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TARIFFS: IMPLICATIONS FOR U.S. FOREIGN POLICY AND THE INTERNATIONAL ECONOMY

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BEFORE THE

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TARIFFS: IMPLICATIONS FOR U.S. FOREIGN POLICY AND THE INTERNATIONAL ECONOMY

THURSDAY, July 12, 2018

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:00 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Risch, Rubio, Johnson, Flake, Gardner, Young, Barrasso, Isakson, Portman, Menendez, Cardin, Coons, Udall, Kaine, Markey, and Booker.

OPENING STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE

The CHAIRMAN. The Foreign Relations Committee will come to order.

Ranking Member Menendez mentioned he is going to be just a minute late, and for us to go ahead and get started.

We thank our witnesses and all of you for being here.

We are going to consider the implications of recent trade actions by the administration, including the implementation of tariffs on steel and aluminum imports from Canada, Mexico, and the European Union.

I do not think it will come as a big surprise to anyone here that I am very concerned about the President's trade policies, and I think we all should be, from the imposition of tariffs on—by abusing Section 232 of the—the 232 authorities to threats to withdraw from longstanding trade agreements such as NAFTA. These actions are hurting our business and farm communities all around the country. They are damaging our international relationships that we have spent decades building, casting doubt on the United States and our role as a global leader and a reliable partner.

The tariffs imposed on imported steel and aluminum under Section 232 are already disrupting and damaging supply chains and business plans of numerous American businesses. These artificial distortions will continue to have real-world effects, including the possibility that many Americans could, and will, lose their jobs. Many of our companies risk losing markets carefully developed and cultivated over years to their foreign competitors. And now we await the outcome of another 232 investigation initiated by the President, this one to determine if foreign auto imports threaten our national security.

Do not get me wrong, we do have significant trade challenges when it comes to China. And, while we all agree on the need to ensure the international trade system is fair to American workers, companies, and consumers, I believe we should focus on building coalitions to confront longstanding threats, such as Chinese theft of intellectual property, instead of imposing 232 tariffs on our friends. Instead, these actions are alienating our close friends and allies, such as Canada, Japan, and Europe, partners we rely upon for far more than just economic security. The President has said that trade wars are winnable. Whether we win or lose, there is certain to be collateral damage to U.S. citizens and businesses along the way, as well as our place in the world.

The administration needs to explain to Congress where this is all headed. I know many members have been over to meet with the President to talk about where this is headed. To my knowledge, not a single person is able to articulate where this is headed, nor what the plans are, nor what the strategy is. It seems to be a wake-up-ready-fire-aim strategy.

So, they need to explain to us where this is going. The disruptions and costs of these tariffs are clear. How and when it does end, will we be better off as a result? The Constitution clearly establishes the power to collect duties and the power to regulate foreign commerce with Congress. We are holding this hearing today because of the vital need for congressional oversight on these actions. I have offered bipartisan legislation with Senators Flake, Johnson, Isakson, Shaheen, and others on this committee for Congress to reclaim its appropriate role and responsibility with respect to setting tariff policy. The bill has attracted wide-ranging support from organizations representing business and agriculture across our country, with an overwhelming vote of support for those efforts yesterday in the Senate. We will continue to push for a binding vote on this legislation in the near future.

We thank our witnesses for being here today. Let me go ahead and introduce our witness. Our first witness is Manisha Singh, Assistant Secretary of State for the Economic and Business—for Economic and Business Affairs. In this role, she is responsible for advancing American prosperity, entrepreneurship, and innovation worldwide.

We thank you for being here. I would not want to be in your position today, but you are gladly here to do so. And we look forward especially to our private panel that will come up after, without some of the same relationships. But, with it—with that, if you would give your testimony in about 5 minutes. Any written documents you have, without objection, will be entered into the record. Again, we thank you for your service.

Do you want to make an opening comment?

Senator MENENDEZ. If you have a moment, I do.

The CHAIRMAN. Well, why do you not get a cup of coffee and take a deep breath and give an opening comment?

STATEMENT OF HON. ROBERT MENENDEZ, U.S. SENATOR FROM NEW JERSEY

Senator MENENDEZ. These days, Mr. President, deep—Mr. President—I wish.

[Laughter.]

Senator MENENDEZ. Mr. Chairman, I hope that does not get——

The CHAIRMAN. Recently, I have been feeling the same way, honestly. I——

Senator MENENDEZ. —I hope that does not get you into trouble. But, in any event, I have had—a deep breath is not enough, these days. So.

Mr. Chairman, thank you for calling a very timely hearing.

Over the past few months, we have watched the President impose a series of trade measures against our allies and adversaries alike, seemingly without considering the impact of—these actions could have on important strategic partnerships. I appreciate that your legislation, Mr. Chairman, addresses this issue. And, although you and I may have different views about some of our existing and proposed trade agreements, the recent vote on the Senate floor shows strong bipartisan support for pushing back on what I believe is the President's disruptive action.

We have witnessed more of this action on display as he is meeting with our NATO allies this week, arguably our most important partners in creating or sustaining critical agreements that keep our Nation and our citizens secure. His erratic actions, coupled with his denigrating remarks, do not inspire confidence.

As it relates to the subject of this hearing, I believe that decades of unfair trading practices have left American workers, businesses, and families hard hit. It is critical that we strategically assess the real challenges and threats to America workers. Recent economic analysis has again revealed how China's economic rise over the last generation has severely damaged some of America's hardest-working people in their communities. China has driven global overcapacity in steel and aluminum, a problem that the rest of the world shares with us. We must, indeed, go after China's subsidization of these materials and their dumping onto the global market, which has shuttered factories across our country and put too many Americans out of work.

Separately, as many of my constituents in New Jersey know too well, we must also aggressively go after China's expropriation and outright theft of our patents and copyrights. American families do not need spreadsheet analysis to know the economic implications. These actions are real.

So, now, following the Section 301 investigation into China's policies on technology transfer and intellectual property, the administration must take action to reverse the damage done to U.S. workers and companies. Success, however, will require more than a never-ending escalation of tariffs. To support hard-working Americans, we need a strategic, coordinated response from all countries that China's predatory practices have disadvantaged.

Sadly, the administration has begun a reckless campaign against our allies, driving them into the arms of our adversaries instead of leading a joint effort to address the serious challenges of China's economic policies. As the NATO summit this week in Brussel re-

minds us, United States leadership in the world, our ability to meet the full range of global economic, environmental, health, and security challenges we face requires sustainable, trustworthy partnerships. Whether confronting Russia's disruption of democratic institutions here and among our European allies, working with our Latin American neighbors to cope with the instability driving families from their homes, or responding to China's aggressive moves in South China Sea, we are stronger with the alliances built on shared history and values. But, remarkably, Mr. Chairman, the President saves his harshest words for our allies who fight alongside us in the fields of Afghanistan, alongside us in the fight for freedom and democracy against Russian aggression, and who are on the front lines of Chinese economic imperialism in our own hemisphere.

So, I will look forward to our witnesses. I hope the hearing will help illuminate the administration's confusing flurry of tariffs and trade restrictions. I hope we can agree on who our friends are and who our adversaries are, which are the right tools and the right priorities.

And, with that, Mr. Chairman, I look forward to the hearing.

The CHAIRMAN. Thank you. Thank you so much.

Madam Secretary, if you would begin, we would appreciate it.

STATEMENT OF HON. MANISHA SINGH, ASSISTANT SECRETARY, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Ms. SINGH. Thank you. Chairman Corker, Ranking Member Menendez, and members of the committee, thank you for the opportunity to testify before you today regarding tariff implications for U.S. foreign policy and the international economy.

The Department is grateful for the partnership we have with the members of this committee and with your staffs. The Trump administration is committed to ensuring that American workers, farmers, and companies have every opportunity to compete and succeed in the global arena. We look forward to continuing to work with you on this common goal.

President Trump's National Security Strategy declares that economic security is national security. We are working to safeguard both economic security and economic prosperity for the American people. In addition to the dedicated officers here in Washington, the State Department has over 1500 economic officers posted in embassies and consulates around the world who explain our policies to foreign governments and enlist their support of our goals. Our Ambassadors and senior officials meet with foreign leaders to discuss our mutual priorities. They also advocate directly for U.S. companies. The Department works in coordination with our colleagues at USTR, Commerce, and other agencies to ensure that we are in close contact with our allies to explain the administration's trade and economic policies.

We have heard some concerns and questions from our allies and trading partners, and we have engaged with them proactively on a regular basis. We have made addressing their concerns about our international trade policy a part of our larger conversation with them.

The Department is clear with our allies that we continue to have shared interests with countries around the world, from countering terrorism to the denuclearization of North Korea. We emphasize that our combined efforts are required to make the world a more just, safe, and prosperous place.

A key area in which our allies and partners share our frustration is responding to the challenge of China's economic aggression. We are building an international coalition to address China's state-led policies, which distort markets, discriminate against international competition, force technology transfer, and permit theft of sensitive intellectual property. The Department is committed to utilizing all available tools to increase economic security, promote greater opportunity, and build constructive global relationships.

We are also working to attract foreign direct investment, green field investment, which will benefit our workers. Last month, Secretary Pompeo joined four other Cabinet Secretaries and 15 of our Ambassadors to welcome international businesses to the Select USA Summit, and emphasized the President's message that America is open for business. Under the leadership of Secretary Pompeo, we are focused on America—economic diplomacy in the interest of the American people.

Thank you again for holding this very important hearing. I am happy to answer any questions that you may have.

[The prepared statement of Ms. Singh follows:]

PREPARED STATEMENT OF MANISHA SINGH

Chairman Corker, Ranking Member Menendez, and Members of the Committee, thank you for the opportunity to testify before you today regarding "Tariff Implications for U.S. Foreign Policy and the International Economy."

The Department is grateful for the partnership we have with the members of this committee and your staffs. The Trump administration is committed to ensuring that American workers, farmers and companies have every opportunity to compete and succeed in the global arena. We look forward to continuing to work with you on this common goal.

President Trump's National Security Strategy declares that Economic Security is National Security. We are working to safeguard both economic security and economic prosperity for the American people.

We have over 1500 economic officers posted in embassies and consulates in over 190 countries as well as in Washington who explain our policies to foreign governments and enlist their support of our goals. Our Ambassadors and senior officials meet with the leaders and ministers of our partners to highlight areas of continued shared interest, and they advocate directly for U.S. companies.

The Department works in coordination with our colleagues at USTR, Commerce and other agencies to ensure that we are in close contact with our allies to explain the administration's trade policies.

We have heard concerns and questions from some of our allies and trading partners about our policies and we have engaged with them proactively to understand their issues. We have made addressing their concerns about our international trade policy a part of our larger conversation with them.

The Department is clear with our allies that we continue to have shared interests with countries around the world from countering terrorism to the denuclearization of North Korea. We emphasize that our combined efforts are required make the world a more just, safe, and prosperous place.

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Under the leadership of Secretary Pompeo, we are focused on economic diplomacy in the interest of the American people.

Thank you again for holding this hearing on this important topic. I look forward to your answering your questions.

The CHAIRMAN. Thank you.

I might just ask a few and then reserve the rest of my time. But, do you have any idea what the strategy is, relative to using 232 to put tariffs on our European partners, and Canada and Mexico? Can you articulate how that helps us build a coalition to counter what you mentioned in your opening comments, which is China's abuse and theft of intellectual property?

Ms. SINGH. Thank you, Senator Corker.

President Trump has determined that the 232 actions are necessary to preserve the vitality of our domestic industries. I have received questions about why it is that we are focused on China or the EU or other of our allies. However, the 232 initiative was not targeted at any particular country, it was instituted on a global basis to address steel and aluminum overcapacity. The 232 statute specifically indicates that the viability of our domestic industries to be able to supply needs for our defense industrial base, for our critical infrastructure, do constitute national security threats under this legislation.

The CHAIRMAN. So, Canada is a threat to us, from a national security standpoint? Do we not ship more steel to them than they ship to us?

Ms. SINGH. Well, Senator, Canada is not a national security threat. However, the global steel and aluminum overcapacity that currently exists in the marketplace is affecting our ability—our—the ability of our domestic companies to adequately produce aluminum and steel. The viability of these industries does constitute a national security issue for us.

The CHAIRMAN. I am going to likely reserve my time for the second panel.

Go ahead, sir.

Senator MENENDEZ. Thank you, Mr. Chairman.

So, you just said that Canada is not a national security threat. Did I hear you right?

Ms. SINGH. Yes, Senator.

Senator MENENDEZ. Well, but Section 232 is—that the President has invoked, actually has to sustain that Canada is a national security threat. So, if it is not a national security threat, how is the President using Section 232?

Ms. SINGH. Well, thank you, Senator, for that question.

As I indicated previously, Section 232, the language indicates that the competitive viability of our domestic industries is needed in order to maintain national security. In addition, it states that a weakened economy inhibits our ability to maintain our defense industry—our defense capabilities. And so, therefore, under 232, the President has determined that this global steel and aluminum overcapacity does——

Senator MENENDEZ. Okay. Really?

Ms. SINGH. —impair our national security.

Senator MENENDEZ. Really? Does Canada present a greater national security threat than China?

Ms. SINGH. Senator, China is considered our largest threat. And, to that end, the President has instituted very tough measures to protect our intellectual property, to protect our innovation, to prevent the Chinese from imposing unfair trade practices, from distorting markets——

Senator MENENDEZ. Does Canada have a defense production-sharing agreement with the United States?

Ms. SINGH. I am not aware if we do or not, Senator. I can——

Senator MENENDEZ. The answer is yes.

Ms. SINGH. Okay.

Senator MENENDEZ. It has a defense production-sharing agreement with the United States. Yet, we say that it is a national security threat while—at the same time that they are in the midst of producing defense elements with us. Do you believe our allies are going to be more or less likely to join us in a coordinated action against China when they see the administration being tougher on allies like Canada than China?

Ms. SINGH. Well, Senator, thank you for that question.

Our allies and partners share our frustration about China's economic coercion. And I, personally, have had many conversations with allies all over the world about cooperating against the Chinese economic threat. They are as concerned about China as we are.

Senator MENENDEZ. Yes. The problem is, is that, instead of building a coalition that was willing and wanting to confront China through the international forums that we could execute through, we attack them. We attack them. So, what is the administration's strategy to respond to China's escalating retaliation and bring them to the negotiating table to deal with underlying issues? More escalation? I mean, I do not understand what is the pathway, here, at the end of the day. So, we slap a series of tariffs on them, they reciprocate and retaliate and add tariffs to us. Where is the end game, here?

Ms. SINGH. Well, Senator, thank you for that question. It is an important one.

Our end game is for China to change its behavior. We want to demonstrate to China that we are willing to take strong measures to force China to change its behavior, which distorts markets, which has contributed to——

Senator MENENDEZ. Madam Secretary, I know—I do not mean to interrupt you. My time is limited. I—we share the end game. The question is, What is the strategy to get there? Tariffs slapped in a—in the action that the President has done then gets retaliatory tariffs, and then the President retaliates against those tariffs, and then China says they will retaliate against those tariffs. Tell me, What is the strategy, at the end of the day, to achieve the goal that you have just enunciated?

Ms. SINGH. Well, Senator, President Trump has determined that tariffs are the most effective means to achieve this goal. For the last several decades, we have been having many conversations with the Chinese. You will recall our economic dialogues in which we

tried to make progress. And this problem has not been solved. So, President Trump has determined that tariffs are the way—tariffs are the right tool to be used in this situation to get the Chinese to change their behavior. We need to see real action on the part of the Chinese, not just the ongoing conversations that they keep having with us.

Senator MENENDEZ. Well, listen, Madam Secretary, I regret that you were sent here, because I do not think that you are really in the mix, here, on this issue. And you are sent here as cannon fodder, at the end of the day, which is really a challenge. So—but, the problem is, I have heard no strategy whatsoever that suggests how this is going to end up. I do not even know how we are using 232 to gain leverage on other issues. For example, a July 8th New York Times article reported that the State Department threatened Ecuador with punitive trade measures if it refused to drop a resolution on breastfeeding at the World's Health Organization, which—I ask the article be entered into the record, Mr. Chairman.

[The information referred to is located at the end of the hearing]

Senator MENENDEZ. How is it that we are using Section 232 on something like that?

Ms. SINGH. Well, Senator, I am aware of the breastfeeding resolution. And that media report was false. The Department has confirmed it. That was a false report. That is——

Senator MENENDEZ. So, you are not using 232 as it relates to anything other than national security concerns.

Ms. SINGH. Well, we are using 232 so that we can give our domestic steel and aluminum producers the ability to regain their industries. We want the domestic industries to have—be able to have the capacity to supply needs for our critical infrastructure for our defense needs. 232 specifically states that the viability of domestic industries is in the interest of national security.

Senator MENENDEZ. Well, we are all for helping the steel industry and the United States, but the manner in which your—this administration is going about it is going to have huge consequences for middle America, for middle-class families, for rising costs, for farmers in the country, and for lost jobs. And so, at the end of the day, you—I think you are going to wreak more havoc than you are going to create the result you want.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I would just state that we produce 75 percent of the steel, I think, that we use in this Nation. And our defense industry only uses 3 percent.

I am really saddened that you are the person that is up here today. I think we all like working with you. And I know that—because you do a good job in the areas that you really spend most of your time.

I would just ask the committee members that—we do have a second panel that I think might ask—might be able to answer questions in a little bit different way.

You are going to be cannon fodder this morning. And I do not think you are really prepared to defend the policies in an appropriate manner.

So, what I would say to people is, if you have a question—I know some of you do—let us ask them, but maybe not use the entire 5 minutes, so we can move on to a panel. But, anybody that wishes to do that is more than welcome to do so.

Senator Johnson.

Senator JOHNSON. Just quickly. Just basic data. So, again, we want to increase the number of tons of steel we produce. Are there goals, in terms of number of tons that we are looking for? Are there goals, in terms of number of jobs?

Ms. SINGH. Well, Senator, I do not know that there are specific numeric goals. I think that an interagency analysis that was—

Senator JOHNSON. Okay, okay. That is—you answered the question, then.

Back when President Bush did this, there was a study that showed, for a few thousand steel jobs, when he slapped down steel tariffs, we lost about 200,000 jobs. Is that a study that—in those types of considerations, have they been taken into account?

Ms. SINGH. Well, I am not aware of that study, in particular, but I know that my colleagues at USTR and the Department of Commerce have done economic modeling and economic analysis to advise the President on their recommendation that the 232 investigations be conducted——

Senator JOHNSON. Okay.

Ms. SINGH. —and that the tariffs be implemented.

Senator JOHNSON. Are you tracking, right now, what is—how steel prices have increased in the U.S.? Do you know what percent we have recognized?

Ms. SINGH. No, sir, I am not tracking them.

Senator JOHNSON. We are hearing somewhere between 30 and 40 percent. If you put on a 25 percent tariff, and now our domestic producers are realizing 30 to 40 percent gains, you do realize how that makes them uncompetitive in the world markets, correct?

Ms. SINGH. Yes, sir.

Senator JOHNSON. Earlier, we heard that there are 30,000-some waivers being requested of the Commerce Department. Is that roughly the number of waivers you have received?

Ms. SINGH. I believe the number I saw was 20,000, something in that nature.

Senator JOHNSON. Okay. And how are we going to possibly respond to that? And does it make good economic sense to have a few commissars in the Commerce Department picking who is going to be able to survive and who is not going to be able to survive in industry? Literally, we had a woman build a business supplying the trucking industry, who said, in 3 months, she will be out of business. I mean, are we really taking into account—I have heard the administration say some short-term pain for long-term gain—are we really taking into account the permanent damage that is being done right now?

Ms. SINGH. Well, Senator, the goal of the Commerce Department and USTR in instituting these actions, again, is to increase the viability of our domestic industries. You know, we would——

Senator JOHNSON. Of steel——

Ms. SINGH. —like to——

Senator JOHNSON. —steel.

Ms. SINGH. Correct, of steel and aluminum. And we would like to see everyone succeed. We would like these industries to be at a level where they can start hiring people again, where they can create more American jobs.

Senator JOHNSON. Okay, but you have to look at the steel-using industries. We have a lot of them in Wisconsin. They are really worried.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Before I turn to Senator Kaine, how are they deciding on these exclusions? Are they looking at who made political contributions to the administration when they were running? I mean, this is pretty worrisome, that you have got a couple of folks deciding on who is going to be excluded from these tariffs. There is no criteria that has been laid out. There is no transparency that has been given. How should we feel comfortable about how these—there were 20,000, 3 weeks ago. I have got to believe the number that Ron laid out is probably closer to where we are today. But, do you know anything about the process of how we are granting exclusions to people throughout our country, picking winners and losers?

Ms. SINGH. Well, Senator, at the end of the day, we would like to see all American workers come out as winners in this situation. Secretary Ross did testify before the Senate Finance Committee last month, and he discussed extensively the process. He mentioned the transparent public hearing and comment period before the tariffs are instituted, and then he described the exclusion process through which U.S. companies can apply. It is being done on an objective basis. The Commerce——

The CHAIRMAN. Yeah.

Ms. SINGH. —Department does have economic models——

The CHAIRMAN. I watched the excerpts of the hearing. I do not think he was near that clear.

But, with that, Senator Kaine.

Senator KAINE. Thank you, Mr. Chair. And I associate myself with a number of the comments that colleagues have made.

Just talk about Virginia, the effect in Virginia of the aluminum and steel tariffs, and the retaliation imposed as a result. I was at a farmers' market in Halifax County, rural southern Virginia, over the weekend. And soybean farmers were coming to me to complain about the significant damage that they are now suffering under because of retaliatory tariffs taken in response to President Trump's actions. Yesterday, my poultry industry in the Shenandoah Valley and the Eastern Shore came in to talk to me. I mentioned Senator Coons has had these conversations, as well. They are being significantly affected by the retaliation by China and other nations.

And then I got one, right here, Catoctin Creek rye whiskey. This is a tiny little Virginia distillery in Purcellville, which is in Loudoun County, and they are small, 10 employees. They make rye whiskey, gin, and brandy. In the last 5 years, they spent $100,000 to expand in Europe. In Europe, American whiskey is really popular. This tiny company—I am sorry, they employ 20 people—have—has had some real significant success in starting to sell Catoctin Creek in Germany, Italy, Holland, and the U.K. But, after the steel and aluminum tariffs went into effect, the EU retaliated

with equivalent tariffs on whiskey, an additional 25 percent tariff. The founder of the company, Scott Harris, said, "We are just launching into the European market now in a big way, and this is the worst possible timing for us. We are probably going to see all of our European sales come to a screeching halt."

We talk about a trade war. And the question is, Who is it against? And, in Virginia, it seems it is against farmers and workers. And actually, the national stats would suggest this.

And, Mr. Chairman, I ask to put a version of this into the record.

[The information referred to can be accessed from the link below:]

[https://www.washingtonpost.com/graphics/2018/business/trump-tariff-trade-war/]

Senator KAINE. This is from a recent Washington Post article that pulled trade data. This is just the effect of the steel and aluminum tariffs and the retaliation of it, not other tariffs and trade wars that the administration is starting. The projection is that, over the next 3 years, 30,000 jobs would be gained in American industries because of these steel and aluminum tariffs, largely in industries that make steel and aluminum. But, 430,000 jobs will be lost in a whole set of industries, for a net job loss of 400,000 jobs to manufacturers and agricultural workers.

This is what we are dealing with just on the aluminum and steel tariffs. This morning, there is another announcement about an additional $200 billion of tariffs that are going to be imposed on China, and they will retaliate in kind. This is hitting Virginians very hard, hitting Americans very hard.

Mr. Chair, I appreciate you and others who positioned that vote yesterday. It will not surprise anybody on this panel. I do not think we should ever be at war without a vote of Congress, and I do not think we should be at a trade war without a vote of Congress. Congress has to approve trade deals. I think Congress should have to approve trade wars. And I do not think the President, except in very tightly defined circumstances, should be able to unilaterally get us into a trade war that hits American and Virginia workers to this degree.

I have a question for you. And it really goes into the strategy question, What is the end game? In addition to all of the effort that is being undertaken by an administration on the imposition of tariffs without explanation to us of a strategy, the administration is also acting in a significant way to undercut the World Trade Organization. There was an article in the Wall Street Journal yesterday, "Trump Puts the WTO on the Ropes. President sows crisis by invoking national security for tariffs and blocking trade-judge appointments." The administration's decision to block appointments to the appeals judges on the WTO mean that American companies, if they want to challenge unfair trade practices of other nations, may have a hard time being able to get an appeal heard. What possibly—what possibly could be a justification for the administration trying to block appointments to the WTO appeals panel? I view that as hurting American companies. What is the justification for it?

Ms. SINGH. Well, thank you, Senator, for that question.

The administration is not actually trying to block these appointments. What we are trying to do is make sure that these WTO appellate judges have—are acting within their mandates, are held accountable. There is concern that these appointed judges are exceeding their responsibilities. There is no accountability for them. Our United States Trade Representative wants to look at WTO reform. As part of the President's overall trade strategy, we would like to reform the multilateral trading system, overall, so that it works better for the American people and for American companies.

Senator KAINE. Does it help American companies if they are not able to have their cases heard when they want to have—when they want to allege an unfair trade practice by another nation?

Ms. SINGH. Well, Senator, I think it is in the interest of all American companies that we reform the multilateral trading system in a manner so that it works best for American workers and American companies.

Senator KAINE. I will have follow-up questions for the record.

Thanks, Mr. Chair.

The CHAIRMAN. Senator Young.

Senator YOUNG. Thank you, Chairman.

Ms. Singh, thank you so much for being here.

In your prepared statement, you note Beijing's use of intellectual property theft, forced technology transfer, overproduction, and thus, market distortion on account of state-owned enterprises and other anticompetitive behaviors by Beijing. Over 2 months ago, I convened a Senate Foreign Relations Committee subcommittee hearing on predatory international economic practices. For those who are observing this hearing, I would ask you to review the testimony. There—and—there are a lot of answers there about particular tactics we might employ, that we are not employing, to help bring China and others who engage in these practices into good behavior. It is clear to me that China is more of a threat, comparatively, to other countries who are engaging in these economic predatory practices, because of the scope, the nature, and the consequences of their behavior.

In your prepared remarks, you indicate you are building an international coalition, along with other stakeholders within government, to address this economic aggression by China. Do you agree that an optimal response is to unite allies, to unite partners who have also suffered because of Beijing's predatory international economic practices, and thus, allow us to leverage our collective weight against Beijing, as opposed to sort of going it alone?

Ms. SINGH. Yes, Senator, I agree with that. We need to build support, and we are building support, among our—amongst our allies.

Senator YOUNG. Well, Winston Churchill reportedly said, "There is only one thing worse than fighting with allies, and it is fighting without them." I agree with you. Would you agree that the international coalition that we need to assemble to address China's economic aggression should ideally include, at a minimum, the G7 countries?

Ms. SINGH. Well, Senator, we are trying to work with countries in all regions of the world, because all regions, including the western hemisphere, the EU, Southeast Asia, everyone is suffering the

effects of China's economic aggression of their distortion of markets. So, I would say that we should look to allies all over the world, including the G7.

Senator YOUNG. Okay. There is a lot of questions as to whether or not we are doing that. We need a strategy. We have heard that, time and again here, starting—what are our objectives? What is the end game? What are our threats to accomplishing those objectives? What means do we have at our disposal right now? What resources are at our disposal, what authorities, in order clear away those threats, in order to advance those objectives? What new authorities or resources are required? That is a strategy. Very methodically put together. It is not clear to me that one exists.

Now, do you believe that Congress should be a fully informed partner in developing and implementing our Nation's response to China and others' predatory international economic practices?

Ms. SINGH. Well, yes, Senator. That is one of the reasons I am here, is, I was hoping to have a conversation that better informed the administration on Congress's views and how we can better work together to combat China's economic aggression.

Senator YOUNG. Well, you said earlier that the USTR, Commerce, and others are sharing our policies with allies. I do not believe there has been sufficient sharing with Congress. In fact, I believe the administration needs to do a better job in explaining its trade strategy to Congress. I do not know that a forum like this, frankly, is conducive to eliciting a detailed strategy. I also believe that a response to Beijing's economic aggression, in order to be sustainable, is going to require the buy-in of Congress and us, the American people.

So, you know, I tried to be productive over the weeks and months as this whole situation has played out. And increasingly, farmers from Indiana, manufacturers, workers, and others, their anxiety is heightening, I have to say. And I put out a solution, a bipartisan National Economic Security Strategy Act of 2018. This is—has the support of Senators Merkley, Rubio, Coons. Senator Gardner is now onboard. It would create a statutory requirement for the periodic production and submission to Congress of a National Economic Security Strategy. Will you take a look at this, if you have not already?

Ms. SINGH. Yes, Senator. I have—your staff has shared it with me, and we will take a look at it.

Senator YOUNG. Okay. Well, we would welcome the opportunity to work with the administration on teasing this out.

The last thing I would like to very quickly turn to, Ms. Singh—and I do appreciate your presence here—is—in the prepared testimony for the second panel that we are going to hear from momentarily, Mr. Bolten notes that Section 232 of the Trade Expansion Act of '62 provides the President of the United States with broad authority to restrict foreign imports for national security purposes. Mr. Bolten asserts that this authority has only been used twice, once to ban oil imports from Iran in 1979, and then a second time, in '82, to ban oil imports from Libya.

Ms. Singh, as Assistant Secretary of State for Economic and Business Affairs, is it accurate that the authority under this Act

to restrict foreign imports for national security purposes has previously been used against Iran and Libya? Is that right?

Ms. SINGH. Yes, I believe that is correct.

Senator YOUNG. Okay. And against which countries is the authority currently being used?

Ms. SINGH. Well, Senator, it is not being used against any particular country. It is being used in the case of domestic production. Section 232 indicates that we should give consideration to domestic production needed for projected national defense requirements, and the capacity of domestic industries to meet such requirements. So, 232 is being——

Senator YOUNG. Well, there is a—I am sorry to interject, but my time is—you know, I am about a minute over, so—and I want to respect the Chairman's prerogative to get to the next panel. So, I will just say that we know it has been used for Ayatollah Khomeini's Iran, Muammar Gaddafi's Libya. There is a strong nexus between strong allies, like Canada, on one hand, and this general threat that you point to with respect to its current usage. So, from a foreign policy perspective, I see an important distinction between 1979 Iran and Canada today. Let me just go on record.

I thank you for your appearance here today and your service.

The CHAIRMAN. Thank you.

Before we move to Senator Cardin—Senator Coons—I would love for you to use your time here in answering these questions to disabuse us—me—I do not want to put anybody else in the same boat with me. I believe the President is abusing his authorities. I think it is a massive abuse of his authorities. And the reason he is using 232 and abusing his authorities in this way is that 232 can be used with no basis. In other words, you do not have to go to the ITC or the World Trade Organization or anything else and prove something out. You can just say that it is in our national security interest. Again, we may move to autos, as I understand it. And again, I have no idea how the making of automobiles by others is a national security threat to our Nation.

So, the President does not have to lay anything out using 232. We are trying to change that. So, the second thing I would like for you to disabuse me of, anyway, is: There is no strategy. None whatsoever. And I think what is sad is, there are people around this Nation that are hurting. Farmers are, you know, losing money as they harvest right now. Some of that has got to go across the scales at the time of harvest. And if the price is down, they just absolutely lose money. And many of them, unfortunately, have faith that there is a plan, that there is a strategy.

Now, I know Senators have been up there to meet with him a zillion times. I have not heard a single Senator come back with any earthly idea—any earthly idea of a plan and cannot articulate a sentence as to why we are doing this.

So, with the rest of the questions, to the extent you can disabuse us and inform people across our country, that are patiently waiting, that there actually is a plan. I happen to believe there absolutely is no plan and, in the mornings, people wake up and make this up as they go along. And if, in some uncanny way, they figure out a way out of this, that will be great for our Nation. But, I

know, today, there is no end goal. And so, again, I hope you will disabuse us of that. You are welcome to do that now, if you wish.

Ms. SINGH. Well, Senator, if I may, the President is acting within his statutory authority. We have looked at Section 232. There was a very robust interagency process in which the State Department participated, the Treasury Department. Every agency of the United States Government which has equities in particular areas came together, we talked about this, we talked about the plan, we talked about a strategy. Our goal was to act in the interest of the American economy.

And, as far as an overall economic strategy, I can lay it out for you right now. The President's strategy has five pillars to it. It is to support our national security. We want to strengthen the domestic U.S. economy. We want to negotiate better trade deals; free, fair, and reciprocal deals. We want to aggressively enforce U.S. trade laws in the interest of the American worker. And, as I was indicating to Senator Kaine earlier, we want to reform the multilateral trading system. The WTO, if it works properly, can be a great resource for us in our global economic disputes.

So, the President has very carefully laid out an economic strategy. It is contained within the National Security Strategy, which is our blueprint for how this administration is operating.

The CHAIRMAN. That enlightened us in no way.

Senator Coons.

Senator COONS. Thank you, Chairman Corker. Thank you for calling this hearing, and thank you for what you and the Ranking Member have done to lead us in what is a united effort to say that, Madam Assistant Secretary, you have launched a war—President Trump has launched a trade war without a strategy, and these Trump tariffs are imposing consumer taxes.

I am hearing from folks in Delaware, from port workers at the docks who are concerned that shiploads of steel that come to my state in the wintertime from Sweden and from Finland will not be coming, that the costs will be raised, that their jobs will be harmed. I am hearing from soybean farmers, in the southern part of my state, that they are facing the lowest price for their crops in a decade. Folks are confused, they are anxious, and they have a concern. And you have just heard it from us on a bipartisan basis, that President Trump has launched a trade war without a strategy and without a plan for how to get through this.

In your prepared remarks, which you repeated, you said, "Allies and partners share our frustration in responding to the challenge of China's economic aggression. We are building an international coalition to address China's state-led policies, which distort markets, discriminate against international competition, force technology transfer, and permit theft of sensitive intellectual property."

Madam Assistant Secretary, if that is what you were doing, I would be cheering. I would be saying, "What a terrific plan." I only wish this were true. But, it is not.

In a trip that I just took with the Chairman, we visited four of our vital allies in Northern Europe that included Sweden. And in our meetings with national leaders in those four countries, countries that are fighting alongside us in Afghanistan, they are puzzled, they are offended, and they are distanced from us by these

tariffs. Swedish steel, that should be being imported to Wilmington, Delaware, may soon be turned away by tariffs that are dividing us from a country that should be an ally in an appropriate trade contest with China.

I just had a meeting yesterday with Senator Isakson, my good friend from Georgia, where we met with the Trade Minister of South Africa, a country that has finally opened their markets to our poultry, after years of effort that we undertook. And it is clear they are going to slap reciprocal tariffs on us that will harm the poultry farmers of Eastern Shore Maryland, Eastern Shore Virginia, Southern Delaware.

This is a trade war with real consequences, but without a strategy. And, frankly, I could not agree more with the point that Republican Senator Young just made, this Section 232 authority has, in the past, been used against the real enemies of the United States, against Libya and Iran, not against Canada, Germany, Sweden, South Africa.

So, Madam Assistant Secretary, with all due respect, the administration should be on notice that 88 Senators yesterday voted to send a strong and clear signal to President Trump that he is misusing his Section 232 authority, and that if you believe what you are accomplishing with these tariffs is supporting our national security, in recent meetings with Ministers of Foreign Affairs from Sweden to South Africa to Canada, you are, in fact, harming our national security. If you believe we are going to negotiate better trade deals by picking fights with all of our best allies, that is not, in fact, the case. And if you think the outcome will be a reformed WTO, I think, instead, it will be chaos.

I wish the articulated strategy you delivered in your prepared statement was, in fact, what was happening, but I see the exact opposite. Please, Madam Secretary, in a minute or two, if you could give us some reassurance that President Trump sees as clearly as you do that our goal should be to unite our allies against China's mercantilist policy, and is not, in fact, what I see happening, which is a wildly swung bat that is hitting our closest allies in a way that harms our national security, harms our chances at better trade deals, and harms folks in my home state who work at our port and work in our farms.

Ms. SINGH. Well, thank you, Senator.

I can tell you, President Trump is committed to working with our allies. Secretary Pompeo, under the leadership of President Trump, as you know, has been traveling the world, seeking support from our allies in order to achieve our goal of a complete, irreversible, verifiable, denuclearized North Korea. We, at all levels of the State Department, are discussing all of these issues of shared interests with our allies, including the China threat. I have had many personal conversations in the western hemisphere, in South America, in the European Union, in North Asia, all over the world. Everyone agrees that China is a big threat. We are working to combat that threat.

Turning back to the 232 issue, I would disagree with you, Senator, that our—a weakened national economy, weakened steel and aluminum industries, they are a national security threat. I understand Senator Young's point about 232 being used against Iran,

who clearly—which is still a problem. You know, Iran is still an issue that we need to deal with. But, at the end of the day, 232 is designed to also protect our domestic economic production. It is laid out clearly in the statute. President Trump is acting within his statutory authority. There is a strategy. I laid out for you the five pillars of our economic strategy. As you have indicated, in my opening statement, I have laid out for you the State Department's role and the strategy in President Trump's agenda. The President——

Senator COONS. Thank you, Ms. Singh. I am out of time. And I appreciate your response. But, Ms. Singh, as Assistant Secretary, I hope you will take back the message that, while the President may be acting within his statutory authority, he is acting recklessly, he is acting dangerously, in a way that is dividing us from our allies and that is imposing consumer taxes on the folks in our country who we most wanted to help. If we do not see a strategy that lines up, I think Congress will act to restrain his reckless use of this authority. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Isakson.

Senator ISAKSON. Mr. Chairman, I will be brief. I know you want to go to the second hearing.

I just want to say, Madam Secretary, that the last time you and I were together, I was speaking in favor of you to be confirmed by the United States Senate in your current position. I am glad that you are in the position. I am sorry you have got to sell the program you are selling today. But, I am glad you are in the position you are in. You are doing the best job you can, and I appreciate that.

But, I would like to say one thing that—about what is being said. I am reminded of the Wendy's commercial, about 20 years ago.

The CHAIRMAN. "Where's the beef?"

Senator ISAKSON. When the little old lady in the Rambler pulls up to the window at McDonald's, open—pulls the wrapper off her hamburger and looks at it and says, "Where's the beef?" I mean, that was a great commercial. And they got a good bit of the market share from McDonald's, because it made a big point. And McDonald's actually changed their product line and increased the number of ounces in their hamburger because of that commercial. That is the power of a good point and a good plan.

It is pretty apparent that we do not have a stated plan, from a marketing or a business standpoint. And this lady is the chairman—is the Secretary for our country in diplomacy in charge of business and that kind of issues. Tariffs are a big business and economic issue, and we are going to cause difficulties for our State Department and Secretary Pompeo if we do not have a clear message to sell as what our policy is, and a goal as to how to get there.

So, notwithstanding what has been said—and I appreciate all the comments everybody has made, and I want to say what Senator Kaine said, also—I am sitting next to a former Trade Rep. I was in there when Zoellick finally took China to the World Trade Organization and we finally got the run on textiles out of the South stopped when it was really too late, they were almost all gone. We are at that point now, where we are going to get in a situation where we are going to have a terrible—be in a terrible negotiating position because we do not have a plan. So, with Ron Johnson on

our command—committee always talking about you having a plan, let us get one so, when she goes to the drive-in window and opens the wrapper around the beef, there is plenty of beef there to sell on behalf of the United States and its people.

The CHAIRMAN. Thank you.

Senator ISAKSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir. Thank you.

Senator Cardin.

Senator CARDIN. Madam Secretary, in response to Senator Coons, you said that there are many countries around the world that you are visiting that share our concern about China's trade practices. And that is understandable. Can you list the countries that are prepared to join President Trump's strategy as it relates to the tariff issues that he has currently implied?

Ms. SINGH. I would have to look through all of my conversations specifically to determine——

Senator CARDIN. Can you name one country?

Ms. SINGH. Well, there are many countries——

Senator CARDIN. But, can you name one——

The CHAIRMAN. I would say——

Senator CARDIN. —that publicly supports——

The CHAIRMAN. Maybe—probably Russia, would you not think?

[Laughter.]

Senator CARDIN. I would agree with the Chairman.

[Laughter.]

Senator CARDIN. You—can you name a country that agrees with what President Trump is doing?

Ms. SINGH. Well, Senator, I am hesitant to speak for another country, but I can tell you confidently that I have had conversations with many different government officials who share our concerns about China and who agree that——

Senator CARDIN. Oh, I—no question about it. I have met with many representatives of countries that share the concern about what China is doing, but they do not agree with what President Trump is doing. And it is amazing that we have a very strong case against China, but the way that the President has pursued this, he has been able to give China a free pass, because the rest of the world will not join President Trump.

Ms. SINGH. Well, Senator, I do not think we are giving China a free pass. We are instituting very strong actions against——

Senator CARDIN. The universal community—if we had friends with us, we would be in a much stronger position.

Let me just—I was at that Finance Committee hearing with Secretary Ross, and I get a different opinion, as the Chairman mentioned, as to how the process on the exemptions to the Section 232 process is going with steel and aluminum, 20,000-plus cases. The administration will not let the industry represent small businesses. They have to follow each individual case on their own. Do you imagine the burden on a small company trying to pursue a claim? And they are trying to do business. The company, for example, that Senator Kaine was talking about, they do not have a lot of employees that can pursue a—an exemption issue in order to deal with the—getting an exemption. So, you—the process is a mess, is it not, if you are trying to get an exemption? If you are a small business

owner, and your supply chain depends upon the product coming in without tariff—what do you say to that small business owner?

Ms. SINGH. Well, Senator, if you have any small business owners that are having problems, I am happy to connect them to colleagues at the Department of Commerce who can, hopefully, help them.

Senator CARDIN. We have, of course, direct problems of supply chain with those who are subject to the direct tariffs that are imposed. Then we have the retaliatory tariff issues, those that are getting the retaliatory—which is Senator Kaine's situation. Chairman Corker mentioned that the administration has announced they are also looking at Section 232 from the point of view of autos, SUVs, vans, trucks, and auto parts. Can you tell us how that interagency discussion is going as to the—imposing security tariffs in that industry?

Ms. SINGH. Senator, Commerce is still completing that investigation, so the interagency——

Senator CARDIN. But, you said you have robust interagency discussions. Have they started?

Ms. SINGH. On the auto investigation, the Commerce Department is still completing its investigation.

Senator CARDIN. So, there is not an—has not been any interagency. How much—after the Commerce finished its investigation, when did the—how much time did it take with the interagency discussions before the aluminum tariff—aluminum and steel tariffs were imposed?

Ms. SINGH. All of the agencies have provided input to the White——

Senator CARDIN. But, how long after Commerce did the initial investigation, when did you all start meeting?

Ms. SINGH. I do not recall the exact time.

Senator CARDIN. I mean, how much time was spent?

Ms. SINGH. I do not recall.

Senator CARDIN. Are there other industries that—they are—that Commerce, that you aware of, are looking at, in addition to the auto industries?

Ms. SINGH. None that I am aware of.

Senator CARDIN. Let me just point out, Mr. Chairman, what many of my committee members have already said. In Maryland, I have heard from farmers that have already been impacted—soy crop, et cetera. We have heard from manufacturers. Let me just quote from one, "Maryland's Independent Can Company is facing two bad choices, according to its CEO. They can move production to China or raise prices and risk losing consumers. Either way, it will cost jobs." That is just one company in my state. I could give you many, many more. And you are not giving us much of a comfort level of a process that is a deliberative process.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Flake.

Senator FLAKE. Thank you, Mr. Chairman.

Thank you for being here.

You mentioned that part of the justification was to have a strengthened economy and the—the rationale for imposing of these

tariffs. You mentioned a weakened economy affects our ability, basically, to provide for the national security. I am familiar with some of the literature surrounding the effects of imposing these tariffs. And correct me if I am wrong, but the wealth of data out there suggest that there is far—a far bigger impact, negatively, on our economy by imposing these tariffs, because of the knock-on effects, in terms—other industries surrounding steel, that use steel and aluminum, than we gain by—I mean, whether it is, you know, 50 jobs saved versus 200 jobs lost, magnified, you know, multiple times. Tell me what data you relied on to suggest that this will lead to a strengthened economy.

Ms. SINGH. Well, Senator, again, there I would refer you to the—Secretary Ross's presentation at the Finance Committee hearing. He talked in detail about the economic analysis of the 232 actions and the conclusions that they arrived at.

Senator FLAKE. But, aside from his statement, the wealth of data—you are familiar with some of this data—the wealth of data, would you not concede, suggests that this has a detrimental effect on our overall economy? And so, if you are using as a rationale a weakened economy does not allow us to provide for the national security, putting aside whether or not Canada represents a real threat, in terms of its inability to supply us with steel and aluminum during some kind of conflict, given the defense arrangements that we have with Canada, and the fact that they have never, ever, ever been in a position, or wanted to be in a position, where they would deny us the ability to mount a national defense, but, just on the economy, alone, can—are you relying simply on the words of Wilbur Ross, here? Because the wealth of data suggests that this will weaken our economy, not strengthen it.

Ms. SINGH. Well, Senator, these were interagency conversations. The recommendations of the United States Trade Representative, the Commerce Secretary, other officials, all went to the President, and this is the President that—this is the decision that the President has made.

Senator FLAKE. I understand that is the decision, but I am just saying, What data does he rely on? Just interagency memos or actual economic figures and historical data that we have accumulated for prior actions of this sort? The wealth of data suggests that this weakens our economy, not strengthens it. You dispute that, then.

Ms. SINGH. Well, Senator, there are experts at the Department of Commerce who have been there for decades—you know, they are not political appointees, they are career folks—who have looked at this situation, and this is the information that they provided. I mean, we have the Treasury Department, the Commerce Department, the United States Trade Representatives, hundreds of economists who have looked at this, and these are the recommendations that they have provided based on the information and perhaps the same data that you have looked at.

Senator FLAKE. I would suggest that you really have to use tortured data to come to a conclusion that this is going to strengthen our overall economy, that it is just—the data out there affirms, in spades, that this will lead to a weakened economy. And we are seeing the knock-on effects now, with the announcements of companies moving offshore now to escape these tariffs. So, I just—I can-

not believe that, with a straight face, the administration tries to claim and tries to say—simply ignore what we know about the economy and the effect of these kind of tariffs.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Markey.

Senator MARKEY. Yeah, thank you, Mr. Chairman, very much.

The North Koreans did not attend a meeting they were scheduled to have with the United States today. And it just continues to raise the question as to whether or not the North Koreans are playing games with the United States with regard to their promise to denuclearize, especially in light of the fact that reports indicate that, even before the Singapore summit, that China had already increased trade with North Korea, and, after Singapore, China also said that they were going to increase trade with North Korea. Now, that clearly undermines our ability to be able to extract the concessions from the North Koreans, which they had promised to the United States and to the rest of the world.

So, my question to you is, Looking at China right now, do you believe that China has increased trade with North Korea over the last couple of months, and especially in the aftermath of the Singapore summit?

Ms. SINGH. Senator, thank you for that question.

I do not have personal knowledge of Chinese trade with North Korea and if it has increased.

Senator MARKEY. So, you do not know.

Ms. SINGH. I do not know, sir.

Senator MARKEY. Yeah. Again, I think that, you know, whenever, you know, we listen to the administration when it comes to any subject that relates to China, that there is a—an ambiguity that, unfortunately, is presented from the administration with regard to a lack of knowledge. But, here it is clear that we are not going to get the result which we want from North Korea if China is playing games with the trade sanctions, which they are a part of committing to enforce. Have you ever had a discussion internally within the State Department or in a joint agency panel with regard to toughening the crude-oil sanctions against the North Koreans in order to ensure that they understand that there is a commitment that has been made to guarantee that North Korea, in fact, has to fulfill its promises before it receives economic relief?

Ms. SINGH. Well, Senator, I am not sure I am able to comment in an open forum on our sanctions deliberations, but I can tell that Secretary Pompeo is personally committed to a process that leads to the complete, irreversible, and verifiable denuclearization of North Korea.

Senator MARKEY. And that is why I am asking you the question. If the Chinese are loosening the trade sanctions against North Korea, then complete and irreversible denuclearization becomes less likely, not more likely. So, what is the conversation that the State Department is having with the Chinese about this increase in trade?

Ms. SINGH. We are talking to all nations about—all nations with an interest in the denuclearization of North Korea—we are having conversations with the Chinese, with others in Asia, all over the

world. This is global interest, to have a denuclear North Korea. So, our Secretary is committed to having conversations with leaders around the world about making sure that this process works.

Senator MARKEY. Exactly. And what I am saying is, there is no evidence that it is working. In fact, there is evidence that it is not working. You know, and it is pursuant to the Kim family playbook, that goes back to his grandfather and his father, where they pocket the benefits. Here, it would be suspension of military maneuvers on the Korean Peninsula. But, it would—it is in return for concessions made by the North Koreans, but we do not see any evidence of that yet. They did not show up at the meeting today. And it is all part of a longstanding pattern of conduct by the North Koreans, going back generations. And if they—if China is now playing into this, then ultimately the likelihood of them actually making the concessions are very slim.

And so, I would ask for you to report back to this committee with regard to whatever plan the administration has to ensure that China continues to honor its commitment to impose trade sanctions that are enforceable on the North Korean government. And I would ask that—make that request for you, Mr. Chair, so that we receive that information from the State Department.

[The information referred to was not available at time of print]

Senator MARKEY. Thank you.

The CHAIRMAN. Thank you.

Ms. SINGH. Well, Senator, I can——

The CHAIRMAN. Thank you.

Ms. SINGH. —I can tell you that, you know, we are committed to engaging China on this issue. We are committed to making sure that they work on this issue. And, as far as our posture in North Korea, of course, as you know, the Singapore summit was historic. A North Korean leader has never met with a U.S. President. So, we feel that we have made progress in at least having the conversation with North Korea.

Senator MARKEY. I do not see—think the meeting, in and of itself, signifies progress. I think it is a first step. But, if there is nothing that follows on, and China can—uses the ambiguity of the agreement to increase its trade, then the pressure on North Korea to comply with whatever promises they made is reduced. So, if you could report back to us, I would appreciate it.

Senator MARKEY. Thank you——

Ms. SINGH. Yes, Senator.

Senator MARKEY. —Mr. Chairman.

The CHAIRMAN. Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman.

And thank you, Secretary Singh, for being here. I appreciated the opportunity to visit with you at the Shangri-La Dialogue to talk about the issues that Senator Markey touched upon dealing with North Korea, Asia issues overall. A chance to speak with you about my legislation, the Asia Reassurance Initiative Act, that Senator Markey is a part of, Senator Coons, Senator Kaine, Senator Young, a part of. So, thank you for that opportunity.

I want to follow up a little bit with what Senator Markey is talking about. In January of this year—at least in the Asia realm—in

January of this year, China suspended access to Marriott's website with China for referring to Taiwan as a country. It was lifted only after Marriott's chief executive issued a public apology. In April of this year, according to the Chicago Tribune, the Chinese Civil Aviation Administration delivered 36 airline carriers a letter demanding that they immediately stop referring to Taiwan as a part of China. And last month, the Wall Street Journal reported that China rejected official U.S. requests to discuss China's new anti-Taiwan labeling policy for U.S. airlines, including potential action against American Airlines, Delta Airlines, and United Airlines. These actions—there was articles yesterday about the iPhone, that if you had the Taiwan flag in China or your location showed up in China, that our iPhone would lock up if you used the Taiwan flag. In fact, if you look at your iPhone location settings, it does not say Taipei, Taiwan, it just says Taipei. These actions are just the latest from an aggressive Chinese government working to pressure American businesses. It calls into question how the U.S. intends to respond to such threats to commerce in this new landscape. What have we been doing, and what more can the United States be doing, in the Indo-Pacific to counter this kind of pressure campaign and bullying from China?

Ms. SINGH. Thank you, Senator, for that question.

We have been looking at the situation that you have indicated about how Taiwan should be labeled. You may recall that the administration——

Senator GARDNER. But, it is not just about Taiwan being labeled. I mean, this is about overall——

Ms. SINGH. This is a foreign policy—yes, sir.

Senator GARDNER. —inappropriate action, yes.

Ms. SINGH. It is inappropriate behavior, absolutely. You will recall that the administration put out a very strong statement regarding China's directive that airlines change their websites not to reflect Taiwan as a separate country. We have told our airlines that they should do what they think is right, that they are under no obligation to comply with China's directive. We have made this clear to the Chinese government, as well, that our businesses will conduct policy—conduct their business as they see fit, and that the airline websites, the way that they have listed in—listed Taiwan is completely in accordance with U.S. policy. So, we have made very strong statements.

There is a July 25th deadline, as you may know, for the airlines to comply. We are not sure what sort of penalty will be imposed against any of our private sector for not complying, but we are prepared to respond appropriately if any damage is done to our U.S. enterprises.

Senator GARDNER. And, to follow up on the lines of discussions on China, and China—I—recently brought to my attention a business in Colorado that has had an employee that moved to China from Taiwan. They had a plant in Taiwan. This employee was hired in Taiwan—apparently, or allegedly, took some information, intellectual property, with them to Taiwan. They replicated the manufacturing process in Taiwan—in China from Taiwan—they replicated the manufacturing process, stole the information, used the stolen information, allegedly, and then the—now a court in

China has accused the U.S. firm of violating copyrights and patents. And so, this is just a sign of things that we have to work on. I do not like the tariff approach. I want to be clear, there is a letter I would read to you that talked about 25 percent cost being passed on to people in agriculture buying, you know, sweeps and other equipment that they would use in cultivation practices, because of the steel tariffs. We do have to do something about China, but I hope that U.S. businesses do not succumb to the bullying pressure that China has pursued.

Thanks.

Ms. SINGH. Thank you, Senator, for that.

And we, in the U.S. Government, want to make sure that our businesses are not bullied. And, as an aside—you referred to your ARIA legislation—of course, Secretary Mattis and Secretary Pompeo have sent a letter indicating that we welcome the ARIA legislation. It is completely in line with our Indo-Pacific strategy, which is also designed to demonstrate our commitment to the region and, again, China's—counter China's influence there. Thank you, Senator.

The CHAIRMAN. Thank you.

Senator Udall.

Senator UDALL. Thank you, Mr. Chairman.

And let me say that a group of us from the committee, four of us on this committee—Senator Flake headed up a CODEL—bipartisan CODEL, three Democrats, three Republicans. We went over into the Baltic region and met with leaders from four countries—four countries—and leaders at all level, from Presidents to Prime Ministers to parliamentarians. And I am sure Chairman Corker has already mentioned this, but they were very, very concerned with where President Trump is going on trade, and then, very specifically, a lot of talking about tariffs. And the discussion went along the lines, "I mean, we have been your friends. Now you are calling us, under this 232 section, enemies and a threat to national security." So, they really are—they are not happy about this. They do not understand it. They do not—they think that we are headed for a trade war, that this—you know, you start, and then you do not—it starts spiraling down, and nobody has control of it.

And so, I do not see, from anything I have heard today from you, what the exit strategy is here, where the—what is the end game. Clearly, we have some things that we should be doing on trade, but I really do not see that the President is listening. Do you have any evidence the President is listening to foreign leaders about what is going on, what they are recommending? Because I think it is almost unanimous the four—the foreign leaders are telling him, you know, "You are headed in the wrong direction." Is he listening to foreign leaders? It is just a yes or no.

Ms. SINGH. Well, Senator, thank you for the question.

I do think that there is an end game. Our——

Senator UDALL. Well, I am not asking about the end game. I am asking, Is President Trump listening to foreign leaders?

Ms. SINGH. President——

Senator UDALL. The answers that you—it is easy answer. Just tell me no.

[Laughter.]

Ms. SINGH. President Trump——

Senator UDALL. That is the——

Ms. SINGH. —has regular conversations with foreign leaders.

Senator UDALL. Yeah. He is not listening to them, ma'am. He is not listening to them.

And let me—under this piece of law, here, the Trade Expansion Act requires Commerce to consult with the Department of Defense and other agencies, making a determination under 232. Right? Well, I do not even think the President is listening to his own agencies. Here is a report, where the consultation is going on. Secretary Mattis writes to Secretary Ross and says, "Current domestic capacity"—they are talking about the aluminum and the steel, like that, you know, that this is some big national security issue—"is actually sufficient to meet national defense requirements, and that DOD"—and this is a direct quote from Secretary Mattis—"DOD is concerned that the negative impact on our key allies regarding the recommended options within the Commerce reports." So, even within the government, the Trump administration, you have agencies speaking out and saying, "Oh, there are no national security issues here." I mean, this is very, very unusual, I think, what—and unprecedented, what this administration is doing.

Let me just say a quick word about NAFTA. And I know the Chairman wants to move on, so I will stay within my time, here.

But, free trade agreements that we have negotiated to the benefit of the world's largest corporations and their shareholders, I have consistently argued, on these free trade agreements, that they should do much more: guarantee labor protections, secure commitments to environmental stewardship. And NAFTA is no exception. It entered into force 25 years ago, and I support the effort. And I have talked to Secretary Ross about making sure that we try to improve NAFTA. Actually, Secretary Ross told me, he said, "It is going to be done in 90 days." And he—that was before he took over. He said, "We have been working on this for years. Be done in 19—90 days." Here we are, today, 17 months later, and there is no end game there.

So, here is a specific example about what is happening with trades in New Mexico and how it is hurting New Mexico under NAFTA. There is a company called Southwest Steel Coil. Almost all of the exports are finished products from the United States, U.S. workers been down to Mexico. The response to the U.S. actions will be devastating to businesses like this that rely on a production process that moves back and forth across the border. Companies will be forced out of business, and they will be required to pay a new tariff every step of the way. You are going to put companies out of business in New Mexico with these tariffs.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Portman.

Senator PORTMAN. Thank you, Mr. Chairman.

Ms. Singh, on the heels of the NATO summit, let me start by complimenting your boss. I thought that Secretary Pompeo's comments about the importance of the alliance, calling it perhaps the most successful and important military alliance in the history of

the world, was appropriate. And I appreciated his speaking out on that.

With regard to the issue we have before us today, I think you have heard clearly from some of my colleagues already on the broader issue of concern about what will happen with both increased tariffs and higher costs to our consumers and our companies, but also the impact on our exporters. Let me say that I think, in response to your questions, respectfully, you should also talk about the vision the President laid out at the G7 summit in June, which was no tariffs. And maybe I was just listening for what I wanted to hear, but what I heard was that there is an ultimate vision, here, of getting us to a world where both tariff and nontariff barriers are reduced substantially, or even eliminated, to the benefit of the economies of countries around the world, including ours. And I hope that is the ultimate objective, here, is to have the United States continue to play the leading role as the country that advocates more open markets, more transparency, less corruption. That has been our historic role over the decades.

My concern is—and this is from talking not just to our negotiators, but also to people from some of these other countries, including China and including the EU and Canada—that we have not laid out clear, realistic objectives as we take on these countries with regard to China, the 301, the 25 percent tariffs on the 36 billion, another—or 34 billion, another 16 billion coming, and 25 percent of the 200 billion at 10 percent. And so, the Chinese are confused. They are not sure if it is because we want to see them buy more of our products, which was an objective, I think, which was raised with them specifically with regard to soybeans and LNG, liquefied natural gas. They are not sure if it is the structural changes that you talk about in your testimony, including, as you say, stopping their discrimination against international competition, technology transfer, theft of the sensitive intellectual property. They are not sure if it is about steel overcapacity, which, for me, is a huge issue. Ultimately, what we see around the world is partly a response to China now producing half of the world's steel, when they produced probably 15 percent of it 15 years ago, and therefore, having that steel come through transshipment to our country. They do not know.

I think the same is true with the European Union. Recently, there has been discussion with regard to the 232 case—again, different than the 301—that it is about autos. Well, if it is about autos, we ought to be very clear. And I do not think that 232 is the right tool to use, but, to the extent we have these tariffs in place, we need to be clear and, again, realistic, in terms of our objectives.

Senator Isakson talked about my being in this position to negotiate in the past. And I think it is clear to all people who have been in that position that, without having a clear and realistic negotiating objective and, as compared to that, sending mixed messages, it is very difficult to get to a solution.

So, I would—I say this to you as the representative of the administration who is here, knowing you are not in direct negotiations, but maybe you could respond to that. Do our trading partners

know what our objectives are with regard to these trade cases that we have initiated?

Ms. SINGH. Well, thank you so much, Senator.

When it comes to the 232 steel and aluminum tariffs, we are having many bilateral conversations. As you may know, there are some countries with whom we have come to agreement on quotas. There are other countries where we had a conversation and we were not able to come to agreement. So, we are talking to countries very individually, and helping them understand what we would like to see achieved.

Senator PORTMAN. Yeah, and that is an interesting response, because it is true, with regard to some countries, we have been able to negotiate something. With regard to others, some of our strongest allies, including Canada, Mexico, and the EU, we have not. And again, I am not sure they know. With Canada, we have talked about their dairy program. By the way, that does not fit within the national security criteria, but, if that is it, we should be clear. With regard to the EU, you know, we have talked about the auto issue. With regard to Mexico, we have talked about potatoes being able to be sold in the interior or state-owned enterprises, but I am not sure that they—from what I am hearing from them, that they understand what the objective is. NAFTA, of course, is the broader issue. But, again, not a 232 issue.

Mr. Chairman, I see my time is expiring. I would just like to submit for the record some thoughts about 232.

[The information referred to was not available at time of print]

Senator PORTMAN. I believe that the entity that is best capable of determining what is in our national security interest is the Department of Defense. And I believe the statute could be changed to do that. I believe that there ought to be a tightening of the criteria, so we understand what national security is, using the CFIUS and Joint Chiefs' definition. I believe that the disapproval which is already in the legislation could be broadened to all products, not just oil.

I think there are things we could do to ensure that, going forward, that we do not misuse 232, because my concern is, we will lose the tool. We will lose it because one of two things will happen. Either other countries will respond in kind, as we are starting to see, without showing injury, without showing any unfair trade. Or we will go back to the WTO, as we have been in the past, and this time we will find ourselves losing an Article 21 case with regard to 232 because of the way we have used it so broadly.

So, thanks, Mr. Chairman, for your indulgence.

And appreciate your testimony today, Ms. Singh.

The CHAIRMAN. Thank you.

Ms. SINGH. Thank you, Senator.

If I may, when it comes to Canada and Mexico, as you have recognized, we are having the broader NAFTA conversation with them, but I just want to assure you that we are having conversations with our allies. As I indicated at the outset, the State Department, in particular, it is our job, it is our mission to make sure that our allies understand the direction we are going in.

The CHAIRMAN. Senator Barrasso.

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

Thank you for being here to talk with us today.

I had a couple of questions regarding 232. And, you know, I am concerned, just as everyone is, of the impact of the steel and aluminum tariffs on businesses and consumers. But, I do think that Section 232 really still has an important role to play in shaping our trade policy, in—specifically, with strengthening our national security. And to that end, I have been actually pushing the administration to launch a separate 232 investigation into uranium imports, because what we have been seeing for years is that uranium producers owned by the government in Russia, in Kazakhstan, in Uzbekistan, they have unfairly flooded our American markets with cheap uranium, to the point that today American producers fulfill less than 5 percent of our U.S. demand for uranium. So, our ability to produce uranium is, I believe, critical and crucial to our own energy security. And it is not just energy. I mean, this is a national security issue, in terms of the uranium in our nuclear power. So, I think it is important that the administration actually quickly initiates an investigation into the industry's 232 petition that we have been awaiting a response for about 6 months.

So, to that end, I would ask, you know, instead of requiring Congress to weigh in all Section 232 actions, you know, are there some things that we can do to maybe improve this—the 232 process? Because, as Senator Portman talked about perhaps losing it completely, is—are there things we can do to actually improve the process, that will not hamper an administration's ability to protect our national security with regard to trade and with regard to, you know, the issues of the energy that I raised with the uranium?

Ms. SINGH. Thank you, Senator.

I think we—I can—we can take a look at that. I will take that back, as far as improving the 232 process.

Senator BARRASSO. All right. And do you know anything, in terms of the process, with regard—and the timing and things, of how things are going with the concerns we have expressed, regard to uranium and the Russian flooding—Russia's flooding the market, and the national security implications of that?

Ms. SINGH. I can get back to you with information on that, Senator.

[The information referred to was not available at time of print]

Senator BARRASSO. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Risch.

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

And thank you, Ms. Singh, for what you do and representing the administration here. I hope you will take back the message that some of the difficulty that has been expressed here is not universally shared by every United States Senator.

I hope that every member of this panel would go back and look at and study the five pillars that you suggested. There have been people say they do not know where we are going, here. We have a very, very clear description, using those five pillars, of where we do want to go, here, and we are following that.

You know, there is a lot of criticism about the President of arguing with our allies over trade. There are some examples out there that make him very angry, and should make him angry. One of the—it has already been referred to here—we have a partner in the NAFTA agreement, called Canada. And Canada is beating their breast over these tariffs that have been put on steel. But, Canada is a member of the North American Free Trade Association. They are our ally, they are our friend, they will continue to be, but they put a 247 percent tariff on dairy products that are produced. Now, we are the third-largest dairy producer in America, behind Wisconsin and California. And so, our dairy farmers do not look at it the same way the Canadians do. And it is hard to explain to them how they can be in a free trade zone and wind up with a 247 percent tariff on their product. Softwood lumber is the exact same problem, and it is hard to explain to them how we can be in this position. And these are our friend—these people claim they are our friend and our ally, and they are. But, my point is, NAFTA needs some adjustment. And I commend the President for doing all he can to make the adjustments in NAFTA. And he has been very clear that he wants to get that done. And we should all support him in that effort to try to do things better than what they are. Trade is complex. There is no question about it. Using tariffs is complex.

But, I want to talk about, in the few minutes that I have left here, a—something that is going on with the Chinese. And we—I think we are all in agreement that the Chinese are something to be concerned about. Anyone who has not studied China's Made in China 2025 plan needs to look at that and actually drill down to see what their objectives are.

We have a company called Micron Technology in Idaho. Micron Technology is the second-largest employer in the State of Idaho. They are one of the world's largest producers of memory products. They had Chinese nationals steal from them patents that they use to produce products. Those people took those to China. They then patented the exact same thing in China. They then turned around and sued Micron in Fujian Province. That case is going on today. And a couple of weeks ago, a judge in the court in Fujian Province used the stolen patents to put an injunction against Micron Technology from selling products in China. China is a huge producer, of course, of technology products, and it is absolutely critical that Micron sell their products there. And if they do not, it is going to cause them serious problems.

So, you have—and who sued Micron? A state-owned enterprise in a court in Fujian, which is a state-owned enterprise and headed by a judge who is employed by the Chinese government. Why would you—why would Micron think they had a chance under those circumstances? So, those of us from Idaho are taking a very serious look at this, and we are going to do some things that are probably pretty stringent, as far as Chinese—as far as the Chinese government is concerned. And we have to. This company's very existence depends upon having a rule of law in countries where we are doing business. And we—I applaud the President for his strong feelings about what the Chinese are doing, what they claim is legally. For instance, requiring Chinese ownership in companies that do busi-

ness there and getting into their secrets and their patents. But, they are also doing things under the table, like I just described is happening to Micron technology. And this has got to stop. If this does not stop, we are going to be in very difficult straits as we go down the pike trying to compete with China with their 2025 plan.

Mr. Chairman, I see my time is up, and——

The CHAIRMAN. Thank you.

Senator RISCH. —thank you.

The CHAIRMAN. Thank you, sir.

Ms. SINGH. Senator Risch, if I can thank you for your comments. And I would like to associate myself with your remarks.

Senator RISCH. Well, thank you. And this on the President's radar screen, by the way. I know that personally. But, it is something that we are all going to have to pay attention to. And this is just the tip of the iceberg, as far as what is coming.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Rubio.

Senator RUBIO. Thanks for holding this hearing, Mr. Chairman and the Ranking Member

Thank you for being here.

This is a complicated issue, because it really involves two separate stories. The first is, sort of—well, let me back up and say that, you know, we have all—I say there has been a general consensus in American politics and American debate about the value of the global economic order, the rules-based trading system. And I do think, while this is a committee that focuses on foreign policy, that it is difficult to ignore that, while free and open global trade has incredible benefits, it does have downsides. There are losers to trade, even agreements that are great, and not enough attention has been paid to the fact that people have been displaced over 20 or 30, 40 years, and that has created some of the domestic blowback against some of the trade.

That said, by and large, America is generally a winner, particularly when we are interacting with countries who follow the rules. And that is where these dispute resolution mechanisms exist, and you have a hope that they would work. When these countries also happen to be geopolitical allies with whom we partner with on a host of other issues, including national security, I think the wisdom would say that, particularly when we talk about the 232 actions and whether it is our partners in the EU, Mexico, Canada, and other places, these are ultimately allies and countries that we do have issues that need to be addressed. But, we can work with them. We believe we can. Because, ultimately, none of these nations seek to displace the United States or undermine our position in the world. They do want to get better deals, but there is a mechanism in place to address it. Which is why I would have strongly preferred for the President and the administration to kind of dealt with those issues second, after first focusing on China, because many of those countries that we are allies with have deep concerns about China, as well, which leads us to the 301 actions.

And the threat from China is perhaps without precedent. Senator Risch just mentioned, a moment ago, Made in China 2025. That is a key piece of a broader plan to displace the United States on vir-

tually every—in virtually every field that will define the 21st century. And if they were going to displace us because they work harder, because they are more innovative, because they just out-hustle us, that is one thing. That just calls on us to work harder and do better. But, the way they seek to displace us is through things like the theft of intellectual property. Just yesterday, or a couple of days ago, a former employee of Apple was arrested at an airport in California, headed to China with a bunch of secrets and intellectual property on Apple's autonomous vehicle technology. Every single day brings stories. We have all heard the horror stories of the forced transfers. "You want to do business in China? Here is your new partner. And, by the way, you need to teach them everything you do so that, in a few years, when they can do it as well as you can, we can kick you out and we can be your competitor, backed by the Chinese government, and put you out of business." Unfair practices of just outright denying market access, but demanding unfettered access to our own market. This needs to be addressed.

And so, there is a consensus or there is a belief in the business community, "Well, we should have told China what we were upset about. We should have warned them. And this is what we are going to do if you do not listen." That is the story of the last 20 years. Our relationship with China, economically, over the last 20 years, has been built on the hope that, once they became richer, they would behave more like us. And what they have done is, they have taken all the benefits of that global order, but assumed none of its responsibilities, leading us to this point.

I guess my only question is that I wonder what role the State Department played, or others, in advising the administration on a path that would have said, "Why do we not partner with our allies first so we can all, collectively, confront China, because we are all facing the same challenges, and then, secondarily, deal with these other issues because of its geopolitical implications?"

And I would be remiss if I did not also ask, related to that, What role, if any, did the State Department play in advising the administration on its recent decisions regarding ZTE? Because, while I would say to you that the penalties imposed on ZTE for violating sanctions are severe for purposes of sanctions violation, they extend well—our issues with ZTE extend well beyond sanctions violations. Any telecommunication company in China is controlled by the Chinese government, whether they want to be, or not. And allowing them to embed themselves in the commercial infrastructure of the United States poses a significant national security threat. And there is an irony that, while we are out there imposing tariffs for national security on partner countries with whom we have national security arrangements with, we are allowing a foreign telecommunication operator to stay in business, with our parts, knowing the threat they pose to our national security.

So, did the State Department have any role in advising, from a geopolitical perspective, and focusing on China first? And what role did the State Department play if any, in the decision on ZTE?

Ms. SINGH. Thank you, Senator, for those. Both of those are very important questions.

The State Department has played, and continues to play, a role in advising the President on working with our allies to counter

China. I previously indicated that, in all of my travels, the senior leadership of the State Department, whether it is the Deputy Secretary—Secretary Pompeo himself, who, as you may know, is on a tour of several countries right now—we have explicitly provided input to the White House and said, "We need to work with our allies specifically to counter China. We need their buy-in." Because the only way to have success against China is to isolate them. China needs to be clear that it is a threat to the global economic community. And if our allies agree with us, then we can isolate China and force it to change its behavior.

On your question regarding ZTE, the State Department did play a role, and we advocated the stiffest penalties possible against ZTE.

Senator RUBIO. Mr. Chairman, I would just like to add, I think it is hard to partner up with countries to take on China and isolate China when we are in a trade war with the countries we seek to partner up with. So, that is why I think this is something I hope we can get worked out.

The CHAIRMAN. I could not agree more. We have done a great job in unifying the world against us.

Senator Booker.

Senator BOOKER. You can move to the next panel. Thank you.

The CHAIRMAN. Thank you so much.

Senator BOOKER. Yes.

The CHAIRMAN. You can have my time.

[Laughter.]

The CHAIRMAN. Thank you so much for being here. And we appreciate your service, mostly in the other areas.

And we will move now to the second panel.

Ms. SINGH. Thank you, Chairman Corker.

[Pause.]

The CHAIRMAN. We will now turn to our second panel. We have a very distinguished witnesses here with us.

Our first witness is Joshua Bolten. Mr. Bolten is president and CEO of the Business Roundtable, an association of CEOs of leading U.S. companies that employ more than 16 million people and generate more than 7 trillion in annual revenues. Mr. Bolten has had an extensive career serving our Nation at the highest levels. He was Chief of Staff and Director of Office of OMB to then—President George W. Bush. Before that, he served as general counsel to the U.S. Trade Representative, so certainly has a lot of background in this area.

Our second witness is Mr. Michael Fuchs from the Center for American Progress. Mr. Fuchs is a Senior Fellow at Focusing on U.S. Foreign Policy and Priorities and U.S. Policy Towards the Asia-Pacific Region. Mr. Fuchs has previously served as Deputy Assistant Secretary of State for the East-Asian and Pacific Affairs.

We thank you both very much for being here and for your patience in waiting.

And, Senator Menendez, I do not know if you want to welcome them.

If you would go ahead and summarize your comments in about 5 minutes, any written materials you have will be entered into the record.

And, with that, if you would begin, we would appreciate it. Again, thanks for being here.

STATEMENT OF HON. JOSHUA BOLTEN, PRESIDENT AND CEO, THE BUSINESS ROUNDTABLE, WASHINGTON, DC

Mr. BOLTEN Thank you, Chairman Corker, Senator Menendez, other members of the committee. Thank you for holding this hearing and for inviting me to testify on behalf of Business Roundtable.

Business Roundtable is an association of chief executive officers of leading U.S. companies. Our CEOs are, today, overwhelming bullish about the American economy, thanks, in large part, to tax reform and ongoing regulatory reform. Our overriding concern now is that those gains will be entirely reversed by major missteps in U.S. trade policy.

The Trump administration is rightly focused on addressing unfair foreign trade practices that hurt American businesses and workers. However, Business Roundtable strongly disagrees with many of the administration's recent actions on trade, particularly invoking national security under Section 232 to impose unilateral tariffs on imported steel and aluminum. We have four important reasons for opposing this action:

First, the 232 tariffs increase costs on American consumers. This multibillion-dollar tax increase on imported steel and aluminum is already driving up the cost of many industrial and consumer products.

Second, by driving up the cost of inputs, these tariffs are also causing U.S.-made final products to be less competitive in both domestic and export markets.

Third, the 232 tariffs are inviting a cascade of retaliatory tariffs against America's most competitive exports.Overall, a recent study by the Trade Partnership Worldwide found that the administration's steel and aluminum tariffs, along with the resulting retaliation, will cause 16 American jobs to be lost for every American steel or aluminum job saved.

The Roundtable's fourth reason for opposing the 232 tariffs is the misuse of the 232 statute itself. As several members of the committee have already noted: Since its inception in 1962, Section 232 has been invoked only twice before, to ban oil imports from Iran and Libya. In both cases, the national security purpose was clear. The national security purpose of restricting steel and aluminum imports from our closest allies is not at all clear. The administration's improper use of Section 232, twisting the definition of "national security" beyond reason, invites other countries to do the same against a wide range of U.S. exports.

Despite these evident harms, the Commerce Department is now investigating whether to employ the same national security argument to restrict imports of autos and auto parts. There is no national security purpose for this, and the damage would be exponentially greater.

For these reasons, Business Roundtable strongly supports Chairman Corker's bipartisan bill to require congressional approval of Section 232 tariffs. We would also enthusiastically support other legislative approaches that would similarly advance the goal of pre-

venting the misuse of U.S. trade statutes inappropriately to restrict trade.

The administration's deployment and threatened deployment of Section 232 tariffs demonstrates clearly that the statute is susceptible to misuse. It is time for Congress to assert its constitutional prerogative to prevent serious harm to the U.S. economy.

A final less-direct but no substantial harm from the misuse of Section 232 is that it risks alienating U.S. allies needed to address the real problem in international commerce: Chinese policies and practices. Most Business Roundtable companies have encountered at least one of these serious problems: intellectual property theft, forced technology transfer, unfair restrictions on access to and investment in Chinese markets, and competing with state-subsidized Chinese companies. Business Roundtable, therefore, welcomes the administration's focus on China's trade policies. However, the cycle of tariffs and counter-tariffs recently initiated by the administration is dangerously counterproductive. Imposing Section 301 tariffs without first pursuing serious negotiations unnecessarily jeopardizes U.S. farmers, workers, and businesses.

Instead of starting negotiation by imposing punitive tariffs on tens or even hundreds of billions of Chinese imports, thereby triggering commensurate retaliation against U.S. exports, the administration should: first, detail clearly to China how its practices must change; second, establish deadlines for China to adopt concrete reforms; and third, describe actions the U.S. will take in coordination with our allies if China fails to address our concerns. Finally, the administration should exempt U.S. allies from 232 tariffs to encourage them to join in this effort.

Mr. Chairman, thank you for your leadership in holding this hearing and for encouraging a constructive trade policy that will truly benefit America's workers and businesses.

The CHAIRMAN. Thank you.

Mr. BOLTEN I look forward to the committee's questions.

[The prepared statement of Mr. Bolten follows:]

PREPARED STATEMENT OF JOSHUA BOLTEN

Chairman Corker, Ranking Member Menendez, Members of the Foreign Relations Committee, thank you for holding this important hearing. I am grateful for the opportunity to testify on behalf of Business Roundtable regarding the implications of tariffs for U.S. foreign policy and the international economy.

Business Roundtable is an association of chief executive officers (CEOs) of leading U.S. companies. Collectively, our CEO member companies employ more than 16 million people. These companies, their workers, and the communities in which they operate rely on international trade for their continued success.

BENEFITS OF INTERNATIONAL TRADE

International trade supports approximately 36 million American jobs—which is roughly one in five—and is a driver of economic growth in all 50 states. Through our nation's commitment to free and fair trade and our network of free trade agreements, the United States has shaped the international trading system in favor of our businesses, workers and consumers. The benefits of this approach are immense, helping U.S. businesses compete, helping more workers find and secure well-paying jobs, and helping families access a wider selection of products at more affordable prices. Ninety-five percent of the world's consumers and 80 percent of global GDP are located outside U.S. borders. America's future prosperity, even more than its past, is dependent on a well-functioning, rules-based international trading system.

Today, Business Roundtable CEOs are overwhelmingly bullish about America's economy. The administration's agenda on tax reform and streamlining regulation is

increasing America's competitiveness around the world and supporting new investment and growth here at home. Our major concern now is that these gains will be reversed by major missteps on trade policy.

BUSINESS ROUNDTABLE OPPOSES ADMINISTRATION'S APPROACH ON 232

The Trump administration is rightly focused on addressing unfair trade practices that hurt American businesses and workers. However, Business Roundtable strongly disagrees with many of the administration's recent trade actions—particularly, invoking "national security" concerns to impose unilateral U.S. tariffs under Section 232 of the Trade Expansion Act of 1962. This is a mistake by the administration that risks forfeiting decades of U.S. leadership on trade and carries substantial consequences for the U.S. economy and the entire rules-based international trading system.

The administration's global Section 232 tariffs on steel and aluminum—now imposed on all but a few countries—are hurting the very workers and families the administration aims to protect while doing little to address a real problem in the global economy, which is overcapacity in steel and aluminum resulting largely from China's distortionary trade practices. In addition to diminishing the economic benefits of the administration's successful tax and regulatory policies, these tariffs—and resulting trade retaliation from other countries—will continue to impose tremendous costs on U.S. businesses and workers, erode U.S. global competitiveness and economic growth, and undermine key U.S. economic and security relationships. This is the wrong approach.

For four important reasons, Business Roundtable has been strongly opposed to the administration's imposition of Section 232 tariffs on steel and aluminum imports:

1. Increased Cost to Consumers

The administration's tariffs are a tax hike on American businesses and ultimately, consumers. In the case of the 232 steel and aluminum tariffs, it is a tax increase on $23 billion of imported steel and $18 billion of imported aluminum—both of which are key manufacturing inputs for industrial products and a variety of everyday items consumed by the American people. As the cost of production rises from these tariffs, so too will the cost of finished goods, making products less affordable for families across the nation and reducing demand for those products.

2. Makes American Businesses Less Competitive

Higher production costs resulting from the administration's Section 232 tariffs are also making U.S. companies and products less competitive here at home and our exports less competitive in foreign markets. An increase in the cost of finished goods as a result of these tariffs makes U.S. products more expensive—and less attractive—versus their foreign rivals. Inevitably, this means lower revenue, lost profits and fewer jobs.

Companies and workers are already experiencing the harm from these increased cost pressures and the subsequent loss of competitiveness from the administration's 232 tariffs. For example, Gradall Industries' plant in New Philadelphia, Ohio, shelved plans "to hire at least 30 more workers" after the cost of steel increased by one-third. At the Mid Continent Steel & Wire manufacturing plant in Poplar Bluff, Missouri, 60 employees were recently laid off "due to lost business from increased steel costs."

3. Invites Retaliation Against America's Most Competitive Exporters

These tariffs are resulting in a cascade of retaliatory tariffs from some of our nation's closest trading partners.

Because of the administration's implemented Section 232 tariffs on steel and aluminum, a number of countries have announced significant retaliatory tariffs. So far, retaliation measures have been announced on approximately $40 billion in U.S. exports. U.S. exports targeted for retaliation include products throughout the United States, including: flat-rolled steel exports from Ohio, Michigan and Pennsylvania; aluminum scrap from California, Texas and Florida; motorcycles from Missouri and Pennsylvania; herbicides from Iowa; pork products from Missouri and North Carolina; whiskies from Tennessee and Kentucky; cherries from Washington; and coal from West Virginia and Alabama.

Harley-Davidson's recent announcement is the most notable example of how these tariffs and resulting retaliation can hurt America's most competitive exporters and their workers. Due to the U.S. tariffs on steel and aluminum, Harley estimated that it would see an additional $30 million to $45 million in increased costs here in the United States. On top of this, the European Union (EU) imposed a retaliatory tariff

of 25 percent on Harley motorcycles, making their products significantly less competitive in a vital foreign market.

Because of this "double whammy," Harley was forced to choose between losing sales in a lucrative market or shifting some of its production outside the United States—where it would prefer to manufacture its products—to another location that would allow the company to continue to sell competitively to European customers. Ultimately, Harley chose the latter, a very difficult and understandable business decision given the dual damages of both the U.S. 232 tariffs and the retaliatory tariffs imposed by the EU.

One Business Roundtable member company, a U.S. manufacturer of consumer and personal care products, faces a 10 percent Canadian retaliatory tariff across multiple categories of exports. Canada is a large export market and most of what this company sells in Canada is made in the United States, with U.S. jobs across multiple U.S. manufacturing sites. Faced with this additional duty, the U.S. manufacturer will have no other choice but to (1) increase prices which would reduce sales, or (2) absorb the duty which would affect jobs. The net result will make this U.S. manufacturer less competitive versus other companies that produce in Canada or source from outside the United States.

The lost opportunities for workers at Harley and other leading U.S. companies are a glimpse at the potential widespread damage to come. According to a recent economic analysis by Trade Partnership Worldwide, the administration's steel and aluminum tariffs, and the resulting trade retaliation from our allies, will result in a net loss of over 400,000 American jobs. The study found for every steel or aluminum job created in the United States because of these tariffs, 16 American jobs will be lost in other sectors of the economy.

4. Misuse of National Security Designation

Section 232 of the Trade Expansion Act of 1962 provides the president of the United States with broad authority to restrict foreign imports for national security purposes. This authority has only been used twice, once to ban oil imports from Iran in 1979 and a second time in 1982 to ban oil imports from Libya. The national security purpose in both cases was clear.

The national security purpose of restricting steel and aluminum imports from our closest allies is not at all clear. In fact, in a February Defense Department memo regarding the Commerce Department's Section 232 investigation, Secretary of Defense James Mattis wrote, "DoD does not believe that the findings in the reports impact the ability of DoD programs to acquire the steel or aluminum necessary to meet national defense requirements."

The administration's improper use of the 232 statute—twisting the definition of "national security" beyond reason—only invites other countries to do the same. Countries looking for a way to bypass long-established international trade rules to gain an unfair advantage over American businesses and workers now have a perfect opening to do so.

232 TARIFFS ON AUTOS WOULD DRAMATICALLY ESCALATE A DANGEROUS APPROACH

Despite the dangerous precedent set by the administration's 232 tariffs on steel and aluminum and the harm these tariffs are already causing, the U.S. Commerce Department is now investigating whether to employ the same "national security" argument to restrict imports of automobiles and auto parts under Section 232.

The damage from this approach would be exponentially worse on all four fronts: costs to consumers, decreased competitiveness of American businesses, retaliation against U.S. exporters and the perversion of the statute. Families looking to purchase or repair their car would face significantly higher prices. American auto manufacturers and dealers would see their costs go up, their competitiveness decrease and their ability to grow diminish. Retaliation from our allies of equal magnitude would be a $320 billion hit to American exports. There is no national security purpose to restricting imports of automobiles and auto parts from our allies.

BUSINESS ROUNDTABLE SUPPORTS CONGRESSIONAL ACTION

For all these reasons, Business Roundtable supports Chairman Corker's bipartisan bill to require congressional approval of tariffs designated under Section 232 of the Trade Expansion Act of 1962.

Article I of the Constitution is clear: "The Congress shall have the power . . . To regulate commerce with foreign nations," including levying tariffs. In the Trade Expansion Act, Congress delegated narrow authority to the executive branch, providing authority to the president to impose tariffs to safeguard national security.

As current circumstances make clear, 232 authority is susceptible to misuse. Business Roundtable today is calling on Congress to assert its constitutional authority when a president misuses Section 232 to restrict trade

There may be other ways to accomplish the goals of Senator Corker's legislation. Business Roundtable would also enthusiastically support other legislative approaches that advance our goal of preventing the misuse of Section 232 to restrict trade.

ADDRESSING CHINA'S TRADING PRACTICES

In addition to the harms caused by the increased costs to consumers, the loss of American competitiveness, retaliation against U.S. exporters and the perversion of the 232 statute, there is another less direct, but no less substantial harm. The President's use of 232 alienates the U.S. allies we need the most in addressing the real problem: China's many policies and practices that distort international commerce.

Business Roundtable welcomes the administration's focus on China's trade practices. Most of our members have faced problems in China in at least one of the following areas:

a) Unfair restrictions on access to and investment in Chinese markets: China should, among other reforms, lift restrictions on foreign ownership of Chinese enterprises subject to certain narrow and specific exceptions; substantially reduce tariff rates and other import barriers in priority sectors for U.S. exporters; and provide foreign investors treatment no less favorable than the best treatment offered to any domestic Chinese company.
b) Intellectual property theft: China should strengthen intellectual property protection by, for example, prohibiting theft of proprietary information, providing effective enforcement against counterfeit goods and ensuring effective prosecution of cyber intrusion targeting foreign companies.
c) Forced technology transfers: China should eliminate technology transfer requirements and regulatory preferences for indigenous innovation.
d) Subsidies on domestic production: China should eliminate market-distorting subsidies that artificially support industries, and domestic support that promotes domestic overproduction and global overcapacity, among other reforms.
e) Restrictions on digital trade: China should allow the free flow of data across borders subject to a very narrowly defined national security exemption, exclude all commercial ICT products from "secure and controllable" requirements and lift requirements to use or locate computing facilities locally as a condition for conducting business in China.

Business Roundtable believes the administration can best address these problems by (1) detailing to China how their current practices must change; (2) establishing deadlines for China to adopt concrete reforms; (3) and describing the actions the United States will take—hopefully in coordination with U.S. allies—if China fails to address our concerns.

To encourage U.S. allies to join the administration in convincing China to reform its trade practices, the administration should permanently exempt U.S. allies from the Section 232 tariffs. This would create a constructive environment for the administration to coordinate with our allies on our real, mutual challenge. The administration and China should suspend their reciprocal imposition of tariffs in order to give negotiations for systemic economic reforms a chance to succeed.

This is in stark contrast to both countries' current approach. Utilizing its authority under Section 301 of the Trade Act of 1974, the U.S. administration has so far imposed a 25 percent tariff on $34 billion worth of Chinese goods exports with promises to impose a 25 percent tariff on another $16 billion. China has responded commensurately, immediately implementing retaliatory tariffs of 25 percent on an estimated $29.6 billion of U.S. exports, with another $15.4 billion under review. The top U.S. sectors affected by China's tariffs include soybeans, automobiles, cotton, pork products and wheat. Following China's retaliation, the administration announced this week it intends to impose a 10 percent tariff on an additional $200 billion of Chinese goods.

Cummins Inc., an Indiana-based manufacturer of diesel and alternative fuel engines, has already been swept up in the damage of the escalating trade war. As a result of the administration's actions under Section 301, Cummins must now pay a 25 percent tariff on manufacturing components it imports from China for use in U.S. production. In addition, the company is absorbing a 25 percent U.S. tariff on finished products that it manufactures in China for sale to off-highway equipment manufacturers in the United States. If Cummins were to pass this tariff-related cost

increase to its off-highway customers, it would lose vital sales in the market to European and Asian competitors.

Business Roundtable considers the cycle of tariffs and counter-tariffs initiated by the administration to be dangerously counterproductive. Imposing Section 301 tariffs without undertaking serious negotiations—based on clear, realistic negotiating objectives—unnecessarily places U.S. jobs, families and our economy in the crosshairs of a rapidly escalating trade confrontation. Recent events indicate a need to reassert some control over not only Section 232 authority, but also other areas a president may take actions that could dramatically harm the U.S. economy by inappropriately restricting trade. That includes Section 301 authority.

Business Roundtable encourages Congress to exercise more oversight of the administration's approach to the trade challenges posed by China. Congress should press the administration more on its negotiating objectives with China, how the escalating tariffs advance those objectives, and the administration's strategy for achieving the objectives rather than letting a trade war with China grow out of control.

AMERICA NEEDS A CONSTRUCTIVE PATH FORWARD

Business Roundtable strives to be a constructive partner to both the White House and to Congress as policymakers weigh the potential costs and benefits of any action on trade.

As I have detailed, there is far more harm than good to come from imposing unilateral tariffs under Section 232 and placing America's economy—and American workers—in the crosshairs of an escalating trade war. The current approach does not put America in a position of strength on international trade. Rather, it puts our nation in retreat from closely-held international relationships and undermines international trade rules that promote a fair and level playing field for U.S. businesses and workers.

Mr. Chairman, thank you for your leadership in holding this hearing and for encouraging a more constructive American trade policy that will truly benefit American businesses and workers. Again, I appreciate the opportunity to testify, and I look forward to answering the Committee's questions.

The CHAIRMAN. Thank you so much for your testimony.

Mr. Fuchs.

STATEMENT OF MICHAEL H. FUCHS, SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS, WASHINGTON, DC

Mr. FUCHS. Thank you, Chairman Corker and Senator Menendez, members of the committee. It is an honor to be here today.

My written testimony contains my thoughts on this subject. And so, here I would just like to highlight a few points for the committee.

First, in order to tackle the global challenges that we face from Russia to China to climate change and beyond, and to build a strong economy at home, America needs serious, long-term strategies that use all the tools of American power. The current administration's approach to tariffs and trade is undermining U.S. national security. The decisions being made in the capitals of American allies right now—how to cooperate on counterterrorism, whether to fight in Afghanistan or Syria, how to deter Russia and compete with China—are being influenced by these tariffs. The leaders of these countries are asking themselves, "Can we trust America anymore?" The world does not stand by when we act, and our allies are looking elsewhere for trade deals and for partnerships.

Second, driven by a single-minded focus on tariffs and trade deficits, U.S. foreign policy is losing its moral compass right now. The current President has repeatedly berated South Korea over trade while praising the North Korean dictator, Kim Jong Un. And while the President ignores Russia's efforts to undermine democracies and its invasion of Ukraine, and tries to avoid sanctioning Russia,

he has imposed harsh tariffs on America's closest allies in Europe, countries America relies on to help deter Russian aggression and uphold the values that America holds dear.

Third, to build an economy that empowers and provides opportunities for all Americans, we need a comprehensive strategy to level the economic playing field with China, but the recent tariffs, instead leave the U.S. economy more vulnerable by alienating friends and allies and creating opportunities for China to work with our own partners against us. These tariff decisions are the policy equivalent of coming to a gunfight and shooting your partners at the same time you take aim at your adversary. We need a targeted strategy crafted in concert with our friends and allies, many of whom are suffering from the same problems from China.

Fourth, the United States should see our trade relationships as one aspect of our larger efforts to achieve a strong economy at home and to achieve our national security objectives around the world. To do that, I believe the United States should take a number of steps, including strengthening alliances to counter our biggest national security threats, supporting democracy abroad to push back against the rise of illiberalism and autocracy, develop a strategy in concert with our allies to deal with China's unfair economic practices through both bilateral and multilateral actions, and build an economy at home that works for everyone by investing in areas such as infrastructure and education. Congress should also play an important role in holding the administration accountable and in reassuring our allies.

Thank you again for inviting me here today, and I look forward to your questions.

[The prepared statement of Mr. Fuchs follows:]

PREPARED STATEMENT OF MICHAEL H. FUCHS

Chairman Corker, Ranking Member Menendez, members of the Committee, it is an honor to appear before you today.

Today's world is full of challenges to American prosperity, security, and our ability to uphold our values. Russia interferes in the domestic politics of the United States and Europe while fighting a war in Ukraine and threatening Eastern Europe. China takes provocative actions that concern its neighbors, endangering regional peace in Asia. Illiberal populism and autocracy are on the march, from Hungary to Turkey and beyond. Changes in the global economy make it difficult to ensure that no Americans are left behind. Climate change is literally making ever-larger parts of the planet uninhabitable while generating mass migration.

In order to tackle these challenges, America needs serious, long-term strategies that use all the tools of American power. The United States must: strengthen alliances; support democracies around the world; work with partners to level the economic playing field with China; and build a strong economy at home that works for all Americans. And Congress has a crucial role to play in helping to achieve all of this.

But the current U.S. administration is pursuing a foreign policy—including the imposition of a series of reckless tariffs—that undermine America's security and values, and seriously jeopardize America's prosperity. In short, this administration is adopting policies that endanger the very foundations of global peace and prosperity that have made the United States the world's largest economy and most powerful country, and which provide us with significant advantages in achieving our goals in today's world.

U.S. PROSPERITY

The United States needs an economic growth strategy that combines domestic policies that empower and provide opportunities for Americans with trade policy that ensures that the rules of international trade benefit as many Americans as possible. Globalization over the decades has transformed America's economy in ways

that have advantaged some while disadvantaging others, and it is clear that—regardless of how well the unemployment rate or national GDP growth may be doing— the United States has much work to do to help all Americans succeed in a global economy. There is a legitimate debate to be had on the best policies to achieve these goals, and we must keep that debate honest and based on the merits.

As we focus on tariffs, it is first important to note that no international economic policy will be successful without strong and fair domestic economic policies. But instead of acting in the interest of American workers and families, this administration has unfortunately attempted to destroy the Affordable Care Act; enacted large tax cuts for corporations and high-income households, which will be used to justify reductions in social investment; gutted overtime pay;

undermined quality standards for workforce training; and attacked environmental and financial regulations which protect consumers. These policies are hurting American workers and the middle class and will make America less competitive on the global stage.

While there may not be widespread agreement in the United States today on trade policy, there is a growing consensus that China is taking advantage of America's openness to distort the two countries' trade relationship in ways that disadvantage American workers, consumers, and companies. Through stealing intellectual property rights from American businesses and forcing some that do business in China to hand over proprietary technology, China is ransacking the hard-earned innovation of American companies. Simultaneously, China prevents America from accessing the Chinese market—in whole or in part—using tools that include unfair subsidies for state-owned enterprises and caps on U.S. investment in certain sectors.

We need real, hard-hitting strategies to level the economic playing field with China. But the Trump administration's tariffs on China so far appear misguided, and unlikely to produce the results that Americans need. Large, across-the-board tariffs on Chinese goods are likely to just make Chinese goods more expensive for American consumers, and significantly harm a niche set of vulnerable export-reliant industries, while not affecting the core problems the United States faces with China, such as coercive measures to take American technology and IPR, let alone generating replacement jobs in the United States.

To effectively deal with China, we need a targeted strategy crafted in concert with our friends and allies, many of whom are suffering from the same problems with China. Instead, the current administration is starting trade wars with our closest allies and trading partners in Europe, North America, and Asia. In recent months the current administration has imposed tariffs on steel, aluminum, and washing machines, which largely hit U.S. allies more than China. The European Union has responded with targeted retaliatory tariffs on stereotypically American goods like bourbon and jeans; Japan and South Korea have filed notices with the WTO to take retaliatory measures; and Mexico is pursuing both paths. These tariff decisions are the policy equivalent of coming to a gun fight and shooting your partners at the same time you take aim at your adversary.

This is not only counterproductive—it could also boomerang and come back to hit America with more than just retaliatory tariffs. In advance of next week's EU-China Summit, China has reportedly attempted to forge an anti-U.S. alliance with Europe on trade issues, including suggesting joint EU-China cases against the United States at the World Trade Organization. In return, China would offer Europe more market access. Europe has reportedly rebuffed China's offers—so far.

The United States is pushing its closest friends into the hands of a major competitor, undermining America's ability to forge a united front to deal with that very competitor.

U.S. NATIONAL SECURITY

The erratic imposition of tariffs on America's closest allies is also undermining U.S. national security. America's closest allies in Europe and Canada fight and die with American soldiers. Cooperation with our allies is essential to U.S. efforts to fight terrorism, and we work together on everything from defeating ISIS to intelligence sharing. The United States and NATO work closely on responding to Russia's destabilization of Ukraine and on deterring Russia elsewhere. The United States and its allies Japan and South Korea partner in deterring China and North Korea in Asia. U.S. alliances from North America to Europe to Asia are the bedrock not only of global peace and stability, but also most importantly of American national security.

The recent punitive tariffs imposed by the administration are endangering the ability of America's alliances to deal with these threats to U.S. national security. The recklessness of U.S. policies that hurt our closest friends will damage our rela-

tionships and have effects far beyond the economic sphere. Beyond retaliatory tariffs, it is difficult to quantify the impacts to date—but it is not hard to imagine. Europeans already do not trust the current U.S. president—in 2017 only 22 percent of United Kingdom, 14 percent of France, and 11 percent of Germany have confidence in him to "do the right thing."

Europe is working with others to mitigate the damage of American foreign policy, as evidenced by the fallout of the Iran nuclear deal. In the wake of America's withdrawal from the agreement that has prevented Iran from obtaining a nuclear weapon, the United Kingdom, France, Germany, and the EU are working with China, Russia, and Iran to keep the deal alive—without U.S. leadership at the table. If current trends of American behavior continue, expect more of this to come.

As the United States pursues high stakes negotiations with North Korea over its nuclear program, the United States is simultaneously hurting its own negotiating position with reckless tariffs on Japan and China—two countries necessary for an effective North Korea policy.

The decisions being made in the capitals of American allies right now—how to cooperate on counter-terrorism, whether to fight in Afghanistan or Syria, how to deter Russia, how to compete with China—are being influenced by American tariffs. The leaders of these countries are asking themselves: Can we trust America anymore?

Now imagine a world where America's closest allies become convinced that they must push back against America. A world where there are no partners that will follow America into war. No allies to share intelligence on urgent threats. A world where some of the biggest and most lucrative markets for American goods become hostile to American companies and interests.

When Al Qaeda attacked America on 9/11, NATO responded by invoking Article 5 of its charter—collective self-defense—to support America. If a similar attack happened today, would NATO do the same?

It's hard to imagine this world, and we are certainly not there yet. But we may be closer than we think. The series of summits that the current U.S. president is holding this week with NATO, the United Kingdom, and Russian President Vladimir Putin are risky territory for a U.S. president that has repeatedly criticized allies and cozied up to Putin.

After the debacle of the Group of 7 Summit—where, for the first time, the U.S. did not sign the joint communique—German Foreign Minister Heiko Maas called for a European strategy to push back against America. Alongside Russian aggression and Chinese expansionism, Maas listed America's current foreign policy approach as one of the three top threats to Europe. Maas encouraged Europe to develop a strategy to counter the United States, stating that, "our common response to 'America first' today must be 'Europe United' . . . forming an assertive European counterweight when the U.S. crosses a red line."

In the 21st century, when a German foreign minister is calling for a European strategy to counter America, something is deeply wrong.

ADVANCING VALUES

Driven by a myopic focus on tariffs and trade deficits, U.S. foreign policy under this administration has lost its moral compass—and Congress can play an important role in putting it back on track.

No longer does America work first and foremost with its democratic partners—instead, this administration appears to treat countries based on their trade balance with the United States, which is an unhelpful metric regardless of whether one is considering economic or security interests. This approach is distorting U.S. foreign policy, steering it away from upholding basic values that advance American priorities and interests.

Despite a decades-old alliance with South Korea and needing close coordination with Seoul to engage in effective diplomacy with North Korea, President Trump has instead repeatedly criticized South Korea over trade, while praising the North Korean dictator Kim Jong Un.

With Russia—a country that interfered in the 2016 U.S. presidential election to help then-candidate Trump, invaded Ukraine, and propped up Bashar al-Assad in Syria—President Trump does everything he can to avoid placing sanctions for violating U.S. sovereignty by interfering in our elections. Yet, he has imposed harsh tariffs on America's closest allies in Europe—countries America relies on to help deter Russian aggression.

As French President Emmanuel Macron summarized it, "The American President may not mind being isolated, but neither do we mind signing a 6 country agreement if need be. Because these 6 countries represent values, they represent an economic

market which has the weight of history behind it and which is now a true international force."

THE WAY FORWARD

The United States must get back on the right track. The United States should take the following steps:

- Strengthen alliances to counter America's biggest national security threats. There is much work to be done to ensure that America's alliances are equipped to tackle the threats of the 21st century. The United States must work with its allies in North America, Europe, and Asia to modernize alliance structures and goals to align with today's needs of deterring competitors like Russia and China and tackling new challenges like cybersecurity.
- Support democracy abroad to push back against the rise of illiberalism and autocracy. The United States needs to develop a series of robust policies that privilege America's relationships with democracies around the world; network those democracies together to tackle shared global challenges; and counter the authoritarian playbook when countries like Russia and China attempt to weaken democracies from within.
- Develop a strategy—in concert with allies—to level the economic playing field with China. The United States needs an effective strategy to counter China's economic practices that hurt U.S. businesses and workers and insulate America as much as possible from the harmful effects of China's actions. This strategy must be developed and executed in close coordination with America's allies.
- Build an economy at home that works for everyone. The United States needs to adopt a series of domestic and international economic policies that provide opportunities for American workers and businesses and give them a leg up against global competitors. These policies should include: investing in human capital by resourcing education, retraining, and apprenticeship opportunities; investing in infrastructure and R&D that contribute to innovation; and adopting a trade policy that prioritizes high standard rules on issues like labor, environment, and IPR and revises the international tax structure to ensure that companies and individuals pay their fair share of taxes.
- Congress must lead. Especially with the current administration pursuing dangerous policies, Congress must exercise its budget and oversight authorities in ways that advance America's interests. This includes continuing to force the administration to stand up to Vladimir Putin, as with the sanctions legislation passed in 2017, and refusing to make massive cuts to the budgets of the State Department and USAID. And members of Congress should travel abroad regularly, making clear to America's friends and allies that there is widespread support in this country for alliances and democracy in addition to resolve in the face of threats.

Supporting alliances and standing up for our values around the world have always been bipartisan pillars of foreign policy and have helped advance economic prosperity and opportunity for Americans. America must return to those priorities.

Thank you for your focus on this important issue.

The CHAIRMAN. Thank you.

Thank you both for that testimony.

Senator Menendez.

Senator MENENDEZ. Thank you both for your testimony.

Mr. Bolten, I have been contacted by dozens of companies in New Jersey that have been negatively impacted by the administration's tariff and quota policies. One such company, for example, uses a Korean specialty steel product to manufacture a lifesaving medical device. But, the Section 232 quota on Korean steel could put this third-generation family-owned company out of business. New Jersey could lose over 400 good-paying manufacturing jobs, and hospital and surgery rooms could shut down for certain endoscopic procedures as the supply chain for these medical devices is disrupted. Ultimately, the lives and health of hundreds of thousands of patients nationwide could be at risk. Now, there is no U.S. source for this steel. And if it were, it could take up to 3 years to gain FDA approval for its use in medical devices.

So, in cases where imports of steel are subject to the 232 tariff, American companies can obtain relief through exclusion requests when there is little or no U.S. production. However, there is not a similar process for steel products from countries with quotas. So, this is one dimension of the challenges that we are having. Given your previous experience at USTR, how would you compare the administration's implementation process to similar efforts of past administrations?

Mr. BOLTEN Well, Senator, I think it compares poorly. The use of Section 232 in this case was entirely inappropriate. In previous cases, where administrations, including the one I served in, have sought to provide some protection to the steel industry, it has been done through a different process that has typically narrowed the scope of the products protected, has required that the International Trade Commission make a finding of injury to that industry, and has typically put the tariffs on for a very limited period in an internationally accepted regime that has not triggered retaliation. All of those things have been absent from the way the administration has approached this, in significant part because they used the wrong statute for it, badly undermining the rule of law that currently exists around the world, at least some understanding of the meaning of "national security." Because if we have used national security in this way to protect our steel and aluminum imports, not even mentioning autos at this point, but just even on steel and aluminum, that is an open invitation to other countries to do the same when they want to protect themselves from our exports.

Senator MENENDEZ. Let me ask you. The companies that you represent in the world of international business, how important are predictability, reliability, and consistency when it comes to making deals?

Mr. BOLTEN That is business. To be able to plan in advance, most of the members of the Business Roundtable do their planning many years in advance. Supply chains take 5, 10 years to develop. So, the transparency and the ability to know what the rules are is critical to the success of business anywhere.

You mentioned, in your first question, Senator, the use of quotas. And the administration witness treated that as though it were a benign success, because we are not imposing tariffs, we bulled our trading partners into quotas. I know, from talking to several of our member companies, that those quotas are even more damaging than the tariffs themselves, because, in some cases, they would be willing to pay the tariff just to get the product that they need in their supply chain to make things work. With the quota in place, they cannot get it at all. So, there are companies at the Business Roundtable that have products sitting on the dock that are desperately needed for—as inputs to a big project. They cannot get them, because of the quotas.

Senator MENENDEZ. Is it the position of the Roundtable that these tariffs are in the national interest?

Mr. BOLTEN No.

Senator MENENDEZ. No.

Mr. Fuchs, let—thank you—let me ask you one quick question. Let me make it generic in nature. Whether we are talking about the Indo-Pacific region and how we try to promote a rule-based

order, or whether it is with critical allies, like Canada, our impact in Europe, what damage does the administration's policy in this regard affect our ability to pursue all of those? And, in a tit-for-tat process with China, what is your assessment of the internal politics in China when it comes to tolerating economic costs? And who flinches first?

Mr. FUCHS. Thank you, Senator. I think that that is an incredibly important question.

The impacts of the administration's tariffs right now are widespread. And I believe that if they continue, we are only seeing the very beginnings of them. So, first and foremost, for the main challenges that we face in our national security, the threats we face around the world—again, whether it is China in the Indo-Pacific or it is Russia or it is anything else—our allies are our first line of defense. They are our key partners in tackling any of these challenges. But, right now, instead of focusing on those challenges, we are making enemies of the very allies that we need to be with us to tackle any of these challenges. And we are seeing those impacts right now in the trade war, frankly, that we are starting with our own best friends around the world.

Second, the—I think that what we are seeing here is—and we are only seeing the beginning of it right now, as it just starts—in capitals around the world of our allies and our friends, they are making decisions right now. They are planning, just like companies, what kinds of policies and positions that they are going to be taking in the coming months and years when it comes to national security threats. And they, right now, are asking themselves very clearly, "Can we trust the United States?"

I think it is very instructive. Right after the G7 summit debacle, just a few weeks ago, the German Foreign Minister gave a speech in which he listed three main threats that concern him about the fate of Europe. One is Russia. Second is China. And the third is President Trump's America First foreign policy that he is pursuing right now. To me, that is incredibly concerning.

Senator MENENDEZ. Do you have a—just go—very quickly, do you have a view on the China question, who gets—in a tit-for-tat, you know, who blinks? How—what—how much are they willing to endure?

Mr. FUCHS. Well, I think that we have seen in recent years, and we are seeing right now—I think that the Chinese Communist Party, which, again, runs China. And we have to remember how China operates here. They are not a democracy. It is a dictatorship run by the Chinese Communist Party. They have one interest in mind, and that is maintaining stability and staying in power. And they do not want to lose face, because that helps them, they believe, lose legitimacy. And so, I believe that the Chinese Communist Party is highly likely to try to weather any storm and go tit-for-tat with the United States going forward.

Senator MENENDEZ. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Before turning to Senator Young, Mr. Bolten, I am sure you have high-level access to the White House, and you represent some of the titans of industry. Has anyone yet articulated to you the strategy behind using 232 in such a broad way against our allies?

Mr. BOLTEN They have not, Mr. Chairman. And that is why we are concerned. I mean, we—from the positions I have served in, I would—I understand the politics. I understand the need of—that leaders have of living up to commitments they make in campaign rhetoric. But, what the administration has pursued, here, under 232—and in 301, with China—has us deeply concerned, because there does not appear to be any strategy behind it that is designed to produce an outcome, other than just tariffs. And what we would—we are strongly encouraging the administration, and are very glad to see many Members of Congress encouraging the administration, is: Develop a strategy that can produce success. And success, in this case, means getting the international community aligned to put pressure on China to reform their trade policies and practices.

The CHAIRMAN. I agree.

Senator Young.

Senator YOUNG. It is a great segue, Mr. Chairman, because I am going to continue to hit the same note I did in the first panel, and the same note I have been hitting for a couple of months now with respect to our response to predatory international economic practices. We need a strategy. And this is important to Hoosiers. I really appreciated, Mr. Bolten, in your testimony, you referenced an Indiana-based manufacturer, Cummins, Incorporated, major company. They manufacture diesel and alternative fuel engines. And you note that Cummins, on account of what you characterize as an escalating trade war, must now pay a 25 percent tariff on manufacturing components it imports from China for use in U.S. production. You go on to note that the company is absorbing a 25 percent U.S. tariff on finished products that it manufactures in China for sale to off-highway equipment manufacturers in the United States. And if Cummins were to pass this tariff-related cost increase to its off-highway customers, it would lose vital sales in the market to European and Asian competitors. So, that brings it right close to home for the people I represent.

Mr. Bolten, earlier this year, I introduced, along with various other Senators on both sides of the aisle, some legislation I mentioned in our first panel, the bipartisan National Economic Security Strategy Act of 2018, S. 2757. It would create a statutory requirement for, not just this administration, but for future administrations to periodically produce and submit to Congress a National Economic Security Strategy, just as we do a National Security Strategy, a very sensitive topic, but there is an unclassified version with a classified annex. Members of Congress respectfully engage back and forth, kick the tires of the strategy, and then we sort of move forward together as a country. I would just ask you, sir, Are you aware of the legislation I just referenced? And, if so, what are your initial or general impressions of it?

Mr. BOLTEN Senator Young, the—we are now aware of your legislation. We are taking a look at it, so I do not have an official Business Roundtable position for you. But, I will give a personal view now, is, it is a good idea. I served in administrations where the exercise that the National Security Council goes through on a regular basis to produce a National Security Strategy is hugely beneficial, both to forming priorities within the administration and

then holding yourselves accountable for, How are you doing against your priorities? And I am inclined to agree with you that doing the same on the economic front would be enormously beneficial, not just for the Trump administration, but any administration.

Senator YOUNG. And, Mr. Fuchs, you just, earlier, indicated that a strategy is an effective component making sure that we respond optimally to China; in particular, their predatory economic practices. My words, not yours. But, I am going to allow you to explain to me and others why you believe a strategy is needed, sir.

Mr. FUCHS. Well, thank you, Senator.

I am aware of your legislation and am closely reviewing it, as well. But, to your question, I absolutely believe that this country needs a coherent and comprehensive strategy that sees the trade aspects in the broader picture of how best we can grow the economy here at home in a way that works for all Americans, and that protects our international interests and our national security at the same time. So, I absolutely believe that a strategy in this regard is necessary, and I am encouraged, frankly, by some of the efforts that I have seen in Congress for Congress to push the administration to develop such a strategy, especially in this case.

Senator YOUNG. Thank you, much.

I would note that there is a real distinction that needs to be made between objectives, on one hand, and a more rigorous, more thorough and comprehensive strategy developed across different departments of government, working with, say, the National Economic Council, National Security Council. Some bullet points on a PowerPoint slide with five pillars, frankly, is not a strategy. And you know that. To the extent I have any—there is a lot of energy behind that comment, it is just conviction. So, thank you for your remarks about the importance of a strategy.

So, Indiana is not only a major producer of agricultural products, as it is generally perceived to be, we are also the most manufacturing-intensive state in the country and home to major automobile producers. Companies like Toyota and Subaru and Nissan, they employ tens of thousands of Hoosiers. These companies operate by making sure that their global supply chains go uninterrupted.

And, Mr. Bolten, in your prepared testimony, you say the administration is now investigating whether to employ the same national security argument to restrict imports of automobiles and auto parts under Section 232. Sir, can you describe in more detail what you think would be the consequences of this approach for companies producing automobiles in Indiana and beyond, and for American consumers?

Mr. BOLTEN In a word, disastrous. The steel and aluminum tariffs are already having a really detrimental effect on a lot of downstream users of steel and aluminum that will ripple throughout the economy. Now, take that and multiply by 10, because the automobile trade in this country is much larger. It is in—you know, we import close to $400 billion per year in autos and auto parts. Now, if those supply chains are disrupted, you know, who knows how long it takes to reestablish them. There probably are not ways to—for the companies to get the products they need to put into their autos. It just makes the entire industry less competitive, putting aside, even, the fact that—of the dramatic price increase, a tax on

the American people. And the people who will end up paying that tax are the people who can least afford to do it.

So, one of the reasons why we are here, testifying so strongly, Mr. Chairman, is not just because of the effect that the use of 232 has had on steel and aluminum tariffs, but the threat to broaden it to a—products like autos and auto parts would really be devastating to this economy.

Senator YOUNG. Thank you, gentlemen.

The CHAIRMAN. Thank you.

Senator Cardin.

Senator CARDIN. Well, thank you both for your testimony.

There is a common theme, here, about having a plan and strategy. We have not—we do not understand what it is in regards to the trade actions taken by this administration, but we could say the same thing in regard to so many other areas under this committee's jurisdiction, including North Korea.

I have been asked a question, Mr. Chairman, as I go through the halls, as to North Korea questions, and I can respond pretty easily by saying I do not know what the administration is doing, because they have not briefed us. So, we do not know their strategies. And that presents a problem, because, quite frankly, many of us think they do not have one. And it would be very comforting to understand that.

The same thing with trade. We had several meetings with the USTR in Finance, and we could not yet figure out a strategy.

Either one can respond, but I want to go to Mr. Bolten's statement which you gave, which I thought laid out pretty simplistically what needs to be done. I want to start with China, if I might.

The way you laid out China's trade practices, I think just about every member of this committee would agree. I think just about every Member of Congress would agree that we want to see a change in China's trade policies. But, you start off by saying you need to detail how their current practices must change with a realistic timeframe for being able to achieve that. And the last point I will get to in one minute: working with our allies.

So, do we have a detailed understanding of where this administration would like to see us end up with China, and a timeframe that is understandable to achieve that? Have you—has that been shared with either one of you?

Mr. BOLTEN It has not been, Senator Cardin. And that is why we are here, speaking out about it. We have tried to have that dialogue with the administration. And, by and large, by the way, the administration has been very receptive when our business community comes in to express concerns, and have always given us a good hearing. We feel like we have had a good hearing on these trade issues, but have not broken through on the risks that are being posed by the way the administration is going about it.

Now, on the China question, there is still time. And I believe that, if Ambassador Lighthizer were here right now, he would say, "Yes, we have a strategy, and we are—you know, we are working on a negotiating position." But, the anxiety throughout the business community, big and small, is that that strategy is not one that is coherent and designed to produce success. Success, in this case, is not having a tit-for-tat trade tariff imposition between us and

the Chinese. Success, in this case, is some reform of Chinese trade policies and practices. There is time for the administration to do that. I am hopeful they are doing that. We are here, speaking out, because we do not see evidence that they are.

Senator CARDIN. Mr. Fuchs, let me have you focus on this. The complaints against China are global. We are not the only country that has major concern by the way China behaves. The question I asked the Secretary in the former panel is if she can name even one country that agrees with the Trump strategy to get China to change their practices. And she could not even name one country. Do you know of any of our trading partners that believe America is moving in the right strategy direction to get China to change these policies?

Mr. FUCHS. No, Senator. I believe that there is not one that I can think of. And, in fact, I can only think of countries that believe that we are going in exactly the wrong direction. And for a few reasons, some of which have already come up.

First, I think that the kinds of sanctions—tariffs, excuse me, that we are imposing right now with China in an all-out trade war, basically, are not going to actually solve the specific problems that we have with China.

Second of all, we need our allies and partners in order to actually pressure China here. But, of course, as we have pointed out earlier here, we are actually making enemies of our partners and our allies instead of actually enlisting them to help us with China.

The third issue here is that I would say we also need to look a little bit beyond the trade space here, and to see our broader national security interests, as well. When we are going after China right now with over-the-top, across-the-board tariffs on everything, which are going to be counterproductive, we also undermine our own position, vis-a-vis North Korea, right now. We are not helping ourselves as we try to engage in diplomacy to get North Korea to change its behavior, for which we need China's help. Right now, we are taking away our own leverage with China when it comes to North Korea.

Senator CARDIN. Thank you.

Mr. Chairman, I am—just one more point. I am not going to ask for a response.

The Secretary testified about a robust interagency process in regards to the 232 process. And I challenged her on that as to how much time Commerce spent and how much with interagency. And she could not give me any definitive judgment. I understand that there are members of the administration that are open for your meetings, but I question whether there was any input—meaningful input into this process by the decision maker before these tariffs were, in fact, imposed.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Rubio.

Senator RUBIO. Thank you both for being here.

Mr. Bolten, as I saw your written testimony, I want to sort of—the path forward that you outlined is one that I think, by and large, is a consensus, but there is a one point that I would disagree with, and I wanted to detail it. But, your plan, as I understand it—

and many have argued, as well—is, number one, we need to detail the problems that we have with China. And you have accurately outlined them: the unfair restrictions on access and investment, the IP theft, the forced transfer of technology, subsidies to domestic production, and then restricting the digital trade, you know, forcing them to have computing services facilities located within China; the requirement on Apple, for example, to place the cloud there, and the like. The second part of your—so, you have detailed those right—the second is giving them a deadline to change these things, and telling them how we want to see those changes. And the third is, "And here is a list of things we are going to do if you do not meet it by this deadline." The fourth is working with our allies—and, in particular, I would imagine, you know, Canada, Mexico, and the EU, which are three of our four largest export markets—by giving them an exemption from the 232 tariffs. And I would agree with all of those pieces, certainly one and four. I agree with the things you have described in—as the problems—and I would agree with the fact that we would be in a much stronger position if we were working with Canada, Mexico, and the EU. We just heard the testimony from the State Department that, in every one of these meetings, we raised the China issue. But, I assure you—I am confident that it is very difficult to get that message across when these other things are ongoing.

The problem that I have is with them giving them the deadline, and this is what we are going to do, and we are going to have a serious negotiation. Number one, the history of serious negotiations with China on matters such as this is not promising. By and large, they have shown a propensity to sort of try to get us to accept symbolic measures in exchange for nothing, really. I mean, in exchange for us walking away from whatever it is we are threatening to do. But, here is the bigger problem. And that is that, on two of these items, which are the ones the President's memorandum in March focused on—IP theft and, in some ways, forced technology transfer—I think there is an argument, a very strong argument to be made that what China is doing on that now is a clear and very serious national security threat to the United States. These are acts, in my opinion, of direct economic aggression, not simply for purposes of economic prosperity, but to displace the United States, supplant us in the world as a dominant power in many of these fields.

And when you combine that with what they have outlined in China 2025, which, interestingly, they are now seeking to not talk about as much anymore, but it is most clearly the design they have in place—when you combine that with statements that have been made by President Xi about how there can only be two suns in the universe, and implying that, "There can only be one great power in the world, and it is going to be us"—when you combine it with all these other factors, this is not just a conflict that we have, here, with a nation that simply seeks to have a bigger economy. They want to supplant us in all of these critical fields.

I do not know if you see some of the technology that is being stolen and transferred, some of the stuff becomes irreversible. As an example, any gains they make in 5G technology—if they establish supremacy in 5G, which they are on the path to doing, potentially,

all of the technologies and industries of the 21st century depended upon by 5G will be built to Chinese standards, meaning we will now be out of place in regards to that. If they dominate biotechnology and the like——

And so, it seems like the biggest issue you have with the administration's approach on China is that we are not working with our allies under 232, which I agree, we would be stronger, but that they did not—that they took the actions first, as opposed to giving them a moment to—is that an accurate assessment? I mean, your biggest complaint is, we did not—we could do these things, but first we should have given serious negotiations a chance to work.

Mr. BOLTEN Yeah, that is roughly it. But, I agree with everything you just said, and, were I the negotiator, I would put at the top of the list exactly the issues you mentioned, on intellectual property theft, technology transfer and subsidies in critical industries. I would put those at the top of the list, and I would make clear what the consequences for the Chinese would be if they do not change their policies or practices.

But, I would also put on paper, "Here is what we want you to do. Here are the specific policies we want you to adopt." One thing that almost everybody that is in the business community that has interacted with the Chinese government—and I imagine members of the—this committee have had a similar experience—finds that, when they talk to folks in the Chinese government, the Chinese government says, "Well, what do you want? Tell us what you want." And waving our hands and saying, "We want the—all of these problems fixed immediately"—that is true, and that would be great, but we need to give the Chinese a coherent and practical list of the stuff we want them to do, put it on paper. You do not have to show it to those of us in the private sector. It is probably confidential. It ought to be shared with you, so that you know what is on the priority list of the administration. It ought to be possible to write it down. And the administration ought to put that piece of paper on the table in front of the Chinese before they just jump off and announce huge retaliation.

Senator RUBIO. Well, my last question, Mr. Chairman, because I am out of time, is, assuming they refuse to do anything, would the list of things that we would threaten to do include the things that are being done now under the memorandum and the actions the President has taken?

Mr. BOLTEN They could. I mean, the—you know, the 301 authority is an operation outside the inter—the rules of the WTO, although——

Senator RUBIO. So is stealing intellectual property.

Mr. BOLTEN So is stealing intellectual property. And the WTO does not provide adequate protections for intellectual property. And we ought to pursue our rights under the WTO, where we have them. WTO does not provide enough rights. So, we, in the Business Roundtable, are not ruling out the possibility of the administration using authorities—its statutory authorities that are not sanctioned by the WTO, but they ought to be a last resort, not a first.

The CHAIRMAN. I want to thank you for that last point. I think that, actually, Congress and the world, except for China, would be unified around our efforts if we focused on the things that you and

Senator Rubio just laid out. I do not think there would be any dissension whatsoever in Congress. It would be very difficult to find a witness that would counter an effort that was solely focused on intellectual property theft, subsidizing state-owned enterprises, and that type of thing. And that is what is interesting about this, is, there is a problem that does need to be solved, and if you dealt with it in a coherent way, with your friends around the world, you could solve that problem.

Let me ask you this question. You alluded to understanding politics. You were in the White House, and you understand that people make statements during a campaign. We have been getting some signals that, "Hey, you know, your 232 effort, is there any way you guys would wait until after the election?" And then there has been other statements made by the administration about, "Well, we are going to wait and deal with NAFTA after the election." And I do not know what is driving this. Again, it is so incoherent, it would be difficult to even begin to understand what is driving the policy that is in place today. But, let us say that this policy is 100 percent about politics. Let's say this is really about the midterm elections, and that, really, the NAFTA issue will be dealt with after the elections. The tariff issues that we are currently dealing with will be dealt with after the elections, the auto car—the auto industry tariffs will be dealt with after the elections. So, let us just say that this policy that we now have, that cannot be articulated, that lacks coherency, were to stay in place between now and the first Tuesday in November. What would be the effect, if you will, on the business community and on our relationships around the world?

Mr. BOLTEN A lot of damage is being caused every day. Bear in mind, we are only a few weeks into the first phases of the steel and aluminum tariffs. We are only in the first few days of the retaliation that has been put in place against those tariffs. There is more to come, even on the steel and aluminum side, much less the auto side. So, significant damage is being done every day.

I have heard people in the administration say, "You know, oh, okay, but do not worry, it is going to get resolved. It will just take a little time. Everybody needs to absorb a little pain in the shortrun." The pain in the shortrun is not small, to begin with. It is getting larger by the day. And the additional measures that the administration is now threatening threaten to exponentially increase that. And it is not a situation, from the business standpoint, where, okay, we suffer a little bit of damage today, but everything is okay 2 weeks from now. When you disrupt supply chains, when you demonstrate that we are an unreliable trading partner, you lose those relationships permanently. When you stop selling to a customer—Harley-Davidson is faced with a choice of either stopping selling in Europe, because they are the subject now of retaliation from Europe, or building their Harleys for Europe someplace else in order to send them into the—into Europe without a 25 percent tariff. That is a terrible Hobson's Choice for Harley-Davidson to make. But, I think they are making the right one by going someplace else to sell into Europe, because, once they stop selling in—Harleys in Europe, even for a few months, they may be knocked out of that market permanently.

So, the damage is incremental, day by day, but no one should assume that that incremental damage does not last a whole lot longer than the trade dispute does.

The CHAIRMAN. Thank you.

You want to say something?

Mr. FUCHS. Yes. I would just fully agree with Mr. Bolten, and I would say that, for our relationships around the world, and our alliances and our national security, the—without a doubt, the longer this goes on, the worse it is. There were reports, in the recent weeks, that in anticipation of a China-EU summit that is happening next week, China has been pitching our European allies on an—on forging an anti-U.S. trade alliance. I mean, just stop to think about that for a second, right? Now, for the moment, it sounds like the Europeans are not game for it. But, if this continues to go on for months and months and longer, I wonder how long they will hold out.

The CHAIRMAN. Yeah.

I wonder what we would be discussing today if we had continued along the path of negotiating TPP, continued along the path of negotiating TTIP. We would be having a whole different kind of conversation, and be in a much better place to counter the real threat, that is what China is doing.

Senator Coons.

Senator COONS. Thank you, Chairman Corker. And thank you for your clear-eyed and determined leadership on this issue.

And, Mr. Bolten, if I might, it is terrific to have your clear and forceful testimony today. Let me just take a few minutes, if I could, and make sure I have understood it correctly.

You have testified that Trump's tariffs are a tax hike on American businesses and consumers. Is that right?

Mr. BOLTEN Correct.

Senator COONS. And you have testified that it hurts American companies by making our products less competitive. It leads to lower revenue, lost profits, and fewer jobs.

Mr. BOLTEN Correct.

Senator COONS. And you say that it invites harmful retaliatory tariffs from many of our allies—in fact, I think you called it a "cascade of retaliatory tariffs"—that could cost 16 jobs for every job that we might protect. And that is just with this early round of tariffs for steel and aluminum.

Mr. BOLTEN Correct.

Senator COONS. And you anticipate a dramatically greater impact if the administration does, indeed, go ahead with another 200 billion in tariffs, correct?

Mr. BOLTEN Correct.

Senator COONS. And last, you view this as a misuse of the President's statutory authority under Section 232, and you urge congressional action.

Mr. BOLTEN Yes.

Senator COONS. You are a Republican, are you not, sir?

Mr. BOLTEN I am.

Senator COONS. A former Chief of Staff to the last Republican President?

Mr. BOLTEN Yes.

Senator COONS. And the head of an organization known for its leftist and radical views, the Business Roundtable?

[Laughter.]

Mr. BOLTEN We are a bipartisan organization that advocates in support of a strong U.S. economy and——

Senator COONS. All joking——

Mr. BOLTEN —tries to work with both parties in achieving that.

Senator COONS. All joking aside, Mr. Bolten, I just think it is striking that someone of your experience and pedigree and representing the organization you do is so forceful in asking for congressional action, something—I cannot remember when a BRT president came before us and urged congressional action against a sitting Republican President.

How does this end? How does this end? You were here for the previous round of questioning, where we had the current Assistant Secretary from the administration. And questioners, Republican and Democrat, asked for—demanded—a strategy, more clarification, "Where is the off ramp? When does this stop?" And, as I said, in questioning Assistant Secretary Singh, I am hearing from dockworkers in Wilmington, Delaware, who know that shiploads of steel from Sweden and Finland may not be coming this winter, that we may face a loss of revenue and employment in our Wilmington dockyards; and from farmers downstate, our soybean farmers, folks who were, generally speaking, pretty strong supporters of the Trump agenda, are now concerned that they are facing the lowest prices for their commodity in a decade. And this is just the first round.

If I understand your testimony correctly, it is going to be very difficult to reverse this, it is going to have significant unintended consequences, and it is Americans who are going to pay increased taxes, whether it is an increased tariff burden as consumers of products or as employees of companies that will be less competitive. In your view, how urgent is it that we take action, and how does this end?

Mr. BOLTEN Well, we are here, speaking out so strongly, because we are concerned about exactly the things you have mentioned. You know, it is not necessarily a comfortable thing for the head of the Business Roundtable to come forward and speak out against an administration that has been so effective for American business on issues like taxes and regulation and workforce training and skilling. On all of those issues, we have cooperated tremendously well with the administration. And I think the results are showing up in a strong economy and very strong business optimism. So, it is a difficult thing for the head of this organization to come forward and speak out so strongly against the administration's trade policies, but we believe they are headed in a very dangerous direction.

Now, as I said in response to questions about China, I think there is time to put it on a constructive path. The administration may be in the process of pulling together a serious negotiating agenda with the Chinese that will produce—that could easily, at this moment, produce significant reforms in China. The question is, Are they prepared to do so? And are they prepared to remove some of the impediments that they put in the—in place, of having all of our friends and allies support us? Because the likelihood of success

with China is dramatically improved if we get the rest of the world, which basically agrees with us, behind our negotiating strategy.

So, I do not know how it ends. I—it can—this story can have a good ending, but there is relatively little time to point it in that direction.

Senator COONS. What I hear you saying is that it is urgent that the Trump administration reverse course, in terms of broadly imposing tariffs on our closest and most vital allies that will have very negative consequences in my home State of Delaware, from farmers downstate to dockworkers in Wilmington, and instead focus on building a team of allies to confront China's real, aggressive actions that have undermined global trade, and that, if we do not act soon, the consequences will be large, they will be lasting, they will undermine our alliances and our national security, and they will harm American competitiveness and jobs. That strikes me as a pretty urgent call to action. And I appreciate your testimony today.

Mr. Chairman, I appreciate the chance to work with you on what is an important agenda for America.

The CHAIRMAN. Thank you. Thank you so much.

Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman.

I thank you both for the opportunity to have you before the committee today to hear your expertise and wisdom for this committee. And I know that you have both probably had at least some time to watch the previous panel and some of the questions that were asked. So, thank you for being with us still.

I wanted to follow up, Mr. Bolten, on some of the questions that I asked to Secretary Singh about China's actions and activities. You know, as I mentioned to—in the question to her, in January of this year China suspended access to Marriott's website for referring to Taiwan as a country. This blockage was lifted only after Marriott's chief executive issued a public apology. You heard me say that. We now know that China is going after U.S. airlines for a potential action because they referred to—did not refer to Taiwan as part of China. I worry about what they are trying to do to U.S. companies.

Then—and then I mentioned Micron. And I know Senator Risch mentioned Micron. This is the case of a company, a U.S. company that had a facility in Taiwan. A Taiwan employee was hired by a company in China. And when I met with the Foreign Minister in Taiwan, they said China is doing more and more of this, they are hiring people from Taiwan, trying to brain-drain Taiwan, take it, and take their intellectual property with them, if they can get away with it, to China. And, in this case, this individual gave, apparently, a lot of information to China. They set up a facility and plant replicating what Micron had done. They went to court, they got a court injunction. And now a U.S. idea is being stopped by China, claiming it is their own completely stolen information.

There was a company in my State of Colorado that sold a product to China, that sent the product to China. A couple of weeks later, it got the schematics back from China, reverse-engineered the product. This company in China that they have sold the equipment to had a couple of questions for the company in Colorado that man-

ufactured it. The name of the new company in China, though, was the exact same name of the company in Colorado.

And so, with this airline activity, with the Marriott activity, should we—what should we be doing to help make sure that American—American airlines, American hotels, American businesses overall are not falling for the bullying of Chinese, sort of, public diplomatic berating?

Mr. BOLTEN Countering the Chinese bullying of American companies is one of the most difficult problems. The kinds of problems you described, for example, with Micron, those are happening throughout the member companies of—the 200 member companies of the Business Roundtable. They wisely do not talk about it publicly very much, because the bullying will get worse if they raise their heads above the parapet. But, almost everybody that deals in high technology and is either trying to do business in or competing with Chinese entities has faced some similar serious kinds of problems.

That is what needs to be at the top of a serious negotiating agenda. And we ought to be able to write down what specifically it is that we are demanding that the Chinese do, and have that negotiation. Not an easy negotiation. The Chinese are not easy to deal with. They will stretch us out, as Senator Rubio was suggesting, over long periods, and give only partial concessions, and so on. That has been the history of negotiations with China. But, that is the road that has to be traveled. That is the tough work of trade diplomacy. And we are here to call on the administration to do it.

Senator GARDNER. Well, and I just hope, to these companies that are being bullied, that they will not fall for it, that these airlines will not fall for it, because if they fall for it, they will be soon subject to the same kind of antics that Micron has found themselves subject to. They can remove—they can follow what China wants to do, when it comes to Taiwan on their website, but pretty soon they may find other kinds of activities that they are also subject to in China, because they have allowed that kind of corruption, that kind of bullying, that kind of lawlessness to occur when it comes to intellectual property rights, when it comes to standards of trade, when it comes to how they are acting in response to—how they are not acting in accordance with standards that we hope all people are living up to.

So, thank you both for the opportunity to be here today and to have your testimony.

Thank you.

The CHAIRMAN. Thank you.

We thank you both for being here and for your patience. We, for some reason, have a protocol in this committee, where we have administration witnesses come in and then panelists like yourselves. And, unfortunately, by the time it gets to the real intellect, if you will, most people are gone. But again, we thank you both for spending time to be here.

There will be some questions after. We are going to ask for questions to come in before the close of business Friday. And, to the extent you could get to those fairly quickly, we would appreciate it.

But, you have added a lot both to the record, but also to people's thinking. We thank you both for what you do in your respective roles to help shape policy. And we look forward to seeing you again.

Thank you so much.

The meeting is adjourned.

[Whereupon, at 12:35 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF MANISHA SINGH TO QUESTIONS SUBMITTED BY SENATOR ROBERT MENENDEZ

INPUT BY STATE INTO THE 232 PROCESS

The administration has consistently weakened and devalued our diplomats and the decades of experience and expertise that the State Department has provided. At the same time, it has cited national security grounds as justification for tariffs on our allies.

Question. Can you share with the Committee any data or analysis your Bureau provided to the Commerce Department related to the 232 investigations into steel, aluminum, and automobiles and automobile parts?

Answer. I cannot comment on the Department's analysis or position in interagency deliberations. The Department of Commerce issued an extensive public report on the impact of imports of foreign steel and aluminum on the national security of the United States. These reports provide significant data and analysis justifying the administration's policy. The Department of State has provided foreign policy guidance to the 232 process. I anticipate similar reporting will be made available when the Department of Commerce concludes its automobile and automobile parts investigation.

BREASTFEEDING RESOLUTION

As mentioned in the hearing, a July 8th New York Times article reported that in May, the State Department threatened Ecuador with punitive trade measures if it refused to drop a resolution on breastfeeding at the World Health Organization:

Question. Is there any statute that authorizes the administration to take trade actions against a country if they refuse to support the U.S. position on a global health issue in an international forum like the WHO?

Answer. I am not aware of any statute that expressly authorizes trade actions in response to discussions ongoing in the World Health Organization.

Question. Has the department made similar threats before?

Answer. As the Department has stated publicly, media reports suggesting the United States threatened a partner nation related in connection with a recent World Health Assembly resolution are false. The United States works constructively in international venues to identify common cause when possible and does not shy away from expressing its disagreement when necessary. On the resolution in question, the United States was a leading voice in negotiations that led to adoption of the resolution by consensus.

Question. Is it the view of the State Department that trade threats should be used to gain leverage in other areas?

Answer. The Department believes that trade is a tool that can be used to support our overarching foreign policy objectives. The President has made clear that economic security is a fundamental component of our national security.

Question. Were you consulted on this tactic?

Answer. As the Department has stated publicly, media reports suggesting the United States threatened a partner nation in connection with a recent World Health Assembly resolution are false. The United States works constructively in international venues to identify common cause when possible and does not shy away from expressing its disagreement when necessary. On the resolution in question, the United States was a leading voice in negotiations that led to adoption of the resolution by consensus.

COUNTRY EXCLUSIONS FROM 232 TARIFFS

Earlier this year, the administration announced that it reached agreements with South Korea, Australia, Brazil, and Argentina to address the national security threats from steel or aluminum imports from those countries. As a result, the administration agreed to suspend tariffs on imports from these countries and instead implement a quota system.

Question. When will the administration share the text of those agreements with Congress?

Answer. The United States and certain other countries have successfully concluded discussions on satisfactory alternative means to address the threatened impairment to our national security caused by steel or aluminum imports from those countries. The President's proclamations describe the nature of the measures agreed with those partners.

QUOTA ALLOCATIONS

One of my constituents in New Jersey uses specialty Korean steel to manufacture life-saving medical devices. It is my understanding that the Korean authority that implements the quota is allocating the lion's share to Korea's large steel producers to the detriment of specialty manufacturers like my constituent's supplier.

Question. Is the administration monitoring how countries with quota arrangements are allocating their quota?

Answer. I cannot speak for the rest of the administration, but the Department of State is not monitoring how countries are allocating their quotas.

Question. Given that the administration is not accepting product exclusion applications for imports from countries with quota arrangements, what other avenues are available for my constituents to get the imports they need to sustain manufacturing jobs in New Jersey?

Answer. I would encourage any company, including your constituent, to consider alternate U.S. and third country suppliers.

RESPONSES OF MANISHA SINGH TO QUESTION
SUBMITTED BY SENATOR TIM KAINE

As we discussed at the Foreign Relations Committee hearing, I am concerned about the administration's recent tactics at the World Trade Organization (WTO). The postwar international rules-based trading system is being paralyzed by actions being taken by the administration, from unilateral protectionist trade actions like collecting tariffs on our allies over spurious national security claims, to withholding support for the appointment of new appellate body members to the WTO. The appellate body is where governments go when trade partners are violating WTO rules. The appellate body currently has only 4 of 7 appellate body members in place with another appellate body member has a term ending in September. If an appointment to fill that slot is blocked by the Trump administration, the appellate body could no longer be able to fully function or take on new appeals. Around 80 percent of WTO cases go to appeal. The U.S. has cases pending at the WTO and a non-functioning appellate body would put these businesses in a difficult position:

Question. What is the strategy and justification for withholding support for the appointment of appellate body members at the WTO?

Answer. The Office of the United States Trade Representative (USTR) leads on WTO issues for the administration. The current administration, as well as past administrations, have been clear that the United States has significant concerns with the Appellate Body. It has been the longstanding position of the United States that panels and the Appellate Body are required to apply the rules of the WTO agreements in a manner that adheres strictly to the text of those agreements, as negotiated and agreed by its Members.

We have concerns that the Appellate Body, however, has issued reports that would seek to add to or diminish rights and obligations under the WTO Agreement. We also have serious concerns with the Appellate Body disregard for the rules governing the Appellate Body itself. For example, without any support in the text of the agreement, the Appellate Body has taken the position that it can deem persons whose terms have expired to remain Appellate Body Members for the purposes of particular disputes.

Unless and until U.S. concerns with the Appellate Body have been addressed, it is difficult to see on what basis we would agree to move forward with the nomination of new Appellate Body members.

Question. What specific events need to occur for the administration's to lift those holds?

Answer. We have serious concerns with the Appellate Body's disregard for the rules governing the Appellate Body itself. For example, without any support in the text of the agreement, the Appellate Body has taken the position that it can deem persons whose terms have expired to remain Appellate Body Members for the purposes of particular disputes. Unless and until U.S. concerns with the Appellate Body have been addressed, it is difficult to see on what basis we would agree to move forward with the nomination of new Appellate Body members.

Question. Will the administration allow the WTO appellate body to fall below a quorum, where it can't continue functioning?

Answer. I am not in a position to comment on a hypothetical question for which the administration has not made a policy determination.

Question. If it does, how does the administration plan to resolve U.S. offensive cases that cannot be resolved without a functioning appellate body?

Answer. I am not in a position to comment on a hypothetical question for which the administration has not made a policy determination.

THE NEW YORK TIMES ARTICLE SUBMITTED FOR THE RECORD BY SENATOR MENENDEZ

The New York Times

Opposition to Breast-Feeding Resolution by U.S. Stuns World Health Officials

By Andrew Jacobs

July 8, 2018

A resolution to encourage breast-feeding was expected to be approved quickly and easily by the hundreds of government delegates who gathered this spring in Geneva for the United Nations-affiliated World Health Assembly.

Based on decades of research, the resolution says that mother's milk is healthiest for children and countries should strive to limit the inaccurate or misleading marketing of breast milk substitutes.

Then the United States delegation, embracing the interests of infant formula manufacturers, upended the deliberations.

[***Read more about how the Trump administraton's stance conflicts with existing medical advice.***]

American officials sought to water down the resolution by removing language that called on governments to "protect, promote and support breast-feeding" and another passage that called on policymakers to restrict the promotion of food products that many experts say can have deleterious effects on young children.

When that failed, they turned to threats, according to diplomats and government officials who took part in the discussions. Ecuador, which had planned to introduce the measure, was the first to find itself in the cross hairs.

The Americans were blunt: If Ecuador refused to drop the resolution, Washington would unleash punishing trade measures and withdraw crucial military aid. The Ecuadorean government quickly acquiesced.

The showdown over the issue was recounted by more than a dozen participants from several countries, many of whom requested anonymity because they feared retaliation from the United States.

Health advocates scrambled to find another sponsor for the resolution, but at least a dozen countries, most of them poor nations in Africa and Latin America, backed off, citing fears of retaliation, according to officials from Uruguay, Mexico and the United States.

"We were astonished, appalled and also saddened," said Patti Rundall, the policy director of the British advocacy group Baby Milk Action, who has attended meetings of the assembly, the decision-making body of the World Health Organization, since the late 1980s.

"What happened was tantamount to blackmail, with the U.S. holding the world hostage and trying to overturn nearly 40 years of consensus on the best way to protect infant and young child health," she said.

In the end, the Americans' efforts were mostly unsuccessful. It was the Russians who ultimately stepped in to introduce the measure — and the Americans did not threaten them.

The United States ambassador to Ecuador, Todd C. Chapman, left, in Quito's historical center with a guide, center, and the undersecretary of state for political affairs, Thomas A. Shannon.
Jose Jacome/EPA, via Shutterstock

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The State Department declined to respond to questions, saying it could not discuss private diplomatic conversations. The Department of Health and Human Services, the lead agency in the effort to modify the resolution, explained the decision to contest the resolution's wording but said H.H.S. was not involved in threatening Ecuador.

"The resolution as originally drafted placed unnecessary hurdles for mothers seeking to provide nutrition to their children," an H.H.S. spokesman said in an email. "We recognize not all women are able to breast-feed for a variety of reasons. These women should have the choice and access to alternatives for the health of their babies, and not be stigmatized for the ways in which they are able to do so." The spokesman asked to remain anonymous in order to speak more freely.

Although lobbyists from the baby food industry attended the meetings in Geneva, health advocates said they saw no direct evidence that they played a role in Washington's strong-arm tactics. The $70 billion industry, which is dominated by a handful of American and European companies, has seen sales flatten in wealthy countries in recent years, as more women embrace breast-feeding. Over all, global sales are expected to rise by 4 percent in 2018, according to Euromonitor, with most of that growth occurring in developing nations.

The intensity of the administration's opposition to the breast-feeding resolution stunned public health officials and foreign diplomats, who described it as a marked contrast to the Obama administration, which largely supported W.H.O.'s longstanding policy of encouraging breast-feeding.

During the deliberations, some American delegates even suggested the United States might cut its contribution to the W.H.O., several negotiators said. Washington is the single largest contributor to the health organization, providing $845 million, or roughly 15 percent of its budget, last year.

The confrontation was the latest example of the Trump administration siding with corporate interests on numerous public health and environmental issues.

In talks to renegotiate the North American Free Trade Agreement, the Americans have been pushing for language that would limit the ability of Canada, Mexico and the United States to put warning labels on junk food and sugary beverages, according to a draft of the proposal reviewed by The New York Times.

[Read more about the Trump administration's stance on junk food warning labels during Nafta talks.]

During the same Geneva meeting where the breast-feeding resolution was debated, the United States succeeded in removing statements supporting soda taxes from a document that advises countries grappling with soaring rates of obesity.

The Americans also sought, unsuccessfully, to thwart a W.H.O. effort aimed at helping poor countries obtain access to lifesaving medicines. Washington, supporting the pharmaceutical industry, has long resisted calls to modify patent laws as a way of increasing drug availability in the developing world, but health advocates say the Trump administration has ratcheted up its opposition to such efforts.

The delegation's actions in Geneva are in keeping with the tactics of an administration that has been upending alliances and long-established practices across a range of multilateral organizations, from the Paris climate accord to the Iran nuclear deal to Nafta.

Ilona Kickbusch, director of the Global Health Centre at the Graduate Institute of International and Development Studies in Geneva, said there was a growing fear that the Trump administration could cause lasting damage to international health institutions like the W.H.O. that have been vital in containing epidemics like Ebola and the rising death toll from diabetes and cardiovascular disease in the developing world.

"It's making everyone very nervous, because if you can't agree on health multilateralism, what kind of multilateralism can you agree on?" Ms. Kickbusch asked.

The opening of the World Health Assembly in May. After American officials pressured Ecuador, it was Russia that introduced a resolution in support of breast-feeding.
Peter Klaunzer/EPA, via Shutterstock

A Russian delegate said the decision to introduce the breast-feeding resolution was a matter of principle.

"We're not trying to be a hero here, but we feel that it is wrong when a big country tries to push around some very small countries, especially on an issue that is really important for the rest of the world," said the delegate, who asked not to be identified because he was not authorized to speak to the media.

He said the United States did not directly pressure Moscow to back away from the measure. Nevertheless, the American delegation sought to wear down the other participants through procedural maneuvers in a series of meetings that stretched on for two days, an unexpectedly long period.

In the end, the United States was largely unsuccessful. The final resolution preserved most of the original wording, though American negotiators did get language removed that called on the W.H.O. to provide technical support to member states seeking to halt "inappropriate promotion of foods for infants and young children."

The United States also insisted that the words "evidence-based" accompany references to long-established initiatives that promote breast-feeding, which critics described as a ploy that could be used to undermine programs that provide parents with feeding advice and support.

Elisabeth Sterken, director of the Infant Feeding Action Coalition in Canada, said four decades of research have established the importance of breast milk, which provides essential nutrients as well as hormones and antibodies that protect newborns against infectious disease.

A 2016 study in The Lancet found that universal breast-feeding would prevent 800,000 child deaths a year across the globe and yield $300 billion in savings from reduced health care costs and improved economic outcomes for those reared on breast milk.

Scientists are loath to carry out double-blind studies that would provide one group with breast milk and another with breast milk substitutes. "This kind of 'evidence-based' research would be ethically and morally unacceptable," Ms. Sterken said.

Abbott Laboratories, the Chicago-based company that is one of the biggest players in the $70 billion baby food market, declined to comment.

Nestlé, the Switzerland-based food giant with significant operations in the United States, sought to distance itself from the threats against Ecuador and said the company would continue to support the international code on the marketing of breast milk substitutes, which calls on governments to regulate the inappropriate promotion of such products and to encourage breast-feeding.

In addition to the trade threats, Todd C. Chapman, the United States ambassador to Ecuador, suggested in meetings with officials in Quito, the Ecuadorean capital, that the Trump administration might also retaliate by withdrawing the military assistance it has been providing in northern Ecuador, a region wracked by violence spilling across the border from Colombia, according to an Ecuadorean government official who took part in the meeting.

The United States Embassy in Quito declined to make Mr. Chapman available for an interview.

"We were shocked because we didn't understand how such a small matter like breast-feeding could provoke such a dramatic response," said the Ecuadorean official, who asked not to be identified because she was afraid of losing her job.

Wesley Tomaselli contributed reporting from Colombia.

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