that. The ever-growing list of organizations can be viewed at <http://bit.ly/GSPsupporters>. Nearly three dozen of them have provided brief statements (below, grouped by state) for this submission on the negative job impacts of GSP expiration and/or the potential jobs benefits of a retroactive renewal.

If you have further questions about the impacts of GSP expiration on American companies, or would like to speak with any of the companies that provided statements below, please contact Daniel Anthony at the Coalition for GSP at Anthony@tradepartnership.com or 202-347-1085.

The Coalition for GSP looks forward to working with the Finance Committee leadership on a bipartisan basis to pass an immediate, retroactive GSP renewal.

Zack Stenger, Owner of Blackbeam LLC in San Francisco, California: The GSP renewal would allow us to hire three sales and office-related employees for our growing small business.

Bruce Marlin, Purchasing Manager at Circa Corporation in San Francisco, California: As a rare, surviving U.S. manufacturer of leather goods, it is essential to us that GSP be renewed. Our competitors manufacture primarily in China and India, and we need as level a playing field as possible to remain viable as a U.S. domestic manufacturer.

Shaun Shroff, Vice President of Dura Brake Co. in Santa Clara, California: We would be able to reduce dependence on production in China and would be able to increase business on the East Coast. We would be able to hire two sales people on the East Coast as pricing would be competitive.

William Rebich, Owner of Pegasus Imports in Santa Rosa, California: Failure to new GSP has resulted in us being unable to hire new a new shipping and receiving person and has created mounting debt with declining sales. It is creating a condition where business expansion is almost impossible.

Peggy Altfater, Owner of Peggy V Designs in Petaluma, California: My business is a sole proprietorship. My sales have declined because I have needed to raise my prices on my product that no longer has GSP status. My job is in dire straits at this time because of price increases so I am asking you to please renew the GSP.

Jeffrey Tunstall, Vice President at Port Plastics in Chino Hills, California: Our company imports a substantial amount of materials from qualified GSP countries. Our total sales were down 7 percent in 2014 while the economy grew an estimated 2.4 percent. We believe the downturn in our business is solely due to the higher costs of our products as a result of the GSP program not being renewed. This downturn in our business has resulted in our being forced to reduce a number of employees.

Jeni Tjoeng, Import Manager at Shamrock Manufacturing Co. in Chino, California: With the delayed renewal of GSP, we have seen the reduction of our sales in the past year because we have come uncompetitive. Instead of expanding our business, we are struggling to stay afloat.

William Dull, President of Triad Magnetics in Perris, California: Much of our industry produces in China. [With a GSP renewal], we could easily double our business—hire more workers and have the financial strength to invest in higher technology manufacturing here in California.

Fred Cohen, Owner of Omicron Granite & Supplies in Pompano Beach, Florida: The failure to renew the GSP has cost my company over \$100,000 per year

in additional taxes, which has kept me from hiring at least two more workers. Please renew the GSP and make it retroactive.

Peter Allen, President of Royal Tropics, Inc. in McCall, Idaho: The GSP expiration and the uncertain return has caused my small company a hardship in the sense that the extra funds we have paid in duties has caused us to hold back on some planned expansion of our business. With the needed expansion we would be able to hire additional employees as well as fund some additional equipment. The GSP program is very important for small business in the U.S.

Brendan Naulty, Senior Vice President at Ajinomoto North America Inc in Itasca, Illinois: The impact of non-renewal of GSP impact for 2014 on Ajinomoto North America has been \$690,678. This has put this business segment into a red figure for 2014. Therefore we could not expand our workforce or reinvest profits into other businesses. We would greatly welcome retroactive renewal, which would enable us to initiate capital projects that have been postponed due to availability of funds and uncertainty about the stability of this business segment.

Kelly Weinberger, Owner at WorldFinds Fair Trade in Westmont, Illinois: Our fair trade organization has been badly hurt by the non-renewal of GSP. A retroactive renewal would help create jobs in our U.S. office, as well as to provide more work to our low-income women artisan groups in the developing world.

Jim Angers, Partner at K2 Coolers LLC in New Iberia, Louisiana: We paid \$79,000 in duties in 2014. We need to hire an additional warehouse worker and the duties are impacting our margins to the point of causing us to delay hiring.

Damian Jones, Designer & Founder at Aid Through Trade in Annapolis, Maryland: Our 22 year old fair trade company has depended on GSP since our inception. The current lapse and uncertainty makes it hard for me to have the confidence I need to invest and hire. Retroactive GSP renewal would give me cash and confidence to hire and invest.

Lisa Johnson, Vice President at COLE-TUVE, Inc. in White Marsh, Maryland: We sorely need renewal of the GSP so that our company has the chance to get back on track. Among other penalizing set-backs (such as limiting labor), we have not been able to raise our prices to account for this increase as we could not do that and stay competitive. Our capital is just about gone, and getting the GSP retroactively approved will allow us to reinvest resources back in to the business, to get beyond playing catch up and grow along with the prospects of a growing manufacturing sector.

Richard Harris, President of Accessories Unlimited in North Harwich, Massachusetts: Since the cancellation of GSP we have had our fixed margins reduced between 5 and 6 percent. We cannot raise our prices as they are set by our suppliers. We can cut corners where we can. We need employees on a full time basis, but have had to hire them on a part time basis and not hire the type of personnel we need to improve our business.

Steve Hill, Vice President at Polysource in Pleasant Hill, Missouri: The most damaging result of nonrenewal is the impact it has on U.S. manufacturers of global consumer goods. GSP allows U.S. manufacturers to take advantage of certain raw materials throughout the world that allows them to sell worldwide resulting in jobs and tax revenue. The impact on Polysource has limited our ability to compete and hire. We could easily justify the inability to hire for two new professional positions with full benefits if we had not experienced a loss of over \$500k in the last 18 months.

Robert J. Murray, Operations Manager at General Carbon Corporation in Paterson, New Jersey: The lack of renewal of the GSP has caused General Carbon to limit its search for new hires. If the GSP was renewed and the duties refunded we would be in a much better position concerning new hires and improving the overall future of General Carbon. It may also lead us to make capital improvements to our facilities that we have been delaying to make pending the GSP renewal.

Gert van Manen, President of iTi Tropicals Inc. in Lawrenceville, New Jersey: We have paid \$800,000 in duties since GSP expired and we are not charging our customers for this for various reasons, mainly we believe that it will be reinstated retroactively as it always has been. If this is not the case it will have serious consequences for our company. We are a small business with 25 people on payroll in business for 26 years.

Janis P. Rich-Gutierrez, Compliance Officer at Kalustyan Corporation in Union, New Jersey: We import materials from various countries around the world and have approximately 80 hard-working employees that further finish the product here. We value our employees and wish to keep them employed. However, due to GSP cancellation and the uncertainty of it being reinstated retroactively, we can purchase finished product for less money overall.

Joseph Kay, CEO of Biltmore Corporation in Manhasset, New York: We have lost business to foreign companies, for being unable to manufacture goods in the U.S.

Benny Nabavian, President of EORC in Farmingdale, New York: We are a very small company and the GSP expiration is really hurting our cash flow and income. Every penny counts in our business, especially in the current economic conditions. It is a question of survival for us.

Gabriel Khezrie, President of Fremada Gold Inc. in New York, New York: Due to the softness of the jewelry business in general, there has been tremendous pushback by our customers. They will not accept the additional price increases to accommodate the 5.71 percent tariffs that were never part of our pricing equation. This has led to less billings at our company. Accordingly we have had to let some staff go.

Donna O'Sullivan, U.S. Sales and Customer Service Manager at Janice Girardi Designs in Stone Ridge, New York: The non-renewal of the GSP has cost our company over \$90,000. Unfortunately, we're not able to raise our prices to compensate for the duties we're now paying because it's already challenging to stay competitive in this economy. We've had to lay off a few people because of this and it's vital for us to have the GSP renewed.

Benjamin Justman, Royal Chain in New York, New York: Restoration of GSP will have a huge positive effect on our company. We will be able to reinstate some of the business lost to competition. Some customers have stuck with us based on our promise that we will refund the duty paid if GSP is renewed retroactively. Going forward, we will be able to rehire personnel that were laid off, as well as expand our business.

Neenad Milinkovic, Vice President at Vail International Corp. in New York, New York: Lack of GSP Renewal has precluded our company from hiring additional personnel, and we are now at a point facing layoffs for some of our workforce. We have been trying to hang in there in anticipation of the renewal, but this prolonged expiration has now placed a very serious financial strain on our business.

Scott Ferguson, President of CCS USA, Inc. in Hickory, North Carolina: To date, the expiration of GSP has cost my company over \$125,000. It has cost jobs, investment and has crippled us competitively with lost business. Please retroactively renew this critical trade program!

Fred Starr, President of Thompson Traders in Greensboro, North Carolina: Thompson Traders is a start-up company, and after seven years of trial and tribulation, made it to a break-even in 2013. Then the GSP was allowed to expire, and due to our financial position and our inability to pass this charge onto our customers, we had to slow down growth, including hiring. We would be a different company today without this totally unanticipated tariff.

We've reduced our payroll by eight people, a 40 percent reduction and will not be adding people, until we have a better government environment, including the renewing of GSP. The renewal of GSP will allow us to grow, creating new job opportunities. Moreover, since we share profits with our employees, each job will become a better paying job whether salaried or hourly.

Most important, the return of our tariff payments, paid out since August 2013, will help Thompson Traders enter new domestic and foreign markets and build a much larger company, including domestic manufacturing investment—more jobs and better-paying jobs.

Greg H. Kirkland, President of Kirkland Associates, Ltd. in McMinnville, Oregon: In 2014 our small import company paid over \$50,000 in import duty charges on products imported from India. We currently desperately need to hire two additional employees. However, we simply can't afford to do that as the company profits will not support two new employees and continued import duty charges. If we were to see GSP passed, especially retroactively, we would immediately move to-

ward the new employee additions. I know we are not a big deal to Washington, D.C. but this move would really help our company now and in the future.

Burak Cezik, Account Manager at Kervan USA LLC in Bethlehem, Pennsylvania: We ended up with a net loss in fiscal year 2014 due to GSP expiration. Accordingly, we are working on ways to cut jobs and holding off on our strategy of hiring regional sales managers. We would definitely hire new positions in the case of retroactive GSP renewal.

Amy Campbell, Founder of Brilliant Imports in Austin, Texas: Brilliant Imports has experienced, what is significant to a budding business, cash outflow due to GSP expiration . . . for a company that is less than three years old, this has been a hard blow to handle. In addition, there is extreme uncertainty on GSP renewal going forward therefore I'm keeping "predictable" cash outflows as tight as possible. As the Founder and Owner, I've let go of my PR firm, my Virtual Assistant (VA) as well as cut back on advertising (these are a few examples). There is no projection to hire any help going forward. Retroactive GSP renewal would be a nice boost to keep a relatively new business like Brilliant Imports afloat as well as lead to a hire of a VA and placement of Brilliant Imports in a fulfillment center . . . both of these are detrimental to my company's success.

Cathy Korndorffer, Chief Operating Officer at Chantal Cookware Corp in Houston, Texas: We are a small, privately owned company in the housewares industry. We struggle every year to compete on a global scale with huge conglomerates and every penny that our product cost increases counts. We have not laid anyone off because of GSP non-renewal, but we cannot pass this along to our retailers. What happens? Our employees do not get raises. There is no money going into their 401K plan. There is no Christmas bonus. There is a reduction in our medical insurance contribution from Chantal. Is it painful? YES!

Wajih Rekik, President of CHO America in Baytown, Texas: Importing olive oil from Tunisia and bringing a Tunisian olive oil to the U.S. consumer is a big challenge that was supported by the GSP advantage. Since GSP expiration, we froze hiring, gave up a plan to expand into a new warehouse. A retroactive renewal will be vital to us and will be translated into expansion of warehouse and at least three new hires.

Allan Zadik, Owner of FAZ Marketing in Houston, Texas: I had to close the import business as my selling price became uncompetitive. I did have to let go of two people as there was no way to keep sales up. I'm currently not importing products where GSP has affected my business.

Abe Shaheen, Owner of Shaheen Import Export Co. in Virginia Beach, Virginia: The GSP expiration and uncertainty about renewal has resulted in laying off three of workers at our company, and not being able to hire new employees. Retroactive GSP renewal would lead to more jobs at our company, and will enable us to expand our business.

Daniel Hamilton, President of Vortex Optics in Middleton, Wisconsin: If GSP is renewed with tariffs refunded, we could purchase new equipment needed for our U.S. manufacturing plans, move forward on building plans for expansion, and hire additional employees. All of the money would go right back into the local economy.

INTERNATIONAL WOOD PRODUCTS ASSOCIATION (IWPA)

February 4, 2015

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

Thank you for this opportunity to submit a statement for the record of the Senate Finance Committee's January 27th hearing on **President Obama's 2015 Trade Policy Agenda**.

IWPA is the leading international trade association for the North American imported wood products industry, representing 200 companies and trade organizations engaged in the import of hardwoods and softwoods from sustainably managed forests in more than 30 nations across the globe. Association members consist of three key groups involved in the import process: U.S. importers and consuming industries, offshore manufacturers and the service providers that facilitate trade. The vast majority of these companies are small- to medium-sized family-owned businesses.

We are hopeful that the Committee will move forward at the earliest possible date with retroactive renewal of the Generalize System of Preferences (GSP) trade program. As you know, GSP was enacted in 1974 in order to eliminate import taxes on certain products from approximately 130 developing countries. The current GSP expiration, now in its 19th month, is the longest in GSP's 40-year history. Since GSP expired on July 31, 2013, American companies like our members have paid more than \$1 billion in higher taxes.

The program's ongoing lapse is having a severe impact on these U.S. businesses. To compensate for higher taxes, some have been forced to lay off workers, delay new hires, cut worker benefits, and cancel job-creating investments while awaiting congressional action. Retroactive renewal of GSP will allow for the refund of hundreds of millions of dollars in taxes paid by companies throughout the United States. Instead of struggling to stay in business, these companies could hire new workers, increase benefits for existing employees, and invest in future growth.

We look forward to continued opportunities to work with Senate Finance Committee Members and staff to renew GSP at the earliest opportunity. Please have your staff contact Joe O'Donnell, IWPA's Manager of Government Public Affairs, by e-mail at joe@iwpawood.org or by phone at (703) 820-6696 if you have any questions or need additional information.

Sincerely,

Cindy L. Squires, Esq.
Executive Director

4214 KING STREET • ALEXANDRIA, VA 22302 • TEL: 703-820-6696 • FAX : 703-820-8550

• info@iwpawood.org • www.iwpawood.org

Statement for the Record
National Association of Manufacturers

733 10th Street, NW, Suite 700
Washington, DC 20001

Senate Committee on Finance
on "President Obama's 2015 Trade Agenda"

January 27, 2015

The National Association of Manufacturers (NAM) is pleased to provide the following statement to the Senate Committee on Finance on "President Obama's 2015 Trade Agenda."

The NAM is the largest manufacturing association in the United States, representing more than 14,000 manufacturers small and large in every industrial sector and in all 50 states. Manufacturing employs nearly 12 million women and men across the country, contributing more than \$2.08 trillion to the U.S. economy in 2013 alone.

Manufacturers in the United States increasingly participate and compete in a global economy that has become highly challenging, with slower-than-hoped-for growth in many parts of the world and increased competition from overseas. Not only do 95 percent of the world's consumers live outside our borders but world trade in manufactured goods has expanded to more than \$11 trillion, of which U.S. manu-

factured goods exports only represent 9 percent. As well, economic activities overseas, from infrastructure and foreign government procurement to resource production and distribution, are providing fresh new opportunities for our manufacturers to invest and engage in growth-producing activities around the world that support a strong U.S. manufacturing base.

The NAM has long championed a robust trade and investment policy to grow manufacturing in the United States. At its core, a robust and pro-manufacturing U.S. trade policy should seek to open markets and level the playing field overseas, improve the competitiveness of manufacturers in the United States and ensure the strong enforcement of the rules of the trading system at home and by our trading partners.

Opening Markets Overseas Requires Trade Promotion Authority and Strong New Agreements

Trade and investment agreements play an outsized role in providing businesses of all sizes across all 50 states better access to the global economy. By setting the rules of the global trading system, multilateral, plurilateral and bilateral agreements level the playing field and enable manufacturers in the United States to compete more successfully.

Most of the world's countries have agreed to a basic set of trade rules as part of several agreements under the auspices of the World Trade Organization (WTO). Efforts to strengthen and expand these rules for all WTO members and eliminate tariffs and other barriers in the "Doha" negotiations have unfortunately stalled as a few major countries have refused to pursue an ambitious agenda moving forward.

The NAM is very pleased to see the WTO Trade Facilitation Agreement (TFA) move forward and is urging conclusion of an expansion of the Information Technology Agreement (ITA). The TFA is the first multilateral trade agreement to be concluded in the history of the WTO, and it has the potential to reduce significantly the barriers that countries—particularly developing countries—face in moving goods by increasing port efficiency, improving customs and regulatory processes, and upgrading infrastructure to increase trade exports. Now that the WTO agreement is on its way to ratification, countries will have to begin the work of assessing and implementing the commitments to realize the full benefit of the TFA. The United States is currently the largest single-country provider of trade-related assistance, and the U.S. Trade Representative has already committed to working with other donors and with WTO Members to help developing countries fully implement the TFA. The financial and technical assistance provided by the United States and others must be provided in a coordinated, strategic and efficient way to countries that are committed to implementation. We encourage Congress to work with USTR and other agencies to ensure that funds and other forms of assistance are being delivered in the most effective way.

An expanded ITA, which is expected to eliminate tariffs on about 200 additional technology products—or roughly \$1 trillion in global sales each year—would create an estimated 60,000 new American jobs, enhancing innovation in the United States and increasing global GDP by roughly \$190 billion. Manufacturers have strongly supported this expansion given the benefits of this tariff-cutting agreement not just to producers of new high-tech equipment, but to all manufacturers that, as consumers, will be able to benefit from lower costs and greater innovation. U.S. leadership on the ITA expansion has been critical and we continue to urge action by America's trading partners to agree to a broad ITA expansion package.

Manufacturers also strongly support the negotiation of a broad Environmental Goods Agreement (EGA) as soon as possible. Global tariffs on environmental products are as high as 35 percent in some nations; eliminating these tariffs would have a substantial and positive impact on manufacturers who are working to develop new and improved goods aimed at solving environmental challenges. Achieving an EGA will unlock significant opportunities for manufacturers to decrease the cost of these products to consumers inside and outside the United States, drive innovation, and expand sales and manufacturing jobs. Negotiations are taking place this week on this important negotiation on which manufacturers are seeking quick action.

The WTO is also seeking move forward on a long stalled global liberalization trade negotiations that began in Doha, Qatar, in November 2001. Manufacturers continue to seek an ambitious outcome that will open new markets, not lock in long-standing barriers to trade in manufactured goods.

In addition to the WTO, the United States has negotiated free trade agreements on a bilateral or plurilateral basis. These agreements—referred to as either free

trade agreements (FTAs) or trade promotion agreements—eliminate barriers more comprehensively than the WTO agreements and set in place stronger and clearer rules to improve the competitiveness of manufacturers in the United States, including rules on the protection of intellectual property and investment and ensuring greater transparency and fair competition.

The United States' experience under our FTAs demonstrates that where manufacturers from the United States can compete on a level playing field abroad, they can boost sales and grow their share of foreign markets. America's 20 existing free trade agreement partners account for less than 10 percent of the global economy but purchase nearly half of all U.S. manufactured goods exports.¹ For many states, including Ohio and Texas, that figure is closer to 60 percent.² The United States enjoys a nearly \$60 billion manufacturing trade surplus with its trade agreement partners, compared with a \$508 billion deficit with other countries.

Renewing and Modernizing Trade Promotion Authority is Essential to a Robust U.S. Trade Policy

To negotiate the type of comprehensive, high-standard and market-opening trade agreements that have driven export growth and jobs across the country, trade promotion authority (TPA) is essential.³ TPA legislation has been in place and was utilized during the negotiation and implementation of the Uruguay Round Agreements creating the WTO and for 13 FTAs negotiated since 1974.⁴

Since TPA was put in place most recently in 2002, U.S. manufactured goods exports more than doubled from \$623 billion to \$1.38 trillion.⁵ Those exports support millions of American jobs, including, for example, 212,000 in Michigan, 189,000 in Pennsylvania, 185,000 in New York and 107,000 in New Jersey.⁶ In Oregon, Delaware and Maryland, manufacturing accounts for more than 80 percent of all state exports. Full state fact sheets are available at the NAM's website.⁷

Manufacturers welcomed the Bipartisan Congressional Trade Priorities Act of 2014, introduced at the beginning of last year by Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Orrin Hatch (R-UT) in the Senate and by House Ways & Means Committee Chairman Dave Camp (R-MI) in the House.⁸ This legislation sets forth the much-needed Executive-Congressional framework to ensure that both branches of government work to achieve the strongest possible outcomes in our trade agreements. This legislation also provided important updates to the traditional TPA framework, including with respect to priority negotiating issues.

Action on TPA is vital to ensure that U.S. negotiators can bring home the strongest possible outcomes in both the ongoing Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP) talks that will set in place new and stronger rules to level the global playing field and to engage in major new negotiations. Such legislation is also need for the EGA, the Trade in Services Agreement talks and future negotiations.

¹U.S. Department of Commerce, International Trade Administration, **TradeStats Express**, accessed at <http://tse.export.gov/TSE/TSEhome.aspx>.

²NAM, **U.S. Manufacturing Statistics—Manufacturing and Trade Data by State**, accessed at <http://www.nam.org/Statistics-And-Data/State-Manufacturing-Data/Manufacturing-by-State.aspx>.

³It is sometimes argued that hundreds of trade agreements have been negotiated without TPA. Those agreements are not the type that open markets overseas or include binding and state-of-the-art dispute settlement. For example, Trade and Investment Framework Agreements provide a useful opportunity for the United States to engage in economic discussions with foreign governments but do not obligate either country to open its market or address barriers.

⁴Of all U.S. market-opening FTAs, only the U.S.-Jordan FTA was implemented without TPA. Notably, the Jordan FTA is much less comprehensive and less developed than our other FTAs, and most prominently lacks the state-of-the-art time-limited dispute settlement provisions that are found in the North American Free Trade Agreement and all subsequent FTAs.

⁵U.S. Department of Commerce, International Trade Administration, **TradeStats Express**, accessed at <http://tse.export.gov/TSE/TSEhome.aspx>.

⁶NAM, **U.S. Manufacturing Statistics—Manufacturing and Trade Data by State**, accessed at <http://www.nam.org/Statistics-And-Data/State-Manufacturing-Data/Manufacturing-by-State.aspx>.

⁷Id.

⁸NAM, **Statement for the Record for Senate Finance Committee Hearing on “Advancing Congress’s Trade Agenda, the Role of Trade Negotiating Authority,”** (Jan. 16, 2014, accessed at <http://www.nam.org/Issues/Trade/Trade-Promotion-Authority/NAM-Statement-Supporting-the-Bipartisan-Congressional-Trade-Priorities-Act/>).

Time is of the essence. Other major economies are already negotiating dozens of agreements without the United States that could put manufacturers and workers in the United States at a significant competitive disadvantage. If Congress does not move expeditiously to pass TPA and ensure the United States continues to lead in striking trade deals that drive manufacturing growth and job creation, we will be forced to sit on the sidelines while other countries negotiate deals that exclude us.

Failure to move forward would deal a damaging blow to a recovering U.S. manufacturing sector facing significant competitive challenges. The United States is one of the most open economies in the world. According to the World Trade Organization, America has the lowest applied tariff of any G-20 country. But the World Economic Forum found that U.S. exporters face far higher tariffs abroad than their competitors in major markets like China, Russia, India and Brazil. Without TPA, the United States is unarmed in ability to eliminate those duties and other impediments to open and fair competition.

The Bipartisan Congressional Trade Priorities Act of 2014 provides a very strong model to move forward on TPA as soon as possible. Not only does this legislation set forth clear and ambitious goals to eliminate tariffs and open overseas markets to U.S. goods, services and investment, it also establishes powerful new trade negotiating objectives that address existing and emerging commercial challenges to manufacturing growth and exports in markets around the world.

For the first time in a TPA bill, the Bipartisan Congressional Trade Priorities Act confronts the serious and growing problem of forced localization barriers to trade. It seeks to eliminate trade distortions and unfair competition from state-owned enterprises and to promote regulatory transparency, procedural fairness and rule-making based on risk assessments and sound scientific evidence. It includes critical new provisions addressing cyber theft and protecting trade secrets and confidential business information.

The legislation would foster manufacturing growth and innovation here in the United States. It includes highly important negotiating objectives to establish more open and fair trade in goods, improved transparency and protections and enforcement for intellectual property, and provisions that will ensure that U.S. property overseas is treated fairly and in accordance with core U.S. due process principles.

Just as importantly, the legislation would restore the vital partnership between Congress and the President that facilitates the negotiation and approval of trade agreements. It enhances congressional oversight over trade negotiations and, for the first time, explicitly confirms and provides that any Member of Congress can access negotiating text, submit views and attend trade agreement negotiating rounds. Separate House and Senate advisory groups would oversee ongoing trade talks, including through regular, scheduled meetings.

At the same time, the Bipartisan Congressional Trade Priorities Act provides the appropriate structure to empower U.S. negotiators to bring back the strongest possible trade agreements to open markets and level the playing field. Without this authority, our trading partners have little incentive to make tough decisions or put their best offer on the table.

From the NAM's perspective, this legislation provided the type of framework needed to secure new, market-opening trade agreements. The NAM looks for new TPA legislation to be introduced shortly in the 114th Congress and urges Congress and the Administration to move forward on strong TPA legislation as quickly as possible.

Strong, High-Standard and Market Opening Outcomes Are Required in Ongoing Negotiations

The ongoing TPP and T-TIP negotiations hold enormous potential to expand U.S. exports and international sales and to promote jobs and economic growth if they are concluded successfully. Taken together, these agreements would open markets with nearly one billion consumers covering nearly two-thirds of global GDP and 65 percent of world trade.

Yet, not just any agreement will suffice. The outcomes obtained in both the TPP and the T-TIP must be bold and concrete, particularly on market access, intellectual property and investment rules, the new 21st century issues and the agreement's overall enforceability. Weak and insufficient outcomes in these areas will put at risk broad-based manufacturing support for ultimate agreements which are made even more important given the number of countries at the negotiating table.

In particular, the NAM has identified the following issues as critical:

- *Market access*: New and concrete market access, especially in the major countries with which the United States does not already have free trade agreements—Japan, Malaysia, Vietnam and each of the EU member states. Each of these markets poses substantial, but different, challenges to manufacturers, from deeply embedded non-tariff barriers to tariffs and beyond. As we have seen with the implementation difficulties in the Korea-United States Free Trade Agreement (KORUS FTA), strong and detailed market-opening commitments matter deeply, particularly in countries that have resisted more open competition and trade liberalization. It is, therefore, critical that manufacturers across our most vital industry sectors see outcomes on core market access issues and related disciplines that will ensure fairness and effective and substantial new market access. Even with the EU, where tariffs are relatively low, the elimination of tariffs would result in over \$10 billion in duty savings, and an even modest alignment of U.S. and EU regulatory standards and nontariff barriers could increase combined GDP by an estimated \$106 billion.
- *Strong and High-Standard Rules*. The core rules of our modern free trade agreements must actually achieve the “model of ambition” that the TPP leaders promised in 2011. In particular, intellectual property protections, from patents and copyrights to trademarks and trade secrets, must be state-of-the-art, fully enforceable and applicable to all products. Manufacturers strongly oppose any outcome that would provide lengthy or indeterminate transition periods for some countries on some types of intellectual property, whether or not based on development or other indicators. Strong protections consistent with U.S. law for duration of protection, as well as rigorous enforcement provisions for intellectual property are a vital jobs and manufacturing issue.

Similarly, the outcomes on investment market access, protections and enforceability must also provide full protection to American investments in the TPP and T-TIP markets, including access to the neutral investor-state dispute settlement procedures that are contained in thousands of agreements worldwide. All products and sectors must be accorded the same basic neutral enforceability guarantees as should breaches of major investment contracts in infrastructure, natural resources and other domains that help drive U.S. exports into foreign markets. Moving backwards on these rules as some countries have proposed will undermine investment which is the biggest driver of U.S. exports and commerce overseas.

- *New Rules on Digital Trade and Fair Competition*. New trade agreements must also reflect the globally connected economy, where digital trade and the use of cloud computing is increasingly critical to manufacturers, particularly small companies, as a means to access overseas markets. Strong trade agreement commitments that ensure the ability to move data across borders and that prohibit domestic localization requirements for information technology infrastructure are sought by industries across the manufacturing spectrum. As well, fair competition in overseas markets, including with respect to state-owned enterprises, is important to ensure manufacturers can compete successfully in the global market. Allowing strong standards in each of these areas to be riddled with exceptions will not advance America’s pro-manufacturing agenda.
- *Enforceability*. Final agreements must also be fully enforceable and comprehensive. The value of our trade agreements in helping to grow manufacturers’ opportunities and competitiveness overseas is dependent on the fact that they are binding and enforceable.

Strong and ambitious outcomes on market access, intellectual property, investment, cross-border data, fair competition and full enforcement are vital components of successful outcomes not only in the TPP and T-TIP negotiations but also other negotiations on which the United States may and should embark.

Improving Manufacturers’ Global Competitiveness Requires New and Improved Trade Legislation and Policies

Manufacturers in the United States face stiff competition from competitors around the world both in global markets and here in the United States. To improve opportunities for our manufacturers, it will be important for Congress to pass and the President to sign key trade legislation, including the following legislation in this Committee’s jurisdiction:

- **Miscellaneous Tariff Bill (MTB)**. The MTB is a pro-competitive piece of legislation that allows manufacturers in the U.S. to import certain manufacturing inputs and other products duty free when those products are not produced or

available in the United States. This decades old program has been critical to support and grow manufacturing jobs in the United States by cutting costs and strengthening our manufacturers' competitiveness in the global economy. The MTB expired over two years ago, resulting in a major \$748 million tax on manufacturing in the United States. Manufacturers are urging Congress to move forward quickly on MTB legislation that will ensure a predictable, transparent and timely process.

- **Customs reauthorization.** Customs reauthorization legislation is needed to cut red tape and expedite legitimate trade at our borders, while strengthening and requiring time-limited enforcement activities to prevent transshipment and illegitimate trade.
- **Preference legislation.** The NAM has long supported well-crafted preference legislation, such as the Generalized System of Preferences (GSP) that expired on July 31, 2013. Such legislation helps developing countries expand their economic growth opportunities, while also helping manufacturers reduce costs on important inputs.

Movement on this legislation is an important part of a robust trade policy that will advance our manufacturers' global competitiveness.

Enforcement of Trade Agreements and Trade Rules Is Also Critical

Enforcement of trade rules, both domestic and those contained in international agreements, is also an important feature of a robust trade strategy.

Trade Agreement Enforcement Ensures that America Gets the Bargain it Negotiated

For our trade and investment agreements to be successful, it is vital to ensure effective enforcement of the commitments contained in those agreements by our trading partners and the United States to create a more level playing field.

On the international side, the United States has worked actively through successive administrations to address market access barriers and other unfair treatment of U.S. exports and products. Before agreements first enter into force, the Office of the United States Trade Representative (USTR) works vigorously to ensure the full implementation of commitments. In most cases, commitments are implemented fully. In cases where they are not, USTR works through the consultation and ultimately the dispute settlement provisions provided in trade agreements to ensure full implementation. Indeed, since the WTO was established nearly two decades ago in 1995, the United States has brought and successfully resolved 70 of the 74 cases that have been concluded.⁹ Notably, the United States has brought more than 20 percent of the over 480 requests for consultation made overall in the WTO.¹⁰ These cases have an important impact on growing manufacturing in the United States. For example, in March the United States won a very important WTO case that addresses manufacturers' concerns over China's export restrictions on rare earths that impeded access to such inputs.¹¹ Most recently, the WTO Appellate Body sided with the United States in its complaint over Argentina's onerous and discriminatory import licensing regime.¹² The United States has pursued cases with regard to actions by many of our major trading partners, from the European Union, Canada and Mexico to Brazil and India. Without the underlying agreements, such strong dispute settlement outcomes that open markets and ensure fair treatment would not be possible.

Sustained attention is needed to address other governments' failure to implement their trade and investment commitments fully, including where appropriate through the use of WTO and FTA dispute settlement mechanisms. Whether it is a newer agreement, such as the Korea-U.S. Free Trade Agreement or one that has been in

⁹ Office of the United States Trade Representative, **Snapshot of WTO Cases Involving the United States** (May 22, 2014), accessed at

<http://www.ustr.gov/sites/default/files/Snapshot%20May.pdf>.

¹⁰ Id.; World Trade Organization, **Chronological List of Dispute Cases**, accessed at http://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm As USTR's snapshot explains, the United States has filed 103 requests for consultation.

¹¹ USTR, **USTR Helps Win Case Against China, Helps Manufacturers Compete** (March 2014), accessed at <http://www.ustr.gov/about-us/press-office/press-releases/2014/March/US-wins-victory-in-rare-earths-dispute-with-China>.

¹² USTR, **WTO Appellate Body Affirms U.S. Victory in Trade Enforcement Dispute Against Argentina's Import Licensing Restrictions** (January 2015), accessed at <http://www.ustr.gov/about-us/press-office/press-releases/2015/January/WTO-US-Victory-Trade-Enforcement-Dispute%20Against-Argentina-Import-Licensing>.

force for decades, the United States should not hesitate to ensure that all trade agreement obligations are enforcement.

Upholding the United States' International Obligations at Home

Similarly, the United States should uphold its obligations under international agreements and honor remedies imposed when U.S. actions are found to be out of compliance with those obligations. Just as we expect our trading partners to meet the letter of their international obligations, so should the United States.

Most recently, the WTO has found again that the U.S. Country-of-Origin Labeling (COOL) regulations for meat products is discriminatory and therefore out of compliance with the United States' WTO obligations. The NAM believes it is critical that the United States bring this law into compliance with its international commitments as soon as possible to avoid the trade retaliation that may be imposed on exports to our two largest markets (Canada and Mexico), which would cause serious economic harm to many manufacturers in the United States. To prevent such negative impacts on manufacturers in the United States, the NAM is calling upon Congress to ensure that the Administration has the authority to act quickly to suspend indefinitely the COOL regulations in regard to meat products if the WTO rules against those regulations.

Enforcement through Investor-State Dispute Settlement (ISDS)

With regard to the enforcement of trade and investment agreements, the NAM also strongly supports the continued inclusion and use as appropriate of ISDS contained in U.S. FTAs and investment treaties. ISDS is a vital enforcement tool that allows individual investors (whether business or non-profit) to seek enforcement of basic principles—such as non-discrimination, compensation for expropriatory action (i.e., takings) and fair treatment—before a neutral arbitration panel. ISDS is in essence an enforcement mechanism and those seeking a more level playing field for manufacturers in the global economy should support the inclusion of this mechanism in existing and future agreements, including the TPP and T-TIP agreements, as well as bilateral investment treaties (BITs), such as currently being negotiated with China. Such provisions should be broadly available both for the core investment rules of the underlying agreements, but also with respect to contracts and other investment agreements signed by investors with the foreign government. Proposals to eliminate or modify these core enforcement rules should be rejected as such outcomes undermine rather than strengthen a strong enforcement agenda.

Full and Timely Enforcement of Domestic Trade Rules Is Essential

Domestically, the NAM continues to be a strong supporter of the full and fair enforcement of our trade remedy laws that help manufacturers address government-subsidized and other unfair competition. These rules too are an essential part of a robust pro-growth and pro-manufacturing trade policy. U.S. trade remedy laws have long been part of the U.S. legal system and are internationally respected mechanisms, authorized by the WTO.

It is vital that both the Department of Commerce and U.S. International Trade Commission exercise their authority to counteract unfair practices overseas. Full, effective, timely and consistent enforcement by the U.S. government of these globally recognized rules is essential to ensure manufacturers get a fair shake in the global economy.

Enforcement of U.S. trade rules must occur during the investigatory and review stages, but these trade rules must also be enforced fully at our border. Too often, we hear stories of manufacturers that have spent significant time and money to utilize the trade remedy rules only to find importers that are evading these orders. When manufacturers request that Customs and Border Protection (CBP) investigate these cases of evasion, years often pass with no resolution. The Senate Trade Facilitation and Trade Enforcement Act of 2013 (S. 662) includes an important fix to this problem, and manufacturers continue to urge Congress to move this legislation forward. In particular, the provisions in Title III of S. 662 would help strengthen CBP's authority to enforce antidumping and countervailing duty orders and to investigate effectively alleged evasion of those orders in a time-limited manner.

Other Key Trade Issues

The global competitiveness of manufacturers and other industries in the United States to expand exports and promote growth and jobs also requires movement on other key issues, which are outside this Committee's jurisdiction. In particular, the NAM is strongly supportive of:

- *The long-term reauthorization of the Export-Import (Ex-Im) Bank.* The Ex-Im Bank is a vital tool to help grow U.S. exports and increase American jobs. As the official export credit agency of the United States, Ex-Im Bank assists in financing U.S. exports from thousands of American companies and bolsters our global competitiveness. In fact, nearly 90 percent of Export-Import Bank's transactions directly support U.S. small business. While Congress passed a short-term extension of Ex-Im's charter to June 2015, this short-term reauthorization is insufficient to provide U.S. exporters and their customers the certainty they need to operate effectively in the global economy where just nine of our major trading partners are providing more than 18 times the level of Ex-Im financing to our competitors overseas.¹³ Manufacturers are, therefore, urging action on a long-term reauthorization of the Ex-Im Bank as soon as possible.
- *Continued reform of our export control system.* In 2009, the Administration embarked on a major export control reform agenda to address longstanding features of that system that undermine the competitiveness of U.S. manufacturers operating in the global economy. The NAM strongly supports the objectives of the President's Export Control Reform Initiative: to focus federal resources on the threats that matter most, to bring transparency and coherence to these regulations, and to enhance the competitiveness of manufacturing and technology sectors in the United States. While the Administration is making great strides in reconciling the separate control lists, the NAM urges continued efforts to prioritize key policy reforms that would further streamline licensing and system administration, such as establishing an effective program license framework, deploying a truly connected information technology system across licensing agencies, instituting periodic reviews of current license exceptions, renewing the attempt to create an efficient intra-company transfer license for trusted companies and simplifying encryption controls. Accelerating implementation of multilateral regime changes and addressing the barriers to civil nuclear exports would also benefit U.S. security and competitiveness.

Conclusion

In manufacturing communities across America, the gains from trade can and should be increased. The United States achieved a record level of \$1.38 trillion in manufactured exports last year, but we can do better so that America can expand manufacturing and jobs here at home. To improve the global competitiveness of manufacturers in the United States and grow our manufacturing economy, the NAM urges prompt action on TPA and on new market-opening trade and investment agreements to level the playing field globally, action on key legislation and policy reforms that will advance our global competitiveness and the full enforcement of our trade agreements and existing domestic trade rules.

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U.S. Senate
Finance Committee
Hearing on U.S. Trade Policy Agenda
January 27, 2015

National Cotton Council of America
Statement for the Record

Thank you Chairman Hatch, for the opportunity to share the concerns and priorities of the National Cotton Council of America (NCC) within the U.S. trade agenda. This hearing occurs during a crucial moment for the cotton industry, where we face twin

¹³National Association of Manufacturers, **The Export Credit Dimension** (July 2014), accessed at http://www.nam.org/uploadedFiles/NAM/Site_Content/Issues/Global%20Export%20Credit%20Dimension%20Web.pdf.

threats on the international front from Chinese cotton policy and Turkey's unfounded antidumping investigation of U.S. cotton. Impacts of these trade actions will be felt throughout the chain of production and distribution. A loss of markets in China and Turkey means a loss of thousands of American jobs and economic productivity.

The NCC membership includes producers, ginner, cottonseed processors and merchandizers, merchants, cooperatives, warehousemen and textile manufacturers, in seventeen states, stretching from California to Virginia. Farms and businesses directly involved in the production, distribution and processing of cotton employ almost 200,000 workers and produce direct business revenue of more than \$27 billion.

Turkey

Turkey is a major export market for U.S. cotton, in recent years ranking as the 2nd or 3rd largest export customer with exports valued at \$850 million. By erecting damaging trade barriers that reduce U.S. exports, U.S. cotton farmers will suffer due to lower prices. An adverse finding by Turkey would compound the already critical price situation facing U.S. cotton farmers, which is being driven by distortive agricultural policies administered by the Chinese government, discussed in detail below. For these reasons, the NCC and its member companies were surprised and concerned when the Turkish government self-initiated an anti-dumping investigation of U.S. cotton on October 18, 2014.

The case appears to have been filed as political retaliation against the United States on matters unrelated to U.S. cotton exports. Shortly after the U.S. imposed anti-dumping and countervailing duties on Turkish steel during the fall of 2014, Turkey's Minister of Economy publicly warned they would retaliate against the U.S. by imposing three obstacles against U.S. exports for every one imposed on Turkish exports. The Turkish authority then self-initiated the anti-dumping investigation of U.S. cotton despite no Turkish cotton producers being on record alleging any kind of injury due to U.S. cotton imports. Although it is within Turkey's rights under the WTO to self-initiate, they must present "special circumstances" justifying the investigation. Turkey's initial report does not provide a description of such circumstances, and in fact is heavily redacted. It is entirely unclear as to what data they relied upon or where the data originated from to present a threshold case for conducting an investigation.

Turkey's self-initiation filing included a number of other "red flags" that are worrisome, such as blatantly disregarding actual U.S. data and ignoring lower import prices and increasing market shares from other countries. Turkey also ignores price data from the U.S. cotton market based on an erroneous claim that U.S. price subsidies cause U.S. market prices to be an unreliable indicator of market conditions. The U.S. cotton futures market is widely used by international cotton traders and international textile mills for price discovery and risk management.

Contacts in Turkey have said that the Turkish government is considering a "provisional" antidumping duty, even though they have not yet finished processing the initial industry questionnaires. Again, this raises WTO concerns: the WTO only permits a provisional duty upon a preliminary determination, which must rest on an assessment of adequate evidence of dumping and injury—but Turkey's fact-finding effort is still at a very early stage.

The U.S. cotton industry will show that the antidumping investigation has no merit. The NCC has been accepted as an "interested party" to the investigation and has already submitted a preliminary injury analysis in efforts to forestall a provisional duty. A detailed injury argument will be submitted to the Turkish authority in coming weeks. U.S. companies have responded in good faith to the Turkish government's detailed questionnaires, and will continue to cooperate by providing additional information and even hosting site visits, if requested. We are confident that the data will clearly demonstrate that no dumping is occurring, if analyzed in an objective manner. When comparing like qualities of cotton, cotton offered to Turkish mills is priced in the same manner as cotton offered to U.S. mills or mills in other countries.

We appreciate the efforts of the office of the U.S. Trade Representative, the Department of Commerce, the Department of Agriculture, and the Department of State. To date, all of these agencies have met with the NCC and its member companies and provided helpful guidance to the industry's efforts. The State Department delivered a demarche to the Turkish government and USDA submitted comments for the record, both documents emphasizing the importance of transparency and following the WTO process for antidumping investigations, and the mutual importance of the

Turkey-U.S. trading relationship. We encourage the U.S. government to remain firmly engaged and to discourage the continuation of this retaliatory investigation.

Members of Congress have also provided valuable support to the industry by raising the profile of this investigation through letters to the Administration and the Turkish Ambassador.

We value the vibrant and growing economic ties between Turkey and the United States, but it can only continue to develop and flourish in accordance with the existing WTO rules governing international trade. USTR is key to impressing this message upon the Turkish government.

China

As the world's largest cotton producer (27 percent of global production in 2013) and also the largest processor of raw cotton (32 percent of global mill use), China's cotton policy has an enormous influence on the global cotton markets. China has been U.S. cotton's largest export market, with approximately 35 percent of total U.S. production delivered to its mills. However, recent changes to China's cotton policy are likely to disrupt this relationship.

Over the past four years, China has significantly increased its domestic support levels well above its WTO commitments. In 2011, China began a stockpiling reserve program through government purchases of domestic cotton at rates well above global prices. These support prices translated to product-specific support worth between 19–31 percent of the value of China's production, while China's WTO commitments only allow product-specific support at no more than 8.5 percent of the value of production. China now holds an estimated 63 million bales in stocks with more than 50 million bales sitting in government-owned reserves. In contrast, all other countries hold just 39 million bales, combined. Under WTO rules, China is required to provide notification of domestic support levels but has not done so since the 2008 crop.

China controls imports of raw cotton through policies that are restrictive, opaque and unpredictable. China's WTO minimum TRQ requirement is set at 4.1 million bales, but it supplements imports variously throughout the year. The process for determining additional quota is unknown and non-transparent. China's imports under the additional quota are also generally subject to a variable level duty ranging between 5 percent and 40 percent.

China recently revised its cotton support programs and will drastically reduce its imports of U.S. cotton. The support price for the largest cotton-producing province is set at a level more than twice the world price of cotton. Other provinces benefit from market support offered by the existing import policies, as well as a direct subsidy of \$0.15 per pound. Together, these programs translate to product-specific support worth at least 25 percent of China's value of production; and as much as 44 percent if calculated at current market conditions. Moreover, the allocation of the import TRQ and import licensing scheme for 2014—as well as the disposition of the 50 million bale government reserve—remains uncertain.

The NCC strongly encourages the Administration to challenge China's cotton policies in all avenues offered within the WTO. Its current policies raise serious concerns regarding China's WTO obligations under the GATT, the Agreement on Agriculture, the Subsidies Agreement, and China's WTO Accession Protocol. It is important to our industry that the U.S. government utilize all available legal tools to enforce against countries that unfairly support their domestic products to the serious detriment of U.S. farmers.

Trans-Pacific Partnership

As the Administration continues the ongoing negotiations in an effort to conclude to the Trans-Pacific Partnership (TPP) agreement, the U.S. cotton industry is unified behind the inclusion of a yarn forward rule of origin in TPP or any other international trade agreement. A yarn forward rule of origin requires that any product made with yarn produced in a country that is a party to the trade agreement may receive the benefits accorded to partner countries under that agreement. Failure to maintain a yarn forward rule of origin will damage the entire hemispheric textile trade that has been built under NAFTA and CAFTA–DR, which both contain the yarn forward rule of origin. The inclusion of Vietnam in the current TPP negotiations underscores the importance of a yarn forward rule of origin as a means to protect against textile products produced outside the partner countries from gaining preferential access to the U.S. market, thus resulting in severely negative impacts to the U.S. textile manufacturing sector.

Mr. Chairman, thank you again for holding this timely and important hearing, and for accepting our comments for the record. China and Turkey remain the two most important international markets for U.S. cotton, and it is vital to the U.S. cotton industry that those markets remain open and competitive. Although we appreciate the U.S. government's efforts to maintain strong trading relationships with Turkey and China, more work is needed. And we urge that the remaining negotiations on the TPP agreement ensure that there is a strong yarn forward rule of origin in place for textile products produced in the countries that are part of the TPP agreement. We would be pleased to provide any additional information or answer any questions regarding the information provided here. Reece Langley with NCC can be contacted at rlangley@cotton.org or 202-745-7805.

OUTDOOR INDUSTRY ASSOCIATION

February 9, 2015

The Honorable Orrin Hatch
Chairman
Committee on Finance
U.S. Senate
Washington, D.C. 20515

The Honorable Ron Wyden
Ranking Member
Committee on Finance
U.S. Senate
Washington, D.C. 20515

Dear Mr. Chairman and Senator Wyden:

On behalf of the 1,400 members of Outdoor Industry Association, I am pleased to submit a statement for the record for the January 27, 2015 U.S. Senate Committee on Finance hearing "President Obama's 2015 Trade Policy Agenda" with United States Trade Representative Michael Froman.

The outdoor industry is recognized as a critical sector of our nation's economy, generating \$646 billion annually in U.S. consumer spending and directly supporting 6.1 million American jobs. Our members produce some of the most innovative products reaching all corners of the globe and enriching people's lives by supporting healthy and active lifestyles.

OIA's Trade Program represents the diversity of our membership, including outdoor companies whose products are conceived, designed, and produced in America and those companies that utilize global value chains to bring their products to retail markets. From some of the largest companies in the world, to small, family-owned businesses, we work to ensure that U.S. federal trade policy fosters and promotes a stable and predictable environment for all outdoor industry businesses, while seeking to lower costs for outdoor businesses and their customers.

International trade benefits U.S. importers and domestic manufacturers alike, creates new jobs, lower consumer prices and opens new markets to U.S. exports. For its part, OIA pursues a "balanced trade policy" meaning that we only seek tariff eliminations on outdoor products that have no commercially viable domestic production, while for those products that are made in America, we promote federal policies that support U.S. manufacturers and help them transition to competition in a global economy.

As such, the Trans-Pacific Partnership (TPP) negotiations present a tremendous opportunity for the outdoor industry. Outdoor products sourced from abroad are among the most highly taxed when entering the United States despite the fact that they face no domestic competition: the average bound tariff rate on imported goods is less than 3 percent, but duties on outdoor products average 14 percent or higher, with some as high as 40 percent. We understand the challenges in negotiating an agreement that balances the needs of U.S. manufacturers and brands that conduct the research, development and innovation at home, but must manufacture their products abroad.

In that regard, we have offered USTR specific suggestions on how that can be accomplished in key areas as apparel and footwear. A "one-size fits all approach" for

apparel and footwear will lead to agreement that appeals to the lowest common denominator, resulting in tremendous lost opportunity for American workers and American innovation.

The duty savings from eliminating these disproportionately high tariffs on outdoor apparel and footwear produced in the TPP region will help lower costs for consumers, fuel innovation, and create jobs across the U.S.

Like the administration, OIA must balance the interests of importers and retailers who source apparel and footwear from abroad and domestic manufacturers. Our proposal on outdoor apparel and footwear in the TPP will help the administration bridge the gap among this diverse group of stakeholders and conclude a commercially meaningful, 21st century trade agreement. With the appropriate definition of products, rules of origin and market access terms can be designed in a manner that does not diminish the transitions needed for U.S. made products.

We understand the administration is committed to a “yarn forward” rule of origin at the core of its proposal on textiles and apparel, and we support that. Accordingly we have appreciated the opportunity to work with the administration on the Short Supply List of textiles and fabrics. Outdoor apparel products are highly innovative, incorporating multiple complex, highly technical fabrics. In fact, the outdoor industry is on the cutting edge of developing new fabrics not yet on the market. From a rules of origin perspective, we believe the Short Supply List goes a long way towards accommodating the innovation of the outdoor industry.

We believe the next logical, and non-controversial step would be to support the immediate elimination of duties on performance apparel products that use the Short Supply List. These products are not import sensitive and domestic textile producers have not opposed tariff elimination on them because there is no commercially meaningful domestic production. At minimum, we urge the administration to support classification breakouts for performance apparel as identified previously in legislation introduced by Senator Ron Wyden (D-OR).

At the same time, OIA has identified products that should receive a yarn-forward rule, and for which there is ample production in the U.S.

Like outdoor apparel, outdoor footwear is innovative and complex. Yet, these products often fall within the same tariff codes as import sensitive footwear. The outdoor industry is deeply concerned that a “one-size fits all” approach will be taken for 8-digit classifications of the Harmonized Tariff Schedule (HTS) that, due to outdated classification system, lumps together import sensitive footwear with non-import sensitive performance footwear. This is a particular concern for hiking shoes and boots, a critical segment of the outdoor footwear market. Our members have put a lot of time, energy, and investment towards developing new, innovative footwear products that attract new outdoor enthusiasts by providing protection against inclement weather.

The outdoor industry has identified certain performance footwear products that are not import sensitive to domestic manufacturers and should receive a tariff-shift rule of origin and immediate duty phase-outs. Congress has enacted most of these breakouts in the past through the miscellaneous tariff bills (MTBs) process after a thorough vetting by the administration. Failure to differentiate these products would be a tremendous lost opportunity, and in fact harmful to the outdoor footwear industry, U.S. consumers and the U.S. economy more broadly.

For those footwear products on the import sensitive list, OIA proposes a strict rule of origin (NAFTA rule) and maximum duty phase-outs.

As with other stakeholders, the outdoor industry will conduct a comprehensive review of a final TPP agreement to determine the benefits to outdoor companies and consumers.

In addition, any TPP agreement should also include tough, enforceable provisions on the environment and labor rights. Outdoor recreation companies are at the forefront of developing sustainable supply chains that protect the environment and ensure fair labor practices. The TPP represents a significant opportunity to advance those standards throughout the Asia-Pacific region. The final TPP agreement must:

- require all parties to adopt and maintain internationally recognized core labor standards and the provisions of multilateral environmental agreements (MEAs); and
- these provisions should be subject to the same dispute settlement procedures as other enforceable obligations.

In order to conclude the TPP negotiations and other trade agreements, OJA understands that the administration must have Trade Promotion Authority (TPA).

OIA supports the principle of TPA because it puts the administration in the best position to secure trade agreements that could have substantial benefits for the outdoor industry by eliminating tariffs and non-tariff barriers and expanding access to global markets. Our trading partners are unlikely to make their best offer if they think Congress will alter the final agreement.

The outdoor industry also supports including additional outstanding trade items in a TPA package including:

- The US OUTDOOR Act: Soon be re-introduced in the House and Senate, the US OUTDOOR Act will create specific definitions and separate classifications within the U.S. Harmonized Tariff Schedule (HTS) for “recreational performance outerwear” and eliminate duties on those products. The Senate bill also includes the Sustainable Textile and Apparel Research (STAR) Fund that will support the research and development of sustainable textile and apparel supply chains. Recreational performance outerwear is highly technical and specialized apparel and should no longer be classified under the same HTS codes as ready made, mass market apparel. According to a 2007 study by the International Trade Commission (ITC), there is no commercially viable domestic production of recreational performance outerwear. Eliminating duties on recreational performance outerwear will help lower prices, fuel innovation, and create jobs in the outdoor industry. It should be included in any trade package.
- MTBs: The outdoor industry strongly supports the renewal of the miscellaneous tariff bill (MTB) process. MTBs have suspended duties on certain imported products that are proven to have no competition from U.S. manufacturers. To date, twenty MTBs related to the outdoor industry have resulted in savings of more than \$30 million for outdoor companies, leading to more jobs, more innovation, and lower retail prices for outdoor enthusiasts. Failure to renew the most recent MTB and the tariff suspensions have forced outdoor companies to absorb cost increases as much as 40 percent, stifling economic growth and preventing more Americans from getting outdoors. The outdoor industry strongly urges Congress to provide for a clear and predictable MTB process in any trade package.
- GSP Update Act: The outdoor industry supports the renewal of the Generalized System of Preferences program and urges Congress to include the GSP Update Act in that initiative. This non-controversial piece of legislation simply allows for backpacks and travel goods, no longer made in the U.S., to be considered eligible for inclusion in that program.

Finally, we look forward to a TPA bill that includes strong consultation provisions and tough negotiating objectives on labor and the environment.

As leaders in the field of sustainable business practices and social responsibility, OIA supports such provisions as they could give the administration sufficient leverage to secure enforceable labor and environmental provisions in our trade agreements and ensure our trading partners match international standards.

OIA greatly appreciates the opportunity to submit a statement for this hearing and we look forward to working with Congress and the administration to support passage of TPA and TPP that will allow outdoor companies to lower costs for consumers, get more people outdoors, fuel innovation, and create more U.S. jobs.

Sincerely,

Richard W. Harper, Jr.
 Policy Advisor
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PRESIDENT OBAMA'S 2015 TRADE POLICY AGENDA

**HEARING TESTIMONY
BEFORE THE FINANCE COMMITTEE
OF THE
UNITED STATE SENATE
JANUARY 27, 2015**

**BY THE
ROCKY MOUNTAIN DISTRICT EXPORT COUNCIL**

Mr. Chairman.

Thank you for the opportunity to submit this testimony on President Obama's 2015 Trade Policy Agenda and Trade Promotion Authority (TPA).

I am Louis X. (Kip) Cheroutes, Legislative Chairman of the Rocky Mountain District Export Council (RMDEC), 2648 Bellaire Street, Denver, Colorado. I submit this testimony of strong support on behalf of the RMDEC.

The RMDEC, one of 16 nationwide, is a volunteer trade advisory and advocacy body of the U.S. Department of Commerce. The members are small, medium and large exporters in Colorado and Wyoming.

Colorado and Wyoming have much to gain with passage of TPA and the subsequent Trans Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP). This testimony gives nine specific reasons to support TPA.

1. Wyoming's export economy, 63,000 jobs strong, is largely agricultural and mineral, being the point of origin in the global supply chain. Products go to Canada, Brazil, Australia, Indonesia, Chile, Mexico, Japan and elsewhere. How do TPA and TPP help? Soda ash is a good example. Wyoming's main export is sodium carbonate, which is used to make glass, detergents and cosmetics. The market for these personal products is very hot in Vietnam because of the rising middle class but a tariff exists for Wyoming, not Chinese, soda ash. TPA and TPP will secure and likely increase Wyoming's future market access by eliminating the Vietnamese tariff on soda ash.
2. Colorado shares the same nature-based export economy. Agriculture and livestock are good examples. Japan enforces 1,400 separate tariff categories on U.S. beef. U.S. trade negotiators are currently negotiating that number down as part of TPA and TPP. A more fair and manageable tariff structure will likely give better market access to the 15,000 meat packers in northern Colorado.
3. Colorado's economy goes further. Colorado's 2013 manufactured exports totaled \$8.5 billion. Products went to Canada, Mexico, China, Japan and Germany in that order. 5,580 companies, 89 percent of which are small and medium enterprises, made those products. The likely growth of those companies is what's at stake with passage of TPA. By congressional district, Denver-Aurora-Broomfield recorded \$3.8 billion in exports, Greeley, \$1.2 billion, Colorado Springs \$1.1 billion, Boulder \$947 million, Fort Collins-Loveland \$813 million, Pueblo \$142 million and Grand Junction \$121 million.
4. Colorado's space industry leads the export way. A future TPA safeguards intellectual property for a greater range of space components approved last year for export. Computer, electronics, food and machinery follow in trade sales.
5. Colorado's export economy goes even further. Revenue from services, not sold products, is not well tallied but is likely high. Global engineering and consulting firms that headquarter in Colorado have a stake in TPA to ensure that their own intellectual data is protected. TPA will guide TPP negotiators to make that a high priority.
6. Many of these engineering firms abide by the same environmental and labor values adopted by TPA. They see TPA as good business sense and a way to get the edge on others.
7. Wyoming and Colorado share a unique export market that TPA will foster. This creative economy, from western art to outdoor recreational equipment and clothing is vibrant. Big sky, the Wild West and winter sports have great consumer appeal in Asia. These jobs are safeguarded and likely augmented with TPA and

TPP emphasis on tariff reductions, trademark and other intellectual property protections.

8. The region's supply chain economy for exports, not just the manufacturing itself, should also benefit from TPA. Getting Colorado and Wyoming exports to port depends on local miners, truckers, railway workers, overnight delivery drivers, warehouse builders and workers, space machinists and engineers. Their jobs depend on TPA to keep the supply chain fed.
9. Finally, the country has been without a fundamental trade law for too long. Export risk is higher without one due to an uncertain or onerous foreign regulatory terrain. Enacting a TPA based on strong values is a necessary and proper role of government. It's time to finish the job. Common sense suggests once enacted, the risk is reduced and the odds improve for regional job creation among entrepreneurs, SMEs and large companies.

Thank you for the opportunity to submit this testimony.

TELECOMMUNICATIONS INDUSTRY ASSOCIATION (TIA)

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January 27, 2015

The Honorable Orrin G. Hatch
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

The Telecommunications Industry Association (TIA), the leading trade association for global manufacturers, vendors, and suppliers of information and communications technology (ICT), wishes to thank you for holding a hearing on "President Obama's 2015 Trade Policy Agenda." With an ambitious trade policy agenda that includes the potential conclusion of the Trans-Pacific Partnership (TPP), TIA strongly supports the bipartisan renewal of Trade Promotion Authority (TPA) this year. Trade agreements like the TPP are critical to the telecommunications sector because they promote trade liberalizing, market-based, and technology neutral approaches in international markets, which facilitates U.S. exports and investment.

Global investment is increasing in both wireless and fixed broadband networks. This global trend includes the launch of long term evolution (LTE) 4G wireless networks, continued growth in smartphone penetration, and fiber deployments to enhance fixed broadband infrastructure. Each of these developments stems from a single underlying driver—the need for greater capacity to accommodate growing global data transmission demands. Driven by this need, the global telecommunications market for equipment and related services was valued at \$5.4 trillion in 2014—with about 75 percent of the total marketplace located outside of the United States.

The bipartisan renewal of TPA is essential to increasing the nation's level of exports overall and to the growth of the U.S. ICT industry in particular. In addition, renewal of TPA presents the opportunity to address 21st century trade negotiating objectives related to digital trade and cross-border data flows, as well as the proliferation of localization barriers to trade. Moreover, experience shows that the effects of prior trade agreements on telecommunications equipment exports are both demonstrable and dramatic. According to *TIA's 2014–2017 ICT Market Review and Forecast*, although countries having trade agreements with the United States currently represent only 13 percent of the overseas economy, they account for 38.6 percent of U.S. exports in telecommunications equipment in 2013.

Updated TPA legislation will further strengthen the partnership between Congress and the Administration through enhanced Congressional oversight, transparency, and consultations, which will ultimately result in stronger trade agreements for the benefit of the economy and job creation. With active negotiations to conclude the TPP as well as to advance the Transatlantic Trade and Investment Partnership and Trade in Services Agreement, TPA renewal will send a strong signal to other negotiating parties on the priority the United States places on high-standard trade agreements that enhance trade liberalization and market access for U.S. industry.

We appreciate the attention of the Committee on Finance on the Administration's 2015 Trade Policy Agenda because trade is critical to job creation and the expansion of the U.S. economy. In addition to the bipartisan renewal of TPA, we would also underscore that the United States must ensure that other countries live up to their obligations under the World Trade Organization or other agreements, and in particular, refrain from implementing localization barriers to trade, including requirements for the local storage or processing of data.

Thank you again for your work on these important issues related to the global competitiveness of the U.S. ICT industry, and we look forward to working with you to ensure that TPA is enacted in 2015. For more information, please contact Danielle Coffey at 703-907-7734 or by email at DCoffey@tiaonline.org.

Regards,

Scott Belcher
Chief Executive Officer
Telecommunications Industry Association

Statement of the U.S. Chamber of Commerce

ON: The U.S. Trade Policy Agenda in 2015

**TO: U.S. House of Representatives Committee on Ways and Means
U.S. Senate Committee on Finance**

DATE: January 27, 2015

1615 H Street NW • Washington, DC • 20062

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

On the occasion of the annual hearings of the House Committee on Ways and Means and Senate Committee on Finance on the U.S. trade policy agenda, the U.S. Chamber of Commerce is pleased to take this opportunity to offer its own views and those of its members on the top priorities for U.S. trade policy in 2015. The Chamber is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

In the Chamber's view, reinvigorating economic growth and creating good jobs are the nation's top priorities. Approximately 17.7 million Americans are unemployed, underemployed, or have given up looking for work. Participation in the workforce stands at 62.7%, the lowest since 1978, reflecting a significant level of discouragement.

World trade must play a central role in reaching this job-creation goal. After all, outside our borders are markets that represent 80% of the world's purchasing power, 92% of its economic growth, and 95% of its consumers. The resulting oppor-

tunities are immense, and many Americans are already seizing them: One in four manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

A Level Playing Field for Trade

While the United States receives substantial benefits from trade, there is more than a grain of truth in the observation that the international playing field is unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but other countries continue to levy tariffs on U.S. exports that in some cases are quite high, and foreign governments have erected other kinds of barriers against U.S. goods and services.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. U.S. exporters face higher tariffs abroad than nearly all our trade competitors. The United States received a rank of 130th among 138 economies in terms of “tariffs faced” by its exports, according to the World Economic Forum’s Global Enabling Trade Report. That means U.S. exporters are often at a marked disadvantage to our competitors based in other countries. In addition, a thicket of non-tariff barriers adds to the burden exporters face.

No one wants to go into a basketball game down by a dozen points from the tip-off—but that is exactly what American exporters do every day. These barriers are particularly burdensome for America’s small- and medium-sized companies, approximately 300,000 of which are exporters. The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade.

Benefits of U.S. Trade Agreements

The good news is that America’s trade agreements do a great job creating a level playing field—and tremendous commercial gains are the proof in the pudding. According to data from the U.S. Department of Commerce, nearly half of U.S. exports go to countries with which the United States has free-trade agreements (FTAs) even though they represent about 10% of global GDP. By tearing down foreign barriers to U.S. products, these agreements have a proven ability to make big markets even out of small economies.

The United States has entered into FTAs with 20 countries around the globe: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore, and South Korea.

To settle once and for all the debate over whether these FTAs have benefitted American workers and companies, the U.S. Chamber recently released a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*. The study examined U.S. FTAs implemented with a total of 14 countries. It employed a widely used economic model known as the Global Trade Analysis Project (GTAP), which is also used by the numerous federal agencies, the U.S. International Trade Commission, and the World Trade Organization (WTO).

The results of this comprehensive study are impressive: 17.7 million American jobs depend on trade with these 14 countries; of this total, 5.4 million U.S. jobs are supported by the increase in trade generated by the FTAs. No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to these FTAs, with the exception of the multilateral trade liberalization begun in 1947.

The trade balance is a poor measure of the success of these agreements, but the trade deficit is often cited by trade skeptics as a principal reason why the United States should not negotiate additional FTAs. However, taken as a group, the United States ran a trade surplus with its FTA partner countries in 2012 and 2013, and this surplus has grown since then. In fact, the United States has recorded a trade surplus in manufactured goods with its FTA partner countries for each of the past five years, according to the U.S. Department of Commerce. This surplus reached \$27 billion in 2009 and had expanded to \$61 billion by 2013.

Broadly, trade has been a lifeline for the U.S. economy in recent years. Exports have risen by more than 50% over the past five years, and one-third of the American jobs created in this period are in industries that depend on trade. However, the picture is not all rosy. U.S. trade is up, but we are still falling behind our competition. The U.S. share of global exports fell from 18% in 2000 to 12% in 2010. What can we do about this?

Trade Promotion Authority

First, Congress should approve legislation to renew Trade Promotion Authority (TPA). TPA is a vital tool to help Americans sell their goods and services to the 95% of the world's customers living outside our borders. Without TPA, we simply cannot enter into new trade agreements. We are excited to see that Congress is preparing to consider legislation to renew TPA, which promises to spur economic growth and job creation at home.

The case for TPA is simple. In today's tough international markets, we need our trade negotiators to tear down the foreign tariffs and other barriers that too often shut out U.S. products. That is what trade agreements do. However, to secure new growth-creating trade pacts such as the agreements now under negotiation, Congress must first approve TPA.

While the Constitution gives the president authority to negotiate with foreign governments, it gives Congress authority to regulate international trade. TPA allows the Congress to show leadership on trade policy by doing three important things: (1) It allows Congress to set negotiating objectives for new trade pacts; (2) it requires the executive branch to consult extensively with Congress during negotiations; and (3) it gives Congress the final say on any trade agreement in the form of an up-or-down vote. The result is a true partnership stretching the length of Pennsylvania Avenue.

Without TPA, the United States is relegated to the sidelines as other nations negotiate trade agreements without us—putting American workers, farmers, and companies at a competitive disadvantage. According to the World Trade Organization (WTO), 398 bilateral or plurilateral FTAs are in force around the globe today, but, as noted, the United States is a party to just 14 such agreements covering 20 countries.

If we fail to renew TPA, U.S. workers and companies will be left at a sharp disadvantage. To oppose TPA is to guarantee that foreign markets remain closed to U.S. exports. To reject TPA is to accept a playing field skewed against American workers and companies.

Congress has granted every president from Franklin D. Roosevelt to George W. Bush the authority to negotiate market-opening trade agreements in consultation with Congress. However, TPA lapsed in 2007. That is unacceptable; every American president should have TPA.

As noted, TPA is an opportunity to provide guidance to the administration on negotiating objectives for new trade agreements. Some of these are simple: Lowering tariffs on our goods when they enter foreign markets will allow us to be more competitive with local suppliers.

The Trans-Pacific Partnership

And how should TPA be used? The first priority is the Trans-Pacific Partnership (TPP).

As U.S. companies scour the globe for consumers, the booming Asia-Pacific region stands out. Over the last two decades, the region's middle class grew by 2 billion people, and their spending power is greater than ever. That number is expected to rise by another 1.2 billion by 2020. According to the International Monetary Fund, the world economy will grow by \$21.6 trillion over the next five years, and nearly half of that growth will be in Asia.

U.S. businesses and workers need better access to those lucrative markets if they are going to share in this dramatic growth. But U.S. companies are falling behind in the Asia-Pacific. While U.S. exports to the Asia-Pacific market steadily increased from 2000 to 2010, America's share of the region's imports declined by about 43%, according to the think tank Third Way. In fact, the growth in U.S. exports to Asia lagged overall U.S. export growth in that period.

One reason U.S. companies have lost market share in the Asia-Pacific region is that many countries maintain steep barriers against U.S. exports. A typical South-east Asian country imposes tariffs that are five times higher than the U.S. average while its duties on agricultural products soar into the triple digits. In addition, a web of nontariff and regulatory barriers block market access in many countries.

Trade agreements are crafted to overcome these barriers. But what happens if other countries make trade deals among themselves and leave the United States on the outside, looking in? The number of trade accords between Asian countries

surged from three in 2000 to more than 50 in 2011. Some 80 more are in the pipeline. Meanwhile, the United States has just three trade agreements in Asia.

This challenge is growing: 16 countries are negotiating a trade deal called the Regional Comprehensive Economic Partnership (RCEP). It includes Australia, China, India, Japan, Korea, and New Zealand as well as the 10 ASEAN countries—but not the United States.

The Trans-Pacific Partnership (TPP) is America's best chance to ensure the United States is not stuck on the outside—looking in—as Asia-Pacific nations pursue new trade accords among themselves. Its objective is to achieve a comprehensive, high-standard, and commercially meaningful trade and investment agreement with 11 other Asia-Pacific nations, including Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam. It also includes Canada, Mexico, Peru, and Chile, thus offering a chance to integrate existing U.S. trade agreements in the Americas.

The TPP must be a comprehensive agreement. In trade talks, whenever one party excludes a given commodity or sector from an agreement, others follow suit, limiting its reach. For the United States to achieve the goal of a true 21st century agreement—with state-of-the-art rules on digital trade, state-owned enterprises, investment, and other key areas—its negotiators must hold fast to the goal of a comprehensive accord.

One U.S. priority is to ensure the TPP protects intellectual property (IP), which plays a vital role in driving economic growth, jobs, and competitiveness. According to the U.S. Department of Commerce, IP-intensive companies account for more than \$5 trillion of U.S. GDP, drive 60% of U.S. exports, and support 40 million American jobs. To build on these strengths, the TPP must include robust IP protection and enforcement provisions that build on the U.S. Free Trade Agreement and provide 12 years of data protection for biologics consistent with U.S. law.

The TPP also needs to reflect how goods are produced in the 21st century using global value chains. Today, the goods we buy are usually labeled “Imported” or “Made in the USA”—with no middle ground. However, companies often rely on global value chains that span the Pacific to hone their competitiveness.

The United States is a principal beneficiary of these supply chains. One recent study found that 70% of the final retail price of apparel assembled in Asia is created by American innovators, designers, and retailers. Making customs and border procedures more efficient and enacting other trade facilitation reforms will remove sand from the gears of global value chains and enhance U.S. competitiveness.

Completing the TPP would pay huge dividends for the United States. The agreement would significantly improve U.S. companies' access to the Asia-Pacific region, which is projected to import nearly \$10 trillion worth of goods in 2020. A study by the Peterson Institute for International Economics estimates the trade agreement could boost U.S. exports by \$124 billion by 2025, generating hundreds of thousands of American jobs.

Working closely with the Office of the U.S. Trade Representative (USTR), the Chamber has led the business community's advocacy for the inclusion of strong disciplines in the TPP trade agreement on intellectual property, due process in anti-trust enforcement, state-owned enterprises, and regulatory coherence. Also, overcoming the tyranny of small differences between regulations in the United States and those in key markets would reduce costs for small and mid-sized companies, for which these expenses loom especially large. Companies would see an easier, less costly path to complying with standards and regulations in a meaningful way.

The Transatlantic Trade and Investment Partnership

As we consider new trade accords with our biggest commercial partners, Europe calls out for attention. Indeed, the European Union is by far America's largest commercial partner.

Together, the United States and the European Union account for nearly half of global economic output, with each producing approximately \$17 trillion in GDP. Total U.S.–EU commerce—including trade in goods and services and sales by foreign affiliates—tops \$6.5 trillion annually and employs 15 million Americans and Europeans.

The U.S.–EU investment relationship is also without peer. Companies headquartered in EU Member States had invested nearly \$1.7 trillion in the United States by the end of 2013 and directly employ more than 3.5 million Americans.

Similarly, U.S. firms have invested \$2.4 trillion in the EU—a sum representing more than half of all U.S. investment abroad. It's also nearly 40 times as much as U.S. companies have invested in China. Because of this unique investment-based relationship, approximately 40% of U.S.–EU trade is intra-industry and intra-firm, which means that removing barriers to this trade will substantially boost the competitiveness of our companies in global markets.

The United States and the Member States of the EU share common values as strong democracies with an enduring commitment to civil liberties and the rule of law. We uphold similar social, labor, and environmental standards in our laws and regulations.

For these reasons and more, the United States and the EU have launched negotiations for a comprehensive and ambitious Trans-Atlantic Trade and Investment Partnership (TTIP). The goal is to eliminate tariffs; open up services, investment, and procurement; and promote regulatory cooperation to ensure high levels of health, safety, and environmental protection while cutting unnecessary costs.

The benefits could be immense. The sheer volume of transatlantic commerce is so large that eliminating today's relatively modest trade barriers could bring big benefits. According to the London-based Centre for Economic Policy Research (CEPR), the TTIP would boost U.S. exports to the EU by \$300 billion annually, add \$125 billion to U.S. GDP each year, and increase the purchasing power of the typical American family by nearly \$900—with similar benefits for Europeans.

One key goal in the negotiations is to tackle regulatory barriers to trade. Companies selling their products on both sides of the Atlantic incur high costs complying with both U.S. and European regulations, even when they are very similar.

For example, U.S. automakers run crash tests to comply with U.S. safety regulations but must do so a second time to comply with EU standards—and vice versa. Mutual recognition of these regulations would save consumers up to 7% on each car or truck and enhance the global competitiveness of U.S. and European companies.

TTIP is also an opportunity to raise global standards. With a combined GDP of more than \$34 trillion, the sheer size of the transatlantic economy will incentivize other countries to look to standards set in the TTIP. Accordingly, the United States and the EU should establish a high bar in such areas as protecting intellectual property, cultivating the digital economy, and combating trade and investment protectionism.

Refusing to pursue this agreement would exact a price as other countries enter into new trade pacts with the EU. Already, the EU has dozens of FTAs in force with such countries as Mexico, Central America, Colombia, South Africa, and South Korea. It has concluded negotiations for additional agreements with Canada, Singapore, Ukraine, and others. The EU is currently in negotiations with India, Japan, Malaysia, Thailand, Vietnam, and the Mercosur bloc. Without a trade agreement in place with the EU, U.S. workers and companies could be put at a disadvantage in the giant European marketplace.

The Trade in Services Agreement

While it has not made national headlines, the United States has joined with more than 50 other countries to launch negotiations for a high-standard trade agreement in services dubbed the Trade in Services Agreement (TISA). This exciting new accord has the potential to ignite economic growth and job creation in the United States and abroad.

Services generate about 75% of U.S. economic output and 80% of U.S. private sector employment. The United States is by far the world's largest exporter of services, which surpassed \$682 billion in 2013. In addition, services sales by foreign affiliates of U.S. multinational corporations topped \$1 trillion. Combined, total sales of U.S. services abroad reached approximately \$1.7 trillion in 2013. The United States is home to large numbers of successful services firms in such sectors as audiovisual, banking, energy services, express delivery, information technology, insurance, and telecommunications.

Many jobs in services pay well. For instance, approximately 18 million Americans are employed in business services such as software, architectural services, engineering and project management services, and insurance—all of which generate billions of dollars in exports. Wages in these sectors are 20% higher on average than those in manufacturing, which employs only two-thirds as many American workers.

Even so, the potential for service industries to engage in international trade is almost untapped. One in four U.S. factories exports, but just one in every 20 providers of business services does so. Just 3% of U.S. services output is exported, according to the Peterson Institute for International Economics.

In this context, America's FTAs have provided significant gains for U.S. service providers. These agreements have expanded access to foreign markets for cross-border sales of services and barred discrimination against service providers on the basis of their nationality. They have also opened up services sectors that had previously been closed to foreign investment and ushered in greater transparency in the regulations that set the rules of the road for services markets.

The chief goals of the United States in TISA are to expand access to foreign markets for U.S. service industries and prohibit discrimination against American service providers in foreign markets. In addition, the TISA will put in place rules to prevent regulations from being used as disguised trade barriers that shut out U.S. services exports.

The TISA also aims to safeguard cross-border data flows. In today's global economy, companies often move data across borders to create new products, enhance productivity, deter fraud, protect consumers, and grow their business. This is particularly important for services, many of which were considered "non-tradeable" before the advent of the Internet. Recent studies estimate that within ten years products and services reliant on cross-border data flows will add over \$1 trillion annually to the global economy, with the United States at the fore. To seize these benefits, the TISA should prohibit restrictions on legitimate cross-border information flows and bar local infrastructure mandates relating to data storage.

Finally, the TISA should include rules to ensure that private companies are not put at a disadvantage when they compete with state-owned enterprises (SOEs) and other national champions. It should guard against anti-competitive behavior by SOEs.

The payoff from the TISA could be huge. Eliminating barriers to trade in services could boost U.S. services exports by as much as \$860 billion—up from 2013's record \$682 billion—to as much as \$1.4 trillion, according to the Peterson Institute. Such a dramatic increase could create as many as three million American jobs.

The TISA's potential to drive economic growth and job creation in the United States and beyond is significant. The Chamber is committed to working closely with U.S. negotiators, foreign governments, and the Congress to press for a strong agreement.

The World Trade Organization

The U.S. Chamber remains firmly committed to the global rules-based trading system embodied by the World Trade Organization (WTO). In the view of Chamber members, the U.S. business community needs the WTO today as much as ever. Its rules inform national policy at home and abroad, and its dispute settlement system commands global respect.

The multilateral trading system has benefitted the entire world. Eight successful multilateral negotiating rounds have helped increase world trade from \$58 billion in 1948 to \$22 trillion today. This is a 40-fold increase in real terms, and it has helped boost incomes in country after country.

In recent years, the long impasse in the Doha Development Agenda negotiations led many to call into question the WTO's role as a forum for market-opening trade negotiations. In this context, it is difficult to exaggerate the importance of the Trade Facilitation Agreement (TFA), the first multilateral trade agreement since the organization's creation in 1995. On November 27, 2014, the WTO General Council unanimously approved a protocol to implement the TFA, and the WTO's 160 Member States are now in the process of ratifying it.

The TFA is a cost-cutting, competition-enhancing, anti-corruption agreement that will streamline the passage of goods across borders by cutting red tape and bureaucracy and establishing common approaches to clearing goods through customs. The Peterson Institute for International Economics has estimated it could boost the world economy by as much as \$1 trillion and generate as many as 21 million jobs globally.

The meeting in Geneva followed the November 13 announcement by U.S. and Indian trade officials that they had overcome obstacles preventing implementation of

the WTO Bali Package, which includes the TFA and understandings on food security and development.

The Chamber applauded these developments. We have been pressing for a commercially meaningful TFA in business delegations to Geneva over the past two years, at the Bali Ministerial, and in meetings with foreign officials in Washington and other capitals, notably with Indian officials.

Similarly, the Chamber welcomed the news on November 10 that the United States and China had reached agreement on expanding the array of goods covered by the WTO Information Technology Agreement (ITA). The ITA negotiations were suspended after China demanded that half of all the proposed tariff lines be dropped from consideration or subjected to extraordinarily long phase-outs. While continuing disagreements continue over a small number of products—notably between China and Korea—we are optimistic that these negotiations can be concluded expeditiously.

In the original ITA, a group of 29 countries agreed to tariff-free trade for specific IT products; today, 70 countries are members, and they account for 97% of world trade in IT products, which has reached about \$4 trillion annually (or nearly one-fifth of global merchandise trade). Today's negotiations would eliminate duties from additional tariff lines, including for technology products that simply didn't exist in 1996.

The Office of the U.S. Trade Representative reports that more than 200 tariff lines will be reduced to zero under an expanded ITA: "Medical equipment, GPS devices, video game consoles, computer software and next generation semiconductors are among the high-tech products that will see tariff elimination." The expanded ITA would eliminate tariffs on approximately \$1 trillion worth of tech goods, a sum greater than global trade in automobiles and three times greater than trade in clothing, the WTO has observed.

However, the deal is not yet final. The U.S.-China understanding was presented to the other 52 economies involved in the ITA negotiations in December, but the parties were unable to come to a conclusion despite coming very close. However, negotiators are optimistic that a final deal between China and Korea involving one or two products could allow the agreement to be wrapped up.

The Chamber has worked over the past two years to build support for an ambitious expansion of the ITA. Chamber delegations traveled to Geneva to meet with negotiators from dozens of countries and have also done so in missions to foreign capitals, especially Beijing.

Separately, the United States and 13 other WTO Members, including China and the 28 Member States of the European Union, last year launched a new initiative to eliminate tariffs on environmental goods. These countries account for 86% of global trade in environmental goods. The initiative aims to build on the APEC Leaders' commitment to reduce tariffs on the APEC List of 54 Environmental Goods to make these technologies cheaper and more accessible.

The Chamber welcomed the initiative. Eliminating barriers to trade in environmental goods such as solar panels, gas and wind turbines, and products to control air pollution and treat wastewater is both pro-environment and pro-growth.

Total global trade in environmental goods approaches \$1 trillion annually, but some countries currently apply tariffs to these goods as high as 35%, discouraging their use. The countries taking part in this initiative have begun to reach out to other countries to encourage them to join in.

Other Trade Priorities Before Congress

In addition, Congress should move quickly to renew the *Generalized System of Preferences* (GSP), which expired on July 31, 2013. Since 1976, GSP has promoted economic growth in more than 120 developing countries by providing duty-free access to the U.S. market for thousands of selected products. In 2012, U.S. imports under GSP reached \$20 billion.

GSP helps keep U.S. manufacturers and their suppliers competitive. Approximately three-quarters of U.S. imports using GSP are raw materials, parts and components, or machinery and equipment used by U.S. companies to manufacture goods in the United States for domestic consumption or for export. The products coming in under GSP generally do not compete with U.S.-made goods in any significant way. According to a 2006 U.S. Chamber of Commerce study, over 80,000 American

jobs are associated with moving GSP imports from the docks to farmers, manufacturers, and retail shelves.

The Chamber is also pushing for reauthorization of the ***African Growth and Opportunity Act*** (AGOA), which will expire on September 30, 2015. Similar to GSP, AGOA benefits not only the economies of sub-Saharan Africa but U.S. companies and consumers here at home.

Moving this bill sooner rather than later will avert disruption of trade flows and afford companies the certainty they need to make investments and sourcing decisions. Moreover, as the first and only economic policy platform that exists between the United States and sub-Saharan Africa, AGOA's looming expiration weighs heavily on U.S. relations with the region and threatens to undermine the gains that African economies have made under this program.

The Chamber encourages Congress to begin work now to extend AGOA beyond its scheduled expiration next year. In the past decade, AGOA's multiple renewals have been limited to modest increments of time, which has limited the scope of its success.

On an issue also of importance for the textile and apparel sector, the Chamber supports renewal of the recently expired ***Tariff Preference Level (TPL) granted to Nicaragua*** under the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). The TPL allowed apparel made of certain cotton and man-made fiber to enter the U.S. duty free if it was assembled in Nicaragua, regardless of the origin of the fabrics. This measure supported thousands of jobs in the United States and Nicaragua. It should be renewed swiftly.

Further, the Chamber strongly supports the ***Miscellaneous Tariff Bill*** (MTB), which provides relief from tariffs levied on imported materials or intermediate products that are essential to U.S. manufacturers but unavailable from domestic sources. Tens of thousands of American workers and hundreds of American companies depend on the MTB for relief from tariffs that serve only to raise costs for U.S. manufacturers and dull their competitive edge. The last MTB supported an estimated 90,000 American jobs; the latest bill could benefit twice as many workers.

In the view of some, the MTB's duty suspensions are earmarks because they provide a "limited tariff benefit," which is defined under House rules as benefiting 10 or fewer entities. In fact, the MTB's benefits are not limited: Duty suspensions are available to all importers of the product. The bill makes no appropriation of public funds; it merely suspends a tariff that serves only to undermine U.S. competitiveness. The MTB is a tax cut, not an earmark.

Since the expiration of the last MTB on December 31, 2012, U.S. businesses both large and small have faced higher costs for imported inputs not available from domestic sources. The Chamber urges Congress to renew the MTB and lift the burden of these damaging tariffs.

In addition, the Chamber strongly supports efforts to modernize our own borders and to facilitate trade and travel through ***customs reauthorization*** legislation. A bill to reauthorize U.S. Customs and Border Protection is long overdue as the dramatic spread in global supply chains has made trade facilitation more important to business competitiveness.

Technological progress and falling transportation costs—coupled with companies' need to access resources, labor, and markets—have pushed companies to source many raw materials, intermediate goods, and other inputs from locations around the world. Outdated customs procedures can raise costs for U.S. businesses that rely on global supply chains to access these inputs and to reach new consumer markets. Making improvements to customs procedures to ease cross-border friction will smooth the flow of trade and ensure the timely delivery of inputs and final products. These reforms could also help small- and medium-sized businesses access foreign markets.

The Chamber is eager to advance legislation in the 114th Congress to promote trade facilitation, modernize customs processes, improve enforcement of customs and trade laws, advance cooperation among government agencies, enhance intellectual property rights enforcement, and set the global standard for border management. There is bipartisan support for this legislation, and we hope to see it move soon.

Finally, the Chamber urges Congress to defuse the threat to billions of dollars' worth of U.S. exports in the ***Country-of-Origin-Labeling (COOL) dispute***. Over

the past few years, a series of WTO dispute settlement panels has ruled that the U.S. COOL rule on muscle cuts of meat violates obligations the United States has accepted as a member of the WTO.

Canada and Mexico, which brought the dispute, are the two largest markets for U.S. exports. With this ruling in hand, the WTO is now on track to authorize our two North American neighbors to levy retaliatory tariffs against a broad array of U.S. agricultural and manufactured products. The Chamber shares the growing sense of concern in Congress that the threat of trade retaliation is real. In fact, retaliation may be just six months away. A list of products likely to be targeted by Canada and Mexico and the potential economic impact for each state may be found on an interactive map at www.COOLreform.com. The value of American exports subject to retaliation could top \$2 billion.

The Chamber and our allies in the broad-based COOL Reform coalition urge Congress to act swiftly to avert the threat of retaliation by bringing the United States into compliance with obligations the United States has undertaken as a member of the WTO.

Conclusion

To conclude, the United States cannot afford to sit on the sidelines while others set the rules of world trade. To create the jobs, growth, and prosperity our children need, we need to set the agenda. Otherwise, our workers and businesses will miss out on huge opportunities.

We need a laser-like focus on access to foreign markets. We need to renew Trade Promotion Authority. Then, Congress and the administration should use this legislation to pursue new trade agreements to ensure that international commerce is fair. The trans-Pacific, trans-Atlantic, services, and WTO trade agreements now being negotiated represent a once in a lifetime opportunity to tear down the walls that have shut American goods and services out of foreign markets for so long.

Finally, we need to ensure that all our trade agreements are fully enforced. Trade agreements are not worth the paper they are written on if they are not fully enforced.

The bottom line is simple: Without a pro-active and determined trade agenda, American workers and businesses will miss out on huge opportunities. U.S. companies and the workers they employ will be shut out of foreign markets by unfair foreign trade barriers. Our standard of living and our standing in the world will suffer.

The Chamber looks forward to working with Congress and the administration to advance a bold trade agenda to generate growth, opportunity, and jobs.

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Global Business Leadership as the U.S. Affiliate of:
International Chamber of Commerce (ICC)
International Organization of Employers (IOE)
Business and Industry Advisory Committee (BIAC) to the OECD
ATA Carnet System

Senate Committee on Finance
Attn. Editorial and Document Section
Room SD-219
Dirksen Senate Office Building
Washington, DC 20510-6200

February 10, 2015

STATEMENT FOR THE RECORD

*RE: Full Committee Hearing on President Obama's 2015 Trade Policy Agenda,
January 27, 2015, 10:00am, Dirksen Senate Office Building, Room 215*

The United States Council for International Business (USCIB) strongly supports an ambitious, proactive U.S. trade agenda to advance our national economy and promote American business at home and abroad. USCIB, as a trade association representing over 300 multinational corporations, associations and law firms, works with our members in policy areas spanning trade and investment, customs and trade facilitation, environmental issues, information and communications technology, intellectual property rights, product policy, agriculture, tax and much more. As the American affiliate of the International Chamber of Commerce (ICC), the Business and Industry Advisory Committee to the OECD (BIAC), and the International Organization of Employers (IOE), we advocate for open trade on behalf of U.S. business in the World Trade Organization (WTO) and other intergovernmental bodies.

USCIB and its member companies are committed to strengthening a rules-based global trading and investment system through further opening of international markets, continuing trade and investment liberalization, and removing barriers American companies face around the world. To that end, the USCIB 2015 Trade and Investment Agenda along with the USCIB 2015 Customs and Trade Facilitation Priorities and Goals outline five areas for action by our members to advance these goals:

- Press for an ambitious U.S. trade agenda that improves access to major economies and addresses emerging protectionist policies.
- Promote global investment policies that open markets and level the playing field for U.S. companies.
- Support efforts by the WTO to rebuild confidence and credibility through concrete action on specific negotiations.
- Leverage USCIB international platforms to build global business support for addressing key trade and investment policy concerns.
- Streamline trade at the borders by actively supporting Customs Reauthorization legislation and implementation of the WTO Trade Facilitation Agreement.

USCIB and its members look forward to working with the Obama Administration, especially U.S. Trade Representative Ambassador Froman and his team; the Congress; business; other stakeholders, and governmental organizations to realize our mutual goals of growing the American economy and creating jobs. Specifically, USCIB looks forward to working with USTR and the Administration on completing the TransPacific Partnership (TPP), substantially advancing negotiations in the Transatlantic Trade and Investment Partnership (TTIP) with the European Union, concluding the Trade in International Services Agreement (TiSA), and working with growing trading partners such as China to conclude Bilateral Investment Treaties (BITs). We have been active in providing stakeholder input on these efforts, in policy recommendations, through letters and in meetings with negotiators.

Most urgently, USCIB and our members believe that Trade Promotion Authority (TPA) legislation must be approved by Congress early in 2015. TPA is critical to moving forward on the trade agreements listed above with guidance on important negotiating objectives articulated by Congress. TPA would enhance America's competitiveness in the global economy as well as strengthen our commercial and strategic relations around the world. USCIB has been advocating passage of this legislation and will continue to employ its resources to achieve this objective. Additionally, we believe the passage of customs reauthorization is critical to the facilitation of trade and ensuring a faster clearance of goods at the border.

In addition to supporting a strong U.S. trade agenda, USCIB believes that multi-lateral approaches to trade can be the most effective means for opening global markets and leveling the playing field for U.S. companies. Directly and through our international affiliate organizations, USCIB supports a strong WTO. Successful ratification and implementation of the Trade Facilitation Agreement will provide a major boost to the work of the WTO and we are leading private sector engagement with the relevant government agencies to ensure a swift and positive outcome. We are also leading U.S. business efforts in support of completing the Environmental Goods Agreement this year in the WTO and we continue to support the conclusion of the Information Technology Agreement expansion. Success in these agreements along with progress on a post-Bali agenda would rebuild confidence in and the credibility of the WTO.

Through U.S. trade negotiations, the work at the WTO, and other international venues, USCIB will seek to address a growing list of trade and investment barriers

that its members encounter globally such as: localization requirements, restrictions on the cross-border flow of data, regulatory impediments, unfair competition from state-owned enterprises, and customs-related challenges at the border. USCIB will leverage its unique relationships with the ICC, BIAC, and IOE to coordinate our efforts with business associations in other countries to address these issues with governments in other countries as a complement to our work with the U.S. government.

More details on the priorities and workplan for USCIB are included in the full USCIB 2015 Trade and Investment Agenda and key sections of the USCIB 2015 Customs and Trade Facilitation Priorities and Goals which we include as an attachment for the record.

Sincerely,

Robert J. Mulligan
Senior Vice President, Policy and Government Affairs

USCIB Global Trade and Investment Agenda 2015

The United States Council for International Business (USCIB) is committed to strengthening a rules-based global trading and investment system through further opening up of international markets, continuing trade and investment liberalization, and removing barriers American companies face in doing business around the world. In 2015, our USCIB Trade and Investment Agenda will build on the work done in 2014 to move many trade and investment initiatives important to USCIB member companies forward, as well as address emerging sets of practices that have the potential to and/or are increasingly creating trade friction.

USCIB's Trade and Investment Agenda will work hard to bring a number of trade initiatives, where the U.S. is an active participant, to successful closure while substantially advancing others, including: reaching bi-partisan agreement on Trade Promotion Authority (TPA) legislation, completing the Trans-Pacific Partnership (TPP) negotiations and getting Congressional approval, finalizing the agreement on expansion of the Information Technology Agreement (ITA), making significant progress on the Trans-Atlantic Trade and Investment Partnership (TTIP) and Trade in International Services Agreement (TiSA) negotiations, continuing to move the World Trade Organization (WTO) forward in positive ways such as implementation of the Trade Facilitation Agreement (TFA) concluded in Bali, and supporting efforts to continue to negotiate a high-standard U.S.-China Bilateral Investment Treaty (BIT).

Through our work on these trade and investment negotiations and our engagement with a wide range of intergovernmental organizations, the USCIB Trade and Investment Agenda will target many emerging policies and regulatory practices that are having a growing impact on members' business and global trade and investment flows. We will continue to educate policymakers on global value chains that are critical to business growth and advocate against policies that restrict the movement of goods, services, capital and people such as: localization barriers to trade, limitations on cross-border data flows, unfair support for state-owned or state-supported enterprises, customs and border impediments, mobility-related obstacles, inadequate anti-bribery enforcement, inadequate or eroding IP protection, and illicit trade.

While we will actively engage U.S. policymakers on the USCIB Trade and Investment Agenda, our members see a growing need to also engage policymakers and business leaders in other countries on the issues they are confronting in global markets. USCIB will seek to more effectively leverage its unique network of relationships with business groups in other countries that are best placed to influence the policymakers in their countries. As the U.S. industry representative to the International Chamber of Commerce (ICC), the Business and Industry Advisory Committee to the OECD (BIAC), and the International Organization of Employers (IOE), we already work closely with the foreign business groups in these organizations but will look to expand the scope of our cooperation in addressing the key trade, investment and regulatory opportunities to better facilitate global growth and competitiveness.

Growing trade and investment can generate much needed economic growth and job creation in the United States and around the world if policymakers take the steps needed to address barriers to trade and investment. The USCIB Trade and Investment Agenda sets out a framework for continuing to open markets in 2015.

1. Press for an Ambitious U.S. Trade Agenda that Improves Access to Major Economies and Addresses Emerging Protectionist Policies

Short Term (6–12 months)—

- TPP. As member of TPP Coalition Steering Committee, actively support coalition strategy to press for completion of comprehensive, high-standard TPP agreement and approval by Congress by the first half of 2015.
- TPA. As member of TPA coalition steering committee, build bi-partisan Congressional support for approval of well-designed TPA early in 2015.
- TTIP. As member of Business Coalition for Trans-Atlantic Trade (BCTT) steering committee, and co-chairs of several key issue work groups, play lead role in engaging U.S. and EU negotiators to advance an ambitious and comprehensive TTIP agreement including investment protection and regulatory cooperation commitments, including specific sectors, and to promote a more open environment for U.S. companies in Europe.
- TiSA. Support a successful conclusion of the TiSA negotiations that sets high standards for opening services trade.
- WTO. Support U.S. efforts to move forward in the WTO, implementing the Trade Facilitation Agreement, completing ITA expansion, and moving forward with the Environmental Goods Agreement (EGA) negotiations. (See agenda item 3 on rebuilding WTO).
- Press for the U.S. to address through trade negotiations and bilateral engagement trade areas of growing concern such as: localization barriers to trade, restrictions on cross-border data flows and other forms of digital protectionism, state-owned enterprises (competitive neutrality), global value chains, mobility/temporary movement of talent, illicit trade, regulatory cooperation, food security and agriculture regulations, and advocate for IP language in trade agreements that establishes a robust and effective intellectual property framework to promote innovation and creativity.
- Engage Congress in support of building capacity on trade—including updating engagement with Africa in an AGOA 2.0 discussion.

Medium Term (1–3 years)—

- Identify new trade initiatives to follow after completion of TPP and TTIP such as expansion of TPP around the Pacific Region and/or integration of existing Free Trade Agreements (FTAs) including contributing to the USTR's co-chair role on the FTAAP working group.
- Provide thought leadership on future U.S. trade strategy and anticipate changing policy issues resulting from rapid economic and technological changes. Address growing trend of government intervention in markets.
- Provide thought leadership on the growing inter-play between regulation—coherence versus fragmentation and the need for sound science-based policy-making—and trade policy.

2. Promote Global Investment Policies that Open Markets and Level the Playing Field for U.S. Companies

Short Term—

- Continue leadership role on state-owned enterprise issues in the TPP, TTIP, TiSA, and BIT negotiations and at the OECD.
- Press for high-standard Investment chapters in TPP and TTIP, especially on investor-state dispute settlement; resist efforts to carve out important provisions or sectors.
- Play lead role in working with U.S. government on China BIT. Encourage U.S. government to move forward on high-standard BIT negotiations with other key countries including India.
- Build coalition to support maintenance of investor-state dispute mechanisms in investment agreements and ensure any discussions of a multilateral investment framework focus on including high-standard investment protections.
- Strengthen relationships with business groups from other key countries that are our partners in international affiliate organizations and build global support on key investment issues.

Medium Term—

- Encourage helpful and constructive ICC approach to addressing global investment issues including through thought leadership at the G-20/B-20.

3. Urge WTO to Rebuild Confidence and Credibility Through Concrete Action on Specific Negotiations

Short Term—advocate for WTO to restore effective role in liberalizing trade:

- Ensure ratification and effective implementation of Trade Facilitation Agreement concluded in Bali at WTO ministerial.
- Support efforts to conclude an agreement to expand product coverage in the ITA in 2015.
- Lead coalition effort to advance negotiations in the WTO on an environmental goods agreement.
- Engage our business group partners from other countries directly and through our international platforms (BIAC, IOE, ICC) to build consensus views on trade agenda in the WTO, post-Bali.

Medium Term—work to rebuild consensus in support of multilateral trade negotiations and the WTO.

- Propose improvements to operation of WTO, including the dispute resolution process and consultation with the private sector.
- Develop paper on changing global economic environment and growing role of large emerging economies. Underscore the importance of a rules-based trading system.

4. Leverage International Platforms to Build Global Business Support for Addressing Key Trade Policy Concerns

Short Term—utilize ICC, BIAC and IOE where appropriate to raise global awareness on issues and build support of broad international business community. Work through our foreign business association partners to build local advocates. Engage OECD on useful work they could do in these areas. Utilize other platforms such as APEC and G-20/B-20, as appropriate for addressing issues such as:

- Localization barriers to trade
- Cross border data flows
- Regulatory cooperation
- Illicit trade
- State-owned enterprises/Competitive neutrality
- Global value chains
- Mobility
- Support robust and effective intellectual property framework to promote innovation and creativity
- Anti Bribery/transparency
- Supply chain transparency
- Engage governments on potential negative impacts on economic growth/export generation from over-regulation and the benefits of regulatory coherence among countries.
- Work with G-20/B-20 and other international organizations to support policies on infrastructure (including financing) that will improve trade and investment opportunities for members.
- Implement strategy building on USCIB unique expertise, access and influence to intergovernmental organizations (IGOs) and the U.S. government in order to advance members' interests, enhance business participation and influence in key IGOs, and shape policy at the international level.
- Strengthen our relationships with business groups from other countries that are our partners in international affiliate organizations and build support on key trade, investment and regulatory issues. Organize meetings with these groups in Washington and in their home countries to build relations. Identify issues of common interest and pursue joint advocacy efforts.
- Organize more meetings/lunches for members with foreign officials when they are in DC to provide opportunity to engage on the key trade policy concerns in that country and globally.

Medium Term—

- Address growing concerns that some multilateral institutions are pursuing policies that will restrict international trade and investment rather than promote trade liberalization.
- Assist the smallest businesses and individual entrepreneurs to engage in international trade by adopting trade policies aimed at improving access to the global marketplace such as removing red tape and simplifying customs clearance procedures.

5. Leverage Coordinated USCIB Committee Work on Trade Policy Related and Regulatory Issues

Short Term—work closely with other USCIB policy committees on issues that intersect with trade and investment policy:

- Environment Committee—tariff reduction/elimination on environmental goods and services, IP erosion efforts in Climate Change talks, and unilateral environmental policies that become nontariff barriers to trade.
- Customs Committee—trade facilitation and customs modernization.
- ICT Committee—localization barriers to trade, cross border data flow and privacy.
- Competition Committee—competitive neutrality.
- IP Committee—support robust and effective intellectual property framework to promote innovation and creativity.
- Labor Committee—ensure labor provisions in trade agreements are consistent with member positions in existing agreements.
- Tax—ensure tax policy changes do not create barriers to trade and investment.
- Country/regional committees—APEC, China, emerging markets, EU.

Medium Term—identify cross-cutting issues that involve more than one committee and develop coordinated strategies to address these issues.

6. Provide Thought Leadership and Improve Analysis on Trade and Investment Policy to Inform Global Policymaking Activity

Short Term—continue to educate policymakers on member business models that utilize global value chains by leveraging USCIB study by Prof. Slaughter through briefings on Hill, meetings with policymakers, engagement with our international organizations, possible briefing in Brussels, webinars, and other venues. Utilize study throughout the year in pushing for policies that facilitate member company competitiveness and counter policies like localization barriers to trade.

- Encourage affiliate organizations in other countries to work with local think tanks to write on impact of policies such as localization barriers to trade and restrictions on cross border data flows on global value chains and economic growth.
- Raise USCIB's public profile on trade and investment issues, including public speaking, media interviews, and well-prepared conferences.
- Support work of OECD on Trade in Value Added research and policy analysis.
- Build on successful OECD/USCIB trade and investment conference by establishing it as an annual event.
- Support organization of first ICC/USCIB conference on customs and trade facilitation.
- Support business visit to OECD organized by BIAC.
- Support research connecting open government data with a more efficient trading system and economic growth.

Medium Term—identify other issue areas for in-depth research and develop plan for producing one or more reports. Possible issues might include localization barriers to trade, challenges of state capitalism, cross border data flows, impact of sanctions on trade. Work with U.S. Council Foundation to expand study and research capabilities.

USCIB 2015 Customs and Trade Facilitation Priorities and Goals

The United States Council for International Business remains committed to pushing a robust trade and customs agenda in 2015. We will continue to urge for passage of Customs Reauthorization legislation in the U.S. Congress. We believe updating this legislation is critical to improving transparency and efficiency and to fostering a better relationship between trade facilitation, security and enforcement. There is also a growing need for mutual recognition globally and will continue to engage other countries to further push for an international single window initiative.

The USCIB Customs and Trade Facilitation Committee 2015 goals and priorities sets a framework for the year and presents a clear path forward for the committee towards the areas in which we can make the most impact. USCIB and our membership bring a unique view that enables us to actively engage U.S. policy makers. Our perspective allows us to actively engage and strengthen our international partnerships to advance global customs initiatives while supporting U.S. Customs and Border Protection.

U.S. Congress:

Customs Reauthorization:

- Continue to work with U.S. Congress and business community to facilitate passage of a Customs Reauthorization Bill
 - USCIB continues to support CBP’s efforts to increase the current values for *de minimis* and informal entry shipments. This change would promote faster border clearance for low-value shipments and allow Customs to focus on urgent priorities like ensuring product safety and protecting intellectual property. This in turn would benefit small business by reducing the burden associated with importing low value goods and international retail returns.
 - Push for language in the legislation to mandate mutual recognition of customs in all countries. A single window initiative benefits everyone and it is important to ensure trusted traders benefit from achieving trusted status. Today, one still has to apply for EU AEO even if they are C-TPAT. By creating true mutual recognition across borders, this would allow C-TPAT to be used for multiple purposes and would cut down on red tape.
 - Continue to engage with policy makers to ensure that companies benefit from their participation in trusted trader programs.
 - Work with members of the business community to provide outreach and education to Capitol Hill members about the importance of legislation.
 - Finalize USCIB *de minimis* white paper and circulate to government officials, multilateral institutions such as the WTO, WCO and other groups of interest.

WTO Trade Facilitation Agreement/Trade Facilitation:

- Continue to monitor developments and pursue opportunities to support ratification of agreement and ratification of protocol of amendment regarding food security for the WTO “Bali” Agreement on Trade Facilitation.
- Continue to play a leadership role in the USAID/USTR Alliance and the private sector business coalition.
 - Coordinate with members of the international business community to ensure there is one coordinated message for business.
- Identify resource capabilities and regions/countries of interest for members involved in initiatives.
- Continue to work with the ICC, WCO, WTO , USTR and CBP to coordinate donor effort on technical assistance and capacity building.
- Coordinate with the OECD on creating helpful data, research and information on the benefits of implementing the agreement and how trade facilitation will help developing and least developing countries.

