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PRESIDENT OBAMA'S TRADE POLICY AGENDA WITH U.S. TRADE REPRESENTATIVE MICHAEL FROMAN

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

APRIL 3, 2014

Serial No. 113–FC17

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PUBLISHING OFFICE

89–456 WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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PRESIDENT OBAMA'S TRADE POLICY AGENDA WITH U.S. TRADE REPRESENTATIVE MICHAEL FROMAN

THURSDAY, APRIL 3, 2014

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
WASHINGTON, DC.

The Committee met, pursuant to notice, at 9:36 a.m. in room 1100, Longworth House Office Building, the Honorable Dave Camp (Chairman of the Committee) presiding.

[The advisory of the hearing follows:]

HEARING ADVISORY

Chairman Camp Announces Hearing on President Obama's Trade Policy Agenda with U.S. Trade Representative Michael Froman

1100 Longworth House Office Building at 9:30 AM
Washington, March 27

House Ways and Means Committee Chairman Dave Camp (R–MI) today announced that the Committee on Ways and Means will hold a hearing on President Obama's trade policy agenda with U.S. Trade Representative Michael Froman. **The hearing will take place on Thursday, April 3, 2014, in 1100 Longworth House Office Building, beginning at 9:30 A.M.**

In view of the limited time available to hear the witness, oral testimony at this hearing will be from the invited witness only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

International trade is essential to advancing U.S. economic growth and job creation. While the United States is the largest economy and trading nation in the world, 95 percent of the world's consumers are abroad. Accordingly, the future success of American workers, businesses, farmers, and ranchers is integrally tied with continuing America's strong commitment to finding new markets, expanding existing ones, and effectively dealing with market access barriers for U.S. goods, services, and investment. To further the trade agenda and to set forth procedures to enhance Congressional authorities in shaping and implementing trade agreements, Ways and Means Committee Chairman Dave Camp and Senate Finance Committee leaders introduced in January the Bipartisan Congressional Trade Priorities Act of 2014 (H.R. 3830). This bipartisan, bicameral legislation establishes new and updated Congressional trade negotiating objectives that direct the administration, significantly enhance requirements for consultation and information-sharing with Congress before, during, and after trade negotiations, and provide rules for Congressional consideration of trade agreements and their implementing bills, ultimately ensuring that Congress has the final say in approving any trade agreement. The legislation preserves the constitutional role and fulfills the legislative responsibility of Congress with respect to trade agreements. At the same time, the process ensures certain and expeditious action on the results of the negotiations and on the implementing bill, without amendment.

In addition to TPA, this hearing will provide an opportunity to explore with Ambassador Froman how the President's trade agenda will create new and expanded opportunities for U.S. companies, workers, farmers, and ranchers, and how TPA is crucial to this strategy. Those opportunities include ongoing negotiations such as the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), and the Trade in Services Agreement (TiSA) negotiations, as well as post-Doha negotiations at the World Trade Organization, such as expansion of the Information Technology Agreement (ITA) and a WTO Agreement on environmental goods. In addition, the hearing will examine important enforcement priorities, including trade-restrictive practices and non-tariff barriers from major emerging economies that prevent U.S. companies from competing on a level playing field, as well as various bilateral and multilateral trade issues and concerns. Finally, Ambassador Froman's testimony will provide an opportunity to discuss Bilateral Investment Treaty (BIT) negotiations with China, India, and others, as well as new BIT and investment policy opportunities; discussions in other bilateral and multilateral forums; and the trade and investment relationship with new and emerging trading partners.

In announcing this hearing, Chairman Camp said, **"Seeking new markets for U.S. goods, services, and investment, while ensuring enforcement of our ex-**

isting agreements is key to driving strong economic growth and job creation here in the United States. U.S. trade policy is at a crossroads. We have the opportunity to complete new trade agreements, including the Trans-Pacific Partnership, negotiations with the European Union, as well as the Trade in Services Agreement negotiations and other important trade initiatives. However, trade promotion authority is essential to concluding all of these efforts, and our bipartisan, bicameral bill empowers Congress and provides important direction from Congress to get these agreements done right. I call on the President to actively engage to secure broad bipartisan support for this bill. We must also continue to develop new trade and investment opportunities and enforce our trading rights with important trading partners, including China, India, and Latin America. I look forward to hearing Ambassador Froman lay out the administration's plan to advance U.S. economic opportunities around the world."

FOCUS OF THE HEARING:

The hearing will provide an opportunity to explore with Ambassador Froman current and future trade issues such as: (1) passing the Bipartisan Congressional Trade Priorities Act of 2014; (2) seeking to conclude a successful Trans-Pacific Partnership agreement this year; (3) negotiating with the European Union for a comprehensive and ambitious Transatlantic Trade and Investment Partnership; (4) negotiating a Trade in Services Agreement that increases access for all sectors of our economy; (5) improving our important trade relationship with major emerging economies like China, India, and Brazil, and addressing their trade barriers; (6) ensuring appropriate trade enforcement efforts; (7) advancing WTO negotiations, including "post-Doha" issues such as Information Technology Agreement expansion and an agreement for trade in environmental goods; (8) negotiating Bilateral Investment Treaties (BITs) with China, India, and others, and exploring new BITs and investment opportunities; (9) establishing long-term, closer ties with important trading partners; and (10) renewing the U.S. Generalized System of Preferences and other trade preference programs.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov*, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on April 17, 2014**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721 or (202) 225–3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material

not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://www.waysandmeans.house.gov/*.

Chairman CAMP. Good morning. First, I just want to make a quick comment about the temperature of the room. There is a mechanical difficulty on the seventh floor of this building. I have spoken directly to the superintendent's office. They are trying to repair it as we meet. But it is going to be a little chilly all morning in here.

Welcome, Ambassador Froman. Thank you for coming back to the Committee. Obviously, we are very aware and appreciative of how hard you and your dedicated staff have worked to advance U.S. trade policy.

A trade policy that opens markets for American exports, enforces international rules, and ensures a level playing field for American workers is proven to promote broad economic growth and job creation here in the United States. The success of American workers, businesses, farmers, and ranchers is directly linked to finding new markets, expanding existing ones, effectively dealing with market access barriers, and strictly enforcing our existing agreements.

U.S. trade policy is at an important crossroads. Congress passed the trade agreements with South Korea, Colombia, and Panama on strong bipartisan votes last Congress, and in the process the United States recaptured its leadership role in the global trade negotiations. This past December, U.S. leadership was critical to ensuring that the WTO Ministerial in Bali produced the Trade Facilitation Agreement, the first multi-lateral agreement since the WTO was created nearly 20 years ago.

We are in the midst of several trade negotiations. The Trans-Pacific Partnership is nearing conclusion, and I hope it will be completed as soon as possible this year. Progress in the EU negotiation is encouraging. The Trade in Services Agreement negotiations are well underway in Geneva, with 50 countries participating, as is the newly kicked-off WTO negotiation on environmental goods. We are trying to conclude an expansion of the Information Technology Agreement, assuming China acts more constructively. We have an active bilateral investment treaty negotiating agenda with China, India, and others.

All these initiatives hold the promise of significant economic gains, supporting more good jobs that pay well here in the United States by dismantling barriers to U.S. exports and creating robust enforcement mechanism to prevent future barriers. These agree-

ments will tackle both tariff and non-tariff barriers, including 21st century issues like state-owned enterprises, cross-border data flows, forced localization, regulatory coherence, and trade facilitation. They will create more opportunities for U.S. companies by integrating them more deeply into global supply chains.

To conclude and implement these negotiations, we need to pass trade promotion authority legislation. That is why, this January, I introduced H.R. 3830, the Bipartisan Congressional Trade Priorities Act, along with then-Finance Committee Chairman Baucus and Ranking Member Hatch, as well as Rules Committee Chairman Sessions and Trade Subcommittee Chairman Nunes.

TPA is how Congress sets its priorities for trade agreements, and instructs the Administration on how to achieve them. Every president since FDR has had some form of this authority. The legislation establishes specific rules for how the Administration must consult with us, and ensures Congress the final say in approving any trade agreement. This TPA bill is the strongest in history, and includes new provisions to keep Members informed and provide a formal process to guarantee that Members' views will be taken into account. If the Administration does not meet our objectives, or keep us informed, the bill provides that we can strip TPA.

The need for this bill is resonating powerfully among Members and key stakeholders they know that TPA helps our negotiators get the very best deal and realize the economic benefits of our trade agreements. But while the President called for TPA in his State of the Union speech, he has been silent since. Ambassador, I know you have been working hard. But if we are going to get TPA done, we need full engagement by the President himself, and his entire administration. This is an all-hands-on-deck moment for the Administration to engage with Congress and the American people on this bill. I look forward to hearing from you, Ambassador, about the Administration's plan to bring TPA across the finish line.

In addition to negotiations, we must also address the challenges and opportunities presented by trading partners around the world, including the major emerging economies—China, India, and Brazil. They provide enormous potential, but also significant and growing barriers. We must engage these countries constructively, but firmly, and address trade and investment barriers such as through an expanded Bilateral Investment Treaty agenda.

I will conclude by pointing to a recent Pew study on America's place in the world, which found that 66 percent of Americans see benefits from greater involvement in the global economy, because it opens up new markets and opportunities for growth. With 95 percent of the world's consumers outside our borders, Americans are keenly aware of the need for strong U.S. engagement abroad. Let's seize this opportunity on the trade front.

Chairman CAMP. I will now yield to Ranking Member Levin to make an opening statement.

Mr. LEVIN. Thank you, Mr. Chairman. I hope you won't find it out of order for me to say a few words since your public announcement.

I think we all felt the same way, Mr. Chairman. Your dedication to public service has been unswerving for your district, for the state, and, I think, for this country. You have brought dignified and

warm touches to your leadership, and we are all grateful for that. And——

Chairman CAMP. We will need that warmth today.

Mr. LEVIN. Well, I think it will overcome the lack of heat. It won't be too hot, Mr. Ambassador.

Ambassador FROMAN. Thank you.

Mr. LEVIN. But we feel that, Mr. Chairman. And you have led this Committee in a way that I think is very much in keeping with a tradition in this Committee that goes back long, long before any of us have served. And so, we listen to your announcement with, I think, very mixed emotions, and we look forward to working with you in the days ahead.

Chairman CAMP. Well, thank you very much for those very gracious comments. I Appreciate it very much.

Mr. LEWIS. Mr. Chairman.

Chairman CAMP. Yes, Mr. Lewis.

Mr. LEWIS. I would like to be identified with the comments.

Chairman CAMP. Well, thank you.

Mr. LEWIS. The gentleman from Michigan, you are my neighbor upstairs in the Cannon Building, and you are my friend. You are not just the chairman. And I want to thank you for your years of service, for your openness, and for all that you have done to make Michigan better and make our country better. And your service will never, ever be forgotten.

Chairman CAMP. Well, thank you very much.

Mr. RANGEL. Mr. Chairman.

Chairman CAMP. Yes.

Mr. RANGEL. I think it is premature for me to say too many kind things about you before this session is over.

[Laughter.]

Mr. RANGEL. But I can tell you that you have been a breath of fresh air in an atmosphere that has been a tremendous disappointment to so many of the Members that served here. But you have managed, notwithstanding the differences in our parties, always to be a professional, always to be a gentleman. And, in my case, always to be a friend. And it is deeply appreciated.

Chairman CAMP. Well, thank you. I think we better get moving before I start performing like John Boehner.

[Laughter.]

Chairman CAMP. So, Mr. Levin is recognized.

Mr. LEVIN. Okay. We have talked privately, and I think a lot of us wanted to say something publicly.

Chairman CAMP. I really appreciate it. Thank you very much.

Mr. LEVIN. The notice advising this hearing focused on trade promotion authority, specifically the TPA legislation introduced in January by you, Mr. Chairman, and former Senator Baucus. I believe that legislation is deficient. But let me suggest that the focus today should not be on TPA, but on the critical, ongoing negotiations with TPP countries.

The TPP represents both opportunities and major challenges. The opportunities stem from the dramatic economic growth in Asian-Pacific nations. We are at a critical stage in those negotiations. But the outcome of a long list of fundamental issues? That outcome remains uncertain. Some of these challenges reflect that

this is the most complicated multi-party negotiation in 20 years, in terms of the issues involved, and the number of countries that individually present negotiating challenges.

For example, the 12 trading partners, including Japan, the third largest economy in the world with an export-dependent and notoriously closed market. The Korea agreement was hard, and remains hard, with a number of disturbing implementation issues outstanding and, in some cases, growing. Japan will be harder. Important markets in Japan are even more closed, and its economy is bigger. For the United States, TPP is unique, in that there is involved, one-to-one negotiations with one of the largest industrial nations and competitors.

The negotiations also include Vietnam, a Communist country with a longstanding command economy, and a very poor record on labor rights and the rule of law. The Colombia agreement was hard, and remains hard, with a deeply troubling record of compliance with the labor action plan. Vietnam will be harder. The fact that the Communist government believes it, and not independent labor unions chosen by the workers themselves, represents workers in the workplace creates a new threshold issue. And Brunei, Malaysia, and Mexico also present challenges with respect to the implementation of the labor commitments.

The list of major outstanding issues in TPP is too long to recite or describe here, but includes currency manipulation, environmental protections, and labor standards, access to medicines, food safety rules, state-owned enterprises, tobacco controls, cross-border data flows, and private protection, and investment issues. I hope all of us today can discuss these issues.

The TPA introduced by you, Mr. Chairman, and Senator Baucus, would not effectively enough guide our negotiations to get these outstanding issues right. Indeed, in a number of key respects, the TPA doesn't provide a lot of guidance. For example, on currency manipulation it provides no real guidance, instead leaving it to the Administration determine what is appropriate. There is also no guidance as to how to ensure that Vietnam implements its commitments. On the pricing of pharmaceuticals, the bill calls for the elimination of price controls and reference pricing, but neither the U.S. nor any other TPP country is supporting such a proposal. And the bill provides little guidance in determining what an acceptable outcome is with Japan on automotive or agricultural market access.

Nor would that TPA bill provide much guidance as to how to improve consultations and transparency in the TPP negotiations. It largely does two things: it codifies the current procedures, and requires the Administration, not Congress, to develop new guidelines for consultations and transparency in the future. Indeed, the bill would require the Administration to develop new consultation guidelines 4 months after China—after Congress might pass a TPA. That would not help TPP.

I believe that Congress needs to be fully involved right now. Congress needs to be a full partner in these negotiations. My message to our trading partners is clear: the Congress will support an agreement that expands trade if and when it does so in a way that benefits U.S. workers and businesses, effectively addresses critical

new issues, strengthens our economy, and protects our values. Getting the substance right is what is key now.

I, therefore, hope we focus in this hearing on the wide-ranging substantive issues embedded in TPP. We also need to discuss other important negotiations, including the Trans-Atlantic Agreement and the Services Agreement, and we need to act on other legislation, including TAA, the miscellaneous tariff bill, preference programs, and customs enforcement and facilitation.

Mr. Ambassador, we deeply appreciate your hard work. I understand you have worked so hard that your wife had to come here today to listen to what you are going to say, and so we welcome your wife, Nancy. You have enjoyed some important enforcement successes lately. We welcome your appearance today.

Chairman CAMP. Well, thank you very much, Mr. Levin.

Again, welcome back to the Ways and Means Committee, Ambassador Froman. We have your written statement; it is made part of the formal record. You have 5 minutes to summarize your testimony.

STATEMENT OF MICHAEL FROMAN, UNITED STATES TRADE REPRESENTATIVE, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Ambassador FROMAN. Well, thank you very much, Chairman Camp, Ranking Member Levin, members of the Ways and Means Committee. Thank you for having me back here, and for this opportunity to testify on the 2014 Trade Policy Agenda. And let me also take a moment to associate myself with Mr. Levin's comments about the Chairman, and underscore how much we have valued the working relationship we have had, and how we look forward to continuing that working relationship over the course of this year.

The core of the Obama Administration's economic strategy is to create jobs, promote growth, and strengthen middle class in America. Our trade and investment policy contributes significantly to that strategy by opening markets for made-in-America products, leveling the playing field, by raising standards, so that our workers can compete fairly, and enforcing our trade laws and our trade rights.

Done right, trade policy creates opportunities for American workers, farmers, and ranchers, manufacturers and service providers, innovators, creators, investors, and businesses, businesses of all sizes, and, very importantly, the small and medium-sized businesses. Done right, trade policy promotes not only our interests, but also our values. And it gives us the tools to make sure others play by the same rules that we do.

The Obama Administration has a strong record of success in promoting U.S. exports and creating jobs here at home. Over the past 4 years, U.S. exports have increased to a record high of $2.3 trillion. In fact, a third of our total economic growth is attributed to this increase in U.S. exports. And exports mean jobs. Each $1 billion in increased exports supports 5,400 to 5,900 U.S. jobs; 11.3 million Americans now owe their jobs to exports. That is an increase of 1.6 million in the last 5 years. And those are good jobs, jobs that pay 13 to 18 percent more, on average, than non-export-related jobs. Indeed, increasing exports and the well-paying jobs

that they support, is a critical tool for dealing with inequality in this country.

In 2014 we will work to conclude negotiations on the TPP Agreement, a key pillar of our rebalancing strategy to Asia. TPP is currently being negotiated among 12 countries, some of the largest and fast-growing economies in the world, representing 40 percent of the global GDP, and a third of global trade. We are working to ensure that the final agreement will provide comprehensive market opening for goods and services, strong and enforceable labor and environmental standards, commitments on intellectual property that promote innovation and creativity, as well as access to information and life-saving medicines, groundbreaking new rules designed to ensure fair competition between state-owned enterprises and private companies. And, for the first time, obligations that will address the issues of the digital economy.

We are also working to complete parallel negotiations with Japan to address longstanding issues related to autos, insurance, and other non-tariff barriers. And, building on last year's successful launch, we expect to make significant profits this year towards a TTIP agreement with the European Union. This will strengthen the world's largest trade and investment relationship, and further underscore the strategic importance of the trans-Atlantic relationship.

Agriculture is vital to the American economy. In 2013, U.S. farmers, ranchers, and growers exported a record $148 billion of food and agricultural goods to consumers around the world. And this year, this administration aims to help them build on that record performance.

U.S. manufacturing plays a key role in our economy today and in the future. As American manufacturers increase our capacity to produce more advanced and value-added goods, consumers around the world continue to place a high value on products made in America. In 2012, the U.S. exported nearly $1.4 trillion in manufactured goods. And in 2014, we aim to build on the strength of our manufacturing sector.

The U.S. is an innovative economy, and the Obama Administration is committed to protecting intellectual property, which is vital to promoting and encouraging innovation and creativity. Millions of Americans' jobs rely on intellectual property, and we will continue to use our trade agenda in 2014 to defend the IP rights of our creators and innovators, while supporting the freedom of the Internet, encouraging the free flow of information across the digital world, and ensuring access to affordable medicines, particularly by poor and less-developed countries.

At the WTO we will capitalize on the success of the ministerial meeting in Bali last year. In March we notified Congress of our intent to enter into negotiations on an environmental goods agreement with the world's largest traders in environmental goods, representing 90 percent of this $1.4 trillion market. And we will also move this year toward conclusion of negotiations on two major sectoral agreements: the Trade in Services Agreement and the expansion of the WTO Information Technology Agreement.

The Obama Administration has placed unprecedented emphasis on trade enforcement. This Administration has filed 17 WTO com-

plaints, and doubled the rate of cases filed against China. In fact, just last week, the U.S. scored an important victory for American workers and manufacturers, and for upholding WTO rules on fair access to raw materials that are essential for maintaining U.S. manufacturing competitiveness. And through our ongoing enforcement agenda, we are leveling the playing field for key agricultural producers, aircraft workers, and manufacturers of wind turbines and high-tech batteries across the country.

As we work through this agenda, we will continue to consult closely with Congress and seek input from a wide range of advisors, stakeholders, and the public. We have held over 1,200 meetings with Congress about TPP alone, and that doesn't include the meetings we have had on TTIP, TPA, AGOA, and other trade initiatives. Our congressional partners preview our proposals and give us critical feedback every step of the way, and we ensure that any Member of Congress can review the negotiating text, and has the opportunity to receive detailed briefings by our negotiators.

We are increasing the diversity of trade policy input we receive through the creation of the Public Interest Trade Advisory Committee, to include stakeholders focused on consumer, public health, and other public interest issues. And, consistent with the statute, the Administration is soliciting qualified candidates to serve on the ITACs, our Industry Advisory Committees, to ensure that they are representative of industry, agriculture services, and labor interests.

Finally, let me say a word about trade promotion authority. The last TPA legislation was passed over a decade ago, and much has changed since then. There has been the May 10, 2007 bipartisan agreement on labor, environment, innovation, and access to medicines, driven by key members of this Committee. There has been the emergence of the digital economy, and the increasing role of state-owned enterprises in the global economy. These issues should be reflected in the statutory negotiating objectives of a new TPA bill.

We have heard from many that TPA needs to be updated, and we agree. The Administration welcomed the introduction of the bipartisan TPA legislation in January, and look forward to working with this Committee and Congress, as a whole, to secure trade promotion authority that has as broad, bipartisan support as possible. We also look forward to renewing trade adjustment assistance, which expires at the end of this year.

The ambitious trade agenda I have laid out today creates opportunities for new, well-paying jobs, higher growth, and a stronger middle class. It incentivizes individuals and businesses to bring back, expand, and start new production here, in the United States. And, at its core, this trade agenda emphasizes strong, enforceable rules that promote U.S. values and U.S. interests. And, of course, we could only accomplish these goals and priorities through strong, bipartisan cooperation between Congress and the Administration.

Thank you again for the opportunity to testify. I am happy to take your questions.

[The prepared statement of Ambassador Froman follows:]

Embargoed

Ambassador Michael Froman
United States Trade Representative
Written Statement
House Committee on Ways and Means
April 3, 2014

Chairman Camp, Ranking Member Levin, Members of the Ways and Means Committee, thank you for the opportunity to testify on the President's 2014 Trade Policy Agenda.

The core of the Obama Administration's economic strategy is to create jobs, promote growth, and strengthen the middle class. Our trade and investment policy contributes significantly to that strategy by opening markets for Made in America exports, leveling the playing field by raising standards and enforcing our trade laws and our trade rights.

Done right, trade policy creates opportunities for American workers, farmers and ranchers; manufacturers and service providers; innovators, creators, investors and businesses – large and small. Done right, trade policy promotes not only our interests, but also our values. And it gives us the tools to make sure others play by the same rules as we do.

In 2014, USTR will take steps to: (1) enhance the global competitiveness of U.S. goods and services by negotiating high-standard trade agreements, including the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (T-TIP), the expansion of the Information Technology Agreement (ITA) and the Trade in Services Agreement (TiSA); (2) enhance key trade and investment relationships, including with China, India, Brazil, and countries in the Middle East and in Sub-Saharan Africa; and (3) ensure that our trading partners honor their commitments, including in the World Trade Organization (WTO). And to update the process through which we partner with Congress in these efforts, we look forward to working with this Committee and the Congress to secure trade promotion authority (TPA) that has broad bipartisan support.

The Obama Administration has a strong record of success in promoting U.S. exports and creating jobs here at home. Over the past four years, U.S. exports have increased by nearly 50 percent – four times faster than our economy as a whole – reaching a record high of $2.3 trillion in 2013. In fact, a third of our total economic growth is attributed to this increase in U.S. exports.

Exports mean jobs. Each $1 billion in exports supports 5,400-5,900 U.S. jobs. U.S. exports have supported 1.6 million additional private sector jobs – that means a total 11.3 million Americans now owe their jobs to exports, and those jobs pay 13-18 percent more on average than non-export related jobs.

Expand Job-Supporting U.S. Trade

In 2014, we will work to conclude negotiations on the TPP agreement. TPP is currently being negotiated among 12 countries in the fastest growing region in the world representing nearly 40

percent of global GDP and a third of global trade. When completed, TPP will create a platform for regional integration in the Asia-Pacific.

We are working to ensure that the final agreement will provide comprehensive market opening for goods and services; innovative commitments on intellectual property rights; strong and enforceable labor and environmental commitments; groundbreaking new rules designed to ensure fair competition between state-owned enterprises and private companies; and for the first time, obligations that will address the issues of the digital economy. We are also working to complete parallel negotiations with Japan to address longstanding issues related to autos, insurance, and other non-tariff measures.

And building on last year's successful launch, we expect to make significant progress this year toward a T-TIP agreement with the European Union. This will strengthen the world's largest trade and investment relationship. In fact, Leaders last week reinforced their firm commitments to T-TIP during the EU-U.S. Summit in Brussels, and urged negotiators to make swift progress on a comprehensive agreement.

Through T-TIP, we are seeking to update and modernize trade rules and – crucially – to bridge divergences that exist between our regulatory and standards systems, while preserving high levels of safety, environmental and consumer protections on both sides of the Atlantic. We are seeking to eliminate tariffs and knock down non-tariff barriers. Such 'behind-the-border' barriers, especially on agricultural goods, often constitute the most significant obstacles to transatlantic trade.

Agriculture is vital to the American economy. In 2013, U.S. farmers and ranchers exported a record $148.4 billion of food and agricultural goods to consumers around the world. In 2014, the Administration aims to help them build on that record performance. Through TPP and T-TIP, we will open new export markets. We will continue to use these agreements, and other tools, to press for non-discriminatory sanitary and phytosanitary standards that are based in science. We will also continue to work on streamlining the trade of organic agriculture across borders, eliminating unwarranted barriers and building on recent successes in negotiating organic equivalence agreements. Finally, we will continue to press for the alignment of regulatory approaches that impact trade in products derived from modern biotechnology, in order to support our exports of agricultural products, and to improve global food security.

U.S. manufacturing will always play a vital role in our economy. As American manufacturers increase their capacity to produce more advanced and value-added goods, consumers around the world continue to place a high value of products Made in America. In 2012, the United States exported nearly $1.4 trillion in manufactured goods, which accounted for 87 percent of all U.S. goods exports and 61 percent of U.S. total exports. To support the growth of manufacturing and associated high-quality jobs here at home, the Obama Administration will continue to pursue trade policies aimed at keeping American manufacturers competitive with their global peers. Throughout our trade negotiations, we aim to create rules that ensure state-owned enterprises (SOEs) don't compete unfairly with private firms and seek to ensure that the rules of origin and the global supply chain provisions create incentives for manufacturers to locate here in the United States.

The United States is an innovative economy, and the Obama Administration is committed to protecting intellectual property (IP), which is vital to promoting and encouraging innovation and creativity. Millions of American jobs rely on IP, and we will continue to use our trade agenda in 2014 to defend the IP rights of our creators and innovators while supporting the freedom of the Internet and encouraging the free flow of information across the digital world. Through our trade agreements, including TPP and T-TIP, we will continue to open markets for IP-intensive goods and services, and defend the jobs that rely on innovation with balanced policies informed by diverse views that benefit both producers and users of innovative products and services. We will also continue to seek to protect the rights of U.S. trademark and copyright holders around the world, as well as ensure that our farmers and exporters can continue to use common food names for their products. We are also seeking to advance progress on IP-issues with our trading partners through the WTO Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS).

While the United States is seeking to open markets for U.S. innovators and creators to export, we also remain committed to fighting against the theft of U.S. intellectual property. IP theft not only puts U.S. jobs at risk, but counterfeit products oftentimes pose a threat to the health and safety of consumers in the United States and around the world. In 2014, we will continue to deploy a variety of tools, including our ongoing negotiations and the "Special 301" process, in order to implement the Administration's Strategy on Mitigating Theft of U.S. Trade Secrets. And we will continue to work closely with Congress and all our stakeholders on a wide range of trade issues related to the protection and enforcement of copyrights, trademarks, patents, trade secrets, and other forms of intellectual property. Notably, in the critical area of public health, the Administration continues to seek and embrace diverse stakeholder input that will help shape the development of proposals to promote access to high-quality innovative and generic medical products.

The Obama Administration is also determined to tackle non-tariff barriers, which increasingly pose the greatest obstacles to U.S. exports. For example, we are seeking to tackle "localization barriers to trade," measures and policies that protect domestic industries at the expense of the workers and firms of other countries. These types of barriers to trade are becoming increasingly pervasive, particularly in emerging economies, and tilt the playing field against American exporters. In 2014, we will continue to address the distortionary effects of these policies with trading partners around the world.

At the WTO, we will capitalize on the success at the 9th Ministerial meeting in Bali last December, where the United States worked with the WTO Director General and other WTO members to help the WTO conclude its first new multilateral trade agreement, the WTO Trade Facilitation Agreement, which will make it easier and less costly for U.S. exporters to trade by reducing the customs barriers they face abroad. In addition, WTO Members agreed on important steps to address key issues with regard to food security and agricultural trade, and to alleviate poverty and improve economic opportunities through trade policy and development assistance.

And we will continue to show U.S. leadership and support for the multilateral trading system by identifying new opportunities. In March, we notified Congress of our intent to enter into negotiations on an Environmental Goods Agreement (EGA) with the world's largest traders in

environmental goods, representing nearly 90 percent of this $1.4 trillion market. The agreement, which will eliminate tariffs on environmental goods, will reduce prices and increase the availability of renewable and clean energy technologies.

We will also move towards conclusion of negotiations on two major sectoral agreements: 1) the TiSA and 2) expansion of the WTO Information Technology Agreement (ITA). As the world's largest trader in services, the United States is pursuing the TiSA to establish state-of-the-art trade rules that promote fair and open competition across a broad spectrum of service sectors, including services trade through electronic channels. Nearly 50 countries are represented in the TiSA negotiations, accounting for 70 percent of world trade in services and a combined services market exceeding $30 trillion – or approximately half of the global economy.

The ITA agreement was concluded in 1996 and eliminated duties on information technology products. ITA provided a significant boost for U.S. technology products. In recent years, tremendous technological advances have taken place, while new technology products are hitting the market every day. The United States has led the effort to expand the scope of the ITA's product coverage to take account of these changes. And in 2014, our negotiators will work to conclude negotiations on a balanced and commercially meaningful expansion agreement.

Enforce U.S. Trade Rights Around the World

The Obama Administration has placed an unprecedented emphasis on trade enforcement. Since 2009, the Administration has filed 17 WTO complaints, and doubled the rate of cases filed against China. In fact, just last week, the United States scored an important victory for America's workers and manufacturers and for upholding WTO rules on fair access to rare earths and other raw materials that are essential for maintaining U.S. manufacturing competitiveness. This decision is significant and sends a clear signal that USTR will go to the mat for American manufacturers to ensure that America gets the benefit of non-discriminatory access to industrial raw materials. In addition to this recent victory, in 2013, we won key legal victories against China, including a finding that China's antidumping and countervailing duties were applied in violation of WTO rules.

Through our ongoing enforcement agenda, we are leveling the playing field for key agricultural producers in Wisconsin, Georgia, and Oregon, aircraft workers in Kansas and Washington State, and manufacturers of wind turbines in Ohio and hi-tech batteries in Michigan.

In 2014, the Administration will continue to monitor and enforce WTO obligations, along with those in our bilateral, plurilateral, and regional trade agreements, to ensure that we bring home the full benefits of those agreements. These efforts are particularly important as we work to ensure free trade agreements with South Korea, Colombia, and Panama that went into force in 2012 are fully implemented and that each country adheres to its commitments.

We also continue to draw upon the significant "whole of government" capabilities of the Interagency Trade Enforcement Center (ITEC) in our enforcement efforts. Led by USTR, in close collaboration with the U.S. Department of Commerce and with the support of many other agencies, ITEC brings together research, analytical resources, and expertise from across the

Federal Government into one organization. The ITEC significantly enhances the ability of the United States to investigate foreign trade practices that are potentially unfair or adverse to U.S. commercial interests. China rare earths, Argentina import licensing, and India local content requirements are all examples of cases where the ITEC has provided important value-added assistance.

Enhance Trade and Investment Partnerships around the World

Whether in China, India, Brazil or sub-Saharan Africa, the Administration continues to work to strengthen our trade relationships to support U.S. jobs.

China: The Obama Administration's principal goal for U.S. trade policy with China is to provide U.S. businesses and workers a level playing field in order to compete in this rapidly growing market. In 2014, we will continue to engage China through bilateral fora such as the Joint Commission on Commerce and Trade and the Strategic and Economic Dialogue to press for additional progress on these fronts, and to ensure full implementation of commitments China has made. Particular areas of concern include measures impeding U.S. exports of food and agricultural products, information technology and telecommunications equipment, medical devices, and an array of other manufactured products. We will also seek to make progress on China's accession to the Government Procurement Agreement (GPA), which will require significant engagement on difficult issues such as SOEs and China's domestic procurement regimes. And, finally, we will continue to engage in dialogue with China to improve the climate for intellectual property protection and enforcement through a number of avenues, recognizing that a strong rule of law is essential to encourage and support continued innovation.

India: The Administration will work to make the U.S.-India Trade Policy Forum a productive mechanism to address concerns and engage with India on a wide range of trade and investment issues. This includes intellectual property protection and potentially trade-restrictive localization policies.

Brazil: We will also utilize the U.S.-Brazil Agreement on Trade and Economic Cooperation as a productive mechanism for dialogue between our two countries. In 2014, we will work to continue to grow our exports and deepen our trade and investment policy engagement with Brazil. In addition, we will continue to pursue with Brazil a long-term mutually agreeable solution to the WTO dispute on cotton, preventing costly retaliatory counter-measures from damaging American consumers and exports.

Sub-Saharan Africa: Over the next year or so, we have an important opportunity to review and refresh our longstanding and deep trade and economic relationship with Sub-Saharan Africa. We are working to conclude a comprehensive review of the African Growth and Opportunities Act (AGOA) program, which expires next year, and develop a series of recommendations as to the future of AGOA. We have already begun consultations with Members of Congress, stakeholders in the United States and Africa, experts in civil society, NGOs, and academics in this regard. We hope to intensify these discussions in the lead-up to the first U.S.-Africa Leaders Summit in August 2014. AGOA has always attracted broad support across the political spectrum and been an area of close collaboration between the Congress and the Administration.

We look forward to continuing in that tradition as we work to renew and revitalize the program.

Middle East and North Africa: The revolutions and other changes that swept through the Middle East and North Africa region beginning in 2011 have prompted a comprehensive reevaluation of U.S. trade and investment policies toward this critical part of the world. This year, the United States will work with regional partners through various forms of engagement (including free trade agreement Joint Committees, TIFA Councils, and other arrangements) to continue developing the President's MENA Trade and Investment Partnership (MENA TIP) initiative. We will continue to advance with MENA countries several initiatives, including on trade facilitation, investment, and the information and communication technology sector. In addition, we will engage governments on a further range of issues identified by stakeholders as important to better trade relations, such as intellectual rights, services, government procurement, small and medium enterprise and labor practices. We will also seek where possible to craft and pursue initiatives that can help lay the groundwork for the greater economic integration among MENA countries which will be critical to the future prosperity in the region.

Western Hemisphere: We have our most extensive network of trade agreements with our partners in the Western Hemisphere – 12 of our 20 current FTA partners, which alone account for 39 percent of our global exports. We are working intensively to complete implementation of our more recent agreements so they continue to provide new opportunities for U.S. goods, services and investment. We also have a robust monitoring and enforcement agenda in the region as we use the tools contained in our agreements to ensure their benefits are broadly available.

Generalized System of Preferences: The United States is dedicated to using our trade preference programs, trade capacity building, and other initiatives to create economic growth as a means to lift people out of poverty and develop markets around the world. Through the Generalized System of Preferences (GSP) – the oldest and most widely used U.S. preference program – the United States gives developing countries duty-free access on a range of goods. This not only allows developing countries to grow their economies, but it reduces the cost of imported goods being used in U.S production. In 2014, the Administration urges Congress to expeditiously renew authorization of the GSP program, and we stand ready to work with you to that end.

In addition to key emerging markets, the United States will continue our robust engagement with trading partners across the globe as we seek additional bilateral and regional trade and investment opportunities to help increase U.S. exports and grow our economy. Building on successful past efforts, the United States will seek to advance trade-enhancing investment measures with key trading partners in order to continue attracting the best jobs and industries here in America. We will seek to secure high-standard Bilateral Investment Treaties (BITs) with China, India, and Mauritius, among others, and explore a regional investment agreement with the East African Community countries.

Working with Congress, Stakeholders, and the Public

As we pursue this agenda, we will continue to consult with Congress and seek input from a wide range of advisors, stakeholders and the public at large.

We have held over 1,200 meetings with Congress about TPP alone – and that doesn't include the meetings we've had on T-TIP, TPA, AGOA or other initiatives. Our Congressional partners preview our proposals and give us critical feedback every step of the way. We also ensure that any Member of Congress who is interested has access to the negotiating text, and has the opportunity to receive detailed briefings by our negotiators.

Further, we have cast a wide net to draw in the views of stakeholders and the public more generally, and to share information with them. We have solicited public comments regarding negotiating aims and objectives through notices in the Federal Register, public hearings, open invitations to stakeholders to meet with U.S. and foreign negotiators at each negotiating round, and the dissemination of trade policy updates through press releases, fact sheets, blog posts, statements on USTR's website – and, yes, tweets, as well as direct and constant outreach by U.S. trade officials to solicit, obtain, and incorporate public input in the course of their daily work. Most recently, we published detailed goals and objectives for T-TIP negotiations that outline what we are seeking in every chapter of the agreement.

We are increasing the diversity of trade policy input we receive through the creation of the Public Interest Trade Advisory Committee (PITAC) to include stakeholders focused on consumer public health and other public interest issues. All eligible stakeholders – including NGOs, academics, and other public interest groups – are encouraged to submit their candidates to serve as founding members of the PITAC. Additionally, consistent with the statute, the Administration is soliciting qualified candidates to serve on the ITACs during the 2014-2018 charter term that are representative of industry, agriculture, services and labor interests.

In a variety of other areas, we will continue to engage with stakeholders from non-governmental organizations, academia, labor unions, trade associations, environmental and consumer groups, state and local governments, the business community, including small businesses, and a variety of other perspectives that will collectively help to inform and guide our trade policy decisions. We will strengthen our relationships with states and localities through enhanced engagement with the National Governors Association, the National Conference of State Legislatures, the U.S. Conference of Mayors, and outreach to state and local elected officials.

Finally, let me say a word about Trade Promotion Authority (TPA). TPA is the mechanism by which Congress has worked with Presidents since 1974 to give the Executive its marching orders about what to negotiate, how to work with Congress before and during the negotiations, and how Congress will take up and approve or disapprove the final agreement. There is no other area of policy that reflects closer coordination between the Executive branch and Congress than trade policy.

The last TPA legislation was passed over a decade ago. Much has changed since that time. Issues raised by the emergence of the digital economy and the increasing role of state-owned enterprises in the global economy should be part of the statutory negotiating objectives. And there are new forms of protectionism that threaten U.S. exports, which should be as well.

We have heard from many that TPA needs to be updated. We agree. The Administration welcomed the introduction of bipartisan TPA legislation in January and looks forward to working

with this Committee and Congress as a whole to secure trade promotion authority that has as broad bipartisan support as possible. And, as the Trade Adjustment Assistance program has helped over two million workers over the past 40 years, we also look forward to working with the Committee to continue to assist workers who are adversely affected by trade.

Conclusion

The ambitious trade agenda I laid out today creates opportunities for new, well-paying jobs, higher growth and a stronger middle class. It incentivizes individuals and companies to expand production, start new production and bring back production in the United States. At its core, the trade agenda emphasizes strong, enforceable rules that promote core U.S. values and interests, including protection of U.S. creativity, access to medicines, fundamental labor rights and robust environmental standards. And, of course, we can only accomplish these shared goals and priorities through strong bipartisan cooperation between Congress and the Administration. Working together, we can ensure that our trade policy creates opportunities for all Americans.

Thank you again for the opportunity to testify today. I am happy to take your questions.

Chairman CAMP. Well, thank you very much, Ambassador Froman. Earlier this year, I introduced a bipartisan, bicameral trade promotion authority legislation. It sets out specific negotiating objectives that Congress wants to achieve in our trade agreements, and there is a robust framework for congressional consultations, and actually ensures that Congress has the final say on consideration and implementation of any trade agreements. I believe this is absolutely essential legislation to negotiate and conclude the best agreements possible—it strengthens USTR's hand at the negotiating table.

Mr. Ambassador, are you committed to meeting the negotiating objectives set out in TPA, and will you comply with the extensive consultation with Congress, and information-sharing provisions set out in TPA?

Ambassador FROMAN. Well, Mr. Chairman, we very much look forward to working with this Committee and with Congress, as a whole, to get a trade promotion authority bill that has got broad, bipartisan support. And, in that context, we would very much look forward to meeting the negotiating objectives and the consultation procedures included in such a bill.

As you said, TPA is the way that Congress gives us our negotiating objectives, our marching orders for negotiations, tells us how it wants us to work with Congress before and during the negotiations, and ultimately, what procedures Congress will use to approve or disapprove any trade agreement we bring back. And we very much think that having that authority over time helps open markets and increase exports, which helps drive job creation here, in the United States.

Chairman CAMP. I appreciate that. And you and I have previously discussed this. It is very important for Congress, and particularly this Committee, to know the details of negotiations so that we can consult in a meaningful way. And we can provide our guidance and views to the Administration, as we move forward, because consultation without the appropriate information really cannot be consultation.

Our level of access to information with prior administrations, Republican and Democrat, has always been complete and thorough. And, Ambassador, do you commit to working with this Committee to provide us the most updated information, including access to all the text, in a timely and complete way?

Ambassador FROMAN. I do.

Chairman CAMP. Well, thank you very, very much for that.

You know, I very much appreciate your tireless efforts on the Hill, and in meeting with both Republicans and Democrats to talk about trade and TPA. We do need strong support from the White House and the President. As I said in my opening statement, we need to be, really, all-hands-on-deck. What is the Administration doing to build congressional support?

Ambassador FROMAN. Well, we have a whole-of-government approach to this. As you know, the President talked about this in the State of the Union. The Vice President has talked about it. They have met with members of the Democratic party, as well as the Republican leadership on this issue. We have had the Chief of Staff of the President up here talking about it, as well as the Secretary of Treasury, Secretary of Commerce, Secretary of Agriculture, Secretary of State. Secretary of Defense has been writing op eds on the importance of our rebalancing towards Asia, including TPP as a critical component of that. So we work with all of our interagency partners at the Cabinet and the White House level on down, to build support up here for our overall trade agenda.

As you noted, we are all up here a great deal, as we have had, as I mentioned, more than 1,200 consultations on TPP alone. Over 450 of those have been with this Committee and its staff. And so, we are very much involved in making sure that members of Con-

gress know what it is that we are working on, have input, give us feedback, and that we are answering their questions and building support, getting them comfortable with our trade agenda, so that we could move ahead.

Chairman CAMP. Well, thank you. And, with regard to TPP, I am committed to working with you to complete TPP. I think a robust agreement would have significant benefits for the U.S. economy, support job creation, and better-paying jobs. I am concerned that Japan is significantly holding up progress on TPP. And while Japan has been helpful in many of the rules areas, Japan's position to exclude or limit the inclusion of a significant number of important agricultural products from the scope of TPP has become a serious impediment. Japan stands contrary to the commitment, frankly, that Japan made when it joined TPP to put all issues on the table. It is also giving countries like Canada an excuse not to meaningfully open up their markets. So adequately addressing our bilateral auto issues with Japan is critical for my support. If a country is not ready to make the commitments to join TPP as an ambitious, high-standards agreement, then, in my view, we should complete TPP without that country, and allow it to join later, if and when it is ready to make the necessary commitments.

But, first, what is your strategy for ensuring that Japan adequately opens up its agricultural and auto markets, and do you agree that a country should not be in TPP if it can't make sufficiently ambitious commitments?

Ambassador FROMAN. Well, Mr. Chairman, at this juncture in the TPP negotiation, all eyes are on Japan. Not just the U.S., but all the TPP countries are focused and are looking at Japan to make sure that they provide comprehensive access to their market, both the agricultural side and other parts of its market. And we are reminding Japan what it and all TPP members agreed to when they joined TPP, that this is intended to be a high-standard, ambitious, comprehensive agreement. We can't have one country feeling entitled to take off the table and exclude vast areas of market access, while the other countries are all putting on the table more ambitious offers. Japan is not the only country that has sensitivities; we all have sensitivities. And we are working together to create an ambitious agreement in that context.

We are also reminding Japan of the benefits of a successful TPP agreement, and what that can bring to its economy, particularly at this critical time in its economic recovery, how its future prosperity could be tied to the structural reforms that TPP can help incentivize, and how completing TPP can help enhance its leadership role in the Asia-Pacific region.

We are well aware of the political sensitivities that Japan has on a number of issues. This isn't an issue of us needing to be more flexible. We are being plenty creative in trying to come up with ways to ensure comprehensive market access to Japan that addresses political sensitivities, as well. It is time for Japan to step up to the plate. And, as I said, that is not just our view, that is the view of all the TPP countries.

We are pressing them on the automotive front, as you suggested, as well. We have got agreements before they came in to TPP on tariffs and on access to their market, and sort of expedited ap-

proval of our imports into their market. But we have a series of other issues dealing with their financial incentives, their standards, their distribution, the transparency of the regulatory process, that we are pursuing at a parallel negotiation. We are making some progress in that, but the gaps still remain, both on the agricultural side and on the auto side. And we are very much focused on trying to bridge those gaps.

Ultimately, it is Japan's decision, as it looks to its own future, as to whether it is prepared to take the bold steps necessary to be part of this groundbreaking agreement. And, let me assure you, we are remaining very focused on assuring that they open their agricultural markets and their automotive markets in meaningful and substantive ways, consistent with the high ambition of TPP.

Chairman CAMP. Well, thank you. And, lastly, I have raised with you before the pressing need to include currency disciplines in TPP. And are you considering including provisions on currency in the agreement? What would those provisions look like, and what factors should be taken into account in determining the U.S. position?

Ambassador FROMAN. Well, currency is a serious issue, and we certainly have heard from Members up here. And it is a serious issue for the Administration, itself. The Treasury Department, of course, has the lead on this issue for the Administration. But from the President to the Secretary of Treasury, to the rest of the Administration, it has been a high priority from day one of this administration to press our trading partners to move towards more market-oriented exchange rates. For example, with China, whether it is through the IMF or the G20, or where appropriate, with other countries through the G7 we have been pressing countries towards market liberalization and market-determined exchange rates.

With China we have had—we have made some progress. In June 2010 they began to liberalize their exchange rate again, and it has moved 18 percent in real terms since then. It is not far enough, it is not fast enough. We need to continue to press them at every occasion, as we do. And we are continuing to consult. The Secretary of the Treasury, myself, we are consulting with Members of Congress, with stakeholders, to determine how best to address the underlying issue.

Chairman CAMP. All right, thank you. Mr. Levin.

Mr. LEVIN. Thank you. Mr. Chairman, you raised Japan. And I think it illustrates the work yet to be done. I think it illustrates the need for continuing and major congressional involvement. It is often said that Congress sets the terms of negotiations, and that has been done in TPA. There is no TPA. TPP is in the middle of its negotiations.

And I think that means that there has to be a way found to be sure that this Congress, this Committee, and broader, are deeply involved in the negotiations, in the discussions. I think that is the only way an agreement can be passed here. And I think our involvement will send a signal to our trading competitors and those we are negotiating with that, as you proceed, there will be support from this Congress. It is only that intimate relationship between the Congress and the Administration that will really work here. And I think Japan is a good example, because—and we have talked

about this—much of the work remains to be done. What was agreed to was kind of conceptual.

Japan—this is the first one-on-one negotiation the U.S. has had with a country the size of Japan. And it has the most closed market in the automotive sector of any country, surely, of its size. And the same is true of agriculture.

So, let me just ask you—and you raised, Mr. Chairman, currency. That is another example of why there needs to be the most active involvement of Congress in these discussions. So far, currency hasn't really been put on the table. And there is a letter from the clear majority of Senators insisting that this be addressed, as well as a letter from a majority of Members of the House.

So, let me cite another example: Vietnam. A command economy. We have had difficulty enforcing our trade agreements. Just say a few words about how you think it is possible to work out an agreement with a very closed—or what has been a closed economy, in terms of its basic markets, as well as its labor markets, and be sure, before we were asked to act, that there would be very effective change within Vietnam to make their commitments real. If you would, comment on that.

Ambassador FROMAN. Well, thank you, Congressman Levin. You know, with regard to Vietnam—and this is true of the other countries, too, but you have pointed out correctly that Vietnam poses particular challenges within TPP, given the level of its development, the structure of its economy. We have made clear throughout the negotiations, and before Vietnam joined TPP, the kinds of standards that we would be expecting through TPP, and the kind of changes and reforms that would be necessary to bring them into conformity with those standards.

So, for example, on state-owned enterprises, which play a significant role in the Vietnamese economy, we have been working with them on a path towards them reforming their SOEs, consistent with the obligations that we are negotiating in TPP. And the same is true on labor issues and on environmental issues. They see TPP as a potential mechanism for helping to support what they have determined is their own domestic reform agenda.

Mr. LEVIN. And changes would be in place before the final negotiation, or at least before we were asked to act?

Ambassador FROMAN. Well, I think in each of these cases we have to work through what the staging of their changes are, and how it relates to when we submit it to Congress for approval, when it goes into force, et cetera. Vietnam is not going to transform itself overnight, but we need to make sure we have got mechanisms for assuring that they meet their obligations, consistent with the standards of the agreement.

Mr. LEVIN. Thank you.

Chairman CAMP. All right. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman. Appreciate you being here.

You know, the expansion of information technology to include additional products would have significant benefit for U.S. manufacturers and consumers. By one estimate, updating the ITA would boost global GDP by $190 billion, and increase U.S. exports by 3 billion, creating 60,000 American jobs. ITA expansion has strong

bipartisan support in Congress, and I hope you will continue to press for a robust and ambitious agreement as soon as possible.

I am a little frustrated by China's refusal to engage productively in these negotiations, and I understand a top priority this year for U.S. high-tech companies, including the semi-conductor industry, is a resumption and successful conclusion of an ITA expansion negotiation. What opportunity do you see to move that agreement forward this year?

Ambassador FROMAN. Well, thank you, Congressman Johnson. And, first of all, we agree completely with your assessment of the importance of the Information Technology Agreement, and the implications for the U.S. economy, and share the frustration that you expressed about the position of China in the negotiations. We have got countries around the table representing about 90 percent of the global market for information technology products.

And the other countries around the table have put on the table pretty ambitious offers, in terms of opening their markets. China's offer did not meet that standard. And, as a result—it wasn't just the U.S., it was the U.S., the EU, Japan, and the rest of the countries around the table decided to suspend negotiations until China would return to the table with a more appropriate offer.

We have, together, made proposals to China to try and get them back to the table with what we think is a reasonable path forward. They have yet to respond positively to that. And we continue to raise this at every one of our high-level meetings, again, from the most senior leadership to the Joint Committee on Commerce and Trade meeting that we had in December that Secretary Pritzker and I co-chaired in December with our counterpart in China, and we will continue to press that and try and get them back to the table, so that we can complete that agreement.

Mr. JOHNSON. You anticipate China talking to us? Do you?

Ambassador FROMAN. Well, we certainly hope so——

Mr. JOHNSON. You think China will talk to us?

Ambassador FROMAN. We certainly hope so. We have a lot on our agenda with China, but we have made clear that their constructive engagement on ITA is one of our highest priorities, and is a litmus test for how they interact on other negotiations.

Mr. JOHNSON. Thank you, sir. Thank you, Mr. Chairman.

Chairman CAMP. Thank you. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman. And welcome, once again, Ambassador. And let me join with those people that congratulate you for your tenacity, and the ability to bring people together. If you can bring Republicans and Democrats together on this bill, that would be fantastic.

When you say "trade" to a lot of Americans, it means jobs. Throughout your testimony you talk about not only creating jobs through exports, but providing incentives for manufacturing. Many people, including those in the Congress, believe that trade means we are losing jobs. So, it seems to me that, in an agreement, an international agreement, everyone should walk away from the table believing that they did the best they could for their country.

My question to you is, do you have any idea as to geographically or industry-wide or service-wide, where these new jobs are going to be created? And since we also have to deal with the re-training of

workers that lose their job as a result of trade, could you give us some ideas of the areas that we expect to lose jobs as a result of this agreement?

Ambassador FROMAN. Well, let me start by saying that, as you say, increasing exports supports more jobs here, in the U.S. But these trade agreements are also a key part of driving investment and manufacturing and other sectors in the U.S. I have been visited by several businesses, particularly from Europe, who have come and said, "The U.S. is a great market. You have got the rule of law. You are entrepreneurial. You have a skilled work force."

Now you have abundant sources of affordable, cleaner energy, which are giving the United States a comparative advantage, particularly vis a vis Europe. When you complete these trade agreements, TPP and TTIP, the U.S. will have free trade, will have unfettered access to two-thirds of the global economy. That makes the U.S. the production platform of choice. It makes the U.S. the place where manufacturers want to put their next investment and produce stuff, not just for this market, but to send to Asia, to Latin America, to Europe.

And so, part of our trade policy is also to make the U.S. an even more attractive place to locate businesses, to manufacture, to use as an export platform for the rest of the country. And we do that by virtue of opening markets, but also how we use rules of origin, et cetera, to really drive manufacturing here.

Our market, as you know, is already quite open. Our average applied tariff is 1.3 percent. We don't use regulations as a disguise barrier to trade. We don't discriminate against foreigners through our regulations. But that is not true around the world. There are a lot of major markets around the world that have higher tariffs, and that use non-tariff barriers to keep out our products. So the purpose of these agreements is really to lower those barriers disproportionately, so that we can increase exports from here. They already have access, largely, to our market. The question is whether our workers and our firms will have access to theirs.

I don't have specific data for you on which industries here or there will gain or lose, but we can certainly work on that with you as we conclude the agreement. I think your point, though, underscores that we need to make sure we are providing our workers with the support that they need and the skills they need to transition as necessary. And that is one reason why in the President's budget we have a comprehensive worker retraining program, and why we think it is important that the trade adjustment assistance be renewed, as well.

Mr. RANGEL. It is my understanding that trade union leaders or representatives are in some way involved not in direct negotiation, but, say, as observers. Have they shared any of the things that you just said, in terms of the dramatic increase in exports, and, therefore, the increase in jobs, so that they can increase their Membership?

Ambassador FROMAN. Well, labor is a critical group of stakeholders for us in these negotiations. We have the Labor Advisory Committee, where 23 union presidents serve on that advisory committee. Four of them serve on the President's Advisory Committee on Trade Policy Negotiations. And, as I mentioned in my testi-

mony, we are now inviting applications for the other industry trade advisory committees. And they have had tremendous input from the beginning, not only on the labor chapter, but on other chapters: a seat on enterprise chapter, rules of origin, market access issues. And we are still in the midst of negotiating many of those issues, but we have tried very hard to take into serious consideration and to negotiate successfully on the behalf of those issues.

Chairman CAMP. All right, thank you. Time has expired.

Mr. RANGEL. Thank you.

Chairman CAMP. Mr. Nunes.

Mr. NUNES. Thank you, Mr. Chairman. Ambassador, welcome. Great to see you again. Could you give us a quick update on your negotiations with—solving or dealing with SPS issues, specifically dispute resolution in both the TPP and the EU negotiations?

Ambassador FROMAN. Well, in the TPP negotiations, which are further along, we are negotiating a strong SPS chapter. And we anticipate making sure that that chapter is subject to dispute settlement, either at the WTO or in TPP, itself.

Mr. NUNES. You feel comfortable with where we are—you think we are making progress? Because several Members of this Committee and several Members of Congress have expressed a strong interest in making sure that we do have dispute resolution.

Ambassador FROMAN. It is not a fully resolved issue, but I think we are making progress, and we are doing so in a way that ensures that our regulatory agencies—the Food and Drug Administration and others—can do what they need to do, as necessary, in terms of risk assessments and equivalency determinations to implement their mandate of their obligations to provide for food safety, and to implement the Food Safety Modernization Act.

Mr. NUNES. And I know that, because we have a great working relationship, if there is anything that we can do to ease this process here in the United States to make it easier for you to negotiate, we are willing to help, and we will make ourselves available.

The status of the President's proposal for consolidating our trade agencies. There is quite a bit of concern over this, of, you know, moving USTR under some other agency. We have had this longstanding arrangement with USTR, it has worked very well. Can you update us on the President's proposal?

Ambassador FROMAN. Well, I think any such reorganization requires reorganization authority to be granted to the President by Congress. And, obviously, that would require a great deal of consultation and coordination with Congress, in terms of how to proceed.

Mr. NUNES. I know you know that would be quite controversial, I think, for many of us here in the Congress, but I appreciate your keeping us updated on it.

Just briefly, the cotton dispute with Brazil, could you talk to us about where that is?

Ambassador FROMAN. Well, with the passage of the farm bill, the Brazilian government, as I understand it, is assessing what was done in the farm bill on cotton to determine whether they believe that meets our obligations under the WTO case. We are in dialog with them now to see whether we can settle the case, based on the changes in the farm bill, or whether they are going to seek

a compliance proceeding at the WTO. And those discussions are ongoing.

Mr. NUNES. And, as you know, I think, those of us in Congress who worked on the farm bill, specifically with the cotton provision, we do feel like it does comply with the WTO. So, hopefully, our Brazilian friends will put this to bed so that we can move on with our relationship with the Brazilians.

Just briefly on Ukraine, and as it relates to LNG exports from the United States, we are going to hold a hearing next week on this issue. Have you put much effort into looking at the long-term fundamentals of having a strong export policy as it relates to LNG?

Ambassador FROMAN. Well, there is nothing specifically that we are currently doing in TTIP or TPP that directly bears on the export of natural gas. That is governed by, as you know, the Natural Gas Act, which determines how the Department of Energy should make its findings with regard to public interest for free-trade countries and non-free-trade countries.

Mr. NUNES. Thank you. We will have a hearing next week, and we will be glad to share some of that information that we glean from the hearing. And I just want to thank you for your continued efforts to keep the Congress informed—we have had a great working relationship, and I hope that that continues.

Ambassador FROMAN. Thank you.

Mr. NUNES. I yield back, Mr. Chairman.

Chairman CAMP. Thank you. Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman. I want to add my voice to those who will miss you.

Chairman CAMP. Well, thank you.

Mr. MCDERMOTT. I—Mr. Froman, it is good to see you. And, as you know, there is—5 minutes isn't very much time to talk about a lot of issues. I could talk about rebar dumping in the United States out of Mexico, and a few other things that might be interesting, but I want to focus on agriculture.

White noodles in Asia, the most highly-prized white noodles, are made from white wheat that grows in Washington and Oregon, and it is shipped through the northwest ports. It has been going on since the 1930s. The companies—Temco, which is co-owned by Cargill and CHS—have employed longshoremen for 30 years under a union agreement. And recently, two Japanese companies, conglomerates, have come in, bought places. Marubeni and Mitsui have—are now operating in Washington and Oregon, and have demanded a concessionary agreement from the labor unions.

Now, at the same time, Cargill and CHS have been negotiating, and they came up with an agreement that was approved by 75 percent of the union members. The Japanese conglomerates, their concessionary agreement that they forced on the people was rejected by 95 percent of the people in these unions.

And it seems to me that when companies are coming in to do business with our labor unions, and they are now demanding concessionary agreements and have locked the members out, they are running with scab labor and with their administrative people—that is how they are running the graineries—it seems like a strange time for them to want to come and negotiate labor agreements in

a TPP. And I understand that USTR has been working with the Japanese on this issue.

And I would like if you could give us some idea of what the status is of the resolution of this kind of issue, because it is a PR problem for them to come in to do union-busting at the same time they are talking about negotiating a trade agreement.

Ambassador FROMAN. Well, thank you, Congressman McDermott. And thank you for raising this earlier. I think last year, you and some other Members of the Washington Delegation raised this, and we engaged with the government of Japan on this issue, made clear exactly the point that you made, that it was important for this issue to get resolved. My understanding is that it has not yet been resolved, and we are encouraging the parties to come together and get it resolved, as a labor management issue. But we are going to continue to monitor that.

Mr. MCDERMOTT. Do you see that as being an impediment to getting the votes in the Congress, if these kinds of issues are out there? I mean we have already heard from the chairman, talking about automobiles. And then you are talking about the docks where you have got dock workers, and you—is—how are you going to get around that in your negotiations?

Ambassador FROMAN. Well, I think we will make clear to our trading partners on a number of the issues that Members of Congress have that making progress on those issues, resolving those issues, is part of creating the environment in which this agreement is going to be considered, and considered favorably.

And so, it certainly contributes to the overall atmosphere around this agreement.

Mr. MCDERMOTT. I have a major steel plant—people think of Washington State, they think of Boeing and Starbucks and Microsoft. That is not all of Washington. Our major export is agricultural goods, but I have actually got a steel plant right in the middle of Seattle that makes the best rebar, the cleanest rebar plant in the whole world, I think.

But they are being flooded by Mexican rebar. What kind of—or at least they feel they are. What kind of situation do you have—because the Mexicans are in this, as well as the Japanese. It isn't—you know, the problems you have are all over the place.

Ambassador FROMAN. Well, my understanding is, on steel issues and the rebar issues, that there are cases that are working their way through, or pending at the Department of Commerce and the ITC as part of our trade remedies laws, anti-dumping and countervailing duty cases. Those are quasi-adjudicatory processes run by the Commerce Department and the ITC. It is something we are monitoring but we are not directly involved in, because they are quasi-adjudicatory and under the control of the Commerce Department and the ITC. But we will monitor that.

Mr. MCDERMOTT. Another time I will talk to you about drug prices.

Ambassador FROMAN. Happy to.

Mr. MCDERMOTT. Glad to see you here.

Ambassador FROMAN. Thank you.

Chairman CAMP. All right. Mr. Brady.

Mr. BRADY. Thank you, Mr. Chairman, for holding this hearing. You know, trade is economic freedom. It is the ability to buy and sell and compete around the world with as little government interference as possible. And what it means is that when that mom walks into a grocery store, or that college student goes online, the choices they see and the prices they pay are determined by them, rather than some government somewhere.

And so, the work you are doing, Ambassador, is just critical in results not just in new jobs here, in America, but in new choices in families being able to stretch their pocketbook farther. So this has a real impact on our families. That is why I hope our trading partners understand this Congress is pro-trade. We support an aggressive trade agenda. And the work that you are doing in the Asia-Pacific, in Europe, in international services and facilitation and technology, is exactly what we think is important to get this economy going. And you have got a great team behind you. So I want to commend you just for your overall approach. I think it is exactly the right tone, exactly the right substance, at exactly the right time, especially in a world whose economy is, frankly, struggling a bit. And you can play a role in doing that.

So, I want to ask you about the Asia-Pacific region. You know, by some estimates, 80 percent of all the new economic growth in the world will occur in the Asia-Pacific region. We want to be, as Americans, where those new customers are. The Trans-Pacific Partnership is really a 21st century trade agreement, unlike others in the past, and I think will have tremendous value.

So, what is your strategy? I know the goal has been to complete that by the end of the year. What do you see—what is your strategy toward that end? What are some of the challenges that you face in trying to close that out in a timely way?

Ambassador FROMAN. Well, thank you, and thank you for your support, and for the support of my team, Congressman Brady.

As you said, TPP and this region is so critically important to our economy here. Right now, there are 500 million middle-class consumers in the Asia-Pacific region. That number is expected to grow to 2.7 billion between now and 2030. And the question is, who is going to serve that market?

Mr. BRADY. Yes.

Ambassador FROMAN. Are they going to be buying American goods and taking American services? Or are they going to be getting their goods and services provided by somebody else? What are going to the be the rules defining trade in the region? Are they going to be the high standards that we are pressing for on labor and environment, on intellectual property rights? Are there going to be disciplines around state-owned enterprises, so there is a level playing field with private companies? Will we be taking the digital economy into the future, and making sure that the Internet is free, that we avoid restrictions on the flow of information? That is what is at stake with TPP, because we are not the only party out there.

Mr. BRADY. Yes.

Ambassador FROMAN. There are other parties out there with very different versions and visions of trade, who are also out there negotiating agreements. And if we sit on the sidelines and don't fulfill our leadership role in this effort, others will help define the

rules for us. And that will put our workers and our firms very much at a disadvantage.

We are well down the road in these TPP negotiations. We are in the end game. We have a reasonable number of outstanding issues on rules, and we have some critical outstanding issues on market access. As the chairman talked about earlier, the critical issue right now is Japan, market access on agriculture and on autos. It is then bringing Canada to the table, because I think Canada is waiting to see what happens with Japan.

Mr. BRADY. Yes.

Ambassador FROMAN. Once the market access piece falls into place—and all the other countries are waiting for Japan to play its appropriate role in this negotiation—once the market access piece falls into place, we expect to be able to resolve the other issues around the rules. There are difficult issues that are left.

Mr. BRADY. Yes.

Ambassador FROMAN. There is a reasonable number of them. Our negotiators are working around the clock, here and around the world, to narrow those differences and close them out.

Mr. BRADY. Well, I would like to see Japan included in this, but they have got to hit the standards, you know, that we are insisting among all our trading partners. Do you expect to be able to complete this this year? *Ambassador Froman. Oh, very much so. I mean we are focused on, as I said, working around the clock to get this done as soon as possible.

Mr. BRADY. And, obviously, we appreciate the work, in a bipartisan way, we continue to build support for the Trade Priorities Act, so that we can really direct the White House toward our negotiating objectives to make sure there is strong consultation, and we can assure others of a timely vote. I think that is critical, as well. So, thank you, Ambassador, for the work you are doing.

Ambassador FROMAN. Thank you.

Chairman CAMP. Thank you. Mr. Lewis.

Mr. LEWIS. Thank you very much, Mr. Chairman, for holding this hearing. Mr. Ambassador, welcome. Thank you for your great work, and thank you for being here today.

You know, Mr. Ambassador, in our own country we believe in certain basic rights, certain basic freedoms: freedom of the press, freedom of assembly, freedom of worship, open and free election. You said a moment or so ago in your statement that a trade policy should be a reflection of our values. How do you square this with a country like Vietnam?

Several people from my district came here to Washington last week, a Vietnamese-American who fleed [sic] Vietnam because of Communism, because of suppression. And they are asking, they are raising a question. How can we trade with Vietnam? How can we do it?

Ambassador FROMAN. Well, Mr.——

Mr. LEWIS. Or with China.

Ambassador FROMAN. And we very much——

Mr. LEWIS. And Vietnam has such a strong relationship with China. How can we go down this road? How can we get in bed with them?

Ambassador FROMAN. Well, through our negotiation with them, we are working to address some of the issues that you mentioned. For example, on labor rights, which is a key issue in Vietnam, we want to make sure that there is a meaningful rights of association, a meaningful right to collective bargaining, meaningful disciplines on forced labor, child labor, meaningful disciplines and commitments on acceptable conditions of work, all consistent with the ILO standards, and a work program that can achieve that objective.

In all of our meetings with the Vietnamese government, from the president on down, when the President met with the president and prime minister of Vietnam, all the way on down, human rights are very much part of our agenda, and we talk about the importance not only of what we are doing in the agreement on labor rights, but also the importance of Vietnam making progress on outstanding human rights issues as being an important part of creating the environment in which there would be support for this agreement.

Also, when you look at the agreement more generally, if you look at what we are trying to do on the digital economy and the Internet, about the free flow of information, that, too, is supportive of some of those values that you mentioned about freedom of speech, making sure people have access to information, that governments are not putting restrictions around the Internet.

So, it is not that we can transform a country completely, or solve every problem through a trade agreement. But, through the trade agreement, we could engage in such a way as to make meaningful progress on these sorts of issues beyond where we are in the status quo. I think the question is—you take a country like Vietnam, which has well-known challenges. What is the best way, what is the most effective way of improving the situation there for workers, for minorities, for people who want to worship? And our view is engagement with them through this trade negotiation is the most effective way of making progress on those issues.

Mr. LEWIS. Do you have any assurance that 5 years from now or 10 years from now, that we are going to see radical changes in Vietnam? People receiving starvation wages there.

Ambassador FROMAN. Well, that is exactly why, for example, in the labor chapter, creating some fundamental labor standards about right of association, right to collective bargain, restrictions on forced and child labor, decent conditions of work, that is one reason in having those be enforceable, having them be binding and enforceable. And our ability to continue and, over time, ensure that those are upheld is a central part of what we are trying to negotiate.

I, too, met with a group of Vietnamese emigres, as well as human rights activists around Vietnam before I went to Vietnam last time, precisely to make sure we understood what their priorities were. And we are working with the State Department. The State Department is having a human rights dialog, I believe, next month with Vietnam as part of our ongoing engagement with them, as part of TPP and our overall engagement to try and address these issues.

So, it is high on our agenda, and we think it is very important that Vietnam make progress on these issues, as part of our ongoing engagement with them.

Mr. LEWIS. Mr. Ambassador, let me just ask you this last question. Do you believe that it is fair to keep the text of this important historic negotiation hidden from the American people?

Ambassador FROMAN. Well, we are always looking for ways to improve the transparency and the input that we get from stakeholders, from Congress, and from the American public. You know, I would say, first and foremost, we engage with Congress. And Congress is the people's representatives. We look to—and particularly our Committees of jurisdiction—to provide input on every proposal we table, and to give us feedback throughout that process.

We have a group of cleared advisors that represent not just different businesses, but every major labor union, environmental groups, consumer groups. And, as I mentioned in my testimony, we are launching a new advisory Committee to be able to bring in other public interest groups into the process. We want to make sure we have got their input.

We have experimented with putting out for the public summaries of our TTIP objectives, summaries of our negotiations, to try and be as public as possible and be as transparent as possible, while at the same time ensuring that we can negotiate the best deal for the American people. And I——

Chairman CAMP. All right, thank you. Time has expired.

Ambassador FROMAN. Sorry.

Chairman CAMP. Mr. Tiberi.

Mr. TIBERI. Thank you for being here, Ambassador. Japan's unwillingness in TPP to meaningfully open up its market to agricultural products like pork, beef, dairy, as well as processed products containing these products, I believe, is unacceptable. I met with a group of farmers, pork producers from my district in Ohio, yesterday. And they are very concerned about this particular issue.

As you know, the United States has sought in past trade negotiations comprehensive liberalization with respect to agricultural products. This is true for agreements with both developed and developing countries. So, if Japan is allowed to continue to remove entire categories like agricultural products from liberalization, I know the agriculture sectors'—the pork producers, in particular—support for TPP will be jeopardized.

So, as you continue down this road in negotiating with the Japanese, will you commit to us today not to allow the Japanese to exclude agricultural markets from the TPP?

Ambassador FROMAN. Yes. I mean our goal in TPP, and the goals that Japan signed up for when it joined TPP, is exactly what you have said, which is comprehensive market access. And that is exactly what we are going to achieve, we are working to achieve, in this negotiation.

It is a difficult negotiation. They have not yet come to the table with a position that allows us to bridge our remaining gaps on a series of commodity issues. Not just pork, but other issues, as well. But we are continuing to press them with the goal of achieving comprehensive market access.

Mr. TIBERI. And you——

Ambassador FROMAN. And we agree that there shouldn't be exclusions of commodity groups from this agreement.

Mr. TIBERI. And don't you agree that if you exclude a number of things in this agreement, that that just sets us up for further exclusions down the road in other free trade agreements?

Ambassador FROMAN. Well, we think that the TPP was intended to be an ambitious, comprehensive, high-standard agreement, a 21st century agreement. That is the conditions under which all 12 of us joined the negotiation. And we think it is important that Japan come to the table to achieve that objective, absolutely.

Mr. TIBERI. So I can tell the pork producers in Ohio, at least, that you are committed to not allowing exclusions of——

Ambassador FROMAN. That is——

Mr. TIBERI [continuing]. Products like agriculture, pork, beef——

Ambassador FROMAN. We think everything should be on the table; everything should be included. That is what a comprehensive agreement is.

Mr. TIBERI. I appreciate that. A second issue that is—not totally within your wheelhouse. A number of manufacturers in Ohio have told me they have seen a surge in steel coming from outside the United States. And some of that comes from countries that obviously have some government subsidies with respect to their industries. And, obviously, the Department of Commerce is involved in this, as well. Is this something that your office is aware of, and sees, and is concerned about?

Ambassador FROMAN. Yes. I mean it is something we are aware of. I meet with the steel industry on a regular basis, as well as with the steel workers on a regular basis. And it is exactly one of the reasons why, in TPP, we are trying to get at issues like state-owned enterprises, state-owned enterprises that benefit from subsidies or regulatory forbearance. They may, back home, have cheap land and cheap energy and all sorts of benefits, and then they compete against our firms on an unfair playing field. And, through TPP, for the first time, we are creating disciplines to try and level the playing field between state-owned enterprises and private firms. It is one of the most important new issues being dealt with by TPP. It would affect, of course, not just the steel industry, but other industries, as well. But the steel industry is one in which there is a lot of state-owned enterprise involvement.

Mr. TIBERI. I would like to send you a follow-up letter on this issue, kind of getting into the deeper grass on this, if you could just be alert to that.

Ambassador FROMAN. Absolutely.

Mr. TIBERI. And I would love to have your further input from you and your staff. Yield back.

Ambassador FROMAN. Look forward to it.

Mr. JOHNSON [presiding]. Thank you. Mr. Neal, you are recognized.

Mr. NEAL. Thank you. Thank you, Mr. Chairman. First, I want to thank you, Mr. Ambassador, for the work that you have done outside of Committee hearings with footwear across New England. You have been very helpful, very good with your time, and you have tried really hard to speak to the specific questions, under-

standing that there is a footwear industry that is still alive in New England, and we certainly want to keep it that way.

One of the biggest issues that surround the question of trade agreements, obviously, is enforcement. And there is a suspicion, as you know, that geopolitics sometimes gets in the way of enforcement. And I think it is particularly acute when it comes to intellectual property rights. And clearly, I think, in currency manipulation, as it related to China.

But let me follow up specifically on something that Mr. Tiberi said, because I think it bears noting, and that is the suspicion that one of our trading partners is in the midst of dumping steel. And we need to be mindful of that as part of the enforcement agreements that I spoke of just a couple of moments ago. And I think, specifically, there is some concern that South Korea is illegally preparing to dump into the U.S. market. And I know that the Commerce Department is considering filing a complaint. And maybe you could bring us up to date on that.

And the last comment I want to make to give you some time just to talk about these issues, when it comes to trade adjustment assistance, there have been hodge-podge programs across the country. And the truth is that the jury is kind of out still. Some work, and some don't work. Might I suggest that we direct more of the trade adjustment assistance to community colleges? I think that would be the atmosphere, which would be more conducive to preparing people for the skill set that they are going to need if they are dislocated because of changes that trade, they suspect, have created.

So, I would give you some time on both points.

Ambassador FROMAN. Great. Well, thank you, Mr. Neal. And certainly we agree completely on the importance of enforcement, and we have had a very robust enforcement agenda throughout this Administration. We have brought more cases to the WTO than ever before. We have doubled the rate in which we have brought cases against China.

We have created something called the Interagency Trade Enforcement Center based at USTR, with a lot of support from Commerce, but also support from a number of other agencies, which has allowed us to put together more complicated, complex cases to be able to bring to the WTO or—under our trade laws. We think that is vitally important, that if we are going to negotiate agreements, that part of the bargain with the American people is that we fully enforce the rights that we fought so hard for.

And so, we are fully committed to that, and we are always looking for additional cases to bring, putting together the positive cases.

The particular AD, or anti-dumping, or countervailing duty cases you mentioned, are the province of the Commerce Department and the ITC, of course, and we are not directly involved in those. We are not involved in those unless they are challenged at the WTO, and then we defend our trade laws in front of the WTO. But we do monitor issues like steel very closely.

You know, on the trade adjustment assistance and worker retraining, we will certainly take—ultimately take those views back to the Department of Labor and the Domestic Policy Council and others who are involved in this. As you know, in the budget, the

President has a proposal for comprehensive skills development, and we also have the trade adjustment assistance program, which expires in December, and we very much support making sure that American workers have the support and skills that they need to compete in the global economy.

Chairman CAMP. [Presiding] Thank you. Mr. Reichert.

Mr. REICHERT. Thank you, Mr. Chairman. Welcome, Ambassador. Good to see you again, and I want to add my compliments, as almost every other Member has, to you and your team for your efforts. And I know there are excruciatingly long days—if I can pronounce that correctly it would be good. I know that you are really putting forth major effort here.

You mentioned your 1,200 meetings. And we are reaching out, too. Just yesterday, Mr. Boustany and I met with some of the ambassadors from six countries—representative of the 12 countries that you are negotiating with. And they have mentioned to us that, you know, the United States has the "big pen" in this. And it was the term that they used over and over, and that they are holding onto the pen with us, and they want to work and be a part of the team.

I am proud to be a member of the Export Council, and have met you there many times, along with the President. And at the last meeting that we had the President mentioned to us how much he appreciated our efforts, and how much he wanted to work with us. And, in that vein, four of us who are the co-chairs of the Friends of TPP sent the President a letter on January 15th of this year. And we have yet to have a response from the President on requesting to meet with him.

We feel like we could be helpful, because of the meetings that we are holding here with our Republican friends and the interaction we have with the other side of the aisle, with Mr. Kind and Mr. Meeks as co-chairs, along with Mr. Boustany and myself. If you could relay our message to the President, that we would like to see a response to that letter, that would be very helpful.

And I especially appreciate your repeated comments about a high standard, comprehensive—your strategy that you laid out for the year. But I just want to mention to you how important it is for Washington State to get this agreement completed. And I know you see, you know, the whole United States and how important this is. But in my home state there is a recognition that over 40 percent of jobs are tied to trade, and that we need high standard-trade agreements to grow these jobs, and I know you agree with that.

As a result, I consistently hear from businesses, local chambers of commerce, and farmers in my home state about the need to renew and update TPA, and this is why I support Chairman Camp's TPA legislation. This is not just the sentiment in Washington State, and recently we have seen polling data showing that the American public has become more supportive of a trade agenda that keeps the United States competitive, and increases jobs.

So, I am interested. In your discussions around the country, are you seeing this recognition of how trade and potential agreements like TPP, TTIP, and TiSA can help the United States? Are you hearing more and more encouraging words, I am hoping, from folks across the country as you and your team reach out?

Ambassador FROMAN. Well, thank you, Mr. Reichert, and thank you for your leadership on the TPP Caucus, as well.

Yes, as we travel around and meet with small and medium-sized businesses and their workers who see the benefit of opening markets, being able to expand their production, expand their exports, grow their work force, we are seeing that. But I think it is incumbent on all of us to continuously make the case to the American people about what is at stake, and what the potential opportunities are.

As I think the chairman said in his remarks, 95 percent of the world's consumers are outside the United States; 80 percent of the purchasing power is outside the United States. The growing middle classes that are going to buy made-in-America products are growing fastest outside the United States. We need to be there. We need to be on the field, opening those markets for our products, making sure that the rules of the game for that system allow us to compete on a level playing field. And that is exactly what we are trying to do through TPP, and what we are trying to do through TTIP.

But we need to continuously be out there and making that case. There is a lot of misinformation out there about trade and about trade agreements, and we need to take that directly on and make clear to people exactly what the benefits of trade are, the benefits of exports, and how it relates back to jobs and incomes here, in the United States.

Mr. REICHERT. Thank you for your time and your answer. And, again, appreciate it if you could pass on the message to the President that we would like to see a response.

Thank you, I yield back.

Chairman CAMP. Thank you. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman. Ambassador, thanks for being here. And, Mr. Chairman, by the way, I think all of us echo the remarks that were made earlier about your service to our country and to this Committee.

Chairman CAMP. That means a lot from a fellow survivor of the super Committee.

[Laughter.]

Mr. BECERRA. That is right. You are welcome to stay with us if you like, Mr. Chairman. It is not too late.

Ambassador, let me—actually, the chairman hit on this point, and I would like to get back to it a little bit, the whole issue of currency. Over the last few years, it has been tough, on occasion, for Members in this body to come together and speak with one voice as American legislators, versus our particular political philosophies. I think on currency you find that, whatever part of this dais, I think a number of us are very concerned about the role currency manipulation has played in making it harder for some of our businesses to compete, in making it hard for some of our businesses to keep jobs in America. And, quite honestly, hard for a lot of Americans who are still unemployed to find another good-paying job.

And, for many of us, the issue of currency manipulation must be addressed because, while it is not a direct trade activity, the fact is if a country can keep its—the value of its currency lower than what it really is, it makes the products it produces look far more

inexpensive than they really are. And if you can get into a market and take over that market, at some point you are able to lift the value of that product and extract extra dollars from folks.

And I think, for many of us, it would be very important to see currency manipulation addressed moving forward in these agreements we have with our competitors, our foreign competitors, whether it is these trade agreements or otherwise, but really dealing with it.

I know that the Peterson Institute for International Economics has estimated that half of the excess unemployment in the U.S. today is attributable to currency manipulation by our foreign competitors. Give us a little bit more of a sense of how USTR is doing in trying to get our partners and competitors who we are working these deals out with to abide by currency standards that avoid the manipulation that we see in the markets.

Ambassador FROMAN. Well, thank you, Mr. Becerra. First of all, of course, I should say the Treasury is the agency that has the lead on currency issues. But this administration also believes that currency is an issue and, from the very start of the administration, has made clear in its bilateral engagement with countries like China, in its engagement with the G20, where there were—we had agreement by all the G20, including by China, to move toward market-oriented exchange rates, through the Treasury Department's engagement with the G7 partners, to ensure the G7 countries abide by the same kind of rules.

We have made clear throughout that this is an issue, and we want to make sure that we are moving countries in a positive direction. And as I mentioned earlier, taking China as an example, we have made some progress. Not enough, not fast enough, nor far enough. Something that requires continued focus and continued pressure at every opportunity. But we are making progress through the various mechanisms.

Secretary Lew, I know he—you had an opportunity to see him up here testify recently, had an opportunity to talk to him about this. And I thank Secretary Lew and his consulting on this, we are working with the Treasury Secretary, the Treasury Department, consulting with Members up here, with other stakeholders, to determine how can we be most effective in addressing the underlying concern.

Mr. BECERRA. And I think you have seen that the greater the action is in trying to deal with currency manipulation, probably the likelihood of having trade promotion authority passing trade deals rises because there is more confidence in this institution that we will finally tackle something that is an invidious way to try to get a leg up over the United States of America and its businesses and its workers.

It is very interesting, because 20 years ago, when I got here, one of the big issues was dealing with how we treat workers throughout the world, labor. And we always thought of trade deals as dealing only with the capital side of things, of the equation. But now we recognize that you can undermine a trade deal by undercutting labor, the value of work, or workers. And can you comment on how you think we are doing with regard to dealing with labor and the environment in these trade deals that are moving forward?

Ambassador FROMAN. Well, thank you for making that point, because you are absolutely right. Twenty years—

Chairman CAMP. We just have a few seconds, so if you could be quick—

Ambassador FROMAN. Sorry. Twenty years ago, labor and environment were really considered to be side issues, and not issues that were core to the agreement. And now, under U.S. leadership, in our recent FTAs and certainly in TPP and TTIP, labor and environment, high standards, fully enforceable, are going to be absolutely core to those agreements, and that creates a new global standard.

Chairman CAMP. All right, thank you.

Mr. BECERRA. Thank you, Mr. Chairman. Thank you.

Chairman CAMP. Thank you. Dr. Boustany.

Mr. BOUSTANY. Thank you, Mr. Chairman. And I, too, want to thank you for the tremendous work USTR has been doing under your leadership.

Mr. Ambassador, I firmly believe that the source of America's strength and our capacity to lead internationally is our strong and hopefully growing economy, and our willingness to engage. And you can argue that our most important export is the fair application of rule of law. And you are right—the work you are doing is right at the center of all of that.

I want to focus on the investor state dispute settlement issue. I believe that having a strong investor state dispute mechanism in place is critical to protecting U.S. investors doing business abroad. This is especially important for companies engaged in energy projects. In my district, we have a lot of companies that engage internationally, and this is something I hear from them, that they want to see strong provisions in any trade agreements that we have.

Clearly, having access to a neutral third-party arbitration when there is disagreement with governments is something that is really important, especially in light of what has happened historically with U.S. oil and gas interests around the world. And so I believe having—a key element is that these provisions cover so-called investment agreements that these firms negotiate with host governments before they actually invest hundreds of millions or even billions of dollars to develop these resources.

So, in the TPP negotiation, several countries have certainly come out in opposition to inclusion of these types of protections, even though they do exist in other trade agreements. And I want to give you an opportunity to share your views on this. And do you share that view, that we ought to have a very strong investor state dispute mechanism in this trade agreement?

Ambassador FROMAN. Well, thank you, Dr. Boustany. The—there are something like 3,200 investment agreements around the world. And a very significant percentage of those have something like investor state dispute settlement.

Our approach has been, after a four-year review of our bilateral investment treaty, and then consultations with Congress and the public and the run-up to the TPP and TTIP negotiations, has been to put forward an investor state dispute settlement process that assures that the same kind of protections that we provide to do-

mestic and foreign investors in the United States, in terms of expropriation and due process, are also available to our investors when they operate abroad. It is no guarantee of profits. It is a guarantee that if they are expropriated without compensation, they have got recourse. And that is the same kind of right that we provide here, in the United States.

We think it is very important that we are able to provide that kind of support for investors, at the same time assuring that governments can regulate as they see fit in the public interest for health, safety, environmental protection. This shouldn't be used as a mechanism to undermine government regulation. It should be used to ensure that investments are not—investors, foreign investors, are not discriminated against vis a vis domestic participants.

And so, that has been our approach on investor state. This is one of the outstanding issues in the negotiations, including the investment agreement provision that you alluded to. But that is the fundamental approach that we have been taking toward that issue.

Mr. BOUSTANY. And, briefly, with the time remaining, can you address—give us sort of a status report on the negotiations on—with regard to SOEs. I know that is another contentious area.

Ambassador FROMAN. We have made some very significant progress on SOE—on the SOE chapter. And I think there is now broad agreement among the TPP countries about the importance of leveling the playing field between SOEs and private firms, and ensuring that if SOEs are getting non-commercial assistance from their governments—subsidies, in effect, that—and those subsidies are creating injury to the private firms, that there is recourse there.

So, we have a robust SOE chapter that lays out the principles, lays out transparency provisions, ensures that there is dispute settlement that we are seeking for that chapter as well, so that our private firms can have a more level playing field, vis a vis SOEs.

I should just say—just back on investor state for a moment—the other part of what we are doing in investor state is ensuring that we are adding safeguards to support the ability of governments to regulate by the ability to dismiss frivolous claims, of awarding damages—awarding attorneys fees, ensuring that government—assuring that non-parties can participate in the ISDS process, that there is transparency, all with the goal of ensuring that legitimate regulation is provided for, while at the same time ensuring that discrimination against foreign investors, there is recourse against that.

Mr. BOUSTANY. Thank you very much. I yield back.

Chairman CAMP. Thank you. Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Chairman. Thank you, Ambassador. In March 2012, as you know, a complaint was filed concerning Honduran labor practices under CAFTA. It was accepted in May of that year, and was supposed to receive a report within 180 days. It has now been over two years. When do you expect that that report about Honduran labor practices will be published?

Ambassador FROMAN. Thank you, Mr. Doggett. I will check and get back to you. I don't know what the status of that report is, but I will be happy to get back to you after this hearing.

Mr. DOGGETT. You have made considerable emphasis on the value of the May 10th agreements concerning the labor and environmental protection agreements that, at the time, were the most that could be obtained from the Bush administration and the least that could be accepted. But under those May 10th agreements, has the United States ever initiated on its own volition any complaint concerning labor or environmental practices in Colombia, Peru, Korea, or Panama?

Ambassador FROMAN. I don't think we have brought a dispute settlement——

Mr. DOGGETT. Yes, sir.

Ambassador FROMAN [continuing]. Case yet under those agreements. We do in——

Mr. DOGGETT. And that is despite the fact that——

Ambassador FROMAN. We——

Mr. DOGGETT [continuing]. With reference to Peru logging, for example, logging imports to the United States have gone up substantially, and the World Bank continues to estimate that over 80 percent of that Peruvian hard wood is illegal. I know you have done some investigations, but there has never been a complaint filed. And I think, when we look to how Vietnam will be treated, we have to look at what the experience has been under these previous labor agreements.

As you know, the reports out today—and there were last week—of the European Union trade commissioner complaining about the position that the United States has taken on dispute resolution and on transparency. Under the dispute resolution process, you have told me previously that, though we have no dispute resolution with Australia, we haven't had any problem for our investors there, or their investors here.

As far as the dispute resolution process is concerned, is there a right to appeal from one of these arbitration panels?

Ambassador FROMAN. In the existing ISDS procedures that exist in, I think, the 40 or so agreements in which we have them, there is no separate appeals process. By the way—

Mr. DOGGETT. Is there a concern that, in a country such as the United Kingdom or France or Germany or Denmark, that the court systems are not sufficiently mature there to provide adequate protection to U.S. investors of a level that they would receive in the United States courts?

Ambassador FROMAN. Well, as I said in response to Dr. Boustany's question, there are 3,000 or so agreements out there on investment.

Mr. DOGGETT. Yes, sir. I——

Ambassador FROMAN. And through our——

Mr. DOGGETT. I understood your answer; I just want to know if you think their court systems are——

Ambassador FROMAN. If I could complete it, through our TTIP and TPP negotiations, we are seeking to raise the standards of what applies in an ISDS procedure——

Mr. DOGGETT. But not to use the courts.

Ambassador FROMAN. And to add safeguards so that the standards, overall, of the international trade and investment regime will be higher than they are now. We can't change those 3,000 agree-

ments, but we can, through our future negotiations, introduce new standards into the international system that become the new standards. And that is what we are trying to do through our ISDS procedures.

Mr. DOGGETT. If you can't respond this morning on whether you think the court systems of those European countries are inadequate, I would appreciate your responding in writing, and your also responding in writing to the letter that has been pending since last fall from a number of Members of this Committee and others concerning tobacco and the position that you have taken with regard to tobacco.

You stated, sir, previously, that your confidence in these dispute resolution systems is such that you will, in these negotiations, treat environmental and labor law enforcement the same way you treat other kinds of trade disputes, and that, in fact, that position was non-negotiable. Is that still the position of USTR and the Administration today, that ensuring that labor and environmental law provisions are treated the same way as other trade disputes through——

Ambassador FROMAN. Yes, our view is that labor and environment ought to be binding, subject to the same kind of dispute settlements, including the availability of trade sanctions.

Mr. DOGGETT. No different than——

Ambassador FROMAN. No different than IPR or commercial or——

Mr. DOGGETT [continuing]. Anything else. And if both of these agreements don't include those provisions, they won't be submitted by the Administration——

Ambassador FROMAN. I can't envisage concluding an agreement that doesn't have binding, enforceable labor and environment provisions.

Mr. DOGGETT. The other issue that complaint has been made by the European Trade Commissioner is that the United States is not very transparent. If our—and that is in a report that is out this morning. And that they would like to see more transparency. If the affected industries can see what the United States' position is, if our trading partners can see, why not make these agreements open to the public?

Chairman CAMP. Well, you can answer briefly.

Ambassador FROMAN. We each have our processes for engaging with the public and our various parliaments, and, in their case, their member states. We do it, as I mentioned, through consultations with our various Committees, through our statutorily-created advisory committees, and through a series of public measures, like putting out, for the first time, a summary of what our negotiating objectives are, chapter by chapter, in our TTIP negotiations.

So, we are very much open to other ideas on transparency. Our systems are somewhat different. They don't consult with their parliament in the same way that we consult with you. But we have different procedures for ensuring that we get input from the public and from our political partners.

Chairman CAMP. All right.

Mr. DOGGETT. They want more transparency that you opposed.

Chairman CAMP. Well, I think his answer, his previous answer, will have to stand, because we are out of time.

Mr. Gerlach.

Mr. GERLACH. Thank you, Mr. Chairman. Good morning, Ambassador. Switching gears a bit, Jackson-Vanik trade restrictions were lifted against Ukraine about 10 years ago, and thereby giving a Favored Nation trade status to Ukraine. What is the current status of American-Ukranian trade today, and how can that relationship be strengthened as expeditiously as possible for both American companies, as well as for the benefit of the Ukranian economy?

Ambassador FROMAN. Well, one—thank you very much for your question. One thing that could be done is the renewal of GSP. Because Ukraine was a GSP beneficiary, that has expired, and we look forward to working with this Committee and with Congress to seek its renewal as soon as possible. That would benefit Ukraine immediately.

Mr. GERLACH. Has the President specifically asked you to get involved since the outbreak of the Crimean crisis—asked you to take a look at American policy relative to Ukraine from a trade perspective to see where a greater trade relationship, a better trade relationship, might be one way to help the Ukranian economy and, of course, American businesses as well? Has there been any specific dialog between the White House and your office about that?

Ambassador FROMAN. Yes. I mean there is a robust interagency process, as you might imagine, involving all of the agencies, the economic agencies, as well as the other agencies around this set of issues. We are engaging in that dialog, and my understanding is, in fact, there will be a delegation here from Ukraine at the end of next week, which I intend to meet with, their schedule permitting, to talk precisely about those issues.

Mr. GERLACH. Would you let us know what the outcome of that meeting is——

Ambassador FROMAN. Absolutely.

Mr. GERLACH [continuing]. So we are aware of that, and see what we can do——

Ambassador FROMAN. Absolutely.

Mr. GERLACH [continuing]. From a congressional standpoint, to assist you in that effort?

Ambassador FROMAN. Absolutely.

Mr. GERLACH. Okay, thank you. Yield back.

Chairman CAMP. Thank you very much.

Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman. Mr. Ambassador, thank you very much for being here. And I have got to say you have been great through all of this. You are more than willing to meet with any of us, and you have done that a number of times, and I really appreciate it.

I want to raise a couple of issues, and interested to hear what you have to say about it today. And if there is anything that you can add to it, if you would do so in a letter, I would appreciate that.

I am interested in a few things, like everybody else here, that are district-centric. Wine, in my district, is extremely important. You have been out and met with a number of my growers and a number of the vintners. And, as we had told you before, the issue of geo-

graphic indication is extremely important. And the EU is making it very, very difficult, as we explained to you, and some of the things that they have done have created harmful trade barriers for U.S. exports. And I am hoping that you can work with them to show that this is not helpful, and do whatever you can to make sure that we can get some relief from this idea.

And they are also expanding the GI stuff into the traditional and semi-generic terms. And this is something that is very, very dangerous. And I hope that we can get your commitment to work with us on that.

And then, also, as we explained, in the one region of my area, the Napa Valley, there is a lot of poaching of names. And we are—we continue to be concerned that our foreign trade partners don't poach that name to use on their products, and we need a strong assurance that you will work toward that end.

Ambassador FROMAN. Well, absolutely, Mr. Thompson. This is a key issue, particularly in our TTIP negotiations, but also in our TPP negotiations. We think our system of trademarks and common names works well. And we are resistant to efforts to create further geographic indications.

But I go back to something I said earlier. This is one reason why it is important to move forward and complete these agreements, because we are not the only party out there. And the EU is negotiating agreements around Asia, and around the rest of the world, has a very strong perspective with regard to GI's. And it is important that we establish a regime that works for us, as well.

Mr. THOMPSON. Thank you. You had sent me a letter in response to a question I had asked, I think, the last time that you were in regarding the Yarn Forward program, and your letter outlined how well it is working because about $13 billion in apparel is imported using the Yarn Forward rules. And that is fine and dandy, but that amounts to about 17 percent of the total U.S. apparel imports.

So, I want to make sure that we are dealing with the problem, not just stating percentages, because I don't think it is one and the same thing. And I would like you to take another look at that Yarn Forward program and get back to me with something other than the $13 billion number, because it does represent a very small percentage of what it is that we are concerned about.

And on outdoor apparel, I would be interested in hearing the flexibilities that you see that we can use to accommodate this industry, given the fast advancement in some of the stuff they are doing, and the highly technical aspects of the outdoor apparel industry.

Ambassador FROMAN. Well, I would say, in answer to those last two points, our approach to textiles and apparel has always been to ensure that we are striking a balance that helps our domestic producers continue to be able to produce, while allowing importers to import products that serve customers and allow——

Mr. THOMPSON. I see the orange light is on. So if you could give me a written response on that, I would appreciate it.

Ambassador FROMAN. Happy to.

Mr. THOMPSON. I have one more issue that I want to weigh in on again with you, and that is rice. And I am very, very concerned

that our rice community is taken care of, and considered in this. And I know the rice industry didn't do well in the last round. And I am wondering if the Administration is ready to move forward without Japan, if Japan continues to hold back in regard to our trade efforts with them.

Ambassador FROMAN. Well, look. Our focus is to ensure that Japan meets the same standards as the rest of the TPP partners, in terms of comprehensive, ambitious, high-standard market access, that nothing is excluded, and that includes rice. And so, we are in dialog with Japan about market access, about its sensitive sectors, and how to achieve meaningful, additional market access that is consistent with our stakeholders' objectives as part of this ambitious agreement.

Mr. THOMPSON. Thank you, Mr. Ambassador.

Chairman CAMP. Thank you. Mr. Buchanan.

Mr. BUCHANAN. Thank you, Mr. Chairman, and thank you for being here today, Mr. Ambassador. I look forward personally to working with you.

The economic benefits of trade are well documented, as has been mentioned here today: 38 million jobs are created through trade, 95 percent of the marketplace is outside the U.S. But I had an opportunity last year, where being in Beijing, in China, I met with two different leaders there. One, I think, was minister of trade or finance. He mentioned their goal has been—their goal this year, and going forward in the last 4 or 5 years, is creating 20 million new jobs. I met with the vice premier, a separate meeting. Same thing, 20 million new jobs is their goal.

So, I kind of thought to myself, "Game on," because I was there back in the late 1980s, myself and my wife. They were a non-factor, in terms of the economic global economy.

After that I had a chance to meet with our American Chamber there; it has got 4,500 members. And I think the general feeling is people are open to free trade. In fact, I saw a poll the other day, 80 percent of Americans are open to free trade. But they want to make sure it is fair. They want to make sure we have got access. They talked about financial products, intellectual property, the currency manipulation. They see what is happening with trade balances in the past, with Japan, and now with China. They just want to make sure that, at the end of the day—we just got done, this Committee, we worked on this—the idea of these past trade agreements with Panama and Korea and Colombia, and everybody had a sense, to some extent, they were pretty fair. But the bottom line I got from a lot of members, American businesses there, they were very concerned about negotiations being win-win. It is fair, it is a good deal today, but it is a good deal for both countries two years from now.

And so, I would just ask you what is your general attitude about—in terms of negotiation? Because I think a lot of American companies just feel like they have got—everybody has got access here, the Japanese, the Chinese, but we don't have the same access in those markets, and they are very concerned about it. And I think, you know, as I mentioned, the world has changed a lot in the last 30 years, the last 10 years, and we want to make sure we

are doing everything to be much tougher negotiators, to make sure that our companies and our jobs are protected.

Ambassador FROMAN. Well, we agree completely that—on the importance of both free and fair trade, and that we are using these agreements to break down barriers there that have traditionally kept us out of their markets.

As I mentioned, our market is already relatively open. Our tariffs are relatively low. Our non-tariff barriers are not used—our regulations are not used as non-tariff barriers. And so, what is important through these trade agreements is to do precisely as you said, whether it is China or Japan or Brazil or any other country, is to work with them to reduce barriers for our exports, and also to ensure that they are upholding certain agreed-upon rules, like the protection of intellectual property.

In our dialog with China, whether it is the strategic and economic dialog or the JCCT or our bilateral meetings with them throughout the year, one of the chief areas of focus is ensuring that they are using legal software, that they are protecting intellectual property, that they are clamping down on privacy, because you could have market access, but then you can find that your IP has been stolen.

Mr. BUCHANAN. I think the general feeling is just in the past—and I am not referring so much to this administration—I would say in the past 30 years we have been outplayed and out-negotiated. There is that sense there, and we just want to make sure, now more importantly than ever, going forward, as we compete in this global economy, that we are doing everything we can for our companies.

Ambassador FROMAN. Absolutely.

Mr. BUCHANAN. Let me mention on a little different note—it has been touched on. But, in your mind, how important is the TPA getting that done quickly, from your standpoint?

Ambassador FROMAN. Well, you know, as we have said, the TPA is a critical tool for opening markets. But, ultimately, the only guarantee that an agreement is going to achieve the support of Congress is that we bring back a good agreement. And so, our focus in TPP right now, and TTIP, is on the substance of those agreements, and focusing with our trading partners on bringing back the kind of agreement that we know Congress and our stakeholders and the American public will demand in order to get their support.

Mr. BUCHANAN. Well, what——

Ambassador FROMAN. And that is what our focus——

Mr. BUCHANAN. What are your thoughts on what more we could do on a bipartisan basis to get this done quickly?

Ambassador FROMAN. Well, you know, again, we welcome the introduction of the bill in January. We are looking forward to working with this Committee and the Senate Finance Committee. And, obviously, there has been a change of leadership there, and we know that Chairman Wyden is consulting with the Democrats and Republicans on his committee on the best way to move forward.

Ultimately, we would like to get a TPA bill that has got as broad bipartisan support as possible, and we look forward to working with you on that. But, in parallel, we are going to continue to work

to try and close TPP as an ambitious, high-standard, comprehensive agreement.

And our message to our trading partners—and I think they follow our discussion here quite closely—is that the only guarantee is we bring back a high-standard agreement. We know what a high-standard agreement looks like. It has got to have labor, and it has got to have environment. It has got to have intellectual property rights. It has got to have state-owned enterprises. It has got to deal with the digital economy. Those are issues we need to get resolved in this agreement before we will feel comfortable closing it and bringing it back.

Chairman CAMP. All right. Thank you. Mr. Larson.

Mr. LARSON. And thank you, Mr. Chairman. And, Mr. Chairman, as I said yesterday, I want to remark again and thank you for your exceptional service to this Committee and to the country and to the State of Michigan. You will be dearly missed. And I wanted to acknowledge you publicly again.

Ambassador, thank you for being here and meeting with us as often as you have, underscoring the openness and accessibility that you have had. But I wanted, for the record—and we discussed prior to coming in to the meeting—I had an opportunity to meet with the Greater Hartford Labor Board and they posed a series of questions, more than I could even get to in the time slot that I have here, as did Representative Rosa DeLauro. And I have submitted them to you and your staff. I would appreciate an answer to those.

And, as I mentioned, as chairman of the—co-chair of the Shellfish Caucus, obviously we are concerned about the EU ban on United States shellfish. And I am hoping that we can meet specifically on that, as well.

My question for you today has to deal with intellectual property. And I want to commend Erik Paulsen, who led a letter earlier this year, along with myself, to the President. I appreciate the response from the administration, the President, the Vice President, yourself. We have met, in fact, and had ensuing meetings with the ambassador from India. We hope to have him up to Connecticut.

But the concern remains. And what I wanted to ask you is what options do you have available to force change on these discriminatory policies as they currently exist? We understand and hope that Indian good faith is moving forward. But what options do you have to enforce this? And, if you could, elaborate on those.

Ambassador FROMAN. Well, this is an issue of great concern. We have had great concern about the innovation environment in India, the issues around the patent rules, as well as around compulsory licensing. And we have had a series of dialogs with the government of India, including at the highest levels between—with the prime minister about issues around intellectual property rights, and how best to achieve their objective of assuring access to medicines—it is an objective we all share—without compromising or undermining the patent system.

Clearly, right now, they are in the midst of an election, and we look forward to re-engaging with them as the election is completed and the government is put in place. And this will be one of the chief issues on the agenda.

Ultimately, there are mechanisms for bringing dispute settlement cases, but we are trying to work to—in a constructive way with India to focus on the array of issues that they can deal with on access to medicines short of taking actions on patents or compulsory licenses that we think are inappropriate.

For example, India has certain tariffs on imported medicines. And so, if you want to encourage the access to affordable medicines, one thing any country can do is drop its tariffs. And that would help access to medicines. There are a series of other issues around distribution. And that is the kind of dialog we hope to have with the new government of India.

Mr. LARSON. Well, I know it is a major concern to a number of pharmaceutical companies in the State of Connecticut and across the country.

I also want to commend you and the administration for continued conversations with the AFL-CIO and its president, Rich Trumka. How would you characterize your conversations with Mr. Trumka?

Ambassador FROMAN. Well, we have a good relationship, I think, with a number of labor leaders. And I have spent a great deal of time with them and their representatives over the last few years on several of the issues we have been discussing here today: TPP, TTIP, other labor rights issues and other agreements, other enforcement issues.

And we have taken their input very seriously into our negotiating positions, not just on the labor chapter, but on issues around state-owned enterprises, or rules of origin, and various market access issues. So, they have been a good partner at the table in helping us shape our negotiating proposals. Again, not that we will necessarily agree on everything, and not that any stakeholder group is likely to get 100 percent of what they want, 100 percent of the chapters, 100 percent of the time. This is a negotiation. But we work very closely with them. We share a number of their concerns. And we look forward to continuing that work on TPP, on TTIP, and across our trade agenda.

Mr. LARSON. Thank you, Ambassador.

Chairman CAMP. Thank you. We will now go two to one. Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman, and thank you, Ambassador, for your diligence in the efforts to increase exports for American producers.

In addition to facing high tariffs, we know that competitive American industries such as agriculture are facing, as mentioned before, non-tariff trade barriers, which can only be addressed by establishing the enforceable and science-based standards and trading rules. Representing thousands of Nebraska producers, I certainly pay close attention to the policies impacting agriculture technology. You know, thanks to modern practices and biotechnology, we are saving water and increasing yields, and there is a lot of great news about this. And yet, unpredictable and unscientific sanitary and phytosanitary hurdles are blocking entry into these key markets, and many of my colleagues have mentioned that already this morning.

But very specifically, considering crops produced through biotechnology account for about 30 percent of our U.S. exports—agriculture exports, that is—the biotech approval processes should be a top policy priority, I would hope, for this administration. Could you provide an update on what USTR is doing to ensure that such barriers are receiving the proper attention?

And also, in recent years we know that China—obviously, a key market for U.S. ag exports—has stopped numerous shipments without justifiable cause or proper notice. And would you support USTR's raising this issue within the 2014 U.S.-China Joint Commission on Commerce and Trade process?

Ambassador FROMAN. Yes. Well, thank you for that question.

First of all, on the last point with regard to China and biotechnology products, in fact, we were in China in December—Secretary Pritzker, Secretary Vilsack, and myself—for a meeting of the JCCT, and this was very much front and center on the agenda, both the issues of stopping certain exports, but also their process for approving biotechnology products, and assuring that they have a process that is consistent with the best science, and that it makes decisions on a timely and appropriate basis.

This issue is, obviously, a key issues with our negotiations with the European Union. And there, of course, we have won a WTO case. There, there has been a European Court of Justice case about the importance of the EU maintaining its own timetable for approving new products, and biotechnology products, and this is a key part of our negotiation.

So, it is very much on the agenda, and the Europeans understand the importance to us, and we are working to find ways that we can make progress on this, consistent with each party's interests.

Mr. SMITH. Okay, thank you. And, also, we have heard several references here this morning of the concern about Japan. And, perhaps even more specifically, the production of U.S. pork, perhaps, and its treatment, specifically.

But also, I would like to raise concerns about Canada and not opening to dairy, poultry, and egg markets, and not opening their markets. Could you perhaps speak to that, and how we should move forward with that, or, you know, perhaps—I don't expect you to share absolutely strategy, but certainly how should we move forward?

Ambassador FROMAN. Yes. On both, with Japan we continue to press on those issues, as we talked about.

And you are absolutely right on Canada. It is the only country in TPP that has not yet given us a market access offer on issues like—on agricultural issues like dairy and poultry. And we are pressing them to do so, because it is a very—those are important priorities for us. We are addressing their priorities in a number of ways, and we want them to come to the table, as part of an overall package.

Mr. SMITH. Right. Well, and I appreciate what you mentioned earlier, that, you know, a comprehensive trade agreement—you know, needs to open things up. And I appreciate your efforts, and I look forward to working together on behalf of U.S. producers and, actually, U.S. consumers, as well.

Thank you. I yield back.

Chairman CAMP. Thank you. Mr. Schock.

Mr. SCHOCK. Thank you, Mr. Chairman. Welcome, Ambassador Froman. First, let me thank you for your work on trade. I think it is one of the bright spots of the last couple of years in a down economy, both here, domestically, as well internationally. I hate to think of what our economy might be doing in manufacturing and agriculture if we did not have Panama, Colombia, and South Korea now fully implemented.

A couple quick questions. One is dealing with the U.S. biopharmaceutical industry. I have raised this before. It is a very important issue to me, because not only do they support 3 million jobs in the U.S., but 200,000 in my home state. And I am just curious whether the Administration—whether you particularly are supportive of ensuring that the 12-year guarantee for IP protection for U.S. biologics is included in whatever we negotiate with TPP.

Ambassador FROMAN. Well, thank you. This is one of the most challenging outstanding issues in TPP. When you look around the table, five countries have 0 years of protection. Four countries have 5 years of protection. Two countries have 8 years of protection. And we have 12 years of protection.

So, consistent with our standard practice, of course, 12 years is in U.S. law, and so that has been our proposal that we have put on the table in the negotiation. And we are now in the midst of that negotiation to determine where we can reach a consensus, in terms of protection for biologics. And we are working to underscore the importance of data protection for biologics, how it is different than small molecules, and the various issues that go into the determination of how much data protection there should be.

Mr. SCHOCK. Great. Well, I have great confidence in your persuasive ability. Because, obviously, those three million jobs are in the United States for precisely that reason, because we have such a high standard, not only in terms of the length of time of IP protection, but also the rule of law, which I know in some of these countries is not so predictable, particularly in the courts.

My second question is with regards to the U.S. film industry, which obviously, key to them recouping their costs is the ability to protect their intellectual property. Specifically the use of camcorder recording in foreign theaters is one of the major ways that people steal their products. We were able to get Canada, as you know, to outlaw this practice, which basically eliminated the use of camcorder recording in that country. How important is this on the trade agenda as we look at TPP? These countries tend to be some of the more rabid abusers in IP violations, particularly with the film industry. Is this something that we can accomplish as a part of TPP?

Ambassador FROMAN. Well, this is very much part of our proposal with TPP, is to have countries take action to deter camcording as one of our intellectual property rights proposals. We are working with the other countries on that now. There is, again, a range of perspectives on it, and we are optimistic that we will be able to achieve something meaningful in that area.

Mr. SCHOCK. So they seem to understand that that is important and achievable?

Ambassador FROMAN. We have underscored that for them.

Mr. SCHOCK. Okay, great. Finally, I know others have talked about the importance of TPA and what is happening in Russia. What about the WTO? Russia, obviously, enjoys participation in WTO. Obviously, the Congress, I think, in a bipartisan way, supports the administration's effort to put the squeeze on Russia. You know, the President nor the public, I think, wants to use military force over there. But should we be using more economic tools, particularly looking at their participation in WTO? What is your thought on that?

Ambassador FROMAN. Well, their accession to the WTO helped bring them into a rules-based trading system, and also gave us the tools to be able to enforce those rules against Russia when they violate them. And so we view their participation in WTO as giving us a tool to be able to take action there.

Stepping back from that, obviously, economic issues are very much on the table, in light of Russia's recent actions. The President, the administration, has taken a series of actions with regard to economic sanctions, as have our allies. We have made clear there has got to be a price paid for the actions they have taken to date, and if they maintain the same path that they are on going forward, that those prices—that the sanctions will increase.

And so, economics is very much part of that. And from USTR's point of view, you know, we have ceased all of our bilateral engagement with them on economic issues, on efforts that we had underway to improve our trade and investment relationship, including the negotiation of a bilateral investment treaty.

Mr. SCHOCK. Okay, thank you.

Chairman CAMP. Thank you. Mr. Blumenauer.

Mr. BLUMENAUER. Thank you, Mr. Chairman. Ambassador, thank you again for joining us. It has been very helpful, having conversations. You have been generous to meet in private, small groups, and yet another Committee hearing. It is, I think, important to build this record.

I will submit to you a more technical question that deals with rules of origin for titanium products. It makes a great deal of difference, I think, in terms of having a preference for melting, not milling, and I don't expect you to be deeply versed in this right now. But I would appreciate attention to it, because it makes a big difference protecting us from unfair competition from state-owned industries in China and Russia, for instance, and protecting that capacity in the United States.

There are 13 Members of this Committee that co-signed a letter that Congressman Schock and I developed. I have legislation with Ms. Jenkins dealing with footwear. We have had some conversations before that this is an industry where less than 1 percent of the product is manufactured in the United States. The value chain is concentrated not just in my region of the Pacific Northwest, but around the country. That is where we have an opportunity to make some real advantages in the—going forward. Yet they suffer some of the highest tariff rates, which retards ability to—for capital formation in this country to create jobs or move them here. And it is a tax on the American consumer that is much higher as it moves

through the value chain than just the burden on the individual companies.

Now, I know this is an area that you have been doing a lot of work. Vietnam, for instance, is troublesome in some respects, in terms of some of their practices, but real opportunities to change some of their behaviors. I wonder if you could speak briefly to the progress that we are making to reduce these punitive tariffs and the tax on consumers, and maybe spark some innovation here.

Ambassador FROMAN. Well, thank you, Mr. Blumenauer. This is an issue—footwear is an issue of sensitivity both in the U.S. and among our trading partners. It is a key issue in TPP. We have been working with domestic stakeholders, both the domestic producers that exist, but also the importers, including some from your region of the country, to develop an approach that will achieve that right balance of helping to ensure that our domestic producers can continue to compete, but also make sure that we are able to bring in good, high-quality product for the American consumers.

And so, it is one of the outstanding areas in our negotiations with our trading partners, and one that we are in continuous discussion, including as recently as this week, with our stakeholders as we formulate our position.

Mr. BLUMENAUER. As I mentioned, there are 13 Members of the Committee that co-signed the letter, dozens of other Members. We think there is some support in Congress for efforts to try and extract more value for the American consumer, and these American companies.

I appreciated your clarification to a front page story in the New York Times some weeks ago that talked about the United States capitulating on environmental issues. I appreciate your clarification on that, that—including in this hearing, that it remains a high priority for you, for the administration, to be able to make progress.

I do identify a little bit, however, with the comment from my friend from Texas, Mr. Doggett, about our enforcement actions. As somebody who worked on those provisions, for example, with the free trade agreement, where we come down on enforcement, I think, would make a big difference. Anything you can help to clarify that, either here or going forward, would make—I think give more dimension and traction to the representations on what you are trying to do, environmentally.

Ambassador FROMAN. Well, thank you for that, and I am sorry I didn't have a chance to answer Mr. Doggett's question while he was here. But let me simply say that I think this Administration has demonstrated a very thorough and robust commitment to trade enforcement. We have set up this Interagency Trade Enforcement Center with assets from around the government that have allowed us to bring better, stronger, and more complex cases.

With regard to the particular issues that were raised, with regard to Peru, for example, and the forestry annex, we have been able now, with the resources that USTR has been given in the recent budget, to re-engage with Peru on monitoring that agreement. And we are now heading toward having a registry in Peru for the logging, to ensure that it meets the standards of the annex.

And on labor, we have been meeting with the Guatemalans on the case that has been brought against Guatemala, the first-ever

case brought against a country on labor issues. And we do the same with Bangladesh on GSP, given their labor issues. So we use our enforcement tools thoroughly to make sure those labor and environmental provisions are fully enforced.

Chairman CAMP. All right, thank you.

Mr. BLUMENAUER. Thank you very much.

Chairman CAMP. Ms. Jenkins.

Mr. BLUMENAUER. Thank you, Mr. Chairman.

Ms. JENKINS. Thank you, Mr. Chairman, and thank you for holding this important hearing. Thank you, Ambassador, for being here, and for all of your good work. Many of us have serious concerns about our economic relationship with China. One area of great concern to my constituents in Kansas is China's unjustified barriers to U.S. agriculture. These barriers ignore international standards, they have no basis in science, and they raise serious questions about whether China is complying with its WTO obligations.

Most specifically, the World Organization for Animal Health recognized last year that all cuts of U.S. beef are safe, yet China continues to ban U.S. beef imports. And I know Congressman Smith touched on this, but the first thing I wanted to ask is that you address what USTR is doing to ensure that China's regulations on agriculture products—beef, in particular—comply with its WTO obligations and are otherwise based on international standards and sound science.

Ambassador FROMAN. Well, thank you. And that is a high priority in our relationship with China. Ever since the U.S. was found to be a negligible risk country for BSE last year, it has been able—we have been able to go back to trading partners and open up markets for U.S. beef exports.

And, as I mentioned earlier, Secretary Vilsack was with Secretary Pritzker and myself in China in December, and beef was very much on the agenda. And we worked together with our Chinese counterparts to reach an agreement about opening up their market over the course of this year. And Secretary Vilsack is following up on that in a series of technical discussions between USDA and its Chinese counterparts.

But we also need to use all the tools at our disposal. And here is an example where we brought a WTO case against China for their exclusion of certain chicken parts, broiler parts. We have won that case in the WTO, and we will continue to bring cases on agriculture and other issues where we think parties have violated their standards.

The underlying point you make, which is that we want to make sure SPS standards around the world, whether it is in China or Europe, are based on science, as ours are, is an absolutely critical and fundamental part of our trade policy.

Ms. JENKINS. Excellent. Well, thank you. Second, my concerns with China aren't exclusive to agriculture, because there are many examples where dealing with China is a significant challenge. But we need to address these concerns without harming our own economy.

Now, given the limited time and resources available to address the long list of China's barriers, how would you prioritize the var-

ious challenges U.S. companies face in China? And would legislation such as some of the currency bills that have been introduced affect our ability to deal with these other issues?

Ambassador FROMAN. Well, we engage on a whole range of concerns with regard to China, whether it is market access obstacles and—or how—the concerns that they force the transfer of technology as a condition of doing business there, we have pushed back over the last couple years on their indigenous innovation policies that would have required our intellectual property to be transferred as a condition of doing business, or participating in government procurement.

We are pushing for the legalization of software, of ensuring that trade secrets are protected. And, across the board, we are looking, both through our bilateral dialogue and through enforcement mechanisms to ensure that China upholds its WTO obligations.

So these—the complex set of issues you say, both inside agriculture, but also outside agriculture, are absolutely critical to improving our trade and investment relationship with China. We have a lot of mechanisms to do this: the S&ED, the JCCT, our BIT negotiations, other engagement with China. And we are ensuring that we set priorities so that we are making sure we are addressing the most—the practices of greatest concern to American firms and American businesses.

Ms. JENKINS. Okay. Thank you, Mr. Chairman. I yield back.

Chairman CAMP. Thank you. Mr. Paulsen.

Mr. PAULSEN. Thank you, Mr. Chairman. And, Ambassador Froman, let me just start by thanking you and your team for your accessibility, for your responsiveness, and for your engagement. It is very much appreciated in some challenging situations you have in communicating with my office, in particular.

I want to follow up on what John Larson had mentioned earlier—the situation with India. You know, it was just last year we had 170 Members of Congress, on a bipartisan basis—and 15 governors—who had asked the Administration to raise concerns with India's unfair trade practices at the highest levels of the Indian government. And the President has done that, you have done that, the Vice President, and the Secretary of State, on down the line.

Now, since the inception of USTR's special 301 Report, India is one of the few countries to have been designated as a priority foreign country in the last 25 years. So India has now failed to make any meaningful progress, I would say, in addressing the longstanding concerns raised each year by your agency in that special 301 report.

And, as there is a whole host now of market access and trade issues that significantly impede the ability of U.S. companies and businesses and investors to operate there, given the importance of the U.S. and India strategic relationship and India's pure growth potential, which you outlined in your opening testimony as a market for U.S. goods and services, I think all efforts need to be made to help overcome these challenges and our many difficult issues.

However, the primary forum to help address some of these bilateral trade and investment issues seems to be the Trade Policy Forum. And USTR co-chairs that forum. It has not been held since 2010. When do you expect to hold the next Trade Policy Forum?

Ambassador FROMAN. Well, thank you. First, I have had a series of meetings with my Indian counterparts since coming into this job, and we have stayed very closely in touch, including about how to make sure the Trade Policy Forum is an effective mechanism for addressing these issues.

And so, when we met—back in September, I believe it was—we laid out a work program for our staffs to work through outstanding issues in preparation for our Trade Policy Forum. And that work is ongoing. Now China is in the midst of an election season, and I think our—everyone's perspective is we should wait until they get past the election in order to re-engage on that. But I am fully committed to re-invigorating the Trade Policy Forum. We just want to make sure that it is not just to have a meeting, but that it is a meeting that will help achieve results. And that is why I want to make sure it is adequately prepared.

Mr. PAULSEN. So, the elections are coming up soon, and it sounds like you agree with being—staying on a positive trajectory that talks with India actually have to produce concrete results.

Ambassador FROMAN. Absolutely.

Mr. PAULSEN. Okay. Let me just switch topics real quick, Ambassador. Since Congress last debated TPA in 2002, one aspect of our economy and trade has dramatically changed, and that is the use of the Internet for both commerce and for personal use.

You know, back in 2002, nobody knew anything about Google or Googling anything, or Facebook, or Twitter. And can you just talk a little bit, or explain a little bit about how our trade agreements in today's 21st century model can truly reflect the full balance of U.S. law regarding the Internet?

Ambassador FROMAN. Well, thank you. I mean that is very much one of the areas of focus in TPP at the moment, because we want to make sure we take the lessons from the physical world and bring them into the digital world, consistent with the existing legislation in the U.S. So, we are pushing for the free flow of data, for example. We are pushing against localization requirements that servers have to be located in a country for a business to be able to serve that country.

We also want to make sure that we are respecting privacy concerns, and that governments have the ability to regulate in a bona fide way in the interest of privacy, and those are also important objectives. So we take, as our touchstone, existing U.S. law, and we are working in that context to assure that the digital economy is very much reflected in this 21st century agreement.

Mr. PAULSEN. Thank you, Mr. Chairman. I yield back.

Chairman CAMP. Thank you. Mr. Kind.

Mr. KIND. Thank you, Mr. Chairman. And thank you for holding this hearing. And, Mr. Chairman, I too want to share in the accolades directed towards you, with the leadership you have shown this Committee, and what you have meant to this Congress, and our friendship in particular. We are going to miss you. But we still have some work to do here.

Chairman CAMP. Yes.

Mr. KIND. Mr. Ambassador, thank you for being here. And I think if there has been a consistent message delivered from the Committee to you is one of gratitude, given your access and level

of engagement, not only with Members of this committed, but Members of the Congress, and especially the new Democratic Coalition, of which I am leading. You have been before us on a number of occasions. In fact, so often that we are talking about making you an honorary Member, given our endless meetings with you. But that is going to be crucial as we do move forward, not only TPA authorization, but the TPP negotiations. Members need to have that access, that level of engagement, and you have been tireless in that effort, and I compliment you.

In fact, just yesterday, Dr. Boustany and Mr. Reichert, myself, and Mr. Meeks had a chance to have breakfast with the TPP ambassadors at the Canadian Embassy. We were able to engage them directly about the market access issues that you have been working on, but have a diplomatically frank exchange. But you should also know that there was high praise from every one of them about the job that you are doing on our behalf. And that is always very good to hear.

Here is one of the concerns that I have. I think it is important that we are at the table, that we are moving forward on a robust trade agenda. It is important not only for the economic growth for our Nation and the jobs that can come from it, but U.S. leadership, not only in the Pacific region, but globally, right now. I am afraid that, with further delay, as far as TPA is concerned, it may lead to further delay of a final TPP being negotiated. And the rest of the world is not sitting around, waiting for us to get our political act in order here. And there is a danger that TPP could turn into another Doha, which we are trying to avoid at all costs.

I am just wondering if you are sensing that same type of concern, or if you are seeing significant progress being made that might elevate this and enable the Congress to finally start taking action, give you the tools that you ultimately need in order to reach the best agreement that we can get with the TPP nations.

Ambassador FROMAN. Well, thank you. I mean I think, again, I think the only guarantee—and I will tell you what I tell our trading partners—the only guarantee of an agreement being approved by Congress is that we negotiate a good agreement. And we know what a good agreement is. We can know what that good agreement is through the expression of TPA and the expression of the negotiating objectives in TPA. We can also know it through our thorough consultation with Members of Congress, and with the stakeholders, and with the public, that we have a good sense of what is necessary.

We each have our domestic processes that we need to go through. And ours is TPA, and our trading partners, their domestic processes, as well. We certainly don't want them to use the lack of TPA as an excuse for not coming to the table, and not concluding a high-standard, ambitious, comprehensive agreement as soon as possible. I think we can do that. I think we can work in parallel, both to conclude a high-standard TPP, as Congress considers trade promotion authority issues and builds bipartisan support for such an approach, and that is the path that we are on.

Mr. KIND. My sense is—and I think you share this—is that those at the table now, the 12 nations negotiating, all of them are

there because they want an agreement at the end of the day. They are not just playing games with it.

But on another level of inquiry, under CAFTA we had some pretty innovative, capacity-building provisions in CAFTA. I am wondering if we are still using that as a model, or trying to elevate that in pursuit of TPP with developing nations. I am especially thinking about Vietnam and—

Ambassador FROMAN. Absolutely.

Mr. KIND [continuing]. What we are asking them to do to elevate their labor standards.

Ambassador FROMAN. No, that is very much—and thank you for mentioning that—that is very much a part of what we are trying to do with Vietnam as they sign on to international labor standards. As we developed action plans, and work programs for them to be able to meet those standards, it is going to require technical assistance, whether it is from the ILO or from the solidarity center, or elsewhere, for them to be able to achieve those objectives. We are working closely with the State Department and USAID to assure that there will be resources available, so that they can fully implement their obligations under TPP.

Mr. KIND. Good. Well, I would be happy to follow up with you in one of our future meetings on that.

And, finally, a resource issues. I had a chance to meet with Ambassador Punke recently, talk about the ITA negotiations with China. I was somewhat alarmed to understand that he was there on our behalf, facing 16 Chinese negotiators across the table that tried to wear him thin, or wear him out. I wonder if we are giving you enough resources in order to pursue these negotiations and that we are not being undermanned in—

Ambassador FROMAN. Well, we are a lean and mean organization at USTR. I think that is generally one of our strengths. I think, frankly, during sequester we got a little too lean, and we weren't able to fulfill all the responsibilities the way that we like to. We are working with our appropriators to assure that we have got the necessary resources, going forward.

But I would put Ambassador Punke up against 16 Chinese counterparts any day. I think that is a pretty even match.

Chairman CAMP. All right, thank you.

Mr. KIND. Thank you.

Chairman CAMP. Mr. Marchant

Mr. MARCHANT. Thank you, Ambassador. As you know—global trade is very important to Texas. In fact, Texas leads all states in exports, and has for the last 12 years. And in my district is Dallas-Forth Worth International Airport, for which trade is very, very important. Yet there are people in my constituency that are very skeptical of TPA and these trade agreements. Can you give some assurances or give some examples of why this—these trade agreements would be very, very positive to Texas and to my constituents?

Ambassador FROMAN. Well, you know your constituency well. My understanding that in Texas you are exporting about $8 billion to Korea, and that is about a 54-percent increase over the last few years. And same is true on Colombia, 140-percent increase. Panama, 93-percent increase. You are seeing the benefits of these trade

agreements directly in Texas as you see your exports grow. And that is certainly our goal with TPP and TTIP, is to see that kind of export growth come with the opening of these markets.

Mr. MARCHANT. To complement that, just recently American Airlines just announced it is going to start a non-stop flight from Dallas to Shanghai. So recently, the Chinese government, as you know, announced that it was going to make Shanghai an example, a free market example. Can you talk to us a little bit about that experiment, and how important that is, and how that will dovetail into your negotiations with them?

Ambassador FROMAN. It is an interesting question. This is the Shanghai Free Trade Zone that they announced last year, and we are monitoring that very closely to see what it is they intend to do, and how they intend to use it. And that, together with the outcomes of the Third Plenum in November, where they laid out a reform program, there is a lot of positive signals in the Third Plenum program and in the Shanghai Free Trade Zone proposal about where China wants to take its economy, how it wants to open its economy, liberalize it, have it be more market-oriented, take the government out of the process of approving every investment.

One way we are following up on that is through our BIT negotiations, our Bilateral Investment Treaty negotiations. Because that gives us an opportunity to put to the test whether, when China says it wants to move toward a so-called negative list, meaning companies can invest and do business in China everywhere and anywhere in any sector unless it is explicitly prohibited, to see whether—how far they are willing to go in that regard, how far they are willing to take the Third Plenum outcomes, or the sentiment behind the Shanghai Free Trade Zone and drive it through reform in their economy. We are in the midst of those discussions, and those will be continuing, I think, for several more months and longer. But that gives us an opportunity to put to the test whether some of those expressions of reform are being translated into reality.

Mr. MARCHANT. Thank you. Yield back.

Chairman CAMP. Mr. Pascrell.

Mr. PASCRELL. Thank you, Mr. Chairman. Mr. Ambassador, you have a very, very difficult job. You inherited a terrible situation with trade imbalances. I have listened to the smoke and mirror games of presidents Democrat and Republican on trade issues. American people are fed up because they have seen the results, which many times have not helped us at all in the long run, and have not helped foreign countries.

So, our policy, I think, is at a crossroads. We have come a long way since the one-sided deals of the nineties and 2000s, and—which helped cripple our country's industrial base. We want to build that base, and I have heard you say that yourself. We want to build manufacturing in this country, but not that—the sacrifice of whether it is services or anything else.

When Democrats took the majority, we fought to include real protections for labor rights and the environment, and we were moving in the right direction. Thanks to the involvement and the investment of the Congress and the United States and the administration listening at the time. I think that this is important, and we

need an investment. I agree with Chairman—Ranking Member Levin when he said we need an intense involvement by the Congress, not after, but before. We have had serious consequences when that did not happen in the past, and it has had repercussions to now, today.

What we are seeing in this difficult Trans-Pacific Partnership negotiation has me fearing we could slip back into the old ways of doing business. I realize that your job is difficult. You inherited negotiating with a lot of countries that don't share our values and commitment to high standards to labor and environment.

And we saw a break-through in the Peruvian trade deal. That was, I think, a pivotal point for the Congress of the United States, to have enforcement rules, to have countries agree before the deal is signed, sealed, and delivered, that they are going to make some changes and do that in a very transparent way. Countries should be our allies in that fight are nowhere to be found many times, Mr. Ambassador. I urge you to stay firm and not go backward.

Mr. Ambassador, I am a co-chair of the House Textile Caucus, what is left of the textile industry in the United States of America, which we have seen dwindle away in the last 40 years. I would like to thank you for your commitment to the Yarn Forward rule of origin for textiles and apparel, which, as you know, is of critical importance to the textile industry in this country.

My question today is on market access for the most sensitive textile products manufactured here in the United States. Can you assure the Members of this Committee that your negotiators will seek the longest duty phase-out possible for the most sensitive textile items? That is a pretty direct question. We don't need a glossary of discussions here. Would you give me an answer?

Ambassador FROMAN. Well, we are working with—very closely with textile and apparel stakeholders to make sure we have a full understanding of what the most sensitive products are, and using the tools that you mentioned—the Yarn Forward, the short supply list, and staging issues—we are making sure that we strike that right balance between assuring protection for our domestic producers, as appropriate, and also allowing the importers of apparel——

Mr. PASCRELL. And as you heard before——

Ambassador FROMAN [continuing]. To have access to our——

Mr. PASCRELL [continuing]. Folks are concerned about Vietnam's wanting immediate access. And I think that this is a serious problem. Do you think that that is a hurdle we can get around, get over, et cetera?

Ambassador FROMAN. Well, that is very much part of the current negotiation.

Mr. PASCRELL. But what do you think?

Ambassador FROMAN. Well, we are in the midst of negotiating that with our trading partners. So I can't tell you at this point what the outcome is——

Mr. PASCRELL. Well, are you making a commitment today to this Committee that you are going to do what the question entails?

Ambassador FROMAN. We are firmly committed to assuring that we have an outcome on textiles and apparel, as well as other products, frankly, that support the maximum number of American

jobs in this country, and take into account the sensitivities of some of our key sectors.

Mr. PASCRELL. I wanted to highlight a concern about intellectual property, those decisions in Canada in recent years that go against our neighbors' international commitments. The Canadian courts have ruled that certain pharmaceutical patents, including many belonging to companies in my home state of New Jersey, invalid due to what I believe to be an inappropriate interpretation of international patent standards. This isn't an issue increasing access to medicines in developing countries. Canada is wealthy, it is an industrialized nation. This policy is designed to benefit the manufacturers at the expense of our own—Mr. Ambassador, we do not need a corporate draft for our trade policies.

Chairman CAMP. All right. Time has expired. Do you want to respond briefly?

Ambassador FROMAN. I would simply say on the Canadian patent issue, this is something we are monitoring very closely. It is now the subject of litigation, both in the Canadian courts and in an investor state case. But it is something we are monitoring very closely as part of TPP, as well.

Chairman CAMP. Thank you. Mrs. Black is recognized.

Mrs. BLACK. Thank you, Mr. Chairman, and thank you, Ambassador, for being here. This is such an important conversation that we are having here today.

I want to go to the issue of intellectual property, which I continue to ask about, because I hear so much about that in my own district about our job creators there that do business overseas, and how they believe, specifically in the Asian countries, that there is not the respect for the intellectual properties.

So, TPP must contain strong IPR protections to be an effective and comprehensive trade agreement. Not only are these protections needed to support millions of jobs here in the United States, and a significant portion of our exports, but they are also encouraging American innovation and investment. The full spectrum of intellectual property rights must be covered, including patents, copyrights, and trademarks, and all types of products and services must be adequately addressed, including pharmaceuticals.

How will USTR ensure that TPP will contain strong and effective IPR protections similar to that found in our U.S. law?

Ambassador FROMAN. Well, that is certainly our objective in this negotiation. And as I mentioned in my opening remarks, we have got millions of Americans whose jobs depend on the innovation economy, on creativity, on our intellectual property rights. And whether it is in the copyright/trademark side of things, or in the pharmaceutical side of the ledger, we are working to assure the appropriate level of intellectual property rights, and very much based on concepts in U.S. law. So strong copyright protection, also limitations and exceptions consistent with U.S. practice. And, on the pharmaceutical side, consistent with the May 10th agreement, assuring incentives for innovation, while at the same time access to medicines by the poor and developing countries.

Mrs. BLACK. The other issue also right along those lines is the issue of cross-border data flows, which are critical, not just to service companies, but also the globalized companies in any sector. So

respecting the differences of those data privacy approaches from country to country, how can we ensure that there is a robust protection of those cross-border data flows?

Ambassador FROMAN. Well, that is a central part of our new approach on the digital economy in TPP, to try and reach agreement around disciplines on regulating the flow of data, and making sure that there can be the free flow of data, also dealing with issues like the localization of servers, so that businesses aren't required to have servers in a particular country in order to serve that market. So this is very much—when we talk about updating our trade agreements for the 21st century and bringing new issues like the emergence of the digital economy into those trade agreements, this is precisely what we are focused on.

Mrs. BLACK. Thank you, Mr. Chairman, and I yield back.

Ambassador FROMAN. Thank you.

Chairman CAMP. Thank you. Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman. And I, too, want to commend you for your service to the nation, and especially for the outstanding leadership you have provided as chairman of this Committee in terms of the way that you facilitated its work. I trust that when you leave Congress you will always relish the memory of that.

And thank you, Mr. Ambassador, for being here. And to you and your staff for the great work that you do. Mr. Ambassador, I come from Chicago, Illinois, which has been known as the candy capital of the nation. Thousands of jobs in Chicago are directly related to the availability of sugar at a competitive price. According to the Commerce Department, to date in this country, we have already lost 127,000 sugar-using jobs since 1997 because of the trade-distorting sugar program.

Over the last 5 years, confectioners, bakers, candy makers, and other manufacturers have suffered through the highest sugar prices anyone can remember, all due to a repressive sugar policy. Now that those high prices have brought on greater sugar production in both Mexico and the U.S., and a temporary sugar surplus, big sugar has decided to use more government action to eliminate competition.

Last Friday, sugar processors filed anti-dumping and countervailing duty cases against the importation of Mexican sugar allowed under the North American Free Trade Agreement. Mr. Ambassador, can we count on you to oppose any effort to restrict access to adequate supplies of sugar from Mexico, or anywhere else, that are needed to preserve good manufacturing jobs in the confectionary industries in Chicago and throughout the nation?

Ambassador FROMAN. Well, the anti-dumping and countervailing duty case that you mentioned is the province of the Commerce Department and the ITC. It is actually a quasi-adjudicatory process in which the USTR or any other agency is involved. It is being dealt with in the technical way that those two agencies deal with it.

Sugar is obviously a very sensitive issue in trade negotiations, always has been. And we are consulting very closely with stakeholders, you know, on the issues around sugar. But we are not

going to do anything through these trade agreements that will jeopardize or undermine the sugar program.

Mr. DAVIS. In your view, does this dumping complaint help or hurt our bilateral trading relationship with Mexico?

Ambassador FROMAN. Well, you know, trade remedies—Congress created trade remedies so that industry would have the ability to bring these cases when they thought there was dumping and countervailing duties, and it is brought by the companies themselves, or the industry themselves, not by the government. It is certainly something that the Mexican government and the Mexican stakeholders care a lot about, but it is the province of our industry, any industry, whether it is sugar or steel or any other industry, to avail themselves of the trade remedies that Congress has created.

Mr. DAVIS. As you have indicated, there is a long history of trade disputes involving sugar and sweetener trade between the U.S. and Mexico. In the past, Mexico has placed restrictions on American exports of high fructose corn syrup. Do you share my concern that corn farmers in Illinois and other states could get caught up in another cross-border trade dispute that is not their fault, but is the result of the market-distorting sugar subsidies?

Ambassador FROMAN. Well, I certainly hope we could avoid that situation.

Mr. DAVIS. Well, we thank you very much, and I thank you for your work.

And, Mr. Chairman, I yield back.

Chairman CAMP. Thank you. Mr. Young.

Mr. YOUNG. Mr. Ambassador, thank you so much for being here today. Really do appreciate it. I will begin by noting my colleague, Mr. Griffin of Arkansas, was called away to the floor, and he just asked that I convey to you he will be submitting a letter for your consideration pertaining to TPP and Japan's treatment of rice, also pertaining to dumping of steel rebar from Turkey and Mexico. So he will look forward to your responses there.

Mr. Ambassador, I recently, working with several of my colleagues, helped launch a caucus related to TTIP. And this is a very important issue, and we hope we can consummate this free trade agreement in coming years between the U.S. and EU. Were we to do so, it is projected that exports from my home state of Indiana would increase by roughly 33 percent, and there would be a net increase in employment of up to 13,780 jobs.

The largest category of exports that will benefit from this agreement, we estimate, will be pharmaceuticals. So, of course, the intellectual property rights protections that we have heard about here today are very important to that industry, as we work on this agreement.

From your perspective, what barriers for IPR-intensive trade are most significant as we look at the U.S. and EU negotiations? Perhaps you could cite areas where there could be some convergence and other areas where harmonization might not be possible.

Ambassador FROMAN. You know, I think the—one thing that categorizes—characterizes the U.S.-EU relationship is that both of us have strong intellectual property rights regimes. And so we start from a fairly common perspective in that regard. And, obviously, our innovative and creative industries will benefit from that

perspective, and we are going to try to work together through TTIP, the U.S. and the EU, to promote strong intellectual property rights protections elsewhere around the world, as well.

As part of TTIP, we are working to bring our regulatory systems closer together, or to bridge divergences in our regulatory systems without reducing, undermining, lowering our health, safety, and environmental standards. Neither one of us wants to lower our standards. The President spoke quite eloquently on this in Brussels last week. And so this is not about deregulation. It is about taking two well-regulated markets, but markets that are regulated in slightly different ways—and those differences create trade barriers—and seeing whether we can bridge those trade barriers by further cooperation on the regulatory side. And our FDA is working closely with the EMA in Europe to determine what areas of cooperation may allow for more interaction in pharmaceuticals and medical devices.

Mr. YOUNG. So my sense is, based on your response, which I appreciate, is that we are still teasing out some of those areas, the thornier areas, the areas of common agreement, and so forth. So we will look forward to staying in touch in that regard.

With respect to AGOA, it is essentially a development program designed to benefit the lesser-developed countries of Africa, that expires in September of 2015. And we want to make sure this reauthorization occurs in a way that improves upon, ideally, the existing program. And I know that USTR has requested several studies from the ITC pertaining to the program and its effectiveness and operation, and so forth. This Committee has requested a separate study from GAO. Can we agree to share information so that we can work together to improve this program?

Ambassador FROMAN. We certainly want to work closely with this Committee and others in Congress on this issue. We launched a full review of AGOA last August, precisely to do what you have laid out: Assess what has worked well, what has worked less well, what has changed in the African economies, what has changed in their relationships with their trading partners. And, as we seek the seamless renewal of AGOA next year, what needs to be done to update it to make sure it is having maximum impact along the lines that it was originally designed. So we very much look forward to working with you on that.

Mr. YOUNG. Thank you. Finally, I would just build upon Representative Pascrell's comments pertaining to intellectual property protection as it relates to Canada, particularly important to the pharmaceutical industry. And you will be receiving a letter from Representative Pascrell and myself, along with several other Members, pertaining to this issue and elevating to Canada special 301 priority watch list in 2014 because of Canada's lack of adequate and effective intellectual property right protection.

So, we will look forward to getting your response on that. I appreciate the dialog today. And thank you again for your service.

Ambassador FROMAN. Thank you.

Chairman CAMP. Thank you. Ms. Sánchez.

Ms. SANCHEZ. Thank you, Mr. Chairman, and I would like to begin by adding my voice to those who will wish you well.

Chairman CAMP. Thank you.

Ms. SÁNCHEZ. And at the risk of my husband taking umbrage, I will say that, like all good men in my life, you are leaving too soon. And while I say that tongue in cheek, your leadership will be missed.

Ambassador Froman, I want to thank you for joining us today. I have two—I have many questions I would love to ask, but I have two that I would like to get to, so I will jump right in.

As you know, the United States is the world's largest creator, producer, and exporter of copyrighted materials. And jobs that support industries that are innovative typically are the kinds of jobs that provide benefits to workers and allow somebody to support a family off of the wages from those jobs in innovation. So I think it is incredibly important to not just think about trade generally, but to be very specific about making sure that we protect and try to grow jobs in the innovation sector, because they typically do also include manufacturing jobs with them.

Being from Southern California, I am sure you can appreciate that the livelihoods of many Southern Californians are directly impacted when there is a lack of respect for U.S. domestic industries and intellectual property. Some of my colleagues have mentioned Canada and India, in particular. And I know that the administration's goal has been to achieve "21st century agreements," but the size and the scope of our pending agreements is what concerns me.

As members of Congress, we spend a lot of time—often years and years—crafting Federal legislation to try to achieve that goal. And my concern is that in trade agreements like TPP the work that has been done to pass these laws could be undermined if we don't include some kind of incentives and enforcement mechanisms for making sure that we are incorporating standards of U.S. law in those trade agreements.

In that same vein, criminal enterprises enable infringement of U.S. intellectual property, which also further impacts both U.S. and global marketplaces and our workers. So I think you are in a pretty unique position to try to help address that particular problem by fostering legitimate online commerce.

So, I am just curious. How are you going to ensure that these 21st century agreements reflect U.S. law for all industries, and ensure that those who are intentionally enabling infringement are held liable for their actions?

Ambassador FROMAN. Well, first of all, I couldn't agree with you more about the significance of intellectual property and protecting our creative industries. And not just—I was in Los Angeles several months ago—not just for the actors and directors who may participate in this, but for the unionized carpenters and the engineers who are working on the sets. And it is a whole ecosystem there that—where we want to make sure that they are getting the benefits of their labor, and that they are earning the benefits of their labor.

And that is what we are trying to do in TPP on our—in our intellectual property efforts on copyright, on camcording, on making sure that piracy is dealt with, that there are effective enforcement mechanisms. USTR, we have a process called the Notorious Markets Process, where we list websites that are notorious for selling pirated material and get countries to close them down, or get the

websites themselves to drop the offending material, the pirated material. And so that is something that we work on, both in our negotiations and in our enforcement efforts. And it is a high priority for us.

Ms. SÁNCHEZ. Thank you. And then, switching gears really quickly—and if we run out of time I will just ask for your response in writing—but you testified before this Committee last year that the administration will continue to ensure that the Jones Act is protected under our trade agreements. And recently I heard reports that the European Union has put forth a draft proposal that would try to undermine the Jones Act. So I am just looking for some reassurance from you that nothing has changed with respect to the commitment that you made to the Committee, and that you are going to continue to ensure that the Jones Act or other programs to promote U.S. flag shipping are not going to be repealed or diluted in future trade agreements.

Ambassador FROMAN. There is nothing we are going to do in a trade agreement that is going to repeal or undermine a U.S. law. Europeans have a lot of priorities in these negotiations, and we have a lot of priorities, as well. And that is what the negotiation is for, is that we work our way through these issues and understand each other's sensitivities, and how best to address the concerns of each in the context of an overall comprehensive agreement.

Ms. SÁNCHEZ. Thank you. Thank you so much for your time and——

Chairman CAMP. All right, thank you. Mr. Reed.

Mr. REED. Thank you, Mr. Chairman. And, Mr. Ambassador, thank you. We are down to the end. And I appreciate—we have talked, we have met. And, as your predecessor, Ron Kirk also, you do an outstanding job, and I appreciate the work you do in regards to this issue, and I enjoy working with you.

And I wanted to relate to you that a large employer from my district informed me that you did a tremendous amount of good work in the ITA agreement, Corning, Incorporated. I come from Corning, New York, and I just wanted you to know that we appreciate the work in that arena. So kudos to you.

Last week I was at a hearing with the Steel Caucus. And I also co-chair the U.S. Manufacturing Caucus here in DC. And it was brought to our attention repeatedly by many of the Member companies there—Nucor Steel is a constituent, large employer in my district, also. They have a facility in Chemung County. U.S. Steel was there. ArcelorMittal was there. And Mr. Griffin is, I guess, going to send a follow-up letter to you.

But I wanted to just stress to you or relate to you the theme I heard in the Steel Caucus is that there is a real threat from the dumping of steel into the U.S. market. I wanted to see what you thought—especially in the Turkey-Mexico arena. Wanted to see what you thought about their concern that that is going on. And is there anything you can do or have done presently to try to address the issue of inappropriate steel dumping into America's market?

Ambassador FROMAN. Well, I have—we have met with the steel industry on a regular basis. It is something that we know is of great concern. And, therefore, we are monitoring it closely.

With regard to those particular issues of Turkey and Mexico and the anti-dumping CVD cases, I have really got to refer you to the Commerce Department and the ITC, because those are procedures under their mechanisms. They are quasi-adjudicatory, and we are not involved in those. But the situation in the steel sector itself, in the steel industry globally, is something that we do monitor closely and want to continue to pursue to see if there are things that we can do through our trade dialogs to try and address some of the concerns that the U.S. steel industry has.

Mr. REED. And could you give me any indication, like ideas along those lines that you would be considering to pursue?

Ambassador FROMAN. Well, you know, one thing that has come up in the context of our China dialog is the concern about over-capacity. There is clearly over-capacity in the global steel sector. It is something that China itself has flagged as an issue that they are concerned about, domestically.

And so, having a dialog with them, with other major steel manufacturing countries about the situation in the market about over-capacity is one mechanism that we are exploring to see if we can make some progress on that issue.

Mr. REED. So it sounds as if they are engaging in that conversation, and there is a willingness—because I am aware of the capacity issue, and that is definitely something that was also referenced in the same steel caucus hearing.

And, with that, it has been a long day, and I have no further questions. And with that, I yield back, Mr. Chairman.

Chairman CAMP. Well, thank you very much. Again, Ambassador Froman, thank you for answering every question that the committee put forward to you in your appearance today. And look forward to working with you as we move forward on all the important issues that we have been discussed.

And, with that, this hearing is adjourned.

[Whereupon, at 12:27 p.m., the Committee was adjourned.]

[Submissions for the Record follow:]

American Chemistry Council

April 3, 2014

The Honorable Dave Camp
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Camp and Ranking Member Levin:

The American Chemistry Council (ACC) strongly supports current initiatives to expand access for U.S. exports to key international markets and in particular the Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (TTIP) negotiations. The business of chemistry in the United States is in the midst of an unprecedented boost in competitiveness, largely due to the increased supply of low-cost natural gas, a feedstock and a power source for chemical manufacturing. Over US$100 billion in new investments or expansions of existing facilities have been announced as a result of this boom, around half of which is foreign direct investment. ACC forecasts U.S. chemical exports to grow significantly in future years, surpassing US$200 billion in 2014 and expanding nearly 8 percent per year through 2018. This makes the search for new markets, and the reduction or elimination of trade barriers in existing ones a core priority for the U.S. chemical industry. An ambitious trade agenda will capitalize on the chemical industry's expansion to promote economic growth and job creation, enhance U.S. competitiveness, and expand consumer choice.

ACC represents the leading companies engaged in the business of chemistry. The U.S. business of chemistry is a $770 billion enterprise providing approximately 788,000 high-paying jobs in the U.S. The American chemical industry produces 15% of the world's chemicals and represents 12% of all U.S. exports.

The European Union remains one of the U.S. industry's largest foreign markets, with two-way trade in chemicals totaling more than $52 billion in 2013. While current chemical tariffs on trans-Atlantic trade are relatively low, the high volume of trade means that the elimination of remaining tariff barriers would result in significant savings for chemical manufacturers of around US$1.5 billion per year, around a third of which is intra-company trade.

The potential savings from reducing or eliminating regulatory barriers to trade with Europe are even greater. Enhanced regulatory cooperation has the potential to significantly reduce costs for governments and industry alike, while maintaining high levels of protection for human health and the environment. The goal of stronger U.S.-EU regulatory cooperation is to support current regulatory

mandates, while seeking to ensure that those mandates do not result in unnecessary barriers to trade. A more efficient and effective trans-Atlantic regulatory environment would provide a significant boost to innovation, growth and jobs, while ensuring that regulatory objectives are achieved.

ACC and its member companies strongly support the negotiation of a comprehensive, ambitious TTIP. For the chemical industry, and for the broader economy, it has the potential to provide a significant boost to the recovering economy through market growth and job creation, which in turn would promote innovation and strengthen the international competitiveness of U.S. exporters. The successful conclusion of negotiation on the TTIP would also send an important signal to the rest of the world at a time when multilateral approaches to trade liberalization have stalled.

ACC also calls for the swift conclusion of negotiations on the TPP, which would create a trade bloc with GDP 40% larger than that of the EU. The chemical sector strongly supports the TPP, and views it as an opportunity to build consensus around new, high-standard trade disciplines that address current and emerging trade issues. ACC analysis shows that the TPP agreement has the potential of generating $1.2 billion in export growth for the chemical industry. In addition to eliminating tariffs on chemical trade, ACC strongly support efforts to strengthen cooperation on regulatory issues in the region.

To ensure the conclusion of comprehensive and ambitious TPP and TTIP agreements, it is essential that Congress grant renewed Trade Promotion Authority (TPA). It is simply not feasible to expect our negotiating partners to put their best offers on the table in the absence of TPA. Updating TPA would help strategically guide U.S. negotiating goals across a range of critically important issues including defining negotiating scope, procedures, structure framework, and pathway for addressing issues before, during and after the negotiations. ACC urges the Administration and Congress to move expeditiously on bipartisan legislation to renew TPA.

Finally, ACC strongly encourages the U.S. government to continue to play a strong leadership role and be fully engaged in the Asia-Pacific Economic Cooperation (APEC) forum. Under the heading of APEC's overall commitment to Regional Economic Integration, the APEC Chemical Dialogue has made some significant contributions to regional understanding of ways to promote sound chemicals management and reduce nontariff barriers while stimulating growth, innovation and trade. ACC encourages the U.S. to support and contribute to APEC's ongoing efforts to promote regulatory cooperation throughout the Asia-Pacific region.

Sincerely,

Cal Dooley

Citizen Trade Policy Commission of Maine

Sen. Troy Jackson, Chair
Sen. John Patrick
Sen. Roger Sherman
Rep. Sharon Treat, Chair
Rep. Jeff McCabe
Rep. Bernard Ayotte

Robert Umphrey
Stephen Cole
Michael Herz
Dr. Joel Kase

STATE OF MAINE

Citizen Trade Policy Commission

John Palmer
Linda Pistner
Harry Ricker
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Mike Karagiannis
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Representative Dave Camp, Chair
House Ways and Means Committee
1102 Longworth House Office Building
Washington D.C. 20515

April 16, 2014

RE: Comments on President Obama's Trade Policy Agenda

Dear Chairman Camp and Committee Members,

The Maine Citizen Trade Policy Commission (CTPC) is established in Maine State Law "..to assess and monitor the legal and economic impacts of trade agreements on state and local laws, working conditions and the business environment; to provide a mechanism for citizens and Legislators to voice their concerns and recommendations; and to make policy recommendations designed to protect Maine's jobs, business environment and laws from any negative impact of trade agreements." In seeking to fulfill its statutory mandate, the Commission voted unanimously during its meeting of March 31, 2014 to submit this letter to you indicating our strongly held concerns regarding President Obama's Trade Policy Agenda. In particular, our comments will address the following topics: the President's proposal for Trade Promotion Authority, the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).

Trade Promotion Authority

Over the past several years, the CTPC has devoted considerable attention to the past use of "Fast Track Authority" and has reviewed the current version of Fast Track as represented in the Bipartisan Congressional Trade Priorities Act of 2014 put forward by the Finance and Ways and Means Committees. After a careful review of all the factors that surround this topic, the CTPC has consistently opposed the approach represented by past trade promotion authority and has concluded that the current proposal does not sufficiently address our concerns.

The views of the CTPC and of the Maine Legislature concerning trade promotion authority are expressed clearly in the 2013 Joint Resolution which was sponsored by the CTPC chairs. Specifically, this Resolution states that the current process of trade policy consultation with U.S. states by the Federal Government *"fails to provide a way for states to meaningfully participate in the development of trade policy, despite the fact that trade rules could undermine state sovereignty"* and urges the President, the USTR and Congress to "*seek a meaningful consultation system that increases transparency, promotes information sharing, allows for timely and frequent consultations, provides state-level trade data analysis, provides legal analysis for states on the effect of trade on state laws, increases public*

Citizen Trade Policy Commission
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State House Station #13, Augusta, ME 04333-0013 Telephone: 207 287-1670
http://www.maine.gov/legis/opla/citpol.htm

participation and acknowledges and respects each state's sovereignty".

The CTPC favors a middle ground approach to congressional consultation and approval which provides for adequate congressional review while at the same time allows the USTR the necessary flexibility to negotiate complicated international trade treaties like the TPP and the TTIP. The pending trade promotion authority proposals do not achieve this standard. This Resolution (HP 1129) was passed unanimously by the Maine Legislature and can be referenced in its entirety at the following address: http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=HP1129&item=1&snum=126

Trans-Pacific Partnership (TPP)

The CTPC has also spent a great deal of time learning about the TPP and monitoring the progress of the treaty as negotiations near completion. The CTPC has serious reservations about several provisions of the TPP, to the extent that we can know about the details of this agreement, which is being negotiated in secrecy and the text of which remains confidential. In particular, we have raised concerns about provisions that would greatly reduce or eliminate footwear tariffs; procurement provisions that may bind state and local governments without their consent; provisions that interfere with the State's authority to protect the public health by regulating tobacco; provisions that threaten the continued availability of reasonably priced pharmaceuticals; and the overall threat to the sovereignty of state legislative and judicial authority represented by the use of Investor State Dispute Settlement (ISDS) mechanisms.

Footwear Tariff Reductions. The tariff reductions proposed by Vietnam within the TPP could dramatically affect the domestic production of rubber and plastic footwear to the extent that such production would in all likelihood disappear. Maine continues to have three footwear manufacturing facilities that are critically important to the continuation of our already much-reduced manufacturing base. We need the jobs in these factories-- that's the bottom line. Maine lost 32,196 manufacturing jobs (or 38.6 percent) from 1994-2011, according to Bureau of Labor Statistics figures. This figure is for total manufacturing employment, so it takes into account both jobs created by exports and jobs displaced by imports, among other causes of net job change. There is no question that many of these job losses, indeed a majority, are trade-related. Federal figures show that 21,101 workers were certified as having lost their job due to imports or offshoring under the Trade Adjustment Assistance (TAA) Program. This program has stringent rules and by no means reflects the complete picture of job losses related to free trade agreements.

It is critical that we stop these job losses and maintain tariffs that after all, reflect the differences in working conditions, environmental rules, and wage costs in Vietnam and other TPP countries such as Malaysia. These countries are already expanding their share of U.S. manufacturing without reducing tariffs.

Tobacco Controls. The CTPC is required to conduct a biennial assessment of the impacts of international trade treaties on Maine. With regards to tobacco controls within the TPP, the 2012 CTPC Assessment concluded that:

> *If TPPA chapters follow the model of existing free trade agreements (FTAs), tobacco companies could use several of them to undermine or challenge tobacco controls. The chapters include:*
>
> > *1. Investment – would give greater rights to foreign investors to challenge regulations outside of domestic courts. PMI is using investor rights to seek compensation for "indirect expropriation" of its trademarks by Uruguay and Australia.*
> > *2. Intellectual property – would provide (as proposed by the United States) a new right to use elements of trademarks (e.g., non-origin names that refer to a place like Salem and Marlboro).*

3. Cross-border services – would expand the number of laws covered by trade rules that limit regulation of tobacco-related services such as advertising, distribution and display of products.
4. Regulatory coherence – would create obligations to involve tobacco companies ("stakeholders") in policy-making, which could undermine an FCTC obligation to limit the influence of tobacco companies.
5. Tobacco tariffs – would reduce tariffs to zero (as proposed by the United States) for a range of tobacco products. Several TPPA countries have relatively high tobacco tariffs, which inhibit expansion by international tobacco companies.(page ii)

A complete copy of the 2012 CTPC Assessment can be viewed at the following location:

http://www.maine.gov/legis/opla/CTPC2012finalassessment.pdf

As a follow-up to the findings of the 2012 CTPC Assessment, the CTPC sent a letter dated August 1, 2012 to USTR Ron Kirk, which summarized our concerns about the potential treatment of tobacco in the TPP. The following excerpt from that letter, which was reasserted in a letter to Ambassador Michael Froman dated August 22, 2013, continues to represent our viewpoint:

- *We favor a complete "carve out" of tobacco from the trade provisions of the TPPA; in other words, we would prefer that any regulations or laws pertaining to tobacco be completely excluded from the TPPA. The CTPC believes strongly that the efforts of individual nations to control tobacco and combat its adverse health effects should not be interfered or impeded in any way by provisions of the TPPA or any other international trade agreement;*
- *Absent a complete "carve out" of tobacco from the TPPA, we favor an approach which modifies the purported compromise proposal being made by the USTR; more specifically, the CTPC favors an approach which ensures that all federal and state laws and regulations pertaining to tobacco regulation are not subject to jurisdiction under the TPPA and further that any tobacco-related provisions of the TPPA embrace an approach which minimizes potential litigation be it through local, state or federal court and the possible use of 'investor-state" dispute settlement systems; and*
- *Finally, the CTPC requests that the USTR develop a clear public statement on the specifics on the specific elements of a tobacco-related provision, as they are proposed by the USTR for consideration as a part of the TPPA.*

A complete copy of the text of this letter can be viewed at:
http://www.maine.gov/legis/opla/ctpctobaccotradeletter.pdf

Access to Affordable Medicines. The continued availability of affordable pharmaceuticals as a topic within the TPP remains of grave concern. Recently, in a letter to Ambassador Froman dated February 24, 2014, we stated: *"The CTPC has never supported including pharmaceutical reimbursement provisions in any trade agreement... because these provisions reduce access to affordable medicines and insert policy into trade agreements that is best left to domestic regulation."* This letter may be accessed online here: http://www.maine.gov/legis/opla/CTPCpharmaceuticalsletterto USTR.pdf . The CTPC has yet to receive any response to this letter.

The 2012 CTPC Assessment concluded that *"After years of consultation with the drug companies, USTR has proposed a Health Annex for the TPPA that requires reimbursement programs to shift to "market-derived" pricing rules and procedures that give drug companies an opportunity to litigate against the programs that are now working to contain costs. The proposal is drawing fire as a boon to drug companies that are seeking to roll back cost-containment in other countries and foreclose reforms in the United States. (page iii).*

The CTPC continues to endorse the reservations that we stated in an August 1, 2012 letter sent to USTR Ron Kirk about pharmaceutical pricing:

- *CTPC members voted to cite previous communications to the USTR regarding the treatment of pharmaceuticals in international trade treaties. In particular, we have also enclosed a letter dated February 12, 2010 which was addressed to Ms. Jennifer Choe Groves within the USTR. In that letter, the CTPC:*
    - *Voiced its support for evidence-based reimbursement decisions to restrain pharmaceutical prices;*
    - *Endorsed the continued state use of Preferred Drug Lists to also reduce pharmaceutical prices; and*
    - *Opposed any promotion of international restrictions on domestic pharmaceutical pricing programs.*
- *More specifically, the CTPC is unanimous in our support for the inclusion of a footnote in the TPPA and other trade agreements which "carves out" federal reimbursement programs such as Medicaid, 340 B and Medicare Part B;*
- *The CTPC also voted unanimously to support provisions in the TPPA and other international trade agreements which emphasize, allow for and encourage the overall affordability of pharmaceuticals in each affected country; and*
- *Finally, the CTPC requests that the USTR develop a clear public statement on the specific elements of a pharmaceuticals-related provision, as they are proposed by the USTR for consideration as a part of the TPPA.*

The complete text of the August 1, 2012 letter can be viewed at:
http://www.maine.gov/legis/opla/CTPCpharmaceuticalstradeletter.pdf)

Procurement. The CTPC has taken the position that U.S. states, as sub-central entities, should be explicitly excluded from any procurement provisions in trade agreements. Maine has comprehensive rules governing its own procurement policies, including recycled content standards for various products to promote reuse and recycling, and a Purchasing Code of Conduct requiring certification of "sweat free" labor practices for suppliers of apparel, textiles and footwear, pursuant to 5 MRSA Section 1825-O. A 2009 Maine law provides that the Governor may not unilaterally bind the state to any trade agreement, including procurement provisions, but must consult with the CTPC and the Maine International Trade Center, and receive legislative authorization to enter into the trade agreement. The 2012 Assessment referenced above analyzes potential TPP procurement provisions at p.29-33, and our position on the TPP and procurement remains unchanged from that stated in our August 1, 2012 letter to Ambassador Kirk. That letter can be accessed here: http://www.maine.gov/legis/opla/CTPCprocurementtradeletter.pdf

Transatlantic Trade and Investment Partnership (TTIP)

Most of the concerns held by the CTPC previously expressed in these comments also apply to the TTIP. To briefly reiterate, we are opposed to any lessening in the availability of reasonably priced pharmaceuticals, trade-based threats to existing and future state and federal tobacco health laws and regulations, procurement provisions that bind state entities without consent, and the serious threat to national and state sovereignty posed by the inclusion of ISDS mechanisms in the TTIP.

Investor-State Dispute Settlement. The CTPC recently articulated its concerns about the potential inclusion of ISDS in TTIP in a letter to Ambassador Froman dated February 24, 2014, and called for greater transparency and a period of public consultation about the inclusion of ISDS provisions in Free Trade Agreements including the TTIP:

As you know, concerns about overbroad investor protections, and about the ISDS process in particular, are long-standing. ISDS provides foreign investors the right to bypass domestic courts (including constitutionally-created Article III courts) and challenge the U.S. government directly before an international arbitration tribunal; a right that home-grown investors do not share. The ISDS panels are neither democratically selected nor accountable to any public- nor are they required to consider basic principles of U.S. law (such as sovereign immunity or the "rational basis" standard), nor must they weigh the public interest against the alleged violation of an investor's rights. Under this system, the U.S. government can only be a defendant (the investor takes on no corresponding responsibilities), and even when the U.S. government "wins," the U.S. people lose because valuable government resources (an average of $8 million a case) are expended to defend these often meritless claims.

A complete copy of this letter can be viewed at:
http://www.maine.gov/legis/opla/CTPC%20letter%20ISDS%20to%20USTR.pdf

Regulatory Harmonization. In addition, we have a particular concern with proposed regulatory harmonization and effectively, preemption of state regulations including environmental laws, under the investment chapter of TTIP. To the extent the TTIP seeks to harmonize regulations, it is essential that regulations are harmonized upward. Further, governments – including U.S. state governments that in our federalist system share environmental regulatory authority with the federal government – must have the flexibility to develop more ambitious environmental policies in the future. Unfortunately, European Union negotiators and many U.S. industries have explicitly targeted state regulations for preemption in TTIP, and have publicly asserted their intent to use this trade agreement to drive a deregulation agenda.

As discussed above, the potential for "investor-state" provisions in the TTIP raises particular concerns for the ability of states to protect the environment and natural resources. We know from the implementation of the North American Free Trade Agreement (NAFTA), and its investor-state dispute provisions, that corporate challenges under the investment chapter are frequently focused on environmental regulations and policies. Past and current WTO and NAFTA cases against Canadian provinces and U.S. states have included challenges to zoning and regulation of mining, renewable energy policy including local content requirements, regulating toxics in groundwater, and water pollution permitting – all subjects over which state governments have jurisdiction.

Local Agriculture and Food Initiatives. The State of Maine and many local governments have proactively promoted "Buy local" and "Maine Made" programs including Farm to School, Farm to Hospital and other initiatives aimed at sourcing healthy, local and regional foods into institutions as a way of enhancing nutritional and other health outcomes for consumers, supporting local economies, and improving farm profitability. The CTPC is concerned that proposals being advanced in the TTIP negotiations could restrict or even eliminate criteria that favor local or regionally-grown foods as "localization" barriers to trade. The CTPC opposes any provisions in the TTIP that would limit preferences in public procurement programs for healthy, locally grown foods, and communicated its concerns to Ambassador Froman in a recent letter dated February 24, 2014, which may be read in its entirety here: http://www.maine.gov/legis/opla/CTPCprocurementlettertoUSTR.pdf

To follow up on these concerns, for its 2104 Trade Assessment, the CTPC is commissioning a report to be jointly conducted by the Institute for Agriculture and Trade Policy and the Maine Farmland Trust on the potential impact of procurement and other provisions on our agriculture policies. The CTPC notes that the EU has been clear in the TTIP negotiations about its intention to preempt state laws that are stricter or different from federal law, and also that the EU seeks to bind states through the procurement chapter. The CTPC opposes that proposal and believes that decisions on whether to bind states on procurement should be left to the individual states.

Citizen Trade Policy Commission
c/o Office of Policy & Legal Analysis
State House Station #13, Augusta, ME 04333-0013 Telephone: 207 287-1670
http://www.maine.gov/legis/opla/citpol.htm

Finally, additional perspectives on other trade topics that are prominently mentioned in President Obama's 2014 Trade Agenda are included as Exhibit 1in the attached testimony about the TTIP provided by CTPC Co-Chair Representative Sharon Anglin Treat to the USTR in May of 2013. These trade topics include opinions on investment, services and regulatory coherence, insurance, environmental protections, and access to health care. The perspectives provided in this testimony reflect the current viewpoints of the CTPC.

Thank you for the opportunity to present our viewpoints on President Obama's Trade Agenda. Please feel free to contact us with any questions that you may have.

Sincerely,

Senator Troy Jackson, Chair

Representative Sharon Anglin Treat, Chair

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Sen. Troy Jackson, Chair
Sen. John Patrick
Sen. Roger Sherman
Rep. Sharon Treat, Chair
Rep. Jeff McCabe
Rep. Bernard Ayotte

Robert Umphrey
Stephen Cole
Michael Herz
Dr. Joel Kase

STATE OF MAINE

Citizen Trade Policy Commission

John Palmer
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Exhibit 1

Comments on the Trans-Atlantic Trade and Investment Partnership (TTIP):
Concerns of State and Local Governments
Provided by Maine Representative Sharon Anglin Treat
Federal Register Docket Number USTR–2013–0019 S
https://federalregister.gov/a/2013-07430

Citizen Trade Policy Commission
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State House Station #13, Augusta, ME 04333-0013 Telephone: 207 287-1670
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STATE OF MAINE
HOUSE OF REPRESENTATIVES
126th LEGISLATURE

May 10, 2013

Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Comments on the Trans-Atlantic Trade and Investment Partnership (TTIP):
Concerns of State and Local Governments
Provided by Maine Representative Sharon Anglin Treat
Federal Register Docket Number USTR–2013–0019
https://federalregister.gov/a/2013-07430

Thank you for the opportunity to provide written comments on the proposed Transatlantic Trade and Investment Partnership (TTIP). I am a legislator serving my 11th term in the Maine Legislature, currently in the Maine House of Representatives, having also served in the Maine Senate. I co-chair the Maine Citizen Trade Policy Commission, and am House Chair of the Legislature's Joint Standing Committee on Insurance & Financial Services Committee. I am also a cleared advisor representing Maine on the Intergovernmental Policy Advisory Committee to the U.S. Trade Representative.

While these written comments are provided in my individual capacity, the positions taken herein reflect policy that has been previously adopted by the Maine Citizen Trade Advisory Council (CTPC) and communicated to the USTR as well as our Congressional delegation. These comments on the TTIP draw extensively from the position papers and letters of the CTPC, as well as Joint Resolutions adopted by the Maine Legislature, which are posted on our website, addressing issues including procurement, tobacco regulation, pharmaceutical reimbursement and pricing, investment policies and dispute resolution, as well as insurance, consumer and environmental regulation, and trade promotion authority.

I intend to present oral testimony at the hearing scheduled for May 29-30, and at that time may be presenting on behalf of the Maine Citizen Trade Policy Commission, following consultation with the full Commission at its regularly scheduled meeting later this month.

Background. The Citizen Trade Policy Commission (CTPC) provides an ongoing state-level mechanism to assess the impact of international trade policies and agreements on Maine's state and local laws, business environment and working conditions. It was established in 2003 by PL 2003, Chapter 699. The 22 member Commission includes six legislators, an Attorney General

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designee, five non-voting agency officials representing the Department of Labor, the Department of Health and Human Services, the Department of Environmental Protection, The Maine International Trade Center, the Department of Agriculture, Food and Rural Resources, and 10 public members representing business, labor, health, farming, government and environmental interests.

The CTPC's statutory mandate was amended by PL 2007, Chapter 266 to require that the Commission hold regular meetings, gather information from the public through hearings, submit an annual report on its activities, and conduct a biennial assessment on the impacts of international trade agreements on Maine. All of the CTPC's annual assessments, reports, letters, press releases and meeting agendas, as well as related legislation, are posted on its website, and may be accessed here: http://www.maine.gov/legis/opla/citpolassessments.htm.

Comments on specific issues or potential chapters of the TTIP:

PROCUREMENT

The Maine CTPC has consistently endorsed the position that coverage of U.S. states as sub-central entities should be ***explicitly excluded*** from any procurement provisions in trade agreements. The CTPC was established by statute as a direct consequence of legislation addressing state procurement of "sweat free" products and concern about labor standards in our trading partners. Maine has comprehensive rules governing its own procurement policies, including recycled content standards for various products to promote reuse and recycling, and the state has adopted a Purchasing Code of Conduct requiring certification of "sweat free" labor practices for suppliers of apparel, textiles and footwear, pursuant to 5 MRSA Section 1825-O.

In order to assure that these Maine-specific rules are in fact complied with, the State has also enacted a law governing the authority and procedure that must be followed in order to bind the State of Maine to any procurement rules adopted in any trade agreement. Since 2009, the Governor may not unilaterally bind the state to any trade agreement, but must consult with the CTPC and the Maine International Trade Center, and the Legislature must pass a law authorizing the Governor to enter into the trade agreement, see Public Law, Chapter 385 H.P. 876 - L.D. 1257, "An Act To Require Legislative Consultation and Approval Prior to Committing the State to Binding International Trade Agreements" which reads as follows:

> "Sec. 1. 10 MRSA §13 is enacted to read:
> § 13. Legislative approval of trade agreements
> 1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.
> A. "Commission" means the Citizen Trade Policy Commission established in Title 5, section 12004- I, subsection 79-A.
> B. "Trade agreement" means an agreement reached between the United States Government and any other country, countries or other international political entity or entities that proposes to regulate trade, procurement, services or investment among the parties to the agreement. "Trade agreement" includes, but is not limited to, any agreements under the auspices of the World Trade Organization, all regional free trade agreements, including the North American Free Trade Agreement and the Central America Free Trade Agreement and all bilateral agreements entered into by the United States, as well as requests for binding agreement received from the United States Trade Representative.
>
> 2. State official prohibited from binding the State. If the United States Government provides the

State with the opportunity to consent to or reject binding the State to a trade agreement, or a provision within a trade agreement, then an official of the State, including but not limited to the Governor, may not bind the State or give consent to the United States Government to bind the State in those circumstances, except as provided in this section.

3. Receipt of request for trade agreement. When a communication from the United States Trade Representative concerning a trade agreement provision is received by the State, the Governor shall submit a copy of the communication and the proposed trade agreement, or relevant provisions of the trade agreement, to the chairs of the commission, the President of the Senate, the Speaker of the House of Representatives, the Maine International Trade Center and the joint standing committees of the Legislature having jurisdiction over state and local government matters and business, research and economic development matters.

4. Review by commission. The commission, in consultation with the Maine International Trade Center, shall review and analyze the trade agreement and issue a report on the potential impact on the State of agreeing to be bound by the trade agreement, including any necessary implementing legislation, to the Legislature and the Governor.

5. Legislative approval of trade agreement required. Unless the Legislature by proper enactment of a law authorizes the Governor or another official of the State to enter into the specific proposed trade agreement, the State may not be bound by that trade agreement."

By letter to USTR dated August 1, 2012, the Maine CTPC has also stated support for permitting "Buy America" provisions in state and federal laws and regulations (see letter posted here: http://www.maine.gov/legis/opla/CTPCprocurementtradeletter.pdf). The letter states in pertinent part that the CTPC and State of Maine favor a policy that leaves to the U.S. states the decision whether and to what extent to be subject to the procurement provisions of trade agreements. Maine also commissioned a study of potential procurement impacts on the State from trade agreements broadly and the TPP specifically (see pages 27-34 of the CTPC's 2012 Trade Assessment, posted at: http://www.maine.gov/legis/opla/CTPC2012finalassessment.pdf).

Procurement provisions in any trade agreement, including the proposed TTIP, must not bind states without their explicit approval (opt-in) so that state "Buy American," "sweat free" and other procurement rules continue to be enforceable.

INVESTMENT

An investment chapter in the TTIP would provide both substantive investor protections and a process for investor-state dispute settlement. EU countries have entered into about 1,200 investment treaties, and the United States about 60 (counting treaties and investment chapters of FTAs). Most of these are with developing countries; they give a legal advantage to the EU or U.S. investor to challenge laws in a developing country. That one-sided advantage disappears in an investment agreement between the EU and the United States. In virtually all sectors, corporations are invested in subsidiaries on both sides of the Atlantic (valued at $US 3.7 trillion). Thus, if TTIP includes an investment chapter, corporations would have standing to challenge whichever side of the Atlantic is more progressive (less favorable to investors).

The goal set by the TTIP High-Level Working Group is to harmonize differences between U.S. and EU investor protections in favor of the most investor-friendly side of the Atlantic. This would have the effect of canceling a decade of incremental reform in U.S. trade and investment agreements, for which the Maine CTPC has been a consistent advocate. These reforms include:

- ***Expropriation*** – an annex to clarify that except in rare circumstances, regulations that serve a public welfare objective do not constitute an indirect expropriation.
- ***Fair and equitable treatment*** – a clarification that FET is limited to the standard of treatment that is required by Customary International Law (CIL), which means that governments must only compensate investors when there is a state practice of doing so out of a sense of legal obligation.

Even with these reforms, the investor rights are unnecessarily vague. Yet the EU's investment treaties are worse; they give more power to arbitrators to ignore state practice and compensate investors based on doctrines developed by arbitrators. By favoring the most investor-friendly version, the goals of TTIP flatly ignore the limited progress that the United States has made to clarify the scope of foreign investor rights.

Investment rules and the investor-state dispute resolution system have been justified on the grounds that they protect foreign investors from the discriminatory or capricious actions of the host government, or protect investors from poorly performing or inefficient domestic courts. Independent, capable, and fair judicial systems are well-established in the both the U.S. and the EU. There is simply no reasonable justification for including an investment chapter in the TTIP.

Considering that the rule of law and judicial systems are well-developed on both sides of TTIP negotiations, there is no place for an investment chapter in the TTIP.

SERVICES AND REGULATORY COHERENCE

On a number of occasions, the Maine CTPC has commended USTR for paying close attention to WTO negotiations on services and for opposing proposals from other countries that would limit the regulatory authority of state and local governments. This is especially important with respect to essential services that are regulated by states and provided by local governments (e.g., insurance, health care facilities, licensing of professionals, waste management, distribution of energy, etc.). In the Trans-Pacific negotiations, some of the WTO proposals have resurfaced in a new chapter on "regulatory coherence." For example, the chapter promotes use of regulatory impact assessments that apply cost-benefit analysis in ways that are not consistent with state-level regulation of public utilities and other service providers.

The chapters on services and regulatory coherence are highly sensitive in light of our federal system and principles of dual sovereignty. U.S. negotiators risk ruining years of good will if they proceed to negotiate these chapters in the TTIP with the lack of transparency demonstrated in the Trans-Pacific process.

INSURANCE

Particularly with respect to regulation of services relating to insurance, the State of Maine has taken a strong position that trade and investment agreements must not limit state authority. Insurance regulation is primarily, and almost exclusively, a state-level activity. Maine has a strong interest in preserving its role as the primary regulator of the insurance industry providing services in the states, and in maintaining authority to set reserve standards to assure solvency of the industry and consumer protections, to perform market conduct exams, to require disclosure of insurance policy terms, to seek redress through enforcement actions, and to exclude insurance policies and insurers from the market that do not meet these state standards.

The Maine Citizen Trade Policy Commission opposed the creation of a federal insurance office with powers to declare state insurance laws preempted by trade agreements, both pending and ratified (see letter of April 16, 2010 to Senator Christopher Dodd, posted here: http://www.maine.gov/legis/opla/citpoltradedocs.htm). Maine's Insurance Superintendent testified before Congress on these issues, and our Attorney General wrote to oppose the provisions. States throughout the country opposed these federal trade preemption provisions through the testimony of the National Association of Insurance Commissioners. That proposal was defeated, and the Federal Insurance Office that was established in the Dodd-Frank Act is purely advisory. TTIP should not include any provisions that subvert this state-federal regulatory balance.

The USTR should not include in any trade agreement, including the proposed TTIP, any provisions that limit or remove from U.S. state regulation insurance and other financial products and services currently regulated by the states.

TOBACCO CONTROL

Maine has some of the strongest tobacco control laws in the country, including tobacco taxes intended to reduce tobacco use and encourage and assist cessation. Maine was one of the 46 states and 5 territories that sued the tobacco industry and entered into a global settlement with the defendants. That settlement not only provides ongoing funding to the state's tobacco cessation and prevention efforts, it also established the regulatory framework codified in federal law. Since 1997 to 2005, rates for adults who smoke decreased from 30% to 21%, and the rate among high school students plunged nearly 60%. Maine has received national recognition for its impressive outcomes in tobacco prevention in schools, workplaces, communities and retail stores.

The continued success of these efforts is incredibly important to Maine policymakers, the medical and public health community and the parents of our youth. It is vital that tobacco be treated as a special case by our trade rules, and that the proposed TTIP include tobacco exception language that is clear, broad in scope, and effective. It must not preclude new policies in response to changes in our understanding of not only the science of addiction and health impacts, but also of marketing and psychology. It must be able to respond to the ever-evolving strategies and products of the tobacco industry as that global industry adapts to changing regulations and understanding.

For these reasons, and the actions of Philip Morris International (PMI) challenging tobacco regulations adopted in Uruguay and Australia using investor-state arbitration provisions, the Maine Citizen Trade Policy Commission wrote to the U.S. Trade Representative in a letter dated November 19, 2010 calling "for tobacco be carved out of TPP and any future trade agreement."

Unless there is a clear carve-out, a TTIP investment chapter would give PMI standing to challenge tobacco-control measures in the EU, as it would give British American Tobacco (BAT) standing to challenge measures in the United States.

One goal of TTIP is to eliminate tariffs, including tariffs on tobacco products. U.S. tariffs on cigarettes are 41.7 cents/kg + 0.9% (bound and applied rates); EU tariffs are 10% ad valorem (bound and applied rates). (WTO, Tariff Analysis Online)

U.S. trade negotiators have a history of negotiating tariff reductions in order to promote market access on behalf of tobacco companies. For many years, the U.S. Congress has adopted the Durbin and Doggett Amendments to appropriations acts; they prohibit federal agencies from promoting "the sale or export of tobacco or tobacco products" or seeking "the reduction or removal by any foreign country of restrictions on the marketing of tobacco or tobacco products, except for restrictions which are not applied equally to all tobacco or tobacco products of the same type." President Clinton issued Executive Order 13193 in 2001 to make clear that the prohibition applies to all executive agencies and "the implementation of international trade policy."

It is hard to avoid the conclusion that the purpose of eliminating tobacco tariffs is to promote tobacco trade or to provide tobacco companies with a windfall. For U.S. negotiators to do so in the TTIP would violate the Doggett Amendment and the Clinton Executive Order. Eliminating tariffs will also reduce the cost of tobacco products generally and undermine the efforts of Maine and other states to reduce tobacco use through steep taxes, a policy with proven effectiveness, particularly in reducing youth smoking.

USTR has vetted (but not yet proposed) an exception in the Trans-Pacific negotiations for regulations that restrict tobacco trade. The exception would apply only to regulations issued by health authorities, not to legislation; it would not apply to regulations adopted by tax, custom, or licensing authorities such as those at the state level. In short, the U.S. proposal is so narrow it would protect only the U.S. Food and Drug Administration, but not the states; and it would require a scientific burden of proof that exceeds the burden in the WTO health exception under GATT and GATS.

The Maine Citizen Trade Policy Commission has taken the position that it is more effective to simply exclude tobacco-control measures from all future trade agreements, including the TTIP. Whereas an exception requires extensive litigation to work as a defense, an exclusion (also called a carve-out) limits litigation to the preliminary question of whether a measure is covered.

ENVIRONMENTAL PROTECTIONS

To the extent the TTIP seeks to harmonize regulations, it is essential that regulations are harmonized upward. Further, governments – including U.S. state governments that in our federalist system share environmental regulatory authority with the federal government – must have the flexibility to develop more ambitious environmental policies in the future.

Of great concern with respect to the TTIP is the fact that the inclusion of so-called "national treatment for trade in gas" would remove the ability of the U.S. Department of Energy to review, condition, or deny exports of US liquid natural gas (LNG) to EU countries. Automatic exports of U.S. LNG to the EU, a significant importer of natural gas, would likely expand hydraulic fracturing (fracking), across the country and lead to higher domestic electricity prices, affecting consumers, U.S. manufacturing, and U.S. jobs.

The potential for "investor-state" provisions in the TTP raises particular concerns for the ability of states to protect the environment and natural resources. We know from the implementation of the North American Free Trade Agreement (NAFTA), and its investor-state dispute provisions, that corporate challenges under the investment chapter are frequently focused on environmental regulations and policies. Past and current WTO and NAFTA cases against Canadian provinces

and U.S. states have included challenges to fracking moratoria, zoning and regulation of mining, renewable energy policy including local content requirements, regulating toxics in groundwater, and water pollution permitting – all subjects over which state governments have jurisdiction.

The current trade negotiation process is neither transparent nor inclusive, with negotiations taking place behind closed doors and confidential texts shared with very few state policymakers or advocates for public health and the environment. Currently, state and local officials have limited access to vital information about trade policy decisions, and no meaningful role in forming U.S. positions for trade negotiations - even though they are required to conform their democratically-enacted domestic policies to the constraints and priorities set in trade and investment pacts such as the TTIP.

The CTPC, a state government authority, has experienced over many years great difficulty even in scheduling timely briefings on USTR policies and activities, and there are limited opportunities for the Commission to influence the U.S. trade agenda and specific negotiations.

The TTIP should not override state authority to regulate environmental concerns when those state policies meet the legal standards in the U.S. Constitution.

ACCESS TO HEALTHCARE

State officials, including the Maine CTPC, have repeatedly warned the USTR over the past several years about the harm to U.S. health programs that will follow from the use of trade policy to restrict foreign and domestic medicine pricing programs. These concerns have been raised with respect to the Australia-US FTA, the Korea-US FTA and the Trans-Pacific Partnership Agreement.[1]

The Maine Citizen Trade Policy Commission recently commissioned a statutorily required biennial Assessment of the potential impact of trade policy on Maine's citizens, economy, laws and policies. The Assessment concluded that the impact of proposed provisions in the TPPA on pharmaceutical pricing in Maine, and on access to healthcare, could be significant. The analysis was based on the leaked June 2011 TPPA healthcare transparency text as well as intellectual property provisions under consideration in the TPPA negotiations.

On August 1, 2012, the Maine CTPC wrote to Ambassador Ron Kirk reiterating its concerns about the healthcare technologies text and referring to the Assessment. The letter is posted online here: http://www.maine.gov/legis/opla/CTPCpharmaceuticalstradeletter.pdf . The letter reasserts the Commission's support for the positions adopted in previous communications on this issue, in particular its February 12, 2010 letter to USTR. The Commission particularly noted the following:

- Its **support** for evidence-based reimbursement policies to restrain pharmaceutical prices;

[1] See eg, letter from Vermont Governor Peter Shumlin dated June 1, 2011 to U.S. Trade Representative Kirk and President Obama to oppose the inclusion of a pharmaceutical or healthcare annex in the TPPA. The letter is posted here: http://freepdfhosting.com/6ee2e21e4c.pdf. Prior letters and resolutions have been written by officials or commissions in states including California, Vermont, Maine, Washington State, Connecticut, Arizona, West Virginia, Massachusetts, Alaska, Hawaii, and New Hampshire. Some of these letters and resolutions are posted here: http://www.wcl.american.edu/pijip/go/trade-statedocs.

- Its **endorsement** of the continued use of preferred drug lists to reduce pharmaceutical prices;
- Its **opposition** to *"any promotion of international restrictions on domestic pharmaceutical prices"*; and
- Its **support** for *"the inclusion of a footnote in the TPPA and other trade agreements which "carves out" federal reimbursement programs such as Medicaid, 340 B and Medicare Part B".*

The Maine Citizen Trade Policy Commission has taken a strong position against inclusion of restrictive healthcare pricing and intellectual property provisions in any future trade agreement, including the TTIP. The Commission adopted the following strong statement on its position opposing the restrictive pricing language such as that proposed in leaked TPPA healthcare technologies text: ***"The CTPC voted unanimously to support provisions in the TPPA and other international trade agreements which emphasize, allow for and encourage the overall affordability of pharmaceuticals in each affected country."***

SUMMARY

The State of Maine has expressed many concerns about past U.S. trade and investment agreements, as well as the process used to negotiate and approve of these treaties. Through the Maine Citizen Trade Policy Commission, the state has conducted a thorough review of the impacts of these treaties on the state's sovereignty and its authority to protect the public health, safety and welfare.

As the USTR enters into negotiations for a Transatlantic Trade and Investment Partnership, it is imperative that the resultant treaty respects the sovereignty of U.S. states under the federalism provisions of the U.S. Constitution, and that negotiators consult in a meaningful way with state policymakers so that the TTIP does not undermine environmental and public health protections, access to healthcare, procurement standards, and regulation of services such as insurance, which have been reserved to the states. Thank you for your consideration.

Respectfully submitted,

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Submission to the United States House of Representatives Committee on Ways and Means regarding the April 3, 2014 Hearing on President Obama's Trade Policy Agenda

April 17, 2014

Médecins Sans Frontières/Doctors Without Borders (MSF) is an independent international medical humanitarian organization that delivers medical care to people affected by armed conflicts, epidemics, natural disasters and exclusion from healthcare in nearly 70 countries, with a workforce of 34,000 and an annual budget of over $1.4 billion.

MSF thanks the Committee on Ways and Means for the opportunity to submit a written statement for consideration in the April 3, 2014 Hearing on President Obama's Trade Policy Agenda. Our engagement with trade issues is limited to the extent to which they impinge on our ability to exercise our medical/humanitarian mission and set standards which affect the global health objectives to which we, along with many other health organizations are striving.

In order to fulfill its mission, MSF requires access to affordable medicines, vaccines and other medical technologies. MSF's Campaign for Access to Essential Medicine was established with the financial element of the Nobel Peace Prize awarded to MSF in 1999. The campaign was established in response to a growing awareness that trade and intellectual property rules were key barriers to ensuring accessibility and affordability of essential medicines, vaccines and diagnostics. The Access Campaign therefore builds on MSF's experiences to influence reform of the legal and regulatory barriers of access to medical tools, the inadequacy of the current medical innovation system and to ensure trade and intellectual property laws and regulations do not jeopardize public health. As a medical treatment provider with more than 40 years of experience caring for vulnerable patients, MSF is able to speak about the relationship between trade, intellectual property (IP) rules and access to medicines, and about the role generics have played in driving down high costs of medicines and enabling access and innovation to life-saving medicines for millions around the world.

We are writing to express our deep concern with the trade policies pursued by the United States, specifically with the intellectual property, pricing and investment dispute settlement demands with trading partners, especially but not limited to India and TPP negotiating countries. We believe these threaten to restrict access to medicines and medical technologies for millions by delaying or denying generic competition and by impeding much needed public-health driven innovation.

Generic competition has proven to be the best way to reduce drug prices and improve access to treatment. MSF began providing antiretroviral (ARV) treatment for HIV/AIDS in 2000 when the cost of treatment was more than 10,000 USD per patient per year. MSF now treats 285,000 people in HIV/AIDS projects in 21 countries, mostly with generic drugs produced in Asia. These generics have reduced the cost of treatment by nearly 99 percent to less than 100 USD per patient per year[i]. Patients, Ministries of Health, medical treatment providers like MSF, and the U.S.-funded PEPFAR and the Global Fund to Fight AIDS, Tuberculosis and Malaria, routinely rely on affordable quality generic medicines to treat HIV/AIDS and a variety of other health needs and conditions.

Furthermore, over the past decade the U.S. has made a series of commitments to protecting global health including, but not limited, to the 2001 WTO Doha Declaration on TRIPS and Public Health and the 2008 WHO Global Strategy and Plan of Action on Public Health, Innovation, and Intellectual Property, and in bilateral agreements with developing countries like Colombia, Panama and Peru. MSF urges the U.S. to uphold these commitments and to respect legal public health flexibilities enshrined in international law in its relationships with trading partners.

Trans-Pacific Partnership Agreement (TPP): Trading Away Health

MSF is deeply concerned by provisions under negotiation in the Trans-Pacific Partnership Agreement (TPP) that threaten to restrict access to affordable medicines for millions of poor people, especially but not limited to those in low- and middle-income developing countries.

The TPP is being negotiated without opportunity for meaningful public input. Leaked texts now in the public domain, however, indicate that stringent intellectual property (IP) provisions proposed by the United States go well beyond rules established by the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). These demands will roll back public health safeguards and flexibilities enshrined in international law, and put in place far-reaching monopoly protections that will restrict generic competition and keep medicine prices unaffordable for millions for years to come.

We believe the U.S. demands in the TPP presents a direct threat to the future availability of affordable medicines for MSF's patients and for millions of others around the Asia-Pacific region. We are also concerned that the TPP, billed as a '21st century model trade agreement', could become a global standard, with worldwide damaging repercussions for access to treatment and medical care.

MSF is not alone in expressing concerns with the U.S. demands in the TPP. Many others, including UNITAID[ii], International AIDS Society[iii], the Holy See[iv], Nobel-prize winning economists[v,vi], many U.S. and international civil society groups[vii] and Members of U.S. Congress[viii] share our concern that the TPP will restrict access to medicines unless harmful provisions are removed.

Below, we highlight some of the key concerns of TPP proposed provisions and their potential effects on access to medicines. For a more detailed analysis, including a reference to other

provisions under negotiation that will also affect public health, please refer to MSF's Open Letter to TPP Negotiating Countries and MSF's issue briefs and analysis, available online.[ix]

TPP proposes to lower standards of patentability

Under the WTO's TRIPS Agreement governing global intellectual property norms, governments have the right to define what does and does not deserve a patent in a way that addresses the needs of their own citizens and innovation system, as long as they abide by the patentability criteria and patentable subject matter norms agreed under international law. We think it is in the public interest for governments to retain these flexibilities, including to be able to strengthen patentability criteria and limit industry patent evergreening and other abusive patenting practices. The U.S. is contributing to this effort with a variety of recent Supreme Court decisions that narrow what deserves a patent under U.S. law.[x]

The U.S. also recognizes that excessive patenting can undermine innovation and American economic productivity across many sectors. President Obama's State of the Union Address this year reflects this in his calls for reform of the U.S. patent system and limits to costly patent litigation that "[allow] our businesses to stay focused on innovation."

In the TPP negotiations however, the U.S. is proposing to mandate the granting of secondary patents, including for developing countries, forcing countries to grant patents on modifications of existing drugs and allowing pharmaceutical companies to extend patent monopolies beyond the 20-year original patent term. This is not only not required under international trade law but threatens to restrict or at best delay access to price-lowering generic competition. It is difficult to estimate how long monopolies will be extended, and most likely the effects will differ drug by drug and country by country, but a recent study found that granting secondary pharmaceutical patents extends the life of monopoly protections by an average of more than six years.[xi]

In contrast, in India, where the patent law has tools to limit patent evergreening and secondary patenting, for example, the patent office rejected Novartis' patent application for a modification of an existing life-saving anti-cancer drug, imatinib mesylate. This patent rejection allowed generic competition that has brought down prices for this drug from over US $2,400 per patient per year (ppy) to US $200 ppy.[xii]

The U.S. government continues to make adjustments to its patent system to achieve a better balance between rewarding innovation and providing for health and other public needs. It should allow other governments, like TPP negotiating countries, to do the same. Allowing for strict patentability does not undermine rewarding innovation through the patent system, but rather curtails the worst excesses, ensuring that innovators focus their energies on truly useful and new drugs and other medical technologies, rather than business strategies that extend existing patent monopolies with low or no inventive and societal contribution.

TPP mandates 12 years of data exclusivity for biologics

MSF is concerned by reports that the USTR is demanding 12 years of data exclusivity for a certain class of drugs known as biologics in the TPP. Biologics are already very expensive and

many times unavailable as a treatment option in many of the developing countries where MSF works.

Data exclusivity for any drugs is not required by international law. The U.S. is the only TPP negotiating country that currently requires 12 years of data exclusivity for biologics, but even within the U.S. the period of 12 years is challenged. As the Federal Trade Commission's analysis on the subject found, 12 years of data exclusivity for biologics is not warranted to promote innovation and is not even appropriate for the U.S., imperiling the public health and budgetary benefits to accelerate the entry of follow-on biologics. [xiii] Furthermore, for four consecutive years, the Obama administration has proposed through budget proposals to reduce the term for biologic data exclusivity from twelve to seven years. [xiv] As cited in the Administration's own proposal, in U.S. federal programs alone, reducing data exclusivity for biologics by five years would result in savings of at least US $3 billion over ten years.[xv]

Data exclusivity raises the price of medicines even when no patent exists. For example, in the U.S., the price of colchicine, a treatment used mainly for gout, rose more than 5000% after data exclusivity was enacted.[xvi] Colchicine has been in use for thousands of years, costs almost nothing to produce, and cannot be patented. Therefore, generic formulations of the tablet have been widely available since the 19th century. However, a new monopoly on colchicine was created in 2009 when the FDA accepted clinical data from a one-week trial of the drug and granted data exclusivity to URL Pharma. URL Pharma subsequently sued to force other manufacturers off the market, and raised prices from $0.09 to $4.85 per pill.

MSF is opposed to any efforts by the USTR to export these contested and access-restricting U.S. regulations to trading partners, especially in developing countries where more affordable biosimilars or follow-on biologics are urgently needed.

Investor State Dispute Settlements are a public health risk

The USTR is proposing to include investor-state dispute settlement (ISDS) provisions in the TPP and to allow its applications to intellectual property and others policies that can affect public health. The ISDS clauses in the leaked text of the TPP extend and define Intellectual Property (including pharmaceutical patents or essential medicines) as assets, and provide rights to sue if governments take actions which are 'tantamount to expropriation' of these assets.

In addition the investment chapter of this trade agreement gives the right for investors to enjoy "treatment in accordance with international law, including fair and equitable treatment and full protection and security" in relation to their investments. This definition of fair and equitable treatment in accordance with international law is not a clear and obvious standard, and critically for public health, does not necessarily encompass the objectives of the Doha Declaration on Public Health.

It is the view of MSF that ISDS clauses pose an unnecessary risk to public health objectives – and in particular ensuring access to affordable medicines. MSF is concerned that this opens up the possibility of pharmaceutical companies suing governments for policies and strategies that promote public health, including governments who opt to use the TRIPS flexibilities (e.g. define

strict patentability standard to scrutinize and exclude patents for trivial changes of known medicines, or issuing a compulsory license for the production or import of a generic version of an essential medicine) arguing that this breaches the standard of fair and equitable treatment or may amount to expropriation of an asset.

If ISDS provisions are included in the TPP, it could undermine countries' ability to set patentability criteria to balance with public health needs of their population, for example, in direct contradiction with the rights and flexibilities afforded to them by international rules. For example, ISDS provisions included in the North American Free Trade Agreement (NAFTA) have allowed U.S. pharmaceutical company Eli Lily to sue the government of Canada, seeking 500 million Canadian dollars in compensation following the invalidation of two of the company's patents by Canadian courts.

Patents are private rights given by governments and if they are infringed upon, patent-holding pharmaceutical companies can always go to national courts and seek for adequate remedies. However, investor-state dispute settlement provisions give corporations an additional right to sue governments in extrajudicial private tribunals if the regulatory environment or government practices negatively affects their expect profits. Furthermore, decisions made by these ISDS bodies are often unappealable and damages owed by developing country governments will be paid out of public funding.

In Ambassador Froman's testimony, he stated that USTR is considering safeguards that allow governments to "regulate as they see fit" in the public interest for health. However in other ISDS agreements with language included intending to safeguard government capacity to pass laws and regulations in the public interest (including for public health), exceptions in the language of these safeguards leave ambiguity. Legal opinion is far from unanimous on whether the wording in similar ISDS "safeguards" is strong enough to ensure public health protection.[xvii] The carve out for exceptional circumstances in which government regulations intended to protect the public interest may not be protected is thought[xviii] to give too much scope for lawyers to devise ways to circumvent this proposed safeguard.

In the case brought by Eli Lilly in Canada under NAFTA such a safeguard would not appear to be relevant because the matter contested relates to definitions of patent law and not public health regulations per se, although the ruling on the patentability criteria test might have a public health impact. Thus, a narrowly defined approach to safeguards would not prevent ISDS from being used in attacking legislative and regulatory measures that have a direct or indirect impact on health.

These so called safeguards do not ensure that public health measures will be free from contestation by pharmaceutical companies. Even if the settlement process is thought unlikely to be successful the mere threat of a lengthy and costly settlement process could be enough to dissuade governments, particularly those in low- and middle-income countries with significant resource constraints, from enacting public health measures like those facilitated by the Doha Declaration. Furthermore, with unappealable decisions being issued by these tribunals, countries will still have to consider the risks of unfavorable judgments from these extrajudicial tribunals without any ability to appeal.

Special/differential treatment proposal is not sufficient and not May 10 compliant

After years of opposition to their initial demands, in November 2013, the United States trade negotiators proposed a "differential treatment approach" to the TPP Intellectual Property chapter claiming to be extending some of the public health flexibilities included in the 2007 New Trade Policy (May 10 Agreement) to the developing countries currently negotiating the TPP. In his testimony, Ambassador Froman also claimed that the USTR proposal in the TPP was now consistent with the May 10 Agreement.

In February 2014, MSF joined a coalition of U.S. and international civil society organizations[xix] in the criticism of this empty promise for balance. USTR's proposal would impose unprecedented and excessive "TRIPS-plus" IP protections for both developed and developing countries. Such measures favor the expansion of drug monopolies at the expense of patients' health and fails to preserve even the modest pro-access steps achieved under the May 10 Agreement. MSF is concerned about the mischaracterization of this proposal as being coherent with the May 10 Agreement.

The TPP imposes new and harsher measures for health that were never part of the U.S. trade agreements with Peru, Colombia and Panama and therefore were not considered in the May 10 Agreement. Yet all TPP countries are expected to adopt these new provisions, which include: lower patentability standards that will expand the scope of what can be patented and a special, extra-long additional period of data exclusivity for biologics that will block access to more affordable biotech medicines that are urgently needed to treat diseases such as cancer and hepatitis, as described above.

This differential treatment proposal is not only inadequate in scope – failing to fully incorporate the May 10 Agreement – it is unacceptably limited in scale. Under USTR's proposal, only a few of the less wealthy countries will be eligible for differential treatment, and they would still be forced to adopt access-restrictive IP protections in the long-term. USTR's differential treatment proposal simply consists of the limited application of some of the harmful provisions of the IP chapter (patent linkage, patent term extensions, and certain types of data exclusivity) for certain developing countries. Yet the terms of these provisions may still be more restrictive than those afforded to developing countries under the May 10 Agreement. Further, these different standards would only be available until those countries cross a certain income or number of year threshold. They also may not be available for other developing countries that may accede to the TPP in the future. By contrast, the terms offered to Peru, Colombia and Panama under the May 10 Agreement were permanent.

Lack of transparency

During his testimony Ambassador Froman cited the USTR's new committee for public interests groups as evidence of transparency and consultation of "peer advisors" for the TPP. However, MSF remains concerned about the lack of transparency for TPP negotiations. Even if this new public interest group committee included an appropriate representation of technically qualified experts representing public health concerns to balance the many pharmaceutical and medical

technology representatives already included in USTR advisory committees, the terms of confidentiality that members of this committee will have to agree to does not resolve the lack of transparency. If public health experts reviewing the text cannot also speak on their concerns, then the value of providing comments directly to USTR by sitting on the committee may be far outweighed by the damage of restricting civil society's public voice. A true commitment to transparency would be to publicly release the negotiating text.

Punishing India for the promotion of life-saving generic competition

In his testimony Ambassador Froman highlighted the ongoing efforts by the USTR to pressure India over intellectual property policies and measures protecting access to medicines. MSF has expressed our concern before over this unwarranted pressure on India. A timeline outlining the strategies and the escalating frequency of these efforts can be found on our website.[xx]

In short, India's patent law and its judiciary are under pressure for policies that are entirely in line with its obligations as a WTO Member State and also a government that should be promoting public health-driven policies. In compliance with its international obligations, India has started to provide significant patent protection for medicines: between 2005 and 2008 India granted over 2000 patents for medicines, and continues to grant patents today - including on new antibiotics for TB treatments, which MSF urgently needs in our medical operations. Treatment providers are already seeing the impact of these patents, which delay generic competition, keeping newer medicines out of affordable reach. While India does grant patent monopolies to a vast number of pharmaceutical products, it is trying to strike a balance between providing intellectual property protection and having the flexibility to protect the constitutional right to health.

It does so in at least two ways:

The first way is by defining strict patentability criteria. As evidenced above, India has adopted a standard of patenting that is stricter than that in the U.S. or Europe, but which is in line with international trade rules.

Compulsory licenses are another legally recognized safeguard that allows a country to balance intellectual property protection with the right to protect public health. The U.S. government has threatened or used compulsory licenses for medicines in the past to meet public health needs, and stated that it would look to use them in the future if necessary.

India has had the ability of using compulsory licenses for many years, but unlike the United States and others – and despite the unaffordable medicine prices charged by multinational drug companies – had never issued one until very recently. In 2012, the country issued its first – and so far only - compulsory license in the interest of public health, when faced with a price-tag for a cancer drug which kept it out of reach of 98 percent of those eligible for treatment. Granting the compulsory license reduced the price by 97 percent. The Indian courts also recognized the innovation behind the drug, and obliged the generic manufacturer to pay a 7 percent royalty to the patent holder.

MSF hopes that where access barriers exist, compulsory licenses will be issued for the newest drugs to address critical health priorities, enabling affordable generic versions to be made available not only in India, but also in the rest of the developing world.

Conclusion: US trade policy should be promoting a better innovation system that ensures affordable access for all

MSF recognizes the need to reward innovation and the need to finance research and development (R&D). We are a humanitarian medical organization that needs and welcomes biomedical innovation to improve treatment options for our patients. R&D is important, and someone needs to pay.

However, the reality is that relying on high prices for medicines, backed up by intellectual property monopolies, is a flawed paradigm to pay for medical innovation. It creates both access problems due to high prices – as we have seen – and at the same time it does not stimulate innovation for many of the diseases affecting people in developing countries, where patients have limited purchasing power and the private sector sees no incentive. Today, we basically have a tradeoff between innovation and access. If you have wide access, says the industry, you aren't supporting innovation.

New approaches to medical innovation are demonstrating that significant medical breakthroughs with access are possible – in particular, models of innovation that break the link between the cost of research and development and the high price of the end product.

Seeking greater intellectual property norms through trade agreements like the TPP and through exerting pressure on countries like India that are the source of access for millions around the world, not only does little for innovation but also perpetuates a failed business model. Instead of aggressively pushing governments to ignore their legal rights under international trade rules to ensure affordable medicine prices, the U.S. government should promote trade policies that allow for investment in and development of new models of innovation that promote both innovation and access.

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Outdoor Industry Association

April 17, 2004

The Honorable David Camp
Chairman
Committee on Ways and Means
U.S. House of Representative
Washington, D.C. 20515

The Honorable Sandy Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman and Representative Levin:

On behalf of the 1,400 members of Outdoor Industry Association, I am pleased to submit a statement for the record for the April 3, 2014 Committee on Ways and Means hearing on President Obama's Trade Agenda with United States Trade Representative Michael Froman.

The outdoor industry is recognized as a critical sector of our nation's economy, generating $646 billion annually in U.S. consumer spending and directly supporting 6.1 million American jobs. Our members produces some of the most innovative products reaching all corners of the globe and enriching people's lives by supporting healthy and active lifestyles.

OIA's Trade Program represents the diversity of our membership, including outdoor companies whose products are conceived, designed, and produced in America and those companies that utilize global value chains to bring their products to retail markets. From some of the largest companies in the world, to small, family-owned businesses, we work to ensure that U.S. federal trade policy fosters and promotes a stable and predictable environment for all outdoor industry businesses, while seeking to lower costs for outdoor businesses and their customers.

International trade benefits U.S. importers and domestic manufactures alike, creates new jobs, lower consumer prices and open new markets to U.S. exports. For its part, OIA pursues a "balanced trade policy" meaning that we only seek tariff eliminations on outdoor products that have no commercially viable domestic production, while for those products that are made in America, we promote federal policies that support U.S. manufacturers and help them transition to competition in a global economy.

As such, the Trans-Pacific Partnership negotiations present a tremendous opportunity for the outdoor industry. Outdoor products sourced from abroad are among the most highly taxed when entering the United States despite the fact that they face no domestic competition: the average bound tariff rate on imported goods is less than 3 percent, but duties on outdoor products average 14 percent or higher, with some as high as 40 percent.

The duty savings from eliminating these disproportionally high tariffs on outdoor apparel and footwear produced in the TPP region will help lower costs for consumers, fuel innovation, and create jobs in across the U.S.

4909 Pearl East Circle, Suite 300 | Boulder, Colorado 80301| 303.444.3353 | www.outdoorindustry.org

Like the administration, OIA must balance the interests of importers and retailers who sources apparel and footwear from abroad and domestic manufacturers. Our proposal on outdoor apparel and footwear in the TPP will help the administration bridge the gap among this diverse group of stakeholders and conclude a commercially meaningful, 21st century trade agreement.

We understand the administration is committed to a "yarn forward" rule of origin at the core of its proposal on textiles and apparel and we have appreciated the opportunity to work with the administration to on the Short Supply List of textiles and fabrics. Nevertheless, in order for our members to fully benefit from a final TPP agreement, additional flexibilities and limited exceptions to yarn forward are critical.

Outdoor apparel products are highly innovative, incorporating multiple complex, highly technical fabrics. In fact, the outdoor industry is on the cutting edge of developing new fabrics not yet on the market. A "cut and sew" rule of origin on outdoor apparel will accommodate the innovation of the outdoor industry by allowing for fabrics not found in the TPP region and has been used in previous trade agreements to show flexibility on apparel. And it will be non-controversial – domestic textile producers have not opposed tariff elimination of the imports of the eligible outdoor apparel because there is no commercially meaningful domestic production of these products.

At the same time, OIA has identified products that should receive a yarn-forward rule, and for which there is ample production in the United States.

Like outdoor apparel, outdoor footwear is innovative and complex. Yet, these products often fall within the same tariff codes as import sensitive footwear. OIA has identified certain products that are not import sensitive to domestic manufacturers and should receive a tariff-shift rule of origin and immediate duty phase-outs. Congress has enacted most of these breakouts in the past through the miscellaneous tariff bills (MTBs) process after a thorough vetting by the administration. Failure to differentiate these products would be a tremendous lost opportunity, and in fact harmful to the outdoor footwear industry, U.S. consumers and the U.S. economy more broadly.

For those footwear products on the import sensitive list, OIA proposes a strict rule of origin (NAFTA rule) and maximum duty phase-outs.

In addition, any TPP agreement should also include tough, enforceable provisions on the environment and labor. Outdoor recreation companies are at the forefront of developing sustainable supply chains that protect the environment and ensure fair labor practices. The TPP represents a significant opportunity to advance those standards throughout the Asia-Pacific region. The final TPP agreement must:

- require all parties to adopt and maintain internationally recognized core labor standards and the provisions of multilateral environmental agreements (MEAs), and;

- these provisions should be subject to the same dispute settlement procedures as other enforceable obligations.

In order to conclude the TPP negotiations and other trade agreements, OIA understands that the administration must have Trade Promotion Authority (TPA) or "fast-track authority.

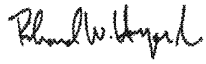
OIA supports the principle of TPA because it puts the administration in the best position to secure trade agreements that could have substantial benefits for the outdoor industry by eliminating tariffs and non-tariff barriers and expanding access to global markets. Our trading partners are unlikely to make their best offer if they think Congress will alter the final agreement.

We understand, however, that the Bi-Partisan Congressional Trade Priorities Act of 2014 will likely to be amended to include stronger consultation provisions and tougher negotiating objectives on labor and the environment.

As leaders in the field of sustainable business practices and social responsibility, OIA supports such amendments as they could give the administration sufficient leverage to secure enforceable labor and environmental provisions in our trade agreements and ensure our trading partners match international standards.

OIA greatly appreciates the opportunity to summit a statement for this hearing and we look forward to working with Congress and the administration to support passage of TPA and TPP that will allow outdoor companies to lower costs for consumers, get more people outdoors, fuel innovation, and create more U.S. jobs.

Sincerely,



Richard W. Harper, Jr.
Policy Advisor
Outdoor Industry Association (OIA)

Rubber and Plastic Footwear Manufacturers Association

RPFMA

Rubber and Plastic Footwear Manufacturers Association

Statement for the Hearing Record
Submitted by the Rubber and Plastic Footwear Manufacturers Association
For the Hearing Entitled "President Obama's Trade Policy Agenda"
Held by the House Ways and Means Committee on April 3, 2014

On behalf of the Rubber and Plastic Footwear Manufacturers Association (RPFMA), we are pleased to submit this statement for the hearing record regarding President Obama's trade policy agenda and its potential impact on the domestic footwear manufacturing industry. RPFMA represents the remaining companies that manufacture rubber and plastic footwear in the United States, which include New Balance, the only manufacturer of athletic footwear left in the U.S., and rubber shoe and boot manufacturers such as Kamik, OnGuard Industries, Newgrange, and Jones and Vining. Collectively, RPFMA members support more than 4,000 American manufacturing jobs across the country and are an essential (and irreplaceable) part of their local economies.

RPFMA continues to be very concerned about the direction of negotiations with the Trans Pacific Partnership (TPP), particularly regarding footwear tariffs for sensitive products imported from Vietnam. As we have stated many times previously to the Administration and to Members of Congress, the U.S. should maintain the current, longstanding tariff structure for sensitive footwear in the TPP so that domestic manufacturers can continue to compete with countries such as Vietnam that have significantly lower wages and less stringent labor standards than the U.S.

Important-sensitive tariffs have been in place for decades. Eliminating these tariffs as part of the TPP at the request of the Vietnamese government would effectively end footwear manufacturing in the U.S. and destroy an important part of our industrial base that dates back to our country's founding. This result would contradict the stated policy of the Obama Administration to enact policies to support and help manufacturers who wish to keep jobs in the U.S.

To date, Amb. Froman has not acknowledged this potentially negative outcome for domestic footwear manufacturers. Nor has he provided assurances that our industry will not be undermined in the TPP negotiations. We are very concerned by public statements Amb. Froman has made over the last year in which he argued that U.S. footwear manufacturers would actually benefit from eliminating sensitive footwear tariffs in the TPP through increased exports. This is illogical. Domestic footwear manufacturers would be forced to move manufacturing operations overseas if import sensitive tariffs are eliminated for footwear imported from Vietnam. There is no basis to believe that footwear exports would increase with the elimination of tariffs. Indeed, the result would be the virtual elimination of U.S. manufacturing, which, of course, would mean that there could be no exports.

It is also important for the Committee to understand that Vietnam has the fastest growing footwear industry in the world. Over the last 10 years, footwear imports into the U.S. from Vietnam have grown more than fivefold, from less than 2 percent of total footwear imports in 2002 to nearly 10 percent of total imports in 2013. Imports of footwear from Vietnam alone increased by 20 percent in 2013, and now constitute approximately 235 million pairs of shoes valued at almost $3 billion. Clearly, Vietnam's footwear industry is doing very well under the current tariff system and does not need assistance getting its products to U.S customers.

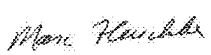
As we noted previously, the domestic footwear industry supports more than 4,000 manufacturing jobs. In addition to this job base, three RPFMA members are in the process of increasing their U.S. production, which would create new jobs in New Hampshire, Maine, and Arkansas. These expansions, however, are predicated on the economics of the current tariff system for sensitive footwear and will only succeed if U.S. trade negotiators do no eliminate current tariffs in the TPP.

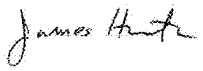
U.S. based footwear companies that outsource all of their production have been actively lobbying the Administration to eliminate import sensitive tariffs in the TPP based on the assertion that these tariffs are an outdated impediment to trade and do not support manufacturing jobs. This argument is nonsense and is not supported by the facts.

The Administration should not give an advantage to footwear companies that manufacture all of their products overseas, at the expense of RPFMA members and other domestic footwear manufacturers that are committed to keeping jobs in the U.S. U.S. workers will lose jobs if this occurs. Rather, the Administration and Members of Congress should be rewarding companies that are committed to keeping manufacturing jobs in the U.S. and are actively seeking to create new jobs. It is hard to imagine any business proposition more worthy of support from the federal government.

We appreciate the opportunity to share our views and hope that Committee members work support the domestic footwear manufacturing industry.

Respectfully submitted,





Marc L. Fleischaker
Trade Counsel, RPFMA

James A. Hunter
Government Relations Director, RPFMA

The American Council of Life Insurers

Statement for the Record
U.S. House Ways and Means Committee
Hearing titled "Hearing on President Obama's Trade Policy Agenda
with U.S. Trade Representative Michael Froman"

April 3, 2014

The American Council of Life Insurers (ACLI) is pleased to submit this statement for the hearing record expressing support of the life insurance industry for a robust US international trade agenda.

The American Council of Life Insurers is a Washington, D.C.-based trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI advocates in federal, state and international forums. Its members represent more than 90 percent of the assets and premiums of the U. S. life insurance and annuity industry. In addition to life insurance, annuities and other workplace and individual retirement plans, ACLI members offer long-term care and disability income insurance, and reinsurance. Its public website can be accessed at www.acli.com.

ACLI is a strong supporter of international trade liberalization, open markets and regional global efforts to remove unnecessary barriers for the efficient provision of insurance, reinsurance, and retirement security products. We thank the Chairman and Ranking member of the House Ways and Means Committee for holding this important hearing, and we support the Administration's robust trade agenda, which includes the Trans-Pacific Partnership (TPP), the Trade in Services Agreement (TISA) and the Trans-Atlantic Trade and Investment Partnership (TTIP) initiatives.

ACLI also supports passage of a modernized Trade Promotion Authority (TPA) for purposes of providing Congressional, and thus stakeholder, input into the negotiating process and to support conclusion and Congressional consideration of the aforementioned trade initiatives. TPA is critical to a seriously dedicated and effective trade agenda.

Trade issues presently of concern to the insurance industry include:

- Foreign equity caps - A threshold issue is the need for elimination of unjustifiable and anticompetitive foreign equity caps, which are particularly prevalent in Asia (China, India, Malaysia, Myanmar, Philippines, Thailand, Indonesia, etc.) and truly alter and restrict ACLI's member companies' ability to operate effectively and holistically overseas.

- Limitations on the conduct of cross border reinsurance – reinsurance is a global risk transfer mechanism designed to diversify risk, reduce risk concentrations in local markets and provide additional capacity and coverage to local markets often against the occurrence of low frequency high intensity events. Therefore, the changes in Brazil and Argentina in 2012, India in 2013 and now potentially Indonesia not only place constraints on reinsurers' business operations, but also risk pushing up prices, limiting capacity for local consumers and increasing local risk concentrations.

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- Restrictions on cross border data flows - ACLI believes that all requirements that data be maintained in a given jurisdiction should be prohibited. Foreign companies doing business in a foreign country should be permitted to transfer electronic information out of that country for processing offshore. Companies should be free to supply data from headquarters, through affiliates, through regional centers, and through third party vendors as long as the data protection requirements of the local jurisdiction are satisfied. Forced domestication of data processing in Korea is already the subject of dispute with several of its trade partners, and proposals in other countries would put many global companies in a conflict of laws predicament between their home country supervisor's requirement for comprehensive group risk management and reporting.

- Reversal of Private Account Pensions – ACLI supports the maintenance and expansion of the World Bank model of individually funded pensions managed by the private sector. We believe now more than ever that the twin pressures of increased longevity and lower fertility rates will only increase funding gaps for national governments in both developed and developing markets. While still relatively new in some markets (India 2013), these systems have substantially reduced underfunding of government liabilities and created deep and sustained markets for long term investment instruments.

- Other issues of strong interest include provisions supporting regulatory predictability and transparency, provisions addressing unfair competition from State-Owned Enterprises and clearly articulated and transparent investment protections.

We appreciate the Administration's dedicated work on the TPP, TISA and TTIP initiatives, as well as on issues of implementation and enforcement of a bilateral nature – such as the cross border data flows issues currently under review in KORUS. We look forward to Congressional passage of TPA as soon as is practicable. ACLI believes that such efforts will result in an open, strong and sustainable global marketplace. A recent progress report from the Financial Stability Board to the G20 recognized the link between "the openness of the global financial system and consequently the strength and sustainability of global growth."

The insurance industry is not only a provider of financial security by indemnifying risks faced by individuals and business -- such as sickness, loss of life, liability, and property damage, to name a few, but also one of the world's largest institutional investors. A strong global marketplace with clear, transparent and dependable trade rules is critical to the health of our industry and to global security. We appreciate the opportunity to submit this statement for the record.

The American Farm Bureau Federation

The American Farm Bureau Federation, a U.S. general farm organization, supports efforts to increase agricultural trade through comprehensive trade agreements.

Transatlantic Trade and Investment Partnership

Farm Bureau supports efforts to increase agricultural trade flows and remove trade barriers that currently exist between the United States and the European Union.

The Transatlantic Trade and Investment Partnership negotiations between the U.S. and the EU must deal with the many substantive issues that impede U.S.-EU agricultural trade, such as long-standing barriers against conventionally raised U.S. beef, ongoing restrictions against U.S. poultry and pork, and actions that limit U.S. exports of goods produced using biotechnology.

The U.S. and the EU are major international trading partners in agriculture. U.S. farmers and ranchers exported more than 11.5 billion dollars worth of agricultural and food products to the EU in 2013, while the EU exported more than 17 billion dollars worth of agricultural products to the U.S. last year.

Just 10 years ago, the EU was the third-largest destination for U.S. agricultural exports. Today, it has fallen to our FIFTH-largest export market.

Over the last decade, growth of U.S. agricultural exports to the EU has been the slowest among our top 10 export destinations.

If U.S. farmers and ranchers were provided an opportunity to compete, the EU market could be a growth market for them. However, regulatory barriers have become a significant impediment to that growth.

Unless these trade barriers are properly addressed within the Transatlantic Trade and Investment Partnership or TTIP negotiations, they will continue to limit the potential for agricultural trade. It is imperative that TTIP be a high-standard trade agreement that covers all significant barriers in a single, comprehensive agreement. Scientific standards are the only basis for resolving these issues.

Continuing barriers to the export of U.S. beef, pork and poultry, along with the slow approval process for biotech products, are major areas of interest to the U.S. in the TTIP negotiations. Both the U.S. and the EU adhere to the World Trade Organization's Agreement on Sanitary and Phytosanitary Measures, which states that measures taken to protect human, animal or plant health should be science-based and applied only to the extent necessary to protect life or health.

The U.S. follows a risk-assessment approach for food safety. The EU is additionally guided by the "precautionary principle," which holds that where the possibility of a harmful effect has not been disproven, non-scientific risk management strategies may be adopted.

The use of the "precautionary principle" is inconsistent with the WTO SPS Agreement and is

used as a basis for scientifically unjustified barriers to trade. The TTIP negotiations must result in a modern, science- and risk-based approach, based on international standards that can truly resolve SPS disputes. SPS issues must be directly addressed as a part of the negotiations, and these provisions must be enforceable.

The EU approach for approving products of biotechnology combines a lengthy approval process with the ability of EU member states to ban approvals. The result is restrictive import policies and substantial reductions in U.S. exports of corn and soybeans to the EU.

The EU system of geographic indications for foods and beverages designates products from specific regions as legally protected for original producers. The U.S. has opposed recognizing geographical names for foods when it would inhibit the marketability or competitiveness of U.S. products. The TTIP must not become an avenue to erect a new barrier to U.S. agricultural exports through the use of geographic indications.

Negotiations on bilateral concerns move in both directions. There must be positive outcomes for all sides. The European Union has concerns about U.S. rules on EU beef and dairy products. An emphasis on finding trade-opening solutions to sanitary barriers will assist in resolving our many trade issues.

The TTIP negotiation proposal calls for working toward the elimination of tariffs. The average U.S. tariff on imported agricultural products is 5 percent, with 75 percent of our tariff lines at between zero and 5 percent. For the EU, the average tariff is 14 percent, with 42 percent of tariff of lines at zero to 5 percent. In order to expand market opportunities for U.S. agricultural products in the EU, tariff reductions will be necessary.

We call for an ambitious agreement that addresses the real barriers to the growth of agricultural trade between the United States and the EU.

Trans Pacific Partnership

The other major regional trade negotiation for the United States is the Trans Pacific Partnership negotiations between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States.

The addition of Japan to full participation in the TPP talks enhances the significance of the negotiations and makes the agreement much more encompassing of North American goals for agricultural trade. It will also fuel interest among other Asia-Pacific nations for similar opportunities to improve trade relations with the U.S. and other participating countries.

Japan is the fourth-largest agricultural export destination for the U.S. with more than 12.4 billion dollars in sales in 2013. It also has several restrictive policies in place that inhibit U.S. exports, such as high tariffs on dairy, horticulture, rice and other products, along with various Sanitary and Phytosanitary barriers. By joining the TPP negotiations under the same conditions as other

participants, Japan must negotiate to resolve long-standing trade barriers for all agricultural products.

The TPP will only fulfill its promise of improved and increased trade in the Pacific region by including the elimination of tariffs on agricultural products.

World Trade Organization

As agricultural exporters, North American agriculture must continue to seek a commercially meaningful outcome through expanded market access from WTO negotiations. We must remain committed to advancing the goal of trade liberalization and increased opportunities for real trade growth.

The U.S. wants an outcome to trade negotiations in the WTO that will open new markets around the world, produce new trade flows and grow the global economy. We can achieve this outcome by negotiating on the basis of a new agenda, not by reliving the failures of the past.

Trade Promotion Authority

Farm Bureau has long supported trade promotion authority in order to complete and pass into law trade agreements. For our important TPP and TTIP negotiations to move forward, to maintain the focus on improving and expanding trade between our negotiating partners, we need to have TPA in place.

Agricultural market access measures are usually finalized at the end of negotiations when the certainty of TPA is crucial to a successful negotiation.

We urge the House to pass the Bipartisan Congressional Trade Priorities Act of 2014, HR. 3830, as a necessary and critical component for a successful trade policy agenda.

The Express Association of America

TESTIMONY OF
THE
EXPRESS ASSOCIATION OF AMERICA
TO THE
COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES
HEARING ON: U.S. TRADE POLICY AGENDA
April 3, 2014

Express Association of America (EAA) members are DHL, Federal Express, TNT and UPS, the four largest express delivery service providers in the world, providing fast and reliable service to the U.S. and more than 200 other countries and territories. These four EAA member companies have estimated annual revenues in excess of $200 billion, employ more than 1.1 million people, utilize more than 1700 aircraft, and deliver more than 30 million packages each day.

EAA strongly supports ongoing trade negotiations with a range of our international partners and believe these talks will open significant possibilities for facilitating trade, expanding regulatory cooperation, and forging stronger economic partnerships globally. Specific express industry objectives for the Trans-Pacific Partnership (TPP), the Trans-Atlantic Trade and Investment Partnership (TTIP), and the Trade in Services Agreement (TISA) are provided below. These agreements should include coordinated policy approaches across a range of mutually supportive areas, such as:

- Eliminating tariffs and non-tariff barriers to trade in goods
- Removing market access barriers to trade in services
- Achieving a much higher level of regulatory convergence
- Removing barriers to investment
- Aligning standards and practices, whether through harmonization, mutual recognition, adoption of international standards, or other methods
- Eliminating restrictions on cross-border data flows (the free flow of data across borders is critical to the express industry
- Prohibiting forced localization (including in-country requirements for servers and data storage)
- Developing disciplines on state-owned enterprises (SOE) and state-supported enterprises (SSE) to ensure fair competition between these entities and the private sector

Given the sheer size of our trade with the EU and TPP partners, even marginal convergence in these policy areas could have substantial positive effects for business.

The millions of customers utilizing the services of EAA members ship an extensive variety of commodities domestically and internationally, and will benefit significantly from the completion of comprehensive, high standards TTP, TTIP and TISA agreements. These efforts would result in accelerating regional economic integration by facilitating trade, easing burdens on doing business, and increasing the connectivity and efficiency of supply chains. Successful completion of these agreements also would serve as global models for ensuring future regional and

multilateral trade agreements contribute more effectively to economic prosperity and employment creation.

Rapid Congressional passage of Trade Promotion Authority (TPA) is the critical step necessary to achieving U.S. goals in the TPP, TTIP, TISA and other potential agreements, and we urge the Committee to move TPA legislation forward for floor consideration immediately. The benefits of passing strong TPA legislation are outlined below.

TRANS-PACIFIC PARTNERSHIP

The overall goal of the TPP negotiations should be to reach a high-standard, 21st century trade agreement with a membership and coverage that provides economically significantly increased market access opportunities that will stimulate growth and promote employment and prosperity. TPP will set an important precedent for future agreements, and therefore it is critical that it establish high standards. The TPP agreement should be FTA-plus and expand the trade liberalization and facilitation measures already agreed upon in previous regional and bilateral agreements.

Significant progress has been made in previous rounds on the TPP Customs Chapter issues. To achieve the goals outlined above in this chapter, the express industry considers the following standards to be critical to reaching a commercially meaningful result in the negotiations:

- The TPP agreement should establish the highest possible de minimis level to allow lower value goods to be exempted from duties and taxes and cleared on a consolidated basis. This level should be at least $200. The benefits of a higher de minimis level include:
    - Lower costs for small and medium enterprises and individual consumers who ship proportionally larger numbers of low value shipments.
    - Resource savings for government as customs officials will be relieved from processing numerous low value shipments and can focus efforts on higher risks such, as detecting counterfeit goods or attempted tariff evasion.
    - A higher baseline de minimis level would provide a more balanced regime and offset the current wide disparity in the region among existing de minimis levels.
- The TPP agreement should maintain the language from earlier FTAs that expedited customs treatment will apply without regard to an express shipment's weight or customs value. Attempting to apply weight and value distinctions to the definition of what constitutes an express shipment in the context of customs treatment introduces significant complications and delays to the clearance process that will cause customer commitments to be missed.
- The TPP agreement should provide a time limit for the release of goods in the express environment that is lower than the four hour limit (after submission of customs documents and arrival of the goods) in recent FTAs. Establishing this release standard assumes customs

officials will be available to clear shipments based on the operating schedule of the express industry.

- The agreement should provide a separate and expedited customs procedure for express shipments. Putting express packages in the same line as all other shipments (for which those customers have not paid a premium for expedited services), regardless of how efficiently they are processed, cannot, by definition, constitute an "expedited" service. The agreement should include a clear statement of the need for expedited procedures without any qualifiers that could be used to claim exemptions from the requirement. The concept of separate and expedited treatment can be defined as having relevant government officials available at the time and place when express operator aircraft are arriving at a port of entry and offloading shipments in order to complete the border clearance process as rapidly as possible.

- The agreement should include a strong endorsement of using automated risk management systems for targeting and evaluation that provide rapid separation of high from low risk shipments and facilitate entry of the low risk goods.

TRANS-ATLANTIC TRADE AND INVESTMENT PARTNERSHIP

I. A Single, Government-wide, Unified Border Clearance Process

- The United States and the EU should commit to establish a single window through which importers and related parties can electronically submit all information to comply with customs and other government agencies information requirements. In practice, this would be one single window for the United States and one single window for the European Union, but these should include a common set of import and export data elements for customs, security, and other government agency data requirements. The single window would decrease the transaction costs of trade and particularly facilitate trade for small and medium-sized businesses. It would also promote efficiency and improve security and safety targeting for government agencies.

- Creating a "one government at the border" approach to border management should include common processes for goods clearance. The TTIP should include requirements of all government agencies with border authority in the United States and all EU member states to converge and coordinate inspection activities for agencies with hold authority. This would include all security, customs, product safety and other requirements to be cleared with a single release.

II. Stronger, Commercially-meaningful Partnerships with the Trade Community

- Partnership between the private and public sectors on supply chain security has become a cornerstone for security and trade facilitation. The United States and the EU should reaffirm their commitment to a multi-layered and risk-based approach to customs enforcement and security procedures. The risk-based method provides the greatest possibly security while simultaneously facilitating legitimate trade. Given the

tremendous amount of trade that goes between the U.S. and EU, commitments should be made to converge or mutually recognize each other's processes. This includes the future development of supply chain, customs and other government agencies border procedures and regulations. Supply chain security mutual recognition agreements must provide commercially meaningful results for the private sector. Commercially meaningful results would include the following:

- Full convergence of the Customs-Trade Partnership Against Terrorism and the Authorized Economic Operator programs;
- One online application process accepted in the U.S. and EU member states;
- Single validation and revalidation visits with the results accepted by both sides;
- Demonstrable benefits that include reduction of the likelihood of inspections;
- Front of line privileges for members' shipments when inspections are required;
- Expedited handling of members' shipments in post-incident recovery operations;
- Common information requirements where the export declaration of one side is accepted as the import declaration of the other side; and
- Allow members to provide required documents and commercial information post-release.

III. Higher De Minimis Level

- A higher *de minimis* value covering the entry process for low-valued goods is a critical tool in trade facilitation. It is also critical to reducing trade barriers for small and medium sized businesses by facilitating their access to international markets. The TTIP should include a commitment to a minimum *de minimis* level of $800, covering both duties and all taxes, and linking future increases in *de minimis* to the consumer price index. This level should be applicable regardless of country of origin.

IV. Immediate Release

- Through greater mutual cooperation the EU and the US could develop considerable opportunities to streamline customs processes and speed up the flow of commerce through ports and airports. The TTIP should include a commitment to harmonize processes for customs clearance with a goal of the immediate clearance of goods on arrival. With the levels of advance customs data already transmitted to the EU and US, customs authorities can carry out risk assessments well in advance of arrival, thus offering pre-clearance and the immediate release of goods. Immediate release of shipments should not be solely reserved to businesses which are C-TPAT or AEO members, nor to a particular kind of trader. Such treatment should be available to any shipment that meets a set list of criteria such as, for instance, those laid out in Article 7 (Expedited Shipment) of the WTO draft negotiating text on trade facilitation.

V. Payment of Customs Taxes in Arrears

- The TTIP should include a commitment to collecting duties and taxes after importation and clearance from C-TPAT and AEO shippers without the need for a guarantee.

Customs duties and taxes are the only taxes generally collected on a transactional basis in advance or at the time that the tax is due. These shippers will normally pay all other taxes, (which are often much more than customs duties) in arrears and without a guarantee. If they are trusted to pay businesses taxes in arrears then the same logic should apply to customs duties. Such an approach would support immediate release of consignments, saving costs for both businesses and Customs administrations in time. It also enables customs authorities to target limited resources at areas of higher risk.

VI. Air Cargo Security

- The EU and the US should adopt a similar approach to improving the security of the international operations of air cargo carriers bringing shipments into each jurisdiction from third countries. The US approach is based on Emergency Amendments, including specific measures for cargo identified as high threat. The EU has adopted the ACC3 (Air Cargo or Mail Carrier operating into the Union from a 3rd country airport) program which is based on airport, operator specific designation and validation, and verification of screening entities and other players in the supply chain. The EU approach is further combined with special measures for "high risk" cargo. However, the EU and the US have different definitions of "high risk" cargo.

- The 1st of June 2012 agreement between the EU and US which recognize each other's air cargo security regimes for shipments originating within each jurisdiction is a useful model, but the provisions for mutual recognition need to be strengthened as the mutual recognition is not resilient enough to withstand a potential future incident. In addition, this agreement only recognizes the validity of each side's programs – it does not harmonize regulations. Therefore, in addition to strengthening the mutual recognition of each side's programs, the TTIP should contain a commitment that relevant EU and US agencies would enter into a regulatory dialogue to develop a harmonized approach to air cargo security regulations and procedures that includes, inter alia:
    - Common definition for high risk cargo
    - Common standards for accepted security equipment and screening methods
    - Common requirements for staff training and
    - Better cooperation towards intelligence sharing

VII. Advance Cargo Information for Security Risk Assessment

- To provide advance information on air cargo, the United States has developed the Air Cargo Advance Screening (ACAS) pilot program. In the EU, advance cargo information pilot programs are being conducted in several member countries. As both the EU and the U.S. are expecting to develop regulatory requirements on air cargo information in the near future, it is essential that a common EU/US approach be adopted. The TTIP should include a commitment to develop common requirements for data on each shipment, common protocols in communication with carriers, and common risk criteria.

- A common EU/US approach to advance air cargo information would generate significant benefits and increased efficiency in terms of data structure, IT resources, personnel training, technology costs and operational efficiency. Having the world's two largest air cargo markets adopting similar regulatory requirements for advance air cargo information would provide a strong impetus for generating a global standard around which all countries could agree and incorporate through the International Civil Aviation Organization and the World Customs Organization.

TRADE IN SERVICES AGREEMENT

The TISA is providing an opportunity to achieve higher levels of transparency, regulatory coherence and stakeholder consultation across a range of industries that comprise the largest part of the U.S. economy. Express delivery services (EDS) goals for the TISA include:

- **Fair Competition/Level Playing Field**. The TISA should seek to liberalize trade in package delivery services further by ensuring a level playing field for all competitive services offered outside those supplied in the exercise of governmental authority, particularly with respect to state-owned and state-supported enterprises (SOE/SSE). There is a need to secure more ambitious commitments and disciplines for domestic regulation and fair competition by allowing free market principles to govern the highly competitive express sector, or where necessary, independent regulation and a level playing field with competing services offered by Posts such as express mail services. Exclusions and non-conforming measures (NCMs) for postal services should be drawn as narrowly as possible, for example, by using a reasonable price/weight multiple.

- **Transparency, Regulatory Coherence, and Private Sector Consultation.** To encourage greater transparency, coordination, consultation, and partnership between express delivery services and regulators, the TISA should include the establishment by each party of a national coordinating body, process, or mechanism, to ensure a whole-of-government approach, regulatory coherence, and institutionalized private sector input. Parties should also include mechanisms to review the impact of current or proposed measures and provide appeal opportunities should a measure not achieve desired results.

- **Integrated Approach, Particularly for Customs Processes.** The TISA should focus on removing barriers to express delivery services, recognizing that EDS faces antiquated policy environments in some countries, including onerous regulations on cross-border transport, inefficient border clearance procedures and domestic regulations that distort fair competition. To respond adequately to the nature and scope of the services this industry provides, the TISA must address the unique needs of express delivery service providers, including the need for an integrated approach for customs clearance, seamless regulation across multiple modes of transport, and commitments to immediate release, single-window, and electronic border clearance.

TRADE PROMOTION AUTHORITY

Since President Franklin D. Roosevelt in the 1930's, every President through 2007 has had authority from Congress to negotiate trade agreements that open new markets for American companies and workers and help ensure a rules-based system for two-way trade. More recently known as Trade Promotion Authority (TPA), or "fast track," this type of authority was last enacted in 2002, and it lapsed in 2007. Over the last decade, many new challenges to doing business in the global marketplace have emerged. Updating TPA and its negotiating objectives would help to address strategically such issues across the range of current U.S. trade negotiations, as well as in the future.

TPA helps shape a strategic vision for U.S. trade policy and the goals the United States wants to accomplish in trade negotiations. It provides a framework for Congress and the President to work together to shape that vision, and it helps define the critical constitutional relationship between Congress and the President with respect to foreign commerce. Over time, it has provided our trade negotiating partners with a degree of comfort that the United States is committed to the international trade negotiating process and the trade agreements we negotiate.

The United States is pursuing one of its most ambitious and diverse range of trade negotiations ever, including the Trans-Pacific Partnership (TPP) negotiations with 11 other Asia-Pacific countries, a Transatlantic Trade and Investment Partnership (TTIP) with the European Union (EU) (and its 28 member states), the Trade in Services Agreement (TISA) with 48 other economies (including the EU member states), and multilateral negotiations on a trade facilitation agreement.

These negotiations involve important 21st century trade issues, such as foreign restrictions on cross-border data flows, unfair competition from state-owned enterprises, and international regulatory cooperation that have evolved or emerged since TPA and its negotiating objectives were last written more than a decade ago. TPA negotiating objectives and procedures would help lay out a structured framework and pathway for addressing issues before, during and after the negotiations and obtaining Congressional approval of any legislation needed to implement a trade agreement. Updating TPA and its negotiating objectives is critically important for achieving U.S. goals across this range of trade negotiations, and TPA legislation should be passed by Congress immediately.

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U.S. Chamber of Commerce

Statement of the U.S. Chamber of Commerce

ON: **The U.S. Trade Policy Agenda in 2014**

TO: **U.S. House of Representatives Committee on Ways and Means**
U.S. Senate Committee on Finance

DATE: **April 2014**

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

On the occasion of the U.S. Trade Representative's annual testimony before Congress on the administration's trade agenda, the U.S. Chamber of Commerce is pleased to take this opportunity to offer its own views and those of its members on the top priorities for U.S. trade policy in 2014. The Chamber is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and is dedicated to promoting, protecting, and defending America's free enterprise system.

Approximately 21 million Americans are unemployed, underemployed, or have given up looking for work. As a nation, the biggest policy challenge we face is to create the millions of jobs needed in this decade to get these Americans back to work.

World trade must play a central role in reaching this job-creation goal. After all, outside our borders are markets that represent 80% of the world's purchasing power, 92% of its economic growth, and 95% of its consumers. The resulting opportunities are immense, and many Americans are already seizing them: One in three manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

A Level Playing Field for Trade

While the United States receives substantial benefits from trade, there is more than a grain of truth in the observation that the international playing field is unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but other countries continue to levy tariffs on U.S. exports that in some cases are quite high, and foreign governments have erected other kinds of barriers against U.S. goods and services.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. U.S. exporters face higher tariffs abroad than nearly all our trade competitors. The United States received a rank of 128th among 132 economies in terms of "tariffs faced" by its exports, according to the World Economic Forum's Global Enabling Trade Report. That means U.S. exporters are often at a marked disadvantage to our competitors based in other countries. In addition, a thicket of non-tariff barriers adds to the burden exporters face.

No one wants to go into a basketball game down by a dozen points from the tip-off, but that is exactly what American exporters do every day. These barriers are particularly burdensome for America's small- and medium-sized companies, approximately 300,000 of which are exporters. The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade.

Benefits of U.S. Trade Agreements

The good news is that America's trade agreements do a great job creating a level playing field, and tremendous commercial gains are the proof in the pudding. According to data from the U.S. Department of Commerce, nearly half of U.S. exports go to countries with which the United States has free-trade agreements (FTAs) even though they represent about 10% of global GDP. By tearing down foreign barriers to U.S. products, these agreements have a proven ability to make big markets even out of small economies.

The United States has entered into FTAs with 20 countries around the globe: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore, and South Korea.

To settle once and for all the debate over whether these FTAs have benefitted American workers and companies, the U.S. Chamber recently released a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*. The study examined U.S. FTAs implemented with a total of 14 countries. It employed a widely used economic model known as the Global Trade Analysis Project (GTAP), which is also used by the numerous federal agencies, the U.S. International Trade Commission, and the World Trade Organization (WTO).

The results of this comprehensive study are impressive: 17.7 million American jobs depend on trade with these 14 countries; of this total, 5.4 million U.S. jobs are supported by the increase in trade generated by the FTAs. No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to these FTAs, with the exception of the multilateral trade liberalization begun in 1947.

For those worried about the U.S. trade deficit, trade agreements are clearly the solution—not the problem. Taken as a group, the United States has run a *trade surplus* in manufactured goods with its FTA partner countries for the past five years, according to the U.S. Department of Commerce (on top of the U.S. global trade surpluses in services and agricultural products). The U.S. trade surplus in manufactures with its FTA partners reached $59 billion in 2013.

On the trade policy front, there is good news to report. The last Congress approved long-pending free-trade agreements with Colombia, Panama, and South Korea. In December at the WTO Ministerial Conference in Bali, Indonesia, the United States played a leading role in the successful effort to conclude a landmark Agreement on Trade Facilitation, which will provide a boost to the global economy estimated at $1 trillion.

We are seeing some positive results. Since the 2008-2009 financial crisis, U.S. exports have grown rapidly. Exports of goods and services rose by approximately 50% over the past four years. However, the picture is not all rosy. U.S. trade is up, but we are still falling behind our competition. The U.S. share of global exports fell from 18% in 2000 to 12% in 2010. What can we do about this?

Trade Promotion Authority

First, Congress should approve legislation to renew Trade Promotion Authority (TPA). TPA is a vital tool to help Americans sell their goods and services to the 95% of the world's customers living outside our borders. Without TPA, it is simply too difficult to enter into new trade agreements. The Chamber is excited to see that Congress is preparing to take up a TPA bill, which promises to spur economic growth and job creation at home.

The case for TPA is simple. In today's tough international markets, we need our trade negotiators to tear down the foreign tariffs and other barriers that too often shut out U.S products.

That is what trade agreements do. However, to secure new growth-creating trade pacts such as the agreements now under negotiation, Congress must first approve TPA.

While the Constitution gives the president authority to negotiate with foreign governments, it gives Congress authority to regulate international trade. TPA allows Congress to show leadership on trade policy by doing three important things: (1) It allows Congress to set negotiating objectives for new trade pacts; (2) it requires the executive branch to consult extensively with Congress during negotiations; and (3) it gives Congress the final say on any trade agreement in the form of an up-or-down vote. The result is a true partnership stretching the length of Pennsylvania Avenue.

Without TPA, the United States is relegated to the sidelines as other nations negotiate trade agreements without us—putting American workers, farmers, and companies at a competitive disadvantage. Already, 377 free trade agreements are in force around the globe, but, as noted, the United States is a party to just 14 such agreements covering 20 countries.

If we fail to renew TPA, U.S. workers and companies will be left at a sharp disadvantage. To oppose TPA is to guarantee that foreign markets remain closed to U.S. exports. To reject TPA is to accept a playing field skewed against American workers and companies.

Congress has granted every president from Franklin D. Roosevelt to George W. Bush the authority to negotiate market-opening trade agreements in consultation with Congress. However, TPA lapsed in 2007. That is unacceptable; every American president should have TPA.

As noted, TPA is an opportunity to provide guidance to the administration on negotiating objectives for new trade agreements. Some of these are simple: Lowering tariffs on our goods when they enter foreign markets will allow us to be more competitive with local suppliers.

The Trans-Pacific Partnership

And how should TPA be used? The first priority is the Trans-Pacific Partnership (TPP).

As U.S. companies scour the globe for consumers, the booming Asia-Pacific region stands out. Over the last two decades, the region's middle class grew by 2 billion people, and their spending power is greater than ever. That number is expected to rise by another 1.2 billion by 2020. According to the International Monetary Fund, the world economy will grow by $21.6 trillion over the next five years, and nearly half of that growth will be in Asia.

U.S. businesses and workers need better access to those lucrative markets if they are going to share in this dramatic growth. But U.S. companies are falling behind in the Asia-Pacific. While U.S. exports to the Asia-Pacific market steadily increased from 2000 to 2010, America's share of the region's imports declined by about 43%, according to the think tank Third Way. In fact, the growth in U.S. exports to Asia lagged overall U.S. export growth in that period.

One reason U.S. companies have lost market share in the Asia-Pacific region is that many countries maintain steep barriers against U.S. exports. A typical Southeast Asian country imposes tariffs that are five times higher than the U.S. average while its duties on agricultural

products soar into the triple digits. In addition, a web of nontariff and regulatory barriers block market access in many countries.

Trade agreements are crafted to overcome these barriers. But what happens if other countries make trade deals among themselves and leave the United States on the outside, looking in? The number of trade accords between Asian countries surged from three in 2000 to more than 50 in 2011. Some 80 more are in the pipeline. Meanwhile, the United States has just three trade agreements in Asia.

This challenge is growing: 16 countries are launching expedited negotiations for a trade deal called the Regional Comprehensive Economic Partnership (RCEP). It includes Australia, China, India, Japan, Korea, and New Zealand as well as the 10 ASEAN countries—but not the United States.

The Trans-Pacific Partnership (TPP) is America's best chance to ensure the United States is not stuck on the outside—looking in—as Asia-Pacific nations pursue new trade accords among themselves. Its objective is to achieve a comprehensive, high-standard, and commercially meaningful trade and investment agreement with 11 other Asia-Pacific nations, including Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam. It also includes Canada, Mexico, Peru, and Chile, thus offering a chance to integrate existing U.S. trade agreements in the Americas.

The TPP must be a comprehensive agreement. In trade talks, whenever one party excludes a given commodity or sector from an agreement, others follow suit, limiting its reach. For the United States to achieve the goal of a true 21st century agreement—with state-of-the-art rules on digital trade, state-owned enterprises, investment, and other key areas—its negotiators must hold fast to the goal of a comprehensive accord.

One U.S. priority is to ensure the TPP protects intellectual property (IP), which plays a vital role in driving economic growth, jobs, and competitiveness. According to the U.S. Department of Commerce, IP-intensive companies account for more than $5 trillion of U.S. GDP, drive 60% of U.S. exports, and support 40 million American jobs. To build on these strengths, the TPP must include robust IP protection and enforcement provisions that build on the U.S-Korea Free Trade Agreement and provide 12 years of data protection for biologics consistent with U.S. law.

The TPP also needs to reflect how goods are produced in the 21st century using global value chains. Today, the goods we buy are usually labeled "Imported" or "Made in the USA"—with no middle ground. However, companies often rely on global value chains that span the Pacific to hone their competitiveness.

The United States is a principal beneficiary of these supply chains. One recent study found that 70% of the final retail price of apparel assembled in Asia is created by American innovators, designers, and retailers. Making customs and border procedures more efficient and enacting other trade facilitation reforms will remove sand from the gears of global value chains and enhance U.S. competitiveness.

Completing the TPP would pay huge dividends for the United States. The agreement would significantly improve U.S. companies' access to the Asia-Pacific region, which is projected to import nearly $10 trillion worth of goods in 2020. A study by the Peterson Institute for International Economics estimates the trade agreement could boost U.S. exports by $124 billion by 2025, generating hundreds of thousands of American jobs.

Working closely with the Office of the U.S. Trade Representative (USTR), the Chamber has led the business community's advocacy for the inclusion of strong disciplines in the TPP trade agreement on intellectual property, due process in antitrust enforcement, state-owned enterprises, and regulatory coherence.

Overcoming the tyranny of small differences between regulations in the United States and those in key markets would reduce costs for small and mid-sized companies, for which these expenses loom especially large. Companies would see an easier, less costly path to complying with standards and regulations in a meaningful way.

The Transatlantic Trade and Investment Partnership

As we consider new trade accords with our biggest commercial partners, Europe calls out for attention. Indeed, the European Union is by far America's largest commercial partner.

Together, the United States and the European Union account for nearly half of global economic output, with each producing more than $16 trillion in GDP. Total U.S.-EU commerce—including trade in goods and services and sales by foreign affiliates—tops $6.5 trillion annually and employs 15 million Americans and Europeans.

The U.S.-EU investment relationship is also without peer. Companies headquartered in EU Member States have invested $1.6 trillion in the United States and directly employ more than 3.5 million Americans. Similarly, U.S. firms have invested $2.1 trillion in the EU—a sum representing more than half of all U.S. investment abroad. It is also nearly 40 times as much as U.S. companies have invested in China.

The United States and the Member States of the EU share common values as strong democracies with an enduring commitment to civil liberties and the rule of law. We uphold similar social, labor, and environmental standards in our laws and regulations.

For these reasons and more, the United States and the EU have launched negotiations for a comprehensive and ambitious Trans-Atlantic Trade and Investment Partnership (TTIP). The goal is to eliminate tariffs; open up services, investment, and procurement; and promote regulatory cooperation to ensure high levels of health, safety, and environmental protection while cutting unnecessary costs.

The benefits could be immense. The sheer volume of transatlantic commerce is so large that eliminating today's relatively modest trade barriers could bring big benefits. According to the London-based Centre for Economic Policy Research (CEPR), the TTIP would boost U.S. exports to the EU by $300 billion annually, add $125 billion to U.S. GDP each year, and increase the purchasing power of the typical American family by nearly $900—with similar benefits for Europeans.

One key goal in the negotiations is to tackle regulatory barriers to trade. Companies selling their products on both sides of the Atlantic incur high costs complying with both U.S. and European regulations, even when they are very similar.

For example, U.S. automakers run crash tests to comply with U.S. safety regulations but must do so a second time to comply with EU standards—and vice versa. Mutual recognition of these regulations would save consumers up to 7% on each car or truck and enhance the global competitiveness of U.S. and European companies.

TTIP is also an opportunity to raise global standards. With a combined GDP of more than $32 trillion, the sheer size of the transatlantic economy will incentivize other countries to look to standards set in the TTIP. Accordingly, the United States and the EU should establish a high bar in such areas as protecting intellectual property, cultivating the digital economy, and combating trade and investment protectionism.

Refusing to pursue this agreement would exact a price as other countries enter into new trade pacts with the EU. Already, the EU has 28 free trade agreements in force with such countries as Mexico, South Africa, and South Korea. It has concluded negotiations for an additional 9 agreements with Central America, Colombia, Singapore, Ukraine, and others. The EU is currently in negotiations with Canada, India, Japan, Malaysia, Thailand, Vietnam, and the Mercosur bloc.

As New Zealand Prime Minister John Key recently noted, "there are only six countries who are part of the World Trade Organization who are either not in negotiations or haven't negotiated an FTA with Europe." Without the TTIP, U.S. workers and companies will be put at a disadvantage to their competitors from just about every other economy in the world in the giant European marketplace.

The Trade in Services Agreement

While it has not made national headlines, the United States has joined with more than 50 other countries to launch negotiations for a high-standard trade agreement in services dubbed the Trade in Services Agreement (TISA). This exciting new accord has the potential to ignite economic growth and job creation in the United States and abroad.

Services employ about 96 million of America's 114 million private sector workers. The United States is home to thousands of highly competitive services companies in such sectors as audiovisual; finance; insurance; energy services; transportation, logistics, and express delivery services; information technology services; and telecommunications.

Contrary to popular misconception, many jobs in services pay well. Approximately 18 million Americans are employed in business services such as software, architectural services, engineering and project management services, and insurance—all of which generate billions of dollars in exports. Wages in these sectors are 20% higher on average than those in manufacturing, which employs about 12 million Americans.

Services are a clear strength for the United States, which is by far the world's largest exporter of services. U.S. services exports reached $632 billion in 2012, and the U.S. services trade surplus reached $195 billion. In addition, services sales by foreign affiliates of U.S. multinational corporations topped $1 trillion. Combined, total sales of U.S. services abroad reached approximately $1.7 trillion in 2012.

Even so, the potential for service industries to engage in international trade is almost untapped. One in four U.S. factories exports, but just one in every 20 providers of business services does so. Just 3% of U.S. services output is exported, according to the Peterson Institute for International Economics.

As its chief goals, the TISA should expand access to foreign markets for U.S. service industries and ensure they receive national and most-favored nation treatment. It should also lift foreign governments' sectoral limits on investment in services.

The payoff from the TISA could be huge. Eliminating barriers to trade in services could boost U.S. services exports by as much as $860 billion—up from 2013's record $682 billion—to as much as $1.4 trillion, according to the Peterson Institute. Such a dramatic increase could create as many as three million American jobs.

The TISA's potential to drive economic growth and job creation in the United States and beyond is significant. The Chamber is committed to working closely with U.S. negotiators, foreign governments, and the Congress to press for a strong agreement that translates this potential to reality.

The World Trade Organization

The U.S. Chamber remains firmly committed to the global rules-based trading system embodied by the World Trade Organization (WTO). In the view of Chamber members, the U.S. business community needs the WTO today as much as ever. Its rules inform national policy at home and abroad, and its dispute settlement system commands global respect.

The multilateral trading system has benefited the entire world. Eight successful multilateral negotiating rounds have helped increase world trade from $58 billion in 1948 to $22 trillion today. This is a 40-fold increase in real terms, and it has helped boost incomes in country after country.

In recent years, the long impasse in the Doha Development Agenda negotiations led many to call into question the WTO's role as a forum for market-opening trade negotiations. In this context, it is difficult to exaggerate the importance of the success achieved at the WTO's 9th Ministerial Conference held in Bali, Indonesia, on December 3-7, 2013.

In Bali, trade ministers unanimously endorsed the first multilateral trade agreement since the WTO's creation nearly two decades ago. The Chamber warmly welcomed the Agreement on Trade Facilitation, the principal deliverable in the Bali Package, as a cost-cutting, competition-enhancing, anti-corruption agreement of the first order. It promises to streamline the passage of goods across borders by cutting red tape and bureaucracy.

However, the true value of a trade agreement lies in its effective implementation. To that end, WTO Members have until July 31 to submit so-called "Category A" commitments under the Agreement. In this process, they will list all the provisions they commit to fully implement by the time the Agreement enters into force in July 2015. Particularly in the case of developing countries, this represents an opportunity to highlight a strong commitment to efficient customs and port procedures before the global business community and private investors, and bold reformers are likely to see economic benefits in the form of increased trade, investment, and growth. The Chamber urges the administration to make concerted outreach to developing country governments to encourage them to take on these commitments in a fulsome manner and to underscore the international business community's keen interest in seeing these reforms advance. The Chamber will do the same.

Another immediate priority is to conclude negotiations to expand the product coverage of the 1996 Information Technology Agreement (ITA), which has delivered a cornucopia of innovative technology products to the world. Today, 70 countries are members of the ITA, and they account for 97% of world trade in IT products, which has reached about $4 trillion annually (or one-fifth of global merchandise trade). Extending free trade to the hundreds of new tech products invented since the ITA was negotiated nearly two decades ago—including GPS devices, Bluetooth technologies, flat-panel displays—would multiply its benefits.

Despite progress over the past year, the ITA expansion talks were suspended in July 2013 and again in November. These actions were triggered by China's insistence that dozens of tariff lines be dropped from consideration or subjected to extraordinarily long phase-outs. No other country has adopted such a cautious stance, and many WTO Members have objected. The Chamber is one of more than 40 international business groups from dozens of countries that has repeatedly urged the Chinese government to reconsider this position.

By one estimate, a commercially significant expansion of the ITA could add an estimated $190 billion to global GDP annually. China is the largest exporter of IT products and even has a trade surplus in many of the product categories it seeks to exclude. The Information Technology Industry Council estimates that an ambitious outcome in these negotiations could save China's tech sector $7 billion in reduced tariffs on their overseas sales each year. Working closely with other business organizations and allies in other countries, the Chamber continues to urge the Chinese government to return to the negotiations with a more pragmatic stance as soon as possible.

Separately, the United States and 13 other WTO Members, including the 28 Member States of the European Union, in January announced a new initiative to eliminate tariffs on environmental goods. These countries account for 86% of global trade in environmental goods. The initiative aims to build on the APEC Leaders' commitment to reduce tariffs on the APEC List of 54 Environmental Goods to make these technologies cheaper and more accessible.

The U.S. Chamber of Commerce welcomed the initiative. Eliminating barriers to trade in environmental goods such as solar panels, gas and wind turbines, and products to control air pollution and treat wastewater is both pro-environment and pro-growth.

Total global trade in environmental goods approaches $1 trillion annually, but some countries currently apply tariffs to these goods as high as 35%, discouraging their use. The

countries taking part in this initiative have begun to reach out to other countries to encourage them to join the initiative.

Other Trade Priorities Before Congress

In addition, Congress should move quickly to renew the ***Generalized System of Preferences*** (GSP), which expired on July 31, 2013. Since 1976, GSP has promoted economic growth in developing countries by providing duty-free access to the U.S. market for thousands of selected products. In 2012, U.S. imports under GSP reached $20 billion.

GSP helps keep U.S. manufacturers and their suppliers competitive. Approximately three-quarters of U.S. imports using GSP are raw materials, parts and components, or machinery and equipment used by U.S. companies to manufacture goods in the United States for domestic consumption or for export. The products coming in under GSP generally do not compete with U.S.-made goods in any significant way. According to a 2006 U.S. Chamber of Commerce study, over 80,000 American jobs are associated with moving GSP imports from the docks to farmers, manufacturers, and retail shelves.

Further, the Chamber strongly supports the ***Miscellaneous Tariff Bill*** (MTB), which provides relief from tariffs levied on imported materials or intermediate products that are essential to U.S. manufacturers but unavailable from domestic sources. Tens of thousands of American workers and hundreds of American companies depend on the MTB for relief from tariffs that serve only to raise costs for U.S. manufacturers and dull their competitive edge. The last MTB supported an estimated 90,000 American jobs; the latest bill promises benefits that could reach twice as many workers.

In the view of some, the MTB's duty suspensions are earmarks because they provide a "limited tariff benefit," which is defined under House rules as benefiting 10 or fewer entities. However, the MTB's benefits are in no way limited: Duty suspensions are available to all importers of the product. The bill makes no appropriation of public funds; it merely suspends a tariff that serves only to undermine U.S. competitiveness. The MTB is a tax cut, not an earmark.

Since the expiration of the last MTB on December 31, 2012, U.S. businesses both large and small have faced higher costs for imported inputs not available from domestic sources. The Chamber urges Congress to renew the MTB and lift the burden of these pointless and damaging tariffs.

The Chamber is also pushing for reauthorization of the ***African Growth and Opportunity Act*** (AGOA), which will expire on September 30, 2015. Similar to GSP, AGOA benefits not only the economies of sub-Saharan Africa but also U.S. companies and consumers here at home.

Moving this bill sooner rather than later would avert disruption of trade flows and afford companies the certainty they need to make investments and sourcing decisions. Moreover, as the first and only economic policy platform that exists between the United States and sub-Saharan Africa, AGOA's looming expiration weighs heavily on U.S. relations with the region and threatens to undermine the gains that African economies have made under this program.

The Chamber encourages Congress to begin work now to extend AGOA beyond its scheduled expiration next year. In the past decade, AGOA's multiple renewals have been limited to modest increments of time, which has limited the scope of its success.

Finally, the Chamber would like to highlight our ongoing concerns with ***India's discriminatory trade practices*** against U.S. companies, particularly regarding the protection of intellectual property rights. A number of trade associations, including the Chamber, representing a diverse set of industry sectors, have called on the administration to designate India as a Priority Foreign Country through the Special 301 process, and we urge Congress to press the administration to address these concerns.

Conclusion

To conclude, the United States cannot afford to sit on the sidelines while others set the rules of world trade. To create the jobs, growth, and prosperity our children need, we need to set the agenda. Otherwise, our workers and businesses will miss out on huge opportunities.

We need a laser-like focus on access to foreign markets. We need to renew Trade Promotion Authority. Then, Congress and the administration should use this legislation to pursue new trade agreements to ensure that international commerce is fair.

The trans-Pacific, trans-Atlantic, services, and information technology trade agreements now being negotiated represent a once in a lifetime opportunity to tear down the walls that have shut American goods and services out of foreign markets for so long. We need to seize this opportunity with both hands.

And with all our trade agreements—old and new—we need to ensure they are fully enforced. The trade agreements we enter into are not worth the paper they are written on if they are not fully enforced.

The United States is home to many of the best workers and companies in the world. We create many of the world's most innovative products. We also face tougher competition than ever before. But our productivity is high, and our energy costs are going down. The facts show we can compete and win.

The bottom line is simple: Without a proactive and determined trade agenda, American workers and businesses will miss out on huge opportunities. U.S. companies and the workers they employ will be shut out of foreign markets by unfair foreign trade barriers. Our standard of living and our standing in the world will suffer.

The Chamber looks forward to working with Congress and the administration to advance a bold trade agenda to generate growth, opportunity, and jobs.

MATERIAL SUBMITTED FOR THE RECORD
Questions For The Record:
Representative Dave Reichert

Questions for the Record for Committee on Ways and Means Full Committee Hearing on President Obama's Trade Policy Agenda with U.S. Trade Representative Michael Froman

April 3, 2014

Questions from Rep. Dave Reichert:

1. Trade in Services Agreement

The Trade in Services Agreement (TiSA) negotiations have grown to include 50 countries thus far. The services sectors in these countries account for half of the world economy and over 70 percent of global services trade. As such, TiSA has massive commercial potential and must, along with our TPP and EU negotiations, be a top priority for Congress, the Administration, and U.S. industry. Services represent roughly 75 percent of U.S. GDP and 80 percent of U.S. private sector employment, so increasing our services firms' export opportunities promises to be a major source of well-paying American jobs. For my home state, services comprise over 40 percent of the state's GDP but less than a third of exports. To increase these exports, we need new market access commitments and updated rules.

Trade rules on services trade were negotiated over 20 years ago. I am enthusiastic about TiSA's potential to update services trade rules among its members and incorporate protections for U.S. services suppliers that we've developed in our trade agreements and recent bilateral investment treaties. I am concerned, however, that some TiSA countries do not appear wedded to a "best FTA" standard for TiSA. Can you assure us that USTR will be giving a high-standard TiSA the priority that it deserves, pressing to incorporate our best trade agreement protections for U.S. service suppliers?

Answer: In TiSA, USTR is committed to achieving the strongest possible result for U.S. service suppliers both in terms of creating new market access opportunities and establishing new rules to support the expansion of services trade well into the future. We view the high-standard approach we take in FTAs as setting the floor in TiSA negotiations, and will work to achieve ambitious liberalization, while also setting a new standard for the global trading system.

2. Trade in Services Agreement

As you know, TiSA is being negotiated as a plurilateral agreement outside of the WTO because Brazil, India, and some other countries object to services negotiations outside of a single undertaking that includes agriculture and goods. Yet I believe TiSA will help invigorate the WTO system, including by building wide support for services trade advances that can be incorporated into WTO rules at the appropriate time. To maximize this effect, TiSA benefits must be available only to those WTO members that join the agreement, which encourages countries to join rather than try to free-ride. TiSA must also maintain a high standard for liberalization so that the trade benefits that accrue to its members are very commercially significant. Within this context, I want to see TiSA membership continue to grow, with countries that are willing and able to meet the agreement's high standard. Though China is

one of Washington's top destinations for services exports and its membership could be significant, I am concerned that China has not proven that it is willing and able to meet the agreement's high standard in a timely manner. What evidence has China provided you to demonstrate that it can meet this standard? Has it met this test yet?

Answer: We have been engaged with China to assess its ability to meet the standards being sought in TiSA, including its ability to liberalize market access restrictions and to contribute positively to the development of new and better rules. There remain a number of open questions in that regard, including its implementation of the WTO decision regarding access to the electronic payment services market in China, and its contribution to other ongoing negotiations. We will continue to be open to dialogue with China on this matter. We also will continue to actively press for greater openness in China to U.S. service suppliers.

3. Trade in Services Agreement

With respect to financial services, what is USTR seeking to accomplish in TiSA?

Answer: The Administration seeks to secure robust market access commitments for financial services in the Trade in Services Agreement (TiSA) negotiations that would help protect U.S. financial services suppliers from discriminatory treatment in foreign markets.

4. Transatlantic Trade and Investment Partnership

The negotiations for a Transatlantic Trade and Investment Partnership represent a significant opportunity to boost an already considerable trade relationship through the elimination of tariff and non-tariff barriers to trade. A key part of the negotiations will be the removal of regulatory barriers both in terms of specific sectors and horizontally across sectors. How will USTR focus its efforts to address regulatory barriers faced by the pharmaceutical industry? Will part of this effort involve pursuing greater regulatory compatibility between the U.S. Food and Drug Administration and the European Medicines Agency, including but not limited to a mutual recognition agreement for good manufacturing practices (GMP) inspections?

Answer: We are pursuing in T-TIP greater regulatory compatibility in a range of sectors. In terms of pharmaceuticals, we are working together with FDA, the European Commission, and the European Medicines Agency on cooperative technical steps that would decrease costs while ensuring robust health and safety protections. For example, we are exploring the scope for using the results of Good Manufacturing Practice inspection reports from each Party to help secure the drug supply chain on both sides of the Atlantic.

Question from Rep. John Lewis:

1. U.S.-Colombia FTA

In 2012, I asked your predecessor about the inter-agency effort to implement the U.S.-Colombia Free Trade Agreement.

As you well know, I and many other Members of Congress voiced strong concerns regarding labor, human, and civil rights issues in Colombia and serious rule of law challenges.

I continue to believe that a thorough, collaborative, inter-agency effort must exist in order for the implementation of this agreement to meet the promises and goals of the FTA's proponents.

Please may you explain -- in detail -- how USTR is working with the State Department's Race, Ethnicity, and Social Inclusion Unit (RESIUNIT), the U.S. Department of Labor's Bureau of International Labor Affairs (ILAB), the U.S. Department of Justice, and any other relevant agencies to realize the promises of this FTA in protecting, upholding, and improving labor, human, civil rights, and rule of law in Colombia?

Has USTR staff met with RESIUNIT and ILAB staff? If so when, where, and how frequently? Who coordinates the meetings and ensures missions and target goals are established and met?

Additionally, how often do frontline interagency staff meet, exchange information, and coordinate efforts to address the many concerns raised by Members of Congress and human rights advocates throughout the debate and congressional consideration of the U.S. Colombia FTA?

Answer: USTR coordinates directly with all relevant agencies to monitor the implementation of the Colombian Labor Action Plan and address the issues raised by Members of Congress and human rights advocates in connection with the U.S.-Colombia Trade Promotion Agreement (U.S.-Colombia TPA). In particular, USTR works closely with the Bureau of International Labor Affairs at the U.S. Department of Labor (DOL), and the Bureau of Democracy, Human Rights and Labor at the U.S. Department of State (State), as well as the U.S. Embassy in Bogota. Communication with these agencies is constant, often on a daily basis, to exchange information on the labor situation in Colombia, request and receive updates from Colombian officials and labor stakeholders, and respond to inquiries and concerns from Members of Congress and labor advocates in the United States. Staffs from these agencies also frequently travel together to Colombia to conduct on-the-ground fact finding. For example, USTR led a mission to Colombia in January 2014 to monitor implementation of the Action Plan, in conjunction with State and DOL, and three similar visits took place in 2013.

In addition, the ILAB coordinates regularly with the State Department's Bureau of Western Hemisphere Affairs' Race, Ethnicity, and Social Inclusion Unit (RESIU) and Colombia Desk. The ILAB is also an active participant in the United States-Colombia Action Plan on Racial and Ethnic Equality (CAPREE), including the June 2013 plenary

meeting in which the USG shared best practices for developing anti-discrimination policies with Colombian government counterparts and members of civil society. Private sector and civil society participants in the plenary meeting also discussed including more minority owned businesses in trade missions and other meetings with the private sector and government such as CEO roundtables and corporate consultations.

For additional detailed information on the status of the Colombian Labor Action Plan and interagency efforts to monitor its implementation, please visit:

http://www.ustr.gov/sites/default/files/Colombia%20Labor%20Action%20Plan%20update%20final-April2014.pdf.

2. Trans-Pacific Partnership

In many discussions and letters regarding the Trans-Pacific Partnership (TPP) free trade agreement, there are debates regarding access to medicines. I remain very concerned that the provisions under discussion would tip the balance represented in the TRIPS and May 10 compromises away from public health needs in order to further the interests of the pharmaceutical industry.

Many of us were strong supporters of the May 10th Agreement which guarantees that developing nations have access to generic medicines, while simultaneously ensuring that pharmaceutical firms are able to recoup expenses by patenting their innovative drugs in developed countries. As a strong advocate on this issue, I expected that May 10th would be the floor, not the ceiling, as U.S. standard for future free trade agreements.

We consistently hear that TPP will be a high-standard agreement, but how exactly will it be a higher standard on the issues which are the cornerstone of healthcare access and affordability both in the U.S. and with our TPP trading partners?

Answer: The United States is a leading voice both for strong IPR protections and for access to medicines for the world's poor, including in developing country TPP partners. We believe the best approach to pharmaceutical IPR issues in TPP is one that provides countries appropriate flexibility based on their individual circumstances. That is why we are working with TPP partners to identify ways to tailor potential flexibilities based on countries' particular development situations and their existing laws and international obligations.

3. Trans-Pacific Partnership

TPP is explained to be a "living agreement" and future countries can be added in the future. As I mentioned in my opening comments, I have very strong concerns about the inclusion of Vietnam in TPP given its labor rights and human rights record.

What new mechanism in TPP will ensure labor and human rights standards and benchmarks are an enforceable core of the agreement? How will this method require action by those who

will implement and enforce this agreement in the future?

What steps and standards should be included in any trade discussions to ensure that Congress has some authority over future additions to this "living" agreement?

Answer: In TPP, we are seeking to include strong, enforceable labor obligations in the core of the agreement, including requirements to adopt and maintain fundamental labor rights as stated in the ILO Declaration on Fundamental Principles and Rights at Work subject to the same dispute settlement as the rest of the agreement. The high standards of the TPP Labor Chapter will be extended throughout the region as other countries join TPP.

The United States requires the highest labor standards in the world in its trade agreements. Once we have negotiated these agreements, we monitor the enforcement of those rights vigorously and take action, as necessary, to ensure their full implementation. And, in many cases, we work to provide capacity building assistance. We are closely reviewing the labor law and practice of each TPP country, and seeking reforms where needed to ensure that each country meets the labor obligations in TPP.

Human rights are always an important consideration in our bilateral relationships. While we have seen some positive developments over the past few months, we are continuing to press the Vietnamese government to continue to make progress, including during the recent United States-Vietnam human rights dialogue, which the Department of State chaired for the United States.

As you note, TPP is a "living" agreement, and several countries already have expressed interest in potentially joining the agreement in the future. As we do before launching any FTA negotiation, we will consult closely with Congress as we consider negotiating with additional potential partners.

Questions from Rep. Charles Boustany:

1. Energy/Investor-State Dispute Settlement

Strong investor-state dispute settlement provisions are critical to protecting U.S. investors abroad. Companies that invest in infrastructure or energy projects depend on investor-state provisions to ensure they have access to neutral, third party arbitration in cases where foreign governments take their property without compensation or discriminate against them by giving domestic investors better treatment. A key element is that such provisions cover the so-called "investment agreements" that these firms negotiate with the host government before they invest hundreds of millions or billions of dollars to develop these resources.

In the Trans-Pacific Partnership negotiations, several countries oppose the inclusion of these protections even though they exist in other trade agreements. Do you share my view that TPP investor-state dispute settlement for investment agreements is absolutely essential?

Since the Administration has gone through its own exhaustive review of the U.S. Model BIT and determined the importance of having in place a viable investor state dispute settlement (ISDS) mechanism, do you agree that TPP and TTIP need to include such a mechanism as well? Can you talk about what you are doing about the pushback you are getting from some of our trading partners on ISDS in those negotiations?

Answer: Ensuring that U.S. investors operating abroad receive fair, transparent, and non-discriminatory treatment – the same kind of treatment foreign investors receive in the U.S. under U.S. law – is an important component of our trade and investment policy. In our trade agreements, we advance this objective through rules establishing a level playing field and basic rule of law protections for our investors, and through procedures for neutral, international arbitration of investment disputes. We are seeking in both TPP and T-TIP to establish meaningful investor-state dispute settlement (ISDS) procedures that are in keeping with the goals of fair, expeditious, and transparent dispute resolution. As in the U.S. model bilateral investment treaty (BIT), our approach in these negotiations is to seek a high level of protection for our investors – including with respect to investment agreements– while ensuring that legitimate governmental interests in regulating in the public interest are protected. Through these negotiations, we seek to raise the standards for ISDS, including by adding important procedural safeguards, such as provisions on expedited review of potentially frivolous claims, transparency in investor-state proceedings, and participation of civil society organizations and other members of the public in investor-state proceedings.

2. Trans-Pacific Partnership

As you and I have discussed before, I am very concerned about the growing role of state-owned enterprises in the global economy. Oftentimes SOEs receive unfair advantages from direct and indirect government support and do not act in accordance with commercial considerations. As a result, I fully support USTR's efforts to include strict disciplines on state-owned enterprises in TPP. Not only will such disciplines address SOEs within the TPP region, but I hope they will also set the standard for disciplines on SOEs in other agreements. It is also essential that these disciplines are not weakened by overly broad exceptions.

What is USTR's strategy to ensure that we have meaningful and effective disciplines on state-owned enterprise behavior in TPP?

Answer: Obtaining meaningful and enforceable new disciplines on SOEs is one of our key priorities in the TPP. At the same time, it is also one of the most complex and contentious of the new issues we are seeking to address. It is important to strike the right balance between strong rules on the commercial activities of SOEs and flexibility for SOEs to perform legitimate purposes – for example, to provide public services in domestic markets. Our strategy is to focus on achieving the strongest general rules possible, while addressing country-specific sensitivities through targeted exceptions where necessary.

3. China/Information Technology Agreement

Expansion of the Information Technology Agreement (ITA) to include additional products would have significant benefit for U.S. manufacturers and consumers. By one estimate, updating the ITA would boost global GDP by $190 billion and increase U.S. exports by $3 billion, creating 60,000 American jobs. ITA expansion has strong bipartisan support in Congress, and I hope that you will continue to press for a robust and ambitious agreement as soon as possible.

I'm very frustrated by China's refusal to engage productively in these negotiations. Please provide an update on how those negotiations are going, what we can do about China, and whether you think it is possible to conclude an agreement before China hosts the APEC meeting later this year.

The Chinese government in 2013 committed to resume bilateral investment treaty (BIT) negotiations with the United States using the U.S. approach to BITs – one that uses a negative list and covers both pre- and post-establishment. This is a significant change in approach for China. "Pre-establishment" national treatment means that U.S. investors will be treated like domestic investors when they are seeking to make investments in China, which would eliminate ownership restrictions for them that currently affect foreign investors. The key to that change having real value to U.S. companies will be having a narrow "negative list" – that is, the exceptions that China takes to its broad commitment to equal treatment of domestic and US companies under the treaty.

Ultimately, the deal U.S. negotiators come up with will be evaluated by the Senate when it considers approval of the treaty. We in Congress will be looking for not only a strong agreement with significant market openings for American companies, but also evaluating China's actions to implement such openings in the immediate term rather than waiting for the BIT to be implemented. Such a delay would be interpreted by many of us in Congress as a lack of commitment by China to making the changes that the BIT will require.

Answer: We have been working hard to conclude the WTO Information Technology Agreement (ITA) expansion negotiations as soon as we can achieve a balanced and commercially significant package. In that connection, we held productive talks with China during the APEC Trade Ministers meeting in China on May 16-18. The United States came with new ideas on how to press the negotiations forward, we made progress and narrowed our differences with China, and we are now in a position to continue useful discussions with China in the coming weeks. We will continue our intensified work with the goal of achieving a meaningful, expanded ITA agreement in the near term.

Regarding ongoing bilateral investment treaty (BIT) negotiations, the Administration has made clear to China that, as part of the negotiations, China must commit to significant liberalization of its investment regime, including by negotiating a negative list that is as limited and as transparent as possible. In the immediate term, China must take major steps forward on market access to demonstrate its continuing commitment to

the BIT negotiations and to its domestic economic reform.

4. China

What are your plans to advance the BIT negotiations this year and push China's government to act on market openings now rather than only after implementation of the BIT has begun?

While China's leadership continues to pledge that the market will play a greater role in China's economy, government actions continue to advance industrial policies in a coordinated manner. For example USTR highlighted China's use of the Anti-Monopoly Law (AML) as an industrial policy tool in its 2014 annual National Trade Estimates report.

Given USTR recognizes that China is making competition decisions designed to support industrial policy goals, what is the Administration's strategy for addressing China's use of the AML as an industrial policy tool? It is time for a comprehensive Administration response which leverages the expertise of U.S. trade, competition and commercial diplomacy agencies.

Answer: We are intensifying bilateral investment treaty (BIT) negotiations following the breakthrough reached at the July 2013 S&ED, where China agreed to pursue a BIT with the United States that will provide national treatment during all phases of investment, including the "pre-establishment" phase, and open all sectors of the Chinese economy to investment unless otherwise specifically negotiated as part of a "negative list." We anticipate meeting on a regular basis throughout the rest of this year to continue exchanges on the elements of a BIT text and the details of the development of China's negative list. We continue to stress to China through our high level bilateral interactions, including at the S&ED and JCCT, that in the immediate term, China must take major steps forward on market access to demonstrate its continuing commitment to the BIT negotiations and to its domestic economic reform.

Multiple U.S. government agencies are working together to raise issues in our economic relationship with China, including those regarding enforcement of the Anti-Monopoly Law, in a consistent and coordinated manner. We are pressing China hard, building on China's leaders' stated commitments to a level playing field and the rule of law. We also believe one key to making progress is continued public attention to this issue, including exposure of Chinese agencies' inappropriate actions. We are committed to continued intensive engagement on this important concern.

5. Trans-Pacific Partnership

In early April, Australia and Japan signed a free trade agreement after lengthy negotiations. Just before the close of the negotiations, the Australian Prime Minister had signaled his desire to conclude a bilateral deal with Tokyo in order to secure for Australian exporters preferential access to the Japanese market - essentially creating a Plan B for Australia should the TPP not advance.

What are we doing to counter this? What is our strategy for giving our trading partners the

confidence they need to stay focused on the TPP?

Answer: We are working with all of our TPP partners to conclude the TPP negotiations as soon as possible. We recognize that there are other trade initiatives underway in the region that seek to tap into the Asia-Pacific region's growth and dynamism, including the recently concluded Japan-Australia trade agreement, negotiations of which began in 2007. However, it is clear that the commitments in the Japan-Australia deal are less ambitious than what the TPP countries have agreed to seek in TPP. All TPP countries remain deeply interested in the economic benefits of a comprehensive, high-standard, and 21st-entury regional agreement, and we continue to be focused on conclusion of an agreement that achieves such an outcome.

6. Trade Promotion Authority

In January, both the House and the Senate introduced a bipartisan, bicameral Trade Priorities Act bill. In recent weeks, it seems as if TPA has lost some momentum while trade agreements with our Asia-Pacific and our European partners continue to move forward. Let me echo the importance of passing TPA legislation as a means of reassuring our trading partners that we are supportive of high-standard and commercially-meaningful agreements. TPA also ensures Congress and other stakeholders have input.

Amb. Froman, I commend you on your diligence in working with Congress to pass TPA. However, this is an issue that requires the full backing of the President and his Cabinet. We need to see all Cabinet-level secretaries, i.e. Secretary Vilsack, Secretary Kerry, Secretary Hagel, engaging on this issue to push the trade agenda forward. With that said, I have two questions. How do you see the negotiations progressing in the absence of TPA legislation? How are our trading partners responding to lack of TPA legislation in the U.S.?

Answer: The Administration has been clear that TPA is a critical part of our trade agenda, and will continue to work with Congress throughout the legislative process to pass TPA legislation with as broad bipartisan support as possible. At the same time, we are focused on achieving ambitious, comprehensive, and high-standard TPP and T-TIP agreements in parallel to Congressional consideration of TPA. We continue to make progress in our negotiations.

7. Intellectual Property Rights

Amb. Froman, U.S. companies and workers lead the world in innovation across many sectors, whether that's creating state-of-the art technologies that provide new platforms by which Americans and citizens around the world can connect and share information, or benefiting patients with medicines that improve and save lives. This innovation environment is able to flourish based on the stability of our intellectual property laws, which provide the appropriate balance to encourage investment and research. And globally, the U.S. and other countries have committed to international standards for patent issuance so innovators are able to seek patents on their inventions through a fair and reliable process.

Unfortunately, we have seen a disturbing trend in recent years whereby countries are ignoring these commitments and standards in a veiled attempt to support certain domestic industries and constituencies. These decisions are short-sighted and ultimately discourage innovation, investment and job growth. What is your agency doing to enforce existing intellectual property commitments and deter countries from weakening such standards in their own IP regimes, whether that is in India, Canada or other trading partners? And can you also speak to your agency's efforts to secure IP protections that mirror U.S. law through the Trans- Pacific Partnership trade agreement?

Amb. Froman, I appreciate your time and all that you are doing to move forward on critical market-opening agreements with the Trans-Pacific Partnership and the Trans-Atlantic Trade and Investment Partnership agreement. One issue we've discussed but that I wanted to underscore is the importance of strong intellectual property protections. U.S. companies and workers lead the world in innovation across sectors, whether that's creating state-of-the art technologies that provide new platforms by which Americans and citizens around the world can connect and share information, or benefiting patients with medicines that improve and save lives. This innovation environment is able to flourish based on the stability of our intellectual property laws, which provide the appropriate balance to encourage investment and research.

Will you continue to seek protections in the TPP for our innovators that provide an equal standard of protection to what we have in U.S. law and ensure the negotiations remain ambitious and comprehensive in nature?

Answer: One of our key priorities in trade negotiations is to build a modern legal infrastructure to protect intellectual property rights around the world, and to ensure effective enforcement of IP rights to maintain markets for the full range of job supporting exports of products and services embodying American creativity and innovation. Our IP-intensive exports include not only our advanced business software and popular films, music, books and video games, but also a wide variety of innovative U.S. manufactured goods and trusted brands that benefit from stable protection for and enforcement of patents, copyrights, trademarks, trade secrets, pharmaceutical and agricultural chemical test data, and other forms of intellectual property. Our trading partners are also focused on increasing economic growth, attracting investment, and creating jobs – all of which IP protection and enforcement can play a role in promoting. We continue to engage with other TPP countries on the IP chapter with the goal of developing a text that can stand alongside our other FTAs in the region, while also tackling 21st-century issues, such as theft of trade secrets.

With respect to T-TIP, the United States and EU are global leaders in promoting IPR, including by encouraging innovation in new technologies; promoting creativity; stimulating investment in research and development; and contributing to exports and creating jobs. We have highly-advanced mechanisms in which we work successfully together on IPR matters, including in third countries and international organizations. T-TIP provides a significant opportunity to build on our shared commitment to strong IPR protection – consistent with our respective systems – to enhance our joint

transatlantic leadership in this area and to continue our work to promote those high standards, including in other markets.

Finally, we take very seriously the implementation, monitoring, and enforcement of U.S. trade agreements, and are working closely with our trading partners to identify and address specific concerns that arise under these agreements, including with respect to IP rights. We look forward to continuing to work closely with you and others to uphold U.S. IP rights, including with respect to our existing and future agreements.

8. Transatlantic Trade and Investment Partnership

I want to ask you about the TTIP agreement and, specifically, the treatment of financial services regulatory issues. This agreement is being billed as a new breed of agreement and one that addresses regulatory barriers. It seems that the one sector being left out of these regulatory discussions is the financial services sector.

I find this to be concerning given that the European Commission has expressed reservations with the current bilateral dialogue and has called for a more robust framework to help avoid market disruption and regulatory fragmentation.

Wouldn't the two largest capital markets benefit from having a formal dialogue within the agreement to discuss bilateral regulatory differences? And wouldn't this provide a more focused, outcomes based discussion than other global forums?

Answer: Financial services are a critical part of our transatlantic economic relationship. In T-TIP, as in all of our free trade agreements, the Administration will seek robust market access commitments for financial services. These commitments would help protect U.S. financial services suppliers from discriminatory treatment in foreign markets. At the same time, we believe that our work on financial regulatory and prudential cooperation should continue uninterrupted in existing coordination channels.

Since the financial crisis, the United States has been pursuing a comprehensive agenda, with ambitious deadlines, on regulatory and prudential cooperation in the financial sector – multilaterally, in the G-20, and the Financial Stability Board, bilaterally with the European Union in the Financial Markets Regulatory Dialogue, and in international standard-setting bodies. We are making progress, and will continue to work through these channels, to raise international standards to the levels that U.S. financial regulators are now implementing. These efforts, in parallel alongside the T-TIP negotiations, will help ensure a level playing field for the United States.

Questions from Rep. Mike Thompson:

1. Transatlantic Trade and Investment Partnership

I want to again highlight the immense challenges Napa Valley has faced around the world with counterfeit and imitation wines. Napa is one of the premier winegrowing regions in our country and continues to face problems protecting and registering its GI. What is your office

doing, and what assistance can your office provide to help the Napa Valley wine industry in their effort to protect the Napa name from being used illegitimately on bottles of wine around the world that do not, in fact, come Napa? What opportunities exist via T-TIP or otherwise to assist Napa Valley and other well-known domestic wine regions in assuring their products and brand integrity aren't infringed upon?

Answer: USTR is committed to strengthening global protection of intellectual property, and is working with the Napa Valley wine growers to address their concerns in a variety of markets, including in the EU. USTR is pursuing numerous channels to find ways to advance the interests of U.S. wine growers, including Napa Valley. We are actively pursuing specific trade concerns identified by stakeholders to ensure that trade partners are abiding by their international obligations. In addition, we are working with interagency partners from the U.S. Departments of Agriculture and Commerce, including the U.S. Patent and Trademark Office, to engage in technical cooperation with other countries to improve their ability to combat counterfeiting.

2. Trans-Pacific Partnership

I recently received a response letter from you on textiles and apparel and the Trans-Pacific Partnership (TPP). In that letter, you noted that Yarn Forward works because about $13 billion in apparel is imported using Yarn Forward rules.

That may be true, but this amounts to only about 17 percent of total U.S. apparel imports. More than four times that amount of apparel imports are entered outside of the Yarn Forward provisions. Additionally, the percent of apparel entering outside Yarn Forward provisions is growing even though we are adding in more trade agreements. Exports of yarns and fabrics to non-Yarn Forward trade agreement countries have increased 50 percent since 2005 while those to Yarn Forward trade agreement countries have only increased three to four percent during that entire period. Given this data, why are you so convinced that Yarn Forward works when it clearly is not working?

Answer: Due to the large role China plays in the global textile and apparel market, textile and apparel imports from FTA partners represents approximately 14.8 percent ($17.4 billion) of our total imports of textiles and apparel. Of that, some 77 percent ($13.5 billion) are imported under yarn forward rules of origin. This is a very high utilization rate. Further, evidence suggests that the inclusion of yarn forward rules of origin in our FTAs has had a positive and beneficial impact. For example, our exports of yarns and fabrics to FTA partners are nearly double those to non-FTA countries ($9.2 billion versus $4.9 billion).

3. Trans-Pacific Partnership

I understand you have been looking at short supply provisions as one such flexibility for apparel in the TPP. But this will only cover between four to seven percent of trade. Recognizing that other agreements like Dominican Republic- Central America-United States Free Trade Agreement (CAFTA-DR) contained numerous exceptions to the Yarn Forward

rule, what other kinds of flexibilities you are exploring in the context of TPP?

Answer: We have developed the short supply list to carefully balance the offensive and defensive interests of the United States, and to encourage regional integration of TPP textile and apparel markets, expand supply chains in the region, and create new business opportunities for U.S. exporters. We believe an approach that includes a yarn-forward rule of origin with flexibility in cases where commercial realities warrant it, combined with reciprocal market access commitments, will help to achieve these objectives.

4. Trans-Pacific Partnership

Apparel and footwear are important segments of the outdoor economy and a critical issue in the TPP negotiations to American manufacturers, importers, and retailers. These products are complex, high-tech, and innovative; the supply chains and manufacturing techniques are vastly different than basic apparel and footwear. What flexibilities have been proposed that could accommodate the innovation and highly technical nature of outdoor apparel?

Answer: We believe that the flexibilities under our short supply list should address the concern you have identified. We have developed the short supply list to carefully balance the offensive and defensive interests of the United States, and to encourage regional integration of TPP textile and apparel markets, expand supply chains in the region, and create new business opportunities for U.S. exporters. The proposed short supply list reflects much of the input received from the outdoor apparel importers regarding the high-tech products they have shown would be difficult to obtain at present from TPP partners.

5. Trans-Pacific Partnership

The proposed short supply list does not account for future innovation – many fabrics for outdoor apparel have yet to be invented. As such, is a "cut and wholly assembled" rule of origin being considered for these products? Would such a proposal help convince the Vietnamese to move on other U.S. priorities?

Answer: We believe our approach addresses concerns about future innovation. In developing the list, we are defining many of our short supply products in a way that allows for new developments to benefit from the list, including the innovative types of products you raise.

6. Trans-Pacific Partnership

About 99% of U.S. footwear is imported; those pairs that are manufactured domestically often fall within the same Harmonized Tariff Schedule (HTS) classification codes as those that are sourced abroad, even though they are very different products. Congress has passed legislation in the past that distinguishes between import sensitive and non-import sensitive footwear – the same should be done under the TPP. Without negotiating breakouts to differentiate between import sensitive and non-import sensitive footwear products, the TPP will be a tremendous

lost opportunity for the footwear industry and its consumers. How will you differentiate between import sensitive and non-import sensitive footwear products in the TPP?

Answer: USTR has worked closely with footwear stakeholders to develop a comprehensive understanding of sensitive and non-sensitive footwear products, so that we can appropriately address the concerns of both importers and domestic manufacturers in the tariff treatment of footwear. As we negotiate with our TPP partners, we are continuing to consult closely with stakeholders on how to structure tariff elimination offers to balance their needs.

7. Trans-Pacific Partnership

Last year, I asked you about Japan's commitment to including rice as part of the TPP negotiations. It appears that Japan is showing a singular lack of ambition for a range of U.S. agricultural products in TPP, including U.S. rice, refusing to put their best offer forward on tariffs and market access. The TPP provides perhaps a once in a generation opportunity to improve access for U.S. rice and this opportunity should not be traded away just to get a deal, like in the South Korea-U.S. trade agreement. What progress has the administration made in negotiating substantial improvements for U.S. rice market access in Japan? Do you believe that if Japan is not ready to put into practice the principles of a 21st century trade agreement as embodied in the TPP, a "timeout" for Japan to assess its true priorities may be beneficial for all? Is the administration prepared to move forward without Japan and conclude a TPP agreement with the other partners if Japan continues to hold back on market access?

Answer: Japan is currently the United States' fourth largest export market for food and agricultural goods, reaching $12.1 billion in 2013, and was the second largest export market for U.S. rice in that same year. We are looking to Japan, like all TPP partners, to provide comprehensive and meaningful access to its agriculture market consistent with the level of ambition to which the TPP partners agreed when joining the TPP negotiations. Our negotiations continue, and our objective remains to secure a TPP agreement that excludes no products and results in commercially meaningful market access for U.S. exports across the range of individual product lines. In the case of rice, we are engaging with Japan to negotiate substantial new market access for U.S. rice, including seeking improvements to its import administration procedures.

Questions from Rep. Peter Roskam:

1. Information Technology Agreement

Mr. Ambassador, last April, my colleague across the aisle, Mr. Kind, joined me in leading a strong bipartisan letter to the President asking that he make finalizing an expansion of the Information Technology Agreement (ITA) a top trade priority. Increasing export of American tech products and services will benefit this country, not to mention my state and district. Expanding the ITA will provide new opportunities for increased exports, and I believe should be a top priority for USTR. What are the prospects for resumption of negotiations to expand the WTO Information Technology Agreement? More specifically, are there steps the

Administration can take to encourage the Chinese to return to the table with a more ambitious offer so ITA expansion negotiations can conclude while China hosts APEC this year? In particular, it seems the APEC trade ministers' meeting in mid-May in China is a good target for concluding the talks.

Answer: We have been working hard to conclude the WTO Information Technology Agreement (ITA) expansion negotiations as soon as we can achieve a balanced and commercially significant package of liberalization. In that connection, we held productive talks with China during the APEC Trade Ministers meeting in China on May 16-18. The United States came with new ideas on how to press the negotiations forward, we made progress and narrowed our differences with China, and we are now in a position to continue useful discussions with China in the coming weeks. We will continue our intensified work with the goal of achieving a meaningful, expanded ITA agreement in the near term.

2. U.S.-Canada Trade

Mr. Ambassador, Canada's insurance regulators are implementing a new life insurance licensing process that creates a de facto national standard that could run contrary to U.S.-Canadian trade policy. My constituents have expressed concern about this new process unfairly imposing a new trade barrier that will make it harder for life insurance producers serving the middle-class market to export their services to Canada. It is my understanding this new barrier was developed without any transparency, consultation with industry, or market impact analysis.

Would you consider examining this issue as a possible trade irritant to ensure that American agents are not unfairly denied continued access to Canada's life insurance market?

Answer: We are committed to protecting U.S. financial services suppliers from discriminatory treatment in foreign markets and stand ready to discuss our stakeholders' trade concerns and examine potential avenues for resolution.

3. Trade Promotion Authority

Since Congress last debated TPA in 2002, one aspect of our economy and trade has changed dramatically is the use of the Internet for commerce and personal use. In 2002, there were 55 billion Google searches. Last year, Google had 2.1 trillion. In 2002, Facebook and Twitter did not exist. Today, billions the world over are connected through social media. Can you explain how our trade agreements can truly reflect the full balance of U.S. law regarding the Internet?

Answer: USTR sees trade agreements as a vital means for ensuring that the Internet and the commercial ecosystem it supports remains open and can grow and thrive. Specifically, USTR seeks to include a range of provisions in ongoing trade negotiations, including TPP, T-TIP, and TiSA, aimed at enhancing opportunities for digital trade. Chief among these are:

- **A "negative list" approach to services and investment (all sectors are covered unless a Party negotiates to exclude a sector or subsector), critical to innovative and fast-changing services such as Internet-based services;**
- **A prohibition on imposing tariffs on content transmitted electronically;**
- **Non-discriminatory treatment of content distributed electronically into markets of a trade partner;**
- **An affirmative obligation to permit cross-border data flows; and**
- **A prohibition on requiring the use of local computing facilities for covered services.**

4. Transatlantic Trade and Investment Partnership

The U.S. film and television industry comprises 108,000 small businesses, 85% of which employ fewer than 10 people. With a trade surplus of $12.2 billion in 2011, or 6% of the total U.S. private sector exports in services, I am highly concerned by the European Commission's effort to remove this sector from the scope of the TTIP services negotiations. What are you doing to ensure that this critical sector is included within the TTIP services and ecommerce negotiations?

Answer: Several EU member states support policies designed to promote national content in television, film, and radio programming. These policies have not prevented U.S. content providers from being very successful in Europe because of strong consumer appetite for these products. We continue to raise these issues with our EU counterparts to find ways in T-TIP to accommodate EU sensitivities without unnecessarily restricting trade in a sector in which both the United States and European Union are globally competitive.

5. Trans-Pacific Partnership

Mr. Ambassador, U.S. companies and workers lead the world in innovation across many sectors, whether that's creating state-of-the art technologies that provide new platforms by which Americans and citizens around the world can connect and share information, or benefiting patients with medicines that improve and save lives. This innovation environment is able to flourish based on the stability of our intellectual property laws, which provide the appropriate balance to encourage investment and research. And globally, the U.S. and other countries have committed to international standards for patent issuance so innovators are able to seek patents on their inventions through a fair and reliable process.

Unfortunately, we have seen a disturbing trend in recent years whereby countries are ignoring these commitments and standards in a veiled attempt to support certain domestic industries and constituencies. These decisions are short-sighted and ultimately discourage innovation, investment and job growth. What is your agency doing to enforce existing intellectual property commitments and deter countries from weakening such standards in their own IP regimes? And can you also speak to your agency's efforts to secure IP protections that mirror U.S. law through the Trans-Pacific Partnership trade agreement?

Answer: One of our key priorities in bilateral, regional, and multilateral engagements with our trading partners is to advance the protection of intellectual property rights around the world, and to ensure effective enforcement of IP rights to maintain markets for the full range of job supporting exports of products and services embodying American creativity and innovation. Our IP-intensive exports include not only our advanced business software and popular films, music, books and video games, but also a wide variety of innovative U.S. manufactured goods and trusted brands that benefit from stable protection for and enforcement of patents, copyrights, trademarks, trade secrets, pharmaceutical and agricultural chemical test data, and other forms of intellectual property. Our trading partners are also focused on increasing economic growth, attracting investment, and creating jobs – all of which IP protection and enforcement can play a role in promoting. We continue to engage with our TPP partners on the IP chapter with the goal of developing a text that can stand alongside our other FTAs in the region, while also tackling 21st-century issues, such as theft of trade secrets.

We take very seriously the implementation, monitoring, and enforcement of U.S. trade agreements, and work closely with our trading partners to identify and address specific concerns that arise under these agreements, including with respect to IP rights. We look forward to continuing to work closely with you and others to uphold U.S. IP rights, including with respect to our existing and future agreements.

6. Transatlantic Trade and Investment Partnership

Mr. Ambassador, I am a strong supporter of the TTIP negotiations and appreciate your leadership to move these discussions along. I do have concerns, however, that we may exclude the more difficult issues, which would limit the economic growth, innovation and job creation we agree is possible to achieve through successful talks. For example, why would we not want to have a dialogue on how to better enhance our financial services regulatory system on a transatlantic basis, where often divergent regulations harm both of our economies and raise costs for consumers? We have an opportunity to create a framework for greater cooperation on financial services, which is a priority for one of our major trading partners, and I urge you to address this issue.

Answer: Financial services are a critical part of our transatlantic economic relationship. In T-TIP, as in all of our free trade agreements, the Administration will seek robust market access commitments for financial services. These commitments would help protect U.S. financial services suppliers from discriminatory treatment in foreign markets. At the same time, we believe that our work on financial regulatory and prudential cooperation should continue uninterrupted in existing coordination channels.

Since the financial crisis, the United States has been pursuing a comprehensive agenda, with ambitious deadlines, on regulatory and prudential cooperation in the financial sector – multilaterally, in the G-20, and the Financial Stability Board, bilaterally with the European Union in the Financial Markets Regulatory Dialogue, and in international standard-setting bodies. We are making progress, and will continue to work through

these channels, to raise international standards to the levels that U.S. financial regulators are now implementing. These efforts, in parallel alongside the T-TIP negotiations, will help ensure a level playing field for the United States.

Questions from Rep. Earl Blumenauer:

1. Trans-Pacific Partnership

It is in the United States national security interests to maintain a robust and stable domestic titanium market. A strategic metal critical to our defense industrial base, titanium is used in the most demanding military and aerospace applications. Through the Trans-Pacific Partnership (TPP), the U.S. titanium market could be severely weakened if the tariffs and rules of origin for this specialty metal are not properly structured. Titanium producers closely associated with their governments in Russia, China or Kazakhstan, for example, could export titanium to the U.S. duty free after minimal processing in a TPP country if we allow for minimal rules of origin. The degree and timeline by which tariffs are reduced would also negatively impact the U.S. titanium market by aiding Japan, whose titanium market is greatly oversaturated.

The U.S. has long recognized titanium as critical for its defense applications, with policy makers consciously choosing to maintain a 15 percent tariff on imports and a robust specialty metals law to promote a vigorous domestic market. The KORUS FTA deviated from that model, phasing out all titanium tariffs within three years, and allowing for the very low metric of "milling" to qualify titanium products for preferential treatment within the FTA. Should a similar approach be taken for TPP, U.S. suppliers could be sidelined by cheaper, subsidized producers in China or Russia, increasing our dependence for this critical metal on those abroad, not at home. Before removing titanium from the Generalized System of Preferences in 2004, that's exactly what we saw happen as Russia, who has little interest in strengthening our defense industrial base, flooded the U.S. market.

How does USTR plan to address titanium in the TPP? After entering into force, what will the tariff rates be for titanium, and what is the timeline by which they will be phased out, if at all? Will USTR use a more stringent and thoughtful metric for determining whether titanium products meet the rule of origin requirements, such as "melting" or "smelting" instead of "milling," which is a basic process replicable by any industrialized country?

Answer: We will continue to treat titanium as import sensitive in TPP and work with you and the titanium industry to address tariffs and rules of origin for these products.

Questions from Rep. Adrian Smith and Rep. Aaron Schock:

1. US-China Trade

As follow up to the question regarding resolving the gridlock in China's import approval process for biotechnology products, we wanted to reiterate concern about the negative economic effect this breakdown has had across the U.S. agricultural value chain.

Technology providers invest significant time and capital introducing a new product to the U.S. market for our farmers. A good amount of this research and development is conducted in our Congressional Districts. This work will help address some of the toughest challenges facing farmers around the world, including greater tolerance of drought conditions.

Because of the importance of the Chinese market, most companies refrain from offering new products to our farmers until the Chinese government approval is secured. Every subsequent year of delay in obtaining an approval in China is another year farmers have fewer choices and another year technology providers face erosion of their patent durability.

While China's approval system has historically been disruptive, the system had been to some extent predictable. Unfortunately, for the last two or three years, the system has become even less functional.

We appreciate USTR, USDA and the Department of State raising this issue at various times with their Chinese counterparts but remain concerned there is not a concerted, high-level interagency effort to resolve this issue. We are hopeful USTR can play a more central role in seeking to advance solutions through for a such as the U.S.-China Joint Commission on Commerce and Trade (JCCT) and the U.S.-China Strategic and Economic Dialogue (S&ED).

We understand that the Biotechnology Industry Organization has requested USTR and the Department of Commerce engage on this issue in the 2014 JCCT cycle. We have included a copy of this request for your review and encourage USTR to take more of a leadership role on this issue.

Finally, we would very much appreciate clarification as to whether USTR will lead efforts within the JCCT and S&ED processes to address this very important aspect of the Chinese market.

Answer: China, as a major market for U.S. agricultural products, is a top priority to address trade disruptions resulting from differences in approval systems for agricultural products derived from modern biotechnology. In December, for example, Secretary Vilsack and I raised the issue of approval delays with Chinese officials at the Joint Commission on Commerce and Trade (JCCT). We will continue to pursue an active agenda with China to promote a predictable, science based and timely approval system, using all appropriate mechanisms, including the S&ED and JCCT.

Questions from Rep. Aaron Schock:

1. U.S.-Canada Trade

One concerning market access barrier is the Canadian judiciary's creation of a heightened standard for patentable utility for pharmaceutical patents. This heightened standard is inconsistent with common practice in other countries, and has done great damage to the ability to obtain and enforce patent rights in Canada. It is also inconsistent with Canada's international trade obligations because it inappropriately narrows the scope of inventions that

should receive patent protection and discriminates against innovative pharmaceutical companies. What should the United States be doing to urge Canada to utilize patentability standards that are in line with its international obligations and encourage innovation?

Answer: As detailed in the 2014 Special 301 report, we are actively engaging Canada on our concerns related to Canada's patent utility standard, as well as in other areas, including copyright and border enforcement. We are closely monitoring developments, consulting with affected stakeholders, and pressing Canada to address these concerns, strategically tailoring our approach and using all appropriate trade policy tools and opportunities that will allow us to make constructive progress. As the United States' largest bilateral trading partner, it is critical for Canada to promote innovation through strong intellectual property rights protection, which is essential to economic growth throughout North America.

2. Transatlantic Trade and Investment Partnership

One issue that has come up in the T-TIP negotiations is the EU's agenda on geographical indications. If allowed to stand, the EU's position would especially impact the dairy industry and make common cheese names like parmesan, feta, asiago, cheddar, and mozzarella unavailable to domestic cheese manufacturers, giving huge commercial advantages to certain EU manufacturers. Can you report on the discussions you've had so far with the EU on this issue and your strategy moving forward to address it?

Answer: The United States and the EU have long-standing differences over the scope and level of intellectual property rights protection for GIs. We have raised our strong concerns regarding the impact of the EU's GI policies on made-in-America products. Within the T-TIP negotiations, we have been clear with the EU regarding our strong opposition to existing and future barriers. We will continue to press the EU to expand market access for U.S. producers into the EU and third country markets, including through the removal of barriers such as overly broad GI protection for EU products.

3. Trans-Pacific Partnership

Regarding market access negotiations for dairy with Japan and Canada, Japan has claimed dairy as one of its sensitive products. Dairy was excluded from the U.S.- Canada portion of NAFTA 20 years ago when the U.S. was a net importer of dairy products. Now, the U.S. has a dairy trade surplus of over $3 billion, which, if you take the Dept. of Commerce's numbers, would equal 16,800 American jobs. If Japan is able to exclude certain products, like dairy, in TPP, our neighbors to the north will surely follow suit. What is being done to ensure that the U.S. dairy industry will gain meaningful access to these two markets and not be excluded from the deal?

Answer: We are looking to Japan and Canada, like all TPP partners, to provide comprehensive and meaningful access to their agriculture market – including dairy – consistent with the level of ambition that the TPP partners agreed to when joining the TPP negotiations. Our negotiations continue, and our objective remains to secure a TPP

agreement that excludes no products and results in commercially meaningful market access for U.S. exports across the wide range of individual products lines. Regarding Canada, the United States is seeking to open the Canadian dairy market to U.S. dairy exports.

4. Anti-Dumping and Countervailing Duties

Recently, a few U.S. sugar processing companies filed anti-dumping and countervailing duty complaints against Mexico, blaming low sugar prices on imports from that country. Given the long history of trade disputes involving sweetener trade between the U.S. and Mexico, how will these most recent complaints impact our bilateral trading relationship with Mexico? Do you share my concerns that this dispute could spill over and affect corn farmers in Illinois and other states, as in the past when Mexico placed restrictions on American exports of high-fructose corn syrup?

Answer: The U.S. sugar industry has the right, under U.S. law, to petition the U.S. Department of Commerce and the U.S. International Trade Commission concerning imports of sugar into the U.S. market. USTR is not involved in that process. USTR will continue to work with Mexico to make progress on a range of trade issues and advance our robust trade relationship.

Questions from Rep. Erik Paulsen and Rep. Ron Kind:

1. Healthcare Trade

Since 2004, the global medical technology market increased by more than 50% to nearly $250 billion and is expected to grow in the coming years. Today healthcare accounts for almost $6 trillion of $63 trillion in 2010 global GDP and is expected to grow to $8.5 trillion by 2015.

Moreover, healthcare is a vital part of the global economy, with an estimated 59.2 million employed by the sector across the globe. In fact, healthcare is the largest private sector employer in the United States, is one of the largest and fastest growing sectors of the world economy, and is also one of the United States' key economic drivers of innovation and cutting edge research.

The breadth and complexity of the health sector is considerable, and healthcare exports go far beyond pharmaceuticals and medical devices. The United States is a leader in healthcare service delivery, from doctors and nurses to insurance companies, health IT systems, logistics and express delivery, and even hospital design. To fully benefit from our capabilities, trade agreements must address a large set of issues including cross-border data flows, regulatory transparency provisions, government procurement, and more.

Considering the size, complexity, and export potential of the U.S. healthcare system, do you believe it's worth creating a position in USTR dedicated to healthcare trade? This position would be responsible for coordinating policy with industry, other offices within USTR, and agencies in the U.S. government. The position would lead on trade issues related to

healthcare, especially within trade agreement negotiations.

Answer: We very much understand the importance of the healthcare sector to the U.S. economy both in terms of the jobs it supports, the innovation and research it drives, and the contribution it makes to U.S. economic growth. That is why we have dedicated resources across the agency to break down barriers U.S. healthcare companies face in foreign markets. We are open to discussing with U.S. industry and other stakeholders, as well as Congress, on how we can better utilize our resources to address issues of priority to U.S. healthcare exporters.

Questions from Rep. Tom Reed:

1. Transatlantic Trade and Investment Partnership

One issue I did not have an opportunity to raise during the hearing was the importance of including a framework for discussing financial services regulatory matters within the Transatlantic Trade and Investment Partnership (TTIP) negotiations. U.S. companies, like those headquartered in my home state of New York, provide services to millions of people living and doing business in the EU, investing some $2.2 trillion, and we welcome the investment in the U.S. by European banks, as well. As you know, regulatory barriers are among the most significant barriers to U.S. exports. USTR's notification letter for the negotiation with the European Union states that the Administration will "seek greater compatibility of U.S. and EU regulations…with the objective of reducing costs associated with unnecessary regulatory differences and facilitating trade." I firmly believe that our negotiators should seek to address all regulatory sectors and not, ahead of time, seek to exclude certain sectors. I am very concerned that the Administration is excluding financial services regulations from the scope of the negotiation. How does the Administration plan to address financial services barriers in Europe?

Answer: Financial services are a critical part of our transatlantic economic relationship. In T-TIP, as in all of our free trade agreements, the Administration will seek robust market access commitments for financial services. These commitments would help protect U.S. financial services suppliers from discriminatory treatment in foreign markets. At the same time, we believe that our work on financial regulatory and prudential cooperation should continue uninterrupted in existing coordination channels.

Since the financial crisis, the United States has been pursuing a comprehensive agenda, with ambitious deadlines, on regulatory and prudential cooperation in the financial sector – multilaterally, in the G-20, and the Financial Stability Board, bilaterally with the European Union in the Financial Markets Regulatory Dialogue, and in international standard-setting bodies. We are making progress, and will continue to work through these channels, to raise international standards to the levels that U.S. financial regulators are now implementing. These efforts, in parallel alongside the T-TIP negotiations, will help ensure a level playing field for the United States.

2. State-Owned Enterprises

I am very concerned about the growing role of state-owned enterprises (SOEs) in the global economy. SOEs, especially those that operate outside of their home markets, often do not act on market principles, but rather based on the strategic interests of the state. Such anti-competitive behavior can create significant imbalances that harm U.S. companies and workers, distort markets, and affect U.S. national security. As a result, I fully support USTR's efforts to include strict disciplines on state-owned enterprises in both the TPP and TTIP negotiations. Not only will such disciplines address SOEs within the TPP and TTIP regions, but I hope they will also set the standard for disciplines on SOEs in other agreements. It is also essential that these disciplines are not weakened by overly broad exceptions. What is USTR's strategy to ensure that we have meaningful and effective disciplines on state-owned enterprise behavior in TPP and TTIP?

Further, I have heard from industries, such as the domestic steel industry, that the Administration is not seeking SOE disciplines in the bilateral investment treaty (BIT) with China. Can you also describe for me USTR's strategy with China on this topic?

Answer: Obtaining meaningful and enforceable new disciplines on SOEs is one of our key priorities in the TPP. At the same time, it is also one of the most complex and contentious of the new issues we are seeking to address. It's important to strike the right balance between strong rules on the commercial activities of SOEs and flexibility for SOEs to perform legitimate purposes – for example, to provide public services in domestic markets. Our strategy is to focus on achieving the strongest general rules possible, while addressing country-specific sensitivities through targeted exceptions where necessary.

We are pursuing a high standard U.S.-China Bilateral Investment Treaty (BIT) that would play a significant role in addressing key concerns of U.S. investors, including the need to level the playing field and ensure that domestic companies, whether privately or state-owned, do not benefit from unfair advantages. We are analyzing all the opportunities for ensuring that the BIT text, as well as the negotiation of a limited, transparent "negative list" of any exceptions to core BIT rules, provides these protections, including assessing valuable stakeholder input on SOEs.

3. Intellectual Property Rights

The Internet has been an amazing engine for economic growth and a platform for creativity, innovation and free expression in the United States. The free flow of information is crucial for U.S. companies to sell goods and services over the Internet, with many companies relying on this tool for their day to day operations.

Protection for cross-border data flows as well as intellectual property rights is critical not just to services companies but to any globalized company in any sector. Unfortunately, some foreign governments block those flows, require online service providers to process data locally, or require that servers be located domestically. Within the IPR space, I have heard

concerns expressed that the intellectual property provisions of U.S. free trade agreements only reflect part of U.S. law -- strong protection and enforcement. While that is a critical piece, many are still concerned that previous free trade agreements did not go far enough when it comes to copyright laws that are necessary for freedom of expression, creativity and innovation on the Internet.

Can you describe for me how USTR will be approaching IP within TPP and TTIP to reflect the full balance of U.S. law regarding the Internet?

What is USTR doing to ensure that the TPP, TTIP and other agreements include strong provisions ensuring the free flow of electronic information without broad carve-outs?

Answer: To further foster our companies' competitiveness, the United States has made negotiating strong provisions on cross-border information flows a priority from the beginning of the TPP negotiations. TPP partners all recognize that information storage, processing, and cross-border flows are at the heart of international trade and a 21st-century global economy. We are negotiating enforceable trade rules to facilitate cross-border data flows and address local infrastructure requirements.

We are also seeking to establish in TPP, for the first time in any U.S. trade agreement, a balance in partners' copyright systems by means of limitations or exceptions; to provide stronger criminal penalties against intellectual property theft; to provide protections for patents, trademarks, and trade secrets, and safeguards against new forms of crime like cyber theft; and, to support strong and balanced Internet service provider liability and "safe harbor" provisions that benefit 21st-century e-commerce and internet businesses. Finally, we want TPP to allow for the free flow of information across borders and prevent TPP partners from requiring firms to locate servers or build other internet infrastructure in a country in order to serve that country's market.

In T-TIP, we are in a unique and fortunate position, especially regarding copyright. As you know, the United States and the EU have among the most mature, strong, and balanced copyright protection and enforcement systems in the world, which promote diverse interests and priorities, including those you mentioned, in mutually reinforcing ways. To date, our discussions with the EU on copyright have focused principally on a detailed review of all of the facets of our respective systems. We will continue to pursue these and other priorities to advance U.S. interests in this sector as negotiations continue in TPP and T-TIP.

Questions from Rep. Mike Kelly:

1. Intellectual Property Rights

It is absolutely essential that the international trade rules ensure the free flow of data across borders. With respect to the commitments on cross border data flows that the United States is negotiating in TPP, it has been reported that some countries are seeking exceptions to U.S. proposed language that are broader than the standards for domestic regulation under Article

VI of the WTO General Agreement on Trade in Services (GATS), to which all TPP countries are signatories. As you move toward concluding the TPP negotiations, are you committed to robust TPP protections for cross-border data flows and to ensuring that exceptions do not go beyond those in the GATS? Are you also committed to the same in the TiSA context?

Answer: USTR is committed to obtaining robust provisions in TPP, T-TIP, and TiSA ensuring that data integral to commercial activity can flow freely between trading partners. While we and other trade partners seek to ensure that such provisions do not prevent the exercise of legitimate regulatory functions, we believe that the GATS-based General Exceptions that we incorporate into these agreements will ensure that governments can exercise these functions.

Questions from Rep. Allyson Schwartz:

1. Anti-Dumping and Countervailing Duties

Ambassador Froman, I have heard from both Pennsylvania workers and manufacturers that South Korean steel companies are creatively skirting our trade laws and dumping steel pipes and tubes into the United States. This is unacceptable and threatens American jobs and businesses.

Do you believe that American manufacturers currently have the ability to prevent dumping of foreign products in a timely fashion? Do you agree that the requirement of an "injury" finding before dumping can be addressed delays action until American businesses are threatened? Are there steps we can take without running afoul of the World Trade Organization to ensure a fair and level playing field? Are there additional remedies that we should be pursuing in our current trade negotiations?

Answer: The timelines and processes in an antidumping and/or countervailing duty investigation are established both in U.S. laws and regulations, consistent with WTO guidelines. The U.S. Department of Commerce (DOC) and the U.S. International Trade Commission – the entities responsible for actually administering our AD/CVD laws – expend significant resources to complete these investigations in a timely manner in order to provide relief to American businesses and workers being hurt by dumping and unfair subsidization.

At the same time, USTR and DOC are working together to strengthen and defend the effectiveness of trade remedies. For example, USTR and DOC worked together to obtain statutory authority to allow the CVD law to continue to be applied to imports from non-market economy (NME) countries – including China – after an unfavorable U.S. court ruling, and were successful in defending this action at the WTO.

DOC also has developed a number of other initiatives to strengthen the administration of the nation's trade remedy laws, including those applicable to NME cases. DOC and U.S. Customs and Border Protection are also working closely together to address issues of circumvention and evasion when they arise to ensure that antidumping and/or

countervailing duty orders are properly enforced when in place.

Questions from Rep. Tim Griffin:

1. Trans-Pacific Partnership

Japan is showing a singular lack of ambition for a range of U.S. agricultural products in TPP, including U.S. rice. Any TPP agreement that does not provide for a substantial improvement in the amount of U.S. rice that can be exported to Japan, along with a significant reduction in the interference of Japan's Agricultural Ministry in the administration of imports, is unacceptable. What progress has the Administration made in negotiating substantial improvements for U.S. rice market access in Japan?

Is the Administration prepared to move forward without Japan and conclude a TPP agreement with the other partners if Japan continues to hold back on market access?

Answer: Japan is currently the United States' fourth largest export market for food and agricultural goods, reaching $12.1 billion in 2013, and was the second largest export market for U.S. rice in that same year. We are focused on having a TPP agreement with all 12 TPP partners. Towards that end, we are looking to Japan, like all TPP partners, to provide comprehensive and meaningful access to its agriculture market consistent with the level of ambition that the TPP partners agreed to when joining the TPP negotiations. Our negotiations continue, and our objective remains to secure a TPP agreement that excludes no products and results in commercially meaningful market access for U.S. exports across the wide range of individual product lines. In the case of rice, we are engaging with Japan to negotiate substantial new market access for U.S. rice, including on seeking improvements to its import administration procedures.

2. Anti-Dumping and Countervailing Duties

I've heard from several steel producers in my state about a looming crisis they are facing. The United States is being flooded by dumped and subsidized steel imports resulting from massive excess foreign steel capacity. These unfairly traded imports are injuring our steel industry, its workers and their communities. This problem is systemic, and individual trade cases will not solve the problem if the Administration goes light on enforcement. If this Administration does not address this issue now, it will become an even bigger problem that you have to solve at great cost.

For example, Turkey and Mexico have taken over 20 percent of the U.S. reinforcing bar market since 2010, and U.S. producers of oil country tubular goods (or pipe) are not getting the relief they need. Imports in these and other product lines are flooding the market at levels that are killing U.S. jobs and taking away any benefit from the modest growth of our domestic economic recovery.

What can you, working with Commerce and the White House, do to address this excess foreign steel capacity and the resulting unfairly traded flood of steel imports? What actions

are you presently taking to level the playing field for U.S. workers?

Answer: The Administration is actively engaged on enforcement and trade policy initiatives to level the playing field for U.S. steel producers and workers. The U.S. Department of Commerce (DOC) and the U.S. International Trade Commission (ITC) are currently conducting 56 trade remedy investigations; 41 of those, or approximately 73 percent, involve steel products. Steel-related products account for 117 AD/CVD orders in place, approximately 40 percent of all current AD/CVD orders.

At the same time, USTR and DOC have worked together to strengthen and defend U.S. trade remedy laws. For example, we worked together to obtain statutory authority to allow the CVD law to continue to be applied to imports from non-market economy (NME) countries – including China – after an unfavorable U.S. court ruling, and were successful in defending this action at the WTO. DOC also has developed a number of other initiatives to strengthen the administration of the nation's trade remedy laws, including those applicable to NME cases.

As you know, we have also been the most active U.S. administration on WTO enforcement activities. Many of our trade enforcement actions are of particular interest to the steel industry. We have addressed some government policies that provide unfair advantages to foreign steel industries through WTO dispute settlement, including against China. On both the offensive and defensive sides, we are fighting back against distortive policies such as export restrictions on raw materials, misuse of trade remedies, dumping, and subsidization.

The Obama administration won a challenge to China's restrictions on exporting raw materials, which includes important steelmaking inputs like coke, bauxite, silicon, and zinc. These restrictions both hurt U.S. manufacturers who rely on those materials and artificially supported China's domestic industry – at the expense of U.S. producers. We followed this up with a second challenge covering more raw materials, including rare earths, molybdenum, and tungsten. We won that dispute before the panel, and are now pushing back on China's appeal.

Following our win in the first raw materials dispute, we have been actively monitoring China's changes to its restrictions. China removed the WTO-inconsistent quotas and duties, and the Interagency Trade Enforcement Center (ITEC) has been analyzing the market for normal export flows. Our WTO win has had real world impacts for users of those raw materials, and if we prevail in the second dispute, we will again push China to comply with WTO rules.

Another area in which we are actively enforcing WTO rules is on China's misuse of trade remedies. China's decision to impose retaliatory antidumping and countervailing duties on U.S. exports led us to file three WTO disputes, including one against China's imposition of duties on U.S. exports of Grain Oriented Electrical Steel (GOES), which we also won. In the GOES dispute, at the end of its period of time to comply with WTO rules, China issued a redetermination continuing to impose the duties. We weren't

satisfied, and the United States became the first WTO Member to challenge a compliance action by China as inconsistent with WTO rules.

Litigation may not always be the most appropriate or effective means of addressing certain issues, so we are also working closely with industry to step up our trade diplomacy on steel excess capacity issues.

While excess capacity is a global problem, we are concerned that China, which currently accounts for 48 percent of global steel production, is continuing to increase its steel capacity, despite slowing demand in China and globally. The resulting excess capacity hurts not only weak and inefficient steel producers; it also undercuts the ability of efficient producers in the U.S. market to compete. China acknowledges that it has an excess capacity problem, which is only getting worse. We are concerned that China's excess capacity is leading to significant increases in exports of low-priced Chinese steel to global markets, including the United States where steel imports from China increased 15 percent in 2013 over 2012 levels, and have increased 25 percent in the first few months of 2014 over the same period last year.

The Administration has been engaging with China in an effort to address this serious problem, and I raised our concerns in this area during my recent meetings with my Chinese counterparts in Beijing. We will continue to press China on this issue in the future and we are working with like-minded countries, including the European Union, Canada, and Mexico in upcoming multilateral meetings of the WTO, OECD Steel Committee and North American Steel Trade Committee to press other governments to avoid policies that support excess steel capacity and distort steel trade.

3. Country of Origin Labeling

In July 2012 a WTO Appellate panel ruled that the existing U.S. COOL program was discriminatory against Canadian and Mexican products. The U.S. was given until May 23, 2013, to implement changes to COOL. Unfortunately, instead of taking this opportunity to engage all stakeholders, USDA chose to implement a new regulation which has not only imposed direct costs on U.S. packers, but has resulted in a new challenge from Canada and Mexico at the WTO.

The new regulations, which were put into place last November, eliminated the "commingling" labeling category, which disadvantages U.S. packing facilities that depend upon a percentage of Canadian and Mexican cattle to operate efficiently. This provision is especially damaging at a time when the U.S. cattle herd is the smallest it has been in nearly seventy years. This new policy threatens to contract the U.S. beef processing industry.

The new regulations have also angered the Canadians and Mexicans and they have asked a WTO compliance panel to determine whether or not the U.S. has complied with the 2012 WTO ruling. A decision at the WTO is expected this summer and if the U.S. loses, we could ultimately be facing billions of dollars in retaliatory tariffs from Canada and Mexico.

If we lose this next round at the WTO, will you work with USDA to implement a regulation on COOL that's compatible with the ruling and not an undue burden on the meat industry?

Answer: USDA's May 2013 final rule requires the origin designations of muscle cut meats to include information about where each of the production steps (i.e., born, raised, slaughtered) occurred. The final rule thus ensures that U.S. consumers are provided with more detailed and accurate origin information for muscle cut meats to allow them to make informed purchasing decisions. As the U.S. Federal Courts have consistently held, the final rule is entirely consistent with the COOL statute. While we are disappointed that Canada and Mexico have decided to litigate this matter further, we believe that the final rule brings the United States into compliance with U.S. WTO obligations.

Questions from Rep. Jim Renacci:

1. Transatlantic Trade and Investment Partnership

Overall, as you negotiate TTIP, what do you see as the most significant regulatory barrier to U.S. manufacturers and how are you seeking to address it?

Answer: Through T-TIP, we are seeking where appropriate greater transparency, participation, and accountability in the development of standards and regulations in the EU. We believe that improvements in these areas would facilitate regulatory convergence, and reduce unnecessary costs and barriers to U.S. producers. This would also be consistent with what are already considered best practices globally, such as notice and comment on the proposed text of a draft regulation.

Further, we are proposing that through T-TIP, there should be greater use of international standards that are responsive to global market forces, embody technical merit, are "fit for purpose," and are relevant to regulator needs.

Lastly, U.S. producers cite costs and delays attributable to unnecessary and duplicative testing and certification requirements – as well as local testing requirements in China, India, and elsewhere – as a key concern. T-TIP can reduce these unnecessary costs, including through provisions on national treatment for conformity assessment bodies and support for international systems of conformity assessment.

2. Transatlantic Trade and Investment Partnership /Financial Services

As a former member of the Financial Services Committee, I am very concerned that the Administration is excluding financial services regulations from the scope of the TTIP negotiations. While it is important that safeguards remain in place, we must ensure that we do not stall our financial system. To remain competitive globally, U.S. financial institutions need a level playing field, which only results when appropriate coordination of regulations in the U.S. and overseas exists. Market access issues in the financial services sector between the U.S. and E.U. are few, so enhanced coordination on financial services is a key to this

agreement. The reduction and elimination of transatlantic regulatory divergences can help create a more efficient market, lower costs, and increase financing for U.S. companies. What are your views on this issue and how does the Administration plan to address any financial services barriers in Europe?

Answer: Financial services are a critical part of our transatlantic economic relationship. In T-TIP, as in all of our free trade agreements, the Administration will seek robust market access commitments for financial services. These commitments would help protect U.S. financial services suppliers from discriminatory treatment in foreign markets. At the same time, we believe that our work on financial regulatory and prudential cooperation should continue uninterrupted in existing coordination channels.

Since the financial crisis, the United States has been pursuing a comprehensive agenda, with ambitious deadlines, on regulatory and prudential cooperation in the financial sector – multilaterally, in the G-20, and the Financial Stability Board, bilaterally with the European Union in the Financial Markets Regulatory Dialogue, and in international standard-setting bodies. We are making progress, and will continue to work through these channels, to raise international standards to the levels that U.S. financial regulators are now implementing. These efforts, in parallel alongside the T-TIP negotiations, will help ensure a level playing field for the United States.

3. Trans-Pacific Partnership/Transatlantic Trade and Investment Partnership

Because of the global steel overcapacity problem and because the industry has so many pending trade cases, strong and aggressive enforcement of our trade remedy laws couldn't be more important. While I recognize that this is a function of the Commerce Department, as the lead negotiator on all trade agreements, it is critical that the U.S. continue to insist that our trade remedy laws remain strong in all future trade agreements. Also, in order to gain greater support from Congress and the American people, I would suggest that the U.S. government should be looking for ways to strengthen enforcement of rules that these trade agreements put into place when they are broken, as they often are. What are your plans in this regard, and in particular, as it relates to the TPP and TTIP, the two current ongoing trade negotiations?

Answer: For both TPP and T-TIP, we are seeking to negotiate a high-standard, comprehensive agreement. In doing so, we are fully committed to maintaining our strong trade remedies laws. This has been and will continue to be the U.S. position in both of these negotiations. We will continue to closely consult with both Congress and stakeholders on this issue as these negotiations progress.

4. Nicaragua One-for-One Program

The Nicaragua one-for-one program, negotiated under DR-CAFTA, is set to expire on December 31, 2014. The program is an example of trade policy that has worked. It has been a great success for U.S. apparel and uniform companies, retailers, and textile producers – supporting American exports and jobs, as well as jobs in the CAFTA-DR region. U.S. fabric

exports to Nicaragua reached nearly $110 million in 2013. Nicaragua is now the third largest market for U.S. exports of woven fabrics, behind only Mexico and Canada. In turn, Nicaragua is now the 12th largest supplier of apparel products to the United States. This growth strengthens the hemispheric sector, benefitting companies in the United States and across the region and serving as an important bulwark against rising competition from Asia. Is the Administration supportive of this program and of it being extended?

Answer: While the Administration has not taken a position on extending the Nicaragua one-for-one program, your views on this issue are appreciated. We will also continue to consult with Congress and the various stakeholders on this provision.