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THE PRESIDENT'S 2022 TRADE POLICY AGENDA

HEARING

BEFORE THE

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THE PRESIDENT'S 2022 TRADE POLICY AGENDA

THURSDAY, MARCH 31, 2022

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

The hearing was convened, pursuant to notice, at 10:06 a.m., via Webex, in Room SD–215, Dirksen Senate Office Building, Hon. Ron Wyden (chairman of the committee) presiding.

Present: Senators Stabenow, Cantwell, Menendez, Carper, Cardin, Brown, Bennet, Casey, Warner, Whitehouse, Hassan, Cortez Masto, Warren, Grassley, Thune, Portman, Toomey, Cassidy, Lankford, Daines, Young, and Barrasso.

Also present: Democratic staff: Michael Evans, Deputy Staff Director and Chief Counsel; and Sally Laing, Chief International Trade Counsel. Republican staff: James Guiliano, Policy Advisor; John O'Hara, Trade Policy Director and Counsel; Mayur Patel, Chief International Trade Counsel; and Gregg Richard, Staff Director.

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will come to order. Today we are focused on Russia and China, because those are the big national security and economic developments in our world. Their governments, Russia's and China's, are united in putting up barriers to American values and our products.

Since Putin launched his invasion of Ukraine, the United States and our allies hit Russia, Putin, and the oligarchs with the most powerful sanctions in history. It is not just about yanking away super-yachts and private jets; Putin is now the head of a pariah state. The Senate, and my colleague Senator Crapo, the ranking member, and I are working very hard to formally designate Russia as a pariah state by revoking permanent normal trade relations.

Our country is showing Russia that taking this abusive, totalitarian road is a bad bet. The United States and our allies must prove the same to China. China's Government is a human rights-abusing, jobs- and tech-stealing behemoth, and the government is the head of this economic superpower.

One of my top concerns about the Chinese Government's economic model is censorship. When the Internet took off, America's innovators were first out of the gate with big ideas. The Chinese Government responded by using the Great Firewall to block those companies and allowed Chinese firms to rip off their ideas. Even worse, Chinese tech comes with Chinese censorship, and China censors the American people and our businesses as well.

The China model of censorship is now popping up all over the world. It fractures the Internet, and it certainly is something we see in Russia, where the people are being fed lies about what is going on in Ukraine.

The United States has to stand up to this kind of censorship, and USTR has a big role in fighting for a free and open Internet through smart digital trade policy. The Chinese Government obviously wants to dominate the technologies that will dominate the rest of the 21st century, such as semiconductors, EV batteries, and artificial intelligence as it continues its horrendous record of abusing human rights and trampling on workers.

Again, this is where USTR comes in. USTR has the responsibility to take on China's anticompetitive and anti-freedom practices, and we are going to be working closely with them as they do.

The United States and our allies have recently shown, with Russian sanctions, that our collective economic power is certainly anything but soft. A big reason why the United States is able to marshal such strength is because the Biden administration and USTR have worked to mend our relationships in Europe.

The United States has racked up significant wins that always are important but do not seem to get a lot of discussion. USTR finally brokered a deal in an aircraft trade dispute with the EU and the UK that had been unresolved for nearly 2 decades. USTR and the Commerce Department reached deals with the EU, the UK, and Japan on steel and aluminum, and will help us remove existing tariffs, bring down prices for Americans, and fight carbon emissions.

Before resolving these disputes, the American firms had been in the crossfire, with tariffs on everything from airplanes to cranberries to wine. EU tariffs on distilled spirits endangered Oregon's thriving craft beverage industry. Ambassador Tai's work eliminated significant tariff threats and helped to ensure that Americans could grow good-paying jobs and more exports.

Last week, USTR persuaded Japan to allow in more U.S. beef at lower tariff levels. That is big news for ranchers. In a new agreement with the EU, American fishers are exporting live oysters and clams and mussels to Europe for the first time in a decade. Resolving these issues brings the U.S. and our traditional economic allies closer together.

Finally, the committee held a hearing on the Indo-Pacific Economic Framework. This was another opportunity to strengthen our economic ties and marginalize the Russia-China model. The Indo-Pacific effort is especially important to folks in our part of the world, the Pacific Northwest, because the Pacific Northwest in our country is the gateway to the Pacific.

A good agreement will bulldoze overseas barriers to Oregon products from Columbia Gorge pears to Wallowa beef. Reducing barriers means better market access for farmers and manufacturers. This is so important in our State, where the trade-related jobs—as you and I have talked about, Ambassador Tai—often pay better than the non-trade jobs because there can be a higher value-added component.

It is also an important opportunity to raise standards for labor rights, environmental protections, and a free and open Internet. And I am going to close with one last point that is especially important to Senator Crapo and me.

This is a positive development, also with respect to transparency in government. Ambassador Tai has made it clear to us that there are going to be new transparency and consultation efforts to make sure that there is a broader debate about how to get more American workers and small businesses in the winner's circle.

Ambassador, thank you for joining us.

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

The CHAIRMAN. My friend, Senator Crapo.

OPENING STATEMENT OF HON. MIKE CRAPO, A U.S. SENATOR FROM IDAHO

Senator CRAPO. Thank you, Mr. Chairman. And welcome, Ambassador Tai.

I agree with the concerns and issues that Senator Wyden raised and the progress that he has identified. But I am going to issue kind of a strong statement today.

On your drive here, Ambassador Tai, you probably passed an inscription engraved on the National Archives that says "past is prologue." An enduring piece of past wisdom is President Reagan's 1982 address to the Nation on international free trade, which was founded on his personal commitment to free market principles both at home and abroad.

He explained that as Americans, we must "insist on sound domestic policies at home that bring down inflation and provide opportunity for free world countries to go forward and sustain the drive toward more open markets," such as the meeting he organized in Geneva that eventually led to the creation of the World Trade Organization. And most importantly negotiate—particularly for free trade agreements—like the United States' first two free trade agreements with Israel and Canada that were led by President Reagan's administration.

President Reagan's policies helped to break inflation and restore American leadership on trade. But it seems President Biden's trade policy takes the opposite stance. At a time when inflation has soared to 7.9 percent, President Biden says he will not pursue trade agreements until his domestic agenda is complete.

If ever enacted, this reckless spending agenda would not only make inflation worse, it would undercut U.S. leadership on trade by promoting a China-styled industrial policy. The proposed electric vehicle provisions, for example, will discriminate against 48 of the 50 models available for sale in the United States. It is no wonder why 25 foreign ambassadors told Congress these provisions breached our international trade obligations.

I am disappointed that the administration continues to pursue this agenda, instead of focusing on negotiations for new trade agreements. This is a shame, because the Biden administration knows better. Its 2022 trade agenda opens on the very point, and I quote: "The Biden administration recognizes that trade can and should be a force for good."

Absolutely. My home State of Idaho is proof positive of that proposition. In 2019, international trade supported over 200,000 jobs in Idaho—almost 20 percent of the State's employment. Trade liberalization also saves the average Idaho family of four more than $10,000 per year.

The problem here is that President Biden's recognition of trade's overall importance is not matched with an agenda that contains the requisite ambition to succeed. There is not a single free trade agreement under consideration in this agenda.

Free trade agreements open opportunities. We have seen it over and over, and the past really is prologue. Idaho's dairy exports to Korea have increased by more than 250 percent since our free trade agreement entered into force in 2012. But in lieu of trade agreements, this administration is proposing dialogues and frameworks, including the new Indo-Pacific Economic Framework, or IPEF. IPEF may be a positive first step to engagement in Asia, but it is no substitute for comprehensive trade agreements.

The Center for Strategic and International Studies will soon release its upcoming analysis on IPEF. Based on conversations with over a dozen governments in the Indo-Pacific, two points from its analysis are instructive.

First, U.S. engagement is welcome in the Indo-Pacific. One diplomat stressed in particular that his country wants the United States to lay out an affirmative economic strategy that complements its security presence in the region.

Second, our partners see the IPEF as a proposal with many U.S. asks, few U.S. offers, and a variety of credible regional alternatives to the framework that could provide more tangible benefits. If the U.S. is to meet and exceed China's challenge, then the U.S. must make stronger commitments than China.

Regrettably, if the administration's negotiating ambitions are low, its consultations with Congress on the few negotiations actually taking place are even lower. At last year's trade agenda hearing, Ambassador Tai, you stated that you would brief this committee before and after each negotiating session with respect to a waiver of the WTO TRIPS Agreement.

That has not happened. USTR recently issued a press release confirming that it had reached a compromise outcome on the TRIPS waiver in discussions with South Africa, India, and the European Union. USTR refuses to share the text of that outcome with this committee.

While members may have different views on the merits of this waiver, every member here should agree with me that the administration cannot withhold documents concerning U.S. rights under a congressionally approved trade agreement. We need to see the document, and we need to ask questions, because that is what respect for the Constitution requires.

There are serious questions to be asked. For example, last week South Africa and India joined with Russia and China to establish the BRICS Vaccine R&D Center on vaccine cooperation. Congress should know whether the text permits South Africa and India to share insights on U.S. intellectual property with Russia and China.

USTR's transparency with the public is also poor. The American innovators who developed the vaccines provided plenty of evidence on why a waiver is unnecessary, including that 20 billion doses will be produced this year, more than enough to achieve the World Health Organization's vaccination target.

The administration, however, has not shared with the public any evidence as to why a waiver will get shots into arms any faster. I am disappointed about negotiations and congressional consultations, but I also have concerns about enforcement.

Americans need to compete on a level playing field, and I appreciate the administration's prosecution of two USMCA labor disputes under the Brown-Wyden mechanism. Yet much more can be done.

With respect to the USMCA, agricultural market challenges remain. Mexico continues to restrict potatoes and delay approval of biotech crops. Discriminatory practices targeting our technology companies are also increasing. Rather than launch cases, the administration appears to be in retreat.

For example, the trade agenda highlights that USTR reached agreements to terminate our section 301 investigations against various countries over discriminatory digital service taxes. Let's be very clear about what this means.

Those countries are going to continue imposing discriminatory taxes on U.S. firms. They may give a credit one day, but only if Congress approves the Biden administration's international tax deal. The Biden administration is blessing foreign governments which discriminate against Americans as long as Congress refuses to go along with its plan to cede taxing rights and revenue to foreign competitors.

Let me close with where I started: past being prologue. History proves that Americans do not fear competition but rise to it. And now is the time to seize on that history and go further on trade, not shrink from it.

Thank you, Mr. Chairman.

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

The CHAIRMAN. Thank you, Senator Crapo. I know we will be working closely together on many of these issues.

Ambassador, welcome. Please proceed.

STATEMENT OF HON. KATHERINE C. TAI, UNITED STATES TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador TAI. Thank you, Chairman Wyden, Ranking Member Crapo, and members of this committee. I appreciate the opportunity to be here today to discuss the President's trade agenda.

President Biden believes that trade can be a force for good; that it grows the middle class and addresses inequality. And he believes we are at our strongest when we work with others around the world.

Over the last year, in coordination with my colleagues across the Biden administration, we have worked to repair strained relationships and recommitted the United States to the world's institutions. These partnerships have led to the united response to Russia's unjustified attack on Ukraine.

Turning specifically to our work at USTR, our agenda begins with putting workers at the center of our trade policy. When we defend the rights of workers at home and abroad, labor standards go up, and we drive that race to the top.

Farmers, ranchers, fishers, and food manufacturers are key to our trade agenda, and we have delivered real, economically meaningful wins for them. The 232 tariff arrangements and large civil aircraft frameworks with the EU and UK lifted retaliatory tariffs on billions of dollars of U.S. agricultural exports.

The agreement with Japan will allow our exporters to meet Japan's growing beef demand. We regained access to the EU for our shellfish industry, and we have opened access for U.S. pork exports to India.

We are also realigning the U.S.-China trade relationship. We launched a conversation with the PRC about its Phase One purchase commitment shortfalls and broader nonmarket practices. Those discussions have been unduly difficult, and it is time for us to turn the page on the old playbook. That starts with developing new domestic tools and making strategic investments to maintain our global competitive edge.

We have made progress on this effort through the American Rescue Plan, the administration's focus on supply chain resilience, and the bipartisan infrastructure law. Passing the bipartisan innovation act will build on this significant progress.

We have renewed our engagement with partners and allies and are developing innovative arrangements that strengthen our resilience and address the China challenge. For example, the global arrangement we are negotiating with the EU will be the world's first sectoral arrangement on steel and aluminum trade to tackle both emissions and nonmarket excess capacity.

Beyond this cooperation, we have deepened our engagement with key trading partners through other avenues. We launched the U.S.-EU Trade and Technology Council to promote shared economic growth. We relaunched the United States-India Trade Policy Forum to enhance our bilateral relationships. And we hosted the first dialogue on the future of Atlantic trade in Baltimore last week with the United Kingdom. We will meet again in Scotland next month to consider what concrete, economically meaningful steps we can take to deepen our trade relationship.

We are also committed to intensifying economic engagement in the Indo-Pacific. USTR will lead efforts to craft a trade arrangement with our Indo-Pacific partners that includes high-standard labor commitments, environmental sustainability, the digital economy, sustainable food systems and science-based agricultural regulation, good regulatory practices, and trade facilitation.

On the multilateral front, the Biden administration has continued efforts to make the WTO a force for good. We are working towards an intellectual property outcome to help end the pandemic. We will continue to engage with WTO members to get safe and effective vaccines to as many people as possible, and we are committed to bringing reform to the organization.

The Biden administration also knows that enforcement is key to trade policy delivering on its promises. We have used the USMCA rapid response mechanism twice to defend workers' rights in Mexico, which helps workers here by driving a race to the top. We pursued dispute settlement with Canada to ensure that U.S. dairy farmers are treated fairly. We also initiated environmental consultations with Mexico to prevent unreported and unregulated fishing.

A final important part of our trade agenda is promoting trade policy that is equitable, inclusive, and durable. And the President's trade agenda includes objectives to advance racial and gender equity. We will continue to pair these values with sustained stakeholder engagement.

I want to close with one final point. Congress is our constitutional partner on trade, and collaboration is critical to our agenda and America's success. In an increasingly complicated world, I am more confident than ever that we can walk, chew gum, and play chess at the same time. I look forward to continuing this work with you in the year ahead.

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

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

The CHAIRMAN. Ambassador, thank you very much. We appreciate your being here. Let me start by focusing on what you said in your trade agenda with respect to environmental issues being front and center.

You highlighted your goals of promoting sustainability, addressing carbon emissions, and enforcing the environmental commitments in trade agreements. So I want to focus on a concern that hits on all of these issues.

Mexico is a key partner in the USMCA, and it sure looks to me like they are slamming the brakes on renewable energy reform. In recent years, Mexico made substantial efforts to modernize and green the electricity market. They gave the green light to foreign investment, and they opened their market, particularly to innovative American providers of renewable electricity. But as I just indicated, now it looks like they are in retreat. They are considering laws that concentrate market power and regulatory authority in the hands of the state-owned electric company.

That result will mean a bigger focus on fossil fuels and limit opportunities for clean energy providers. So Mexico's new reforms are a one-two punch against environmental progress in America. Not only are they a setback in the fight against the climate crisis, but they are denying American companies—companies in the Pacific Northwest, for example—a fair shake in the Mexican market.

And my view is, what Mexico is doing now looks to me like it is running opposite from the promises Mexico made in the USMCA.

So, Ambassador, as we talked about, the United States needs to make sure that every chapter of the USMCA is fully implemented and pays off for American workers and businesses and a cleaner climate in the Americas. That is what was pursued in USMCA.

What are you doing to address Mexico's actions in the energy market that I have described?

Ambassador TAI. Chairman Wyden, thank you for asking this very, very important question. Let me begin by affirming my agreement with you and my commitment that the USMCA must be enforced and implemented across all of its chapters. And we will be—that is an organizing principle of our work.

I am also deeply concerned with the legislative and regulatory developments in the Mexican energy industry that we have seen in recent months. My team and I at USTR, along with much of the U.S. Government, have expressed these concerns regularly and directly to our counterparts in the Mexican Government.

Just last week I convened a roundtable with members of Congress, with members from our environmental organization community, from our energy industry that includes renewable energy companies, as well as our more traditional energy companies. And the testimony I heard from them was powerful.

They have been unified in expressing concerns with what is happening in Mexico, specifically with respect to the competitiveness of the North American energy market, as well as the competitiveness of Mexico's own energy industry.

I have informed Mexico, and I assure you that we at USTR are looking at all available options under the USMCA to address these issues so that the USMCA can work for our stakeholders and protect our environment across all three countries.

The CHAIRMAN. Well, we will want to work very closely with you, because it seems to me that you have Mexico on one area after another as it relates to greener energy, and the challenge of environmental reform, walking back what they pledged in USMCA. And we cannot sit by and abide that.

Let me ask you one other question, if I might. It deals with Russia and China and the challenge of today. We all remember the searing image at the opening ceremony at the Olympics of President Xi and President Putin standing there together asserting that their friendship has, quote, "no limits." And obviously, Xi was flexing his power to expand his authoritarian orbit, and basically kind of thumbing his nose at the American-led international order. And that was before Putin's brutal invasion of Ukraine.

So how are you working with our allies to ensure that when the United States confronts China's anticompetitive behavior and theft of home-grown innovation, it has the allies onboard?

Ambassador TAI. Well, Chairman Wyden, let me begin by saying that working with our allies is a key component of the Biden administration's approach to a smarter and a more effective strategy towards China. And this has been the case since day one of this administration.

I have invested a lot of time personally, as have my colleagues in the Cabinet, to rebuild relationships and trusts that were, at the beginning of our administration, badly damaged. This has involved finding creative, sometimes unconventional, but ultimately effective solutions to longstanding problems and irritations that we have had with our strongest partners and allies. Like, for example, the WTO aircraft disputes, or the steel and aluminum tariffs.

We have also worked to establish new cooperative mechanisms like the U.S.–EU Trade and Technology Council, as well as frameworks and dialogues so that we can focus with our allies on effectively addressing the massive distortions being caused by other economies like China, but frankly, in more recent weeks, like the challenges that we are facing with Russia's invasion of Ukraine.

As I have mentioned, it is high time for us to turn the page on the old playbook with respect to China. That old playbook had us focused exclusively on changing China's behavior. We must now expand our work to include a strategy to vigorously defend our values and economic interests.

The CHAIRMAN. Senator Crapo?

Senator CRAPO. Thank you very much.

I want to follow up first, Ambassador Tai, with regard to the issue which Senator Wyden raised—namely, the enforcement in Mexico of our USMCA agreement.

You have indicated, and Senator Wyden pointed out, that on the environmental and labor front you are actively pursuing efforts to try to enforce the agreement. But I see no activity to try to enforce the market access parts of the agreement. And let me focus my question specifically on potatoes.

I think it was a little over a year ago now both you and I were in Mexico, and both you and I raised the potato issue. And both you and I got a response from the Mexican Government that they were going to resolve it. The Mexican Supreme Court even is ruling in our favor on this issue.

Yet, I do not see any enforcement action against Mexico on USMCA with regard to potato access. Could you respond to that?

Ambassador TAI. Well, Mr. Crapo, I know how important the potatoes are to you, and you know how much I love potatoes. With respect to USMCA enforcement, again let me reiterate my commitment to enforcing all aspects. And on market access, I want to also raise the dairy case that we have prosecuted.

Senator CRAPO. Exactly.

Ambassador TAI. On potatoes in particular, I just spoke to USDA Secretary Vilsack last night about this issue. We have not given up hope, even though we have been taking two steps forward and one step backwards for many months now. I just want to let you know how high on our radar this is, and how focused we are on trying to secure a win here, and to let you know that all options are on the table if we are not able to secure that win.

Senator CRAPO. All right; thank you. I appreciate that.

With regard to the IPEF, the administration is very clear that IPEF will not include market access initiatives. Given that the administration wants to raise our trading partners' labor and environmental standards through IPEF, with which I do not disagree, why take the carrot of market access off the table?

Ambassador TAI. So I appreciate this opportunity to talk a little bit more about the approach that we are contemplating, and consulting with you all on, with respect to the Indo-Pacific Economic Framework.

It is true that market access, strictly speaking as a trade terminology, is not on the table at this time in the framework. But I want to distinguish between what we mean by "market access" in trade vocabulary versus market access in ordinary English.

Market access, as we talk about it in trade discussions and negotiations, typically means tariff liberalization. And that is true. We are not starting these conversations with tariff liberalization, in large part because our traditional trade models and traditional FTAs have led us to a place where we are facing a considerable backlash that we are listening to from our own people about concerns regarding the offshoring and outsourcing of American jobs and opportunities through these types of arrangements.

That does not mean, however, that we are not bringing an economic engagement to this region that does not have economically meaningful outcomes. So, in the sense of market access in ordinary English, which is to enhance our access to each other's markets, that is very much a part of what we are doing.

In terms of the high labor and environment standards, I really want to thank you for affirming your commitment to the standards in U.S. trade policy practice, because that is exactly the kind of practice that we want to bring to our trading partners in order to counteract those forces that have tended to bleed out our industries to other regions. We would like to use trade to raise standards around the world, to raise standards to the standards that we have here, so that we can all enjoy the kinds of lives and opportunities that we would like.

Senator CRAPO. Well, I understand. And as I said, I agree with that. But I define "market access" as free trade agreements. And I just do not see why we cannot engage and develop—and we have nations in the Indo-Pacific that are crying out for free trade negotiations with us so that they can strengthen their relationship to us economically rather than being tied to China.

And so, I just wanted to state that I believe that we need to engage in free trade negotiations in terms of market access and not define market access as some kind of a framework or something else.

One last quick question. This is regarding our China policy. In your opening statement you report that China failed to meet its Phase One agreement. It is easier for the public to see China's unfulfilled purchase commitments, but it is much harder for anyone to know where China fell short on these structural commitments.

Why doesn't the USTR provide this committee with its assessment on which obligations China failed to comply? And how do you plan to redress China's failure to meet these commitments?

Ambassador TAI. Well, Ranking Member Crapo, you are right in terms of the purchase commitments. Those are the most transparent because everybody has access to the trade data. I would be happy to engage with you beyond the public statements that I have already made with respect to our assessment of China's performance under the Phase One agreement.

One point I would like to make, however, is that with respect to the commitments that China signed up for, there are a number of different kinds. Obviously, there are the purchase commitments. There are commitments on laws and regulations that China had to pass. And then over time, especially with respect to the intellectual property and forced tech transfer commitments, China's compliance is going to need to be measured by the experience of our own industries that are seeking to do business in China.

So, it is a dynamic picture, but I am all for having that conversation with you and others, and I believe that we have been having that conversation as well.

Senator CRAPO. Thank you.

The CHAIRMAN. I thank my colleague.

Senator Stabenow and Senator Grassley are involved in a discussion, and the order would, under normal circumstances, go to Senator Cantwell. Thank you.

Senator CANTWELL. Thank you, Mr. Chairman, and thank you and the ranking member for holding this hearing. And, Ambassador Tai, thank you for being here. I know you are a representative of the Biden administration, and you are reflecting the views of the Biden administration.

I would just like to say I agree with my colleagues from the Northwest, but particularly my colleague from Idaho. I do not find where we are—and we had a conversation with you, a roundtable discussion with our members, and you said, "Well, we are trying to reset the table here with China." So we gave you more time.

And now we are here, and we are hearing this focus where we are not saying that opening market access and getting rid of tariffs is a priority. And that is what the people in my State want to hear. As a very trade-dependent State, they want to know that we are fighting to increase market access. When you think about wheat, when you think about potatoes, when you think about some of these other products, it is more than 70 percent of the product that is for an export market. And when you look at the impacts of the 301 tariffs and how bad apples have been hurt, we want resolution to these issues.

I mean, we are not even getting the exclusion at this point. So it is very hard to look at this equation—and this is not specific to the Biden administration. I did not agree with the last administration's approach on this. I do not agree that just throwing down tariffs, as we did on the solar industry—and now we are 10-plus years later and we have no resolution of this issue—I do not think that is the path forward.

So I have wholeheartedly supported enforcement. I got USTR a bunch of money out of the Customs agency so you could hire more lawyers and we could beef up USTR so that it could go around the globe and do enforcement. And guess what: it is working.

I led the charge on getting more money for capacity building in Mexico, something nobody really wants to say. They do not want to say that our government is paying to help build capacity in Mexico so we can enforce trade agreements. I will say that because I believe in trade.

So I am just trying to understand this notion that somehow trade agreements are 20th-century tools, and that they are some sort of, you know, recluse or something we are not going to do anymore, and that the Indo-Pacific agreement will not have a mechanism that is specifically focused on opening up markets.

So my people believe, the people in the State of Washington—doing business, growing crops—want to know always, always, what are we doing to increase market access? That is what they want to know.

So I just want to understand exactly how this—I hear what you are saying to my colleague here. You are saying, "Well, it is kind of on the table, but it is not really on the table." And right now, with these tariffs and the impacts in India, in other places—there was no place to go. There was no place to go. This whole effort—

I blame a lot on the Trump administration and their policies. It is easy to throw down. It is easy to throw down around here. And then, guess what? Do you get any bills done? No. So, it does take the negotiation.

So I really want to understand. I am for the labor rights. I am for enforcement. I am for capacity building. But why can't we be for opening market access right now and getting rid of tariffs, or at least getting the exclusions done on time?

Ambassador TAI. Well, Senator Cantwell, your views on trade are well known to me, and I know that, for the State of Washington—you are an export powerhouse. And I understand your views.

Let me just clarify some of my remarks. We have been opening markets. When we began our administration, we began our administration in what I would describe as a tariff-rich environment. In the last year, we have either lifted or averted over $20 billion of tariffs just between the U.S. and Europe, $7 billion of which was applied or going to be applied to agricultural products.

So, we are—we are—opening markets. We are also opening markets in other ways in our work with our trading partners through trade and investment framework agreements through the TPF with India. Is there more work to do? Absolutely there is.

On my comments about free trade agreements being 20th-century tools, that really is just a statement of fact, that free trade agreements are something that we did a lot of in the late 1900s, 1980 to 2010 or 2012 or so. There is a place for free trade agreements in our toolbox, but even there I feel like our approach to free trade agreements needs to be updated. We need to update our toolbox to reflect the realities of today. And that has to do with bringing along all of our economy for the United States in these trade policies so that we can continue to trade.

I take very seriously the lessons that we have learned in the past 5 to 7 years around trade agreements that we have pursued that have been so big and have been so uneven in terms of the wins and losses they are going to deliver for our economy that they have collapsed under their own weight.

Our approach is guided by the principle that we need to be able to trade in a way where we bring along our stakeholders instead of pitting them against each other. And so, your stakeholders are absolutely important to me, as are the stakeholders of your colleagues on this committee.

Senator CANTWELL. I see my time has expired. I would just say that I do not see these issues as an exclusion to one or the other, and people here have been working to update the tools that we have. I see the difference here is we have a President who has a great global presence. He should be advocating a global economic opportunity for the United States. We are working hard to get a bill to increase our export capacity as it relates to the supply chain that we are going to build here in the United States to build great products. So we are going to do everything that we can, but trade changes culture. Trade helps us build partnerships around the globe. But it is not just us.

The biggest economic opportunity for the United States is to sell things outside of the United States. That means you have to have market access, and you have to have trade.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague, who knows so much about this subject. And let me see if I can kind of bring the two points together, and then we will go quickly on to Senator Grassley.

I am all in in the fight for market access. And Senator Cantwell makes important points about why that is so urgent to folks in the Pacific Northwest. Part of our challenge is building a modern market access toolbox, and it needs to have all of these tools that we are all talking about, and then we work on a bipartisan basis to apply that appropriate tool to the appropriate situation.

So we will have a lot of conversations about this in the days ahead, but certainly my Northwest colleagues know an awful lot about trade, and we are going to be working together.

Okay; next is Senator Grassley.

Senator GRASSLEY. Thank you, Mr. Chairman.

And thank you for coming, Ms. Tai, and particularly it has not always been easy to get people in your position to come and do what the law requires by being here for these sort of oversight hearings.

When you met with us last year, you were just getting started. I am happy to have you as our Trade Representative. However, I am extremely concerned that more than a year into this administration it seems to me—and you will probably protest this—that the White House is not allowing you to use your talents to be an advocate for free and fair trade.

You probably heard me say that agriculture market access is the locomotive that drives any trade negotiations. I believe this administration is falling behind China and other competitors by not negotiating market access in the Indo-Pacific. On top of this, we also see the administration falling behind on confirming very important key trading posts, particularly Chief Agricultural Negotiator, and even outside of your department we do not have an Under Secretary for Trade and Foreign Affairs and Agriculture.

So my first question is—and I have at least three questions I want to ask you. You could eat up all the time on this question, but try to save some time. Could you tell us if you have a strategy to increase market access for U.S. agricultural products?

Ambassador TAI. Yes, Senator Grassley. And let me just begin with a statement of values. I think our American farmers are some of the most admirable Americans and hardest workers that I have ever met.

Market access for our farmers is absolutely important to me and important to our ability to conduct trade policy. I work with Secretary Vilsack extremely closely. I consider him to be an exemplar of leadership at the USDA, and also a very good personal friend. And so, I want you to know that I care deeply about our farmers and about allowing them to have opportunities to compete and also to diversify their opportunities.

Senator GRASSLEY. Thank you.

We have all seen the suffering from Russia's invasion of Ukraine. A byproduct of this invasion is a disruption in our trade markets. Apart from the Ukrainians, President Biden has said that this invasion will lead to rising food prices and human suffering in the poorest countries.

The President also said that the administration has been talking to the EU about ending trade restrictions. The EU has said that they are considering it.

What engagement has your agency had with the EU on issuing an important waiver for biotech crops? And will your agency engage with the EU moving forward to enable science-based regulations for biotechnology so farmers in our country and around the world can use biotech to increase production?

Ambassador TAI. We are continually engaging with our EU counterparts on ag trade issues between the U.S. and the EU, including biotech trade. This has been a traditionally difficult area between the United States and the European Union. I saw that through the course of last year as well, working with Secretary Vilsack.

I do believe that the current disruptions to trade created by Russia's invasion of Ukraine may provide us new opportunities and windows for collaboration with the EU, which we are also seeking to capitalize on.

Senator GRASSLEY. While it appears that the EU might be moving in the right direction along this line, it also appears that Mexico is going the other way. It seems like Mexico is blatantly violating the commitments made under USMCA regarding the treatment of biotech products.

What is your strategy to encourage Mexico to implement a transparent science-based risk-assessment process for agricultural biotechnology? And do you plan to use the USMCA to engage with the Mexican Government and resolve its treatment of agricultural biotechnology?

Ambassador TAI. This is another area where I have been closely coordinating and cooperating with Secretary Vilsack. And just to get to the bottom line on your question, yes, we are looking at all of our tools under the USMCA and thinking through our strategy.

Senator GRASSLEY. In regard to what you said to Senator Crapo about potatoes, I know that the Secretary of Agriculture is very committed to doing what you want done, Senator Crapo.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Grassley.

Next will be Senator Stabenow.

Senator STABENOW. Well, thank you very much, Mr. Chairman and Ranking Member.

Welcome back. We were so glad to have you and so appreciate, Ambassador Tai, all of your hard work. Thank you for being with us today. I know you were at Ways and Means yesterday, so it is a busy week on the Hill.

And I first want to mention, I know that my friend, Senator Grassley, has stated it, and maybe others, but it is critical we get a Chief Agricultural Negotiator at USTR. It is just absolutely important, as you know. Markets are critical for agriculture, and so we really need to get this across the finish line as soon as possible. Please let me know how I can help to be able to make that happen.

I also know you have been very focused on a number of fronts, including USMCA enforcement, as well as your ongoing negotiations with China, as well as new challenges we face holding Russia accountable for their brutal invasion of Ukraine. So, a lot of important work to do.

Let me first start with USMCA though. Thank you for your leadership and your team's leadership to hold Canada accountable for failing to meet their dairy market access commitment under USMCA. This is something I worked hard on as part of this USMCA, and congratulations on the first successful dispute settlement panel verdict you secured earlier this year.

It is critical for our dairy farmers in Michigan and around the country that we also make sure that Canada comes into compliance. It is just absolutely critical. And I hear concerns all the time that Canada is going to continue to play games in their recent proposal allowing them to limit dairy market access. And so, we really need your continued focus in this area.

So could you speak just a little about your plan for ensuring that Canada lives up to their original commitments under USMCA so that our dairy farmers see the full benefits that were promised?

Ambassador TAI. Senator Stabenow, yes, my view on Canada's commitments under the USMCA with respect to dairy is that Canada promised increased access to its market for American dairy farmers. And until we are able to accomplish that, we will continue to pursue the tools and avenues available to us under USMCA, hard tools and soft tools. I have a very collaborative and good relationship with my Canadian counterpart, and I have raised these issues in my conversations with her. But we will not give up until we see those promises realized.

Senator STABENOW. Thank you so much. And of course, coming from Michigan, we have wonderful relationships and friendships with our Canadian friends. This is an area that is really so important for us to push back on.

I think you have also been asked about biotech issues, and so let me just say, and agree with colleagues, that biotechnology has enormous potential to help us increase productivity while farmers address the climate crisis. And as you know, we need regulatory systems that are effective, that are science-based, and that are transparent.

So I am very concerned that Mexico seems to be making decisions that are not founded in science and causing long delays in biotech approvals that could have real-world consequences on farmers and future innovation in the industry. And importantly, these decisions are in violation of the commitments that Mexico made under the USMCA.

So what is your strategy to engage with Mexico and encourage them to implement transparent, science-based approval processes for agriculture biotechnology that they already agreed to?

Ambassador TAI. So, Secretary Vilsack and I have been working hand in glove on the Mexico agriculture challenges, and we have been pursuing the strategy of cooperation and consultation with our counterparts in Mexico.

I do think that, at this point, we are reassessing where we are, and the kind of tools that we need to bring to bear at USTR. And we are looking at the full range of tools, in close coordination with our partners at USDA, and with you and others here, we will look at next steps.

Senator STABENOW. Thank you. I appreciate that.

And then finally, let me just say the race to be a leader on research and manufacturing of next-generation technology is an important part of our future economy, and it is not just limited to agriculture. So we need to make things and grow things, and in my opinion we have not lost the future to China or any place else.

And so, we are working to pass important investments in clean energy and advanced manufacturing through competition and innovation, and important legislation is in front of us right now. Senator Manchin and Senator Daines and I have legislation to invest in clean energy domestic manufacturing, which is so important.

Could you speak at all about what we need to do here in this competition, and what role that our trade policies can play?

Ambassador TAI. Senator Stabenow, I am delighted to hear about all of the efforts that are being undertaken up here in the Congress. We have been tracking them closely. They are sometimes inside of the trade lane and oftentimes adjacent to trade. In order to continue to be the competitive powerhouse that the United States has been and wants to continue to be, we are going to need to coordinate our trade policies with these types of investments, and we are going to need to do it on a sustained basis.

So I want to commend you and your colleagues for doing this work. And I look forward to continuing our work and connecting your efforts with our trade policies.

Senator STABENOW. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Stabenow.

Next will be Senator Thune.

Senator THUNE. Thank you, Mr. Chairman. Ambassador, welcome back to the committee.

Just when does the administration plan to nominate a Chief Agricultural Negotiator?

Ambassador TAI. Senator Thune, we have nominated one, and I am very grateful for Elaine Trevino's willingness to serve, and I look forward to working with her in another capacity that she will take on in the Biden administration. At the moment, I am working very hard with our administration to name a new Chief Agricultural Negotiator nominee as soon as possible. I want to assure you here that your interests and mine are absolutely aligned.

Senator THUNE. Okay.

Well, you are in the administration, and it is an expression I think of priorities, and I can tell you that there are a lot of farmers and ranchers and agricultural producers and growers around this country who are very, very concerned that the promotion of agricultural exports be a priority. And it does not seem like it is.

Is the administration planning to submit Trade Promotion Authority, the proposal request?

Ambassador TAI. Well, Senator Thune, with all due respect, in terms of Trade Promotion Authority, that is legislation. And I am happy to speak with you and to work with you on it, if it is something that you are interested in.

Senator THUNE. Well, I am interested in it, but typically what happens is that it is an administration's request. And in the Obama administration, there were many of us here, Republicans, who were willing to work with the President from another party on something that is a big priority, I think, for America's economic vitality, obviously economic security, and I would argue—in parts of the world—we are talking here about national security.

Is the administration right now pursuing any trade agreements in the Indo-Pacific, specifically the CPTPP, which would more strongly promote American interests and leadership?

Ambassador TAI. We are pursuing economic engagement in the Indo-Pacific right now. That does not mean the CPTPP. And let me just draw together a point on CPTPP and the TPA, which is, I also lived through the fights up here in the Congress over TPA and TPP back in 2014, 2015, and 2016. I feel very strongly that American trade policy is at its best, strongest, and most durable when we are acting in the most bipartisan way.

And so my commitment to you is—with respect to trade policy, promoting trade, and also working with the Congress—that I am looking for strong bipartisanship and a unified American voice, and I am happy to engage with you on those issues from that viewpoint.

Senator THUNE. Well, and I am not—and that is great, and you know your subject well. And because you know your subject well, I just think that the 2022 trade policy agenda that supports a worker-centered trade policy may be a convenient political slogan, but it is not a serious trade strategy. And you know, we are the leading economy in the world for a reason, and a major part of that is because American exporters—and by that I mean farmers, businessmen and women, innovators, and entrepreneurs—boldly go into global markets and oftentimes succeed.

And just as an example, U.S. farm and food product exports grew from $46 billion in 1994 to more than $177 billion last year. The U.S. exports support a lot of good-paying jobs at home and help spread the reach of American influence abroad.

So I am just trying to get you all to focus. I understand this framework, but because there is not market access in there, because there are not, you know, tangible benefits delivered, it is a lot of really flowery rhetoric, but I am trying to see where this does anything to open markets for our farmers and ranchers in areas of the world where America just flat needs to be a presence, needs to be competitive, and needs to be leading the way.

If we are going to isolate China, doing business with a lot of countries in that region just seems like it makes a lot of sense. So let me just ask a fairly direct question.

Do you agree that farmers, producers, and others that rely on exports and lower-cost imports are part of the backbone of our economy?

Ambassador TAI. I do agree that they are.

Senator THUNE. And will the administration work to build upon the success of U.S. exports in the context of any new trade agreements or initiatives?

Ambassador TAI. We are doing so across everything in trade policy that we are pursuing right now.

Senator THUNE. And I think a lot of us would differ with that, and I would hope that your clear-eyed focus would be market access, creating opportunities that are real, that are meaningful, that are tangible, and working with us in a bipartisan way to do that.

You expressed a willingness to do that, and I certainly hope that you would, and starting with nominating an Ag Negotiator. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Thune. You and I have worked together often on trade issues, and I look forward to doing that again.

Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

As chairman of the Foreign Relations Committee, I regularly hear from ambassadors in some of the countries that may participate in IPEF that it is not sufficiently ambitious. What has been the administration's response to that criticism? And how, if at all, has the scope of the negotiations changed based on requests from other potential partners?

Ambassador TAI. Well, Senator Menendez, I disagree with the sense that it is not sufficiently ambitious. In a lot of our interactions and conversations with our trading partners in the Indo-Pacific, we have been making the case that what we are trying to do in the Economic Framework for the Indo-Pacific is new. It will include innovative elements, some innovative for the region, some innovative for the trade policy conversation overall, because of the evolving challenges that we are facing.

So that is where I would begin, which is that new things require some time for socialization and for people to appreciate where the economic meaning is going to come. But we are committed to this region, to our partners, and to engaging and enhancing our economic relationships.

Senator MENENDEZ. Well, I appreciate that. Let me just say, as my own observation, not theirs, I do not think it is as robust as I think we need. I think we missed an opportunity in TPP, and that has happened, and we are not going to revisit it. But at the same time, when we are thinking about our challenge with China—which the administration has adopted as their number one geostrategic challenge, the geo-economic strategy to compete with China—you certainly, I hope, will pursue an ambitious agreement that sets high standards across the breadth of our economic relationships within the region.

And it is critical that the IPEF make real progress in setting strong standards across the Indo-Pacific to further solidify a democratic rule of space trading regime.

Let me ask you. Taiwan is a key trading partner of the United States, one with whom we have a strategic relationship that is intimately intertwined with our economic security, particularly as it relates to trade in semiconductors. It is a key stakeholder in the Indo-Pacific economic community. It is a vibrant democracy that respects the rule of law. It is exactly the type of partner whom we should work with to strike high-standard trade agreements.

Several weeks ago, the Taiwan Government officially requested to be part of the IPEF negotiations. What has been the administration's response to that request?

Ambassador TAI. Senator Menendez, I completely agree with you that Taiwan is an essential trading partner for us, and also an essential partner overall.

The Indo-Pacific Economic Framework—and I want to emphasize this for everyone on this committee and publicly as well—is a framework that we are developing, and it is something that must reflect also the views of all of you and our stakeholders.

So, on the point of Taiwan, we are, in general, in conversations with those who are interested in joining this framework. I do also want to emphasize and recall that in the last year we have revived the trade and investment framework agreement engagements with Taiwan, including at my level, which had been idle for 5 years. And we will continue to look at all——

Senator MENENDEZ. So let me get back to my original question. What has been the administration's response to that request? Are you going to invite Taiwan to be part of the IPEF negotiations or not?

Ambassador TAI. Participation in the IPEF is still under consideration, and as far as I am aware, no decisions have been made.

Senator MENENDEZ. Okay. Well, I hope—and I get a sense from that answer that we will not include Taiwan within the IPEF, which is missing an opportunity both for the vision we have for Taiwan and also for the regional and trade economic architecture.

If it is not invited to join the negotiations, I hope the administration considers an agreement with Taiwan that extends the benefits on a bilateral basis, which would certainly be the next runner-up.

Finally, at last year's trade agenda hearing, I asked you to commit to brief the committee before and after each negotiating session with regards to the TRIPS waiver, and you agreed to do that. Do you believe you have kept that commitment?

Ambassador TAI. I do.

Senator MENENDEZ. Well, about 3 weeks ago the press reported on a proposed text that appeared to be a detailed compromise on the issue, and USTR in fact released a statement confirming that a compromise had been reached. Yet no one on this committee appears to have known anything about the details of that agreement before it was announced. We were kept in the dark.

And so, to me this is an example—you know, there is a difference between notification and consultation. Notification is when we got that. Consultation is when there is an engagement about what it is that you may be considering agreeing to so that you can have input from Congress. And that is why, you know, I have real concerns.

In your testimony you said Congress is your constitutional partner on trade, but from my perspective, you have not acted that way.

Thank you, Mr. Chairman.

Ambassador TAI. Chairman Wyden, if I may respond to that, because I think it is important for the overall conversation, and for a sense of my integrity as the U.S. Trade Representative.

Senator Menendez, in my testimony yesterday at the House Ways and Means Committee, I made the point, and I want to make it here for all of you as well, that there have been no agreements made at the WTO. And so, with respect to whatever may be on the table, I consider these hearings to be a part of a consultation process, and I continue to want to hear from all of you.

In fact, you and others on this committee have made yourselves very clear to me in terms of your positions. And I want you to know that I have heard your concerns, and I have also heard the concerns of the other members of the committee.

Senator MENENDEZ. Mr. Chairman, I'm sorry, but to say—USTR put out a statement that there had been a compromise agreement before anybody was involved. So having come to talk to us after you had the compromise agreement is not input, because I do not think you are going to change the compromise agreement based upon anything you hear. So I do not think it is the fulfillment, and I hope we can get to a better place.

Thank you, Mr. Chairman.

The CHAIRMAN. My colleague is raising this issue of consultation, and I think the point, Ambassador, is it can bring us all together. We need consultation apart from hearings. In other words, it needs to be ongoing. So, thanks.

All right; we are now at Portman, Carper, Toomey, and Cardin, who will be the next four in order of appearance.

Senator Portman?

Senator PORTMAN. Thank you, Mr. Chairman. And Ambassador, it is good to have you back before us.

As you know, I feel strongly that you need to have the ability to negotiate trade-opening agreements. That would make your job a lot more interesting, as well as the jobs of your associates. So that is a broader topic, I think, in the context of the COMPETES Act, also known as USICA, also known by a lot of other names. I think there is an opportunity for us to do something, and you and I have talked about it. I have talked to the Secretary of Commerce about it. So I hope you will be working with us on that. If there is going to be Trade Adjustment Assistance, typically that is with Trade Promotion Authority. And my view is that these agreements that are right before us, including the UK agreement, which has virtually no issues as it relates to labor or the environment, are low-hanging fruit, and it would be great to get America back in the game.

With regard to China and your discussion in your testimony about the need to use existing tools, you refer to the Phase One agreement as part of the old playbook because China has not lived up to its commitments. And I get that. It is frustrating when China does not live up to its commitments.

But I do not think we can just move along and say, let's start to work on other ways in which we can open more opportunities. Instead, I think we have to stick with that agreement and use what is in the agreement, which is dispute resolution.

I think if we just say we are going to forget that and make that part of the old playbook, I think it sends a terrible message. Because I think, when China makes an agreement with us and they do not fulfill their obligations, we have to exercise our legal rights under that. And I think it is going to be much more difficult to make progress with China on the subsidies, on state-run enterprises, on suppression of labor rights, and other things, if we do not insist that the agreement be adhered to.

So I guess my question to you would be, are you willing to move forward with dispute resolution? Are you willing to commit to utilizing the dispute resolution process that the United States enjoys as part of that Phase One agreement, possibly culminating in restrictions on trade with China as necessary to enforce the agreement?

Ambassador TAI. Senator Portman, it is always a pleasure to see you. On your question on China, I appreciate the opportunity to clarify my position and what I said, because I have seen it reported, perhaps inaccurately, which is to say, it is the time to turn the page on the old playbook which focused exclusively on pressuring China and seeking China to change its ways or pressing China for compliance.

We are not giving up on pressing China on compliance or on changing its ways. And yes, all tools remain on the table with respect to dispute settlement and enforcement.

But my main point is that that is not the only thing we can do now. And we have to expand our strategy to include developing the tools that we need to defend the interests of our economy. So in fact what I am saying is, we are committing to doing more work, and our strategy needs to expand.

Senator PORTMAN. Okay. Well, thank you. I appreciate that. And using those existing tools we have is important. Again, setting a precedent of not using the dispute resolution tools that we have, I think would be problematic for China and others.

Let me talk to you about new tools, because that is the other point that you make. You and I have talked about this a lot. We just do not have the tools to keep up with China, in my view, as they undermine our national competitiveness. They are subsidizing manufacturing in many countries through their Belt and Road Initiative, and yet our trade enforcers are powerless to combat those subsidies.

Our bipartisan legislation with Senator Brown, called Leveling the Playing Field 2.0, contains new tools to deal with that reality. It is what is happening out there, the transshipments and particularly the Belt and Road subsidies. That bill is something I am pushing very hard, as you know, to have included, as it is, in the House version of the U.S. Innovation and Competition Act we talked about earlier.

Thank you for your support of this approach. Can you explain to the committee how this legislation would help to combat China's unfair trade practices?

Ambassador TAI. Well, Senator Portman, let me begin by commending you and Senator Brown for working in a bipartisan way and bicamerally on this legislation and this initiative.

In terms of how it would help us, I just want to emphasize that most of our trade enforcement tools date back to the 1970s and the 1980s, and it is critical that we retain those tools. But over time, as the global economy has evolved around us, our tools have not kept up. And so, the updates and the enhancements that are in the Leveling the Playing Field Act 2.0 are exactly in the spirit of what we need right now, which is the tailoring of the tool set and expansion of the tool set that is going to be up to the task of meeting the challenges that we are facing today.

Senator PORTMAN. And with China, in particular. Would you agree?

Ambassador TAI. Yes.

Senator PORTMAN. Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague. I always like the exchanges of you kind of NBA All Stars of U.S. trade history.

Senator Toomey is next.

Senator TOOMEY. Thank you, Mr. Chairman. Ambassador Tai, welcome.

You know, I supported your nomination because I knew you had the knowledge and the competence and the ability to do the job, but also because you stated in your nomination hearing, and I quote, your intention to "pursue trade policies that support American innovation and enhance our competitive edge," unquote.

A year later, I am still kind of waiting to see that. And one of the reasons I say that is because I just do not see a focus on expanding market access. One of the major areas of responsibility for the USTR, according to your own website, is, and I quote, "expansion of market access for American goods and services."

And of course, that is a two-way street. The phrase "expanding market access" is not in your testimony today. It is not a part of the IPEF. And aside from dialing back some of the previous administration's most counterproductive trade wars, to my knowledge you really have not been pursuing tariff reductions.

Every single presidential administration since Reagan has initiated negotiations on a new FTA. They have done this to increase market access and to help U.S. industries and workers grow and thrive.

The UK, Kenya, Taiwan, the Indo-Pacific countries, are just a few of the countries that have reached out to us. They want to strengthen their trading relationship, and that includes having more market access. And yet, thus far we are not taking them up on it.

Now I get that President Biden ultimately makes this decision; it is not yours. But you are the U.S. Trade Rep. You are the President's primary trade advisor.

Let me ask you this: do you think it is in America's best interest to pursue free trade agreements with other countries?

Ambassador TAI. So, Senator Toomey, if you will allow me to back up just a little bit——

Senator TOOMEY. But we have to do it quickly, because I am going to run out of time.

Ambassador TAI. Okay. If by "market access" you mean economically meaningful outcomes, and if by "market access" you mean the removal of tariffs, we have accomplished quite a bit of that in the first year.

And I mentioned this to Senator Cantwell, but we began in a very, very tariff-rich environment, and we have removed $20 billion worth—or avoided $20 billion worth of tariffs in our first year.

To your point about free trade agreements, let me say this. I encounter this quite a bit, including from many members of Congress on these two committees, which is that trade policy, market access, trade enforcement take lots of different forms. And I know that trade agreements are maybe the most fun form, and our traditional trade agreements—let me put it this way.

We are interested in pursuing trade agreements with our partners. But we are also interested in ensuring that, just like our toolbox on enforcement, we are committed to ensuring that our trade agreements practice evolves with time.

Senator TOOMEY. Okay. Here's the thing. My understanding is the U.S. currently has 14 FTAs with 20 countries. You recently seem to be suggesting that you think FTAs are a 20th-century tool. But the fact is, China has 8 currently being negotiated. The EU has 14 in the process of being negotiated. You may think this is a 20th-century tool, but it looks like the rest of the world thinks this is a 21st-century tool. And what this means is that China and the European Union are expanding market access for their producers and competition for their consumers, and they are getting market share that we are going to miss out on. I think the data is very, very clear—there are all kinds of studies that show that trade agreements lead to more jobs, higher pay, increased economic growth, more options, and lower costs for consumers. It is all kinds of great net outcomes.

Foreign trade supports over 40 million U.S. jobs. I think you know this data. But without putting market access on the table, and lowering tariffs, and eliminating barriers, we are just not going to make the progress we could be making, that other countries want to make, that we should want to make.

In my understanding, in the 40 years since the U.S. began negotiating our first free trade agreement with Israel, every single U.S. Trade Rep has worked on or completed negotiations of an FTA. My concern is that you might be on track to be the first Trade Rep not to continue that streak, and that would come at a big cost to our country. I just hope that you will be an advocate for this really important tool to expand trade.

The CHAIRMAN. The time of the gentleman has expired. I think Senator Carper is online, and then Senator Cardin.

Senator Carper, are you online?

Senator CARPER. I am right here.

The CHAIRMAN. Great. So, Senator Carper, and then Senator Cardin.

Senator CARPER. Trade Rep Tai, welcome aboard. It is great to see you, and thank you for your leadership and service in this capacity.

I have three points. One is, I want to talk about a worker-centric approach to a digital trade policy. Second, reform of the 301 trade exclusion process, a thing that Senator Portman and I have been focused on. And third would be the intellectual property waiver.

The first is the worker-centric approach to the digital trade policy. Ambassador, I want to thank you for testifying not just before our committee today, but thank you for your service way, way back, going back to the Ways and Means Committee before that.

I applaud the Biden administration's commitment to engage with our allies for the creation of an Indo-Pacific Economic Framework. And one area of bipartisan interest is the development of standards to promote openness and transparency in the digital economy, something we have talked about. Through digital trade rules, we have the opportunity to uplift workers, to help small businesses compete, and support American innovation and entrepreneurship.

Here is my question. Ambassador Tai, what approach should the United States take when negotiating digital trade standards? How can this approach advance the Biden administration's vision for a worker-centered trade policy?

Ambassador TAI. Senator Carper, thank you so much. It is always a pleasure to see you. And I appreciate this question, in particular because I think it gets lost in the shuffle some.

When we are talking about digital trade, that is actually a really inclusive topic, because so much of our economy is becoming digitalized every single day. So, in terms of an approach to digital trade, it is absolutely critical that we bring a comprehensive approach, a holistic one with respect to how we think about digital trade, and the fact that digital trade at this point effects everyone. And therefore, our engagement with our stakeholders needs to be holistic, robust, and comprehensive.

The concerns that we hear from our stakeholders around the offshoring and outsourcing of our jobs extends increasingly beyond the manufacturing sector to the services sector. And we take very seriously at USTR the necessity to conduct our trade policy in a way that brings along all of the U.S. economy and our stakeholders.

And so, a worker-centric approach to digital trade is one that is comprehensive, that is meaningful, that recognizes the limits of where Congress has acted and spoken and where it has not, and also reflects the views, the aspirations, and also the anxieties of our stakeholders across our economy.

Senator CARPER. Great. Thank you.

If I could turn to the section 301 tariff exclusion process. As you know, since 2018 the trade war initiated by President Trump has wreaked havoc on American businesses, on manufacturers, on farmers, and consumers.

Senator Portman and I have long advocated for relief from the section 301 tariffs, especially for imported goods that are only available from China. And I appreciate the recent announcements by the USTR that a limited number of tariff exclusions would be reinstated. That is good news. However, I remain concerned about the impact of existing tariffs on businesses in my State and across our country.

The question is this: moving forward, are you considering more comprehensive section 301 tariff exclusions? How do these tariffs fit in the Biden administration's broader China strategy? Please go ahead.

Ambassador TAI. Senator Carper, we need—and I think that there is very broad bipartisan support for this particular view—we need a realignment in our trade relationship with China. We need for our relationship to be more strategic and in favor of our ability to compete.

Tariffs do have a role. Nevertheless, in this realignment we need to take a strategic look at our tariffs, and we also need to recognize that realignment is something that requires a transition and cannot be accomplished overnight.

So I committed in my speech on the Biden administration's China trade policy last October that we would start the first exclusions process—which we did and just concluded last week—and that we would consider additional exclusions processes as warranted. That continues to be true today.

Senator CARPER. Mr. Chairman, my time is about to expire. I just want to mention the third question and ask the Ambassador to respond for the record. I understand the administration has been working with some of our WTO partners to develop a possible agreement on waiving the intellectual property protections for COVID vaccine. But yet the status and details of the agreement remain unclear.

And my question I would ask you to answer for the record is, how does the administration intend to increase its engagement with Congress and outside stakeholders as this process continues?

Will you answer that for the record? I would be most grateful. It is great to see you, and thanks for your good work. Thank you.

[The question appears in the appendix.]

Senator CARDIN [presiding]. Thank you, Senator Carper. I am going to recognize myself. And after I complete my questions, Senator Cassidy will be next.

Ambassador Tai, first, thank you for coming to Baltimore. It was, I thought, an incredible occasion. You could see firsthand the investment made in the Port of Baltimore to be as competitive as we can globally. We have the supermax capacities in our cranes and in our berths. And you got to see some of the container ships actually come in. They timed it for your visit, which I thought was good. And the UK is a critically important trading partner to the United States, and certainly to the Port of Baltimore. So we are very pleased to see that we are engaged in conversations with our trading partners in UK to expand opportunity for both countries. That will mean more jobs for people in Maryland. So I just really first wanted to thank you for that initiative, and thank you for coming to Baltimore.

I want to cover first the Indo-Pacific Economic Framework. I watch every word you say, so I want to just critique, if I might, that in your list of objectives you included, rightly so, workers' issues, promoting workers and businesses, advancing strong labor standards, tackling climate change—all of which I completely agree with. But I was disappointed, knowing the countries that are in the framework, you did not include one of the areas that has been a very high priority of this committee: advancing good governance and anticorruption.

I know that you are committed to that, but I would ask that there is sensitivity when that is not included in the list of our objectives.

Ambassador TAI. Senator Cardin, your leadership on those issues just is very, very clear. Good governance issues are included in the trade pillar under what we call "good regulatory practices." And again, this gets lost in our jargon. And if I were to translate it into ordinary English, it is in our regulations, and engaging with our partners, ensuring that there is a notice and comment process that allows for participation. So that part is in the trade pillar.

On anticorruption, that is in our organization in a separate pillar on anticorruption and tax. And that is a pillar that Secretary Raimondo and her team will be leading. It does not mean that

USTR will not be involved, but we will lead the trade pillar, and that pillar she and her team will lead.

Senator CARDIN. Thanks for the explanation. I would assume that the environmental issues will also be in the regulatory framework. So the more you can put a spotlight on them—it is our expectation. We made it—I know you are not using TPA. I know TPA has expired. But we made that a principal trading objective.

So I just would appreciate keeping us engaged on the progress made, particularly in several of the countries that are included in the framework. We recognize there is no enforcement. We recognize the challenges of enforcement.

Let me talk about one country that is in this discussion—that is, Japan. Congratulations on being able to complete some really difficult issues with the beef industry and some others with Japan. It looks like it has been extremely positive. And quite frankly, Japan is a major trading partner in the Port of Baltimore, as well as with our country.

And it does not go unnoticed that Japan was extremely aggressive in supporting the sanctions against Russia, and helping provide important equipment to the Ukrainians. So they have been a true partner.

So it seems to me that Japan is one of the easier partners that we have in the Indo-Pacific area, and I was just curious as to how you see the next chapter as our trade relations are unfolding?

Ambassador TAI. Well, Senator Cardin, I would agree with you that Japan is an absolutely important partner with whom we have a really strong relationship. I would not necessarily use the adjective "easy" to describe Japan in my list of first five adjectives, but I will agree with you that, in terms of the Kishida administration that is in place now, we are creating momentum in terms of our work.

So I think really, on a bilateral basis, we at USTR have begun a new bilateral trade communication channel with Japan to address our bilateral issues. We have a trilateral discussion and forum that we have reignited with Japan and the EU on new subsidies rules and also new tools for addressing the challenges that we face in this 21st century. And also, we look forward to working with Japan in a very robust way in the Indo-Pacific Economic Framework.

Senator CARDIN. Thank you.

Senator Cassidy is recognized.

Senator CASSIDY. Madam Ambassador, thank you for being here. First is context, and this will be along the lines of what we have discussed in the past.

If we have a problematic trading partner, say China, that is able to lower their price by noncompliance with environmental and labor regulations, that gives them an advantage not just over us, but over a country like Mexico or Guatemala that must comply with those by treaty with us. And every time we enforce that upon them, we raise their price relative to that in China, which then grows stronger and pollutes even more. I think you are with me on that.

So, in your opening remarks you mentioned that we need new domestic tools. And in the press release as regards the U.S.-EU agreement upon aluminum and steel, there is a suggestion that you might have a new domestic tool looking at the carbon content of the products that are being based.

But it occurs to me that we put barriers and penalties upon China, they promise that they will change their behavior, so we relax those barriers and penalties. Then they do not comply, and then we have to enforce.

But it is different if you establish a standard which they must reach in order to have access to the market, or by which to avoid the penalty. It is a different—it is less a promise and more "if you do not comply, you pay a lot."

So are these the domestic tools of which you speak, including this kind of border carbon adjustment?

Ambassador TAI. Senator Cassidy, I think in general my answer is "yes," although I do not know that I would describe it as a border carbon adjustment. But you are absolutely correct that the global steel arrangement that we are in the process of negotiating with the European Union exactly does that, which is, it is a mechanism for creating a market between the United States and the European Union that is going to ensure fair competition and the promotion of clean industries.

And I agree with you in terms of the sense of leverage, where you have a market gate-keeping mechanism as opposed to, you open your market and are stuck having to increase barriers as a form of enforcement. It is a bit of a carrot and stick distinction.

Senator CASSIDY. Well, the nice thing about having the border carbon adjustment is, it rewards our people who are doing the right thing, and therefore paying a price, but then losing business because that business moves to a place where there is lower cost of compliance.

I want to stick up for my folks, and I think this is a way to do so. So we are very interested in partnering with you as you kind of develop these schemes.

We have also spoken before regarding India's dumping of shrimp into the United States. And I am told that they are pushing back hard on this. Can you give any update on that?

Ambassador TAI. So this is something that I have spoken to you multiple times about. I know how important this is to you and your constituents. Secretary Raimondo and her team are in good conversation with mine around the dumping issue. And yes, I raised this directly with my Indian counterpart in Delhi last November when I visited him. I did get very forceful pushback. But, Senator Cassidy, I am committed to working with you on this issue, and that means in our own system, but that also means in engaging the Indian Government. And I look forward to exploring ways to do that.

Senator CASSIDY. I am told they complained that we somehow put barriers on cold shrimp importation, but they do not have cold shrimp. And so, if you do not have something, big deal. But it is their warm-water shrimp that are heavily subsidized and perhaps don't meet phytosanitary standards. Similarly, they heavily subsidize their rice from even before the seed is planted, and our folks are competing against something that is being sold below cost because of heavy subsidies.

Is there any progress on addressing that?

Ambassador TAI. We are looking at this issue carefully with our partners in the U.S. Government in terms of progress. Let me get back to you since the last time I asked and make sure that you have the very latest.

Senator CASSIDY. Sounds great.

Another concern we had—that I had with Ambassador Lighthizer way back when—was the absence of a dispute resolution for energy companies. It turns out that if your company was nationalized by Mexico and you are directly contracting with the government, then you had some sort of a deal, but not if you were a subcontractor. Think of somebody required to build something there because of cabotage laws. Then they get nationalized and you would not have recourse.

I gather that is currently taking place, and you addressed this in an earlier question, but just to explore, a group out of Houston has had their stuff nationalized. What are we going to do to push back against that sort of issue?

Ambassador TAI. I have worked with partners across the administration on this. This issue has the attention of many of us working in our different issue areas, from energy to trade to commerce and more, including climate.

So I want to assure you that this has the attention of the Biden administration and of USTR. We are looking at all the tools that we have to enforce what we know is in that agreement, but also to champion the cause of our stakeholders and North American competitiveness.

Senator CASSIDY. Thank you.

I yield.

The CHAIRMAN. All right. There is lots going on here today, Ambassador Tai. My understanding is the good souls here have agreed that Senator Warren will go next.

Senator WARREN. Thank you, Mr. Chairman. And thank you, Senator Brown.

So, let's start with some good news. Ambassador Tai, your approach to a worker-centered trade policy is actually beginning to pay off. Thanks to your work, large groups of employees in Mexico voted overwhelmingly for new unions. That is good for those workers, and it helps level the playing field for American workers who do not have to compete against overseas factories that are paying below-poverty wages.

But now the administration has announced plans to negotiate a new trade deal called the Indo-Pacific Economic Framework. Lobbyists for the giant corporations are celebrating the IPEF as the second-coming of the Trans-Pacific Partnership.

Now, there is a reason that the original TPP was derailed. It would have offshored more jobs to countries that use child labor and prison labor, and pay workers almost nothing. Let me be clear. The IPEF cannot be TPP 2.0.

Ambassador Tai, you will lead the negotiations on a key pillar of this new framework on fair and resilient trade. Commerce Secretary Gina Raimondo will lead the negotiations on several other pillars, and I urge the chairman to schedule a public hearing with her soon as well. But I want to ask you about your approach to these new negotiations.

Ambassador Tai, you have included labor and climate as your two top areas of focus in these negotiations. Are you committed to including strong, enforceable commitments in these two areas in IPEF, and extending trade benefits only to countries that can meet these standards?

Ambassador TAI. Senator Warren, thank you so much for this question, and thank you for highlighting the objectives that we have put out, including in our Federal Register notice recently.

The short answer is "yes." And the reason why these two areas are listed at the top of our list is to indicate that, in the exercise of setting high standards, one of the areas where the United States has consistently led around the world has been in incorporating strong, enforceable labor and environment standards to demonstrate our commitment to the importance of these areas in our competitiveness and in our terms of trade.

Senator WARREN. Good. They are the right goals, and you are already proving we can make this work. You know, our trade policy for far too long has been about lowering standards so that giant corporations can increase profits. Let's raise standards and build more of these jobs at home.

Now I know that you are also going to be negotiating rules on the digital economy. Tech companies like Facebook and Amazon are a huge part of global trade, and are also involved in spreading misinformation, mistreating workers, and squashing competition. They also hire hordes of lobbyists to protect their appalling way of doing business.

Ambassador Tai, will you ensure that any new digital trade rules promote competition so they benefit workers, consumers, and small businesses, and not just a handful of big tech companies?

Ambassador TAI. Senator Warren, let me assure you that one of our guiding principles in all of our exercises, but in particular in the Indo-Pacific Economic Framework and the digital component of the trade pillar, is to ensure that our stakeholders' views are represented robustly and comprehensively, so that that table of advice and input is going to reflect our entire economy and not just parts of it.

Senator WARREN. I am very glad to hear that, and I very much appreciate your demonstrated commitment to labor, environmental, and competition standards. But frankly, I am worried that these higher standards will only be included in the trade pillar that you are responsible for negotiating.

Secretary Raimondo will lead the negotiations on the three other pillars. And when she listed her priorities, labor standards and competition were absent. Based on this and her other comments, I am concerned that her approach will boost profits for giant corporations, the ones that offshore jobs and squash small businesses. That should be a nonstarter in our negotiations.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Warren.

Senator Brown?

Senator BROWN. Thank you, and I——

The CHAIRMAN. Always standing up for workers.

Senator BROWN. Thank you, Mr. Chairman. And Ambassador, it is wonderful to see you. I look at the chairman of this committee and the Trade Rep and, frankly, the last questioner, and I see the most pro-worker officials I have seen in this government in my time here. As the chair of the Finance Committee and Ambassador Tai have, I commend the administration on the recent success of the USMCA in raising labor standards in Mexico, to the use of the Brown-Wyden rapid response mechanism, and your leadership in lifting worker standards everywhere. We hope you say, when we lift worker standards everywhere, we help American workers. That is what your predecessors never understood, or never cared to understand. You do, and thank you for that.

The President's 2022 trade policy agenda makes clear—as Senator Warren said, as Senator Wyden has said—this administration is taking a worker-centered approach to trade policy, as it always should have been.

I know what bad trade policy has done in my State. We have lived with the wreckage caused by a trade policy lobbied by corporate interests, where Congress and administrations went along, that encouraged corporations to move products overseas in the name of efficiency—always "efficiency," which I think is just business school speak for lower wages and more environmental pollution.

You have taken a different approach. I am deeply indebted to you, and that is why I was at your confirmation a year-plus ago.

My question—a couple of questions. In your testimony at Ways and Means, you said China is continuing to double down on unfair trade practices. You explained the administration will need to explore, quote, "the design and build of new tools and strategic investments."

I have called for those strategic investments in manufacturing, in American industrial production, for all my time in Washington, including, as you know, as part of the failed TPP effort. I am glad you mentioned that. Yesterday—I know my colleague from Ohio brought up our bill, Leveling the Playing Field 2.0, which was included in the House-passed American COMPETES package. I am depending on Senator Portman to help us keep it in this version.

You spoke about how this could help strengthen the enforcement. What other tools do we need to make good on the administration's commitments in supporting American workers?

Ambassador TAI. Senator Brown, it is wonderful to see you. And thank you for your kind words. And I also celebrate the wins and our demonstration of how a worker-centered trade policy can work, and how we can do trade right.

On new tools and strategic investments, let me just mention some of the efforts that are currently underway that are extremely promising. Leveling the Playing Field 2.0 is one of them, and I talked to Senator Portman about that. Frankly, the Uyghur Forced Labor Prevention Act that was passed and signed into law at the end of last year is another example—the CHIPS legislation that has been proposed in both chambers. And let me just say that all of these components are critically important and necessary, but also not sufficient.

And so I look forward to working with you and your colleagues here in the Senate and the House on building out our suite of tools, including keeping all of you informed and engaged in receiving input on exercises like the negotiation with the European Union on a global steel arrangement that will promote fair competition as well as clean industries.

Senator BROWN. Thank you. It is very important to our country and to climate, so thank you.

I have one other question, Mr. Chairman. I would like to bring up what the chairman spoke about earlier on revoking permanent normal trade relations with Russia. We have been appalled, all of us of course, well, most all of us, by Russia's invasion of Ukraine. It is a moral imperative that we do every single thing we can.

I know that the former Vice President's daughter, Liz Cheney, a House member in Wyoming, talked about the Putin wing of the Republican Party. I am hopeful that that is not represented in the Senate, but I am not sure of that. But we do have agreement that Russia should not have free and unlimited access to our economy, or the global economy.

The Senate has a chance to revoke PNTR with Russia. Senate Republicans keep blocking it, as you know. Every day that we let this stay on the books is another day we fail to support the Ukrainian people who have to live under the fire from this unprovoked imperialist Russian invasion.

Could you speak to the importance of ending PNTR as the administration works to support Ukraine?

Ambassador TAI. Senator Brown, I would be pleased to. The swiftness of the coordinated actions between the United States, the European Union, and our other allies and partners on the issue of pushing back and creating real, significant consequences for Russia's invasion of Ukraine and Russia's violation of Ukrainian sovereignty has been a real achievement.

I want to commend the members of Congress for speaking up very quickly in a united way, in a bipartisan fashion, bicamerally, on the need to take PNTR away from Russia. That said, we are only halfway there. And we have said the words, but now we need to finish the act.

It has been so important to have the U.S. Government speaking in one voice, and I look forward to working with you and others to get this over the finish line.

Senator BROWN. Thank you.

The CHAIRMAN. Thank you, Senator Brown. I also very much appreciate your bringing up PNTR this morning, because this is the way—revoking PNTR—this is the way you deal a powerful body blow to Putin and the oligarchs. There were stunning reports over the weekend that basically anybody who makes money in Russia is giving Putin a cut. These oligarchs have enormous influence, and we have to get this PNTR revocation passed.

And then, as Senator Brown and I have talked about, I would like to move on to another bill. If American companies are doing business in Russia and paying taxes to the Russian Government, we ought to take away foreign tax credits, because there is no reason that people in Oregon and Ohio ought to be subsidizing the Putin war machine.

So we've got to get this PNTR done. Then we can move on to other important issues, and I thank Senator Brown.

All right; our next three in order are Senator Casey, Senator Daines, and Senator Warner. And I hope we can get all three of them done before the vote.

Senator Casey, are you online? Senator Daines is here.

Senator CASEY. Yes.

The CHAIRMAN. Okay; Senator Casey, Senator Daines, and then Senator Warner. We are going to get them all done before the vote.

Senator Casey?

Senator CASEY. Mr. Chairman, thanks very much. And I want to thank Ambassador Tai for coming to the hearing today and for being with us. I want to commend both you and the Biden-Harris administration for your critical work to promote a worker-centric trade policy that lifts up our domestic production and our manufacturing capacities.

As you know, Senator Cornyn and I have been working on a piece of legislation now for a good while, the National Critical Capability Defense Act, which sets up a committee to review offshoring of critical U.S. supply chains. As the pandemic has demonstrated, we need to enhance visibility of the supply chain vulnerabilities. This legislation, as you know, is also being led in the House by Representative Pascrell as well as Representative DeLauro. And I know you spoke in front of their committee yesterday, talking about leaving no stone unturned.

And you may have seen last week that Secretary Raimondo said publicly that she would, quote, "support enhancing our outbound investment screening."

So here is the question: how would outbound investment screening add to and enhance existing tools and strategies to prevent further offshoring that threatens our national security, our domestic supply chains, as well as threatening U.S. workers and leaving us dependent upon foreign adversaries, especially China and Russia?

Ambassador TAI. Senator Casey, it is a really important issue, and I know you and I have spoken directly about your bill. In terms of your question, I think that what is critical about this particular type of tool is that it is keeping pace with the challenges that we are facing, and the risks that we are seeing in the competitive environment that our economy is in right now.

So again, with respect to inbound screening, that is something where we have existing tools. As we are seeing new vulnerabilities arise in the outbound area, I think it is critical for us to be taking a look at tools like the one that you have proposed.

Senator CASEY. Thanks very much. And I have one final question for you on the Indo-Pacific Economic Framework. I hope that as the administration develops the framework, you take into account the decades of offshoring and unfair practices by these non-market economies that have left both our workers and our businesses at a competitive disadvantage.

We need to ensure that our trade policy supports both safe and fair working conditions for workers across the globe. I know you understand that and believe that.

I have been working on policies like the particular bill, the Women's Economic Empowerment in Trade Act, working with Senators

Cortez Masto and Senator Menendez. As you know, the USMCA trade agreement included sweeping labor provisions, and we have seen the early success of the rapid response mechanism in supporting the workers' rights.

So here is the question: how would USTR build on the lessons we have learned from past trade agreements and approaches to ensure that our trading partners are treating workers fairly in the future?

Ambassador TAI. Senator Casey, I think that the United States is truly a global leader in this area as well, in terms of our trade practice and bringing our trade policies back to their roots, which is all about creating opportunities for all people. We are, I would like you to know, getting very good pickup from our trading partners, and at the World Trade Organization, in trying to renew this principle that trade policies are intended to benefit our economies, and the human components in our economies above all.

So, in terms of the mechanisms and the standards that we have in USMCA, they are really at the cutting edge of international practice. We are looking forward to building on what we have already accomplished in the USMCA, and that is a guiding principle for our work across the board.

Senator CASEY. Thank you, Ambassador.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Casey.

Next is Senator Daines, then Senator Warner.

Senator DAINES. Ambassador Tai, welcome. It is good to have you here.

When I think about Montana, certainly reducing these unfair barriers to trade are so important for our farmers, our ranchers, our small businesses, so we can compete on a level playing field. Ninety-five percent of the world's consumers are outside the United States. That is a lot of mouths to feed, and the importance of being engaged in those markets is critical for Montana, for U.S. jobs, for economic growth.

It is especially true, given China's growing economic and geopolitical influence in the Asia-Pacific and around the world. Regarding China, despite growth in exports for some commodities, it is pretty clear that China has not been meeting its agricultural purchasing or intellectual property commitments in that Phase One agreement.

I was there in Beijing in 2019 working to get that Phase One agreement finalized, and we want to hold both sides accountable to make sure that we are living up to what we agreed to. So, would you tell us the latest on any negotiations with your Chinese counterparts on that Phase One deal? And how are you working to enforce both the ag and the IP provisions of the agreement?

Ambassador TAI. Well, Senator Daines, I know that your experience with respect to China runs very deep, and you understand both the opportunities and also the significant challenges that we have coexisting with China in the global economy.

We, as the Biden administration, thought it was very, very important to begin our bilateral engagement with China on that Phase One agreement and the commitments that China made to the U.S. Government and to U.S. stakeholders in that agreement.

And that is why we have spent the past couple of months focused, in our conversation with China, on two aspects.

One is China's performance in view of the promises that it made in that agreement, especially with respect to its purchase commitments which mean so much to our farmers and our ranchers and our agricultural producers. We have fought very, very hard to secure accommodations from China for the shortfalls that are apparent in the trade data.

So far, as I have noted, the conversations have been very difficult. We are not going to close the door on those conversations. Nevertheless, we do need to move to a new phase of our engagement. And that includes looking more intensively at the overall industrial policy——

Senator DAINES. Let me ask you this. What confidence do you have—if we are not willing to get better compliance on the Phase One deal, why would that give you confidence we will do better here on another deal?

Ambassador TAI. I think that we are not necessarily looking at another deal in the next phase, but to expanding out our focus on China's challenges, beyond its commitments and compliance in Phase One, to the issues that were not captured by Phase One or the original investigation on intellectual property and forced technology transfer, to industrial targeting practices, where we have seen China again and again corner the market in critical industries and now increasingly in future industries.

Senator DAINES. Thank you.

I want to talk about another important country, and that is India. Late last fall, I traveled to India. I met Commerce Minister Goyal to advocate for reducing tariffs on Montana and U.S. ag. We talked a lot about pulse crops and saw firsthand some of the leading technology companies.

I was down in Bangalore—it was Delhi and Bangalore where I spent some time. It is clear that in the coming years, India is going to play an even larger role in the region. And while it will not be easy, the U.S., I think, should consider entering formal negotiations with India, which presents an enormous opportunity for growth for U.S. farmers, especially in States like Montana, which is the number one producer of pulse crops, and indeed the number one consumer.

What is USTR doing for the U.S.-India trade policy forum, or otherwise, to address these longstanding agricultural market access issues—it is not a new problem we have had with India—and particularly related to pulse crops?

Ambassador TAI. I heard about your visit also from Minister Goyal, who is very, very charismatic, and also a very strong advocate for his country's policies, some of which I think we will be able to strategically align with, and some of which will and have proven to continue to be challenging for us.

It was very important for us at USTR, and for me personally, to go to Delhi to revive that Trade Policy Forum. As a result of the Trade Policy Forum, we secured commitments from India to open up trade for the first time, or to resume trade in a number of areas. The one that has been delivered on soonest has been access for U.S. pork and pork products into India.

We will continue to build on this relationship, which is so strategically important, but also has traditionally been quite challenging.

And I want to thank you for making that trip to India. That kind of tag-teaming is really critical, and I look forward to continuing to be able to do that with you with respect to India and other trading partners.

Senator DAINES. Ambassador Tai, thank you.

I just want to conclude by saying I echo some of my colleagues' frustrations with the lack of a Chief Ag Negotiator at USTR. While we have you here, I just want to make sure you hear my frustration as well. That can hinder some of these efforts to go forward.

This Chief Ag Negotiator is such an important role for ag-producing States like Montana. It is the number one economic driver. In fact, well over 15 months into the administration, you currently do not even have a nominee to consider, which is unacceptable and, frankly, hurtful to our farmers and ranchers who, at the time, are battling high costs of fuel and high costs of fertilizer and drought.

Ambassador TAI. Senator Daines, if I may quickly, the President has nominated someone, and we will nominate another person. I commit to you on that today.

Senator DAINES. Thank you.

The CHAIRMAN. The time of the gentleman has expired.

Okay, Senator Warner is next.

Senator WARNER. Thank you, Mr. Chairman. Ambassador Tai, it is good to see you, at least remotely, and I appreciate the chance that we had to meet in person recently.

I am going to start my questions in terms of discussing our country's trade relationships with Africa, and first, specifically Ethiopia. I know that the President made a determination that Ethiopia, because of some of the human rights and other circumstances, was being pushed out of AGOA.

I am concerned—I have a very large Ethiopian diaspora community in Virginia—that as we do that, we do it carefully, because of the ramifications it will have with the Ethiopian civilians, for the economy, for civil society, and particularly in light of the fact that there has been progress made. The government has reached some level of at least lifting the state of emergency and working with the Tigrayans to try to create some level of cease-fire. My hope is that we can improve our relationships with the Ethiopian government and, frankly, get Ethiopia back in AGOA.

Can you speak about that relationship? And has the recent progress on the ground in Ethiopia sped up any of this process?

Ambassador TAI. Senator Warner, I would be happy to comment here. I think that we have all been watching what has been happening in Ethiopia with grave concern. And as a humanitarian issue, it is really heartbreaking to see what is happening in that country.

The revocation of AGOA benefits is a result of the criteria and the AGOA program as it is written. We are following the latest developments in Ethiopia. We are very much encouraging the government and others in Ethiopia to continue to make progress. We have set out a very, very clear set of benchmarks for Ethiopia that will create its pathway back into AGOA. And on this, we are working not just as USTR, but with partners throughout the administration, including the Special Envoy for the Horn of Africa, to support that pathway back.

Senator WARNER. Well, I would like to continue that conversation. I think the government in Addis Ababa has made significant strides forward. I think I want to make the humanitarian relationship with the Tigrayans. I think the lifting of the state of emergency is important.

I am going to try to get two more questions in. One, I wanted to raise the status of the negotiations with Kenya, another opportunity. In Virginia, and I think in probably many States around the country—the fastest-growing population in the Commonwealth is the African diaspora, and this is an incredibly talented asset we feel in Virginia, and increasing our trade with everywhere in Africa is a great opportunity, but I know U.S.-Kenya trade conversations have been on your agenda. And if you can, give me any update on that; that would be great.

Ambassador TAI. Yes, I would be happy to provide you an update. I believe this week—and if it is not this week, it will be next week—the head of my African Affairs Office is leading a delegation to Nairobi to continue to engage with our counterparts in the Kenyan Government around trade enhancements that we can work on. And we have exchanged a set of ideas back and forth, and I will be happy to report back, and have my team report back to yours on that trip as soon as they are back.

Senator WARNER. In my last comment and my last minute—and this is, respectfully, an area that the chairman and I have had some disagreements on—but I want to raise it with you, and that is the growing debate in our Congress about reforms to section 230 around the Communications Act and the protections that provides to many of our social media companies.

I was concerned when section 230 protections were included in USMCA. And while there is a great amount of debate on this issue, I hope we can have that fulsome debate here and not individually include section 230 protections on other future trade agreements when I think there is a growing bipartisan consensus here in the Congress that we need to reform section 230.

So I will not ask for a comment on that, but I will look forward to continuing working with you and with the chairman on this issue.

The CHAIRMAN. And, Ambassador, because I feel very strongly that that approach would be a mistake for America and a mistake for the world, Senator Warner and I will continue this debate offline, because we've got lots of members ready to ask questions. I just wanted to repeat how strongly I feel about it, and we will be talking about that.

Okay, next is Senator Whitehouse, and then Senator Barrasso.

Senator WHITEHOUSE. Thanks, Mr. Chairman——

The CHAIRMAN. Senator Whitehouse, are you there? And then Senator Barrasso.

Senator WHITEHOUSE. I am here. Thank you, Mr. Chairman, and thank you, Ambassador Tai.

Ambassador, I would like to ask you a few questions about the Indo-Pacific Economic Framework on specific issues. And I have four different areas, and they are fairly complex, so I hope that you will feel free to, given that I have 4½ minutes now, take this as a question for the record and have your team get back to me, and I would hope by a set date so it is not just an unknown obligation to answer.

The first has to do with ocean plastic waste. *Scientific American* has reported that 10 rivers contribute about a quarter of all the ocean plastic waste, and 8 of those rivers are in Asia. So, getting agreements to deal with the ocean plastic waste problem in the Indo-Pacific framework would seem to me to be a very important priority. That is one.

Two is predatory Chinese fishing, which is a problem around the world, but particularly throughout Asia. I traveled extensively throughout Asia with Senator McCain, and in every Asian coastal country that we visited there was very strong resentment about the way the Chinese fishing fleet, often supported by the Chinese Navy, was treating their sovereign fisheries. I think this is actually an issue that really goes round the world, but particularly in this Indo-Pacific framework, I would be interested in what you are doing on both Chinese predatory fishing practices, and more generally pirate fishing, what is called IUU fishing, illegal fishing. So that is two.

The third is climate. I am not sure what you are looking at for climate provisions in the framework, but we are obviously facing a huge crisis in particularly the sea level-impacted areas of the Pacific that are going to be crises in the future as they get overwhelmed by sea level rise, and unfortunately, in the not-too-distant future, it looks like for some of the major cities, and even breadbaskets like the delta in Vietnam.

And the fourth is anti-kleptocracy. We have just seen played out in the Ukraine what happens when fossil fuel-funded kleptocrats can run their countries like dictators and destroy other nearby countries, or at least try to, using their military. I think the Biden administration has wisely understood that kleptocracy is actually a national security issue, and that areas in which people hide money and are able to seek rule-of-law shelter for ill-gotten gains, we have got to clean up that mess. And wherever there is a leak, that is where the crooked kleptocrats' money will go. So it is really important to have agreements across the nations of the world that they will stop providing that kind of sanctuary to crooked criminals and corrupt money around the world.

So you now have 1 minute and 15 seconds to answer on all of that. So, it may be no more than "I will get you an answer by X date on each one," but I offer those four questions to you.

Ambassador TAI. Senator Whitehouse, let me just say a couple of words here. We will get answers to you on the QFR schedule that Senator Wyden sets out.

On all of the issues that you have identified, we are interested and intending to cover them in the Indo-Pacific Economic Framework, many of them within the trade pillar. Anti-kleptocracy I think, if we understand it, generally is anticorruption also.

Senator WHITEHOUSE. It is.

Ambassador TAI. It will be a pillar that Secretary Raimondo is leading. I just want to emphasize that Secretary Raimondo and I have been working hand in glove on this economic framework, as have our teams and that, as we move forward into launch and into the discussions, we will continue that hand in glove partnership with each other, but also I want to incorporate all of the priorities that you and other members of this committee have.

So I look forward to doing that work with you.

[The questions appear in the appendix.]

Senator WHITEHOUSE. Start strong. These things usually do not get stronger in negotiations.

Thanks; my time is up.

The CHAIRMAN. The time of the gentleman has expired.

Ambassador, I was not clear whether you wanted to answer today about 230, or to send a response for the record. What is your pleasure?

Ambassador TAI. I would be happy to begin by responding today, Senator Wyden.

The CHAIRMAN. Very well.

Ambassador TAI. To Senator Warner's question, which is, we are at USTR very, very aware of the dynamics and the debate around this particular provision in U.S. law, and we will continue to follow it closely as we conduct our trade conversations.

[The question appears in the appendix.]

The CHAIRMAN. Very good. And we will obviously work with you. My interest here is very much connected to the trade space. And that is, 230 is all about the innovators. It is all about the risk-takers. The big guys, they never have to worry. They can monetize any claims and the like. It is always about the people with the big new ideas. And what is striking is a lot of these platforms, when they were small, oh, my goodness, they thought 230 was the greatest thing since night baseball was invented. But as they got big and powerful, they pulled up the drawbridge to try to hold down the little guys and the innovators.

We will have that conversation in the future. Thank you.

Senator Barrasso?

Senator BARRASSO. Thanks so much, Mr. Chairman. Madam Ambassador, it is nice to see you again. Thanks for your service. Thanks for taking time to meet with us today.

When we last met to discuss President Biden's trade agenda, I raised some concerns about a number of issues. They included U.S. intellectual property rights protections; opening new markets to Wyoming's beef, soda ash, and energy; unfair Chinese trade practices; human rights violations; carbon border adjustments; World Trade Organization reform; and trade enforcement as well.

And after more than a year, the administration, I believe, failed to address any of these concerns that I had. Instead of protecting American intellectual property for COVID vaccines, the administration worked vigorously at the WTO to give this intellectual property away.

We have had the interaction, you and I, in this committee room about that. Instead of aggressively seeking new markets for American goods, President Biden has allowed our Nation to fall behind.

Last year the trade deficit increased to an all-time high. From day one, the President made it clear that he was not really interested in negotiating new free trade agreements, and unfortunately, he has kept his word. Instead of prioritizing energy production at home so we can lower prices and increase exports to our friends, the President remains focused on shutting down U.S. energy production and exporting a wide array of liberal labor, social, and environmental policies instead.

While America sits on the sidelines, China clearly is winning in this confrontation. This year, China signed the largest trade deal in history. The Regional Comprehensive Economic Partnership, the RCEP, encompasses one-third of the global GDP, 15 Indo-Pacific countries, and 53 percent of the world's exports. China understands the importance of not only market access, but also securing market share.

So the question I have is, what is the Biden administration's solution to an Indo-Pacific Economic Framework that fails to provide market access or increased market share for U.S. producers? Is it a series of pillars or modules that countries in the region may or may not voluntarily join? It is also not clear to me how the framework will help us counter our adversaries and our competitors, including China.

My home State of Wyoming understands and appreciates the importance of trade. It has been very important for us historically and presently. We need to work with our allies to exchange goods and services across resilient, reliable supply chains, and lower tariff barriers and trade barriers. We must provide relief for families facing skyrocketing prices, supply constraints, and the global pandemic. But Wyoming wants to strengthen our economy and create jobs, and the trade agenda falls way short of that.

So, given your wealth of experience in international trade, can you explain how an agenda that exports progressive ideas instead of American-made goods and services is going to help our country keep pace with China?

Ambassador TAI. Well, Senator Barrasso, it is good to see you. And I know we have had some very good conversations in the past. You know, I am disappointed to hear that you do not think that we have been doing anything, because I can assure you that my commitment to the United States, our economy, our stakeholders, and our trade policy is absolute.

I guess I am trying to suss out the specific question that you have for me, which is, what have we been doing?

Senator BARRASSO. And I want to know how we recover the market share that we have already lost without aggressively pursuing market access for U.S. producers.

Ambassador TAI. I do not actually think that we have lost market share, and let me just take as an example your point about the RCEP.

That is a trade agreement between 15 countries that already have multiple trade agreements between them. So I think that in the economic analysis of the impacts of the RCEP on the United States economy, I do not think that there are significant or detectable impacts, because it is kind of a remix and match of what is already there.

But let me also just—I want to stick up for myself in terms of all of the work that we have been doing over the course of the past year. And it does include market opening. Over the previous years, there was a lot of market closing, if you will. And there was a reason for it. But we feel very strongly that our approach to trade needs to be more strategic.

And the first year, I dealt a lot with converting trade tensions that we had taken over into real wins for America, for our farmers, for our workers, and for our economy as a whole. You know, I do want to focus on your interest in this question of market share, because it is something that we are looking at.

Specifically, with respect to our competition in trade with China, there I would say with respect to steel and aluminum, with respect to solar panels, we have lost market share. But that is because of the negative impacts of China's policies on us. And that is an area where we are extremely motivated to act and to act along with the U.S. Congress.

Senator BARRASSO. Thank you, Mr. Chairman. My time has expired.

The CHAIRMAN. The time of the gentleman has expired.

We have the good fortune of having Senator Hassan here, who is very knowledgeable about trade issues. She will close our hearing out. We may have a couple of other people, maximum, but just a very quick close for you, Ambassador, and I am glad we have Senator Hassan here.

Ambassador, you have made significant progress on key issues, and this past year has been a bit less chaotic but no less challenging. You have had your hands full, and you have reduced tariffs on our exports to the EU. That is a good thing. It increased market access for our ag products, for example, to India. So your job is not for the faint-hearted. I am really glad that you keep coming back to the importance of transparency and consultation. A lot of members focus on that, and we look forward to working with you in the days ahead.

Senator Hassan, we are ready for your comments, and probably one or two others coming back to close the hearing. Senator Hassan?

Senator HASSAN [presiding]. Well, thank you very much, Mr. Chair. And I appreciate your and Ranking Member Crapo's decision to hold this hearing. And I want to thank you, Ambassador Tai, for testifying today and for all your work on behalf of the American people and American businesses.

The United States has led our allies around the world in imposing crippling economic sanctions on Vladimir Putin and his cronies for Russia's unprovoked invasion of Ukraine. We have to ensure that Putin cannot circumvent our sanctions, which is why Senator Cornyn and I are leading a bipartisan effort to close a loophole that allows Russia to prop up its economy by selling off its massive gold reserves.

Ambassador, what tools does your office have available to help ensure that Russia does not evade any existing sanctions? And how can you continue to apply pressure on Putin for these unprovoked attacks?

Ambassador TAI. Senator Hassan, this is such an important issue and so extremely timely and responsive to the challenges that we are facing in the global economy. The most direct tool that we have in the trade toolbox is how we treat Russia at the WTO. And the

U.S. Congress has certainly spoken, and we have, in concert with our allies and our partners, made it very clear that Russia's behavior has disqualified it from the courtesies that we grant to our partners at the WTO.

In terms of the circumvention concerns that you have raised, those are critical issues to how effective our sanctions will be. And I think that, in terms of the largest sets of sanctions that are related to the financial system and export controls, we are happy to work with our lead partners at the Commerce Department and at the Treasury Department in whatever way that we can.

Senator HASSAN. I appreciate that very much. This is not only a whole-of-government, it is a whole-of-country and whole-of-democracies response. So, thank you.

I want to follow up with a question now about supply chains. Earlier this month, this committee held a hearing on out-competing China by strengthening economic ties with our allies in the Indo-Pacific region. I spoke with witnesses about ways to increase our supply chain resiliency, including through legislation I have developed to help bring back American manufacturing in strategically critical sectors.

Ambassador, how is your office working to increase the security of critical U.S. supply chains, while also strengthening our alliances in the Indo-Pacific and beyond?

Ambassador TAI. Well, this is really one of the critical issues that is before us and our trading partners right now, which is, after pursuing decades of efficiency-first trade policies that were all about unfettered trade liberalization, what are we going to do today in the face of 2 years of a pandemic where lockdowns are continuing even now, and also Russia's invasion of Ukraine, which is deeply disruptive to certain parts of our global trade?

What are we going to do about our supply chain resilience? And in terms of USTR's role, we have been working in the inter-agency, whole-of-government, whole-of-country effort. We need a supply chain task force, which is looking at combinations of our trade tools, whether they are around the enforcement and defensive side, or they are on the negotiation side, in terms of how we come together with our trading partners to help each other make each other stronger. How do we not just trade more, but trade smarter with each other?

And we have had very, very good conversations. And I think that the Indo-Pacific Economic Framework is going to be a really critical forum for this type of collaboration, and frankly innovative thinking in terms of our trade policies. It is not something—it is not a problem we have solved for before, but it is really clear to all of us that the version of globalization that we have today is fragile and is reinforcing our insecurity.

We need to figure out how we can trade with each other in a smarter way. And I do want to reinforce where you started, which is, it is about trade, and it is also about rebuilding the U.S. manufacturing base.

Senator HASSAN. Right. Thank you.

I want to follow up on another important issue that we discussed at last year's trade agenda hearing regarding the small business chapter of the bipartisan U.S.-Mexico-Canada Agreement.

In addition to cutting red tape for small New Hampshire business exporting to Canada and Mexico, the agreement also created a committee to give the small business community a voice in shaping our trade policy. Can you update us on your office's efforts to be responsive to small business input regarding trade with Canada and Mexico?

Ambassador TAI. I would be happy to. I believe it was last October that we had actually a USMCA small business outreach event in Texas, I think San Antonio, but my team will correct me if I have gotten the wrong city.

The small business chapter is one of the clear wins of the USMCA. And I just want to reinforce for you that in our ongoing conversations and our forward-looking conversations, we are carrying that small business record from USMCA into these new conversations, because this is a critical part of democratizing trade, bringing our trade policies to our people in our communities.

Senator HASSAN. Thank you very much. I really appreciate that.

And I now will turn it over to Senator Cortez Masto. She is available virtually.

Senator CORTEZ MASTO. Thank you, Maggie. Thank you, Mr. Chairman.

Ambassador Tai, it is always great to see you. Thank you for joining us again.

There is one thing we talk about, and I am going to just bring it up with you again, and this is the tariff on solar panels. Here is my concern, and I think the concern of so many in the industry. With these aggressive tariffs, we are running the risk of actually undermining rapid solar deployment, and risking our ability to achieve the President's climate goals.

Right now, in Nevada I have 600 IBEW-trained union workers ready to go to work this year building a 300-megawatt solar project in Nevada, but it is at risk if they cannot get the materials they need for construction.

I also know the latest petition that has been presented to Congress risks cutting off the supply of over 80 percent of the solar panels needed to build out the development of our clean energy economy and create good-paying jobs and reach our climate goals.

Now, I have raised this concern with Secretary Raimondo directly. We have sent letters in opposition. I have been joined by my colleague Senator Rosen on our concerns about this.

Here it is in a nutshell. At the end of the day, I absolutely understand we need to grow solar manufacturing in this country. But we cannot do it overnight. And if we are going to make sure we continue with the growth and the jobs, and go down the clean energy path, we cannot chill it by continuing these tariffs or these investigations that are happening that are going to prevent installers and others from moving forward towards this clean energy future.

So here is my ask of you, just as to Secretary Raimondo: how can you help us? Is there a path forward for resolving this issue so that we can support growing our domestic industry, holding countries like China accountable, but without putting critical clean energy projects and workers in my State and across the States, putting their jobs on the line?

Ambassador TAI. Senator Cortez Masto, I know your views on this, and I know the impacts to the community that you represent in Nevada.

Let me try to respond to your direct question in this way. I think that we do have the tools to thread this needle, where we need to rebuild our manufacturing capacity here at home, but also be able to deploy this available technology and support jobs in both parts of this sector.

I will be the first one to admit that trade tools are powerful, but they have their limitations in bringing about the policy change that we need, and need to be deployed in combination with other policies. And I know that there are legislative initiatives as well to address some of these issues, and I want to let you know that we are very interested in ensuring that our trade policies can work in concert with other policies to better support all parts of our economy.

Senator CORTEZ MASTO. Thank you, Ambassador; I appreciate that. And I look forward to working with both you and Secretary Raimondo.

I also—but let me just say this on a separate subject—I understand Senator Casey already talked to you about the Women's Economic Empowerment in Trade Act that he and I both worked together on. Thank you. Thank you for the good work you are doing there and your support of that legislation.

Then finally, let me just jump to workers' rights. On March 2nd, the USTR released both its 4-year strategic plan as well as its 2022 trade policy agenda and 2021 annual report to Congress. Both focus on pursuing a worker-centric trade policy and standing up for workers' rights.

So, Ambassador, can you discuss how you plan to implement these policies and talk a little bit about them?

Ambassador TAI. Certainly, Senator Cortez Masto. We have been implementing the policy already now for more than a year, and let me talk a little bit and give you some examples of our wins there, and talk a little bit about where we want to take this.

So, the worker-centered trade policy is taking a new approach to our trade policies, where we are championing not just the biggest economic stakeholders and the biggest winners in our economy, but also bringing trade policy back to regular people and the communities in which they live.

Our approach to resolving the 17-year-long dispute with the European Union on large civil aircraft is an example of bringing the spirit of worker-centrism to our trade policy. We worked with not just our aircraft makers and their suppliers, but also with the machinists who work for those companies, as we negotiated the agreement with the European Union and the United Kingdom so that when we got to the outcome, it was an outcome that reflects not just the interests of one part of our economy, but all parts.

In this case, that agreement also led to the lifting of tariffs on both sides of the Atlantic, which we feel strongly further champions the interests of large segments of our economy.

So the spirit of worker-centrism is one around uniting as much as possible American economic interests, including those of our people, behind what we do in trade. And we are very excited to build on our record from the first year, and do more in our second year.

Senator CORTEZ MASTO. Ambassador, thank you. Thank you again for joining us.

Senator HASSAN. Thank you, Senator Cortez Masto.

I believe, Senator Bennet, you are out there in cyberspace somewhere?

Senator BENNET. Thank you, Madam Chair. I really appreciate it very much. Can you hear me?

Senator HASSAN. Yes. And I am going to just interject for a minute. Because of the timing of votes and the timing of this hearing, Senator Bennet, I am going to turn over the gavel to you virtually, and you will ask your questions and close the hearing out, which we have confirmed with the knowledgeable people in the room is okay. And I am going to go back and vote.

And, Ambassador, thank you so much.

Senator BENNET [presiding]. That is bad news for Ambassador Tai, because I have about an hour's worth of questions for her—I am just kidding. I am just kidding.

Ambassador Tai, can you hear me?

Ambassador TAI. Yes, I can.

Senator BENNET. Okay. Thank you for testifying before the committee today. I want to also lend my voice to underscore the need to nominate and confirm a Chief Agricultural Negotiator. I am hearing from Colorado farmers about their concerns on high input costs and regulatory challenges they are facing in international markets. And they need a permanent chief trade advocate for them here in Washington.

Moving to the question, I am concerned that for years, across Democratic and Republican administrations we have neglected to implement a coherent strategy in the Indo-Pacific region. You and I have talked about that before. And instead, China has expanded its influence in that region and the world, including across Latin America, for example, in our own hemisphere.

And I just wonder—in light of the supply chain disruptions due to COVID and ongoing global instability—whether you see potential opportunities to reshore critical supply chains to the U.S. where you can save our opportunities to strengthen partnerships across the Western Hemisphere through trade, and that might also give us a greater chance of strengthening the supply chains. And what challenges do you think we face in reshoring, or even near-shoring critical industries, and how can Congress help reduce any barriers there?

Ambassador TAI. Senator Bennet, this is such a critical question. I think that one of the greatest barriers that we face is that we require new thinking. And new thinking is often met with fear, but then also sometimes just met quizzically.

And so I think that the first barrier is bringing innovation to our trading partners around how we accomplish resiliency through trade. I have spoken a little bit about this, but our traditional trade policies have been about maximizing liberalization and creating incentives for efficiency for our firms. I think that our experience shows us that where we are today, we need to look for resilience. We need to look for ways to reestablish a sense of security and confidence in the global economy. And I think that that will be done through a combination of rebuilding a manufacturing base here in the United States and establishing trusted and strategic trade relationships with our partners and our friends.

Senator BENNET. I would like very much the opportunity, if you have somebody who is doing some of that new thinking, to talk to them about it. Because I do think that this a moment where we are realizing that prioritizing making stuff as cheaply as possible in China versus, as you say, resilience or the chance to make things here in the United States for our own national security—there are all kinds of other values that I think our trade policy ought to reflect.

Let me just quickly, in the last 2 minutes that I have, Ambassador, shift gears slightly. In your testimony, you state that the administration really wants the United States-India Trade Policy Forum. I know that has come up this morning, but I did not have the chance to hear it.

India has been a critical U.S. ally. I am deeply concerned about the status and trajectory of our relationship with India, especially in light of Russia's invasion of Ukraine and India's reluctance to condemn what Vladimir Putin has done.

Could you elaborate on the progress of that forum and discuss any challenges we face, and how our trade policy could strengthen our partnership with India? And then I will let you go.

Ambassador TAI. Thank you, Senator Bennet. With respect to India, India is such an important trade partner, and a strategic partner. It is complicated. And we live in a complicated world.

It was extremely important for us in the Biden administration to restart that Trade Policy Forum with India, and to do it at the ministerial level. So I went to Delhi last November to meet with my counterpart, Minister Goyal, and it was the first time in 4 years that the TPF had met at all. And the last time it met in 2017, it was so fraught that the two sides did not even issue a joint statement.

This time we issued a joint statement that was really robust, around 5 pages I think, and it included important principles where we agreed to work together, as well as market access commitments that we have made to each other.

So, I think that this will continue to be a complicated relationship, but to your point, it is an extremely important one and one where we need to continue to invest our dedication and our ability to make breakthroughs.

Senator BENNET. Thank you for that. And on behalf of the committee, thank you for your testimony today, Ambassador Tai.

This hearing is adjourned.

[Whereupon, at 12:37 p.m., the hearing was concluded.]

APPENDIX

Additional Material Submitted for the Record

Prepared Statement of Hon. Mike Crapo, a U.S. Senator From Idaho

Thank you, Mr. Chairman. Welcome, Ambassador Tai.

On your drive here, Ambassador Tai, you passed an inscription engraved on the National Archives: "past is prologue." An enduring piece of past wisdom is President Reagan's 1982 address to the Nation on international free trade, which was founded on his personal commitment to free market principles, both at home and abroad.

He explained that as Americans, we must, "[I]nsist on sound domestic policies at home that bring down inflation . . . provide opportunity for free world countries [to] go forward and sustain the drive toward more open markets," such as the meeting he organized in Geneva that eventually led to the creation of the World Trade Organization (WTO). And most importantly negotiate—particularly for free trade agreements, like the United States' first two free trade agreements, with Israel and Canada, that were led by Reagan's administration.

President Reagan's policies helped to break inflation and to restore American leadership on trade. But it seems President Biden's trade policy takes the opposite stance. At a time when inflation has soared to 7.9 percent, President Biden says he will not pursue trade agreements until his domestic agenda is complete. If ever enacted, this reckless spending agenda would not only make inflation worse, it would undercut U.S. leadership on trade by promoting a China-styled industrial policy.

Proposed electric vehicle provisions, for example, will discriminate against 48 of the 50 models available for sale in the United States. It is no wonder why 25 foreign ambassadors told Congress these provisions breached our international trade obligations.

I am disappointed that the administration continues to pursue this agenda, instead of focusing efforts on negotiations for new trade agreements. This is a shame, because the Biden administration knows better. Its 2022 trade agenda opens on the very point, and I quote: the "Biden administration recognizes that trade can—and should—be a force for good."

Absolutely. My home State of Idaho is proof positive of that proposition. In 2019, international trade supported over 200,000 Idaho jobs—or almost 20 percent of the State's employment. Trade liberalization also saves the average Idaho family of four more than $10,000 per year.

The problem here is that President Biden's recognition of trade's overall importance is not matched with an agenda that contains the requisite ambition to succeed. There is not a single free trade agreement (FTA) under consideration in this agenda. Free trade agreements open opportunities. We have seen it over and over. The past really is prologue.

Idaho's dairy exports to Korea increased by more than 250 percent since our free trade agreement entered into force in 2012. But, in lieu of trade agreements, this administration is proposing dialogues and frameworks, including the new Indo-Pacific Economic Framework, or IPEF. IPEF may be a positive first step to engagement in Asia, but it is no substitute for a comprehensive trade agreement.

The Center for Strategic and International Studies will soon release its upcoming analysis on IPEF, based on conversations with over a dozen governments in the Indo- Pacific.

Two points from its analysis are instructive: first, U.S. engagement is welcome in the Indo-Pacific. One diplomat stressed, in particular, that his country wants the United States to "lay out an affirmative economic strategy that complements its security presence in the region." Second, our partners "see the IPEF as a proposal with many U.S. asks, few U.S. offers, and a variety of credible regional alternatives to the framework that could provide more tangible benefits."

If the U.S. is to meet and exceed China's challenge, then the U.S. must make stronger commitments than China. Regrettably, if the administration's negotiating ambitions are low, its consultations with Congress on the few negotiations actually taking place is even lower.

At last year's trade agenda hearing, Ambassador Tai stated that she would brief this committee before and after each negotiating session with respect to a waiver of the WTO TRIPS Agreement. That hasn't happened.

USTR recently issued a press release confirming that it had reached a "compromise outcome" on the TRIPS waiver in discussions with South Africa, India, and the European Union. USTR refuses to share the text of that "outcome" with this committee. While members may have different views on the merits of this waiver, every member here should agree with me that the administration cannot withhold documents concerning U.S. rights under a congressionally approved trade agreement. We need to see the document, and we need to ask questions, because that is what respect for the Constitution requires.

There are serious questions to be asked. For example, last week, South Africa and India joined with Russia and China to establish the BRICS Vaccine R&D Center on vaccine cooperation. Congress should know whether the text permits South Africa and India to share insights on U.S. intellectual property with Russia and China.

USTR's transparency with the public is also poor. The American innovators who developed the vaccines provided plenty of evidence on why a waiver is unnecessary, including that 20 billion doses will be produced this year—more than enough to achieve the World Health Organization's vaccination target. The administration, however, has not shared with the public any evidence as to why a waiver will get shots into arms any faster. As disappointed as I am about negotiations and congressional consultation, I also have concerns about enforcement.

Americans need to compete on a level playing field, and I appreciate the administration's prosecution of two USMCA labor disputes under the Brown-Wyden mechanism. Yet, much more can be done. With respect to USMCA, agricultural market challenges remain. Mexico continues to restrict potatoes and delay approval of biotech crops. Discriminatory practices targeting our technology companies are also increasing. Rather than launch cases, the administration appears to be in retreat.

For example, the trade agenda highlights that USTR reached agreements to terminate our section 301 investigations against various countries over discriminatory digital services taxes.

Let us be very clear about what this means—those countries are going to continue imposing discriminatory taxes on U.S. firms. They may give a credit one day, but only if Congress approves the Biden administration's international tax deal. The Biden administration is blessing foreign governments which discriminate against Americans as long as Congress refuses to go along with its plan to cede taxing rights and revenue to foreign competitors.

Let me close with where I started—past being prologue. History proves that Americans do not fear competition, but rise to it. Now is the time to seize on that history and to go further on trade, not shrink from it.

PREPARED STATEMENT OF HON. KATHERINE C. TAI, UNITED STATES TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT

Thank you, Chairman Wyden, Ranking Member Crapo, and members of the committee. I appreciate the opportunity to be here today to discuss the President's trade agenda.

President Biden believes that trade can be a force for good that grows the middle class and addresses inequality—if we get the rules right. To achieve those goals, trade must be grounded in fair competition, and workers should not have to compete against artificially low wages or unsafe working conditions. They should compete on the merits and today, I am pleased to update you on our path toward achieving those goals.

The President also believes we are at our strongest when we work closely with our partners and allies around the world. Over the last year, in coordination with my colleagues across the Biden administration, we have worked to repair strained relationships and recommitted the United States to the world's institutions. These renewed partnerships have been instrumental to the strong, united response to Russia's unjustified attack on Ukraine.

ADVANCING A WORKER-CENTERED TRADE POLICY

Our agenda begins with a commitment to putting workers at the center of our trade policy. When we defend the rights of workers—both at home and abroad—labor standards go up, workplaces are safer, and we drive a "race to the top."

This commitment is evident both in our enforcement of existing agreements like the United States-Mexico-Canada Agreement, as well as our efforts to put workers at the center of our discussions at multilateral fora like the OECD, WTO, ASEAN and APEC.

We have also stepped up our efforts to eliminate the use of forced labor in global supply chains, and in January, USTR announced that we will develop the first-ever focused trade strategy to combat forced labor. Paired with the implementation of the Uyghur Forced Labor Prevention Act, this will send a clear message that the United States will use every tool available to block the importation of goods made partially or entirely with forced labor.

Our agenda also recognizes that farmers, ranchers, fishers, and food manufacturers are key to our worker-centered trade policy, and we are fighting to achieve quick, economically meaningful wins. Some highlights from last year include:

- The 232 tariff arrangements and cooperative frameworks for large civil aircraft with the EU and UK lifted retaliatory tariffs on billions of dollars of U.S. exports—including agriculture products like butter, cheese, pork, nuts, and distilled spirits;
- An agreement with Japan to increase the beef safeguard trigger level under the U.S.-Japan Trade Agreement. The new three-trigger safeguard mechanism will allow U.S. exporters to meet Japan's growing demand for high-quality beef and reduce the probability that Japan will impose higher tariffs in the future;
- Regaining access for our shellfish industry to the EU for the first time in a decade;
- Opening access for U.S. pork exports to India in December 2021, following USTR's engagement under the U.S.-India Trade Policy Forum;
- The Philippines' unilateral lowering of its tariffs in April 2021 on imported fresh, chilled, and frozen pork, and a 1-year increase of tariff rate quota volumes following TIFA meetings; and
- Vietnam's approval in 2021 of pending biotech regulatory applications following TIFA engagement, as well as MFN duty reductions for corn, all classes of wheat, and frozen pork.

REALIGNING THE U.S.-CHINA TRADE RELATIONSHIP

The next major component of our trade agenda is the realignment of the U.S.-China trade relationship.

As President Biden often says, competition with China must be fair. American workers, farmers, producers, and businesses must be able to compete on the merits, not against unfair state-led industrial planning and targeting of certain sectors, labor rights suppression, a weak environmental regime, or other distortions that put market-oriented participants out of business.

In October, we launched a direct dialogue with the People's Republic of China (PRC) regarding our concerns with distortions and imbalances in our relationship. This included the PRC's failures to fulfill the purchase commitments detailed in the

Phase One agreement, as well as the state-centered and non-market practices not addressed in the Phase One deal. It was important for us to fight for the farmers and businesses that benefit from those obligations and test how committed the PRC was to the obligations it signed up to.

However, over time it became clear that the PRC would only comply with those trade obligations that fit its own interests. This is a familiar pattern with the PRC—from their actions at the WTO and in various bilateral high-level dialogues. The United States has repeatedly sought and obtained commitments from China, only to find that follow-through or real change remains elusive.

While we continue to keep the door open to conversations with China, including on its Phase One commitments, we also need to acknowledge the agreement's limitations, and turn the page on the old playbook with China, which focused on changing its behavior. Instead, our strategy must expand beyond only pressing China for change and include vigorously defending our values and economic interests from the negative impacts of the PRC's unfair economic policies and practices.

In the last year, we have worked hard to deepen our understanding of how these policies and practices affect our workers and industries, as well as those of our allies and partners, and global supply chain resiliency. We have seen what happened in the steel and solar industries when existing mechanisms were too slow or ill-suited to effectively address the distortions wrought by China's targeting of those sectors. In the meantime, we know that the PRC is targeting critical industrial and high-tech sectors, like electric vehicles, batteries, semiconductors and others.

To ensure that our industries remain competitive, we must develop new domestic tools targeted at defending our economic interests, and make strategic investments in our economy. We have already made significant progress through the American Rescue Plan, the administration's focus on supply chain resilience, the Made in America Office and the Bipartisan Infrastructure law. But to truly boost America's competitiveness, we urge Congress to quickly pass the Bipartisan Innovation Act.

President Biden also recognizes that our ability to defend against unfair PRC economic practices requires that market economies act in concert to confront policies and practices that are fundamentally at odds with the modern global trading system. That is why we have also brought a renewed focus to engagement with our partners and allies, who also are negatively impacted by the PRC's unfair trade and economic practices.

At the same time, we are also working towards innovative arrangements with our allies and like-minded partners to strengthen our resilience. For example, the global arrangement we are currently negotiating with the EU will be world's first sectoral arrangement on steel and aluminum trade to tackle both emissions and non-market excess capacity.

ENGAGING WITH KEY TRADING PARTNERS AND MULTILATERAL INSTITUTIONS

Beyond this cooperation, we have deepened our engagement with key trading partners through new and existing bilateral, plurilateral and multilateral agreements and arrangements.

- We launched the U.S.-EU Trade and Technology Council to promote shared economic growth through an expanded trade and investment relationship by avoiding unnecessary barriers to trade in emerging technology products and services, promoting cooperation on labor rights, combatting child and forced labor, and expanding resilient and sustainable global supply chains.
- We launched the U.S.-Japan Partnership on Trade to advance an agenda of cooperation, as well as to address bilateral trade issues of concern to either side.
- We continued our work under the USMCA to ensure that Canada and Mexico fully implement their commitments.
- We relaunched the United States-India Trade Policy Forum to enhance our relationship with India and make progress on important bilateral trade irritants.
- And most recently, we hosted the first Dialogue on the Future of Atlantic Trade in Baltimore, MD last week. We will hold the second leg in Scotland next month to consider what concrete, economically meaningful steps we can take to deepen our trade relationship with the United Kingdom and create more durable trade policies.

The Biden administration is also committed to economic engagement with partners in the Indo-Pacific. The Indo-Pacific is one of the most dynamic regions in the world, and it is one of strategic importance to the United States. Additionally, the region is home to some of our closest allies and trading partners, including some with which we have longstanding trade agreements. By working closely with allies and partners to bolster our economic engagement in the Indo-Pacific, we can establish a new path forward that supports the global competitiveness of American workers and businesses and further the shared interests of our allies in the years to come.

The goal of this framework will promote inclusive growth for workers and businesses, advance strong labor standards, and tackle climate change. The framework is also central to the Biden administration's economic strategy in the Indo-Pacific and complements our national security goals in the region.

USTR will lead efforts to craft a trade arrangement with our partners that includes provisions on: high-standard labor commitments; environmental sustainability; the digital economy; sustainable food systems and science-based agricultural regulation; transparency and good regulatory practices; competition policy; and trade facilitation.

Going forward, USTR will remain in close coordination and consultation with this committee and Congress to keep you updated and to develop this framework.

On the multilateral front, the Biden administration has made clear its commitment to the WTO, and ensuring that it can be a force for good that confronts the pressing global challenges affecting the lives of people.

The Biden administration supports a WTO reform agenda that reflects the priorities of our worker-centered approach, grounded in fair competition, to benefit workers and the environment.

One of the top issues we are working towards is an outcome on intellectual property as part of the administration's broader efforts to end the pandemic. This has been a long and difficult process—and it is never easy to reach a consensus across the 164 members of the WTO. While no agreement on text has been reached, we will continue to engage with members to get as many safe and effective vaccines to as many people as fast as possible.

PROMOTING CONFIDENCE IN TRADE POLICY THROUGH ENFORCEMENT

The Biden administration is also clear-eyed about what happens when trade policy fails to deliver on its promises. Manufacturers, farmers and ranchers do not always get the full benefits of access to new markets and too many workers and communities suffer due to unfairly traded imports. This has created a trust gap with the public and is why enforcement is a key component of our worker-centered trade policy.

For example, we have already employed the USMCA rapid response mechanism in two instances to defend workers' rights in Mexico. One critical aspect of this work is that we have been able to partner with the Mexican Government to deliver real results to workers. Working with other governments to advance a worker-centered trade policy is a bedrock of the Biden administration's approach because when we fight for workers abroad, we are fighting for workers here at home by combating a global race to the bottom.

We cannot always achieve these results through cooperation, and we are also using state-to-state mechanisms when we need to. We pursued dispute settlement with Canada to ensure U.S. dairy farmers receive the fair treatment in the Canadian marketplace that is due to them. We have also initiated environmental consultations with Mexico designed to prevent illegal, unreported, and unregulated fishing.

We are also upholding the eligibility requirements in our preference programs. The African Growth and Opportunity Act has unique rules to value rule of law and respect for human and labor rights as cornerstones of development.

In November 2021, President Biden announced the termination of eligibility for Ethiopia, Guinea, and Mali due to a failure to meet the eligibility criteria, including those relating to human rights and rule of law. We remain committed to working with all three countries to meet the statutory benchmarks that would enable them to be reinstated in the AGOA program.

We also recognize that despite our enforcement efforts, many of our existing trade tools were crafted decades ago. In some cases, they do not adequately address the challenges posed by today's economy. We are reviewing our existing trade tools and will work with Congress to develop new tools as needed.

PROMOTING EQUITABLE, INCLUSIVE, AND DURABLE TRADE POLICY AND EXPANDING STAKEHOLDER ENGAGEMENT

A final, important part of our trade agenda is promoting trade policy that is equitable, inclusive, and durable for all Americans and expanding stakeholder engagement.

In order for our trade policies to be effective and lasting, we must make sure diverse perspectives are represented in the policymaking process, and that our policies reflect those viewpoints.

The President's Trade Policy Agenda and Annual Report now includes strategic objectives and actions to advance racial and gender equity in trade policy. These actions will reflect the principles outlined in the executive orders President Biden has signed to date, namely *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government* and *Worker Organizing and Empowerment.* It will also incorporate elements of the United States' first *National Strategy on Gender Equity and Equality* and the Presidential Memoranda on *Tribal Consultation and Strengthening the Nation-to-Nation Relationship.*

We have been—and will continue pairing these values with sustained, long-term engagement with partners and stakeholders.

Congress, including this committee, is our constitutional partner on trade. Having worked on the House Ways and Means Committee for 7 years, I am committed to close consultations and a robust partnership between our two branches of government. We will continue this partnership through regular briefings and one-on-one engagement with you and your staffs.

That engagement is critical given the ambition and scope of our agenda. One year into this position, I am more confident than ever that we can walk, chew gum, and play chess at the same time. Serving as United States Trade Representative and representing the Biden administration at home and abroad is the honor of my career. I am always inspired by the outstanding work and professionalism of the people that make up USTR—and I look forward to continuing this work in the year ahead.

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

QUESTIONS SUBMITTED FOR THE RECORD TO HON. KATHERINE C. TAI

QUESTIONS SUBMITTED BY HON. RON WYDEN

Question. China has cheated, bullied, and stolen from American companies for decades. The playing field for American workers isn't just uneven—in some cases, we aren't even playing the same sport. The last administration correctly identified these problems—but they didn't get China to fix them. Stopping China's trade cheating is going to be tough, and your testimony highlights two big reasons why. One, China keeps making empty promises on trade. And two, China's government keeps meddling in the markets by targeting whole industrial sectors—from steel to electric vehicle batteries—that it can subsidize, take over, and control. These issues are far too big to be solved by tariffs alone.

How do you intend to chart a new course on China and ensure their trade cheating doesn't undercut U.S. manufacturers and workers?

Answer. In October 2021, we launched a direct dialogue with China regarding our concerns with distortions and imbalances in our economic and trade relationship. This includes China's failures to fulfill the purchase commitments detailed in the U.S.-China Economic and Trade Agreement signed in January 2020, commonly referred to as the Phase One agreement. We also have been raising our concerns relating to China's harmful non-market policies and practices that were left unaddressed by the U.S.-China Phase One agreement, particularly China's industrial targeting, which can have a devastating impact on American workers and businesses as well as global trade.

While we continue to keep the door open to conversations with China, including on its Phase One agreement commitments, we also need to acknowledge the Phase One agreement's limitations. Going forward, our strategy includes vigorously defending our values and economic interests from the negative impacts of China's non-market economic policies and practices. At the same time, we are not solely relying on bilateral engagement. We are actively reaching out to and enhancing our engagement with like-minded trading partners, both directly and through multilateral institutions, as we seek to develop and execute joint or coordinated strategies for addressing the unique challenges posed by China.

As part of this effort, we are prepared to use whatever trade tools we have that may be necessary to protect U.S. interests, including our manufacturers and workers. That includes working with Congress to develop new trade tools. Our current trade tools are decades old and do not always take into account the realities of what trade looks like today.

Question. When you were confirmed a year ago, you had a lot of tariffs—and retaliatory tariffs—on your plate. The Trump administration loved to place tariffs on products as a one-size-fits-all response to any trade problem. But one thing it couldn't do was use the tariffs to actually solve the problems. In the last year, you brokered a truce in the 17-year Boeing-Airbus dispute, lifting tariffs that hurt American workers. And you've reached deals with our allies—the EU, the UK, and Japan—to remove Trump's section 232 tariffs on steel and aluminum and get their commitment to fight overcapacity and carbon emissions in these sectors. But there's always more work to be done, especially on the China 301 tariffs. They're still hitting American companies that are reeling from COVID, supply chain disruptions, and inflation.

Can you tell me about the work you've done—and the work you're continuing to do—to take the tariffs that were handed to you and turn them into solutions that benefit U.S. workers, farmers, and businesses?

Answer. The administration is continually reviewing the China section 301 tariffs; this process is a key part of the Biden-Harris administration's deliberative, long-term vision for realigning the U.S.-China trade relationship around our priorities and making trade work for American workers and businesses. As part of this process, we have initiated and completed two separate exclusion processes—one on COVID-related products, and one addressed to over 500 previously extended but expired exclusions. In March, we reinstated exclusions where American workers, farmers, and domestic producers would benefit. We are continuing to consider additional exclusions processes, as warranted.

Furthermore, we have started the process for the mandatory 4-year review of all the China 301 tariffs, as provided in the statute. The first step in the process is to notify representatives of domestic industries that benefit from the tariff actions of the possible termination of those actions and of the opportunity for the representatives to request continuation. If a request for continuation is received, USTR will conduct the statutory review of the tariff actions. That review would include a consideration of the effectiveness of the action in achieving the objectives of section 301, other actions that could be taken, and the effects of such actions on the United States economy, including consumers. The review would include an opportunity for all interested persons to submit their views.

Further information may be found on the Four-Year Review page of the USTR website: *https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china-technology-transfer/china-section-301-tariff-actions-and-exclusion-process/four-year-review.*

Question. The details of the Indo-Pacific Framework are still being worked out, however you've said the U.S. must "bring something new to the conversation." Secretary Raimondo, for her part, has hailed the initiative as a "new framework for a new economy"—a chance for the U.S. to accomplish things that wouldn't be possible in a garden-variety trade deal. This administration is thinking creatively about how to do more in the Indo-Pacific. That's important, because it's a region that is bustling with opportunity for Pacific Northwest farmers and manufacturers.

How is the Indo-Pacific Economic Framework going to bulldoze barriers to trade and help folks in Oregon reach consumers in Asia?

Answer. We are working to develop a worker-centered trade policy that benefits U.S. workers and consumers, and ensures that U.S. companies can continue to innovate and create new economic opportunities both in the United States and abroad.

The Biden-Harris administration is committed to deepening our economic engagement with partners in the Indo-Pacific region and has launched the Indo-Pacific Economic Framework for Prosperity (IPEF). The IPEF will strengthen our economic ties to the region, while promoting inclusive growth for workers and businesses, advancing strong labor standards, and tackling climate change. As part of this effort, USTR will lead the work on a trade arrangement with our partners that includes high-standard commitments in the areas of labor, environmental sustainability, the digital economy, sustainable food systems and science-based agricultural regulation, transparency and good regulatory practices, competition policy, and trade facilitation. We look forward to continued close coordination with Congress on this initiative.

Question. Today, digital trade is at the heart of our economy. It's not just how millions of consumers access everything from e-books to online banking. The Internet also underpins the logistics for getting American exports—from Oregon blueberries to Massachusetts cranberries—shipped around the world. A free and open Internet is also a critical engine for democracy, human and worker rights, and free expression—if you want proof, just look at China and Russia. Their governments are actively working to control the Internet so they can censor, surveil, and repress their citizens. It's a human rights disaster. If the U.S. wants to promote red, white, and blue American values and stay competitive in the 21st-century economy, strong digital trade rules are a necessity.

It's important to leverage the Indo-Pacific Economic Framework to unite our allies and set strong digital rules of the road. Can you talk about your strategy? How will strong digital trade rules help U.S. workers, exporters, and consumers—as well as Internet users around the world?

Answer. The development of strong digital trade rules remain a key priority in the Indo-Pacific Economic Framework for Prosperity. We will work together to build strong digital rules designed to help workers, consumers, and businesses effectively participate in the digital economy. New rules will build consumer trust, expand network access for all, and promote network security and reliability. These rules will allow like-minded countries to work together to protect our freedoms.

Question. I fought hard to ensure USMCA would knock down barriers to Canadian markets for Oregon's dairy farmers. But if our dairy farmers are going to realize the benefits of the agreement, it must be fully implemented and enforced. And, right now, it sure looks like Canada is viewing its binding commitments as little more than a pinky swear.

I commend you for staying tough on the Canadians on behalf of our dairy farmers. You have already filed and won a dispute to ensure that our farmers are getting the Canadian market access that was bargained for. But as I understand it, Canada's proposed remedy looks nearly identical to what it was already doing!

What are your next steps? How will you make sure Canada comes into compliance with its USMCA obligations?

Answer. Fully implementing the USMCA and ensuring that it benefits American farmers, exporters, and workers is a top priority for the administration. We secured a major win for the dairy sector when a USMCA dispute settlement panel agreed with the U.S. claim that Canada reserving access to in-quota quantities of its dairy tariff-rate quotas (TRQs) exclusively for processors breaches its USMCA commitments. These reserved pools undermine the value of the TRQs for U.S. farmers, processors, and exporters. On May 16, 2022, Canada published policy changes to implement the panel's finding. The United States rejects these changes as a basis to resolve the dispute because Canada remains out of compliance with its USMCA obligations. USTR initiated a second USMCA dispute on Canada's allocation measures on May 25th.

Question. United States trade policy should ensure a level playing field for American workers and companies of all sizes. If the rules are fair, the U.S. can outcompete and out-innovate anybody.

But when our trading partners pass laws that target American companies and favor their homegrown industries, they aren't playing by the rules. They're tipping the scales against American workers and making it harder for the U.S. to compete.

One of our biggest trading partners—the EU—seems to be tipping the scales of the digital economy. EU leaders have been pretty clear that they want to achieve "tech sovereignty" by preventing U.S. companies from competing fairly in Europe. In the past few years, the EU has hit U.S. companies with discriminatory taxes.

They've finalized new competition rules over the objections of the Biden administration and some members of this committee. And they're pursuing a raft of other digital measures that will make it harder for U.S. companies to compete on a level playing field. Now, the EU is a critical ally, especially given the situation in Ukraine. But that doesn't mean we can stand down when they toss the trade rule book out the window

What steps are you taking to ensure the EU's digital trade policies don't unfairly discriminate against American companies and workers?

Answer. We are engaged with the EU on digital trade issues both in the Trade and Technology Council and also in bilateral discussions. In the context of the digital economy, the United States and the EU are both committed to protecting workers, privacy, cybersecurity, and consumer rights and we both want our markets to be fair and competitive. We share many of the concerns animating EU action on many policy issues. When governments exercise their regulatory powers, they should not do so on the basis of advancing the interests of national champions at the expense of foreign competitors.

QUESTIONS SUBMITTED BY HON. MIKE CRAPO

Question. In your opening statement, you report that China failed to live up to the Phase One agreement. It is easier for the public to see China's unfulfilled purchase commitments but it is much harder for anyone to know where China fell short on its structural commitments.

Why doesn't USTR provide this committee with its assessment on which obligations China failed to comply?

How do you plan to redress China's failure to meet any commitments?

Answer. As noted in our China WTO Compliance Report, China followed through in implementing some provisions of the Phase One agreement. At the same time, China has not yet implemented some other significant commitments, such as those in the area of agricultural biotechnology and the required risk assessment that China is to conduct relating to the use of ractopamine in cattle and swine. Other commitments that China made, such as in the area of technology transfer, are difficult to verify given the tactics that China takes to obscure its activities. And as you note, it is clear that China did not fully implement its Phase One agreement purchase commitments, and we have been discussing with our Chinese counterparts how China plans to rectify the purchase shortfalls.

We continue to consult with China on the implementation of the Phase One agreement, and all options remain on the table in dealing with China's compliance failures. We also need to acknowledge the limitations of the Phase One agreement and past approaches to dealing with China. Our strategies must expand beyond exclusively pressing China for compliance with past commitments. We need to include the vigorous defense of our economic interests in the face of China's unfair policies and practices. And we need to work more closely with like-minded trading partners on new strategies, as we are doing.

Question. Chinese companies are manufacturing vaccines in developing countries, including Egypt and Algeria.

Would the "compromise outcome" allow such countries to let Chinese-owned facilities take advantage of the TRIPS waiver?

Answer. I appreciate your concerns. Since the WTO Director-General has released an official draft text, USTR has been conducting consultations with Congress and stakeholders on all aspects of the text and its implications, including the concern you have raised.

Question. According to the Pharmaceutical Industry Labor Management Association, or PILMA, America's biopharmaceutical industry supports 22 million union labor hours. As they note, "union hands craft the COVID cure." PILMA opposes the waiver. Given that USTR is focused on a worker-centered trade policy, I would hope USTR at least examined the potential impact on U.S. jobs if a waiver goes forward.

Has USTR prepared any assessment on how a waiver would affect workers in the biopharmaceutical industry, and if so, why has it not published it?

Answer. USTR has had regular consultations with interested parties throughout the process of discussions on this issue. These interested parties have included Congress, labor organizations, civil society, public health advocates, public health experts both inside and outside of the government, and vaccine manufacturers themselves.

Now that the WTO Director-General has released the official text, USTR has begun its consultations on that text with Congress and stakeholders.

Question. The administration is very clear that IPEF will not include market access initiatives.

Given that the administration wants to raise our trading partners' labor and environmental standards through IPEF, why take the carrot of market access off the table?

Answer. The Biden-Harris administration is committed to economic engagement with partners in the Indo-Pacific region and has launched the Indo-Pacific Economic Framework for Prosperity (IPEF). The IPEF will strengthen our economic ties to the region, while promoting inclusive growth for workers and businesses, advancing strong labor standards, and tackling climate change. It is correct that market access, in the form of tariff liberalization, is not currently being considered as part of the IPEF trade pillar. However, the trade pillar will include binding and non-binding rules that will enhance access to markets by creating a common set of rules and norms. The high-standard commitments we are seeking will establish a strong foundation for a worker-centric trade policy that will support high-quality American jobs and underpin innovative growth for American farmers, producers, and businesses. As part of this effort, USTR will lead work on a trade arrangement with our partners that includes high-standard commitments in the areas of labor, environmental sustainability, the digital economy, agriculture, transparency and good regulatory practices, competition policy, and trade facilitation. We look forward to continued close coordination with Congress on this initiative.

Question. Earlier this month Canada released proposed changes to its dairy Tariff Rate Quota, or TRQ, system.

Unfortunately, that proposal would land U.S. dairy farmers and manufacturers in basically the same spot they are today—forced largely to sell to their direct competitors in Canada.

This is neither the type of reform I expected to see when the U.S. launched the case last year nor one that I expect the U.S. to settle for, now.

How will you leverage the tools available in USMCA to bring about Canadian compliance with all of its USMCA dairy obligations?

Answer. Fully implementing the USMCA and ensuring that it benefits American farmers, exporters, and workers is a top priority for the administration. We secured a major win for the dairy sector when a USMCA dispute settlement panel agreed with the U.S. claim that Canada reserving access to in-quota quantities of its dairy TRQs exclusively for processors breaches its USMCA commitments. These reserved pools undermine the value of the TRQs for U.S. farmers, processors, and exporters. On May 16, 2022, Canada published policy changes to implement the panel's finding. The United States rejects these changes as a basis to resolve the dispute because Canada remains out of compliance with its USMCA obligations. USTR initiated a second USMCA dispute on Canada's allocation measures on May 25th.

Question. The European Union (EU) speaks of promoting "European digital sovereignty."

The recent text of the European Digital Markets Act appears to target U.S. companies through thresholds that exclude not only European firms, but also Chinese firms.

Rather than targeting our companies, the EU should be partnering with the United States in the face of increasing digital authoritarianism globally

How will you convince the EU to apply its digital measures even-handedly—including with respect to the Digital Markets Act?

Answer. We are engaged with the EU on digital trade issues both in the Trade and Technology Council and also in direct bilateral discussions. It is clear that, in the context of the digital economy, the United States and the EU are both committed to protecting workers, privacy, cybersecurity, and consumer rights and we both want our markets to be fair and competitive. We share many of the concerns animating EU action on many policy issues. When governments exercise their regulatory powers, they should not do so on the basis of advancing the interests of national champions at the expense of foreign competitors.

Question. The trade agenda states that "the Biden administration supports a WTO reform agenda."

One of the major issues to reform is dispute settlement, including the Appellate Body. There are problems with the dispute settlement process, including the amount of time it took to resolve cases.

However, our allies tell me that it is very important to bring back dispute settlement so that they may confront China's practices, since they otherwise lack the economic scale necessary to wage a trade war.

When will the Biden administration table a proposal to reform WTO dispute settlement, and what ideas might it include?

Answer. There have been longstanding, bipartisan concerns with the way that the dispute settlement system has been functioning and for years the United States has been saying there needs to be a course correction. The Biden administration shares these bipartisan concerns, including on decisions by the WTO Appellate Body that have harmed the ability of the United States and other market economies to address China's non-market economic distortions that harm U.S. workers and businesses. I believe that a central feature of reform must be to revitalize the agency of WTO members in securing acceptable resolutions and to ensure that WTO dispute settlement does not impose new obligations and take away rights in a way that was never agreed to by members—or approved by Congress.

The first step to achieving lasting reform is to understand what all WTO members want and need from dispute settlement. A true reform discussion should aim to ensure that WTO dispute settlement reflects the real interests of members. An inclusive, informal discussion that does not prejudge what a reformed system would look like provides us with the greatest chance of achieving reform. We look forward to continuing these informal discussions with WTO members. While those discussions occur, WTO dispute settlement remains available through a number of different procedures, including arbitration agreed between WTO members.

Question. In terms of the USMCA, as I have said before in concert with Chairman Wyden, enforcement needs to be the priority. America's businesses, workers and farmers need to compete on a level playing field—but the administration can also stand up for them by challenging other market access barriers at the same time.

Do you agree that Mexico appears to be moving in the wrong direction, in many ways?

If so, what do you intend to do about it?

Answer. USTR has serious concerns with the deteriorating trajectory of Mexico's energy policies, including a series of ongoing actions the Mexican Government has taken to increase state control over, and limit competition in, the energy sector. USTR is actively assessing these developments, and as I wrote to Secretary of Economy Tatiana Clouthier on March 31, 2022, I will be considering all available options under the USMCA to address these concerns.

Additionally, I have been working closely with Secretary Vilsack to address challenges for American agriculture in Mexico. I am examining biotech policies and developments in Mexico carefully and have raised concerns with Mexico's Secretary of Economy Clouthier and Agriculture Secretary Villalobos. I will continue engaging them to ensure Mexico fulfills its USMCA obligations and addresses issues that affect the commercialization of biotech products.

USTR is considering all options available under the USMCA to address these issues, as well as other areas of concern.

Question. I am disappointed to see that USTR has not decided to pursue free trade agreement negotiations with the UK and Kenya to date. I think it is important that we act in a timely fashion as the UK is already pursuing new trade deals, and it is critical that we deepen our engagement with Africa.

Is USTR still reviewing whether to pursue free trade agreement negotiations with these countries, and if so, why has the review not concluded?

Answer. In March 2022, I hosted United Kingdom Secretary of State for International Trade Anne-Marie Trevelyan for the first joint U.S./UK Dialogues on the Future of Atlantic Trade in Baltimore, Maryland. Then in April 2022, we held the second round of dialogues in Scotland and England. Following President Biden and Prime Minister Boris Johnson's announcement last year of a new "Atlantic Charter," the U.S./UK Dialogues on the Future of Atlantic Trade are exploring how the United States and United Kingdom will collaborate to advance mutual international trade priorities rooted in our shared values, while promoting innovation and inclusive economic growth for workers and businesses on both sides of the Atlantic.

I have also held several meetings with Betty Maina, the Kenyan Cabinet Secretary for the Ministry of Industrialization, Trade, and Enterprise Development, to discuss the importance of the U.S.-Kenya relationship and strengthening ties between both countries. We agreed to direct our respective teams to pursue a deepening of the United States-Kenya trade relationship in a manner that benefits workers, attracts investment, and promotes regional economic integration. Toward that end, Assistant United States Trade Representative for African Affairs Constance Hamilton held meetings in Kenya on May 3rd through May 6, 2022. She led a delegation of 14 Washington-based U.S. officials that included subject-matter experts from USTR and the Departments of State, Labor, Commerce, and Agriculture. The discussions between the U.S. and Kenyan delegations covered a wide range of topics and proved very productive, identifying areas of convergence and deepening our mutual understanding on how to best strengthen our bilateral trade engagement.

QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

Question. I understand that the Brazilian Government was facing pressure over high gas prices so they moved to eliminate the tariff this year on American ethanol which is good news.

What work is being done to permanently end this tariff?

Answer. USTR and USDA have engaged extensively with Brazil on this issue in the nearly 5 years since it implemented a tariff rate quota on imports of ethanol in September 2017. As part of Mercosur, Brazil started applying, an across-the board tariff of 20 percent on all ethanol imports in December 2020, before temporarily lowering that tariff to 18 percent in November 2021. We are very pleased by Brazil's more recent elimination of tariffs on ethanol imports for the remainder of this calendar year. Bilateral trade of ethanol is in both of our interests, and USTR will continue engaging with Brazil in advance of the expiration of tariff relief in efforts to avoid the uncertainty of past years and establish reciprocal conditions for bilateral trade.

Question. I have seen one of your pillars in the 2022 trade policy agenda is to engage with key trading partners to incentivize climate action.

As you likely know, emissions from corn ethanol are 46-percent lower than conventional gasoline. Biodiesel and renewable diesel can reduce emissions by 85 percent over conventional diesel.

Does this include U.S. produced biofuels?

Answer. We have encouraged trading partners to establish biofuel policies that align with current U.S. law and regulations under the Renewable Fuel Standard, and will continue to do so.

Question. India has aggressive timelines for implementing E20 across the country. However, without imports they will not be able to meet their climate and air quality goals.

How can the United States best engage with India on market access for U.S. biofuels?

Answer. We are actively engaging through the U.S.-India Trade Policy Forum's working group on agricultural goods to expand access to the Indian market for U.S. biofuels. We continue to press India to rescind its prohibition on imports of ethanol destined for fuel use, which would also help India to meet its own climate goals.

Question. President Biden has set forth extremely ambitious renewable energy goals. Please explain generally, how does the current investigation at the Department of Commerce regarding solar cells from four southeastern Asian countries comport with those clean energy and climate goals, particularly his net-zero carbon goal by 2035 for the electric utility sector?

Answer. The Commerce Department has authority for antidumping and countervailing duty investigations and is following the statutory processes, including the deadlines set by statute, for investigating possible circumvention of AD and CVD orders on solar cells and modules from China. USTR does not have a role in how or when the Commerce Department makes anticircumvention determinations.

Question. The investigation initiated by the Department of Commerce adds great uncertainty to the solar supply chain and may impact solar projects in Iowa as well as the local economies and jobs they support. An efficient and expeditious investigation is imperative to removing that uncertainty as quickly as possible.

Do you support accelerating the investigation timeline for a preliminary determination identified in the Commerce decision?

Will USTR help in resolving this issue so that critical clean energy projects can move forward?

Answer. The Commerce Department has authority for antidumping and countervailing duty investigations and is following the statutory processes, including the deadlines set by statute, for investigating possible circumvention of AD and CVD orders on solar cells and modules from China. USTR does not have a role in how or when the Commerce Department makes anticircumvention determinations.

Question. Separate from the Commerce investigation, what longer term steps are USTR taking to ensure that clean energy is deployed with more international trade certainty?

Answer. USTR continues to examine how we can leverage U.S. companies' innovation and domestic production of environmental goods to benefit U.S. jobs and increase exports. We also continue to work with international partners bilaterally and multilaterally to discuss how we can facilitate trade in climate aligned and low-emissions goods, including those used to generate clean energy.

Question. Record-high lumber prices and volatility continue to harm housing affordability. This will continue to be the case as long as lumber remains expensive and scarce.

We still do not have a softwood lumber agreement with Canada. As best as I can tell, we are not even at the negotiating table on this. Why is this and what progress, if any, can you speak to on this critical issue?

Answer. I continue to discuss softwood lumber with my Canadian counterpart. The United States is open to resolving our differences with Canada over softwood lumber, but it would require addressing Canadian policies that create an uneven playing field for the U.S. industry. Unfortunately, to date, Canada has not been willing to address these concerns adequately.

Question. I would like to have more information on the Indo-Pacific Economic Framework that the Biden administration continues to work on.

What criteria is the administration using as it considers which countries are appropriate partners?

What is the timeline for this framework?

Will Taiwan be included in the framework?

Answer. We are working to develop a worker-centered trade policy that benefits U.S. workers and consumers, and ensures that U.S. companies can continue to innovate and create new economic opportunities both in the United States and abroad. The Biden-Harris administration is committed to economic engagement with partners in the Indo-Pacific region and has launched the Indo-Pacific Economic Framework for Prosperity (IPEF). The IPEF will strengthen our economic ties to the region, while promoting inclusive growth for workers and businesses, advancing strong labor standards, and tackling climate change. We are pleased to have launched IPEF with an initial strong, diverse group of Indo-Pacific partners.

We expect that negotiation of the Indo-Pacific Economic Framework will progress at different speeds across the various pillars. While we want to produce results quickly, we must let the substance drive the timeline.

Taiwan is a critical trading partner of the United States, and under President Biden, we've only strengthened and deepened our economic partnership by restarting Trade and Investment Framework Agreement talks and launching the Technology Trade and Investment Collaboration (TTIC) framework under Commerce. We look forward to continuing to strengthen and deepen those economic ties under the Biden administration. In fact, on June 1, USTR launched the U.S.-Taiwan Initiative on 21st-Century Trade, which is intended to develop concrete ways to deepen the economic and trade relationship, advance mutual trade priorities based on shared values, and promote innovation and inclusive economic growth for our workers and businesses. We are pleased to be launching IPEF with an initial strong, diverse group of Indo-Pacific partners. Moving forward, we will work with IPEF partners to considering expanding membership in IPEF.

Question. The Biden administration often outlines a top priority is having a worker-centered trade policy.

Could you explain to me how support for an IP waiver advances U.S. economic, entrepreneurial, and worker interests? How does this grow American jobs and support American workers?

Answer. The pandemic has taken a devastating toll on the global economy. It is in our collective interest, both morally and economically, to end the pandemic. In announcing support for a waiver of intellectual property protections, the Biden-Harris administration showed its commitment to promoting access to vaccines for people all over the world, as part of the effort to end the pandemic and put the global economy back on sound footing. A healthier global economy will, in turn, be good for American economic, entrepreneurial, and worker interests.

Question. Has the administration conducted an analysis on the impact of a TRIPS waiver on U.S. competitiveness? If so, please provide this analysis and any background materials.

Answer. USTR has had regular consultations with interested parties throughout the process of discussions on this issue. These interested parties have included Congress, labor organizations, civil society, public health advocates, public health experts both inside and outside of the government, and vaccine manufacturers themselves. Also, in light of variants, there is considerable uncertainty about how many vaccines will be required to vaccinate the world over the long term.

Now that the WTO Director-General has released the official text, USTR has begun its consultations on that text with Congress and stakeholders.

QUESTIONS SUBMITTED BY HON. MARIA CANTWELL

Question. If we could just remove the section 232 tariffs on Indian steel and aluminum, I would expect India would get rid of their retaliatory tariffs on lentils, apples, and a host of other goods. Washington apple exports have declined precipitously after India placed retaliatory tariffs on the product in June 2019, declining from a $120 million market in 2018 to $21 million in 2021.

You're working on the IPEF and it has no provisions to open markets. You said that trade agreements were so 20th century. Putting these facts together, I'm not sure how you are going to increase and open up trade. My agriculture industry wants to grow exports to India—very simply, we need to get rid of the tariffs and rebuild our trade relations.

I appreciate that steel and aluminum negotiations are progressing with the UK. Are you undertaking similar negotiations with India? How are we going to resolve the trade conditions we currently have with India and facilitate the opening of the India market for Washington apples, and other goods?

Answer. I understand that India's retaliatory tariffs have negatively impacted U.S. exports, particularly agricultural exports, and I will explore prospects for working with India to address the root causes of excess capacity in the global steel and aluminum markets. We believe that India's duties are inconsistent with WTO rules and are challenging them in a WTO dispute. As the Secretary of Commerce's findings formed the bases for the actions taken under section 232 and the Secretary is charged with, among other things, reviewing the status of steel and aluminum imports with respect to the national security, we encourage countries interested in discussing the section 232 measures to engage the Department of Commerce on this matter.

Question. I am concerned about the timeline of the section 301 tariff exclusions. As you know, the first round of section 301 exclusions expired at the end of 2020. Last October, you announced some exclusions could be reinstated, and announced the first round of reinstatements last week.

Now, the exclusions apply between October 12, 2021 through December 2022.

However, the companies still have to pay the tariff between January 1, 2021 and October 12, 2021. I have one small business in my State that makes lower-cost electric bikes. They want to add jobs in the U.S. and move some manufacturing back here. But if required to pay the $25 million in tariffs from January to October 2021, they won't be able to afford to.

If the companies had the exclusions before January 1st, why does the reinstatement of the exemption only go back to October? Why are you not making the reinstatement retroactive to January 1, 2021? Why should companies pay the section 301 tariffs for the time in between the expiration of December 31, 2020 and October 12, 2021?

Answer. In developing a process for the possible reinstatement of previously extended exclusions, we sought to create a process that was administrable, fair, and transparent, and had integrity. An important element of our consideration was administrability with respect to past entries, and the finality of Customs liquidation. The outcome of our deliberation was that making the exclusions retroactive to the date when the process was announced created the most administrable and fair process for stakeholders seeking refunds for goods imported prior to the reinstatement of the exclusions.

Question. As you know, after years of disputes with the U.S. Government over potato market access, Mexico agreed to open their market to fresh potatoes from the United States in 2014. Upon taking that action, the National Confederation of Potato Growers of Mexico (CONPAPA) sued their own government to prevent U.S. potato imports. In April 2021, those lawsuits were decided unanimously in the U.S. favor by the Mexican Supreme Court. However, I understand Mexico is still not adhering to its trade commitments and continuing efforts to delay U.S. potato growers access to the market. Washington State exports over $40 million worth of potatoes to Mexico.

How is USTR engaging on this issue to ensure fair access for American potatoes in the Mexican market?

Answer. I have raised the issue with Mexico's Secretary of Economy, Tatiana Clouthier, and Secretary of Agriculture and Rural Development, Victor Villalobos. In April, Secretary Vilsack received a commitment from Mexico that access for U.S. fresh potatoes beyond a 26-kilometer zone along the U.S.-Mexico border would be authorized no later than May 15th. Earlier this month, U.S. fresh potatoes were successfully exported beyond the border zone.

Question. Washington State is home to over 130,000 aerospace workers. In June, 2021, USTR along with EU and UK counterparts negotiated a settlement to the 17-year Boeing-Airbus case at the WTO for large civil aircraft.

Since we are near the 1-year mark, can you please give us an update on the status of the implementation and engagement in the working groups?

Answer. The United States reached understandings on cooperative frameworks with the EU and the UK, in which each side intends not to impose the WTO-authorized countermeasures for a period of 5 years starting from July 4, 2021. The working group established under each framework aims to analyze and overcome any disagreements in the sector, including on any existing support measures. The working group will also collaborate on jointly analyzing and addressing non-market practices of third parties that may harm the U.S. and EU large civil aircraft industries.

Since then, we held our first official meetings with the UK and the EU in October and November, respectively, and have held numerous preparatory and follow-up meetings at the staff level.

Questions Submitted by Hon. John Cornyn

Question. Last week, the chair of President Biden's Council of Economic Advisors, Cecilia Rouse, said that the administration is evaluating and reviewing the existing tariffs on products from China. As part of that review, she said the administration is also looking "for those still consistent with our trade goals and rolling off those that are not."

Can you confirm for us today that the administration is reviewing the tariffs?

Can you provide additional insight regarding the administration's review of the tariffs?

Given that the administration has been in office for more than a year, and that we discussed a tariff review at last year's Trade Agenda hearing, when can we expect the review to be completed and the results shared with Congress and the public?

Answer. The administration is continually reviewing the China 301 tariffs; this process is a key part of the Biden-Harris administration's deliberative, long-term vision for realigning the U.S.—China trade relationship around our priorities and making trade work for American workers and businesses. As part of this process, we have initiated and completed two separate exclusion processes—one on COVID-related products, and one addressed to over 500 previously extended but expired exclusions. In March, we reinstated exclusions where American workers, farmers, and domestic producers would benefit. We are continuing to consider additional exclusions processes, as warranted.

Furthermore, we have started the process for the mandatory 4-year review of all the China 301 tariffs, as provided in the statute. The first step in the process is to notify representatives of domestic industries that benefit from the tariff actions of the possible termination of those actions and of the opportunity for the representatives to request continuation. If a request for continuation is received, USTR will conduct the statutory review of the tariff actions. That review would include a consideration of the effectiveness of the action in achieving the objectives of section 301, other actions that could be taken, and the effects of such actions on the United States economy, including consumers. The review would include an opportunity for all interested persons to submit their views.

Further information may be found on the Four-Year Review page of the USTR website: *https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china-technology-transfer/china-section-301-tariff-actions-and-exclusion-process/four-year-review.*

Question. American importers have been assessed close to $130 billion in tariffs since President Trump first imposed tariffs on products from China nearly 4 years ago. As you know, List 1 of those tariffs is set to expire in July unless USTR receives a petition for a continuation of the tariffs.

Has USTR received a petition to continue the tariffs?

If not, does USTR anticipate that it will receive a petition for a continuation of the tariffs?

If USTR received or receives a petition, what will USTR's process be for conducting a review of the tariffs?

Will you commit to including an opportunity for all stakeholders—including American importers who pay the tariffs—to provide input into the review process?

Further, will USTR consider a consolidated review of all four tariff lists to create administrative efficiencies for USTR and American companies, to provide a more holistic assessment of whether the tariffs achieved their stated objectives, and to provide a fuller picture of the tariffs' impact on the U.S. economy, as well as American businesses, workers, and consumers?

Answer. USTR has started the process for the mandatory 4-year review of all the China 301 tariffs, as provided in the statute. The first step in the process is to notify representatives of domestic industries that benefit from the tariff actions of the possible termination of those actions and of the opportunity for the representatives to request continuation. If a request for continuation is received, USTR will conduct the statutory review of the tariff actions. That review would include a consideration of the effectiveness of the action in achieving the objectives of section 301, other actions that could be taken, and the effects of such actions on the United States economy, including consumers. The review would include an opportunity for all interested persons to submit their views.

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Question. The section 301 product exclusion process expired at the end of 2020, except for a small number of exclusions that were extended for products needed to respond to the COVID–19 pandemic. USTR announced in October a narrow exclusion process for 549 products that previously enjoyed an exclusion. Last week, USTR announced its determination to reinstate 352 of those exclusions—approximately two-thirds of those eligible. The exclusions are retroactive to October 12, 2021.

Why did USTR make the determination to only allow retroactivity for these reinstated exclusions to October 12, 2021?

The Federal Register Notice announcing USTR's determination regarding the reinstatement of this narrow set of exclusions did not include any reasoning for why the remaining exclusions were denied. Does USTR intend to notify petitioners regarding why the remaining exclusions were not reinstated?

Can you share USTR's rationale for denying those exclusions now?

Answer. In developing a process for the possible reinstatement of previously extended exclusions, we sought to create a process that was administrable, had integrity, fair, and transparent. An important element of our consideration was administrability with respect to past entries, and the finality of Customs liquidation. The outcome of our deliberation was that making the exclusions retroactive to the date when the process was announced created the most administrable and fair process for stakeholders seeking refunds for goods imported prior to the reinstatement of the exclusions.

The USTR notices announcing the reinstatement decisions explained the factors USTR considered in making its decisions. The decision not to reinstate a particular exclusion reflects a determination that, based on all public comments received, both supporting and opposing reinstatement, on balance the exclusion did not meet the criteria for reinstatement.

Question. The House and Senate are preparing to go to conference on their China competition bills—the U.S. Innovation and Competition Act, which was passed last year by the Senate, and the America COMPETES Act, which the House passed earlier this year. The Senate bill includes a trade title that was adopted by an overwhelming bipartisan vote of 91–4. The trade title includes language amending section 301 of the Trade Act of 1974 to require USTR to reinstate an exclusions process for those experiencing "severe economic harm" for the current section 301 tariffs and would require USTR to have a similar process for any future section 301 actions.

Does USTR intend to create a broader section 301 exclusions process, or will Congress be forced to act to ensure that American businesses have a mechanism to seek relief from the tariffs?

Answer. The administration is continually reviewing the China 301 tariffs; this process is a key part of the Biden-Harris administration's deliberative, long-term vision for realigning the U.S.-China trade relationship around our priorities and making trade work for American workers and businesses. As part of this process, we have initiated and completed two separate exclusions processes—one on COVID-related products, and one addressed to over 500 previously extended but expired exclusions. In March, we reinstated exclusions where American workers, farmers, and domestic producers would benefit. We are continuing to consider additional exclusions processes, as warranted.

Furthermore, USTR has started the process for the mandatory four-yea review of all the China 301 tariffs, as provided in the statute. The first step in the process is to notify representatives of domestic industries that benefit from the tariff actions of the possible termination of those actions and of the opportunity for the representatives to request continuation. If a request for continuation is received, USTR will conduct the statutory review of the tariff actions. That review would include a consideration of the effectiveness of the action in achieving the objectives of section 301, other actions that could be taken, and the effects of such actions on the United States economy, including consumers. The review would include an opportunity for all interested persons to submit their views.

Further information may be found on the Four-Year Review page of the USTR website: *https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china-technology-transfer/china-section-301-tariff-actions-and-exclusion-process/four-year-review.*

Question. We are now 4 years into a trade war with China, and the commitments the United States was expecting to see from China have not materialized. It is well documented that China failed to meet its purchase commitments under the Phase One agreement, and there has been no indication that they have fulfilled their other obligations in the agreement.

Do you believe China has lived up to the commitments it made for the Phase One trade deal?

At what point do you intend to begin negotiations on a Phase Two deal?

Do you believe that the tariffs have failed to create leverage for getting China to make lasting structural changes and that we should instead seek new tools?

Answer. As noted in our China WTO Compliance Report, China followed through in implementing some provisions of the Phase One agreement. At the same time, China has not yet implemented some other significant commitments, such as those in the area of agricultural biotechnology and the required risk assessment that China is to conduct relating to the use of ractopamine in cattle and swine. And it is clear that China did not fully implement its Phase One agreement purchase commitments, and we have been discussing with our Chinese counterparts how China plans to rectify the purchase shortfalls. Other commitments that China made, such as in the area of technology transfer, are difficult to verify given the tactics that China takes to obscure its activities.

We continue to consult with China on the implementation of the Phase One agreement, and all options remain on the table in dealing with China's compliance failures. We also need to acknowledge the limitations of the Phase One agreement and past approaches to dealing with China. Our strategies must expand beyond exclusively pressing China for change or for compliance with past commitments. We need to include the vigorous defense of our economic interests in the face of China's unfair policies and practices. We also need to work more closely with like-minded trading partners on new strategies, as we are doing.

Question. USTR recently published a Federal Register Notice soliciting comments on the Fair and Resilient Trade pillar of the Indo-Pacific Economic Framework (IPEF). This is a positive first step towards the U.S. acceding to a comprehensive free trade agreement in the region.

The U.S. must engage in the Indo-Pacific and around the world that reinforce the rules-based international trading system.

This is especially true as China continues to enter into agreements like the Regional Comprehensive Economic Partnership and shows ambitions to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, I am concerned that the administration has taken market access off the table, and that the administration does not believe congressional approval will be required. This suggests IPEF may not be a high ambition agreement with enforceable commitments and that the U.S. is not serious about getting off the trade negotiation sidelines.

Can you explain why the United States has taken market access off the table for IPEF?

Will IPEF commitments be enforceable?

Will USTR commit to consulting with Congress and stakeholders every step of the way?

Answer. It is correct that market access, in the form of tariff liberalization, is not currently being considered as part of the IPEF trade pillar. However, the trade pillar will include binding and non-binding rules that will enhance access to each other's markets by creating a common set of rules and norms, including by leveling the playing field for works. The high-standard commitments we are seeking will establish a strong foundation for a worker-centric trade policy that will support high-quality American jobs and underpin innovative growth for American farmers, producers, and businesses. As part of this effort, USTR will lead work on a trade arrangement with our partners that includes high-standard and binding commitments in the areas of labor, environmental sustainability, the digital economy, and agriculture, subject to negotiation. We expect to have both binding and non-binding obligations. We look forward to continued close coordination with Congress on this initiative.

Question. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreement represents approximately half a billion people and 14 percent of the global economy. American companies were negatively impacted when the U.S. withdrew from the TPP agreement in 2017. Joining the CPTPP would be a good opportunity for the U.S. to reclaim global leadership and write the rules of the road regarding trade, intellectual property, environmental, and labor standards. It would also serve as an important foothold into key markets and help the U.S.

compete against China. The U.S. could go back to the negotiating table to improve the agreement and to ensure it can receive broad bipartisan support in Congress. But instead of CPTPP, the administration has announced an Indo-Pacific Economic Framework with few details, no market access, and questions about enforceability. IPEF is a good first step for re-engaging in the Indo-Pacific region, but it is just that—a first step.

What is USTR's plan for ensuring IPEF is a meaningful, high-ambition agreement that helps American businesses and workers compete against China?

Answer. The Biden-Harris administration is committed to economic engagement with partners in the Indo-Pacific region and has launched the Indo-Pacific Economic Framework for Prosperity (IPEF) to strengthen our economic ties to the region, while promoting inclusive growth for workers and businesses, advancing strong labor standards, and tackling climate change. As part of this effort, we are specifically focused on negotiating provisions in IPEF that can help American businesses and workers compete in the global economy and will seek to include commitments on labor, environmental sustainability, the digital economy, agriculture, transparency and good regulatory practices, competition policy, and trade facilitation. The administration's focus will be on developing high-standard rules that can increase interoperability and competitiveness among Parties to the arrangement, which can generate increased access to foreign markets for U.S. exporters.

Question. Many imports from China facing tariffs have no relation to the original concern of intellectual property theft that the Trump administration used for issuing tariffs.

Have these tariffs been successful at reducing intellectual property theft?

Answer. The United States has been closely monitoring China's progress in implementing its Phase One agreement commitments under the intellectual property chapter. On the one hand, China has enacted certain legislative changes aimed at addressing intellectual property protection and enforcement. On the other hand, we continue to have concerns about the adequacy of China's written measures, their effective implementation, and unwritten practices involving forced technology transfer. More work needs to be done, including in critical areas not covered by the agreement.

Going forward, our strategies must expand beyond only pressing China for change or for compliance with past commitments and include the vigorous defense of our economic interests in the face of China's unfair policies and practices. We also need to work more closely with like-minded trading partners on new strategies, as we are doing.

Question. In the October USTR Federal Register Notice regarding a process to petition for exclusions, included as one of the factors in determining if an exclusion would be granted was "whether the particular product and/or a comparable product is available from sources in the United States and/or in third countries." Recently, USTR announced exclusions to some petitions and not others.

Was there a specific threshold you were looking for to help meet this factor?

Answer. As the October 8th Federal Register notice seeking public comments on the possible reinstatement of certain exclusions indicated, USTR would evaluate possible reinstatement on a case-by-case basis. Additionally, in addressing the availability factor, USTR requested that commenters address specifically:

- Whether the particular product and/or a comparable product is available from sources in the United States and/or in third countries;
- Any changes in the global supply chain since September 2018 with respect to the particular product or any other relevant industry developments;
- The efforts, if any, the importers or U.S. purchasers have undertaken since September 2018 to source the product from the United States or third countries; and
- Domestic capacity for producing the product in the United States.

The decision not to reinstate a particular exclusion reflects a determination that, based on all public comments received, both supporting and opposing reinstatement, on balance the exclusion did not meet the criteria for reinstatement.

Question. The four factors included in USTR's October 2021 Federal Register Notice regarding the process to petition for exclusions seem rather vague.

Could you provide some specificity on each of the four factors?

Answer. The October 8th Federal Register notice seeking public comments on the possible reinstatement of certain exclusions provides that USTR would examine three factors: (1) whether the product remains available only from China; (2) whether or not reinstating the exclusion will impact or result in severe economic harm; and (3) the overall impact of the exclusion on the goal of obtaining the elimination of China's acts, policies, and practices. Regarding availability, as noted above, USTR requested comment and considered the availability of the product from sources in the United States and/or in third countries; changes in the global supply chain since September 2018; efforts to source the product from the United States or third countries; and domestic capacity for producing the product in the United States. With respect to severe economic harm, USTR considered whether or not reinstating the exclusion will impact or result in severe economic harm to the commenter or other U.S. interests, including the impact on small businesses, employment, manufacturing output, and critical supply chains in the United States. Finally, in examining the overall impact of the exclusion on the goal of obtaining the elimination of China's acts, policies, and practices, USTR examined whether reinstating the exclusion would undermine efforts to incentivize China to address the acts, policies, and practices covered in the section 301 investigation.

Question. Last year, President Biden issued an executive order to address the root causes of migration at our southern border. To ease this migration challenge, communities in Central America need jobs with higher wages and long-term stability. Increasing trade and investment in the region will do this. Some businesses are creating proposals to do this.

Will you commit to bringing all stakeholders to the table to discuss creative solutions that protect current and planned U.S. investments in the region while also creating conditions to sustainably and permanently grow textile and apparel investment for the benefit of U.S. apparel and textile companies?

Answer. One of the five pillars of the administration's Strategy for Addressing the Root Causes of Migration in Central America, led by Vice President Harris, is "addressing economic insecurity and inequality." The textile and apparel industry in Central America, already one of the biggest employers in the region, holds great potential for driving new, inclusive, worker-centered economic growth and creating new jobs, especially for women and underserved and marginalized populations. The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA–DR) provides the foundation upon which the industry can grow and the agreement's rules of origin provide the certainty needed by industry to invest and expand operations in a way that promotes economic opportunity for both U.S. workers and those in the region. We are now, and will continue to be, in dialogue with all stakeholders to explore ways to make the most of CAFTA–DR's provisions in order to increase two-way trade and boost sustainable investment in region.

Question. Two critical trade preference programs—the Generalized System of Preferences (GSP) and the Miscellaneous Tariff Bill (MTB)—lapsed at the end of 2020 imposing a tax increase on American workers, American consumers, and American businesses at a time when they can least afford it. Both the GSP and MTB programs have been supported for decades by overwhelming bipartisan majorities. The COVID–19 pandemic, the shipping crisis, and inflation have caused great uncertainty for American companies and their U.S. workers. This is not the time to impose new costs on U.S. supply chains.

Can you confirm the administration's support for retroactive renewal of GSP and MTB in short Order?

Answer. The Generalized System of Preferences is a program intended to promote development in eligible beneficiary countries, and we support Congress renewing this program. As you note, the Miscellaneous Tariff Bill, which similarly expired in 2020, helps U.S. manufacturers produce domestically, create jobs, and compete in a global marketplace, and we support Congress's renewal of this program as well.

Question. According to the 2021 Review of Notorious Markets, "commercial-scale copyright piracy and trademark counterfeiting cause significant financial losses for U.S. right holders and legitimate businesses, undermine critical U.S. comparative advantages in innovation and creativity to the detriment of American workers, and pose significant risks to consumer health and safety."

What commitments can USTR make to focus more keenly on this growing issue?

And specifically, with the most trusted e-commerce and social media platforms here in America?

Answer. USTR will continue to use the Review of Notorious Markets for Counterfeiting and Piracy to highlight prominent and illustrative examples of online and physical markets that reportedly engage in, facilitate, turn a blind eye to, or benefit from substantial piracy or counterfeiting, with a goal to motivate appropriate action by the private sector and governments to reduce piracy and counterfeiting. USTR regularly engages with trading partners on these important issues.

Question. Key allies, like the United Kingdom and Germany, have expressed concern that the WTO waiver would erode incentives for innovation.

Why doesn't USTR have similar concerns?

Answer. The COVID–19 pandemic has highlighted the importance of pharmaceutical, medical device, and other health-related innovations, as well as a lack of widespread, timely, and equitable global distribution of these innovations. The administration recognizes that extraordinary circumstances such as pandemics call for extraordinary measures. The administration continues to seek an appropriate balance through adequate and effective protection for pharmaceutical and other health-related intellectual property around the world to ensure robust American innovation in these critical industries to treat diseases and to fight the current pandemic.

Question. Congress was not adequately consulted before USTR agreed to a "compromise" on the TRIPS waiver.

Were the Departments of State, Commerce, and Defense? Please tell us about the interagency review process that led to your decision.

When administration principals discussed the importance of boosting vaccine supply, how did you determine that the best path forward is to eliminate intellectual property protections for American companies rather than exporting our Nation's extra doses?

As you are aware—I hope—the United States threw away more than 15 million vaccine doses between March and September of last year, many of which could have been exported instead.

What role did China play, if any, in restricting the equipment necessary to refrigerate the vaccines sent to foreign nations, blocking U.S. diplomacy efforts and harming the health of millions?

Answer. USTR has consulted with Congress on the TRIPS waiver discussions at the WTO. When waiver discussions at TRIPS Council stalled, the WTO Director-General decided to engage more directly in order to facilitate an outcome. She convened an informal discussions process with four WTO members (the United States; EU, which presented a paper on addressing pandemic exigencies through the TRIPS agreement in June 2021; and South Africa and India, which co-led the original TRIPS waiver proposal in October 2020) to identify a possible path forward on this important issue for deliberation by the entire WTO membership. The informal process convened by the Director-General resulted in draft text, released on May 3rd. The text has not been agreed to, either by the four members, or by the WTO membership as a whole. All WTO members currently have the opportunity to consult with their governments, legislatures, and stakeholders. Those consultations, including ones being conducted by USTR, are ongoing.

Question. Last week, USTR announced that an agreement-in-principle has been reached on revisions to Japan's beef safeguard that should provide greater opportunity for growth in the Japanese market. As you know, Japan is a very important market for U.S. cattle producers, accounting for nearly $2.4 billion in U.S. beef sales in 2021, or $91 per head. As we have learned, it was wise to include a provision in the Japan agreement that called for consultation on safeguards when market demand exceeds the negotiated thresholds. This is great news for Texas cattle ranchers, feeders, and raisers.

As consumer demand continues to grow in Japan and other key Asian markets, and food security becomes a focal point of trade policy, will USTR continue to advocate for similar measures in future market access agreements?

Answer. This administration takes a strategic approach when engaging our partners worldwide. As each partner is different, we have and will continue utilizing all our trade policy tools to come up with innovative arrangements, whether in the context of a large trade arrangement or through other formats that would secure market access and provide the greatest economically meaningful outcomes for the United States. U.S. farmers are integral to the Biden administration's worker-centered trade policy. Therefore, the consultation mechanism similar to the one we used with Japan will continue to be one of many options that USTR will reference as we engage with our partners.

Question. Geopolitical instability in recent months and supply chain disruptions over the past couple years have underscored the importance of building stronger economic relationships with trustworthy, dependable markets. Higher input costs, scarcity of supplies, and other market pressures are making it difficult for primary industries like agriculture to remain competitive, resulting in food security concerns among U.S. allies, including the United Kingdom. Last week, USTR concluded high-level discussions with the British Government and focused on digital trade, decarbonization of economies, and strengthening supply chains. Unfortunately, agriculture was not a prominent part of the discussion even though farmers, ranchers, and consumers in the United States and United Kingdom will benefit greatly from increased trade with goods produced with high standards.

As part of addressing food security concerns and strengthening supply chains, will the Biden administration commit to prioritizing trade with the United Kingdom, and do we have assurances that agriculture will be included in future discussions and negotiations?

Answer. The trade dialogue I am conducting with my UK counterpart, Secretary of State Trevelyan, is a strong signal of the priority the Biden-Harris administration places on our trade relationship with the UK. With the cost of global food prices recently rising to their highest levels on record, according to the Food and Agriculture Organization, we added a food security component to our ongoing supply chain work in the trade dialogue with the UK, including in meetings in Aberdeen, Scotland, following meetings in Baltimore. In these discussions, we are exploring how trade policy may contribute to food security, both by strengthening and making more efficient our bilateral agricultural supply chains, and more closely collaborating with the UK in international forums on this issue.

Question. You have stated that the Biden administration will ensure that our trading partners fulfill their commitments under existing agreements. Since entry into force of the USMCA, the government of Mexico has announced and enacted policies that threaten our access to the Mexican market and undermine our investment in multiple sectors. This is particularly true in energy where government policy is discriminating against U.S. energy companies and instead favors state-owned enterprises. With rising energy prices and inflation, North American energy security and protecting U.S. investments in energy infrastructure is paramount. By April 12th–13th, the Mexican Chamber of Deputies plans to act on a constitutional electricity reform measure that would further harm U.S. investment in energy infrastructure in Mexico, eliminate independent regulators, and give priority to the state-owned utility.

Could you share your perspective and what steps USTR will take to ensure that Mexico lives up to its USMCA commitments?

Would you consider requesting consultations with the government of Mexico before these April votes, after which many believe it may become more challenging to discourage Mexico from going down this troubling path on energy?

Answer. USTR has serious concerns with the deteriorating trajectory of Mexico's energy policies, including a series of ongoing actions the Mexican Government has taken to increase state control over, and limit competition in, the energy sector. USTR is actively assessing these developments, and as I wrote to Secretary Clouthier on March 31, 2022, I will be considering all available options under the USMCA to address these concerns.

Question. What specific action is USTR going to take to help companies that are on the verge of bankruptcy and have been forced to file intent to submit claims to arbitration under USMCA and NAFTA due to Mexico's illegal actions and pattern of non-compliance for these trade agreements?

Answer. USTR has serious concerns with the deteriorating trajectory of Mexico's energy policies, including a series of ongoing actions the Mexican Government has taken to increase state control over, and limit competition in, the energy sector. USTR is actively assessing these developments, and as I wrote to Secretary Clouthier on March 31, 2022, I will be considering all available options under the USMCA to address these concerns.

Question. Lumber remains at historically high levels almost a year since you were last before this committee, and is adding substantially to the cost of constructing a home. This is having a huge, negative impact on housing affordability. We still don't have a softwood lumber agreement with Canada.

What is the status on discussions with regards to the softwood lumber agreement with Canada?

Answer. I continue to discuss softwood lumber with my Canadian counterpart. The United States is open to resolving our differences with Canada over softwood lumber, but it would require addressing Canadian policies that create an uneven playing field for the U.S. industry. Unfortunately, to date, Canada has not been willing to address these concerns adequately.

Question. Global biopharmaceutical companies are on track to produce more than 20 billion COVID–19 vaccine doses in 2022, which is more than enough to vaccinate the globe (and in fact developing countries have already had to destroy/turn away over 100 million expiring doses due to logistical/distributional challenges).

If we're already producing the vaccines needed, why is the United States even entertaining the proposed COVID–19 TRIPS IPR waiver, which would only undermine IP rights and harm the competitiveness of U.S. life-sciences innovators?

Answer. The Biden-Harris administration supports a waiver of intellectual property protections for COVID–19 vaccines under the TRIPS Agreement. This is one part of a holistic approach to getting as many safe and effective vaccines to as many people around the world as possible. The United States continues to work with the private sector and all possible partners to expand vaccine manufacturing and distribution around the world. It is clear that there are vaccine production powerhouses and vaccine deserts; we must close the gap. We will also work to increase the raw materials needed to produce those vaccines.

There are certainly last mile issues. However, in light of variants, there is considerable uncertainty about how many vaccines will be required to vaccinate the world over the long term.

WTO members look to the United States for leadership. As part of that leadership, USTR is committed to engaging in good faith to address concerns like this one, which relates to a global public health and economic crisis like the COVID–19 pandemic, raised by over half of the WTO's membership, primarily representing the world's developing and emerging economies.

Question. I authored the SECRETS Act, which creates a rapid-response, deterrent mechanism to intellectual property theft by foreign governments as defined in the Economic Espionage Act of 1996 through creation of a National Security Exclusion Order with the Attorney General as the lead prosecutor, the International Trade Commission as the forum of law, and USTR as the final arbiter.

This new *ex parte* process prevents foreign governments from tying up our court system and profiting off American ingenuity.

Finally, it addresses the core issue of why billions in tariffs in trade with China are currently in place, even on non-critical goods-intellectual property theft.

Much to my chagrin and without explanation, this bill was excluded as an amendment from the FY 2022 NDAA consideration. Yet I am hopeful that we can include this in the Conference negotiations on the U.S. Innovation and Competition Act. You yourself have said we need new tools in the trade toolbox.

Can you discuss your thoughts on this proposal and if you would support its inclusion in the USICA negotiations?

Do you have any concerns with the bill, and if so, will you commit to having your staff engage with mine to reach a workable solution?

Answer. Protecting U.S. innovation through intellectual property rights is key to our Nation's economic success. China's illicit practices with regard to intellectual property theft have harmed American innovators, manufacturers, and workers. I am open to consideration of any proposal aimed at combating China's illicit practices while protecting U.S. innovation and industry. My staff has met with your staff several times to discuss the SECRETS Act proposal over the course of last year, and provided substantive feedback on the proposal. We look forward to continuing to work with your staff on these issues.

Question. Discussions are underway to refine the scope of and receive input on the National Critical Capabilities Defense Act. By providing additional resources to USTR as the head of an interagency committee, similar to the three it already chairs such as the 21-agency Trade Policy Committee, we can replicate outbound screening mechanisms already in place by allies such as Taiwan and South Korea.

Last week, former Trump National Security Adviser H.R. McMaster stated: "Last year venture capital firms financed $114 billion in Chinese companies that are developing dual-use and sensitive technologies that are going to be weaponized against us or are already aiding and abetting the Russians."

This proposal was included in the U.S.-China Economic Security and Review Commission's recommendations for this year, and no other authority besides the International Emergency Economic Powers Act exists to address it.

Yet some in the business community believe we should put this issue off to another day. I tried that 5 years ago when writing legislation to authorize the Committee on Foreign Investment in the United States.

It's only become more of a problem. I am particularly interested in the intersection of companies that receive taxpayer funding, develop critical technologies, and want to continue doing business in China without any guardrails in place unlike their competitors in Taiwan and South Korea.

We need to have awareness of things like human, financial, and intellectual capital where it really matters. A "small garden with high walls" approach.

We don't need to know about salespeople or every transaction under the sun. Trade with China must continue, but we should protect the crowned jewels so to speak.

If provided additional resources as our bill currently foresees, would you be up for chairing another interagency committee that can task various cabinet departments, such as Treasury, DOD, or Commerce, as needed?

Do you believe it is acceptable for us to continue doing business in China with the status quo?

Answer. I wholeheartedly agree with focusing on critical supply chain resiliency, which has been a priority for the administration from Day 1. The concept of an outbound screening mechanism also has merit. If a committee were established, USTR would want to serve as a member of the interagency committee implementing a mechanism for screening outbound investments. USTR has a unique role as a small, policy-focused agency, and another agency would be more appropriate to chair this committee. The committee contemplated under NCCDA would likely have ongoing administrative and case management responsibilities, as well as workstreams devoted to monitoring, enforcement, and international engagement—much like the interagency Committee on Foreign Investment in the United States (CFIUS) chaired by Treasury and of which USTR is a member. The CFIUS process involves an enormous amount of resources employed by the lead agency to review, coordinate, monitor, and enforce its decisions. Therefore, even with additional resources, USTR would not be the best fit for the lead role for a new committee. USTR stands ready to engage with our executive branch partners and members of Congress as needed.

With regard to doing business in China, there are many problems that need to be addressed, including forced technology transfer and the theft of intellectual property, among others. To ensure that our industries remain competitive, our strategies must expand beyond only pressing China for change and must include vigorously defending our values and economic interests from the negative impacts of China's unfair policies and practices. We must also develop new domestic tools targeted at defending our economic interests, and make strategic investments in our own economy.

Question. Your predecessor supported the approach in the CHIPS for America Act to provide incentives to restore domestic semiconductor production as a matter of national security. Funding for that bill I authored with Senator Warner will be discussed in a formal conference committee. It is my priority. There are currently significant differences in the trade titles of each bill, however. A bipartisan trade title is vital to passage of a final package. I believe the longer we wait to enact this legislation, the more time China has to build out its own capacity. Time is of the essence.

As the lead executive branch trade official, will you commit to working with the House and Senate to reach a sensible compromise on the trade title of the U.S. Innovation and Competition Act?

Answer. To secure America's supply chains and ensure the United States remains the most productive and innovative Nation in the world, the Biden-Harris administration urges Congress to pass a final version of comprehensive competitiveness legislation, building on USICA and the COMPETES Act.

QUESTIONS SUBMITTED BY HON. ROBERT MENENDEZ

Question. What statutory obligations for consultation with Congress does the administration believe apply to the Indo-Pacific Economic Framework negotiations? Please provide all applicable statutory citations.

Answer. 19 U.S.C. 2211(c) provides that USTR shall consult, on a continuing basis, with the House Ways and Means Committee and the Senate Finance committee on the development, implementation, and administration of overall trade policy, which would include the development of the Indo-Pacific Economic Framework. Pursuant to this obligation, we will continue to develop the Indo-Pacific Economic Framework in close consultation with Congress.

Question. What statutory obligations for consultation with private-sector and civil-society stakeholders does the administration believe apply to the Indo-Pacific Economic Framework negotiations? Please provide all applicable statutory citations.

Answer. 19 U.S.C. 2155 requires USTR to "consult with representative elements of the private sector and the non-Federal governmental sector on the overall current trade policy of the United States" and, in particular, to consult with the Trade Advisory Committees regarding "significant issues and developments" and negotiating positions. This obligation would cover the development of the Indo-Pacific Economic Framework. Pursuant to this obligation, USTR staff has briefed relevant Trade Advisory Committees on the Indo-Pacific Economic Framework, and we will continue to develop the Framework through robust engagement with the Trade Advisory Committees and interested stakeholders. Indeed, although no provision of U.S. law specifically requires it, USTR recently published a Federal Register notice soliciting comments on the IPEF's trade pillar. The comment period closed on April 11th, and we are now reviewing these submissions.

Question. What statutory obligations for sharing negotiating text with Congress does the administration believe apply to the Indo-Pacific Economic Framework negotiations? Please provide all applicable statutory citations.

Answer. We are still in the early stages of developing the Indo-Pacific Economic Framework. We will continue to develop the framework in close consultation with Congress, including with respect to developing negotiating text.

Question. What statutory obligations for sharing negotiating text with the Trade Advisory Committees does the administration believe apply to the Indo-Pacific Economic Framework negotiations? Please provide all applicable statutory citations.

Answer. We are still in the early stages of developing the Indo-Pacific Economic Framework. We will continue to develop the Framework through robust engagement with all interested stakeholders, including engagement with the Trade Advisory Committees on developing negotiating text.

Question. Does the administration intend to abide by the 2015 Guidelines for Consultation and Engagement with respect to the Indo-Pacific Economic Framework negotiations?

Answer. The Indo-Pacific Economic Framework will not be a traditional free trade agreement, and its development likely will proceed differently than that of traditional free trade agreements. The 2015 Guidelines for Consultation and Engagement were developed for traditional free trade agreement negotiations. However, consistent with 19 U.S.C. 2211(c), we intend to consult closely with Congress throughout the development of the Indo-Pacific Economic Framework, which is in line with the substance of what the Guidelines sought to achieve.

Question. I strongly support the emphasis you've placed on enforcement and want to recognize the progress you've made, particularly on labor rights in Mexico. We must also ensure that Mexico lives up to its USMCA commitments in the energy sector, particularly when it comes to treatment of U.S. investments in clean energy in Mexico that can contribute to our shared goal of addressing climate change. I know you share that concern and I appreciate your letter to Secretary Clouthier on this issue late last month. As you know, the government of Mexico has recently announced and enacted policies that discriminate against U.S. renewable energy producers, and instead favor state owned enterprises. In the coming days, the Mexican Chamber of Deputies plans to act on a constitutional electricity reform measure that would further harm U.S. investment in clean energy infrastructure in Mexico, eliminate independent regulators, and give priority to the state-owned utility that relies heavily on fossil fuels.

Could you share your perspective and specific steps you plan to take to ensure that Mexico fulfills its USMCA commitments and remains a reliable partner in the fight against climate change? Would you consider requesting consultations with the government of Mexico before action by the Chamber of Deputies, after which some believe it may become more challenging to discourage Mexico from going down this troubling path on energy?

Answer. USTR has serious concerns with the deteriorating trajectory of Mexico's energy policies, including a series of ongoing actions the Mexican Government has taken to increase state control over, and limit competition in, the energy sector. USTR is actively assessing these developments, and as I wrote to Secretary Clouthier on March 31, 2022, I will be considering all available options under the USMCA to address these concerns.

Question. There is an ongoing standards-setting competition between free and authoritarian regimes in the realm of digital governance. Last Congress, I released a report on China's digital authoritarianism and how they are exporting digitally enabled products and the training and expertise to other countries in an attempt to sway other nations to adopt this alternative, authoritarian model for the digital domain.

How does the administration plan to approach IPEF partners on digital standards setting, and how are we going to incentivize countries to join an open and transparent rules-based approach? Is the administration prioritizing critical and emerging technologies in these standards-setting discussions?

Answer. Strong digital trade rules remain a key priority in our strategy for the Indo-Pacific Economic Framework for Prosperity. These rules will be designed to help workers, consumers, and businesses effectively participate in the digital economy. They will build consumer trust, expand network access for all, and promote network security and reliability. These rules will serve as an alternative to the efforts by certain countries in the region to promote a siloed, tightly controlled version of the Internet.

Question. On August 13, 2021 eight colleagues and I wrote asking you to correct an inequity related to exclusions from section 301 tariffs for COVID–19 products. For HTSUS codes that had not previously received an exclusion, the COVID exclusions began on January 1, 2021—leaving some companies responsible for millions in tariffs incurred during the months in 2020 when demand for such products were at record highs, supply chains were nearly shut down, and store shelves were empty. Your office extended those COVID-related exclusions multiple times, and you have recently provided tariff relief—including retroactive relief—for certain non-COVID products. Each of those actions was an opportunity to also correct the previous administration's mistake of punishing companies for importing lifesaving products to provide to hospitals, schools, businesses, and homes during a period when importing from China was, in some cases, the only option to meet demand.

What was the rationale for extending COVID-related exclusions for 2021 and 2022 but not providing such tariff relief for the period in 2020 when the products were most needed and least available in the U.S.? Does USTR have the statutory authority to provide retroactive tariff relief for these 2020 imports?

Answer. In developing a process for COVID-related exclusions, we sought to create a process that was administrable, fair, transparent, and had integrity. Additionally, an important consideration was the need to address ongoing efforts to address COVID–19. The outcome of our deliberations was that making new COVID exclusions retroactive to the date when the exclusions were published created the most administrable and fair process for stakeholders seeking refunds.

QUESTIONS SUBMITTED BY HON. THOMAS R. CARPER

Question. In September 2021, Senator Cornyn and I sent a letter to President Biden underscoring the importance of working with allies to break down trade barriers to more efficiently distribute health products used in the fight against COVID–

19, including inputs used in vaccine manufacturing, vaccine distribution and approval, therapeutics and pharmaceuticals, diagnostics, PPE and medical devices.

As we continue to fight new and emerging variants of COVID–19 and work to prepare for future pandemics, how will the administration work with our allies at the WTO and through initiatives like the Indo-Pacific Economic Framework to address export restrictions, reduce tariffs, strengthen supply chains, and break down other medical trade barriers to help boost global cooperation on pandemic response?

Answer. In addition to exacting a dreadful human toll, the pandemic has also exposed the extent of the fragility of our supply chains. This fragility has left us too dependent on concentrated sources of supply, leading to shortages that in turn have left Americans with a lingering sense of insecurity. In order to address the current pandemic, and prepare for future ones, we must ensure that we fully understand how our supply chains became so fragile and concentrated, so that we can adopt policies that will mitigate that risk. We look forward to working with like-minded parties on developing secure, resilient supply chains that will withstand shocks such as pandemics, but also wars and shipping bottlenecks.

Question. I have long advocated for a comprehensive exclusions process on section 301 tariffs—especially for products that can only be sourced from China. In previous rounds, USTR has established the precedent of providing full retroactivity for these exclusions.

Will you consider extending full retroactivity for exclusions granted during the most recent process, and how will USTR approach the issue of retroactivity in possible future exclusions processes?

Answer. In developing a process for the possible reinstatement of previously extended exclusions, we sought to create a process that was administrable, had integrity, and was fair and transparent. An important element of our consideration was administrability with respect to past entries, and the finality of Customs liquidation. The outcome of our deliberation was that making the exclusions retroactive to the date when the process was announced created the most administrable and fair process for stakeholders seeking refunds for goods imported prior to the reinstatement of the exclusions.

We are considering and will continue to consider additional exclusions processes, as warranted, and will continue to review the issue of retroactivity.

Question. I have heard from stakeholders that the agreement tentatively reached between the U.S., the EU, India, and South Africa regarding the WTO vaccine IP waiver may allow countries to disclose trade secrets that companies regularly submit as part of their regulatory filings.

Will you commit to work with my office and relevant stakeholders to ensure that any agreement protects valuable trade secrets from being disclosed to competitors?

Answer. I appreciate your concerns. Now that the WTO Director-General has released the text, USTR is conducting consultations with Congress and a broad base of stakeholders on that text. The decision to support a waiver of intellectual property protections for COVID–19 vaccines reflects the extraordinary circumstances of this pandemic. In discussions at the WTO, I will continue to be clear-eyed about potential risks. The compromise text has not been agreed to, either by the four members, or by the WTO membership as a whole.

Question. I view the Indo-Pacific Economic Framework as an opportunity for the United States to push back against the steady increase of digital protectionism, including restrictions to data flows, forced data localization, complex certification schemes, and regulatory barriers that disadvantage American companies and workers.

How can the IPEF serve as a counterweight against these harmful policies?

Answer. Strong digital trade rules remain a key priority in our strategy for the Indo-Pacific Economic Framework for Prosperity. These rules will be designed to help workers, consumers, and businesses effectively participate in the digital economy. They will build consumer trust, expand network access for all, and promote network security and reliability. These rules will allow like-minded countries to work together to protect our freedoms.

QUESTION SUBMITTED BY HON. RICHARD BURR

Question. I am greatly concerned by the potential for a TRIPS agreement that would gut the intellectual property rights of innovators. For example, I understand that such an agreement could allow foreign governments to disclose companies' proprietary information to their competitors.

Given the global availability of vaccines for COVID–19, and the commitments of COVID–19 manufacturers to provide doses across the globe, what specific gaps would the TRIPS waiver address that are not already being met for the COVID–19 emergency? What will you do to ensure that any such waiver expressly protects proprietary information from disclosure by foreign governments?

Answer. The COVID–19 pandemic has highlighted the importance of pharmaceutical, medical device, and other health-related innovations, as well as a lack of widespread, timely, and equitable global distribution of these innovations. The administration recognizes that extraordinary circumstances such as pandemics call for extraordinary measures. The administration continues to seek an appropriate balance through adequate and effective protection for pharmaceutical and other health-related intellectual property around the world to ensure robust American innovation in these critical industries to treat diseases and to fight the current pandemic. In the discussions at the WTO, I will continue to be clear-eyed about potential risks.

QUESTIONS SUBMITTED BY HON. ROB PORTMAN

Question. At present, there is only one remaining producer of Grain-Oriented Electrical Steel (GOES) in the United States. GOES production is a capability critical to our national and economic security; GOES is at the heart of the technology that powers our electrical grid. During the last administration, the Department of Commerce undertook an investigation into the national security threat posed by imports—particularly from Canada and Mexico—of laminations and cores made of GOES. With the public release of that report, we know that the Department of Commerce found that there is, in fact, a national security threat posed by these imports.

What steps do you intend to take to address this threat? Will you commit to discussing ways to limit circumvention of the section 232 tariffs with respect to GOES imports with our trading partners generally, and Canada and Mexico specifically?

Answer. The previous administration conducted an investigation on imports of transformers and transformer components, including electrical steel lamination and electrical transformer cores, under section 232 of the Trade Expansion Act of 1962, but did not take any action within the statutory timeframe. However, it is my understanding that the Department of Commerce will continue to assess the issue you raised.

I would also like to take this opportunity to assure you that my staff will continue to work with the Department of Commerce and other U.S. Federal agencies, as appropriate, to prevent the circumvention of U.S. trade measures, and will engage the governments of Canada and Mexico on this important issue.

Question. Haiti currently enjoys trade preferences with the United States under the Hemisphere Opportunity through Partnership Encouragement (HOPE) Act, and the Haitian Economic Lift Program (HELP) Act. Combined, the HOPE–HELP program helps promote economic development in Haiti. Apparel accounts for over 90 percent of Haiti's exports to the United States. However, the program will expire at the end of September 2025.

Do you agree that the HOPE–HELP program should be renewed? And if so, do you agree that Congress should not wait until the eve of expiration to renew in order to provide maximum certainty to workers, industry and investors in Haiti?

Answer. I firmly support the trade preference programs provided for in the HOPE and HELP Acts. Since 2006, these programs have been an important element in our trade relationship with Haiti and have contributed to increased trade between both our countries. I encourage Congress to renew both programs in the near term. Haiti is going through a difficult time, and investors are making long-term decisions now about whether to suspend, continue, or expand operations. Renewing these programs now would help support workers and industry, provide jobs for youth who might otherwise be lured into gangs, and contribute to the country's economic growth and stability at a critical time.

Question. Thank you for your efforts to identify, and resolve, points of friction with U.S. trading partners. One outstanding friction point is the ongoing dispute with Canada over their unfair subsidization of softwood lumber.

Do you intend to focus additional time and resources on reaching a fair settlement to the softwood lumber dispute? Will you commit to active discussions with Canada in an effort to seek a resolution to this dispute in the next 90 days?

Answer. I continue to discuss softwood lumber with my Canadian counterpart. The United States is open to resolving our differences with Canada over softwood lumber, but it would require addressing Canadian policies that create an uneven playing field for the U.S. industry. Unfortunately, to date, Canada has not been willing to address these concerns adequately.

Question. I am disappointed that the European Union (EU) has agreed to the Digital Markets Act (DMA), which is a protectionist policy aimed at discriminating against American companies. At a time when the United States and the EU should be working more closely in strategic and high-technology sectors, it is troubling to see the EU embracing a blatantly discriminatory agenda. This only makes it more difficult for us to work together and present to adversaries a unified front against such policies, digital or not.

What will be your strategy to defend U.S. trade interests against protectionism like the Digital Markets Act? How are you engaging with EU officials to challenge these policies? What tools can the United States deploy in response to the DMA?

Answer. We are engaged with the EU on digital trade issues both in the Trade and Technology Council and also in direct bilateral discussions. It is clear to me that, in the context of the digital economy, the United States and the EU are both committed to protecting workers, privacy, cybersecurity, and consumer rights and that we both want our markets to be fair and competitive. On many policy issues we share many of the concerns animating EU action. When governments regulate, they should not do so on the basis of advancing the interests of national champions at the expense of foreign competitors.

QUESTION SUBMITTED BY HON. TIM SCOTT

Question. South Carolina is home to a large number of family farmers who grow perishable fruits and vegetables during the fall to spring months of the year. I've heard from those farmers that they are losing output, revenue, and in many cases their farms because of surging imports of unfairly priced foreign fruits and vegetables. I believe it is the case that a number of other states are being harmed for the same reason. Our country's import relief laws were not structured to protect seasonal and perishable products from unfair imports.

In view of the growing urgency, will you work quickly to help contain any unfairly priced import surges and keep our fruit and vegetable farms in business?

Answer. In 2020, USTR heard directly from stakeholders across the country, including members of Congress, during a USTR-led public hearing on this issue. The initiative resulted in USTR requesting the U.S. International Trade Commission to initiate several section 332 investigations into imports of seasonal produce, and a section 201 investigation into importers of blueberries, that concluded with a "no injury" determination. I welcome input and ideas from you as to how USTR can further utilize the range of tools that are available to address the challenges facingU.S. producers, including those in South Carolina.

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

Question. A recent report by the U.S. International Trade Commission, titled "Foreign Censorship, Part 1: Policies and Practices Affecting U.S. Businesses," highlights key foreign markets where censorship presents a trade barrier for American businesses and companies operating globally. Among these is China, Russia, Turkey, Vietnam, India and Indonesia, which together represent nearly half of the global population, billions of Internet users, billions of dollars' worth of digital exports and a significant share of global GDP.

How is USTR working to better understand the worldwide impact of censorship as a trade barrier for the U.S. and how these censorship regimes restrict freedom of expression?

Answer. Over the years, the United States has repeatedly expressed concerns to trade partners, including China, regarding the impact of content-related policies on market access. For example, the United States has raised concerns regarding China's burdensome restrictions on content, which are implemented through exhaustive content review requirements that are based on vague and otherwise nontransparent criteria. Content and information services are key exports for the United States, and we will continue to raise concerns when access to these services is unreasonably denied.

Question. As you know from our many discussions with you, Cleveland-Cliffs operations in Butler, PA and Zanesville, OH are the last locations in all of North America that melt and finish Grain-Oriented Electrical Steel (GOES). This market continues to face significant challenges. Circumvention of U.S. duties has been well documented, with foreign producers using unfair practices to skirt the systems in place that are intended to provide relief for domestic GOES producers. Lately, foreign producers have been entering the market by way of Canada and Mexico. Foreign producers export their product to Canada or Mexico where they alter their product and ship it to the U.S. to avoid section 232 tariffs.

How will you work with our trade partners to the north and south to resolve this issue and ensure that our trade protections are not being undermined by bad actors?

Answer. The previous administration conducted an investigation on imports of transformers and transformer components, including electrical steel lamination and electrical transformer cores, under section 232 of the Trade Expansion Act of 1962 but did not take any action under the statutory timeframe. However, it is my understanding that the Department of Commerce will continue to assess the issue you raised.

I would also like to take this opportunity to assure you that my staff will continue to work with the Department of Commerce and other U.S. Federal agencies, as appropriate, to prevent the circumvention of U.S. trade measures, and will engage the governments of Canada and Mexico on this important issue.

QUESTION SUBMITTED BY HON. BILL CASSIDY

Question. With agricultural input costs, such as fuel fertilizer continuing to rise and India continuing to offset these higher costs with increased subsidies, our Louisiana rice farmers will suffer severe financial losses this year as a result.

Will USTR commit to raising the issues of India's cheating on rice subsidies at the next working group discussion with the Indian government? Furthermore, should India's cheating continue, what tools are at USTRs disposal in its trade policy forum working groups with India to ensure issues practices such as unfair rice subsidies do not continue to harm U.S. rice farmers?

Answer. India maintains several concerning agricultural subsidy programs, in particular for rice, and we will raise these issues in the upcoming meetings of the U.S.-India Trade Policy Forum working groups. In addition, the United States is working with several WTO members who share similar concerns about Indian subsidies on agricultural products. With these likeminded WTO members and independently, USTR is considering several options to bring more transparency to India's agricultural policies and increase pressure on India to reform its subsidy programs.

QUESTIONS SUBMITTED BY HON. MARK R. WARNER

Question. Following the President's decision to terminate Ethiopia's eligibility for the African Growth and Opportunity Act (AGOA) trade preference program, I have heard from a number of my constituents who are concerned about the impact of this decision on the citizens of Ethiopia.

While I understand the administration's determination that Ethiopia currently does not meet AGOA's statutory requirements due to human rights concerns—I do think that, as with any instance where we're enacting some sort of restrictions, it's important that we're doing so in a way that most appropriately impacts those responsible for violence, and as possible, minimizes the spillover costs to average citizens.

I do share the concerns that have been raised about the impact of this decision on the people of Ethiopia—and now, nearly three months since the administration has terminated Ethiopia's eligibility, I remain worried about the long-term economic impacts that this may have, particularly among women in civil society.

Now, thankfully, it appears progress has been made in recent months, including the Ethiopian government lifting the state of emergency last month, and then just recently, aid convoys have arrived in Tigray after the Tigray People's Liberation Front (TPLF) agreed to the Ethiopian government's announcement of a humanitarian ceasefire to facilitate humanitarian aid into the Tigray region.

Is there any update you can provide on the status of Ethiopia's eligibility for AGOA? How has the recent progress impacted the country's ability to meet the statutory requirements for reinstatement? Is there a timeline for reassessing Ethiopia's eligibility?

Answer. USTR engages regularly with relevant stakeholders and the Government of Ethiopia to gauge progress towards meeting the specific benchmarks we provided as a path for regaining AGOA eligibility. We routinely monitor Ethiopia's efforts on humanitarian access and on human rights. The 2023 AGOA eligibility review will begin shortly and that assessment will be the next opportunity to determine whether Ethiopia meets the statutory obligations for AGOA eligibility, which include to not engage in any gross violations of internationally recognized human rights and to cooperate fully in international efforts to eliminate human rights violations.

Question. I was pleased to see President Biden meet with Kenyan President Kenyatta early in his administration. I strongly support strengthening the U.S.-Kenya trade relationship and believe its effects would be mutually beneficial.

In my State, the African diaspora, our business community, and the Virginia Economic Development Partnership, have all been particularly interested in increased trade between the U.S. and Kenya.

Last year, I had the opportunity to participate in a discussion regarding the U.S.-Africa trade relationship with the head of the African Continental Free Trade Area (AfCFTA) and the State Department.

During that conversation, I was encouraged to hear about the standardization efforts AfCFTA can set for increased trade between the U.S. and Africa.

How do you view a potential trade agreement with Kenya affecting the U.S. trade relationship with the rest of the continent? How is USTR working to ensure we formalize increased reciprocal trade opportunities between countries and regions in Africa, and the U.S.?

You mentioned during the annual Trade Agenda Hearing that the head of the USTR Office of African Affairs was leading a delegation to Nairobi. When they return, I would like to get together your team with my staff to hear about how the trip went.

Answer. The USTR-led delegation you referenced has now returned from talks with their Kenyan counterparts on a range of trade issues, with a view to advancing of the United States—Kenya trade relationship in a manner that benefits workers, attracts investment, and promotes regional economic integration.

Assistant United States Trade Representative for African Affairs Constance Hamilton held meetings in Kenya on May 3rd through May 6th, 2022. She led a delegation of 14 Washington-based U.S. officials that included subject-matter experts from USTR and the Departments of State, Labor, Commerce, and Agriculture. The discussions between the U.S. and Kenyan delegations covered a wide range of topics and proved very productive, identifying areas of convergence and deepening our mutual understanding on how to best strengthen our bilateral trade engagement.

We will certainly arrange for them to brief your staff regarding the trip. The discussions between the U.S. and Kenyan delegations covered a wide range of topics and proved very productive, identifying areas of convergence and promoting mutual understanding. This effort will help us explore how best to deepen our reciprocal trade relationship, and ideally this will help serve as model we can replicate with other willing partners on the continent.

Question. As co-chair of the Senate India Caucus, I have put forth a lot of effort during my time in the Senate to helping further the really important and strategic bilateral relationship between India and the U.S.

On the trade front, I have pushed multiple administrations now to prioritize the advancement of this relationship—whether it is a comprehensive trade agreement or one with a more limited scope. Being able to resolve outstanding barriers and support American businesses in overcoming market access issues in India is all incredibly important.

We have unfortunately seen, in the aftermath of Russia's invasion of Ukraine, that India and Russia retain longstanding ties on a number of fronts—certainly on the economic side. I think this highlights a real opportunity for the U.S. as we look to present more diversified and compelling avenues for Indian partnership, relative to what the Russians can offer.

What role do you envision India playing in the broader Indo-Pacific Economic Framework? How are you prioritizing our relationship with India as part of this broader regional trade framework?

What are the areas you see as ripe for progress in the U.S.-India trade relationship, and which issues do see as the major sticking points to a more comprehensive agreement?

Answer. India is an important player in the Indo-Pacific region and is one of the countries that joined the launch of the IPEF. With respect to the anticipated trade pillar of the IPEF, we will be aiming for high-ambition outcomes in areas like digital trade and labor. We do regard the U.S.-India Trade Policy Forum (TPF), which my Indian counterpart and I relaunched in November 2021, as a vital part of the broader U.S.-India relationship, as well as an integral element of the Biden administration's Indo-Pacific Strategy. The TPF will continue to afford us important opportunities to resolve some of the existing trade concerns and to engage and build trust on important emerging trade policy issues. Among other issues, agricultural and digital trade will continue to be priorities for U.S. engagement with India, including with respect to proposed Indian policies that may unduly restrict the free flow of data across borders.

Question. Technological leadership in emerging and critical technologies will determine the political, economic, and military strength of countries in the 21st century.

For the last half century, the U.S. and other democratic countries led in scientific research and development of transformational technologies. Our leadership enabled us to set the global rules of the road for the use of new technologies, including software, satellites, and telecommunications, for example. We set the standards, and our values were embedded throughout. Leadership in these technologies will have major implications for our democracy and the growth—and security—of democracies around the world.

For several years now, I have been leading calls to update our approach to digital trade, working with like-minded allies to develop rules to reflect and uplift democratic values. Therefore, I am pleased to see the White House announced over the weekend an agreement with the EU on a new Trans-Atlantic Data Privacy Framework. I am encouraged by this new framework, in addition to other recent efforts by the administration to engage in better global cooperation, such as the U.S.-EU Trade and Technology Council (TTC).

While these initiatives serve as important steps forward, it is vital that we continue working to expand beyond this framework and develop global rules and protocols surrounding new technologies—encompassing data privacy provisions, cybersecurity standards, and more.

What do you see as the biggest barriers to cooperation or agreement on a global framework here?

What are the administration's goals beyond this new agreement with the EU? Will the Trans- Atlantic Data Privacy Framework be used as a foundation for future data privacy and technology rules?

In your view, what role should Congress play in developing these sort of digital governance rules?

Answer. We are engaged with the EU on digital trade issues both in the Trade and Technology Council and also in direct bilateral discussions. It is clear to me that, in the context of the digital economy, the United States and the EU are both committed to protecting workers, privacy, cybersecurity, and consumer rights and that we both want our markets to be fair and competitive. We share many of the concerns animating EU action on many policy issues. When governments regulate, they should not do so on the basis of advancing the interests of national champions at the expense of foreign competitors.

QUESTIONS SUBMITTED BY HON. JAMES LANKFORD

Question. Taiwan is the 8th largest economy in the region, the 18th largest economy in the world, the 10th largest trading partner of the United States, 8th largest export market for agricultural commodities, and a thriving democracy with a market-based economy. Many of us on this committee support a Free Trade Agreement with Taiwan.

The administration has used the term "inclusive" to describe the Indo-Pacific Economic Framework. Will Taiwan be included in the IPEF?

Answer. Taiwan is a critical trading partner of the United States, and under President Biden, we've only strengthened and deepened our economic partnership by restarting Trade and Investment Framework Agreement talks and launching the Technology Trade and Investment Collaboration (TTIC) framework under Commerce. We look forward to continuing to strengthen and deepen those economic ties under the Biden administration. In fact, on June 1st, USTR launched the U.S.-Taiwan Initiative on 21st-Century Trade, which is intended to develop concrete ways to deepen the economic and trade relationship, advance mutual trade priorities based on shared values, and promote innovation and inclusive economic growth for our workers and businesses. We are pleased to be launching IPEF with an initial strong, diverse group of Indo-Pacific partners. Moving forward, we will work with IPEF partners to consider expanding membership in IPEF.

Question. Everything we've heard about the IPEF is that it doesn't include market access. If we are going to robustly compete with China, then we need to reduce tariff barriers with similar countries in the region so that companies have a viable alternative to China.

Will the IPEF include any free trade agreements—or any provisions expanding market access? What is the incentive for countries to join his framework if there are no provisions expanding market access for their exports?

Answer. While the focus of this trade arrangement is not market access, it does offer robust incentives that are priorities for countries in the region, including digital and trade facilitation. USTR will lead work on a trade arrangement with our partners that includes high-standard commitments in the areas of labor, environmental sustainability, the digital economy, agriculture, transparency and good regulatory practices, competition policy, and trade facilitation.

The administration's focus will be on developing high-standard rules that can increase interoperability and competitiveness among Parties to the arrangement, which can generate increased access to foreign markets for both U.S. exporters and exporters from participating countries. We look forward to continued close coordination with Congress on this initiative.

Question. I recently introduced the Quad Critical Minerals Partnership Act with Senators Warner, Cornyn, and King that would establish a partnership with the Quad countries for critical minerals security. A similar provision was included in the Trade Act of 2021. China controls nearly two-thirds of the world's supply of critical minerals. For our own security interest, we desperately need to reduce our risk exposure to China.

What does the IPEF say about critical minerals and how will the IPEF help to reduce reliance on China for rare earths?

Is the administration supportive of including language in China competitiveness legislation that incentivizes working with our Quad partners towards critical minerals security?

Answer. We are in the early stages of consulting with stakeholders, including Congress, on the content of IPEF. We received submissions to a Federal Register notice on April 11th and are reviewing these submissions. We welcome your feedback on IPEF, including with respect to critical minerals and rare earths, and want to continue close consultation with Congress as we move forward in its development.

Question. The 232 tariffs on steel and aluminum continue to compound the price of those commodities for our businesses. I appreciate the initiative you've taken to establish tariff-rate quotas with the EU, Japan, and the UK, but most countries are still subject to the 232 tariffs and those costs are being passed on to our small manufacturing businesses and their customers. These tariffs, coupled with inflation, are compounding the price of steel and aluminum for producers in my State. Lifting them would provide tremendous relief.

Now that the deal with the UK has been finalized as of last week, who is the next country you plan to engage on lifting 232?

Would the administration be open to a multilateral 232 negotiation with the Abraham Accords countries—Israel, the UAE, Bahrain, Morocco, Jordan, and Egypt? Would this step be consistent with the administration's stated objectives of rebuilding alliances and supporting the Abraham Accords?

Answer. While we are not in the position to consider launching 232 negotiations with additional countries at this time, the United States welcomes effective actions by like-minded trading partners to address the distortive effects of non-market excess capacity and carbon-intensive production in the global steel and aluminum sectors. As the Secretary of Commerce's findings formed the bases for the actions taken under section 232 and the Secretary is charged with, among other things, reviewing the status of steel and aluminum imports with respect to the national security, we encourage countries interested in discussing the section 232 measures to engage with the Department of Commerce.

Question. I've been disappointed in the administration's engagement on pursuing a TRIPS waiver. All of the reports coming out of the WTO indicate that the latest proposal for a waiver goes beyond COVID vaccines, but also therapeutics and diagnostics. Our efforts would be better spent ramping up our manufacturing of U.S.-made vaccines and then sharing them with the world—not going through this exercise of giving away American intellectual property at the WTO. You talk about a "worker-centered" trade policy, but I don't see how it's "worker-centered" to give our IP away to other countries for them to manufacture. It could be American workers producing American products with American IP. It seems like this administration is "buy American" on some things, but when it comes to pharmaceuticals or energy, you're set on outsourcing it to China and Russia.

Why are you continuing to pursue a TRIPS waiver that will put future American innovation at risk?

Answer. The COVID–19 pandemic has highlighted the importance of pharmaceutical, medical device, and other health-related innovations, as well as a lack of widespread, timely, and equitable global distribution of these innovations. The administration recognizes that extraordinary circumstances such as pandemics call for extraordinary measures. The administration continues to seek an appropriate balance through adequate and effective protection for pharmaceutical and other health-related intellectual property around the world to ensure robust American innovation in these critical industries to treat diseases and to fight the current pandemic.

Question. Constitutionally, trade policy is set by Congress, yet Congress has been kept in the dark on the TRIPS negotiations.

Will you commit to sharing the latest text proposal of the TRIPS waiver to this committee in conjunction with your responses to our questions for the record from this hearing?

Answer. USTR has consulted with Congress on the TRIPS waiver discussions at the WTO. When waiver discussions at TRIPS Council stalled, the WTO Director-General decided to engage more directly in order to facilitate an outcome. She convened an informal discussions process with four WTO members (the United States; EU, which presented a paper on addressing pandemic exigencies through the TRIPS agreement in June 2021; and South Africa and India, which co-led the original TRIPS waiver proposal in October 2020) to identify a possible path forward on this important issue for deliberation by the entire WTO membership. The informal process convened by the Director-General resulted in draft text, released on May 3rd. The text has not been agreed to, either by the four members, or by the WTO membership as a whole. All WTO members currently have the opportunity to consult with their governments, legislatures, and stakeholders. Those consultations, including ones being conducted by USTR, are ongoing.

WTO members look to the United States for leadership. As part of that leadership, USTR is committed to engaging in good faith to address concerns like this one, which relates to a global public health and economic crisis like the COVID–19 pandemic, raised by over half of the WTO's membership, primarily representing the world's developing and emerging economies.

Question. Mexico continues to violate the USMCA with their state-owned oil company Pemez, and last year's change to the Electric Power Industry Law favors Mexican state energy companies at the expense of private investment in the energy sector. Permits for private-sector energy projects continue to be blocked, harming U.S. competitiveness in the energy industry and compounding the spike in energy costs that Americans are experiencing. I've been pushing USTR to engage on this since last year, and you finally issued a statement last month noting your "serious concerns" with Mexico's energy policies and that you are "actively assessing these developments."

What is your plan to pursue corrective action on this issue? When will you be done "assessing" the situation and take action?

Will you commit to pushing back on any country who is harming the U.S. oil and gas industry, or will this issue not be prioritized due to the climate agenda?

Do you agree that gas prices and energy costs are increasing the burden for American workers?

What do you view as USTR's role in decreasing energy costs as part of your "worker-centered" trade policy?

Answer. USTR has serious concerns with the deteriorating trajectory of Mexico's energy policies, including a series of ongoing actions the Mexican Government has taken to increase state control over, and limit competition in, the energy sector. USTR will continue to pursue ways to address these issues to advance the administration's worker-centric trade policy. As I wrote to Secretary Clouthier on March 31, 2022, I will be considering all available options under the USMCA to address these concerns.

Question. The biggest challenge we've faced since the administration took over is the migrant crisis at our southern border. The Biden administration announced that they are expecting the number of migrant encounters at the border to double in the coming months with title 42 authority ending. What strikes me is that many of the migrants coming to our border are from countries with whom we have a Free Trade Agreement. For example, all three Northern Triangle Countries are parties to the Dominican Republic-Central America Free Trade Agreement (CAFTA–DR).

What mistakes have we made over the last 15 years that have inhibited CAFTA from having a bigger impact on the prosperity and stability of the Northern Triangle? What is USTR's role in the administration's strategy for this region?

How can we better utilize CAFTA as presently written to promote stable and resilient economic development in this region?

During the Trump administration, we renegotiated NAFTA to update the provisions and adapt to modern challenges. Is USTR open to revisiting CAFTA and revising it as part of our strategy to get to the root causes of migration in the Northern Triangle?

If we decided to renegotiate CAFTA, should Nicaragua be excluded due to Ortega's erosion of the rule of law and democracy?

Answer. One of the five pillars of the administration's Strategy to Address the Root Causes of Migration in Central America is "addressing economic insecurity and inequality." The administration is committed to promoting investment and trade engagement under the CAFTA–DR (Dominican Republic-Central America-United States Free Trade Agreement) to strengthen our economic ties to the region, generating inclusive growth for Central America workers and businesses, and supporting strong labor protections. The CAFTA–DR is critical to the well-being of the people of Central America. It provides a strong framework to foster economic opportunity, transparency and rule of law, but a trade agreement cannot address the full range of socioeconomic and political challenges in the region. Given the dramatic deterioration of respect for democratic principles and human rights in Nicaragua, the United States has already taken a number of actions and will continue to use diplomatic and economic tools at our disposal to promote accountability in the Nicaraguan government, while supporting the people of Nicaragua.

QUESTIONS SUBMITTED BY HON. SHELDON WHITEHOUSE

Question. Eight million metric tons of plastic end up in the oceans each year, which is the equivalent of a garbage truck of waste every minute. One study found that 10 rivers account for a quarter of that waste, eight of which are in Asia. Including plastic waste commitments in USMCA was a positive step, but we must go further.

What would the Indo-Pacific Economic Framework do to address plastic pollution and how would it be more ambitious than the USMCA commitments?

Answer. In the trade pillar of the Indo-Pacific Economic Framework (IPEF) we will seek trade-related environmental commitments that can measurably contribute to improving environmental sustainability, including protecting the marine environment. Marine debris, particularly ocean plastic pollution, harms coastal economies and vulnerable communities, particularly those that rely heavily on tourism and fishing, as is the case for much of the Indo-Pacific region. Stemming the tide of litter from land to the oceans depends on environmentally sound waste management and the sustainable use of materials, including through recycling and reuse. Accordingly, under the IPEF, we will seek ways to support solid waste management and recycling infrastructure, including through capacity building for sound regulatory frameworks, and through policies that promote more circular economies, including the development of markets for and trade in recyclable materials. The Commerce Department leads on the Infrastructure and Decarbonization and Clean Energy pillar of the IPEF.

Question. Pirate fishing—fishing that is illegal, unreported, and unregulated (IUU)—is another major threat to our oceans, undermining both responsible fisheries management and human rights. Predatory Chinese fishing is particularly problematic, and many coastal Asian countries resent how the Chinese fishing fleet, with the help of the Chinese navy, treats their sovereign fishing fleets.

What would the Indo-Pacific Economic Framework do to combat IUU fishing generally and predatory Chinese fishing in particular?

Answer. USTR intends to seek trade-related environmental commitments under the trade pillar that can measurably contribute to improving environmental sustainability, including by building on previous efforts with provisions related to IUU fishing and other fisheries-related issues.

Question. It has been more than 20 years since WTO negotiations over an agreement on fisheries subsidies began, and reaching a robust agreement is long overdue.

What is are you doing to ensure we achieve an ambitious agreement?

Answer. We remain fully engaged in the ongoing negotiations on harmful fisheries subsidies, where we have long been leading efforts to try to arrive at a meaningful result. We are urging members to focus on building ambition back into the negotiating text to try to bring the negotiations to a successful conclusion. This includes supporting greater transparency with respect to the use of forced labor on fishing vessels, and ensuring any outcome includes effective disciplines on the most harmful fisheries subsidies that apply to all members, including China. If we are to achieve an ambitious agreement, WTO members must support an outcome that does more than simply lock in the status quo and provide the WTO's blessing to continue harmful subsidies practices in perpetuity.

Question. We are facing a climate crisis. Sea level rise threatens to overwhelm coastal regions in the pacific.

What meaningful, enforceable commitments on fighting climate change will you pursue as part of the Indo-Pacific Economic Framework?

Answer. Under the IPEF trade pillar, we intend to work with partners to mobilize technologies, investments, and technical resources to scale up clean energy. We also intend to pursue commitments by participating IPEF countries to decarbonize their industries, explore low- emission procurement opportunities, pursue methane and carbon reductions, and promote sustainable land use. The Commerce Department leads on the Infrastructure and Decarbonization and Clean Energy pillar of the IPEF.

Question. The Biden administration has wisely understood that kleptocracy and corruption abroad is a national security issue. We have seen what happens when kleptocrats seek out rule-of-law nations to shelter their ill-gotten gains. Wherever there is a leak, the money will follow, which is why it is so important to reach agreement internationally to stop providing sanctuary for corrupt money.

What would the Indo-Pacific Economic Framework do to combat kleptocracy and what would you do to ensure other countries agree to meaningful commitments?

Answer. We are in the early stages of consulting with stakeholders, including Congress, on the content of IPEF. We received submissions to a Federal Register notice on April 11th and are reviewing these submissions. We welcome your feedback on IPEF, including with respect to addressing kleptocracy, and want to continue close consultation with Congress as we move forward in the IPEF's development.

QUESTIONS SUBMITTED BY HON. TODD YOUNG

Question. I have been closely following the progress of the Indo-Pacific Economic Framework (IPEF). There is a lot a stake if the United States cannot meaningfully increase trade engagement with countries in the region. China has used economic coercion to pull nations deeper into dependency and away from American businesses. I would be thrilled if we can offer nations real certainty and benefit through trade agreements—this would be an effective way to incentivize a relationship between us and our Indo-Pacific partners.

In this vein, can you explain what outcomes the IPEF will hope to achieve, and more importantly how you will measure those outcomes? Furthermore, will there be an opportunity to edit the modules over time to increase effectiveness?

Answer. The Biden-Harris administration is committed to economic engagement with partners in the Indo-Pacific region and has launched the Indo-Pacific Economic Framework for Prosperity (IPEF) to strengthen our economic ties to the region, while promoting inclusive growth for workers and businesses, advancing strong labor standards, and tackling climate change. As part of this effort, USTR is specifically focused on negotiating provisions in IPEF that can help American businesses and workers compete in the global economy, and will seek to include commitments on labor, environmental sustainability, the digital economy, agriculture, transparency and good regulatory practices, competition policy, and trade facilitation. The administration's focus will be on developing high-standard rules that can increase interoperability and competitiveness among parties to the arrangement, which can generate increased access to foreign markets for U.S. exporters. The final structure of the IPEF pillars will be part of the negotiation undertaken with trading partners, however, we expect to have both binding and non-binding obligations that contribute to a meaningful outcome for all parties. We look forward to continued close coordination with Congress on this initiative.

Question. Beyond technology exports and economic significance, Taiwan holds vital strategic and normative importance for the U.S.

With respect to the Indo-Pacific Economic Framework, can you confirm whether or not the administration is planning to include or consult with Taiwan? If the administration is opposed to Taiwan joining IPEF, how is the U.S. collaborating with them in terms of broad supply chain integration and trade agreements?

Answer. Taiwan is a critical trading partner of the United States, and under President Biden, we've only strengthened and deepened our economic partnership by restarting Trade and Investment Framework Agreement talks and launching the Technology Trade and Investment Collaboration (TTIC) framework under Commerce. We look forward to continuing to strengthen and deepen those economic ties under the Biden administration. In fact, on June 1st, USTR launched the U.S.-Taiwan Initiative on 21st-Century Trade, which is intended to develop concrete ways to deepen the economic and trade relationship, advance mutual trade priorities based on shared values, and promote innovation and inclusive economic growth for our workers and businesses. We are pleased to be launching IPEF with an initial strong, diverse group of Indo-Pacific partners. Moving forward, we will work with IPEF partners to consider expanding membership in IPEF.

Question. Anticipating that Russia's economy is not going to survive in isolation, it will likely turn to the Chinese for goods and market access. As you may know, there have been several reports of Chinese financial firms offering payment services to Russian banks and potential new deals for China to purchase Russian commodities, which would very easily provide impactful assistance to Moscow.

Is the administration considering action to hold China accountable for providing assistance to Russia, and what might those actions entail?

Answer. The Biden-Harris administration, working closely with our allies and partners, is committed to ensuring that the Russian Federation and the Lukashenka regime in Belarus—and those aiding them—pay a severe economic and diplomatic price for their unprovoked aggression against Ukraine.

Question. As Congress debates legislation to out-compete China, nations are actively debating their own policies to boost domestic production. Japan, for example, is considering an economic security bill to secure supply chains specifically with sensitive technologies. Given that Japan is a trusted ally of the U.S., it would seem prudent for us to pursue deeper collaboration on the sensitive technology issue specifically. And, it would make sense for the U.S. to collaborate with partners like Taiwan for more collaboration.

Does the administration plan to engage on supply chain resiliency—particularly for sensitive technologies—with like-minded partners?

Answer. The Biden-Harris administration, working closely with our allies and partners, is committed to ensuring that the Russian Federation and the Lukashenka regime in Belarus—and those aiding them—pay a severe economic and diplomatic price for their unprovoked aggression against Ukraine.

As the leader of the administration's Supply Chain Trade Task Force, USTR is bringing together a broad range of U.S. Government agencies to consider ways to address unfair trade practices that undermine critical U.S. supply chains, and to look at how we can use our trade agreements with other countries and trade tools to strengthen supply chain resilience.

USTR is also working closely with trading partners and stakeholders through our many bilateral and multilateral venues, including the U.S.-Mexico-Canada Agreement (USMCA), U.S.-European Union Trade and Technology Council, U.S.-Korea Free Trade Agreement (KORUS), Japan Comprehensive Partnership, and U.S.-United Kingdom Trade Dialogue, as well as multilateral organizations such as the World Trade Organization (WTO), Asia-Pacific Economic Forum (APEC), and Organisation for Economic Co-operation and Development (OECD).

USTR's main focus so far has been on areas related to advanced batteries, semiconductors, and critical materials and permanent magnets.

It will be important that the administration and Congress work together to implement the recommendations that emerge from the administration's significant work on supply chains. These include critical investments in sensitive technologies such as the semiconductor, medical, and clean energy supply chains.

Question. Indiana is a hub for biotechnology innovation, allowing farmers and producers globally to withstand weather challenges and boost yields. Today, Mexico is perhaps our most important trading partner, but so far, they have not honored their commitments made under USMCA regarding biotechnology. In fact, their approval delays and lack of a science-based approach are really stunting our agriculture industry's ability to export and move forward with plans for this planting season.

How will you, in consultation with Secretary Vilsack, seek to improve the biotech approval process in Mexico? What engagement have you had on this issue with the Mexican Government thus far, and are you considering using enforcement levers if there is a stalemate?

Answer. I have been working closely with Secretary Vilsack to address challenges for American agriculture in Mexico. I am examining biotech policies and developments in Mexico carefully and have raised concerns with Mexico's Economia Secretary Clouthier and Agriculture Secretary Villalobos. I will continue engaging them to ensure Mexico fulfills its USMCA obligations and addresses issues that affect the commercialization of biotech products. USTR is looking at all of our tools under the USMCA and considering our strategy on Mexico's biotech policies.

Question. American companies, including many of my constituents, are experiencing circumvention tactics deployed by China in order to skirt our trade laws. Of particular concern is stainless steel production in Indonesia that is subsidized by the Chinese Government, and then exported to the U.S. market outside of the bounds of the section 232 tariffs. The stainless steel industry in Indonesia now produces double what is produced in the United States, and Indonesian stainless steel imports have tripled over the last few years.

Is USTR concerned about circumvention tactics deployed by China to undercut American businesses? Is USTR specifically aware of this issue related to stainless steel and Indonesia? In your view, how can trade tools be strengthened to target bad actors that engage in circumvention to the detriment of our domestic manufacturers?

Answer. The administration is concerned about the cross-border investment activities of Chinese steel enterprises in Indonesia and other countries throughout Southeast Asia. The United States is also closely monitoring the ongoing WTO dispute regarding Indonesia's export ban on nickel ores— an essential raw material for U.S. stainless steel producers.

Regarding your question on new tools to address trade circumvention and other unfair trade practices by China, we believe some of the efforts underway in Congress are extremely promising. For example, the updates and the enhancements present in the Level the Playing Field Act 2.0 are exactly in the spirit of what we need right now, which is the tailoring of a toolset and expansion of a toolset that will be up to the task of meeting the challenges that our workers and industries are facing today.

I would also like to take this opportunity to assure you that my staff will continue to work with the Department of Commerce and other U.S. Federal agencies, as appropriate, to prevent the circumvention of U.S. trade measures.

Question. With respect to the COVID–19 vaccine, the World Health Organization's vaccine equity website states, "With global vaccine production now at nearly 1.5 billion doses per month, there is enough supply to achieve our targets, provided they are distributed equitably. This is not a supply problem; it's an allocation problem."

Given that there are currently enough vaccines in production for everyone who needs them, what is the rationale for the administration's view that the recently announced TRIPS waiver compromise is truly necessary? Is the administration worried that waiving patent protections for COVID vaccines will threaten the supply chain for safe and efficient manufacturing?

Answer. The Biden-Harris administration supports a waiver of intellectual property protections for COVID–19 vaccines under the TRIPS Agreement. This is one part of a holistic approach to getting as many safe and effective vaccines to as many people around the world as possible. The United States continues to work with the private sector and all possible partners to expand safe and effective vaccine manufacturing and distribution around the world. It is clear that there are vaccine production powerhouses and vaccine deserts; we must close the gap. We will also work to increase the raw materials needed to produce those vaccines.

There are certainly last mile issues. However, in light of variants, there is considerable uncertainty about how many vaccines will be required to vaccinate the world over the long term.

QUESTIONS SUBMITTED BY HON. BEN SASSE

Question. During the hearing, you said that USTR continues to hold Trade and Investment Framework (TIFA) talks with Taiwan. The last round of TIFA talks were held in June 2021.

Will you commit to holding the next round of TIFA talks in 2022?

Has the Biden administration decided to exclude Taiwan from IPEF discussions? If so, why?

Are the current section 232 tariffs placed on Taiwan under review? When can we expect that review to be complete?

Answer. We are committed to holding regular TIFA Council meetings, and are exploring with Taiwan the possibility of holding the next round this year. The United States and Taiwan have been working hard to implement the commitments made during the TIFA Council meeting last year. Over the past several months, the two sides have held several TIFA working group meetings on a host of important issues. We welcome Taiwan's meaningful engagement and will continue to remain in close contact in the coming months as we assess the progress being made and consider the appropriate time for the next TIFA Council meeting.

Taiwan is a critical trading partner of the United States, and under President Biden, we've only strengthened and deepened our economic partnership by restarting Trade and Investment Framework Agreement talks and launching the Technology Trade and Investment Collaboration (TTIC) framework under Commerce. We look forward to continuing to strengthen and deepen those economic ties under the Biden administration. In fact, on June 1st, USTR launched the U.S.-Taiwan Initiative on 21st-Century Trade, which is intended to develop concrete ways to deepen the economic and trade relationship, advance mutual trade priorities based on shared values, and promote innovation and inclusive economic growth for our workers and businesses. We are pleased to be launching IPEF with an initial strong, diverse group of Indo-Pacific partners. Moving forward, we will work with IPEF partners to consider expanding membership in IPEF.

While we are not in the position to consider launching section 232 negotiations with additional trading partners at this time, the United States welcomes effective actions by like-minded trading partners to address the distortive effects of non-market excess capacity and carbon-intensive production in the global steel and aluminum sectors. As the Secretary of Commerce's findings formed the bases for the actions taken under section 232 and the Secretary is charged with, among other things, reviewing the status of steel and aluminum imports with respect to the national security, we encourage trading partners interested in discussing the section 232 measures to engage with the Department of Commerce on this matter.

Question. The Biden administration needs to request, and Congress should reauthorize, Trade Promotion Authority (TPA) to give our allies and partners the confidence that they are negotiating trade deals with the American people, not just with one administration.

Will you commit to publicly asking Congress to reauthorize TPA in 2022?

Answer. There are strong views on both sides of the Trade Promotion Authority issue, and I look forward to working with Congress should you decide to advance TPA legislation.

Question. When will Congress be presented with formal text of the TRIPS agreement that has allegedly been reached between the administration and WTO member nations?

Does this agreement include COVID–19 therapeutics, diagnostics, medical devices, and health technologies, or is it limited to vaccines?

Can you point to specific examples where American manufacturers have been unwilling to work with developing nations to produce and distribute COVID–19 resources and technologies?

Answer. The WTO Director-General released official draft text on May 3rd. Accordingly, USTR has begun its consultations on that text with Congress and stakeholders. Those consultations, including on scope of coverage regarding products, are ongoing.

USTR has had regular consultations with interested parties throughout the process of discussions on this issue. These interested parties have included labor organizations, civil society, public health advocates, public health experts both inside and outside of the government, and vaccine manufacturers themselves as well as their trade associations.

Question. According to USTR's website, "American trade policy works toward opening markets throughout the world to create new opportunities and higher living standards for families, farmers, manufacturers, workers, consumers, and businesses." During the hearing, you attempted to draw a distinction between "market access" as tariff liberalization and "market access" as mean meaningful economic outcomes. I agree that meaningful economic outcomes are an important trade policy objective, but I think opening markets through trade agreements is the key mechanism for securing meaningful economic outcomes for our farmers, ranchers, and businesses.

Will you commit to prioritizing opening markets for farmers, ranchers, and businesses as a core trade policy objective for the Biden administration?

Answer. The Biden administration is using our trade tools to create new opportunities for American agriculture, including using our existing Trade and Investment Framework Agreements (TIFAs) and Free Trade Agreements (FTAs), to eliminate tariff and non-tariff barriers to U.S. agricultural products. Last year, we secured a number of wins that will provide more certainty for U.S. farmers, ranchers, and food producers around the country, including removal of retaliatory tariffs due to resolution of the EU aircraft dispute and a historic agreement on steel and aluminum; removal of tariffs due to agreements with four European trading partners on Digital Services Taxes; new access to the Indian market for U.S. pork following the U.S. India Trade Policy Forum; favorable outcomes on products such as pork, beef, rice, wheat, corn and grape juice in negotiations with the United Kingdom and the EU on tariff rate quotas resulting from Brexit; Vietnam's approval of pending biotech events following TIFA engagement; MFN duty reductions in Vietnam for corn, wheat, and frozen pork; and regaining access to the EU market for our shellfish producers. We are also committed to strong enforcement of our agreements, as our recent win in the Canada dairy dispute illustrates, to promote predictability and level the playing field in agricultural trade.

Finally, the Biden administration has launched the Indo-Pacific Economic Framework for Prosperity with allies and partners to deepen economic relationships in the region and coordinate approaches to addressing global economic challenges. We intend to use this framework to set standards that promote fair and open competition and inclusive growth for farmers, ranchers, workers, and businesses small and large. Within the trade pillar, we are developing agriculture provisions that include high-standard commitments to address some of the persistent challenges that American farmers face in accessing markets in the region.

QUESTIONS SUBMITTED BY HON. JOHN BARASSO

Question. International trade plays a critical role in our economic security and our national security. American security as well as the security of our allies around the world are supported through trade. Russia put the world on notice.

More and more nations are waking up to the realization that energy security equals national security. Countries around the globe are scrambling to find new energy supplies to replace Russian oil, coal, natural gas, and nuclear fuel. This is because Russia uses its energy monopoly as a weapon. Russia understands that energy is power. President Biden's 2022 Trade Agenda fails to outline a strategy to help our allies be more energy secure. America is a global energy superpower. We should act like it, especially through trade.

Wyoming has an abundance of coal, oil, natural gas, and uranium. The U.S. can provide our allies around the world with reliable, affordable, and secure energy resources. I see no plan or urgency to do this in the President's Trade Agenda. This is a mistake.

How can we leverage American energy in international trade to counter our adversaries like Russia who use their own energy exports as a weapon?

Answer. Natural gas plays an important role in U.S. energy security, and U.S. LNG exports now contribute to the energy security of our allies and trade partners. The Department of Energy is responsible for authorizing LNG exports, and as new LNG export capacity comes online U.S. exports of LNG are expected to continue to grow.

President Biden and European Commission President Ursula von der Leyen recently announced a joint Task Force to reduce Europe's dependence on Russian fossil fuels and strengthen European energy security as President Putin wages his war of choice against Ukraine.

This Task Force for Energy Security will be chaired by a representative from the White House and a representative of the President of the European Commission. It will work to ensure energy security for Ukraine and the EU in preparation for next winter and the following one while supporting the EU's goal to end its dependence on Russian fossil fuels.

Question. I'm deeply concerned about the current nationalization of U.S. energy assets in Mexico despite specific protections from U.S.-Mexico-Canada Agreement (USMCA). Despite bipartisan pressure from Congress, USTR has not prioritized USMCA enforcement of energy industry in Mexico. As a result, U.S. companies' facilities have been seized by the Mexican Government with little enforcement support from USTR.

What specific action is USTR going to take to help U.S. companies who are suffering the consequences of Mexico's actions with respect to the energy sector; and will you commit to requesting direct consultations with the Government of Mexico under USMCA regarding their recent activities in the energy sector?

Answer. USTR has serious concerns with the deteriorating trajectory of Mexico's energy policies, including a series of ongoing actions the Mexican Government has taken to increase state control over, and limit competition in, the energy sector. USTR is actively assessing these developments, and as I wrote to Secretary Clouthier on March 31, 2022, I will be considering all available options under the USMCA to address these concerns.

Question. I'm concerned about the lack of action taken to date by this administration to open new markets for U.S. ranching and agriculture products. Wyoming's farmers and ranchers take great pride in their work. Our beef, barley, sugar, grain, feed and other ranching agriculture products are second to none. In order to showcase these products around the world, Wyoming's producers need access to international markets.

Will you commit to fighting for fair market access and market share for America's farmers and ranchers; and

Will you aggressively highlight and push back against market access barriers that disadvantage producers in Wyoming and across the country?

Answer. The Biden administration is using our trade tools to create new opportunities for American agriculture, including using our existing Trade and Investment Framework Agreements (TIFAs) and Free Trade Agreements (FTAs) to eliminate tariff and non-tariff barriers to U.S. agricultural products. Last year, we secured a number of wins that will provide more certainty for U.S. farmers, ranchers, and food producers around the country, including: removal of retaliatory tariffs due to resolution of the EU aircraft dispute and a historic agreement on steel aluminum; removal or aversion of tariffs due to agreements with four European trading partners on Digital Services Taxes; new access to the Indian market for U.S. pork following the U.S. India Trade Policy Forum; favorable outcomes on products such as pork, beef, rice, wheat, corn and grape juice in negotiations with the United Kingdom and the EU on tariff rate quotas resulting from Brexit; Vietnam's approval of pending biotech events following TIFA engagement; MFN duty reductions in Vietnam for corn, wheat, and frozen pork; and regaining access to the EU market for our shellfish producers. We are also committed to strong enforcement of our agreements, as our recent win on Canada dairy illustrates, to promote predictability and level the playing field in agricultural trade.

Finally, the Biden administration has launched the Indo-Pacific Economic Framework for Prosperity with allies and partners to deepen economic relationships in the region and coordinate approaches to addressing global economic challenges. We hope to use this framework to set standards that promote fair and open competition and inclusive growth for farmers, ranchers, workers, and businesses small and large. Within the trade pillar, we are developing agriculture provisions that include high-standard commitments to address some of the persistent challenges that American farmers face in accessing markets in the region.

Question. U.S. businesses are often at a disadvantage vis-à-vis state-owned enterprises (SOEs) that are not guided by market principles. Such SOEs benefit from environmental, health, and labor standards below that of publicly traded companies. The uranium miners in Wyoming know this only too well, as U.S. mining has come to a standstill at the hands of increased imports from places like Russia, Uzbekistan and other countries where the Chinese have significant mining investments. U.S. trade policy needs a clear strategy for addressing the SOE imbalance.

Can you describe in detail how USTR intends to address the challenges posed by SOEs in China and elsewhere; and

Does what tools, if any, will the Indo-Pacific Economic Framework include to address the challenges posed by SOE's in the region?

Answer. We are committed to using the full range of tools we have, and to develop new tools as needed, to defend American economic interests from the harmful economic and trade policies and practices of others, including the challenges posed by state-owned enterprises (SOEs) in China and elsewhere. The administration is also actively working with like-minded partners, both directly and in multilateral institutions like the Organisation for Economic Co-operation and Development, to advance new international disciplines on SOEs. In addition, we are currently pursuing the negotiation of additional SOE disciplines with Mexico and Canada under the USMCA.

We are in the early stages of consulting with stakeholders, including Congress, on the content of IPEF. We received submissions to a Federal Register notice on April 11th and are reviewing these submissions. We welcome your feedback on IPEF, to include with respect to addressing the challenges posed by SOEs, and want to continue close consultation with Congress as we move forward in its development.

Question. The COVID–19 pandemic has starkly demonstrated—through trade restrictions, supply chain breakdowns, and other unpredictable actions by countries around the world—the importance of food security. Russia's unprovoked invasion of

Ukraine has exacerbated this critical issue and placed enormous pressure on the global food supply chain. Fertilizer shortages are already changing American farmers' approach to planting and this will put additional pressure on the food supply.

What actions is USTR taking to address the current challenges facing the U.S. and global food Supply?

Answer. The United States is working with our partners and allies around the world to address the disruptions to supply chains that Russia's unprovoked invasion of Ukraine has caused. Specifically, USTR is working bilaterally and multilaterally, with like-minded countries to avoid the use of trade distorting measures, eliminate unjustified non-tariff barriers, fully implement the Trade Facilitation Agreement, and continue notifying and informing other WTO members of relevant trade programs and measures that affect agricultural production and global trade.

Question. As we discussed numerous times in the past, soda ash is very important to my home State. U.S. "natural soda ash" is refined from the mineral trona. The Green River Basin in Wyoming has the world's largest trona deposit.

Soda ash is a key manufacturing component of glass, detergents, soaps, and chemicals. U.S. natural soda ash sets the standard for quality, purity, and energy efficiency in production. Like many U.S. industries, soda ash faces significant trade barriers around the world.

As part of your effort to promote U.S. industries in international markets, will you recommit to advocate for eliminating trade barriers for soda ash and other important U.S. industries in the international marketplace?

Answer. The U.S. soda ash industry is among the most competitive in the world. Often, countries competing for the global soda ash market do so through the degradation of worker rights and the environment. I will work to remove trade barriers and to ensure U.S. exports of soda ash and other important goods face a level playing field in the international market.

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

The biggest trade and economic security stories in the world today are Russia and China. Their governments are united in putting up barriers to American products and American values.

Since Putin launched his unprovoked invasion of Ukraine, the U.S. and our allies have hit Russia, Putin, and his circle of oligarchs with the most powerful economic sanctions in history. It's not just about yanking away super-yachts and private jets. Putin is now the head of a pariah state. In terms of trade, the Senate is currently in the process of formally designating Russia as a pariah state by revoking its Permanent Normal Trade Relations status.

The U.S. has proven to Russia that going down the abusive totalitarian road is a bad bet. The U.S. and our allies must prove the same to China. China's Government is a human-rights abusing, jobs- and tech-stealing behemoth at the head of an economic superpower. One of my top concerns about the Chinese Government's economic model is censorship.

When the Internet took off, American innovators were first out of the gate with big ideas. The Chinese Government responded by using its Great Firewall to block those companies, and allowing Chinese firms to rip off their ideas instead of competing with them directly. Even worse, Chinese tech comes with Chinese censorship, and it even censors American people and American businesses.

The Chinese model of censorship is popping up all over the world. It's fracturing the Internet. It's distorting reality for entire nations, as you see in Russia, where the people are being fed lies about what's going on in Ukraine. The U.S. must stand up to that kind of censorship, and USTR has a big role in fighting for a free and open Internet through smart digital trade policy.

You can also bet that the Chinese Government will want to dominate the technologies that will dominate the rest of the 21st century, such as semiconductors, EV batteries, and AI. It's also continuing its awful record of abusing human rights and trampling on workers.

Again, this is where USTR comes in. The U.S. must do everything it can to stand up to China, protect American workers and businesses, and prevent a race to the bottom on basic rights.

As I said at the outset, the U.S. and our allies have proven with the sanctions on Russia that our collective economic power is anything but "soft." A big reason why the U.S. was able to marshal such strength was because the Biden administration, USTR included, had worked hard to mend our relationships in Europe and elsewhere.

USTR racked up a lot of significant wins in the process that don't always get lots of discussion. USTR finally brokered a deal in an aircraft trade dispute with the EU and the UK that had been unresolved for nearly 2 decades. USTR and the Commerce Department also reached deals with the EU, the UK, and Japan on steel and aluminum trade—which will remove existing tariffs, bring prices down for Americans, and fight carbon emissions.

Before those disputes were resolved, American firms had been hit in the crossfire, with tariffs on everything from airplanes to cranberries to wine. EU tariffs on distilled spirits were a big danger to Oregon's thriving craft beverage industry. Ambassador Tai's work to negotiate deals has wiped away these tariff threats, ensuring our businesses can grow, create good-paying jobs, and export with confidence.

Just last week, USTR got Japan to agree to allow in more U.S. beef at lower tariff levels, which is huge news for our ranchers. And thanks to an agreement with the EU, American fishers are exporting live oysters, clams, and mussels to Europe for the first time in over a decade. There's no question that resolving these issues has brought the U.S. and our traditional economic allies closer together.

Two weeks ago, this committee held a hearing on the Indo-Pacific Economic Framework, which is another opportunity to strengthen our economic ties and marginalize the Russia-China model. It's got a lot of promise for Oregon workers and businesses, who live at one of the gateways to the Pacific. A good agreement will bulldoze overseas barriers to Oregon products from Columbia Gorge pears to Wallowa beef. Reducing barriers means better market access for farmers and manufacturers, which is incredibly important to Oregon—where one in five jobs are trade jobs, and trade jobs often pay better.

It's also an important opportunity to raise standards for labor rights, environmental protections, and a free and open Internet. And because sunlight is the best disinfectant, it's a positive sign that USTR has committed to handling those discussions with transparency and close consultations. My view is, that's key to getting the best possible deal for American workers.

I want to thank Ambassador Tai for joining the committee today. I'm looking forward to discussing these issues with her, and more.

COMMUNICATIONS

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April 14, 2022

The Honorable Ron Wyden	The Honorable Mike Crapo
Chairman	Ranking Member
U.S. Senate	U.S. Senate
Committee on Finance	Committee on Finance
Washington, DC 20510	Washington, DC 20510

RE: Statement for the Hearing Record: The President's 2022 Trade Policy Agenda, March 31, 2022

Dear Chairman Wyden and Ranking Member Crapo,

On behalf of the members of the American Apparel and Footwear Association (AAFA), we appreciate this opportunity to submit a statement for the record for the Committee's hearing on the "The President's 2022 Trade Policy Agenda."

The American Apparel and Footwear Association (AAFA) is the national trade association representing apparel, footwear and other sewn products companies, and their suppliers, which compete in the global market. Representing more than 1,000 world famous name brands, AAFA is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its three million U.S. workers, and its contribution of more than $350 billion in annual U.S. retail sales.

Trade Agreements

The U.S. apparel, footwear, and related products industry encompasses domestic manufacturers, exporters, importers, and global suppliers. Our members make and sell products in the United States and around the world. Because nearly every U.S. job in our industry depends on access to foreign customers, access to global supply chains, or both for its existence, trade agreements are vitally important for the competitiveness of the industry. We encourage the Committee to urge USTR complete negotiations with Kenya and the United Kingdom. We also support [1] a comprehensive Indo-Pacific Economic Framework (IPEF) that includes market access, tariff liberalization, customs facilitation, strong intellectual property provisions, sustainability provisions, and a clear strategy [2] on supply chain resiliency.

Generalized System of Preferences (GSP)

We are pleased to see full retroactive renewal of GSP in both the House and Senate bills. However, we are concerned the increased eligibility criteria may make it more difficult for many countries to comply. We must remember that GSP is a critical development tool needed to help lift people out of poverty. Thus, any proposal must preserve as much "good trade" as possible during country practice reviews, including the possibility of removing GSP on a case-by-case basis for only bad actors, updating the Competitive Need Limit (CNL) rules to raise the value thresholds, and amending the statute to say that GSP benefits should be restored for products that fall below the (new) thresholds. Further, the longer duration in the Senate version pro-

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[1] *https://www.aafaglobal.org/AAFA/AAFA_News/2022_Letters_and_Comments/AAFA_Submits_Comments_to_USTR_on_IPEF.aspx.*

[2] *https://www.aafaglobal.org/AAFA/AAFA_News/2022_Letters_and_Comments/AAFA_Submits_Comments%20to_Commerce%20_on_IPEF.aspx*

vides more business certainty, providing more incentives to meet any new eligibility criteria.

Miscellaneous Tariff Bill (MTB)

The MTB allows American companies the ability to eliminate or reduce duties on nearly 2,500 items not available or manufactured in the United States. We urge the Committee to consider renewing retroactively back to when it expired at the end of December 2020. Further, since the process already includes a thorough vetting process by the U.S. International Trade Commission and allows Members of Congress to object to specific petitions, provisions that seek to exclude finished products are arbitrary and unnecessary. If the goal of the MTB is to support U.S. jobs, it should not matter whether U.S. value-add occurs at the beginning or end of a product's value chain. Excluding only finished products suggests that the only U.S. value-add that comes at the end of a value chain are worthwhile to protect, sending a terrible message to the millions of Americans employed in developing, designing, sourcing, moving, marketing, and ensuring the compliance of products. We also have serious questions over whether a "finished product" exclusion is even administrable.

Section 301 China Tariff Exclusions

We have called on the Office of the U.S. Trade Representative (USTR) to reinvigorate the exclusion process for products subject to additional tariffs under Section 301 of the Trade Act of 1974. Such a provision was included as part of the Trade Act of 2021 in the U.S. Innovation and Competition Act (S. 1260) after an overwhelming bipartisan 91–4 vote. While similar language was not included in the House America COMPETES Act, a bipartisan letter signed by 141 Members of the House of Representatives was recently sent to Ambassador Tai asking for the establishment of this process. AAFA supports a new exclusion process that retroactively renews any expired exclusions and is transparent and fact-based.

Central America

Through smart trade policies, we can promote billions of dollars of new investment in the region's most promising industries and create sustainable civil societies where opportunity can flourish. By encouraging further investment in textile and apparel manufacturing within the Western Hemisphere, we can provide communities in Central America with more jobs, higher wages, sustainable growth and long-term stability. This will ease the pressures on its citizens to migrate out of the Central America—all while protecting existing manufacturing and trade flows, and the jobs they support.

The Coalition for Economic Partnerships in the Americas[3] (CEPA) has submitted comments to the Committee and encourages Members to review them for additional details on how we can grow jobs, investment, and trade in the region.

Haiti

The apparel industry now provides more than 50,000 formal Haitian jobs and, by some estimates, supports another 450,000 Haitian citizens. Congress has made this possible through successive enactment of the Haiti HOPE/HELP programs to provide duty free access to the U.S. market featuring practical rules of origin that support responsible and sustainable sourcing.

We urge you to act now to ensure that there is no gap in the trade preference programs that Haiti currently uses. Early renewal of the programs that expire in just under 4 years cannot come soon enough. Last year, Congress rightly extended the Caribbean Basin Trade Partnership Act (CBPTA) for 10 years, which is used almost exclusively by Haiti, a few days after it expired. The Generalized System of Preferences (GSP)—another trade program that Haiti uses—expired more than 13 months ago. Such delays, and the prospect that the HELP and HOPE programs (which now support nearly 80 percent of Haiti's garment exports to the U.S.) could face similar obstacles, discourage U.S. companies from making long term plans. Such delays not only harm Haitian families and the communities who depend on the jobs created by U.S. apparel sourcing in Haiti, but they also hurt U.S. textile manufacturers and their workers who depend on that production to support their exports. Therefore, we urge you to pass the Haiti Economic Lift Program Extension Act of 2021, recently introduced by your colleagues, as soon as possible.

African Growth and Opportunity Act (AGOA)

AGOA is an important program for the U.S. apparel and footwear industry. Even though the AGOA expiration date is three years away, U.S. investment in the re-

[3] *https://cepacoalition.com/*.

gion already faces mounting uncertainty. Companies are poised to diversify out of China, and Africa is a logical place for many of them. The on-again, off-again nature of the program before the ten-year renewal was extremely disruptive and meant the industry was not able to take full advantage of the first 15 years of the program. If AGOA were to be renewed this year for another 10 years, companies would have the necessary certainty and timeframe they need to grow a vertical, responsible, and competitive industry in Africa up to and past 2025.

As more companies are beginning to utilize AGOA, and specifically the third country fabric provision, the quota fill rate will be significantly increasing in the coming years. Therefore, we also suggest raising the existing 3.5% limit to at least 4.5%, with a growth provision, so that it not be a constraint going forward.

We ask that you renew this important program this year for another 10 years and that we increase the quota so that we can reinject predictability to support investment well ahead of the current 2025 expiration.

Thank you for your attention on these important trade matters.

Sincerely,

Beth Hughes
Vice President, Trade and Customs Policy

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The American Farm Bureau Federation, the nation's largest general farm organization, submits this statement for the Committee hearing on the President's 2022 trade policy agenda. Trade is critically important to the current welfare and future prosperity of U.S. farmers and ranchers. America's farmers and ranchers depend on growing and stable export markets for the success of their businesses.

President's Trade Agenda for 2022

The Administration's approach on trade includes dealing with China; pursuing the Indo-Pacific Economic Strategy; supporting agriculture; reducing trade barriers; promoting sustainable environmental practices; focusing on supply chain improvements; and promoting stability.

The Indo-Pacific Economic Framework (IPEF) was introduced as a part of the overall Indo-Pacific Strategy. It is a strong start to improve relationships and reach agreements with the region's countries. It should also be used to reach science-based standards that will assist exports. The inclusion of sanitary and phytosanitary (SPS) standards will reduce barriers and expand opportunities for our agricultural exports.

The IPEF can be significantly improved. As released, it does not include a strategy of improving market access for agriculture by working to reduce tariff barriers. The Administration is also not proposing a reauthorization of Trade Promotion Authority nor a commitment to pursuing trade negotiations with binding and enforceable commitments. Farm Bureau supports trade agreements in the region as the most durable and effective means to improve market opportunities for farmers and ranchers.

Indo-Pacific Region Agricultural Trade

Current agreements in the region show the importance of moving forward with additional efforts to improve opportunities for U.S. agricultural exports.

U.S.-China Phase 1 Agreement

The U.S.-China Phase 1 Agreement has and will continue to result in real progress toward a mutually beneficial trade relationship. We are already seeing positive results for agricultural trade and substantial progress in the removal of barriers that impact the competitiveness of U.S. products in this important market. In the Phase 1 Agreement, China committed to increase purchases of U.S. agricultural products. For 2020, China purchased over $27.5 billion of U.S. agricultural products. In 2021, China purchased $33.5 billion of U.S. agricultural exports.

While the purchase commitment has ended, the outlook for Chinese purchases of soybeans, corn, wheat, sorghum, beef, pork, and other products is forecast by USDA to be over $36 billion in FY 2022.

China has also been addressing the commitments they made to improve and reform many standards in the Agreement. Long-standing barriers to the export of U.S. beef, pork, poultry, and other products have been or are being resolved, pursuant to the Agreement. As these barriers go down, the opportunity for increased U.S. commodity sales goes up.

Also helping our sales growth is China's granting, upon application by importers, waivers of their retaliatory tariffs on U.S. agricultural products, which were put in place in 2018 and 2019, with direct, substantial impacts on agricultural sales.

China is U.S. agriculture's number one export destination. As such, an ongoing trade relationship with China is critical for U.S. farmers and ranchers.

U.S.-South Korea Agreement

The U.S.-South Korea Free Trade Agreement (KORUS) entered in force on March 25, 2012. The agreement eliminated or reduced tariff and non-tariff barriers on agricultural and other products.

U.S. agricultural exports to South Korea reached an all-time high in FY 2021 at $9.2 billion. The forecast for FY 2022 is $9.8 billion.

U.S.-Japan Agreement

The U.S.-Japan Trade Agreement went into effect on Jan. 1, 2020. The tariffs applied to U.S. products are now the same as those applied to the products of the other countries with a trade agreement with Japan. Tariffs are being reduced or eliminated on a variety of U.S. agricultural exports to Japan. The U.S. and Japan should continue talks on the remaining issues, such as SPS rules, which would help lead to a comprehensive FTA between the U.S. and Japan. The recent agreement on the operation of Japan's beef safeguard mechanism will help increase sales of U.S. beef products.

U.S. agricultural exports to Japan were over $14 billion in 2021.

USMCA

The U.S.-Mexico-Canada Agreement is important for the continuation and improvement of trade among the nations of North America. Canada ($24 billion) and Mexico ($23.9 billion) are the second and third largest export markets for U.S. agriculture. The implementation and enforcement of this Agreement will yield future growth for our exports.

U.S.-United Kingdom

The U.S. and the United Kingdom (UK) have just reached an agreement to resolve the steel tariffs dispute between the two countries. This agreement will remove the retaliatory tariffs on U.S. agricultural products placed by the UK after the U.S. placed tariffs on UK steel and aluminum.

We support a resumption of trade negotiations between the U.S. and the UK to deal with non-science-based barriers to our agricultural exports.

Trade Promotion Authority

The Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (Trade Promotion Authority) ended on July 1, 2021. Farm Bureau recognizes the crucial importance of Trade Promotion Authority and supports its reauthorization. The negotiating objectives set by Congress, the consultation requirements of the Administration with Congress and the voting procedures established under TPA are important to the successful negotiation and conclusion of trade discussions.

World Trade Organization

The Biden Administration will need to deal with various WTO reform issues such as the operation of the Appellate Body. For agriculture, we support working toward increased transparency through an improved notifications process. We do not support discussion of subsidy levels without a full discussion of market access initiatives.

Sustainability

U.S. farmers and ranchers look to be partners in addressing the challenges of our changing climate. Not only are agriculture's emissions low, farmers and ranchers are taking active steps to make their footprint even smaller. This is best accomplished through policies that provide voluntary, incentive-based tools for farmers, ranchers, and forest owners to maximize the sequestration of carbon. This approach will also help achieve a reduction in greenhouse gas emissions; increase the resilience of the land; advance science-based outcomes and help rural economies adapt.

Conclusion

U.S. farmers and ranchers rely on export markets for over twenty percent of agricultural production. As Congress considers future discussions with the nations that are our most important export destinations, and those that have the potential to grow in importance, we need to consider how the proposed Indo-Pacific Economic Framework can most effectively expand agricultural exports to the benefit of U.S. farmers and ranchers.

AMERICANS FOR FREE TRADE

April 13, 2022

The Honorable Ron Wyden
Chairman
U.S. Senate
Committee on Finance
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
U.S. Senate
Committee on Finance
Washington, DC 20510

The Honorable Richard Neal
Chairman
U.S. House
Committee on Ways and Means
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
U.S. House
Committee on Ways and Means
Washington, DC 20515

RE: Statement for the Hearing Record: The President's 2022 Trade Policy Agenda

Dear Chairman Wyden, Ranking Member Crapo, Chairman Neal, and Ranking Member Brady,

The Americans for Free Trade coalition, a broad alliance of American businesses, trade organizations, and workers united against tariffs, respectfully submits this written statement to include in the public record of the House Ways & Means Committee and Senate Finance Committee's ("the Committees") 2022 Trade Policy Agenda hearings, which took place on March 30 and 31, respectively. We appreciate the Committees holding hearings on this important matter.

By way of background, Americans for Free Trade represents every part of the U.S. economy including manufacturers, farmers and agribusinesses, powersports, retailers, technology companies, service suppliers, natural gas and oil companies, importers, exporters, and other supply chain stakeholders. Collectively, we employ tens of millions of Americans through our vast supply chains.

As companies in the U.S. continue to recover from the global pandemic, face supply chain disruptions, and operate in an inflationary economic environment, we continue to call upon the administration to use more strategic tools to address China's unfair trade practices without further damaging U.S. competitiveness. To date, U.S. Customs and Border Protection has assessed more than $130 billion dollars in tariffs from U.S. companies who import products from China. These taxes increase the cost of doing business in the United States and place a financial burden on U.S. businesses—negatively impacting their ability to invest in their companies, hire more American workers, innovate cutting-edge goods and services and remain competitive globally.

We continue to call for an end to the China 301 tariffs that have had a disproportionate economic impact on American companies, consumers, and workers and that have failed to change China's unfair trade practices. But until the tariffs are lifted, we believe reinstituting a fully retroactive section 301 exclusion process for all covered products is critical to providing interim relief for U.S. businesses. According to a recent Moody's Investor Service Report, the tariffs "hit American businesses and consumers hardest," with China absorbing only 7.6 percent of the tariffs "while the rest of the tab was picked up by Americans." Further, recent articles have highlighted that the tariffs are having a modest but real impact on inflationary pressures.[1] A new, comprehensive, transparent, and fair exclusions process would help alleviate the economic burden on American businesses and consumers.

We welcomed USTR's announcement in October to open an exclusions process for a limited set of products. However, that process was only available to 549 products, which is approximately 1 percent of the original exclusion applications. USTR recently announced the reinstatement of 342 of the 549 exclusions, but it did not explain why the remaining requests were denied or why the exclusions were retroactive only to October 12, 2021. While these 342 reinstated exclusions are an important first step, a more robust process is needed to provide meaningful relief. This view is shared by at least 141 bipartisan House members and 41 bipartisan Senators who recently wrote to Ambassador Tai urging USTR to open a broader exclusions process. During the Trade Agenda hearings, many Members of the Committees asked Ambassador Tai whether USTR intended to make available a broader exclusion process. Ambassador Tai responded that she was happy to discuss the issue further with Members of Congress and that USTR would continue to consider a broader exclusions process if circumstances warranted it. These responses provided no insight to the Committees or the public regarding USTR's intentions for opening a broader exclusions process or what circumstances might prompt USTR to do so.

Absent a clear indication from USTR that it will use its authority to provide a comprehensive, transparent, and fair exclusions process, Congress must act. **We therefore urge the Committees to include language in a conferenced China competition bill that would require USTR to reinstitute a comprehensive, transparent, and fair exclusions process—with retroactivity—for all products subject to the section 301 tariffs, not just an arbitrary, narrow subset of products.**

As the Committees may also be aware, List 1 of the China 301 tariffs is set to expire in July unless USTR receives a petition for a continuation of the tariffs, which we understand is almost certain to occur. Such a request would trigger a review process under the statute, requiring USTR to examine the effectiveness of the tariffs in achieving their objectives and other actions that could be taken, as well as the effects of such actions on the U.S. economy, including consumers.

While USTR would only be required to conduct this review with respect to List 1, we have written to Ambassador Tai urging USTR to include all four tariff lists in its review. A single review for all four tariff lists would create administrative efficiencies for USTR and American companies. It would also permit a more holistic assessment of whether the tariffs achieved their stated objectives and provide a full picture of the impact the tariffs have had to the U.S. economy, as well as American businesses, workers, and consumers. It would also give USTR the opportunity to consider whether the 301 tariffs represent the best path forward considering U.S. companies continue to face many of the same challenges with respect to trade with China today as they did when the tariffs were first imposed.

Further, it is essential that the review process be fully transparent and include a public comment period and public hearings to ensure that the Administration gives all stakeholders—including stakeholders who pay the tariffs—the opportunity to provide input. A review that does not include the American businesses, workers, farmers, and consumers burdened by the tariffs would be inconsistent with the commitments USTR has made in its Transparency Principles, congressional testimony, and the 2022 Trade Policy Agenda and 2021 Annual Report regarding public outreach, engagement, and transparency.

We strongly support a fully transparent review of the Section 301 tariffs on products from China, including a comprehensive economic assessment of the tariffs' impact on American businesses, workers, farmers, and consumers. **We urge the Committees to inquire about USTR's plans for reviewing the tariffs, including timing and opportunities for stakeholder input. We believe the review presents an important opportunity to assess the tariffs and determine whether this Administration will continue them as part of its China trade policy.**

We appreciate the Committees' continued engagement on these critical issues and urge it to continue weighing in with the Administration to ensure that destructive tariffs are lifted, and that a new and more effective approach to addressing China's unfair trading practices is adopted. We thank the Committees for holding these hearings and look forward to continuing to work with you.

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[1] *See* the attached list of articles discussing the section 301 China tariffs' contributions to U.S. inflation woes.

Sincerely,

Accessories Council
ACT | The App Association
Agriculture Transportation Coalition (AgTC)
ALMA, International (Association of Loudspeaker Manufacturing and Acoustics)
American Apparel and Footwear Association (AAFA)
American Association of Exporters and Importers (AAEI)
American Association of Port Authorities
American Bakers Association
American Bridal and Prom Industry Association (ABPIA)
American Chemistry Council
American Clean Power Association
American Coatings Association, Inc. (ACA)
American Down and Feather Council
American Fly Fishing Trade Association
American Home Furnishings Alliance
American Lighting Association
American Petroleum Institute
American Pyrotechnics Association
Colorado Retail Council
Columbia River Customs Brokers and Forwarders Assn.
Computer and Communications Industry Association (CCIA)
Computing Technology Industry Association (CompTIA)
Consumer Brands Association
Consumer Technology Association
Council of Fashion Designers of America (CFDA)
CropLife America
Customs Brokers and Freight Forwarders Assn. of Washington State
Customs Brokers and Freight Forwarders of Northern California
Distilled Spirits Council of the United States
Electronic Transactions Association
Energy Workforce and Technology Council
Experiential Designers and Producers Association
Fashion Accessories Shippers Association (FASA)
Fashion Jewelry and Accessories Trade Association
Flexible Packaging Association
Florida Ports Council
Florida Retail Federation
American Rental Association
American Seed Trade Association
American Specialty Toy Retailing Association
American Trucking Association
Arizona Technology Council
Arkansas Grocers and Retail Merchants Association
Association for Creative Industries
Association for PRINT Technologies
Association of American Publishers
Association of Equipment Manufacturers (AEM)
Association of Home Appliance Manufacturers
Auto Care Association
Beer Institute
BSA | The Software Alliance
Business Alliance for Customs Modernization
California Retailers Association
Can Manufacturers Institute
Carolina Loggers Association
Chemical Industry Council of Delaware (CICD)
Coalition of New England Companies for Trade (CONECT)
Coalition of Services Industries (CSI)
Indiana Retail Council
Information Technology Industry Council (ITI)
International Association of Amusement Parks and Attractions (IAAPA)
International Bottled Water Association (IBWA)
International Foodservice Distributors Association
International Housewares Association
International Warehouse and Logistics Association
International Wood Products Association
ISSA—The Worldwide Cleaning Industry Association
Jeweler's Vigilance Committee
Juice Products Association (JPA)
Juvenile Products Manufacturers Association
Leather and Hide Council of America
Licensing Industry Merchandisers' Association
Los Angeles Customs Brokers and Freight Forwarders Assn.
Louisiana Retailers Association

Footwear Distributors and Retailers of America (FDRA)
Fragrance Creators Association
Game Manufacturers Association
Gemini Shippers Association
Georgia Retailers
Global Chamber®
Global Cold Chain Alliance
Greeting Card Association
Halloween Industry Association
Home Fashion Products Association
Home Furnishings Association
Household and Commercial Products Association
Idaho Retailers Association
Illinois Retail Merchants Association
Independent Office Products and Furniture Dealers Association (IOPFDA)
National Retail Federation
National Ski and Snowboard Retailers Association
National Sporting Goods Association
National Confectioners Association
Natural Products Association
New Jersey Retail Merchants Association
North American Association of Food Equipment Manufacturers (NAFEM)
North American Association of Uniform Manufacturers and Distributors (NAUMD)
North Carolina Retail Merchants Association
Ohio Council of Retail Merchants
Outdoor Industry Association
Pacific Coast Council of Customs Brokers and Freight Forwarders Assns. Inc.
Pennsylvania Retailers' Association
PeopleforBikes
Personal Care Products Council
Pet Food Institute
Pet Industry Joint Advisory Council
Plumbing Manufacturers International
Power Tool Institute (PTI)
PRINTING United Alliance
Promotional Products Association International
Recreational Off-Highway Vehicle Association
Retail Association of Maine
Retail Council of New York State
Retail Industry Leaders Association
Retailers Association of Massachusetts
RISE (Responsible Industry for a Sound Environment)
Travel Goods Association
United States Council for International Business
U.S. Global Value Chain Coalition
Maine Grocers and Food Producers Association
Maine Lobster Dealers' Association
Maritime Exchange for the Delaware River and Bay
Maryland Retailers Association
Michigan Chemistry Council
Michigan Retailers Association
Minnesota Retailers Association
Missouri Retailers Association
Motor and Equipment Manufacturers Association
Motorcycle Industry Council
NAPIM (National Association of Printing Ink Manufacturers)
National Association of Chain Drug Stores (NACDS)
National Association of Chemical Distributors (NACD)
National Association of Foreign-Trade Zones (NAFTZ)
National Association of Home Builders
National Association of Music Merchants
National Association of Trailer Manufacturers (NATM)
National Council of Chain Restaurants
National Electrical Manufacturers Association (NEMA)
National Fisheries Institute
National Foreign Trade Council
National Grocers Association
National Lumber and Building Material Dealers Association
National Marine Manufacturers Association
National Restaurant Association
RV Industry Association
San Diego Customs Brokers and Forwarders Assn.
SEMI
Semiconductor Industry Association (SIA)
Snowsports Industries America
Software and Information Industry Association (SIIA)
South Dakota Retailers Association
Specialty Equipment Market Association
Specialty Vehicle Institute of America
Sports and Fitness Industry Association
TechNet
Telecommunications Industry Association (TIA)
Texas Water Infrastructure Network
The Airforwarders Association
The Fertilizer Institute
The Hardwood Federation
The Toy Association
Truck and Engine Manufacturers Association (EMA)
United States Fashion Industry Association
U.S.-China Business Council

Vinyl Institute
Virginia-DC District Export Council (VA-DC DEC)
Window and Door Manufacturers Association
Virginia Retail Merchants Association
Washington Retail Association
World Pet Association, Inc. (WPA)

Articles Related to Tariffs' Effect on Inflation:

- Larry Sommers on potential recession: "Nothing is inevitable or certain in economics," *The Hill,* April 10, 2022.
- For inflation relief, the United States should look to trade liberalization, Peterson Institute for International Economics, March 30, 2022.
- Opinion: Biden wants more price-reducing "competition." Except in this one circumstance, *The Washington Post,* February 8, 2022.
- Trump's China tariffs continue to vex small Minnesota importers, *Star Tribune,* February 6, 2022.
- Will inflation see off the Trump tariffs? *Vogue Business,* January 5, 2022.
- Retreat From Globalization Adds to Inflation Risks, *The Wall Street Journal,* December 5, 2021.
- Facing Down a Surprising Inflation Surge, Harvard Kennedy School, December 1, 2021.
- PPI's Trade Fact of the Week: Trump tariff increases contribution to inflation: ~0.5%, Progressive Policy Institute Newsletter.
- Inflationary Effects of Trade Disputes with China, Federal Reserve Bank of San Francisco, February 25, 2019.

Administration Comments on Tariffs and Inflation

- Rolling back U.S.-China tariffs would ease inflation in the U.S., former Treasury secretary says, CNBC, November 30, 2021.
- The inflation-fighting step Biden has yet to take, CNN, November 21, 2021,
- Janet Yellen Interview with "Face The Nation," November 14, 2021.
- Yellen says reciprocal lowering of tariffs could help ease inflation, Reuters, November 1, 2021.

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Two Years Since Trade Deal with China, Tariffs Aren't Working for American Businesses, *Entrepreneur,* MSN, February 11 2022.

Trade Wars Worsen Shipping Crisis, *Townhall,* September 7, 2021.

Joe Bell: Ongoing trade war limits recovery for U.S. businesses, *Tribune Review,* June 23, 2021

Repeal Tariffs to Boost the Economy, Help Small Businesses, *RealClearMarkets.* March 25, 2021.

Removing tariffs is key to economic relief, *Washington Examiner,* February 24, 2021.

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Statement of Michael G. Bindner

Chairman Wyden and Ranking Member Crapo, thank you for the opportunity to submit these comments for the record. Please consider the following issues, which are likely left off of the President's current agenda.

If the Belt and Road and forced labor in China are still an issue, the answer is probably resurrecting some form of the Trans-Pacific Partnership. The right of businesses to short-circuit local law in special tribunals must be modified or ended in any redux. This should be the case with all such trade agreements.

Agreements which try to modernize other nation's labor arrangements need an awareness that America's performance on issues of democracy, organized labor, wage and hour and safety enforcement are far from stellar. Perhaps any arrangements should include monitoring American employers and the government agencies that should be looking out for them.

At the very least, end right-to-work. Such laws are really right-to-exploit laws, including through the use of human trafficking. Migrant workers in the food industry, from harvesting to processing and packing face all sorts of bad treatment, sometimes with that treatment abetted by local law enforcement.

Immigration reform must be part of the trade policy agenda. Workers who do not have documentation problems cannot be easily exploited—especially if they are able to unionize. This will also help level the playing field for American workers. A unionized worker, whether they be an immigrant or a citizen, will make more money and be safer. The stories of workers having to do so sick was highlighted in the early days of the Pandemic. I have not heard that things have gotten any better.

An analysis of how consumption taxes can improve our trade policy is found in a second attachment. The first attachment on tax reform is included to clarify the terms of the second. These are attachments because they have been provided before. I am available to explain these topics. There are many who can talk about how value added taxes relate to trade, but I am the only one who can walk the Committee and staff through how an employer-paid subtraction value added tax applies.

Part of the trade equation is the recently completed agreement on Corporate Minimum Taxes. This faces challenges to enactment in the Senate. Perhaps it should. I am no fan of corporate income taxation when value added taxes (both GST/Invoice VAT and Subtraction VAT) are available.

Our proposal for an Asset Value-Added Tax will require international cooperation. Part of trade is moving money around—including financial assets. An asset VAT as a replacement for capital gains taxes and capital returns must go farther than the border. It is too easy to shift to offshore stock exchanges where such taxes do not exist. International agreements on rates and enforcement structures are vital for such a tax to work. The model for negotiating the CMT on a multi-national basis can be used for this effort.

The other issue not usually discussed with Trade Policy is its impact on national debt ownership. Bond holdings backing the currencies of our trading partners is a key consideration. The possibility that the debt may outpace our trading capital needs must be a concern. A more urgent concern is the impact on Treasury bond prices if the European Union creates a consolidated debt with a continental tax system to back the Euro. Such an option would bring about a day of reckoning on our debt—a reckoning that income taxpayers will have to face.

It is important to understand who owns and owes the debt. We are currently revising our previous study: *Settling (and Squaring) Accounts: Who Really Owes the National Debt? Who Owns It?* available from Amazon at *https://www.amazon.com/dp/B08FRQFF8S*. I can provide free copies of the prior version upon request and will distribute the latest edition once it is completed. The most recent bottom line estimates can be found in the second attachment. This shows who is on the hook for the debt and who benefits from it.

Note well that the top 22,000 households break even on debt owned and owed. Everyone else is in hock. Such an imbalance cannot continue. Please see the third attachment for more on this issue.

A main conclusion of our analyses is that the national debt is the leverage for capitalism to the extent that debt securities allow Wall Street to offer riskier assets, such as mortgage backed securities embedded in Exchange Traded Funds, as well as more traditional offerings. Wealth held by the few (and the attachment shows how very few we mean), provides management absolute control of most workplaces. Employee-owned firms would not need such an unbalanced economy leveraged by American Treasury holdings.

As you may have heard, China is in the middle of a housing finance and development crisis. The impact of these developments on both bilateral and world trade will be huge. They demand a separate set of hearings by multiple committees—but especially Finance and Ways and Means.

The most important long-term trade issue is international employee ownership, which is discussed in the second attachment. Domestic employee-owned firms will find it in their interest to offer the same standard of living and ownership rights to overseas subsidiaries and their supply chain. In the long term, such ownership ends the need for any political agenda on trade.

Trade issues will take care of themselves within the enterprise, leaving currency arbitrage in the dust. Enacting the proposed Asset Value-Added Tax, with zero rated sales to such firms, will make that day come sooner—leading to a more integrated world without the need for a worldwide war machine.

Our most urgent concern in trade is climate change. Our current approach is inadequate. We need to put our money where our mouths are—or rather—where the world is. We need more than international agreements. We need international retrofitting, primarily in the energy sector. This means funding abatement issues in the developing world—and helping to carry them out. It is not enough to insist on goals. We must pay for action anywhere our trading partners will let us.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Attachment One—Tax Reform, Center for Fiscal Equity, December 7, 2021

Individual payroll taxes. Employee payroll tax of 7.2% for Old-Age and Survivors Insurance. Funds now collected as a matching premium to a consumption tax based contribution credited at an equal dollar rate for all workers qualified within a quarter. An employer-paid subtraction value-added tax would be used if offsets to private accounts are included. Without such accounts, the invoice value added tax would collect these funds. No payroll tax would be collected from employees if all contributions are credited on an equal dollar basis. If employee taxes are retained, the ceiling would be lowered to $100,000 to reduce benefits paid to wealthier individuals and a $16,000 floor should be established so that Earned Income Tax Credits are no longer needed. Subsidies for single workers should be abandoned in favor of radically higher minimum wages. If a $10 minimum wage is passed, the employee contribution floor would increase to $20,000.

Wage Surtaxes. Individual income taxes on salaries, which exclude business taxes, above an individual standard deduction of $100,000 per year, will range from 7.2% to 57.6%. This tax will fund net interest on the debt (which will no longer be rolled over into new borrowing), redemption of the Social Security Trust Fund, strategic, sea and non-continental U.S. military deployments, veterans' health benefits as the result of battlefield injuries, including mental health and addiction and eventual debt reduction.

Our proposed brackets have been increased from $85,000 to $100,000 because this is the income level at the top of the 80% of tax paying households who earn the bottom third of adjusted gross income. Earners above this level are considered middle class. Likewise, the top 1% of income earners are at the $500,000 level, which will be used as the start of the highest rate.

Asset Value-Added Tax (A–VAT). A replacement for capital gains taxes, dividend taxes, and the estate tax. It will apply to asset sales, dividend distributions, exercised options, rental income, inherited and gifted assets and the profits from short sales. Tax payments for option exercises, IPOs, inherited, gifted and donated assets will be marked to market, with prior tax payments for that asset eliminated so that the seller gets no benefit from them. In this perspective, it is the owner's increase in value that is taxed. As with any sale of liquid or real assets, sales to a qualified broad-based Employee Stock Ownership Plan will be tax free. These taxes will fund the same spending items as income or S–VAT surtaxes.

This tax will end Tax Gap issues owed by high income individuals. A 26% rate is between the GOP 23.8% rate (including ACA–SM surtax) and the Democratic 28.8% rate as proposed in the Build Back Better Act. It's time to quit playing football with tax rates to attract side bets. A single rate also stops gaming forms of ownership. Lower rates are not as regressive as they seem. Only the wealthy have capital gains in any significant amount. The de facto rate for everyone else is zero. For now, however, a 28.8% rate is assumed if reform is enacted by a Democratic majority in both Houses.

Subtraction Value-Added Tax (S–VAT). These are employer paid Net Business Receipts Taxes. S–VAT is a vehicle for tax benefits, including

- Health insurance or direct care, including veterans' health care for non-battlefield injuries and long term care.
- Employer paid educational costs in lieu of taxes are provided as either employee-directed contributions to the public or private unionized school of their

choice or direct tuition payments for employee children or for workers (including ESL and remedial skills). Wages will be paid to students to meet opportunity costs.

- Most importantly, a refundable child tax credit at median income levels (with inflation adjustments) distributed with pay.

Subsistence-level benefits force the poor into servile labor. Wages and benefits must be high enough to provide justice and human dignity. This allows the ending of state administered subsidy programs and discourages abortions, and as such enactment must be scored as a must pass in voting rankings by pro-life organizations (and feminist organizations as well). To assure child subsidies are distributed, S–VAT will not be border adjustable.

The S–VAT is also used for personal accounts in Social Security, provided that these accounts are insured through an insurance fund for all such accounts, that accounts go toward employee-ownership rather than for a subsidy for the investment industry. Both employers and employees must consent to a shift to these accounts, which will occur if corporate democracy in existing ESOPs is given a thorough test. So far it has not. S–VAT funded retirement accounts will be equal-dollar credited for every worker. They also have the advantage of drawing on both payroll and profit, making it less regressive.

A multi-tier S–VAT could replace income surtaxes in the same range. Some will use corporations to avoid these taxes, but that corporation would then pay all invoice and subtraction VAT payments (which would distribute tax benefits. Distributions from such corporations will be considered salary, not dividends.

Invoice Value-Added Tax (I–VAT). Border adjustable taxes will appear on purchase invoices. The rate varies according to what is being financed. If Medicare for All does not contain offsets for employers who fund their own medical personnel or for personal retirement accounts, both of which would otherwise be funded by an S–VAT, then they would be funded by the I–VAT to take advantage of border adjustability. I–VAT also forces everyone, from the working poor to the beneficiaries of inherited wealth, to pay taxes and share in the cost of government. Enactment of both the A–VAT and I–VAT ends the need for capital gains and inheritance taxes (apart from any initial payout). This tax would take care of the low-income Tax Gap.

I–VAT will fund domestic discretionary spending, equal dollar employer OASI contributions, and non-nuclear, non-deployed military spending, possibly on a regional basis. Regional I–VAT would both require a constitutional amendment to change the requirement that all excises be national and to discourage unnecessary spending, especially when allocated for electoral reasons rather than program needs. The latter could also be funded by the asset VAT (decreasing the rate by from 19.5% to 13%).

As part of enactment, gross wages will be reduced to take into account the shift to S–VAT and I–VAT, however net income will be increased by the same percentage as the I–VAT. Adoption of S–VAT and I–VAT will replace pass-through and proprietary business and corporate income taxes.

Carbon Added Tax (C–AT). A Carbon tax with receipt visibility, which allows comparison shopping based on carbon content, even if it means a more expensive item with lower carbon is purchased. C–AT would also replace fuel taxes. It will fund transportation costs, including mass transit, and research into alternative fuels (including fusion). This tax would not be border adjustable unless it is in other nations, however in this case the imposition of this tax at the border will be noted, with the U.S. tax applied to the overseas base..

Tax Reform Summary

This plan can be summarized as a list of specific actions:

1. Increase the standard deduction to workers making salaried income of $35,000 and over, shifting business filing to a separate tax on employers and eliminating all credits and deductions—starting at 7.2%, going up to 28.8%, in $50,000 brackets.

2. Shift special rate taxes on capital income and gains from the income tax to an asset VAT. Expand the exclusion for sales to an ESOP to cooperatives and include sales of common and preferred stock. Mark option exercise and the first sale after inheritance, gift or donation to market.

3. Employers distribute the child tax credit with wages as an offset to their quarterly tax filing (ending annual filings).

4. Employers collect and pay lower tier income taxes, starting at $100,000 at 7.2%, with an increase to 14.4% for all salary payments over $150,000 going up 7.2% for every $50,000 up to $250,000.
5. Shift payment of HI, DI, SM (ACA) payroll taxes to employers, remove caps on employer payroll taxes and credit them to workers on an equal dollar basis.
6. Employer paid taxes could as easily be called a subtraction VAT, abolishing corporate income taxes. These should not be zero rated at the border.
7. Expand current state/federal intergovernmental subtraction VAT to a full GST with limited exclusions (food would be taxed) and add a federal portion, which would also be collected by the states. Make these taxes zero rated at the border. Rate should be 19.5% and replace employer OASI contributions. Credit workers on an equal dollar basis.
8. Change employee OASI of 7.2% from $18,000 ($20,000 for $10 minimum wage) to $100,000 income are optional taxes for Old-Age and Survivors Insurance.

Attachment Two—Trade Policy and Value-Added Taxes

Consumption taxes could have a big impact on workers, industry and consumers. Enacting an I–VAT is far superior to a tariff. The more government costs are loaded onto an I–VAT the better.

If the employer portion of Old-Age and Survivors Insurance, as well as all of disability and hospital insurance are decoupled from income and credited equally and personal retirement accounts are not used, there is no reason not to load them onto an I–VAT. This tax is zero rated at export and fully burdens imports.

Seen another way, to not put as much taxation into VAT as possible is to enact an unconstitutional export tax. Adopting an I–VAT is superior to it's weak sister, the Destination Based Cash Flow Tax that was contemplated for inclusion in the TCJA. It would have run afoul of WTO rules on taxing corporate income. I–VAT, which taxes both labor and profit, does not.

The second tax applicable to trade is a Subtraction VAT or S–VAT. This tax is designed to benefit the families of workers through direct subsidies, such as an enlarged child tax credit, or indirect subsidies used by employers to provide health insurance or tuition reimbursement, even including direct medical care and elementary school tuition. As such, S–VAT cannot be border adjustable. Doing so would take away needed family benefits. As such, it is really part of compensation. While we could run all compensation through the public sector.

The S–VAT could have a huge impact on long term trade policy, probably much more than trade treaties, if one of the deductions from the tax is purchase of employer voting stock (in equal dollar amounts for each worker). Over a fairly short period of time, much of American industry, if not employee-owned outright (and there are other policies to accelerate this, like ESOP conversion) will give workers enough of a share to greatly impact wages, management hiring and compensation and dealing with overseas subsidiaries and the supply chain—as well as impacting certain legal provisions that limit the fiduciary impact of management decision to improving short-term profitability (at least that is the excuse managers give for not privileging job retention).

Employee owners will find it in their own interest to give their overseas subsidiaries and their supply chain's employees the same deal that they get as far as employee-ownership plus an equivalent standard of living. The same pay is not necessary, currency markets will adjust once worker standards of living rise.

Over time, ownership will change the economies of the nations we trade with, as working in employee-owned companies will become the market preference and force other firms to adopt similar policies (in much the same way that, even without a tax benefit for purchasing stock, employee-owned companies that become more democratic or even more socialistic, will force all other employers to adopt similar measures to compete for the best workers and professionals).

In the long run, trade will no longer be an issue. Internal company dynamics will replace the need for trade agreements as capitalists lose the ability to pit the interest of one nation's workers against the others. This approach is also the most effective way to deal with the advance of robotics. If the workers own the robots, wages are swapped for profits with the profits going where they will enhance consumption without such devices as a guaranteed income.

Attachment Three—Debt Ownership as Class Warfare, February 16, 2022

Visibility into how the national debt, held by both the public and the government at the household level, sheds light on why Social Security, rather than payments for interest on the debt, are a concern of so many sponsored advocacy institutions across the political spectrum. Direct household attribution can be made by calculating direct bond holdings, income provided by Social Security payments and secondary financial instruments backed with debt assets for each income quintile.

Responsibility to repay the debt is attributed based on personal income tax collection. Payroll taxes create an asset for the payer, so they are not included in the calculation of who owes the debt. Using 2019 tax data and the national debt as of COB February 15th, the ratio is $19 of debt owed for every dollar of income tax paid.

The top 4% take home 33% of AGI (not shown in table), with the next 20% and the bottom 75% each taking a third. This is how we classify class distribution in America. To allow estimates of asset ownership, we have distributed income using rounder numbers.

Percentiles	Millions of Returns with Tax Paid	AGI	Income Tax	Debt	Federal Reserve and Bank Debt Assets	Long Term Investment Debt Assets	Mutual Fund and Bond Debt Assets	Social Security and Medicare Assets	Total Domestic Debt Assets	Assets Minus Debt
Total	**104.01**	**11,210.1**	**1,581.4**	**30,040.3**	**6,274.0**	**3,152.2**	**5,930.9**	**2,479.7**	**17,836.9**	**-8,255.6**
Top .01%	0.02	659.0	163.2	3,100.2	756.4	364.3	2,328.2	0.0	3,448.9	348.7
.01% to 1%	1.69	1,856.5	475.2	9,027.0	1,601.0	812.0	1,526.8	1.4	3,941.3	-5,085.7
1% to 10%	7.28	2,086.9	348.8	6,626.8	1,804.3	943.6	1,105.5	63.7	3,917.2	-2,709.6
Top 10%	**9.00**	**4,602.44**	**987.2**	**18,754.0**	**4,161.7**	**2,120.0**	**4,960.5**	**65.2**	**11,307.3**	**-7,446.7**
10% to 20%	21.81	1,788.3	200.3	3,805.1	849.4	616.7	538.8	399.3	2,404.2	-1,400.9
Bottom 80%	73.19	3,637.0	260.0	4,939.9	1,262.9	415.6	431.7	2,015.2	4,125.4	-814.5

The bottom 80% of taxpaying units hold few, if any, public debt assets in the form of Treasury Bonds or Securities or in accounts holding such assets and only take home one-third of adjusted gross income. Their main national debt assets are held on their behalf by the Government. They are owed more debt than they owe through taxes. The next 10% (the middle class), hold more in terms of long-term investments and mutual fund and bond assets. They hold a bit under a fifth of social insurance assets.

The top 10% pay more than half of income taxes (the dividing line is about 97.5%—and has been for a while). Asset shares within the top 10% are estimated using the same breakdown as the entire population, that is, the top 1% hold 54% of Federal Reserve and Long Term Investment Assets and 77% of mutual funds and bonds as held by the top 10%. A similar fraction is used to estimate holdings by the top 0.01%—which is consistent to how much income they receive (note that I did not say earn.

This illustration shows who benefits the most from having a national debt, therefore who has the most to lose through default.

COALITION FOR ECONOMIC PARTNERSHIPS IN THE AMERICAS

April 14, 2022

The Honorable Ron Wyden
Chairman
U.S. Senate
Committee on Finance
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
U.S. Senate
Committee on Finance
Washington, DC 20510

RE: Statement for the Hearing Record: The President's 2022 Trade Policy Agenda, March 31, 2022

Dear Chairman Wyden and Ranking Member Crapo,

On behalf of the members of the Coalition for Economic Partnerships in the Americas (CEPA), we appreciate this opportunity to submit a statement for the record for the Committee's hearing on the "The President's 2022 Trade Policy Agenda."

CEPA brings together companies, trade associations, think tanks, and other stakeholders with a decades-long track record of creating thousands of jobs in the Americas through investment and trade. We are a coalition of major American companies and manufacturers focused on the humanitarian, security, and economic crisis in the Americas, ready to dedicate resources, experience, and expertise to create enduring humanitarian, worker-centric, and sustainable solutions that work for the United States and Central America.

Through smart trade policies, we can promote billions of dollars of new investment in the region's most promising industries and create sustainable civil societies where opportunity can flourish. By encouraging further investment in textile and apparel manufacturing within the Western Hemisphere, we can provide communities in Central America with more jobs, higher wages, sustainable growth and long-term stability. This will ease the pressures on its citizens to migrate out of the Central America—all while protecting existing manufacturing and trade flows, and the jobs they support.

Job Growth

A recent economic study, *Close Knit: Migration and Apparel Production in Central America,* conducted by Raymond Robertson at the Mosbacher Institute for Trade, Economics, and Public Policy at Texas A&M University found the United States can address the root causes of instability in Central America by creating jobs, reducing poverty, and contributing to economic growth through international trade. Mr. Robertson estimates that **at least a hundred thousand more jobs will be created in the region if there were access to more yarns and fibers to increase apparel production.** Specifically, the study found:

- Both the dollar value and the share of apparel imports from Central America into the United States has declined while both the dollar value and share of apparel imports from China and Vietnam has dramatically increased since CAFTA–DR went into force.
- Apparel imports from Central America are highly concentrated in low value-add apparel products that do not use technologically advanced yarns and fabrics.
- Increasing the diversity of apparel inputs that may be incorporated into finished goods and receive CAFTA–DR duty-free treatment through modernizing the rules of origin could support economic growth in Central America.
- Apparel is a significant share of Central American countries' exports to the U.S., and, therefore, improving the region's position in the apparel value chain could have significant economic effects for those countries.

In addition, the study cited other research supporting the fact that retail-supported apparel production increases economic opportunity and creates good jobs for would-be migrants. The World Bank report *Stitches to Riches? Apparel Employment, Trade, and Economic Development in South Asia* notes that "the apparel industry contributes to the social, economic, and policy realms of developing countries" and "increases female labor-force participation." Mr. Robertson cites another World Bank report, *Globalization, Wages, and the Quality of Jobs,* noting that "apparel workers earn more in apparel than they would earn in their most likely domestic alternatives (domestic service and agriculture)."

Access to these new yarns and fabrics will incentivize more cut and sew production in the region. This will serve as a long-term demand signal to the U.S. textile industry and lead to new investments in yarns, fabrics, and apparel that simply do not exist in the hemisphere right now. To begin making progress, it is imperative that the right policies are put in place to attract more cut and sew jobs as soon as possible. This will have the two-fold impact of (1) creating the jobs today needed to make a significant dent in the migration crisis and (2) creating a demand signal that will stimulate even more textile investment (in both the U.S. and the region) that will support more trade tomorrow (accounting for the lag in textile investments to come online).

CAFTA–DR Trade

It is through trade, specifically incentivizing the utilization of the Dominican Republic-Central America Free Trade Agreement (CAFTA–DR) in apparel, where we will see progress. Sadly, as it has been for the past 20 years, CAFTA–DR is currently not structured as a magnet to attract the kind of textile and apparel investment we need to move a broader diversity of sourcing from Asia. Companies are indeed diversifying out of China—both goods and materials. While some of that is moving to CAFTA–DR, it may be only temporary, and the vast majority is still bypassing the region and will continue to do so because the terms of trade are simply not structured to support the industry of 2022 or the future.

According to data released by the Office of Textiles and Apparel (OTEXA) (enclosed as charts in this statement), the utilization rate of CAFTA–DR for apparel sourcing fell to a new low of only 73.7% in 2021. A record number of U.S. apparel imports (26.3%) from CAFTA–DR member countries did not claim duty-free benefits most notably due to an insufficient supply of qualifying yarns and fabrics. It is important to note that U.S. yarn and fabric exports to CAFTA–DR continues to lag behind U.S. yarn and fabric exports to the rest of the world. There is no question that CAFTA–DR continues to be a strong market for U.S. yarn and fabric exports (about 20% go there), but growth in apparel from other parts of the world continues to be stronger. In 2021, about 64% of the new growth over the previous year came from the rest of the world.

The current trade consists heavily in basic cotton tee shirts, socks, and underwear. In fact, about 80% of the trade is concentrated in only 25 tariff lines. CEPA is committed to protecting the current trade in these items and partnering with the U.S. cotton industry. At the USDA's Agricultural Outlook Forum in February 2022, Chief Economist Seth Meyer presented data showing U.S. cotton planted area is rising with historically strong cotton prices. The U.S. cotton industry is an important partner providing good American jobs and sustainably sourced cotton free of forced labor.

China

U.S. apparel companies understand the concern that access to more yarns and fabrics will mean a flood of Chinese inputs into the region that will harm U.S. production. We share this concern and have championed an outcome that will prevent this result. First, we have urged that a go forward process with respect to CAFTA–DR include ALL stakeholders to make sure any changes insulate current trade and investment flows. This will also ensure that textile companies advocate for areas where they need to rely upon foreign inputs, similar to the way many textile companies currently support duty reductions or suspensions for Chinese inputs under the Miscellaneous Tariff Bill (MTB) in a manner that does not harm U.S. production. Second, we are actively trying to drive more trade under the CAFTA–DR umbrella so they will be subject to CAFTA–DR's strong customs provisions. This enforcement tool is vital to provide added visibility for CBP to make sure that textile and apparel inputs are not infected by forced labor. Given heightened concerns about the use of cotton from the Xinjiang Uyghur Autonomous Region (XUAR), CAFTA–DR provides excellent guardrails to ensure that supply chains, which are increasingly diverse, are free and clear of forced labor.

CEPA Policy Recommendations

Fashion apparel production in the Western Hemisphere cannot be diversified and expanded unless there is access to yarns and fabrics. With only 10% of the world's yarns produced in the Western Hemisphere, many fashion yarns are in short supply in the region even if they are not recognized as such by the CAFTA–DR short supply list. Modern apparel is made up of thousands of fabrics, yarns, and fibers and only a tiny fraction of those are produced in the U.S. Fibers, yarns, and fabrics determined not to be available in commercial quantities in a timely manner should be allowed to be sourced from outside the CAFTA–DR countries for use in apparel products and imported to the U.S. duty-free. For example, U.S. apparel companies need heathered yarns, textured yarns, fine count yarns, sustainable yarns, and printed woven fabrics to increase apparel production in Central America. Despite a few promises of new investments, there have not been commitments by textile companies to produce these much-needed yarns and fabrics in the region. Moreover, the current short supply process is too burdensome and slow to allow sufficient flexibility for modern apparel producers. The current process has become tainted due to the blocked submission of valid petitions and by certain textile producers failing to provide the product at a commercially available price, quality, volume, and time frame. We believe the current process could be improved to provide the needed flexibilities to modern apparel producers without negatively impacting U.S. jobs.

Further, the Central America-Dominican Republic Apparel And Textile Council (CECATEC–RD) supports short supply and stated in a press release from August 2021 that the short supply mechanism is an important provision and "would be open to review this mechanism to ensure it stays transparent, efficient and responsive to the needs of the supply chain." In fact, short supply and other flexibilities were specifically included in CAFTA–DR in recognition that the yarn forward provisions alone would be too rigid to support trade.

In addition to modernizing the short supply process to be more responsive to industry needs, CEPA also recommends capitalizing on another flexibility that already exists in CAFTA–DR as well as in other U.S. trade preference programs like Haiti HOPE/HELP—cumulation. CAFTA–DR allows cumulation for knit fabric used in garments classified under Chapter 62 (See Appendix 4.1-B). In his article from January 2021, Central America: Promoting Prosperity with Targeted U.S. Trade Policy, Matthew Rooney of the George W. Bush Institute argues in favor of linking CAFTA–DR with the U.S. Mexico-Canada Agreement (USMCA) to "allow a company manufacturing in Mexico to source components in Central America that would count toward the threshold for duty-free access to the United States under USMCA." CEPA supports linking all U.S. trade agreements, Trade and Investment Framework Agreements, and trade preference programs together, which would create a virtuous web among U.S. trading partners without allowing textile and apparel products using inputs from China to receive the benefits of the CAFTA–DR agreement.

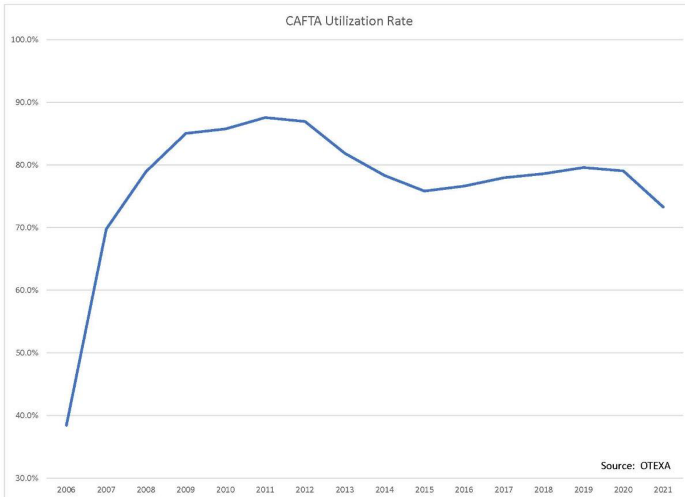
In addition to allowing access for more yarns and fabrics, reducing nontariff barriers and harmonizing export and import processes in Central America is key to promoting regional trade, investment, and job growth in the region. CEPA supports the report of the Commercial Customs Operations Advisory Committee (COAC) Rapid Response Subcommittee Northern Triangle Working Group which provides "recommendations on reducing the nontariff trade barriers and improving customs processes in the Northern Triangle region of Central America, comprised of Guatemala, El Salvador, and Honduras, for the purpose of reducing migration driven by economic push factors."

CEPA has called on the Biden Administration to bring all stakeholders to the table to discuss creative solutions that protects current and planned U.S. textile investments while also creating conditions to sustainably and permanently grow textile and apparel investment for the benefit of U.S. apparel and textile companies.

Thank you for your attention to this important issue. CEPA looks forward to working with the Committee to foster CAFTA–DR and ensure it fulfills its purpose for investors, workers, and communities.

Sincerely,

Beth Hughes
Vice President, Trade and Customs Policy
American Apparel and Footwear Association
On behalf of CEPA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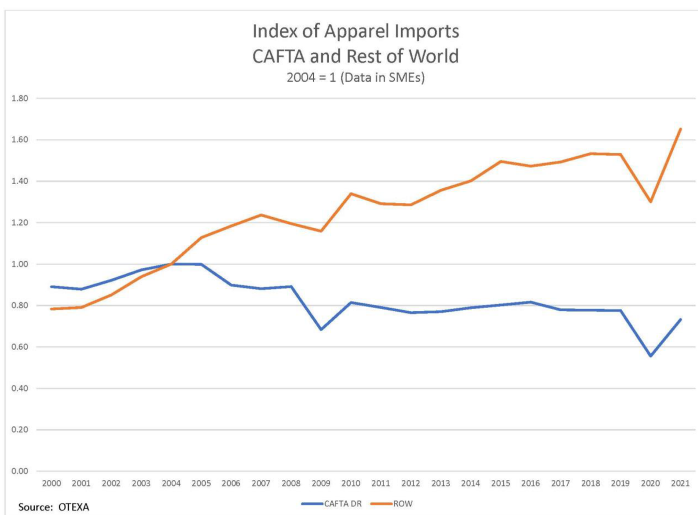
Index of Apparel Imports
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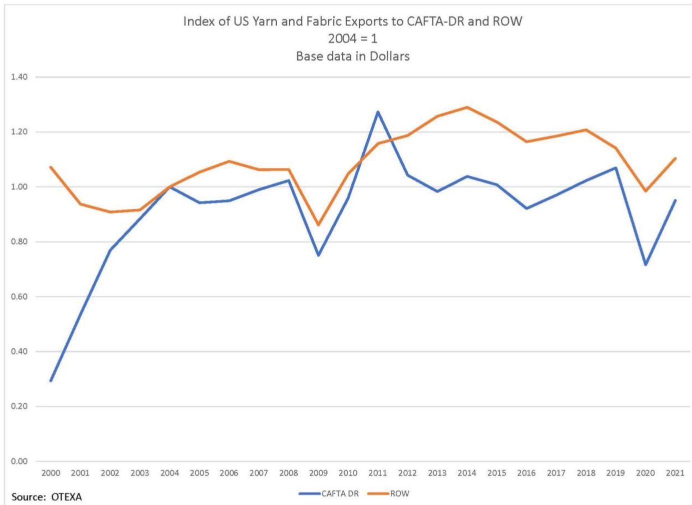

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In response to the March 30th[1] and March 31st[2] congressional hearings on the 2022 U.S. Trade Policy Agenda, the Consumer Technology Association (CTA)® submits this statement for the record on U.S. trade priorities in this time of uncertainty and upheaval in the international arena.

CTA represents the $505 billion U.S. consumer technology industry, which supports more than 18 million U.S. jobs. Our industry appreciates the Office of the U.S. Trade Representative's (USTR's) efforts to strengthen U.S. trade relationships with allies and key trading partners, roll back prior harmful trade actions, establish a worker-centric trade policy, and use trade policy to address other important U.S. objectives like combating the COVID–19 pandemic and eliminating forced labor from supply chains around the world.

Ambassador Tai's successes in her first year as U.S. Trade Representative are creating a solid foundation for a more proactive and market-opening U.S. trade policy. Her testimony and responses to questions, however, clearly indicated that USTR under her leadership is not prioritizing the negotiation of free trade agreements and opening new markets through tariff liberalization.

CTA's statement highlights key themes and actions for USTR to pursue to support American businesses and workers and advance U.S. engagement with key partners and allies.

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[1] House Ways and Means Committee, Biden Administration's 2022 Trade Policy Agenda, *https://waysandmeans.house.gov/legislation/hearings/biden-administration-s-2022-trade-policy-agenda* (last accessed March 23, 2022).
[2] Senate Finance Committee, The President's 2022 Trade Policy Agenda, *https://www.finance.senate.gov/hearings/the-presidents-2022-trade-policy-agenda* (accessed March 28, 2022).

I. USTR can act immediately to improve U.S. economic health, decrease inflation, and ensure the continued availability of innovative tech products to all Americans by reducing harmful tariffs.

Strong consumer demand for home technology products has allowed total industry revenue to grow over the past 4 years. However, industry costs are also up significantly, and businesses have been forced to increase their average unit sales prices for many products for the first time in decades in no small part due to increased tariffs, exploding transportation expenses, supply chain disruptions, profiteering by foreign ocean carriers, and counterproductive trade policy actions taken by the prior Administration and continued by this one.

These price increases in the consumer electronics industry are, in turn, contributing to the highest U.S. inflation rate in 40 years and jeopardizing our overall national economic health.[3] They also undermine USTR efforts to establish a worker-centric trade policy, as workers increasingly use consumer technology both in the office and at home with their families. Higher tariffs—taxes that U.S. businesses, consumers, and workers pay on imports—are regressive in nature, with the greatest impacts felt by the poorest and most vulnerable people in our society, particularly in combination with high prices. As the May 2021 report "Imports Work for American Workers"[4] demonstrates, imports support over 21 million American jobs. Maintaining high tariffs undermines both workers supporting the importation of consumer technology and those using consumer technology throughout the country. More, given that inflation is known to be reduced only by raising interest rates or enhancing productivity, maintaining a special tax on productivity enhancing products is especially counterproductive.

CTA has long advocated for tariff elimination for consumer technology products and inputs for these products through trade agreements, whether bilateral, regional, plurilateral, or multilateral. In our experience, tariffs do not lead to the creation of new industries, re-shoring, on-shoring, near-shoring, or friend-shoring. They simply are an extra cost that drags down U.S. productivity and curtails U.S. innovation and hiring. At a time when the United States is striving to achieve greater digital integration, advance telecommunications technology and increase Internet access for rural populations and underrepresented communities, any additional, punitive tariffs on technology products directly undermine these goals. USTR is not the Federal Reserve, but it can immediately contribute to the resolution of this significant economic challenge by eliminating punitive tariffs on consumer technology products and continuing progress in international negotiations to otherwise lower normal tariff rates on these products. These actions will enable everyone in the United States to access new, productivity enhancing technologies at lower costs and improve the condition of our economy.

II. USTR should proactively address the U.S.-China trade relationship with new tools and not continue to rely on the fundamentally flawed Section 301 action taken by the prior Administration.

The Section 301 tariffs on China have been among the greatest contributors to our present inflationary situation, and they have imposed significant costs on consumers, businesses and the United States in the form of higher expenses, greater prices, taxes paid, jobs lost or never created, and innovation and product development squandered. CTA applauds USTR's recent reinstatement of certain product exclusions,[5] but we hope that USTR also recognizes the limitations of that narrow process, which was inherently constrained by the arbitrary nature of the prior Administration's initial exclusion process.[6] We are disappointed that Ambassador Tai did not announce during her testimonies a new solution to provide meaningful relief to U.S. businesses from these harmful Section 301 taxes. Such a mechanism could

[3] *See* February 2022 data from the Bureau of Labor Statistics: *https://www.bls.gov/news.release/pdf/cpi.pdf. See also* A. Galloni and D. Lawder, Yellen says cutting some tariffs on Chinese goods could ease price pressures, Reuters (December 2, 2021), *https://www.reuters.com/markets/rates-bonds/yellen-says-cutting-some-tariffs-chinese-goods-could-ease-price-pressures-2021-12-02/#:~:text=WASHINGTON%2C%20Dec%202%20(Reuters),no%20%22game%2Dchanger.%22.*

[4] Trade Partnership Worldwide LLC, Imports Work for American Workers (May 2021), *https://tradepartnership.com/wp-content/uploads/2021/05/ImportStudy2021FINAL.pdf.*

[5] USTR, USTR Issues Determination of Reinstatement of Certain Exclusions from China Section 301 Tariffs, Press Release (March 23, 2022), *https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/march/ustr-issues-determination-reinstatement-certain-exclusions-china-section-301-tariffs.*

[6] *See* Letter from CTA to Ambassador Katherine Tai (November 30, 2021), *https://cdn.cta.tech/cta/media/media/advocacy/pdfs/ustr-tai-letter.pdf.*

include a new process for U.S. companies to request exclusions of products from the tariffs across all four lists. Additional exclusions should be issued on a rolling basis, and USTR should give appropriate due process and provide detailed rationales for its decisions to companies. The process should not be time-limited, nor be subject to arbitrary eligibility criteria.

Yet even a broader exclusion mechanism cannot address the fundamental flaws of the current Section 301 tariff action. CTA has always opposed the Section 301 tariffs as bad policy hastily made by the prior Administration in violation of statutory and procedural requirements.[7] For this reason, CTA urges USTR to allow the automatic expiry of the tariff lists once they reach their 4-year statutory sunset period.[8]

If other parts of U.S. industry petition USTR to continue the tariffs, USTR must faithfully engage in the comprehensive review process required by statute.[9] CTA is confident that USTR's review will consider the overwhelming evidence that the tariffs have not been effective against China and have instead have severely harmed U.S. economic interests. While CTA shares this Administration's concern about China's unfair trade practices, the United States must develop a more sophisticated solution that actually applies pressure on China, rather than on U.S. businesses, workers, and consumers. Continuing the tariff status quo is not the solution to promote fair and equitable international policy or to resolve regulatory disagreements. With the expiration of the Section 301 tariffs, the United States will be able to move on from this harmful and unsuccessful attempt at protectionism and craft a more strategic and beneficial trade policy for growing the U.S. economy and creating U.S. jobs while also strengthening relationships with U.S. allies around the world. To this end, Ambassador Tai has long called for the development of new trade tools in the U.S. toolbox to deal with China's role in the international trading system.

Many of the tools suggested by USTR, the Congress, or stakeholders are unilateral and therefore merit careful consideration of the costs and benefits. Suggested tools encouraged by other stakeholders could include a new Section 301 investigation on China's industrial subsidies and other harmful non-market economy practices with subsequent actions that are *not* tariff-based; new export controls to prevent strategic industries in China from accessing critical U.S. technologies, which would require close coordination with allies; reviews of outbound U.S. investments to strategic industries in China; revisions to U.S. trade remedies law to address circumvention of U.S. anti-dumping and countervailing duties by China; further restrictions on imports presumed to be made with forced labor; and restrictions on carbon-intensive imports produced in markets with low environmental standards. In considering these and other tools, U.S. actions must be unambiguously WTO-consistent, or we stand to set a poor example for our trading partners; undermine our own international policy objectives; and invite harmful retaliation.

III. USTR should work to create an ongoing and consistent dialogue with China that is supported by robust engagement with American businesses as well as U.S. partners and allies.

To be truly effective, any new U.S. policy towards China must not only engage China, but it must also break down and prevent trade barriers between U.S. allies and key trading partners. American businesses have an important role in U.S.-China relationship and can be an instrumental part of a positive solution. CTA encourages the U.S. government to engage in a robust, transparent, and comprehensive dialogue with U.S. stakeholders as it crafts and deploys effective and narrowly tailored tools to change China's behavior and ensure that China abides by its international trade commitments. That dialogue should respect U.S. norms regarding stakeholder input wherever possible and include opportunities for public comment, public hearings, and administration responses to comments from stakeholders.

More, CTA notes that diplomacy and re-engagement with both China and U.S. allies and key trading partners (*e.g.,* under the U.S.-EU Trade and Technology Council and the new Indo-Pacific Economic Framework (IPEF)) can achieve concrete, commercially meaningful, durable, and sustainable results and create better economic futures for all parties. We urge the Administration to prioritize working with our

[7] *See In re Section 301 Cases,* No. 1:21-cv-00052-3JP (Ct. Int'l Trade 2021) (arguing violations of Section 301 of the Trade Act of 1974 and the Administrative Procedure Act with respect to the promulgation of List 3 and List 4).

[8] The 4-year sunset date of each list is as follows: July 5, 2022 (List 1); August 22, 2022 (List 2); September 23, 2022 (List 3); and August 31, 2023 (List 4A). As List 4B was never imposed, it should be considered to expire no later than the same date as List 4A.

[9] 19 U.S.C. § 2417(c).

allies to develop a longer-term strategy that holds China accountable and raises labor and environmental standards in China, while abiding by international laws and strengthening the rules-based trading system (rather than undermining it, as the Section 301 tariffs have done). Coordinating policies at the highest levels is necessary and important, but only the negotiation of binding and enforceable trade commitments is durable and sustainable. As CTA outlines in our April 2021 white paper on the semiconductor shortage,[10] to combat illegal trade practices, or to counter foreign competition, policies must be derived in accordance with our international trade obligations and in concert with our many global trade allies.

CTA supports the creation of a concrete pathway to re-enter the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the negotiation agreements on digital trade rules (including through the IPEF and at the WTO), and the negotiation new free trade agreements with U.S. allies that open markets and prevent barriers to trade. A free trade agreement with the United Kingdom is the best near-term opportunity to negotiate the highest standard binding and enforceable trade rules to prepare for negotiated U.S. entry into the CPTPP.

IV. USTR should capitalize on the competitive advantage of the U.S. technology and innovation economy by pursuing new market access opportunities.

Ambassador Tai's testimony was a lost opportunity to signal stronger and more focused USTR's efforts to open new markets and create new trade rules with U.S. allies and key trading partners. Instead, it was clear from her testimony and answers to questions that the Administration has no interest in opening new markets through tariff liberalization and negotiating robust new U.S. trade agreements.

CTA urges U.S. negotiation of comprehensive new free trade agreements with U.S. allies and key trading partners as soon as possible. A free trade agreement with the United Kingdom and U.S. negotiated entry into the CPTPP must be high priorities for the Administration's trade policy agenda. The proposed Indo-Pacific Economic Framework should serve as a market-opening forum and leads to U.S. negotiated entry into the CPTPP. For context, the last two trade agreements that opened new markets for U.S. companies were the expansion of the WTO Information Technology Agreement in 2015 and KORUS in 2008.

By contrast, other governments, including U.S. adversaries, are negotiating new trade agreements at a rapid pace, resulting in U.S. firms losing market share in key growth markets to their foreign competitors. While free trade agreements may be a tool of the 20th century, there is no other viable mechanism at the present time to secure favorable market access commitments from trading partners. More, it is nonsensical for potential trading partners to make general, unilateral commitments on framework rules and principles when they stand to get nothing in return. For these reasons, the pause in U.S. trade agreement negotiations is not in the short or long-term interests of the U.S. economy, U.S. businesses, U.S. workers, and most importantly, U.S. innovation. Other governments are setting the new rules of trade, forcing the United States to catch up and adapt rather than lead.

CTA greatly appreciates the opportunity to submit these comments for the record. We look forward to continuing to work with the House Ways and Means and Senate Finance Committees and with the Administration to fight inflation, strengthen U.S. relationships with allies by opening new markets and negotiating high standard, binding and enforceable trade rules, and bolster the U.S. innovation economy.

EMBASSY OF THE REPUBLIC OF MAURITIUS
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Statement of Mauritius on Sub Saharan Africa and the AGOA

The Trade Policy Agenda 2022 highlights President Biden's vision for trade that is equitable, fair and lasting. Of particular importance to Mauritius, is that the USTR will continue to support the Administration's work to coordinate with allies on shared priorities, while exploring new partnerships around the world.

[10] When the Chips are Down: Industry Outlook and Policy Response to the Semiconductor Crisis. Consumer Technology Association, April 2021. *https://www.cta.tech/Resources/Articles/2021/When-the-Chips-are-Down.*

Mauritius fully shares the view that the U.S.-Kenya approach (whereby both countries are working to deepen their trade and investment relationship) should serve as the model to deepen trade and investment relations with African countries.

Benefits of AGOA to Sub Saharan Africa including Mauritius

Since its enactment, AGOA has had a very positive impact on U.S. Africa trade flows and by extension, has indeed led to economic diversification and created regional value chains. This has in turn contributed to the socio-economic development of Africa. Indeed, AGOA is the corner stone of the economic and trade relations between the U.S. and Sub Saharan Africa.

Predictability—Important Prerequisite for Trade

While AGOA has had a positive impact on the development of the AGOA eligible countries, however the full potential of the U.S. and SSA trade and investment relations has yet to be unleashed. This is partly attributed to the fact that AGOA is a temporary trade arrangement and limited in time. Investors and the business community need predictability for trade and investment to flourish. In this respect, the short-term renewals of the AGOA programme do not create the much needed certainty for long term investment plans and adequate production planning. Investment from the U.S., for instance has remained quite low in Africa as compared to U.S. investment in other regions.

Implications of High-Income Country Status

The AGOA has a graduation clause which is based on the World Bank Gross National Income (GNI) threshold. The high income threshold is the benchmark for graduation from both the GSP and AGOA regimes.

It is important to note that Mauritius may be classified a high income country before the expiry of AGOA in 2025 and would therefore not qualify for AGOA eligibility. We are making a request to the U.S. authorities to consider removing the graduation clause based on per capita GNI.

In fact, GNI per capita is not the ideal criteria to determine the graduation of a country as countries like Mauritius have a high GNI on account of its small population. Small countries with relatively higher national per capita income face significant challenges in finding a viable path towards sustainable growth and remain highly vulnerable to global economic and global trade patterns. The COVID–19 pandemic for instance which has led to the disruption of the global supply chains and rising transport costs have impacted Mauritius heavily.

Rather than using the GNI per capita as the graduation criteria, it might be better to use the share of exports in relation to the overall imports of the U.S.. If a country's share is over 1% of U.S. total imports then the graduation criteria may apply.

Post AGOA 2025

Regarding the renewal of AGOA, there is unanimity that the AGOA programme has been beneficial to the eligible countries, and has provided one of the poorest regions in Africa with a powerful tool to increase exports, create jobs and economic welfare. Any post AGOA 2025 strategy should not lead to the disruption of trade in any AGOA eligible country, including those that may graduate out by virtue of the per capita Gross National Income criteria.

In this respect, it is extremely important for both sides to work together on a mutually acceptable solution before AGOA expires. The extension of AGOA on a long term basis to ensure predictability and legal security should be given serious consideration.

During the opening of the last AGOA Ministerial Forum held in October 2021, Ambassador Katherine Tai, USTR, alluded to the fact that the U.S. was willing to engage with AGOA countries at the national, regional and continental level to ensure that the African Continental Free Trade Area (AfCFTA) delivers real benefits to African workers. She also mentioned that the U.S. is open-minded and is willing to explore all possible solutions for trade policy to make a positive contribution to economic development.

Kenya is already negotiating a Free Trade Agreement with the U.S. and it would be crucial for countries that risk graduation to have the option to conclude bilateral Free Trade Agreements with the U.S. Otherwise, sudden graduation from AGOA would disrupt trade and have drastic socio-economic consequences.

In the longer term consideration should be given to conclude a new generation of Comprehensive Economic Partnership Agreement between U.S. and Africa that encompasses trade in goods, trade in services, investment liberalisation and facilitation, intellectual property rights, competition policy, sustainable amongst others. This can be done when the AfCFTA would have matured and a customs union established on the continent.

To ensure effective implementation and address structural adjustment which such a framework would entail, a financial and technical support package should also be included.

Mauritius is proposing a hybrid approach as follows:-

(i) Renew AGOA preferences in 2025 whilst prioritising a long term comprehensive trade agreement between the U.S. and Africa using the AfCFTA as a vehicle;

(ii) Allow interested countries to negotiate bilateral Free Trade Agreements with the U.S., in particular those that risk graduation.

In addition, Mauritius is also proposing a review of the criteria for graduation from the per capita Gross National Income to one based on the share of exports relative to overall U.S. imports from the world.

Position of Mauritius

Mauritius is prepared to negotiate a comprehensive trade agreement with the U.S. which would be based on the core values of the new U.S. Trade Policy Agenda. Mauritius welcomes the idea of a Worker-Centred Trade Policy as we are compliant with several International Labour Convention (ILO) Agreements. A comprehensive and ambitious Free Trade Agreement would enable the U.S.-Mauritius trading relationship to evolve on a predictable basis and be conducive to investment promotion.

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION
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Rosslyn, VA 22209

The National Electrical Manufacturers Association (NEMA) represents more than 325 electrical equipment and medical-imaging manufacturers that make safe, reliable, and efficient products and systems. Member companies support more than 370,000 American manufacturing jobs in 6,100 locations across all 50 states. NEMA companies play a key role in transportation systems, building systems, lighting, utilities, and medical-imaging technologies and will thereby serve a critical role in the implementation of the recently enacted Infrastructure Investment and Jobs Act (IIJA). These industries produce $130 billion in shipments and $38 billion in exports of electrical equipment and medical imaging technologies per year.

President Biden's 2022 Trade Policy Agenda outlines key accomplishments of the Administration in its first year in office, including important information about how the Administration is advancing a worker-centered trade policy that ensures the benefits of trade reach everyone. The electroindustry has a robust domestic manufacturing base and shares with the Administration the fundamental goal of creating well-paying American jobs and shoring up our domestic supply chains.

NEMA supports a comprehensive approach to international trade policy that results in fair and open global markets. NEMA believes in global free enterprise based on solid legal infrastructure and due process to define and protect property rights as well as negotiate and ensure adherence to international trade agreements. NEMA strives to eliminate barriers to international trade such as tariffs, quotas, and technical regulations that unfairly limit market access. NEMA works with governments and international organizations to strengthen property rights protections and enforcement. With those objectives in mind, NEMA submits a statement for the record to highlight three key areas of focus for the organization as the Committee considers the Biden Administration's 2022 Trade Policy Agenda.

U.S. leadership in International Standards Setting Organizations

As USTR continues its work to engage with key trading partners and multilateral institutions, NEMA urges the Administration to address growing concerns about declining U.S. involvement and influence in multilateral standards setting organizations. Participation in development processes and technical standards setting bodies are crucial to preserving and expanding international market access for U.S. companies. Although the United States has historically been a leader in these fora, China has increased its membership and leadership participation in recent years.[1] Further, as Congress continues to deliberate on a path forward for pending competitiveness legislation it has the opportunity to provide incentives to support U.S. participation in international standards organizations. The House COMPETES Act codifies the National Institute of Standards and Technology's role as a convenor and federal coordinator in international standard setting and includes a pilot program for grants to small businesses, nonprofits, and universities to participate in international standards setting. Congress and the Administration should consider providing additional support to all U.S. businesses, as well as relevant trade associations to support U.S. involvement and capacity building given the key roles these organizations play in establishing international manufacturing standards.

Access to materials needed to secure the electric grid and support electrical infrastructure

NEMA believes any effort to bolster national security must not disrupt the very supply chain that ensures our ability to produce reliable, resilient, and affordable energy, including electrical transformers in the U.S. for the grid, as well as for industrial, commercial, and residential buildings. The supply chain for transformer cores and laminations is facing unprecedented challenges to meet demand. Over the past six months, NEMA has been contacted by the respective trade associations that represent both public and private utilities with concerns about growing lead-times (in some cases extending well beyond 12 months) for orders for new electrical transformers. The implementation of the IIJA will only add to this demand. These supply chain challenges in and of themselves pose an immediate threat to energy security particularly in the face of severe weather events that often necessitate the immediate replacement of hundreds of transformers. As the Administration receives requests to impose policies that would reduce U.S. imports of downstream GOES products from Canada and Mexico, we urge the Administration to consider the current state of the supply chain and high demand for this material and potential detrimental impacts on U.S. citizens, our domestic base, and the nation's infrastructure goals.

Section 301 Tariff Relief

NEMA member companies continue to experience supply chain disruptions, labor shortages, and resulting inflationary pressures which have resulted in disrupted domestic production, reduced sales, increased consumer costs, and delayed delivery of critical products. If these concerns are not addressed, they will have a negative impact on implementation of the IIJA. These supply chain issues require both near-term and long-term solutions and Congress and the Administration can help with both.

In the immediate term, the Biden Administration should use the looming expiration of List 1 of the Trump Administration's Section 301 tariffs on Chinese imports as an opportunity to conduct a robust, thorough, and transparent review of the effectiveness of the full list of tariffs put in place in achieving their objectives and their impact on U.S. importers and consumers of electrical goods. And while USTR announced its decision to reinstate certain previously granted and extended product exclusions pursuant to the China Section 301 investigation last week, NEMA urges the Administration to fully restart and reform the Section 301 tariff exclusions process in a way that has clear eligibility standards for applicants, is transparent, and fair to all who apply.

OUTDOOR INDUSTRY ASSOCIATION
P.O. Box 21497
Boulder, CO 80308

April 7, 2022

Chairman Ron Wyden
U.S. Senate
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Chairman Richard Neal
U.S. House
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Ranking Member Mike Crapo
U.S. Senate

Ranking Member Kevin Brady
U.S. House

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[1] *https://www.lawfareblog.com/what-us-competition-and-innovation-act-gets-right-about-standards.*

Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Wyden, Chairman Neal, Ranking Member Crapo, and Ranking Member Brady:

On behalf of Outdoor Industry Association (OIA), we write to express the critical need for inclusion of trade provisions in the reconciled version of H.R. 4521—The America Competes Act of 2022[1] ("COMPETES Act") and S. 1260—The United States Innovation and Competition Act of 2021[2] ("USICA"). Outdoor companies continue to face exorbitant transportation costs, increases in raw material prices, and other inflationary pressures. Action on important trade provisions is necessary to sustain their U.S. operations, preserve their ability to create U.S. jobs, and develop innovative new products.

Specifically, we urge:

- Retroactive reauthorization of Generalized System of Preferences (GSP) for at least 7 years, with the addition of certain footwear not made in the United States;
- Passage of Miscellaneous Tariff Bills (MTBs) as recommended by the International Trade Commission (ITC) with the reauthorization of future cycles that preserves the eligibility of finished goods;
- Amending Section 321 *de minimis* entry to grant U.S. Foreign Trade Zones (FTZs) parity with foreign warehouses and operations; and
- The reinstatement of previously granted exclusions to the China 301 tariffs and the establishment of a new exclusion process.

The outdoor recreation economy is a $689 billion economic engine supporting 4.3 million American jobs. Outdoor companies produce innovative, high-tech apparel, footwear, and equipment designed to enhance the outdoor experience. As we emerge from the COVID–19 pandemic, relief from certain tariffs is essential to helping our businesses grow and take advantage of a surge in interest in the physical and mental health benefits of outdoor recreation.

GSP has been instrumental to our industry, particularly as we move production out of China. Congress agreed on a bipartisan basis to remove the statutory exclusion for travel goods—such as backpacks, sports bags, and hydration packs—in 2015. Since that time, China's market share has plummeted, with $5 billion of trade in travel goods shifting to GSP countries. Annual duty savings have been in the range of $300 million, leading to lower costs, new U.S. jobs, and new product development.

We appreciate and support bipartisan efforts to modernize country eligibility criteria for GSP participation. These are consistent with our industry's values. We believe the addition of certain footwear not made in the United States would create a powerful incentive for countries to meet these new criteria and remain in the program—and we urge you to include such a provision in any renewal of GSP.

We also support passage of the MTBs included in USICA, which were recommended by the U.S. ITC after rigorous vetting by the Commerce Department and Customs and Border Protection (CBP). These provisions will only be in place until the end of 2023, leaving little time for companies to benefit from them. Because of the harm to U.S. industry due to the delay in enacting MTBs and their limited duration, we urge Congress to make all provisions, both extensions and new MTBs, retroactive to January 1, 2021.

In addition, we urge you to authorize future MTB rounds that maintain eligibility of finished products that have been included in MTBs since their inception. Each proposed MTB undergoes a thorough vetting process that ensures duty relief is only granted for products that do not compete with domestic production. Removing eligibility for finished products would eliminate a critical tool for outdoor companies and inhibits the ability to use duty savings to create new jobs, develop new products, and support economic growth. We oppose any MTB process that does not include finished goods.

[1] *https://pascrell.house.gov/news/documentsingle.aspx.*

[2] *https://www.congress.gov/bill/117th-congress/senate-bill/1260?q=%7B%22search%22%3A%5B%22united+states+innovation+and+competition+act%22%2C%22united%22%2C%22states%22%2C%22innovation%22%2C%22and%22%2C%22competition%22%2C%22act%22%5D%7D&s=5&r=1.*

Next, we strongly urge you to provide parity for U.S. FTZs vis-à-vis offshore facilities relating to e-commerce fulfillment. Failure to change the law to allow Section 321 *de minimis* entry from U.S. FTZs will only encourage more U.S. companies to move their U.S. e-commerce distribution operations offshore and result in the loss of tens of thousands of American jobs. The COMPETES Act fails to address this problem; in fact, it de facto treats U.S. FTZs like facilities in China.

Finally, while we continue to call on the administration to negotiate an agreement with China that will lift all punitive tariffs, we urge you to reinstate all previously granted Section 301 exclusions, provide for the refund of such tariffs paid, and establish a new exclusion process.

Tariff relief from GSP and MTBs, along with a meaningful exclusion process from Section 301 tariffs on imports from China, will help sustain the strong economic recovery. Moreover, eliminating the economic advantage for distributing e-commerce orders from offshore warehouses and companies by allowing Section 321 *de minimis* entries from U.S. FTZs will prevent further American job losses in the e-commerce distribution sector.

We appreciate your attention to our letter and your support for prompt action on GSP, MTBs, *de minimis* for FTZs, and Section 301 tariffs.

Sincerely,

Outdoor Industry Association

Advanced Elements, Inc.
ALPS Brands
Bates
Bell Helmets
Black Diamond Equipment Ltd.
Bridge City Kid
CamelBak
Camp Chef
Cat Footwear
Chaco
Cheers Suz
Columbia Sportswear Company
Full Circle Ocean Gear LLC
Giro
Global Cases/XPack
Harley-Davidson Footwear
Helen of Troy
Hush Puppies
Hydro Flask
HYTEST
Kahtoola
Keds
L.L.Bean
La Sportiva N.A., Inc.
LaCrossse Footwear, Inc.
Merrell
Mountain Hardwear
Mountain Shades, Inc.
NEMO Equipment
Nite Ize, Inc.
Oberalp North America
Oboz
Osprey
Outdoor Element
prAna
QuietKat
REI Co-op
Sanitas Sales Group
Saucony
Simms Fishing Products
SOREL
Sperry
Stride Rite
Sweaty Betty
Swen Products, Inc.
Swrve, Inc.
Tiara Yachts
Toad&Co
Turtle Fur
U.S. Hang Gliding and Paragliding Association
VF Corp.
Vista Outdoor
W.L. Gore and Associates
Westfield Outdoors
Wolverine World Wide Inc.

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