

THE 2010 TRADE AGENDA

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED ELEVENTH CONGRESS
SECOND SESSION

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MARCH 3, 2010
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THE 2010 TRADE AGENDA

WEDNESDAY, MARCH 3, 2010

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

The hearing was convened, pursuant to notice, at 11:29 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Kerry, Lincoln, Wyden, Stabenow, Cantwell, Nelson, Menendez, Carper, Grassley, Crapo, Roberts, and Enzi.

Also present: Democratic Staff: Bill Dauster, Deputy Staff Director and General Counsel; Ayesha Khanna, International Trade Counsel; Amber Cottle, Chief International Trade Counsel; and Michael Smart, International Trade Counsel. Republican Staff: Stephen Schaefer, Chief International Trade Counsel; David Johanson, International Trade Counsel; and David Ross, International Trade Counsel.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will come to order.

Benjamin Disraeli said, "Free trade is not a principle, it is an expedient." Disraeli is right. Free trade is not an ideology. It is a means to an end. Free trade is a tool to create opportunity for the American people, and our trade agenda cannot stand in isolation. It must serve our broader goals.

America is emerging from the most wrenching economic crisis since the Great Depression. The economy is beginning to recover, but unemployment remains high. Fifteen million Americans are out of work. Our most urgent economic goal must be to create jobs. Job creation must be at the center of our trade agenda.

History tells us that expanding trade promotes growth. According to the Peterson Institute, trade liberalization since 1945 has increased the United States' national income by 9 percent. That 9 percent means \$1.3 trillion of additional income last year alone.

We know that opening markets and increasing exports creates jobs. According to the Department of Commerce, every \$1 billion in manufacturing exports supports almost 7,000 jobs, and every \$1 billion in agricultural exports supports 8,000 jobs.

Last year, America exported more than \$1.5 trillion in goods and services. Those exports supported nearly 10 million jobs. In 2008, my home State of Montana exported more than \$2 billion worth of agricultural goods, industrial machinery, chemicals, paper, and other products.

Americans are among the most productive people in the world. But we are not yet meeting our export potential. We are the world's largest economy, nearly 3 times the size of our nearest competitor. We are only the third-largest exporter, after China and Germany. As a share of national income, America exports less than all of our major trading partners. We must achieve our export potential; our economic recovery depends on it.

As a result of the recession, domestic consumption has plummeted. Public spending helped to fill the demand gap in the short run, but, as we reduce stimulus to protect our fiscal stability, we must find new sources of demand. We must find new buyers abroad.

The President has set a goal of doubling U.S. exports over the next 5 years. That increase would support 2 million jobs, and I endorse that goal. But it is ambitious. It would require exports to grow nearly 19 percent annually. That is almost double the yearly average since 1960. We can meet this goal, but our actions must be as ambitious as the goal. We must do everything possible to open markets and promote our exports.

What should we do? I propose five steps. First, we should increase our support for export promotion. Last week, we heard testimony about the export potential of small business. Small businesses represent 97 percent of exporting firms, but only 30 percent of exports. There is room for growth.

In order to grow, small businesses must obtain the necessary resources. As Spencer Williams, the president and CEO of West Paw Design in Bozeman, MT, testified, small businesses need financing, they need market research, and they need technical assistance.

If we are committed to increasing exports and creating jobs, we should help small businesses acquire these resources just as our competitors do. Canada, for example, spends 50 percent more than we do on export promotion; the United Kingdom spends 3 times more.

Second, we should approve our pending trade agreements. South Korea is our 7th-largest trading partner, Colombia our largest agricultural market in South America, and Panama is a center of global commerce.

The International Trade Commission estimates that these agreements, once implemented, would increase U.S. exports by approximately \$12 billion. We must address the remaining obstacles to these agreements, but we must also recognize the consequences of delay. Our competitors are signing trade deals that will put our farmers and businesses at a competitive disadvantage unless we act.

Third, we should focus on the markets that matter most. I have long supported American participation in the Trans-Pacific Partnership, and I applaud the administration for launching these negotiations. A TPP agreement would anchor our position in the Asia-Pacific region. It could set a new high standard for transparency, for non-discrimination, and open markets in this fast-growing region.

To reduce barriers in other markets, we must insist on an ambitious Doha Round agreement that creates opportunities for agriculture, manufacturing, and services. The deal on the table is inad-

equate, and we appreciate your efforts, Mr. Ambassador, to push for more market access, particularly from China, India, and Brazil.

Fourth, we must enforce our existing agreements. Even the best trade agreement will not meet its export potential if we do not enforce the rules. We must identify barriers and remove them, through consultation when possible, or litigation when necessary. By the same token, when trade rulings go against us, we should strive for compliance. We must also reserve the right to decide the appropriate response to these rulings, but we cannot expect our trading partners to uphold the rules if we do not.

Fifth, we must ensure that our trading partners do not gain unfair advantage by failing to adopt or enforce basic labor rights and environmental protections. In our pending trade agreements, we strengthened labor and environmental standards. These bipartisan amendments improved our agreements and should be carried forward in future negotiations. The new opportunities created by trade agreements need not, and should not, come at the expense of workers or the environment.

As Disraeli emphasized, free trade is a means to an end. So let us commit to increase our exports, enforce our agreements, and protect workers and the environment, but let us not forget the ultimate goal of these actions: creating jobs for the American people.

I will now turn to Senator Grassley.

**OPENING STATEMENT OF HON. CHUCK GRASSLEY,
A U.S. SENATOR FROM IOWA**

Senator GRASSLEY. Yes. Thank you, Mr. Chairman.

Welcome, Ambassador Kirk. You are a person whom I feel in your heart is really into the issue of trade. You understand it. You work hard at it, and I am glad for that. I am glad for the Nation, because trade is a very important aspect of turning this country out of the recession that we are in. I also hope that you get the support within the administration that you deserve.

This is a very important hearing. It gives us an opportunity, through Ambassador Kirk, to review the President's recently announced trade agenda for 2010. I have looked at the trade policy agenda, and I am disappointed by some of the gaps that I see in the level of detail provided by the President. That is not questioning his integrity and the optimism he has in that area, but I think that we need to point out some of these shortcomings.

For example, the trade agenda states that our government "will continue to engage with the governments of Panama, Colombia, and Korea as the administration further refines its analysis of these outstanding issues." And I think you heard from our chairman his desire to move forward on those, and I think it shows, with my support for it, a very important bipartisan beginning to get those agreements through the U.S. Senate.

But the President's statement, which I just stated, does not indicate where we are on that engagement or when future meetings are planned with the governments of Colombia and South Korea to iron out resolutions to the administration's concerns.

But additional emphasis to what I just said about my disappointment is that it has been almost 3 years since each of our pending trade agreements was modified to reflect what is commonly known

as the May 10th agreement between congressional Democrats and the then-President, President Bush.

This delay in implementing hurts U.S. credibility around the world, not just economically, but geopolitically as well. On top of that, it creates some confusion with respect to our administration's own trade initiatives.

The administration has articulated forcefully the potential benefits of the Trans-Pacific Partnership trade agreement, and I happen to agree with the administration on that. But there is some very great disconnect between the enthusiasm for negotiating a Trans-Pacific Partnership agreement and the apparent lack of urgency to resolve the outstanding issues cited by the administration as cause for delay in implementing the pending free trade agreements.

There may well be political reasons for this lack of urgency, but that does not justify delay as good policy. Quite the opposite. Though some may dismiss this focus on our pending trade agreements, the world is not dismissing it because they will not wait for us if we sit by the sidelines.

South Korea has already concluded a trade agreement with the European Union, and Colombia has reportedly just done the same. So that puts us at a disadvantage if Europe is going to move ahead. Such erosion to global U.S. competitiveness concerns me. We were left on the sidelines once before, and I will bet, when you were in Texas, you realized that during the latter part of the 1990s. I do not want to see us repeat that experience again.

The trade agenda also reiterates the President's goal of doubling U.S. exports in the next 5 years, a worthy goal. It also touts the President's National Export Initiative as a means of achieving that. But beyond another bureaucratic incarnation in the form of what the administration calls the Export Promotion Cabinet, the details for achieving that growth in exports are missing. I think it is a little bit of a case of getting the cart before the horse.

The relative executive departments and agencies have been given 6 months to submit detailed plans to the President on how they will spend monies that have already been accounted for in the President's budget to achieve an increase in U.S. exports. This top-down spending mandate seems to me a recipe for waste.

Before additional resources are appropriated, this administration should provide a detailed justification for why current spending levels are insufficient, and the fact that agencies can find ways to spend more money is not an acceptable reason. The trade agenda does acknowledge the important role that international trade plays in creating and sustaining good-paying jobs here in the United States, and of course we all must commend the President for that.

I also agree with the President that we need to remain mindful of the needs of American workers who are displaced by trade, but we have already done that. Congress enacted a comprehensive overhaul and expansion of our Trade Adjustment Assistance program last year.

So we are left waiting for the President to act on the trade agreements and on some details for his initiative. I look forward, Ambassador Kirk, to your testimony and a response to what I have had to say, or questions I will ask.

The CHAIRMAN. Thank you, Senator.

Now I would like to introduce our witness, Ambassador Ron Kirk, our USTR. We are very happy to have you here, Mr. Kirk. You have lots of experience here in the Senate with Senator Bentzen and also particularly as the mayor of Dallas, and you are very well-qualified for what you are doing.

Welcome to the Finance Committee. As is our usual practice, I would like to ask you to summarize your statement, please, and we will put the entire statement in the record.

STATEMENT OF AMBASSADOR RON KIRK, U.S. TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador KIRK. Thank you so much, Mr. Chairman, Senator Grassley, members of the committee. Thank you all for the opportunity to come and discuss with you further the President's 2010 trade agenda.

In 2009, as Chairman Baucus noted, President Obama's economic strategy helped halt the slide into economic crisis. In 2010, the Obama administration is focusing on renewing the American economy by laying a sustainable foundation for American prosperity, one that creates opportunities for job growth here at home, but also for Americans to compete and succeed around the globe. A strong trade policy should lead to good jobs, fair prices, and increased consumer choices.

This year's trade policy agenda outlines our commitment to the rules-based trading system, our dedication to enforcing America's rights, and our plan to advance U.S. economic interests abroad. Taken together, these elements will stimulate export-driven growth and help the United States meet the President's goal to double U.S. exports in 5 years, which you have both noted could help support 2 million additional jobs.

Over the past years, we have spent quite a bit of time listening to the American public and this Congress, and we have acted on what we have learned. We have worked to break down barriers to agricultural exports by reaching an unprecedented agreement with the European Union to expand access for American beef after more than 2 decades of being locked out of Europe.

We are now challenging the EU in the WTO over its unfounded ban on poultry exports. We have leveled the playing field for U.S. manufacturers by reaching an agreement with China to eliminate harmful export subsidies and have won new market access for manufactured goods, such as auto parts and wind turbines. We are also challenging China in the WTO over its export restraints on raw materials that have created a competitive disadvantage for our steel, aluminum, and chemical industries.

We have protected American innovation by winning a WTO decision that found that China was not meeting its intellectual property protection and enforcement obligations, and we have moved forward with the anti-counterfeiting trade agreement to step up the fight against global counterfeiting and piracy. We have done more for small- and medium-sized enterprises, launching a new SME business initiative and designating, at the request of so many of you, a senior USTR official to serve as our point person in helping

us to prioritize our aid to small- and medium-sized businesses in future trade negotiations.

We have seized major opportunities for enhanced growth, job creation, and innovation by seeking new and expanded markets for our exports. Many of you urged us to step up our engagement in the critical Asia-Pacific region. Last fall, the President announced the United States would go forward in our negotiations with the new Trans-Pacific Partnership. This will expand U.S. export opportunities within the fastest-growing economy in the world under a high-standard 21st-century agreement.

Approval of the three pending free trade agreements is also a priority for the Obama administration. As the President said last week, we are working diligently to resolve the outstanding issues so that we can work with you to move forward on closure of these trade agreements with South Korea, Panama, and Colombia.

Globally, USTR aims to expand rules-based trade opportunities for American businesses and workers, and for some of the world's poorest nations, by seeking to achieve an ambitious and balanced conclusion to the Doha Round of trade negotiations. This will help support job creation here at home and further our commitment to bringing the least-developed communities in the world into the global trading community.

Our administration is also working with you and other stakeholders to implement and improve our trade preference programs that help developing nations gain a foothold in the international marketplace.

We will work hard to ensure that this administration's trade policies also reflect America's values, that they promote worker rights and increased transparency, and move the United States closer to achieving sustainable energy and environmental goals. Creating and implementing the policies outlined in the President's trade agenda will require an ongoing dialogue and conversation with Congress and the American public.

I welcome that opportunity and look forward to working with you. I believe, working together, we can use common sense to find common ground on trade in order to create jobs that Americans desperately want and new opportunities for our exporters, workers, businesses, farmers, and ranchers.

Mr. Ranking Member, in the interest of time, I would remind all of the members, as well as anyone who may be watching, a complete copy of the President's trade policy agenda is available on our website at *ustr.gov*.

Thank you. I am more than ready to entertain your questions. [The prepared statement of Ambassador Kirk appears in the appendix.]

Senator GRASSLEY. The chairman had to temporarily step out, so I am next in line to ask questions.

The first question. I am concerned about the direction that the administration is taking in its review of the labor provisions in our model bilateral investment treaty. If I am wrong on this, tell me, but I understand the administration is considering whether to incorporate the labor provisions from the so-called May 10th agreement into the model. In my opinion, if they are considering doing that, that is a mistake.

The May 10th agreement was a compromise involving four specific trade agreements. It did not involve our bilateral investment treaty program. I question whether there are not some who would like to see the May 10th provision added as a poison pill to derail future consideration of any bilateral investment treaties. Such a modification to the model would indeed risk losing consensus support for our bilateral investment trade agreements. I also question whether our negotiating partners would even agree to such a modification in the first place.

So my question is, just some response to my concern.

Ambassador KIRK. Well, Senator, first of all, thank you so much for your leadership in working with Chairman Baucus and others in helping to fashion, I think, a reasonable compromise on labor and environmental provisions which we refer to as the May 10th agreement. You have laid out, I think in fairly reasonable detail, the challenges before us.

We at USTR, along with State and other agencies, have been conducting a fairly exhaustive review of our policies so that we can update that, and we have reached out and worked with your staff and others on this committee, but also heard from stakeholders on all sides, particularly on the labor issue.

We have not made a final resolution of that. We are coming to, hopefully, a conclusion of our review, and at that time I will be more than happy to share with you the direction that we choose. But at this point we are undertaking all of the considerations that you laid out in terms of our approach to labor, whether it would be included or not.

Senator GRASSLEY. All right. Then please take my considerations and questions into concern on that.

When was the last time the administration sat down with the government of Colombia to try to resolve the concerns that have been cited as reasons for delaying the implementation of our bilateral trade agreement with Colombia? Also, the same question with respect to sitting down with the government of South Korea. You can give me an approximate date. I do not need to know the time and exact date, but when is the last time these things have been discussed with these two governments?

Ambassador KIRK. Senator, the good news is, we have had an ongoing and continuous dialogue, not just with Colombia and Korea, but with Panama as well. We had a team of our lead negotiators who traveled to Colombia, I would say, within the last 3 months. Even though I know I am not supposed to turn around before the cameras, I can feel the presence of my friend, the Ambassador from Colombia. I believe Ambassador Barco is here. We have frequent and regular dialogue with her as well.

I want to make it plain, this administration believes that, properly negotiated, these are an important and critical component of our export strategy, and we have not given up on any of those.

With respect to South Korea, I have met with my colleague, Trade Minister Kim, on four or five occasions over the last year. As you know, most recently perhaps the most significant contact was when President Obama traveled to South Korea at the end of his trip to Asia in November and discussed this matter with President Lee directly.

Senator GRASSLEY. Well, let me just remind you that, while unions in this country are delaying Colombia from a lobbying standpoint, people in Peoria who want to sell Caterpillars made by Peoria workers to Colombia have a very definite disadvantage to European workers making Caterpillars sending them to Colombia.

The chairman wants me to continue, so he is the next one to ask questions.

Does the administration feel any urgency about the erosion of our global competitiveness when we see trading partners like the European Union conclude trade agreements with Colombia and South Korea?

Ambassador KIRK. Absolutely, Senator. During my visit with many of you in preparation for my confirmation, I talked about what I hoped was the sense of urgency that I would like to bring to this job from my work as a mayor. I very much understand. I have talked with the heads of Caterpillar, just as when I traveled to your State I talked to your farmers and those who are involved in the advanced technologies.

But it is also important, just as important, for me to go to Senator Stabenow's district and talk with those workers in Michigan. I want to make it plain, I think the last thing that we want is for this issue of trade and creating more opportunities for America's exporters and farmers and their workers, to become a partisan issue.

Senator GRASSLEY. Yes.

Ambassador KIRK. Labor has not delayed our move on this, but labor does have a necessary voice and a seat at the table in this administration. President Obama and I are both greatly concerned that we do not want trade to become the next wedge issue, so it means that those of us in Texas and Iowa, and those at Caterpillar, have to care and listen to the concerns of those, whether it is in Detroit, Pittsburgh, or others who may feel like they have not benefitted from this, because what we want more than anything else is to help you create these jobs, but get a good bipartisan support, not just for Panama, not just for Korea, but for our overall trade agenda, which is focused on helping to expand market access and create jobs for all Americans.

The CHAIRMAN. Thank you, Senator Grassley.

Ambassador Kirk, we have a problem here. The President's budget freezes USTR funding, if I understand, for fiscal year 2011. Is that correct?

Ambassador KIRK. Roughly so. Yes, sir.

The CHAIRMAN. At the same time, the President's budget requests an additional \$87 million for export promotion programs at Commerce and an additional \$54 million at USDA. Given the importance of your agency with exports and export promotion, what effect is the freeze going to have on you, on your agency? You will do the best you can, but where will you have to cut, what changes will you have to make?

Ambassador KIRK. Well, Senator, we are going to have to make some tough choices, but the President and most of us in the Cabinet realize that nobody is making tougher choices than America's families right now, sitting around the kitchen table and having to

realize they do not have the resources, the money that they have had in the past, and they have been asked to do more with less.

President Obama especially said to those of us in the Cabinet, that within the Executive Office of the President, in which USTR resides, that we have to be willing to take a leadership role in showing that we are willing to tighten our belts. Now, we are going to have to do that. Obviously it is difficult for me to go to our team, when we see the resources being allocated for others, but that is all right.

I believe you get the best value proposition for your money among the 247 of us employed at the U.S. Trade Representative's Office. We will obviously have to make some tough decisions, but working with you and other members of the committee, we will make sure we get those priorities right. But we will not yield on our efforts to help the President meet this goal of doubling exports so that we can create the jobs that Americans want.

The CHAIRMAN. So how are you going to do that? People think that is a little ambitious. That is a good goal.

Ambassador KIRK. It is ambitious.

The CHAIRMAN. It is great to be ambitious, but most people who look at that scratch their heads.

Ambassador KIRK. Well, Senator, I know it is very different, having the responsibilities that you have here. But I can tell you, from being mayor, unless you aim extra high, many times you do not get anywhere close to that goal.

There are some common-sense things that we can do. You talked a lot about our outreach to small businesses. One of the things that struck me was the number you threw out: over 97 percent of the 275,000 businesses that export in America are small businesses. I know from my experience, you know, every economist tells us, if we want to grow jobs, create jobs, most net new job growth in this country is created among the small business community.

So, one, we are working with SBA, the ITC, and others to better understand who those small businesses are and how we can help those who are exporting to export more. Second, I do not recall if it was you or Senator Grassley who noted, our level of participation of small businesses is far behind those of other developed countries, particularly the European Union and Canada. So the funds that the President has asked for—the SBA and the Department of Commerce will help us to reach out to those other small businesses that may be more intimidated by trade.

Then, finally, we are working with our trading partners from NAFTA, APEC, and others to simplify our rules to reduce the cost and make it easier for small businesses to participate in global commerce.

The CHAIRMAN. Yes. I believe in benchmarks and metrics. I would appreciate it very much if you could present this committee, twice a year, with progress you are making in achieving that goal of doubling exports in 5 years. You might break it down a little bit in whatever way you think makes most sense to you. I am asking you to do this so that we can help each other.

Ambassador KIRK. Yes, sir.

The CHAIRMAN. So the Congress can help the administration achieve that.

Ambassador KIRK. That is a reasonable request, and that is one we will take back through the export—

The CHAIRMAN. You just, on your own, submit to this committee, twice a year, how well you are achieving those goals and what the benchmarks you might set are, how much you want to achieve by a certain year. You mentioned various areas where you wanted to make progress.

You might break it out in those areas and indicate the degree to which you are making progress in each of those areas, and then come and talk to us about it so that we can help each other better achieve those goals. Because I think it is true that many countries have achieved some economic success with export policies that are very aggressive. We all know who some of those countries are.

But we have to export as aggressively if we are going to achieve success here and find jobs for people in America, because, as I mentioned in my statement, domestic demand is down a little bit, and we just have to really work that much harder to sell wherever we can sell.

Ambassador KIRK. Mr. Chairman, that is a reasonable request, and we will do that. Again, we would very much welcome your input on those areas. Particularly, you know more about the small businesses in your communities than we do, but I think, working together, that we can achieve that goal. I do not think it is unreasonable. In your statement, you laid out most of our premise. I mean, 95 percent of the world's consumers live outside of the United States.

The CHAIRMAN. And I appreciate you coming to visit Montana. Were you able to see some of the problems we have? It is a little bit different from other parts of the country. I do appreciate your coming to visit our State.

Ambassador KIRK. Thank you for that invitation.

The CHAIRMAN. Thank you very much.

Senator Hatch? He is not here.

Senator Stabenow? No. Senator Lincoln, you are next.

Senator LINCOLN. Thank you, Mr. Chairman. We appreciate you bringing us together on this.

I want to just offer a very warm welcome to Ambassador Kirk. It is so good to have you back in the committee. Before I ask my questions, I just want to thank you. I want to thank Ambassador Kirk for his fine work as our country's Trade Representative. I think you have been very actively engaged with all of us about our concerns specifically, and more importantly what you can do for our country. You have been a vigilant and energetic advocate for our country's farmers and manufacturers. You are working as hard as I know anybody is in putting Americans back to work through greater trade opportunities, and I certainly appreciate that, for one. So, I am grateful.

I, too, want to offer a welcome to Ambassador Barco, who was a tremendous hostess to me, and I am grateful to all that she does here in Washington, but also in my visits to Colombia.

Ambassador, the current pending text of the Doha agreement is certainly unacceptable, in my opinion, as it does lack the proper balance between the concessions that are demanded of the United States and what we expect our trading partners to demonstrate as

their commitment to opening up markets and their market access, or access to their markets for us.

I want to say, I am pleased to see you all at USTR, and certainly you, Ambassador Kirk, standing up for farmers and for manufacturers in that regard, and I hope we can continue to see that. I have always been an advocate of free trade, and I appreciate your stance there.

I am very glad to hear the President, in his State of the Union, declare the goal of doubling our exports within 5 years. I have joined with many of my Senate colleagues in urging him to send up the congressional approval for the South Korea, the Colombia, and the Panamanian Free Trade Agreements as soon as possible. Not doing so, I think, will certainly put us at a tremendous disadvantage against our competitors. It is a timely issue. This is especially clear, I think, with respect to South Korea. So, I hope that we will move forward in that.

Without a doubt, agriculture is one of the only domestic industries that enjoys a trade surplus, and production of this safe and affordable supply of food and fiber creates American jobs, and it is something that we should not take for granted. I do not, and I hope others do not as well. Our producers have a very quality product to offer the rest of the world, and I think it is our job to open up those markets to them. I am going to work hard with you to see that that happens.

As chairman of the Senate Agriculture Committee, creating jobs and putting our economy back on the right track is my top priority. Two immediate steps that we can take to achieve these goals, I think, are opening up trade with Cuba. Ninety miles from the U.S. border, leveling that playing field is important, making sure that we are opening it up. It has been a good market force in the past and it can be again, I hope.

Also, leveling the playing field for our catfish farmers by approving the new inspection rule required by the 2008 Farm Bill. I would just like to ask you, on those two issues, both Cuba—I am hoping that you can articulate the administration's position as to why our agricultural exports should not be allowed unrestricted access to Cuba and why attempting to restore those exports is not a priority within the trade agenda.

I hope that it will be. I think there is great opportunity there, and I certainly think that, as we approach the 50th anniversary of our self-imposed ban, we should realize that we have made as big an impact there as we are going to and that we need to engage there.

Also, in terms of the catfish industry, I want to thank you for engaging with me and conversing on that. I would certainly like for you to please clarify why your office has opposed, during the rule-making inter-agency process for this congressional mandate, the transfer of all catfish to the jurisdiction of USDA. If trade concerns are at play, please expand on those, if there is something there.

Explain how we might interact with these serious health concerns, which is what we have brought up in the farm bill, making sure that obviously consumers get the healthiest products that they can. So I will start with those two and have a couple of others that I might submit for the record, Mr. Chairman.

Ambassador KIRK. Well, Senator, first of all, thank you so much for your kind words. You have been a great friend and counselor, and a good neighbor. You almost made me want to bring Arkansas back to the Southwest Conference. [Laughter.]

No. You identified a number of issues that we are excited to work with you about, particularly in your dual role on this committee and as chair of the Senate Agriculture Committee. Let me say, with respect to Cuba, as you know, I think President Obama has sent as clear and strong a signal as he could of his willingness to move beyond this 50-year embargo. The United States has acted unilaterally, under the President's direction, to loosen the restraints on travel among family members. We do export successfully some agricultural products to Cuba, but, as you know, States like Arkansas—I was just, ironically, in Tampa Bay, which is the fourth-largest port, which many of your exports flow through to Cuba that do not go through the Port of New Orleans.

But our concerns at USTR—I want to make it sensible on Cuba, one, that decision ultimately I think will rest with our broader strategy, and the Secretary of State and the President are guiding that. I do think we are awaiting some signal, frankly, from the leadership of Cuba as to their willingness to engage us in a more thoughtful way on the other issues that are important to many of your colleagues here, as you know, who are just as passionate about this, but that would be a great agricultural market for us.

I do appreciate you noting that, even last year, when agricultural exports—we had a \$30-billion surplus. And that is not just good for farmers, that helps every American family at home. Whether I was in your State or Senator Grassley's, Americans have to appreciate that almost a third of what we grow in this country is for export. If we do not have those export markets, it only increases the cost for American consumers. So, we appreciate your support on that.

On catfish, I want to make it plain, we are working with USDA. We want to achieve your principal objective, I know, which is to make sure that our food supply for all Americans is safe. We are not trying to protect America's industries. Your farmers and ranchers are as talented as any. But we do want to guarantee that the products that are coming to us from other countries meet the same safety standards.

Our number-one concern is just that we do it in a way that we do not create a back door, that other countries will then say, well, the United States excluded our products and did not use sound acceptable science, so we are going to retaliate against your beef or pork industry. I know catfish is important to you, but you sell a lot of chickens and a lot of pork, and I have to make sure that, whatever we do, we do not unintentionally harm those markets. But we appreciate the input we have received from your staff, and look forward to continuing to work with you.

Senator LINCOLN. Thank you. Fairness and safety. That is what we are looking for.

Ambassador KIRK. Yes, ma'am.

Senator LINCOLN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Next, Senator Stabenow.

Senator STABENOW. Thank you, Mr. Chairman.

Welcome, Mr. Ambassador. It is wonderful to have you here. I first want to echo the support for exports, expanding exports. Michigan is an export State, exporting manufacturing goods and agricultural products across the world. I think, from my perspective, I just want to make sure we are exporting our products and not our jobs. That is my focus.

I also want to thank you for engaging, after we passed the successful Cash for Clunkers program, open to all vehicles sold in the United States, and then Japan chose to offer a program excluding American vehicles, thank you for working with us to address that. We are opening that up, and I appreciate very much your willingness to engage with us on what is simply fairness as we go forward.

I want to thank you also for coming to Michigan. We are always happy to host you there. When you met with me, Mr. Ambassador, to talk about what I thought the administration's trade agenda should be, I indicated three things: make manufacturing a priority for trade; enforce our trade agreements; and get new trade agreements right.

I am happy to see that the trade agenda focuses on enforcement and on getting new trade agreements right, but frankly I am disappointed that the trade agenda does not make manufacturing a priority. I do not know how the administration doubles exports in 5 years if we do not make a concerted effort to make things here.

I might just say, on the issue of South Korea that has been talked about here today, this is a question of getting a trade agreement right. When 83 percent of what they export is automobiles into the United States and we cannot sell to them, that is not right. When we cannot sell appliances to them and other manufacturing products, that is not right.

So I am as anxious as anyone to open up more export opportunities and more markets, but I am going to make sure that my vote goes to the right agreement that makes sure that we can sell manufacturing products around the world.

As you know, in the last 10 years we have lost almost 6 million manufacturing jobs in this country, and that was certainly prior to this administration. I appreciate them working with us on efforts to turn that around with a manufacturing tax credit and other efforts, but this is serious because, frankly, manufacturing built the middle-class of this country, not to mention issues of national security and competitiveness.

So we need a coherent manufacturing policy that is going to combat, for example, our \$227-billion trade deficit with China. Some believe we have lost the competitive advantage to make things here, and that is our challenge, to turn that around together. But I do not call Chinese industrial policy of providing huge subsidies to industries, disrespect for the rule of law by stealing U.S. intellectual property, and maintaining an under-valued currency a competitive advantage. I call that cheating. So, that is why your efforts on trade enforcement are so important.

So, Mr. Ambassador, I would ask you, I know a smart and fair trade policy is good for Michigan and good for America, but help me explain to people back home how the USTR is going to be working to make manufacturing a priority.

Ambassador KIRK. Well, Senator, thank you for your comments, and especially thank you for your assistance on my recent trip to Detroit, and for the counsel that your staff provided to us when we were working on the Cash for Clunkers problem with Japan. I was pleased with the progress we made, but I know we are all disappointed Japan has now backtracked from that.

Senator STABENOW. Right.

Ambassador KIRK. But I very much appreciate your counsel. The first thing, as you know, you represent a number of my in-laws and families in Detroit.

Senator STABENOW. Right.

Ambassador KIRK. So I think it is important for me. It is helpful for me to not only travel to Big Sky, MT and understand the huge importance of the agricultural community and also the challenges that Chairman Baucus's lumber and mining industries have, to go to Ranking Member Grassley's State, but also to go to Detroit and hear firsthand.

But remarkably, what I heard was two things. Michigan very much understands the importance of trade. Canada, we forget, is still one of our largest trading partners. I was surprised to learn 25 percent of all of our trade with Canada flows across the Ambassador Bridge in Detroit, so Michigan is a State that embraces and understands the power of trade to help support those manufacturing jobs. But I think we can be smarter.

Senator, the reason we have taken the time, as I was saying to Senator Grassley, to engage you and members in labor and others, is so that we can get to a place that we can pass a Korean Free Trade Agreement. But the disparity in the number of automobiles imported into the United States, with over 700,000 Korean-made automobiles here and less than 7,000 of ours there is not one that I think we can defend, but we know that we are working to try to correct that. Broadly, what I would encourage you to say to your constituents is what President Obama said. First of all, this economic recession can be a great learning lesson for all Americans. We cannot be the world's largest consumer. That is not good for our economy, and frankly it is not good for China's and some of our Asian partners. So we have to save more, and we do have to export more.

But as Chairman Baucus says, the good thing is, we still manufacture and have great manufacturing capabilities here in America. I can tell you, from my brief stint in office and in traveling around the world, the Made in America brand is still a powerful brand. So the world wants to do business with us.

We have to find a way to bridge our domestic differences and approach about trade, Senator, so that we can have trade agreements that give you comfort that we have honestly addressed the issues of worker rights and making sure we are leveling that playing field, and let those of us who want to sort of just put the pedal to the metal go forward.

So I hope your constituents believe that we are listening, we are taking your concerns seriously and trying to address them and incorporate them into our broader trade philosophy.

The CHAIRMAN. Thank you.

Senator Roberts?

Senator ROBERTS. Thank you, Mr. Chairman.

I am always interested in the opening remarks by the chairman, who always quotes somebody very unique. I was talking to Prime Minister Disraeli just the other day. [Laughter.]

He indicated that he thought your suggestion on benchmarks was a very good one, and would hope that our trade ambassador would agree with that, and he has. So I would only add that I hope we have hearings when the benchmark news comes in.

The CHAIRMAN. We can invite both Disraeli and Queen Victoria.

Senator ROBERTS. Good. I do not think they get along very well, but that is just what I heard.

The CHAIRMAN. Well, it would make it more interesting.

Senator ROBERTS. All right.

Thank you, Ambassador Kirk, for your testimony, your hard work on behalf of producers. You have been everywhere. You have been to Michigan, you have been out to Montana, Big Sky country. I know Senator Enzi and I would love to have you come to Wyoming; he could take you to Jackson Hole, I could take you to Dodge City and we will make you an honorary marshal. [Laughter.]

And Miss Kitty will treat you real fine. She is still out there.

Ambassador KIRK. Senator, given the treatment of my Texas Longhorns by the Jayhawks and your Kansas State team, I have been a little less excited about going to Kansas. But I will take you up on that offer.

Senator ROBERTS. Well, you could visit Kansas and see a winning basketball team. [Laughter.]

Mr. Chairman? He is gone. Mike Johanns of Nebraska, the great Secretary of Agriculture, Governor, mayor, and now Senator, raised an issue with Ray LaHood, who used to be in the House and is now Secretary of Transportation. Mike raised the linkage of Japan and beef safety and car safety, and wondered how Japan would react if the U.S. cut off all auto imports from Japan until safety issues were satisfactorily addressed. That is what they are doing with beef. So, it seems to me you could use that as a catalyst, if you will, to point out to Japan.

If the Japanese are worried about eating beef, think about driving a Camry on 295 and pressing on the gas pedal as you are headed toward the Wilson Bridge. Maybe we could just remind them of that. That is a pretty tough statement, but I think we have reached the point that we would like to resume full U.S. beef trade.

I am very pleased with your National Export Initiative, the NEI. Everything has to have an acronym. I suppose that is the NEI. However, we must be sure to look at all aspects of export promotion, including lowering tariffs on U.S. goods and services. We are interested in how you explain to Main Street, and how do you explain to the commodity groups and everybody else, how are we going to do this?

I am concerned that it could act as a prism. You catch the sun, you cast a rainbow of colors on the wall that grabs our attention but diverts us away from the obvious gaps in our trade agenda. You know what they are. There is Colombia, there is South Korea, and there is Panama. We in Kansas have to export one-third of our crop. With wheat, it is one-half of our crop, and that just simply has not been done.

So I hope the NEI does not distract us from the real issue at hand, and that is the lack of trade engagement. I am sure it will help, but I do not want it to distract us. You are from Dallas. It is a lot like sitting there and watching the Dallas cheerleaders as opposed to Tony Romo, as to what he is going to call in the huddle.

Ambassador KIRK. Who are the Dallas cheerleaders, sir? [Laughter.]

Senator ROBERTS. You have no idea who they are? [Laughter.]

Never watched them, huh? All right. It is rather amazing, but go ahead.

At any rate, I hope we do not rest on our laurels when we could be taking advantage of the 2-way trade opportunities that are provided by the Colombia trade agreement, especially Colombia, because that has national security matters as well.

So, where are we with the beef trade in the post-BSE environment?

Ambassador KIRK. Senator, first of all, thank you for all of your comments, and particularly your support of the export initiative. I want to make it absolutely clear. If you will recall, when I was last before the committee when you were considering me for confirmation, I was careful to say over and over again that I did not have deal fever.

It was not that I was not excited about any of these prospective free trade agreements, but I believed, and President Obama believed, that it was time for us to just take at least a breath and look at our overall trade strategy in the context of what is working and what a lot of Americans thought was not working, and see if we could not craft a more strategic approach.

I want to give you every assurance I can that our National Export Initiative is not at all intended to detract from anything else, but to in fact bring a sharper focus to our entire export policy, inclusive of all of the pending free trade agreements, as well as what we have announced in terms of the Trans-Pacific Partnership and others. So I want to give you that assurance, that this is intended to bring a more holistic, focused, targeted approach to our entire export policy.

With respect to beef, as you know, Senator, we have met with members of the beef and cattle industry since the very beginning. They have been incredibly hard hit because of policies other countries have taken to restrict our markets. We had a very good start in resolving the dispute with the European Union, and I would say this is one case where we are pleased with the strength and continued support of the Koreans opening up their market. We were excited about the prospects of gaining reentry to the market and Taiwan when we announced in December a resumption of that trade, but, as you know, their legislature has now acted to overrule it.

Senator ROBERTS. Right.

Ambassador KIRK. So, we are working as aggressively as we can with Taiwan to see if we cannot get them to come into compliance with the OIE standards and their obligations in the World Trade Organization. Demetrios Marantis, who is our Ambassador who handles Asia and Europe, was in Japan, Taiwan, those communities. We have raised this issue with their agriculture ministries. But as you know, Japan is going through a governmental change.

It is a matter of extraordinary frustration for us. But I assure you, we continue to push and utilize every tool, and will use every tool, until we get our beef back into those markets.

Senator ROBERTS. I am way over time here, 3 minutes and 13 seconds and counting. The very patient gentleman from Wyoming is next, as I understand it, in regards to the next person up.

I just want to say one more thing, and I do not mean this in a partisan way, but you have been everywhere. I mean, you have been to these countries, you have been to States, you have talked to the people involved. You have a new trade initiative. The President says we are going to double our exports. I think if we are going to do this, you are going to have to deal with two things.

Some in the environmental community and some—well, virtually all—in the labor movement oppose these trade agreements or demand additional enforcements in the May 10th agreement. I think you ought to visit the leadership of the Senate and the House and those appropriate committee chairmen and say, hey, wait a minute.

We need an aggressive trade agenda, and with all due respect to the people who believe otherwise, this is not the way to do business. You do not do it with a sovereign country, imposing environmental restrictions or labor restrictions on that country. You can do it through whole different ways, but not trade. I think that is the hold-up. I am not sure we can do this in this Congress. Here, right here is the problem, not this committee and not a lot of people who depend on trade. But I think that is the truth of it.

I recognize the distinguished Senator from Wyoming.

Senator ENZI. Thank you.

Thank you, Ambassador Kirk, for being here this morning and mentioning your core principle that the 2010 trade agenda will be to promote U.S. exports for job creation. I appreciate the comments that you made about beef. I am going to be going after a specific industry again in Wyoming because the United States is the largest exporter of natural soda ash in the world. It supports thousands of jobs in States that people identify with mining, like Wyoming and Texas.

But it is also thousands of jobs in Oregon, New Jersey, Connecticut, Georgia, and California. In April of 2009, the Chinese government imposed a 9-percent rebate on its value-added tax for synthetically produced soda ash. They put a 17-percent tax on it and then they give a 9-percent value-added rebate to the Chinese exports. This policy distorts the global market for soda ash, it undermines U.S. exports, and it threatens jobs supported by the American soda ash industry. So I appreciate all the work that you and your staff have done on this issue, and I would like to direct my questions more along the lines of that.

In the annual report to Congress on October 28, 2009, the U.S.-China Economic and Security Review Commission noted that China has consistently used a 17-percent value-added tax as an instrument of industrial policy, and China applies different rules for rebating its value-added tax in order to promote select industries.

One industry, as I mentioned, is the U.S. soda industry. On January 28, the bipartisan group of seven Senators and I wrote you asking to take additional action to press China on this policy. What steps will you continue to take to engage China on removing that

value-added tax rebate on soda ash and to increase using the value-added rebates as a tool of industrial policy? Also, given the impact the China policy has had on other nations producing soda ash, is there any hope to pursue multilateral channels to help resolve the issue?

Ambassador KIRK. Senator, thank you for your comments and your question. You and I have had an opportunity to discuss this before. This is a matter in the broader context of China's VAT rebate policy and, as you said, we think the creative application of it to give their indigenous industries a competitive advantage over American manufacturers/exporters in a number of areas. We are extraordinarily concerned about this.

I think you referenced the report from Secretary Locke's and ours—some of the work we did during the last Joint Commission on Commerce and Trade. I will try to abbreviate this somewhat by just telling you this is a matter of grave concern for us.

We have raised it not only within the JCCT, in which we have a chance to address this on an industry/sectoral-specific initiative as we did with soda ash, but we also address this in the broader strategic economic dialogue led by Secretary Clinton and Secretary Geithner, in which we are trying to engage and massage China to have a more rational export promotion policy. But I can give you my assurance, we are well aware of the issue, somewhat thanks to the education that you have given us.

I see Senator Nelson is here. I was just in Tampa at the Port of Tampa, and surprised that most of the soda ash that we export out of there is exported through the Port of Tampa, going into places in South America and Brazil and others, where it is used to help make concrete. So we are aware of the importance of it. We will continue to work on this. The next strategic economic dialogue will be in Beijing in early May, and Secretary Locke and I are working with the Chinese on the agenda for the JCCT.

Senator ENZI. I will have some more specific questions in writing so that I can be better informed on what kind of multilateral process you are going through on that.

Ambassador KIRK. Yes. Forgive me. In a case where there are other countries similarly affected—in the raw materials case that we filed against China, the European Union joined us—I am not sure, but I will take the time to find out from my staff if there are other countries that are similarly affected, and we will try to engage them as we have successfully on other issues.

Senator ENZI. Thanks. Because sometimes other countries get more sympathy than we do. But whatever way we do it to get there is good.

I would like to know what the status is of the newly announced vice ministerial level working group with China on innovation and industrial policy that was announced following last year's Joint Commission on Commerce and Trade, where that is, and whether this VAT tax will be a part of the agenda on that?

Ambassador KIRK. Yes, sir.

Senator ENZI. Thank you. My time is up.

Senator NELSON. Senator Kerry?

Senator KERRY. Thank you.

I am just going to take 60 seconds, quickly, because the other Senators were here. I need to go to a meeting and so will not have time.

If I can just say, I largely support the President's trade agenda. Our balance with China and some of the issues with China remain a fundamental issue. I would leave a question for the record regarding the Chinese conditioning market access on companies turning over proprietary information. That is unacceptable. Clearly, we need to address this question of the Chinese-U.S. trade relationship. You can perhaps answer it later for the record.

One issue I would like to raise with you, just very quickly. We have troops on the ground in Afghanistan. We have a major center of terrorist activity in Pakistan. I believe it is in America's security interest to have trade with Pakistan. If their economy crumbles, all our efforts in Afghanistan, our counter-terrorism efforts in Pakistan, fail.

I know there is some opposition in our country from certain elements who feel it is going to open a floodgate in terms of textiles and others. It is just not true. The measure of what that trade agreement would do in terms of impacting our industry is minuscule. So I would leave on the table, if I can, the possibility—you may address it somewhere down the road—of making our troops safer, addressing our national security concerns, improving our trade with some kind of trade agreement with Pakistan.

So I thank the Senator from Florida very much for his graciousness in allowing me just to make that quick comment.

Ambassador KIRK. Senator, if I just might say—

Senator KERRY. Could I ask you—I do not want to abuse the Senator. If we get into an answer, then he is in trouble. If you could comment on it maybe after his thing as part of the record, I would really appreciate that, Ambassador.

Ambassador KIRK. Yes, sir.

Senator KERRY. I just want to respect Senator Nelson's time.

Ambassador KIRK. Thank you, Mr. Chairman.

Senator NELSON. Mr. Ambassador, around here we pick up chits.

Senator KERRY. I do not want to make mine bigger than it has to be. [Laughter.]

Senator NELSON. Mr. Ambassador, a comment was made earlier in this hearing about trade with Cuba. Whenever you all consider anything having to do with that, remember that we have an American citizen who is being held right now, and the Cuban government has prohibited us from having access to that American citizen for a month. His name is Alan Gross. They continue to hold him, and we have limited access to him.

Also the fact that we just had Orlando Zapata Tamayo die in prison a political prisoner. Here again is another example of the hard hand of a totalitarian regime in any political dissent. So obviously that has to color any question of our trade with a dictatorial regime like Castro's regime.

Now, I want you to pay attention, if you would, Mr. Ambassador, to the fact that if we are really going to get Haiti on its feet for the long run, that we are going to have to build up their garment industry. We have passed, in the past, a HOPE bill, the Haitian Hemispheric Opportunity through Partnership Encouragement Act.

We now have legislation that Senator Wyden and I have filed to extend that, which in effect would allow textiles from other parts of the world to come into Haiti in addition to U.S. textiles, and that the Haiti garment industry could come back to life. It is one of the few industries in the past that actually provided some employment in Haiti. Of course, those folks are going to need employment.

Ambassador KIRK. Desperately.

Senator NELSON. Back in the early 1990s, they had 125,000 people who were employed. That went down to 10,000. Maybe it is a little over 10,000 now. The HOPE legislation, the HOPE law, had started to bring that back. So, we are going to have to do that. I would like to know, does your administration support these initiatives?

Ambassador KIRK. Senator, we have not had an opportunity to weigh in yet on the proposed new legislation, but I think this is a good news story. The President talked about it in his State of the Union. I think all Americans should be proud of the response that we made, both through our faith-based communities, through our nonprofit charitable communities, and our government to our colleagues and friends in Haiti. It is probably the best demonstration of America's power that we have.

Let me specifically say, we will get back to you on the new legislation. I am proud of one initiative that we have worked with, very quickly, Senator, with the textile industry. We unveiled it a couple of weeks ago at a major textile show, the Magic Conference in Las Vegas. But it is called a Plus One Initiative. We have a number of retailers, including the Gap, Levi's, and other apparel makers that have committed with our office that they will source up to 1 percent of their apparel from Haiti.

The good news, even though I do not want to color this at all—Haiti has an extraordinary rebuilding challenge—but as we understand it, most of the textile plants, at least, escaped the major damage. But we did this so that we can give those textile manufacturers the assurances that they would have a source for those goods.

So we are working to expand the success of that program, and hopefully very quickly, within the next year, American consumers will see some products with the HOPE Plus One label on it that will let them know that buying those will help support the rebuilding of Haiti. I am more than happy to provide you more information on this, and anyone listening or watching can go to our website and learn more about the Plus One program.

Senator NELSON. Mr. Ambassador, I do not think that is a sufficient answer for the administration, that the President has come out and said that we are going to help Haiti. It is insufficient to say that you are going to get back. It ought to be the position of the administration that they are ready to do this new legislation to extend what has been law in the past to allow Haiti to bring in textiles from around the world and make them into garments so that it provides jobs in Haiti.

That ought to be universal throughout the administration, not just from the Secretary of State, but all the way down throughout the administration. You can imagine the enormous resources that we have already spent there, led in large part by the military, now

U.S. AID, and so forth. The only thing long-term that is going to bring them back from the total disaster is an economy that starts to function, and it is an economy that is not functioning. The only thing that is going to give them an economy is to provide jobs. We have done that in the past. Now that legislation needs to be expanded.

Ambassador KIRK. Senator, I want to be clear that I did not mean to imply that we were opposed to that or that this was the totality of what we were doing. But it is important that, if we do that, and the HOPE Act II has been a very strong component of helping Haiti to rebuild, but we do want to do it in a thoughtful way and make sure we are not just creating, frankly—most of what I have heard today, I think fairly, 80 percent of the questions have been about China.

One of the biggest concerns we have is, we just do not want to create a venue that some other countries just come into and flood the U.S. with textiles that in no way benefit the people of Haiti or help America's producers. We just want to be smart and thoughtful how we do it. But we would be more than willing to work with you and the other drafters of that legislation on that.

The CHAIRMAN. Thank you very much.

Senator Carper?

Senator CARPER. Thank you.

Welcome. Thank you for the wonderful attitude that you bring to your job. I have had the pleasure of knowing you for a while, and I really find the spirit and attitude that you bring to your responsibilities just very refreshing.

In my old job, people would say, tell me about the economy of Delaware. I would use the letter C and I would say, well, it starts with the letter C. It includes corn, chickens, cars, chemicals, corporations, and coasts—the beaches. But it really starts with C. In our agricultural industry, it starts with C as well, and it starts with chickens. For every person who lives in my State, there are 300 chickens. They have us badly outnumbered. For anyone in the audience who is thinking about what to have for lunch today or dinner, eat chicken.

Ambassador KIRK. Thank God they are peaceful.

Senator CARPER. It is all the more important because U.S. poultry, as you may be aware, is I think now banned in the European Union and in Russia due, I think, to concerns raised about the use of chlorine washes that are used to treat U.S. poultry. I am told that China has maybe also recently imposed some duties on U.S. poultry. As you might imagine, a State with 300 chickens for every person, we have some concerns about the restrictions on poultry. Roughly 20 percent of the poultry that we raise in the Delmarva peninsula—actually in this country—is exported.

I understand that members of your team may actually be in Russia this week, seeking to negotiate an agreement with the Russians to reopen the market in Russia, which is an important one for the U.S. I think it may even be the second-largest market for poultry exports from this country.

I was hoping you might be able to give us a little bit of an update as to what you folks are doing to take down these barriers to poultry exports to the regions that I have mentioned.

Ambassador KIRK. Well, Senator, the poultry exports are very important to our agricultural industry, not just in Delaware, but as Senator Lincoln mentioned, in Arkansas and other parts of the U.S. We are very troubled by, we think, the arbitrary action of Russia to effectively cut off, not only the poultry market, but our pork market into Russia. The concern is over our treatment of washing chickens.

We are trying to get Russia to comply with OIE standards. In Russia's case, we are a little bit hamstrung with Russia not being a member of the World Trade Organization. We do not have the ability to take this to a different arbitrary panel. But Secretary Vilsak and our team have worked hand-in-glove on this. Secretary Vilsak and I both spoke directly to our counterparts in Russia. We had our deputy-level ministers over.

Our senior officials were there in early January, but we do have a team going back over this week. In the case of the European Union, we have sued the European Union and won the right to have access, but that has been 14 years ago and they have still not allowed our chicken into the European Union over the use of PRTs, pathogen reduction treatments. We have taken it to their scientific body that has ruled these not to be harmful.

I will be in Brussels and meeting with the new head of the European Union leadership in 2 weeks, and we will re-urge this, but we have filed for new WTO consultations with the European Union to try to get this resolved and to try to get resolution sooner rather than later, because I know of the importance of this to those industries.

And if I might, while you were out, Mr. Chairman, Senator Kerry had asked a question briefly. Since Senator Nelson yielded to him, I waited. I would just only say that—

Senator CARPER. Could I ask you a favor?

Ambassador KIRK. Yes.

Senator CARPER. Answer that question when my time is expired.

Ambassador KIRK. Oh, I am sorry. Yes, sir.

Senator CARPER. Thanks so much.

I want to just mention, first of all, keep squawking with respect to the treatment that we are receiving around the world on our chicken exports. Let them hear your voice, and your team as well. Thank you very much. Keep it up.

I want to ask you a question, if I can, about free trade agreements, especially with Panama and Colombia. I remember a conversation that the Governors had with then-President Clinton about a decade ago. We were talking about free trade agreements. He said, really, a bunch of them are no-brainers. He said, here is the deal. We allow other countries to ship their goods and services into our country. We do not really provide barriers for them.

We try to sell into their countries, and they impose tariffs on ours. To the extent we have a free trade agreement, basically, he said, now finally our stuff can get into those countries largely free of tariffs, and already we are letting their stuff come in, so he says it is a no-brainer.

With that in mind, talk to us about the continued delay, if you will, of moving forward on, let us just say, Panama and on Colombia. I know there are serious misgivings about whether or not the

South Koreans will find a way to keep out our goods and services. I understand there is concern, but let us just talk about Panama and Colombia.

Ambassador KIRK. First of all, Senator, your analysis of the free trade agreements, particularly with countries that we have granted preferences, is a correct one. That would be the case in Panama and Colombia, since they are both GSP countries, that the majority of their goods comes here duty-free. You are correct, the free trade agreements then represent essentially our payback. It is what we get in return.

I know that makes it that much more frustrating for some of us who want to move quickly, but the reality is, notwithstanding the extraordinary progress that President Uribe has made in combating violence in Colombia—and he has, and President Obama has commended him for that—you know there are many, particularly within the Democratic party and then labor, who believe that the level of violence, while it has gone down, has not been matched by concurrent legislative initiative to guarantee at least basic minimum rights of workers to be able to organize and do so without the threat of violence. Then we also need to have a judicial legislative regime in place to bring those into punishment.

The good news. Rather than dealing with this intuitively, we put both the Panama and Korea FTAs up for comment on the Federal Register. We got over 300 comments back. I think, in fairness to our friends from Colombia that have been asking us, tell us what we need to do, we thought it was only fair to get that information, work with you so that we can present them with a list of those legislative changes we have made, and we are pretty much near the end of that process. We have gone through an assimilation review of much of those comments and hope to be able to present those to our partners in Colombia so that we can move forward more quickly.

Senator CARPER. All right. So, Mr. Ambassador, let me see if I understand this. What we are saying, in the case of Colombia, is until you further tamp down the violence—and we know it has occurred, we know it is better than it was—but until you tamp down the level of violence, we are not going to enter into an agreement which allows us to sell our goods and services into your country largely duty-free. Who are we punishing?

Ambassador KIRK. Well, listen. Senator, I think you and I are on the same side of this. But you know, in order for us to be able to bring this agreement to you, which I would like to do and move it forward, I think I have to make an honest effort to listen to those on the other side and at least show them that we have—not just us, not in terms of an optical sense—but that we have strengthened the legislative and judicial regimes so that we can make a good case to go forward. I do not just want to bring these to you, I want them to come forward and have the ability to pass so that we get access to those markets.

Senator CARPER. Thanks so much.

Thank you, Mr. Chairman.

Ambassador KIRK. And I would quickly just say, in the case of Panama, there were a number of changes we had asked them to make in terms of being consistent with the ILO. We are making

good progress. The issue of the transparency of their tax code is one that came up midway through the process.

In fact, Chairmen Baucus and Rangel were with us when we were at the Summit of the Americas when this first became an issue. But the good news, under the new administration, they have demonstrated a new willingness to work with Treasury on implementing a tax information exchange agreement, and I think we are beginning to make progress on that.

Senator CARPER. Thanks so much.

The CHAIRMAN. Thank you.

Senator Cantwell, would you like to proceed?

Senator CANTWELL. Thank you, Mr. Chairman. Thank you for allowing me to ask questions.

I am sorry I was not here earlier, Mr. Trade Ambassador; I was chairing another hearing on NOAA fisheries issues.

I wanted to ask you, you were obviously very involved in the World Trade Organization, the U.S. against Europe, in subsidies to Airbus. I am particularly interested in when a final decision will be rendered in that area.

Ambassador KIRK. Senator, first of all, thank you for the continued interest and assistance you and the entire mission delegation have given us on the Airbus issue. This was too long in coming, but as you know, we got the initial panel ruling last August. It is now back for final review. We have submitted our comments, the European Union has, and literally we are hopeful, within the next several weeks, that the appellate body would give us the final ruling on the first part of that complaint. The European Union would have the right to appeal that, but I know how important this is to you, and we will be more than happy to keep your staff apprised of further developments of it.

Senator CANTWELL. Thank you. Well, we think it is important in getting a final decision. Given that we are having discussions here about the U.S. Government buying basically what you and others have fought hard to say has been an illegally subsidized plane, and people are concerned that, if that illegal subsidy continues, then basically it is putting U.S. manufacturers at a disadvantage.

That subsidized plane, now declared by WTO as unfairly subsidized, is the government putting a plane that is financed illegally on the table, and that could be a disadvantage in the tanker competition because they can make the plane as cheap as they want. They can make the plane, the bottom-line number, as cheap as they want because the government is continuing to bail them out. So getting clarity on this is very important, so I appreciate that.

I noticed in the President's 2010 trade agenda that the ROZ bill was not part of that, the Reconstruction Opportunity Zones for Afghanistan and Pakistan, so I wondered if it is still part of the trade agenda and getting that legislation passed.

Ambassador KIRK. Senator, it is. It is appropriate you asked that. I just want to recognize that Chairman Kerry was here and expressed his very strong support for us moving forward on that. He had to leave, so this is the first opportunity I have had to respond. But we thank you for your leadership on this and want to pledge our continued efforts to see if we cannot work to resolve and

bridge the differences on how we would treat whatever labor standard so we can move this forward.

I am well aware and conscious of the fact that I am only here because Congress mandated that we create an office, and that I look singularly at the trade components as opposed to those that affect security or others. But it is not lost on us the importance of getting this done in a part of the region in which everyone, from our Secretary of Defense to the President, recognizes that having some opportunity for employment not only helps achieve a trade goal, but could be critical to our national security.

Senator CANTWELL. Well, I think that is what our defense and intelligence agencies are telling us, that if we want to stem the tide of future efforts against the United States, that having economic opportunity in the region will do that. So you think this year is the year to get this done?

Ambassador KIRK. We said in this environment, I think giving time tables is difficult. I believe—I am hopeful—that we are closer, and with the dialogue, as you know, we have been having with you and Chairman Levin, Senator Grassley, and others, hopefully we can find some acceptable compromise that will allow us to. It needed to have been done, frankly, last fall. It needed to have been done in December. As long as we have our brave American troops on the ground risking their lives, I think we should do everything we can to help them. This can be a tool to get it done.

Senator CANTWELL. It still is a priority then for 2010?

Ambassador KIRK. Yes, ma'am.

Senator CANTWELL. Thank you.

One last question. What is the administration's plan to help us in the Mexican trucking issue?

Ambassador KIRK. Well, first of all, I want to thank this committee in particular for your leadership in helping us get an appropriations bill that did not have the prohibitory language that created the necessity, unfortunately, about which Mexico levied the retaliations. I was in Mexico just 2 weeks ago and had a conversation with my colleague, as well as President Calderon, about this.

President Obama has asked Secretary LaHood, as you know, to help us move forward to see if we cannot work with congressional leadership now to come up with an acceptable program to get this resolved. But I know it is having a very negative impact, particularly on many of our agricultural industries in California, Washington, and Texas. So, we would like to find a way to come up with an acceptable program so we can move forward.

Senator CANTWELL. Well, I know the administration has said exports are a key part of our economic agenda, and I think that the Chamber of Commerce estimates that this dispute has cost us somewhere around \$2.6 billion and 25,000 American jobs. I think if it continues, I know in my State it will cost us more.

Ambassador KIRK. And it has not been a positive for our trade policy.

Senator CANTWELL. Yes.

Ambassador KIRK. We want to get it resolved.

Senator CANTWELL. Thank you very much.

Ambassador KIRK. Thank you, Senator.

The CHAIRMAN. Thank you, Senator.

I would just like, if you could, Mr. Ambassador, tell us in more detail how you are “working to resolve outstanding issues with respect to the FTAs.” You mentioned earlier that, at least in the views of some, there has not been sufficient progress in Colombia in their judicial system to lock up some of the folks who have caused all this violence, labor violence, in Colombia. You mentioned something about the legislative system there, too. Could you, in more detail, explain what it is that the U.S. Government would like to see in order to send up an agreement?

Ambassador KIRK. Well, Senator, as I said, what we have been doing, at least the last several months, is we published a notice in the Federal Register, I believe in August, for comments on moving forward with Colombia. We got, I think, the largest number of responses ever, over 300. We have been trying to winnow those down to a workable number of issues, and then, frankly, meet with your staff and Ways and Means Committee staff to see if we cannot come up with that list.

Broadly, we are looking at changes, legislative changes, that would give workers more rights to organize, protection against violence against them, and looking at strengthening the regime in terms of prosecuting those who engage in this violence against labor leaders. But we have not finished that process, but we will work hand-in-glove with your team and others so that you know what that list is when we come to the end of that process in the case.

The CHAIRMAN. When will that be?

Ambassador KIRK. Senator, we are hopeful that we can come to some resolution with members of Congress over the next several months, if not weeks, but certainly over the next several months so that we can then go back to Colombia with a finite list of what we would like to see done. What we do not want to do is keep moving the goalpost.

We are cognizant of the fact, as you noted, and others, that Colombia has entered 45 of the free trade agreements. Time is of the essence. We want to get this done, but we want to engage all of those concerns so that we can understand what they are and then come up with what we think is a workable list.

The CHAIRMAN. Do you have precise legislative changes that you are looking at?

Ambassador KIRK. We do not have those at this point. They are broadly in those areas of worker rights and protection against persecution.

The CHAIRMAN. So you got 300 responses. Could you give us a breakdown of those responses, those letters?

Ambassador KIRK. I do not have those with me now, but we will be happy to have our team follow up.

The CHAIRMAN. Was it 50/50? Can you give us some flavor of what they were?

Ambassador KIRK. I would be loathe to tell you that they were 50/50. I will tell you that I was pleased and surprised that we got as many responses saying go, go, go as we did those that, frankly, were saying, how could you think of doing anything?

But one of the things we are trying to do is move beyond just the initial emotional reaction of saying, if you do not do it, but find-

ing out, are there really problems that we need to solve? Because I think, in fairness to Colombia, we ought to give them a workable list of legislative and other issues that we can work through rather than just dealing with the raw emotion of those who say we would never do the agreement, and trying to take into consideration the point made by Senator Carper, that this is almost singularly to the benefit of the United States.

The CHAIRMAN. That is right.

Ambassador KIRK. Not doing these does nothing to hurt Colombia or Panama.

The CHAIRMAN. That is right.

Ambassador KIRK. So we want to get them done. But Senator, you know better than others the political environment we are trying to navigate.

The CHAIRMAN. Well, that is true. But things tend to get stuck around here in lots of different areas. You high-centered a bit, but there is an opportunity for you to make real progress, that is, get these FTAs up here and passed.

Ambassador KIRK. We would love nothing more than to be able to do that.

The CHAIRMAN. All three of them, the ones that are outstanding. That will show we are doing something. I think the American people tend to believe Congress cannot do much. This is one area where perhaps—

Ambassador KIRK. It is probably best that I not comment on that. [Laughter.]

The CHAIRMAN. This is one area where you could do something that is positive for our country. I just urge you to burn the midnight oil, just go the extra mile, figure out how to get this done.

Ambassador KIRK. Yes, sir.

The CHAIRMAN. As you know, the patience of the Congress is getting a little thin, at least for many of us, on these subjects.

I wonder if you could comment a little bit about some of the intricacies, the sophistication of the administration's efforts with respect to China. I noticed in today's paper that the Deputy Secretary of State and other top officials are in China now trying to smooth out some of the bumps that have existed in our relationship.

What is the USTR component of all of this? What are you doing to help address some of the difficulties that have occurred between our two countries? Because clearly, how we manage this relationship is going to very much determine the livelihood and economic fate of peoples of both countries.

Ambassador KIRK. Yes, sir.

The CHAIRMAN. So what is the USTR doing about this?

Ambassador KIRK. Well, Senator, let me start with the end. As you know, we have a discrete role working with Secretary Locke at the Department of Commerce in that we engage China through the JCCT, in which we get at a more granular level than the broad discussion conducted at the Strategic Economic Dialogue to really try to make this a problem-solving tool.

But I think the more important message for you and the American public is that the administration is now working through, not only the National Economic Council, but the National Security Council to try to come up with a holistic approach to China so that

you do not just have USTR working in one silo of the State Department and one silo of Treasury.

We are trying to come up with a holistic approach to address China on a number of issues, frankly, raised by many of you on this committee, from their industrial policy, to their application and use of the VAT tax, to their, we think in many cases, unreasonable restraints on our creative and innovative industries to bring products in. We want to make sure that we have a holistic, global approach.

But I would also like to underscore the point that you made, Mr. Chairman. Although it is a challenging relationship, potentially, if we get it right, as President Obama has said, it can be an extraordinarily great market opportunity for the United States. One element that we are also looking at, not spoken of, is reviewing our export control policy so that not just China—there are many economies that, whether they are saying it with any degree of integrity or not, believe we could export more if we would have a more thoughtful review of our export control.

The CHAIRMAN. I appreciate that, Mr. Ambassador. You have a very, very challenging job, not only with respect to China, but generally. I do look forward to that report that you are going to send us on benchmarks and how well you are achieving your goal of doubling our exports over the next 5 years.

Ambassador KIRK. Yes, sir.

The CHAIRMAN. The proof is in the pudding. It is deeds, not words. I know you mean what you say, but we want to see results and work with you so we can achieve that result.

Senator Nelson, I think, has a question. I have to leave now, but Senator Cantwell, you are now in charge.

Senator CANTWELL. Thank you.

Ambassador KIRK. Thank you, Mr. Chairman.

Senator NELSON. Mr. Chairman, as you are walking out the door, I am going to follow up on the China question about tainted products that come in from China, including Chinese drywall, that we have potentially thousands of homeowners in this country who have houses that have to be ripped out and stripped down to the studs, and the wiring and appliances replaced—and you can imagine what a costly situation that is—because the Chinese drywall has corroded all of the pipes, the air conditioner coils, turned all of the metal corroded.

But interestingly, yesterday there was a report coming out of the CPSC, that they think there have even been some deaths now, nine deaths, associated with this contamination in the respiratory systems of people, which brings it back to, there is only one deep pocket to solve this problem, and that is the government that allowed this Chinese product that was unsafe to be exported in the first place into the U.S.

Now, I know you all have had some conversations with Chinese officials, as I have. They tried to blow me off last summer. Tell me, what is the latest that you know of, Mr. Ambassador.

Ambassador KIRK. Well, Senator, it is appropriate that you mention the latest Consumer Product Safety Commission study. When this was an issue of concern and you specifically asked us to raise it at the last JCCT when we were there last summer, we did that.

But more importantly, Chairwoman Tenenbaum made a trip to China directly, immediately preceding our meeting at the JCCT. So they are taking the lead on that. We will support her in every way possible. I know they are trying to work a more acceptable protocol, not only in terms of testing for the future, but in how we get some resolution of the issue that you brought up. But it is still under our sort of list of items for us to continue to watch as we prepare for our next round of dialogues, which will be here in the United States in the fall.

Senator NELSON. Well, respectfully, I am going to suggest to you that China is going to try to sidestep the issue. I tried to get them to understand: do you not realize, when you sent in tainted Chinese toys, Chinese toys that were painted with lead paint that were going to kill our children, do you not realize this is putting a black mark on Chinese goods that are exported from China into the United States? Now we have the same thing with this Chinese drywall.

Now, typically we do not bring in Chinese drywall, but we had a lack of supply after all those hurricanes in 2004 and 2005 on rebuilding. It is particularly true in my State of Florida. It is Louisiana, it is Virginia, and it is popping up in other parts.

If there is this connection now, and the CDC and the EPA have not come forth with a connection to people's health, which I fault those two agencies for dragging their feet, but if a connection is shown between somebody living in a house that has drywall that is emitting this gas that smells like rotten eggs and is corroding any metallic substance in there, and if that is having an effect on their health, then the government of China has to be responsible because they are the ones who allowed that defective product to be exported out of their country.

This is going to take the full weight of the U.S. Government in dealing with the government of China, otherwise China is going to sidestep it, and we are going to be right back in the situation where we are. The insurance company for the homeowner says, we do not have any obligation. The homebuilder, that normally they would go to, is broke. He is bankrupt. The distributor says we do not have any obligation.

So to whom does the poor homeowner turn? They have a house they cannot live in, they have a mortgage. They go to the bank to work with the bank. The bank says, we are not going to work with you. You owe money on this mortgage. They cannot even live in their house, or they live in their house at great peril to their health. So we have a heck of a mess. At the end of the day, we need the U.S. Government slamming its fist on the table in dealing with the Chinese.

Now, after they blew me off when I was there in August, then Inez Tenenbaum came and they paid a little more attention to her. I thought that the President was going to take this up with the President of China in his visit in November. He did not. You all did in the delegation.

Ambassador KIRK. Yes.

Senator NELSON. But we have to have some fist pounding with the government of China in order to get this thing done, because otherwise you have thousands of homeowners, at no fault of their

own, financially in a deep hole as a result of having bought a house that they now cannot live in, or they live in at peril to their own health. That is the situation, Mr. Ambassador.

It is just another thorny issue, but it has to have your personal attention, socking them between the eyes, to get them to recognize their responsibility. That is the Chinese government, because they are the ones who allowed, without the safety inspections, the same thing with the Chinese toys that occurred about 3 or 4 years ago.

At that point, that was a defunct CPSC that was not doing its job. I think the CPSC now, under Chairman Tenenbaum, is doing its job, but that does not solve the problem for the homeowners. CPSC is going to come out with a protocol soon that says, all right, this is how you remediate to correct the corrosion problems, but that does not help the homeowner financially. We have to find a responsible financial party, and that has to be the Chinese government.

Ambassador KIRK. Senator, you have my attention. I think you have all of our attentions.

Senator NELSON. I want you to ball up that big fist of yours, and I want you to start pounding it on the table, Mr. Ambassador.

Ambassador KIRK. Senator, let me tell you, as a former mayor, I am much more used to balling up my fist and pounding, but they are trying their best to turn me into a diplomat. But the important thing is, I know this is serious and it is a health issue. I assure you, we will take this seriously and work within the administration and with you to see if we cannot find a way to bring some relief to these homeowners.

Senator NELSON. Thank you.

Senator CANTWELL. If I could follow on that, Mr. Ambassador. Thank you so much for your patience today in these important questions, but you know, the larger discussion here is so important to our economic strategy.

So on China, what steps are we going to take in the area of IPR protection so that we can get China more cooperative with us on IPR issues?

Ambassador KIRK. Well, the good news, Senator Cantwell, is it is one of the issues that is regularly a matter of discussion within our JCCT, and it is one of the issues in which we have had some success in getting some Chinese compliance, as we did in our meeting last fall. But it is one of the issues that we have been most successful, frankly, in pursuing remedies to within the WTO.

One, because in many cases the obsessive regulations, attempts to control content, not only affect the U.S. software industry, but those in Europe, Japan, and others. That is one case—I forget which of your colleagues raised the issue about taking a more multilateral approach—that at least we have had some success with, but it is one we have to continue to engage China on.

Second, slowly, I would be honest to say—and President Obama made this point very deftly in his meeting with the Chinese—China is beginning to develop its own sort of entrepreneurial community. As you know, notwithstanding the admonitions for me to ball up my fist, and others, having domestic industries realize it is in China's long-term interest to have a strong intellectual property

rights and copyright regime has been a good resource for us as well.

Senator CANTWELL. Well, I think as we continue to move forward on trade, I think this is going to be a higher priority for all of us.

Ambassador KIRK. Well, it is a place where America competes and wins. We are innovative, and we are coming up with products that America wants. And we have not talked much about it, but as the President talked about us winning the race to go green and to come up with new energy technologies and efficiency, we have to be able to protect that work product through strong intellectual property rights. So our efforts to strengthen our intellectual property rights regime goes hand-in-hand with our commitment to improve research and development.

Senator CANTWELL. Speaking of that, I appreciate your agenda in including acceleration of sound energy and environmental products and the fact that that is part of your trade agenda.

What can we do to lower the clean energy tariffs? Some of these are tariffs as high as 35 percent. When you look at China, its average tariff, I think, is something like 8 percent, but as high as 35 percent on things like solar water heaters. What can we do to lead a charge around the world that, on clean energy products, there should be zero tariffs?

Ambassador KIRK. Well, one of the most exciting initiatives we have is right now what we kind of call a coalition of the willing—the United States, Canada, the European Union, New Zealand, Australia, and others—and we are reaching out to enter as either an early harvest of Doha, or separate from it through APEC, an environmental goods and services agreement in which those of us who realize the value in what you have articulated would move forward more quickly to reduce the tariffs on those so that those environmental goods and services can be traded freely within those countries, but it also then becomes, we think, a valuable tool to incentivize further growth and development in these new technologies.

So that is the first effort of what we are doing. It is an integral part of our discussions in the proposed Trans-Pacific Partnership. It is an integral part of our discussions as we look to what we can do, the next steps, frankly, to strengthen NAFTA, since we are now effectively duty- and tariff-free, and it is something that we would hope that we can use to invigorate the discussions within the Doha Round of talks as well.

Senator CANTWELL. And if I could, does the administration support the Affordable Footwear Act? This is legislation that my colleague, Senator Ensign, and I have introduced. It previously was introduced by myself and Senator Smith from Oregon. But what it does is, it gives relief to U.S. consumers who end up paying a 67-percent tariff on imported shoes. This is something that would generate thousands of new jobs in the retail sector. I think it was Chairman Baucus who pointed out in a speech in 2007, unnecessary tax items on things like sneakers are at a higher tax rate than luxury goods. So these are on products the United States does not make, and yet we still have a tariff.

Ambassador KIRK. Right. And Senator, I will have to get back to you. I am not sure that I am in a position to say that we support

it. For the reasons you articulated, we have not found any challenges with it because these are, for the most part, on products particularly that most middle-income Americans use every day to help their kids go to school, and we do not make them here. So, if I could get back to you specifically in terms of whether we have made a decision to support it or not, but I think that is more an issue of congressional prerogative now than it is our saying yes or no.

Senator CANTWELL. Thank you.

Senator Menendez?

Senator MENENDEZ. Thank you very much.

Ambassador, thank you. Sorry, we were at other hearings before we got here.

Ambassador KIRK. I understand.

Senator MENENDEZ. But I am glad I got here in time to just share a few thoughts with you.

I am one of 13 of my colleagues in the Senate who encouraged the President to work actively towards the development of a job-oriented policy and export promotion effort to help us in our challenges here at home. I know that certainly USTR is going to play an important role through the NEI, and I look forward to that. I wanted to explore that with you a little bit, but I know there is another topic that has risen here which I did not intend to raise, but I feel compelled to do so.

That is, as we promote our trade and want to reduce barriers across the globe and want to pursue the opportunity for the export of U.S. goods and services to other countries in the world that will create jobs here, all of which I am for, I am concerned, however, that there are certain standards—for example, I would assume that we want to largely deal with countries who observe the rule of law so that when we have a contract, we can have that contract observed. Is that a fair statement?

Ambassador KIRK. Yes, sir.

Senator MENENDEZ. I would assume that we largely want to deal with any market, as long as that market is someone who pays at the end of the day, whether that be an individual, company, or government. If there is a history of nonpayment, would that be a concern to us?

Ambassador KIRK. I think that is fair to say. That is something we would look at.

Senator MENENDEZ. And then finally, I often believe, and some disassociate this pillar of our foreign diplomacy, but I often believe that human rights and democracy is something that we cannot necessarily be blind to in our trade engagements. All of those things bring me to the question of Cuba.

Rule of law is certainly not something that exists. The difficulty is, if you have any type of agreement and that agreement breaks apart, it is not quite enforceable under the situation in Cuba. So I always say to people, you have to think about any part of the world where your agreements are not going to be enforced.

Second, if you look at the Paris Debtor Club, Cuba has defaulted in billions of dollars on obligations that it has, so I get concerned about that. Third, I am clearly concerned about the nature of human rights and democracy, the most recent being the death of

an individual on a hunger strike who was being abused in Castro's jails, and was there in the first place simply because he sought to speak out and create peaceful change in his country. He died at the hands of his jailers as a result of their ultimate abuse and the abuse he was protesting that led him to the hunger strike.

So that, unfortunately, is not an isolated incident. That is an example of hundreds of individuals whom Amnesty International recognizes as prisoners of conscience. So in our drive, which I share, for the purposes of opening up markets and creating greater opportunities for goods and services made in America or delivered by Americans abroad, I hope that it is not the policy of this administration to do so in the absence of understanding the human rights abuses that take place in those countries, in a country that most recently had the condemnation of the Organization of American States' International Human Rights Division and that also, in the news, was there about assisting individuals from the Basque region of Spain to go ahead and attempt to assassinate the Prime Minister.

So, I look at all these things, and I say there has to be a balance in how we pursue it. So I would just like to get your response, both to the role you see USTR playing in the NEI, and second, your observations about the situation as it relates to Cuba.

Ambassador KIRK. Senator, thank you for your comments. Let me try to address both briefly. Having worked in this building 25 years ago as an aide to Senator Lloyd Bentsen, I certainly understand the pull on Senators to be in more than one place at one time. I will make sure you have a copy of my previous remarks, but I just wanted to note that in not only the President's trade policy agenda, but in my remarks, we specifically address and make it plain that a pillar of our trade policy and an underpinning of that is our commitment to the rule of law with all of our trading partners, and that is critical to maintaining a global rules-based trading system.

From the very beginning, the Obama administration has made it plain that we believe that one of the ways that we can help to recalibrate and answer the cynicism among some Americans about the value proposition of our trade policy, is that it has to reflect our values about human rights, the rights of workers, and others. So, I want to assure you that we will not compromise on those.

Our role in the U.S. export initiative at USTR is to, frankly, continue to do what we do best, and that is to create more market access for our exporters, for the simple reason that we know that businesses that export more tend to grow faster, they create more jobs, they pay higher wages.

So we will continue to focus on market access-opening initiatives, whether it is trying to bring to conclusion the pending free trade agreements, whether it is bringing into reality the proposed, we think exciting, new Trans-Pacific Partnership that would give us access to the fastest-growing economic region in the world, and whether, frankly, it is through enforcing our rights.

When I came before this committee during my confirmation, one of the concerns I raised was, I think we have gotten to a point that we only look at trade ambassadors and measure us on whether or not we pass free trade agreements, but as so many of you have

commented, much of what we lose is because we do not get access to the markets that we have agreed on.

So our enforcement initiatives are not the United States trying to be heavy-handed, but it can be a critical component to us getting market access that we were promised in existing free trade agreements. In the case of Cuba, as you know, the President has explicitly addressed his belief that he would like to see us move beyond the point of this 50-year embargo, but that would be a measured approach.

He did unilaterally offer, I think, the olive branch, if you will, in easing the travel restrictions on families. But beyond that, I think, Senator, even within the last 2 weeks, we had at least as high a level of delegation as we had from the Department of State that traveled and met with a delegation from Cuba to begin to address some of the other issues that you have laid out.

Senator MENENDEZ. Well, I appreciate that.

Let me just close by saying it is really, in my mind, untenable that a U.S. citizen has been arrested and detained for months without the ability, until very lately, to get a consular visit, and is detained without any good reason, uncharged. Part of the process is, how do you reward a country that detains your citizens, violates human rights, and is internationally in default on debt? I think it is not the best policy. If that is how we incentivize countries, we are definitely incentivizing them in the wrong direction. So I appreciate that and look forward to a continuing dialogue on that.

Finally, in terms of new trade agreements—and I agree, you should not be measured just simply by that—there is one that I think I would love to see us move. I think we are all on the beneficiary side of it for the most part, and that is the one with Panama, which has a good rule of law, has good labor rights, and it seems to me is a perfect example of trying to begin to build, particularly in a hemisphere that should have some other opportunities as well.

Thank you very much.

Ambassador KIRK. Thank you.

Senator CANTWELL. Mr. Ambassador, I know you have been here now for a couple of hours, and I assure you there is not a relentless number of members who are going to keep showing up. But trade is an important policy area for us, and we appreciate your indulgence.

Ambassador KIRK. It is very important, and I appreciate the time to not only give you our thoughts, but to get your counsel as well.

Senator CANTWELL. Thank you.

Senator Wyden?

Senator WYDEN. Thank you, Senator Cantwell. Thank you, Ambassador Kirk, for your service, and also your patience today.

As I indicated to you when we had our recent visit, it is my intention, as chairman of the Trade Subcommittee here at the Finance Committee, to work very closely with Chairman Baucus. I thought that a number of the suggestions you made this morning, particularly in terms of getting some benchmarks and specifics about how to achieve this 5-year objective of doubling exports, make a lot of sense. So, Chairman Baucus's thoughts on that have my full support.

I want to get into the issue of China with you, and I want to do it in a very specific way, because my sense is a lot of the discussions about China tend to be sort of elliptical and talk about sort of general concepts, and I think it is very important to get into specifics.

My judgment is that China recently instituted a policy that actively discriminates against American intellectual property. This is absolutely key to growing our economy here in the United States, good-paying jobs. Senator Cantwell and I from the Pacific Northwest, our area is directly affected by the ability of intellectual property and innovators in our part of the world to be on the cutting edge of those new technologies, the new intellectual property that is going to make a difference.

So let me outline my concern here. The Chinese recently put in place a program that they called the Indigenous Innovation Product Accreditation System. It involves government procurement. My reading of this is that this new program actually discriminates against American intellectual property, and it moves, in effect, in exactly the opposite direction of what China pledged earlier with respect to the World Trade Organization, particularly in the case of the point that I am outlining, international norms and the WTO Government Procurement Agreement.

So here we have a concrete situation recently put in place. This is not something that took place years ago, and people were stalling around and trying to figure out what to do with it. This is something they put in place recently that those innovators in our country that are generating intellectual property are very troubled by. I believe that this new policy will put American intellectual property at a serious disadvantage in an extremely important market.

My question to start with is, does this new Chinese program trouble you? If so, what is the Obama administration going to do to try to turn it around?

Ambassador KIRK. I thank you not only for your questions and comments, but thank you so much for taking time to visit with me, not just a couple of weeks ago, but continually. I want you to know that we have heard you and are doing everything we can to expand the winner's circle for trade.

On the issue of intellectual property, my answer to both of your questions is yes. Does this trouble us? Yes. Does this present an incredible opportunity where America can win because of our creative edge in information services, in the creative arts? Yes. It is one of the issues. I would say I know others. Some, I will not say have questioned the value, but maybe begin to question the value of the JCCT. I would tell you that it is a critically important tool for us to be able to engage China on these issues as they come up.

I say that for one reason. One of the things that alarmed and concerned me most when I came into office was I asked for an immediate review of all the cases we had pending in the WTO, some of it driven by my conversations with you all, and frankly Senator Snowe, who could not be here, telling me it took 20 years to get a softwood lumber agreement, and Senator Cantwell and others' concern about the 14-year fight over Airbus. No disrespect to Airbus or Google. They can maybe survive a 14-year process. Those

young entrepreneurs, Senator, that you and I talked about who are in your State, and Texas, in Florida, in Michigan, do not have 14 years.

The value of the JCCT, as difficult as it is, is we have the ability to engage China directly, which Secretary Locke and I did, and successfully. We are beginning to win some of these. The level of progress is not what any of us would like. It does feel like, in many cases in China, frankly, we take one step forward and two steps back.

But maybe, so I can get to your next question, I just want to assure you that the issue of intellectual property rights protection is one that receives the highest level of attention from us at every level, but I want you to know the value of our approach because the first response is, why do you not file a case? I do not want to take 3 to 5 years to get a resolution if we can sit down and slug it out and try to get a result sooner. But we are particularly concerned about this indigenous innovation effort by China and have had very direct discussions with them about it.

Senator WYDEN. Mr. Ambassador, I appreciate that. I would only say that, with respect to intellectual property, which in my view is just going to be the foundation for so many good-paying jobs in the future, this is a policy that is intolerable. I think it is critically important, and particularly with my friend and colleague Senator Cantwell. Senator Cantwell and I, in our time we served in the other body and since we have been here, have voted for every market-opening agreement that has come before the respective bodies.

I think it is fair to say we have the welts on our back to show for it. This is an issue where we have to draw a line in the sand, where we have to say that the Congress has only so much patience for discussion. This is one—and I say this as someone who is looking forward to working with the administration on these market-opening agreements—when you have a Chinese policy that has been recently instituted, knowing about the concern in this country for access to markets, for the Chinese to put in place a new policy—this is a fresh policy, not something that happened years ago—we must send the strongest possible message, draw a line in the sand that we are not going to say that you can just actively discriminate against American intellectual property, and folks in the U.S. Congress and folks in the executive branch will say, gosh, we will be interested in talking to you about this down the road. I can assure you, I do not bring this level of passion, and probably the decibel level, to very many of these trade issues, but this is something I feel very strongly about.

In Oregon and the Pacific Northwest, where we have risk-takers and innovators who put it on the line right now, where they cannot get capital, it is very hard to finance their ventures, for them to wake up and see that the Chinese have recently put in place a new program to discriminate against American intellectual property, that is where we draw the line. So, you will be hearing plenty from me as chairman of the Trade Subcommittee, working under the leadership of Chairman Baucus on this.

One last question, if I might, Senator Cantwell. I may have missed it, Ambassador Kirk, but on the softwood lumber issue, I

think it would be very helpful if you could give us an update. I feel badly; we have all had many hearings this morning, and I may have missed it. But could you just briefly give us an indication of what additional steps USTR is taking to enforce the terms of the agreement and what else might be coming up with respect to it, particularly on the possibility of a possible extension of the agreement with Canada? I think we know that the Canadians unfairly subsidize their industry.

We have relied on the competitiveness principles that are so important to our country; that is why the forestay industry in Oregon is especially competitive in world markets. But if you could tell us what additional steps you all are looking at to enforce the terms of the agreement, and also any developments with respect to a possible extension of the agreement with Canada, Ambassador, that would be very helpful.

Ambassador KIRK. Well, Senator, first of all, if I might say quickly, I just want you to know, we take this issue of protecting America's intellectual property rights just as seriously as you do. Frankly, as outspoken as you have been, coming from Texas, first of all, we would still consider you soft-spoken. It helps me for the Chinese to hear this from you and other members of the committee, because they tend to get tired of Secretary Locke and I doing that. So in this case, I want to assure you that we are working in concert on that.

Second, the softwood lumber agreement, I do think, is one good story. Again, I really appreciate your educating me on this, along with Chairman Baucus and Senator Snowe. Based on that, this is one area that we did move very quickly on to enforce the agreement. We got a WTO, a NAFTA ruling. We have been levying a tariff on imported softwood lumber from some provinces in Canada because they were unfairly undercutting our prices. We won the right to levy tariffs. I think it is slightly less, around \$55, \$56 million. We have been enforcing and collecting that. I think we have collected roughly half, maybe a little more, but I will get the specific number back to you.

So on that part, we have enforced it. We are enforcing it. We are getting more compliance. We are concerned, based on my last visit to your part of the State, and forgive me, but I think there is a beetle infestation that is attacking some of the trees, and now they are taking a number of trees and selling them as diseased at lower prices. So, that is of concern to us, and we are working with your staff and others to make sure that we combat that.

Senator WYDEN. Ambassador, thank you. Let me echo Senator Cantwell's point about your patience. A lot of us, literally between 10 and 12, had three or four separate committee hearings. The fact that you have been patient is further indication of the fact that you want to work with us, and we appreciate it.

Ambassador KIRK. I hope it is evidence of our excitement at finally having been let out of the trade box.

Senator WYDEN. Fair enough.

Ambassador KIRK. I think we are now talking about how we can move forward, aggressively working together.

Senator WYDEN. Mr. Ambassador, thank you.

Ambassador KIRK. Thank you, sir.

Senator CANTWELL. Thank you. And thank you, Senator Wyden, for your leadership as the subcommittee chairman. So, we appreciate that. I do agree with you on the IPR issue as it relates to China, and I want to emphasize that. It might have been at a different decibel level, but I know that our region does speak with one voice on that and is going to be much more active on that point. Thank you for presenting the administration's trade agenda and for being here this morning. I know we do not get you up to the Hill that often, but we look forward to continuing to work with you on these trade priorities of the Finance Committee.

Ambassador KIRK. Senator, if I might, just because I do think it is important.

Senator CANTWELL. Yes.

Ambassador KIRK. One of the lessons I have learned, in Senator Wyden's terms of expanding the circle, is that the issue of intellectual property rights, entrepreneurship, I know we tend to think that is the providence of the west coast, but it is important in Florida, it is important in Texas. It is the way we are going to help bring Michigan and Pennsylvania—we have entrepreneurs all over this country that benefit from the efforts we are doing.

I know it is important to your regions, but it is important also that we help the rest of America understand this is how they compete. Senator, I want to thank you for coming over and visiting us at USTR. Mr. Chairman, we would welcome you coming over and helping encourage the troops as well. Thank you both.

Senator WYDEN. Thank you.

Senator CANTWELL. Thank you, Mr. Ambassador.

The hearing is adjourned.

[Whereupon, at 1 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Hearing Statement of Senator Max Baucus (D-Mont.) Regarding the President's 2010 Trade Agenda

Benjamin Disraeli said: "Free trade is not a principle, it is an expedient."

Disraeli was right. Free trade is not an ideology. It is a means to an end.

Free trade is a tool to create opportunity for the American people. Our trade agenda cannot stand in isolation. It must serve our broader goals.

America is emerging from the most wrenching economic crisis since the Great Depression. The economy is beginning to recover, but unemployment remains high. Fifteen million Americans are out of work.

Our most urgent economic goal must be to create jobs. Job creation must be at the center of our trade agenda.

History tells us that expanding trade promotes growth. According to the Peterson Institute, trade liberalization since 1945 has increased U.S. national income by nine percent. That nine percent means \$1.3 trillion of additional income last year alone.

And we know that opening markets and increasing exports create jobs. According to the Department of Commerce, every \$1 billion in manufacturing exports supports almost 7,000 jobs. And every \$1 billion in agricultural exports supports 8,000 jobs.

Last year, America exported more than \$1.5 trillion in goods and services. Those exports supported nearly 10 million jobs.

In 2008, my home state of Montana exported more than \$2 billion worth of agricultural goods, industrial machinery, chemicals, paper and other products.

Americans are among the most productive people in the world. But we are not yet meeting our export potential.

We are the world's largest economy. We're nearly three times the size of our nearest competitor. But we are only the third largest exporter, after China and Germany. As a share of national income, America exports less than all of our major trading partners.

We must achieve our export potential. Our economic recovery depends on it.

As a result of the recession, domestic consumption has plummeted. Public spending helped to fill the demand gap in the short run. But as we reduce stimulus to protect our fiscal stability, we must find new sources of demand. We must find new buyers abroad.

The President has set a goal of doubling U.S. exports over the next 5 years. That increase would support two million jobs. I endorse this goal.

But it is ambitious. It would require exports to grow nearly 15 percent annually. That's almost double the yearly average since 1960.

We can meet this goal. But our actions must be as ambitious as the goal. We must do everything possible to open markets and promote our exports.

What should we do? I propose five steps.

First, we should increase our support for export promotion. Last week, we heard testimony about the export potential of small business. Small businesses represent 97 percent of exporting firms but only 30 percent of exports. There is room for growth.

In order to grow, small businesses must obtain the necessary resources. As Spencer Williams, the President and CEO of West Paw Design in Bozeman, Montana, testified, small businesses need financing, market research, and technical assistance.

If we are committed to increasing exports and creating jobs, we should help small businesses acquire these resources, just as our competitors do. Canada, for example, spends 50 percent more than we do on export promotion. The United Kingdom spends three times more.

Second, we should approve our pending trade agreements. South Korea is our seventh largest trading partner. Colombia is our largest agricultural market in South America. And Panama is a center of global commerce.

The International Trade Commission estimates that these agreements, once implemented, would increase U.S. exports by approximately \$12 billion.

We must address the remaining obstacles to these agreements. But we must also recognize the consequences of delay. Our competitors are signing trade deals that will put our farmers and businesses at a competitive disadvantage unless we act.

Third, we should focus on the markets that matter most. I have long supported American participation in the Trans-Pacific Partnership. And I applaud the administration for launching these negotiations.

A TPP agreement could anchor our position in the Asia-Pacific. It could set a new, high standard for transparency, non-discrimination, and open markets in this fast-growing region.

To reduce barriers in other markets, we must insist on an ambitious Doha Round agreement that creates opportunities for agriculture, manufacturing, and services.

The deal on the table is inadequate. And we appreciate your efforts, Mr. Ambassador, to push for more market access, particularly from China, India, and Brazil.

Fourth, we must enforce our existing agreements. Even the best trade agreement will not meet its export potential if we do not enforce the rules. We must identify barriers and remove them — through consultation, when possible, or litigation, when necessary.

By the same token, when trade rulings go against us, we should strive for compliance. We must always reserve the right to decide the appropriate response to these rulings. But we cannot expect our trading partners to uphold the rules if we do not.

Fifth, we must ensure that our trading partners do not gain unfair advantage by failing to adopt or enforce basic labor rights and environmental protections.

In our pending trade agreements, we strengthened labor and environmental standards. These bipartisan amendments improved our agreements and should be carried forward in future negotiations. The new opportunities created by trade agreements need not, and should not, come at the expense of workers or the environment.

As Disraeli emphasized, free trade is a means to an end. So let us commit to increase our exports, enforce our agreements, and protect workers and the environment. But let us not forget the ultimate goal of these actions: creating jobs for the American people.

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**Statement of Senator Mike Crapo
Senate Finance Committee
The 2010 Trade Agenda
March 3, 2010**

Mr. Chairman, thank you for holding this hearing regarding the President's 2010 Trade Policy Agenda. I welcome this discussion on trade. There has simply not been enough of a focus on trade, given the benefits of more market opportunities, and this dialogue is more than needed.

Thank you, Ambassador Kirk, for being here with us today to participate in this discussion and for your work in crafting this agenda. The Administration's continued focus on a balanced Doha agreement, and not just any agreement, is valued. At the same time, the importance of achieving a successful round has not diminished. Additionally, the emphasis on liberalizing trade in innovative energy and environmental goods and services is appreciated. Reducing restrictive tariffs on U.S. environmental goods and services has the double benefit of broadening the reach of American innovation for the betterment of the environment.

Further, your continued interest and attention to ensuing enforcement of trade commitments, including your efforts to ensure that the U.S.-Canada Softwood Lumber Agreement is adhered to and the recognition of the need to continue to compel compliance, is encouraging. However, the lack of detail on steps forward for the pending free trade agreements with Colombia, Panama, and South Korea is disappointing. The difficulty of resolving the concerns with the FTAs is understandable, but expectations that the Administration would be further along in this effort by now are also understandable. As countries are negotiating and completing free trade agreements and the U.S. is further marginalized in these deals, U.S. producers are losing market share. For example, U.S. wheat growers are concerned that they could lose as much as 40 percent of their 70 percent of Colombia's market share to Canada through a trade agreement being pursued by Colombia and Canada. These agreements are being idled at the expense of U.S. exports and jobs.

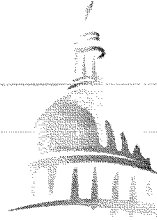
It is also reasonable to have expected that some progress would have been made by now in resolving the Mexican truck dispute, and I continue to hear from potato, onion, tree fruit and other producers wondering why so little attention has been given to this issue that is affecting exports to a critical market. For example, through these tariffs, U.S. exports of frozen potato products have been reduced from more than \$64 million yearly to \$30 million. Yet, there is no mention of resolving this issue in the President's Trade Agenda.

I also look forward to seeing more details on the President's National Export Initiative and the effort to increase U.S. exports of goods and services. Helping U.S. farmers and small businesses with increasing exports of their products is a commendable priority.

Questions need to be answered as to specifics of the Initiative and how the proposed increases in funding for certain programs will result in additional exports and jobs, but the attention to expanding exports is a step in the right direction. It is also a reasonable expectation that efforts to assist U.S. producers with increasing the export of U.S. goods and services can be pursued while also pursuing efforts to break down market barriers, by advancing the free trade agreements. Both efforts should be priorities.

Again, I welcome this discussion and appreciate the opportunity to share a few words.

United States Senate
Committee on Finance



Sen. Chuck Grassley · Iowa
Ranking Member

Opening Statement of Sen. Chuck Grassley
Hearing on “The 2010 Trade Agenda” with
Ambassador Ron Kirk, U.S. Trade Representative
Wednesday, March 3, 2010

This is an important opportunity for the Committee to engage Ambassador Kirk in a detailed follow-up to the President’s recently-released trade policy agenda for 2010. I’ve looked at the trade policy agenda, and I’m disappointed by some of the gaps I see in the level of detail provided by the President.

For example, the trade agenda states that our government “will continue to engage with the Governments of Panama, Colombia, and Korea” as the Administration further refines its analysis of outstanding issues. But it doesn’t indicate where we are on that engagement, or when future meetings are planned with the governments of Colombia and South Korea to iron out resolutions to the Administration’s concerns.

It’s been almost three years since each of our pending trade agreements was modified to reflect what is commonly known as the “May 10th” agreement between congressional Democrats and the Bush Administration. This delay in implementation hurts U.S. credibility around the world, not just economically, but geopolitically as well. On top of that, it creates some confusion with respect to the Administration’s own trade initiatives. The Administration has articulated forcefully the potential benefits of a Trans-Pacific Partnership trade agreement. And, I agree with the Administration on that.

But there is some disconnect between this enthusiasm for negotiating a Trans-Pacific Partnership agreement, and the apparent lack of urgency to resolve the outstanding issues cited by the Administration as cause for delay in implementing our pending trade agreements. There may well be political reasons for this lack of urgency. But that doesn’t justify delay as good policy — quite the opposite.

Though some may dismiss this focus on our pending trade agreements, the world won’t wait for us if we sit on the sidelines. South Korea has already concluded a trade agreement with the European Union, and Colombia has reportedly just done the same. Such erosion to global U.S. competitiveness concerns me. We were left on the sidelines once before — in the latter 1990s — and I don’t want to see us repeat that experience. The trade agenda also reiterates the President’s goal of doubling U.S. exports in the next five years, and touts the President’s National Export Initiative as a means of achieving that.

But beyond another bureaucratic incarnation — in the form of a new “Export Promotion Cabinet”— the details for achieving that growth in exports are missing. In fact, the relevant executive departments and agencies have been given six months to submit detailed plans to the President on how they will spend monies that have already been accounted for in the President’s budget to achieve an increase in U.S. exports. This top-down spending mandate is a recipe for waste. Before additional resources are appropriated, this Administration must provide a detailed justification for why current spending levels are insufficient — and the fact that agencies can find ways to spend more money is not an acceptable reason.

The trade agenda does acknowledge the important role that international trade plays in creating and sustaining good-paying jobs here in the United States, and I commend the President for that. I also agree with the President that we need to remain mindful of the needs of American workers who are displaced by trade. But we’ve already done that. Congress enacted a comprehensive overhaul and expansion of our trade adjustment assistance programs last year. So, we’re left waiting for the President to act. We’re left waiting for more details. I look forward to Ambassador Kirk’s testimony to help fill in the blanks.

**Statement of Senator John F. Kerry
Finance Committee Hearing
The 2010 Trade Agenda
March 3, 2010**

Mr. Chairman, I largely support the President's trade agenda. Clearly, our trade imbalance with China remains a unique challenge, and we must do everything we can to ensure that they treat us as fairly in their market as we treat them in ours. I am closely following China's new, highly restrictive, government procurement rules and will be introducing legislation shortly to ensure our technology and Internet companies are fairly treated there and elsewhere.

We have made important progress on trade issues through the enforcement cases Ambassador Kirk has brought at the WTO, the President's action on Chinese tires, and with labor and environmental provisions now being enforceable in trade agreements.

For the upcoming jobs bill, we are working to ensure that the resources are there to target American businesses with the information they need in order to initiate or expand their sales abroad. Far too few American businesses export.

In Latin America, from natural disasters to political divides, we need to engage. We must use trade to help Haiti and Chile, and we need to move the pending agreement for Panama the day after they agree to sign a Tax Information Exchange Agreement. I would also love to be able to approve the agreement with Colombia and appreciate the progress on security President Uribe has made, but we still receive reports of continued assassination of labor organizers and other serious human rights issues that need to be cleared up before we can take a vote on that agreement.

In South Asia, leaders in Pakistan have asked me to convey the request that we lower tariff barriers to our market. The returns for them in terms of new economic opportunity could have huge returns for us in terms of security. I understand the fear in the textile community of additional competition from Pakistan, but the potential displacement of American workers in this industry is not as large as some argue and has to be weighed against the lives we are risking in the region. If we cannot use trade to create opportunity there, then we are failing those fighting on our side and increasing the risk that more of our kids will have to fight abroad for years to come.

And Asia is the market of the future. We need to bring the South Korea agreement to conclusion and ratification because it will reap large, broad economic rewards for both countries. As to the auto provisions, we just need fair access and our cars can compete anywhere.

**Testimony of Ambassador Ron Kirk
United States Trade Representative**

**Senate Finance Committee
Hearing on “The President’s Trade Agenda”
Room 215, Dirksen Senate Office Building
10:00am Wednesday, March 3, 2010**

Chairman Baucus, Ranking Member Grassley, members of the committee, thank you for this opportunity to discuss the President’s 2010 Trade Agenda.

In 2009, President Obama’s economic strategy halted the slide into economic crisis. In 2010, this Administration is focused on renewing the American economy by laying a sustainable foundation for American prosperity – one that creates opportunities for job growth at home, and for Americans to compete and succeed around the globe. A strong trade policy leads to good jobs, fair prices, and increased consumer choices.

This year’s Trade Policy Agenda outlines this Administration’s commitment to the rules-based trading system, our dedication to enforcing America’s rights, and our plan to advance U.S. economic interests by negotiating new market-opening agreements and resolving issues with pending free trade agreements. Taken together, these elements will stimulate export-driven growth and help the United States meet the President’s goal to double U.S. exports in five years – an increase that could support two million additional American jobs.

Over the past year, we have listened to the American people and the Congress, hearing your calls for more vigorous enforcement of America’s rights under the international trading system.

We’ve been asked to break down barriers to agriculture exports. We did so by reaching agreement with the European Union to expand access for American beef after more than two decades of dispute and by challenging in the WTO the European Union’s unfounded ban on U.S. poultry exports.

We’ve been asked to level the playing field for U.S. manufacturers in the global marketplace. We did so by reaching agreement with China to eliminate harmful export subsidies and by winning new market access for American manufactured goods, such as auto parts and wind turbines. We are also challenging China in the WTO over its export restraints on raw materials that create competitive disadvantages for our steel, aluminum and chemical industries.

We’ve been asked to protect American innovation. We did so by winning a WTO decision that found China was not meeting its intellectual property protection and enforcement obligations. We also moved forward with the Anti-Counterfeiting Trade Agreement to step up the fight against global counterfeiting and piracy.

We've been asked to do more for small- and medium-sized enterprises. We responded by launching a small- and medium-sized business initiative, designating a senior USTR official to serve as the point person, and prioritizing small- and medium-sized businesses in trade negotiations.

We've been asked to seize major opportunities for enhanced growth, job creation, and innovation by seeking new and expanded markets for our exports. Many of you – especially the Chairman and Ranking Member – urged us to step up our engagement in the Asia-Pacific. In response, USTR is beginning negotiations toward a new Trans-Pacific Partnership that will expand U.S. export opportunities with the fastest-growing economies in the world under a high-standard, 21st century agreement.

We've been asked about pending trade agreements. Approval of these FTAs is a priority. As the President said last week, we are working to resolve the outstanding issues so that we can move forward on trade agreements with South Korea, Panama and Colombia.

Globally, USTR aims to expand rules-based trade opportunities for American businesses and workers, and for some of the world's poorest nations by achieving an ambitious and balanced conclusion to the Doha Round of trade negotiations – one that will support job creation at home and further our commitment to help developing nations.

This Administration is also working with Congress and other stakeholders to implement and improve trade preference programs that help developing nations to gain a foothold in the international marketplace.

And we will work hard to ensure that this Administration's trade policies reflect American values, promote worker rights and transparency, and move the United States closer to achieving sustainable energy and environmental goals.

Creating and implementing the policies outlined in the President's Trade Agenda requires an ongoing conversation with Congress and the American people. I look forward to our dialogue today and to many future discussions. By working together, we can use common sense and find common ground on trade in order to create jobs and new opportunities for American workers, businesses, farmers, and ranchers. Thank you.

UNITED STATES SENATE
COMMITTEE ON FINANCE
HEARING ON THE 2010 TRADE AGENDA
MARCH 3, 2010

RESPONSES TO QUESTIONS FOR AMBASSADOR RON KIRK

Questions from Chairman Baucus

Question 1

In a World Trade Organization (WTO) dispute initiated by Brazil, the Appellate Body has ruled that certain U.S. agricultural programs that support U.S. cotton farmers are inconsistent with the United States' WTO obligations. The WTO has authorized Brazil to impose retaliation, not only against U.S. goods but also against U.S. services and intellectual property rights. **What specific action has USTR taken to try to reach a negotiated settlement with Brazil and avoid retaliation? What else is the Administration doing to minimize any adverse impact on U.S. jobs and U.S. exports that could arise from this dispute?**

A. U.S. Government officials, including USTR, have had several meetings with their Brazilian counterparts since the Arbitrators issued their awards in the WTO *Cotton* dispute on August 31, 2009. We are committed to using every available opportunity to work with the Brazilian Government to identify the potential for a negotiated solution that would avoid the imposition of Brazilian countermeasures on U.S. trade. Throughout this process, we have consulted extensively with U.S. private sector stakeholders, and with Members of Congress and Congressional staff concerned about this matter, keeping in mind the statutory nature of the programs at issue in the WTO *Cotton* dispute. We are disappointed that Brazil decided to move forward with an announcement of plans on countermeasures.

Question 2

The Office of Management and Budget is currently reviewing a U.S. Department of Agriculture (USDA) proposed rule to implement a new catfish inspection program, as required by the 2008 farm bill. It has been reported that the proposed rule would modify the definition of catfish in 2002 farm bill to include pangasius, a similar but taxonomically distinct fish that the United States imports from Vietnam. Pangasius, like other seafood, is currently regulated by the Food and Drug Administration (FDA). It is my understanding that FDA's competence to regulate pangasius has not been questioned. If the responsibility to regulate pangasius were shifted from FDA to USDA, however, it would effectively prohibit pangasius imports from Vietnam and other foreign suppliers for several years.

Do WTO rules require the United States, and other WTO members, to base their sanitary and phytosanitary measures on scientific evidence and a risk assessment? Are you aware of any reason related to food safety for shifting regulatory responsibility of pangasius from

FDA to USDA? If the United States were to impose a rule that restricted imports and was not supported by a food safety concern, would such a rule raise questions about WTO consistency?

A. As you know, USDA is charged with developing the rules for this new inspection regime. USTR, along with a number of other agencies, have been carefully reviewing the draft proposed rule as part of the OMB-led review process. This review process has not been completed as of yet. We continue to review the draft proposed rule closely to ensure that it meets requirements laid out by Congress while meeting our international trade obligations.

Question 3

In 2007, the United States and Korea entered into a free trade agreement (FTA) that would be the most commercially significant FTA since the North American Free Trade Agreement. Korea currently only accepts U.S. beef from cattle under 30 months of age, despite the World Animal Health Organization (OIE) guidelines indicating that U.S. beef from cattle of all ages and all cuts can be safely traded. In 2008, Korea agreed to accept beef from cattle over 30 months of age but massive protests in Korea prevented the over-30 months agreement from being implemented. I have long supported the U.S. – Korea FTA. But I cannot support moving forward with the agreement until Korea fully opens its market to U.S. beef, consistent with OIE standards. **Can I count on you to continue pressing for full opening of Korea's beef market so that we can move the FTA forward? What is your plan for getting Korea to comply with its commitments on beef?**

A. Korea reopened its market for imports of U.S. beef in June 2008 and the protocol has been working well, providing important market access for U.S. beef and beef products. In 2009, U.S. exports of beef and beef products to Korea reached 55,540 metric tons, valued at \$216 million, making Korea our fourth largest beef export market. In addition, sales of higher-value chilled beef have been rising, indicative of growing confidence among importers (since chilled beef is perishable and requires a quick turnaround). Industry groups have pointed to the increased gains approval of the FTA would bring in terms of tariff reduction. In our efforts to address outstanding concerns with the FTA, the Administration, in cooperation with Congress and industry groups, will continue to work with Korea to normalize trade in beef and beef products.

Question 4

In November 2009, the United States announced that it would participate in the Trans-Pacific Partnership (TPP) FTA negotiations. Once concluded, the TPP will strengthen America's economic and strategic relationship with key Asia-Pacific countries across varying levels of development, including Vietnam, New Zealand, Australia, and Singapore. And the negotiations hold the potential of drawing other significant Asian countries, such as Thailand and Malaysia, into the fold. In 2008 alone, the United States exported over \$930 billion in goods and services

to the Asia-Pacific region. And the International Monetary Fund anticipates that the Asia-Pacific economies will grow faster than the world average through at least 2014.

What is your strategy for ensuring a successful outcome for the TPP negotiations? What concrete steps will you take to include other key countries in the TPP negotiations?

A. We are working in partnership with Congress and U.S. stakeholders to develop U.S. negotiating objectives, with a focus on creating and retaining jobs in the United States. In working with the other TPP countries, we are approaching the negotiation as a unique opportunity to develop a 21st century agreement that will address new issues and take advantage of efficiencies that a regional agreement can provide.

Regarding inclusion of other key countries in the TPP, our goal is to expand the agreement in successive tranches so it can serve as a platform for Asia-Pacific economic integration. We are meeting regularly with countries that have expressed a potential interest in joining the TPP. The TPP countries also will provide briefings on the TPP to APEC members at Trade Ministerials and Senior officials meetings, and meet individually with countries that are interested in discussing the initiative further. Any U.S. decision on the participation of additional countries in TPP will be made in close consultation with Congress and U.S. stakeholders.

Question 5

The President's FY11 budget request would effectively freeze spending for USTR at FY10 levels, even though the President has set a goal of doubling U.S. exports over the next five years. By contrast, the President's budget includes substantial increases for other economic agencies to carry out export promotion programs. For example, the Department of Commerce would receive an additional \$87 million and the Department of Agriculture would receive an additional \$54 million. Given the important role that USTR plays in promoting exports, I want to be sure your agency has adequate funding to do the job. **Could you please describe how resource constraints affect your work at USTR?**

A. American families are being forced to tighten their belts at this time of economic difficulty, and USTR is being asked to do the same – a duty we understand and accept as appropriate since every taxpayer dollar counts. However, just as families have to make choices about which priorities they will fulfill, budget constraints will require USTR to make choices – in some cases, tough choices – about which priorities can receive a full allocation of resources and which may have to receive fewer than are optimal. We are already seeking every efficiency and identifying cost-effective ways to achieve our mission.

Question 6

The President has set a goal of doubling U.S. exports within the next five years. I support this goal, but it is ambitious. We need to make sure that we are doing everything possible to increase exports, and we must monitor our progress along the way. As I mentioned during the hearing on March 3, I request that USTR report to the Finance Committee every six months on the progress

that is being made toward meeting the President's goal. USTR can present this information in whatever format you determine would be most helpful, but I expect it would include 1) aggregate export totals; 2) exports by sector; 3) exports by destination; and 4) rate of growth or decline.

Will USTR commit to providing this information to the Committee on a biannual basis?

A. We will provide the biannual report as requested. We will work with other federal agencies to develop the information. We will develop an outline of what we hope to provide and will work with your staff in the coming weeks to ensure that it meets the Committee's needs.

Question 7

In recent months, the U.S. – China economic relationship has grown increasingly tense. China's currency and indigenous innovation policies, and its lack of effective protection and enforcement of intellectual property rights (IPR), are a few of the issues with which I am concerned. And as China's economic position continues to strengthen, it is clear we must come up with new strategies to deal with the "new China."

How do you propose revising the U.S. – China economic relationship? What concrete steps are you taking to address these issues, particularly indigenous innovation and IPR protection and enforcement?

A. The United States' relationship with China deepened and matured in many ways in 2009. We inaugurated the Strategic and Economic Dialogue, and breathed new life into the Joint Commission on Commerce and Trade (JCCT). In Hangzhou alone, we signed nine agreements with real impact for the United States, and have made progress on everything from wind turbines to market access for agriculture. Much was made of the Chinese tires decision, and other trade spats. But I've always said that disputes are the hallmark of a mature trading relationship, and precisely why we want to work together in a rules-based trading system.

There's much more that we can do with China, and we will. President Obama was very clear that we need to work together to rebalance our trade relationships with China and with much of the world, in terms of America consuming less, and other countries buying more. We'll work on that in 2010.

I am deeply concerned about recent policies announced by the Chinese government to give preferences to products with domestically developed intellectual property in China's government procurement market. These are just the latest set of industrial policy initiatives designed to support domestic companies, at the expense of foreign companies, especially in high-technology and software sectors.

My staff is actively consulting with stakeholders, and with the Congress, and the EU and other countries on the impact of these policies. The Administration is vigorously pressing the Chinese Government to address our concerns and I have raised the issue of China's discriminatory "indigenous innovation" policies personally with Chinese officials. USTR, working closely with

other U.S. government agencies, continues to raise these issues with officials from all the relevant Chinese government agencies at every appropriate opportunity, including the JCCT, our primary forum with China to address bilateral trade issues, as well as at a broader, strategic level at the Strategic and Economic Dialogue.

Question 8

I am a strong supporter of the U.S. Bilateral Investment Treaty (BIT) program, through which the United States negotiates rules to protect U.S. foreign investments; encourages the adoption of transparent, market-based investment policies; and provides an international arbitral forum for the settlement of investment disputes. In 2009, the Obama Administration announced a comprehensive review of the Model U.S. BIT to ensure it is consistent with U.S. national and economic interests. I believe the Model BIT must include strong protections for U.S. investors, as well as strong protections for core labor and environmental standards.

What steps is USTR taking to ensure that the core commercial standards in the Model BIT are preserved, including the Minimum Standard of Treatment? What steps is USTR taking to ensure that the revised Model BIT adequately protects core labor and environmental standards? Do you commit to consulting closely with Congress and all interested stakeholders as you complete the Model BIT review?

A. We understand fully that the 2004 U.S. model BIT text represents a carefully calibrated compromise among all key domestic stakeholders and agree that improvements in transparency will benefit all stakeholders. In exploring how best to address concerns relating to our BIT negotiations – whether through revisions to that text or through other investment initiatives – we and the State Department, with which we share responsibility on BITs, have consulted extensively with all interested stakeholders through a variety of mechanisms, including our advisory committees, a *Federal Register* notice inviting public comments, and a public meeting where stakeholders shared their views. We continue to consult closely with you and your staff, as well as the Senate Foreign Relations committee and other key Congressional committees, to ensure that the ultimate result of the review is a model BIT text that maximizes the benefits to our companies and workers, while ensuring that important public policy interests are not compromised.

Question 9

On September 30, 2009, the Obama Administration issued guidance that would remove registered lobbyists from Industry Trade Advisory Committees (ITACs), which provide technical and other guidance on the formulation of U.S. trade policy. Pursuant to this guidance, registered lobbyists that represent U.S. small- and medium-sized businesses (SMEs), non-governmental organizations, labor unions, and other key stakeholders would be prohibited from participating in the ITACs. I am concerned that, as a result of the administration's guidance, the ITACs will not adequately represent the views of these key stakeholders.

What steps is USTR taking to ensure that the views of U.S. SMEs, labor and environmental groups, and other key stakeholders will be adequately represented on the ITACs?

A. The goals of this White House guidance was “. . . to reduce the disproportionate impact on government decision makers at the expense of broader voices from the public at large.” Although the new policy has resulted in the loss of lobbyists who were longstanding members of the committees, we are implementing it in a way that will not reduce the committees’ effectiveness. Trade associations and other stakeholders whose interests and expertise are important to consider in trade policy will still be allowed to have representatives on the committees, but those representatives may not be registered lobbyists.

To ensure we receive expert advice from other sectors and stakeholders that should be represented, we are conducting outreach to find new voices and expand our circle of advisors. These efforts have been successful in bringing in new voices and perspectives to our advisory committees. In short, our committees remain an effective tool to provide a wide range of expert advice to the Government.

Question 10

TAA has been a priority for many years. Last year, I worked to pass the Trade and Globalization Adjustment Assistance Act of 2009. This legislation represented the biggest expansion of the TAA program since it was created in 1962. These expansions, however, expire after December 31, 2010. Without a long-term extension, many will lose the expanded benefits. This cannot, and must not, happen. **Will you commit to working with your colleagues in the Administration to ensure these expanded benefits continue for America’s workers, firms, ranchers, farmers and communities? Besides TAA, what more can Congress do to limit the impact of dislocations and to support new jobs for workers in transition?**

A. The Obama Administration is a strong supporter of Trade Adjustment Assistance programs, and the expanded TAA benefits signed into law by President Obama in February 2009 have been critical American manufacturing and services workers, as well as to American farmers, ranchers, and communities. I am committed to working with my colleagues throughout the Administration – and with Members of Congress – to make sure these programs do not lapse in December 2010.

In addition to TAA, this Administration has been working with Congress to find ways to limit the impact of dislocations and to support new jobs, and we will continue to do so. For example, in the American Recovery and Reinvestment Act alone, we helped create more than 317,900 summer youth job opportunities, invested \$500 million in training and research for emerging “green jobs” and another \$220 million to help workers pursue careers in health care and other high growth industry sectors, and created over 18,000 new community service employment opportunities for seniors.

Question 11

Ambassador Kirk, during your visit to Montana in August 2009 you were able to see first-hand just how important the lumber industry is to Montana's economy. And in these difficult economic times, it is essential that we ensure America's lumber producers are able to compete on a level playing field. You must strongly enforce the 2006 U.S. – Canada Softwood Lumber Agreement (SLA), and I appreciate the steps you have taken to enforce the agreement thus far. But I remain concerned that Canada – and British Columbia in particular – is taking steps to circumvent its obligations under the SLA. These violations harm Montana's forestry industry, workers, and communities, and must be stopped.

Ambassador Kirk, do you commit working closely with me to ensure that the SLA works for Montana's forestry industry and workers? What steps will you take to continue monitoring and enforcing the SLA?

A. Enforcement of the Softwood Lumber Agreement (SLA) with Canada has been a high priority for the Administration. To ensure full enforcement the Administration has launched two dispute settlement cases under the agreement and as a result of a decision in the first case exercised our right to impose customs duties when Canada failed to remedy its breach. A decision on the second arbitration is expected later this year.

USTR also is carefully reviewing British Columbia's administered price system. We have requested substantial information from Canada on this issue and met most recently with Canadian and British Columbian officials on March 5. We are reviewing available information and consulting with stakeholders, and would be pleased to update you as our analysis proceeds.

USTR also continues to monitor implementation of the SLA across Canada to ensure the agreement continues to be an effective means of ensuring a level playing field for softwood lumber trade.

Questions from Senator Grassley**Question 1: Bilateral trade agreement with Colombia.**

Last week, Colombia's constitutional court voted down a referendum that would have allowed Colombia's President Uribe to seek a third term in office. President Uribe said he would respect the Court's decision. These events demonstrate Colombia's strengthened democracy. They disprove the claims of those who say Colombia's judiciary lacks independence. And, they illustrate once again the dramatic difference between Colombia and certain other countries in the region.

The United States needs to encourage such democratic governance. We need to demonstrate that we stand by our friends. Although you may be tired of hearing me say this, I'll say it again: One of the most important things we could do to demonstrate our support for Colombia would be to implement our stalled trade agreement. **Do you agree?**

A. As the President stated in his State of the Union message, he wants to strengthen our relationship with Colombia. He has directed me to work to resolve the outstanding issues with Colombia. This will help ensure that there is adequate support in the United States and the U.S. Congress for the agreement to be approved. The President has consistently said that he supports the Colombia FTA provided adequate steps are being taken to ensure that workers' fundamental labor rights are protected in law and practice.

Question 2: Trade Relations with China.

I'm growing increasingly concerned about the mercantilist trade policies of the Chinese government. China's discriminatory policies on "indigenous innovation" are one example. Rampant software piracy—including by Chinese government agencies—is another. And, of course, China continues to manipulate its currency exchange rate.

It's evident that the Chinese government has decided, as a matter of policy, to intervene in the marketplace to advantage Chinese companies and disadvantage their foreign competitors. I worry about the repercussions for American businesses and their workers. **What are your views on this issue?**

A. We are very concerned about the issues you have raised with respect to China's discriminatory industrial policies -- particularly the recent announcements of new preferences for products with domestically developed intellectual property in China's government procurement market, as well as with the continuing deficiencies in China's enforcement of intellectual property rights. These are just the latest set of industrial policy initiatives designed to support domestic companies at the expense of foreign companies, especially in high-technology and software sectors.

My staff is actively consulting with stakeholders, Congress, the EU, and other countries on the impact of these policies. The Administration is vigorously pressing the Chinese Government to address our concerns and I have raised the issue of China's discriminatory "indigenous innovation" policies personally with Chinese officials. USTR, working closely with other U.S. government agencies, continues to raise these issues with officials from all the relevant Chinese government agencies at every appropriate opportunity, including the Joint Commission on Commerce and Trade (JCCT), our primary forum with China to address bilateral trade issues, as well as at a broader, strategic level at the Strategic and Economic Dialogue.

Speaking more broadly on enforcement, as noted by the President, USTR continues to aggressively enforce our trade agreements to ensure an open and rules-based trading system. This includes defending U.S. WTO rights and holding our trading partners, including China, to their WTO obligations. In 2009 alone, we won two WTO cases against China related to insufficient protection of copyrighted works and WTO-inconsistent restrictions on the importation and distribution of audiovisual products, as well as one related to discriminatory treatment of imported auto parts. We also successfully settled a case on WTO-inconsistent export subsidies, and are currently pursuing another dispute related to what we believe to be WTO-inconsistent export restraints. Through these enforcement actions, we are leveling the playing field for U.S. stakeholders, and ensuring that China adheres to the commitments it made when it joined the WTO.

With respect to your question about China's currency, as the President stated in his March 11th speech at the Export-Import Bank's Annual Conference, "China moving to a more market-oriented exchange rate will make an essential contribution" to a global rebalancing effort. The Treasury Department, which is responsible for exchange rate matters, noted in 2009, that China's currency remains undervalued.

The Administration will continue to work with China both in the G-20 and the bilateral Strategic and Economic Dialogue to pursue policies that permit greater flexibility of the exchange rate. Through these efforts, combined with the work we are doing in the JCCT, USTR is working with the Treasury Department and other agencies to implement a comprehensive China policy that will address the full range of China's trade and economic policies that impact the United States, and that will lead to a more fair, sustainable and balanced trade and economic relationship.

Question 3: Preference Program Reform.

Chairman Baucus and I are engaged in an effort to reform our trade preference programs, focusing primarily on the Generalized System of Preferences. We are aiming to make the program more effective and to find ways to spread the program's benefits more widely.

(i) One of the issues that I am focusing on is whether it makes sense to continue granting duty-free benefits to advanced developing countries that are not playing a constructive role in the Doha negotiations. **What is your view of this issue?**

A. We are in agreement that the advanced developing countries need to do more in the Round, and make market access contributions commensurate with their position in the global economy. To achieve such an outcome, we are currently working with these advanced developing countries through sustained, direct bilateral negotiations. Hard work will be needed by the key players aimed at closing the remaining gaps in agriculture, NAMA, and services. Removing duty-free benefits would affect U.S. importers as well as exporters in these countries.

(ii) During your confirmation hearing last year, I asked if we should expect more in terms of reciprocity from advanced developing countries. You replied that “[t]here may be areas or sectors where an advanced developing country is fully competitive and reciprocity in treatment may be required.”

Can you provide further detail to your response?

A. It may be that some sectors, particularly in advanced developing countries, are internationally competitive, and therefore no longer need the benefits of preferential treatment, while other sectors are not. In the current version of GSP, products in a particular country that are competitive, that exceed a certain level or share of trade, can be graduated through the competitive need limit provision. The EU, for example, also looks at product competitiveness in countries by sector and has provisions to graduate competitive sectors from its GSP program. This is something that probably deserves further review and analysis. We look forward to working with the Committee as it considers possible changes to U.S. preference programs.

(iii) Separately, the President’s trade policy agenda supports reforms “to better focus benefits on the poorest countries.” When I asked you about this issue during your confirmation hearing last year, you said USTR staff had “ideas” on this topic.

Can you please summarize those ideas for us?

A. Building on the answer to the previous question, one way to focus benefits on the poorest countries is to ensure that preferences within the program are directed to those developing countries and sectors that would not be able to compete in world markets absent a preference. Of course, this is a very complicated question and one that deserves further review and analysis. We would be happy to work with the Committee in this regard.

Question 4: Prescription drug reimportation and intellectual property rights.

The President’s trade policy agenda states that the Administration will address intellectual property protection “in a manner compatible with basic principles of the public welfare.” One way to guard the public welfare is to allow Americans to buy safe, low-cost prescription drugs from Canada. It makes no sense to me that Americans are subsidizing Canadians. I see this as a free trade issue.

Why does the Administration oppose congressional efforts to allow Americans to lower their prescription drug costs in this way?

A. The U.S. Department of Health and Human Services and its components, including the Food and Drug Administration, are the lead agencies on the health policy aspects of prescription drug re-importation. I am happy to convey your views to Secretary Sebelius. I understand that President Obama supports prescription drug re-importation in principle as long as it can be done in a safe way.

Question 5: European Union restrictions on biotechnology products.

Notwithstanding several recent approvals, the European Union continues to significantly restrict imports of U.S. biotech commodities. The backlog of unapproved biotechnology events now stands at 61 products.

What action is the Administration taking to see that the European Union lifts its scientifically unwarranted restrictions on imports of U.S. agricultural biotech products?

A. Although the EU has recently issued a few approvals, including three corn approvals and a planting approval for a biotech potato, which is the first planting approval in 13 years, dozens of products remain backed up in the EU approval system and individual EU member States have adopted new bans of products approved at the EU level. As a result, we are far from achieving our goal of normalizing trade in biotech products. We are currently working closely with stakeholders and the new EU Commission to evaluate the best course of action for addressing this problem.

Question 6: European Union restrictions on biodiesel.

The European Commission is applying antidumping and countervailing duties to imports of U.S. biodiesel. I'm concerned about the impact the duties are having on biodiesel producers and soybean farmers in Iowa.

Is your office reviewing the EU's actions and considering whether to take a case to the World Trade Organization?

A. We regret the decision of the EU to impose definitive duties on imports of biodiesel from the United States. We continue to monitor and evaluate the EU's imposition of these duties under WTO rules and will consider what steps are appropriate to address any concerns we identify.

Question 7: China's restrictions on imports of U.S. pork and beef.

China currently bans imports of U.S. pork based on alleged concerns about the H1N1 virus. Yet the World Health Organization has stated that this disease is not transmitted through pork consumption. Even if China were to lift this import prohibition, China would still significantly restrict imports of U.S. pork due to spurious and non-scientific concerns about ractopamine, a veterinary drug. China has set a zero tolerance for this chemical, which is commonly used in U.S. pork production, but China has not even conducted a risk analysis for it.

And, China remains completely closed to imports of U.S. beef due to alleged concerns about BSE. But the World Organization for Animal Health has stated that U.S. beef can be traded safely.

Given that millions of Americans, and others around the world, consume U.S. pork and beef every day, the safety of these products cannot really be in doubt.

What is the Administration doing to see that China lifts its non-science based restrictions to imports of U.S. pork and beef?

A. China is the one of the remaining countries to ban U.S. pork products due to H1N1 concerns. In October 2009, Ambassador Kirk, Secretary Vilsack, and Commerce Secretary Gary Locke participated in a meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) in Hangzhou, China, where China agreed to remove its H1N1 ban on pork products. Following that meeting, the United States pressed China to implement that commitment. On March 19, 2010, USTR and USDA both announced that the United States and China had reached agreement to reopen the Chinese market to U.S. pork and pork products. Pork trade was expected to resume immediately once both sides finalized the necessary export documentation.

Given the importance of the Chinese market to U.S. agricultural interests, it is critical that we continue to press China to open its market to all U.S. agricultural products, which are safe and wholesome, including beef.

Question 8: Taiwan's restrictions on imports of U.S. beef and pork.

Unfortunately, I can raise similar concerns with respect to Taiwan. **What steps is the Administration taking to see that Taiwan removes its unwarranted restrictions on U.S. beef and pork imports?**

A. The United States negotiated in good faith a bilateral protocol with Taiwan that is consistent with science and the guidelines laid out by the World Organization for Animal Health and Taiwan's own risk assessment that found that all U.S. beef and beef products are safe. Taiwan has now taken action that violates that carefully negotiated protocol. We are deeply disappointed with this decision and are reviewing Taiwan's actions very carefully and will utilize all appropriate tools in order to resolve this issue. We are currently in the process of undertaking a detailed legal analysis of Taiwan's actions since November. As we assess our options for achieving full implementation of the bilateral protocol with Taiwan, in the short term, U.S. beef

exporters are beginning to receive some additional market access in Taiwan, particularly for bone-in beef.

On pork, USTR staff continues to work closely with the U.S. pork industry, USDA and other government agencies to secure full market access for U.S. pork and pork products in Taiwan. Currently, Taiwan blocks U.S. pork exports due to a ban on ractopamine, a commonly used veterinary drug in the United States. USTR has raised the ractopamine issue with Taiwan on multiple occasions during meetings at the WTO. In addition, USTR staff has traveled to Taiwan to raise this issue with the relevant senior government authorities.

USTR staff is also working hard to seek adoption of an international standard for ractopamine at the Codex Commission, an international body that sets standards for food safety. USTR is working very closely with industry, other government agencies and trading partners to toward having this standard will be adopted at the July 2010 CODEX Commission meeting.

Question 9: Japan's restrictions on gelatin imports.

Gelatin producers in Iowa are being harmed by Japan's ban on imports of U.S.-produced gelatin for human consumption. Japan contends that U.S. gelatin poses risks for BSE. But the World Organization for Animal Health states that gelatin can be traded safely.

Will you make it a priority to see that Japan reopens its market to imports of U.S.-produced gelatin for human consumption?

A. Reopening the Japan market to imports of U.S.-produced gelatin for human consumption in accord with international science based guidelines is a priority for the Obama Administration. My staff, working closely with FDA and USDA technical experts, has raised the issue and will continue to engage with Japan's Ministry of Health, Labor and Welfare until we are able to successfully reopen the market. Japan has been reluctant to engage with us on this specific issue outside of the larger U.S.-Japan beef discussion. Nevertheless, we will continue to press them on this important issue in accord with international guidelines at technical talks between our respective authorities this spring and again through our bilateral trade talks.

Question 10: Japan's privatization of its postal service.

I'm concerned about Japan's backsliding on the privatization of Japan Post. I understand the Japanese government recently issued a draft plan for reforming Japan Post, and that it plans to introduce legislation on the issue this month. I also understand that Japan Post's foreign competitors believe the plan contains measures that are inconsistent with Japan's international obligations in this sector.

What is your agency doing to ensure a level playing field for U.S. service suppliers that compete with Japan Post?

A. We are using every opportunity to raise our long-standing level playing field concerns. We have let Japan know that it is up to Japan to decide whether to privatize Japan Post or restructure it in some other way. However, regardless of what Japan decides to do, it should comply with its WTO obligations and should ensure that any reforms create a level playing field for the private suppliers of insurance, banking, and express delivery services that compete with Japan Post. We have raised these concerns at every level, such as when Ambassador Marantis did when he was in Tokyo in early February. My staff and I will continue to raise them at every appropriate opportunity and will continue to consider all options to address concerns regarding the lack of a level playing field.

Question 11: USTR's relationship with Customs and Border Protection (CBP).

What is the current state of USTR's relationship with the U.S. Customs and Border Protection agency? Have you taken steps to improve the working relationship between the two agencies? What more can we do to improve cooperation between USTR and CBP?

A. For the past several months USTR and Customs and Border Protection have been meeting regularly to ensure that issues of mutual interest are discussed and coordinated.

Question 12: Doha Round trade negotiations and agriculture.

Although it has been over eight years since the Doha Round trade negotiations were launched, I remain hopeful that an agreement can be reached. I understand that talks are continuing in Geneva.

Do you see any indication that the climate surrounding these negotiations has improved, or might improve?

A. A year ago, the Doha negotiations were headed down the same path that had led to failure for eight years. Since then, US leadership and creativity have charted a new path away from deadlock. We have placed the focus on sustained, direct bilateral US negotiations with China, Brazil, and India in an effort to win new market opportunities for US manufacturers, farmers, and service providers.

Since the fall, we have had useful bilateral sessions with Brazil, China, and India where we have articulated, both in broad strokes and in product-specific detail, that the market access currently on the table falls short, in each of the core negotiating areas of agriculture, NAMA and services. Continued hard work by the key players aimed at closing the remaining gaps is still needed, and we are continuing our sustained bilateral engagement.

In particular, is it your opinion that our trading partners might finally be coming to understand that the United States will not agree to a deal that does not provide meaningful improvements in market access for U.S. agricultural exports?

A. We have made clear to our trading partners that the Doha Round requires additional work to provide our producers with not only greater certainty regarding the new market access already on the table, but also that the negotiations make certain that our key partners – particularly advanced developing countries such as China and Brazil – are making market access contributions commensurate with their role in the global economy. As noted in the answer above, we are seeing engagement from these key partners, but to achieve a successful Doha outcome, it is imperative that we continue sustained, direct bilateral negotiations in order to achieve the momentum needed to move the overall multilateral negotiations forward.

Question 13: Trans-Pacific Partnership trade negotiations.

I support the negotiation of a Trans-Pacific Partnership trade agreement. The United States should be committed to trade liberalization and integration in the Pacific Rim. But, some U.S. agricultural groups are concerned that certain countries might view this as an opportunity to renegotiate the terms of their bilateral trade agreements with the United States. **How do you respond to that concern?**

A. This regional negotiation will give us the opportunity to build upon agreements already in place and to advance broader regional economic integration. The TPP would preserve benefits, rights and obligations the United States already has in those existing FTAs or in some areas seek to improve U.S. benefits obtained in pre-existing FTAs.

Question 14: Israeli tariffs on Asian carp.

Israel recently imposed high tariffs on imports of U.S.-harvested Asian carp. Asian carp is used in the production of gefilte fish. These high tariffs have led to layoffs in Iowa. I understand that the Administration is in communication with Israeli officials on this issue. **What has been the outcome of these communications to date, and what are the prospects of Israel lifting this tariff?**

A. USTR, in consultation with the U.S. Embassy in Tel Aviv, has been working with the Israeli government to resolve this issue. On March 4, the Ministry of Industry, Trade and Labor (MOITAL) made the decision to explore what concessions could be made. We understand that the Israeli government is considering internally an offer which may enable some U.S. carp to enter duty-free.

The 2004 U.S.-Israel Agreement on Trade in Agriculture Products (ATAP), which was negotiated separately from our bilateral free-trade agreement, did not provide for the removal of tariffs on carp and certain other agricultural products. MOITAL has told us that it had not been enforcing the existing duty on carp due to a technical mistake. Israeli domestic fisheries brought this oversight to the attention of Israeli government officials last fall, prompting its enforcement for the first time this year. We continue to explore a negotiated enhancement of the ATAP and, in doing so, will examine prospects for improved tariff treatment of carp.

Question 15: Differential export taxes.

The use of differential export taxes by some of our trading partners places downward pressures on prices of certain processed agricultural products in the world market. For example, by taxing soybean oil exports at a lower rate than raw soybean exports, Argentina creates an artificial incentive for the crushing of soybeans in Argentina and the export of soybean oil from that country. I encourage the Administration to press for the elimination of differential export taxes in the Doha Round negotiations. **What is the position of the Administration on this issue?**

A. We recognize the importance of this issue to our vegetable oil stakeholders. We are disappointed that the December 2008 draft agricultural text for the Doha negotiations does not provide disciplines on differential export taxes for agricultural products. I look forward to working with you on this important issue.

Question 16: Indian barriers to agricultural trade.

India maintains numerous barriers to imports of U.S. agricultural products, including those from Iowa. For example, India's high tariffs prevent U.S. corn from being exported to that country in any significant volume, and India in effect prohibits imports of most agricultural biotech commodities, such as biotech corn. As another example, U.S. dairy exporters confront high tariffs and non-science based health standards in the Indian market. **Is the Administration working actively to see that India removes its barriers to imports of U.S. agricultural products?**

A. In collaboration with the Department of Agriculture, we have addressed these issues under the U.S.-India Trade Policy Forum and at the WTO, and we will continue to engage at a technical level with India to try to overcome these barriers. The International Trade Commission's report on India's agricultural market access realities highlighted a number of tariff and non-tariff barriers that U.S. exporters face and that were already part of our bilateral agriculture dialogue.

Questions from Senator Cantwell**Question 1**

Last fall, the World Trade Organization (WTO) panel issued its interim decision in the U.S. case against European subsidies to Airbus. According to press reports, that interim decision contained a decisive victory for the United States and I want to thank USTR for its hard work. This case is being watched by other countries, such as China, Russia, Canada and Brazil, who aspire to enter the large commercial aircraft market.

Could you also provide an update on the U.S. case at the WTO against European subsidies to Airbus? When will the final decision be issued?

A: As you know, the confidential interim report of the WTO panel considering that dispute was given to the United States and the EU last September. The two parties submitted comments on the interim report, and we understand that the confidential final report will be given to us very soon. Following translation into French and Spanish, the other WTO official languages, that report will be released publicly, although we do not know at this time the estimated date of that public release.

Question 2

It is very important for the United States to be consistent in its trade, national security, and foreign policies. U.S. government policies and actions should not be at cross purposes or contradictory. In my opinion, it is essential for the Department of Defense to consult with USTR, the Department of Commerce, and the U.S. intelligence community to ensure its procurement practices involving foreign companies are consistent with other U.S. policy goals.

To what extent were you consulted by DoD during the development of the air refueling tanker Request for Proposal (RFP)?

A. During the drafting of the recent RFP, DoD sought USTR's assistance in understanding the WTO generally, its handling of the aircraft dispute, and the procedures for issuing and appealing panel reports. We provided responses to all inquiries made by DoD. We also discussed the non-confidential U.S. filings in the disputes to give DoD an understanding of the issues presented before the WTO.

Question 3

I was very disappointed that there was no mention of Afghanistan and Pakistan in the President's 2010 trade agenda. As you know, I have been working very hard to move forward legislation to give the President authority to designate Reconstruction Opportunity Zones (ROZs) throughout Afghanistan and in the border regions and earthquake-affected areas of Pakistan.

We will not be able to stabilize Afghanistan and Pakistan by the use of force alone. It will take robust regional diplomacy and economic development provided in part by increased trade. Trade has been a transformative force around the world lifting people out of poverty and providing greater economic opportunity.

What is administration's policy with regard to increased trade as part of a U.S. strategy for undercutting militancy in Afghanistan and Pakistan?

A. The Administration and Congress share the same goals – to support economic development in border regions of Pakistan and Afghanistan to combat religious extremism. As part of our efforts for this region, we worked very closely with you and other members of Congress to on ROZ legislation. We are disappointed that ROZs have not proceeded. I am currently assessing possible alternative ideas that will help us move toward our goals. We would welcome your thoughts on this issue.

Question 4

As you know, Washington State enjoys an important trading relationship with China and I believe that we can and should strengthen our commercial relationship in key areas. It seems to me that cooperation is getting harder to achieve and our economic relationship appears to be moving in the wrong direction. These developments are of great concern to me and my constituents.

China appears to be regressing in protection of intellectual property, particularly for business software where the piracy rates are not declining and the value of losses to companies is on the increase. This situation is very concerning given the important strides we thought had been made in the past few years. China's new indigenous innovation strategy is also cutting U.S. companies out of business opportunities.

Where do IPR protection and the indigenous innovation issue fit in the range of issues that you and your Cabinet colleagues are addressing with China?

A. We are very concerned about the issues you have raised with respect to China's discriminatory industrial policies -- particularly the recent announcements of new preferences for products with domestically developed intellectual property in China's government procurement market, as well as with the continuing deficiencies in China's enforcement of intellectual property rights. These are just the latest set of industrial policy initiatives designed to support domestic companies at the expense of foreign companies, especially in high-technology and software sectors.

My staff is actively consulting with stakeholders, and with the Congress, and the EU and other countries on the impact of these policies. The Administration is pressing the Chinese Government hard to address our concerns and I have raised the issue of China's discriminatory "indigenous innovation" policies personally with Chinese officials. USTR, working closely with other U.S. government agencies, continues to raise these issues with officials from all the relevant Chinese government agencies at every appropriate opportunity, including the Joint

Commission on Commerce and Trade (JCCT), our primary forum with China to address bilateral trade issues, as well as at a broader, strategic level at the Strategic and Economic Dialogue.

Question 5

The U.S. – Korea Free Trade agreement is the most commercially significant pending trade agreement. U.S. bilateral trade with Korea in 2008 was in excess of \$80 billion. South Korea is Washington state's 4th largest export market. The administration understands that we need to seize the export opportunities now, before the South Korea- European Union (EU) free trade agreement, concluded in October 2009, gives European exporters an edge.

It would be a great loss to U.S. exporters if European competitors were able to get their free trade agreement with Korea ratified first and lock up important long-term contracts and shelf space. In fact, a U.S. Chamber of Commerce study has found that 350,000 U.S. jobs will be lost if the European Union Free Trade Agreement with South Korea continues to move ahead while the United States continues to delay its own agreement.

How do you propose to resolve outstanding differences on this agreement this year?

A. The U.S.-Korea FTA holds the potential to provide significant economic and strategic benefits for the United States. In his economic speeches recently and during the State of the Union, the President has repeatedly stated that he wants to deepen our trade relationships with our trading partners including Korea and that the United States cannot remain on the sidelines while our trading partners conclude trade deals among themselves. That said, there are concerns, particularly with respect to autos and beef that need to be addressed before the FTA can be moved forward. The President has asked USTR to work with Congress and other American stakeholders, as well as with Korea, to find a way to address these outstanding issues. That is what we are now doing. We will move the FTA forward at the appropriate time, after the substantive issues have been addressed.

Question 6

One of my trade priorities is passage of the Affordable Footwear Act (AFA - S. 730), which I introduced with Senator Ensign. It would give relief to U.S. consumers that end up having to pay for the 67.5% in tariffs (taxes) on imported shoes.

The stiff competition in the U.S. footwear market will help guarantee that the duty-savings will be passed on to American consumers. Middle and low income families may stand to benefit the most as many children's shoes are covered by the bill.

Will the administration support the AFA to reduce import taxes on footwear not produced in the US?

A. We believe that broad tariff elimination of the type contemplated in the AFA is most effectively done in the context of the Doha Round negotiations, where we could receive reciprocal, meaningful market access from our trading partners in return.

Question 7

The U.S. Chamber of Commerce estimates that the trade dispute sparked by the U.S. decision to end the pilot program for Mexican trucks operating in the United States has caused U.S. exports to decline by \$2.6 billion, while costing 25,000 American jobs.

For Washington state, the increased tariffs have impacted exports of processed potatoes, cherries, pears and other agricultural products. Costs to Washington state are estimated at over \$40 million per year.

What are the administration's plans to end this dispute and to help U.S. producers to recover lost markets in Mexico?

A. Resolving this dispute and ending Mexico's retaliation is a priority for me and for this Administration. U.S. exporters have been losing jobs and market share in Mexico because of a Congressional decision to end the prior pilot program. Now that Congress has removed the spending prohibition, we do have an opportunity to consider options for a new program. I met with Secretary LaHood in recent weeks, and travelled twice to Mexico so far this year. I've discussed the issue with my counterpart, Economy Minister Gerardo Ruiz Mateos, and met with President Calderon as well. It is clear to all of us that neither country benefits from the current stalemate.

We will consult with the Congress and work with the government of Mexico to develop a new program consistent with U.S. standards and our international obligations. We would like to work with you and others to find the right way forward on this issue.

Question 8

In the 2010 trade agenda, the administration states that "good trade policy can accelerate the success of sound energy and environmental initiatives and can complement sustainable growth." I share that perspective and believe trade must play an important role in moving us to a sustainable, clean energy future. Currently, many countries around the world maintain high tariffs and trade barriers on clean energy and environmental goods and services.

What steps will USTR take to move this important initiative forward in multilateral, regional and bilateral talks?

A. At the December WTO Ministerial meeting, I committed to work with like-minded Member nations to explore approaches to fast-track the elimination of tariffs on goods directly relevant to addressing climate change. This will affect the energy sector and producers of solar panels, stoves and wind and hydraulic turbines.

I agree that “green jobs” created through this agreement could spur economic growth; create jobs—particularly the right kind of manufacturing jobs of the future. I look forward to closely consulting with you on this agreement as we move forward in the DDA negotiations.

Question 9

I believe it is in U.S. interests to support Russia’s bid to join the World Trade Organization (WTO). Russia has made some great progress in a number of areas, including reducing the rate of software piracy. I want to acknowledge USTR’s hard work to complete negotiations with Russia, which have become more complicated given Russia’s decision to enter into a Customs Union with Belarus and Kazakhstan, countries that are also in the process of joining the WTO.

How does the creation of the Customs Union impact the results achieved to date, including in areas such as IPR protection, the bilateral agreement on encryption, and services commitments?

A: We continue to support Russia’s individual accession to the WTO. Russia recently indicated interest in resuming work on WTO accession on that basis, and we have been working with them towards that end. The ongoing multilateral accession negotiations in Geneva have become complicated because the overall Russian trade regime changed on January 1, 2010 with the implementation of its customs union and common external tariff with Kazakhstan and Belarus. Russia will need to inform WTO Members about those changes, and ensure that the new regime is consistent with WTO rules. Starting from the foundation of our previous agreements with Russia in this negotiation, including those on IPR protection, encryption, and services, USTR will continue to work to ensure that U.S. interests and concerns are fully addressed as Russia’s accession process moves forward. The pace of progress, however, in the WTO accession will continue to depend on the steps Russia takes to advance those negotiations.

Question 10

Negotiating the Trans-Pacific Partnership (TPP) should give an opportunity to focus on the role of trade agreements in dealing with pressing issues related to privacy and security and the sharing of data across borders. Cloud computing offers users—including governments and enterprises—the opportunity to pay only for the computing they use rather than maintaining all their computing needs and resources themselves. Cloud computing also allows users to scale their IT capacity up or down almost instantaneously as circumstances dictate.

The TPP may offer an opportunity to engage on possible approaches to a number of these issues creatively, either as part of the overall TPP, or within a subset of likeminded TPP members. Internationally, the lack of universally agreed upon rules governing law enforcement access to data in different jurisdictions subjects cloud service providers to divergent and at times conflicting rules.

As the U.S. government begins to consider possible approaches in this area it will be important to ensure that the commercial aspects of the frameworks are taken into account as discussions move forward to reconcile these different rules and promote greater clarity and consistency in data protection and access laws.

What is the administration doing to ensure that you build on the U.S.-Korea Free Trade Agreement's ground breaking provisions in terms of regulatory due process and e/commerce, and what work you are doing interagency on these issues as well as to prepare for the debate that arises from work on the cloud?

A. One of our goals for the TPP is to seek to ensure that this agreement helps provide a meaningful trade framework for innovative services and technologies where the US excels, particularly those provided over broadband networks. The ability of companies to offer "cloud" based services on a cross-border basis is a prime example of services that we think should be addressed in such an agreement. We will build on our accomplishments and experiences in previous FTAs to continue to improve the trade framework our companies can rely on to ensure their growth and provide a supportive environment for this region and others.

Question 11

A number of my constituents have expressed concern about the unintended consequences of administration policies preventing individuals from serving on the Industry Trade Advisory Committees (ITACs) if they are also registered under the Lobbying Disclosure Act (LDA). Some organizations that were previously represented on the ITACs, and which provided valuable and detailed input to the Administration and Congress on specific trade negotiations, will no longer be able to serve on the Committees.

What steps is the Administration taking to make sure these organizations can continue to participate in the formulation of U.S. trade policies?

Another troublesome outcome is that organizations may have to choose whether they discuss trade issues with Congress or the administration, but not both (since discussing trade policies with Congress may trigger and LDA registration disqualifying an individual to serve on an ITAC).

What steps is the Administration going to take to ensure that this situation does not develop?

A. The goals of this White House guidance was "... to reduce the disproportionate impact on government decision makers at the expense of broader voices from the public at large." Although the new policy has resulted in the loss of lobbyist who were longstanding members of the committees, we are implementing it in a way that will not reduce the committees' effectiveness. Trade associations and other stakeholders whose interests and expertise are important to consider in trade policy will still be allowed to have representatives on the committees, but those representatives may not be registered lobbyists.

To ensure we receive expert advice from other sectors and stakeholders that should be represented, we are conducting outreach to find new voices and expand our circle of advisors. These efforts have been successful in bringing in new voices and perspectives to our advisory committees. In short, our committees remain an effective tool to provide a wide range of expert advice to the Government.

Questions from Senator Cornyn**Question 1**

Ambassador Kirk, your help is needed in resolving the cross-border trucking dispute. Sixteen years ago the US made a commitment to parity for truck shipments from both Canada and Mexico, yet this issue has still not been resolved. The Department of Transportation has performed several pilot projects which have clearly demonstrated the ability of trucks to pass inspection and safely travel our roads. I acknowledge that there are special interests on all sides of this issue, but at its core it is NAFTA agreement and we are out of compliance. Ambassador Kirk, you have rightly earned a positive reputation for bringing stakeholders together to resolve tough issues.

Please explain how you will work with stakeholders involved to resolve this issue once and for all?

A. Resolving this dispute and ending Mexico's retaliation is a priority for me and for this Administration. U.S. exporters have been losing jobs and market share in Mexico because of a Congressional decision to end the prior pilot program. Now that Congress has removed the spending prohibition, we do have an opportunity to consider options for a new program. I met with Secretary LaHood in recent weeks, and travelled twice to Mexico so far this year. I've discussed the issue with my counterpart, Economy Minister Gerardo Ruiz Mateos, and met with President Calderon as well. It is clear to all of us that neither country benefits from the current stalemate.

We will consult with the Congress and work with the government of Mexico to develop a new program consistent with U.S. standards and our international obligations. We would like to work with you and others to find the right way forward on this issue.

Question 2

I would like to draw your attention to unfair treatment of a Texas investor by the Government of Argentina. For the past eight years, Azurix—a water services company headquartered in Houston—has been engaged in international litigation with the government of Argentina. Last year, a World Bank arbitration panel affirmed its own prior ruling in favor of Azurix, yet Argentina refuses to meet its obligation.

I am aware that Azurix has discussed this matter with your staff and has requested a review of Argentina's performance with respect to the Generalized System of Preferences. I am encouraged by your office's engagement thus far, and I would appreciate an update on this matter.

Will you please direct your staff to provide a written update to my office?

A: Under U.S. law, a country is ineligible for preferential treatment under the GSP program if it fails to act in good faith in recognizing as binding or in enforcing arbitral awards in favor of U.S. citizens or corporations owned by U.S. citizens. USTR has been in close contact with Azurix, the petitioner, and has raised this case with the Government of Argentina as well. We continue to review the petition and Azurix's claims, while we are gathering additional information. My staff would be happy to meet with your staff to provide an update on this matter.

Question 3

As you know, a lack of readily available credit is hampering U.S. exports, particularly by small and medium sized manufacturers. I understand you and your staff are aware that US textile exports have been particularly hurt by the recent bankruptcy of a large firm that facilitated Western Hemisphere export financing. I am supportive of your efforts to work with officials at the Export-Import Bank in developing novel approaches for export financing to this important region. A strong manufacturing presence in the Western Hemisphere is of key strategic importance because it ensures a nearby market for US fabric exports.

Do you envision the need for a legislative solution to resolve this export financing issue at this time?

A. We do appreciate the industry's need for access to credit to finance exports of textile products, and we have been working closely with the Export-import Bank on a model for credit financing that could meet their's and the industry's needs. At this point, we do not believe that a legislative solution will be necessary.

We are also pleased that CIT, the firm you have mentioned, has emerged from bankruptcy, and the factoring business which facilitates export financing in the Western Hemisphere, including for textile companies, is fully functional.

Questions from Senator Kyl**Question 1**

It is important for the U.S. to gain access to the markets of fast-growing developing nations abroad. Exports are currently the fastest growing part of our economy, increasing \$89.6 billion in the last three months of 2009 – up 18.1 percent compared to the prior quarter. If that pace continues, net exports should add half a percentage point to overall economic growth.

In Arizona alone, manufacturing accounts for more than 8 percent of the state's economy, and of the manufactured products produced, nearly 80 percent were exported. Expanding free trade would provide American firms with new opportunities to grow.

Congress has yet to approve pending trade agreements with Colombia, Panama, or South Korea. Colombian goods already enter the U.S. duty free, but U.S. manufactured goods entering that country face tariffs ranging from eight percent to as high as 15 percent. If enacted, the Colombia Free Trade Agreement would lift tariffs immediately on over 80 percent of U.S. consumer and industrial goods, and all goods would be duty free in 10 years.

Have exports contributed or subtracted to economic growth over the course of this recession? Rather than passing a third economic stimulus bill in as many years wouldn't it make more sense to work to open up foreign markets for our goods and services in places like Colombia?

A. While exports dropped sharply during the recession, their recent rapid growth has been playing a lead role in economic recovery. The overall U.S. economy expanded at annual rate of 4.1% in the second half of last year. Export expansion alone accounted for 2.1 percentage points, or more than half the economy's overall growth in the second half of last year. The Administration is clearly focused on removing impediments to the expansion of U.S. exports and the economic benefits that result.

As the President said, to create jobs here at home we must strengthen our relationships with key trading partners. Approval and implementation of the pending FTAs is a priority for this Administration. We will resolve outstanding issues and push for the passage of trade agreements with South Korea, Panama, and Colombia. As the President said, other countries have been able to align the interests of workers, businesses, and government around trade agreements that open new markets and create new jobs. We must do the same.

Questions from Senator Lincoln

Question 1

As we try to find new markets for our exports we don't have to search further than 90 miles from our shores. I am referring of course to Cuba, which for the past 50 years has been largely closed to our exports. But while other countries place barriers on our products for a variety of largely protectionist reasons, this is a barrier of our own making.

No country is better situated to take advantage of the consumer demand in Cuba than the U.S., and no sector can enter that market more quickly and seamlessly than our agricultural sector. For example, my home state of Arkansas is the largest rice producer in the U.S. Cuba is an exceptionally large consumer of rice. Yet instead of taking advantage of the Mississippi River and the Gulf of Mexico to transport billions of dollars worth of U.S. products to Cuba, the Cubans are buying a significant share of their imports from China, Thailand and Vietnam.

I was disappointed to not see Cuba referenced in the President's trade agenda as a potential prospect for U.S. exports. While still far from a desirable political climate, that country seems to be more amenable to opening up their relations with the United States, and maintaining our sanctions in their current form won't suddenly achieve what they failed to obtain in the past 50 years. It's time for us to find ways to help our exports get into Cuba and I hope that the bill I co-sponsored with Chairman Baucus last year to remove some of those restrictions will pass sooner rather than later.

Ambassador Kirk, can you articulate this administration's position as to why our agricultural exports should not be allowed unrestricted access to Cuba and why attempting to restore those exports is not a priority within this trade agenda?

A. The Trade Sanctions Reform and Export Enhancement Act (the "TSRA"), passed by Congress in 2000, liberalized certain exceptions from U.S. sanctions legislation for agricultural commodities to be exported to Cuba. TSRA allows for the issuance of one-year export licenses for the selling of agricultural commodities, as defined in the section 102 of the Agricultural Trade Act of 1978, to Cuba. The Department of Commerce's Bureau of Industry and Security issues licenses to U.S. agricultural companies in accordance with TSRA. Since passage of TSRA, U.S. agricultural exports to Cuba have grown from essentially zero, to top \$685 million in 2008. While exports dipped in 2009 as part of the broader global economic slump, the cumulative value of sales of agricultural products to Cuba from 2002 through 2009 exceeded \$3 billion. With Cuba now ranking as the 31st largest market for U.S. agricultural exports, the Administration recognizes the untapped potential that Cuba's market holds for America's farmers and ranchers, and remains committed to supporting the sale of U.S. agricultural goods to feed the Cuban people – consistent with existing laws and regulations.

Question 2

I would like to raise another issue which is of particular concern in my state, but should frankly concern American consumers in general, as it raises an important food safety issue. Catfish is the

mainstay of a large industry in my home state. Arkansas is in fact the third largest producer of catfish in the nation.

The legislative language in the 2008 Farm Bill leaves no ambiguity in its intent that all catfish – domestic and imported – meet the highest USDA standards. I feel strongly about ensuring the health and safety of American consumers and I'm sure you do to.

I'm concerned about reports of pressure being applied by importers hoping to remain under FDA jurisdiction, which effectively places these fish under far more relaxed inspection, exposing consumers of the fish to products that are known to originate from high risk points of origin.

I would like for you to please clarify why your office has opposed – during the rulemaking interagency process for this Congressional mandate – the transfer of all catfish to the jurisdiction of USDA, which would become the inspector of all catfish imports? If trade concerns are at play, please expand on those, and explain how they might interact with these serious health concerns?

A. As you know, USDA is charged with developing the rules for this new inspection regime. USTR, along with a number of other agencies, have been carefully reviewing the draft proposed rule as part of the OMB-led review process. This review process has not been completed as of yet. We continue to review the draft proposed rule closely to ensure that it meets requirements laid out by Congress while meeting our international trade obligations.

Question 3

Of the three pending FTAs none contains greater potential for revenue and job creation than the agreement with South Korea. This is a country with significant purchasing power and a proven track record of importing U.S. goods.

For example, the Koreans have imported 750 million dollars worth of U.S. beef before that number was substantially reduced following the mad cow disease scare. Today, our producers are struggling to get back into that market and desperately need a free trade agreement to facilitate their exports, especially since those health concerns had been more than adequately addressed.

Voices within the industry have expressed their concern that were this agreement not be put into effect soon, our producers would be cornered out of that market, especially after the Australians sign their own FTA with Korea, placing us at a substantial price disadvantage for years to come.

I would like to hear your assessment as to why this agreement should not be promoted and adopted as soon as possible and before we lose this large market to our competitors.

A. The U.S.-Korea FTA holds the potential to provide significant economic and strategic benefits for the United States. In his economic speeches recently and during the State of the Union, the President has repeatedly stated that he wants to deepen our trade relationships with our trading partners including Korea and that the United States cannot remain on the sidelines while our trading partners conclude trade deals among themselves. That said, there are concerns, particularly with respect to autos and beef that need to be addressed before the FTA can be moved forward. The President has asked USTR to work with Congress and other American stakeholders, as well as with Korea, to find a way to address these outstanding issues. That is what we are now doing. We will move the FTA forward at the appropriate time, after the substantive issues have been addressed.

Question 4

I would like to raise an issue that affects a very large industry in this country, and that is China's ban on U.S. pork products. In 2008 the U.S. exported 340 million dollars worth of pork into China, and that number was projected to rise much further were it not for the H1N1 virus scare.

Unfortunately, China seized this "opportunity" and closed its market to all U.S. imports of pork. In addition, even after China pledged to reopen its market last year, its ports remain closed to our goods, while the EU and Canada succeeded in resolving their own issues with the Chinese, which are similar to ours.

I don't have to tell you about the potential value of unimpeded exports of pork to China. I also don't have to tell you that in today's competitive environment, neither the Chinese nor our foreign competitors are going to wait for us to sort our affairs and take full advantage of that market. We need to do whatever we can to get back in there.

Ambassador Kirk, what efforts are being made by the U.S. to ensure that the Chinese live up to their pledge to reopen their markets to our pork products, and can you assure me that your office is doing its utmost to work through this problem before our foreign rivals take over that market?

A. China is the one of the remaining countries to ban U.S. pork products due to H1N1 concerns. In October 2009, Ambassador Kirk, Secretary Vilsack, and Commerce Secretary Gary Locke participated in a meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) in Hangzhou, China, where China agreed to remove its H1N1 ban on pork products. Following that meeting, the United States pressed China to implement that commitment. On March 19, 2010, USTR and USDA both announced that the United States and China had reached agreement to reopen the Chinese market to U.S. pork and pork products. Pork trade was expected to resume immediately once both sides finalized the necessary export documentation.

Questions from Senator Roberts**Question 1**

How is USTR addressing the Taiwan situation in regard to the Legislative Yuan's move to pass a bill blocking U.S. beef?

A. Taiwan has now taken action that violates that carefully negotiated protocol. We are deeply disappointed with this decision and are reviewing Taiwan's actions very carefully and will utilize all appropriate tools in order to resolve this issue. As we assess our options for achieving full implementation of the bilateral protocol with Taiwan, in the short term, U.S. beef exporters are beginning to receive some additional market access in Taiwan, particularly for bone-in beef.

Question 2

In the case of Korea, they've implemented about half of the agreement to resume U.S. beef trade. When does the next step to resume full beef trade consistent with international scientific guidelines begin?

A. Korea reopened its market for imports of U.S. beef in June 2008 and the protocol has been working well, providing important market access for U.S. beef and beef products. In 2009, U.S. exports of beef and beef products to Korea reached 55,540 metric tons, valued at \$216 million, making Korea our fourth largest beef export market. In addition, sales of higher-value chilled beef have been rising, indicative of growing confidence among importers (since chilled beef is perishable and requires a quick turnaround). Industry groups have pointed to the increased gains approval of the FTA would bring in terms of tariff reduction. In our efforts to address outstanding concerns with the FTA, the Administration, in cooperation with Congress and industry groups, will continue to work with Korea to normalize trade in beef and beef products.

Question 3

The May 10th agreement, which included additional environmental and labor provisions in negotiated trade agreements, has so far yielded minimal results far short of the other agreements like Colombia, Panama, and Korea which were supposed to be included in the deal.

Do you see changes beyond the May 10th Agreement in regard to labor and environmental proposals?

A. Ensuring respect for labor rights and environmental protection are key aspects of a "21st century" agreement. The TPP offers an important opportunity to enhance respect for such rights and protections and we would work closely with Congress to ensure that labor and environment

commitments are addressed in a manner that would receive bipartisan support, as did the May 10th Agreement.

Question 4

Benchmarks seem to be the key word in regard to the pending trade agreements. USTR has already gathered stakeholder input from the request for comments in the Federal Register. The next logical step is to review the comments and come up with a strategy to move forward

How much longer do you expect the reviewing of comments to take? What do you mean by benchmarks? Does it mean legislative solutions, meetings with appropriate stakeholders, or memorandum of understanding? What, specifically, are the remaining benchmarks for each of the pending trade agreements?

A. The Administration continues to believe that implementation of the pending free trade agreements with Panama, Colombia and Korea can bring significant economic and strategic benefits to the United States, and approval of the agreements is a priority for the Administration. However, concerns have been raised with respect to each of the pending agreements, which we are seeking to address. As you note, we conducted extensive consultations with Congress, stakeholders, and the public on the pending agreements, including publishing a notice in the *Federal Register* on Colombia and Korea in which we solicited input from the public in order to more precisely identify issues. We have reviewed the comments we received in response to the Federal Register and we will continue to engage with the Governments of Panama, Colombia, and Korea as we further refine our analysis of these issues. The substance will drive the timing of this process as well as the nature of the solutions we identify.

Question 5

What should a small business in Kansas expect to get from the National Export Initiative? What is the role of USTR in this multi cabinet effort?

A. The National Export Initiative (NEI) lays out the Administration's strategy to address three areas critical to increasing American exports: 1) improved access to credit; 2) expanded trade advocacy; and 3) expanded market access through new trade agreements and robust enforcement of U.S. rights under trade agreements. USTR's primary role under the NEI is our focus on tearing down trade barriers and opening up new opportunities for American businesses of all sizes.

Engagement, outreach and education of small and medium-sized enterprises (SME's) will be critical to our effort. Ninety-seven percent of all firms in the United States are SMEs, yet less than 1 percent of SMEs actually export.

The NEI calls for a strong focus on the support and empowerment of SME's, and it is critical that these companies have full access to the opportunities provided by foreign markets. Experience has shown us that education and financing are two key areas of particular concern to

SME's, and we anticipate that the export promotion team's SME strategy will have a strong focus on these two areas, among others.

As a USTR priority, I launched a small business initiative last fall, and took a series of actions, including designating a new Assistant USTR for Small Business, requesting the International Trade Commission to investigate and prepare a series of reports on SMEs and trade, hosting a large SME conference in January, expanding our business outreach, and increasing small business representation on our industry advisory committees.

Question 6

I understand that Canada and the EU have negotiated deals with China regarding it's H1N1 ban and are both back in the China pork market. China is our largest pork consuming market in the world and it is critical that our pork exports get back into that market. **What is the status of our negotiations?**

A. China is the one of the remaining countries to ban U.S. pork products due to H1N1 concerns. In October 2009, Ambassador Kirk, Secretary Vilsack, and Commerce Secretary Gary Locke participated in a meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) in Hangzhou, China, where China agreed to remove its H1N1 ban on pork products. Following that meeting, the United States pressed China to implement that commitment. On March 19, 2010, USTR and USDA both announced that the United States and China had reached agreement to reopen the Chinese market to U.S. pork and pork products. Pork trade was expected to resume immediately once both sides finalized the necessary export documentation.

Questions from Senator Snowe**Question 1**

I have championed the post of Assistant United States Trade Representative for Small Business for the better part of a decade because frankly we have done little to give small businesses the tools to succeed abroad, so I am truly pleased to see that you have expanded Assistant USTR Jim Sanford's role to fill this position. Implementation of an Assistant USTR for small business is only the beginning. **Specifically, I am interested in how you plan to direct your staff to work for small business in the trade arena and advocate for those who wish to export despite the obstacles involved? What pro-trade relationship do you envision sharing with Small Business Administration (SBA) Administrator Karen Mills? Will you seek recommendations from the SBA prior to the start of trade negotiations to ensure the consideration of small business concerns?**

A. Expanding the number of small businesses that export is a priority for me, and I am proud to say that USTR has been a leader in this area. Last October, I launched a USTR initiative to re-examine our trade policy and enforcement efforts to ensure that we are being responsive to the challenges and priorities of small business. In consultation with Chairman Baucus, Senator Landrieu and you, Senator Snowe, I designated an AUSTR to help coordinate small business interests within the agency. I have also requested the International Trade Commission to investigate and prepare a series of reports on small- and medium-sized enterprises (SMEs) and trade to guide our activities, hosted an SME conference in January, expanded our business outreach, and increased small business representation on our industry advisory committees. In our Trans-Pacific Partnership negotiations, for the first time we will designate a point person for SME issues. These activities all support the Administration's broader efforts under the National Export Initiative.

I am committed to working closely with the Small Business Administration and other agencies. For example, my staff works with SBA through the Trade Promotion Coordinating Committee that will help implement the National Export Initiative. We are exploring ways to leverage SBA resources and expertise and to further enhance our collaboration. We want to benefit from SBA input into trade policy development and implementation. In January USTR invited SBA to become a member of our formal interagency trade policy process – the Trade Policy Staff Committee (TPSC) and the Trade Policy Review Group (TPRG). SBA has accepted this invitation – which will enhance our ability to ensure small business interests are better considered in our policy activities.

Question 2

To succeed in the President's goal of doubling exports to support 2 million American jobs, we must give greater assurances to U.S. manufacturing workers and businesses that trade

agreements will be consistently and vigorously enforced, and that U.S. businesses will have access to overseas markets on terms that are clear and predictable. You have now served as USTR for nearly a year. **Do you believe changes are necessary to restructure USTR's role in enforcing U.S. trade rights and ensuring this is a top priority in a trade policy aimed at maximizing American jobs? Are you confident that USTR has the time, resources, and will to adequately direct the enforcement of U.S. trade rights? What percentage of USTR resources are spent on enforcement vs. negotiating new agreements?**

A I am confident that USTR is prepared and properly structured to shape, negotiate and enforce our nation's trade policy. USTR devotes a substantial proportion of its resources to monitoring and enforcement as an integral part of its mission to open markets throughout the world, creating new opportunities and higher living standards for families, farmers, manufacturers, workers, consumers, and businesses. Enforcement responsibilities rest not only in USTR's General Counsel's Office but also with the USTR policy offices, who devote considerable time to monitoring and ensuring compliance with the trade agreements that we have concluded.

Regarding our priorities given our resources, American families are being forced to tighten their belts at this time of economic difficulty, and USTR is being asked to do the same – a duty we understand and accept as appropriate since every taxpayer dollar counts. However, just as families have to make choices about which priorities they will fulfill, budget constraints will require USTR to make choices – in some cases, tough choices – about which priorities can receive a full allocation of resources and which may have to receive fewer than are optimal. We are already seeking every efficiency and identifying cost-effective ways to achieve our mission.

Question 3

According to the Maine Department of Labor, over 30,000 manufacturing jobs have been lost in my home state—a state with a relatively small population where such losses have a devastating impact, particularly on small towns. Tragically, these lost jobs have been some of the best paying work in the country. The Administration must ensure that U.S. manufactured goods have a level playing field by aggressively defending and enforcing our antidumping and countervailing duty laws. **Can you assure the Committee that you will not allow these vital laws to be further weakened in the WTO Doha Round negotiations?**

A. We are committed to working with you, our colleagues at the Commerce Department and Congress to ensure that the United States retains strong and effective trade remedy laws.

Question 4

A key element of the U.S.-Canada Softwood Lumber Trade Agreement is Canada's commitment to forego expanding the level of subsidies it provides to its lumber industry and I appreciate

USTR's efforts with respect to this issue. I am deeply concerned, however, that significant violations of this trade agreement appear to continue unabated. British Columbia, a province that represents over half of all shipments into the United States from Canada, continues to provide significant new subsidies to prop up its industry in violation of the softwood lumber trade agreement. This is continuing to cause serious harm to manufacturers in the state of Maine and around the country, and has brought about U.S. job losses in communities that can least afford any loss of economic activity. I understand that your staff is looking closely at the British Columbia timber pricing issues. **Is additional USTR enforcement action imminent to ensure that Canada lives up to its commitments under the agreement?**

A. Enforcement of the Softwood Lumber Agreement (SLA) with Canada has been a high priority for the Administration. To ensure full enforcement the Administration has launched two dispute settlement cases under the agreement and as a result of a decision in the first case exercised our right to impose customs duties when Canada failed to remedy its breach. A decision on the second arbitration is expected later this year.

USTR also is carefully reviewing British Columbia's administered price system. We have requested substantial information from Canada on this issue and met most recently with Canadian and British Columbian officials on March 5. We are reviewing available information and consulting with stakeholders, and would be pleased to update you as our analysis proceeds.

USTR also continues to monitor implementation of the SLA across Canada to ensure the agreement continues to be an effective means of ensuring a level playing field for softwood lumber trade.

Question 5

I am greatly concerned that if we expand access to our dairy market to New Zealand under the TPP, this will result in substantial losses for Maine's dairy producers and a likely overall negative impact on Maine's agricultural sector from the agreement. New Zealand's near-monopoly situation, coupled with the relatively small market New Zealand represents for U.S. dairy producers, means that the dairy trade relationship between our two countries is already strikingly one-sided. **As you begin negotiations on the TPP, how will you work to address the concerns of the U.S. dairy industry with respect to the treatment of New Zealand's dairy products, and the treatment of U.S. dairy products in New Zealand?**

A. We fully understand the concerns of U.S. dairy interest regarding the TPP and will work in close consultation with them and Congress to address their sensitivities and priorities.

Question 6

Canada's schedule of personal exemptions from customs duties and taxes for returning Canadian residents has the effect of limiting sales by Maine businesses to Canadians who live just across the border. Under this schedule, Canada allows its residents no personal exemption from customs duties on goods purchased during trips abroad lasting less than 24 hours. For trips between 24 and 48 hours, Canadians are exempt from their government's duties and taxes on only the first C\$50 of purchases. In 2007, USTR noted that this discourages shopping visits to the United States by Canadian border residents. It is therefore a major concern for Maine and other U.S. border-area businesses, which rely on cross-border commerce for their livelihoods. **What steps will USTR take to investigate Canada's customs duty exemption scheme as a possible unfair trade practice? What is the cost of this imbalance on businesses in the U.S.? Would USTR be willing to engage Canada on this matter at the next NAFTA ministerial meeting?**

A. USTR has raised the issue of personal duty exemptions with Canadian officials on a number of occasions. Most recently, I raised it with my counterpart, Canadian Minister for International Trade Peter Van Loan earlier this year. USTR will continue to point out to Canada the disparities in the treatment we each provide for returning residents.

Canada has made some moves to correct this imbalance. In 2007, Canada raised its exemption for travelers who return to Canada after 48 hours from C\$200 to C\$400. However, Canada still provides no exemption for day-trip tourists.

Administration of personal duty exemptions is at the discretion of each government and not covered by our trade agreements. I understand that for many goods, most of the charges returning Canadians face are federal and provincial taxes and charges which are also outside the scope of our trade agreements.

Nevertheless, I do want to continue to work with you and other border State members to find ways that we can encourage Canada to provide a personal duty exemption for its day-trip visitors to the United States.

Question 7

The manufacture of non-rubber footwear, which was once a great American industry that provided employment in many factories throughout New England, has virtually disappeared. A few rubber footwear plants have been able to resist overseas migration largely because of the level of tariffs on categories of rubber footwear still made in the United States. Today, the industry employs nearly 1,000 people in Maine. The concentration of footwear manufacturing in China since that country's accession to the World Trade Organization leaves little uncertainty about what abandoning this long-standing policy in the Doha or future rounds would mean for U.S. footwear manufacturers: domestic production and jobs would be seriously threatened by

import competition from offshore producers, who would be the only beneficiaries of a dramatic reduction in duties. **As you consider upcoming trade agreements, will you make accommodations for trade-sensitive U.S. industries that are critically important to state and local economies by seeking to exclude them from duty reductions?**

A. We understand the concerns of our rubber footwear manufacturers and keep these concerns in mind as we negotiate trade agreements. Through consultations with the rubber footwear industry, we have worked in our Free Trade Agreements to treat their tariff lines as among our most sensitive industrial products by placing them in staging baskets with longer periods for implementation.

In the Doha Round, the U.S. position on industrial tariffs is a comprehensive one that reflects the Administration's belief that open markets will generate greater economic growth, job creation, and consumer benefits in the United States and world-wide. While the emphasis at this stage of the Doha Round negotiations is on ensuring broad new market access from key advanced developing countries for U.S. exports, which reflects our exporters' interest in an ambitious outcome, we also anticipate using traditional tools such as staging of tariff reductions to address our sensitivities at a later point in the negotiation.

I am deeply troubled and profoundly disappointed that Customs has refused to reconsider an order it issued two years ago which allows athletic shoes with thin or sprayed-on layers of fabric that rub off after a few steps into the country at the lower textile footwear duty rate.

As the President's top advisor on U.S. trade laws, please provide a detailed status update on this outrageous example of tariff-shopping, including but not limited to a specific timeline for action and the date by which a solution that reflects the reality of the situation will be announced.

A. At the request of the Administration, the U.S. International Trade Commission (ITC) is in the processes of initiating a "section 1205" investigation that would allow the Customs and Border Protection agency to modify its treatment of certain fabric-bottom footwear while preserving the tariff treatment applied to current imports. I understand that the ITC will be initiating and scheduling this investigation shortly and will likely complete its investigation within the next few months. The President would then take the ITC's recommendations, ensure that they do not run counter to our national economic interests, and submit a report to the House Ways and Means and Senate Finance Committees for 60 legislative days. After the 60-day period, the President may approve the modifications.

Questions from Senator Stabenow**Question 1**

Even if we do focus on making things here, we won't be able to sell abroad if non-tariff barriers continue to block our products. I understand that for our manufacturers Non-Agricultural Market Access in the WTO Doha Round is a major stumbling block.

How will the US approach negotiations with the advanced developing nations, like Brazil, China and India to get them to see that they need to make additional market openings in Doha before the US can sign off?

A. A year ago, the Doha negotiations were headed down the same path that had led to failure for eight years. Since then, US leadership and creativity have charted a new path away from deadlock. We have placed the focus on sustained, direct bilateral US negotiations with China, Brazil, and India in an effort to win new market opportunities for US manufacturers, farmers, and service providers.

We have made clear to our trading partners that the Doha Round requires additional work to provide our producers with not only greater certainty regarding the new market access already on the table, but also that the negotiations make certain that our key partners – particularly advanced developing countries – are making market access contributions commensurate with their role in the global economy. Since the fall, we have had some useful bilateral sessions with Brazil, China, and India where we have articulated, both in broad strokes and in product-specific detail, that the market access currently on the table from them falls short in each of the core negotiating areas of agriculture, NAMA, and services. Continued hard work by the key players aimed at closing the remaining gaps is still needed, and we are continuing our sustained bilateral engagement.

Question 2

Despite our playing by the rules, our trading partners consistently ignore their obligations. As you know, Mr. Ambassador, Mexico has put duties on a number of our agricultural and industrial products after we shut down the pilot Mexican trucking program over serious safety concerns. On your recent trip to Mexico City, it was reported that the trucking issue will be resolved this year.

Can you tell me what steps are being taken by the Administration to resolve this issue?

A. Resolving this dispute and ending Mexico's retaliation is a priority for me and for this Administration. U.S. exporters have been losing jobs and market share in Mexico because of a Congressional decision to end the prior pilot program. Now that Congress has removed the spending prohibition, we do have an opportunity to consider options for a new program. I met with Secretary LaHood in recent weeks, and travelled twice to Mexico so far this year. I've discussed the issue with my counterpart, Economy Minister Gerardo Ruiz Mateos, and met

with President Calderon as well. It is clear to all of us that neither country benefits from the current stalemate.

We will consult with the Congress and work with the government of Mexico to develop a new program consistent with U.S. standards and our international obligations. We would like to work with you and others to find the right way forward on this issue.

Question 3

Any new trade agreement has to get a number of things right – we can't ignore getting increased market access for all our products, we can't avoid demanding that our environmental standards are met, and, with our high unemployment rates we certainly can't ignore fundamental labor standards.

Can you tell me how USTR plans on including stronger labor provisions in any new bilateral investment treaty and trade agreements?

A. Ensuring respect for labor rights and environmental protection are key aspects of "21st" century agreements, whether they deal with trade or investment. With respect to new trade agreements, the TPP offers an important opportunity to enhance respect for such rights and protections and we will work closely with Congress to ensure that labor and environment commitments are addressed in a manner that would receive bipartisan support, as did the May 10th Agreement.

Similarly, as part of our BIT review, we are working to ensure that strong labor and environmental provisions will be part of our new bilateral investment treaties, along with strong core protections for U.S. investors.

Questions from Senator Wyden**Question 1**

An important issue for Oregon's potato industry is the failure of the Mexican government to fulfill the requirements of a 2003 bilateral trade agreement that was to provide access for U.S. fresh potatoes. Mexico's failure to honor their agreement is resulting in a lost opportunity for an export market that could easily reach \$150 million a year. This failure is costing American jobs

Can you provide me your assurance that resolving the issue of Mexico's unwillingness to meet the requirements of the 2003 Fresh Potato Market Access agreement is a priority of the USTR? Can you please provide me with some details about what the USTR has done to resolve this issue, and what it intends to do moving forward?

A. Ensuring market access for all U.S. agricultural products will continue to be a USTR priority. With respect to potatoes, the United States has submitted substantial technical data to the relevant Mexican authorities and Mexico recently conducted the required risk assessment. The United States will analyze the results of the risk assessment and continue to work with Mexico to provide access to exports of U.S. potatoes.

Question 2

Some have suggested that the WTO General Agreement on Trade in Services contains rules that can limit the types of financial service regulations we can apply here in the United States. Furthermore, it has been argued that the current WTO rules prohibit regulatory bans and policies that restrict unfettered capital flow, which could make it more difficult to limit the size of financial firms and the types of services and products they provide.

What is the USTR's view about these arguments?

Is the USTR considering proposing any changes to WTO rules to ensure that the U.S. is not limited in any way to impose reforms to manner in which financial services are regulated, including stricter prudential standards?

A. The WTO and all of our free trade agreements provide flexibility for governments to regulate and to develop new regulations. These agreements also expressly allow the Parties to take "prudential" measures to ensure the stability of the financial system and to protect depositors; and explicitly preserve the ability of a central bank or monetary authority to adopt measures pursuant to monetary and related credit policies or exchange rate policies.

Because U.S. regulatory discretion is already protected by WTO rules, we do not see a need to propose any changes.

Question 3

As you know, the government of China has recently implemented a scheme that, for purposes of government procurement, discriminates against intellectual property designed or manufactured in the United States.

What has the Obama Administration done to convince China to reverse this policy, and what will the Administration do moving forward?

Does this practice violate any commitments that China has made to the U.S. or to the WTO? What recourse is available to the U.S.?

A. We are very concerned about the issues you have raised with respect to China's discriminatory industrial policies -- particularly the recent announcements of new preferences for products with domestically developed intellectual property in China's government procurement market, as well as with the continuing deficiencies in China's enforcement of intellectual property rights. These are just the latest set of industrial policy initiatives designed to support domestic companies at the expense of foreign companies, especially in high-technology and software sectors.

My staff is actively consulting with stakeholders, Congress, the EU, and other countries on the impact of these policies. The Administration is vigorously pressing the Chinese Government to address our concerns and I have raised the issue of China's discriminatory "indigenous innovation" policies personally with Chinese officials. USTR, working closely with other U.S. government agencies, continues to raise these issues with officials from all the relevant Chinese government agencies at every appropriate opportunity, including the Joint Commission on Commerce and Trade (JCCT), our primary forum with China to address bilateral trade issues, as well as at a broader, strategic level at the Strategic and Economic Dialogue (S&ED).

We have also made clear to China that these "indigenous innovation" policies call into question China's commitments at the JCCT and S&ED to accelerate its accession to the WTO Government Procurement Agreement (GPA). Discrimination in favor of "indigenous innovation" products and against foreign products would be inconsistent with meaningful GPA coverage. Moreover, these policies are also inconsistent with China's JCCT and S&ED commitments to treat products produced in China by foreign-invested enterprises the same as those produced by Chinese-owned enterprises for purposes of government procurement.

Speaking more broadly on enforcement, as noted by the President, USTR continues to aggressively enforce our trade agreements to ensure an open and rules-based trading system. This includes defending U.S. WTO rights and holding our trading partners, including China, to their WTO obligations. In 2009 alone, we won two WTO cases against China related to insufficient protection of copyrighted works and WTO-inconsistent restrictions on the importation and distribution of audiovisual products, as well as one related to discriminatory treatment of imported auto parts. We also successfully settled a case on WTO-inconsistent export subsidies, and are currently pursuing another dispute related to what we believe to be WTO-inconsistent export restraints. Through these enforcement actions, we are leveling the

playing field for U.S. stakeholders, and ensuring that China adheres to the commitments it made when it joined the WTO.

Question 4

Conservation of marine resources is a pressing environmental concern. Fisheries subsidies have resulted in massive fleet overcapacity, leading to overfishing and rapid depletion of fish stocks. This is a jobs issue, too. Our domestic fishing industry should not be expected to compete against overseas subsidies and unregulated and illegal fishing. The Trans-Pacific Partnership Agreement presents a unique opportunity to address ocean conservation and unfair fishing practices among key Pacific nations.

Will you support inclusion of an explicit chapter or annex on ocean conservation in the TPP, and if not, how will you address this critical issue?

A. We share your interest in the opportunities a Trans-Pacific Partnership Agreement could present to make progress on a wide range of trade-related marine conservation issues. We are reviewing stakeholder comments on this issue and are prepared to explore a range of possible options, such as an annex, as you suggest. As we proceed, we look forward to working closely with you and interested stakeholders.

Questions from Senator Crapo**Question 1**

Last year, you acted decisively to compel Canada to adhere to the terms of the softwood lumber trade agreement when Canada failed to implement a decision by an independent arbitral panel with respect to quota over shipments. I applaud your effort to take those enforcement steps.

The American lumber and forestry industries are critical elements of the U.S. manufacturing base and in particular in my home state of Idaho. I am deeply troubled by the fact that Canada continues to fail to uphold its end of the bargain under this trade agreement.

The most important violations, in terms of economic impact, are those occurring in British Columbia. The province is both engaging in direct additional subsidization of its industry while at the same time arbitrarily reducing the price for the timber it furnishes to its producers. These are serious issues which go to the very core and purpose of the agreement -- which is to allow our domestic producers and workers to compete on fair terms with their Canadian counterparts and our landowners to get a fair price for their timber harvests.

Please elaborate on what additional measures you will implement to ensure that Canada lives up to its obligations and fully complies with all aspects of the softwood lumber agreement?

Can you share with us the steps USTR is taking in preparation for the expiration of the current agreement, both with respect to responses to potential new Canadian violations, as well as an extension and/or renegotiation of the current agreement?

A. Enforcement of the Softwood Lumber Agreement (SLA) with Canada has been a high priority for the Administration. To ensure full enforcement the Administration has launched two dispute settlement cases under the agreement and as a result of a decision in the first case exercised our right to impose customs duties when Canada failed to remedy its breach. A decision on the second arbitration is expected later this year.

USTR also is carefully reviewing British Columbia's administered price system. We have requested substantial information from Canada on this issue and met most recently with Canadian and British Columbian officials on March 5. We are reviewing available information and consulting with stakeholders, and would be pleased to update you as our analysis proceeds.

USTR also continues to monitor implementation of the SLA across Canada to ensure the agreement continues to be an effective means of ensuring a level playing field for softwood lumber trade.

Effective implementation of the SLA also is important as we consider whether to extend or renegotiate the agreement. USTR would be pleased to meet with you and your staff as the end of the seven-year minimum duration of the SLA approaches in October 2013.

Question 2

I am sure you are aware that there is concern that our beef exports to Vietnam will get caught up in a trade war with the United States regarding a new U.S. Department of Agriculture catfish inspection program. Additionally, a major Idaho seafood processor that is interested in creating new jobs by expanding its current product lines to include Vietnamese seafood is stuck on the sidelines due to the potential for this catfish trade dispute.

Why would we challenge Vietnam on a product that constitutes two percent of its GDP without a scientific basis at the same time we are trying to expand Asian markets for U.S. products? Can you explain what I should tell my constituents about why a catfish regulation in Washington, DC could prevent them from creating jobs to process Vietnamese fish or growing their business by exporting more beef to Asia?

A. As you know, USDA is charged with developing the rules for this new inspection regime. USTR, along with a number of other agencies, have been carefully reviewing the draft proposed rule as part of the OMB-led review process. This review process has not been completed as of yet. We continue to review the draft proposed rule closely to ensure that it meets requirements laid out by Congress while meeting our international trade obligations.

Question 3

It is good to hear President Obama's emphasis on exports and support for doubling exports in the next five years in both the State of the Union speech and the President's 2010 Trade Policy Agenda. This goal is mutual, as I joined Senator Ron Wyden (D-Oregon) and other members of this Committee in leading a letter sent to President Obama in January urging both haste and focus on developing a strategy to expand U.S. exports and highlighting the worthy goal of doubling the firms exporting and reducing by half our trade deficit by 2015. I understand that through the National Export Initiative proposed by the President, the Administration is seeking additional funding for a number of export promotion programs. **Can you please explain how this proposed increase in funding will result in additional exports and U.S. jobs?**

A. The President's National Export Initiative (NEI) seeks to double U.S. exports over the next five years and support two million new jobs. The President created the Export Promotion Cabinet to ensure that export promotion is a top-level priority of all relevant cabinet agencies, and that export promotion activities are supported by a wide array of government programs. Specifically, the additional resources sought for the NEI will help U.S. firms expand sales of their goods and services abroad by substantially expanding funds available for export financing, providing new export promotion resources to U.S. businesses seeking to export, elevating government advocacy on behalf of U.S. exporters, and ensuring a level playing field for U.S. exporters in global markets through the reduction of trade barriers and robust enforcement of our agreements.

The NEI and these additional resources will elevate our efforts to connect U.S. businesses, including small- and medium-sized businesses, with the 95 percent of the world's consumers who reside outside our borders. These expanded export promotion efforts will lead to greater economic activity in the United States and help support new jobs for Americans.

Question 4

I strongly agree that expanding market opportunities for U.S. goods and services around the world must be part of the effort to improve our nation's economy, and advancing the pending free trade agreements with Colombia, Panama and South Korea must be part of this effort. During his recent State of the Union speech, it was great to hear President Obama emphasize that we will strengthen our trade relations in Asia and with key partners like South Korea, Panama, and Colombia. However, I noticed that the President's 2010 Trade Policy Agenda provides very little detail on the advancement of the pending free trade agreements. In fact, the trade agenda indicates that "if" the outstanding issues with the agreements can be successfully resolved, then you will work with Congress on a timeframe.

Farm families need more export opportunities. More than 50 percent of Idaho wheat depends on export markets, and Colombia is the U.S. wheat industry's largest South American market, with a market share of nearly 70 percent. U.S. growers are understandably worried that they are going to lose as much as 40 percent of this essential market share to Canada, threatening U.S. jobs, if Canada approves an FTA with Colombia ahead of the U.S. I understand Canada is on track to do this. Wheat is just one example. It is frustrating to have to tell U.S. farm families that after years of waiting for more market access through the agreements, this is the best timing information that can be provided. **Can you please respond to this concern?**

A. One of the main reasons the Administration attaches a high priority to advancing the Colombia, Panama and South Korea free trade agreements is their clear potential to provide economic opportunities to U.S. workers, farmers, and ranchers. This is why we are working hard to resolve the outstanding issues that have impeded the consideration of the agreements by Congress. I cannot make firm predictions as to a time frame because the substance is driving the timing, but we are mindful of your concern that U.S. exporters not be left at a competitive disadvantage.

Questions from Senator Hatch**Question 1**

Mr. Ambassador, I thought it was very interesting to compare the President's 2010 Trade Policy Agenda to a recent export strategy proffered by one of our nation's leading experts on trade, C. Fred Bergsten of the highly-respected Peterson Institute for International Economics. In an Op-Ed to the Washington Post on February 3rd, Dr. Bergsten stated "an effective US export strategy must focus on four variables: the exchange rate of the dollar, trade agreements, our own export controls and tax policy." Yet, the introductory chapter to the Administration's Trade Policy Agenda only briefly discusses the Korea, Colombia and Panama free trade agreements and does not even mention the issue of China's manipulation of its currency. **How can this be? Are not Dr. Bergsten's statements accurate that the implementation of the Korean and Colombian FTAs will save about 300,000 US jobs and our exporters will have better access to the Panamanian market? Why then does the Administration's Trade Policy Agenda not advocate the prompt passage of these free trade agreements? What actions will the Administration take this year to enact these FTAs?**

A. As the President said, to create jobs here at home we must strengthen our relationships with key trading partners. The Administration continues to believe that implementation of the pending free trade agreements with Panama, Colombia, and South Korea can bring significant economic and strategic benefits to the United States, and approval of the agreements is a priority for the Administration. However, concerns have been raised with respect to each of the pending agreements, which we are seeking to address in an effort to move them forward at the appropriate time. We have conducted extensive consultations with Congress, stakeholders, and the public on the pending agreements, including publishing a notice in the *Federal Register* on the Colombia and South Korea agreements in which we solicited input from the public in order to more precisely identify issues. We will continue to consult closely with Congress and U.S. stakeholders, as well as engage with the Governments of Panama, Colombia, and South Korea as we further refine our analysis of these issues. As the President said, other countries, whether China or Germany or Brazil, have been able to align the interests of workers, businesses, and government around trade agreements that open new markets and create new jobs. We must do the same.

Question 2

Mr. Ambassador, Dr. Bergsten's comments regarding China's currency manipulation are echoed by another leading trade expert, Professor Peter Morici, who is the former Chief Economist at the United States Trade Commission. Dr. Bergsten estimates that if Asian countries quit artificially undervaluing their currencies the US trade deficit will be reduced by \$100 billion and create at least 700,000 new jobs. Dr. Morici also argues that unless the issue of China's currency manipulation is directly addressed "the U.S. recovery will just not accomplish the growth necessary to bring down unemployment." Therefore, you can imagine my surprise not to find a single word in the Agenda's introductory chapter regarding how the Administration intends to deal with the artificial undervaluation of China's currency. **So, how does Administration intend to deal with China's manipulation of its currency which provides that country's businesses at least a 25 percent artificial price advantage over American companies?**

A. With respect to your question about China's currency, as the President stated in his March 11th speech at the Export-Import Bank's Annual Conference, "China moving to a more market-oriented exchange rate will make an essential contribution" to a global rebalancing effort. The Treasury Department, which is responsible for exchange rate matters, noted in 2009, that China's currency remains undervalued.

The Administration will continue to work with China both in the G-20 and the bilateral Strategic and Economic Dialogue to pursue policies that permit greater flexibility of the exchange rate. Through these efforts, combined with the work we are doing in the Joint Commission on Commerce and Trade, USTR is working with the Treasury Department and other agencies to implement a comprehensive China policy that will address the full range of China's trade and economic policies that impact the United States, and that will lead to a more fair, sustainable and balanced trade and economic relationship.

Question 3

Mr. Ambassador, As you know, the Chinese government since the mid-1990s has been pursuing indigenous innovation policies to bolster the development of their own industry and technology. While we all recognize the desire and right of governments to promote innovation in their own domestic industry – as we do here in the United States – China has taken a series of actions, including several in the last few months, that will restrict in a highly discriminatory and unfair manner U.S. and other foreign participation in key market segments and/or force transfer of intellectual property. China's November Circular 618, for example, will create a list of products invented and produced wholly in China that will receive government procurement preferences at the Central level and influence sub-Central procurements as well. In December, China issued a catalogue of industrial products that will receive tax and financing incentives to create domestic products in China as well as other preferences with the stated aim of substituting imports for domestic products. The sum total of these and other measures, combined with longstanding problems in the China market, particularly the lack of protection for intellectual property, will increasingly shut out our most competitive U.S. companies and products from that market and make meeting the President's export target increasingly difficult.

I know that you and the Administration are well aware of these policies and recent actions. My question is how high a priority are you making it to help move China away from these highly restrictive and damaging policies? There are a lot of issues that are important in the U.S.-China economic relationship. But I want to emphasize to you that this one demands immediate attention and action by you and your colleagues at the Department of State, Treasury and Commerce.

While I have been pleased to see that U.S. exports to China are continuing to increase, I am also very concerned to see the implementation of new barriers to U.S. exports and market participation that require the attention of you and the other top economic members of the President's cabinet. One of the most worrisome is China's increasing use of indigenous innovation policies that are and will increasingly restrict market access in China for U.S. goods and technology to China's market. **Most recently in January, China issued draft government**

procurement rules that give preferences to indigenous innovation products – a designation that will exclude from China’s large public sector virtually all U.S. and other foreign participants. What is USTR doing to address this highly serious issue?

A. We are very concerned about the issues you have raised with respect to China’s discriminatory industrial policies -- particularly the recent announcements of new preferences for products with domestically developed intellectual property in China’s government procurement market, as well as with the continuing deficiencies in China’s enforcement of intellectual property rights. These are just the latest set of industrial policy initiatives designed to support domestic companies at the expense of foreign companies, especially in high-technology and software sectors.

My staff is actively consulting with stakeholders, Congress, the EU, and other countries on the impact of these policies. The Administration is vigorously pressing the Chinese Government to address our concerns and I have raised the issue of China’s discriminatory “indigenous innovation” policies personally with Chinese officials. USTR, working closely with other U.S. government agencies, continues to raise these issues with officials from all the relevant Chinese government agencies at every appropriate opportunity, including the Joint Commission on Commerce and Trade (JCCT), our primary forum with China to address bilateral trade issues, as well as at a broader, strategic level at the Strategic and Economic Dialogue (S&ED).

We have also made clear to China that these “indigenous innovation” policies call into question China’s commitments at the JCCT and S&ED to accelerate its accession to the WTO Government Procurement Agreement (GPA). Discrimination in favor of “indigenous innovation” products and against foreign products would be inconsistent with meaningful GPA coverage. Moreover, these policies are also inconsistent with China’s JCCT and S&ED commitments to treat products produced in China by foreign-invested enterprises the same as those produced by Chinese-owned enterprises for purposes of government procurement.

Speaking more broadly on enforcement, as noted by the President, USTR continues to aggressively enforce our trade agreements to ensure an open and rules-based trading system. This includes defending U.S. WTO rights and holding our trading partners, including China, to their WTO obligations. In 2009 alone, we won two WTO cases against China related to insufficient protection of copyrighted works and WTO-inconsistent restrictions on the importation and distribution of audiovisual products, as well as one related to discriminatory treatment of imported auto parts. We also successfully settled a case on WTO-inconsistent export subsidies, and are currently pursuing another dispute related to what we believe to be WTO-inconsistent export restraints. Through these enforcement actions, we are leveling the playing field for U.S. stakeholders, and ensuring that China adheres to the commitments it made when it joined the WTO.

Question 4

Mr. Ambassador, the Administration has been reviewing the template for the U.S. Bilateral Investment Treaty – so-called BIT – program over the last year. As you know, BITs are a very

important tool for the United States to ensure fair and non-discriminatory treatment for its investors overseas. And these investors are the main drivers of U.S. exports. Unfortunately, our competitors in Germany, the United Kingdom, Korea and elsewhere already have many more BITs in place, oftentimes with stronger provisions and in key emerging markets like China and India. As a result, their companies benefit from these strong provisions, while ours do not.

Can you tell me when the current BIT review will be finished so that the United States can get back to the table to continue negotiations with China, India and others?

A. We recognize the importance of moving forward with the BIT review and continuing to negotiate agreements. The Administration has received extensive comments from a wide range of stakeholders regarding many important issues in the model BIT, and we want to ensure that we have a full opportunity to carefully consider all such input before completing the review. Since the beginning of the BIT review, the Administration has continued to hold technical-level discussions with all of our existing negotiating partners, and we will continue these discussions as our internal deliberation process on the model BIT moves forward. In addition, we will continue to explore the possibility of future BIT negotiations with other key countries, such as Russia, Indonesia, and certain African countries.

(ii) In addition, our position in our negotiations with China should not be weaker than the standard the German government has already negotiated with China. Can you assure me that any revisions will not weaken the BIT?

A. We recognize that providing high-standard protections for our investors is the primary reason for negotiating BITs. These protections ensure that our investors can compete on a level playing field and that they are treated according to the rule of law in key foreign markets. We are working to fully maintain the model BIT's core investment protections – as well as exploring how these can be enhanced to account for evolving challenges encountered by U.S. investors abroad – while maintaining the current model's carefully calibrated compromise among many competing viewpoints.

(iii) Finally, can you assure me that the new Model will not be overloaded with new provisions that are simply not negotiable with countries like China and India, such as the labor and environment provisions from the May 10th deal.

A. This Administration is committed to seeking strengthened labor and environmental protections around the world, including through international economic agreements. We are actively exploring how provisions in the model BIT could be augmented to enhance these protections, but in a manner that allows us to negotiate high-standard BITs with China, India, and other key countries.

Question 5

Mr. Ambassador, I hope that you can discuss how the Administration will use the Trans Pacific Partnership to accomplish its stated export goals, as well as to help protect American innovation and intellectual property.

Specifically, the Administration has recently announced two separate initiatives: a National Export Initiative, which aims to double American exports over the next five years; and the Trans-Pacific Partnership, which aims to further liberalize trade between the United States and Singapore, Chile, New Zealand, Brunei, Australia, Peru, and Vietnam.

How will the United States use TPP to ensure intellectual property protection and export opportunities for innovative U.S. pharmaceutical manufacturing, which supports 3.2 million American jobs? We already have strong free trade agreements with Singapore, Chile, and Australia. Will the Administration seek to bring the IP standards in other TPP countries (Peru, Brunei, Peru, New Zealand) to the level of protection in those agreements?

Besides eliminating tariffs, one of the greatest benefits in those talks will be harmonization and integration among all those markets and a more flexible rule of origin for sourcing products, such as a regional value rule for apparel. **Would you consider more flexible rules of origin for all products? When do you expect those talks to conclude?**

A. The United States has held initial discussions with its TPP counterparts on intellectual property and among the issues we discussed was the need to develop a high-standard in the agreement that promotes and incentivizes innovation. We are discussing the best way for the chapter to do so in the context of a 21st-century trade agreement. We will continue to consult further on this with Congress and stakeholders following the first round.

Regarding rules of origin, U.S. negotiators agreed on the need to use the agreement to try to facilitate trade and are developing initial proposals for ways to do so, which will be considered in future negotiating rounds. We will consult further with Congress and stakeholders as we consider general approaches and specific proposals on this issue. We have no timeline for when these talks will conclude.

Question 6

Mr. Ambassador, one of the Administration's messages on trade policy is that more "enforcement" is needed to show the American public that trade can work for them. For example, President Obama imposed hefty tariffs on imports of tires from China. For the increasing number of industries that incorporate imports into their successful business models, enforcement can mean only added costs and uncertainty, and a process that often does not even consider importer interests. Would you be willing to change the process for trade enforcement cases to allow retailer and importer interests to be considered in trade enforcement cases?

A: There are various procedures under current law through which the Executive Branch solicits and receives views from interested parties, including importers and retailers, in connection with trade remedy or trade enforcement proceedings. For example, in Section 301 investigations, USTR invites and reviews comments from the public— including from retailers and importers — on trade enforcement measures to vindicate U.S. rights. When we are considering how to advise the President in connection with Section 421 remedy proceedings, such as the Chinese tires proceeding you mention in your question, we solicit views from

importers, exporters, retailers, and other interested parties, and hold a public hearing on request. In the Chinese tires proceeding, importers and retailers, among others, submitted comments in writing and presented their views at our public hearing.

Question 7

Mr. Ambassador, trade preference programs help America's poorest trading partners to develop and create jobs. Retailers rely on trade preference programs to source their goods and provide a wide variety of low-cost goods for American families. Yet sometimes these programs are complex and exclude the exact products that poor countries can produce, such as apparel and certain agricultural products. Will USTR support expanding and harmonizing the preference programs to make them simpler to use and more beneficial to developing countries as well as American families?

A. We agree that GSP and other trade preference programs help spur development through trade and important opportunities for U.S. small and medium-sized businesses. Congress has started a review of these programs. The optimal design and functioning of these preference programs is a critical component of both U.S. trade policy and U.S. development policy, and we look forward to working with you in your review.

Question 8

Mr. Ambassador, the Administration's National Export Initiative talks about jobs created by increased exports. Importing industries also provide high quality, well paying professional jobs. How will the Administration's trade policy also recognize the importance of imports in creating jobs and increasing the quality of life for American middle-class families?

A. Given the still large U.S. trade deficit, and the importance of U.S. and global rebalancing to sustained recovery and job growth in the United States, focus on export expansion is particularly appropriate at the present time. American trade policy, however, is broadly aimed at the elimination of trade barriers and the expansion of trade, in recognition of benefits that Americans can derive from both exports and imports.

Question from Senator Schumer**Question 1**

Ambassador Kirk, the U.S. government has enacted a range of incentive programs to support renewable energy development and production within the United States – including incentives such as production tax credits (PTCs) through the Department of Treasury and loan guarantees through the stimulus program administered by the Department of Energy. Those programs are open to foreign-owned companies seeking to build renewable energy projects in the U.S., and companies based outside the U.S. have been very large beneficiaries of those incentives. We've heard a number of stories about European and Asian countries denying U.S. companies access to their markets, despite a recent report documenting billions of taxpayer-funded renewable energy tax incentives under the stimulus program going to companies in those very countries. What is the USTR doing to make sure that other countries markets are as open to our products as our country is to theirs?

A. Green technology is a priority sector for President Obama, and we are committed to achieving a level playing field for U.S. manufacturers of renewable energy technologies. As part of this effort to expand market access for U.S. firms in these important sectors, USTR continues its leadership role in negotiating for the removal of tariff and non-tariff barriers to environmental goods and services, including solar and wind technologies, in the WTO Doha negotiations. With respect to China, we are seeking China's commitment to allow U.S. companies to participate on a fair and non-discriminatory basis in China's large government procurement market. This is an important priority for U.S. renewable energy companies. Accordingly, we have been pressing China to advance its negotiations to become a Party to the WTO Government Procurement Agreement (WTO GPA) because once it joins the GPA, its ability to maintain "buy Chinese" policies will be restricted. China committed to join the GPA when it became a WTO Member, but it only began GPA negotiations at the end of 2007. In the meantime, China committed in the Strategic and Economic Dialogue (S&ED) in July 2009, as well as the Joint Commission on Commerce and Trade (JCCT) in October 2009 to treat, under its Government Procurement Law, products produced in China by foreign invested enterprises the same as products produced in China by Chinese enterprises. We will look to build on this progress both in bilateral fora and at meetings of the WTO Government Procurement Committee.

In addition, we have been engaging bilaterally with China on government procurement – and more broadly - through a variety of mechanisms, including the S&ED, as well as the JCCT. At the October 2009 JCCT meeting, we succeeded in obtaining China's commitment to eliminate its local content restrictions for wind energy projects, which will level the playing field for U.S. wind energy companies doing business in China. We also plan to use the newly negotiated U.S.-China Memorandum of Understanding to Enhance Cooperation on Climate Change, Energy and the Environment to discuss market access barriers to renewable and clean energy technologies.

COMMUNICATION

**United States Senate
Committee on Finance
Hearing on “The Administration’s 2010 Trade Agenda”
Wednesday, March 3, 2010**

**Written comments for the record by the
Retail Industry Leaders Association (RILA)**

The Retail Industry Leaders Association (RILA) appreciates the opportunity to submit written comments for the hearing with United States Trade Representative (USTR) Ron Kirk on the direction and content of U.S. trade policy. RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Our members include the largest and fastest growing companies in the retail industry – retailers, product manufacturers, and service suppliers – which together account for more than \$1.5 trillion in annual sales. RILA members provide millions of jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

The retail sector, along with the suppliers and customers that it serves, is an essential part of the U.S. economy. Retailers meet the needs of U.S. consumers, and in doing so are essential drivers of the U.S. economy. We also serve the global market for consumer goods and bring U.S. products to the foreign markets where they operate. Retailers provide quality jobs at all employment levels with good benefits. The industry also creates opportunities for entry-level employment, part-time work, jobs for non-skilled workers, management training, as well as a variety of rewarding professional careers.

Trade with China

RILA advocates a balanced trade policy that recognizes the tremendous opportunities and benefits that trade and investment with China bring to our economy, while also effectively addressing market access barriers and other unfair trade practices that affect U.S. companies.

RILA was disappointed by the Administration’s decision to impose extraordinary duties on consumer tires imported from China. RILA supports the longstanding U.S. policy of economic engagement with China and opposes actions that cut off access to the U.S. market, particularly in this case where there was no allegation of unfair trade. This precipitous decision could lead to more such cases and have serious implications on the trade relationships that the United States has forged around the world. RILA hopes the U.S. International Trade Commission and President Obama will be more judicious in their responses to any future trade remedy petitions.

RILA supports the Strategic and Economic Dialogue and applauds the Obama Administration for its continued efforts to advance this initiative to facilitate engagement at the highest levels of government. The first round of S & ED talks last July were both productive and beneficial, and RILA looks forward to further progress coming out of future rounds of bilateral dialogue.

RILA believes that the Obama Administration should advocate policies that encourage China to move from an economy based on export growth to one based on growth in domestic consumption. Congress and the Administration should encourage China to break down the remaining barriers to foreign investment in China’s retail sector, and the pending negotiations for

a Bilateral Investment Treaty should resume and accelerate. Growth in the supply of retail outlets in China will increase consumer choice and competition in China and enable Chinese consumers to increase their purchasing options.

Textile and Apparel Imports from China

Trade in textiles and apparel has long been subject to restrictions. Decades-long global quotas under the Agreement on Textiles and Clothing (ATC) of the World Trade Organization (WTO) were finally terminated in January 2005, while restrictions on textiles and apparel from China continued until January 2009. Since that time, there has been an effort by some to convince Congress and the Administration that new limits on apparel imports from China are warranted.

RILA believes that open and fair competition in textiles and apparel creates healthier industries in the United States, China, and in our other trading partners. RILA opposes efforts to reinstate managed trade in textiles and apparel, or that would give political concessions to the textile industry as a means to enact other policy or political objectives.

Improving Trade Preference Programs and Implementing Free Trade Agreements

Improving U.S. Trade Preference Programs

The retail industry has a longstanding record of supporting trade preference programs, including the Generalized System of Preferences (GSP), Andean Trade Preferences Act (ATPA), African Growth and Opportunity Act (AGOA), Caribbean Basin Trade Partnership Act, Haiti HOPE Act and other initiatives. These programs are important trade facilitation tools that reduce tariffs and other trade barriers, and establish dependable sourcing options that are essential for successful retail supply chains. The purpose of these programs is to increase trade capacity and economic growth in our poorest trading partners, and retailers' sourcing actions are directly relevant to whether these initiatives achieve their intended goals. Retailers are most likely to use those trade preference programs that meet retailers' sourcing objectives and that do not have complicated or overly burdensome rules.

Unfortunately, in recent years, some of these programs have operated under short extensions that do not allow retailers sufficient time for long-term planning for investments in their supply chains. Extending these programs for greater periods of time, such as ten years, would encourage more use of the programs and long term investment in some of the world's poorest counties. Moreover, U.S. trade preference programs can often exclude the specific products that poor countries can make, particularly textile and apparel products and certain agricultural products.

RILA encourages Congress and the Administration to work together to expand product coverage, harmonize and simplify the rules of our preference programs, and grant them long term extensions.

Haiti

After the devastating earthquake in Haiti in January 2010, RILA applauds Congress and the Administration for working together to try to enhance trade benefits for Haiti to aid the country

in resuming apparel operations and encourage long-term rebuilding and investment. RILA welcomes the Administration's Plus One initiative for Haiti to encourage apparel importers to source from Haiti. To make this initiative a reality, RILA believes the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008 (HOPE II) should be expanded by increasing trade preference level (TPL) limits for knit and woven apparel, removing existing exemptions under the TPLs, fixing the interpretation of the value-added rule of origin, and extending all the provisions of the HOPE program until 2020. The Caribbean Basin Trade Partnership Act (CBTPA) should also be extended until 2020.

Pakistan Reconstruction Opportunity Zones (ROZ)

RILA supports meaningful trade preferences for Afghanistan and Pakistan to help create jobs and counter the recruitment efforts of the al Qaeda and Taliban. We urge Congress and the Administration to act expeditiously to enact Reconstruction Opportunity Zones (ROZ) legislation (S. 496, introduced by Senator Cantwell), and to expand and revise it in several areas, including expanding product and geographical coverage, limiting disclosure requirements, and finding a bipartisan and workable solution on labor conditions. The ROZ program represents an important opportunity for the United States to foster economic development, advance social stability, further security in the region and to make good on the promises of a closer economic relationship with Pakistan and Afghanistan.

For the ROZ initiative to be effective, duty-free treatment should be extended to all textile and apparel products, and especially to cotton trousers and shorts and cotton knit tops. These products are most likely to generate employment opportunities. Cotton knit shirts and cotton trousers are vitally important to Pakistan, yet these products face U.S. duties that average around 17 percent. Configuring the ROZ program to include these items will give Pakistan a fighting chance in this competitive industry.

We also urge Congress to revisit the limited areas in Pakistan that are eligible to use the ROZ program. Limiting ROZ investment to extremely remote areas that are experiencing intense conflict and are not yet mature for industrial growth would only delay job creation. Therefore, we encourage you to consider expanding the geographic areas in Pakistan to include areas that are currently capable of production. All of Pakistan, not just the tribal areas on the Northwest Frontier, is being targeted by extremists.

RILA also notes that controversial and unworkable labor provisions included in the House-passed ROZ legislation has caused momentum for ROZ legislation to come to a screeching halt. RILA encourages policymakers to work with stakeholders to find a bipartisan solution for workable labor conditions, based on longstanding criteria in U.S. trade preference programs, including the Generalized System of Preference (GSP) and the African Growth and Opportunity Act (AGOA). RILA believes that S. 496 is a good basis to start considerations on any labor provisions included in the final ROZ legislation.

Trade Development Agreements

RILA also believes that preferences should be modified over the long term to encourage a sustainable two-way system that benefits United States importers and exporters, as well as our trading partners. Trade preferences have been beneficial by introducing developing countries to the benefits of international trade, but those benefits are limited due to their inherent one-way structure, restrictive rules of origin and onerous documentation requirements. Moreover, as

countries become more developed, our trade preference programs discourage further growth by cutting off access to the U.S. market, rather than encourage further development. RILA believes that Congress and the Administration should consider modifying our trade preference programs to provide clear incentives and timetables for trading partners that become more economically advanced to open their markets to U.S. goods, thereby creating opportunities for U.S. exporters and providing foreign consumers and businesses with high quality U.S. goods and services at competitive prices. This new trade policy tool could be called trade development agreements (TDAs) and would be a bridge to carry trading relationships from traditional one-way preference programs to long term and sustainable two-way trading relationships.

Whether this new trade tool is called a TDA or something else, it should provide significant benefits through trade liberalization in goods and services, transparency in regulatory trade practices, intellectual property protection, and other reductions in tariffs and non-tariff barriers. All of these areas will help to create dependable sourcing and export growth opportunities for retailers. To provide the most benefit, these trade tools should ultimately be comprehensive and commercially meaningful. TDAs should include: tariff eliminations, services trade liberalization, trade facilitation measures, strong intellectual property rights protections and flexible rules of origin.

Free Trade Agreements

RILA strongly supports the pending free trade agreements with Colombia, Panama and South Korea and encourages the Administration to take concrete actions in 2010 to advance these agreements, including a high-level, Administration-wide initiative to encourage broad support for these agreements, and submitting the agreements to Congress for approval.

RILA believes the Obama Administration's plan to participate in negotiations on the Trans-Pacific Partnership (TPP). RILA strongly supports the negotiation of a comprehensive free trade agreement with the proposed participants (Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore and Vietnam) in the TPP will foster economic growth for partner nations and serve as a good launching pad for future expansion of the alliance to other partners in the region.

Fair Application of Trade Remedy Laws

While the benefits of trade spread across many sectors of the U.S. economy and to U.S. consumers, RILA recognizes that some entities may be harmed by international competition. U.S. trade remedy laws can provide an appropriate and reasonable venue for U.S. industries that are injured by unfair trade. The Administration should recognize that the administration of these laws involves a significant amount of subjectivity within the administering agencies, and it should be a priority to ensure that these laws are implemented fairly and objectively, taking into account the impact of such actions on all stakeholders. All trade remedy actions should be considered on their merits and should not be initiated, self-initiated or determined as a political trade-off for other policy priorities.

Creating Certainty for Importers

Retailers need certainty in the marketplace to be able to make informed business decisions. U.S. trade remedy laws (antidumping (AD) and countervailing duty (CVD) laws) are inherently

unpredictable because parties cannot know in advance whether products they import may later be subject to AD/CVD duties. There is one element of the U.S. trade remedy system that could be modified to provide more certainty than currently exists, and this is to change the current “retrospective” system of AD/CVD duty collections to a prospective system. The United States is the only country that employs a retrospective system for collecting AD/CVD duties whereby duty deposit rates are established at the end of an investigation, but the final duty bills are not calculated until after a review is completed, which can be a year or more after the product was imported. This retrospective system creates enormous uncertainty for retailers’ supply chains because the actual AD/CVD duty liability is not determined until long after the goods have been imported into the United States and sold on retail shelves. Thus, as long as an AD/CVD order is in place (which can be for decades), companies are unable to make rational sourcing decisions. Even more than the duties, this uncertainty in the supply chain is one of the most detrimental aspects of U.S. trade remedy law. Retailers will pay fair (or “undumped”) prices for goods, and they simply need to know what that price is at the time they make sourcing decisions.

One possibility for Congress and the Administration to consider is a prospective normal value system, such as those used by some of our major trading partners, which would eliminate uncertainty. Under a prospective system, final AD/CVD duties are assessed at the time of importation, like normal customs duties. A prospective system would allow stronger duty collection rates since the total duty bill is collected upon importation. The Government Accountability Office (GAO) studied U.S. Customs and Border Protection’s (CBP’s) efforts to collect duties and found that since 2001, over \$600 million in AD/CVD duties were uncollected - in large part because of retrospective nature of the U.S. duty collection system.¹ The GAO therefore recommended studying the potential benefits of moving to a prospective system.

A prospective system would also resolve other WTO challenges to U.S. trade policy, such as zeroing and CBP’s requirement for bonds on shrimp imports. U.S. zeroing policy and the shrimp bonds have been found to be inconsistent with WTO obligations.

RILA strongly supports moving the current retrospective system to a prospective system and respectfully asks Congress and the Administration to consider adopting this proposal.

Administration Needs Greater Focus on ‘Trade Facilitation’

The Department of Homeland Security, and specifically the U.S. Customs and Border Protection (CBP) plays a critical role in promoting the dual goals of protecting our nation’s borders and facilitating legitimate trade flows. While we recognize that security is an essential concern, RILA believes these two goals are equal in importance to achieve the overall well-being of our country. In other words, CBP should not focus on security at the expense of trade facilitation. Congress and USTR play a critical role through oversight and in the interagency process to ensure that CBP continues to recognize the importance of trade facilitation.

In particular, RILA calls to your attention two customs issues that are very important to retailers: the longstanding practice of valuing imports based upon the “first sale rule” and a CBP proposal

¹ GAO-08-876R, Collecting Antidumping and Countervailing Duties (July 2008)

to change country of origin classifications from the judicially-developed “substantial transformation” methodology to a “tariff shift” methodology.

First Sale Rule

In January 2008, CBP released a proposal that would no longer allow importers to calculate the duty owed for imports to be based upon the “first sale” price between the manufacturer and an intervener. Instead, CBP would calculate the duty based upon “the price paid in the last sale occurring prior to the introduction of the goods into the United States,” thereby eliminating the first sale rule. This action would have the effect of raising the duty liability for importers by raising the value of products by which duty rates are applied. The action would contradict several U.S. court decisions in support of the first sale rule. The additional costs could effectively raise taxes by hundreds of millions of dollars at a time when businesses and consumers are already facing uncertainty in a volatile economic environment.

Congress recognized the enormity of CBP’s action and acted quickly in May 2008 to include “Sense of the Congress” language in the Farm Bill (Public Law No: 110-246) that put a freeze on CBP moving forward with its proposal until after January 1, 2011. As we approach that date, RILA encourages Congress and the Administration to clearly signal their support for the continued use of the first sale rule and to prevent any action to eliminate the first sale rule beyond 2011.

Proposed Change on Rule of Origin

Another concern of retailers is CBP’s proposal to eliminate “substantial transformation” as the rule of origin for general application, and instead apply the NAFTA Marking Rules more broadly. These “tariff shift” rules will prompt significant transition costs for importers and would affect origin determinations not only for marking purposes, but also for other purposes such as government procurements.

RILA filed comments with CBP in 2008 noting that CBP’s “proposed change, which would sweep aside a century of settled law, would have enormous consequences for the economy, provide minimal measurable benefits, and should not be undertaken without extensive further study.” RILA encourages the Administration to consult more closely with stakeholders to address continuing concerns before proceeding with this proposal.

Affordable Footwear -- Lowering the Cost of a Basic Necessity

RILA supports passage of the Affordable Footwear Act (S. 730), legislation that repeals a Smoot-Hawley tariff on low-cost and all children’s footwear. The U.S. tariff system with respect to footwear is highly regressive in that it charges higher rates of duty for lower-valued merchandise. With tariffs reaching as high as 67% for a children’s sneakers, footwear duties act as a regressive tax on low- and middle-income American households, including single-parent households, who spend a larger share of their disposable income on basic necessities.

This legislation receives widespread bipartisan support in both the House and Senate, and S. 730 is currently cosponsored by 19 Senators. Given the strong support for the legislation, the lack of

domestic opposition and the important stimulative benefits it will provide to American middle-class families, eliminating these duties would provide targeted and timely relief to ease the cost of a basic necessity.

Repeal the Continued Dumping and Subsidies Offset Act (CDSOA)

Enacted in 2001, the Continued Dumping and Subsidies Offset Act (CDSOA, also known as the “Byrd Amendment”) required CBP to distribute duties it collected under the antidumping and countervailing duty laws to companies that supported the original petition for imposition of the duties. Companies have received tens of millions of dollars in windfall subsidies that are not contingent upon whether the money is spent to create or protect U.S. jobs. Available data indicates that CDSOA has caused over \$2.385 billion dollars to be diverted from the U.S. Treasury and given to a small number of companies. CDSOA was partially repealed in 2005, yet disbursements under the program still continue today.

CDSOA disbursements

FY 2001	\$231,201,890.83
FY 2002	\$329,871,463.94
FY 2003	\$241,301,429.00
FY 2004	\$284,044,599.00
FY 2005	\$226,051,863.09
FY 2006	\$380,562,870.40
FY 2007	\$264,361,332.40
FY 2008	\$180,360,227.37
FY 2009	\$247,718,477.35

**Total CDSOA
Disbursements \$2,385,474,153.38**

Source: Customs and Border Protection data

In addition to these figures, more money will be disbursed in November 2010 as further entries are liquidated, and another \$75.8 million is being held by CBP while litigation is pending. The World Trade Organization has ruled that the CDSOA violates the United States’ international trade obligations. Eleven countries were authorized to retaliate against U.S. exports, and the European Union and Japan continue to impose retaliatory tariffs today.

In a time of budget shortfalls and soaring deficits, RILA believes that this program should be completely repealed before any more money is diverted from the U.S. Treasury to private companies. Further, in a time of economic uncertainty and when the Administration is undertaking an initiative to double U.S. exports over the next five years, Congress and the Administration should actively work to have the retaliatory tariffs lifted, and this will only happen when the CDSOA disbursements cease.

Conclusion

RILA appreciates the opportunity to submit these trade policy recommendations for the 2010 trade agenda as we all share the common goals to boost U.S. economic growth and competitiveness, promote U.S. leadership in the international economy, and to double U.S. exports over the next five years. We look forward to working with you to advance these and other shared goals.

Should you have any questions regarding this matter, please feel free to contact me at (703) 600-2046 or stephanie.lester@rila.org.

Sincerely,



Stephanie Lester
Vice President, International Trade

