

**Opening Statement (As Delivered)
Ranking Member John Cornyn**

**Senate Committee on Finance, Subcommittee on International Trade,
Customs, and Global Competitiveness
“Opportunities and Challenges for Trade Policy in the Digital
Economy”
November 30, 2022**

Thank you, Mr. Chairman, for organizing this hearing. It's been a pleasure as always working with your staff, and thanks to all of our witnesses for being here and sharing their expertise and knowledge. I like the three questions that you plan to ask or have teed up here. This subcommittee has consistently focused on the threat that China poses to our national security through its weaponization of trade, contrary to the international rules based system that we thought they were joining when they became part of the WTO.

On that note, I want to express my concerns with regard to reports that our allies in Europe may retaliate for provisions of the recently passed *Inflation Reduction Act*. In the face of existential challenges posed by the Chinese Communist Party and its allies in the Russian Federation, a strong relationship with our partners in Europe is more important than ever.

Unfortunately, legislation passed on a purely party-line vote, like the *Inflation Reduction Act*, has moved us in the wrong direction. And I hope the administration will work to limit the trade ramifications from this bill with regard to Europe and our other allies. We all know that the results of protectionism helped put us into the Great Depression nearly a century ago, and we simply cannot afford to repeat it or get anywhere near it.

On this subcommittee, we've advocated for the US to join the CPTPP, which was a mistake for us to walk away in the first place. I was with Senator Hagerty, the former Ambassador to Japan, now a member of the US Senate and Senator Cardin, our colleague on the Finance Committee, in Japan recently, every single meeting we had with our Japanese government counterparts, they mentioned the TPP. And Senator Carper and I have

written and spoken together on what a mistake it was for us to walk away from that. And my hope would be at some point we would get back in the game in Asia with the CPTPP.

Unfortunately, so far, the Biden Administration has refused to reopen negotiations on that agreement. So we need to look to sectoral specific free trade agreements that focus, for example, on digital trade. This was also part of the conversation we had with Ambassador Emanuel in Japan when we were there. As each of our colleagues know, free trade agreements passed through Congress are insulated from domestic political pressure. They provide long term certainty for our businesses and reinforce the key economic relationships that we have with our friends and allies.

We've also focused on China's use of censorship as a barrier to digital trade in particular. We see today how China is weaponizing its digital infrastructure against its own citizens for simply protesting in the streets. One of the first tasks we should explore is how to define digital trade, which is what Chairman Carper, the question he raised first and appropriately so. For everything digital or virtual from the cloud to artificial intelligence, there is obviously an underlying physical element. For digital trade that medium is semiconductors, so maybe we should start by using that physical apparatus as a starting point for our discussions.

The second area we should explore is how digital trade agreements help to solidify our relationship with our friends and allies against the threat posed by the Chinese Communist Party. So I believe any digital trade agreement with our allies and partners should include provisions that incorporate disciplines on semiconductors as part of it. That includes things like coordination of semiconductor incentives, harmonization of our export controls with regard to China, and supply chain resiliency.

Finally, most importantly, we should find common areas of agreement amongst all stakeholders to include business, labor, and national security. That includes topics like preventing data localization and forced technology transfers. We should have free and open digital trade facilitation with clear rules of the road. For example, we should not be taxing electronic

transmissions between our borders, or forcing data centers to be located in one nation or another. As with all issues pertaining to China, that will require a fair amount of discussion, debate, and even compromise.

So I look forward to hearing from our witnesses today that represent a facet of each of those.

I'd like to welcome Mr. Feith for the national security perspective, Mr. Woodall for the labor community, Ms. Bliss from industry, and Mr. Meltzer from the think tank community that's important, give us the intellectual firepower we need to make good decisions here in Congress. So thank you all for being here today, and I look forward to hearing from you.