

Grassley at Hearing on WTO Reform

Prepared Opening Remarks by U.S. Senator Chuck Grassley of Iowa

Chairman, Senate Finance Committee

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Good Morning. The committee will come to order. I want to welcome our witnesses. Today, we're fortunate to have some very smart people who can provide insights on making an important institution – the World Trade Organization, or WTO – work again.

When the WTO works right, Americans benefit – plain and simple. For example, Americans are leaders in innovation and creativity. WTO rules allow us to reap the rewards of that leadership. When India refused to provide patent protection for American pharmaceutical and agricultural chemical products, we took them to the WTO – and won. You often hear about how important the “global box office” is for Hollywood. It's become lucrative because the WTO requires our trading partners to provide copyright protection and market access for U.S. films.

Likewise, the WTO is very important for our farmers, who are the most efficient and productive in the world. If you watch my Cornwatch feed on Instagram, you'll know that thanks to technology, corn grown today is shoulder-high by July 4, rather than knee-high when I was a kid. If you're not watching Cornwatch, you need to. Unable to compete though, some countries try to ban our farm products by falsely claiming they are dangerous. The WTO was the first time we had a global rules that took on this form of protectionism by requiring food safety measures be based on science.

The WTO also ensures that our industrial companies have access to key resources. When China tried to use its control of rare earths minerals to pressure its neighbors, the WTO is where we joined with the EU and Japan to take on China's bullying. Facing WTO retaliation, China lifted its export restraints.

The WTO has also helped our broader foreign policy goals. Opening economies means more open societies. One story that needs more attention is how trade has led to more opportunities for women. I'm glad that WTO Members recognized at the last WTO Ministerial to issue a Declaration on Trade and Women's Economic Empowerment. The WTO needs to stay on top of that important issue.

These are important successes. But we can't live in the past. From 1947 to 1994, we had eight rounds of multilateral trade negotiations. That's a major global trade deal every six years on average. The WTO is now 25 years old, but we have yet to see any major outcomes liberalizing trade.

The President has said we need dramatic change at the WTO. He's emphasized to me that other countries' tariffs and barriers are too high. He's right. No one expected the Uruguay Round to be the last global trading round. Over the last two decades, countries like China and India got a lot richer, but they've refused to take on any more responsibilities. In fact, they claim they are entitled

to special treatment in any future negotiations because they are developing countries. The notion that China and India should get the same consideration as a country like Cameroon is ridiculous. So I applaud the President for taking on this imbalance, and pushing to make the WTO relevant.

Today, I want to have a thoughtful discussion about getting the WTO back on track. To me, that means a couple of things.

First, the WTO needs to be an effective forum for negotiating agreements again. That means not only concluding the Fisheries negotiations, but also new agreements, including an ambitious agreement on e-commerce. When Congress ratified the WTO Agreements, there was no digital economy. Today, it accounts for nearly \$2 trillion of the U.S. economy. Again, this is an area of U.S. leadership where we need rules to make sure we get a fair shake from our trading partners.

Second, we have to fix dispute settlement. I absolutely believe that we need enforceable rules. It's much better to solve our trade disputes over legal briefs than through tariffs. However, WTO dispute settlement has been breaking down for years. Fifteen years ago, I warned at a hearing like this one that the WTO Appellate Body wasn't enforcing rules; it was legislating new ones. I don't like that history proved me right.

The WTO's Appellate Body ignored clearly written rules like finishing cases in 90 days. Cases that should have taken months dragged on for years, frustrating our ability to get timely relief. At the same time, the Appellate Body started writing new rules that impinged on U.S. sovereignty. For example, the Appellate Body has made it harder to use labeling to keep our consumers informed about the country of origin of their meat, or whether their tuna was harvested without hurting dolphins. Of particular concern, the Appellate Body has also made it much harder to use trade remedy measures at a time we need them more than ever to confront China's state capitalism.

I appreciate that what I am seeking is hard: getting 164 countries to agree to a freer and fairer trading system. But I don't appreciate embracing protectionism as the alternative because it can be extremely harmful in the long run. From 1929 to 1933, governments around the world raised barriers to trade – including our own with the disastrous Smoot-Hawley tariff. Two-thirds of world trade was wiped out, and the Great Depression became much worse. World War 2 followed.

We cannot repeat those mistakes. We're going to continue to do what we have been doing since winning World War 2: Lead. U.S. leadership will require Congress to step up, and fulfill our constitutional role in setting trade policy. Just as Congress set the objectives for negotiating the WTO Agreements and approving those agreements, we are working now to secure an ambitious reform agenda that will make this institution fit for global challenges. That's why I am glad Members are considering and debating solutions, including Senators Portman and Cardin, who have introduced a resolution that has concrete proposals to reform the WTO. It has never been more important than it is today to ensure the WTO is equipped to take on the global challenges we face collectively today.