

# EXPANDING AMERICAN TRADE WITH ACCOUNTABILITY AND TRANSPARENCY

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## HEARING BEFORE THE COMMITTEE ON WAYS AND MEANS U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

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## **EXPANDING AMERICAN TRADE WITH ACCOUNTABILITY AND TRANSPARENCY**

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**WEDNESDAY, APRIL 22, 2015**

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

The committee met, pursuant to call, at 3:10 p.m., in Room 1100, Longworth House Office Building, the Honorable Paul Ryan [chairman of the committee] presiding.

[The advisory announcing the hearing follows:]



### **Expanding American Trade with Accountability and Transparency**

House Committee on Ways and Means Chairman Paul Ryan (R-WI) today announced that the Committee on Ways and Means will hold a hearing on the expanding American trade with accountability and transparency. **The hearing will take place Wednesday, April 22, 2015, at 3:00 PM in Longworth 1100.**

A list of witnesses will follow. Oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

#### **Details for Submission of Written Comments:**

Please Note: Any person(s) and/or organization(s) wishing to submit written comments 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 make a submission, 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 Tuesday, February 10, 2015**. For questions, or if you encounter technical problems, please call (202) 225-3625 or (202) 225-2610.

#### **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 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 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 submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

3. Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

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 at <http://www.waysandmeans.house.gov/>.



Chairman RYAN. The hearing will come to order.

Welcome to the Ways and Means Committee hearing on expanding trade with accountability and transparency with our Secretaries Lew, Pritzker, and Vilsack.

I want to welcome all of our members back into our hearing room. It has been all year long since we have been in here. If anybody has any concerns or complaints about the decoration, I would like you to send your emails to [DaveCamp@privatesector.com](mailto:DaveCamp@privatesector.com).

So it is nice to finally be back in our hearing room. You will notice we have a new sound machine because this is also the alternative floor.

A couple housekeeping items. First, under the rules of the House, the chairman is responsible for maintaining order and preserving decorum in the committee room. I expect the audience members to be respectful of the witnesses and the public.

First of all, I want to thank our witnesses for coming. I want to thank the ranking member for waiving the 7-day rule to allow this hearing to take place. I want to thank Secretary Lew, Secretary Pritzker, and Secretary Vilsack. Very interested in hearing your testimony.

But before we start, I would like to say a few words about why today's topic is so important. Why do we need to establish trade promotion authority? What is the point of all of this? Well, for me, it comes down to two things: promoting American trade and restoring American leadership.

Right now, we are negotiating the biggest trade deal in history, the Trans-Pacific Partnership. It alone will cover 40 percent of the world economy—our economy and 11 others, ranging from Japan and Malaysia to Canada. Now, I have talked to a lot of people from these countries—elected officials, businessmen, activists—and the question on everybody's mind is, can the United States close the deal? Can we drive a hard bargain? Will we keep our word? Do we have staying power? Or should the world look elsewhere for leadership?

That is why we need to establish trade promotion authority. TPA will send a signal to the world: The United States will not retreat. The United States will stay engaged. And, once we present a united front, our credibility will get a major boost. Our trading partners will know that we are trustworthy. Our rivals will know that we are serious. And the American people, most importantly, will know that this trade agreement is a fair deal for them because they will have the information they need to decide for themselves.

A lot of people have said that trade agreements have been too secretive. I agree. That is why TPA will make the negotiations much more transparent and much more accountable. Under TPA, any Member of Congress will be able to read the negotiating text. In fact, TPA will require the administration to post the full text of the agreement at least 60 days before signing the deal so that the American people can read it for themselves.

And, most important, TPA makes very clear Congress has the final say. If the administration fails to meet its obligations, Congress can hit the brakes, cancel the vote, and stop the agreement.

But we need to move. Because if you are not moving forward in trade negotiations, you are actually falling behind. In the first 10



years of this century, the countries of East Asia negotiated 48 trade agreements—48 trade agreements since the year 2000 in Asia alone—and the U.S. has been a party to 2 in the region. And, as a result, our share of East Asia's imports fell by 42 percent. Every one of our trade competitors did better—every single one.

And while we are sitting on the sidelines, guess what? China is negotiating agreements all around the world. They are writing the rules that give kickbacks to government-owned firms and stack the deck against American job creators.

So the question comes down to this: It is unquestionable that the rules of the global economy are being written; the question is, who is going to write them? Are we going to write them with our allies, with our trade partners? Or will China write them to benefit China?

The fact is we are the only country that can do this. We are the only country that can tear down barriers to American exports and win a fair deal for the American worker. We are the only country that can stand up for free enterprise and for the rule of law.

We know these are serious times, and we know that the stakes are high. They call out for leadership—bipartisan leadership. And I want to pass this bill because I want Americans to answer that call.

And, with that, I would like to yield such time as he may consume to the ranking member, Mr. Levin, for his opening statement.

Mr. LEVIN. Thank you.

And welcome, everybody.

How do we turn this off?

Chairman RYAN. The floor?

Mr. LEVIN. Yeah, how do we turn off the floor?

Chairman RYAN. Let me figure it out.

Mr. LEVIN. Thank you, Mr. Chairman.

Chairman RYAN. I honestly don't know how to turn it off.

Mr. LEVIN. And, again, welcome.

Along with colleagues on this committee and throughout this Congress, I have been working to achieve a Trans-Pacific Partnership that could gain broad bipartisan support. We have laid out TPP issues and specific proposals on how they can be effectively addressed. There has been no effective response in so many cases. So TPP is now on the wrong track in key areas, so it should not be fast-tracked.

This trade promotion authority bill does nothing to get us there. The negotiating objectives within that TPA bill are almost identical to those of the dead-on-arrival TPA bill that was introduced a year ago and are so broad that they don't begin to address the outstanding issues within the TPP negotiations.

We have made it clear that it is imperative that there be a currency obligation in the TPP, but the objective within the TPA bill says nothing that will change the status quo. Currency manipulation by Japan in the 1990s and by China in the last decade have cost millions of middle-class American jobs—millions. Yet this TPA and the position of the administration means no specific provision within TPP, nor addressed through separate legislation, even though a majority of the Members of the House and Senate have urged action.

On the issue of investment in ISDS, concerns have grown exponentially, and cases have proliferated in the 12 years since the last TPA was passed. Yet the negotiating objective within the Hatch-Wyden-Ryan TPA is identical to 12 years ago. That is a major problem because, again, the status quo.

We have made major progress in recent FTAs on the issue of labor by including enforceable international labor standards. Yet this bill does not address at all what needs to be done to bring countries like Vietnam and Mexico, as well as Malaysia and Brunei, into compliance with those international labor standards, which affects the jobs of American workers.

Our workers do not compete on a level playing field with Mexican workers. Right now, Mexico does not adhere to the ILO standards. Today, there is zero assurance that it will. These are issues of vital importance to the middle class and American jobs.

On the issue of auto and market access in Japan, the bill is so broad that it states simply, and I quote, that the U.S. "should expand competitive opportunities for exports of goods," end of quote. Missing is any guidance on how to truly open the Japanese automotive market, which is so closed that only 6 in 100 vehicles that are sold there are made outside of Japan, while our market has been totally open to Japanese vehicles for decades.

With so many issues within the TPP needing to be improved, all that this bill does is give away the leverage of Congress to make the agreement better. The outcome of these issues will decide the merits of TPP, yet this bill only serves to suggest that their resolution doesn't really matter very much at all.

TPP is too important to leave open so many key issues and essentially leave out a meaningful role for Congress. That is not the way to get TPP right, which I want. It is not the way to get a TPP with broad bipartisan support, which I very much want. Real congressional power is not at the end of the process; it is right now, when the critical outstanding issues are being negotiated.

My colleagues on the other side of the aisle repeat often that the administration needs TPA to get, in quotes, "the best deal." But you only get the best deal if you are seeking the right things, and not by loss of congressional leverage, making it more likely that we will end up with less. And, right now, on so many unresolved issues, USTR is not seeking the strongest outcome, and this TPA bill does not change that. So it is very unwise for Congress to give up our leverage so that we take steps to get a better trade deal.

I plan to offer an alternative to this TPA at tomorrow's markup that puts TPP on the right track, providing a path forward to an agreement that will garner broad bipartisan support in this Congress.

Thank you, Mr. Chair.

Chairman RYAN. Thank you, Mr. Levin. We will have plenty of time to debate the merits of these issues, but we obviously have a difference of opinion on these issues.

I want to thank the three Secretaries for coming. The committee has received your written statements, so I would just ask if you could summarize your written statements, which will be included in the record, to 5 minutes so we can get on with the Q&A.

With that, Secretary Lew, if you could start us off, you are recognized.

**STATEMENT OF THE HONORABLE JACOB J. LEW, SECRETARY,  
DEPARTMENT OF THE TREASURY**

Secretary LEW. Thanks very much, Mr. Chairman, Ranking Member Levin, Members of the Committee. It is good to be here today to discuss trade promotion authority.

At the Department of Treasury, we have been working hard on the trade agenda and bolstering economic growth and stability. Today, exports make up roughly 30 percent of global GDP, and global per capita incomes are over 50 percent higher than they were 20 years ago. These macroeconomic gains are due, in part, to the rules-based trading system that boosts U.S. and global exports of goods and services and opportunities for American workers even as it raises the standard of living for consumers.

Reducing trade barriers and securing reforms abroad through well-crafted trade agreements benefits both U.S. economic competitiveness and global economic prosperity. First, our firms and workers benefit as our partner countries open their markets to imported goods and services. Second, as countries open up to trade, over time they innovate more, invest more, and become more productive. The result is a stronger and more stable global economy, and that is also good and important for American businesses and workers.

For all the reasons I just described, we believe it is important to continue the long tradition of close bipartisan cooperation between Congress and the executive branch through trade promotion authority. TPA is critical in helping secure the substantial economic gains that our ambitious trade and investment agreements can bring. TPA sends a strong signal to our trading partners that Congress and the administration speak with one voice to the rest of the world on our priorities.

Since the first trade negotiating legislation in 1934, trade authority has been renewed or revised by Congress on 18 different occasions. The legislation introduced by Chairman Ryan and Senators Wyden and Hatch is both the continuation of that tradition and a significant strengthening.

TPA is fundamentally an exercise in congressional oversight. Through TPA, Congress puts in place the requirements that Congress wants to see followed through trade negotiations, lays out the priorities Congress wants to see negotiated in trade agreements, and establishes the procedures Congress will use for consideration of trade legislation.

The TPA legislation currently before Congress includes a number of important leaps forward in trade policy. It updates negotiating objectives to reflect the consensus on trade that has emerged over the last decade, such as the need to address labor and environmental issues, to take on unfair competition from state-owned enterprises, and to protect a free and open Internet.

It requires increased transparency during trade negotiations, mandating by law that trade agreements be made public months before the President can sign them and months more before Congress is asked to consider them.

It creates new opportunities for congressional oversight and engagement. It includes strong sovereignty safeguards that make it absolutely clear that nothing in our trade agreements can change U.S. law without congressional approval.

And it requires that trade agreements encourage good governance and the rule of law, which are key to promoting democracy.

We support the TPA bill introduced by Chairman Ryan, Senators Hatch and Wyden, which includes a strong currency objective that goes well beyond the 2002 TPA. Specifically, it elevates currency to a principal negotiating objective. It sets clear expectations regarding standards that our trading partners should meet, and it sets forth mechanisms that will help ensure that our trading partners will be held accountable.

We strongly agree with Members of Congress that unfair currency practices need to be addressed. Since day one, the President has been clear that no country should grow its exports based on a persistently undervalued exchange rate, and currency has been at the top of Treasury's international agenda. We share the goal of moving major economies to market-determined exchange rate systems that are transparent, flexible, and reflect underlying economic fundamentals.

Our TPP counterparts are also aware of congressional interest in addressing currency practices through the TPA legislation. We have formally consulted with our TPP partners in the last week, and they have indicated willingness to discuss those concerns. Nonetheless, our partners also firmly stated that the introduction of enforceable currency provisions in the context of trade agreements will undermine ongoing efforts to address currency issues and force them to reconsider TPP negotiations.

We, too, have serious concerns that the inclusion of enforceable currency provisions in trade agreements would be counterproductive. There is a significant risk that others would seek to use such provisions to impinge on U.S. macroeconomic policy management. And, given the deep reservations held by our trading partners, seeking enforceable currency provisions would likely derail the conclusion of the TPP.

We also strongly oppose legislation that attempts to use the trade remedy process to address currency undervaluation. Such legislation would be viewed as inconsistent with our international obligations, and we would expect other countries to pursue retaliatory measures by introducing similar approaches that would hurt our exporters.

We are working tirelessly to address currency concerns, and our efforts through bilateral and multilateral engagement have met with considerable success. Japan and other G-7 countries have publicly affirmed that they will not target exchange rates and that fiscal and monetary policies will remain oriented toward meeting domestic economic objectives using domestic policy instruments. G-20 members have also pledged to move more rapidly toward more market-determined exchange rate systems and flexibility in order to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments, not target exchange rates, and refrain from competitive devaluations.

We have also successfully pressed the IMF to strengthen its surveillance of its members' exchange rate policy obligations. We have made progress with China on the exchange rates through our strategic and economic dialogue as well as our multilateral engagement, and we continue to raise the issue regularly with our Chinese counterparts.

On a trade-weighted basis, the RMB has seen a real effective appreciation of nearly 30 percent since China allowed its currency to resume appreciation in mid-2010. RMB appreciation has contributed to a decline in China's current account surplus from a peak of 10 percent of GDP before this administration took office to just 2 percent of GDP last year.

We will continue to intensify our efforts on exchange rates using the tools and channels that are most effective. While we have made real progress, we believe more is needed, and Treasury will continue to engage with Congress on how best to address currency issues in a way that is consistent with our overall strategy of multilateral engagement and bilateral engagement.

The passage of bipartisan TPA legislation is an important step towards entering into trade agreements that expand opportunities for American businesses, create high-quality jobs, and further unlock the gains from expanded trade and investment in the 21st-century economy. We look forward to working with Congress to make this possible, and I look forward to answering your questions.

Thank you.

[The prepared statement of Mr. Lew follows:]

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*Secretary of the U.S. Department of the Treasury Jacob Lew*  
*Written Statement*  
*House Committee on Ways and Means*  
*April 22, 2015*

Chairman Ryan and Ranking Member Levin, and distinguished members of the Committee, thank you for the opportunity to testify on the *Bipartisan Congressional Trade Priorities and Accountability Act of 2015*. Bolstering global economic growth and stability remains a priority of the United States, and the U.S. Department of the Treasury has been working hard over the last six years to achieve a high-standard trade and investment agenda that raises income and spurs growth.

Our robust trade agenda — the cornerstones of which include the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership agreements — will expand opportunities for American businesses, create high-quality jobs, and further unlock the growth-expanding gains from expanded trade and investment.

Today, exports make up 30 percent of global GDP, and global per-capita incomes are over 50 percent higher than what they were 20 years ago. These macroeconomic gains are due in part to the framework of bilateral, regional, and multilateral trade agreements that are in place and to institutions such as the World Trade Organization that have been developed to implement the rules-based trading system. The rules-based trading system facilitates greater openness to trade — boosting U.S. and global exports of goods and services and opportunities for American workers — even as it raises the standard of living for consumers, through greater choice and access to quality imports.

Much has changed in the way we trade and invest in the last 30 years. The growth of the services sector, the development of global supply chains, the rise of electronic banking and commerce, and the major role of state-owned enterprises in some of the most dynamic regions of the world — altogether, these trends have expanded the sectors in which U.S. firms are investing and competing. At the same time, U.S. firms continue to face market access and fair competition challenges to operating, investing, and exporting overseas.

Reducing trade barriers and securing reforms abroad through well-crafted trade agreements benefit both U.S. economic competitiveness and global economic prosperity. First, our firms and workers stand to benefit directly as our partner countries further open their markets to imported goods and services, including from the United States. Second, as countries open up to trade, over time they innovate more, invest more, and become more productive; the result is a stronger and more rapidly growing global economy. That, too, is important for American businesses and workers.

**Trade Promotion Authority Legislation**

For all the reasons described above, we believe it is important to continue the long tradition of close, bipartisan cooperation between Congress and the Executive Branch through Trade Promotion Authority (TPA).

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TPA is critical to helping secure the substantial economic gains that our ambitious trade and investment agreements can bring, including labor and environmental standards, consumer protections, and benefits for small and medium-sized businesses. There are few policy measures that can do more to support jobs and deliver sustained high-quality growth than trade agreements, and TPA sends a strong signal to our trading partners that Congress and the Administration speak with one voice to the rest of the world on our priorities.

Since the first trade negotiating legislation in 1934, trade authority has been renewed or revised by Congress on 18 different occasions. The legislation introduced by Chairman Ryan and Senators Wyden and Hatch is both a continuation of that tradition and a significant strengthening.

TPA is fundamentally an exercise in congressional oversight. Through TPA, Congress puts in place the requirements that Congress wants to see followed for trade negotiations; lays out the priorities Congress wants to see negotiated in trade agreements; and establishes the procedures Congress will use for the consideration of trade legislation.

The TPA legislation currently before Congress includes a number of important leaps forward in trade policy:

It updates negotiating objectives to reflect the consensus on trade that has emerged over the last decade, such as the need to address labor and environmental issues, to take on unfair competition from state-owned enterprises, and to protect a free and open internet.

It requires increased transparency during trade negotiations — mandating, by law, that trade agreements be made public months before the President can sign them and months more before Congress is asked to consider them.

It creates new opportunities for congressional oversight and engagement.

It includes strong sovereignty safeguards that make it absolutely clear that nothing in our trade agreements can change U.S. law without Congressional approval.

And it requires that trade agreements encourage good governance and the rule of law, which are key to promoting democracy.

We support the TPA bill introduced by Chairman Ryan and Senators Hatch and Wyden which includes a currency objective that goes well beyond the 2002 TPA. We appreciate that this bill reflects the importance of currency issues to members of Congress and stakeholders. Specifically: it elevates currency to a principal negotiating objective; it sets clear expectations regarding standards that our trading partners should meet; and it sets forth mechanisms that will help ensure that our trading partners will be held accountable.

We strongly agree with Members of Congress that unfair currency practices need to be addressed. Since day one, the President has been clear that no country should grow its exports

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based on a persistently undervalued exchange rate, and currency has been at the top of Treasury's international agenda. We share the goal of moving major economies to market-determined exchange rate systems that are transparent, flexible, and reflect underlying economic fundamentals.

Nonetheless, we have serious concerns about the inclusion of enforceable currency provisions in this or any trade agreement. Enforceable currency disciplines would impair our already successful efforts addressing currency practices through our bilateral and multilateral engagement and could grant other countries a legal basis to interfere with the flexibility of U.S. policymakers to take the steps necessary to protect jobs, support growth, and ensure continued price stability in the United States. Seeking enforceable currency provisions would also likely derail the conclusion of the TPP, given the views expressed by our TPP partners that such provisions would force them to reconsider and reopen TPP negotiations. Accordingly, any amendment to TPA legislation requiring that the Administration seek enforceable currency provisions as a principal negotiating objective would be counterproductive.

We also strongly oppose legislation that attempts to use the trade remedy process to address currency undervaluation. Such legislation would be viewed as inconsistent with our international obligations, and we would expect other countries to pursue retaliatory measures by introducing similar approaches that would hurt our exporters. Taking such an aggressive unilateral step would be counterproductive to our ongoing bilateral and multilateral engagement, and would work against our efforts to promote greater accountability on currency policies in the context of the TPP.

**Progress on Exchange Rate Policies**

We are working tirelessly to address currency concerns, and our efforts through bilateral and multilateral engagement have met with considerable success:

We have secured unprecedented commitments in the G-7 and G-20 related to exchange rate practices. Through our leadership, Japan and other G-7 countries have publicly affirmed that they will not target exchange rates and that fiscal and monetary policies will remain oriented towards meeting domestic economic objectives using domestic policy instruments.

Likewise, G-20 members have also pledged to move more rapidly toward more market-determined exchange rate systems and flexibility in order to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments, not target exchange rates, and refrain from competitive devaluations.

We have also successfully pressed the IMF to strengthen its surveillance of its members' exchange rate policy obligations. As a result of our efforts, the IMF now publishes an External Sector Report that includes estimates of exchange rate misalignment for 25 major economies, and has stepped up its monitoring of countries' excess foreign exchange reserves.

We have made progress with China on exchange rates through our Strategic and Economic Dialogue, as well as our multilateral engagement, and we continue to raise the issue regularly



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with our Chinese counterparts. As part of our S&ED, China has committed to reduce its foreign exchange intervention as conditions permit — and the amount of China's currency intervention has fallen significantly in the last year. On a trade-weighted basis, the RMB has seen a real effective appreciation of nearly 30 percent since China allowed its currency to resume appreciation in mid-2010. RMB appreciation has contributed to a decline in China's current account surplus from a peak of 10 percent of GDP before this Administration took office to just 2 percent of GDP last year.

We will continue to intensify our efforts on exchange rates using the tools and channels that are most effective. We will build on our ongoing multilateral and bilateral engagement in the G-20, IMF, and U.S.-China Strategic and Economic Dialogue to press China and other countries even harder towards more market-determined exchange rates and to secure strong commitments on currency disciplines.

While we have made real progress, we believe that more is needed, and Treasury will continue to engage with Congress on how best to address currency issues in a way that is consistent with our overall strategy of bilateral and multilateral engagement.



Chairman RYAN. Thank you.  
Secretary Pritzker.

**STATEMENT OF THE HONORABLE PENNY S. PRITZKER,  
SECRETARY, DEPARTMENT OF COMMERCE**

Secretary PRITZKER. Thank you, Chairman Ryan, Ranking Member Levin, and Members of the Committee. Thank you for the opportunity to discuss the bipartisan congressional Trade Priorities and Accountability Act of 2015—legislation that is good for America’s economy, for America’s businesses, and for America’s workers.

At the Department of Commerce, we work every day to create the conditions for U.S. companies to compete at home and abroad. As Secretary, I have met with more than 1,600 CEOs and business leaders from across the country. These executives know that 96 percent of the world’s customers live outside our borders. They see the reality of integrated supply chains and appreciate that we must reduce barriers.

Whether they employ 20 workers or 200,000 workers, these leaders view exports as essential to reaching new markets and creating more good-paying jobs—American jobs. When I ask business leaders what Washington can do to help them grow, they tell me time and again, “We need new free trade agreements.” To create sustainable growth for our companies, for our workforce, and for our economy, we must make it possible for more American firms of all sizes to sell their goods and services abroad.

Take the opportunity in the Asia-Pacific markets for example. The Asia-Pacific middle class is set to grow to 3.2 billion over the next 15 years—unprecedented in the world. To put that in perspective, by 2030, the middle class in the Asia-Pacific will be nearly nine times larger than the entire U.S. population. Expanding into Asia-Pacific markets is an opportunity we cannot afford to miss.

Opening more markets to our goods and services is not simply about access for business. It is about more jobs and prosperity in our communities. Exports contributed nearly one-third of our overall growth from 2009 and 2014. Every day, 11.7 million Americans go to work in jobs supported by exports, positions that pay up to 18 percent more, on average, than jobs not related to exports.

These Americans work in companies like DodoCase, a small manufacturer of iPad cases in San Francisco; or World Art Group, a small publisher of high-quality posters and prints in Richmond, Virginia; and Leatherman Tools, a medium-sized manufacturer of innovative hand tools in Portland, Oregon. These companies are finding success through exports, yet they face tariffs of at least 20 percent in markets like Vietnam and Malaysia.

China, by contrast, already has trade agreements with these countries among its 17 free-trade partners across Asia. As a result, Chinese firms face zero tariffs in most products in these fast-expanding markets and have a competitive edge over American businesses.

This debate is not solely about China but the world our businesses face today. The world is not standing still. Our competitors are racing forward with their trade agendas, and we cannot afford to be left behind. We must lead.

As a former CEO, I know that our companies must sell their goods outside their own communities not just to survive but to thrive. Put simply, trade agreements are not a nice-to-have for businesses; they are a need-to-have.

Completing strong new trade agreements will level the playing field for companies like DodoCase, World Art Group, and Leatherman Tools, but these agreements can only be realized if Congress does its part by enacting trade promotion legislation, setting the guidance needed to negotiate the strongest deals possible.

This administration believes that all workers deserve fair wages and a safe workplace. This administration believes in protecting our forests and fisheries. This administration believes that new trade agreements will allow us to promote American values, raise global standards, and maintain the competitiveness of our workforce and our businesses.

I understand and respect some Members have concerns about trade agreements. The best way to address those concerns is for Congress to lay out clear guidance that gives this administration and future administrations the tools to negotiate high-quality agreements consistent with our values.

You can do so by passing trade promotion legislation. This is one of our most important votes this Congress will take to strengthen our economy. If we get this right, I am confident we can keep America more competitive and keep our country open for more business.

Thank you.

[The prepared statement of Ms. Pritzker follows:]

**WRITTEN TESTIMONY BY SECRETARY PENNY PRITZKER  
U.S. DEPARTMENT OF COMMERCE  
WAYS AND MEANS COMMITTEE  
APRIL 22, 2015**

Chairman Ryan, Ranking Member Levin, and members of the Committee, thank you for this opportunity to discuss the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, legislation that is good for America's economy, for America's businesses and for America's workers.

At the Department of Commerce, we work every day to create the conditions for U.S. companies to compete at home and abroad. As Secretary, I have met with more than 1,600 CEOs and business leaders from across the country. These executives know that 96 percent of the world's customers live outside our borders. They see the reality of integrated supply chains, and appreciate that we must reduce barriers.

Whether they employ 20 workers or 200,000, these leaders view exports as essential to reaching new markets and creating more good-paying jobs – American jobs.

**Access**

When I ask business leaders what Washington can do to help them grow, they tell me time and again: we need new free trade agreements. To create sustainable growth for our companies, for our workforce and for our economy, we must make it possible for more American firms of all sizes to sell their goods and services abroad.

Take the opportunity in Asia Pacific markets, for example. The Asia Pacific's middle class is set to grow to 3.2 billion<sup>1</sup> over the next 15 years. To put that in perspective, by 2030, the middle class in the Asia Pacific will be nearly nine times larger than the entire U.S. population. Expanding into Asia Pacific markets is an opportunity we cannot afford to miss.

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<sup>1</sup> Brookings:

[http://www.brookings.edu/~media/research/files/papers/2010/3/china%20middle%20class%20kharas/03\\_china\\_middle\\_class\\_kharas.pdf](http://www.brookings.edu/~media/research/files/papers/2010/3/china%20middle%20class%20kharas/03_china_middle_class_kharas.pdf)

**Exports – Good for Business and Workers**

Opening more markets to our goods and services is not simply about access for our businesses; it is about more jobs and prosperity in our communities. Exports contributed nearly one-third of our overall growth between 2009 and 2014. Every day, 11.7 million Americans go to work in jobs supported by exports – positions that pay up to 18 percent more, on average, than jobs not related to exports.

These Americans work at companies like:

- DodoCase, a small manufacturer of iPad cases in San Francisco;
- World Art Group, a small publisher of high-quality posters and prints in Richmond, Virginia; and
- Leatherman Tools, a medium-sized manufacturer of innovative hand tools in Portland, Oregon.

**Competition**

These companies are finding success through exports, yet they face tariffs of at least 20 percent in markets like Vietnam and Malaysia. China, by contrast, already has trade agreements with these countries – among its 17 free trade partners across Asia. As a result, Chinese firms face zero tariffs on most products in these fast-expanding markets and have a competitive edge over American businesses.

**New World**

This debate is not solely about China, but the world our businesses face today. The world is not standing still. Our competitors are racing forward with their own trade agendas. And we cannot afford to be left behind. We must lead. As a former CEO, I know that our companies must sell their goods outside their own communities not just to survive, but to thrive. Put simply: trade agreements are not a “nice to have” for businesses; they are a “need to have.”

**Rules for the Road**


Completing strong, new trade agreements will level the playing field for companies like DodoCase, World Art Group, and Leatherman Tools. But these agreements can only be realized if Congress does its part by enacting trade promotion legislation, setting the guidance needed to negotiate the strongest deals possible. This Administration believes that all workers deserve fair wages and a safe workplace. This Administration believes in protecting our forests and fisheries. This Administration believes that new trade agreements will allow us to promote American values, raise global standards, and maintain the competitiveness of our workforce and businesses.

**Closing**

I understand and respect that some Members have concerns about trade agreements. The best way to address those concerns is for Congress to lay out clear guidance that gives this Administration and future Administrations the tools to negotiate high-quality agreements consistent with our values. You can do so by passing trade promotion legislation. This is one of the most important votes this Congress will take to strengthen our economy.

If we get this right, I am confident we can keep America more competitive and keep our country open for more business.

Thank you.



Chairman RYAN. Thank you.  
Secretary Vilsack.

**STATEMENT OF THE HONORABLE THOMAS J. VILSACK,  
SECRETARY, DEPARTMENT OF AGRICULTURE**

Secretary VILSACK. Thank you, Mr. Chairman.

And to the chairman and Ranking Member Levin and Members of the Committee, let me align myself with the remarks of my colleagues and attempt to summarize very quickly why agriculture throughout the United States is favorably inclined towards trade promotional authority and trade agreements.

The past 6 years have been record years for trade promotion and export opportunities for American agriculture. In fact, since the passage of NAFTA, we have seen a 145-percent increase in agricultural trade.

That may be why 70 agricultural groups and 8 former Secretaries of Agriculture, in a bipartisan way, have indicated support for TPA and TPP. They understand that we will see, as a result of TPA, reduced and eliminated tariffs and structures to do so, enforceable SPS proposals, expanded opportunity with an expanding middle class that is anxious to have access to high-value-added agricultural products from the U.S., and balancing China's influence in the region.

We are convinced that this is a multibillion-dollar opportunity to expand access and opportunity for America's farmers, ranchers, and producers. In turn, we believe that this will help to support and create tens of thousands of jobs, as well.

Mr. Chairman, we are anxious to respond to your questions, and, in the interest of time, we will get to that.

[The prepared statement of Mr. Vilsack follows:]

4.22.2015

**Statement by  
Thomas Vilsack  
Secretary of Agriculture  
Before the House Ways and Means Committee  
April 22, 2015**

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Mr. Chairman, members of the Committee, thank you for the opportunity to testify today on the benefits of agricultural trade, trade agreements, and Trade Promotion Authority (TPA) for America's farmers, ranchers, and producers. I join with President Obama in saying that I am pleased by the introduction of TPA legislation in the U.S. House of Representatives by Chairman Ryan and in the U.S. Senate by Chairman Hatch and Senator Wyden last week.

I look forward to working with Democrats and Republicans in Congress to pass the bill. Securing TPA is a top USDA priority. That is why I have been speaking publicly and sending USDA officials to roundtables around the country to make the case for a trade agenda that merits strong bipartisan support. TPA is a linchpin in finalizing trade agreements that strengthen the U.S. economy through expanding exports, which are critically important to the U.S. agricultural sector.

Fiscal years 2009 to 2014 represent the strongest six years in history for U.S. agricultural trade, with U.S. agricultural exports totaling \$771.7 billion. Agricultural exports last fiscal year reached \$152.5 billion, the highest level on record. U.S. agricultural exports support more than one million jobs across America. These numbers would not be possible without the market access secured in trade agreements.

Access to export markets is vital to U.S. agriculture. Our producers rely on and prosper from access to foreign markets. We export:

- About half of U.S. wheat, milled rice, and soybean production;
- Over 60 percent of almond, walnut and pistachio production;
- More than two-thirds of cotton production;
- 40 percent of grape production, 20 percent of cherry production and 20 percent of apple production;
- 20 percent of poultry and pork production and 10 percent of beef production.

Population growth and rising incomes – particularly in the developing countries of the Asia-Pacific – are creating significant new agricultural export opportunities. U.S. farmers,



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ranchers, and food processors are well positioned to capitalize on growing global demand, especially since the productivity of U.S. agriculture is growing faster than domestic food and fiber demand. But to capitalize, we need to break down tariff and non-tariff barriers to allow our agricultural sector to compete on a level playing field. Eight former Secretaries of Agriculture agree. That is why they recently wrote to you noting that it is critical for U.S. agriculture that Congress passes a bipartisan TPA. The former Secretaries noted how each of them worked hard to open foreign markets and support trade agreements that help U.S. farmers, ranchers, and producers thrive.

Despite our export successes, many other countries' markets are not as open to American products as our markets are to theirs. Trade agreements are the most effective way to eliminate foreign tariffs, unscientific regulatory barriers, and bureaucratic administrative procedures designed to block trade. Trade agreements lead to expanded agricultural exports by promoting economic growth, removing trade barriers and import duties, and developing mutually beneficial trade rules.

Key to our ability to negotiate and implement market-opening agreements has been enactment of trade negotiating authority. TPA ensures that the United States has the credibility to conclude the best deal possible at the negotiating table. TPA ensures common trade agreement objectives between the President and the Congress, and appropriate consultation prior to final Congressional approval or disapproval of a trade agreement. TPA will signal to Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP) negotiation counterparts that Congress and the Administration stand together on the high standards we are seeking at trade talks.

For U.S. agriculture the opportunities of TPP are clear across the board. Here are a few examples where TPP will address tariffs and expand market opportunities for U.S. farmers and ranchers:

- Beef - Japan is the largest export market for U.S. beef, valued at \$1.6 billion in 2014. Tariffs are as high as 50 percent in some TPP countries.
- Pork – Japan was the United States' top pork market in 2014 with \$2 billion in sales despite high tariffs and a complicated import system, both of which will be addressed in TPP.

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- Poultry – Poultry tariffs in the TPP region are as high as 240 percent, and in 2014, the United States exported over \$2.5 billion of poultry to the TPP region.
- Dairy Products - TPP countries markets for dairy accounted for \$3.6 billion in U.S. dairy product exports in 2014.
- Fruits - Tariffs on fruits are as high as 40 percent across the TPP region, and in 2014, the United States exported almost \$3.1 billion in fresh fruits to the TPP region.
- Vegetables - In 2014, the United States exported almost \$5 billion in fresh and processed vegetables to the TPP region, and tariffs are as high as 90 percent..
- Wheat - In 2014, the United States exported more than \$2 billion of wheat to the TPP region, including to Japan where the United States is the dominant supplier.
- Soybeans and Soybean Products - The TPP region is the fourth-largest export destination for U.S. soybeans, accounting for over \$1 billion a year in sales, despite tariffs as high as 20 percent.
- In addition to cutting tariffs, the TPP will include strong sanitary and phytosanitary (SPS) provisions that will improve transparency and scientific decision-making to provide expanded access for U.S. products including meat, fresh fruits, and vegetables.

Trade in the 21<sup>st</sup> Century is also about America's place in the world. The TPP is key to markets in Asia and the ability for the United States to play a lead role in establishing the rules and terms of trade throughout the Pacific Rim. If we don't get a trade agreement, the world will not stand still; other countries will step in and fill the void. They will have their own trade agreements. For those of us in agriculture who are concerned about raising standards, reducing barriers to trade, securing preferential access, and instituting enforcement provisions, the question is who do you want writing the rules of the road? I want the United States negotiating those rules.

With TPA, the United States will be able to seal the deal on high standard agreements, like the TPP and the T-TIP, that will help America's farmers and ranchers increase U.S. exports and compete in a highly competitive, globalized economy. But don't just take my word for it, I urge you to speak to your farmers, ranchers, and producers. A group of more than 70 agricultural organizations recently sent a letter to Congress stating that TPP can become the "most important regional trade negotiation ever undertaken" but for "TPP to become reality,

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Congress needs to pass TPA.” I am committed to working with you in securing a bipartisan TPA.

Thank you. I look forward to your questions.

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Chairman RYAN. Great. Three minutes and 44 seconds. You would have made a great House Member. Thank—

Secretary VILSACK. No, thank you.

Chairman RYAN [continuing]. You.

So let me ask this. We have been talking with our Members throughout the year about what do they think went right and what do they think went wrong in past trade promotion authorities that have been given to past White Houses.

And, you know, this is authority that we have had since FDR. It is critical for the administration to go out and get the best deal. Our trade partners aren't going to give us the best agreement, their last best offer, if they think that you can just take it back to Congress and Congress will just rewrite it.

So we understand that this tool is absolute critical to getting the best deal possible for American workers. But we also believe that there were some mistakes made in the past that need to be improved upon. And so we have new provisions in this particular trade promotion authority aimed at a few things.

Number one, we have 150 guidelines. Mr. Levin pointed to his concerns with those guidelines. I would simply say the guidelines had to be done in such a way that give our negotiators room to negotiate. You know, we are not going to have 536 negotiators negotiating with 11 different countries. We are going to have one negotiator. But that one negotiator, the administration, the USTR in particular, we want to make sure that they understand what Congress expects of them and the process in which we are going to consider this.

So we also were concerned about Members and their ability to access text, their ability to get their questions answered, their ability to participate. And so that is why we have new provisions in here that gives a Member of Congress and their security-cleared staff the ability to not only look at the text, query the negotiators, but participate and attend the negotiations if they want to.

But the other point that we were concerned about is we want to make sure that the public sees what this is before we are even considering it. That is why we have more transparency requirements in this law placed upon the White House, so that the public has plenty of time to digest what is in these large, multilateral trade agreements.

And so it is a different type of TPA. And if the administration does not conform to these procedures, to these processes, if it doesn't work within these guidelines, then Congress, this committee retains the right to turn TPA off for any particular agreement. And that is different. That is a new level of accountability that we have added to this.

So let me just ask you, Secretary Pritzker—because I think we could use some reassurance that this administration has a very clear grasp of what this Congress is expecting of the administration. And I agree with the statements of all three of you; I think this is an unprecedented opportunity for us.

Do you understand the consequences that are laid out in this bill if the administration does not meet its TPA obligations?

Secretary PRITZKER. Yes, Mr. Chairman, we do.

And, in fact, we are very much committed to transparency. And we have heard the concerns from many Members of Congress. And, as a result, we have had over 1,700 consultations with Members of Congress. We have 28 industry advisory councils, ITACs, that meet that are made up of members from different sectors—small companies, medium-size companies, large companies, labor, NGOs—that have been advising us.

And we also absolutely understand the fact that texts are to be made accessible to the committee as well as to make sure that the staff has access to the text. And they don't have to make an appointment; the texts are up here on the Hill. We very much, you know, heard the concern, and we are trying very hard to be responsive.

And then, as you said, in addition, the public will have access once the agreements are completed, have time to better understand those agreements so that everyone understands what we are getting into.

Chairman RYAN. Thank you.

Secretary Lew, you went into currency quite a bit in your opening. I just want to kind of drill down a little bit more because we might very well be considering some amendments on this issue as early as tomorrow with our markup.

So, as you mentioned, for the first time, this bill includes as a principal negotiating objective an objective on currency that directs the administration to seek a meaningful outcome in our trade agreements. The committee worked very closely with the Treasury Department while drafting this negotiating objective, and I believe it provides the important tools that the administration needs to get a better outcome.

I received a letter from you yesterday, and I wanted to talk to you a little bit about that. In it, you updated us on the status of your currency negotiations in the TPP. You wrote that "any amendment to TPA legislation requiring that the administration only seek enforceable currency provisions as a principal negotiating objective would undermine our ability to successfully conclude a TPP negotiation." So that is one pretty darn important point.

You also wrote that you oppose the current legislation "that would use the countervailing duty process to address currency undervaluation because it would raise questions about consistency with our international obligations and it would be counterproductive to our ongoing bilateral and multilateral engagement as well as our efforts to promote greater accountability on currency policies in that context."

So, basically, what I am asking you is, knowing the position here, you would oppose amendments to TPA if they were being offered—I just want to ask you this for the record—if they did such things?

Secretary LEW. Yes, Mr. Chairman, that is correct.

Chairman RYAN. Okay.

Secretary LEW. And let me be clear. We are very sympathetic to the concerns raised by Members on currency, as you indicated in your opening remarks, as well. I don't think there is a disagreement that we need to take tough actions with trading partners that do things that are unfair. But we have to do it in a way that is

effective, and we have to do it in a way that doesn't undermine, ultimately, our own interests.

I believe that the letter states correctly that, having over the last week raised this issue with 10 of the 11 negotiating partners, the reason they are willing to have a conversation on currency, in part, is because of the firm knowledge that Congress has set it out now as something that is going to be a negotiating objective. I don't know that there would be the kind of conversation that we are having now—and that is why I think TPA is very important. It does send a clear signal that this has to be part of the conversation.

At the same time, I got a very clear signal, in all of our conversations we got a very clear signal, that if it was an enforceable trade discipline on currency, that that was something they wouldn't even be open to discussing. Because for many of these countries, there is some form of intervention that is a part of legitimate macro-economic policy, and they are worried that legitimate policies could be impaired by a mechanism where monetary policy is reviewed in the context of a trade enforcement process, which, you know, is something that is a legitimate concern.

On the other hand, they don't have the ability, when we engage with them bilaterally or through the existing fora, to say that interventions that are persistent and sustained, that build up the kinds of surpluses in foreign exchange, that create a competitive advantage for them is something that is permissible.

We pushed back very hard, and we are making progress. I don't know that we would be able to make the kind of progress we are making if we start taking actions that are the kinds of actions in these amendments. So I think, you know, there is a question of whether the effectiveness of our current tools are undermined.

Chairman RYAN. Yes, I think that is right. No one is disputing that manipulation occurs and has occurred and that it is wrong and that it is not helpful and it is not good for America. We get that. Everybody agrees with that. I guess the question is, what is the best way to deal with it? And some of these remedies, I think I agree with you, can be more than counterproductive, can actually backfire and blow up in our faces if we get them wrong. So it is all about finding the right tools to respond so that we can get ourselves into a win-win situation, not a win-lose situation.

Let me just go to you, Secretary Vilsack, real quickly. Yesterday, a new report showed that workers who have jobs related to trade earn higher wages than those who do not. Manufacturing workers earn 16.3 more. Service workers earn 15.5 percent more than workers in similar non-trade-related occupations.

So we all want stronger economic growth and more jobs. We don't always agree on how to do that, but one area where I think we have seen agreement on a bipartisan front is on agriculture. We clearly produce more than we can consume here in America. So the future for agriculture, the future for good, stable prices and good living wages on the family farm and keeping family farms in place is opening more markets for our products.

This is an area where, with respect to TPP and with respect to the trade guidelines we have in TPA, we want to make a huge effort in. And we already provide a fairly open system and access to our markets for countries sending us their products, but we don't

have anything close to reciprocal treatment to our agricultural exports.

Give us a sense of how unlevel that playing field is with respect to some of these countries on their tariff rates, on their non-tariff barriers, and how, if we can get more of a reciprocal treatment, that could be a big boon to agriculture.

Secretary VILSACK. Mr. Chairman, our farmers do, in fact, face some fairly significant barriers. In poultry, there are tariffs are as high as 240 percent. In corn, it could be 40 percent; wine, 55 percent. Vegetables can be as high as 90 percent; citrus, 43 percent.

The reality is a lot of the commodities that we currently raise in this country are absolutely dependent on exports. Fifty percent of our wheat crop, 50 percent of our rice crop, 50 percent of our soybean crop, 80 percent of our cotton crop, even 70 percent of the tree nuts that are produced in this country are exported.

That is why it is so important that we get a level playing field, reducing and eliminating tariffs and science-based SPS requirements. With that, America producers will compete very effectively. Without it, we are obviously behind.

Chairman RYAN. Thank you.

Mr. Levin.

Mr. LEVIN. Thank you.

And, again, welcome.

You know, a lot of us have been working for a TPP we could support. And I say this respectfully, as to currency, Mr. Secretary. We have been friends for a long time. The country needs more than sympathy on this issue, and we need to do more than get it. The problem has been that, for decades, we were not able to take action that really impacted the manipulation of other countries, and our workers and businesses got desperately hurt.

And I just think it is a serious mistake to overstate what is in this negotiating objective. Because, after listing what is wrong with currency manipulation, it says that actions shall be taken through cooperative mechanisms, enforceable rules, reporting, monitoring, transparency, or other means as appropriate. So that doesn't say anything specifically. "Other means as appropriate."

And we know you care. And we have talked about this a lot. But, essentially, what we are left with, with this negotiating objective, is more of the status quo. That is all that is guaranteed.

And let me just say a word about workers' salaries. It is true that workers' salaries in industrial areas, those salaries are higher than in other areas. It is also true that, in part because of trade, not only because of it, that there has been stagnation of wages for workers in this country—stagnation for 30 years. And no one has said that trade is the only cause of it, but it makes a mistake to essentially ignore it.

And that is why we have raised the issue in terms of worker standards and in terms of Mexico and Vietnam. There are supposed to be what are called consistency plans on workers, Vietnam and Mexico. Do any of you have any idea, the status of those plans?

Secretary LEW. Congressman, obviously, we are not negotiating that specific provision, but let me answer in a general way.

In the labor standards section, what it requires is that anyone who signs the agreement comply with the International Labor Or-

ganization standards, and there is a process for that to be enforceable. Obviously, for each country, there is going to be a different path towards enforcement, but we are talking about countries for whom this is a huge step, making the commitment to meet the higher standards.

And when you look at the competitive disadvantage the United States has with such high standards—I am proud of our high standards—bringing other countries from a very low level up is going to make it more competitive for American businesses.

Mr. LEVIN. I agree. I agree. And that is why when we put together, Mr. Rangel and I, with support of others, the Peru free trade agreement, we required that changes be made in their laws and practices before we voted. And we did the same with Colombia before we voted. And so where is the consistency plan?

And I am in favor of transparency. The problem is, I must say, at this moment, voting on TPA, we have no real idea where on this it is going.

And the same is true in so many areas. You mentioned state-owned enterprises. We have no idea what the exceptions will be asked for and agreed to. The same is true, as we sit here, in terms of the Japan automotive provision.

And, Mr. Secretary, let me close; I have just a few seconds. Do you know what Japan has agreed to in terms of their tariff reductions on our five or six major crops? And can you, if you know that, tell us what they are today?

Secretary VILSACK. Congressman, I can tell you that the negotiations are ongoing. I can tell you that there has been progress with Japan in terms of opening up their markets. I think they recognize and appreciate that they have to make some changes in a market that has been closed for far too long.

And I think, when all is said and done, the negotiating principles and objectives that are laid out in the TPA legislation, as it relates to reduction and elimination of tariffs, you will see that with reference to Japan.

Mr. LEVIN. Okay. I just want to finish. What the objective says is to eliminate or reduce tariffs in agriculture. That is a meaningless objective. Because Japan started off by saying they would reduce. The question is how many they will eliminate and how much they will reduce in these key crops. And, as we sit here today, about to vote tomorrow on a TPA, we have no idea where those discussions are. And the objective, it just says reduce or eliminate. It is meaningless. It is a meaningless objective. And so that is why, in our bill tomorrow, we are going to spell our alternatives, something more specific.

Okay. I have to yield back.

Thank you very much for giving me this time.

Chairman RYAN. Thank you. My pleasure.

Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

Let me just start by saying trade is very important to the State of Texas, and, in fact, our Governor, Greg Abbott, likes to say Texas is number one when it comes to exports. So, certainly, it is in our interest to open up those foreign markets that still put up barriers to American goods and services.



Secretary Lew, welcome. Now, you have heard what I just had to say about Texas and trade. And, with that, I have to be up front with you, in that we have heard loud criticism from some about the lack of congressional consultation and engagement with Congress and the public during trade negotiations. As you know, the TPA bill includes a number of new provisions to ensure that Congress and the public are fully engaged and consulted.

So, for the record, let me ask: Do you agree that TPA strengthens congressional-executive consultation?

Secretary LEW. Are you asking me or Secretary Pritzker?

Mr. JOHNSON. You.

Secretary LEW. Congressman, there is no question but that the TPA raises the bar from any prior approaches in terms of the amount of consultation, the amount of transparency. We have made great efforts, USTR has made great efforts to consult with—I believe, a record amount of consultation. But that doesn't mean we can't do more, and this TPA requires that we do even more.

Mr. JOHNSON. Well, more importantly, is this administration committed to following the requirements—

Secretary LEW. Yeah. We are committed to following the law. And we are committed to working with the Congress, more importantly, to work together, to make sure that America speaks with one voice as we go about agreeing to trade agreements. I mean, ultimately, we have to bring any agreement back to this Congress, and we need to be able to negotiate with the belief that we can get Congress to approve the agreement.

Mr. JOHNSON. Thank you.

Secretary Pritzker, I want to ask you about TPA's transparency requirement. As you know, TPA requires significant transparency, particularly for Members of Congress, throughout the process. For example, Members can serve as official advisors for trade delegations and personally attend negotiating rounds.

So, Madam Secretary, how does the administration intend to comply with these new transparency requirements? And what assurance can you give us that the administration will follow those requirements?

Secretary PRITZKER. As Secretary Lew said, we intend to comply with the law, and so making sure that Members of Congress can have access to texts in the security of their office at their convenience or your staff can accompany you, if they have appropriate clearance, so that your staff has the ability to see the text. And then, you know, the requirement to be credentialed is one that is included in TPA, is one that we intend to abide by.

Mr. JOHNSON. Thank you.

And, Secretary Vilsack, I didn't want you to think you were being left behind. You know, while I represent a fast-growing district in the Dallas area, I do happen to represent farmers and ranchers in the northern part of my district, such as in the towns of Princeton and Melissa, which you have probably never heard of.

Do you happen to know what our top ag product from the district is?

Secretary VILSACK. Well, Texas has a very varied agriculture. It wouldn't surprise me if there are cotton and soybean growers in your district. It wouldn't surprise me if there was livestock cattle

being raised in your district, or in and around your district. And it wouldn't surprise me if you had some dairy, as well.

Mr. JOHNSON. Well, you hit all three, but the main one is wheat, believe it or not.

Unfortunately, as you know, our wheat growers face barriers overseas, particularly from countries like Japan. So how will TPA and TPP benefit the farmers and ranchers, particularly wheat growers? And are we making progress, any real progress, with Japan?

Secretary VILSACK. I would say in two significant ways, Congressman. One is reducing and eliminating tariffs, and, two, making sure that whatever sanitary or phytosanitary barriers are created, that they are science-based, and if they are not science-based, TPP would basically provide for a mechanism for a quick resolution to reduce those barriers so that you wouldn't see the disruption of trade that we currently see.

And this is another reason for being concerned about the Chinese influence in this part of the world. Because China does, indeed, have a tendency to create those kinds of SPS barriers. If we can surround China with a better system, a science-based system, I think we will avoid the disruption in the market that we have seen recently.

Chairman RYAN. Thank you.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chair. And thank you for the opportunity this committee has to get the views of the administration.

And I want you to know that I agree with almost everything you said about the future of the United States and the world in terms of trade. I think it means peace, it means prosperity, it means security, it means standards, that a country would understand that when America speaks it also provides the leadership that is expected of us now and also of the future.

I agree, also, that 535 of us would be a bad group of people to be negotiating an agreement. And we have had confidence in the past Presidents; I have no reason to believe that we shouldn't have confidence in this President.

Is the agreement for 6 years?

Chairman RYAN. Yes.

Mr. RANGEL. So I think Hillary Clinton appreciates the fact that this is extended far beyond the time that she has to ask for it.

But having said all of that, when we get back in our districts, we have to figure out, why did this constitutional authority we have pass on, and how is it going to be good for the country?

So I have looked at this. And with currency manipulation, I don't think at my townhall meetings with my underemployed and unemployed this is a big deal. But human rights, fighting against a bunch of rogue cops shooting down people in complete disregard of their human rights.

As far as investment service, I know that Republicans and the President are going to take care of our investors. The whole idea, of course, is to make certain that we are able to sell more than we consume and that we get out there with the market.

Now, I don't have a problem with that, except that I don't know what happens when we get in this profit. I don't know—I have to trust the President. In order to trust him, he has to have some co-operation with the Republicans and Democrats in the House so that, if I was to ask, are there any provisions here that, when America succeeds and the profit is there, that this big disparity with the CEOs that you have visited, Mr. Secretary, who said this is the greatest thing—are there any provisions in here that the workers would be beneficiaries? I think not.

Are there any provisions in there that says that, "And the only way we can make this work is to have an infrastructure—seaports, airports, roads—in order to support the principles that we have and to provide for the leadership of the world"? I think not.

You talk about productivity, and I kind of think that means that we are going to lose some jobs, but there would be great new opportunities. I think so. Are there provisions in this bill that Americans will be able to take advantage of that, with the training and education and all of these things? I think not.

So what do I have to tell my people that this is good not only for the world and the country but it is good for you? Well, I think we have TPA. It would be, "Trust that the President is going to do the right thing for America."

But if I ask them, is the infrastructure bill included in this, they said, no, the Parliamentarian wouldn't allow it. If I asked, well, is education, in terms of getting the skills that is necessary to perform—no, that is a separate bill.

But suppose I ask, are the Republican majorities prepared to tell the President, if he asks for it, this is a package, this is what I promise of you? It is not a question of Americans' leadership and profits. This is a question of prosperity for the entire country.

Are there any provisions that you know that are included in this package that people would say that I am prepared for the new future and the standards for decades in the future? I think not.

Could the President possibly say that he had an agreement with the Republicans that it may not be in TPA but take my word for it? This is going to bring our Congress together. These aren't Democratic proposals; these are Americans proposals. Republicans want infrastructure improvement; they want skills. Well, then, why can't they say that this is a part of the package in or outside of TPA?

So if there is anyone that can find jobs that I can talk about now, if you can find infrastructure provisions in this bill that I can talk about now—because the trade bill, without being able to export, doesn't count—and if you can find anything that would indicate that our constituents won't be able to get a job but their kids can damn well depend on the fact that they will be ready for competition—and we will get to the farmers because that is a second thing. They can make a lot of money, but if you have a problem having the income to buy fresh food in my district, saying that farmers are going to make out won't sell.

Could we start with Secretary Lew or anybody who wants to volunteer at any point of the hearing, where these provisions, if they are not in TPA, you would say what agreement do we have they come up to be with the bill?

Chairman RYAN. So let me just interject for a moment, Mr. Rangel. You are out of time.

Mr. RANGEL. I am sorry.

Chairman RYAN. And I just want to make sure that we can get to—we have a lot of people. So we want to make sure, if there is a question, we ask it early on in the 5-minute increments so people can get their answers in.

Is there a quick answer that anybody wants to offer?

Mr. RANGEL. No, there is not.

Chairman RYAN. Okay. Well—

Secretary PRITZKER. Why don't I just say, you know, the following.

I mean, I could give you chapter and verse—in fact, we have put together a book—of various companies that have created jobs because of their exporting. And so that is one thing that I could share with you. And, in fact, stories from New York are happy to do that.

Mr. RANGEL. You are not serious.

Secretary VILSACK. And we have a State-by-State breakdown of the benefits to agriculture in each State, which we would be happy to provide you.

Chairman RYAN. Not trying to give you short shrift.

Mr. RANGEL. Not State by State, but New York City.

Chairman RYAN. I am just trying to be cognizant of the other Members' time.

Mr. RANGEL. I appreciate it.

Chairman RYAN. Mr. Tiberi.

Mr. RANGEL. Thank you so much.

Mr. TIBERI. Thank you, Mr. Chairman.

I just want to thank the three of you for being here today and for participating and educating us.

In my State of Ohio, trade becomes a pretty emotional issue, particularly during campaign time. And the three of you know that.

One of the amazing statistics, though, with respect to countries that we have an agreement with, as you all know, is, according to the National Association of Manufacturers, in each of the past 2 years, the U.S. manufacturers had a \$50 billion surplus with trade agreement countries. In Ohio, nearly 60 percent of Ohio goods and exports went to countries we have an FTA with, approximately 20. We export to 200, but 60 percent goes to those 20.

Secretary Pritzker, you happened to visit one in my district in western Ohio, Lake Shore. It was founded in a basement. The owner founded this business in a basement. High-tech manufacturer, nearly 200 employees. And what is fascinating about it, if you remember, is from the ceiling hangs flags of the countries that they export to, most of whom are countries that we have FTAs with. Their major competitors are in East Asia.

As you know, Secretary Lew, because you mentioned it, many of those countries are joining China in trade agreements. And, as you eloquently said, which I don't think the administration gets enough credit for, quite frankly, is that those agreements with China typically aren't as high a standard as they are, as Secretary Vilsack said, with the United States. And so either China is going to write the rules of the region and the world, or we are going to write the

rules with these countries who want to trade with us. And each one is a little bit different, as you said, Secretary Lew.

The question that I have—and I won't take up my entire time; and I think this is really, really important—is that some say we lose leverage, that I lose leverage by passing TPA.

Chairman Ryan took a CODEL to the Far East and East Asia, and we heard from many government leaders who were negotiating with us that we are not going to put our best offer on the table until you really pass this bill, to know that you are serious, and that you give the administration the authority to do this.

But, more than that, Secretary Lew—and you have been really engaged in this issue for a long time now—tell us why we are not giving up our leverage. Tell us why this administration is committed, after TPA is passed by this House and the Senate, that you and your colleagues and Ambassador Froman are going to continue to negotiate with us.

And if you would like to answer that, as well, Secretary Pritzker, go right ahead.

Secretary LEW. Congressman, I would just say that these negotiating objectives are very important. We know that an agreement is going to have to come back that you judge as having taken those objectives very seriously.

That is why we care that the objectives be crafted in a way where we can bring back a product that is consistent and why, if we don't believe it is possible, we say so.

The thing that is important to remember is this is the procedure for considering a trade agreement. The substance of the agreement comes later.

Mr. TIBERI. Thank you.

Secretary LEW. And we don't—this does not set an irrevocable path. It has to be passed. And I don't believe we can pass a trade agreement if we ignore the objectives that Congress sets out.

And there is a tension in—

Mr. TIBERI. We are all set.

Secretary LEW [continuing]. When to do TPA. If you do it very early in the process, we can't tell you anything about the shape of the conversation. If you do it too late in the process, then all the decisions have been made.

We are coming in now, as we approach the final stages, where we can show you where we are heading, nothing is agreed to until everything is agreed to. We can give you a sense of where the agreements are going. We can take your direction, and we can go back and complete agreements cognizant of Congress' direction.

Mr. TIBERI. Very well said.

Anyone add anything?

Secretary PRITZKER. I would just add, Congressman, that, you know, as a former CEO, you want to know the person on the other side of the negotiating table. You need confidence that, if you go out on a limb to put your best offer in place out there, that you are not going to find yourself with no deal and having exposed yourself.

It is no different for the political leaders. And several heads of state who are party to TPP have said that. They want to know that Congress and the administration are standing together, and they

want to know what the standards are in order for them to take the political risk in their country to put their best offer on the table.

Mr. TIBERI. Thank you.

Chairman RYAN. Thank you.

We let the 15-minute vote go down to zero. We have two 5-minute votes following this. So we will recess subject to the call of the chair and—or do you want to—do you want to continue? Did you already vote?

Mr. REICHERT. I voted already.

Chairman RYAN. Yeah. But you got the 5-minute coming up. So—

Mr. REICHERT. Yeah. I want to be at the 5-minute vote.

Chairman RYAN. Yeah. I don't want you to miss your vote.

We will recess subject to the call of the chair for these two 5-minute votes and resume shortly thereafter.

Committee is in recess.

[Recess.]

Mr. REICHERT. [Presiding.] The hearing will be called to order once again.

I thought for a minute we were going to do the usual thing that Congress does, and that is work in the dark. But somebody turned the lights on; so, that is good.

I am going to recognize Mr. McDermott for 5 minutes.

Thank you for your patience, panel.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

I think it is safe to say I have been around this place for quite a while. It kind of reminds me of an old cattle drive in the West. And I have been here for 17 of them. I have voted on 17 trade bills since I came to Congress in 1989.

If you look at this dais, there is only six people here who were here when NAFTA passed. So there is a lot of history that has been lost over the course of time, and I think we need to really think about some of what went on then.

I would like to touch on some of the more prominent trade agreements, really, the NAFTA being the one that I think epitomizes a lot of what is troubling many of us up here.

Remember back to '92. In order to appease the labor groups, then Bill Clinton said he would negotiate a side agreement on labor for the North American Free Trade Agreement, which he signed in August of '92, months before his election—or months after his election—before his election. It was signed under Bush.

Now, this is the first time that worker rights received more than just passing mention in a trade agreement. We had a 43-page document outlining 11 labor principles, including the prevention of occupational injuries and diseases.

At the signing of the NAFTA agreement in December 1993, Clinton said, "The labor side agreement negotiated by our administration will have the agreement of force for social progress as well as economic growth."

But, since then, the problems with the labor side agreement have become exposed. The promises of social progress have not lived up to the reality because NAFTA's side agreement was weak. It did not force any of the governments that are part of the NAFTA to adopt new worker rights—laws or conform to any international

standards. However, only three of the principles were enforceable by sanctions, and the process of bringing a case that would result in sanctions takes a long time.

Another less known, but equally important, issue of NAFTA was the explosive growth of the maquiladoras which now dot the U.S.-Mexican border. Many on this committee may not have heard about maquiladoras—perhaps my friends from Texas and Arizona and New Mexico have—but they are factories that import materials tax free from the United States, complete work added value, and then export the final product back to the United States.

It doesn't sound like a bad idea. But these factories are essentially modern sweatshops. The working conditions are simply abhorrent. Maquiladora employees face health concerns and injuries because of preventable violations of labor rights, according to one study, the same rights, I would point out, that are in—the very side agreements were created to protect.

Women who worked in those sweatshops have a three times higher incidence of babies being born at low birth weight than women in service jobs who lived in the same town. One study found the maquiladora workers had upper back, neck, shoulder, and hand and wrist pain at incident levels 40 to 90 percent above general labor.

Another study found that children of maquiladora workers were three to five times more likely to bear a child that had anencephaly, which is a horrible condition that results in a baby being born without parts of the brain or skull. They were working in chemical factories.

In addition to failing to protect worker safety, the side agreement did nothing to ensure that workers received livable wages. Maquiladora workers worked longer hours and received lower wages than the national average. One study shows that it took a maquiladora worker—1½ hours to earn enough money to buy a kilo of rice. By comparison, a dock worker in San Pedro and Los Angeles could earn enough money to buy the same amount of rice in 3 minutes.

Even today the conditions are hardly any better. One family profiled in a recent news article about maquiladoras works in an air-conditioned factory by day and lives in a dirt floor hut by night. The roof of his house, corrugated metal, is hit on by rocks, a bear. A single light bulb hangs in the house. Now, after working in the sweatshop for a decade, that worker says he has no hope for a better life for his children.

The point I want to make here is that promises that the administration makes regarding trade agreements may not always end up the way they predict that it will. For the women whose children suffered birth defects, the labor rights of the agreement did not lead to social progress. For the workers who struggle with wages that do not keep up with inflation, they did not provide enough money for the basics and do not give families the money needed to send their children to schools. There is no economic pro for them.

The TPA agreement has plenty of good-sounding protections that the administration says will protect workers, but my experience here in the House through 17 of these agreements makes me very, very skeptical. As we move toward TPA and TPP in the coming

days and weeks, I would strongly urge all my colleagues on this committee to look at NAFTA, CAFTA, and some of the other agreements before they make their vote.

Mr. REICHERT. Gentleman's time has expired.

I will yield myself 5 minutes, since I was in line at the other end of the dais. I want to thank you all for your patience as we were away voting and thank you for your work in support of expanded trade.

This is critical for my home district. As you know, Washington State is the most trade-dependent State in the country and its trade supports over 77,000 jobs in Washington State. \$8.6 billion total goods and services and exports in 2013. So you can see how critical it is.

And Secretary Lew, I think, testified to, jobs tied to trade pay, on average, 15 to 20 percent more than non-trade-related jobs. So we want to create more of these jobs, and we need to pass trade promotion authority in order to do that.

So I would like to ask just a few questions. First, I want to give Secretary Lew an opportunity. I saw you raise your hand earlier when Mr. Levin was talking about meaningless language in the agreement in TPA, referring to Japan and reducing and/or eliminating tariffs.

Did you want to respond to that? I wanted to give you a couple of minutes.

Secretary LEW. I don't remember raising my hand. I am happy to respond if you think—

Mr. REICHERT. Okay. Maybe it was nodding your head or—

Secretary LEW. You know, obviously, the final agreements have not been reached yet. They are being negotiated. That is why Ambassador Froman isn't here today. He has been in Japan. And Congress will have a chance to judge based on what the reductions are.

TPA is a process for the consideration of the substance in TPP. And as I indicated in response to an earlier question, there is a tension between when to vote on TPA and when you have enough of the substance of the agreement to know what the agreement is going to look like.

I think we are at the point now where we have shared so much that you have a good idea of the direction things are heading in, but we now get the guidance and the priorities from TPA as we go into the final round of negotiations.

Mr. REICHERT. I appreciate that. Thank you.

The legislation calls for our negotiators to seek commitments from our trading partners to allow for cross-border data flows and to refrain from implementing forced localization measures. These are the types of 21st-century barriers that we need to address in our trade agreements.

Secretary Pritzker, could you discuss why this updated language is so important to expanding trade.

Secretary PRITZKER. Well, thank you very much.

I mean, this bill includes affirmative measures to facilitate e-commerce, recognizes the significance of the Internet as an international trade platform, as well as it works to prevent the blocking of international or cross-border data flows. All of these things are



necessary for companies in order to be able to work in the modern age.

And so the fact that—you know, the significance of the Internet as a trading platform is something that has not been recognized. Think about it. Twitter and Facebook didn't exist in 2002. So we need to address these issues. They are absolutely critical.

I get more calls from more companies about challenges in terms of being required to do local storage of data or cross-border data flow. So this is imperative, that we address these things for business in the 21st century.

Mr. REICHERT. Thank you.

Secretary Vilsack, also included in the legislation are negotiating objectives related to ensuring strong commitments in agriculture from our trading partners, including eliminating the improper use of geographic indications and obtaining enforceable rules on sanitary and phytosanitary measures. This is important for the State of Washington as other States across the country.

How has the U.S. agricultural benefited from previous free trade agreements?

Secretary VILSACK. Well, since the passage of NAFTA, we have seen a 145-percent increase in agricultural exports. The last 6 years have been the best 6 years in ag exports in history. Horticulture—fruits, vegetables, and other horticulture items have led the way. We have seen a remarkable increase in trade.

The only impediment is these tariffs and the SBS barriers that are constructed by countries for reasons not related to science. And our belief is that the TPP, with a high standards agreement, is going to reduce and eliminate tariffs and it is going to make a process for SBS that is science-based, which would absolutely benefit American producers and will help to support additional jobs here.

Mr. REICHERT. Thank you for your answer.

Mr. Lewis, you are recognized for 5 minutes.

Mr. LEWIS. Thank you, Mr. Chairman.

Let me thank each one of you for being here today. I would like to get some response from the three of you.

Do you believe that a trade agreement should reflect the value of our Nation? How—let me continue. I ask each of you: What does it profit a nation such as the United States of America to gain a trade agreement and lose her soul, to lose her soul by leaving so many people in America and around the world behind when it comes to human rights, labor rights, the right to organize, collective-bargain, to protect the environment?

When you travel to some parts of these unbelievable places, there are too many people that have been left out and left behind. It is not compatible with what we believe in as a society and as a people, as a Nation. And I would like to get some response from you.

Secretary PRITZKER. Let me start. Let me begin.

I do think these trade agreements are consistent, and I think TPA is very much consistent with our values in requiring, in terms of labor standards, that we include, you know, freedom of association, rights of collective bargaining, protection from child and forced labor, employment discrimination protection. I think this is very much reflective of our values as we try to raise the standards around the world of how other countries are doing business.

The same is true in the environment. In the environmental objectives, for example, things that are near and dear to the heart of the Department of Commerce would be issues around illegal fishing or over-fishing and protecting our coastlines. Those are objectives to be protected.

This is the kind of thing that is consistent with the standards we hold ourselves to, and what we are asking in these agreements and demanding in the agreements is that the countries that are party to trade agreements with us do the same.

Mr. LEWIS. Now, Madam Secretary, you go to Vietnam—and I have been there—you only have one union, state-sponsored union. People are not free to organize another union.

I hear the case where a young woman tried to organize a union. She was arrested and jailed for 4 years. That is not freedom of association. That is not freedom to organize.

Secretary PRITZKER. I appreciate that. But I believe that the Vietnamese Government is hoping to use TPP as a way to raise the standards.

Mr. LEWIS. Madam Secretary, we need more—if you want us to support this piece of legislation, we need more than hope.

Secretary LEW. Congressman, I think, if you look at a country like Vietnam—I think we all agree Vietnam needs to raise its labor standards. And there are conversations going on with each of the countries that need to raise their labor standards as to what steps they need to take, but it is not part of TPA.

It will be part of agreements that are reached in conjunction with TPP. They are going to have to commit to meeting higher standards because part of TPP will be committing to meet those standards. The question is the path they take to get there.

So I think, with all the concerns that we share about the labor conditions and the rights of workers in countries like Vietnam, this agreement is not the same as past agreements. It puts into the body of the agreement the requirement that they comply with the International Labour Organization standards.

Secretary VILSACK. Can I just simply add one other point, Congressman? And that is this is not a static situation. If we don't get this done, somebody else will. And the question is: Who is that someone else? And the chances are quite good it will be China.

And, frankly, if I have a choice in terms of labor, environment, and human rights, the U.S. leading that effort or the Chinese leading that effort, every single time I am going to pick the U.S.

Mr. LEWIS. Thank you.

Mr. REICHERT. Gentleman yields back.

Mr. Boustany, you are recognized.

Mr. BOUSTANY. Thank you, Mr. Chairman.

Just to follow on this conversation, just think if 11 countries, along with the United States, with very disparate levels of economic development can come together in a high-level, 21st-century standard agreement. What an accomplishment that will be. I think that fits in with American values.

And as we look at the U.S. economy, we need growth. We need job creation. We want to promote innovation and value creation. And, to me, the catalyst for American leadership in all of this and for our foreign economic policy is TPA, trade promotion authority.

And this version of TPA is not the 1974 or 1988 or 2002 version. It is a much enhanced version of this. And I think Chairman Ryan raised some of these points earlier with the robust expansive consultative process between our negotiators, the executive branch, and Congress, the transparency, the detailed objectives.

So I want to explore that further and each of you to comment. How does this version of TPA, with all those new enhancements, help us get to the best possible agreement? How does it create the kind of leverage? How does it put the full force of the United States Government and the people of the United States behind this kind of high-level, high-standard agreement?

Secretary LEW. Congressman, I would say at the highest level—and Secretary Pritzker said this earlier—countries that we are negotiating with won't go the final mile until they know what it is we need in the end.

So I think, by putting 150 guidelines in there and by sending our chief negotiators out with clear instructions that sends a signal that, if he comes back, his team comes back, with an agreement consistent with the principles, Congress is likely to stand behind it.

The decisions rest with Congress. So we can't commit Congress to act. And Congress will have the vote. But these guidelines send a pretty clear signal of what we need.

Mr. BOUSTANY. Right.

In the consultative process, as the negotiations are being carried out—in other words, under this version of TPA, any member of Congress can see the text, understand our negotiating position, and weigh in on what the American position should be step by step as we go.

That is pretty powerful. And there should be bipartisan support for something like this. And I would submit that the stronger the bipartisan level of support, the stronger signal it sends to our trading partners who are negotiating with us.

I don't know if either of the two of you want to comment on this or this line of thinking, but—

Secretary PRITZKER. Well, I would concur with your line of thinking. It is really important that we send a strong signal that Congress and the administration stand side by side in setting the terms and tone for this agreement.

And the fact that there are so many provisions that support transparency is to continually acknowledge that, ultimately, the decision rests with Congress. And, therefore, Congress needs to be part of the process and brought along as it sees fit—as each member sees fit for themselves.

Mr. BOUSTANY. Secretary Vilsack, I know, as we negotiate with Japan and TPP, agricultural products and market access with regard to our agricultural products is a big issue. It is one of the outstanding issues.

And, of course, rice is a particularly sensitive issue and probably one of the last to be resolved. But this one is critically important for the rice industry, which is a big part of my State's economy.

I got positive signals when I was in Japan in March with Chairman Ryan and others on the committee that the Japanese were waiting on TPA before they will put their best offer on the table.

Is it your belief that that is the case and that we can get to an acceptable deal with rice and market access?

Secretary VILSACK. Well, I know that Ambassador Froman, as Secretary Lew indicated, has just finished a round of discussions and negotiations with the Japanese. Rice is obviously a very critical component to that discussion. And I am confident, at the end of the day, we are going to see a much better market access opportunity for our rice producers.

And I would say that these negotiations, to the extent that we can continue to reduce and eliminate these barriers, to the extent that we can provide a process which science rules on sanitary and phytosanitary barriers, we will continue the evolution of a trading system that will provide American producers expanded opportunity as we have seen in the last several years.

Mr. BOUSTANY. And, Secretary Pritzker, real quickly with the time I have remaining, ISDS is something that is really important in this. And as we look at the National Export Initiative, in trying to expand export opportunities for small and mid-sized enterprises, explain why ISDS is so critically important and why it is not an infringement on U.S. sovereignty or U.S. law, but, in fact, helps our small and mid-sized firms with market access issues and their ability to thrive in these foreign markets.

Secretary PRITZKER. Well, ISDS is a mechanism where investors, especially small businesses, who are 50 percent of the claimants, are able to challenge foreign governments in an international arbitration court rather than in a domestic court.

So their opportunity to get a fair hearing, if there has been a taking or they have been deprived of the benefit of a contract, is really important.

There is—nothing in ISDS prevents a State from regulating health and safety, environment, and other issues that are important to regulating one's own nation.

Mr. BOUSTANY. Thank you.

I know, in my experience where we have a lot of energy companies, these companies have been involved in foreign operations and, in the absence of ISDS, they have had serious problems with, you know, loss of assets and so forth. So I thank you for your answer.

I yield back.

Mr. REICHERT. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman.

To all three of you, thank you very much and for your patience, since we had to leave for votes.

Secretary, let me go back to the issue of currency. I know you tried to address that, and we appreciate your thoughts on that.

I guess I would ask—I know in your letter that you wrote to members you indicated that you share the concerns that there are countries that are using different means, in some cases, less-than-appropriate means, to try to advance their interests around the world when it comes to commerce.

I would straight out call it currency manipulation. I don't think in your letter you used the words "currency manipulation," but you did talk about how currency is used in different ways by countries. I know you have in the past identified some countries that have used currency in the past.

Let me ask you this: Are we trying to tackle this issue of currency manipulation as we speak?

Secretary LEW. Congressman, we take on this issue of currency and unfair practices every time we engage in a bilateral or multilateral setting, and we have the results to show it.

I mean, I can't count the number of hours I have spent bringing this issue to the attention of other countries, saying, "If you want to have the kind of relationship you want with the United States on economic and other grounds, you need to deal with this."

And we have made real progress. And that doesn't mean we are done, and it doesn't mean we can back away from doing it. And we are open to having more tools to do it with.

Mr. BECERRA. And I know you mentioned in your letter that China's currency has appreciated some 20, 30 percent in the last 4 or 5 years, which, to me, is a signal that, in fact, there are countries like China that are manipulating their currency to make it look like their products are less costly and, therefore, they can sell them for a cheaper price in the U.S. compared to American products that would therefore be more expensive relative to those Chinese products.

The concern I have this is this. I appreciate everything you are trying to do, but we have been trying to deal with this for years. And to say that we are going to keep trying to do something means that there will be people and there will be countries that will continue to do this.

And unless we have an effective means to stop it, all we can do is hope for the goodwill of these countries to stop doing what they have done in the past, which some people—some moderate estimates tell us that we have lost some 1 to 5 million American jobs as a result of currency manipulation.

So I think, for many of us, for us not to take an aggressive approach on currency manipulation is a nonstarter. And I know that you have said that the parties to this trade deal have said, "If you try to do"—I will just use your words—"All the partners consulted have made clear that they will not support the introduction of enforceable currency provisions in the context of trade agreements and specifically the TPP."

So, essentially, they are saying, "We will talk to you, but we won't let you put anything enforceable in the trade deal," which I think would be a major mistake because we know some of these countries have done it and we know others are doing it.

And I just don't believe that there is a satisfactory answer to saying, "We will keep trying to get folks to be—countries to do the right thing even though we know in the past they haven't."

Secretary LEW. Well, Congressman, I think we are doing more than saying we are trying. We are actually making a difference. So the fact that it has been moving in the right direction is a reflection of the fact that it makes a difference to engage the way we have been engaging.

And, as I said, we are open to other tools. The fact that putting it in a trade agreement where it is enforceable through trade remedies is not the same as saying we are not open to having more tools.

Mr. BECERRA. Right.

But, Mr. Secretary, tell me, how are you going to get these partners that want TPP to sit down at a different point in time and actually commit to stop manipulating their currency?

Secretary LEW. Well, you know, they have signed on through the G20, many of them, to the principle——

Mr. BECERRA. Where are the teeth?

Secretary LEW. Pardon me?

Mr. BECERRA. Where are the teeth to enforce that?

Secretary LEW. So if the question is how we are going to get them to do better, I think we have shown that we can make progress, and we will make more progress.

Mr. BECERRA. I don't think——

Secretary LEW. I don't think there is going to be a trade agreement that has that in it. So that won't be the way that moves them.

Mr. BECERRA. I don't disagree with you that we will keep trying and that there will be ways to improve. Where I disagree fervently with the administration and this bill is that this is the best chance.

You have got them where they want to negotiate. They want access to our markets. This is the best time when you can make a deal because they want something in return. And for us not to, when we can strike hardest, get what we need, I think it is——

Secretary LEW. Though, in fairness, our markets are very open and we want access to markets that are not very open. So the——

Mr. BECERRA. Let me ask one last question, and I don't think I will have time to get an answer. But let me just pose the question.

People keep asking, "If we don't get in this, if we don't reach this deal, which is going to write the rules?" I ask: What happened with CAFTA, the Central American free trade deal? What happened with NAFTA? Did we write those rules?

And we see the consequences of much of what has happened with CAFTA and, in some cases, NAFTA. We have got a trade dispute with Guatemala in the CAFTA deal where they don't even enforce their own law.

Chairman RYAN. [Presiding.] Time for the gentleman has expired.

Mr. BECERRA. Yield back. And I thank the chairman.

Chairman RYAN. Mr. Roskam is not here. Mr. Price not here.

Mr. Smith.

Mr. SMITH of Nebraska. Thank you, Mr. Chairman.

And thank you to our panel here today for taking the time to articulate the benefits of trade.

And, obviously, Secretary Vilsack, American agricultural trade is a tremendous story where we know that, as mentioned earlier, 96 percent of the world's population lives outside our country and they all need to eat, including ourselves. And so I see it as such a great opportunity to promote jobs here at home. And certainly the very compelling information on previous trade agreements in terms of increasing the exports from our country are just, I think, very convincing.

Let's move forward just a bit beyond TPP to TTIP, the European Union. Obviously, I have concerns about biotechnology and its ac-

ceptance in the European Union. And we know that many of the regulations are biased against biotechnology and not based on science.

Secretary Vilsack, could you share a bit—you touched on it a little bit earlier, perhaps, in the context of TPP. But in a broader context of further trade opportunities, could you elaborate on what TPA can help accomplish in that arena.

Secretary VILSACK. Well, the opportunity for us to ensure that innovation continues in agriculture is somewhat related to the ability for us to make the case that biotechnology is safe, that it increases productivity. It reduces reliance on chemicals and pesticides and is better for the environment, in many cases, because of that.

The European Union has an interesting take on this. Just today I received word from the Ag commissioner, Commissioner Hogan, that the European Union is about ready to essentially authorize the development and the acceptance of biotechnology, streamlining their process, but they are going to give each individual member state the right to opt out of the utilization of biotech for either cultivation or feed.

I expressed concern about that. I expressed concern that it is going to make it a little bit more difficult to conclude these negotiations. So we are obviously in the beginning stages of that negotiation. We intend to be very strong on that issue. We intend to be very strong on the geographic indicator issue as well, which is equally important to American agriculture.

Mr. SMITH of Nebraska. Very, very interesting, and I am glad you brought that up. And certainly we know that biotechnology helps us feed the world. And I don't think we can state firmly enough how important that is and what that brings about geopolitically. And I hope that we can continue in a very positive direction and even perhaps make further developments utilizing the innovation and creating jobs here at home.

Thank you. I yield back.

Chairman RYAN. Thank you.

Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Chairman.

And thank each of you for your service.

Let's talk first about jobs, which the USDA Economic Research Service reported on last October, saying that, quote, "During the next decade, TPP would have no measurable impact on real GDP here on our economic growth."

The founder of the Peterson Institute upon whose studies the administration has so frequently relied about the effects of TPP said a couple of years earlier, quote, "Congress always wants to know how many jobs they are going to create. As good economists, we take the view that a trade agreement does not create or destroy jobs. It alters the composition of the workforce." And Peter Petri, the author of the Peterson Institute study on TPP, agreed.

I would ask you, Secretary Vilsack, do you agree with him that, while it may offer some of the other advantages you have discussed today, that TPP will not produce any significant net job growth in America?

Secretary VILSACK. Congressman, it is our view that, for every billion dollars of agricultural sales that are increased, that 6,500 jobs are supported. I am convinced——

Mr. DOGGETT. I would welcome getting the basis for that claim.

So you disagree with these economists and you think there will be net job growth?

Secretary VILSACK. Certainly, as a result of agriculture, I think we are going to see increased export opportunities. I think that is going to support——

Mr. DOGGETT. And you disagree with your Economic Research Service that said there will be no measurable impact on real GDP here in the United States?

Secretary VILSACK. You know, there are a few qualifications in connection with that study. That same group also indicated and supports the notion that every billion dollars of Ag sales supports 6,500 jobs.

Mr. DOGGETT. I would welcome getting that information.

Secretary Lew, even USTR has agreed that, with the authoritarian nature of the Vietnamese Government, we will never see enforcement of any of the labor standards unless we have what they call a consistency plan or an annex to provide for the implementation of those guarantees.

Can you give us an outline of what such a consistency plan or annex will look like and how many years or decades it will be delayed before Vietnamese workers will be able to organize in independent unions?

Secretary LEW. Well, Congressman Doggett, I can tell you that the fact that USTR is in a conversation, a negotiation, with Vietnam and a number of other countries——

Mr. DOGGETT. They have been doing that 4 or 5 years, haven't they?

Secretary LEW. On specifics, knowing that there has to be a plan for them to meet high labor standards if they are going to be part of TPP is something that wouldn't be happening if we weren't in a TPP negotiating context.

Mr. DOGGETT. I guess what concerns me is you have been doing that 4 or 5 years and we have no specifics, but we are being asked to approve a process that really largely removes us from a role in this without knowing what it is Vietnam will be required to do.

Secretary LEW. I actually don't think that that is what TPA does. TPA gives you an ongoing role as we go forward. There won't be a TPP if Congress doesn't approve it. And I am quite certain that one of the things you will be looking at is what they come back with in terms of a plan.

Mr. DOGGETT. Do you have any specifics on what Vietnam would be required to do?

Secretary LEW. I would have to defer to USTR on the specifics, obviously.

Mr. DOGGETT. Well, they have been declining to give us any information about that.

Mr. LEVIN. Mr. Doggett, would you yield for 10 seconds?

Mr. DOGGETT. Yes, sir.

Mr. LEVIN. I just say this respectfully. I don't see any place in TPA or any other place that says there has to be a plan. It is not



there. And I know it has been said by some that they will not participate in TPP if there is no such plan. I don't think that there is any such requirement.

Mr. DOGGETT. I don't believe there is either, and I think that is one of the several deficiencies in this. Of course, even when they had a plan and an annex on illegal logging and environmental protection with Peru, it hasn't gotten us any meaningful enforcement out of USTR. Indeed, as with the labor enforcement in the Americas, USTR's disinterest and lack of commitment has really been appalling.

I want to address the arguments that each of you and some of our colleagues have made about, "If we don't do it, China will." It seems to me, though I have some concern about having countries like Vietnam in this agreement, that, if that was really the gold of this, the administration's commitment wouldn't have been so spotty and selective.

Excluding the Philippines, which is literally on the frontline with China today, excluding Korea, which asked to be in, excluding a number of the countries that Secretary Pritzker referred to that the Chinese have free trade agreements with, whether it is Laos or Thailand or Burma, Cambodia, Indonesia—all of these countries are left out. So if that was the gold, it certainly seems to have been handled in a spotty and selective way.

Since my time is expiring, I would just say that today's events and this week's events give new meaning to the term "fast track." We have a bill introduced last Thursday. It is being marked up today in the Senate. It will be here tomorrow. The question is whether this fast track runs over a few people on the way, leads to another train wreck, or it does, in fact, provide significant greater service and growth for our economy.

Chairman RYAN. Thank you. The time for the gentleman has expired.

Mr. Paulsen is recognized.

Mr. PAULSEN. Thank you, Mr. Chairman.

And I just want to start by thanking you for all being here. I mean, we have three of the President's cabinet Secretaries here. I mean, this is important.

It is really important for us on a bipartisan basis, a bicameral basis, to make sure TPA gets across the finish line so we can get TTP and TTIP, Asia and these European deals done.

Because it is so important to get these done to help create a healthier economy. And whether it is selling American products or services or exports or direct foreign investment, it all leads into more jobs and higher wages. There is no doubt about it.

And, you know, here in America, we have a lot of intellectual property-intensive industries. I mean, it is part of our DNA. It is part of who we are. It is part of our headquartered operation. And so many jobs are a part of this. And I think it is key to our economy. Whether it is the life sciences area or med tech or biopharmaceuticals, strengthening protections for American innovation is absolutely critical.

So maybe, Ms. Pritzker, if I can ask you a quick question. Ensuring 12 years, for example, of biological data protection in the

Trans-Pacific Partnership, that will help foster more investment in and access to new lifesaving technologies and therapies.

Will TPA help strengthen the hand of our U.S. negotiators who are working to achieve 12 years of data protection in this agreement?

Secretary PRITZKER. I believe that TPA gives our negotiators greater leverage. You know, the challenge in addressing the issue with biologics is the fact that our TPP partners have a broad range of approaches to regulatory data protection for biologics. And so I think this does strengthen our hand because it demonstrates that this is a very high priority for our country.

And, you know, if you step back and think about the United States economy—and the United States is shining in terms of innovation, whether it is biologics, whether it is in the digital economy.

And these agreements—I mean, the TPA and, ultimately, the trade agreements that can be passed will allow us to protect our businesses, which today are vulnerable because we don't have these kinds of protections in place, protect them around the world. And that is extremely important.

And we have to remember our economy is very open. I mean, you can access with an average tariff of 1.4 percent the United States market. But our access to markets in Asia is very limited. And if you do have access, you are vulnerable in terms of intellectual property protection.

Mr. PAULSEN. You know, you mentioned digital trade and the digital economy. There has been a lot of talk about using the negotiations with the Europeans to encourage more transparency in that regulatory process, greater transatlantic cooperation in developing new standards, mutual recognition where appropriate, and an increased reliance on international standards where appropriate. And these steps would result in more predictability and lower compliance costs while not reducing our standards, which is really important.

So, as a practical matter, how will you tackle these issues and these negotiations or how do you plan to achieve the new negotiating objectives on this issue within TPA itself?

Secretary PRITZKER. Well, the digital economy, the fact that—look, we have to remember, if you are talking about the digital economy, as I said earlier, you know, in 2002, half the companies that were trying to create standards that would address their businesses didn't even exist.

So it is very important, again, that what we do is, you know, facilitate e-commerce that we support and recognize the significance of the digital economy and the Internet as a platform for international trade.

So all of these requirements in TPA create a floor, if you will, for the negotiation. As Secretary Lew said, by putting out the 150 objectives, that creates a floor that becomes very—that is transparent, frankly, to the other countries that are participating in the negotiation, whether it is in intellectual property protection, the digital economy, labor, environment, et cetera.

And so it is, I think, extremely important and valuable from a negotiator's standpoint that they know that the administration and Congress stand side by side on the floor that is created by TPA.

Mr. PAULSEN. Thank you, Madam Secretary.

I yield back, Mr. Chairman.

Chairman RYAN. Mr. Thompson is recognized.

Mr. THOMPSON. Thank you, Mr. Chairman.

Secretaries, thank you all for being here.

I believe that, if we increase our exports and we eliminate trade barriers, it can be a huge win for our country and certainly a huge win for my district and I think probably every other district in the country. But it has to be done in a way that creates a level playing field, and it has to be done based on a set of standard rules, basic rules, where everybody is playing by the same set of rules.

I also think that, if we do trade, it has got to create good jobs here in the United States. It has got to grow our U.S. economy. We have got to set standards for our trading partners to live up to. We need to improve market access. And we need to do all of this making sure that we have an eye clearly on our environment. And I am just not sure that this TPA gets us to where we need to be.

It is my understanding that all of the language pertaining to climate change has been taken out of the bill. Is that correct, Secretary Lew?

Secretary LEW. I would actually ask the chairman if he might respond. It is not an area of the TPA that I am familiar with. But the——

Mr. THOMPSON. Do any of you know that?

Secretary PRITZKER. TPA includes—in terms of the environment, it codifies and requires that all seven of the multilateral environmental agreements are included. And then, also, for the first time, it——

Mr. THOMPSON. But climate change is not one of them. Correct?

Secretary PRITZER [continuing]. Settlement. I would ask the chairman.

Mr. THOMPSON. I think it is amazing, given the incredible importance to this issue—and it is not something that I just believe to be true. Every agency in our Government, the intelligence community, every branch of the military, is cognizant of this and working on it. And, yet, it has been not left out. It was—as I understand, it was taken out.

Secretary LEW. Congressman, my understanding is that there are a number of provisions that deal with the environmental standards in a way that address the substance of climate change. I just don't know if the words "climate change" are used. That is why—but the standard——

Mr. THOMPSON. I think the absence of it leaves me——

Secretary LEW. The standards of environmental rules are there.

Mr. THOMPSON [continuing]. Leaves me concerned.

Secretary Lew, you had mentioned in your oral testimony today that—you said nothing can change a U.S. law without congressional approval. One of the things that I am hearing a lot of concern about, especially from my home State, is that it could, in fact, change California law—California regulation.

We are pretty progressive in regard to our environmental work, our health and safety standards, and a lot of folks are worried that

this trade agreement can, in fact, remove a lot of the things that we have done in regard to clean air, clean water, et cetera.

Do you have any understanding of that?

Secretary LEW. Well, certainly the issues of Federal law, I know, are addressed. And, obviously, there are many areas where Federal law preempts state law. So that covers an awful lot of territory.

I would be happy to get back to you on the specific issues and check with the experts on the California law issues.

Mr. THOMPSON. I would appreciate hearing back on that.

Secretary Pritzker, you said that it is good for American workers.

Is it just coincidental that every American worker in my district that has talked to me about this is solidly against it?

Secretary PRITZKER. I think that I fundamentally believe that the economic growth in Asia is something that, if our companies are not taking part in, our workers are going to suffer.

And, for example, I met with a company called Electric Mirror. Electric Mirror makes electrified mirrors. They follow their customer around the world, which happens to be the hospitality industry.

They want to sell their goods and service, their products, into Vietnam and into Malaysia, but they face a 30-percent tariff. Their customers have said, "Please move your manufacturing to China because there is no tariff between China and Vietnam and Malaysia." They said to me—the CEO said to me, "I don't want to move my manufacturing. I like manufacturing here."

I believe it is good for American workers. And I think that we have to recognize that, as Secretary Vilsack said, the world is not standing still, businesses are not standing still, they will follow their customers, and that by doing nothing doesn't mean that our workers are protected.

Chairman RYAN. Gentleman's time has expired.

Mrs. Black.

Mrs. BLACK. Thank you, Mr. Chairman.

And once again I want to thank all of you for being here today. It has been a good conversation.

I want to go to the data issue. One of the most important 21st-century issues is protecting the cross-border data flows, which are vital not just in the service industries, but also globalized countries in any sector.

So the 2015 TPA includes new provisions that encourage a free flow of data around the world and directing the administration to achieve meaningful outcomes in trade negotiations.

Firms with global sales forces must be able to transfer this data back to their headquarters, and many of the companies across sectors that centralize the processing of their data must be able to do so seamlessly.

In both the EU and the United States, there is data for privacy there that is pretty robust and is protected, but we have different systems for providing that protection.

So respecting these differences of those data privacy approaches, how can we ensure that robust data protection is there for cross-border data flows?

Secretary Pritzker, would you like to address that.

Secretary PRITZKER. Well, I mean, TPA is very clear about this. It recognizes the significance of the Internet, as you have said, as a trading platform, and it sets forth modernized objectives to facilitate e-commerce and to promote an open Internet.

And, importantly, the bill directs negotiators very clearly to ensure that governments refrain from impeding digital trade in goods and services to restrict—you know, refrain from restricting cross-border data flows and refrain from requiring local storage or processing of data.

Those are objectives that are laid out in the 2015 TPA bill. These were not part of previous trade promotion legislation.

Mrs. BLACK. I appreciate that.

And I want to hear that we can be confident that that data is going to be protected. Obviously, we are dealing with all kinds of breaches of data in our country right now from foreign nations as well as domestically, and that is a really big concern. I want to be sure that we are protecting that.

Secretary PRITZKER. Your fear about cybersecurity and someone stealing data?

Mrs. BLACK. Yes.

Secretary PRITZKER. So, you know, I mean, the responsibility for that lies with a business and—but if—you know, that is an asset of a business. And if data is stolen, that is—you know, there are consequences for that.

What we have done—I mean, what TPA does is improve the likelihood that e-commerce can actually exist in these countries today.

Mrs. BLACK. Do any of the other Secretaries want to address the data flow? Is that something—Secretary Vilsack or Secretary Lew?

Thank you, Mr. Chairman. I yield back the balance of my time.

Chairman RYAN. Mr. Larson.

Mr. LARSON. Thank you, Mr. Chairman.

And I want to thank our Secretaries, as well, for their service to the country and, also, the extended welcome that they received from our colleagues on the other side of the aisle today and embracing what I think people generally understand, the need for trade. I think the President has articulated the country's position extraordinary well. And it is clear that the United States has got to be a player on this stage.

I want to associate myself with the remarks of our ranking member, Sandy Levin, and also with a great sage, Charlie Rangel. And in a comment—and then I will yield my time to my good friend from Massachusetts, who, along with me, will be introducing an amendment tomorrow.

Mr. Levin is right about the principles. There is no doubt that this administration will work harder and has the confidence both of our Republican colleagues and certainly of the people on this side of the aisle to do the best possible job for the American people.

But our Chairman Ryan, at the beginning of this, raised a statement about China, and I think he is right: that if we are not on the field, then China will be; and that the entire world is looking at us. He is right about that, too. The entire world, not just the Business Roundtable, not just the Chamber of Commerce, not just Wall Street, not just the captains of industry, but the citizens of

this country and the citizens of all the nations we seek to do trade with.

And so there is a great deal of confidence that our President and this administration will do the best possible job. But Mr. Rangel is absolutely right in saying that this alongside of an infrastructure agreement that has not yet come forward in this Congress and, therefore, does not give the American people the confidence in trade deals that happen that are sophisticated and way beyond their understanding, that it complicates this issue in a way that I think we need to address as a Congress and as a committee. And it is—we were creating jobs, building roads and bridges.

China has 1.4 billion in population. In less than a decade, they raised over 320 million, approximately the population of the entire United States, not because of trade but because of infrastructure and the creation of jobs, even jobs where people aren't credentialed. And so that has to remain our focus, as well as this issue of currency.

And I yield to my good friend from Massachusetts.

Mr. NEAL. Thanks, Mr. Larson.

Nick Brady, O'Neill, Bentsen, Rubin, and Snow—they have all talked about currency manipulation. And we all know in the backdrop that there are geopolitical considerations as it relates to currency manipulation. There is a rhythm to the enthusiasm that we have had from time to time about confronting the Chinese and the Japanese and others over currency manipulation.

In the conversations that we have had—I just want to play off of what John said a moment ago. I suggested to the President a month ago at the White House, when we were talking about this, that we really should have linked this to a big infrastructure bill so that there would have been something there for all, in terms of a pro-growth economic plan.

But, Jack—I am going to call him “Jack” because he is a friend—Jack, these conversations we have had, they relate to challenges and retaliation that might come over the issue of QE2 and quantitative easing. And you have suggested it would open up the opportunity for competitors to challenge us on the basis of currency manipulation, just as we would be doing the same.

Would you, perhaps, for our enlightenment, talk a little bit about that?

Secretary LEW. Congressman, I think that the question of us being able to unilaterally write an international standard is not one that—that is not how international agreements are made. We wouldn't write a standard where QE2 could be judged to be currency manipulation. But if you get into a negotiation internationally, which I think would be hard to even get into about a binding, enforceable constraint, there are other countries in the world who would insist on having it apply to all countries.

We don't intervene; we don't buy and sell foreign currency because we are the world's global reserve currency. Other countries have to buy and sell dollars all the time just to manage their economies. They are worried that the normal management of their economies, macroeconomic policy that is perfectly legitimate, could be represented as being something that it is not.

So I have no sympathy for countries that are doing the wrong thing, and we should go at them very hard. But I do understand why countries are worried that a process that goes to a trade remedy could mix the two up. And I don't think we can rest assured that an international standard would not be expanded to include the kind of monetary policy that the United States has. We would find that unacceptable; we would not agree to that. But I am just trying to give you insight into why I understand their position on this.

But, you know, we are not saying, don't give us tools. There are amendments being offered in the Senate that we are sympathetic to, we are supportive of, that would give us tough tools. We would work with Congress to get tough tools. I am just trying to be clear about which ones we think help and which ones hurt.

Chairman RYAN. Thank you.

Time for the gentleman has expired.

Mr. Young.

Mr. YOUNG. Thank you, Mr. Chairman.

And I thank all our witnesses here today for your service and for your stamina throughout this hearing.

The 2015 TPA renewal dramatically updates and expands the number of negotiating objectives, to include nearly 150 specific new objectives from the 2002 TPA version. TPA requires that the administration seek to achieve these objectives in our trade negotiations, ensuring advancement of important economic sectors—important sectors, for example, like agricultural, which is essential to the State of Indiana, or manufacturing, also very important to my home State of Indiana.

In the Hoosier State, these two sectors are, of course, vital to workers, to ensuring that wages rise, to their families and so forth, and they account for nearly \$40 billion in foreign sales annually. But thanks to the work of our chairman and this committee, this 2015 TPA importantly addresses new 21st-century trade-related negotiating objectives, like cross-border data flows, state-owned enterprises, regulatory practices, global value chains, and all these things that were perhaps a lesser priority just a decade-plus ago.

It also includes, for the first time, a principal negotiating objective, which has been talked about at some length here today, on currency.

Secretary Pritzker, what is the administration's reaction to this expansion of negotiating objectives during these negotiations?

Secretary PRITZKER. I think the expansion is good. As we have said here, it lays out what is important to the United States. It lays out what our values are, it lays out what we think is fair, it lays out what our priorities are.

And I think that we have to recognize, as you talk about the digital economy or the new economy, our economy is changing. The United States, one-third of our growth has come from innovation. And we need protections for those cutting-edge, growing markets that are creating jobs in the United States. We need intellectual property protection. We need free flow of data. We need these things because we dominate in many of these industries. And we are a creative society that has been successful at that.

And so it is extremely important that we recognize that there are new needs and new areas that require attention in trade agreements. So we welcome the idea of the administration and Congress standing side-by-side and declaring, "Here is what is important to us." It will help our negotiators.

Mr. YOUNG. Secretary Vilsack, as Secretary of Agricultural, maybe you could offer that perspective, about the expansion of negotiating objectives, and your thoughts related to that.

Secretary VILSACK. Well, Congressman, I am very pleased with the fact that the objectives include a direction to the negotiators to make sure that SPS rules are enforceable. We run into this a lot, with countries basically creating barriers that are artificial and not science-based. And the fact that there is a strong indication of the need to have enforceable SPS, I think, will help us reduce those barriers, reduce the friction in trade, and increase agricultural trade.

I am also pleased with the fact that there is included a directive as it relates to geographic indicators. You come from a State that does quite a bit of dairy. This is something of very significant interest to the dairy industry. And I think it will help us in terms of negotiating with our friends in the EU about why their approach to GIs is not the approach that is supported in this country.

Mr. YOUNG. Secretary Lew, anything to add? I will allow you to close, sir.

Secretary LEW. Well, I would just say that, you know, I have conversations on currency issues with countries all the time. The fact that Congress puts a priority in TPA that says it is a principal objective makes it clear that I am not just speaking for myself or for the President but speaking for our whole country, and that does strengthen our ability to press hard.

And, you know, I would point out, on currency, that we do a report twice a year, and if a country is named to be a currency manipulator, what you do is you go into a detailed consultation to drive the policy to change. That is the kind of thing we can talk about in terms of what we would do with countries in a trade agreement. I think it opens the door to have those kinds of conversations.

So the fact that we have real reservations and think that some of the language is damaging, the fact that Congress has spoken to this issue strengthens our hand to get more done.

Mr. YOUNG. I would agree.

And I yield back. Thank you so much.

Chairman RYAN. Thank you.

Mr. Blumenauer, are you here?

Mr. BLUMENAUER. I think so.

Chairman RYAN. The gentleman is recognized.

Mr. BLUMENAUER. Thank you, Mr. Chairman. I appreciate your courtesy.

I think sometimes we lose track of the fact that we are part of a two-step process here, that trade promotion authority is to establish these guidelines, these objectives that we help tell the administration what we want the administration to do.

I am pleased that we are here, finally, with a bill. I am sorry that it took this long. I think, had it been done earlier, some of the



questions and concerns could have been hopefully resolved or at least clarified.

I do agree wholeheartedly with my friend Mr. McDermott, who had a litany of horrors about NAFTA. I came shortly after NAFTA was approved. I heard why it was bad from critics, and I concluded they are correct. It wasn't a good agreement. It wasn't comprehensive, and many of the things that people care about where I come from in terms of labor and environment weren't embodied in the text; it was kind of a sidebar.

We have come a long way. And I want to express my appreciation for my colleague and my constituent, Ron Wyden, who has worked really hard to try and drive into this proposal many of what I think are values not just of Democrats but what we hear of people around the country who are concerned and skeptical and want to make sure it works for America.

And I think the transparency, I think having these objectives spelled out—they may not be everything that everybody wants, and, while I am comfortable with the overall outline and, knowing what I know now, will probably vote for it, but I want us to continue to see if there are things we can do to strengthen it and build consensus and move it forward. I am looking forward to the give-and-take going forward.

I have offered up a half-dozen proposals that I think build that consensus—things like establishing an enforcement trust fund that comes from some of the money that the cheaters pay us and dedicate it to have the resources to make sure the agreements are enforced. That is one of the biggest complaints I hear, and it is a reasonable complaint. It shouldn't have taken 6 years for Guatemala to get to this point and have to be briefed by the AFL-CIO. But the USTR, Commerce don't have the resources to be able to do all that they could.

And I hope that this committee, either in TPA or a package of things that comes forward, includes something of this nature. The Green 301—there are elements that are out there that have bipartisan support that could be folded into a package. Many of us have cosponsored some of these things, and I hope they will be considered.

And I hope the administration will consider things that I have shared with Ambassador Froman, who has indicated amazing patience. I appreciate it. But I think there is more that we can do. And I would appreciate folks working to meet us halfway or maybe go a little further.

But, at the end of the day, we will have a trade promotion authority or not. I think the odds are we probably will. And, regardless of what people have said here—and there are areas that they disagree and think that it might be—but I think there is no question that we are better off with that than without one.

And it certainly doesn't resemble what we had in 2002. I voted against the one in 2002. And if we had not enacted these improvements, I would not be supportive. But this is part of a change that is taking place.

I hope that people dive in and look at some of the parade of horrors that have been given to us and actually look at the cases and look at what has happened. As I do that, I find that there is

a broader picture, and I think people won't be quite so alarmed. We have never lost, for example, an investor-state dispute. And some of the things that are tossed up as horrible examples actually give people pause.

But the question at the end of this process for me is going to be whether we have done all we can to strengthen this process to get the best deal possible. And then, are we going to be better off with no deal at all? Are things going to be better in Vietnam in the absence of any agreement? And those are the sorts of things that I think we need to take a step back, listen to the critics. I think many people have.

I appreciate the administration's work. I hope you will help us move a little further, both in terms of the refinement, the enforcement, and how we can work together to make sure that currency, that we deal with enforcement, that these things are items that we come together to do a better job. Because the critics in my community have an important point, and I want to work with them and with you to make sure they are satisfied.

Thank you for your courtesy, Mr. Chairman.

Chairman RYAN. Thank you.

Mr. Kelly.

Mr. KELLY. Thank you, Chairman.

And thank you all for being here.

I know that sometimes when we have these get-togethers, it is kind of contentious, but I just think this is really what the country looks for, is that we have people on both sides of the aisle coming together to recognize opportunity.

And I am going to ask each of you to answer this and very quickly. So if we don't do TPA, if we aren't able to put together TPP, if we are not able to put together TTIP, and if we truly think the road back to prosperity is through growing it, our global share, our share of the global economy—and I am from the automobile business. I watched General Motors lose market. And they lost it, and they will never, ever get it back.

And my question, then—Ms. Pritzker, you came from the private sector. Once you lose that market, the chances of getting it back are very slim. And I don't think the rest of the world is going to sit back idly and say, "You know what? I think we will keep waiting for the United States to jump on board."

So I would just, if each of you just could very briefly—there is really no alternative to this. And I want to make sure that our people back home understand—and there is a lot of debunking to be done with this, as you know, for various reasons. But we have to let people know there is a tremendous amount of transparency, there is a tremendous amount of accountability. And, at the end of the day, Congress has the oversight on it and can reject it if it doesn't come within the structure of the way we have said it should go forward.

So if each of you could weigh—Ms. Pritzker, you come from the private sector. I have to tell you, there is nothing more important—if we want to get the labor force participation rate back to where it needs to be, and then we have to grow jobs. And the only way we grow jobs is by growing market share. There is just no other way to do it.

Secretary PRITZKER. I will make two very quick points.

First is market access in the United States is very easy. The status quo for our companies is not working. Market access outside the United States is very difficult, and the trade agreements can change that. And that will be good for American business, but it will also be good for the American worker.

Secretary LEW. Congressman, I would just give you two statistics to answer the question. More than 95 percent of the world's consumers live outside of the United States. And, by 2030, there will be 3.2 billion middle-class consumers in Asia. That is a market we need to be part of.

Secretary VILSACK. Congressman, there are 250 bilateral, multilateral trade agreements, and the U.S. is party to 14 of them. And I just want to indicate that, if we don't participate in this effort, I guarantee you that our competitors will.

Mr. KELLY. Okay. And I appreciate that.

I know the chairman has worked very hard with the Senate to come up with something that makes sense. I would just say that, for all of us sitting here today, if we are really going to succeed, if we are going to get people back to work, if we are going to have true growth policies, there is no way we can do it without going after these markets. Our market share has got to get back to where we actually dominate the global market, not just participate.

I think in your testimony, Ms. Pritzker, you say you just don't want to survive, you want to thrive. And that is the type of attitude America has always had.

So for all of you to be here today—and you have endured a long time sitting here to answer our questions, but I really think that the biggest problem we are facing is educating now people back home, both back home and right here in this body, about the dangers of us not being able to pass TPA and not being able to participate and be at the table. I have always thought if you are not at the table you are on the menu. And I think the one thing we don't want to do is put ourselves in a bad position.

So, Chairman, I thank you so much for your work on this.

I thank you all for what you are doing.

I think it is kind of odd that we are sitting here today, and so—the President comes under a lot of fire from our party. His Cabinet is here. And we are agreeing with you that we have to find a way to grow jobs, to grow our economy, to get our people back to work. And I think that is what the American people expect. That is the very least we can do. So thank you so much for your participation today.

Mr. Chairman, I yield back.

Chairman RYAN. Thank you.

Mr. Kind.

Mr. KIND. Thank you, Mr. Chairman.

I want to thank our witnesses for your patience and courtesy, being with us today.

But, Mr. Chairman, thank you for scheduling this. These are important initiatives. And, like Mr. Blumenauer, I wish we had been addressing this a lot earlier on, but, now that we are here, hopefully we can continue to build bipartisan consensus and support for a robust trade agenda.

Mr. Chairman, just a quick note of caution: We are going to have to find a better offset to pay for TAA. And I think you have probably heard some feedback on it already. Senator Warner was offering an amendment today. We are working on some more acceptable offset for TAA, rather than taking cuts out of Medicare in order to pay for it. So we will look forward to working with you to find if we can get a reasonable solution to that.

And, Mr. Chairman, you probably have these stats in front of you, too, but I have been doing my fact-checking as far as my home State of Wisconsin. Eighty-seven hundred companies in Wisconsin are exporting to other countries today, supporting 785,000 jobs, almost 1 out of every 5 in the State. Eighty-seven percent of those companies are small to medium-size businesses. During the past 6 years, exports have increased over 84 percent in Wisconsin. We are number two in the Nation with dairy exports, are in the top five in 10 industrial sectors.

So trade is important for good-paying jobs back home. And we are doing it. We are already trading with many, many countries. So it is not a question of if we are going to trade; it is what the rules of trade are going to look like going forward. And that is what this discussion is all about. And that is why the TPP negotiations are so important, one of the fastest growing regions of the country.

And, Secretary Pritzker, I think you cited the fact that we are looking at almost a 2-billion-person increase in the market in the Asian-Pacific Rim right now. We have to be in that tent. We have to be in there competing and doing the best job to be at the table, to elevate these standards and rules in order to level the playing field for our businesses, our farmers, for our workers so they can effectively compete in the 21st-century global economy.

But we also know, Secretary Vilsack, we are not there yet in these TPP negotiations. You and I have had discussions about the importance of greater market access in Japan, Canada, autos, but especially agricultural and especially dairy. And so we look forward to working with you and the administration in order to get to "yes" on those very important issues.

And I also want to commend Ambassador Froman and his USTR team. They have been Johnny-on-the-spot, their level of engagement, as the entire administration and each of you Secretaries have been in engaging us Members of Congress so we do have input, so we can walk through texts, so we can ask questions and provide our feedback in the course of these negotiations. And that is how it is meant to work. And I encourage more of my colleagues to be that active and engaged so that there are no surprises at the end of this journey, so that there is strong support in Congress to finally get these agreements passed to get us back in the game.

Let me ask each of you for a quick yes-or-no answer to this question. Do you think it is important for this President to get trade promotion authority in order for us to get back from our negotiating partners their last best offer?

Secretary Lew.

Secretary LEW. Yes.

Secretary PRITZKER. Yes.

Secretary VILSACK. Absolutely.

Mr. KIND. Well, we have also had a discussion today and Mr. Neal raised the importance about currency manipulation. And we knew for a very long time that there has been bipartisan concern. I share many of the same concerns my colleagues have been raising in regards to how we best address other nations that are manipulating their currency for export purposes.

Today, Senator Bennet had offered an amendment and a discussion on that. Secretary Lew, I am wondering if you had an opportunity to take a look at that and the pros and cons that he was discussing.

Secretary LEW. Congressman, I have. I think that it has a lot of features to it that are—I think can add a lot of attention. And it seems to be something that we would be supportive of.

It has very objective standards. It is a question of whether there is a significant bilateral trade surplus with the United States, material current account surplus, and a persistent one-sided intervention, things that are measurable.

It has remedies that are very concrete. It doesn't get into the very difficult and, I think, almost impossible task of coming up with a precise point estimate of valuing the kind of interventions that we want to offset.

And they are the kinds of remedies that I think countries will care about: being blocked from access to U.S. Government contracting, being barred from financing through OPIC or Ex-Im. And I believe there are some other ideas, as well.

So it is something I think is very much—

Mr. KIND. Well, we look forward to working with you, engaging, as you have been willing to do with us.

And, Mr. Chairman, as we work on the currency issue in particular, it is important.

Secretary Pritzker, I really appreciated the story you just told us because I just had a similar story told in my office from an auto part manufacturer from my home State who was in my office recently talking about the importance of these trade agreements. And, unfortunately, he said he had to move one of his lines recently to Mexico. And I asked him, "Was it because of labor? Was it because of the environment?" And he said, no, it is because of the fact that Mexico has 46 bilateral trade agreements that have low tariff barriers to the goods and products being made there. So he had to move his line there in order to get access to these other countries because we don't have trade agreements with those other nations.

So that is another aspect of trade that gets lost in this discussion, that, because of the lack of these agreements, we are forcing countries to have to play in someone else's backyard and creating jobs there, as opposed to Wisconsin or throughout our Nation. So that is another important point that I appreciate you raising today.

Thank you, Mr. Chairman.

Chairman RYAN. Thank you.

Mrs. Noem.

Mrs. NOEM. Thank you, Mr. Chairman.

It is interesting; for my producers in South Dakota that are involved in agriculture, we sell 11½ times more goods to countries where we have trade agreements than to those countries that we don't have trade agreements. So it certainly has been good for our

economy whenever we can finalize these kinds of negotiations because agriculture is our number-one industry in our State.

Secretary Vilsack, I wanted to talk to you a little bit about something I hear a lot. And American farmers and ranchers are extremely frustrated with China's unjustified barriers that they put up for our Ag products. Many times, they ignore international standards. They also have no basis in science.

And I am curious what kind of USTR activities have been taking place that would help finalize and rectify some of what China's actions have been. For example, the World Organization for Animal Health recognized last year that all cuts of beef, no matter what their age were, were healthy for individuals, yet China still continues to ban our beef products. Those kinds of things happen. Also, they have banned the veterinary drug ractopamine, which ignores international standards, as well.

So I think you are very familiar with the subject, and I was wondering if you could speak to what USTR is doing to ensure that these regulations and that their products comply with their WTO obligations and then, also, that they are based on science and they are based on international standards that we currently have.

Secretary VILSACK. I would say a couple things, Congresswoman.

I would say, number one, USTR is working its way through a series of cases in the WTO involving China, most recently a case which was brought on subsidies and the subsidization of various aspects of the Chinese economy, including aspects of agriculture. So they are working their way through the process, bringing cases, and have been quite successful in the cases they have brought.

Secondly, they have worked with us, as did Secretary Pritzker, during the recent JCCT to structure a strategic dialogue with the Chinese that will allow us to get down to the very specific technical issues that you just raised, to try to impress upon the Chinese that they are disrupting not just the relationship between our producers and their consumers but disrupting the relationship between producers around the world and consumers around the world. And I think, if we can have that strategic dialogue, that more in-depth dialogue, maybe we can break down some of these barriers.

The last thing I would say: This TPP agreement and the TPA agreement, structuring science-based sanitary and phytosanitary rules, creating a sanction and a method for enforcement, will allow us to put greater pressure—

Mrs. NOEM. On China.

Secretary VILSACK [continuing]. On the Chinese over time.

Mrs. NOEM. I agree with that, as well. So I appreciate that that is a part of these negotiations that are ongoing within TPP because I think it will direct our activities even in the region and with other countries and especially with China as we go forward.

So, with that, I will yield back my time. Thank you, Mr. Chairman.

Chairman RYAN. Thank you.

Mr. Pascrell.

Mr. PASCRELL. Thanks, Mr. Chairman.

Good to see you today.

This is not a question of trade agreements versus no trade agreements. As much as the proponents of this piece of legislation would like that to be the question, it is not.

Madam Secretary, Secretary Pritzker, you said we need market access for American companies. I start at a different point. I want market access to American working families. That is what I want. And when you start at your position and you start at my position, you have a different perspective of looking at these things.

So, before I make some comments, if I have time, I would like to ask you some questions, if I may, through the chair.

There are no standards in TPA to ensure food imports from countries are safe. There aren't any.

I would like to add—I am going to talk about an amendment tomorrow which will provide a guideline that all food imports meet U.S. safety standards to be eligible for fast track. Do you agree with that?

Secretary PRITZKER. Well, Congressman, I am not an expert on food safety, and so, for that, I will yield to Secretary Vilsack. But I would just like to make one comment—

Mr. PASCRELL. You don't have a comment on food safety? You don't have to be an expert to have a comment on food safety.

Secretary PRITZKER. Well, let me begin with a fundamental comment.

American families are what I get up in the morning and go to work for, and helping businesses grow so that they can create jobs. Because the private sector, ultimately, is what creates jobs—

Mr. PASCRELL. Madam Secretary, we don't have all day, but—

Secretary PRITZKER. I understand, but I just—

Mr. PASCRELL [continuing]. Would you please talk to the question? Thank you.

Secretary PRITZKER. You know, food safety—we have equivalency requirements as it relates to food safety. But I defer to Secretary Vilsack in terms of the specifics.

Mr. PASCRELL. Mr. Secretary.

Secretary VILSACK. Congressman, nothing gets imported into this country unless we have certified that the process that was used to produce that product is equal to or better than the process we use in the U.S.

Mr. PASCRELL. Well, I have been at the border at McAllen, and I see the produce coming over the border, and I would like to differ.

I have a second question for you, Madam Secretary. The United States does not have a VAT, a value-added tax. Foreign manufacturers selling in the United States do not pay United States income or payroll taxes, as you well know. They also do not pay their own consumption or VAT taxes because the VAT is rebated by their government on exports—very, very tilting the whole table, if you will.

So we need to change the WTO rules that allow this unfair tax burden on American producers and service providers. In the past, I have introduced legislation, bipartisan, that would help end this disadvantage to American companies. We are being penalized.

My understanding is that this negotiating objective on border taxes has been included in every TPA bill since the first one intro-

duced over 40 years ago, but has any United States trade agreement ever achieved this objective?

Secretary PRITZKER. You know, we are working with the WTO to address the distortions that are caused by the VAT. And that is the state of play that I am aware of at this time.

Mr. PASCRELL. Do you know how many questions were asked today, and we are working on it, and we are working on it, and some we are working on for 5 months, and some we are working on for 5 years, and some we are working on for 10 years.

Here is the problem. The fast-track bill being introduced would revive the same old failed process that led to disastrous trade agreements in the 1990s and the early 2000s. I voted against fast track then. I must vote against it again now because it unnecessarily cedes congressional constitutional authority to negotiate trade agreements.

Most of the past trade deals haven't been good for American workers. I will take one city I have grown up in and I have lived there all my life: Paterson, New Jersey. It is a prime example of how trade has devastated the American textile industry.

Paterson was the country's first planned industrial city, created at the urging of Alexander Hamilton in 1792. Hamilton, our first Secretary of Treasury—we have had a slew of good ones—believed that the United States needed to develop its own industries and reduce its dependence on foreign goods. We were at one time called the Silk City, you know, the Silk Road. But, following NAFTA and the other free trade agreements, factories began relocating overseas.

When you start to talk about—and I will conclude here, Mr. Chairman.

When you start to talk about jobs—or when we start to talk about jobs, you go silent. We hear about what you might do, what perhaps could happen. But you can't answer the question about how this particular agreement that you want us to vote for will produce at least, within range—no one can predict exactly—what they could produce for the American jobs or how it will help stagnant wages.

Chairman RYAN. The gentleman—

Mr. PASCRELL. Yes.

Chairman RYAN. I let the gentleman go over a minute.

Mr. PASCRELL. Thank you.

Chairman RYAN. I thought you were winding, but you are winding back up, so—

Mr. PASCRELL. I appreciate it.

Chairman RYAN [continuing]. Time of the gentleman has expired.

Mr. PASCRELL. I was winding down, Mr. Chairman, but thank you.

Chairman RYAN. Okay.

Mr. Reed.

Mr. REED. Thank you very much, Mr. Chairman.

Thank you to our panel for staying as long as you have.

And, Madam Secretary, it is a pleasure to see you again, as we have worked previously on some manufacturing initiatives. And I have appreciated our relationship, and I thank you for that rela-



tionship and that spirit of working together in regards to U.S. manufacturing in particular.

As I listen to colleagues, as I listen to some of the testimony, one of the things as we are discussing trade promotion authority today that I just want to clearly put out on the record to the American people back home who are tuning into this—and most American people, as I will tell you going around the town halls and things in the district, listening to people, you know, you hear the acronyms—TPA, TPP, TTIP, fast track—they don't know what that is. I will be perfectly honest with you.

So the question I put to you is, as we talk about trade promotion authority—and I get a sense from the folks that are opposed to this, my good friends on the other side of the aisle, that they envision some type of negotiation where 535 Members of Congress are sitting in the room with representatives of countries and trying to negotiate the best deal for American workers and for American people.

I also get a sense that they want to have Congress weigh in on an open amendment process that every single provision of any agreement is subject to amendment. Now, I am just a country lawyer from western New York, a small business guy before I came here. And I can tell you, in negotiations that I had, if I was on the other side of that table, with 535 individual Members who have authority or power to negotiate or amend certain individual words and lines of an agreement such as a trade agreement that is going to open markets for our American workers, in my opinion, do you think we would get the best trade agreement for the American worker possible in that environment?

Does anyone want to take—Madam Secretary, would you take a swing at that?

Secretary PRITZKER. No. I think it is very—look, it is very difficult to negotiate a deal between two parties. The idea that we are negotiating with 12 countries is really extraordinary, in my opinion.

And I think the fact that Congress, you know, with the trade promotion legislation, the 2015 trade promotion legislation, that lays down really high standards for what we are trying to achieve, that has extraordinary transparency and efforts to include Members of Congress to make sure that they understand what is being negotiated in these deals, that there is time for not just Congress but also the public to study the deal, and then Congress ultimately has the opportunity to decide whether they want that deal or not.

And I think, you know, what is really important is that we empower our negotiators with trade promotion legislation that lays out what our values are, what is important to us, make that very clear. There are 150 objectives, as we have talked about today. That is of value to our trade negotiators because then the folks on the other side of the table recognize we are serious; we are going to get a deal done. They, therefore, can take the risk of putting the most aggressive options on the table.

So I think this is absolutely essential for us to get the best deal possible.

Mr. REED. And I so appreciate that, as representing a district, a rural district, of western New York and the agriculture commu-

nity, in particular—things like dairy, things like apple. We are going through this yogurt renaissance in western New York that is going through the roof.

And I would say that is the type of market access, that is the type of negotiation I would hope that you are pursuing, and I assume you are pursuing it. And this would be a tool, if you agree with this statement, to get you that most aggressive best position from these entities available on the table and brought back to us here in Congress.

And one other point I want to stress to the American people back home who are concerned about this: This transparency reform in this new—this is a new piece of legislation. This isn't your grandpa's TPA, as a Member once described to me. How many days would people be able to look at the agreement? And we live in an environment of 24/7 news cycles, instant access.

I mean, how many days are we talking that the American people are going to see that agreement, they are going to see the details of the agreement before it even comes to—any idea? I might have an answer for you, but I want to see if my understanding is correct.

Secretary PRITZKER. I think it is 60 days.

Mr. REED. Yeah, 60 days, possibly 90 days by the time you go through the—

Secretary PRITZKER. I think it is 60 working days and 3 months, roughly, if you count the weekends.

Mr. REED. So, in a 24/7 news cycle, I am fairly confident that the American people are astute enough, that my colleagues that may be opposed to this are astute enough, that if there are concerns in the agreement that need to be raised, they will be raised. Our phone will be going off the hook, our social media sites will be going around the clock, 24/7, and this room will be packed with people if you do not fulfill the obligation that we know that we need to do here. That is to open markets for American workers and creates the jobs of today and tomorrow in each and every one of our districts.

And, with that, I yield back.

Chairman RYAN. Thank you.

Mr. Holding.

Mr. HOLDING. Thank you, Mr. Chairman.

There has been a great deal of discussion today about the automotive industry. And I can tell you that North Carolina wants to get in on the action of building cars, particularly in eastern North Carolina, where I am from. We have a great workforce, and they would do a good job at building cars.

And our Governor and our North Carolina secretary of commerce have been talking to some interesting prospects and traveling around, and they run into one constant hurdle which they have no ability to do anything about.

So, Secretary Pritzker, what do you think that hurdle is that they run into?

Secretary PRITZKER. Tariffs and market access, probably.

Mr. HOLDING. Tariffs. If you want a European car manufacturer to come to eastern North Carolina and build cars to export back to Europe, it costs tariffs. It is my understanding it might cost upwards of \$4,000 per car. So these manufacturers lose interest in

coming to eastern North Carolina. And as my colleague Mr. Kind from Wisconsin said, you know, perhaps they would choose a country like Mexico, which has agreements that can avoid those tariffs.

So, Secretary Pritzker, are you hearing similar stories from around the country, from my colleagues who are running into—and your colleagues who are local state secretaries of commerce who are running into these complaints?

Secretary PRITZKER. Congressman, yes. We have heard about, you know, tariffs are an impediment in not just the auto industry but in numerous industries for selling our goods and our manufactured goods around the world.

But we have an opportunity, with these trade agreements, to make the United States the number-one manufacturing platform in the world. And I really believe that, you know, by completing these agreements, we will not only grow our businesses, we will grow jobs in the United States, and wages will grow, as well.

Mr. HOLDING. So, in your estimation, if we want to build cars in eastern North Carolina, we need to pass TPP and TTIP, correct?

Secretary PRITZKER. Yes.

Mr. HOLDING. And are we going to be able to pass those trade agreements through this Congress without TPA?

Secretary PRITZKER. No.

Mr. HOLDING. Thank you.

Mr. Chairman, I yield back.

Chairman RYAN. Well, it has been a long afternoon. I want to thank the three of you, on short notice, setting your very, very, very busy schedules aside for the afternoon, indulging us.

You can see that there is some bipartisan support here for TPA and for putting these trade agreements together. This is one of those rare instances, I think, where a Democratic administration, a Republican majority, we can see eye-to-eye on a few things; get some things done on behalf of the people we represent.

We all want higher wages, more jobs, faster economic growth. We don't always see eye-to-eye on how to do that, but, in this particular case, many of us do. I think that is a good thing.

So I want to thank you for coming today.

And this hearing is adjourned.

Mr. LEVIN. May I just say a word?

Chairman RYAN. Yes.

Mr. LEVIN. Okay.

I just want to thank you for coming.

And I just want everyone to remember the constructive approach that we on this side are taking. These are major outstanding issues—major, major. And it is our deep feeling it is not the appropriate point for this Congress to give up our leverage.

But we really appreciate you coming, and we look forward to tomorrow. Thank you.

Chairman RYAN. We will debate the finer points tomorrow, but I just want to say thank you very much.

This hearing is adjourned.

[Whereupon, at 6:28 p.m., the committee was adjourned.]

[Questions for the record follow:]



**UNITED STATES DEPARTMENT OF COMMERCE**  
**The Secretary of Commerce**  
Washington, D.C. 20230

July 31, 2015

The Honorable Paul Ryan  
Chairman, Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

Thank you for your letter submitting questions for the record following my testimony before the Committee on Ways and Means on April 22, 2015.

Enclosed please find the responses to the questions provided by the Committee. If you have any further questions, please contact Jim Stowers, Acting Assistant Secretary for Legislative and Intergovernmental Affairs, at (202) 482-3663.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Pritzker".

Penny Pritzker

Enclosure

**Response to Question for the Record**  
**U.S. House of Representatives**  
**Ways and Means Committee**  
**April 22, 2015**

**Questions from Rep. Reichert**

**1) India**

I am pleased to see that the United States and India have agreed to expand and elevate the U.S.-India Strategic and Commercial Dialogue. Leadership from the Department of Commerce and the United States Trade Representative will be crucial to achieving solid deliverables to the benefit of U.S. and Indian businesses, workers, and consumers alike. In particular, one such win-win would be to eliminate the restriction that India imposes on foreign direct investment (FDI) in e-commerce. Will this issue be on the agenda as part of the dialogue? Can you describe what else Commerce is doing to encourage the Indian government to liberalize FDI in e-commerce? Additionally, is this issue on the agenda of the Trade Policy Forum?

**Response:**

The Department of Commerce routinely engages with the Government of India (GOI) to discuss the benefits in liberalizing foreign direct investment in India's e-commerce sector for the business to consumer model. This includes helping India create jobs in various sectors, integrating Indian small- and medium-sized enterprises into the global supply chain of multibrand retailers, obtaining access to cheaper goods, and increasing competition in the marketplace. Simultaneously, market access for U.S. companies will mean greater access to India's large and growing economy, an increase of U.S. exports, and job creation in the United States. Additionally, the GOI is working on guidelines for e-commerce and we will continue engaging with them while the guidelines are being developed.

The Department of Commerce is in the early planning stages for the U.S.-India Strategic and Commercial Dialogue (S&CD) and we have not yet come to agreement with the Indian Government regarding what topics will be on the agenda.

E-commerce liberalization is also discussed under the services work stream of the Trade Policy Forum (TPF) agenda. The Office of the United States Trade Representative (USTR) specifically raised the issue of India liberalizing business to consumer e-commerce at the Minister level during the TPF in November 2014, and has had technical discussions in 2015 emphasizing the spill over benefits of e-commerce liberalization to logistics, warehousing, and transportation services. USTR will continue to discuss this issue with India in the context of the TPF.

## 2) Chile

Is the Administration aware the Chilean government is considering educational reforms that could potentially violate existing agreements between U.S. businesses and Chilean institutions? If so, does the Administration have a position?

### Response:

Yes, the Administration is aware of the education reforms in Chile and their potential to impact U.S. business interests in the sector. The Administration continues to monitor the ongoing reform process.

## Questions from Rep. Boustany

### 1) Trade Promotion Authority

Madam Secretary, as you know, trade plays a crucial role in the economic growth and stability of my home state of Louisiana. In fact, exports last year totaled \$65.1 billion, marking an increase of almost three percent from 2013, and also the sixth consecutive year of growth, according to a new report by the World Trade Center of New Orleans. The results mirror a national trend: Exports for all 50 states in 2014 set a national record totaling \$1.62 trillion, an increase of 2.78 percent from 2013.

In recent years, countries across the Asia-Pacific have concluded more than 200 trade deals, while American workers and businesses have largely missed out. I do not believe the United States can afford to sit on the sidelines as others complete trade agreements that put our economy, businesses, and workers at an international competitive disadvantage and encourage a race to the bottom. Mrs. Secretary, in your opinion, do you believe the United States will be able to complete current trade agreements and continue to see growth and development opportunities without the passage of the Trade Promotion Authority?

### Response:

As he noted when signing the Trade Promotion Authority legislation on June 29, the President welcomed the strong bipartisan congressional action leading to the passage of this legislation. In the past several months, Administration officials have traveled throughout the country highlighting the important benefits of trade for firms and workers and the disadvantage they currently face by virtue of the fact that other countries, including China, have already secured trade preferences for their goods and services through their own trade agreements. The Administration, therefore, shares your perspective that trade promotion legislation is critical to help strengthen the competitiveness of U.S. firms and workers by allowing the government to conclude negotiations on trade agreements that open markets and create significant new commercial opportunities for U.S. goods and services. Securing this legislation now helps ensure that we get the best deal possible in our trade negotiations and allows us to bring those benefits home to the American people.

## 2) Investment Protection

The United States protects foreign investments through systems of jurisprudence, rights to equitable treatment, and fair and impartial hearings of disputes. Madam Secretary, do you support an investment chapter in trade agreements containing strong investment protections that ensure fair and equitable treatment of investors; full protection and security of investments; a prohibition on expropriation of investments; prompt compensation when expropriation occurs; free transfers of capital; and access to reliable, independent, international third-party dispute resolution mechanisms (*e.g.*, investor state arbitration)?

### Response:

The Department of Commerce is a strong proponent of trade agreements that ensure that U.S. investors and investment are protected abroad. That includes investor protections like those you cite. For example, the U.S. Government advocates for a minimum standard of treatment obligation that includes guarantees of fair and equitable treatment and full protection and security. Although a sovereign nation has the right to expropriate property, we call for clear, appropriate limits on the expropriation of investments and a standard that requires the payment of prompt, adequate and effective compensation when expropriation takes place. We stress the importance of the requirement that investors be able to move capital relating to their investments into and out of the host country without delay. We also seek to secure for our investors the right to bring an investment dispute against a host country's government in a neutral international forum. It is through securing strong, enforceable rights in U.S. international agreements that we help protect U.S. foreign direct investment abroad, as well as promote the U.S. exports that follow such investment.

## 3) Energy

Crude oil exports are an important aspect of the benefits of global trade both domestically and throughout the globe. I was pleased to see the PEMEX application this winter regarding swaps of crude oil. I hope this positive development with Mexico continues.

Are you working toward further collaborations, and do you believe that we should allow exports to Mexico in the same way that exports are allowed to Canada? And would you support Congressional efforts to codify North American crude exports as a first step toward ultimately achieving free trade of oil?

### Response:

The Department of Commerce's regulations have long implemented the provisions in relevant laws allowing the exchange of crude oil with adjacent foreign states. It is not clear that allowing U.S. crude oil exports to Mexico without reciprocity is warranted.

#### 4) Energy

The shale development boom across the United States is changing our country's energy landscape as U.S. crude oil output soars to a 31-year high and oil imports continue to steadily decline. Lifting the 1970s era crude oil export ban would allow this boom to continue while lowering energy costs for consumers and increasing tax revenues for local governments. In Louisiana, lifting the ban would grow the industry that so many Louisianans care deeply about.

According to HIS Energy, lifting the export ban would increase U.S. production from 8.2 million barrels per day to 11.2 million barrels per day and increase investment in the American economy by nearly \$750 billion. A high crude oil export scenario would lead to 63,000 jobs added at peak in 2019, according to an Aspen Institute report, and lifting the ban would put downward pressure on domestic gasoline prices.

During the recent CERA Week conference, Senator Murkowski stated that "it is time to lift the ban" on crude oil exports. Do you agree?

#### Response:

I understand as you do the vital role that the energy sector plays in our economy. The increase in domestic oil production is a positive development and is an important part of the President's all of the above energy strategy. We are closely monitoring the implications of growing domestic energy supplies, including the economic, environmental, and security opportunities and challenges that they present. Given the numerous stakeholders in this issue, we are also following the Congressional legislative efforts related to the crude oil export ban.

#### 5) TPP/Chile

Chile is one of the 12 nations currently negotiating the TPP trade agreement with the United States. Under current Chilean law, a non-profit university may receive services from for-profit organizations. It has been brought to my attention by Laureate, a Baltimore, Maryland-based company, that the current Chilean President, Michelle Bachelet, has been pushing wide-ranging education reforms that would jeopardize ongoing investments in higher and professional education by companies. Over the past 15 years, Laureate has invested nearly \$1 billion in Chile and provided academic, technical, and management services that currently support 150,000 students through three leading non-profit universities and several professional training institutes in Chile, including Universidad Andres Bello (36,000 students in 7 campuses), Universidad de Las Americas (26,000 students in 4 campuses), and Universidad Vina del Mar (6,000 students in 2 campuses). Although Laureate has been and currently is fully compliant with Chilean law and agreements in place, it is concerned that planned education reforms by the Chilean Government run counter to existing contracts, such as those Laureate has signed with the government for its three universities a decade ago, as well as international agreements, such as the U.S.-Chile Free Trade Agreement, which came into force in 2004.



Has the Administration expressed its concerns over Chile's proposed education reform and the impact it would have on American investors? If so, how and when? What impact does it have in our TPP negotiations?

Chile's proposed educational reforms appear to be a de-facto nationalization of private education in Chile. Given there is \$1 billion of U.S. investment in Chile's higher education system, how is the U.S. prepared to respond?

Response:

Yes, the Administration has expressed concerns about the potential impact of education reforms on U.S. investments in Chile. The Administration has raised its concerns on a number of occasions in meetings with Chilean Government officials since becoming aware of the issue in early 2014.

TPP negotiations include negotiations relating to the protection of investor interests in partner countries. This includes the right to compensation in the case of a partner government's expropriation of a U.S. investor's assets. The U.S.-Chile Free Trade Agreement includes similar protections. The Administration will continue to advocate on behalf of U.S. interests abroad, including those of education-related investments, and take appropriate action to promote compliance with international treaty obligations.

**Rep. Marchant**

**1) GSP/AGOA**

I understand that the Administration is currently reviewing a longstanding investment dispute between the Republic of Congo and the company COMMISIMPEX. I understand that your review is centered on whether the Republic of Congo has taken steps that are inconsistent with the eligibility criteria found in the GSP statute and the AGOA legislation—both of which the Committee moved to renew and extend recently. Please provide an update on your review.

Response:

As you note, both GSP and AGOA have eligibility criteria related to investment and we are committed to ensuring that all eligible countries continue to meet the criteria. To date, no petition has been filed under GSP regarding the COMMISIMPEX case and this dispute came to our attention subsequent to the completion of our last AGOA eligibility review. We are monitoring this ongoing dispute closely.

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[Submissions for the record follow:]

April 21, 2015

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
219 Dirksen SOB  
Washington, DC 20510

The Honorable Paul Ryan  
Chairman  
Committee on Ways & Means  
U.S. House of Representatives  
1101 Longworth HOB  
Washington, DC 20515

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
219 Dirksen SOB  
Washington, DC 20510

The Honorable Sander M. Levin  
Ranking Member  
Committee on Ways & Means  
U.S. House of Representatives  
1106 Longworth HOB  
Washington, DC 20515

Dear Chairmen Hatch and Ryan and Ranking Members Wyden and Levin:

We write in strong support of the Bipartisan Congressional Trade Priorities Act of 2015 (BCTPA). America's film and television industry is one of the few that runs a persistent trade surplus – over \$13 billion in 2013. More broadly, America's core copyright industries (film, TV, music, publishing, and software) are among America's biggest trade success stories. Total foreign sales (exports + licensing and royalty revenue) of these industries exceeded \$156 billion in 2013 – which is larger than total foreign sales of many other major U.S. industries, including aerospace, chemicals, and all of agriculture.

As these numbers show, international markets are already critically important to the U.S. movie and television industry and the two million men and women whose jobs depend on it. On average, over 60% of film revenue comes from overseas markets. Foreign market sales also provide an important source of revenue supporting U.S. television productions. Overseas markets will be increasingly important in the future.

For the U.S. movie and television industry, the intellectual property (IP) chapters of U.S. free trade agreements (FTAs) are critical. All over the world, a lack of adequate IP protection is an effective market access barrier for the U.S. creative and innovative industries. Many of our trading partners do not provide nearly the level of copyright or other IP protections as the United States. The IP chapters help raise standards to a basic level of protection for America's creative and innovative industries -- still significantly lower than the level provided by U.S. law, but usually major improvements from the standards in the absence of the FTA.

Other provisions of FTAs are also important. The Services chapters help break down barriers to U.S. audio-visual productions such as screen quotas, primetime limits, investment restrictions, and distribution limits. The e-commerce and digital trade provisions are also increasingly critical. The U.S. movie and television industry is already one of America's biggest Internet industries and will increasingly rely on digital distribution channels in the future.

BCTPA's objectives provide the right foundation for USTR to negotiate strong agreements for the U.S. creative industries and the millions of workers they employ. We urge you to move swiftly to approve the legislation and look forward to working with you to help.

Sincerely,  
21st Century Fox  
NBCUniversal  
Sony Pictures Entertainment Inc.  
Time Warner Inc.  
Viacom Inc.  
The Walt Disney Company





The Alliance for Healthcare  
Competitiveness  
*Improving lives, creating jobs and meeting the  
healthcare needs of a growing global  
population*

WRITTEN STATEMENT OF DOMINIC CARUSO  
CHIEF FINANCIAL OFFICER, JOHNSON & JOHNSON  
ON BEHALF OF ALLIANCE FOR HEALTHCARE COMPETITIVENESS

HEARING ON  
EXPANDING AMERICAN TRADE WITH ACCOUNTABILITY AND  
TRANSPARENCY

HOUSE WAYS AND MEANS COMMITTEE

APRIL 22, 2015

3:00 p.m.

Testimony of Dominic Caruso of Johnson & Johnson

I would like to thank the Committee, Chairman Ryan, and Ranking Member Levin for the opportunity to provide our viewpoints in support of trade and Trade Promotion Authority today. Johnson & Johnson is a member of the Alliance for Healthcare Competitiveness (AHC), a group of 27 leading firms and non-profits involved in American health, including healthcare providers, medical device and pharmaceutical manufacturers, insurers, health IT, hospitals, global health advocates, health-specialized architects, express carriers, and other participants in America's \$2.9 trillion health sector.

#### **About Johnson & Johnson**

Johnson & Johnson has approximately 126,500 employees worldwide engaged in the research and development, manufacture and sale of a broad range of products in the healthcare field. The Company conducts business in virtually all countries of the world with the primary focus on products related to human health and well-being. Research and development activities represent a significant part of our business, and last year we spent over \$8.5 billion worldwide, \$4 billion of that amount in the United States. Those research dollars help support, among other things, numerous clinical trials on new and life-improving pharmaceuticals.

The Company is organized into three business segments: Consumer, Pharmaceutical, and Medical Devices and Diagnostics. The Consumer segment includes a wide range of well-known brands for health and healing, and beauty and well-being, including well-known brands such as JOHNSON's Baby, BAND-AID, LISTERINE, TYLENOL, ZYRTEC, AVEENO, and NEUTROGENA. The Pharmaceutical segment includes products in therapeutic areas including: anti-infective, antipsychotic, contraceptive, gastrointestinal, immunology, infectious diseases, neurology, oncology, pain management, thrombosis, and vaccines. The Medical Device and Diagnostics segment includes a broad range of products to treat cardiovascular disease; trauma, orthopedic and neurological products; blood glucose monitoring and insulin delivery products; general surgery, biosurgical and energy products; professional diagnostic products; infection prevention products; and disposable contact lenses.

Johnson & Johnson makes an important contribution to the U.S. economy. We have 39,000 direct jobs in the U.S. which in turn help support 206,700 indirect jobs, which means for every one direct job in the U.S., we support 5.3 additional jobs in the U.S. economy. For every dollar of Johnson & Johnson output, we add \$1.4 in additional indirect output to the U.S. economy. We have employees in every state of the U.S., but if I look at the states represented by Members on this Committee, I note

Testimony of Dominic Caruso of Johnson & Johnson

we have over 1,000 employees in each of the following states: California, Florida, Georgia, Indiana, Massachusetts, New Jersey, New York, Ohio, Pennsylvania, and Texas.

Johnson & Johnson is a leading corporate supporter of trade, and a member of pro-trade organizations including the Alliance for Healthcare Competitiveness, the U.S. Chamber of Commerce, the Business Roundtable, the Trade Benefits America coalition, AdvaMed, PhRMA, and the Personal Care Products Council. All support trade, and all support the Trade Promotion Authority legislation that is under consideration by this Committee.

### **The Importance of Trade to the United States**

With more than 95 percent of the world's population living outside of the United States, U.S. economic growth and job creation depend on expanded trade and investment opportunities so U.S. companies and workers can sell more American products and services to foreign customers. For example, in 2014, nearly 40 million U.S. jobs – more than one in five – depended on U.S. exports and imports. This represents 25.8 million more trade-related U.S. jobs than two decades ago, before the U.S. implemented a series of bilateral, regional, and multilateral trade agreements.

High-level trade agreements have been critical to global economic growth, and directly benefit the U.S. economy. Our free trade agreements have significantly helped contributed to export growth, and in part to recovering from the 2008 global recession. U.S. goods exports to our free trade partners have grown by 57 percent since 2009. Nearly 30 percent of gross domestic product (GDP) growth over the last five years has been the result of export growth. This is particularly impressive given that exports of late have accounted for nearly 14 percent of GDP, according to the Department of Commerce.

Some of these benefits have been the result of the U.S. pressing countries to make free-market and democratic reforms to their systems. Improving the rule of law, imposing codes of ethical conduct, respecting and strengthening protection of intellectual property rights, and improving transparency and administrative procedures have enhanced the ability of American businesses to grow overseas. At the same time, reforms initiated in the pursuit of free and fair trade have improved the lives and economic freedoms of the citizens of our trading partners, which has a value in its own right, and a factor in promoting stability and regional security. In

Testimony of Dominic Caruso of Johnson & Johnson

short, free trade agreements help U.S. business, expand wealth and economic freedom, and promote U.S. foreign policy objectives – a win-win-win scenario.

### **Understanding the Healthcare Eco-system**

I have been speaking generally about the benefits of trade to the whole U.S. economy. I would like to focus on healthcare now. Health is one of the largest and fastest-growing sectors of the world economy. Valued at \$7.2 trillion in 2012, it is likely to surpass \$9.3 trillion – over a tenth of the world’s likely economic output – by 2018.

There are logical, predictable, and well-understood reasons for this surge in growth. One is that the world’s population is aging. The global over-60 population is expected to double in the next 20 years while the youth population remains stable. In developing regions everywhere, the world’s population is urbanizing, with global city populations likely to rise by 1.4 billion in the next 20 years while rural populations remain stable. And the world is growing more affluent, with the global middle class expanding from 1.7 billion to four billion over the next 20 years.

All these factors mean a rapidly growing demand for healthcare. Older people need more preventive care and more treatment. City residents, living closer to hospitals and clinics, are more likely to seek care when they need it, and also more likely to use preventive care. And a middle-class population, no longer struggling with deep material deprivation, is more likely to seek and demand regular high-quality care.

Thus, the world’s medical industries will need to provide regular preventive care and treatment for two billion more people; provide the additional medicines needed for an additional 600 million elderly people; build the clinics and hospitals needed for these patients; and finance treatment through some mix of out-of-pocket payments, public financing, and private insurance.

As the leader in all these aspects of healthcare innovation, the U.S. is uniquely positioned to take advantage of these developments. Over the next two decades, the U.S. healthcare sector will be a powerful stimulus for global growth and investment, a driver of technological progress, a key factor in stimulating productivity, a means of channeling young people into highly paid, technically demanding careers, and an important contributor to social stability and therefore regional and national security. The U.S. government is to be applauded for advancing trade policy affecting many of the components of the healthcare eco-system, but what is critically needed now is

Testimony of Dominic Caruso of Johnson & Johnson

a more comprehensive strategy for the sector as a whole. That is why one of our key recommendations has been for the U.S. Trade Representative (USTR) to create a dedicated healthcare trade position to bring together this wide range of interests and issues when negotiating trade agreements.

The health eco-system represents a range of expertise that extends beyond pharmaceuticals and medical devices; it touches logistics, infrastructure, intellectual property, research, services, and more. The depth and breadth of the sector and its unique considerations require a look at the sector holistically.

#### **Trade Promotion Authority**

Trade agreements will help that occur, and the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (TPA) is critical to capitalizing on the benefits of trade I have laid out. This legislation: (1) helps shape the principal goals the United States wants to accomplish in international trade negotiations with other countries; (2) establishes a framework for Congress and the Executive Branch to partner in pursuing trade agreements and enacting bills implementing the agreements into law; and (3) strengthens the hands of U.S. trade officials when negotiating with other countries.

TPA presents a critical framework for ensuring that the U.S. trade agenda is robust and ambitious. In many ways, this law provides both a floor for negotiating objectives – minimum standards that the U.S. should seek – and also urges the U.S. and its trading partners to strive for the strongest rules-based trading regime possible, greater cross-border integration, and commitments to reforms that spur economic growth. These principal negotiating objectives have never been more important in protecting innovation, opening markets for U.S. goods, and ensuring that U.S. industries – particularly those like the innovative biopharmaceutical industry, which delivers cutting edge treatments for patients, high-paying jobs, and significant economic output – continue to thrive.

The healthcare industry's priorities for trade agreements, and therefore for TPA legislation, include many features that are in current agreements and related to other U.S. industries.

We seek better access for patients around the globe through the reduction or elimination of measures that impede trade and investment in healthcare-related industries, like tariffs and non-tariff barriers. We want to ensure that obligations under agreements apply to healthcare-related products and services and are properly



Testimony of Dominic Caruso of Johnson & Johnson

enforced. There should be investment protections and the ability to deliver life-saving products and services across borders efficiently with no discriminatory or undue barriers, including those created by state owned entities. The U.S. government should promote competitiveness within the healthcare sector through the provision of strong intellectual property protections for new and emerging technologies and innovative products. We also want other countries to provide increased transparency to their regulatory activities and provide regulatory due process in the healthcare sector. Moreover, the interrelated and multi-sectoral nature of the healthcare eco-system requires that trade officials take a holistic view of the health industry.

In other words, the U.S. healthcare industry wants the opportunity to share its remarkable life-saving products and services with patients around the world. I am happy to say that the legislation prepared by Chairman Ryan and the leaders of the Senate Finance Committee incorporates all of these important goals.

#### **Conclusion**

Chairman Ryan, I want you to know that the business community very much appreciates your leadership in preparing legislation to provide the President with trade negotiating authority.

You and your staff obviously worked very hard to include the viewpoints of a wide range of stakeholders, and I think you have struck a good balance. It is especially heartening to see this example of bipartisanship and how you worked with the leadership of the Senate Finance Committee to put this legislation together.

We wholeheartedly support your effort and want to work with you and all Congressional offices to have this law enacted.



**we wear® jobs**

**Statement by Juanita D. Duggan,  
President & CEO  
American Apparel & Footwear Association  
Submitted to the House Ways and Means Committee  
and the  
Senate Finance Committee  
Congress and U.S. Tariff Policy**

**April 23, 2015**

On behalf of the members of the American Apparel & Footwear Association, and the four million trade-dependent U.S. workers we employ, we thank the Committee for its leadership in considering key trade legislation.

In a global economy where 95 percent of our customers live outside the U.S., our members and their employees depend on trade. Reducing trade barriers means we can better access markets and materials. It also helps ensure our products and inputs can easily move across borders. Simply put, trade liberalization is critical to the health of U.S. clothing and shoe companies.

We were pleased to see passage of The Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (HR 1890/S. 995) in the House Ways and Means and Senate Finance Committees this week.

Early enactment of this legislation will facilitate completion of negotiations for the Trans Pacific Partnership (TPP) with 11 Pacific Rim countries and the Trans-Atlantic Trade and Investment Partnership (T-TIP) with the European Union. When completed, those agreements have the potential to eliminate long-standing tariff barriers, harmonize regulatory regimes, and expand trade and investment opportunities for the U.S. apparel and footwear industry.

Equally important, Congressional consideration of TPA paves the way for renewing expired and expiring trade measures such as the African Growth and Opportunity Act (AGOA), the Generalized System of Preferences (GSP), and the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE)/Haiti Economic Lift Program

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(HELP) programs. We were particularly pleased to see the committees pass bills that:

- Retroactively renew the GSP program through December 2017;
- Extend the HELP/HOPE program until September 2025;
- Extend the AGOA until September 2025; and
- Update and modernize Customs facilitation and intellectual property rights enforcement provisions.

In addition, we thank the Senate Finance Committee for approving:

- Provisions patterned after the GSP Update Act (HR. 681/S. 340) – to extend travel goods to the GSP program;
- The “athletic footwear initiative” – to update tariff classification for certain shoes;
- Provisions patterned after the U.S. Outdoor Act; and
- Miscellaneous Tariff Bill (MTB) reform

We urge Congress to approve these measures, which are vital for our members in reducing costs, promoting investment, and supporting trade-based jobs, both in the United States and abroad.

Thank you.

###



MICHAEL P. WALLS  
VICE PRESIDENT  
REGULATORY & TECHNICAL AFFAIRS

April 22, 2015

The Honorable Paul Ryan  
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 Ryan and Ranking Member Levin:

The American Chemistry Council (ACC) strongly supports current initiatives to expand access for U.S. exports to key international markets. We particularly support the Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (TTIP) negotiations as a means to achieve these export objectives. Trade Promotion Authority (TPA) renewal is among the most critical trade votes Congress must undertake to realize America's ambitious trade agenda and support expanded growth in exports. We urge Congress to renew TPA as soon as possible.

The business of chemistry in the United States is enjoying an unprecedented boom in competitiveness and growth, largely due to the increased supply of low-cost natural gas, a feedstock and a power source for chemical manufacturing. As a result of shale gas, more than 229 separate chemical manufacturing investments have been announced since 2010, representing a cumulative capital investment of \$140 billion in new chemical capacity. This new capacity will exceed U.S. domestic demand, and will necessarily serve important export markets. Even with the recent drop in oil prices, gross exports of chemical products linked directly to natural gas are projected to double in the next fifteen years, from \$60 billion in 2014 to \$123 billion by 2030, according to a recent report from Nexant, Inc. However, enhanced U.S. chemical export performance will depend on many factors, including the U.S. pursuing the right trade policies that further strengthen the competitive position of the U.S. industry.

TPA is critical to completing the trade agreements now being negotiated. TPA will therefore help open markets and help ensure the U.S. chemical industry can capitalize on its massive export potential.



The Honorable Paul Ryan  
The Honorable Sander Levin  
April 22, 2015  
Page 2

The Congressional trade agenda should also include the reauthorization of the Miscellaneous Tariff Bill (MTB). U.S. manufacturers large and small use the MTB's tariff suspension provisions to obtain raw materials, proprietary inputs and other products that are not available in our nation without incurring unnecessary tariff barriers. Each day that passes without an MTB process hurts American manufacturers' ability to do business. In fact, the failure to pass the MTB has essentially imposed a tax on manufacturers of \$748 million and economic losses of \$1.857 billion over three years. The impacts extend to the people and businesses that depend on manufacturing. Ramifications are experienced throughout the supply chain, from the suppliers, to the millions of people who are employed in manufacturing, to the local governments that depend on the spending and tax revenue generated by the industry. Any action to reduce barriers to domestic production and increase the competitiveness of U.S. companies must include the reauthorization of MTB.

For U.S. chemical manufacturers to succeed in today's global economy, we must be able to compete effectively in international markets. For this reason, we support an ambitious trade agenda, including TPA and MTB, that deliver enhanced access to overseas markets and support the competitive position of U.S manufacturers. ACC looks forward to working with you to ensure that an ambitious trade agenda delivers on its promise.

Sincerely



Michael P. Walls  
Vice President  
Regulatory & Technical Affairs

Cc: Members of the Committee on Ways and Means

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### **Overview**

On behalf of the Center for Policy Analysis on Trade and Health (CPATH), we appreciate the opportunity to comment on the proposed Congressional Trade Priorities and Accountability Act of 2015. CPATH is an independent organization that has been involved for many years in bringing a public health voice to debates on trade and sustainable development through research, policy analysis, and advocacy.

A raft of complex trade agreements with sweeping implications for the public's health are being negotiated by the U.S. Trade Representative (USTR) in secrecy, shielded from the light of public scrutiny. These include the Trans-Pacific Partnership Agreement (TPP) with 11 Pacific Rim nations, the Transatlantic Trade and Investment Partnership (TTIP) with the European Union, and the Trade in Services Agreement (TISA). Unfortunately the USTR has relied on Trade Advisors representing the pharmaceutical, tobacco, alcohol, health insurance, and processed food industries in shaping the Administration's trade objectives and negotiating positions relating to public health and health care.

These deals confer new and expanded rights to transnational corporations to protect their profits over the rights of democratically elected governments and the public. These include the right to challenge the implementation of domestic laws and regulations in international trade tribunals.

**This bill would create a Fast-Track process to allow trade agreements to leapfrog customary legislative protocol, and be put to a rapid "up or down" vote in Congress without public hearings or amendments, including those in the interest of protecting the health and safety of the American people.**

The Fast Track bill also aims to set out Congress' policy objectives for trade agreements, as well as an undemocratic and abbreviated process for reviewing them. As an illustration of this fatally flawed legislation, not one objective would safeguard or improve the economic well-being of the American middle class. Rather, they prioritize commercial gain at the expense of people's health, including access to affordable medicine, protection from deadly tobacco products, and democratic sovereignty to make decisions to safeguard and improve our health.

**A more appropriate title would be: Bargaining to Concentrate the Power and Wealth of Global Corporations Including Finance, Drugs, Tobacco, Fossil Fuel, Agribusiness, Media and Information Technology; to Entrench and Deepen Income Inequality; and to Progressively Reduce the Rights and Policy Space of People and Democratically Elected Public Officials and Governments.**

### **Promote Democratic, Transparent, and Accountable Trade Negotiations**

In order to create trade agreements that advance the promises of the 21<sup>st</sup> century for sustainable technological and economic development that protect and promote health, CPATH recommends that Congress adopt and enforce robust objectives for the TPP Trade Agreement negotiations that will safeguard the health of Americans and our trading partners, and promote economically and socially

just, democratically controlled, and environmentally sustainable outcomes, specifically the following Public Health Objectives for Global Trade Agreements:

#### **Public Health Objectives for U.S. Global Trade Agreements**

1. **Assure democratic participation by public health and transparency in trade policy:**
  - a. Open all proceedings and documents of trade negotiations and trade advisory committees to the public; and
  - b. Appoint to all three tiers of trade advisory committees representatives of organizations that work to assure equitable access to affordable health-related services and products, and promote the health of individuals, communities and populations, who can provide formal advice to USTR from the public health and health care community to USTR; and
  - c. USTR to consult with all relevant committees of the House and Senate in the development, negotiation, implementation, and administration of trade and negotiating objectives.
2. **Develop mutually beneficial trade relationships with trade partners that create sustainable economic development** in an increasingly interdependent world.
3. **Recognize the legitimate exercise of national, regional and local government sovereignty to protect population health**, and ensure that countries do not weaken or reduce, as an encouragement for trade, sound policies that contribute to health and well-being and democracy, including laws on public health, the environment, labor, food safety, human rights and internet freedom.
4. **Exclude tariff and nontariff provisions that address vital human services** such as health care, water supply and sanitation, food safety and supply, and education, including licensing and cross-border movement of personnel in these fields.
5. **Exclude tobacco and tobacco products**, which are lethal, and for which the public health goal is to reduce consumption, from tariff and nontariff provisions of the TPP, including advertising, labeling, product regulation and distribution.
6. **Exclude alcohol products**, which present serious hazards to public health. Policies designed to reduce the harm caused by alcohol products should not be subject to compromise in exchange for other trade benefits.
7. **Eliminate intellectual property provisions related to pharmaceuticals from the TPP and TTIP negotiations**, as these are more appropriately addressed in multilateral fora, **and promote trade provisions which enable countries to exercise all flexibilities provided by the Doha Declaration on Public Health**, including issuing compulsory licenses for patented pharmaceuticals, parallel importation, and other measures that address high prices and promote access to affordable medicines.

The outline of the following comments is as follows:

1. Economic globalization and health – Overview
2. The track record: trade and health
3. Transparency and democracy
4. Intellectual property rules limit access to affordable medicines
5. Tobacco corporation challenges to tobacco controls
6. Investor-state dispute resolution

Conclusion: Oppose the Bipartisan Congressional Trade Priorities and Accountability Act of 2015



### **1. Economic globalization and health - Overview**

Economic globalization is characterized by the accelerated number and pace of cross-border transactions starting in the 1980s, including the production and consumption of goods and services, facilitated by changes in communication, technology, and transportation. Services from finance to health care are major economic drivers in developed countries. Ownership of transnational corporations has become more concentrated. Millions in poor countries have emerged from poverty, at the same time that economic inequality is increasing among and within nations.

At issue are the roles that democratically elected public officials, civil society, unregulated trade as well as rules related to trade, will and should play in determining outcomes of economic activity that benefit population health, and how the imperatives of human social and economic development can be integrated.

Public health principles prioritize achieving and protecting the health and wellbeing of individuals, communities and populations, which in turn requires economic and social equity and justice, democracy, and equitable access to health-related services.

Trade agreements establish countries' mutual rights and obligations with regard to trade. Once focused on setting tariffs on goods, they now address rules that govern critical areas that are a matter of public debate at the national and international levels: intellectual property rules on access to affordable medicines and to information, copyrights, and advertising; services ranging from banking to health care and water supply; government procurement for grants and contracts; agriculture; and internet access and information privacy. They can provide a basis for altering the implementation of domestic U.S. laws and policies, as well as those of our trading partners. Trade rules that protect corporations' ability to operate within uniform and predictable rules can foster sustainable economic development, democracy, and peace, consistent with public health principles that prioritize achieving and protecting the health and wellbeing of individuals, communities and populations.<sup>1 2</sup> They can also conflict with or subordinate policies that prioritize people's health, and equitable access to health-related services.

### **2. The Track Record: Trade and Health**

Health is a universal aspiration of all peoples and governments. People's health must be the highest priority in determining trade policies. Public health measures have been responsible for creating and monitoring the conditions that maintain a healthy population. The safety of our living spaces, work places, prescription drugs, food and water, and consumer products, and protection from biohazards and the burden of tobacco-related diseases, are all products of government action, legislation and regulation, not the result of unregulated market forces.

Previous trade agreements negotiated under "fast track" rules, without Congressional ability to discuss, debate, and revise provisions in the public interest, have prohibited parallel importation

<sup>1</sup>Institute of Medicine. The future of public health in the 21<sup>st</sup> century. National Academies Press, Washington, DC. November, 2002. <http://www.iom.edu/Object.File/Master/4/165/0.pdf>

<sup>2</sup>World Health Organization. Constitution of the World Health Organization.

(reimportation of pharmaceuticals to increase their affordability)<sup>3</sup>, and weakened the ability of local, state and national governments' procurement contracts to specify standards for medical and financial privacy, quality and performance, local economic development, and environmental protection.

Other public health concerns at issue include the ability of local, state and national governments to regulate clean and safe air, water, food, consumer products; workplace environments, transportation systems; whether government procurement contracts can specify standards for medical and financial privacy, quality and performance, local economic development, and environmental protection; and the distribution of alcohol beverages.

**3. Transparency and democracy: U.S. trade policy is set in secret by corporate trade "advisors." Trade agreement negotiations are kept secret from the public in the U.S.**

An extensive group of advisory committees provide formal recommendations to the Office of the U.S. Trade Representative (USTR).

**Confidentiality of Trade Proposals Prevents Democratic Debate**

The USTR can authorize advisory committees to operate in a transparent, public manner. For a number of years, however, the USTR has chosen impose a blanket closure rule, requiring that advisory committee members maintain complete confidentiality regarding proposed trade agreement provisions until after each agreement is signed. This restriction limits debate by Committee members' own constituencies, by the public, and by policy-makers, on public health matters of significant domestic concern. A transparent mechanism is imperative.

**Trade Advisory Committees Shut Out Public Health**

In 2002, the United States Government Accountability Office (then the General Accounting Office) examined the role, structure, and system of the trade advisory committee system. **The GAO Report found that "new stake holders in the trade process, such as public health...have limited or no participation in the formal committee system,** even though topics such as intellectual property are of interest to them."<sup>4</sup>

CPATH's analysis has found that health-related industries are robustly represented on US trade advisory committees, which include pharmaceuticals, tobacco, health insurance, processed foods, and alcohol beverages.<sup>5</sup> A public health presence on all three tiers of U.S. trade advisory committees is required for a legitimate balance of interests. However, the extent of representation from the public health community in 2015 persists: Zero.

In November, 2003, U.S. health leaders called for caution in negotiating international trade

<sup>3</sup> Australia-U.S. Free Trade Agreement, Article 17.9.4.

[http://www.ustr.gov/sites/default/files/uploads/agreements/fta/australia/asset\\_upload\\_file469\\_5141.pdf](http://www.ustr.gov/sites/default/files/uploads/agreements/fta/australia/asset_upload_file469_5141.pdf).

<sup>4</sup> GAO-02-876, p. 60; P.L. No. 96-39, 93 Stat. 308-10, p.40.

<sup>5</sup> Brenner, Joseph and Shaffer, Ellen. Advice and No Dissent, *Public Health and the Rigged U.S. Trade Advisory System*, *Multinational Monitor*, November 2004 - VOLUME 25 - NUMBER 11.

agreements. Former U.S. Surgeon General Dr. David Satcher, joining representatives from the American Medical Association, American Nurses Association, the American Public Health Association, and the Center for Policy Analysis on Trade and Health (CPATH), to issue an historic "Call for Public Health Accountability in International Trade Agreements."

During the 2004 Congressional deliberations on the US-Australia Free Trade Agreement (FTA), Bipartisan members of the House and Senate expressed concerns about the extreme imbalance on trade advisory committees and lack of representation from public health. Congress raised objections to provisions in the agreement related to pharmaceuticals and intellectual property that they had been unaware of that could have an impact on Congressional efforts to authorize re-importation of drugs. They also expressed concern about the potential impact on current U.S. health care programs, including on Veterans Affairs, Medicare and Medicaid, and urged that such provisions should not serve as precedent for future trade agreements.

In March, 2014, USTR announced a call for nominations to a Public Interest Trade Advisory Committee. However, no action has been taken to establish this committee.

#### **4. Intellectual Property Rules limit access to affordable medicines**

High prices restrict access to prescription drugs in lower income countries and also in developed countries which lack regulatory mechanisms to address drug pricing, such as the United States. Few useful innovative drugs are being developed, despite substantial revenue from drug sales. There is insufficient research into therapies for conditions prevalent in low-income countries.

Trade agreements negotiated by the United States have enforced, extended, and progressively strengthened intellectual property (IP) rights internationally, such as patents, data exclusivity and linkage, that offer monopoly marketing rights to pharmaceutical companies which therefore exert tremendous influence over prices. The World Trade Organization's (WTO) Doha Declaration on Public Health states that IP rules "should not prevent [countries] from taking measures to protect public health." It reaffirms the right of WTO countries to use the flexibilities in TRIPS (Agreement on Trade Related Aspects of Intellectual Property Rights), including their right to issue compulsory licenses to produce brand name or generic equivalents of originator companies' drugs, and parallel importation. Respect for the Doha Declaration, and a fair balance of rights, was also stated as a Congressional objective in the Trade Act of 2002.

These rights were eroded in U.S. bilateral and regional agreements with Jordan, Chile, Singapore, Morocco, Australia and Central America. Civil society organizations in the U.S. and in partner nations raised concerns, which frequently delayed negotiations. In May, 2007, with leadership by the Trade Subcommittee of the Ways and Means Committee, Congress took action to limit negotiations with lower income countries on "TRIPS-Plus" IP rules.

**"Fast-track" negotiating objectives in the current proposed legislation however reverse course and call for "accelerated" implementation of drug patent rules in developing nations.**

- **CAFTA Raises Prices, Limits Availability of Life Saving Drugs for U.S. Trade Partners**

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CPATH's report published in the peer-reviewed journal *Health Affairs* demonstrated how intellectual property rules in the U.S. - Central America Free Trade Agreement (CAFTA) keeps lower-priced generic versions of life-saving drugs off the shelves and out of the hands of some of the poorest people in our hemisphere. Guatemala is increasingly unable to produce or import affordable medicines because of intellectual property provisions in the trade deal that were demanded by the U.S. pharmaceutical industry and have been aggressively enforced by the U.S. Trade Representative (USTR). As a result, **the cash-strapped Guatemalan public sector faces higher prices – up to 846 percent higher – for important drugs to fight diseases such as diabetes and HIV/AIDS.**<sup>6</sup> People with HIV/AIDS have reported cutbacks in access to needed drugs

The report focused on **data exclusivity rules and patents** that are among the intellectual property provisions of CAFTA and other free trade agreements. Particularly alarming is that the rules not only keep affordable new generics from entering the market; they also function retroactively to remove existing medicines from the shelves. While patents already allow brand name drug manufacturers like Novartis and Merck to suppress competition from generic drug makers in the U.S. and abroad, data exclusivity is an additional bonus for this multi-billion dollar industry. Securing data exclusivity is a simple process for these companies, but it places insurmountable bureaucratic burdens on generics manufacturers. Generic drug makers typically rely on the clinical trial data already generated by brand-name manufacturers to demonstrate the safety and efficacy of their products. But CAFTA prohibits generic drug manufacturers from using the brand-name clinical trial data for a fixed period of years, sometimes even after the brand-name drug is no longer under patent. Without these data, generic versions cannot be approved for market.

The report examined a total of 77 data-protected drugs. Detailed tables in the article illustrate the ways in which both patent and data exclusivity protections influence Guatemalan health officials to purchase brand name pharmaceuticals, often at hundreds of times the cost of their generic counterparts. They also provide examples of generic drugs that were blocked from being marketed in Guatemala in the first place.

##### **5. Tobacco Control and Protection of Public Health**

Tobacco use continues to be the leading preventable cause of death in the United States and worldwide, and is the only legal substance that, when used as intended, kills people, causing 6.3 million deaths a year.<sup>7</sup> Cigarette smoking is responsible for about one in five deaths annually<sup>8</sup> and a major contributor to the global pandemic of tobacco-related non-communicable diseases.

Countries continue to tackle this public health crisis with sound policies designed to curb smoking and combat deceptive industry practices. Such regulations include bans on flavored cigarettes,

<sup>6</sup> Shaffer, Ellen R. and Brenner, Joseph E., A Trade Agreement's Impact On Access To Generic Drugs, *Health Affairs*, 28, no. 5 (2009): w957-w968 (published online 25 August 2009; 10.1377/hlthaff.28.5.w957)

<sup>7</sup> Centers for Disease Control and Prevention. Smoking-Attributable Mortality, Years of Potential Life Lost, and Productivity Losses—United States, 2000–2004. Morbidity and Mortality Weekly Report 2008.

<sup>8</sup> U.S. Department of Health and Human Services. How Tobacco Smoke Causes Disease: The Biology and Behavioral Basis for Smoking-Attributable Disease. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2010.

increases in tobacco taxation, restrictions on tobacco advertisements, and placement of graphic warning labels on cigarette packages. Although all of these policies are supported by a robust body of scientific evidence, each has been contested in recent trade agreements and by trade-related challenges. Tobacco companies have accelerated their use of trade rules to attempt to delay and reverse tobacco control measures in the U.S., Australia, Uruguay, and Norway.<sup>9</sup> For example:

“In 2006, the Uruguayan government—led by then-President and oncologist Tabare Vasquez, MD—passed a series of regulations to: (1) increase warning labels from 50% to 80% of the package; (2) place health images on packages; and (3) prohibit the use of “brand families” in which the same brand name is used across multiple product lines (eg, Marlboro Red, Marlboro Green, etc). In the years after enactment of these anti-smoking laws, 30-day prevalence rates of tobacco use among adolescents decreased by 8% annually, and per person cigarette consumption decreased by 4.3% annually. In 2010, however, the Swiss operational hub of Phillip Morris filed suit at the World Bank, claiming that government’s regulations violate a 1991 bilateral investment treaty between Uruguay and Switzerland. The Swiss-based PM contends that Uruguayan policies intrude upon PM’s intellectual property and exceed that which is reasonable to protect the public’s health. Per the terms of the 1991 trade agreement, the dispute is being arbitrated by a tribunal of international trade experts housed at the World Bank, who ruled in July 2013 that it had jurisdiction to hear the case; each side is currently submitting testimony to support their claims.”

U.S. bilateral agreements with Singapore and Peru also eliminated tariffs on tobacco and tobacco products.

The Doggett Amendment to the Foreign Service Act, passed by Congress in 1997, banned the use of government monies from the Commerce, Justice, and State Departments to promote the sale or export of tobacco overseas or to seek the removal of any nondiscriminatory foreign-country restrictions on tobacco marketing. However, it is subject to annual renewal, and compliance is up to the USTR and other Agencies. Unfortunately, the Doggett Amendment has not been honored since 2001. The U.S. has negotiated eliminating tariffs on tobacco products as well as leaf in bilateral and regional agreements, including the U.S. Singapore Agreement and CAFTA. It is perhaps time for a change.

According to the Pan American Health Organization: “Transnational tobacco companies...have been among the strongest proponents of tariff reduction and open markets. Trade openness is linked to tobacco consumption.”<sup>10</sup>

The extent to which the TPP will further destabilize existing tobacco control policies is unknown, largely because negotiation of trade rules and tobacco industry activity in the trade arena occur in secret, outside of public scrutiny. Analysis of the Intellectual Property Chapter draft of the TPP that

<sup>9</sup> Sud S, Brenner JB, Shaffer ER. *Commentary: Trading Away Health: The Influence of Trade Policy on Youth Tobacco Control*. Journal of Pediatrics. Online: Feb. 10, 2015. DOI: <http://dx.doi.org/10.1016/j.jpeds.2015.01.016>

<sup>10</sup> D. Woodward, N. Drager, R. Beaglehole, D. Lipson. Trade in Health Services: Global, Regional and Country Perspectives.

was made public in 2014 found multiple potential threats to tobacco-control measures, and the sovereign ability of nations to protect public health from tobacco-related disease and death.<sup>11</sup>

Only through appropriate public and Congressional oversight will we ensure that the TPP does not undermine the right and ability of the U.S. or participating countries from exercising their domestic sovereignty in order to adopt or maintain measures to protect public health, including reducing tobacco use and to prevent the harm it causes to public health.

#### **6. Investor-State Dispute Resolution**

WTO agreements are enforced by financial fines and trade sanctions in the case of violations. For this reason, they have proven to be the most effectively enforced international agreements. The WTO is set as the unequivocal arbiter of trade rules for its 160 member countries. Countries that believe their companies are being barred from trade by another country for reasons that violate WTO rules can file a dispute with the WTO. Disputes among nations are resolved by panels appointed by the WTO. The panels are not accountable to national governments or courts. The panels can authorize countries to impose trade sanctions, financial penalties and the boycott of products against other countries, as compensation for violations or for failure to comply with trade panel decisions.

Nations have successfully brought challenges before trade tribunals claiming that public health measures violate trade rules. Health and quality standards and labeling requirements have sometimes been construed by the World Trade Organization as barriers to trade. From a public health perspective, standards for labeling genetically modified foods or protecting dolphins from becoming snared in commercial fishing nets are important protections for human and animal health, and the environment. But businesses have found these standards cumbersome, and therefore barriers to trade.

Chapter 11 of NAFTA provides an “investor’s rights” provision that allows individual foreign corporations (referred to as investors) to directly sue any of the three participating national governments. Companies can sue for the loss of current or future profits, even if the loss is caused by a government agency’s prohibiting the use of a toxic substance. Prior to NAFTA, regional trade agreements only permitted country-to-country enforcement by governments. This was a major elevation of the rights of corporations, and an important blow to national sovereignty. Subsequent regional and bilateral agreements negotiated by the US include the investor’s rights provision. Objections by the Intergovernmental Policy Advisory Committee to the USTR, composed of state and local public officials, contributed to keeping this provision out of the U.S.-Australia Free Trade Agreement.

The tobacco industry has used both WTO country-to-country dispute procedures, and investor-state mechanisms, to protest and delay tobacco control measures including graphic warning labels and plain packaging, as described above.

<sup>11</sup> Center for Policy Analysis on Trade and Health. Intellectual Property Chapter of Trans-Pacific Partnership Trade Agreement, Tobacco, and Public Health, November 25, 2013.

[http://www.cpath.org/sitebuildercontent/sitebuilderfiles/TPP\\_IP\\_TobaccoNov25\\_2013.pdf](http://www.cpath.org/sitebuildercontent/sitebuilderfiles/TPP_IP_TobaccoNov25_2013.pdf)

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The following investor-state trade dispute cases illustrate the negative implications for health. As is typical of such cases, the health argument did not substantially prevail. The Methanex case, an exception, nevertheless extended exposure to a known health hazard:

• **Closure of a Toxic Waste Disposal Site**

In a landmark environmental case filed under NAFTA Chapter 11, a NAFTA tribunal awarded the U.S.-based Metalclad Company \$16.7 million in its suit against Mexico. The state of San Luis Potosí had refused permission for Metalclad to re-open a waste disposal facility, in the face of a geological audit showing the facility would contaminate the local water supply and resulting opposition by the local community. Metalclad claimed that this local decision constituted an expropriation of its future potential profits and successfully sued Mexico.

• **Eliminating Toxic Gasoline Additive**

The Methanex Corporation of Canada sued the United States for approximately \$1 billion, because the state of California banned the use of methyl tertiary butyl ether (MTBE), a gasoline additive. Though introduced to reduce air pollution, MTBE was found to be carcinogenic when it leaked into the water supply. Methanex produces methanol, a component of MTBE. Methanex ultimately lost its case, because the trade panel cast doubt on whether the state intended to discriminate against Methanex as a foreign corporation. However, due in part to the possible sanctions resulting from this case, MTBE remained in use within California for years as the case proceeded. The U.S. Dept. of Justice spent millions defending the case.

These cases suggest two policy remedies for public health:

1. Eliminate the investor-state mechanism that permits foreign corporations to file trade charges against sovereign governments.
2. Trade agreements should exclude health-related laws and regulations from trade challenges at both the country-to-country level, through the WTO, and from challenges by corporations through bilateral and regional agreements.

**Conclusions**

CPATH recommends that Congress:

- Incorporate the Public Health Objectives for U.S. Global Trade Agreements as U.S. negotiating objectives.
- Conduct hearings, solicit public comment, and take other appropriate investigatory and oversight actions in all relevant Committees in Congress to assess the impact of past, pending and current trade agreements on population health, and assure based on such assessment that these agreements do not have an adverse impact on health.
- Mandate the appointment to all relevant trade advisory committees representatives of organizations that work to assure equitable access to affordable health-related services and products, and promote the health of individuals, communities and populations.

- Promote transparency and democratic accountability at all levels of the trade negotiation process, including enabling public access to all trade advisory committee meetings, proceedings and submissions related to multilateral and bilateral trade negotiations.
- Exercise its power and authority concerning trade agreements negotiated by the U.S.; retain its rightful authority for review, discussion and revision of the TPP and all future trade agreements in the interest of protecting the health and safety of the American people; and oppose the Bipartisan Congressional Trade Priorities and Accountability Act of 2015.



**UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON WAYS AND MEANS**

**“Expanding American Trade with Accountability and Transparency”**

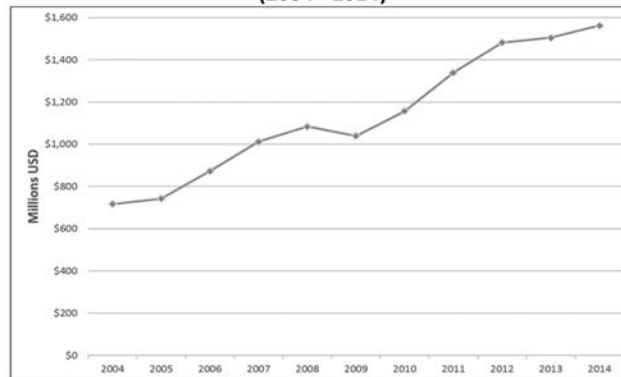
April 22, 2015

The following statement is submitted on behalf of the Distilled Spirits Council of the United States, Inc. (Distilled Spirits Council) for inclusion in the printed record of the Committee’s hearing on Expanding American Trade with Accountability and Transparency. The Distilled Spirits Council is a national trade association representing U.S. producers, marketers and exporters of distilled spirits products. Its member companies export spirits products to more than 130 countries worldwide.

**THE IMPORTANCE OF TRADE TO THE U.S. SPIRITS INDUSTRY**

The Distilled Spirits Council and its members have a strong and growing interest in trade, from a commercial perspective and from a policy perspective. As a commercial matter, our members have become increasingly reliant on exports to fuel growth. Indeed, global U.S. spirits exports have more than doubled over the past decade, reaching over \$1.5 billion in 2014. This was the eighth consecutive year that exports of American-made spirits exceeded \$1 billion. The majority of U.S. spirits exports are comprised of Bourbon and Tennessee Whiskey, which are recognized in several trade agreements as distinctive products of the United States. Exports of rum and other spirits also make a significant contribution to the U.S. economy. As of 2012, the distilled spirits industry supported 717,000 direct employees. Continuing to expand exports supports current and future employment in the industry.

**GLOBAL U.S. SPIRITS EXPORTS<sup>1</sup>  
(2004 - 2014)**



<sup>1</sup> Source: U.S. International Trade Commission TradeDataweb

Given the growing importance of export markets to the industry's long term growth, the Distilled Spirits Council has a strong interest in a wide range of trade policy matters and has long been a very active supporter of market-liberalizing trade initiatives. For example, the Distilled Spirits Council has strongly supported multilateral, regional and bilateral trade agreements. We are active participants in the business coalitions supporting the negotiations toward a Trans-Pacific Partnership Agreement (TPP) and Transatlantic Trade and Investment Partnership (TTIP), have supported Congressional approval of free trade agreements (FTAs) the United States has concluded with various trading partners, as well as the granting of Permanent Normal Trade Relations (PNTR) status to China, Vietnam and Russia.

#### THE IMPORTANCE OF RENEWING TRADE PROMOTION AUTHORITY

There is no doubt that past efforts by the United States to open foreign markets have contributed to the impressive gains the U.S. industry has made, and continues to make, in expanding U.S. spirits exports. Certainly, past grants of trade promotion authority provided previous administrations with the necessary leverage to secure significant market access commitments from trading partners.

For example, during the Uruguay Round of GATT negotiations, distilled spirits were included in the "zero-for-zero" negotiations, in which the United States and European Union agreed to eliminate their respective tariffs on substantially all spirits. The value of U.S. exports to the European Union have more than tripled since the Uruguay Round agreements entered into force in 1995, from \$184 million to \$744.5 million in 2014. In addition, the implementation of FTAs has improved access for U.S. spirits exports to several important overseas markets, such as Australia, Canada, Mexico, Chile, Peru, Singapore, Korea, Colombia, Panama and Central America. Since the tariffs were eliminated under the U.S.-Australia FTA in 2005, for example, U.S. spirits exports to Australia have grown by 70% to \$131 million. Australia now ranks as the industry's fourth largest export market worldwide. Such trade liberalizing efforts are critical to ensure that U.S. spirits exports are on a level playing field with domestically-produced spirits and other imported spirits.

Despite these impressive gains, the U.S. spirits industry continues to confront formidable trade barriers, particularly in key emerging markets. India, for example, assesses an import tariff of 150% *ad valorem* on spirits and, as a result, U.S. spirits exports to India remain disappointingly low. In 2014, U.S. direct spirits exports to India were valued at \$3.9 million, accounting for less than 0.3% of all U.S. spirits exports. Indeed, U.S. spirits exports to India remain far below U.S. exports to comparable markets, particularly in light of the fact that India ranks as *the largest whiskey market in the world*, both in terms of volume (1.5 billion liters in 2013) and value (\$21.6 billion in retail sales in 2013).<sup>2</sup> Other emerging markets with strong potential for U.S. spirits sales also maintain high tariffs on imports, including Vietnam (45%), which is participating in the TPP negotiations, Thailand (54-60%), and Brazil (20%).

<sup>2</sup> Source: Euromonitor International Database.

Moreover, international regulatory activities affecting product standards, labeling and certification requirements, among other non-tariff measures, have become increasingly problematic for the U.S. spirits industry. As a consequence, our organization devotes considerable resources to monitoring regulatory developments, principally through the notification procedures established under the WTO Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS). In that connection, the Distilled Spirits Council has submitted numerous detailed comments with respect to proposed TBT and SPS measures that could impact trade in distilled spirits.

Current and future trade negotiations offer an important vehicle to address tariff and non-tariff barriers that impede the ability of U.S. spirits exporters to gain a foothold in foreign markets. Specifically, negotiations towards a TPP agreement afford an important opportunity to open up key emerging markets, including Vietnam and Malaysia, to U.S. spirits exports. However, TPA is essential in order to bring these important negotiations to a successful conclusion. Failure to do so will provide trading partners with whom the U.S. is negotiating little incentive to make the key decisions needed to conclude strong, market-opening agreements, thus leaving U.S. companies, including spirits exporters, at a serious competitive disadvantage vis-à-vis our overseas competitors.

## CONCLUSION

In sum, international trade has become increasingly important to the U.S. spirits industry, and the ability of the United States to conclude high standard, comprehensive and trade liberalizing agreements with key partners will help to ensure the long term viability of the industry. TPA is absolutely vital to ensure that U.S. negotiators are empowered to conclude the strongest possible trade agreements to address the types of trade barriers that impede U.S. exports of distilled spirits. The Distilled Spirits Council, therefore, strongly supports swift congressional approval of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, and we stand ready to cooperate closely with Congress in seeking the prompt approval of this legislation.

Thank you very much for your consideration.

Written Statement of:

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(202) 682-8870

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April 21, 2015

The Honorable Paul D. Ryan, Chair  
The Honorable Sander M. Levin, Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Levin:

On behalf of LeadingAge, I am writing about our concern over proposed trade legislation that would offset the cost of extending trade readjustment assistance benefits with another extension of Medicare sequestration. This offset is simply wrong, and we urge you to remove it from the legislation.

Over the last few years, Medicare payments to post-acute care providers have taken a number of hits. The Affordable Care Act applies a productivity adjustment factor to the annual Medicare payment update, directly affecting resources necessary for good-quality care. Payments to skilled nursing facilities were cut by 11% across-the-board in 2011. Home health care payments are being rebased, which will substantially reduce reimbursement to providers. Last year, Congress enacted value-based purchasing for skilled nursing facilities, due to take effect within a few months. And the IMPACT Act enacted last year will lead to major revisions in post-acute care payment systems over the next few years.

In 2015, the 2% Medicare sequestration resulted in no payment update for most post-acute care providers, since it essentially negated the 2% increase in provider costs that the Centers for Medicare and Medicaid Services (CMS) had calculated. Medicare sequestration is already scheduled to last a year longer than originally enacted because it was used to offset the cost of restoring cost-of-living increases in military pensions. Again, we do not argue with military pension policy, but the offset should not have come from a program providing essential health care coverage to seniors.

As the large baby boom cohort ages, Medicare will face growing cost pressures. We also anticipate potential budget legislation later this year that could have an impact on the program. If savings have to be achieved in Medicare, they should be directed back into keeping it financially stable for the population it is intended to serve.

Medicare must not be a piggy bank to offset the costs of legislation unrelated to the program. Please find other means of offsetting the costs of the trade measure soon to come before your committee.

Sincerely,

William L. Minnix, Jr.  
President and CEO

**About LeadingAge**

The mission of LeadingAge is to expand the world of possibilities for aging. Our membership has a service footprint of 4.5 million and includes a community of 6,000 members representing the entire field of aging services, including not-for-profit organizations, state partners, and hundreds of businesses, consumer groups, foundations, and research partners. LeadingAge is a tax-exempt charitable organization focused on education, advocacy, and applied research.



**TESTIMONY OF ROGER JOHNSON**

**PRESIDENT**

**NATIONAL FARMERS UNION**

**SUBMITTED TO THE U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON WAYS AND MEANS**

**REGARDING EXPANDING AMERICAN TRADE WITH ACCOUNTABILITY AND TRANSPARENCY**

**APRIL 22, 2015  
WASHINGTON, DC**

### Introduction

On behalf of family farmers, ranchers, and rural members of National Farmers Union (NFU), thank you for the opportunity to submit testimony regarding U.S. trade policy and Trade Promotion Authority. NFU was organized in Point, Texas in 1902 with the mission of improving the wellbeing and economic opportunity for family farmers, ranchers, and rural communities through grassroots-driven advocacy. That mission still drives NFU's work today. As a general farm organization, NFU represents agricultural producers across the country and in all segments of agriculture.

NFU, as directed by its policy adopted by delegates to its annual convention, advocates for fair trade. NFU recognizes that international trade is an important part of successful family farming in the U.S., but increasing trade is not an end unto itself. NFU policy states, "Every future trade agreement must address differences in labor standards, environmental standards, health standards, and the trade-distorting effect of currency manipulation and cartelization of agriculture markets."<sup>1</sup>

The original intent of Trade Promotion Authority (TPA) was to lay out the procedures for notification between the executive and legislative branch and the expedited legislative process for approval. Beyond the procedural components of Trade Promotion Authority, and most importantly, the legislation sets forth the objectives for any president for negotiating trade agreements. The Trans-Pacific Partnership negotiations are largely completed, so there is no need for Congressionally-assigned, unenforceable objectives. Objective-setting should occur prior to the start of negotiations, not near the end.

### Balancing trade

For years, trade agreements have been touted for their ability to open up markets for agricultural exports. Agriculture has had the good fortune to fair relatively well in trade. Since 1960, U.S. agricultural exports have been larger than agricultural imports, creating a surplus in agricultural trade.<sup>2</sup> This surplus is important for the overall economy because it helps offset the massive overall trade deficit, which totaled over \$505 billion in 2014, a six percent increase from 2013. The overall trade deficit represents roughly three percent of the U.S. Gross Domestic Product (GDP). The trade deficit causes a drag on overall growth of the economy. With a strengthening U.S. dollar, the deficit is likely to grow in 2015, as a strong U.S. dollar will encourage imports and reduce exports.

In the first three years of the Korea-U.S. Free Trade Agreement, remarkably and unfortunately, U.S. agricultural exports have stagnated at zero percent, and the overall trade deficit with Korea has increased to \$12.7 billion, an estimated 84 percent increase. After implementation of the free trade

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<sup>1</sup> Nat'l Farmers Union, 2015 Policy of the National Farmers Union (2015) available at <http://www.nfu.org/nfu-2015-policy/2066>.

<sup>2</sup> USDA Economic Research Service available at <http://www.ers.usda.gov/topics/international-markets-trade/us-agricultural-trade.aspx>.

agreement, agricultural exports have failed to increase to Korea, despite increasing six percent overall. When even agriculture fails to grow as a result of trade agreements, the overall trade policy must be reevaluated. The U.S. reduced tariffs with Korea, and as a result, more Korean products are in the U.S. than the U.S. has shipped to Korea. The deficit has negative impacts on jobs and rural communities.

The massive overall trade deficit exists despite the U.S. having free trade agreements with 20 countries, including major trading partners like Canada and Mexico. Because of the significant impact the trade deficit has on the U.S. economy, all future trade agreements, such as TPP and the Transatlantic Trade and Investment Partnership (T-TIP), must have the explicit objective of balancing trade. NFU is disappointed this objective was not included in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015.

#### **Currency manipulation**

One of the major contributing factors to the massive trade deficit is currency manipulation. Currency manipulation occurs when other countries deliberately lower the value of their currencies relative to the U.S. dollar to gain an unfair advantage. This uniquely American issue, due to the role of the U.S. dollar in the global economy, effectively acts as a subsidy on that country's exports and a tax on U.S. exports.

One of the members of the TPP negotiations, Japan, is a major currency manipulator. In a report by the Economic Policy Institute (EPI) evaluating the impact of trade with Japan, EPI found that 896,600 U.S. jobs have been lost due to the U.S. -Japan trade deficit.<sup>3</sup> Currency manipulation is the single most significant cause of the trade deficit with Japan, which totaled \$78.3 billion in 2013 for goods.

The issue of currency manipulation is not exclusive to countries with which the U.S. does not have trade agreements. In fact, the latest free trade agreement the U.S. entered into with South Korea suffers the same issues with currency manipulation as Japan. Earlier this month, the U.S. Treasury Department issued its semiannual report on international economic and exchange rate policies. In its report, its harshest criticism of currency manipulation was reserved for South Korea, not China. The report stated, "Korean authorities appear to intervene on both sides of the market but, on net, they have intervened more aggressively to resist won appreciation."<sup>4</sup> The U.S. entered into a free trade agreement with Korea in March of 2012. The U.S.-Korea Free Trade Agreement (KORUS) used the same failed blueprints of previous trade agreements and failed to include provisions to address currency manipulation. South Korea has, and continues to be, one of the world's major currency manipulators. Currency manipulation has the capacity to eliminate any gains in tariff reductions that may be made in free trade agreements. Without measures to enforce restrictions on currency manipulation, free trade agreements fail to live up to the promises made by their supporters.

<sup>3</sup> Economic Policy Institute, Currency Manipulation and the 896,600 U.S. Jobs Lost Due to the U.S.-Japan Trade Deficit (2015) available at <http://www.epi.org/publication/currency-manipulation-and-the-896600-u-s-jobs-lost-due-to-the-u-s-japan-trade-deficit/>

<sup>4</sup> U.S. Department of the Treasury, Report to Congress on International Economic and Exchange Rate Policies (2015) available at [http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2014-4-15\\_FX%20REPORT%20FINAL.pdf](http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2014-4-15_FX%20REPORT%20FINAL.pdf)

Currency manipulation remains a top concern of NFU, particularly in the context of TPP. Members of the TPP negotiations are well known currency manipulators, including Malaysia, Singapore, and Japan. With passage of Trade Promotion Authority, Congress eliminates its capacity to ensure that this significant trade agreement contains enforceable measures to address currency manipulation.

#### **Conclusion**

NFU's policy book states, "The measure of the success of a trade agreement has to be its benefit to U.S. agriculture and specifically of its producers' net income. Vague promises of 'market access' to foreign markets do not offset opening our border for even larger amounts of foreign-produced goods to enter our markets. Market access does not equal market share."

Since TPP almost certainly contains no measures to address the trade deficit or currency manipulation and TPA fails to address these major concerns, NFU opposes TPA. Congress should maintain its Constitutional authority and review the trade agreements in a transparent manner.





**REPRESENTATIVE**  
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**To:** United States House of Representatives Committee on Ways and Means

**From:** Dr. Thomas Zielke, CEO & President, Representative of German Industry and Trade

**Date:** May 6, 2015

**Re:** Statement for the Record on H.R. 1890, a Bill to establish Congressional Trade Negotiating Objectives and enhanced consultation requirements for trade negotiations, to provide for consideration of trade agreements, discussed at a hearing on April 22, 2015.

The Representative of German Industry and Trade appreciates this opportunity to submit comments to the Members of the House Committee on Ways and Means on H.R. 1890, the "Bipartisan Congressional Trade Priorities and Accountability Act of 2015," commonly referred to as "TPA."

The Representative of German Industry and Trade (RGIT) is the liaison office of the Association of German Chambers of Commerce and Industry (DIHK) and the Federation of German Industries (BDI) in Washington, DC.<sup>1</sup> RGIT represents the interests of the German business community in the US, comprising of over 4,700 German subsidiaries that employ over 620,000 American workers, mainly in various manufacturing sectors.<sup>2</sup>

RGIT supports H.R. 1890 because Trade Promotion Authority laws have played an essential role in guiding both Democratic and Republican Administrations as they pursue trade agreements that eliminate barriers to trade in foreign markets, and establish rules to prevent discrimination, while also supporting American jobs.

**The US needs trade:**

- One in five US jobs already depend on trade and the successful negotiation of future trade agreements could create further job opportunities.<sup>3</sup>
- One in four US manufacturing jobs depends on exports, and these workers' wages are 18% higher on average than those of other factory workers.<sup>4</sup>
- The United States actually has a trade surplus with its 20 FTA partners.<sup>5</sup>

<sup>1</sup> RGIT does not represent individual companies as clients, but rather represents its principals DIHK and BDI.

<sup>2</sup> Source: US Department of Commerce.

<sup>3</sup> "Trade and American Jobs," The Trade Partnership:

[http://www.tradepartnership.com/pdf\\_files/Trade\\_and\\_American\\_Jobs7.2010.pdf](http://www.tradepartnership.com/pdf_files/Trade_and_American_Jobs7.2010.pdf).

<sup>4</sup> US Department of Commerce: <http://trade.gov/publications/ita-newsletter/0510/exports-play-vital-role-in-supporting-us-employment-0510.asp> and

[http://trade.gov/mas/ian/build/groups/public/@tg\\_ian/documents/webcontent/tg\\_ian\\_003208.pdf](http://trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003208.pdf).

RGIT is the liaison office of the Federation of German Industries (BDI) and the Association of German Chambers of Industry and Commerce (DIHK)



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With Trade Promotion Authority, the United States will be better positioned to negotiate 21<sup>st</sup> century trade agreements that support high standards and help American companies compete in the global economy. Thus, H.R. 1890 is also an important strategic instrument.

**H.R. 1890 Supports Increased Trade with Germany and the European Union:**

The transatlantic trade and investment relationship is particularly strong.<sup>6</sup>

- The EU is the most important destination for US exports after Canada, accounting for 17% of all US exports.
- Germany is the fifth largest export market for the US.
- 50% of all US foreign direct investment (FDI) is invested in the EU.
- 60% of FDI in the US comes from the EU.

TTIP would foster the strong trade and investment ties between our two markets, and it would spur job creation on both sides of the Atlantic.

RGIT represents large companies and SMEs in the US and Germany. The main barriers to trade and investment cited by these companies are:

- Diverging standards and regulations
- Duplicative testing and inspection requirements
- Tariffs that put a strain on high trade volume
- Burdensome custom procedures

In particular, most SMEs do not have the resources to overcome significant market barriers on their own and must instead rely largely on US government initiatives to increase their access foreign markets. In 2012, SMEs accounted for 98% of US exporters with nearly 300,000 companies shipping goods overseas. When one considers that only 5% of America's 6 million SMEs are exporting, the potential benefits of expanded market access through TTIP are staggering.

A survey by the US Trade Representative (USTR) and the European Commission provides several examples of how American SMEs, across a wide variety of sectors, suffer due to trade restrictions, tariffs, and burdensome regulations.<sup>7</sup> Section 2 of H.R. 1890 highlights that regulatory cooperation, in light of globalized supply chains, is a vital negotiation objective.

Larger American companies who rely on German goods and components in their global supply chains also suffer significant losses as a result of regulatory divergence. In an increasingly globalized world, companies strive to streamline their supply chain logistics and often choose to invest in countries which not only have a substantial supplier network for intermediate components, but also preferred tariffs for

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<sup>5</sup> US Chamber of Commerce: <https://www.uschamber.com/blog/one-weird-fact-about-trade-deficit-no-one-has-noticed>.

<sup>6</sup> Source for statistics below: US Department of Commerce.

<sup>7</sup> [http://trade.ec.europa.eu/doclib/docs/2014/march/tradoc\\_152266.pdf](http://trade.ec.europa.eu/doclib/docs/2014/march/tradoc_152266.pdf)

the shipment of their end products. With the ratification of the European Union's Comprehensive Trade and Economic Agreement (CETA) with Canada, the EU will have free trade agreements with both Canada and Mexico. The inability to successfully conclude an ambitious TTIP agreement could have negative implications for future German investment in the United States.

Further, American companies are disadvantaged in the European marketplace because the US has no trade agreement in place. USTR estimates that US manufacturers exported more than \$253 billion worth of industrial products to the EU in 2012. However, US products face higher tariffs than products from Chile, Mexico, and South Korea, often putting them at a competitive disadvantage. If Congress acts to reverse this harmful imbalance, US manufacturers, and the German companies who are part of their supply chains, will benefit greatly.

We ask Congress to act now to pass H.R. 1890, and help trade flourish.

**Clear Objectives in Negotiating TTIP:**

On May 4, 2015, at the conclusion of the most recent TTIP negotiation round, EU Trade Commissioner, Dr. Anna Cecilia Malmström, suggested that the protracted TPA debate in Congress is slowing TTIP negotiations. RGIT agrees that Bipartisan Congressional Trade Priorities and Accountability Act which sets forth clear objectives and guidelines for trade negotiations would facilitate more efficient TTIP talks. Specifically, H.R. 1890 highlights important objectives in trade in goods, services, and agriculture, and cross-border data flows. If enacted, these objectives would give US negotiators a stronger mandate, as well as send an important signal to negotiating partners in Europe that the US government and Congress are committed to seeing a successful conclusion of the TTIP.

RGIT believes that passing H.R. 1890 is not only integral to ratification of the TTIP, but also instrumental in determining the breadth and depth of the final agreement. The complex nature of the issues at stake requires significant input and support from Congress. The successful passage of H.R. 1890 is a crucial step in this direction - a step which would encourage negotiators to craft an agreement that sets standards for the global economy with trading partners who also value high standards for consumer protection, the environment, and labor.

**Conclusion**

RGIT urges this Committee to do all it can to promote H.R. 1890 among its colleagues in the House of Representatives. German and American companies have suffered too long under cumbersome trade restrictions. Unless decisive action is taken now, both economies will be at a disadvantage in the global marketplace. RGIT and its staff offer their assistance to this Committee and its staff in furtherance of this goal. Not passing H.R. 1890 would be a missed opportunity to set trade policy in the years to come.

