

Testimony of Ambassador Katherine Tai Before the Senate Finance Committee Hearing on the President's 2023 Trade Policy Agenda

**Washington, DC
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Thank you, Chairman Wyden, Ranking Member Crapo, and Members of the Committee. I appreciate the opportunity to be here today to discuss the President's Trade Agenda.

President Biden promised to build the economy from the bottom up and the middle out, and he is delivering on that promise.

Unemployment is at its lowest rate in over 50 years. Manufacturing is rebounding faster than it has in almost 40 years. We are seeing the strongest two years for small business applications on record with 10.5 million new businesses created. Wages are rising, especially for lower- and middle-income workers. We have seen more jobs created in two years than any other administration has seen in four.

Trade is an integral part of this pursuit of durable and inclusive economic growth.

Our Administration continues to believe that trade can be a force for good. We are writing a new story on trade. One that puts working families first and addresses today's pressing issues. One that brings more people in and reflects more voices across the American economy. One that advances our global priorities and strengthens democracy here at home and abroad.

Whether you have a college degree or not, whether you have five employees or five hundred, whether you are in rural Ohio or in the heart of Baltimore, whether you are a small dairy farmer in Michigan or a steelworker in Pennsylvania—we are restoring fundamental fairness to our trade and economic system.

We are leading on the world stage with this vision. We are collaborating with partners and allies to create broad-based economic growth and to continue the strong, united response to Russia's brutal invasion of Ukraine.

I am pleased to tell you today that we are making significant progress on these goals. Let me give you some examples of what this looks like.

Engaging with Key Trading Partners and Multilateral Institutions

President Biden has said that the United States is opening an era of relentless diplomacy to address the challenges that matter most in the lives of all people.

Trade is an important part of this relentless diplomacy. Over the last year, we have been leading with a positive economic vision around the world, and our partners and allies are joining us.

We launched negotiations on the Indo-Pacific Economic Framework for Prosperity to deliver real opportunities for our people throughout the region. We are focusing on priorities like labor standards, the environment, science-based and transparent regulatory systems, and an inclusive digital economy.

We had successful rounds of negotiations in December and earlier this month, and we are looking forward to a busy 2023 to make further progress.

We also kicked off the Americas Partnership for Economic Prosperity with eleven countries in our hemisphere.

We already have deep economic ties in the region, including free trade agreements with eight of our initial partners. Regionalization is an integral part of building resilience in our economy. By strengthening our relationships with our closest neighbors, we can drive sustainable economic growth and bolster our collective resilience.

We have also been busy on the bilateral front.

Through the Trade and Technology Council, we are collaborating with the European Union on imposing economic costs on Russia and Belarus, addressing economic coercion and non-market policies and practices, facilitating trade in emerging technologies, protecting workers' rights, and strengthening our supply chains.

We are also negotiating a Global Arrangement on Sustainable Steel and Aluminum.

This will drive decarbonization while also limiting anti-competitive and non-market practices that contribute to worldwide excess capacity, including from the People's Republic of China (PRC), which threatens American workers and businesses. It also shows that effective climate action can also support good-paying jobs here at home.

We also launched new initiatives with key partners in other important regions.

Taiwan is a vibrant democracy and an important trading partner in East Asia, and we started the groundbreaking U.S. – Taiwan 21st Century Trade Initiative last June.

Our teams have been working diligently to deliver high-standard commitments and economically meaningful outcomes, covering everything from trade facilitation and good regulatory practices to services domestic regulation and anticorruption.

Another important region for us is sub-Saharan Africa. Like I said during the U.S. – Africa Leaders' Summit, I believe the future is Africa, and we are ramping up our engagement to deepen our partnership with the continent.

Last July, we launched the U.S. – Kenya Strategic Trade and Investment Partnership. We held our first round of conceptual discussions in February, and we will continue conversations this

year to discuss important issues, including agriculture, digital trade, and supporting participation of women, youth, and others in trade.

We also signed an MOU with the African Continental Free Trade Area Secretariat, which will facilitate greater cooperation on trade and investment between the United States and the continent.

On the multilateral front, our Administration has been clear that we are committed to the WTO. We continue to believe that the organization can be a force for good and address global challenges as they arise.

This was demonstrated when we worked with other WTO Members to deliver meaningful outcomes during the last ministerial meeting, including on COVID-19 vaccines, fisheries subsidies disciplines, and food insecurity.

Speaking of fisheries subsidies, I was in Oregon last April with Senator Wyden and Senator Merkley to meet with fishers, and I also toured a groundfish vessel. We spoke about how our fishers are disadvantaged by unsustainable fishing practices, including illegal fishing and harmful subsidies. The WTO outcome is a step in the right direction to empower these fishers to compete on a level playing field and succeed.

These were important outcomes, but the WTO must change to be more relevant and address the challenges of our time, including on dispute settlement and other areas. This Administration has—and will continue to—work with other Members on reform.

Lastly, we are excited to serve as the APEC host this year, with the theme of “Creating a Resilient and Sustainable Future for All.”

This demonstrates our commitment to the Asia-Pacific, and we are taking full advantage of our host year to collaborate with partners to build a more durable and resilient global economy.

That includes lifting up workers and women entrepreneurs, empowering small businesses to enter the market, grow, and compete, and unlocking economic opportunities for those who have been underrepresented in all of our populations.

Going forward, USTR will remain in close coordination and consultation with this Committee and Congress to keep you updated as we develop our frameworks and initiatives.

Advancing a Worker-Centered Trade Policy

Workers are at the center of our trade policy. American workers can compete anywhere if the competition is fair. That is why we have been laser-focused on using trade to defend workers’ rights, both at home and abroad.

We have been using the USMCA’s Rapid Response Mechanism (RRM) diligently to bring tangible changes and defend the right of workers to freedom of association and collective

bargaining. From March 2022 through February 2023, we secured wins for workers at four different facilities. We have an open case and are working with Mexico to address violations at that facility, and just last week, the Government of Mexico accepted our request to review yet another case. This is important because it drives a race to the top by elevating labor standards across the region.

In September, we launched the Trade and Labor Dialogue with the European Union, to bring labor, business, and government representatives to address forced labor in supply chains. We will also expand this work to address the needs of workers and employers in navigating the digital transformation of our economies and workplaces.

In January, we launched a task force with Japan to work on forced labor issues, and USTR is crafting our first-ever trade strategy on forced labor and conducting an interagency review of our existing tools to address this issue.

We also recognize that farmers, ranchers, fishers, and food manufacturers are key to our worker-centered trade policy.

Last August, I visited Spellman Farm, a sixth-generation family farm in Woodward, Iowa growing corn and soybeans.

Sam Spellman was explaining how he is focusing on sustainable farming, including researching the effects of cover crops and no-till on Iowa's soil and nutrient retention. I could sense the immense pride he took in his work, not only for his own farm, but in educating fellow farmers.

That is what our work is about—restoring pride and dignity for our workers. Empowering them to compete and thrive. And we have achieved several economically meaningful wins for our agricultural sector over the last year.

We brought into force an amendment to Japan's beef safeguard mechanism under the U.S. – Japan Trade Agreement, which will provide more predictability for U.S. exporters to meet Japan's growing demand for high-quality beef.

We signed the U.S. – EU Tariff Rate Quota Agreement to provide certainty to U.S. exporters and open markets for U.S. agricultural products such as rice, wheat, corn, and beef.

We also opened access for U.S. pecan exports to India, following a 70% cut to tariffs. This was a big win for farmers and was a result of the successfully revitalized United States – India Trade Policy Forum.

We have a nimble USTR team that is opening markets for our agricultural sector, and we will continue to work with Congress to find additional opportunities.

Re-Aligning the U.S. – China Trade Relationship

Another component of our trade agenda is the realignment of the U.S. – China trade relationship.

This relationship is one of profound consequence. As the two largest economies in the world, our bilateral engagement affects not just the two participants, but the rest of world.

We recognize that the relationship is complex and competitive. And yet, American workers, farmers, producers, and businesses should not have to compete against the PRC's state-led policies, labor rights suppression, weak environmental regime, or other distortions that put market-oriented participants out of business.

While we continue to keep the door open to conversations with the PRC, including on its Phase One Agreement commitments, we must also vigorously defend our values and economic interests from the negative impacts of the PRC's unfair economic policies and practices.

That means making groundbreaking investments here at home so that we can compete—and collaborate—from a position of strength.

That is exactly what our Administration is doing. We are fixing our roads and bridges through the Bipartisan Infrastructure Law, bolstering our capacity for critical technologies through the CHIPS and Science Act, and incentivizing the manufacturing of clean energy technology here at home through the Inflation Reduction Act.

That also means coordinating with our partners and allies to confront policies and practices that are fundamentally at odds with a global trading system based on market competition.

An example of this is the U.S. – EU Cooperative Framework for Large Civil Aircraft. We held a ministerial meeting last December. We are analyzing the PRC's non-market policies and practices in this sector, and we are considering tools needed to effectively counter them. We are also exchanging views on the long-term risks posed by the PRC's state-directed industrial dominance goals to market-oriented sectors.

We are working to deepen our understanding of the PRC's state-directed industrial targeting goals and to more effectively defend our market-oriented aerospace workers and companies.

In May 2022, USTR also commenced a comprehensive four-year review process of the Section 301 tariffs on imports from the PRC. We are mindful of the effects that trade actions can have on American businesses and workers. At the same time, we are taking a deliberate and strategic look at how our economic interests can be served in light of the PRC's continued unfair policies and practices.

Promoting Confidence in Trade Policy Through Enforcement

Doing trade the right way means standing up to the forces that have harmed and undermined workers, producers, and communities to not just thrive but sometimes also to survive.

That is why the Biden Administration remains fully committed to vigorously enforcing our trade agreements. We will continue to use all of the tools at our disposal to combat unfair, non-market practices, defend American jobs, and create broad-based economic prosperity.

As I mentioned earlier, we have been diligently using the USMCA's RRM to defend workers' rights in Mexico. But our enforcement under the USMCA does not stop there.

We established a dispute settlement panel to address our concerns with Canada's revised dairy restrictions. We are also consulting with Mexico to address our concerns with measures that undermine American energy companies.

We also continue to engage with Mexico to address concerns regarding agricultural biotechnology.

Mexico's policies threaten to cause serious economic harm to U.S. farmers and stifle innovation that can promote global food security. On March 6, the United States requested technical consultations with Mexico under the USMCA. If our concerns are not resolved through technical consultations, we will consider all options to fix this problem, including by taking additional steps under the USMCA.

We are also upholding the eligibility requirements in our preference programs, in line with our worker-centered agenda and in accordance to the statutory eligibility criteria.

In November 2022, after using all diplomatic measures available to induce the government to remediate the issues, President Biden announced the termination of Burkina Faso's eligibility for the African Growth and Opportunity Act (AGOA) trade preference program, due to concerns with the unconstitutional changes in government in the country. We remain committed to working with Burkina Faso to meet the statutory benchmarks that would enable it to be reinstated in the AGOA program.

We recognize that many of our existing trade tools may not adequately address the challenges posed by today's economy, so we will continue to work with Congress to identify areas where new tools may be needed.

Promoting Equitable, Inclusive, and Durable Trade Policy and Expanding Stakeholder Engagement

I want to close where I started—on how our new story on trade strives to bring more people in and reflect more voices across the American economy. This Administration is promoting inclusive and durable trade policy for all Americans.

Last month, along with Senator Durbin, I had the opportunity to visit a welding class in Chicago, with a group of local tradeswomen.

Listening to their stories, I was reminded of what President Biden said during his State of the Union Address—that he ran for President “to fundamentally change things, to make sure the economy works for everyone so we can all feel pride in what we do.”

Fairness and equity must be bedrock principles in trade policy. That means having diverse voices at the table—especially underserved and marginalized communities that have been historically left out of trade policymaking—and incorporating their priorities into our policies.

That is why USTR released our Equity Action Plan last April. We developed this plan in accordance with President Biden’s Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.

Not only that, I have had the honor to serve as the co-chair of the White House Initiative and President’s Advisory Commission on Asian American Native Hawaiian and Pacific Islanders, and as a member of the Gender Policy Council and White House Council on Native American Affairs.

In January, the White House convened federal government officials and community leaders to release the Biden Administration’s first-ever National Strategy to Advance Equity, Justice, and Opportunity for AA and NHPI Communities.

This includes detailed plans from thirty-two federal agencies, including USTR, which build on the Administration’s previous actions to promote safety and equity for AA and NHPI communities.

I am incredibly proud to be a part of this important work, but we know there is more that we can do to make trade policy more equitable and inclusive. So, we are continuing to work with the U.S. International Trade Commission on the distributional effects of trade on American workers and sustaining our engagement with diverse communities across our country.

This engagement includes Congress and this Committee. You are our constitutional partner on trade, and the Administration recognizes Congress’ important role in crafting trade policy. We will continue this partnership through regular briefings with you and your staff.

Two years into this Administration, we are leading with a positive economic vision in key parts of the world, and we are already starting to see results.

None of this is possible without the devotion and professionalism of our USTR staff, and I am grateful for their expertise and dedication as we press forward to finish the job.

Thank you for your time, and I look forward to answering your questions.