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SENATE COMMITTEE ON FINANCE HEARING ON THE PRESIDENT’S 2019
TRADE POLICY AGENDA AND THE UNITED STATES-MEXICO-CANADA
AGREEMENT
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Introduction

Last time I appeared in a hearing before this Committee, I began by highlighting the economic success of the country under President Trump. I am happy to report that these trends have continued. The United States is growing faster than any other G7 economy. GDP grew at annual rate of 3.1% in the first quarter of 2019 and at 3.2% over the past four quarters. In 2018, the lowest earners experienced the fastest wage growth. Unemployment has hit its lowest rate since 1969. This trend has been particularly pronounced among groups such as women, Hispanics, African-Americans, veterans, and Americans with disabilities, all of which have seen record-low numbers of unemployment during this Administration. Manufacturing jobs are up by nearly 500,000 since January 2017.

Like the President, I remain concerned by large and persistent trade deficits, which can be affected by factors such as currency policy, taxation, economic growth rates, and my area of responsibility – trade rules. Despite this ongoing issue, U.S. exports are up significantly. From 2016 to 2018, 45 states saw their exports grow, while U.S. exports grew by \$285 billion during that period. In 2018, total goods and services exports exceeded \$2.5 trillion for the first time. And of course I am here today to talk about how the President’s trade agenda has put us on a better track for trade, including through the successful negotiation of the United States– Mexico – Canada Agreement (USMCA).

Trade Policy Agenda

In March we issued the President's Trade Policy Agenda. The Agenda clearly sets out the trade situation facing the Administration, our actions to improve the terms of trade for the benefit of Americans, and our plan to continue rebalancing U.S. trade relationships. This Administration inherited a trade landscape characterized by outdated, imbalanced trade agreements, a failing multilateral approach to trade, and rampant unfair trading practices by some of our major trading partners. During the past year, the United States under President Trump's leadership renegotiated the disastrous NAFTA, amended the U.S.-Korea trade agreement, and kicked off trade negotiations with Japan and the European Union. We also laid the groundwork to start trade negotiations with the United Kingdom as soon as it exits the EU. We have led the effort to improve the operation of the World Trade Organization (WTO) by promoting a recommitment to transparency and an overdue reassessment of the treatment of developing countries. We have spearheaded efforts to pursue ambitious, high-standard agreements on digital trade and fish subsidies at the WTO. We have secured new market access for our farmers in dozens of countries around the globe. And we have held trade violators accountable through robust enforcement actions under U.S. law and at the WTO.

In opening this new chapter in American trade policy, we have coordinated with other countries where possible and taken unilateral actions where appropriate. But we should be clear-eyed and realistic about working with our allies. They agree with us on many important matters but do not always have the same level of ambition as the United States in securing a level playing field in international trade. I mention just as an example the European Union, which shares with us many concerns about non-market oriented policies and practices, forced technology transfer, and the like. Together with my counterparts from the EU and Japan, we

have engaged in a trilateral process that focuses on developing new rules for industrial subsidies, establishing criteria for truly market-based trading regimes, and exchanging information and coordinating action with respect to forced technology transfer. At the same time, the EU's tariff and non-tariff barriers pose significant obstacles to U.S. exports, particularly agricultural exports. So while we work closely with our allies on matters of common concern, we also stand up for the American worker and farmer as needed. We have shown that we will not be complacent while other countries, allies or otherwise, take advantage of American workers, farmers, ranchers, and businesses.

USMCA

Without question, the USMCA is the strongest and most advanced trade agreement ever negotiated. The agreement rebalances our trading relationship with Mexico and Canada in a way that benefits American workers and it modernizes the rules of trade among our countries to reflect the needs of our 21st century economy. Based on estimates from the independent International Trade Commission, we anticipate that the USMCA will raise U.S. real GDP by up to 1.2% and increase U.S. employment by up to half a million jobs over time.

As you know, this agreement was negotiated from the beginning and throughout with both Democrats and Republicans in Congress. My team and I spent countless hours consulting with Members and your staffs on the negotiations. We also consulted with a broad range of stakeholders including business, labor, the agricultural community, and civil society. These stakeholders are largely unified in recognizing the benefits of the USMCA, and there is a chorus of supporters urging Congress to approve implementing legislation for the agreement. I continue to believe that the USMCA will win broad support in Congress, as it is designed to do.

The USMCA contains the most ambitious labor chapter that has ever been negotiated. It is in the core of the agreement, and it is fully enforceable. It prohibits violence against workers and requires each country to respect internationally-recognized labor rights. Mexico agreed to – and has approved – historic labor reform legislation that will eliminate so-called “protection contracts” by ensuring secret ballot votes on labor union representation and collective bargaining agreements. This is a watershed development for labor, and we anticipate it will reduce incentives to outsource American jobs and have a big impact on the ability of U.S. workers to compete on a level playing field with their Mexican counterparts.

USMCA’s stricter rules of origin for automobiles and other products are already creating incentives for businesses to increase jobs and production in the United States. We increased the regional value content threshold for automobiles well above NAFTA levels, we included a requirement for North American steel and aluminum in autos, and we established the first-ever “labor value content” rule to encourage production and assembly in the United States. Under this rule, 40 to 45 percent of a vehicle must be manufactured in North American facilities with an average manufacturing wage of \$16 an hour. This requirement will preserve and increase U.S. jobs in the sector. Indeed, based on data that USTR has received from auto producers, we estimate an increase of over 75,000 direct auto sector jobs in the United States during the first five years of the USMCA’s implementation. This is a result of over \$30 billion in direct investments during that period, and annual increases in U.S. auto parts sourcing of \$23 billion a year.

The United States has a strong competitive advantage in services, intellectual property, and the digital economy. The USMCA locks in rules that assure the free flow of data across borders and prohibits duties on digital products. It commits our trading partners to higher

standards of intellectual property protection and enforcement, incentivizing our innovators as they create the products and technology that lead to greater prosperity for all Americans.

The USMCA has provisions designed to combat unfair trade practices, including rules on currency manipulation, state-owned enterprises and subsidies, duty evasion, and transparency and accountability in trade relationships with non-market economies.

Comprehensive and enforceable environmental standards are also central to the agreement and, unlike the NAFTA, have been included in the core text of the agreement. Additionally, there are a series of good governance chapters on technical barriers to trade, anti-corruption, customs procedures, good regulatory practices, among others designed to prevent trade-related barriers in North America.

Finally, the USMCA has a new review and termination mechanism that ensures that the United States will never again be in a position where it has permanently given away its economic leverage or become hostage to outdated rules. I believe this mechanism will encourage thoughtful, periodic assessment of whether the agreement is working as intended and ultimately create more domestic support for trade.

I will continue to work with the Committee and other Members of Congress as we draft implementing legislation for the USMCA. I am aware of specific areas where Members have ideas to strengthen the Agreement, and we are having constructive discussions on how to make improvements. Timely passage of the implementing legislation for the USMCA will benefit American workers, farmers, ranchers, and businesses throughout the country. My hope is that working with Members, we can submit implementing legislation that Congress can approve very soon.