

**PRESIDENT'S TRADE POLICY AGENDA AND
FISCAL YEAR 2018 BUDGET**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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JUNE 21, 2017
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PRESIDENT'S TRADE POLICY AGENDA AND FISCAL YEAR 2018 BUDGET

WEDNESDAY, JUNE 21, 2017

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

The hearing was convened, pursuant to notice, at 10:20 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Orrin G. Hatch (chairman of the committee) presiding.

Present: Senators Grassley, Crapo, Roberts, Cornyn, Thune, Isakson, Portman, Heller, Scott, Cassidy, Wyden, Stabenow, Cantwell, Menendez, Carper, Cardin, Brown, Bennet, Casey, and McCaskill.

Also present: Republican Staff: Chris Campbell, Staff Director; Shane Warren, Chief International Trade Counsel; Rory Heslington, Professional Staff Member; Douglas Petersen, International Trade Counsel; and Andrew Rollo, Detailee. Democratic Staff: Joshua Sheinkman, Staff Director; Elissa Alben, Senior Trade and Competitiveness Counsel; Greta Peisch, International Trade Counsel; and Jayme White, Chief Adviser for International Competitiveness and Innovation.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will come to order—if we could have order here.

Good morning and welcome to today's hearing, during which we will discuss our Nation's trade policy agenda as well as budget requests for the U.S. Trade Representative. We are so happy to have him here.

I want to thank you, Ambassador Lighthizer, for being here today. You have been in office for a little more than 1 month, and we already have seen quite a bit of you here in the Senate. I personally take this as a good sign that you understand the importance of not only meeting with the Senate, but also listening to the advice that you receive and incorporating it into your negotiating postures and positions.

As you and I have discussed, following the letter and spirit of the Trade Promotion Authority statute is the only way to build the necessary support in Congress to execute the President's ambitious trade agenda.

Members of the committee are looking forward to inquiring about and discussing that agenda today. As required by law, USTR issued its trade agenda report in March. Unfortunately, due to un-

necessary and politically motivated delays to Ambassador Lighthizer's confirmation, that report had to be issued before he took office. Now that Ambassador Lighthizer is in office, today is an opportunity for him to update Congress on the administration's trade goals.

Like I said, President Trump has outlined an ambitious trade agenda. That is a good thing. The number-one goal for the administration must be to build and maintain a healthy economy for American businesses, workers, and families. And that requires a trade policy that not only increases economic opportunities for American companies and consumers, but also holds foreign nations accountable when they abuse the system.

With that in mind, let me offer one piece of advice to the administration. When tackling trade challenges, you should stay focused on trade. That might sound obvious. But believe me, some tend to disregard that particular piece of advice.

I was very critical of the last administration for using American negotiating leverage to push a social agenda that was often more concerned with labor, environment, public health, and other policies than with improving the trade policy of our trading partners.

I hope that this administration, in contrast, will keep America's trade policy focused on trade. I would be similarly concerned with the use of national security tools to achieve trade policy goals, if doing so would risk undermining our national security capabilities.

The President bears the responsibility for managing significant national security threats from North Korea, Iran, and elsewhere. And we must ensure that none of our Nation's trade actions jeopardize the ironclad principle that the United States has the absolute right to act in its essential security interests, including through sanctions, embargoes, and other economic measures.

Just as all national security options must remain on the table to address security threats, we must use the full range of trade policy tools to hold foreign nations accountable. I expect and am confident that this administration will aggressively pursue enforcement at the World Trade Organization, utilize domestic trade remedy laws, combat intellectual property rights violations, and work to resolve market distortions in China and other countries.

Congress has provided the executive branch the tools necessary to pursue these objectives. For example, Congress recently authorized the Enforce and Protect Act to target duty evasion and passed legislation improving the effectiveness of the Special 301 mechanism and WTO-authorized retaliation measures.

We also established a Chief Intellectual Property Negotiator, a Trade Enforcement Trust Fund, and the Interagency Center on Trade Implementation, Monitoring, and Enforcement. All of these provisions were intended to give our Nation's trade enforcers and negotiators the tools that they need to ensure that our trading partners follow the rules.

Ambassador Lighthizer, I am interested in hearing your views on how USTR and the administration will use these and other existing trade authorities to challenge the improper practices of foreign countries and what additional resources, if any, might be needed in order to best utilize these particular tools.

Of course, ensuring that our trading partners follow the rules is only part of the equation. Establishing those rules also is in our national interest. Toward that end, the upcoming negotiations with Canada and Mexico provide the administration with the unique opportunity to improve North American integration. This will make this region a more attractive investment and manufacturing hub and serve as a counterweight to China.

Looking further ahead, the administration must build upon a stronger North American base to expand opportunities for American businesses, consumers, and workers in the Asia-Pacific region, including through bilateral free trade agreements.

The administration is focused on addressing global trade imbalances, and history has demonstrated to me, as well as many others, that the best way to address those imbalances is through U.S.-led free trade agreements.

Currently, the United States has free trade agreements with 20 individual countries. And in 2015, the overall U.S. trade surplus with those countries was more than \$8 billion. Long story short, the best way to ensure a strong U.S. economy through trade, of course, is to negotiate deals with foreign nations that require them to play by our rules and allow us to hold those countries accountable when they fail to do so. Now, that is what I believe President Trump wants.

And I encourage you, Mr. Ambassador, to utilize the authorities provided under the TPA statute to achieve these goals.

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

The CHAIRMAN. Now, Senator Wyden is going to be just a little late; he is over at the Intelligence Committee doing his work over there. But as soon as he arrives, we will give him time to give his opening remarks as well.

But without delay, we are going to turn to you, Mr. Ambassador, and take your statement right now and then go into questions.

Ambassador Lighthizer?

STATEMENT OF HON. ROBERT E. LIGHTHIZER, UNITED STATES TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador LIGHTHIZER. Chairman Hatch, Ranking Member Wyden, and other members of the Committee on Finance, it is an honor to appear before you today. I am looking forward to working with all members to implement a trade policy that benefits America's workers, farmers, ranchers, and businessmen.

The President has requested an increase in funding for USTR for the coming fiscal year. Our budget calls for \$57.6 million, an increase of roughly 6 percent over the 2016 level, which is the last full year of the last administration.

These additional resources will be used to implement the Interagency Center on Trade Enforcement and Monitoring and would allow USTR to hire eight additional staffers to support our trade enforcement activities. The administration's budget request is consistent with both the President's desire to control Federal spending as well as his insistence on a strong and aggressive trade policy.

The overwhelming majority of USTR's resources are used for personnel and travel. Payroll accounts for about 76 percent of the budget, and travel is 11 percent.

Since being sworn in as USTR last year, I have been working with our team to advance the President's trade policy. We have been active on the international front, with trips to the Asia-Pacific Economic Cooperation Meeting in Hanoi, as well as a meeting of the Organisation for Economic Co-operation and Development in Paris.

At these meetings, as well as numerous other bilateral meetings here in Washington, I have conferred with my counterparts from almost every major world economy. In many cases, they have indicated a willingness to work with the United States on efforts to reform the global trading system in ways that will lead to market outcomes that are both fairer and more efficient.

My team and I have also reached out to members of this committee, other administration officials, and key stakeholders in an effort to determine what improvements are needed in the international trading system. We are also already making progress on four vital topics: the President's plan to renegotiate NAFTA, advancing a strong enforcement agenda, opening markets to U.S. exports, and lowering the Nation's trade deficit.

I would like to briefly discuss each one.

First, on May 18th, I notified Congress that the President will conduct negotiations with Canada and Mexico in an effort to renegotiate and modernize NAFTA. As required by TPA, the congressional notification is followed by a 90-day period of consultations with the public and Congress. That means that the NAFTA negotiating rounds can begin as soon as August 16th. We intend to move very quickly.

In the meantime, USTR is talking to stakeholders, your staffs, and the public to help us develop policy outcomes for the negotiations. We put out a request for comments and received more than 12,000 responses from the public. We have scheduled public hearings for June 27th, 28th, and 29th.

During the 90-day period, we will continue working closely with the Congress to develop and refine our objectives. In the interest of a transparent process and as required by TPA, we will publish a detailed summary of negotiating objectives on July 17th.

Second, we will have an aggressive enforcement agenda, both in terms of defending our rights and holding other countries accountable for trade violations. For too long, the United States, one of the most open and freest traders in the world, has been the chief target of litigation at the WTO. This makes no sense.

At the same time, we are proceeding with WTO cases against China's unfair support for agriculture, as well as challenging their tariff rate quotas on key farm products. And this is only the beginning. We will aggressively pursue countries that violate trade deals with the United States, whether those deals are at the WTO or in free trade agreements. We have a number of potential cases under review as we speak, and we will keep this committee informed as we proceed.

Third, we intend to improve market access for U.S. producers. Let me be very clear on this point. If you are an American company

that produces a product or provides a service, we at USTR want to help you grow exports around the world. Sometimes that requires an enforcement action; other times, negotiations are sufficient.

The administration is currently engaged in conversations with all of our major trading partners about how we can lower trade barriers that harm U.S. companies, workers, farmers, and ranchers.

Finally, we hope that these and other efforts by the Trump administration will help to lower the Nation's chronic trade deficit. I understand that many observers argue that we should not concern ourselves with the trade deficit, that this figure is merely a number that reflects macroeconomic factors not related to trade policy.

But the President's view and mine is that, when you see a trade deficit in the hundreds of billions of dollars and that deficit goes on for years and years regardless of changes in the broader economy, one must then be concerned that the deficit represents structural problems in global trade.

The common thread throughout our trade policy is that we want to make markets more efficient and we want higher living standards for all Americans. We believe that as markets become fairer and trade becomes freer, U.S. companies and workers will be more competitive and our trade deficit will decline.

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

The CHAIRMAN. Well, thank you so much, Mr. Ambassador.

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

The CHAIRMAN. Our ranking member is here, and we will take his statement at this time. And he may have a colloquy with Senator Crapo, as I understand it.

**OPENING STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Mr. Chairman, thank you very much. And I appreciate all the courtesies. This is really pretty rare right now in terms of trying to juggle so many things that are open sessions.

I am very glad that today we are going to examine the President's trade agenda. In my view, the agenda has to be focused on creating more good-paying jobs for our people—red, white, and blue jobs. That means aggressively going after the trade cheats to make sure our workers are competing on a level playing field. And it means opening up new markets for the Oregon brand and the American brand.

In just a moment, I am going to have a brief colloquy with our friend, Senator Crapo, on a trade matter that is vital to us in the Pacific Northwest. I have just a couple of additional remarks, and we will finish with our colloquy.

I know today we are going to focus extensively on NAFTA. That is where I would like to begin. The President has certainly talked a whole lot about NAFTA for going on 2 years now, essentially since the start of the campaign.

In May, the administration set the renegotiation process in motion. Despite that, neither the Congress nor the public has a lot of information on what the administration looks for in those talks.

My view is that NAFTA could use a complete overhaul. That means high-standard, enforceable labor and environmental commitments, removing chapter 19, which hurts our ability to fight unfair trade practices, and addressing challenges that are specific to dairy and wine and key manufacturing industries.

We also have to combat currency manipulation, market-distorting state-owned enterprises, and the trade cheats that this committee has documented get more and more sophisticated on an ongoing basis. That is not the end of where NAFTA, though, needs improvement.

When container ships on the open seas began to transform the global economy, our country fought for trade rules that protected American-made products we were sending around the world. The fact is, our country has not kept up with a key part of our economy that nobody talked about back when NAFTA was being written, and that is digital goods.

The Internet is the shipping lane of the 21st century and a great platform for the free exchange of ideas, as good as anything the world has ever known. That is worth fighting for. And it is long past time we had trade policies that reflected that new reality.

So here is what our new approach has to be. Our trade agreements must protect the free exchange of ideas and information, and they must protect access of American-made digital products to people around the world. Just as we fight against countries constructing barriers to our manufactured goods and ag products, we must respond when countries block American-made technologies, apps, and social media services.

In short, we cannot accept protectionist approaches to the Internet, grounded in either mercantilism or authoritarianism. So no administration, now or in the future, ought to expect to have my support for any trade agreement that fails to include provisions that protect the Internet as an open platform of commerce, speech, and education.

Mr. Chairman, I look forward to discussing these and other issues.

Just two last points. First, I think we have to be careful about potential obstacles in the road ahead. They include an artificial, accelerated timeline and a lack of transparency.

It has been reported the administration hopes to conclude negotiations by the end of this year. I am all for being swift, but I am also a firm believer that you get results before you set a cutoff date. There is a serious danger that an artificial deadline will push negotiators toward lower standard proposals they know the other side will accept. That is not a recipe for success.

Second, the administration regrettably has an abysmal record on transparency. The Commerce Department has been conducting what seems to be the most opaque trade negotiation ever with the Chinese as part of the so-called 100-day plan. It is unclear what factors are guiding the administration in the process, and neither Congress nor the public knows what sort of tradeoffs or commitments are being made. This is being repeated in the national security reviews of steel and aluminum. So I have some real doubts that the administration will be able to hammer out a high-standard

overhaul of NAFTA if it turns a deaf ear to congressional and public input.

Failing on transparency is a sure way—a sure way—for any administration, and let me just underline it, to deal a potentially fatal blow to its own trade agenda.

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

Senator WYDEN. Finally, my colloquy with my good friend, Senator Crapo.

Meaningful consultations with Congress and communications with the public are important for every aspect of our trade agenda. And there is a very important matter relating to trade enforcement where Senator Crapo and I have spent decades advocating for the lumber mills and lumber towns of America affected by Canadian export subsidies.

He and I, along with the rest of this committee, both sides of the aisle, need to be fully apprised of any meaningful dialogue between U.S. and Canadian officials to resolve the ongoing dispute over softwood lumber and softwood lumber trade.

Senator CRAPO. I agree, Senator Wyden. A trade accord that does not work for affected stakeholders is counterproductive.

Going forward, this committee should be fully briefed on the details of U.S. proposals before they are made to Canada.

Ambassador Lighthizer, as the statutorily designated lead in trade negotiations, you are critical to ensuring that that happens.

Historically, USTR has been a key voice at the table in negotiations to find a durable resolution to this softwood lumber dispute. And your expertise is critical if the administration is to get the best deal for Americans.

Thank you.

Senator WYDEN. Senator Crapo, thank you for your thoughtful comments.

And, colleagues, it is important to know we are now up to 25 Senators, evenly divided between both political parties, who care deeply about this issue that Senator Crapo has touched on.

I will close with one last point for the Ambassador, because I am going to be running back and forth between hearings this morning.

I was heartened, Mr. Ambassador, when you said during your confirmation hearing that this question of softwood lumber was at the top of your list and you expected to be personally involved. We were encouraged by that. I hope that you will commit this morning to brief Senator Crapo and myself and all interested colleagues on proposals to date within one week of this hearing and consult with us regularly as the negotiations go forward.

We very much need and want you at the table during those negotiations and consulting with us every step of the way. We want your trade agenda to be a success. Democrats and Republicans agree on that: more good-paying jobs in farming, in manufacturing, in services, for businesses large and small. We can do that if you will consult with us on a regular basis so that Democrats and Republicans on this committee can continue to look at ways in which we can—and Senator Stabenow probably says it better than anybody—grow it here, make it here, add value to it here, and ship

it to people around the world who are so anxious for the Oregon brand and the American brand.

I thank you for your courtesy. And I want to thank my colleagues for letting me sort of airdrop in. And I will be back and forth a little bit.

I thank my colleagues.

The CHAIRMAN. Thanks, Senator.

Ambassador Lighthizer, as you continue consultations with Congress on modernizing NAFTA, one of your top priorities, in my opinion, must be to ensure that the agreement provides opportunities for America's most innovative sectors.

North America should be second to none in providing an environment that fosters innovation and supports research and development investment. An updated agreement should ensure that our trading partners have streamlined, predictable, and WTO-compliant procedures for granting patents. The agreement also should improve online IP enforcement to combat digital piracy in Canada and in Mexico.

How do you plan to use the upcoming negotiations to ensure strong intellectual property protections for America's innovative manufacturing and services sectors?

Ambassador LIGHTHIZER. As you say, Mr. Chairman, this is an extremely high priority for us. It is an area where the current agreement is probably somewhat deficient.

We have issues with both Canada and Mexico in the area of intellectual property protection, and we expect to make this a model agreement in that area. So it is a high priority. It is, as you suggest, not just patents; it is copyright, it is trademark, it is across-the-board intellectual property protection. And we understand how high a priority it is for this committee.

We will continue to work with you as we go forward, and we will not bring an agreement back here that does not satisfy the committee on the IP area.

The CHAIRMAN. Well, thank you. As you are aware, the Internet has helped American small businesses reach consumers around the world. To ensure that small businesses continue to have access to global customers, the U.S. has led efforts to keep e-commerce free of Customs duties.

Moreover, just last year the United States increased the de minimis threshold to help support the growth of e-commerce. Do you agree that an updated NAFTA should ensure that Customs duties will not be imposed on e-commerce and that our NAFTA partners should increase their de minimis levels?

Ambassador LIGHTHIZER. I certainly agree that that should be the case, and that will be our position. There are real differences in the three countries between the de minimis levels. And as you suggest, the United States has what is clearly the most modern, the most enlightened version, and that is something that I am aware of and that we will pursue. And I hope that we end up with a good result in this area.

And also, as you say, there is no digital chapter in the NAFTA currently. We need to have a model agreement in this area. And there is no reason in the world why we should not.

In many ways, this is an opportunity to negotiate with two countries that we are very close to and that have similar economies in many ways. And in a variety of these cutting-edge areas, we ought to be able to have what is a model agreement that, as we go forward to do bilateral agreements with other countries, we can draw back on.

So it is a high priority, the de minimis level, but the whole digital economy is something that we really have to address.

The CHAIRMAN. Well, thank you. The President will meet next week with the Prime Minister of India. As you know, India maintains multiple trade and investment barriers that significantly harm American businesses and workers.

India appears to be specifically targeting some of America's most innovative and successful sectors through insufficient protection of intellectual property rights, imposition of price controls on medical devices, prohibitions of foreign direct investment in online businesses to consumer retail, and various other measures.

What specific actions is the administration taking or planning to take with the government of India to eliminate these particular barriers?

Ambassador LIGHTHIZER. Well, as you say, Mr. Chairman, the Prime Minister, Prime Minister Modi, is coming next week. As is always the case in situations like this, there are a whole series of pre-meetings that go on. And during those pre-meetings—I have had some myself, and there will be more as we get closer to the agreement—we have a list of items that I will just euphemistically call “irritants,” but items that clearly need to be addressed. And in this area of intellectual property protection, there are several.

And we have had several stakeholders come in, quite frankly, and complain about not only intellectual property protections in India, but also pricing on pharmaceuticals and medical devices and the like.

So we have a list of things that we want to go over. And we are hoping that we end up with deliverables that come out at the time of the President's meeting with the Prime Minister.

And we will have additional interactions with India after that. We have a forum where we raise issues, and we will continue to do so. And where we find ourselves believing we have WTO violations or other violations, we are going to bring enforcement actions.

The CHAIRMAN. Well, thank you. My time is up.

Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman.

Mr. Chairman and colleagues, I know a lot of members are juggling here, so I am just going to ask one question now.

And, Mr. Lighthizer, we will have several questions for you for the record.

Obviously, we have noted the administration has an ambitious timeline for completing negotiations with Mexico and Canada. And we obviously want to make sure that we get real improvements—real improvements—not just some small, cosmetic changes. And we want to make sure that substance drives the timing.

So if it becomes clear that you may not be able to get the agreement as quickly as you would like, it looks to me like there are kind of three choices: you cut your losses and agree to a small set

of improvements, you withdraw from NAFTA, or you continue the talks with an aim of trying to really deliver a high-standard model agreement.

I would like your thoughts on that and how you would proceed if you do not get an agreement quickly.

Ambassador LIDTHIZER. Well, Senator, I have seen reports that suggest that we have a deadline. And let me assure the committee, we do not have a deadline. The only deadline we have is that we are going to get a good agreement, one that is transformative and that is a very high-standard agreement.

So there are people who have talked about this being done by the end of the year. That may happen; I do not know. There are reasons related to other people's electoral systems that might make that beneficial. But from my point of view, I do not have any deadline.

If we find ourselves in a total stalemate where we cannot make any progress, then we will, in consultation with the committee, decide on what the next steps should be.

But from my point of view, we are going to get a very good agreement. We are going to do it as quickly as we can, but without any artificial deadline of the end of this year.

Senator WYDEN. So you are prepared to continue to negotiate until you achieve a high-standard agreement?

Ambassador LIDTHIZER. Yes, Senator. I would say I am prepared to continue to negotiate until we get a high-standard agreement unless there is a total stalemate, in which case I will be back in front of this committee, and I will consult with Senators.

Senator WYDEN. Okay.

Ambassador LIDTHIZER. I mean, this cannot—I am not going to be in a position where I am going to commit to the status quo going on forever. That is not going to happen. But we do not have any artificial deadlines. Anything we do will be in consultation with this committee. And I expect to get a high-standard agreement or we are not going to come back with an agreement.

Senator WYDEN. I think that hits the bottom line. And I think it strikes the balance between the executive branch and the legislative branch on trade.

We want to work with you as you try to get the real goal here, which is a high-standard agreement that produces more family-wage jobs. We want you to continue to do that. And you have basically told us now that you will do that. And if you find yourself not in a position to do this, you will come back and consult with us before the next steps. Is that correct?

Ambassador LIDTHIZER. That certainly is my intention, sir.

Senator WYDEN. Great, thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you.

Now, I am going to be tough on the 5-minute rule here because we have everybody wanting to participate, and it really does take an awful lot of time.

Senator Stabenow, you are next.

Senator STABENOW. Thank you very much, Mr. Chairman.

And welcome. It is wonderful to have you, Ambassador LIDTHIZER, in a very important discussion.

I do feel compelled, though, Mr. Chairman, just for the record—

We are talking about trade, which is incredibly important to all of us, but next week we are going to be talking about something that now is one-fifth of the economy.

And I just want for the record—sitting here today, I am looking around and seeing colleagues from both sides of the aisle whom I work with on individual health-care policies all the time. And I think back to this place when we in 2009 held 53 hearings and committee meetings on health-care reform.

And we should be doing that now. So for the record, Mr. Chairman, it is not too late for this committee to do what we know how to do, which is work together. And it is not too late to do the right thing.

Ambassador Lighthizer, it is, as I said, good to see you. We have very important discussions going on. I particularly want to talk about NAFTA.

As you have said, you want to negotiate a high-standard agreement that will be used as a model for future agreements. And this is very, very important. And we on the committee will hold you and the administration to this promise. So given NAFTA's importance to workers and farmers and our economy, modernization is long overdue.

I have always said we want to export our products, not our jobs. And particularly as it relates to Mexico and the tension there, we have to stop this race to the bottom. We need good-paying jobs, a high standard of living for people in the United States.

And so we need to ensure that any changes to NAFTA lead to an improvement in our quality of life and higher incomes in Michigan and around the country, and to avoid revisions that would harm export opportunities. We can move the factory, but you cannot move the farm. And so that is the challenge, I know, for us.

But I want to ask you about currency manipulation, because this remains one of the most harmful 21st-century trade barriers. And over the years, it has cost us millions of jobs, many of those lost in Michigan.

Will the administration include enforceable currency disciplines as provisions in the NAFTA negotiations?

Ambassador LIGHTHIZER. Well, first of all, Senator, as you say, I expect to have a high-standard agreement. And our objective is exactly the same as yours. And my guess is, if we go down most of the lists, there is not much daylight between what I hope happens and what the members of this committee want.

On the issue of currency manipulation, I have been an outspoken critic of currency manipulation over the years. And I would just note in thinking about the problem, it is not just what effect it has during the time that somebody is manipulating, but even if they end up bringing their currency back into alignment, that negative effect, lost jobs and lost industries and lost factories, that does not come back, it does not reverse itself. It is like a permanent problem.

We are still debating the issue of whether to put a currency manipulation provision in here. It is generally not a problem with respect to Mexico and Canada. On the other hand, that would make

it a great opportunity for three people to sit down and put together what is a model agreement.

I guess at this point, that is kind of where I am coming out. But I still am in negotiations or in discussions with the Secretary of Treasury and members of this committee and certainly the Ways and Means Committee. But I am sympathetic to your point, and I think this is an opportunity that we would not have with respect to some other countries with which we might have a bilateral agreement.

Senator STABENOW. Right. And just to underscore that, we know that neither Mexico nor Canada are, in fact, manipulating their currency, but that means they should not care, they should not object to putting something in. And my concern is that the President told people in Michigan that on day one he would label China a currency manipulator and that has not happened yet. This is an opportunity to actually focus on that issue, which has cost millions of jobs and many of those in Michigan.

So this is something Senator Portman and I and others on the committee have worked on. We attempted to offer an amendment to the TPA and encourage that under TPP. This would be a moment to really fulfill what I believe was a promise that the President made to my constituents in Michigan.

And finally, China continues to seek market economy status at the World Trade Organization. They have not met any of the six U.S. criteria for determining market economy status. I would expect the administration to defend our position, the American position on China.

But I would ask you, how is the administration working to push back on this? And how are you working with other countries?

Ambassador LIDTHIZER. Thank you, Senator. This is, without question, the most serious litigation matter we have at the WTO right now. And I have made it very clear that a bad decision with respect to nonmarket economy status for China—and we can talk about it further if members want to talk about it—would be cataclysmic for the WTO.

So we have cases brought by China declaring that they should no longer be treated that way. We are litigating those. One was brought against Europe, one was brought against us. They are active on the one against Europe. We are cooperating with Europe, we are working with Europe and other countries on this matter. We are litigating it.

Who knows how the WTO rules? It is without question, in my opinion, that we are in the right. China clearly is not a market economy. They should not be treated as such under our laws or any other country's laws.

So we will keep you posted as we proceed on this. It is extremely important. I am assuming, I guess, that the WTO is going to do the right thing and rule in our favor. If it does not, we will work closely with the committee, because I have told the Director General of the WTO and other countries this is absolutely cataclysmic if they take the position that China is a market economy.

Senator STABENOW. I agree.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Roberts?

Senator ROBERTS. Thank you, Mr. Chairman.

Ambassador, welcome back to the Finance Committee. You have been extremely busy since your confirmation.

I want to point out, the work you have done in the past 2 months has made it clear you are the administration's leader on international trade, and I thank you for that and for spreading the message and educating your colleagues and international counterparts about the important role that trade plays in the U.S. ag economy. And note I said agriculture economy.

Thanks also for your selection of Gregg Doud to be your lead negotiator. He is a good man.

And, Mr. Chairman, I would hope that we could expedite his consideration with regards to his confirmation.

I had the privilege last week to speak at the Agriculture Symposium held by the Federal Reserve Bank of Kansas City, which is right in the heart of farm country.

We discussed the severity of the current state of the ag economy. It is clear we are in the middle of a very rough patch. I hope it is not prolonged, but that seems to be the case. The outlook will not improve unless we have a determined effort on trade. We have talked about that. Thank you for your support for that.

And I will just say, it was not too long ago people noted the comments made by the President when he was campaigning, and for that matter the candidate that he opposed, Secretary Clinton. And both opposed TPP, and both had some pretty strong statements about NAFTA.

I do not think NAFTA should be a target. I think it should be an opportunity. I note that the verbs have changed. It is not "kill" or "terminate;" it has gone to "modernize," "strengthen," "improve." My word is "fix." And I think you have been key to that.

As a matter of fact, in talking to producers whom I have talked to in Kansas, Michigan, Montana, and soon to be Alabama and everywhere we go, they are extremely pleased that you are leading the effort on trade. You are called the green-light guy, and we hope we can turn the green light on with regards to specific products.

I think that is probably enough to say about NAFTA.

I was pleased to hear that U.S. beef is now headed to China. I know we have problems with China, and you have just outlined those, but thanks to the progress made in the 100-day action plan of the U.S., the U.S.-China Comprehensive Economic Dialogue, a shipment of beef from Nebraska—should have been Kansas, but at any rate from Nebraska—went to China.

Another important component of the 100-day action plan was a commitment from China to try to work towards a stable, science-based system for approvals of agriculture biotech. Last week, it was announced that two events received approval in China; six more events remain sitting in the queue.

We are nearing the end of the 100-day action plan window. Where are we on that with regards to any progress?

Ambassador LIDTHIZER. Well, Senator, as you say, there was an early harvest that was beneficial to several sectors, but the one you note is American beef, and the first shipments have already gone

off. We have, I think, another few days in the 100-day period. There are a variety of other items on which there are negotiations.

There is a hope that we will get another harvest of some level before the 100 days is up. And then the question before the administration and before the Chinese government is, what is the next step? What kind of a next tranche do we have?

There has been an exchange of a variety of priorities the United States has as well as a variety of priorities that the Chinese have. So we are still in the position right now of trying to decide exactly what the procedure will be going forward.

But there clearly is pressure, as you suggest, even on the early harvest. We have not seen all eight of our applications be approved yet. That is something that we have to keep leaning on. We expect that that will happen. But, I mean, the pressure is still on, the trade deficit has not gone down any, and the President feels just as strongly as he did before the 100-day start.

So we will find out whether or not that is a good way to organize our talks with China, because we have an awful lot of talks on an awful lot of matters, and a lot of agricultural matters that you are aware of, as well as a huge number of other ones. But at least we have had some progress, and I think that is important.

And I think the President and Secretary Ross and Secretary Perdue get a lot of credit for that. And they have followed through to make sure that what the Chinese said they were going to do, they have done.

Senator ROBERTS. Well, that is indicative of your team effort that you have led at the White House, which I really appreciate.

I appreciate your August 16th update and the fact that you are going to have June hearings and that you have heard from just an awful lot of folks involved in this. That should answer part of the transparency issue that the distinguished minority member brought up. And I know that you will continue on that.

Keep up the good work. You are a hero out in farm country right now. And I truly appreciate that.

The CHAIRMAN. Thanks, Senator.

Ambassador LIDTHIZER. Thank you.

The CHAIRMAN. Senator Menendez, your turn.

Senator MENENDEZ. Thank you, Mr. Chairman.

Ambassador, in your notification letter to Congress, you indicated that many chapters of NAFTA are outdated and do not reflect modern standards. And you went on to say that your aim would be to modernize NAFTA to include new provisions to address intellectual property rights, among others.

So can you tell me, how do you intend to ensure that any modifications to NAFTA continue to promote U.S. innovative industries, such as the biopharmaceutical sector?

Ambassador LIDTHIZER. Well, thank you, Senator.

As I said before, this is a very high priority. I know that, not only from discussions with you, Senator, but almost every member of the committee has brought this up as a high priority.

We know what standards we ought to have. We also know that there are deficiencies with respect to Canada and Mexico in the intellectual property protection area. And this goes across the board.

I mean, it is copyrights, it is patents, it is trademarks. There are problems in a variety of areas.

On the other hand, we do have systems that are not incompatible. And our hope really is that we will end up with a model agreement in this area and that we will get the two countries to agree.

Senator MENENDEZ. In this regard, are you going to be seeking to include strong intellectual property and market access chapters that reflect the standard found in U.S. law and recent U.S. trade agreements?

Ambassador LIDTHIZER. Yes, sir.

Senator MENENDEZ. Okay. Does the March draft notice still represent the administration's position on labor obligations in NAFTA?

Ambassador LIDTHIZER. Yes, sir.

Senator MENENDEZ. So how, if at all, do your objectives improve upon the commitments we got from Canada and Mexico on TPP?

Ambassador LIDTHIZER. Well, in the first place, there are more key international labor agreements that the three of us agreed to than that all the parties in TPP agreed to. So my hope is, in the first place, we can expand it.

In the second place, we have to find a mechanism to make it enforceable, like every other provision in this agreement. My hope, based on very preliminary discussions, is that we are going to be able to make real headway in this area.

Our view certainly is that it is a huge benefit to the United States if there are higher labor standards in Mexico. It just makes us more competitive, and it is good for them, and it is good for us. And the impression I have is that the Mexican authorities agree with that position.

Senator MENENDEZ. So let me ask you—maybe you can give me a simple “yes” or “no” to these next two questions as we try to move through a series of things here. Would you agree that improving the labor provisions in NAFTA is critical—I think you just referred to it—in a sense, to the long-term success of the agreement and to ensure that American workers see more of the benefits of trade?

Ambassador LIDTHIZER. Yes, I absolutely believe that.

Senator MENENDEZ. Do you also agree that the existing provisions in the NAFTA labor side agreement should be retained and strengthened?

Ambassador LIDTHIZER. They certainly should be strengthened for sure.

Senator MENENDEZ. Okay. Let me ask you this final question in this vein. Can you commit to us that any new agreement you negotiate will build upon each of these principles already included in the NAFTA labor annex and not take a step backward by narrowing the scope of labor rights protected under the agreement?

Ambassador LIDTHIZER. Yes.

Senator MENENDEZ. Okay. And then finally, I had agreed as a member of the Senate Foreign Relations Committee that the President's efforts to try to get China to affect North Korea's behavior was a good process. But having heard the President come to the conclusion that it has not worked out, do you believe, from your conversations, that the administration is going to reconsider some

of the punitive trade measures that the President called for during the campaign as it relates to China?

Because my understanding is, he was going to give China some consideration if they ultimately affected North Korea's behavior, but certainly that has not seemed to come to pass. There is some talk about the possibility of another underground nuclear explosion while we have visitors here.

So the question is, is that now back on the table?

Ambassador LIDTHIZER. Well, Senator, in the first place, I am not involved in the President's discussions or decisions about North Korea or China or any of that.

I would say we have a serious, comprehensive economic dialogue that is going on with China. We also have a review at USTR of whether or not there are enforcement actions that should be taken against China on a variety of things. Intellectual property is a classic example, which I know is so important to the members of this committee.

And that process, our process at USTR, is, going forward, just as it has been when we are in a position where we think we have an enforcement action. We expect to go to the administration and go ultimately to the President and have him make a decision on that.

So I have no idea what the President's view is about the relationship between China and North Korea. I kind of view that as something that I was not hired to work on.

Senator MENENDEZ. Well, the fact is that, from my perspective, China is eating our lunch. I hope we are going to take some aggressive actions as it relates to some of these provisions that we should be enforcing, which has been a constant refrain of mine.

The CHAIRMAN. Senator, your time is up.

Senator Isakson?

Senator ISAKSON. Thank you, Mr. Chairman.

Ambassador, I will be brief, because I have to run to another meeting, but there is one subject that Mr. Carper reminded me of a minute ago that I have to bring up, and that is chickens.

I come from the State of Georgia, which produces more chickens than anybody in the country. Senator Carper on this committee does the same from Delaware. We were involved in getting South Africa to finally open their marketplace to American chicken this year. It has been a huge success. But they were allowed to take advantage of the AGOA agreement for years without us enforcing our rights for them to open their market to our poultry.

The same thing happened in the Bush administration. There was a period of time in the Bush administration where the lack of emphasis on enforcing our rights on textiles caused us to lose a great bit of our market share of textiles in the world, which we never got back.

So my question is very much this. Will you consistently look to enforce the rights of the United States' manufacturers, exporters, and importers under all the agreements that we enter into so that we are consistently standing up for our rights as other countries will stand up for theirs?

Ambassador LIDTHIZER. Yes, sir, I will. And we will bring actions whenever they are warranted, and we will do that in cooperation with this committee.

Senator ISAKSON. In 16 years of dealing with trade as a member of the Senate and the House, I have seen consistently where an inability to or sending the signal you are not going to enforce trade agreements or you are not going to play rough—you get taken advantage of. When you send the signal you are, you get your fair share of the agreement. So we need to send that from the beginning of the Trump administration.

Ambassador LIDTHIZER. Thank you, sir. I completely agree with your sentiment.

Senator ISAKSON. Thank you, Ambassador.

The CHAIRMAN. Thank you, Senator.

Senator CASEY?

Senator CASEY. Thank you, Mr. Chairman.

Mr. Ambassador, thanks for being here. Thanks for your service.

I want to start with an issue that has been raised already today: the labor and environmental standards and the workforce that you have to do that work.

And I want to make sure that we are right about this. I am told that in the Department of Labor there are six people doing labor enforcement for all of our trade agreements. Is that correct?

Ambassador LIDTHIZER. I do not know how many people are doing it at the Department of Labor. I am sorry, Senator.

Senator CASEY. Well, that is what we are told. And we can confirm that. We are also told that USTR has four people handling all labor issues. Does that make sense?

So to borrow a phrase from the law enforcement context about cops on the beat, it seems like we are short. Do you need more enforcement staff? That is my first question.

Ambassador LIDTHIZER. I would say we have a budget, Senator, and we expect to do the best we can within that budget. And I think we can do our job.

One of the things we do is, we borrow people from other agencies, which helps us to stretch our dollars out a little bit. We have a bit of an increase going into the new year, and I believe we can do our job with the resources that have been budgeted for us.

But I agree with you that it is a big job and we do not have a lot of people. And the personnel at USTR, you know, view themselves, as I said before, a little bit like the Marine Corps. Without meaning to offend anybody who might be from some other branch, they work very hard, they work very long hours, they are very dedicated. And I think we can get the job done in all areas, but the one you are focusing on particularly, labor, is very, very important to us.

Senator CASEY. Well, I hope that if a circumstance arises this year or in the future where you need more resources, you will not hesitate to tell us.

I have strong disagreements with the budget proposed by the administration on a number of fronts. Part of that disagreement centers on what I believe to be a kind of indiscriminate cutting with not much of a focus on the result that that cutting brings about. So we hope that when you need more support for more staff, you will tell us.

Also, the administration committed repeatedly to making trade fair for U.S. workers. And I know you believe that and understand that, and your experience tells us that.

As you know, the labor provisions, if fully enforced, would help ensure that our workers are not placed at a disadvantage, a so-called unlevel playing field. And I know that you rely heavily on other Federal agencies, as you indicated, to provide the support and collaboration in trade enforcement actions.

With respect to the enforcement of the labor provisions of trade agreements, I know that USTR works closely with the Bureau of International Labor Affairs, so-called ILAB, at Labor and that ILAB staff conduct monitoring and fact-finding for all labor-related enforcement actions.

How would your enforcement efforts in this area be hampered if ILAB and the Department of Labor are in fact understaffed or have their staff reduced or cut back?

Ambassador LIGHTHIZER. Well, Senator, I really do not know much about the funding at the Department of Labor. I am just presuming that it is adequately funded, as we are. I just do not have any information to share on that.

We do, as you say, rely on other agencies, not just the Department of Labor but others around the government, for manpower. But I really do not know the Department of Labor's budget situation.

Senator CASEY. But that particular bureau is one that you would work with. Is that correct?

Ambassador LIGHTHIZER. That is correct.

Senator CASEY. Okay. And finally—and I know we are out of time, and I will submit one for the record that you can answer more fully—China's non-market economy. Despite their promises in their WTO accession protocol, China continues to exercise significant control over state-owned enterprises and factors of production.

I know you have been working with European Union nations. I hope that with a fuller question for the record you could outline the work you have done in that area.

Ambassador LIGHTHIZER. I would be happy to do that, Senator.

Senator CASEY. Thanks very much.

The CHAIRMAN. Senator Cassidy?

Senator CASSIDY. Hey, sir, thanks for being here. I am going to ask you about sugar, shrimp, and steel, okay?

As regards sugar, Secretary Ross just concluded very difficult negotiations with Mexico, hopefully to illuminate the domestic sugar industry injury caused by Mexican dumping and subsidization.

I guess first is, as you redo NAFTA, can you assure us that no concessions or other trade negotiations undertaken by the administration would undermine the agreement that Secretary Ross just achieved?

Ambassador LIGHTHIZER. It certainly is our intention not to undermine that agreement.

Senator CASSIDY. Okay. Secondly, the seafood traceability rule—I will call it "the rule"—published by NOAA in December established permitting, reporting, and recordkeeping procedures for the importation of certain fish and fish products. It identified these

products as particular risks for illegal, unreported, or unregulated fishing and/or seafood fraud.

Shrimp was to be two-thirds of this by volume and covered under the rule. But the final rule had an indefinite stay of the effective date as it pertains to shrimp, even though it is two-thirds of the volume, because NOAA said that the current data collection for domestic aquacultured shrimp, not wild, but cultured shrimp, is not equivalent to the data that would be reported for imports.

Now, we already have a traceability program for wild shrimp, if you will. Aquacultured shrimp, I am told, is less than 1 percent of the total volume. So something which pertains to less than 1 percent is now staying a rule that would be appropriately applied to the greater market.

And I should note as well, FDA does require aquacultured shrimp to have some of this similar information.

I am told the previous USTR prevented the inclusion of shrimp, frankly concerned more about the possibility of a WTO challenge.

By the way, as a physician I am also concerned that we not have high bacterial content or other things among these imported shrimp.

So next question: would you support the Commerce Department if Secretary Ross elected to lift the current stay placed on shrimp? And obviously, if challenged by a foreign government, would you commit to defending the U.S. position on that issue?

Ambassador LIDTHIZER. Well, I guess I would say that (a) I expect to defend the U.S. position at the WTO without question. And as a general matter, I agree with Secretary Ross on these in particular.

Senator CASSIDY. That is great. Okay. Lastly, as regards steel, there is a specific issue that revisiting NAFTA allows us to address. There is a domestic content provision in NAFTA that allows Mexico to require at least 25 percent of pipeline in Mexico to be made with Mexican products. But I am told that because of lack of enforcement, Mexico requires this amount to be as high as 50 percent. Obviously, that is not right, disadvantaging our manufacturers and employees.

So my concern is, or I guess my request is, that during the NAFTA negotiations this would be the opportunity to revisit Mexico's ability to exclude American-made pipe in two products over and above that which is currently allowed.

So I guess as an enforcement issue, but perhaps even a decreasing of that 25 percent domestic content provision—just the request being made is something that would do a lot of good for our domestic employees.

Ambassador LIDTHIZER. Senator, that certainly is something that we will raise during the negotiations.

Senator CASSIDY. Sounds good. Thank you very much.

I yield back.

The CHAIRMAN. Thank you, Senator.

Senator Brown?

Senator BROWN. Thank you, Mr. Chairman.

Ambassador, nice to see you again. Thank you for the private and the public conversations. And you are off to a good start; thank you for that.

Whether it is NAFTA or any agreement, the importance of trade, getting trade talks right, right from the beginning, cannot be underestimated. Whether it is the renegotiation of NAFTA or addressing Chinese steel overcapacity, Ohio workers are waiting for U.S. trade policy to change for the better.

I was pleased the administration's trade agenda underscored the President's commitment to a real, new approach. I could not agree more that a new approach is needed, and I hope you will follow through on that commitment during the NAFTA talks. It should be a high-standard model agreement, as you have said.

If you ask Ohio workers what factory they have seen move to Mexico, they will often respond with a list, not just one. Corporations move their plants across the border to take advantage of lower labor standards, lower wages, lax regulations. I know this is one of the President's main motivations for renegotiating the North American Free Trade Agreement.

As you know, I sent a letter last month to the President outlining four points to change the direction of U.S. trade policy. I urged, first, the President to secure commitments on labor and environmental standards before the talks begin.

The U.S. loss of the Guatemala labor case shows why we cannot wait until after the FTA takes effect for our trading partners to implement and enforce their labor standards, because often they evade that.

We know what causes outsourcings: it is low wages, it is exploited workers, it is weak or nonexistent or unenforced environmental protections. They encourage companies to relocate to other countries where it is cheaper to do business. As you and I have talked about, it is almost always a race to the bottom.

We cannot stop the flow of jobs to Mexico without addressing Mexican labor standards. It was the case in the 1990s, it was the case in the first decade of this millennium, and it is the case now.

Let me say that I know that talks could begin in a matter of weeks, but the agreement's impacts are long-term. If we do not take this moment to enforce those strong anti-outsourcing provisions up front before the talks begin, more Ohio works in Ash-tabula and Mansfield will lose their jobs.

My questions are primarily two. Do you agree that improving Mexico's labor standards is central to stopping factories from being offshored from your home State and my home State and every State? Again, do you agree that improving Mexico's labor standards is central to stopping factories from being offshored?

And second, what commitment can you give us today that you will require demonstrated improvement and enforcement of Mexico's labor standards in the next 2 months, again, before a new agreement is signed?

Ambassador LIGHTHIZER. Well, first of all, I agree, Senator, completely with the sentiment of your question. And I agree that it is important for American workers that there be better labor standards in Mexico. I think that is one of the ways we get our trade deficit down. And I think that outsourcing or shipments of plants to Mexico from the United States is something that has happened, and it is one of the things that makes the President angry.

In terms of agreeing that we should secure these commitments before the negotiations start, my guess is we will not do that. They will certainly be something that we will talk about. From the very beginning, they will know what our position is.

And I think, as I sort of alluded before, I think the current Mexican government is amenable to the idea. They realize that they have to make improvements in this area and that it is in their own interests for their country and their workers, too, to do the same thing.

So I think you are going to see—it will still be a very difficult negotiation, but I think that they agree with us in terms of directionally where they have to go.

I think it is unlikely that we will have commitments before the negotiations start. I do not want to mislead anybody on that. But certainly, that will be among the very first things that we will talk to them about. And they know where we are coming from on this. And as I say, I think they are not unsympathetic.

Senator BROWN. Okay. They need to know that that is a condition of any real progress in these agreements.

Let me ask one other question.

And thank you, Mr. Chairman, for your forbearance.

In my letter to the President, the four points I laid out—one of them is urging you and him to remove investor-state dispute settlement from NAFTA. Investor-state is a handout for the largest corporations in the world that allowed companies—it was pretty unprecedented before NAFTA, not used. It was in some trade laws, but was rarely used. It allows a company to sue a foreign government, even to challenge a democratically attained rule or regulation or law. And if the policies do not suit those companies, they often sue.

I was pleased the American Automotive Policy Council, which represents the big three U.S. auto producers, called for it to be removed from NAFTA.

Given shrinking corporate support for ISDS and the administration's commitment to making sure trade policy benefits workers first, not corporations first, can you commit that the U.S. will seek to remove investor-state dispute settlement from NAFTA?

Ambassador LIGHTHIZER. Well, thank you, Senator. First of all, there is a negotiating objective, as I understand it, that we are going to strengthen ISDS.

But having said that, I really look forward to working with the committee on that issue. It is an issue that is troubling to me. It is troubling to me on a variety of issues and on a variety of levels. It is a balancing act that really—our investors have a right to have their property protected.

On the other hand, there are, in my judgment, at least sovereignty issues. I am always troubled by the fact that nonelected, non-Americans can make a decision that a United States law is invalid. Just as a matter of principle, I find that offensive.

And that is what happens very often, or can happen at least very often in this area. So I would not commit that we are going to get rid of ISDS. I would certainly commit that I want to engage with this committee and with the Ways and Means Committee and others in Congress to see what we can do to perhaps rebalance where

we are in this situation where we have two interests, both of which are valid.

But as I say personally, myself, the most troubling part of all this is that it attacks our sovereignty.

Senator BROWN. Thank you.

And, Mr. Chairman, thank you.

That principle of sovereignty should cut across all political lines, from conservatives to liberals. This is not about expropriation. We can build those protections into ISDS. They just do not need to go to the place where foreign corporations can challenge U.S. environmental laws and consumer protection laws and other sovereignties.

So thank you for your statement.

Ambassador LIGHTHIZER. Thank you.

The CHAIRMAN. Okay. Senator Portman?

Senator PORTMAN. Thank you, Mr. Chairman.

And to Bob Lighthizer, we are glad you are here. We are also glad you are where you are in the administration, because I think the coordination of trade policy was needed, and specifically the challenge we face with renegotiating the current agreement with Mexico and Canada requires somebody of your background and expertise. So I know you have been busy. And I know your team has been busy.

And we want to be sure, by the way, that you have the necessary funding to have your enforcement folks do the work that they are asked to do. Having been in your job at one time, that was always a frustration of mine. And I know we have made some progress on that in your budget.

On NAFTA, I have been for this process of updating NAFTA. Why? Because the thing is 23 years old, right? And a lot has happened since then.

And to my colleague from Ohio who just talked about the international labor standards, for instance, the labor standards in the NAFTA agreement do not represent what we now negotiate with countries with regard to bilateral trade agreements and are not consistent with what would have been in TPP, for that matter.

And the same goes for the investor-state issues that my colleague just talked about. You know, we have made progress that helps to protect not just American workers in that case, but American laws.

Digital trade, I mean, you know, there was virtually no digital commerce 23 years ago, believe it or not, so we have to update it for that. And I will have a specific question for you in a minute on that.

On currency, you know, since NAFTA, in fact really since the last 2 years, we have changed our position as a country on that because, despite the fact that some of us wanted to put more teeth into it, we do now have a principled trade negotiating objective which includes currency manipulation. I am not suggesting that Canada and Mexico are manipulating their currency, but I am suggesting this is an opportunity for us to set a precedent for future trade agreements.

So I am excited about the opportunity to improve the agreement from our perspective. It is always a negotiation, though.

And one thing I will say—and I know you agree with this, because at one point you said in public testimony “do no harm” is

part of your objective here—these countries are incredibly important trading partners.

And from my home State of Ohio and your home State of Ohio, you know, 60 percent of our exports go to 10 percent of the world, and that is where we have a trade agreement—60 percent. And 50 percent of them go to two countries, Canada and Mexico. So whether you are a soybean farmer, and I met with some today, you know, one out of every three acres we are planting is going overseas, and Canada and Mexico are huge markets.

If you are a manufacturer of products, like the Crown lift truck company, for instance, that now exports, I think, about 25 percent of their forklifts—boy, they need those markets.

So as we go about this, we have to be sure that we are not eroding those markets.

One of the concerns I have, frankly, Mr. Ambassador, is that I am already hearing about, particularly in Mexico, imports being restrained into Mexico from the United States. And I am sure you hear these stories as well.

There was a story, I know, in *The New York Times* recently about it. *The Wall Street Journal* has run stories on it. And I am concerned about what is already happening with the sense that somehow we are going to pull back on our exports to these countries. We cannot do that. We need more exports. These are good-paying jobs. They pay 18-percent, on average, higher wages, and we want them.

So the balance here is what you have to find. And I know that is not going to be easy, but I know that you are up to the task.

With regard to digital, let me just make a very specific point. There are some entrepreneurs in Columbus, OH I have talked to. Their kids have now gone off to college, they have switched careers, they have started this digital company where they sell products over eBay: kids' toys, kitchenware, home decor products. For those of you who want to use their products, it is called FUNsational Finds. It is a Columbus, OH company.

So they are trying to sell into Mexico and sell into Canada. And both of these countries have really low de minimis thresholds with regard to Internet sales, much lower than we do.

So in the United States, the de minimis is 800 bucks, as I understand it. In Mexico, the threshold is \$50 for express shipments and \$300 for postal shipments. Canada has the lowest de minimis threshold in the world at just 20 Canadian dollars.

Is that accurate?

Ambassador LIGHTHIZER. Certainly directionally, directionally it is true.

Senator PORTMAN. Yes, very concerning. And you know, to the extent, as I said earlier, that we are going to bring this into the modern age, this agreement, what are we going to do in terms of leveling that playing field?

Ambassador LIGHTHIZER. Well, I think it is clearly something that we have had on our list to worry about. You are not the only person who has raised this, Senator. And it is clearly something that we are very concerned about.

I would say just, to drop a footnote on it, you are not the only person who has raised it, but you are the only person whose picture

I look at every single day when I walk out of my office who has raised this issue. [Laughter.]

I walk out of my office——

Senator PORTMAN. Sorry it is not a better photograph. I look very stern in that photograph.

Ambassador LIGHTHIZER [continuing]. I turn right to go to the stairway, and there is this smiling Senator Portman. And I am thinking, oh, damn.

Senator PORTMAN. Now, you have to explain that in most Cabinet-level agencies there is a portrait, you know, like, some fancy artist comes in and you sit and all and you pay a lot of money. USTR is so cost-effective that it is a mere Polaroid. I should not say Polaroid; it is a mere photograph and probably not a very good one.

The CHAIRMAN. We all look at it too.

Senator, your time is up.

Senator PORTMAN. I am sorry. [Laughter.]

Well, I hope we can continue the discussion on digital, because I think this is an obvious opportunity for us, and this is part of the growth that we are seeing, frankly, where we have a comparative advantage in this country, and we should be able to take advantage of that.

Thank you.

The CHAIRMAN. Okay. Thank you, Senator.

Senator Carper?

Senator CARPER. Thanks. Thanks so much.

Ambassador, nice to see you.

I want to start off with a thought or two on irony, the word “irony.”

Our President, in a private meeting apparently last week or so, described the House-passed Republican health care bill as “mean,” I think maybe “too mean.” And that was the same legislation he described in a Rose Garden ceremony a month ago as, quote, “incredibly well-crafted and a great plan that will end the suffering and ravages of Obamacare.”

So that was literally about a month between the plan he said was incredibly well-crafted and a month later he said was, like, too mean.

Our same President has described the Trans-Pacific Partnership as the greatest danger to our country yet. And my hope is that we will see a similar kind of change in opinion as he learns more about what the Trans-Pacific Partnership was all about. And I do not know that it will be as stark as his shift in his views on health care, as reported out by the House, but we can always hope.

I understand under the Trans-Pacific Partnership we did not dictate to other countries, including Mexico, what labor standards they should use, did not attempt to do that, or what environmental standards that they should use. But what we did say is that we think you ought to have tougher labor standards and we think you ought to have tougher environmental standards.

But maybe the best part of the agreement was, whatever standards they had were enforceable, we could make sure that they were abiding by those. Is that correct?

Ambassador LIGHTHIZER. That is correct; yes, sir.

Senator CARPER. All right. Our friend, Johnny Isakson, has talked with you already about poultry. And my understanding is that, under current NAFTA with respect to poultry, there is a quota with Canada, there is a quota on how much poultry they will allow to be sold in their market. And up to that quota, that poultry can be sold free of tariff.

When that quota is exceeded, there is a tariff of about 250 percent that is imposed on the poultry. My understanding is that TPP raised the quota. It did not eliminate the tariff on that which would exceed the new quota, but it did raise the quota.

Is this something that you are familiar with?

Ambassador LIDTHIZER. Generally, yes, sir.

Senator CARPER. Yes. It is something I would hope you would become even more familiar with as we attempt to revisit NAFTA and our friends in Canada.

Sometimes it seems to me that our President is very keen on criticizing Mexico for their sins, in a variety of ways, including not buying enough from us, but they happen to be a very good market for us for agricultural products, I think, for the most part, better than Canada.

And I hope that we will take a strong interest in Canada, not just with respect to poultry, but other agriculture products.

The other thing I want to get into is—as you may recall, I was a strong supporter of TPP, disappointed, however, that the TPP agreement excluded the financial services sector from the prohibition on data localization requirements.

And I would just ask if you could maybe assure the other members of the committee and me that if we have the opportunity to explore this in renegotiating NAFTA, or renegotiating TPP actually, that you will follow the requirements of something called TPA, by ensuring the financial services sector is treated the same as every other sector when it negotiates future provisions on this issue.

Ambassador LIDTHIZER. Yes, sir, absolutely. I am very familiar with the issue on that. Clearly, it is our position—

Senator CARPER. All right, thank you.

I spent some time in Southeast Asia during the war over there with John McCain and some others. He was a hero; I was just doing my job.

But I was back over there last year with the President and had a chance to visit with some of the Vietnamese leaders. And we talked about a proposal that would put U.S. payment companies at a competitive disadvantage relative to Vietnamese-based competitors. I think they had a deal where, in financial services, we would be competing with a state-owned, state-operated bank that would not only be our competitor, but also our regulator.

And I would ask if you can give us some assurance that our former TPP partners, like Vietnam, follow through on the constructive comments they made, commitments that they made, when we were negotiating TPP on this regard.

Ambassador LIDTHIZER. Yes, for sure. And I actually raised that issue with the Trade Minister from Vietnam now on two occasions, both when I was over there for the APEC meeting and also when he was in town with his Foreign Minister. So that is an issue that

is front and center. And our position basically is, it is something that has to be taken care of.

They have a very large trade surplus with the United States. This is an easy way for them to get it down.

Senator CARPER. All right. And lastly, can you give us some assurance that the administration plans to ensure that the so-called TiSA negotiations, TiSA, I believe, is Trade in Services Agreement, don't fall by the wayside as we go forward?

Ambassador LIDTHIZER. Well, we are in the process right now of reviewing all these agreements, all the U.S. trade agreements. And that certainly is an important one, and I do not expect it to fall by the wayside. We are doing an evaluation right now across the board.

The CHAIRMAN. Your time is up, Senator.

Ambassador LIDTHIZER. And when that is done, you know, we will move forward where appropriate.

Senator CARPER. Thank you, Mr. Chairman.

Thanks, Mr. Ambassador.

The CHAIRMAN. Senator Grassley?

Senator GRASSLEY. I know you did not come here for praise. And I do not really praise you, but I think there is some calm because of your appointment compared to the fear of protectionism that was out there late last year and early this year.

So I think that when it comes to NAFTA particularly, and some people in the administration taking the view that, first, do no harm, I think that that is a wise approach and somewhat calming.

NAFTA is very important for my State because Mexico is the number-one importer of our corn and number two for soybeans.

So what can you say to give my Iowa farmers and also our manufacturers peace of mind that these trade negotiations or renegotiations are not going to be overly disruptive of their businesses?

Ambassador LIDTHIZER. Well, I can say what I have said before, Senator, and that is that it is very important that when you modernize—our objective is to modernize, our objective is to incorporate the ideas of this committee and to get our trade deficit down, particularly with respect to Mexico. We realize they are a huge agricultural market.

Anything that they would do that would reduce agricultural sales would make the trade deficit worse, not better. And in our opinion, that is clearly not our objective.

So I have met a lot with farmers, a lot with agriculture groups and food-processing groups. It is very important. And I think it is very important that we not move backwards on that and that we, in fact, look for openings for additional access. And certainly, both of our trading partners are aware that that is our position.

So all I can say is that I have assured you, and I have assured Senator Roberts and many, many other members, that we are going to do everything we can to improve upon the agricultural sales, particularly with respect to Mexico. And we are not going to tolerate anything that moves backwards. That is not the intention of this renegotiation. It is clearly not the President's idea.

So we have a whole lot of very important things we can do in this agreement, you know, that will make it a better agreement for

all of our workers, farmers, and ranchers. And clearly, we expect to hold onto what we have in terms of agricultural sales.

Senator GRASSLEY. Okay. Senator Stabenow already asked a question I was going to ask about currency manipulation in the case of China. I believe she asked.

I would only say in regard to China, my own personal view is, and you do not have to comment on it, but I think over a couple of decades we have been awful timid towards China when I think they have been doing us great harm in that area.

My next question deals with Argentina. Near the end of your testimony, you mentioned progress has been made with Argentina on trade, but offered no details.

Could you elaborate on what exactly that means?

Ambassador LIDTHIZER. Well, as I have said, we have had talks with Argentina about several specific issues in anticipation both of visits down there and also the fact that we have a WTO meeting there coming up at the end of the year.

I would be happy to provide all the background with respect to the recent Argentinian talks if you prefer, but I am happy to provide that for the record.

Senator GRASSLEY. Okay. Well, I hope it includes the issues like seed trades, biodiesel, and Argentinian beef.

Let me go on to my last question. The United States has negotiated bilateral, regional, and multilateral trade agreements to open our markets and eliminate distortions and level the playing field with 20 countries.

Beyond renegotiating NAFTA with Canada and Mexico, which countries, regions, and sectors are priorities for the Trump administration trade agenda? And I assume you help set that agenda, right?

Ambassador LIDTHIZER. Yes, Senator. I am in the process of helping to set it. There has been a lot of talk about starting bilateral agreements with some of the countries that were part of TPP. And I think there is an analysis right now within the administration as to which of those countries we should start with, which make the most sense strategically, which make the most sense economically.

So the President's idea is to have a series of bilateral agreements. We are in the process of trying to determine which of those countries should come first. There are pluses and minuses with respect to various ones.

But I think the area with the most focus right now would be the TPP countries. And they are meeting and trying to determine whether they can do something with what they call the TPP 11, so there is a lot of activity in that area.

But I suspect that once we get started through the NAFTA process, we will come to some conclusion as to which country we should start with. Of course, it requires two people to be in that position, and some of the TPP countries do not want to do bilateral. They are hoping the United States will come back and join the TPP, which I have assured them is not going to happen.

But there has been talk about a variety of countries. One of the first ones, of course, that most agricultural State Senators talk

about is Japan, because there is a huge amount, there is a huge market there.

You know, I would note, as I say, that right now I do not think Japan is in the position where they want to do that negotiation, and the United States is not at that point either. But we are in talks with Japan.

But my own view is that, with the trade deficit that they have had with us for decades—I mean, they had a \$60-billion trade deficit with the United States when I worked here, when you first got on the committee. I mean, I think in areas like beef and the others, they ought to be making some unilateral concessions, at least temporary concessions. And I do not quite understand why that does not happen. That is a simple way to get that trade deficit down, and it does not cost them anything. So I just gratuitously add that.

But a lot of people talk about Japan as a prospect. There are reasons to have some others, you know, for a variety of strategic or economic reasons. But this clearly is something that is ongoing right now.

Senator GRASSLEY. Thank you.

The CHAIRMAN. Senator Cornyn?

Senator CORNYN. Thank you. Mr. Ambassador, I too am comforted by the comments that you and Secretary Ross made about taking a Hippocratic oath when it comes to trade: first do no harm. And I am glad that you are where you are.

One of the things we mentioned earlier that I just want to recall is that trade deals are hard to get through the Senate. We got Trade Promotion Authority authorized by the vote of 47 Republicans and 13 Democrats. Fortunately under TPA, it is an up-or-down vote, so we are looking at a majority vote. But I hope as you negotiate this modernized NAFTA agreement, you will continue to keep that objective in mind to get 218 votes in the House and 51 votes in the Senate.

I know you worked here a long time and so you understand how this place works, but I just wanted to mention that.

With regard to beef and NAFTA, U.S. beef exports to Mexico increased 750 percent under NAFTA. And there is some concern among agriculture stakeholders that prolonged negotiations may jeopardize existing ag provisions under NAFTA and put the U.S. further behind in negotiations with other countries like Japan, which you have already mentioned.

Could you give us an idea about how long you anticipate the NAFTA renegotiations to take? How long will that be?

Ambassador LIGHTHIZER. Well, thank you, Senator. First of all, I want to assure you that I am very focused on the fact that when we bring something back, it has to pass and that there is almost no margin for error. That is one thing that it seems to have in common with a lot of other pieces of legislation. There is very little margin of error.

My hope, to be honest, is that we end up with a model agreement that has a substantial number of Democrats as well as Republicans; that really is my hope.

Senator CORNYN. That would be great.

Ambassador LIGHTHIZER. And I have talked to a lot of Democratic Senators who give me hope that that is a possibility if we

do the right kind of an agreement. So I am really looking forward to that.

In terms of time, we are going to start the very first day that we can start. We can start on August 16th, and we are in the process right now of talking to our negotiating partners about when the first day of the meeting will be.

But we are very, very eager for the kinds of reasons that you say. There are real-life sales and real farmers and ranchers and real businessmen whose lives are disrupted and whose sales have been disrupted just based on uncertainty. So we are cognizant of that.

There are people who have said we ought to try to get it done by the end of the year. You know, that is a very, very quick time frame. We are certainly not going to have a bad agreement to save time. We do not have any arbitrary deadline.

When I talk to my people who have negotiated these agreements in the past, they tell me about timelines that are much longer than you would tolerate. And I say no, that is not going to happen, and there are ways to compact it. There is a history of, you make a proposal and then you wait several weeks and then you—so I said, no, the President is not going to put up with that, the Senate Finance Committee, the House Ways and Means Committee, they are not going to put up with that.

We are going to have very short time frames, and we are going to compact it as much as we possibly can. But there is no deadline. My hope is, we can get it done by the end of the year—

Senator CORNYN. Thank you.

Ambassador LIDTHIZER [continuing]. But there are a lot of people who think that is completely unrealistic.

Senator CORNYN. Thank you.

Senator Portman asked you about digital commerce and mentioned that as one area in which the world has changed a lot in the 23 years since NAFTA passed.

Another area that occurs to me is the energy sector, where the United States has become one of the very top energy producers in the world. And exports are one of the ways for the administration to accomplish its economic and trade policy goals.

Do you see energy as a key tool in a trade agreement renegotiation with NAFTA?

Ambassador LIDTHIZER. Yes, absolutely. Energy is a very important part of the economy. When you look at the economy of the three countries, when you look at the trade flows, there is a lot of trade back and forth between the NAFTA partners.

Senator CORNYN. Right. In terms of a trade surplus, my notes here indicate that energy has been a big winner with NAFTA, generating a U.S. trade surplus with Mexico of more than \$11 billion, with more than \$20 billion in U.S. energy exports to Mexico and less than \$9 billion in energy imports from Mexico.

And I agree with you: I think we can build on this incredible renaissance in American-produced energy and build on that success story with NAFTA modernization by expanding the energy chapter, and so I am glad to hear you say that.

Do you see cross-border energy permitting reforms as part of this negotiation as well?

Ambassador LIDTHIZER. I guess I have not really focused on the permitting. As a general matter, what I can say on permitting is, I think, it is something that we are going to be focusing on, just trade facilitation generally. But no one has raised a specific issue with respect to energy with me.

The CHAIRMAN. Senator, your time is up.

Senator CORNYN. Thank you.

The CHAIRMAN. We will turn to Senator Cantwell. I think you were here first. Am I right? Okay, Senator Cantwell.

Senator CANTWELL. Okay, thank you so much. Thank you, Mr. Chairman.

Mr. Lighthizer, thank you for being here.

I am very concerned about new Chinese regulations that make it almost impossible for U.S. technology companies to be involved in cloud services that operate within Chinese markets. Their draft regulations, which I have had a chance to speak to the Chinese Ambassador about, would require U.S. cloud services to provide a transfer of intellectual property, surrender brand names, give control of their businesses to Chinese companies that they want to operate in China.

So obviously, Chinese cloud providers do not do the same in the U.S. And it would be very bad if U.S. companies were locked out.

What progress has the administration made towards resolving this difference between the U.S. and China?

Ambassador LIDTHIZER. Well, Senator, this is an extremely important problem, as you say, and if you sort of dissect it a little bit, it is not unlike the way that the Chinese have operated in a whole variety of areas where they have had an unfair advantage in several different sectors of the economy.

I mean, it is not really unlike what they have done in steel and aluminum and other things where they are basically requiring a Chinese partner, they are requiring transfers of technology. And clearly, their hope is to have China be the dominant power in this industry.

So it is something that we have raised with them, something that we are monitoring, and something that we take very seriously. We think it is a very serious threat to U.S. commerce. And we are watching them as they are developing, and we are complaining to them, and we will continue to focus on that.

At this point, if there are enforcement actions, you know, we have not come to a conclusion yet on that. But it is a major, major problem that we are focusing on.

Senator CANTWELL. Good. Well, I hope that you will do more than monitor. I know that was probably just a term that you used, and I certainly want to work with you on that.

To me, I look at all of our issues here and, you know, we have many companies that are doing business in China, not always exactly the way we would like to see the market work, but nonetheless, I think some of our companies have been the best at continuing to push the envelope there.

And we certainly want to make sure that we are very loud and vocal to the Chinese government that this is not the way to do cloud services. We cannot have cloud services if you say "Chinese

government inside.” No one is going to want to do that kind of service. So in the end, it will not benefit them.

What opportunities do you see with, you know, the 100-day agenda between the U.S. and China in the resolution of the polysilicon issue between China and U.S. exporters?

Ambassador LIGHTHIZER. Well, you know, this is something that we also have worked on. I doubt that it will be done during this part of the 100-day package, but it is something where we have reason for optimism that the Chinese side may be willing to make some kind of a compromise. So it is something that we are watching.

It has been a long, long problem. It is multidimensional, as you know well. And I guess our view is that there is some reason for optimism that the Chinese producers may be willing to come to some kind of a compromise.

But in terms of timing, the 100-day program is over here very shortly, and then we will have next steps in terms of that dialogue. The dialogue will not end, of course, with the 100 days.

Senator CANTWELL. Well, I think that, you know, you and I can discuss privately all that has transpired there. But I do think that this is a telling story of what happens if we are just going to escalate things. And you can see that both U.S. and Chinese actions now have gotten us into a situation that we, certainly on the U.S. side, want to resolve as it relates to these suppliers and the number of jobs that are threatened.

The last issue I would just bring up, Mr. Lighthizer—and you had at the confirmation hearing an opportunity to talk about the Export-Import Bank. I know the President has now sent up names.

You know, I do not think you are going to find a lot of support on our side of the aisle for somebody who is not supportive of the Export-Import Bank. I do not expect you to respond to that, but either Mr. Garrett has changed his tune or these will not be the kinds of things that are going to help us sell U.S. products in overseas markets.

It is really critical that we have a functioning bank. And I am actually proud that we make something that is worth hundreds of millions of dollars that we sell overseas. We do not want to just make things that are, you know, very low-end. The fact that we can manufacture and make something as great as an airplane and it helps to sell it in overseas markets should be a victory for us, not something that we want to penalize.

So I hope that Mr. Garrett is not going to continue to penalize the jobs and opportunities for U.S. exporters.

The CHAIRMAN. Well, thank you, Senator.

Senator McCaskill?

Senator McCASKILL. Thank you, Mr. Chairman.

I noted Senator Cornyn’s comment that you worked here for a period of time. And he said that you know how things work around here. I am not sure they work around here the same way as they did back when you were the minority counsel for the Finance Committee.

And I am looking back at the big tax-cut bill that was passed in 1981. I am sure you remember it well. It was not done through rec-

conciliation. In fact, it was introduced by a Democrat in the House and actually passed the Senate by a voice vote.

So it does not work that way around here anymore. After we finish the kind of bizarrely secret process of reforming health care, we are going to begin on a strictly partisan exercise to do tax reform. And I do not think it was that way in the Finance Committee back in the late 1970s and early 1980s.

Let me ask you about the section 232 process on aluminum and steel. I am very worried. I understand that the President is asking this to be examined as a national security threat. I do not have to tell you, this is highly unusual in our Nation's history. I think there have only been two times in 50 years, or something close to that, where there has been a determination that imports were jeopardizing our national security.

And as you well understand, this is a much different process than determining whether or not there is dumping going on that hurts American industry. It is a different kind of process. It is less open, less transparent. But I know you get this.

When we put tariffs or quotas on steel and aluminum, there will be a sweeping impact on U.S. manufacturing. We all want U.S. steel to be rising. We want our aluminum to be competitive. But I have businesses in Missouri who use raw materials that are not made in the United States under this category, and they are very worried, the manufacturers, about the impact that any decision in this area is going to have on not only their costs of producing goods and manufacturing goods, but they are also worried about any other national security blockades that are going to pop up around the globe in response and/or retaliation to what might be determined through the 232 process.

Could you address that?

Ambassador LIDTHIZER. Well, certainly, Senator. First, I would say the problem that the government is worried about is, this excess has created this huge noneconomic excess capacity. It was created by China in both steel and aluminum, and other areas. And it is going to be a lot of different things. So that is the problem.

The normal tools do not seem to get to it. It does potentially have a national security interest when we are in the position where we cannot produce steel or our steel industry cannot produce the new products that are needed.

So I think it is a legitimate question as to whether or not there is a 232 action, whether there is a national security impact. My sense is that that is being studied. And I think you could make a good case that without the steel industry, we really cannot defend ourselves. So I think that is important.

But it also is true what you say: there are other effects from many of these actions, and they have to be balanced in this case.

With respect to constituents who have products that are not manufactured in the U.S., my expectation would be—and once again, I cannot prejudge what is going to happen, if there will be an exclusion process—certainly in the past there has been an exclusion process where people would go in and apply to the Department of Commerce and say, here is a product that is not made in the United States.

Now, that has happened, and we have had quotas in the past, at least in the 30 or so years that I have been involved, where sometimes there are questions. People say it is not made in America when they really mean it is made cheaper or whatever elsewhere.

But situations where there are legitimate cases of a manufacturer who needs a steel product or an aluminum product that is not made in the United States, it is a legitimate position that they should go in. And I think they will be accommodated in those cases, at least in most of those cases they will be accommodated with an exclusion to take them out of the order, because clearly this is no—

Senator MCCASKILL. And there is going to be a process? Because this is not like an ITC process obviously. This is a different process. This is in Commerce.

Have you all figured out the process by which there will be exclusions?

Ambassador LIGHTHIZER. Well, let me say this. First of all, this is the Department of Commerce and not the United States Trade Representative, although I have some input. But it is really not my process to create.

But if there are tariffs or if there are quotas, there certainly has been discussion of, and I would expect there to be, a process whereby people who need products that are not made in the United States can have them without going through the system. So I would expect there to be that process.

It is important that we have this conversation, and I will certainly carry it back that the Finance Committee has stressed that whatever we do—and once again, I cannot prejudge what the actual outcome will be—that there has to be some accommodation for people or companies that are—

Senator MCCASKILL. That would be terrific. And if you could follow up with us and let us know how they are planning on accommodating that process for manufacturers who could be dramatically impacted—

The CHAIRMAN. Okay, Senator, your time is up.

Senator MCCASKILL. Thank you.

The CHAIRMAN. Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

Ambassador Lighthizer, thank you for appearing before the committee this morning. We appreciate your testimony on the administration's trade policy agenda and its fiscal year 2018 budget with respect to USTR.

I think it is fair to say that for most of us here, the top issue in the trade space is the administration's efforts to renegotiate NAFTA. And I happen to believe NAFTA has been an important and beneficial trade agreement for the United States. I agree with the President's objective, however, of reviewing and modernizing the agreement.

That said, I would ask you to proceed with caution, especially with regard to the agricultural provisions, which are extremely important and have been very successful for farmers and ranchers in States like South Dakota.

While there is always room for improvement, I would ask you to start with a policy of "do no harm." We will be getting in touch with you on this and other aspects of NAFTA before the negotiations begin, a number of us who are very seriously interested in engaging on that subject, and we would invite some of our colleagues on the Democrat side in those efforts as well.

NAFTA has done a tremendous amount of good for South Dakota's farmers. It is, frankly, quite difficult to overstate its importance to our agriculture sector. But any agreement that is over 2 decades old can certainly stand to be examined for areas to improve it.

I think the best place to start should be plugging the holes that we have overlooked the first time around, and then upgrading the trade rules to match the situation that we are dealing with today.

One example would be South Dakota's dairy industry, where we have one of the few sectors that still faces exorbitant Canadian tariffs as well as nontariff policies that are distorting trade.

Canadian class six and seven pricing programs have created a lot of concern about how they are affecting not just U.S. export opportunities to Canada, but also U.S. dairy exports to third-country markets. And just as it is incumbent upon the United States to play by the rules and hold up our end of the bargain, it is essential that other countries do the same.

So can you assure me that these tariff and nontariff concerns that are limiting the sales opportunities of South Dakota's dairy industry will be addressed in the coming NAFTA negotiations?

Ambassador LIGHTHIZER. Yes, sir, we are very familiar with them. A number of Senators and industry sources have raised it, and it is very important, and it is something we have talked about somewhat already with the Canadians and certainly expect to deal with further.

Senator THUNE. Thank you. I was very pleased with your recent remarks indicating that it is unacceptable for our trade partners to use nonscientific and non-risk-based regulatory systems to suppress U.S. exports or influence what we produce. As you know, China and the EU have adopted this strategy when it comes to U.S. biotech crops.

Most recently, China committed to reviewing eight biotech products that are currently awaiting final approval. And I understand that these products have been in the Chinese process for an average now of 5 years. However, China has only approved two products and asked questions on the remaining six.

What does the administration intend to do to hold China accountable to approve the remaining six products before the conclusion of the 100-day plan?

Ambassador LIGHTHIZER. Well, as you suggest, Senator, this is one of the deliverables from the 100-day plan. And the administration is very serious about that. It is continuing to press China. Our expectation is that they will grant all eight approvals in due course, but our pressure is on them to do it as soon as possible.

We have not lost sight of the fact that there are six of them that are still languishing out there.

Senator THUNE. Good. In my home State of South Dakota, I have constituents who are harnessing Internet-enabled tools to access

customers abroad in ways that would have been impossible a decade ago. And all U.S. industries, from agriculture to manufacturing to financial services, are increasingly reliant on the Internet for their current and future global competitiveness.

As a sector on its own, the Internet is an area of major U.S. economic and export strength, adding to a positive trade balance and supporting more than 6.7 million American jobs.

In order to build on that success, it is essential that USTR have senior-level staff dedicated to combating foreign restrictions and promoting U.S. digital economy and trade interests. Currently, USTR has mid-level staff who are working on these issues, but no senior-level leadership.

Given that digital trade affects a wide range of industries that cut across issue areas and geographies, do you plan to appoint senior-level officials focused on digital trade to drive a coordinated, consistent, and cross-cutting agenda to comprehensively remove barriers to U.S. digital trade?

Ambassador LIGHTHIZER. Yes. We have, as you know, Senator, an Intellectual Property Innovation Negotiator, a position that was created by the Congress and by this committee really. It was not filled in the last administration. We are in the process right now of moving ahead to fill it.

But in the meantime, I want to assure you that it is not just mid-level people who are worried about digital trade at USTR. It is a focus of the entire institution, and it is one that cuts across lines. Almost whatever area you are looking at, there is a digital aspect to it. And it is really something that I focus on very much.

And I have a deputy who is before this committee, who hopefully will be confirmed in due course. He has not been before the committee very long, so this is by no means a complaint. But I hope when he is done, he will also focus on it.

But we do have an IP negotiator position that we want to fill, and we are in the process of working through that system right now.

Senator THUNE. Very good; thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir.

I want to thank everybody, all those who attended today and participated, especially you, Mr. Ambassador. You have been very patient. As usual, you have answered everything you possibly could. You have done a great job.

There are a lot of things on the Ambassador's plate right now, and his willingness to appear before the committee, that reflects the important understanding of Congress's critical role in setting our national trade agenda. So we appreciate you being here. We appreciate the patience that you have had.

And I would like to request that Senators with questions for the record please submit them by close of business on June 27th.

And with that, we are going to adjourn this hearing.

[Whereupon, at 12:10 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. ORRIN G. HATCH,
A U.S. SENATOR FROM UTAH

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing to examine the administration's approach to trade policy and its fiscal year (FY) 2018 budget request:

Good morning and welcome to today's hearing, during which we will discuss our Nation's trade policy agenda as well as the FY 2018 budget request for the U.S. Trade Representative.

Thank you, Ambassador Lighthizer, for being here today.

You have been in office for little more than 1 month, and we already have seen quite a bit of you here in the Senate. I take this as a good sign that you understand the importance of not only meeting with the Senate, but also listening to the advice that you receive and incorporating it into your negotiating positions. As you and I have discussed, following the letter and spirit of the Trade Promotion Authority statute is the only way to build the necessary support in Congress to execute the President's ambitious trade agenda.

Members of this committee are looking forward to inquiring about and discussing that agenda today.

As required by law, USTR issued its trade agenda report in March. Unfortunately, due to unnecessary and politically motivated delays to Ambassador Lighthizer's confirmation, that report had to be issued before he took office.

Now that Ambassador Lighthizer is in office, today is an opportunity for him to update Congress on the administration's trade goals.

Like I said, President Trump has outlined an ambitious trade agenda. That's a good thing.

The number-one goal for the administration must be to build and maintain a healthy economy for American businesses, workers, and families. And that requires a trade policy that not only increases economic opportunities for American companies and consumers, but also holds foreign nations accountable when they abuse the system.

With that in mind, let me offer one piece of advice to the administration. When tackling trade challenges, you should stay focused on trade.

That might sound obvious, but, believe me, some tend to disregard that particular piece of advice.

I was very critical of the last administration for using American negotiating leverage to push a social agenda that was often more concerned with labor, environment, public health, and other policies than with improving the trade policy of our trading partners.

I hope that this administration, in contrast, will keep America's trade policy focused on trade.

I would be similarly concerned with the use of national security tools to achieve trade policy goals if doing so would risk undermining our national security capabilities. The President bears the responsibility for managing significant national secu-

urity threats from North Korea, Iran, and elsewhere, and we must ensure that none of our Nation's trade actions jeopardize the ironclad principle that the United States has the right to act in its essential security interests, including through sanctions, embargoes, and other economic measures.

Just as all national security options must remain on the table to address security threats, we must use the full range of trade policy tools to hold foreign nations accountable.

I expect and am confident that this administration will aggressively pursue enforcement at the World Trade Organization, utilize domestic trade remedy laws, combat intellectual property rights violations, and work to resolve market distortions in China and other countries.

Congress has provided the executive branch the tools necessary to pursue these objectives.

For example, Congress recently authorized the Enforce and Protect Act to target duty evasion, and passed legislation improving the effectiveness of the Special 301 mechanism and WTO-authorized retaliation measures. We also established a Chief Intellectual Property Negotiator, a Trade Enforcement Trust Fund, and the Inter-agency Center on Trade Implementation, Monitoring, and Enforcement. All of these provisions were intended to give our Nation's trade enforcers and negotiators the tools that they need to ensure that our trading partners follow the rules.

Ambassador Lighthizer, I am interested in hearing your views on how USTR and the administration will use these and other existing trade authorities to challenge the improper practices of foreign countries, and what additional resources, if any, might be needed in order to best utilize these tools.

Of course, ensuring that our trading partners follow the rules is only part of the equation. Establishing those rules also is in our national interest.

Toward that end, the upcoming negotiations with Canada and Mexico provide the administration with a unique opportunity to improve North American integration. This will make the region a more attractive investment and manufacturing hub and serve as a counterweight to China.

Looking further ahead, the administration must build upon a stronger North American base to expand opportunities for American businesses, consumers, and workers in the Asia-Pacific region, including through bilateral free-trade agreements.

The administration is focused on addressing global trade imbalances, and history has demonstrated that the best way to address those imbalances is through U.S.-led free-trade agreements.

Currently, the United States has free-trade agreements with 20 individual countries, and in 2015, the overall U.S. trade surplus with those countries was more than \$8 billion.

Long story short, the best way to ensure a strong U.S. economy through trade is to negotiate deals with foreign nations that require them to play by our rules, and allow us to hold those countries accountable when they fail to do so.

That is what I believe President Trump wants, and I encourage you, Ambassador, to utilize the authorities provided under the TPA statute to achieve those goals.

PREPARED STATEMENT OF HON. ROBERT E. LIGHTHIZER, UNITED STATES TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT

Chairman Hatch, Ranking Member Wyden, and other members of the Senate Committee on Finance, it is an honor to appear before you today as the United States Trade Representative. Under President Trump and his administration, I am here to tell you that trade is certainly a top priority, and it is my intent to work with this committee to achieve true progress for all Americans. During my first few weeks on the job, the President has instructed me to negotiate trade deals that put American workers, farmers and ranchers, families, and businesses first, and to complement those negotiations with a vigorous enforcement agenda.

I am pleased to report to you today, that since January 20th, USTR has been hard at work. The agency submitted a new budget request to Congress and has started implementing President Trump's agenda on trade. Thirty-five days ago, I notified

Congress of the administration's intent to renegotiate the North American Free Trade Agreement (NAFTA), a principal priority of the President.

In addition, my USTR team and I traveled to Vietnam to participate in the Asia-Pacific Economic Cooperation (APEC) Ministers Responsible for Trade meeting, and led the U.S. delegation for the Organisation for Economic Co-operation and Development (OECD) ministerial meeting in Paris. These overseas engagements allowed me to press our trading allies on a bilateral basis to open markets for American exports and to reiterate the President's message that America and our workers insist on a fair shake.

It has been a very productive first month, and all of us at USTR intend to continue working at this productive pace in order to level the playing field for American workers, ranchers, farmers, and businesses.

Before discussing our activities and agenda in detail, it is important to note that the President has requested increased funding for USTR to enhance the agency's mission. USTR's FY 2018 request calls for \$57,600,000, a roughly 6% increase over the FY 2016 level. These additional resources would be used to implement the Inter-agency Center on Trade Implementation, Monitoring, and Enforcement, and would allow USTR to hire eight additional staff to support the mission of that office.

As is typical for our agency, the overwhelming majority of our resources are used for personnel and travel in support of the core mission of the agency; for the FY 2018 request, payroll is expected to account for 76% of the budget and travel for 11%.

These resources are vital to fulfill USTR's mission. They will enable the agency to meet our statutory obligations, including the obligations to (1) enforce trade agreements, including detecting violations and taking swift action to enforce U.S. rights, (2) vigorously and successfully defend the ability of the United States to exercise its rights to ensure fair trade in the U.S. market, and (3) take action under U.S. law to advance U.S. economic interests. To advocate for and defend U.S. economic interests in these ways, among others, USTR is preparing to take significant action far beyond that taken by previous administrations, including, for example, self-initiated litigation in defense of U.S. workers, farmers, ranchers, and businesses. And as we speak, USTR is reviewing the effectiveness of our trade agreements, preparing to provide its assessment to the President in October of this year.

First and foremost among our activities, on May 18th, in accordance with the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (TPA), I notified Congress that the President will conduct negotiations with Canada and Mexico with respect to NAFTA. As required by TPA, the congressional notification is followed by a 90-day period of consultations with the public and Congress, and provides Congress the opportunity to review and comment on the negotiations. That means that the NAFTA negotiating rounds can begin as soon as August 17th, and that is our intention.

In the meantime, USTR is talking to stakeholders, your staff, and the public to help us develop our policy outcomes for the negotiations. USTR is reviewing the more than 12,400 comments received from everyday Americans during the open-comment process. The public had such a strong interest in our work on NAFTA that the website crashed, so we extended the comment period to ensure that everyone had an opportunity to provide input. My staff is now busy reviewing and analyzing those comments, in order to help formulate our positions on how to improve the NAFTA. In addition, USTR will hold several days of public hearings beginning on June 27th. Again, we expect great interest and look forward to hearing the testimony of a wide range of stakeholders.

Of course, during the 90-day period, we will also be working closely with the Congress to develop and refine our negotiating objectives, consistent with TPA. To that end, we have already had numerous meetings with congressional offices, members, and aides to hear your ideas. And, in the interest of a transparent process, and as required by TPA, we will be publishing a detailed summary of the negotiating objectives at least 30 days before the negotiations begin.

USTR also is working to advance each point of President Trump's trade policy agenda, which includes promoting U.S. sovereignty, enforcing U.S. trade laws, leveraging American economic strength, protecting U.S. intellectual property rights, and reducing America's persistent trade deficit. We are doing this on a number of fronts.

For example, we are fully engaged in working with our trading partners in Asia to increase market access and dismantle trade barriers. My staff and I have had productive visits with officials from Vietnam, Indonesia, India, and other countries and have been successful in resolving some outstanding trade issues to improve market access for both goods and services in these countries. Specifically, during my bilateral meetings so far, I have raised several issues about which members on this committee are concerned, including Internet advertising, e-payment services, the export of agricultural goods, and others. My team and I have made progress with respect to many of these issues, but I intend to continue pressing them to ensure that markets remain open.

The economic dialogues with China and Japan are also proceeding, and USTR staff has contributed to those market-opening efforts as well. Through the pursuit of these reforms, and securing more access for American exporters, I hope to see Asian markets provide strong demand for our exporters.

We are also involved in other areas of the world. I was in Paris last week at OECD meetings where I had the opportunity to meet with European Commissioner for Trade, Commissioner Malmstrom. We discussed areas of common concern and a way forward on a U.S.-EU economic dialogue. We are currently in the process, with our EU counterparts, of establishing the scope of that engagement, which includes both bilateral and global issues. We know that there are areas where we can ally ourselves with our European trading partners to address issues such as non-economic capacity and non-market economy status for certain countries.

However, the President's agenda is not limited to new negotiations, as the President takes seriously the need for the United States to enforce laws already on the books. The Office of General Counsel, in accordance with the President's recent directives in Executive Order 13796, is in the process of examining our trade relationships and identifying issues that can be addressed through enforcement of U.S. trade laws. We believe that too little has been done in this area in recent years, and we are actively assessing ways to get tough on countries who do not respect our economic system. We have also been active in identifying countries that have serious problems with protection of intellectual property, and we are reviewing and amending our action plans to ensure that we can identify violations and take appropriate enforcement actions. We have also initiated out-of-cycle reviews or investigations of countries that receive trade preferences under programs such as the Generalized System of Preferences and the African Growth and Opportunity Act.

USTR is also working hard, defending the interests of the United States through multilateral engagement at the World Trade Organization (WTO). For many years, the team at USTR has been engaged in the WTO dispute process regarding European Union subsidies for Airbus and EU claims of American subsidies for Boeing. On June 9th, a WTO Compliance Panel rejected 28 of 29 claims made by the European Union. Make no mistake; this was a big victory for the United States. I look forward to continuing the trend of defending American businesses against unfair claims from foreign nations. Further, we will not hesitate to file claims against nations that do not follow the rules.

During my first month in office, I have had several promising discussions with the Director General of the WTO, Roberto Azevedo, in order to express our priority to improve the functioning of the WTO. In Paris, I had the opportunity to participate in candid discussions among parties many of which showed the significant differences among members. I have begun to articulate my desires to seek reforms to the WTO dispute settlement system, and have made that clear to our partners. This is now a topic of serious discussion at the WTO. We expect to see meaningful changes in order to maintain the relevance of the system. Looking ahead to December, we are pursuing successful ministerial in Buenos Aires this December that reinvigorates the WTO. We do not advocate a meeting that seeks major deliverables or significant negotiated outcomes.

Finally, we at USTR are committed to enhancing U.S. food and agricultural exports globally. Secretary Perdue and I will be working closely together to ensure that we are effective in achieving this goal. Thus far, USTR has made progress with respect to China, Argentina, and Vietnam, in addition to the ongoing work that USDA and USTR staff undertake every day to promote U.S. agriculture. We raised our concerns with Canadian officials and at the WTO on Canada's dairy pricing policy, and I engaged Vietnam to address concerns affecting U.S. exports of offal and use of certain veterinary drugs in beef and pork. I am moving forward with dispute resolution on China's trade-distorting farm support for corn, wheat and rice with a panel formed and dispute proceedings ongoing.

Again, it has been a very productive first month, and we hope to keep the momentum in realizing the President's trade agenda as we move further into the year. I look forward to working closely with Congress and in particular the Senate Committee on Finance to work on the President's Trade Agenda to make America great again.

QUESTIONS SUBMITTED FOR THE RECORD TO HON. ROBERT E. LIGHTHIZER

QUESTIONS SUBMITTED BY HON. ORRIN G. HATCH

Question. America's strongest competitive advantage lies with our innovative industries. We must ensure that our trading partners allow cross-border data flows, do not impose data localization measures, and protect encryption and source code used in commercial products. No sector of the U.S. economy should be excluded from these protections.

What is your plan for engaging with Canada and Mexico to create a strong foundation for digital trade?

Answer. The administration recognizes the importance of the digital economy to American jobs, prosperity, and position as the global leader for innovative industries, as well as U.S. companies' unique competitive advantages in this area. I agree that addressing the specific issues that you have identified, including restrictions on cross-border data flows and data localization measures, in all sectors of the economy, will be important to preserve U.S. firms' international competitiveness. We are currently looking at how best to address these issues in talks with Mexico and Canada, taking into account the views of the Congress and stakeholders on the approaches in past agreements, and existing frameworks in which our countries currently participate, such as the Asia-Pacific Economic Cooperation (APEC) Cross-Border Privacy Rules system.

Question. NAFTA provides reciprocal market access for government procurement, enabling American businesses to participate in Canadian and Mexican government procurements on a non-discriminatory basis. Such participation is very important to American businesses, which have been awarded contracts in Canada and Mexico worth as high as hundreds of millions of dollars. In contrast, despite the reciprocal nature of NAFTA government procurement obligations, Canadian and Mexican businesses provide only a small fraction of U.S. Government procurement.

How do you plan to ensure that any revised NAFTA agreement reached with Canada and Mexico preserves NAFTA's existing government procurement provisions and does not jeopardize government procurement opportunities for American businesses in Canada and Mexico?

Answer. Government procurement obligations have been a part of every U.S. FTA since the U.S.-Israel FTA. As we approach NAFTA renegotiation, we will seek to ensure that the government procurement chapter facilitates the participation of American businesses seeking to take part in procurement opportunities in Canada and Mexico.

Question. The IP chapter of the TPP included a number of flaws that contributed to TPP's failure to pass Congress. For example, certain copyright provisions fell below the standard of protection provided by U.S. law.

Since the U.S.-Korea FTA was the last free trade agreement to pass Congress, and was acceptable to both rights holders and user groups, do you agree that the administration should look to the IP provisions in the U.S.-Korea FTA rather than the TPP provisions as a starting point for NAFTA modernization?

Answer. NAFTA modernization needs to secure high IP standards, and we will be seeking standards of protection similar to those in U.S. law and that reflect our trade priorities with respect to Canada and Mexico. Throughout the negotiation, we will be pressing for solutions to both new and long-standing trade challenges in intellectual property protection and enforcement. I look forward to working closely with you on these issues.

Question. As part of Congress's most recent reauthorization of the Generalized System of Preferences, the list of products eligible to receive duty-free treatment was expanded to include certain luggage and travel articles. Despite broad bipartisan support for this expansion, the previous administration inexplicably elected to extend eligibility only to imports from a small subset of countries. At your confirma-

tion hearing, you committed to reviewing whether duty-free treatment should be extended to imports from all GSP-eligible countries.

Now that you are the confirmed U.S. Trade Representative, will you commit to extending such treatment to imports from all GSP-eligible countries?

Answer. I am pleased to report to you that the President has decided to extend GSP eligibility for travel goods to all beneficiary countries. This decision entered into force on July 1, 2017.

Question. I am concerned about China's efforts to use its Anti-Monopoly Law to advance its industrial policy goals at the expense of U.S. companies. In the past, the United States secured a number of commitments from China to enforce its Anti-Monopoly Law in a transparent and non-discriminatory manner. Nevertheless, as documented by USTR's recent NTE and Special 301 Reports, China appears to continue to use its AML to target U.S. companies, and U.S. intellectual property in particular. In response to an earlier question of mine on the topic, you stated that you would "undertake efforts, in coordination with other U.S. Government agencies, to ensure that China applies its Anti-Monopoly Law in a transparent manner to address legitimate competition-related concerns, not as a guise for industrial policies."

Now that you are confirmed, what specifically is USTR doing to ensure that China stops the discriminatory application of its Anti-Monopoly Law?

Answer. China continues to apply its Anti-Monopoly Law (AML) to private parties in a manner that is not sufficiently transparent or even-handed and that appears to use the threat of AML penalties to extract inappropriate, and sometimes unrelated, concessions from U.S. firms, including with regard to their intellectual property. China also appears to under-enforce AML provisions prohibiting government actions that eliminate or restrict competition, of which there are many in China. Both of these dimensions of China's AML enforcement affect international trade and investment flows. To effectively address these problems, U.S. trade and competition agencies will need to work together on a strategy that allows us to deploy the tools available to us in a way that leads to free and fair competition in China and internationally.

Question. At present, China maintains a 50% foreign equity cap restriction on foreign direct investment in the Chinese domestic life insurance market. China's insurance companies control nearly all of China's domestic market, and are actively expanding into foreign markets, including the United States, where no such equity caps exist.

What is your plan for addressing China's life insurance equity cap restrictions?

Answer. This administration recognizes the importance of removing China's foreign equity cap for U.S. companies that seek to provide life insurance services in China and will continue to use all appropriate avenues, including high-level discussions, to endeavor to make progress on this issue.

Question. On January 13, 2017, the Treasury Department and USTR notified Congress of the conclusion of negotiations on the Bilateral Agreement between the European Union and the United States of America on Prudential Measures Regarding Insurance and Reinsurance ("covered agreement"). Under section 314 of the Federal Insurance Act of 2010, USTR is authorized, with Treasury, to negotiate and enter into covered agreements on behalf of the United States.

As the administration considers signing the U.S.-EU covered agreement, do you commit that USTR will fully engage with Congress and stakeholders before entering into the agreement?

Answer. USTR and Treasury have undertaken a series of meetings with interested stakeholders and Congress to gather feedback on the U.S.-EU covered agreement and to provide updates regarding the administration's decision-making process. USTR is currently considering next steps on this issue in consultation with Treasury. I intend to ensure that Congress and stakeholders remain engaged in this process.

Question. Canadian courts have invalidated approximately 30 patents for innovative pharmaceutical products by applying a patent utility doctrine that appears to be discriminatory and inconsistent with Canada's international obligations.

How do you intend to address this issue?

Answer. We share your concern on this issue, and we have raised this with Canada. In the AstraZeneca case decided on June 30, 2017, the Canadian Supreme

Court invalidated the use of the “Promise Doctrine,” saying it was not the correct method of determining utility. This recent result is very encouraging. We will continue to use all appropriate trade tools to ensure that Canada treats U.S. rights holders in a fair and transparent manner according to its international obligations, including with regard to the restoration of other previously invalidated patents.

Question. With only one recent and discriminatory exception, the Canadian Radio-Television and Telecommunications Commission (“commission”) requires local Canadian television stations to substitute Canadian ads for U.S. ads when a program is aired at the same time in both the United States and Canada. This policy is referred to as simultaneous substitution. In January 2015, the commission issued, without notice, an order to prohibit simultaneous substitution only for the Super Bowl. The prohibition applies to no other program. This action undermines the NFL’s ability to collect revenue on copyrighted content, likely violates international agreements, and is unfairly discriminatory to the NFL and would-be advertisers. This is one of a number of concerns with Canada’s protection of intellectual property rights.

Given the administration’s stated promise to hold trading partners accountable for violating intellectual property rights, what steps is USTR taking to address this issue?

Answer. We are strongly committed to obtaining the strongest standard of protection for U.S. intellectual property rights holders in Canada, and we believe Canada needs to treat all rights holders fairly. That is paramount in all our trade engagement with Canada.

QUESTIONS SUBMITTED BY HON. PAT ROBERTS

Question. Recently, I spoke at the agriculture symposium held by the Federal Reserve Bank of Kansas City. While I was there, we discussed the severity of the current state of the agriculture economy. It is clear we are in the middle of a rough patch and the outlook will not improve unless we have a determined effort on trade.

I have talked to you in the past about the need to export what we grow in new markets. Since taking the helm at USTR, what progress have you made with Asia-Pacific countries to export U.S. agriculture products?

Answer. I fully recognize the vital importance of agricultural trade to the U.S. economy and States such as Kansas. Over the past few months, we have been engaging with our counterparts across the Asia-Pacific region to discuss the urgency of addressing bilateral trade barriers that our exporters face and how to deepen trade ties between us. In this short time, we have already made progress in addressing barriers faced by U.S. agricultural exporters. For example, as part of the U.S.-China 100-Day Action Plan, China lifted the ban on U.S. beef imports after closing the market 13 years ago. Since China has emerged as a major beef buyer in recent years, with imports increasing from \$275 million in 2012 to \$2.5 billion in 2016, I am optimistic that U.S. beef producers will benefit from the re-opening of the China beef market. We will continue to make addressing agricultural issues a priority and a central element of our efforts to expand market access to markets in the Asia Pacific.

Question. As the lead negotiator for NAFTA, I am sure that you have heard as often as I have, the importance of preserving the gains we have made, particularly as it relates to agriculture, with two of our most important trading partners. However, there are areas where challenges remain. The dairy and wheat industries for instance face non-tariff barriers with Canada.

What is your overall plan for modernizing and strengthening NAFTA, while ensuring that no harm is being done to the market access U.S. agriculture currently holds?

Answer. The administration is committed to maintaining the markets that our farmers, ranchers, and food processing industries have and creating opportunities to expand exports. We are committed to doing no harm, and our goal is to avoid agriculture tariffs being raised as a result of NAFTA renegotiation. In addition, there are areas where our agricultural stakeholders can gain, such as certain market access in Canada. We will continue to consult agricultural stakeholders and Members of Congress, consistent with Trade Promotion Authority, on the United States’ approach to and positions in the negotiations.

Question. The Department of Commerce is currently conducting two section 232 investigations on steel and aluminum. While the investigation is intended to address the national security implications of certain imports, broad trade remedies could have unintended negative consequences on manufacturers and consumers of products made with imported steel and aluminum of superior quality or not currently made in the United States. Many of the increased costs of production will be passed on to consumers. In the case of aluminum, we will likely see higher food prices for canned items.

As the lead trade expert for the administration, how will you work with Secretary Ross to ensure that actions for steel and aluminum imports do not result in harm to U.S. manufacturers and consumers?

Answer. The section 232 investigations on the effects of steel and aluminum imports on U.S. national security are being conducted by the Department of Commerce. Commerce is working with USTR and other agencies in the administration to ensure all the relevant national security, trade, economic, and other policy considerations are evaluated before the President makes decisions in these cases.

QUESTION SUBMITTED BY HON. MICHAEL B. ENZI

Question. As the administration seeks to modernize the North American Free Trade Agreement (NAFTA), there are some areas in which the agreement has led to positive benefits. Specifically, for the U.S. beef industry, exports to Mexico and Canada have increased dramatically. We have heard the Trump administration use the phrase “do no harm” when it comes to the agriculture industry and NAFTA renegotiations.

Is the administration committed to ensuring the NAFTA provisions specific to the U.S. beef industry that have proven successful will not be jeopardized during the negotiations?

Answer. The administration is committed to maintaining the markets that our agricultural sectors have and creating opportunities to expand exports, including for beef. We are committed to doing no harm with respect to agriculture, and our goal is to avoid tariffs being raised as a result of NAFTA renegotiation.

QUESTIONS SUBMITTED BY HON. JOHN CORNYN

Question. As you know, U.S. cotton producers, and the other six segments of the U.S. cotton industry, representing cotton growers to textile manufacturers, operate in highly integrated and competitive global fiber and textile/apparel markets. The vitality of the North American supply chain and access to export markets are crucial to the success and future of the U.S. cotton industry. On average, 75% of U.S. cotton production is exported as raw cotton fiber, and another 20–25% is exported as textile products, such as yarn, thread, and fabric. Thus, nearly 100% of U.S. production is ultimately exported in some form. NAFTA has been a success for the U.S. cotton industry. Through the development of an integrated regional platform for textile and apparel production, NAFTA helps ensure reliable export markets for U.S. cotton producers and strengthens the competitiveness of U.S. textile manufacturers.

Will you commit to maintaining NAFTA’s export market access for U.S. cotton?

Answer. The administration is committed to maintaining the markets that our agricultural sectors have and creating opportunities to expand exports, including for cotton and cotton-based textiles. We are committed to doing no harm, and our goal is to avoid tariffs being raised as a result of NAFTA renegotiation.

Question. Mexico is an essential market for Texas agriculture. In addition to the beef we export there, it’s our top foreign dairy market by far. Nation-wide U.S. exports to Mexico are about triple what they are in China, despite that market’s tremendous importance. So when we’re looking south, we want to make sure there’s a strong priority on keeping the access we have, which is relevant for tariffs and nontariff policies. Furthermore, it is essential that the NAFTA modernization efforts incorporate text on the issue of geographical indications (GIs) and common names. The trade agreement between Canada and the European Union is set to be implemented this summer. The protections the EU demanded from Canada will impair market access for cheese and other food products from third countries and are in complete disregard of Canadian intellectual property laws. Also, Mexico has been

negotiating FTA expansion with the European Union that is intended to incorporate GI provisions. As the European Commission seeks to incorporate GI provisions in all its FTAs, it has been attempting to use the negotiation with Mexico to impose de facto barriers to trade and competition on various common name products that the EU falsely claims as GIs. It is critical that the U.S. continue to reinforce that GIs are a type of intellectual property.

Will GI provisions similar to those in TPP be incorporated into NAFTA and future U.S. trade deals?

Answer. I share your concerns regarding the impact of the EU's policies regarding geographical indications (GIs) on market access for U.S. owners of trademarks and U.S. producers and traders using common names. We strongly object to the EU's efforts to secure unfair market access through its approach to GIs in FTA negotiations. U.S. producers need to be able to use common names to describe and market their products. We will seek fair disciplines regarding GIs in the NAFTA modernization negotiations.

Question. Foreign investment is a critical tool that allows American manufacturing, services, and agricultural industries to grow and thrive. But investors must receive fair treatment for that investment to benefit the United States. That is why investor-state dispute settlement (ISDS) mechanisms are such a critical part of our trade agreements. All investors in the U.S. benefit from protections in the U.S. Constitution, but such basic protections are not always available when U.S. investors invest in other countries, meaning that investors must lean on ISDS to ensure a fair treatment and the rule of law in the face of foreign government mistreatment. Without ISDS, U.S. property is left unprotected against discrimination, foreign seizure, and other forms of unfair action. Congress included ISDS as part of Trade Promotion Authority (TPA) to keep this important provision in our trade agreements going forward—and the administration has been clear that it plans to follow TPA in modernizing NAFTA.

Will you commit to preserving ISDS to protect U.S. property against foreign seizure and theft as part of a robust U.S. enforcement toolkit in NAFTA and future trade negotiations?

Answer. I am mindful that seeking improved mechanisms to resolve investor-state disputes is a negotiating objective in TPA, and I am aware of the importance of ensuring U.S. investors abroad are treated fairly. At the same time, I acknowledge some of the concerns that have been raised about ISDS, including with respect to U.S. sovereignty. I look forward to working with members to achieve an appropriate balance on this issue.

Question. The North American commercial market is the most important market in the world for manufacturers in the United States. Over 60 percent of U.S. manufacturing output in 2016 (\$1.36 trillion) was sold in the United States, Canada, and Mexico. Canada and Mexico purchased one-third of all U.S. manufactured goods exports in 2016, more than the next 10 U.S. trading partners combined.

While there are certainly opportunities to update and improve this 23-year-old agreement, what steps will the administration take to ensure that any renegotiation of the NAFTA will make the North American market even more competitive for manufacturers, and not put at risk the 2 million manufacturing workers that depend on these markets for their jobs?

Answer. The administration supports measures that help U.S. companies maintain and expand production and jobs in the United States, and we are closely reviewing the hundreds of comments we have received in relation to a NAFTA renegotiation to identify specific improvements that will strengthen the North American market and help U.S. manufacturers expand their exports to Canada and Mexico. We will continue to consult with Congress and stakeholders as the negotiations progress to ensure that this key objective is met.

Question. Intellectual property (IP) is crucial to the well-being of our economy. More money is spent on R&D in the U.S. than in any other country in the world. In fact, 30% of the American workforce is employed directly or indirectly in IP-intensive industries.

America is the world's leading financial contributor to many multilateral forums. Despite this, the UN, the WTO and the OECD have become places where the concept of intellectual property is attacked. What can USTR do to play a more active role in promoting the protection and enforcement of strong intellectual property policies in these forums?

Answer. USTR recognizes the significant contributions that IP-intensive industries play in expanding U.S. economic growth and employment, as well as the benefits that accrue to the public from the innovation and creativity incentivized by the rules-based IP system. USTR strongly defends and promotes intellectual property protection and enforcement at the World Trade Organization, where USTR represents the United States, and works with other U.S. Government agencies to defend these positions in other forums, including the United Nations and OECD.

Question. How do you intend to ensure that any modifications to NAFTA continue to promote U.S. innovative industries, such as the biopharmaceutical sector?

Answer. I recognize that an enhanced period of data protection for biologic drugs, the cutting edge of medical development, is important to make sure those complicated, research-intensive products are developed. I intend to seek standards of protection similar to those in U.S. law in our NAFTA negotiations.

Question. Will you seek to include strong intellectual property and market access chapters that reflect the most recent standards in U.S. trade agreements?

Answer. USTR seeks to promote U.S. innovation and IP-intensive industries in all its trade work. Not only is this crucial to our economy, but we also recognize the importance of protecting the incentives for innovation, research and development that delivers groundbreaking treatments and cures. We will seek standards of protection similar to those in U.S. law in our trade negotiations.

Question. As you may know, in my home State of Texas, almost 9 million citizens work in services, exporting approximately \$53 billion in services to buyers around the world. These jobs are across multiple sectors including arts and entertainment, education, financial services, distribution, logistics, and professional services, to name a few. The U.S. currently has a trade surplus when it comes to services.

As services are important to Texas and the overall U.S. economy, how do you see services fitting into the U.S. trade policy agenda and what specific policies do you think are important in promoting services trade?

How will trade negotiations ensure that digital services are not left behind, including when it comes to issues of forced data localization, the transfer of private keys, and forcing U.S. companies to hand over their software source code?

Answer. The administration recognizes the enormous value that services and digital trade represent to the U.S. economy, and U.S. companies' unique competitive advantages in these areas. We also recognize the significant challenges for U.S. firms when foreign governments impose barriers to U.S. services suppliers, restrictions on companies' ability to transfer data across borders, or measures that force the localization of data or the transfer of source code. We intend to consider utilizing a broad range of tools, including building on provisions developed in previous trade negotiations, to bolster U.S. companies' competitive position in the services and digital realms and thereby to strengthen the U.S. economy.

Question. There are concerns that the exclusive focus on manufactured goods deficits as the basis for trade policy excludes a major sector of the economy—services—which accounts for 80 percent of U.S. GDP.

To what extent will you take a more holistic view of the economy in assessing trade policy and include all types of trade flows to more accurately represent trade deficits?

Answer. The U.S. trade balance includes exports and imports of manufactured goods, natural resources, agricultural products, and services. This figure, an overall deficit of \$505 billion in 2016, is the one the administration uses in describing the overall trade balance.

Within the services sector specifically, the U.S. is the world's leader in services exports, earning \$752 billion in areas ranging from intellectual property revenue to express delivery to financial services and the professions, and running a \$248 billion sectoral surplus in services trade in 2016. Our goal is to help U.S. service providers build upon this success, by enforcing U.S. rights, fighting unfair trade practices, and thereby helping to grow exports.

Question. China is the United States' largest global trading partner but with good reason also stands as one of the most frequently cited trouble spots for industries in the United States due to a wide range of market-distorting industrial policies and discriminatory market conditions.

How would you seek to address problematic Chinese actions more effectively while limiting damage to businesses and workers in the United States?

Answer. For many years, China has failed to address the harm to U.S. companies that flows from a wide-range of Chinese policies and practices, including excess capacity, forced technology transfer, and intellectual property rights infringement, among others. To address these challenges, we cannot rely solely on dialogue. I can assure you that enforcement will be a key component of our strategy as we work to ensure that China plays by the rules and opens its market more fully to international competition.

Question. At present, China maintains a 50% foreign equity cap restriction on foreign direct investment in the Chinese domestic life insurance market. An equity cap is unnecessary to protect a Chinese life/health insurance industry that controls 95% of the market and is actively expanding in foreign markets, including in the United States, where no such equity caps exist. Removal of the Chinese equity cap restriction has been an industry objective since the Chinese joined the WTO in 2000. I applaud the administration's commitment to getting China to play fairly in the international marketplace and note the recent announcement of an agreement between the United States and China to make progress on some issues. At the hearing, you suggested other items were also being pursued as part of the "100-day plan" agreed to between President Trump and President Xi.

Can you tell me if the life insurance equity cap restriction has been or will be tabled as part of the 100-day plan?

Can you commit to pursuing this and other market-opening advancements in the Chinese domestic financial services sector?

Answer. As part of the 100-day plan negotiations, the administration has pressed China to remove the foreign equity cap that it applies to the life insurance sector. The administration will continue to use all appropriate avenues, including high-level discussions, to endeavor to fully open China's market for life insurance and other financial services.

Question. The U.S. semiconductor industry serves as an instructive example of the negative impact improperly targeted foreign policy can have on U.S. companies. According to a 2016 Report from the U.S. Patent and Trademark Office and the Economic and Statistics Administration, semiconductors are among the highest-value intellectual property-intensive exports from the United States, accounting for over \$54 billion in exports. As a recent report on the semiconductor industry from the President's Council of Advisors on Science and Technology highlights, foreign government efforts to support their domestic companies through antitrust enforcement against foreign companies comes as several Asian companies position themselves to dominate the 5G wireless standard, which the international standards community is currently developing. China has invested more than \$150 billion in creating a domestic semiconductor market. The use of antitrust as another tool of industrial policy undermines U.S. patent rights, suppresses innovation in wireless technology, and puts U.S. competitiveness in the industry at risk.

What tools can USTR deploy to protect U.S. innovators from being eclipsed by government-backed competitors?

Answer. Global leadership in the semiconductor sector is an important competitive advantage for the U.S. economy, our exports, and our workers. Our industry can compete with any on a level playing field, and we need to combat any unfair efforts to erode our advantages. China has ambitious goals in this sector and we will leverage, as appropriate, all the trade tools at our disposal to respond to all efforts to unfairly disadvantage U.S. industries.

Question. Despite frequent bilateral talks with India since 2014, India continues to take steps to make it more difficult for Texans to export there. Recent movement towards price controls on medical devices, pharmaceutical products, and agriculture biotech take a big bite out of our exports.

How can you turn back these and other trade barriers and create a positive direction for our trade relationship with India?

Answer. The United States has a significant trade deficit with India. The President emphasized during Prime Minister Modi's recent visit that this dynamic must change. President Trump and Prime Minister Modi stated their intention to undertake a "comprehensive review" of the bilateral trade relationship, a process that would include an evaluation of issues such as price controls on medical devices and

pharmaceutical products, as well as concerns in agricultural biotech. We have had, and continue to have, extended bilateral engagement on the importance of establishing and applying policies that create incentives—not disincentives—for research and development of the innovations that increase health and productivity, and about our expectation that all U.S. industries must be treated fairly. USTR will address these issues and others in the comprehensive review through the U.S.-India Trade Policy Forum (TPF).

Question. Also, India has levied a duty of 36% on imported pecans, which has significantly hindered U.S. and Texas pecan exports to that country. Interestingly, India does not produce pecans so there is no domestic industry to protect and there is little revenue from this tariff since few pecans go to the country. U.S. pecan growers have suggested reducing the tariff to the level of other imported tree nuts, which is currently 10% and should result in increased pecan imports and more revenue for India.

Will you commit to working with Congress and the Indian government to reduce the current 36% tariff on U.S. imported pecans to the same level as other tree nut imports to India?

Answer. Lowering tariffs on pecans and other tree nuts will benefit both U.S. exporters and Indian food processors. I will continue to work to expand market access for pecans and other tree nuts by urging India to reduce its tariffs through its budget process.

Question. GSP saved Texas companies nearly \$60 million last year and is on track to save them even more in 2017, allowing them to invest in their businesses and create good, American jobs. Not only do I support renewal, but I also hope the Trump administration quickly finalizes the process of expanding GSP eligibility for all travel goods to all GSP beneficiary countries. This would match the intent of the Congress under the Trade Preferences Extension Act in 2015, follow the spirit of the GSP program, and provide U.S. companies with real alternatives to China.

Will you commit to working with Congress to extend GSP and expand GSP eligibility for all travel goods to all GSP beneficiary countries soon?

Answer. I am pleased to report to you that the President has decided to extend GSP eligibility for travel goods to all beneficiary countries. This decision entered into force on July 1, 2017. Looking ahead, we will continue to consult with Congress on the next steps for GSP, which is scheduled to expire on December 31st of this year. The administration welcomes your interest in renewing GSP and is open to your ideas and advice.

QUESTIONS SUBMITTED BY HON. JOHN THUNE

Question. There has been some speculation that USTR will use intellectual property (IP) text from the Trans-Pacific Partnership (TPP) final text as the United States' opening position for the North American Free Trade Agreement (NAFTA) negotiations regarding IP. However, the TPP final text reflected compromises among 12 parties and does not represent the best defense of U.S. economic interests. A more appropriate model for the NAFTA IP chapter would be a recent, high-standards bilateral deal such as the U.S.-Korea agreement.

Do you agree that the administration's opening position should be the best reflection of U.S. interests and not the outcome of a 7-year negotiation among a dozen parties from which the United States has withdrawn?

Answer. We will be seeking a very strong IP Chapter in the NAFTA negotiation, and an outcome that reflects our trade priorities with respect to Canada and Mexico. Throughout the negotiation, we will be seeking solutions to both new and long-standing trade challenges in intellectual property protection, and enforcement.

Question. The previous administration failed to appreciate fully that copyright is a significant driver of digital trade. At times the previous administration actually framed copyright as a barrier to digital trade. This is clearly not an accurate reflection of our experience in the United States. The problem clearly is not an over-protection of copyright, but rather an under-protection of copyright.

How will you ensure that a modernized NAFTA effectively enforces copyright online for the development of a safer, cleaner online marketplace?

Answer. Copyrighted content is a driver of the digital economy, and effective protection and enforcement of copyright is essential to the healthy growth of legitimate digital trade. We will seek strong standards of copyright protection and enforcement, similar to those in U.S. law, in NAFTA. We will also continue our comprehensive approach to the trade problem of online piracy through our bilateral engagements, our multilateral engagements, our Special 301 Report, our Notorious Markets List, and all other tools at our disposal.

Question. Online marketplaces and e-commerce seamlessly connect buyers and sellers in the North American market. Internet-enabled small sellers who a generation ago would have faced unsurmountable barriers to participating in international commerce and trade are turning to the Internet to reach global consumers and suppliers. Today, nearly \$8 trillion is exchanged through global e-commerce annually. De minimis thresholds are increasingly important to small e-commerce businesses that leverage the Internet to sell low-value items to customers across the globe, but do not have the resources to manage complex customs regimes. Unfortunately, both Canada and Mexico continue to erect customs and trade facilitation barriers that limit the success of Internet-enabled goods exporters, many that ship small, low-value packages. Canada has a \$20 CAD customs de minimis threshold and Mexico has a \$50 threshold—both of which stand in stark contrast to the U.S.'s \$800 threshold, which I worked to increase last year in the Trade Facilitation and Trade Enforcement Act. Mexico has also recently proposed changes to eliminate streamlined customs procedures to disadvantage U.S. e-commerce companies exporting to Mexico.

The 2016 Customs Reauthorization law included a Sense of the Congress that the USTR should use trade fora to encourage other countries to establish commercially meaningful customs de minimis values for low-value shipments. In NAFTA modernization negotiations, I encourage you to seek parity from Canada and Mexico with the United States' \$800 de minimis threshold.

As you undertake these negotiations, will you make harmonization of de minimis thresholds across North America a core U.S. priority?

Answer. I appreciate your repeated concern about Canada's and Mexico's low de minimis levels and have heard from several stakeholders on this important issue. We will look to address this issue in discussions with Canada and Mexico during the renegotiation of NAFTA.

QUESTIONS SUBMITTED BY HON. RICHARD BURR

Question. Canada and Mexico are among the top five markets for North Carolina's agricultural exports. As the administration works to renegotiate NAFTA, it is my hope that agriculture exports will not be disadvantaged, and if anything, we get a better deal for our ranchers and farmers.

Will you assure me this will be your goal during this process and share your plans for making this happen?

Answer. The administration is committed to maintaining the markets our farmers, ranchers, and food processing industries have and creating opportunities to expand exports. We are committed to doing no harm, and our goal is to avoid tariffs being raised as a result of NAFTA renegotiation. In addition, there are areas where our agricultural stakeholders can gain, such as certain market access in Canada. We will continue to consult agricultural stakeholders and Members of Congress, consistent with Trade Promotion Authority, on the United States' approach to and positions in the negotiations.

Question. Intellectual property rights are pivotal to U.S. manufacturing, technology, and industrial competitiveness—and support more than 45 million U.S. jobs and 50 percent of total U.S. exports. Yet intellectual property faces increasing challenges around the world, ranging from efforts to erode global frameworks to protect intellectual property to a growing number of counterfeit products.

How specifically do you plan to boost IP protection around the world?

Answer. Obtaining adequate and effective protection of intellectual property, and fair market access for intellectual property-intensive industries, is one of my highest priorities. We identify and quickly respond to bilateral problems as they emerge. Systemically, we work to improve protection and enforcement of copyright, patent, trademark, trade secret, and other IP rights on multiple fronts: through our bilat-

eral engagements, our international engagements, our Special 301 Report, our Notorious Markets List, and all other tools at our disposal.

Question. What tools do you see as most critical in the fight to protect American innovation?

Answer. Different challenges require different responses, and they are all essential. First, we must hold other governments accountable when they initiate policies or take actions that undermine the ability of rights holders to fairly use and profit from intellectual property. Direct engagement is essential. We also let other countries know that we are always monitoring their compliance with their bilateral and multilateral commitments, and are aware of both systemic and specific obstacles to our industries in each market. We do that in a variety of ways, including our public reports, which have led to specific, critical improvements in other countries' protection and enforcement of intellectual property rights. Finally, we will take enforcement actions when appropriate.

QUESTIONS SUBMITTED BY HON. PATRICK J. TOOMEY

Question. On June 6, 2017, the U.S. Commerce Department announced a new suspension agreement that increases prices and imposes new restrictions on the amount of sugar Mexico can export to the United States. Unfortunately, this deal fails to consider ordinary American consumers and workers in the food manufacturing industry, who are already forced to pay prices 75 percent higher than the world average. Not only will American consumers see prices increase at the checkout line as a result of this negotiation, but workers in the food and beverage industry may face potential layoffs as American companies consider relocating outside of the United States where sugar prices are significantly lower.

I understand that your office was not involved with the recent negotiations with Mexico, but I am still concerned that the United States will continue to pursue policies that ignore the interests of American consumers.

Can you assure me that future trade agreements negotiated by your office will prioritize American consumers' interests?

Answer. As USTR negotiates trade agreements, I will continue to consult with members of Congress and seek the full range of perspectives in our private sector, including the important views of consumers, as we advance our trade agenda.

Question. Dairy farming is Pennsylvania's largest agriculture sector, supporting over 60,000 direct and indirect jobs across the State. While most U.S. agriculture products enjoy duty-free access under NAFTA, dairy products face Canadian duties of 200–300 percent and nontariff barriers that are designed to prevent American farmers and food manufacturers from competing in these markets. As the administration prepares to start negotiations with Canada and Mexico later this year, it is important that we identify and open new markets for American-made goods while not closing off export opportunities in other sectors, especially agriculture.

Will NAFTA renegotiations offer meaningful market access opportunities for the U.S. dairy industry, and will you work to open the Canadian market to U.S. agriculture products in general?

Answer. I understand that Canada maintains strict limits on imports of dairy and agree that it is important to obtain new access to the Canadian market. The administration is committed to maintaining the markets that our agricultural sectors have and creating opportunities to expand exports, including to Canada. We will continue to consult with the U.S. industry and Members of Congress, consistent with Trade Promotion Authority, on the United States' approach to and positions in the negotiations.

Question. For years, the Colombian Government required the scrapping of old commercial trucks before businesses could purchase newly constructed ones, which created an artificial cap on their domestic truck market. The Colombian Government recently announced its intention to end the scrappage requirement; however, few trucks have been sold under the new policy. Pressing Columbia to open up its markets and cease protectionism could have a positive effect on U.S. job creation. For example, Mack Trucks, which employs 1,700 workers at its heavy duty vehicle factory in Macungie, Pennsylvania, could potentially sell American-made trucks if these barriers were removed.

I appreciate your commitment to work with the Colombian Government on this issue and reach an agreement to allow imported commercial trucks.

What progress can you report thus far, and what additional actions are needed to resolve this issue in a timely manner?

Answer. I share your concerns about Colombia's restrictive measures with respect to imported trucks, in particular the so-called scrappage requirements. My staff and I are working with U.S. stakeholders to assess the impact of the new implementing regulations for the transitional scrappage requirement, and are calling on Colombia to ensure that the transitional system operates such that dealers can import sufficient trucks to meet demand. We will also continue to monitor closely the full range of Colombia's actions affecting imported trucks and engage with Colombia on any specific concerns that arise.

QUESTION SUBMITTED BY HON. DEAN HELLER

Question. Many tourists come to Las Vegas and the great State of Nevada from abroad—from China, Canada, and Mexico—countries this administration intends to pursue or is pursuing new trade negotiations with. However, international travel to the United States is down significantly, 11 percent on a year-over-year basis, according to a recent report. Of the many factors contributing to this decline, one may be the perception that the U.S. is no longer as welcoming a place for foreigners.

How will you ensure tourists from these and other foreign countries still feel welcome in the United States as the administration works to update and improve NAFTA and other trade deals?

Answer. Tourism and travel services are among the most dynamic service sectors in the United States and also serve to support other major segments of our economy. I look forward to working with you to ensure that promoting tourism and travel-related services is an integral part of the U.S. trade agenda.

QUESTIONS SUBMITTED BY HON. TIM SCOTT

Question. China maintains a 50% foreign equity cap restriction on foreign direct investment in the Chinese domestic life insurance market. An equity cap is unnecessary to protect a Chinese life/health insurance industry that controls 95% of the market and is actively expanding in foreign markets, including in the United States, where no such equity caps exist. In fact, many project that the Chinese insurance market will overtake the American insurance market in size by 2030. Similar equity caps exist in other lines of business in the Chinese financial services sector. I applaud the administration's focus on leveling the playing field between the United States and China. Allowing American financial services companies to enter the Chinese market establishes parity between our countries and will grow our economy at home.

During your oral testimony, you suggested that the administration was considering a variety of issues to address through the "100-day action plan" on the U.S.-China trade imbalance announced by President Trump and Chinese President Xi Jinping.

What is the administration's view of the Chinese equity cap on foreign investment in its domestic life insurance market and similar equity caps in other areas of the financial services sector?

Have negotiations to raise or eliminate the life insurance equity cap or other financial services sector equity caps been part of the "100-day action plan" discussions thus far? If not, will they be?

What are your views on the timeliness by which these issues can be resolved in Bilateral Investment Treaty talks versus in the "100-day action plan" or other economic initiatives?

In the administration's view, what are the merits of pursuing this specific objective and other methods to open the Chinese domestic financial services sector to foreign investment?

What else is the USTR doing to equal the playing field between the United States and China in this regard?

Answer. The administration recognizes the importance of removal of China's foreign equity cap for life insurance, and foreign equity caps for other financial services, such as securities and asset management, for U.S. companies that wish to provide financial services in China. As part of our engagement with China through the CED, the administration has pressed China to remove foreign equity caps that it applies to financial services and will continue to use all appropriate avenues, including high-level discussions, to endeavor to fully open China's market for financial services.

The administration also is undertaking a comprehensive review of a broad range of potential tools, including the U.S.-China BIT, to ensure that China treats the United States fairly with respect to trade and investment. The administration will take any decisions on future BIT negotiations with China after this review has been completed.

Full access to China's services market would expand business opportunities for U.S. companies while also making a positive contribution to U.S. services exports. This administration understands the importance of providing U.S. financial services companies with the same high level of access that Chinese companies enjoy in the United States.

QUESTIONS SUBMITTED BY HON. RON WYDEN

Question. Ambassador Lighthizer, we have heard that the administration has a very ambitious timeline for concluding negotiations with Mexico and Canada. I am concerned that it will be difficult to obtain the high standards we want to see in only four or six months. We need to take the time to get real improvements, and not cosmetic changes.

Can you confirm that you will let the substance drive the timing?

Answer. Our first priority is a high standards agreement and the strongest possible outcome for U.S. farmers, ranchers, manufacturers, service providers, intellectual property rights holders, and workers. We will seek to achieve that goal as soon as possible. As always, our process will be driven by getting the best result for the United States, rather than meeting an arbitrary timeline.

Question. If it becomes clear that you cannot reach an agreement as quickly as you would like, it seems like you have three choices: (1) cut your losses and agree to a small set of improvements, (2) withdraw from NAFTA, or (3) continue talks with an aim of reaching a high standard, model agreement.

Do you agree that if you cannot reach an agreement quickly, continuing to negotiate until you achieve a high standard agreement would be the best result for American workers and businesses?

Answer. There are many reasons to renegotiate the NAFTA as quickly as possible, and I agree with your view that we should not lower our sights as we do so. We are looking for the strongest possible outcome for U.S. farmers, ranchers, businesses, and workers.

Question. One significant area for improvement in NAFTA is on digital trade—something that was barely on the radar screen when the agreement was negotiated. I believe that we need to work to identify the best, most ambitious proposals in this area to make NAFTA a model for subsequent pacts. This means that, in addition to data flow commitments, we need clear intermediary liability protections, non-discriminatory licensing terms for online services, balanced approaches to copyright, and more.

Do you agree with me that we need to set a high level of ambition on digital trade proposals and that those could include texts advanced by the United States in TiSA on data flows for financial services and Internet intermediary liability?

Answer. We recognize the enormous value that digital trade represents to the U.S. economy and U.S. companies' unique competitive advantages in this area. We also recognize the significant challenges for U.S. firms when foreign governments impose restrictions on our companies, such as impeding their ability to transfer data across borders, forcing the localization of data, or discriminating in licensing. We intend to consider utilizing a broad range of tools, including building on provisions from previous trade negotiations to bolster U.S. companies' competitive position in the digital realm and thereby to strengthen the U.S. economy.

Question. Back in 1995, Chairman Hatch and Senator Grassley, along with several other Senators, wrote to your predecessor Ambassador Kantor, described chapter 19 of NAFTA as a “fundamentally flawed system” and urged that it be eliminated or substantially reformed. I agree with them. Chapter 19 is harmful to American workers, unnecessary, and constitutionally suspect. The NAFTA negotiations you are about to begin present our best shot at getting rid of chapter 19 and creating a modern, high standard agreement.

Will you commit to seek to eliminate chapter 19 as part of the NAFTA negotiations you are about to begin?

Answer. I share your concerns regarding chapter 19 of NAFTA and the detrimental impact it has had on the administration and application of our AD/CVD laws. I can assure you that we will address this issue with Canada and Mexico during the renegotiation process, and will work towards an outcome that will allow us to continue to maintain strong AD/CVD laws that ensure that our companies, workers, farmers, and ranchers are able to compete on a level playing field.

Question. In written questions for your confirmation hearing, I asked about your intentions with respect to Canada and Mexico’s de minimis threshold for assessment of duties and taxes on imports. As you know, the United States raised its de minimis threshold in 2016, as a result of the passage of the Trade Facilitation and Trade Enforcement Act of 2015. This was in large part a recognition that the digital environment has opened up new opportunities for very small businesses, making them capable of participating in the global economy. However, low de minimis thresholds in foreign markets limit the ability of U.S. small exporters to capitalize on the digital revolution, because of the burden both customs duties and the associated red tape place on very small producers. Both Mexico and Canada have de minimis thresholds much lower than the United States, making them difficult to export to, despite proximity.

Do you commit to addressing this disparity in the renegotiation of NAFTA, so that the agreement benefits the smallest of U.S. business, as well as very large ones?

Answer. I appreciate your repeated concern about Canada’s and Mexico’s low de minimis levels and have heard from several stakeholders on this important issue. I will look to address this issue in discussions with Canada and Mexico during the renegotiation of NAFTA.

Question. Earlier this year, Chairman Hatch and I together sent a letter to the Acting USTR on the misuse of geographical indications that puts at risk U.S. market access opportunities and undermines trademarks held by U.S. companies. The EU is currently negotiating with Mexico to update the existing FTA between the two countries and has sought commitments in that negotiation that would undermine market access agricultural exports.

How will you use the NAFTA discussions to support ongoing engagement with Mexico and other countries to prevent the misuse of geographical indications and safeguard U.S. market access?

Answer. We continue to raise this issue with Mexico, emphasizing the United States’ deep concern about the EU’s approach to GIs, including in its FTA negotiations strategy that involves the wholesale acceptance of GI lists undermining U.S. producers’ market access. We expect that Mexico will engage in our negotiations in a productive manner on all issues.

Question. Poor fisheries management, illegal fishing and the bycatch of turtles and marine mammals are problems in NAFTA countries.

Will the United States seek effective and enforceable commitments as part of a NAFTA renegotiation to address poor fisheries management standards, bycatch, and illegal, unregulated and unreported fishing in waters fished by NAFTA countries?

Answer. I share your concerns, and I look forward to working with you, other members of Congress, and stakeholders as we update and improve on the NAFTA model. In particular, I look forward to discussing ways in which we can strengthen environmental provisions to meet the objectives in TPA and improve our trading partners’ environmental standards in ways that also help level the playing field for American fishermen.

Question. Fully enforceable labor commitments designed to ensure that weak labor standards cannot be used to undermine U.S. workers and businesses are an essential component of any renegotiated NAFTA.

In the context of a NAFTA renegotiation, what steps will this administration take to ensure that trading partners maintain laws ensuring core labor standards and are effectively enforcing their labor laws before they get the benefits of a renegotiated agreement?

Answer. I am committed to ensuring that our trade agreements strengthen our trading partners' labor standards and meet the negotiating objectives that Congress has set out in TPA. In consultation with Congress, the administration will seek to modernize the labor obligations, including by incorporating high standard labor provisions into the core of the agreement rather than in a side agreement, and ensuring that the obligations are subject to the same dispute settlement mechanisms and trade sanctions as the rest of the agreement. I look forward to working closely with you, other Members of Congress, and stakeholders as we develop our proposals.

Question. One source of the U.S. competitive advantage in digital trade is a legal system that has fostered its growth and supported the growth of U.S. businesses across the spectrum. A key element of an Internet-promoting legal system is a balanced approach to copyright. In addition to strong copyright protections, U.S. copyright limitations and exceptions like fair use and safe harbors, are critical to innovation on the Internet, in areas as diverse as machine learning, data mining, and e-commerce platforms.

Do you commit to pursuing in trade negotiations, including the NAFTA renegotiation, not only the protections for copyright holders, but also the limitations and exceptions critical to the digital environment?

Answer. I am very committed to a strong digital trade agenda in all trade fora. In NAFTA, we will seek copyright protections that facilitate legitimate digital trade, including protections similar to those in U.S. law.

Question. The investor-state dispute settlement procedures contained in NAFTA are woefully out of date. Among other things, they are missing important protections for countries designed to ensure that investors get protections no greater than those available under U.S. law, transparency and due process requirements, and procedural protections for governments including protections against frivolous claims.

What specific improvements will USTR seek to address these and other shortcomings in NAFTA investor-state dispute settlement?

Answer. I am mindful that seeking improved mechanisms to resolve investor-state disputes is a negotiating objective in TPA and that updating the NAFTA investment chapter merits careful consideration. I look forward to working with Congress on the approach to this chapter, including the investor-state dispute settlement procedures, consistent with the negotiating objectives set out in the Trade Priorities and Accountability Act of 2015, including specific guidance on potential improvements in key areas, such as enhancing transparency and eliminating frivolous claims.

Question. The other two NAFTA countries, and Canada in particular, maintain a number of barriers in the media and entertainment space for cultural reasons, disadvantaging U.S. companies. In particular, Canada carved out "cultural" industries from their NAFTA obligations, which now includes the digital areas. While promoting cultural content is a valid goal, a NAFTA renegotiation should reexamine these commitments and address discriminatory treatment of U.S. firms and content.

Answer. The United States will seek commitments in NAFTA to incorporate the digital economy, including in the media and entertainment space, by pursuing fair, equitable, and non-discriminatory market access commitments with Canada and Mexico.

Question. Ambassador Lighthizer, I am hearing a number of concerns expressed by lumber producers regarding possible proposals that the United States may be discussing with Canada. USTR has played a critical role in lumber negotiations in the past, but I have not been briefed on these proposals.

Will you commit to brief me next week on the latest proposals being discussed in the negotiations and the administration's strategy for addressing softwood lumber?

Answer. Senator, it was a pleasure to speak with you on June 29th to discuss softwood lumber. I would be pleased to speak with you at any time to discuss this important issue.

Question. Second, I would like your assurance that NAFTA negotiations will not short-circuit ongoing negotiations for a durable resolution to the softwood lumber dispute. Lumber has been on a separate track from NAFTA for decades.

Answer. The ongoing softwood lumber dispute is the result of provincial subsidies to Canadian softwood lumber producers. These subsidies deny U.S. producers the ability to compete on a level playing field. This matter is currently in the trade remedy process at the Department of Commerce and U.S. International Trade Commission and is unrelated to the NAFTA renegotiation.

Question. Do you agree that it is more important to get lumber right than to simply get it done before NAFTA negotiations begin?

Answer. It is not in the interest of the United States to enter into a softwood lumber agreement with Canada unless it meets the needs of U.S. producers.

Question. Ambassador Lighthizer, in written questions for your confirmation hearing, I asked you about the trade-distorting measures undertaken by British Columbia that adversely affect wine exported from the United States, including wine from Oregon. The situation there is now only worse, and is spreading to other provinces. The United States requested consultations with Canada on January 18, 2017 through the World Trade Organization's dispute settlement mechanism.

Do you plan to request a panel to challenge Canada's discriminatory treatment of U.S. wine?

The dispute only addresses one aspect of Canada's protectionist policies regarding wine.

Will you commit to eliminating the full range of Canadian policies that discriminate against U.S. wine in the NAFTA renegotiation?

Answer. Policies restricting sales of U.S. wine in Canada are a major problem. USTR has held consultations with Canada under WTO dispute resolution procedures on British Columbia regulations. I am consulting with my staff on the most effective next steps to address those regulations, as well as other measures in Canada that may be harming our wine exports. I am very pro-enforcement. Whether we go to a dispute settlement panel or address these measures in the NAFTA negotiations, I will work to get this problem resolved for U.S. wine makers.

Question. Trade in illegally harvested timber remains a serious challenge, compromising international environmental conservation efforts and undermining the ability of U.S. lumber producers to compete on a level playing field. In 2015, when shipments of illegally harvested Peruvian timber were denied entry to the United States after arriving aboard the Yacu Kallpa, the ship rerouted to Mexico. While Mexico's customs authorities cooperated with U.S. Customs to help prevent the illegally harvested timber from being offloaded in Mexico (potentially to be re-routed to a different port in the United States), the episode highlights that the effectiveness of the Lacey Act and other U.S. measures to prohibit trade in illegally harvested timber and wildlife depends in part on countries throughout the region taking effective measures to prohibit trade in these products.

With respect to the upcoming NAFTA negotiations, given the risk to U.S. producers of unfair competition from illegally harvested Peruvian timber being rerouted through Mexico, will the administration seek commitments from Mexico that are at least as strong as those originally sought by the Obama administration, to ensure that NAFTA parties maintain effective measures to prohibit trade in illegally harvested timber and other illegally taken flora and fauna?

Answer. I share your concerns, and I look forward to working with you, other members of Congress, and stakeholders as we update and improve on the NAFTA model. In particular, I look forward to discussing ways in which we can strengthen environmental provisions to meet the objectives in TPA and improve our trading partners' environmental standards in ways that also help level the playing field for American businesses.

Question. Pacific Northwest fruit growers depend on NAFTA for duty-free access to Canadian and Mexican markets for cherries, apples, pears, berries, and other horticultural products.

Will you commit to ensure that in any renegotiation of NAFTA, obligations to maintain duty-free access for these products are preserved, and that the negotiations include priority concerns for Pacific Northwest farmers such as stronger disciplines on sanitary and phytosanitary measures generally and resolution of specific

SPS barriers affecting Oregon stone fruit producers, as well as equivalency for organics?

Answer. The administration is committed to maintaining the markets that our agricultural sectors have and creating opportunities to expand exports, including for horticultural products. We are committed to doing no harm, and our goal is to avoid tariffs being raised as a result of NAFTA renegotiation. We will continue to consult agricultural stakeholders and Members of Congress, consistent with Trade Promotion Authority, on the United States' approach to and positions in the negotiations, including on the issues you raise.

Question. Ambassador Lighthizer, you have talked about the renegotiated NAFTA as being a "model" agreement for future bilateral agreements in Asia and elsewhere. That means that, in addition to addressing the issues that specifically and directly impact our trade relationship with Mexico and Canada, we need to think about the big global challenges we are facing and how we can set a high water mark in this negotiation to deal with those issues. A prime example of this is the area of currency manipulation.

Do you intend to seek disciplines on currency manipulation as part of a NAFTA renegotiation?

Answer. As you know, TPA includes principal negotiating objectives with respect to unfair currency practices.

We are consulting with the Treasury Department, which is responsible for currency issues, regarding efforts to address exchange rates through our bilateral and international engagements and in the context of our trade agreements.

Question. The Bipartisan Congressional Trade Priorities and Accountability Act of 2015 included new negotiating objectives on state owned enterprises (SOEs) and the rule of law. And, the United States sought and obtained new disciplines on SOEs and due process on competition policy in the Trans Pacific Partnership (TPP). But, those negotiated outcomes were not as strong as the original U.S. negotiating position.

Do you commit to seeking a higher standard outcome on SOEs and competition policy in a NAFTA renegotiation than was ultimately obtained in TPP?

Answer. In our renegotiation of NAFTA, we will be putting forth proposals that improve upon and go beyond the SOE and competition provisions negotiated in TPP. In particular, we will be seeking to improve upon the definition of an SOE and, to strengthen the subsidy and transparency provisions.

Question. A renegotiated NAFTA needs to tackle today's trade enforcement challenges on a regional basis. For example, there are concerns of products coming through NAFTA countries from outside the region and fraudulently obtaining preferential treatment or evading trade remedies. If all three countries cooperate, we can see better enforcement of trade laws meant to protect U.S. companies.

In your NAFTA discussions, will you seek cooperation on customs enforcement, for example, such as ensuring effective implementation of NAFTA countries' trade remedies?

Answer. We agree that stronger enforcement should be a key priority in the NAFTA renegotiations. We intend to explore multiple avenues to enhance enforcement in areas such as preventing false claims of preferential tariff treatment and evading trade remedies. Duty evasion and other attempts to undermine properly applied duties are a shared problem amongst the three countries.

Question. While NAFTA eliminated tariffs on U.S. agriculture exports, Canada was permitted to preserve steep tariffs and other barriers to trade in dairy products. Moreover, Canada has in recent years used policies such as its Class 6/7 milk pricing directives to further limit exports from the United States and erode the modest market access gains provided to U.S. dairy producers as a result of NAFTA.

As part of its NAFTA negotiations, will the administration seek to eliminate Canada's restrictions on trade in dairy products—including both tariff barriers that were not addressed as part of NAFTA and the host of nontariff barriers Canada has established since NAFTA took effect, such as its market-distorting Class 6/7 milk pricing scheme?

Answer. I understand that Canada maintains strict limits on imports of dairy products and know it is important to obtain new access to the Canadian market. We will continue to consult with the U.S. industry and Members of Congress, con-

sistent with Trade Promotion Authority, on the United States' approach to and positions in the negotiations.

I know that Class 6/7 milk pricing is a critical issue for our dairy farmers. President Trump and senior administration officials have raised this concern with Canada, and I also raised the issue with Foreign Minister Freeland. USTR and USDA have been focused on collecting important information on the policy change and its implementation, including from industry. My staff and I are analyzing options on how best to move forward.

CHINA

Question. Increasingly, Chinese regulation is making it difficult or even impossible for U.S. technology companies to operate in China. I am specifically concerned about China's proposed draft regulations that, when combined with existing Chinese law, would require U.S. cloud providers to transfer valuable intellectual property, surrender use of brand names, and hand over operation and control of their businesses to Chinese companies in order to operate in China. These are requirements no other countries apply to foreign cloud providers, and Chinese cloud providers are operating in the United States without these restrictions.

Can you describe in detail for me progress the Trump administration has made towards addressing these concerns for cloud providers and other U.S. technology companies?

Will you advocate for securing a commitment on this issue in the U.S.-China Comprehensive Economic Dialogue's 100-Day Action Plan?

Answer. As part of our engagement with China through the CED, the administration has been pressing China to remove the restrictions that it applies to the cloud computing sector, including those that affect the ability to fully own and control data centers and provide cloud-related services and that require transfer of valuable intellectual property and know-how and surrender of brand names to Chinese companies in order to operate in China. The administration will continue to use all appropriate avenues, including high-level discussions, to endeavor to fully open China's market for U.S. providers of cloud computing services.

Question. Chairman Hatch and I sent a letter to the President in April laying out our top trade priorities with China, including discriminatory and distortive technology policies as well as market distorting behavior that is harming American manufacturers. We are less than a month away from the administration issuing its 100-day plan for China yet this committee still does not know what specific issues the administration intends to address. We have not been briefed. Furthermore, the position of Assistant USTR for China remains vacant. Our trade relationship with China is simply too important for USTR to be left without key personnel and for Congress to be left in the dark.

On technology policy, for example, is securing a commitment on China's blatantly discriminatory cloud computing licensing practices a goal of the 100-day plan?

Will you commit to provide this committee with a full and detailed briefing on the 100-day plan within the next 7 days and to fill the China position within the next 30 days?

Answer. As part of our engagement with China through the CED, the administration has been pressing China to remove the restrictions that it applies to the cloud computing sector and will continue to use all appropriate avenues, including high-level discussions, to endeavor to fully open China's market for U.S. providers of cloud computing services.

Question. On January 12, 2017, the United States filed a WTO request for consultations to challenge China's illegal subsidization of its aluminum industry. The consultation period has now passed, but there appears to have been no movement.

What is the status of this case? Will the administration commit to pursuing it in the interest of the U.S. aluminum industry, its workers, and communities that depend on it?

Answer. The administration is reviewing all options to deal with market-distorting practices in the Chinese aluminum industry. At the core of this issue is China's non-market economy system, which is creating global oversupply and excess capacity in this and other sectors. We are vigorously defending our right to apply a non-market economy methodology to imports from China against China's challenge in the WTO. Commerce is conducting a section 232 investigation on aluminum

to assess the impact of aluminum imports on U.S. national security. We are committed to effective action to address unfairly traded aluminum through strong enforcement of U.S. AD/CVD laws, bilateral and multilateral engagement, and enforcement of our rights under trade agreements, as appropriate.

SERVICES AND DIGITAL TRADE

Question. The United States is the world's leader in the services sector, which accounts for 30 percent of U.S. exports and supports millions of jobs, in addition to supporting the manufacturing sector and small businesses of all types. It is critical that we continue to break down barriers to trade in U.S. services so that we can maintain our competitive advantage and continue to grow jobs in the sector.

In light of the importance of the services sector to the U.S. economy, do you intend to pursue negotiations on the multilateral Trade in Services Agreement (TiSA) at the World Trade Organization (WTO)?

What is your strategy to eliminate services barriers across the world, including with respect to new digital services?

Answer. The U.S. services sector is highly innovative and a key driver of the U.S. economy. Maintaining a vibrant U.S. services sector and expanding U.S. services exports is vital to a healthy economy and is a core objective of U.S. trade policy. The administration is now in the process of evaluating the various options that are available to pursue these objectives, including TiSA, which as I noted during the hearing is an important initiative. We are also looking closely at approaches for other trade negotiations that address key services and digital trade barriers.

Question. Digital trade plays a greater role in our economy and our trade agenda than ever before. Digitally deliverable services account for 61 percent of our overall services exports and are an area in which we enjoy a \$150 billion trade surplus. While the Internet is important to every industry, digital-specific trade barriers like China's cloud computing restrictions threaten a major source of American growth and innovation. Despite its importance, digital trade is only the part-time focus of a few mid-level USTR staffers. The last administration made great strides in highlighting digital issues within the trade agenda, including by launching USTR's Digital Trade Working Group that brought together the various offices in the building with equities in digital trade.

What will you be doing to ensure that USTR has centralized leadership both within the agency and within the executive branch on digital trade?

Answer. This administration recognizes the enormous value that digital trade represents to the U.S. economy and U.S. companies' unique competitive advantages in this area. We also recognize the important role that USTR can play in expanding markets for digital trade and addressing the challenges that U.S. firms confront as foreign governments increasingly seek to impose restrictions on digital trade, including restrictions on data flows. Digital trade is an important priority for USTR. I have personally addressed digital trade issues with my counterparts from major export markets, and I intend to continue working closely with my staff and the administration more broadly to ensure that digital trade barriers receive the necessary attention and focus, to address problems facing U.S. firms and to benefit the U.S. economy.

ASIA

Question. The President pulled out of the Trans-Pacific Partnership, and you have said that you would like to negotiate bilateral deals.

What specific deals are you planning to negotiate, and when will those negotiations begin?

Answer. President Trump sees increasing trade with countries in the Asia-Pacific as a priority. Since the beginning of the administration, we have met with counterparts across the region both bilaterally and at APEC and other economic fora to communicate this message and to set the stage for new trade initiatives with these countries. We recognize the importance of moving forward expeditiously, and for that reason have already begun an economic dialogue with Japan, initiated a plan for engagement with China, and hosted numerous Asian leaders and Cabinet ministers in Washington in the past few months to discuss our existing trade relationships and how we might further deepen them. We are currently considering next steps, including potential bilateral deals with Asia-Pacific trading partners, and I

look forward to input from you and your colleagues as we work to develop our strategy.

Question. With respect to Japan, what trade issues has the administration identified as U.S. priorities for discussion as part of the Aso-Pence dialogue? What trade issues has Japan prioritized for that dialogue?

Answer. The dialogue is one vehicle to achieve expanded and more balanced trade with Japan through a range of activities. The administration is committed to breaking down barriers and leveling the playing field so that American companies and exporters can enjoy high levels of market access.

Question. In May, I wrote you a letter asking you to use the President's visit with Vietnam's Prime Minister to resolve concerns about discriminatory barriers to U.S. trade in digitally enabled services. With respect to (1) Vietnam's decree establishing restrictions on cross-border online advertising services, and (2) the circular issued by the State Bank of Vietnam (SBV) that would require U.S. suppliers of electronic payment services to route transactions through an entity in which the SBV is a majority shareholder, please describe:

- (a) Whether both issues were discussed as part of the President's visit;
- (b) If they were raised, the progress that was made during that visit in resolving them; and
- (c) Steps the administration intends to take in the near term that it believes will be effective in fully addressing the concerns identified by U.S. service providers.

Answer. The visit of the Vietnamese Prime Minister was successful in furthering the dialogue with Vietnam, a country with which we see strengthening ties as important. During the visit, we raised a range of trade issues, including the priority the administration places on lowering the trade deficit with Vietnam and eliminating trade barriers that our exporters face. Both digitally enabled services issues you raise were among those barriers discussed during the visit.

- With respect to Vietnam's decree establishing restrictions on cross-border online advertising services, we pressed the Vietnamese government to cease pressuring Vietnamese companies not to advertise on U.S. Internet platforms, a request that it has honored. In addition, we have made clear that imposing restrictions on cross-border online advertising services would appear to violate Vietnam's WTO commitments. My staff held follow-up meetings in June in Hanoi, and we will continue to monitor this issue closely.
- During the visit of Vietnam's Prime Minister, we also discussed the circular issued by the State Bank of Vietnam (SBV) that would require U.S. suppliers of electronic payment services to route transactions through a gateway in which the SBV is a majority shareholder. We made clear the priority we place on finding a mutually-satisfactory resolution to this issue as soon as possible and we are working closely with U.S. stakeholders on this issue. My staff held follow-up meetings in June in Hanoi on this issue, and will be traveling to Hanoi in July for further meetings, where we will seek Vietnam's agreement to delay implementation of its measure to give the United States and Vietnam additional time to resolve this issue.

Question. In a recent interview with *The Wall Street Journal*, Secretary Ross stated with respect to China that "[w]e've been in a trade war for decades."

Could you explain what that means, and how that backdrop guides this administration's trade relationship with China and other countries?

Answer. For many years, China has failed to address the harm to U.S. companies that flows from a wide-range of Chinese policies and practices, including excess capacity, forced technology transfer, and intellectual property rights infringement, among others. To address these challenges, we cannot rely solely on dialogue. I can assure you that enforcement will be a key component of our strategy as we work to ensure that China plays by the rules and opens its market more fully to international competition.

BUDGET

Question. With regard to USTR's budget request for FY 2018, as you noted in your written testimony, the President's request includes an increase in overall funding to cover costs previously assigned to the Commerce Department for administration of the Interagency Center on Trade Implementation, Monitoring, and Enforcement

(“the Center”). However, it does not include any new funding for enforcement activities—the \$3 million increase appears to only account for a shift in resources to USTR from Commerce to account for Congress’s authorization of the Center. Moreover, USTR failed to request money for the Trade Enforcement Trust Fund, which was created specifically to enhance enforcement. Overall, the President’s funding request for USTR is \$4.4 million lower than the \$62 million appropriated by Congress for FY 2017.

Why didn’t USTR request funding for the Trade Enforcement Trust Fund? What enforcement priorities could USTR pursue with an additional \$15 million, as prescribed by Congress in the customs bill?

Answer. When the FY18 budget request from USTR was finalized, there had been no precedent for USTR permission to use resources from the Trade Enforcement Trust Fund, which occurred for the first time in the FY 2017 Omnibus. USTR had been using its operations budget and continues to use its operations budget to fund enforcement activities.

Strong and effective enforcement requires resources—such as lawyers, analysts, researchers, and translators—to support tackling the challenges we face, and USTR funding goes towards U.S. capacity to intensify these efforts. For example, language and other specialized expertise are necessary to research issues such as subsidies, local content restrictions, import licensing restrictions, and market access barriers with important trading partners. Legal resources would also aid in enforcing U.S. trade laws by defending disputes brought against the United States. USTR’s ability to absorb and fund the Center within its own agency will help support these endeavors.

EGA

Question. Since last year, ongoing negotiations for an agreement to eliminate tariffs on environmental goods have been on hold. Trade in environmental goods presents major opportunities for American businesses and workers given that over 80 percent of clean energy investments will take place outside of the United States and the United States is a leading producer of a number of environmental technologies, ranging from water filtration equipment to turbines to air quality monitoring equipment.

What specific steps is the administration taking to secure new market access opportunities for U.S. producers of environmental goods?

Answer. I am committed to securing new market access opportunities for U.S. manufacturers of environmental goods. I am currently reviewing the Environmental Goods Agreement (EGA), among other initiatives, and I look forward to working with you and other Members and stakeholders as we consider how best to advance U.S. manufacturing interests in environmental technologies.

GSP

Question. The Generalized System of Preferences (GSP) program is scheduled to expire at the end of this year. I have long supported a robust GSP program as both an essential tool to lower cost for American manufacturing, as well as a key development tool for future trading partners.

Does the administration support an extension of the GSP program, without amendment, qualifications, or “riders,” through calendar year 2021?

Answer. We will consult with Congress on the next steps for GSP, which as you observe is scheduled to expire on December 31st of this year. The administration welcomes your interest in renewing GSP, and is open to your ideas and advice.

Question. During your confirmation hearing, you committed to “carefully consider extending duty-free treatment to the more economically advanced GSP countries for travel goods.” Given the importance of this issue to American industries, I urge you to finish “carefully considering” this issue and immediately grant travel goods duty-free status for all GSP countries.

When can I expect a final decision?

Answer. I am pleased to report to you that the President has decided to extend GSP eligibility for travel goods to all beneficiary countries. This decision entered into force on July 1, 2017.

GOVERNMENT PROCUREMENT

Question. Ambassador Lighthizer, I have longstanding concerns about agency's discretionary use of waivers to our laws that require the U.S. Government to spend taxpayers' money on American made products. It is unclear whether there is much analysis on whether a U.S.-made good is available and cost effective before a government official signs off on a contractors' request to buy that product from a foreign source. So, I am glad that this administration is looking into the application of those discretionary waivers. However, when you look at government procurement in our trade agreements, it is more complicated, because that involves reciprocal access to foreign governments' procurement markets. As you review the commitments we have made on government procurement, my view is that you need to look at how much goods and services our government buys from foreign sources under those commitments, compared with the goods and services U.S. companies sell into foreign procurement markets. That is the only way you can tell whether these commitments are a good deal for the United States.

Can you commit to undertaking that analysis as part of your assessment under the "Buy American and Hire American" executive order?

Answer. Yes. As part of the assessment of the impact of the GPA and our FTAs on the enforcement of Buy American Laws under the Executive order Buy American and Hire American, we hope to look at how much the United States buys from our trading partners and how much our trading partners buy from the United States. Unfortunately, as the recent GAO report states, both the U.S. procurement statistics and the statistics of our trading partners are not as good as they should be. We are actively exploring ways to improve procurement statistics. For example, the United States is currently chairing a work program in the WTO Agreement on Government Procurement aimed at this very issue.

FISHERIES

Question. The United States imports about 90 percent of the seafood that Americans consume. While the United States has generally well managed fisheries and a number of stocks have been successfully rebuilt under the Magnuson Stevens Act, there is concern that a significant percentage of the seafood that we import (an estimated 20-30% of the wild caught seafood) has been caught illegally. The United States need information about the origin of seafood imports to assess legality, but because of complex and opaque supply chains from the fishing vessel to the United States, very little is known about the origins of imports.

Is USTR committed to the implementation of the Seafood Import Monitoring Program to gather basic data on the origin of seafood imports?

Answer. While USTR is not the agency responsible for the implementation of and data collection under the Seafood Import Monitoring Program, USTR supports the program's objectives and is an active participant in the interagency process.

TRANSPARENCY

Question. There has been serious concern about lack of transparency with respect to U.S. trade negotiations, both with respect to the extent to which information is shared with the public as well as the administration's engagement with the Congress. The Bipartisan Trade Priorities and Accountability Act of 2015 included new provisions to address these shortcomings, including a requirement that USTR establish guidelines governing consultations and engagement with Congress, advisors, and the public. USTR published guidelines in accordance with this requirement on October 27, 2015.

In the process of renegotiating NAFTA, and any subsequent negotiations, will USTR at minimum adhere to the procedures set out in the 2015 guidelines?

Answer. Yes, USTR is committed to adhering to the procedures set out in the Trade Priorities and Accountability Act and the 2015 guidelines.

Question. Trade advisory committees established pursuant to section 135 of the Trade Act of 1974 play an important role in ensuring the administration and Congress have access to regular, detailed input on the impact of trade negotiations on the United States. Yet there remain concerns that these committees do not provide sufficient opportunities for stakeholders, particularly small businesses, unions, and environmental organizations, to provide input on trade negotiations.

What steps is the administration taking to ensure that the trade advisory committees are fully representative of the U.S. economy and U.S. stakeholders?

Furthermore, will the administration treat trade advisory committees equally when it shares information on negotiating proposals, such that each trade advisor is provided the same access to information at the same time during a negotiation?

Answer. As the administration reviews membership in the various trade advisory committees, it will seek a fair representation of the U.S. economy and stakeholders in order to be able to receive the best advice. The administration is committed to adhering to the procedures set out in the Trade Priorities and Accountability Act and the 2015 guidelines with respect to providing opportunities for input and review of information.

QUESTIONS SUBMITTED BY HON. DEBBIE STABENOW

Question. While President Trump's budget proposes additional enforcement funding for the International Trade Administration (ITA), it also makes cuts to ITA's Commercial Services, which promotes exports around the world. These cuts will close international posts as well as U.S.-based Export Assistance Centers.

According to 2016 data from the ITA, over 270,000 jobs were supported by exports from nearly 15,000 Michigan companies that sell their products all over the world, and a majority of these businesses are small or medium-sized companies.

Do you agree with these cuts to the ITA's budget?

Answer. Through the Trade Promotion Coordination Committee (TPCC), USTR partners with the Department of Commerce, ITA, and other agencies to coordinate trade information and resources to help small and medium-sized businesses access new opportunities in foreign markets. The TPCC is working to improve coordination of the overall export ecosystem that assists small businesses. At USTR in particular, we are working to increase the export competitiveness of U.S. small and medium-sized businesses by seeking the reduction of costly tariff and non-tariff barriers in foreign markets, which can disproportionately burden smaller businesses.

Question. How will you prioritize increasing U.S. competitiveness?

Answer. Improving U.S. competitiveness and growing jobs are key priorities of this administration. We are pursuing several avenues to support growth in our industrial and agricultural sectors, including through trade negotiations, enforcement of existing trade agreements, and application of our trade remedy laws. We will consult extensively with Congress—and businesses of all sizes—as we consider additional policy options for pursuing new opportunities for U.S. exporters in markets around the world.

Question. I have long supported increased engagement with Cuba as an opportunity to grow markets for American farmers while improving the lives of everyday Cubans. U.S. agricultural stakeholders strongly support normalizing trade relations with Cuba and oppose undoing the efforts to normalize relations undertaken by the Obama administration. In 2016, the U.S. exported \$195 million of agricultural products to Cuba, a small fraction of Cuba's approximately \$2 billion in agricultural imports.

What impact will President Trump's new policies towards Cuba, including restrictions on travel and trade, have on efforts to grow U.S. agricultural exports to Cuba?

Will you commit to working with producers in Michigan as the administration proceeds in implementing its Cuba policy in order to ensure that we keep moving our farm interests forward?

Answer. The Department of the Treasury and the Department of Commerce will be pursuing regulatory changes to implement the President's policy as announced on June 16, 2017. The announced changes do not take effect until new regulations are issued. As we work with our colleagues at the Department of State, Department of the Treasury, and the Department of Agriculture to implement the new Cuba policy, we will work with producers in Michigan, and other States.

Question. For years, the U.S. aluminum industry and its workers have been harmed by China's illegal subsidization of its aluminum industry. In January, the United States filed a request for consultations at the WTO to challenge this.

Can you provide a status update on this case?

How else is the administration working to address China's use of illegal subsidies and overcapacity in the aluminum industry?

Answer. The administration is reviewing all options to deal with market distorting practices in the Chinese aluminum industry. At the core of this issue is China's non-market economy system, which is creating global oversupply and excess capacity in this and other sectors. We are vigorously defending our right to apply a non-market economy methodology to imports from China against China's challenge in the WTO. Commerce is conducting a section 232 investigation on aluminum to assess the impact of aluminum imports on U.S. national security. We are committed to effective action to address unfairly traded aluminum through strong enforcement of U.S. AD/CVD laws, bilateral and multilateral engagement, and enforcement of our rights under trade agreements, as appropriate.

Question. During your confirmation process, I asked you a question for the record regarding my concerns about subsidies some Middle East nations provide to their state-owned airlines, which create competitiveness issues and put our U.S. aviation jobs at risk. You said, if confirmed, you would "look into this matter and work closely with other agencies, such as the State Department and Department of Transportation, to sow everything we can to ensure that our international carriers have a fair and equal opportunity to compete."

Can you provide a status update on what the administration is doing to address these concerns?

Answer. The Departments of State and Transportation, as the negotiators of our Open Skies agreements, have the lead on this issue. However, USTR has been actively participating in an on-going interagency review of the issue by the new administration. As part of this review, the administration has met with key stakeholders and is currently evaluating appropriate next steps.

Question. Free flow of information and recognition of intellectual property rights are essential for innovation and economic growth. Unfortunately, we have seen inadequate implementation and enforcement of market access and copyright protections from many of our trading partners.

How are you and the administration working to identify and address these trade violations?

Answer. Obtaining adequate and effective protection of intellectual property, and fair market access for intellectual property-intensive industries, is one of my highest priorities. We work closely with the rest of the administration to identify and effectively address IP problems in other markets, including copyright protection. At USTR, we identify and quickly respond to bilateral problems as they emerge. Systemically, we work to improve protection and enforcement of copyright, patent, trademark, trade secret and other IP rights on multiple fronts: through our bilateral engagements, our multilateral engagements, our reporting, notably the Special 301 Report, our Notorious Markets List, and all other appropriate trade tools at our disposal.

QUESTIONS SUBMITTED BY HON. MARIA CANTWELL

Question. Some American retailers in the outdoor industry sector have voiced frustration over what they consider outdated and unnecessarily high import tariffs. Importers, like outdoor recreation retailers, whose industry generates \$887 billion in consumer spending and supports 7.6 million American jobs, sometimes face tariffs as high as 40%.

How does the administration plan to address excessive tariffs on products not produced domestically in the outdoor industry sector?

Answer. This administration is committed to supporting and expanding manufacturing production in the United States, including outdoor recreation products such as footwear. In the course of any trade negotiation, we will consult closely with Congress and U.S. industry to achieve a meaningful balance of outcomes on tariffs for U.S. outdoor recreation product manufacturers, retailers, and consumers.

Question. A large segment of the \$45.6 billion which Chinese state-owned enterprises invested in the United States in 2016 targeted critical infrastructure and technological sectors. These industries are essential to both our economic health and national security. Last year, I joined 41 other Senators in a letter voicing our con-

cern about the acquisition of Vertex Railcar Corporation by the Chinese state-owned China Railroad Rolling Stock Corporation.

The Chinese government provides generous loans to its state-owned enterprises, estimated to having lowered financing costs 40% to 50% below the benchmark rate. The government also provides their companies with subsidies and discounts to make it very difficult for American firms to compete. This has already had severe implications for manufacturing and for jobs in the United States.

How are you ensuring that Chinese investments by state-owned enterprises in areas like freight rail, semiconductors, and our financial markets, do not threaten our economic security?

Answer. I frankly am troubled by the prospect of Chinese state-owned enterprises using huge subsidies or other unfair advantages to undermine or displace domestic competitors in the United States. The administration is assessing a broad range of tools, including high-level discussions and other trade tools, to confront this challenge. In the event that a Chinese investment raises national security concerns, USTR in its capacity as a member of the Committee on Foreign Investment in the United States works with other agencies to ensure that the United States effectively protects national security, in accordance with applicable laws and regulations.

Question. When NAFTA was originally negotiated, environmental and labor provisions were negotiated as part of a side agreement.

What is the administration's proposal on environmental and labor provisions with regard to its proposed renegotiation of NAFTA?

Answer. I am committed to ensuring that our trade agreements strengthen our trading partners' labor and environmental standards and meet the negotiating objectives that Congress has set out in TPA. In consultation with Congress, the administration will seek to modernize the labor and environmental obligations, including by incorporating high standard labor and environment provisions into the core of the agreement, and ensuring that the obligations are subject to the same dispute settlement mechanisms and trade sanctions as other enforceable obligations under the agreement. I look forward to working closely with you, other members of Congress, and stakeholders as we develop our proposals.

Question. As the Department of Commerce conducts its section 232 investigation into the national security implications of imported steel, I am concerned that resulting tariffs may threaten key industries on the West Coast. Transporting steel produced in the Eastern or Midwest United States over the Rocky Mountains creates prohibitive costs for West Coast consumers. If imports are restricted by high tariffs or strict quotas, hundreds of high paying steel worker and longshore jobs on the West Coast could be eliminated, including jobs the Columbia River, as well as in Vancouver, Kamala, and Seattle, WA.

How will the section 232 investigation, and any decision to impose tariffs, take the unique issues of the West Coast economy into account?

Answer. The section 232 investigation on the effects of steel imports on U.S. national security are being conducted by the Department of Commerce.

Question. From the Pacific Northwest, approximately 20 percent of our pear crop and 15 percent of our apple crop is shipped to Mexico and Canada each year. Mexico represents the most commercially important export market for these goods while Canada finishes second. In total, the annual sales for pears are valued at \$97 million while the sales of apples are valued at \$345 million. Canada represents the top export market for cherries with annual sales valued at over \$100 million.

With ongoing reports that NAFTA will undergo revisions to its anti-dumping and seasonal safeguard rules, the tree-fruit industry in Washington is very concerned as such changes would be harmful to their businesses.

How will you work to ensure that Washington's apple, pear, and cherry growers are not negatively impacted by any changes to NAFTA?

Answer. We are aware of the concerns raised by certain segments of the U.S. fruit and vegetable industry regarding the impact that imports are having on their products. At the same time, we also recognize the importance of our agricultural exports, not only to the industry itself, but to the value that such exports provide to the economy as a whole. I can assure you that we will be coordinating closely with the entire industry to ensure that both the import and export concerns are taken into

account when deciding what, if anything, will be addressed as we both prepare for and conduct our NAFTA negotiations with Canada and Mexico.

Question. According to the administration's FY18 budget proposal, agricultural market development programs—including the Market Access Program (MAP) and the Foreign Market Development (FMD) program—will be eliminated. As you know, foreign governments deploy their own versions of MAP and FMD to compete in valuable export markets, often times providing greater resources than our own programs do.

How will USTR work with other U.S. Government agencies to increase U.S. agriculture's export competitiveness, while at the same time proposing to eliminate programs that are vital to supporting the agricultural industry's presence in global markets?

Answer. I support the President's FY18 budget proposal. U.S. agricultural producers are among the most competitive in the world and I will work closely with Secretary Perdue to strengthen enforcement of international trade rules to address unfair or unjustified barriers to U.S. agricultural exports.

Question. The dairy industry is responsible for more than \$5 billion in annual Washington State economic activity and is responsible for more than 18,000 jobs throughout the State. The largest cooperative in the State of Washington happens to also be the second largest private employer.

Over 40 percent of milk produced in Washington State is exported to more than 20 countries around the world. Last February, the Canadian government implemented new pricing regulations that indirectly subsidize dairy exports. It is the U.S. dairy industry's belief that Canada is aiming to meet increased demand for cream and butter by producing more milk. In producing more milk to get butter fat, excess skim milk is created. For Canada to keep domestic prices high, the excess milk is being dumped in international markets at low costs.

Washington's dairy farmers compete on a commercial basis around the world and cheaper Canadian prices hurt the 480 plus dairy farms in Washington State.

What is the administration doing to address Canada's dairy pricing strategy, and how will this Canadian pricing strategy factor into the planned NAFTA negotiations?

Answer. This is a critical issue for our dairy farmers, and President Trump, myself, and other senior administration officials have raised this concern with Prime Minister Trudeau, Foreign Minister Freeland, and other senior Canadian officials. USTR and USDA have been focused on collecting important information on the policy change and its implementation, including from industry. My staff and I are analyzing options on how best to move forward.

Question. The current economic climate for wheat growers in Washington State has declined. This past year brought high crop yields with historic low prices and low Falling Numbers, affecting farmers' ability to market wheat crop.

For wheat, 50 percent of the crop grown is exported. While in the Pacific Northwest, it is closer to 90 percent. This year, Mexico was the number one export market for U.S. wheat—a market that has drastically grown since tariffs were removed by the initial NAFTA agreement.

It is vital that any NAFTA renegotiation does not undo benefits that the wheat growers have realized over the past 20 years.

How will policies that benefit wheat growers be protected in any NAFTA renegotiation?

What role will USTR take in coordinating with other government agencies to address issues that affect wheat industry exports, such as low Falling Numbers?

Answer. The administration is committed to maintaining the markets that our agricultural sectors have and creating opportunities to expand exports, including for wheat. The administration is committed to doing no harm, and our goal is to avoid tariffs being raised as a result of NAFTA renegotiation. USTR works closely with USDA and other agencies to address a wide range of SPS issues and technical barriers affecting U.S. agricultural exports.

Question. The U.S.–EU Covered Agreement on Insurance has the potential to address long-standing irritants in the U.S.–EU relationship, through mutual recognition of the jurisdictional competence of the other Party. However, Governors and in-

insurance commissioners, including my own home State insurance commissioner, have raised concerns with several ambiguities in the agreement. They are concerned that if they are not clarified ahead of time with the European Union, they will have then changed laws and regulations only to find out years down the road, that the EU does not have a similar interpretation.

It is my understanding that National Association of Insurance Commissioners has submitted a few areas that they would like to see clarified with the European Union prior to the agreement being signed. I hope that USTR and the Treasury will consider exchanging letters with the EU to clarify these concerns, clear up any uncertainty surrounding these agreements, and ensure a smooth adoption of these regulations.

What are the next steps with the Covered Agreement and do you plan to seek the clarifications requested by the State insurance commissioners, including an exchange of letters?

Answer. USTR and Treasury have undertaken a series of meetings with interested stakeholders and Congress to gather feedback on the U.S.–EU covered agreement and to provide updates regarding the administration’s decision-making process. USTR is currently considering next steps in consultation with Treasury.

Question. Due to the trade laws implemented by the Canadian Government, U.S. wine exporters continue to face extreme barriers when trying to sell their goods in British Columbia. For instance, one of these discriminatory policies prevents U.S. wine from being sold on the same shelves as domestic Canadian wine, giving B.C. wine producers a tremendous economic advantage. To address this grievance, USTR requested the WTO to organize dispute settlement consultations with Canada on January 18, 2017. However, these consultations did not bring about a settlement to the issue, due to Canada’s refusal to modify its trade barriers.

With Canada unwilling to modify its discriminatory trade barriers, how will USTR work to fully enforce U.S. rights under the WTO agreements and formally request a dispute settlement panel?

Answer. Policies restricting sales of U.S. wine in Canada are a major problem. USTR has held consultations with Canada under WTO dispute resolution procedures on British Columbia regulations. I am consulting with my staff on the most effective next steps to address those regulations, as well as other measures in Canada that may be harming our wine exports. I am very pro-enforcement. Whether we go to a dispute settlement panel or address these measures in the NAFTA negotiations, I will work to get this problem resolved for U.S. wine makers.

Question. In the last several years, Argentina and Indonesia have increasingly dumped and subsidized biodiesel in the U.S. market. This practice has depressed prices and decreased domestic producers’ market shares. American companies like General Biodiesel and REG—both with a presence in Washington State—are disadvantaged by this anticompetitive behavior.

How will you work to address these harmful trade practices that hurt producers of clean-burning, domestic fuels?

Answer. By statute, the U.S. Department of Commerce (Commerce) and the U.S. International Trade Commission (ITC) have the authority to address allegations of dumped and subsidized imports. Commerce is currently conducting antidumping and countervailing duty investigations to determine whether biodiesel imports from Argentina and Indonesia are dumped or subsidized. Commerce is expected to issue its preliminary determinations in the countervailing duty investigations on August 21st, and the preliminary determinations in the antidumping investigations on August 30th. If Commerce finds the imports are dumped or subsidized, the ITC will then determine whether the dumped or subsidized imports are injuring the domestic biodiesel industry. If so, Commerce will impose duties to offset the level of dumping and subsidization.

QUESTIONS SUBMITTED BY HON. BILL NELSON

Question. Will you advocate for adding provisions to NAFTA that require a minimum wage? If not, why?

Answer. Lower labor standards in other countries, including wage issues, affect American workers and businesses. I am committed to ensuring that our trade agreements strengthen our trading partners’ labor standards and meet the negotiating

objectives that Congress has set out in TPA. The administration is undertaking a comprehensive review of U.S. trade policy to determine how best to ensure strong labor commitments for future trade negotiations, beginning with NAFTA. I will work with you and other Members of Congress as we update and improve the NAFTA, as part of our examination of all aspects of the U.S. trade relationship with Mexico.

Question. As you know, TPP included action plans for Brunei, Malaysia, and Vietnam to ensure they made progress on building capacity needed to meet their labor obligations. The action plans were made enforceable through the threat of trade sanctions for violators.

What are your thoughts on including similarly enforceable action plans for Canada and Mexico in NAFTA to make sure they can meet their labor and environmental commitments?

Answer. I am committed to ensuring that our trade agreements strengthen our trading partners' labor and environmental standards and meet the negotiating objectives that Congress has set out in TPA. I am aware of congressional and stakeholder interest in a labor consistency plan for Mexico, similar to those negotiated with Vietnam, Malaysia, and Brunei as part of the TPP. I look forward to working closely with you, other Members of Congress, and stakeholders as we develop our negotiating proposals.

QUESTIONS SUBMITTED BY HON. ROBERT MENENDEZ

Question. Last week, press reported that the U.S. lost to Guatemala in its first ever labor enforcement case brought to dispute settlement under a trade agreement. The press reports suggest that the United States was unable to prove that Guatemala's failure to enforce labor obligations in a manner that "affected trade"—two key words that appear in several of our free trade agreements.

What does this decision mean for labor rights enforcement going forward, including in our ongoing dispute with Colombia?

Do we need to consider alternative language in our trade agreements if the phrase "affecting trade" is too difficult to prove in a case where there was clearly a failure on behalf of our trading partner to enforce its labor laws?

Answer. The administration wants strong, enforceable trade agreements that work for the American people, and USTR will continue to require that all of its trading partners maintain fair labor practices to help level the playing field for American workers. We strongly disagree with some of the interpretations developed by this panel, including with respect to whether Guatemala's substantial failures to enforce its laws "affected trade." We understand your concerns, and also recall that no FTA panel can set precedent for future panels. We look forward to consulting closely with you and your colleagues on these important issues in the future.

Question. Last year's High-Level Panel on Access to Medicines came out with conclusions that have been strongly opposed by innovative U.S. pharmaceutical manufacturers. After the Panel's report, the U.S. Government coordinated closely to develop a strong response to the panel. These efforts were laudable: yet such interagency coordination does not always happen. Some U.S. Government agencies, such as USTR, are statutorily required to consult across agencies, but others are not.

How would you improve interagency coordination to reflect inputs across agencies, including trade and economic interests?

Answer. USTR remains committed to promoting robust IP systems to stimulate innovation and creativity and defending the interests of U.S. innovative and creative industries. USTR has primary responsibility for developing and coordinating the implementation of U.S. trade policy, which is facilitated by the Trade Policy Review Group and the Trade Policy Staff Committee, both chaired by USTR. We also work closely with other agencies on issues that may arise in forums that they lead, particularly when such deliberations may affect U.S. trade interests.

Question. What are your thoughts on including similarly enforceable action plans for Canada and Mexico to NAFTA to make sure they can meet their labor and environmental commitments?

Answer. I am committed to ensuring that our trade agreements strengthen our trading partners' labor and environmental standards and meet the negotiating ob-

jectives that Congress has set out in TPA. I am aware of congressional and stakeholder interest in a labor consistency plan for Mexico, similar to those negotiated with Vietnam, Malaysia, and Brunei in the context of the TPP. I look forward to working closely with you, other members of Congress, and stakeholders as we develop our proposals.

QUESTIONS SUBMITTED BY HON. THOMAS R. CARPER

Question. As you know, I remain concerned about China's proposed regulations that will require U.S. cloud service providers to transfer their intellectual property and control of their businesses to Chinese companies in order to do business in China. Chinese cloud providers are not subject to similar regulations in the United States.

Can you describe in detail for me progress the Trump administration has made in allow U.S. cloud service providers to do business in China without being subject to these regulations?

Answer. As part of the 100-day plan negotiations, the administration has been pressing China to remove the restrictions that it applies to the cloud computing sector, including those that affect the ability to fully own and control data centers and provide cloud-related services and that require transfer of valuable intellectual property and know-how and surrender of brand names to Chinese companies in order to operate in China. The administration will continue to use all appropriate avenues, including high-level discussions and, if necessary, enforcement actions, to endeavor to fully open China's market for U.S. providers of cloud computing services.

Question. The administration has set a high bar for what will be addressed in a renegotiated NAFTA.

Do you anticipate this new version of NAFTA to serve as a model agreement for future negotiations with other countries, including TPP member countries with which you hope to strike bilateral agreements?

Answer. We do indeed intend to set a high bar in our renegotiation of the NAFTA, and expect that these high standards will set a valuable precedent for other negotiations we undertake in the future.

QUESTIONS SUBMITTED BY HON. BENJAMIN L. CARDIN

Question. While I had some concerns about TPP, it contained significant improvements over past trade agreements, especially regarding human rights and anti-corruption measures.

Though some of these improvements apply to our NAFTA trading partners, others do not. Nonetheless, as we have discussed previously, I think it is critically important to create a very high standard in the NAFTA negotiations that preserves the gains made on human rights and anticorruption commitments in TPP. This will send an important signal to any future parties to U.S. trade negotiations. It will also help create a more level global playing field for our workers, especially if we require the same high-standard agreement with all of our trading partners—as opposed to creating a patchwork of agreements that are inconsistent on these issues.

What are your views on incorporating high standards on labor rights, human rights, the environment, and anticorruption measures into a modernized NAFTA?

Will you ensure that even provisions that do not necessarily affect our NAFTA trading partners be incorporated into the ongoing NAFTA renegotiations?

Answer. I am committed to ensuring that our trade agreements strengthen our trading partners' labor, environmental and anti-corruption standards and meet the negotiating objectives that Congress has set out in TPA. The protection of labor rights and the environment is critical and will be an important part of the NAFTA renegotiation. I look forward to working closely with you, other Members of Congress, and stakeholders as we develop our proposals and work to create a more level playing field for our workers and businesses.

Question. As you know, the U.S.–EU Covered Agreement, which was negotiated by the previous administration, is currently being reviewed by your office and the Treasury Department.

I have heard several concerns from U.S. stakeholders, including U.S. insurance companies, the National Association of Insurance Commissioners, and the National Governor's Association, about aspects of the agreement that need to be clarified due to ambiguities in the drafting.

These stakeholder concerns relate to central elements of the agreement such as whether it recognizes the U.S. system of insurance regulation as "de facto equivalent" under Europe's Solvency II regulatory regime for insurance; ensures the reinsurance collateral reductions in the agreement only apply prospectively to future reinsurance contracts; and recognizes that the U.S. State insurance commissioners' work on a group capital calculation satisfies the agreement.

My understanding is that the stakeholders who have these concerns are not seeking a rejection or reopening of the agreement, but instead an exchange of letters between the United States and the EU to clarify these elements of the agreement.

I'm hopeful that your office will be able to complete your review in a timely and thoughtful way that levels the playing field for our insurers and provides clarity and certainty to the industry going forward.

Question. Could you please describe the current status of the review your office is undertaking with respect to the agreement, and indicate whether an exchange of letters is being considered?

Answer. USTR and Treasury have undertaken a series of meetings with interested stakeholders and Congress to gather feedback on the U.S.-EU Covered Agreement and to provide updates regarding the administration's decision-making process. USTR is currently considering next steps in consultation with Treasury.

Question. As you know, a 50% cap on foreign equity ownership in life insurance has existed since China's WTO accession in 2001, despite further openings in other areas of financial services. Currently, foreign companies represent just 5% of the Chinese life insurance market. I have heard from several U.S. stakeholders on the significant positive impact that removing the cap would have for U.S. life insurers.

Given this positive impact, are you considering, in conjunction with Secretary Ross, including an objective to lift the 50% cap in President Trump's ongoing "100-day plan" effort with China?

Answer. As part of our engagement with China through the CED, the administration has pressed China to remove the foreign equity cap that it applies to the life insurance sector. The administration will continue to use all appropriate avenues, including high-level discussions, to endeavor to fully open China's market for life insurance services and other financial services.

Question. Although India has liberalized foreign ownership restrictions in several areas, including food and online business-to-business retail, India continues to prohibit foreign direct investment in online business-to-consumer retail. This prohibition prevents a number of U.S. companies, including companies in Maryland, from fully operating in India and providing Indian customers with the widest possible selection of goods and services.

Could you please describe the steps you are taking to address this issue with the Indian government?

Answer. India is one of the few major economies with which, in addition to goods, we have a significant deficit in services, and our services exporters continue to face a variety of challenges in trading in the Indian market. While we have welcomed recent improvements in certain areas, they do not go far enough to provide meaningful market access in important sectors. President Trump and Prime Minister Modi stated their intention to undertake a "comprehensive review" of the bilateral trade relationship, and we will address these issues and others in that process under the U.S.-India Trade Policy Forum (TPF).

QUESTIONS SUBMITTED BY HON. SHERROD BROWN

Question. In your testimony, you indicated that the United States would not seek improvements to Mexico's labor laws or enforcement of those laws before NAFTA renegotiation talks begin. I appreciated your honesty, but I was disappointed by the answer. Other U.S. trade agreements provide plenty of evidence that the United States has not successfully secured long-lasting, meaningful improvements to labor standards after trade agreements are signed. I share your view that improving

Mexico's labor standards is important for U.S. workers, but I do not see how the United States will have leverage to achieve meaningful changes to Mexico's worker protections after NAFTA renegotiations begin.

How will you prevent the United States from repeating past failures on labor standards in the NAFTA renegotiations?

Answer. Lower labor standards in other countries can affect American workers and businesses. I am committed to ensuring that our trade agreements strengthen our trading partners' labor standards and meet the negotiating objectives that Congress has set out in TPA. The administration is undertaking a comprehensive review of U.S. trade policy to determine how best to ensure strong labor commitments for future trade negotiations, beginning with NAFTA. I will work with you and other members of Congress as we update and improve the NAFTA, as part of our examination of all aspects of the U.S. trade relationship with Mexico.

Question. The announcement this week that the United States lost its case against Guatemala for labor standard violations under the Dominican Republic-Central America Free Trade Agreement reveals two things: (1) the text of the agreement's labor standards is unworkable; and (2) the free trade agreement dispute settlement mechanism for labor violations is ineffective.

What changes will you be seeking to the labor standards in NAFTA to ensure that they are meaningful and workable?

What changes will you be seeking to NAFTA's dispute settlement mechanism to ensure the agreement's labor standards are enforceable?

Answer. The administration wants strong, enforceable trade agreements that work for the American people, and USTR will continue to require that all of its trading partners maintain fair labor practices to help level the playing field for American workers. We strongly disagree with some of the interpretations developed by this panel, including with respect to whether Guatemala's substantial failures to enforce its labor laws "affected trade." We understand your concerns, and also recall that no FTA panel can set precedent for future panels. We look forward to consulting closely with you and your colleagues on these important issues in the future.

Question. In response to my question regarding whether the U.S. position will be to remove investor-state dispute settlement from the NAFTA agreement, you answered no but said that you wanted to strike a better balance between national sovereignty and investment protections in trade agreements.

Are you planning to use the Trans-Pacific Partnership text on investment as the basis for the NAFTA negotiations?

If you are not going to use the TPP text for the basis of the NAFTA investment chapter, what modifications will USTR seek to the investor-state provisions to strike a better balance between national sovereignty and protections for investors?

Will you consider limiting investor-state dispute settlement to direct expropriation only?

Answer. As I indicated in my response to your question at the hearing, I am mindful that seeking improved mechanisms to resolve investor-state disputes is a negotiating objective in TPA. The United States has a responsibility to ensure that U.S. investors abroad are treated fairly, but we also need to acknowledge concerns about ISDS, including with respect to U.S. sovereignty. The administration is currently assessing the balance on these issues and is looking carefully at past agreements as part of that analysis. I look forward to working with Congress to ensure that rules that we negotiate—including rules on expropriation—are consistent with U.S. legal principles and practice, as specifically called for in the 2015 Trade Priorities and Accountability Act.

Question. I was pleased that the President announced a 100-day plan to negotiate trade issues with China, and I have supported the section 232 steel investigation. I'm concerned, however, that the administration has not put forward a comprehensive plan to address China's steel overcapacity. It is imperative that the U.S. make it a top priority to pursue reforms of China's industrial policies and State-run economy to provide long-term relief to U.S. steel producers.

What is USTR's role in negotiating the 100-day plan with China?

Answer. The 100-day plan negotiations are being held under the auspices of the U.S.-China Comprehensive Economic Dialogue, and I am actively involved in these

negotiations and closely coordinate with Treasury Secretary Mnuchin and Commerce Secretary Ross on these efforts.

Question. What progress has been made in addressing China's steel overcapacity?

Answer. The current global overcapacity situation in the steel, aluminum and other industries, caused largely by China, is having a detrimental impact on U.S. workers and industries. At the core of this issue is China's non-market economy system, which is creating global oversupply and excess capacity in this and other sectors. To address this serious problem, the administration is working to address both the root causes and manifestations of the problem and to utilize every appropriate tool in our arsenal.

First, the Government of China works to conceal all of the different means by which it provides support to its steel, aluminum and other subsidies sectors. China's fundamental lack of transparency is inconsistent with the way the United States and other major economies participate in the global rules-based trading system. One step that we are taking to address this problem is to press China to notify its subsidy programs to the WTO by ourselves "counter-notifying" numerous Chinese steel subsidy programs to the WTO Subsidies Committee. For example, recently, we uncovered evidence of state supports in the annual reports of some of China's largest steel companies, have presented that evidence to the WTO Subsidies Committee and have raised questions about dozens of other subsidy programs that potentially should be notified to the WTO.

A second tool that we are using is trade remedy measures to address the effects of China's overcapacity. For example, the U.S. Department of Commerce and the U.S. International Trade Commission have completed a number of AD/CVD investigations related to steel and aluminum products, and are actively investigating other products, to address the dumped and subsidized imports that are injuring our industries. USTR also is working with the Commerce Department, Customs and Border Protection, and other agencies to ensure that we enforce our trade remedy laws and measures effectively and work to prevent fraud, circumvention and evasion of U.S. trade remedies. These actions and investigations underscore ways in which the administration is addressing the overcapacity problems from a variety of angles.

Third, we are vigorously and aggressively defending our right to apply a non-market economy methodology to imports from China in antidumping cases. China has challenged the right of the United States and the EU in the WTO to continue to apply this methodology. We are working, including in close coordination with the EU, to ensure that WTO rules are found to uphold the right of countries to apply a non-market economy methodology to imports from China.

Fourth, as we act to challenge China's unfair practices and address their effects, we are also working with other like-minded countries in forums like the Global Forum on Steel Excess Capacity, the G20, OECD and other venues. We are using these opportunities to obtain more information about China's capacity and practices and confer with trading partners about effective steps to address excess steel capacity. To be effective, the Global Forum must address the market distortions contributing to excess capacity, including industrial policies such as subsidies and other government support. While most Global Forum participants are concerned about the negative effects that excess capacity has on their industries and workers, we are disappointed by the lack of responsiveness by some members, including China, the world's largest steel producer, which indicates they do not share our sense of urgency to address this global challenge.

We will continue to explore all appropriate means to deal with the problem of excess capacity.

Question. What is the U.S. doing to dismantle China's steel subsidy programs?

Answer. See answer to Question 4.

Question. Japan has a long history of non-tariff barriers that have shut U.S. companies out of its market, particularly in the auto sector. For these reasons, I did not support including Japan in the TPP negotiations. You said in your testimony that you believe Japan should agree to unilaterally address its trade deficit with the United States, I agree, but I am not confident Japan will do so. After Prime Minister Abe's meeting with President Trump in February, a bilateral economic dialogue was convened between the two countries.

Is the purpose of this dialogue to secure from Japan unilateral changes to the U.S.-Japan trade balance?

Answer. The dialogue is one vehicle to achieve expanded and more balanced trade with Japan through a range of activities. The administration is committed to breaking down barriers and leveling the playing field so that American companies and exporters can enjoy high levels of market access.

Question. What is USTR's role in this dialogue?

Answer. USTR is working closely with the Vice President and other U.S. agencies to advance the trade-related aspects of the dialogue.

Question. Does the administration intend to negotiate a bilateral trade agreement with Japan?

Answer. The administration is currently conducting a review of all the United States' existing international trade and investment agreements. No decision has been made yet regarding whether to seek to negotiate a bilateral trade agreement with Japan.

Question. It is being reported that the administration plans to use the TPP text as the basis for the NAFTA negotiations. President Trump, however, withdrew from TPP, describing it as a bad deal for the United States. In addition, the TPP text is the product of years of negotiation, during which time TPP parties watered down U.S. standards and priorities.

Does the administration intend to start from a weaker negotiating position in the NAFTA talks by using the text of TPP? If so, has the administration's position on TPP changed?

Answer. The administration believes that, in negotiating any new trade agreement, we should learn from, and build on, earlier negotiated outcomes, particularly those that included our NAFTA partners, but that we should consider the best text available. There is much in TPP that was agreed by Canada and Mexico that goes well beyond NAFTA. That is a good starting point, but we will also consider other proposals that improve on TPP.

QUESTIONS SUBMITTED BY HON. MICHAEL F. BENNET

Question. Some in the agricultural sector are concerned about bilateral trade issues outside the confines of NAFTA that are important to both market access and growth opportunities.

Given your resources, how do you plan to manage competing priorities such as NAFTA renegotiation and other bilateral trade issues like potatoes and softwood lumber?

Answer. The upcoming NAFTA renegotiation will provide USTR with the opportunity to engage on key issues with Canada and Mexico, including those directly related to the NAFTA renegotiation as well as other bilateral trade issues. USTR will continue to work with members of Congress, the interagency, and affected stakeholders to resolve outstanding bilateral trade issues.

Question. Agricultural producers in States like Colorado are worried that the renegotiating NAFTA will limit important market access and that the renegotiation process will stall the flow of some products.

Will you commit to ensuring that NAFTA renegotiation does not hurt current market access for agriculture, and that you will work to prevent the process from stalling goods?

Answer. The administration is committed to maintaining the markets our agricultural sectors have and creating opportunities to expand exports. We are committed to doing no harm, and our goal is to avoid tariffs being raised as a result of NAFTA renegotiation. In addition, USTR will continue to work with members of Congress, the interagency, and affected stakeholders to resolve outstanding bilateral trade issues.

Question. What are some specific opportunities you see for advances in agriculture?

Answer. The administration is committed to maintaining the markets our farmers, ranchers, and food processing industries have and creating opportunities to expand exports. We are committed to doing no harm, and our goal is to avoid tariffs being raised as a result of NAFTA renegotiation. In addition, there are areas where agricultural stakeholders can gain, such as certain market access in Canada. We

will continue to consult agricultural stakeholders and members of Congress, consistent with Trade Promotion Authority, on the United States' approach to and positions in the negotiations.

The administration is committed to maintaining the flow of U.S. exports of goods and services during the renegotiation of NAFTA.

Question. This committee has been outspoken on the need for tougher measures to stop unfair currency values. The previous administration worked with the TPP countries to adopt a framework to address these issues, which included working with countries to push for transparency in monetary policies.

Do you consider language related to currency valuation as a priority for NAFTA renegotiation?

Are you committed to pursuing the framework adopted by the previous administration and the 11 TPP countries in November 2015 to increase transparency and accountability in those countries' currency practices?

Answer. As you know, the Trade Promotion Authority (TPA) establishes principal negotiating objectives with respect to unfair currency practices. The administration intends to submit its negotiating objectives to Congress consistent with TPA.

The Treasury Department is responsible for currency issues and efforts to address exchange rates through our bilateral and international engagements and in the context of our trade agreements.

QUESTIONS SUBMITTED BY HON. ROBERT P. CASEY, JR.

Question. Despite promises from the Chinese government in their WTO accession protocol, China continues to exercise significant control over their state-owned enterprises and factors of production. China wants market economy status at the WTO. The Obama administration rightfully refused granting it, and I know this administration will continue that stance.

Can you discuss how you are working with the EU and other allies to defend the view that China is a non-market economy?

Answer. We are working closely with the EU and other allies, such as Japan, Canada, and Mexico, which share the view that using a non-market economy methodology in antidumping proceedings to combat China's unfair market-distorting behavior is consistent with WTO rules. USTR lawyers and staff are working closely with their European counterparts to ensure the strongest possible joint defense.

Question. What other areas do you hope to work with the EU on to curb the impact of China's market-distorting practices?

Answer. USTR and the European Commission's Directorate General for Trade maintain regular cooperative engagement on China trade issues that has yielded positive results, such as with regard to China's indigenous innovation policies and cybersecurity policies, including Chinese decisions to withdraw or delay certain problematic policies. Commissioner Malmstrom and I have discussed the importance of expanding and intensifying this work in areas of mutual interest. I intend to work hard with the EU to ensure that China takes action to curb its market-distorting policies and practices, including those that have given rise to severe excess steel and aluminum capacity in China, which harms both the United States and the countries of the EU.

Question. Do you intend to include enforceable currency manipulation provisions as a NAFTA negotiating objective?

Answer. As you know, TPA establishes principal negotiating objectives with respect to unfair currency practices. The administration intends to submit its negotiating objectives to Congress consistent with TPA.

With respect to addressing exchange rates, the Treasury Department is responsible for taking the lead with respect to those issues through our bilateral and international engagements. However, our goal is to ensure that any provisions addressing currency manipulation be enforceable.

Question. Will you assure the Committee and the American people that the renegotiated NAFTA agreement will not simply be a rehash of TPP? That is, will a renegotiated NAFTA be a significant improvement on TPP, particularly in terms of enforceable labor and environmental standards?

Answer. I am committed to ensuring that our trade agreements strengthen our trading partners' labor and environmental standards and meet the negotiating objectives that Congress has set out in TPA. While TPP included some noteworthy advances, it fell short on many important issues. I look forward to working closely with you, other members of Congress, and stakeholders as we develop our labor and environment proposals for a modernized NAFTA and work to create a more level playing field for our workers and businesses.

Question. Please discuss how you intend to increase wage growth and manufacturing jobs through the NAFTA renegotiation.

Answer. Lower labor standards in other countries, including wage issues, can affect American workers and businesses. I am committed to ensuring that our trade agreements strengthen our trading partners' labor standards and meet the negotiating objectives that Congress has set out in TPA. The administration is undertaking a comprehensive review of U.S. trade policy to determine how best to ensure strong labor commitments for future trade negotiations, beginning with NAFTA. I will work with you and other members of Congress as we update and improve the NAFTA, as part of our examination of all aspects of the U.S. trade relationship with Mexico.

Question. How do you hope to improve the rules of origin and procurement obligations in NAFTA, if at all?

Answer. I hope to make the rules of origin as strong as possible, so that they benefit goods genuinely made in the United States as well their producers and workers. We are currently looking at ways to achieve this objective and are in the process of reviewing comments from stakeholders for further suggestions.

We are still looking at ways to improve our procurement obligations under NAFTA. While no decision has been made, it is fair to say that NAFTA's procurement obligations could be updated. More recent U.S. trade agreements encourage the use of e-procurement technology. Beyond greatly enhancing transparency, e-procurement technology helps U.S. companies compete in foreign markets. Additionally, more recent U.S. agreements reflect the importance of labor and environmental issues in procurement practices.

Question. Currently, it is not easy to judge the line between what is and is not a labor violation, further the language, which is often purposefully ambiguous, makes enforcement much more difficult.

Will you sharpen those lines in a NAFTA renegotiation?

Answer. In consultation with Congress, we will seek to modernize the labor obligations consistent with current TPA negotiating objectives, in particular with regard to ensuring that there is adherence to domestic laws that reflect core international labor standards and application of dispute settlement and trade remedies for non-compliance. Key aspects of this upgrade will include bringing the labor provisions into the core of the agreement rather than in a side agreement, and ensuring that the labor obligations are subject to the same dispute settlement mechanisms and trade sanctions as the rest of the agreement.

Question. How would you hope to address Mexico's lax enforcement of labor and environmental standards?

Answer. I am committed to ensuring that our trade agreements strengthen our trading partners' labor and environmental standards and enforcement, and meet the negotiating objectives that Congress has set out in TPA. I look forward to working closely with you, other members of Congress, and stakeholders as we develop our labor and environment proposals for a modernized NAFTA and work to create a more level playing field for our workers and businesses.

Question. Agriculture has gained substantial market access during the NAFTA years.

Will you ensure that our agricultural sector is not negatively impacted by the NAFTA renegotiation?

What steps will you take to ensure there will be no additional barriers to U.S. agricultural trade that come about from the NAFTA renegotiation?

Will you work to enhance market access in areas like dairy and specialty crops?

Answer. The administration is committed to maintaining the markets that our agricultural sectors have and creating opportunities to expand exports, including for

dairy and specialty crops. We are committed to doing no harm, and our goal is to avoid tariffs being raised as a result of NAFTA renegotiation. In addition, there are areas where our agricultural stakeholders can gain, such as certain market access in Canada. We will continue to consult agricultural stakeholders and members of Congress, consistent with Trade Promotion Authority, on the United States' approach to and positions in the negotiations.

Question. Foreign subsidies and market-distorting policies have led to steel overcapacity to the tune of 700 million metric tons—according to OECD estimates. China accounts for 425 million tons of that overcapacity. Last year, the G20 established the Global Forum on Steel Excess Capacity to focus global efforts to address this overcapacity crisis.

Do you think the Global Forum is working well?

Can you discuss any progress that has been made at the forum and in other efforts to address the steel overcapacity problem?

Answer. The administration is seeking to address the root causes of excess steel capacity in the Global Forum on Steel Excess Capacity, which was launched in December 2016. More than 30 other steel producing countries are participating in the Global Forum and have committed to share information and to take effective steps to address excess steel capacity.

The current global overcapacity situation in the steel, caused largely by China, is having a detrimental impact on U.S. workers and industries. At the core of this issue is China's non-market economy system, which is creating global oversupply and excess capacity in this and other sectors. To address this serious problem, the administration is working to address both the root causes and manifestations of the problem and to utilize every appropriate tool in our arsenal.

As we act to challenge China's unfair practices and address their effects, we are continuing our work with other like-minded countries in forums like the Global Forum on Steel Excess Capacity, the G20, OECD and other venues. We are using these opportunities to obtain more information about China's capacity and practices and confer with trading partners about effective steps to address excess steel capacity. To be effective, the Global Forum must address the market distortions contributing to excess capacity, including industrial policies such as subsidies and other government support. While most Global Forum participants are concerned about the negative effects that excess capacity has on their industries and workers, we are disappointed by the lack of responsiveness by some members, including China, the world's largest steel producer, which indicates they do not share our sense of urgency to address this global challenge.

We will continue to explore all appropriate means to deal with the problem of excess capacity.

Question. Can you discuss the progress being made through the use of both our trade remedy laws, as well as actions at the WTO to address steel and aluminum overcapacity?

Answer. I agree that the current global overcapacity situation in the steel and aluminum industries is having a detrimental impact on U.S. industries, such that it is imperative that we consider every appropriate tool in our arsenal to try to address it. The U.S. Department of Commerce (Commerce) and the U.S. International Trade Commission have completed and are conducting several AD/CVD investigations related to steel and aluminum to address the dumping and subsidized imports that are injuring our industries. These investigations underscore how the administration is addressing the overcapacity problems from every possible angle.

In addition, the United States is working with more than 30 countries in the Global Forum on Steel Excess Capacity and other fora such as the WTO Committee on Subsidies and Countervailing Measures to discuss how the subsidization that created the overcapacity situation and the shifting of this capacity to global markets can be addressed.

We will continue to explore creative ways to deal with the shared problem of overcapacity and will keep the committee informed of significant developments and initiatives as needed.

Question. As I understand, USTR relies on documented labor violations and in-depth reviews to bring a labor-related trade case.

Would it be difficult for USTR to bring a labor enforcement action absent documentation of a country's failure to comply with negotiated objectives?

Which agency conducts these reviews and documents any apparent violations?

Answer. Enforcement is a key aspect of our trade agenda and the administration is working to ensure that trading partners comply with the labor obligations in our trade agreements. USTR is the lead agency responsible for enforcement of trade agreements, but in labor cases consults closely with the Bureau of International Labor Affairs (ILAB) in DOL to help compile and develop of evidence related to dispute settlement. USTR works closely with the U.S. Departments of Labor and State, as well as other agencies, to monitor labor practices in trading partner countries, and to document any potential breaches of FTA obligations as necessary. When DOL receives public submissions regarding labor concerns under trade agreements, the Bureau of International Labor Affairs (ILAB), in coordination with USTR and State, is responsible for reviewing and reporting on the issues raised, and ILAB's analysis and findings are reflected in USTR's decision regarding whether to bring a labor enforcement action.

Question. The Department of Labor's core function is to protect U.S. workers, that directive extends to their international work. As you know, when overseas companies abuse their workers, pay them low wages and engage in child and slave labor that means the products they produce are unfairly competing with U.S. goods—which are made in safe workplaces with high standards.

Can you please discuss how USTR will utilize the expertise within the Bureau of International Labor Affairs (ILAB) at the Department of Labor to support your work to ensure that our trade agreements are fair for U.S. workers, that we use all tools available to ensure compliance with those agreements, and that no country uses labor abuses to gain an unfair competitive advantage.

Answer. My staff will continue to coordinate closely with ILAB and other U.S. agencies to monitor compliance with labor obligations in trade agreements and engage with trade partners. ILAB staff possesses extensive expertise on internationally recognized labor rights and plays a critical role in our ability to monitor and engage trade partners. Enforcement is a key aspect of our trade agenda and I will work together with the Department of Labor and other U.S. agencies to ensure that trade partners are held to compliance with their labor obligations.

Question. Please discuss how you intend to leverage ILAB's staff and expertise to ensure our trading partners are adhering to strong labor standards, both in instances where a country clearly fails to comply with the labor provisions of a trade agreement and in instances where lack of compliance may not be as evident, but a country's labor practices still result in a negative impact on U.S. workers?

Answer. ILAB staff possesses extensive expertise on internationally recognized labor rights, which we would hope to utilize to engage trade partners to address labor concerns when they arise. They have the ability to regularly engage with labor counterparts in trading partners to continuously improve capacity and enforcement capability.

Question. As our principal trade negotiator is it to your benefit for the United States Government to continue its policy of strong engagement in the ILO to encourage countries to adhere to international labor standards and help to ensure that our trade partners do not seek to use low labor standards as a means to gain a competitive advantage and undercut our exports?

Answer. I recognize the unique role that the ILO plays in establishing and encouraging adherence to fundamental internationally recognized labor standards. The ILO-recognized fundamental labor rights are a key aspect of labor obligations in U.S. trade agreements and the failure of trade partners to protect these rights places us at a competitive disadvantage. I am committed to ensuring that our trading partners respect those rights.

Question. You've expressed support for a level playing field for workers.

Please elaborate on why it is important for U.S. working families that working people in the countries we trade with, including Mexico, be able to join together in unions and negotiate together for fair wages and working conditions?

Answer. Lower labor standards in other countries can affect American workers and businesses. Freedom of association and the right to collective bargaining are internationally recognized labor rights. If workers in Mexico do not have these rights protected, it negatively affects workers and businesses in the United States

and places us at a competitive disadvantage. Mexico understands the need to address these issues and is taking steps.

PREPARED STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON

Today the Finance Committee will examine the President's trade agenda. In my view, the trade agenda ought to be focused on creating more high-skill, high-wage middle-class jobs right here in the United States—red, white and blue jobs. That means aggressively going after trade cheats to make sure our U.S. workers are competing on a level playing field, and it means opening up new markets for the Oregon brand and the American brand.

I expect that much of our discussion today will focus on NAFTA, and that is where I would like to start. The President has been talking a big game about NAFTA for at least 2 years now—virtually since the start of his campaign. In May the administration set the renegotiation process in motion. But despite that, neither the Congress nor the public has much of an idea of what the administration is looking for in those discussions.

My view is, NAFTA could use a complete overhaul. That means high-standard, enforceable labor and environmental commitments; removing chapter 19, which hampers our ability to fight unfair trade practices; and addressing challenges that are specific to dairy, wine and key manufacturing industries. The United States also needs to combat currency manipulation, market-distorting state owned enterprises, and the trade cheats that have become more sophisticated in evading our trade enforcers. But that's not the end of where NAFTA—and our overall approach to trade agreements—need improvement.

When container ships on the open seas began to transform the global economy, the U.S. fought for trade rules that protected the American-made products we sent around the world.

The fact is, our country hasn't kept up when it comes to digital products. The Internet is the shipping lane of the 21st century and a greater platform for the free exchange of ideas and information than the world has ever known. That is worth fighting for, and it is long past time our trade policies reflected that reality.

So here's what our new approach needs to be. Our trade agreements must protect that free exchange of ideas and information, and they must protect access of American-made digital products to individuals around the world. Just as our agreements fight against countries constructing barriers to our manufactured goods and ag products, they must respond when countries block American-made technologies, apps, and social media services.

The U.S. cannot accept protectionist approaches to the Internet, grounded in either mercantilism or authoritarianism. So no administration, now or in the future, should expect to have my support for any trade agreement that fails to include provisions that protect the Internet as an open platform of commerce, speech, and the free exchange of ideas of all kinds. Mr. Chairman, I hope to discuss these and a host of other issues in a NAFTA-specific hearing before negotiations are launched.

But today I also want to raise a couple of potential obstacles in the road ahead. Those obstacles are (1) an artificial, accelerated timeline, and (2) a lack of transparency.

First, it's been reported the administration hopes to conclude negotiations by the end of this year. I'm all for swift negotiations, but I'm also a firm believer that you get results before you set a cut-off date. There's a serious danger that an artificial deadline will push negotiators toward lower standard proposals they know the other side will accept. That is not a recipe for success.

Second, this administration has an abysmal track record on transparency. The Commerce Department has been conducting what seems to be the most opaque trade negotiation ever with China as part of the so-called 100-day plan. It's unclear what factors are guiding the administration in the process, and neither Congress nor the public knows what sort of trade-offs or commitments are being made. This pattern is being repeated in the national security reviews of steel and aluminum imports.

And I have real doubts that the administration will be able to hammer out a high-standard overhaul of NAFTA if it turns a deaf ear to Congressional and public

input. Bottom line, failing on transparency is a sure way for an administration to deal a potentially fatal blow to its own trade agenda.

Ambassador Lighthizer, I want your trade agenda to be a success—I want more good-paying jobs in the United States across the country, in farming, in manufacturing, and in services for businesses large and small. That's only possible if everybody works together, Democrats and Republicans, Congress and the administration. So now that you're on the job, I hope and expect that you will work closely and communicate regularly with this committee.

COMMUNICATIONS

AMERICAN FARM BUREAU FEDERATION

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The American Farm Bureau Federation (Farm Bureau) offers the following statement for the record on the hearing “The President’s Trade Policy Agenda and Fiscal Year 2018 Budget.” Trade agreements have significantly contributed to the decades-long positive growth in trade by U.S. agriculture. Between 2003 and 2016, U.S. agricultural exports to countries we have trade agreements with increased more than 136 percent—from \$24.1 billion to \$57.1 billion.

Trade is critical to the livelihood of the U.S. agricultural sector because it spurs economic growth for our farmers, ranchers, and their rural communities. Agriculture supports jobs in the food and agricultural industries and beyond. The fact is 95 percent of the world’s consumers live outside of the United States and over 20 percent of U.S. farm income is based on exports. Expanding opportunities for U.S. crop and livestock producers to access international markets will boost farm income in the United States, while preserving existing access is critical to maintaining farm income at current levels. U.S. agricultural exports amounted to \$134 billion in 2016. Imports, critical for certain products, especially out of season produce, totaled \$112 billion in 2016.

Existing trade agreements have proved successful in tearing down tariff and non-tariff trade barriers that hinder U.S. farmers’ and ranchers’ competitiveness and prevent us from taking advantage of consumer demand for high-quality U.S. food and agricultural products throughout the world. For consumers, trade agreements provide access to new varieties of food products and off-season supplies of fresh produce.

NAFTA

One of the most talked about trade agreements, the North America Free Trade Agreement (NAFTA), has been overwhelmingly beneficial for farmers, ranchers, and associated businesses all across the United States, Canada, and Mexico for decades. While the sector as a whole has seen substantial benefit, there are some individual commodities that have faced challenges such as tomatoes and sugar with Mexico and a list of products with Canada. With NAFTA, overall, U.S. farmers and ranchers across the nation have benefitted from an increase in annual exports to Mexico and Canada from \$8.9 billion in 1993 to \$38 billion in 2016.

Despite these numerous benefits, there are reasons to update and reform NAFTA from agriculture’s perspective. Some improvements at the commodity level are detailed below; however there are some improvements that are sector-wide. Improvements that reduce redundant regulatory costs, expedite transit across borders and hasten the resolution of disputes between members would go a long way towards more efficient trade between NAFTA partners. The rules related to biotechnology, sanitary and phytosanitary measures and geographic indicators are ripe for amendment in order to reflect the progress that has been made in these areas over the decades since NAFTA was enacted.

U.S. agricultural exports to Canada would grow if tariff barriers to dairy, poultry and eggs were reduced or eliminated. The current barriers to ultra-filtered milk exports to Canada need to be removed.

Remedies for our produce growers need to be strengthened. A timely trade dispute resolution process should be added that takes into account the perishability, sea-

sonality, and regional production of horticultural products. Well-constructed seasonal TRQs could help maintain consistent supplies of fresh fruits and vegetables for consumers, while helping to prevent a flood of imported product, while U.S. production is at its seasonal peak.

There are a number of longstanding SPS and TBT issues that exist in trade between NAFTA partners on specific products. This includes trade in fresh potatoes with Mexico and wine trade with certain provinces in Canada. The ongoing disputes over the classification of U.S. wheat and the trade in softwood lumber with Canada are also a concern to many of our members. The process of modernizing NAFTA should be viewed as an opportunity to address these issues once and for all.

Clearly there are several areas where the NAFTA agreement could be modernized to improve trade in agricultural goods, however, it is critical that the modernization effort should recognize and build upon the strong gains achieved by U.S. agriculture through the tariff eliminations, the recognition of equivalency of numerous regulatory issues, and the development of integrated supply chains that have arisen due to the agreement.

Trade agreements also provide the highest standard of trade rules, allowing the United States to lead in setting the foundation to establish market-driven and science-based terms of trade and dispute resolution that will directly benefit the U.S. food and agriculture industry. We support adding to NAFTA the SPS Chapter language from the TPP, which would strengthen the existing WTO SPS commitments. We strongly support the inclusion of a rapid response tool, which will help to resolve shipment-specific issues. Cooperative Technical Consultations (CTC) would allow agencies to find science-based solutions to SPS issues in a timely manner-most beneficial to perishable products.

In addition to the TPP SPS text we recommend some additional, significant provisions that would ensure that the revised NAFTA agreement could be used as a model for future trade agreements the U.S. may enter.

We support the inclusion of the TPP text on Geographical Indicators in order to preserve U.S. market access opportunities for common name products. The misuse of GIs is a constant and significant threat to maintaining and growing sales of high value U.S. products, in the United States, within the markets of our NAFTA partners, and in markets worldwide.

We support adding a new chapter on biotechnology to the NAFTA. Under a modernized NAFTA, USBCA requests that the U.S. government (1) enter a mutual recognition agreement on the safety determination of biotech crops intended for food and feed, and (2) develop a consistent approach to managing low-level presence (LLP) of products that have undergone a complete safety assessment and are approved for use in a third country(ies) but not yet approved by a NAFTA member.

We oppose erecting new barriers to agricultural trade in NAFTA, including adding mandatory country of origin labeling for beef and pork products.

As an industry that is primarily made of price takers, however, it is critical to appreciate that variations in trade surplus/deficit in any particular year are impacted greatly by fluctuations in commodity prices, exchange rates and the existence of trade barriers to U.S. products. For example, the United States had a positive agricultural trade balance with Mexico in 20 of the 23 years since NAFTA came into effect. Two of the 3 years that the United States experienced a negative trade balance with Mexico occurred in 2015 and 2016, largely as a result of low commodity prices and a strong U.S. dollar.

For FY 2016:

U.S. agricultural exports to Canada—\$20.2 billion.
 U.S. agricultural imports from Canada—\$21.6 billion.
 U.S. agricultural exports to Mexico—\$17.9 billion.
 U.S. agricultural imports from Mexico—\$22.9 billion.

While the raw numbers are impressive, they only tell part of the story. Equally critical, is the fact that the agricultural sectors of the member countries have become far more integrated, as is evidenced by rising trade in a wider range of agricultural products, substantial levels of cross-border investment, and important changes in consumption and production.

Trade in goods consists of not only final consumer products but also intermediate inputs and raw materials, as firms reorganize their activities around regional mar-

kets for both inputs and outputs, spurred in part by greater foreign direct investment (FDI).

This integration enables agricultural producers and consumers in the region to benefit more fully from their relative strengths and to respond more efficiently to changing economic conditions. The creation of a larger, single market has given producers access to cheaper suppliers of inputs, which allows U.S. producers to be more price competitive domestically and abroad.

U.S. agriculture depends upon a growing international economy that provides opportunities for farmers and ranchers to sell their products. Modernization of NAFTA will expand market opportunities for U.S. agriculture.

JAPAN

Farm Bureau supported the Trans Pacific Partnership (TPP) agreement due to the gains for U.S. agricultural exports from the lowering of tariff and non-tariff barriers with the TPP partner countries. The majority of the export gains were with Japan, due especially to the lowering of Japanese tariffs on beef, pork, dairy and other products. We encourage the discussions by the administration with Japan towards a U.S.-Japan trade agreement.

DEPARTMENT FOR PROFESSIONAL EMPLOYEES, AFL–CIO

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September 6, 2017

Ambassador Robert E. Lighthizer
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Lighthizer,

The Department for Professional Employees, AFL–CIO (DPE) is a coalition of national unions representing more than 4 million professional and technical workers. Included in DPE are 12 national unions that represent people who work in the arts, entertainment, and media industries. Our unions' members are actors, craftspeople, choreographers, dancers, directors, musicians, stunt performers, instrumentalists, writers, singers, stage managers, and many other creative professionals.

We write to you with the understanding that the modernization of the North American Free Trade Agreement (NAFTA) may include discussions about NAFTA's copyright and intellectual property provisions. As our unions' members depend on the sale of legitimate content to earn fair wages and benefits, we urge you to prioritize the protection and enforcement of copyright provisions in any such discussions.

In today's Internet era, creative content can be transmitted across borders at speeds and in quantities few could imagine when NAFTA was originally negotiated. Strong copyright protections appropriate for today's digital age are needed to help ensure fair compensation for the professionals who imagine, develop, design, and give life to creative works that are responsible for over \$1 trillion in annual economic activity and regularly generate a positive trade balance for the United States.

Any weakening of copyright protections for creative professionals in NAFTA modernization could upend the economic security of middle-class Americans who work in copyright-reliant industries. Stolen or otherwise illegitimate content undermines the value of creative professionals' work and threatens their hard-won pay and benefits.

We therefore ask that you prioritize the protection and enforcement of copyright provisions in the modernization of NAFTA for our unions' members, part of the 5.5 million people working in core copyright industries.

Sincerely,

Kate Shindle
President, Actors' Equity Association

Ray Hair
International President, American Federation of Musicians

James Odom
President, American Guild of Musical Artists

Judy Little
Acting President, American Guild of Variety Artists

Paul E. Almeida
President, Department for Professional Employees, AFL–CIO

Thomas Schlamme
President, Directors Guild of America

Carlo Fiorletta
President, Guild of Italian American Artists

Matthew D. Loeb
International President, International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists, and Allied Crafts

Lonnie R. Stephenson
International President, International Brotherhood of Electrical Workers

Richard Lanigan
President, Office and Professional Employees International Union

Gabrielle Carteris
President, SAG–AFTRA

Pam MacKinnon
President, Stage Directors and Choreographers Society

Michael Winship
President, Writers Guild of America, East

LETTER SUBMITTED BY DEMETRIOS J. MARANTIS AND SHAWN A. MILES

May 10, 2017

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

RE: Comments Regarding Causes of Significant Trade Deficits for 2016, docket number DOC–2017–0003, with respect to Vietnam

Dear Secretary Ross:

Mastercard Incorporated (“Mastercard”) and Visa Inc. (“Visa”) are U.S.-based payments technology companies that have led the growth of electronic payments around the world for more than 50 years. Together, Mastercard and Visa directly employ more than 10,000 talented people in the United States, mostly in high-skill, high-wage positions, at facilities in every region and many states across the country including California, Colorado, Florida, New York, Ohio, Missouri, Texas, Utah, Virginia, and Washington.

The basic value proposition driving our industry is that cash and paper checks are less efficient than digital solutions, and the fundamental business model is built around helping clients provide their customers with new and better ways to pay and be paid. Our products help to drive consumer spending and accelerate economic activity, especially as commerce shifts to online and mobile platforms. In fact, Moody’s Analytics recently did a study that found increased use of electronic payments contributed nearly \$300 billion to worldwide consumption from 2011–2015.

While we are always intensely competing against each other to win clients and business both in and outside the United States, we do share similar concerns about the impact of trade barriers and an unlevel playing field in certain international markets. It is on that basis that we respectfully submit these comments focused on Vietnam, a rapidly growing market to which we are collectively exporting tens of millions of dollars’ worth of electronic payment services. As such, we are contributing to the U.S. bilateral services trade surplus with Vietnam, and any trade barriers that might inhibit our ability to serve and export to Vietnam could have a negative impact on the overall net (goods and services combined) trade deficit, to the extent that the services trade surplus helps to offset the goods trade deficit. Unfortunately,

the State Bank of Vietnam has issued burdensome regulations and called for construction of a “national payments gateway” in a way that would dramatically disrupt and inhibit the ability of U.S. payments technology companies, such as Mastercard and Visa, to continue exporting our services to Vietnam, and potentially exacerbate the existing trade deficit with Vietnam.

Electronic Payment Services in Vietnam

Mastercard and Visa have been active participants in Vietnam’s payment market for more than 20 years and have made significant investments in helping Vietnam to develop its electronic payment services (“EPS”) industry.

Today, there is great opportunity for all stakeholders in Vietnam to benefit from further growth of electronic payments as Vietnamese consumers are increasingly willing to use payment cards. According to Visa’s 2016 Consumer Payments Attitudes Study conducted in Vietnam and other Southeast Asian countries, 62 percent of Vietnamese consumers now prefer to use electronic payments. Visa’s survey also found other positive outcomes from electronic payments. Eighty three percent of respondents said they shopped online at least once a month, up 11 percent from 2015. The growth of smartphones in the country has also resulted in an increase in mobile commerce. Almost 70 percent of respondents shopped at least once a month on their smartphone. Seventy-seven percent of Vietnamese respondents had a favorable view of services that use automated payments to eliminate the physical process of paying, such as apps like Uber.

Growing use of e-commerce and electronic payments will open up opportunities for countless U.S. companies of all sizes to sell more of their goods and services to a broader range of Vietnamese customers. Electronic payments also enable the travel and tourism industry, which supports tens of thousands of jobs in both countries and where there is significant potential to grow U.S. exports in the coming years.

The Government of Vietnam also wants to grow the use of electronic payments and has announced plans to make transactions almost totally electronic by 2020. Moving to electronic payments will help the government increase transparency, help combat corruption, and increase tax revenues.

Yet despite these changes in consumer attitudes and behavior and the recognized benefits of increasing electronic payments, much of the potential for expanding electronic payments in Vietnam has yet to be realized. The electronic payments sector in Vietnam is still in a developing stage: less than 35 percent of the population has a bank account, and of that population most use debit cards (more than 80 percent), while less than 15 percent use credit cards. Of all the cards issued in Vietnam, more than 80 million are issued with local Vietnamese brands, while about 10 million are foreign branded, mostly Mastercard and Visa.

With so much potential yet untapped, it would be a major setback for the payment industry if Vietnam’s national payment gateway is constructed in a way that undermines the ability of U.S. suppliers such as Mastercard and Visa to continue providing secure and innovative electronic payment services to customers in Vietnam.

Vietnam’s National Payments Gateway Could Be a Barrier to U.S. Exports of EPS

This ability to export electronic payment services to Vietnam could be dramatically affected by regulations (Circular 19/2016/TT–NHNN) issued last year by the State Bank of Vietnam (“SBV”). These regulations, if implemented as they currently stand, would significantly disrupt the normal and smooth functioning of electronic payment services in Vietnam and will likely inhibit the pace and extent to which Vietnam is able to continue developing a world-class payments system. Specifically, SBV has proposed a prescriptive payment network structure requiring all foreign (including U.S.) EPS suppliers such as Mastercard and Visa to route all transactions—including both international (cross-border) and domestic transactions—through a national electronic payments gateway licensed by SBV.

It is widely understood that SBV has designated the National Payments Corporation of Vietnam (“NAPAS”), a separate commercial entity in which SBV is the majority shareholder, to operate the gateway in such a way that would unnecessarily disrupt exiting relationships in the market and impair the legitimate commercial interests of U.S. suppliers.

NAPAS directly competes against Mastercard and Visa as it continues to build a full-service payments network, with its own brand, contractual relationships with banks, and the ability to perform transaction processing. These are exactly the same services that Mastercard and Visa provide to Vietnamese banks today. Consequently, requiring U.S. EPS suppliers to route all transactions through a domestic

competitor distorts and reduces competition and would give NAPAS an unfair advantage as the sole processing hub for all payment transactions in Vietnam.

Circular 19 gives NAPAS license to operate the national payments gateway in order to provide data and information to SBV for certain public policy purposes. However, Circular 19 also appears to expand NAPAS's role *beyond* merely routing transactions through the gateway to include full processing (or "switching") services. In fact, Circular 19 would have NAPAS serve as the intermediary—or "sole point of connection"—between the foreign/U.S. suppliers (such as Mastercard/Visa) and acquiring/issuing banks in Vietnam. Furthermore, it would require Mastercard/Visa (or any other foreign supplier) to remove the direct connections they currently have with banks in Vietnam. Having direct connections to both issuing and acquiring banks is at the heart of providing efficient and secure electronic payment services. SBV's proposal to have NAPAS displace Mastercard and Visa (or any other foreign supplier) in this role, would unnecessarily undermine our commercial position and impair the quality of our services, the essence of our brands, and the value we bring to the market.

More specifically, the gateway proposal in its current form creates significant risks, which have been conveyed repeatedly to the Vietnamese government, including: (1) reducing the speed and security of, including the ability to detect and mitigate fraud, payments processing by sending transactions through multiple networks; (2) separating U.S. payment networks from their customers, making it difficult for the networks to offer innovative services to their customers; (3) duplicating services, resulting in redundant costs; (4) degrading the quality of service to that of the weakest link in the service chain; and (5) placing U.S. and foreign networks at a significant competitive disadvantage as compared to NAPAS, which would have a virtual monopoly on developing commercial relationships with banks in the market.

Furthermore, while many countries around the world have built local payment networks to process domestically acquired payment transactions, no other country in the world has attempted to dictate how foreign payment networks route transactions occurring outside of their national borders. Instead, most countries promote competition among domestic and foreign electronic payment networks, in order to lower costs, encourage innovation, and give consumers choice.

Simply put, the State Bank's proposal to have NAPAS run the national gateway would create barriers to U.S. exports of electronic payment services and further exacerbate the current trade deficit with Vietnam. It would also inhibit continued investment and innovation in Vietnam's electronic payment industry, which would ultimately reduce Vietnam's overall economic growth and global competitiveness. The United States and Vietnam have held multiple discussions on this issue, but have yet to reach a mutually satisfactory agreement on how the national payment gateway should be run.

Conclusion

Mastercard and Visa remain committed to continuing to export to and support Vietnam in developing a world-class payments system to serve as a platform for increased economic growth and to expand financial inclusion for the people of Vietnam. We believe a level playing field in the payments industry is necessary to ensure Vietnam can pursue its vision as a premier destination for global investment and a hub for regional economic development. Both Mastercard and Visa remain confident that this can be achieved if all parties demonstrate flexibility and work together in a spirit of constructive collaboration.

However, this issue must be resolved soon and certainly before Circular 19 takes effect in January 2018. A mutually-agreeable solution must protect the right of U.S. electronic payment service suppliers to provide the best, most innovative, and most secure payment services.

If Vietnam continues with its current plans to construct a national payments gateway and fully implement Circular 19 as it stands today, it will be creating an unnecessary barrier to its own goals of growing the use of electronic payments. It also will undermine the contribution of U.S. electronic payment service suppliers to the existing services trade surplus with Vietnam and limit the ability of U.S. exporters of other goods and services to access Vietnamese consumers through e-commerce, all of which could increase the overall U.S. trade deficit with Vietnam.

Sincerely,

Ambassador Demetrios J. Marantis
Senior Vice President and

Mr. Shawn A. Miles
Executive Vice President of Public Policy

Head of Global Government Relations Mastercard Incorporated
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June 28, 2017

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

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

Dear Chairman Hatch and Ranking Member Wyden:

On behalf of TechNet and our 72 members, we appreciate your commitment to modernizing our nation's trade agreements to empower American innovators, entrepreneurs, and workers to seize all the economic opportunities of digital trade in the 21st century. Following the Senate Committee on Finance's examination of "The President's Trade Policy Agenda and Fiscal Year 2018 Budget," TechNet reiterates our commitment to work with you, the committee's members, and the entire U.S. Senate to enact U.S. trade policy that encourages job creation and establishes clear digital trade rules.

TechNet is the national, bipartisan network of innovation economy CEOs and senior executives. Our diverse membership includes the nation's leading technology companies in the fields of information technology, e-commerce, advanced energy, biotechnology, venture capital, and finance.

Since the North American Free Trade Agreement (NAFTA) took effect 23 years ago, much has changed in our economy. As the breadth of our membership demonstrates, while technology used to be an industry, it is now the underpinning of every industry. Whereas floppy disks were the preferred mode of sharing information in 1994, data can now be stored, shared, and analyzed instantly through cloud computing platforms.

The ubiquity of the Internet has opened markets once out of reach to the local entrepreneur; torn down barriers to entry that prevented small businesses from growing past their communities; and facilitated the transfer of goods and services at speeds once unimaginable. For example, 79 percent of small businesses that use PayPal are exporters; female Airbnb hosts have earned more than \$10 billion since the company's founding; and Facebook provides a platform for more than 70 million businesses. Simply put, digital trade has exploded in the quarter-century since the U.S. entered into NAFTA.

While American innovators and entrepreneurs have adapted to these new circumstances and capitalized, our trade policies have been slow to respond. We recognize the American economy cannot grow at its full potential without a thriving technology sector, just as the technology sector cannot succeed without the right federal policies in place. Chief among these federal policies are NAFTA and other trade agreements the U.S. negotiates and enters into, as well as proper enforcement of existing agreements.

More specifically, we believe a thriving 21st-century American technology sector requires the following trade policies:

- Reductions in tariff and non-tariff barriers to information and communications technology products, services, and investments.
- Protections for the free flow of data across borders, strong protections for intellectual property, and safe harbors against intermediary liability.
- Greater expansion of market access for trade in services, including those that are digitally delivered.
- Heightened attention to the need for global supply and value chains—particularly important to global innovation—which often are disrupted by government

imposition of localization requirements, including forced technology and investment conditions that discriminate against U.S. interests.

- Customs relief and open payment systems that support digital trade flows, particularly by Small and Medium Enterprises (SMEs).
- Given the importance of modernizing the information technology systems used by governments at all levels, it is important to preserve, if not strengthen, the strong provisions currently in NAFTA related to government procurement, which have enabled U.S. companies to gain nondiscriminatory access to Mexican and Canadian markets on a reciprocal basis.

Between 2005 and 2014, cross-border data flows grew by 45 times, generating \$2.8 trillion in economic value in 2014—a greater impact on the world’s GDP than the global trade in goods.

As more people come online and look to American companies for our goods and services, it is imperative that the U.S. sets clear and enforceable rules to oversee digital trade. This requires improving existing agreements, including NAFTA, and negotiating new agreements with the strong digital trade policies noted above as guideposts. Failing to do so would prevent American workers, innovators, and businesses of all sizes from fully benefitting from this new era of digital trade and risk America’s global economic leadership.

At TechNet, we represent a diverse group of 72 technology companies. They range in size from small or medium, to large and multinational; they operate across various sectors of the innovation economy; and they include young startups as well as iconic and more established American tech innovators. As you continue examining America’s trade agenda and the ways it can be improved, we look forward to working with you to pursue policies that grow our nation’s economy, create jobs and higher paychecks here at home, and bolster America’s tech leadership in the world.

Sincerely,

Linda Moore
President and CEO

TEXAS CATTLE FEEDERS ASSOCIATION ET AL.

June 20, 2017

The Honorable John Cornyn
517 Hart Senate Office Building
Washington, DC 20510

Dear Senator Cornyn:

The undersigned Texas agriculture groups urge you to strongly support the North American Free Trade Agreement (NAFTA) and work with the Trump Administration to ensure that renegotiation efforts do not erode our positive trade relationships with Mexico and Canada.

The U.S. is the world’s largest exporter of agricultural and food products, and those exports account for 35 percent of U.S. farm income, according to the attached report, “Economic Impacts of U.S. and Texas Agricultural Exports to Canada and Mexico,” released February 16, 2017, by the Center for North American Studies (CNAS) at Texas A&M University. In addition, U.S. agriculture historically maintains a positive balance of trade. In FY 2017, USDA projects agricultural exports will total \$136 billion, while imports of farm products will account for only \$114.5 billion, leaving the U.S. with a net \$21.5 billion trade surplus.

Much of the success in expanding U.S. agriculture exports, especially from Texas, can be directly attributed to NAFTA. Since the agreement’s enactment in 1994, worldwide U.S. agricultural exports expanded from \$46 billion to \$135 billion—a 192 percent increase. During that same period, U.S. agricultural exports to Mexico and Canada grew from \$10 billion to \$38 billion per year—a 288 percent increase.

Likewise, Texas agricultural producers and the state’s economy have benefitted greatly from NAFTA. According to the CNAS study, in 2016 Texas agriculture exports to Mexico totaled \$833.5 million of which \$270.8 million were animal products and \$562.8 were plant products. Texas agricultural exports to Canada totaled \$875.1 million of which \$222.6 million were animal products and \$652.6 were plant

products. The top four Texas agricultural exports to each country are listed in the following table.

Top Texas Ag Exports to Mexico		Top Texas Ag Exports to Canada	
Product	Value (\$ Million)	Product	Value (\$ Million)
Beef and Veal	141.7	Other Horticultural Products	230.3
Cotton	125.4	Beef and Veal	110.2
Sweeteners	64.5	Processed Grain Products	77.6
Corn	62.4	Food Preparations	77.3

NAFTA has been one of the greatest success stories in the history of U.S. agriculture, with Mexico and Canada becoming two of our best international customers. The total economic activity related to Texas agricultural exports to Mexico and Canada accounts for more than \$3.3 billion and supports 18,674 jobs. A successful renegotiation of NAFTA must protect and improve the market access and scientific standards that the agreement has provided Texas agricultural producers over the past 24 years.

Sincerely,

Texas Cattle Feeders Association
Texas and Southwestern Cattle Raisers Association
Texas Farm Bureau
Texas Association of Dairymen
Plains Cotton Growers, Inc.
Texas Rice Producers Legislative Group
Texas Poultry Federation
Texas Turkey Federation
Texas Egg Council
Texas Broiler Council
Texas Poultry Improvement Association
Texas Pork Producers Association
Texas Grain and Feed Association
Texas Agricultural Cooperative Council
Texas Forestry Association
South Texas Cotton and Grain Association
Texas Cotton Ginners' Association
Texas Independent Ginners' Association
Texas Wheat Producers Association
Texas Nursery and Landscape Association
U.S. Rice Producers Association
Texas Grain Sorghum Association
Corn Producers Association of Texas
Texas Sheep and Goat Raisers Association
Independent Cattlemen's Association of Texas
Texas Quarter Horse Association
Texas Soybean Association
Texas Wine and Grape Growers Association
Texas Citrus Mutual
Texas International Produce Association
Western Peanut Growers Association
Panhandle Peanut Growers Association

