

U.S.-CHINA TRADE

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

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U.S.-CHINA TRADE

WEDNESDAY, FEBRUARY 27, 2019

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

The Committee met, pursuant to notice, at 10:00 a.m., in Room 1100, Longworth House Office Building, Hon. Richard E. Neal [Chairman of the Committee] presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
Wednesday, February 20, 2019
FC-5

CONTACT: (202) 225-3625

Chairman Neal Announces a Hearing on U.S.-China Trade

House Ways and Means Committee Chairman Richard E. Neal today announced that the Committee will hold a hearing on U.S.-China Trade. **The hearing will take place on Wednesday, February 27, 2019, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.** The only invited witness is Ambassador Robert E. Lighthizer, United States Trade Representative.

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

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMdem.submission@mail.house.gov.

Please ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Wednesday, March 13, 2019.**

For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

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

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

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

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

The Committee seeks to make its facilities accessible to persons with disabilities. If you require special accommodations, please call (202) 225-3625 in advance of the event (four business days' notice is requested). Questions regarding special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories are available at
<http://www.waysandmeans.house.gov/>

Chairman NEAL. And the Committee will come to order. Good morning.

Today we welcome Ambassador Robert E. Lighthizer, the United States Trade Representative, to discuss U.S.-China trade.

One of the challenges for the Ambassador, Members of the Committee, and the Administration, indeed, is the following, that as trade issues play out, there is generally some truth to what everybody says about trade.

At the direction of the Trump Administration, there are currently U.S. tariffs on \$250 billion of Chinese imports. In retaliation, China has imposed tariffs on \$110 billion of U.S. exports. This hearing is our opportunity to make clear what Congress stands for on U.S.-China trade, and what the American people need to see in any trade agreement as the Administration concludes its work and memorandums of understanding with China.

At the outset, I want to acknowledge that Ambassador Lighthizer is leading negotiations with China, and that he may want to exercise discretion about the level of detail he gets into as we reach the delicate stage of finishing, hopefully, the agreement. At the same time, I encourage the Ambassador to be as forthcoming and vigorous, as we know he is capable of doing, as possible.

I have often observed that there is truth, again, as I noted earlier, to what everybody says about China: China has been good for some, but it also has been bad for many others.

In 2000, when Congress voted on normalizing trade relations with China, the promise was that China would reform and become market-based, democratic, and would respect human rights. But the China that we trade with and compete with today is very different from the one we had hoped would emerge.

China's economy, which has taken on some market characteristics, remains fundamentally state-directed. China's companies, state-owned or not, are called upon to serve the government's interests. China's trade and economic policies are coordinated through 5-year and 10-year plans. Those plans are backed by China's resources. They are aimed at fostering national champions, advancing China's economic and technological ambitions, and ensuring full employment in China. They are implemented at the expense of other economies, through the theft of others' intellectual property, and without regard to the global trade rules or human rights of workers.

These are structural economic challenges that American workers and companies face in trading and competing with China.

While this Administration confronts the same challenges with China that previous Administrations have faced, it has chosen to use tactics and tools that previous Administrations of both parties

did not. The Administration's tariffs have been sweeping, disruptive, controversial, and indeed, for some sectors, painful. The Administration's promise is that high-risk approaches will yield high rewards.

My concern is that we are about to see the Administration use the same, from time to time, ineffective playbook that has been applied in the past.

Recall that in April 2017 President Trump met with President Xi at Mar-a-Lago, as part of a 100-day plan for a big China deal. The Commerce Secretary declared that the outcomes from the exercise represented more than has been done in the whole history of U.S.-China relations. Of course, when we examined the results of those negotiations, we found that some of the commitments were not quite as advertised. Other commitments that were made promising changes in China were already in the process of being made.

But in May of last year China's trade negotiation seemed like it was about to lead to a package of large purchase commitments for commodities like soybeans and natural gas, along with aircraft. Those negotiations clearly were not leading to the solution that we had hoped for, in terms of significant trade challenges. They, indeed, were put on hold.

This time around, on December 1st, the President announced the 90-day period to fix our complex trade problems with China. And as we near the finish line, we are hearing once again about very large purchase commitments for commodities like soybeans and natural gas, along with aircraft.

There is a primary difference, however, with these negotiations: That is that Ambassador Lighthizer is at the helm. He has time and again, I think, developed a vision that many of us on this Committee will support vigorously. And we believe that the structural problems that face America as it faces its trade relationship with China are well observed by the Ambassador.

This Administration has chosen to take a path of high-risk confrontation. It must hold out for the good deal, a structural deal. The future of America's economic prosperity is in the balance.

And with that I would like to recognize the Ranking Member, Mr. Brady, for an opening statement.

Mr. BRADY. Thank you, Chairman Neal, for convening this hearing on America's trade relationship with China.

And thank you, Ambassador Lighthizer, for your leadership in the ongoing negotiations with China, and for consulting with us today about where those negotiations stand and what comes next.

We can all strongly agree that China has cheated on trade for decades, severely harming American workers and businesses. President Trump deserves significant credit for being the first President to confront China's unfair and predatory trade practices head-on, and insist on a new, fairer trading relationship with the United States.

While we want China to buy more U.S. goods that support farmers, manufacturers, and professionals here at home, it is even more important for us to hold China accountable to meeting high international standards on intellectual property rights, on subsidization, on overcapacity, and on the other structural ways in which China distorts the global economy.

A new era of fairer trade between China and the United States is in everyone's interest. The solution must be enforceable at every level of Chinese governance, measurable, and subject to corrective action should it fall short of commitments. And it should provide as much predictability as possible for our American job creators seeking to serve China's market.

With a more level playing field and now armed with a competitive, 21st century tax code, I am confident that our farmers, workers, and local businesses can compete and win anywhere in the world. U.S. companies face a wide range of trade barriers in China, and I look forward to a thoughtful discussion of them today.

China's unfair treatment of U.S. investors is a huge part of the problem that the U.S. Trade Representative's Section 301 report identifies in great detail. For example, China's equity caps and joint venture requirements prevent U.S. companies from controlling their own operations, as well as their own intellectual property when they invest in China, giving Chinese competitors an unfair advantage and costing American jobs.

A high-standard, fully enforceable bilateral investment treaty with China can help us address many of these issues for the long term. And I am hopeful the substantive talks underway, including in Washington last week, will produce meaningful commitments from China that lower trade barriers, achieve structural reforms, and establish a new era of fair trade.

But no one country can take on China entirely alone. The three-party initiative, Mr. Ambassador, that you are undertaking with the European Union and Japan, holds great promise that we must build on together. I am also encouraged that the Trump Administration is showing leadership in aggressively challenging China when it violates WTO rules, including in its intellectual property licensing policies, as well as its subsidies and tariff rate quotas for our key ag commodities.

At the same time I am concerned about the very real impact of tariffs on American manufacturers, consumers, and farmers. I will continue to work closely with the President and his team to ensure we minimize the impact to the United States and our allies as we take on China. Fairly traded goods should be excluded from our tariff actions, as should products that are otherwise unavailable to U.S. companies. And I think having a real and workable exclusion process in place for any tariffs is essential, so that we can focus these impacts on the bad behavior of China.

In sum, thank you for being here, Ambassador. I look forward to today's discussion about the challenges we face in China and our demand for China to negotiate in good faith to achieve a durable and enforceable solution to the structural issues we face.

Mr. Chairman, with that I yield back.

Chairman NEAL. Thank you, Mr. Brady. And without objection, all Members' opening statements will be made part of the record.

Today's sole witness is Ambassador Robert E. Lighthizer, the United States Trade Representative.

The Committee has received your written statement. It will be made part of the formal hearing record. You have 5 minutes to deliver your oral remarks.

Ambassador Lighthizer, again, welcome. And you may begin your testimony as you are ready.

**STATEMENT OF ROBERT E. LIGHTHIZER,
UNITED STATES TRADE REPRESENTATIVE**

Ambassador LIGHTHIZER. Mr. Chairman, Ranking Member Brady, and distinguished Members of the Committee, it is a pleasure to be here today and to discuss this very important issue. As you said at the beginning, I can never hear anybody up there, so at some point you will have to get—

Chairman NEAL. Mr. Ambassador, could you speak into the microphone?

Ambassador LIGHTHIZER. Yeah. See, you can't hear me and I can't hear you. It is like a perfect room.

[Laughter.]

I want those 10 seconds back. I have to say that every time I come here.

All right. I think at the beginning it is appropriate to take a minute and remind ourselves that, with all our pressing problems, we have a very successful economy. Under President Trump's leadership we are growing much faster than any other G7 nation. We have created millions of new jobs, significantly the 500,000 manufacturing jobs, and we have seen 2 million people join the workforce. These are people who were not in it before.

These are real working people moving from despair to hope, and their kids from insecurity to a future. A lot needs to be done, and I salute all Members of the—of both parties—who are working so diligently on issues of worker training, opiate addiction, as well as trade and other issues.

But we are here to talk about China. I agree with those who see our large and growing trade deficit and their unfair trade practices, including technology transfer issues, failure to protect intellectual property, large subsidies, cyber theft of commercial secrets, and other problems as major threats to our economy.

We can compete with anyone in the world, but we must have rules, enforced rules, that make sure market outcomes, not state capitalism and technology theft, determine winners.

President Trump has, for years, recognized this very serious and, I would say, existential problem. And he is determined to take action to defend our workers, farmers, and ranchers, and our economic system. He directed me to conduct a study under Section 301. After months of hard work the President ordered that certain tariffs be put in place. Because of his insight and grit, we are in a position to deal with this problem for the first time after decades of governmental inaction.

I would like to note that, as with many extremely important issues facing our country, prescience has been bipartisan. The Speaker was an early, forceful, and foresighted leader on this issue. I have admired her perception and hard work over the years, and have counseled with her regularly in my current position.

I would just like to read something briefly. Faced with the PNTR vote in April of 2000, the Speaker said, "It is incumbent upon all of us in the public and private sectors to work for free and open trade with China that is real. The U.S.-China bilateral WTO agree-

ment, however, is seriously deficient in substance, implementation, and enforcement. This issue is too important for our economy to be based on a pattern of broken promises, not proven performance. China can become a member of the WTO without Congress having to surrender its right to U.S.-China trade review annually. There is no reason why we should permanently surrender that leverage at this time." I ask, if her position had prevailed, how different would things be right now?

There are many other examples of bipartisan leadership, including a lot of people on this Committee, and I am going to get into—I am going to answer the question, if it is relevant.

Let me close by saying that we have engaged in a very intense, extremely serious, and very specific negotiation with China on crucial structural issues for several months now. We are making real progress. If we can complete this effort—and again, I say if—and can reach a satisfactory solution to the all-important outstanding issue of enforceability, as well as some other concerns, we might be able to have an agreement that helps us turn the corner in our economic relationship with China.

Let me be clear: Much still needs to be done both before an agreement is reached and, more importantly, after it is reached, if one is reached.

I want to thank all Members for your bipartisan approach on this seminal effort, and I look forward to continuing our work together. I want to say that if this was not a bipartisan view, we would not be having the success that we are having.

Thank you, Mr. Chairman. Thank you, Ranking Member. I look forward to your questions.

[The prepared statement of Ambassador Lighthizer follows:]

**Testimony of Robert E. Lighthizer
Before the U.S. House Committee on Ways and Means
February 27, 2019**

Mr. Chairman Neal, Ranking Member Brady, and all the distinguished Members of this great committee: thank you for the opportunity to testify this morning.

The Committee is meeting at a historic moment for those of us interested in U.S. trade policy. Under President Trump's leadership, Americans are benefiting from the strongest economy in the developed world. Over the last year, the U.S. economy has grown at an annual rate of roughly 3 percent – significantly better than that of any other G-7 country. Our unemployment rate is 4 percent. Inflation is very low. These are great times for American workers.

Americans who trade are benefiting from this growth. Through the first 11 months of 2018, total U.S. exports of goods and services were up 7.3 percent from the same period in 2017, and up 13.7 percent from the same period in 2016. We've seen similar percentage increases on the import side. Last year, the United States created 264,000 new manufacturing jobs – the highest such figure in 21 years.

We have new trade agreements with South Korea, Mexico, and Canada. We are working with you on talks with Japan, the European Union, and the United Kingdom. We are aggressively enforcing U.S. trade laws. All of these efforts have one purpose: to build a higher standard of living for all Americans. I am happy to report that our efforts are working.

Of course, no challenge in the trade space is greater than that presented by China.

- In 2000, the year before China joined the WTO, our trade deficit in goods with them was \$83 billion. Last year, through November, it was on pace to exceed \$417 billion.
- In 2000, the year before China joined the WTO, there were 17.3 million manufacturing jobs in the United States. By 2016, 5 million of those jobs were lost.
- Last month, USTR issued its annual report on China's compliance with its WTO obligations. We concluded that "China's actions have done severe harm to other WTO members and the multilateral

trading system, which was never designed to deal with a non-market economy of China's size.”

- Last March, USTR issued the results of a detailed investigation into China's policies regarding intellectual property, technology transfer, and innovation. We found that China had engaged in numerous unfair practices – including forced technology transfer and cybertheft. In a supplemental report last November, we found that China had not changed its ways.
- Together, these reports represent nearly 500 pages of detailed, thorough analysis of the systemic and structural problems in the Chinese economy that are hurting U.S. workers and businesses.

These facts – and many others of which Members are already aware – raise a very difficult question: How should the United States deal with a country like China, which is the world's second largest economy – and which continues to operate under a market-distorting system? In the whole history of U.S. trade policy, I am not aware of another country that has presented such a severe challenge to American policymakers. In retrospect, we should have taken this question more seriously when

China's economy was much smaller. But we did not, and now this Administration – and you – must deal with the result.

Fortunately, in President Trump, we have a leader in the White House who recognizes the importance of the China challenge – and who has empowered his Administration to take firm and unprecedented actions in response. I am also encouraged by the strong bipartisan support we have received from Members who recognize the gravity of the issues before us. Speaker Pelosi has long been a leader on this issue – as long ago as 2000, she wisely warned about the dangers of granting permanent normal trade relations to China. I regularly confer with Chairman Neal, Ranking Member Brady, and now Chairman Blumenauer and Representative Buchanan and many other members of this Committee – and I have been greatly aided by their wisdom and support.

I want to emphasize that Congress has been extremely helpful in our recent talks with China. The Chinese government is very aware of the strong desire for structural change – and enforcement – found on

both sides of the aisle. And your support has been critical in persuading China to take our concerns more seriously.

As you know, we have had near-constant negotiations with China in recent months. Both sides are seriously engaged at the highest level – and significant progress has been made. While it is too early to predict the outcome, I want to emphasize two key points:

First, this Administration is pressing for significant structural changes that would allow for a more level playing field – especially when it comes to issues of intellectual property rights and technology transfers. The issues on the table are too serious to be resolved with promises of additional purchases. We need new rules.

Second, any agreement must be enforceable. We at USTR are very aware of the history of our trading relationship with China, and the disappointments that have resulted from promises that were not kept. Thus, the Administration is focused on making sure that we have the ability to enforce any new agreement.

Again, I am happy to discuss these issues with you. I look forward to your questions.



Chairman NEAL. Thank you, Mr. Ambassador. We will now move to questioning.

Without objection, Members will have 4 minutes to question the witness today, in order to ensure that all Members have an opportunity to inquire before the Ambassador's schedule requires him to depart.

I will begin by recognizing myself. Members will be acknowledged in the order of what we call the Gibbons Rule, and that is when the Member took their seat.

Mr. Ambassador, in my opening I referenced some of the earlier Administration efforts to negotiate trade with China. Those efforts seemed to overlook the deep and complex structural problems underlying our trade relationship.

My question is this: What would be different this time, and what can we expect next?

Ambassador LIGHTHIZER. Thank you, Mr. Chairman, and that is the fundamental question. What the President wants is an agreement that, number one, is enforceable, but the changes—the pattern of practice of forced technology transfer, intellectual property protection, large industrial policy subsidies, and then a whole variety of specific impediments to trade and unfair practices in the area of agriculture, in the area of services.

What we want is fair trade. That requires structural change, and it has to be enforceable. We have had—and I can go through them for the Members—many, many examples of the Chinese agreeing to specific—not this specific, but agreeing to take steps to forego certain unfair trade practices. And in very few cases have they actually kept their obligations.

We have to, in this case, engage in—approach this with the view that there are reformers in China who want to change these practices, and we are working together with them. That has to be our approach. And if that is the case, our hope is to have specific language on specific issues that is enforceable through a very clear process.

Chairman NEAL. So do you envision one negotiated package in the next few weeks that is going to resolve all these structural issues?

Ambassador LIGHTHIZER. So I am not foolish enough to think that there is going to be one negotiation that is going to change all of the practices of China or our relationship with them. I don't believe that.

I think that we have to take on the major issues, the ones that I just raised, and we have to specifically preclude anti-market practices and practices that are unfair to our workers and ranchers and farmers, and there are lots of them.

At the end of this negotiation, if we are successful, there will be a signing and then there is going to be a long process of me working with the Members of this Committee and the Finance Committee in the Senate and other Members to ensure that we actually live up to this. And I believe other problems will arise, and they are going to have to be dealt with.

I view this as a process, but this is—well, I use the term “turning the corner.” This is the first time, I believe, that it has been ap-

proached in this way. And the result—it is more the result of the creation of an enormous amount of leverage by the President.

Chairman NEAL. Mr. Ambassador, as you reach an accord, will you envision putting the tariff threat in abeyance?

Ambassador LIGHTHIZER. So this may not be the first time or the last time I say this in this hearing. But actually, specific provisions may be—I want to kind of hold off on—as the Chairman knows well, I am happy to talk to him about whatever is on my mind. I love it when you said there would have to be some discretion here. I wrote that down, because I am thinking that is, like, not my strongest suit, discretion. But I am trying. I am trying to do it.

I will talk to you about that, specifically. Certainly, it is an objective of the Chinese that tariffs go away, and, I should just add a footnote that, in my judgement, does not mean—anti-dumping, kind of—that normal trade law—that is a separate process. That is a separate enforcement process. I am dealing with Section 301 in this agreement.

Chairman NEAL. Thank you. Let me recognize Mr. Brady.

Mr. BRADY. Thank you, Mr. Chairman. And I think you raise—both you and Ambassador Lighthizer raised—an important point here, which is this is the first serious, substantive attempt to change China's misbehavior.

And it is not just one issue. You are taking a comprehensive approach by challenging China at the World Trade Organization in cases, aligning with Europe and Japan on the WTO reforms that can address this, implementing investment restrictions Congress put in place last year to address China. And then the Section 301 case, the issue you are dealing with right now, it will take—this is the first comprehensive approach I have seen, and the one I think holds the most likelihood for success.

I think, as people look at what is a successful win for America, you ought to really focus, as you just mentioned, on the Section 301 area, where you really pulled back the curtain on China's trade practices and predatory trade practices, and laid out that case.

I know at home, in Texas, we have one of our best corporate citizens, Huntsman Corporation, with nearly 1,000 employees in my district; they are an example of how American companies have no recourse when their intellectual property rights are violated in China, because provincial Chinese courts simply don't uphold the rule of law.

Not only did the court throw out this patent intellectual property case based on the expiration date of the dye, but they also appointed a court panel to review the case that had an employee of the company that stole the intellectual property. It is that hard for businesses to compete.

So let's talk about 301 for a second. I think these are the key issues here that will define our success. You mentioned this earlier.

Will the agreement that you are negotiating with China have measurable commitments in it?

Will they be enforceable at all levels of China's governance? Because we know the play they have run before is to, you know, pretend to protect intellectual property at the central government level, but not at the provincial or local court and communities level.

And finally, will there be an avenue for corrective action if China doesn't live up to its commitments in what we hope will be an agreement here in the near future?

So measurable, enforceable at all levels of governance, and corrective action, make sure they live by those commitments.

Ambassador LIGHTHIZER. So, you know, thank you, Mr. Brady. I appreciate that.

First of all, in terms of what is successful, you know, I have been doing this a long time. But nonetheless, over the course of the last few months, I went to every statement that business groups have made, that agriculture groups have made, that labor unions have made, and that Members have made. Most of them, myself—in some cases having my immediate staff go through and tell me—“Tell me what that guy or that woman said is essential to a successful”—and that is my guide. I am taking that, and I am distilling that down. And it is—I could—I mean, for some of you it is one thing, for some of you it is another. But it is all right in a band, right?

And so that is what I am measuring myself by, and that is what I have as my objective. It is not just what I think, it is what everybody—I have distilled down what the people who have spent time thinking about this think.

So the Huntsman example is, like, unfortunately, one of many, many thousands.

Mr. BRADY. Unfortunately.

Ambassador LIGHTHIZER. And I could go on and on about that. I won't, because I only have 12 seconds or 10 seconds to go.

So number one, yes. Clearly, it has to be specific and measurable.

It has to be enforceable at all levels of government. Some things are not appropriate for that, but 99 percent, the core stuff, is all—and in the agreement it will say central, sub-central, local, and—so it has to be across the board like that. And we have to have the ability to take proportional action unilaterally, to make sure that we have a situation where they are following—

Mr. BRADY. Thank you, Ambassador.

Chairman NEAL. Thank you, Mr. Brady. The Chair would now recognize the gentleman from Georgia, Mr. Lewis, to inquire.

Mr. LEWIS. Thank you very much, Mr. Chairman and Ranking Member, for holding this hearing. Thank you, Mr. Ambassador, for being here.

I have said it before and I will say it again. There is no way to compete in a race to the bottom. Like our friend and colleague, Ms. Sewell, I grew up in Alabama. She grew up in the big city, but I grew up in rural Alabama. And I watched American jobs disappear throughout my life and career.

In my home State of Georgia, with many manufacturers, workers continue to struggle to find good, livable-wage jobs. Over the years, many of those businesses move overseas in search of cheap labor and lower environmental protection. What I witnessed in our community inspired me to oppose granting China permanent normal trade relations almost 20 years ago.

At the same time, my congressional district is also home to a large number of manufacturers, both large and small, who rely on the aluminum. I do not need to tell you, Mr. Ambassador, that

China plays by its own rules, and focuses on the long game. While we may differ on the tactics, everyone in this room will agree that we need a level playing field. And we don't have it. We can do better. We can do much better.

As you note, Mr. Ambassador, this is not an easy matter. We must be thoughtful, we must be mindful, and we must get it right.

Now, Mr. Ambassador, I want to thank you again for being here, and thank you for your service. The current negotiation focuses on a number of issues. I want to know about the labor and environment protection part of the discussion.

Ambassador LIGHTHIZER. So I would say first of all the principal reason why I am spending my time doing this now is for the same reason that you just stated. That is to say we have lost—not all just to China, but since China joined the WTO, we have lost 5 million manufacturing jobs, and millions of additional jobs. And it would distress me if that was the result of economic forces. But it is not the result of economic forces, it is the result of state capitalism. So I am motivated by the same thing that you are, and I want to be judged by that, right? I want to ultimately be judged by that.

On the aluminum question, you are completely right. We have a problem, a global problem in aluminum, precisely because China doesn't operate on an economic system. They have created, through controlling their market access and subsidies and other practices, an extraordinary amount of excess capacity that has basically wiped out the aluminum industry across the world.

The issues that we are focusing on in this negotiation are not—they are labor and environment to the extent those are unfair trade practices. But it is not the same as we are, as you know, well in USMCA, where those are specific objectives that we are requiring change in. So to the extent they are unfair trade practices—I would say also we are constrained by the limits of 301, and by the statute that we have to work with. But those are also, as you know well, high priorities for me.

Chairman NEAL. I thank the gentleman. Mr. Nunes is—

Mr. NUNES. Thank you, Mr. Chairman.

Chairman NEAL [continuing]. Recognized.

Mr. NUNES. Thank you.

Ambassador, thanks for being here. And I want to congratulate you for really being the first—being part of the first Administration in 20 years of complaining about China to actually do something.

I associate myself with a lot of the comments that Mr. Lewis made, and I know it is tough, because I know the Chinese are trying to be very targeted in how the tariffs are being implemented on our side. But I can tell you, from the intelligence angle that we have been studying here in the Congress for several years, that, you know, the Chinese have moved into taking over the communications systems around the world. They have moved into building strategic military locations around the globe, and those are spreading.

At the same time they have targeted major industries for either takeover through acquisition of banks, energy sectors, and others around the globe, in every continent, including here in the United States.

So I would like to give you an opportunity, Ambassador, to get into a little bit of how the Chinese use the regulatory angle to encourage abuse and theft of intellectual property, because it is not something that I think a lot of Americans understand, but they are actively, on a daily basis, stealing intellectual property from right here in the United States, and transferring that to China to compete directly with our companies and our allies' companies around the globe.

I will give you an opportunity to expand on that.

Ambassador LIGHTHIZER. Yes, thank you very much, Congressman.

So, number one, I think that the United States has the best technology in the world. It is probably our single biggest competitive advantage, and why we will be number one for a long time, if we protect our intellectual property, because it is not just a question of high-tech industries, it is steel, it is these combines. If you get into a modern combine, it is like a—you know, like a spaceship was in the sixties, right? These—you know, how they drive these things, they have all these computer operations and satellite operations.

And so technology is our biggest advantage, and it runs absolutely across every part of our economy. It is the key, and that is why the President had me focus on it right here. And I think China, as you suggest, knows full well that it is the key. Technology is what is going to determine who rules the future. Chinese practices are—you could break them down into twofold: One is what they do there, and the other is what they do here.

We are negotiating provisions that will, if enforced, restate, make far more specific, and clarify commitments against cyber theft, against physical theft, and against using investment practices to get technology.

What happens now, I don't want to go through a lot of specific examples, and I know you know far more of them than I do, because this is part of your responsibility in the Intelligence Committee. But what happens very often is China comes in—for example, they invest in a company, the company develops technology, that technology ends up in China. And it could end up through investment, it could end up through cyber theft, it could end up through employees working for that company and then leaving and going to China.

I mean, there is a whole group of things. And what we are trying to do is deal with them as much as we can in one agreement. And then that is one side of the problem, it is the one you are focused on.

The whole other side is how they get technology from us through non-economic means in China, U.S. companies operating there. And that is another thing that we are trying to deal with in this.

Mr. NUNES. Thank you, Ambassador.

Thank you, Mr. Chairman.

Chairman NEAL. Thank you, Mr. Nunes. The gentleman from Texas is recognized, Mr. Doggett.

Mr. DOGGETT. Thank you, Ambassador. I think our country is fortunate that you are on the front lines of this very important negotiation. I did note with interest the exchange you had with the

President last Friday that this ongoing negotiation with China is a trade agreement—that is the goal—and not a memorandum of understanding.

And I think you indicated that, since he is the boss, you agree with him and that your goal is to negotiate and complete a reasonable trade agreement. Is that right?

Ambassador LIGHTHIZER. I am going to elaborate on that when it is my turn to talk.

Mr. DOGGETT. Well, I am just referring to your precise words last Friday, that you would no longer use the term “memorandum of understanding,” and that this is a trade agreement.

Pardon? I think if you turn your microphone up——

Chairman NEAL. We are having trouble hearing you, Mr. Ambassador.

Ambassador LIGHTHIZER. Yes, and could you pause my time here? Is that better now?

Chairman NEAL. Yes, thank you.

Ambassador LIGHTHIZER. I actually felt pretty good when you couldn't hear me, either, for a minute.

[Laughter.]

Kind of like this is—it is finally a fair system here.

There will be—I am not quite sure I know, Congressman Doggett, where you are going on this, but this will be a binding agreement.

I should take a step back and say to the extent any agreement between nations is binding—right? I always have to make that clear. It is a great de Gaulle quote, which is that agreements between nations—I will slightly change it to update it to the current situation—agreements between nations, like flowers and children, last while they last.

Mr. DOGGETT. Right. And so it is a binding trade agreement. A contract, as the President referred to it.

And as a binding trade agreement, given the statutory authority that you and the President have to negotiate that is delegated by Congress, can you outline to us what you would anticipate after the agreement would be the timetable for submitting it to Congress for approval?

Ambassador LIGHTHIZER. Thank you. We have no intentions of submitting it to Congress. It is——

Mr. DOGGETT. Well, if it is a trade agreement, under Section 103, you are required to submit it to Congress, are you not?

Ambassador LIGHTHIZER. It is an executive agreement. We are not required to submit it to Congress. We have to submit at some point——

Mr. DOGGETT. It is——

Ambassador LIGHTHIZER. The President has the—I am sorry, Congressman.

Mr. DOGGETT. No, it is—yes, as you have agreed with the President, it is a binding trade agreement that you are seeking, you can seek it only through delegation of congressional authority. And you are required to submit such agreements back if you are lowering U.S. tariffs, which would appear to be the case.

Ambassador LIGHTHIZER. Well, let me just say that we are in no way—this is a settlement of a 301 action. The President is using

his power under Section 301, which has been delegated. And it is an executive agreement which the Constitution gives the President the right to enter into. We are not changing any tariff lines, we are not using TPA. And if we did, by the way, I wouldn't be here now anyway, because we wouldn't have gone through the process.

So this is not a TPP process. This is a settlement of a 301 action, and it is the President's constitutional authority to enter into executive agreement.

Mr. DOGGETT. Since we may not agree on that, let me ask you if you do agree that unless you get meaningful structural changes to address this stealing of our intellectual property and the other issues that are out there structurally that you outlined in your testimony, if all we get is the sale of a few more soybeans and other products, then this is an agreement not worth having, isn't it?

Ambassador LIGHTHIZER. I couldn't hear the last—

Mr. DOGGETT. I am just saying that the goal here is meaningful structural changes. And if we don't get them, this is an agreement not worth having.

Ambassador LIGHTHIZER. I agree completely with that statement. And right now we are 500, you and me—

Mr. DOGGETT. And let me just add how—

Ambassador LIGHTHIZER. I want—

Mr. DOGGETT [continuing]. Important it is, given—and I realize this is not in your direct jurisdiction, but I agree with my Texas Senator, John Cornyn, and the others who express concern about Huawei and its national security threat, that if there is any bargaining away of our national security to get this agreement, it would be with great harm to our country. Thank you.

Ambassador LIGHTHIZER. So let me just say, one, I agree with you on 50 percent of the things. And that is a—you get to the Hall of Fame if you—

Mr. DOGGETT. That is progress.

Ambassador LIGHTHIZER. Yes, that is. Now, we are usually at 90 percent. But I do not think it should just be a purchase agreement. I agree with that completely. The law enforcement provisions are outside of my purview; I have nothing to do with them.

Chairman NEAL. Thank you. The Chair would recognize Mr. Buchanan to inquire.

Mr. BUCHANAN. Thank you, Mr. Chairman, for this important hearing. I also want to thank the Ambassador for reaching out, really, to both sides. I know you have had a lot of meetings, you have a lot more meetings you are going to do. So I appreciate you doing that on a bipartisan basis.

I also want to just echo what many of my colleagues have said, in terms of enforcement. My experience—I happened to be in Beijing 20 years ago as a part of the U.S. Chamber, in a delegation there. Intellectual property was a big issue back 20 years ago, in terms of the theft. And I am not sure how far—there hasn't been any or much progress on that. It is still, as you know, a big challenge.

And the thought is whether the agreement is 150 pages or 1,000 pages, what I have learned in my business career, the agreement is only as good as the 2 parties involved. So I just want to go on

record also concerned about the enforcement. I am for free trade, but it has to be fair, and we have to level the playing field.

I want to switch gears to—I touched base with you the other day, but it is a big issue in Florida and, I think, across the country: Fentanyl. Last year, there was a 77 percent increase in deaths in Florida. China is one of the leading sources for Fentanyl. I know the President has had some discussions, and I think he said he had some commitments. Can you maybe expound on where that is at, in terms of Fentanyl and the Chinese ability to produce that, what we are trying to do as a part of this document, ideally?

Ambassador LIGHTHIZER. Yes. Well, thank you, Congressman. First of all, you are right. There is a long history of failure by China to protect intellectual property.

The first kind of modern example of it was a 301 that was brought in 1991 during the George Herbert Walker Bush Administration, and then between 2010 to 2016 there were 10 different commitments where they agreed to do certain things, which commitments I would suggest were not lived up to. And therefore, enforcement really is the biggest thing.

The President completely agrees with you on the issue of Fentanyl. He specifically raised it with President Xi when we were in Buenos Aires out to dinner. President Xi—I don't want to suggest that this is my area of expertise, because it isn't—but President Xi agreed that he would treat it as whatever the equivalent of a controlled substance is in China.

And this is something that the President views himself as having a commitment on. It may very well be something that we end up writing into this agreement. But it clearly is something the President views himself as having a commitment on, and that we are monitoring to see if there, in fact, are changes. It is very important to the country for all the reasons you said. I even made a veiled allusion to it in my opening statement: This idea of fighting opioids is as important as job training.

Mr. BUCHANAN. Let me add one other thing. I just want to put on your radar—I know you have a lot of things on your radar, but the ag community in Florida, forestry, a couple of years ago it did \$8.4 billion. It is a big industry in our State. And in terms of exports to China, that has dried up for various reasons. We can talk about that at a later date. I just want to make sure that is something you are considering or looking at, as well, as part of the agreement.

Ambassador LIGHTHIZER. No, I am. I actually—I have a list of specific issues that have been raised by Members that are appropriate for the agreement, and it is something that we have raised and will continue to raise.

Mr. BUCHANAN. Thank you, and I yield back.

Chairman NEAL. We recognize the gentleman from California, Mr. Thompson, to inquire.

Mr. THOMPSON. Thank you, Mr. Chairman. Thank you for holding the hearing.

Ambassador, thank you for being here. And thank you for your willingness to work with us and meet with us. You have been very open and very helpful during your time in this spot.

I have three issues. You have heard from me on a couple of them before. I would just like to reiterate those and raise one new one to you, and then let you respond accordingly.

As you know, my district produces the finest wine in the world, and China is the largest and the fastest-growing wine marketplace in the world. The 232 and 301 tariffs put a 39 percent tariff on our products. And we are having to compete with other new wine areas, Australia and Chile, with zero tariffs. So I just—I would like some assurance that you are doing everything you can to ensure that high-value-added specialty crop products have the enhanced entrance or enhanced access to the market. I know you are working on all agricultural issues and products.

And then the other ag issue is rice. You know, milled rice in California has been waiting for the promised access to the Chinese market ever since China joined the WTO. And they have been very, very helpful, as you know, and very understanding. And I guess I would like to have some idea as to how much longer they are going to have to wait, or whether or not we are close to the promised access.

And then the new issue that I want to raise today are the tariffs on building and construction materials. The National Homebuilders Association suggests that these tariffs equal about \$1 billion worth of tax on residential construction. And, as you know, affordable housing, the lack of affordable housing, is something that impacts all of our districts, every district in the country. And this just makes it harder to be able to build homes and get people into homes.

And in my district, in particular, we just went through a horrific fire, where we lost about 7,000 homes. And home owners are trying to rebuild, and they have seen the cost of building materials, coupled with the shortage of supply and the shortage of labor, just drive the cost of replacement to a point where they can't rebuild the home that they lost in the fire.

We have had these 7,000 homes in my district, and then the new fires up in the northern part of the State, in Congressman LaMalfa's area, and down in the southern part of the State there are thousands more. And this is really a setback for home owners who have already been through a lot.

And so I am just wondering: Is that \$1 billion tax really the best way to hold China accountable? And I concur that, you know, we need to hold them accountable, but is this the best way to do it, at the expense of people who are trying to rebuild and move into their homes?

Ambassador LIGHTHIZER. So thank you, Congressman. I would say, first of all, on the wine issue and, as you call them, high-value-added specialty crops, yes, they are very important. This negotiation is, we have all said, about structural change, structural change and enforcement.

But it is important that we have purchases, because the purchases will be good for specific people, and it will also get the deficit down, which I think is an important thing to do, directionally, for sure. And in that context we very much talk about high-value-added specialty crops. And wine, of course, is a great example of one. I mean, there is—it is a product where the United States

makes the best products in the world, so I would—I can attest to that, personally.

The second thing, rice, is complicated, all right? First of all, we are talking about rice in the context of the purchases, number one. Number two, as you know, we have WTO cases which we have—is the second one public yet? No? Well, we have one that we have won and one that is in the process. It will become public at some point. So, trying to resolve those in the context of this agreement is something that we are trying to do. So that is something that we have raised. But, as you know, rice is a funny issue in China. It is not—it has a different political context than a lot of these other things we are talking about. But nonetheless, we are trying to do that.

In terms of the billion dollars, I don't know the letter. I should look at it. I presume they are talking about softwood lumber, which I would say is a litigation matter, and I presume also steel and aluminum. I presume those are the things they are talking about. Yes, yes, I would assume that.

And each of them has their own context. I would say softwood lumber is a litigation thing that we would have to work our way through. Steel and aluminum, my objective, as many Members know, is to try to work out something with Mexico and Canada on those things. But I—

Mr. THOMPSON. We have run out of time, but thank you. And any other information you have you can get back to me with.

Ambassador LIGHTHIZER. All right, I am sorry. I will—

Mr. THOMPSON. Thank you.

Chairman NEAL. Now that we have established that California produces the best wine in the world, the Chair would recognize the gentleman from Nebraska, Mr. Smith, to inquire.

Mr. SMITH OF NEBRASKA. Thank you.

Ambassador LIGHTHIZER. I want to say Oregon and there are some other States that also have very good wine.

[Laughter.]

Maybe even—maybe Georgia, I don't know.

Mr. SMITH OF NEBRASKA. And the Nebraska wine industry is coming right along, as well.

Thank you, Ambassador, for joining us this morning. I appreciate that, certainly, you are dealing with a lot of issues, and we appreciate that you took the time to be here this morning.

President Trump has time and again expressed his concerns for our farmers and ranchers. He has certainly made the National Farm Bureau Federation annual conference and annual event part of his schedule. He has been steadfast in his insistence that agriculture be a part of any negotiations we undertake with the European Union. For this and much more, the rural community is appreciative.

There are many long-term issues to be considered in the China negotiations, including intellectual property issues, barriers to biotech products, and many other non-tariff trade barriers. However, I do want to make sure that we don't lose sight of the fact that commodity prices are down. And the bread basket of the world, being America, has been negatively impacted by the cumu-

lative impacts of the tariffs and, certainly, non-tariff trade barriers, as well. We should never lose sight of this fact in our deliberations.

Because it is so crucial, and these talks come to a successful conclusion, I am grateful for the President's personal involvement. I, along with many Members of this Committee, asked, last summer, that the President engage directly with President Xi to move these talks forward. I urge him to continue to do so, and to remember the sacrifices being made by our producers, ag producers, in your daily discussions.

In addition to China we need to continue to move forward with USMCA, we need to bring down the 232 tariffs on Canada and Mexico, and eliminate the retaliation our producers continue to endure in order to facilitate the agreement's approval.

I am grateful for the progress made in the Japan talks. Every day our producers face tariff rates higher than their competitors when doing business in Japan, which is a lost opportunity to expand and defend their market share.

So once again, time is of the essence. With the President's commitment to U.S. agriculture in mind, I would appreciate your thoughts on the 232 tariffs on Canada and Mexico, and also your outlook for the Japan negotiations.

Ambassador LIGHTHIZER. Yes, thank you very much, Congressman.

First of all, in the context of China, it is not just about purchases. We had many, many hours of discussion about a whole variety of issues which I won't go through, because most Members—well, most Members have at least some interest from biotechnology to specific issues involving beef, poultry, aquatics, or meats. I mean, it is just—I could go through it all. There is a lot on rice. I mean, beyond the purchase, there is a lot on just the SPS issues.

So we spend a lot of time on those. We actually had long discussions on Ractopamine, for those of you who are from the beef producing areas, with the Vice Premiere of China. So it was a pretty detailed discussion.

So, having said that, to sort of jump ahead, I want to go to Japan very soon. The date is probably going to be in the next month. I want to have a trilateral meeting there on this issue of China. I want to start our negotiations, which we have now—remember, we have gone through the process of TPA with everyone, with the Congress, and now we are beyond our 90 days, so we can start the actual negotiating.

We feel a certain urgency, a real urgency, because of the combination of market access from TPP and Europe and this sort of thing you alluded to that is going to have a real effect on our farmers. So it is something that we feel very strongly about.

On Canada and Mexico, in the context of maintaining the integrity of the steel and aluminum program, we want very much to work out an agreement with Canada and Mexico, and we are in the process of doing that. Whether we will succeed or not, I don't know. But it certainly is my hope that we will do that.

Mr. SMITH OF NEBRASKA. Thank you. I yield back.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentleman from Connecticut, Mr. Larson, to inquire.

Mr. LARSON. Thank you, Mr. Chairman. Thank you for holding this hearing.

Mr. Ambassador, thank you so much for your candor over the last several days. My question—and I hope to give you as much time as we can to answer—is we all—I think you can sense up here the bipartisan nature of our concern, as it relates to China. And so my question would be pretty straightforward.

How will you define success in our meetings with China and with a specific focus from the standpoint of a number of us here on both labor standards and environmental standards?

And how will that play into whether or not you feel the pending negotiations will be successful?

Ambassador LIGHTHIZER. Thank you, Congressman. I would say what we are doing and what we have to remind ourselves is in this context of settling a 301 case. So how I would define success—and, once again, I will try to repeat what I said before.

I really went through and tried to distill what everyone else—Members, business groups, farm groups, but also experts, people who actually study these things—and for me, success is, number one, enforceable; number two, real rules on forced technology transfer at every level of government, as Mr. Brady said, which is absolutely essential. Intellectual—minimum, intellectual property requirements.

And once again, this section is probably going to be—if we have an agreement, the IP section alone will be about 27 or 28 pages. It is going to be—this is long, detailed. But every one of you would say, “Oh, yes, that is what I would expect normal IP protection to be, right?” In other words, I am not inventing anything at all.

We have a series of items involving services. There are specific provisions that China has that keep us out of banking, out of electronic payment, out of a whole variety of things like that. And we—on many of those we have made substantial progress. And I would consider that to be—another chapter, I would say, would be non-tariff barriers. And this is, literally, how we negotiated this thing.

Non-tariff barriers, what is a big non-tariff barrier? That is these subsidies, these industrial subsidies which have the effect of making it possible for our people not only to compete, in many cases, in China, but to compete around the world. So that is another thing. There is a whole lot of things that we expect to gather on agriculture, and I kind of went through it on that. And we have made progress on a number of those.

One thing that we haven’t mentioned is we are negotiating currency restraints. A lot of Members are very concerned about currency manipulation and having access to the information that allows you to make a decision. So that is another part of these negotiations. And I am—to be honest, there actually are more, and I could make it even more detailed. But to me, that is how I am going to determine whether or not this is a trade agreement.

Now, keep in mind it is not like an FTA in the sense that we are going in there and going across the board. What we are going in there with is focusing on what was raised by—for the most part, what was raised by our 301. And if we do all of those things—and the Speaker said this, and it is not enforceable, and she said it in the context of USMCA, and it is not enforceable, and it is not very

valuable. So we have to have it be enforceable. And that—I think it will be for the first time. I think we will have an enforceable agreement.

Mr. LARSON. Thank you. I yield back.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentleman from Texas, Mr. Marchant, to inquire.

Mr. MARCHANT. Thank you, Mr. Chairman. Ambassador Lighthizer, thanks for being here today.

I don't know if you are familiar with the district that I represent, but when you land at the Dallas-Fort Worth Airport, you are in the middle of my district. It is the headquarters, the national headquarters for Toyota, Exxon Mobile, Fluor, Kimberly-Clark, et cetera. The businesses and major employers in my district are very vitally interested in what you are doing, and deeply appreciate your hard work on behalf of the country.

DFW Airport facilitates \$35 billion worth of trade. The Ranking Member, Mr. Brady, has an airport of similar stature in his district. So to us, in Texas, our ports are not only Houston, but our ports are the airports. And because of that, trade is very vitally important in my district.

I have a letter here from our Governor, Greg Abbott, that is a full-throated support of your negotiations. And I would like to put that in the record, Mr. Chairman.

Chairman NEAL. Without objection.

[The submission of the Hon. Kenny Marchant follows:]



GOVERNOR GREG ABBOTT

February 13, 2019

The Honorable Kenny Marchant
U.S. Representative, District 24
U.S. House of Representatives
2313 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Marchant:

I write today to express my support for the United States-Mexico-Canada Agreement (USMCA). As Congress considers the USMCA in the coming weeks, I ask that you pass legislation to approve the agreement. As you know, trade with Mexico and Canada is essential to the Texas economy, and without the certainty of an agreement, almost one million Texas jobs are at risk. Constituents in each of your districts depend on North American trade for their livelihood.

Moreover, the USMCA promises not just to maintain but to strengthen our trade relationships with our northern and southern neighbors. Over the last several decades, Texas's economy and workforce have flourished due to the accessibility of Mexican and Canadian markets and the free flow of imports and exports. The next generation of Texas companies and workers are on the cusp of reaping even greater benefits from this more just and modernized agreement.

Texas, perhaps more than any other state, depends on strong, stable trade relationships with Mexico and Canada. Mexico is Texas's number one trading partner; annually, Texas's exports to Mexico are over \$90 billion, and Texas's imports from Mexico top \$80 billion. Texas exports more than any other state to Mexico, and Texas is second behind only Michigan for exports to Canada. Today, Texas's unemployment rate is at an all-time low, thanks in large part to the almost one million Texas jobs that depend on trade with Mexico and Canada. In order for Texas' robust trade with Mexico and Canada to continue to thrive, Congress should approve the USMCA.

While some portions of the USMCA mirror current practices and protections, the agreement also contains many new provisions that are good for American and Texas businesses and workers. Under the USMCA, U.S. farmers and ranchers will benefit from increased access to Canadian markets for dairy, poultry, and egg products. Pharmaceutical and technology innovators will enjoy the strongest protections for trade secrets contained in any U.S. trade agreement. To

The Honorable Kenny Marchant
 February 13, 2019
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address the burgeoning global digital ecosystem, the USMCA contains a new digital trade chapter that will facilitate the cross-border transfer of data and minimize limitations on where data must be stored.

Notably, the USMCA balances policies steeped in principles of economic liberty with important protections for workers and the environment. The agreement includes new provisions to prohibit the importation of goods produced by forced labor, addresses violence against workers exercising their labor rights, and ensures that migrant workers are protected under labor laws. The USMCA is a comprehensive trade agreement that reflects the priorities and needs of Americans and Texans as we approach the third decade of the twenty-first century.

The USMCA is critically important to Texas. With your support, Texas will continue to lead the nation in exports and trade and will continue to grow jobs in each of your congressional districts. Please support its passage and implementation.

Sincerely,



Greg Abbott
 Governor

GA:ebk

Mr. MARCHANT. It is in support of your work on the USMCA. And he recognizes the importance of that. And we would like to make sure that this goes in the record, and make sure that you know he is in full support of the work that you are doing.

Because I have such an interest in my district, when I go to town hall meetings, what am I going to be able to tell my constituents is being accomplished in the China agreements and the China discussions that will be very important in getting things changed for my district?

Ambassador LIGHTHIZER. So thank you, Congressman. First of all, I have spent a lot of time at DFW. And if that entire airport is in your district, you have a very large district because I think that airport is bigger than some districts that Members have. It is the biggest thing I have ever seen. And I appreciate very much the Governor's support, and hopefully your support, for USMCA.

If USMCA doesn't pass—I have said this before—it would be a catastrophe across the country. But it would particularly be a catastrophe in Texas. It is just—I mean, it is just—it would be very bad on every level, way beyond economics, right?

And you know what I am talking about, and I won't dwell on that. But I am very appreciative of the—and the President is very appreciative of the Governor's—so when I look at this—and this is not just your district.

I don't know if you have—you must have a big district, if it has that airport in it. But if you have any agricultural products, there will be a substantial increase in those and a substantial reduction in barriers.

But I would say, when I talk to Members generally, the most important single thing that we are going to do is stop the non-economic transfer of technology; that technology really is what separates us from the rest of the world. And it is, for me—and I think this is true for most of you—it is, for me, what is going to ensure that our kids have the kind of jobs that we had, and better jobs, jobs that we want them to have. If we end up losing that technological edge, where we are number two in technology, then the world is going to look very different for our children. And that, literally, is what I think is—but I could talk about the various specific provisions.

But if we make headway to stop this transfer of technology and this unfair trade by this trading partner, it is going to have a huge impact in terms of jobs, and high-end jobs, in America.

Mr. MARCHANT. Thank you for the work you are doing, Ambassador.

Chairman NEAL. I thank the gentleman. With that, let me recognize the Trade Subcommittee Chairman, Mr. Blumenauer, to inquire.

Mr. BLUMENAUER. Thank you, Mr. Chairman. Mr. Ambassador, I think you have one of the toughest jobs in the Administration, and we appreciate your being here, we appreciate your openness and candor and discussions you have had with me and so many Members of the Committee on both sides of the aisle.

Frankly, I am a little concerned about the 301 tariffs. It is kind of a blunt instrument, a tax on everyday Americans and most businesses. And I am concerned that we have some sort of agreement

that results just in purchasing soybeans and airplanes. That is not sustainable. I am hopeful that this effort you have been involved with, and using the tariffs, that the negotiations result in some structural changes in order to be termed a success. And I am confident that is your goal, as well.

Any meaningful deal, I feel, must effectively deal with another long-term problem that has been vexing us for the last couple decades: Currency manipulation. The President made a campaign promise that he would have the Treasury Secretary label China a currency manipulator on day one of his presidency. Well, I am not so much concerned about that broken promise as I am whether or not we are moving forward.

It doesn't appear as though China has been actually manipulating in the last 25 months. I am concerned whether the Administration is focusing on ensuring China commits to transparency regarding its currency practices, addressing the potential that China will resume aggressive currency manipulation, damaging our economy.

In the past you have testified before this Committee regarding the detrimental impact of Chinese currency manipulation on our economy—and manufacturing, in particular. You have even called on the United States to change our trade remedy laws and bring a WTO case against it.

I have four questions. It has been claimed that there is already a deal reached on currency. Is that true? If so, can you tell us anything about the substance of that agreement?

In the past I have made a point in my support for trade agreements that we need to have our trading partners commit to stronger worker protections, environmental standards, currency disciplines, and that the commitments need to be meaningful. Are you seeking enforceable currency commitments from China?

And last, but not least, if you see indications that China is manipulating, what will the United States do? Does enforcement mean more across-the-board tariffs?

Ambassador LIGHTHIZER. Thank you, Mr. Chairman. So I would say, as you say, currency problems are something I have spent a fair amount of my time, not necessarily in my current job, but in previous jobs, worrying about.

And I would also say that it is not just a problem with China. It is a problem with a lot of other areas in Asia. And a reasonable case can be made that it has, at times, been a serious problem with Japan. And I know those of you who are in the automobile industry realize that. It was a substantial problem, and we lost a lot of jobs because of that, but also in some other areas. I don't want to name any other countries, but it has been a problem from time to time.

So it is something we have to focus on. There are costs in being the reserve currency, but one of them can't be that we lose—that, you know, the good people that go to work every day and have a competitive job lose their jobs. So it is something we have to focus on.

In here, is there agreement? There is no agreement on anything until there is agreement on everything. You know that from how these things work. But the reality is that we have spent a lot of time on currency. And it will be enforceable. But the agreement

will be enforceable. And I think there will be something on it. But I will talk to you offline.

Mr. BLUMENAUER. Yes, I would appreciate that.

Ambassador LIGHTHIZER. Yes.

Chairman NEAL. The Chair would recognize the gentlelady from Indiana, Mrs. Walorski, to inquire.

Mrs. WALORSKI. Thank you, Mr. Chairman. Thank you, Ambassador Lighthizer, for being here today.

Mr. Chairman, I ask permission to insert into the record a letter signed by over 150 trade associations, asking for a Federal Register notice that formally delays the increase of the List 3 tariffs from 10 percent to 25 percent.

Chairman NEAL. Without objection.

[The submission of the Hon. Jackie Walorski follows:]

AMERICANS FOR FREE★TRADE

February 27, 2019

President Donald J. Trump
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President,

On behalf of the Americans for Free Trade coalition, we are writing to commend your commitment to achieving a fair trade deal with China and for recent progress that has been made during negotiations. We are encouraged by your decision to avoid a tariff increase on March 2 and allow negotiations to continue ahead of a planned summit with Chinese President Xi Jinping. We urge you to publish a Federal Register notice immediately confirming and detailing your decision in order to provide certainty to the business community, making clear to all stakeholders that tariffs do not automatically increase on March 2. Further, it is our hope that this momentum will build in the weeks ahead and lead to a final deal that addresses structural issues in China, removes tariffs on both sides, and eliminates trade uncertainty facing American businesses and farmers.

Our coalition represents every part of the U.S. economy, including manufacturers, farmers and agribusinesses, retailers, technology companies, service suppliers, natural gas and oil companies, importers, exporters, and other supply chain stakeholders. Collectively, we support tens of millions of American jobs through our vast supply chains. We agree that China and other trading partners must be held accountable for trade violations. However, broadly applied tariffs do more harm than good and force American companies to foot the bill for China's misbehavior.

According to data released by our coalition, American businesses paid an additional \$2.7 billion in tariffs in November 2018 alone, the most recent month data is available from the U.S. Census Bureau. This represents a \$2.7 billion tax increase and a massive year-over-year increase from \$375 million in tariffs on the same products in November 2017. The data also shows that U.S. export growth hit its lowest level of 2018, thanks in part to a 37 percent decline in exports of products facing China's retaliatory tariffs. This data highlights that tariffs as a negotiating tactic will always be a losing proposition because Americans — not foreign countries — are the ones paying the price.

Due to these costs, American employers are eager to see trade negotiations conclude as soon as possible and for all tariffs to be lifted. Although we are encouraged by the latest signs of progress, it is important to note that existing tariffs and shifting deadlines are hanging over American businesses and farmers and undermining their ability to grow, invest, and plan for the future.

AMERICANS FOR FREE★TRADE

Mr. President, we applaud the hard work of your administration to achieve better trade deals for the American people, and we are encouraged by the progress that has been made. As negotiations continue, we urge you to continue to listen to the concerns of American businesses faced with significant uncertainty. We are eager to see a trade deal with China that addresses structural issues such as intellectual property theft and technology transfer while removing existing tariffs and the threat of tariffs in the future. Millions of American farmers, businesses, workers, and families are counting on you to achieve a positive resolution that keeps America competitive on the global stage while growing our economy and protecting the millions of U.S. jobs supported by trade.

Sincerely,

Accessories Council	Coalition of Services Industries (CSI)
Agriculture Transportation Coalition (AgTC)	Colorado Retail Council
ALMA, International (Association of Loudspeaker	Columbia River Customs Brokers and Forwarders Assn.
Manufacturing and Acoustics)	Computer & Communications Industry Association (CCIA)
American Apparel & Footwear Association (AAFA)	Computing Technology Industry Association (CompTIA)
American Association of Exporters and Importers	Consumer Technology Association
(AAEI)	Council of Fashion Designers of America (CFDA)
American Association of Port Authorities	CropLife America
American Bakers Association	Customs Brokers & Freight Forwarders Assn. of
American Chemistry Council	Washington State
American Coatings Association, Inc. (ACA)	Customs Brokers & Freight Forwarders of Northern
American Down and Feather Council	California
American Home Furnishings Alliance	Distilled Spirits Council of the United States
American Lighting Association	Electronic Transactions Association
American Petroleum Institute	Fashion Accessories Shippers Association (FASA)
American Pyrotechnics Association	Fashion Jewelry & Accessories Trade Association
American Rental Association	Flexible Packaging Association
American Specialty Toy Retailing Association	Florida Ports Council
Arizona Technology Council	Florida Retail Federation
Arkansas Grocers and Retail Merchants	Footwear Distributors and Retailers of America (FDRA)
Association	Fragrance Creators Association
Association For Creative Industries	Game Manufacturers Association
Association for PRINT Technologies	Gemini Shippers Association
Association of Equipment Manufacturers (AEM)	Georgia Retailers
Association of Home Appliance Manufacturers	Global Chamber®
Auto Care Association	Global Cold Chain Alliance
Beer Institute	Grocery Manufacturers Association
BSA The Software Alliance	Halloween Industry Association
Business & Institutional Furniture Manufacturers	Home Fashion Products Association
Association (BIFMA)	Home Furnishings Association
California Retailers Association	Household and Commercial Products Association
Coalition of New England Companies for Trade	Idaho Retailers Association
(CONNECT)	Illinois Retail Merchants Association

AMERICANS FOR FREE★TRADE

Independent Office Products & Furniture Dealers Association (IOPFDA)	National Lumber and Building Material Dealers Association
Indiana Retail Council	National Marine Manufacturers Association
Information Technology Industry Council (ITI)	National Restaurant Association
International Bottled Water Association (IBWA)	National Retail Federation
International Foodservice Distributors Association	National Sporting Goods Association
International Housewares Association	Natural Products Association
International Warehouse and Logistics Association	New Jersey Retail Merchants Association
International Wood Products Association	North American Association of Uniform Manufacturers and Distributors (NAUMD)
Internet Association	North Carolina Retail Merchants Association
Juice Products Association (JPA)	Ohio Council of Retail Merchants
Juvenile Products Manufacturers Association	Organization for International Investment
Los Angeles Customs Brokers and Freight Forwarders Assn.	Outdoor Industry Association
Louisiana Retailers Association	Pacific Coast Council of Customs Brokers and Freight Forwarders Assns. Inc.
Maine Grocers & Food Producers Association	Pennsylvania Retailers' Association
Maine Lobster Dealers' Association	PeopleforBikes
Maritime Exchange for the Delaware River and Bay	Personal Care Products Council
Maryland Retailers Association	Pet Industry Joint Advisory Council
Methanol Institute	Petroleum Equipment & Services Association
Michigan Chemistry Council	Plumbing Manufacturers International
Minnesota Retailers Association	Power Tool Institute (PTI)
Missouri Retailers Association	Precious Metals Association of North America (PMANA)
Motor & Equipment Manufacturers Association	Promotional Products Association International
Motorcycle Industry Council	Recreational Off-Highway Vehicle Association
NAPIM (National Association of Printing Ink Manufacturers)	Retail Association of Maine
National Association of Chain Drug Stores (NACDS)	Retail Council of New York State
National Association of Chemical Distributors (NACD)	Retail Industry Leaders Association
National Association of Foreign-Trade Zones (NAFTZ)	Retailers Association of Massachusetts
National Association of Home Builders	RISE (Responsible Industry for a Sound Environment)
National Association of Music Merchants	RV Industry Association
National Association of Trailer Manufacturers (NATM)	San Diego Customs Brokers and Forwarders Assn.
National Confectioners Association	SEMI
National Council of Chain Restaurants	Snowsports Industries America
National Customs Brokers and Freight Forwarders Association of America	Society of Chemical Manufacturers & Affiliates
National Electrical Equipment Manufacturers Association (NEMA)	Software & Information Industry Association (SIIA)
National Fisheries Institute	South Dakota Retailers Association
National Foreign Trade Council	Specialty Equipment Market Association
National Grocers Association	Specialty Vehicle Institute of America
	Sports & Fitness Industry Association
	Telecommunications Industry Association (TIA)
	Texas Retailers Association
	Texas Water Infrastructure Network
	The Airforwarders Association
	The Fertilizer Institute
	The Hardwood Federation
	The Toy Association

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The Vinyl Institute	US-China Business Council
Travel Goods Association	Virginia Retail Merchants Association
Truck & Engine Manufacturers Association (EMA)	Virginia-DC District Export Council (VA-DC DEC)
U.S. Hide, Skin and Leather Association	Washington Retail Association
United States Council for International Business	Window and Door Manufacturers Association
United States Fashion Industry Association	World Pet Association, Inc. (WPA)
US Global Value Chain Coalition	
CC Ambassador Robert Lighthizer, United States Trade Representative	
Secretary Steven Mnuchin, Department of the Treasury	
Secretary Wilbur Ross, Department of Commerce	
Secretary Sonny Perdue, Department of Agriculture	



Mrs. WALORSKI. Thank you.

Mr. Ambassador, it is great to see you again. We are always glad to have you here. When can we expect that Federal Register notice?

Ambassador LIGHTHIZER. Oh, that Federal Register notice is being worked on right now. The President has made the decision, and it is sort of in process. In the next day or so—the President has made that decision, he has made the announcement, and it will—we are following the legal process. We have a process where we go through—we have a process, as you know—

Mrs. WALORSKI. Right.

Ambassador LIGHTHIZER [continuing]. With other agencies, and there are certain steps we have to go through. But that is something that will happen, and it will happen according to the normal course.

Mrs. WALORSKI. And with that, when do you anticipate releasing more decisions for exclusion requests from Lists 1 or 2 of the 301 tariffs?

Ambassador LIGHTHIZER. So we are in the process of doing that right now. And those—in the first place, we have already granted more than 1,000, or almost 1,000, as you know. And things were sort of slowed down because of the government closure, but we are in the process of doing that right now. We expect another sort of tranche to come out fairly soon.

Mrs. WALORSKI. Mr. Chairman, I ask permission to insert into the record a letter myself and my friend, Mr. Kind, led that was signed by 167 of our colleagues, asking for an exclusion process for List 3 of the 301 tariffs.

[No response.]

Mr. Chairman?

Mr. KIND [presiding]. Without objection.

[The second submission of the Hon. Jackie Walorski follows:]

Congress of the United States
Washington, DC 20515

October 15, 2018

The Honorable Robert E. Lighthizer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Lighthizer:

We write today to urge you to establish a process that allows U.S. companies to request an exclusion from the recent tariffs imposed on \$200 billion of Chinese imports pursuant to the investigation into China's unfair trade practices under Section 301, consistent with those for the previous two Section 301 tariff lists. Such a process would afford U.S. companies the opportunity to seek relief if tariffs harm their global competitiveness and would help target the effects of the tariffs on China rather than on U.S. companies and their customers.

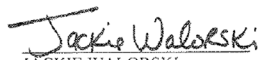
There can be no doubt that China has engaged in unfair trade practices, particularly when it comes to technology transfer, intellectual property, and innovation, as your March 2018 report made clear. We were encouraged that your office took a transparent and deliberative approach in developing the three lists of tariffs, including a notice and comment period and public hearings. We also appreciated that an exclusion process was set up to further refine the first two lists. However, the lack of such a process for this most recent list is a glaring omission, particularly given its size in relation to the first two lists.

An exclusion process is vital to ensuring that U.S. companies can seek relief in the event that there are no alternative suppliers or if other special circumstances exist that could harm their ability to compete in the global marketplace. The process should be fact-based, with criteria specified in the Federal Register for companies to meet to qualify for an exclusion. Such a meaningful process would allow U.S. companies to evaluate whether they meet the criteria and should devote resources to seeking exclusions.

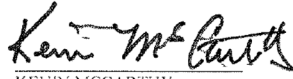
We thank you for your thoughtful approach as you have refined the three lists of tariffs on Chinese imports under Section 301. An exclusion process has been an integral part of that approach for the first two lists and must be a part of the recently-announced third list as well.

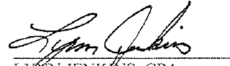
Thank you for your consideration of this request.

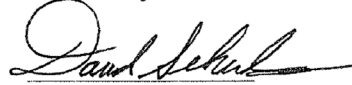
Sincerely,


JACKIE WALORSKI
Member of Congress

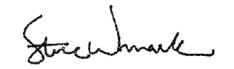

RON KIND
Member of Congress

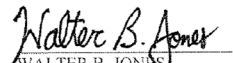

 KEVIN MCCARTHY
 Member of Congress

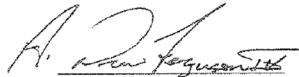

 LYNN JENKINS, CPA
 Member of Congress


 DAVID SCHWEIKERT
 Member of Congress

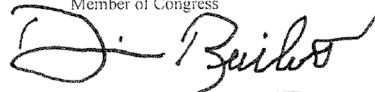

 BRIAN FITZPATRICK
 Member of Congress

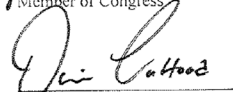

 STEVE WOMACK
 Member of Congress


 WALTER B. JONES
 Member of Congress

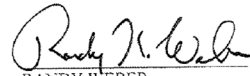

 A. DREW FERGUSON, IV
 Member of Congress


 NEAL DUNN
 Member of Congress


 DAVE REICHERT
 Member of Congress


 DARIN LAHOOD
 Member of Congress

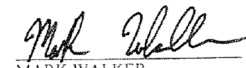

 MIKE BISHOP
 Member of Congress

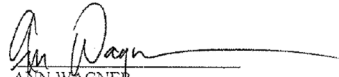

 RANDY WEBER
 Member of Congress


 JIM BANKS
 Member of Congress


 ADRIAN SMITH
 Member of Congress


 PETER J. ROSKAM
 Member of Congress


 MARK WALKER
 Member of Congress


ANN WAGNER
Member of Congress

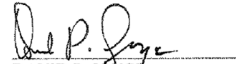

FRED UPTON
Member of Congress

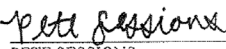

WARREN DAVIDSON
Member of Congress


ROB WOODALL
Member of Congress


DAVE TROTT
Member of Congress


GUS M. BILIRAKIS
Member of Congress


DAVID P. JOYCE
Member of Congress


PETE SESSIONS
Member of Congress

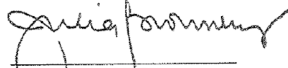

DAVID G. VALADAO
Member of Congress

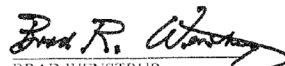

SUSAN W. BROOKS
Member of Congress


DOUG LIMALFA
Member of Congress


DAN NEWHOUSE
Member of Congress

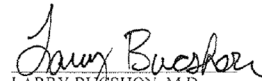

MIMI WALTERS
Member of Congress


JULIA BROWNLEY
Member of Congress


BRAD WENSTRUP
Member of Congress


ANN McLANE KUSTER
Member of Congress

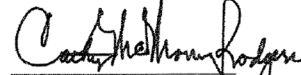

TOM MACARTHUR
Member of Congress


LARRY BUSHON, M.D.
Member of Congress

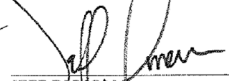

MARK SANFORD
Member of Congress


GLENN GROTHMAN
Member of Congress


SCOTT DESJARLAIS
Member of Congress

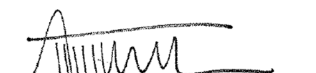

CATHY MCMORRIS RODGERS
Member of Congress


KYRSTEN SINEMA
Member of Congress


JEFF DUNCAN
Member of Congress

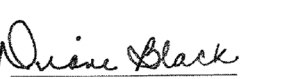

BARBARA COMSTOCK
Member of Congress

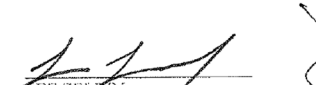

DAVID YOUNG
Member of Congress

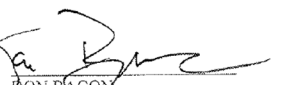

TED POE
Member of Congress

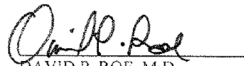

MARK MEADOWS
Member of Congress


KEVIN CRAMER
Member of Congress


DIANE BLACK
Member of Congress

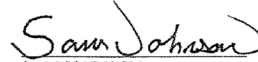

LEE ZELDIN
Member of Congress

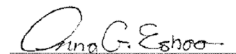

DON BACON
Member of Congress

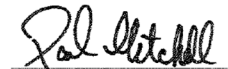

DAVID P. ROE, M.D.
Member of Congress


TOM MCCLINTOCK
Member of Congress

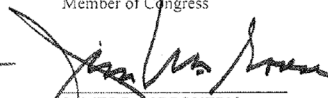

ERIK PAULSEN
Member of Congress

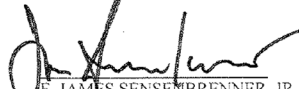

SAM JOHNSON
Member of Congress

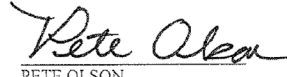

ANNA G. ESHOO
Member of Congress


PAUL MITCHELL
Member of Congress

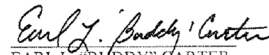

BRADLEY BYRNE
Member of Congress

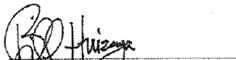

JAMES P. MCGOVERN
Member of Congress


F. JAMES SENSENBRENNER, JR.
Member of Congress

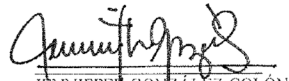

PETE OLSON
Member of Congress

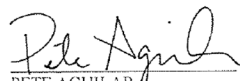

EDWARD R. ROYCE
Member of Congress

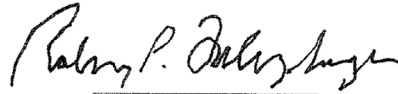

EARL L. "BUDDY" CARTER
Member of Congress


BILL HUIZENGA
Member of Congress


STEVE CHABOT
Member of Congress


JENNIFER GONZÁLEZ-COLÓN
Member of Congress


PETE AGUILAR
Member of Congress


 RODNEY FRELINGHUYSEN
 Member of Congress


 VICENTE GONZALEZ
 Member of Congress


 WILLIAM R. KEATING
 Member of Congress


 TOM COLE
 Member of Congress


 DUTCH RUPPERSBERGER
 Member of Congress


 SCOTT PETERS
 Member of Congress

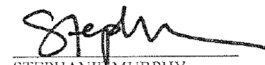

 JOSH GOTTHEIMER
 Member of Congress

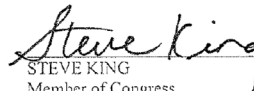

 CAROL SHEA-PORTER
 Member of Congress


 SAM GRAVES
 Member of Congress


 WILL HURD
 Member of Congress

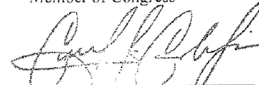

 MIA LOVE
 Member of Congress


 STEPHANIE MURPHY
 Member of Congress


 STEVE KING
 Member of Congress


 RALPH NORMAN
 Member of Congress


 SUZANNE DELBENE
 Member of Congress


 CARLOS CURBELO
 Member of Congress


JIM HIMES
Member of Congress


ZOE LOFGREN
Member of Congress


BARRY LOUDERMILK
Member of Congress


KEVIN YODER
Member of Congress

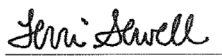

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ERIC SWALWELL
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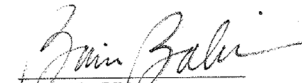

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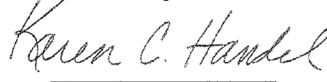

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 KAREN C. HANDEL
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 EARL BLUMENAUER
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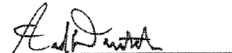

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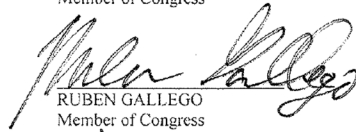

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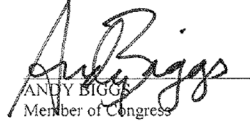

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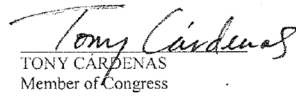

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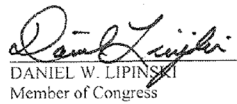

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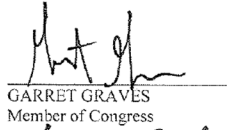

ANDY BIGGS
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TONY CARDENAS
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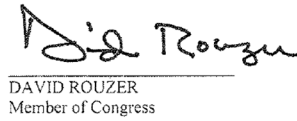

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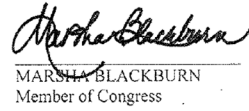

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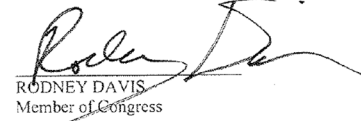

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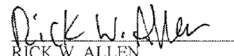

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VICKY HARTZLER
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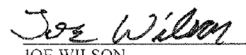

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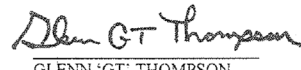

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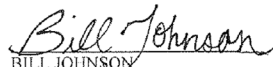

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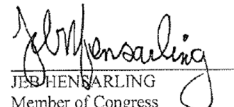

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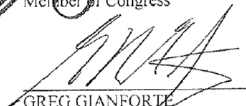

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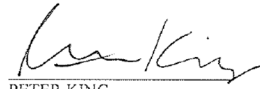

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 KEN CALVERT
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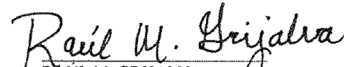

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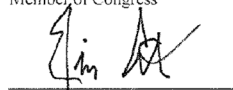

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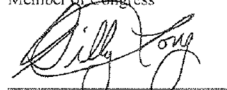

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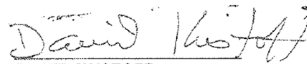

PETER KING
Member of Congress

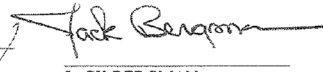

TROY BALDERSON
Member of Congress


RAUL M. GRIJALVA
Member of Congress

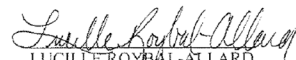

JIM COSTA
Member of Congress


BILLY LONG
Member of Congress

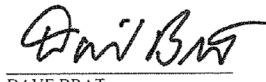

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JACK BERGMAN
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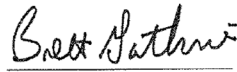

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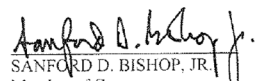

LUCILLE ROYBAL-ALLARD
Member of Congress


DAVE LOEBSACK
Member of Congress


DAVE BRAT
Member of Congress

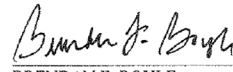

VIRGINIA FOXX
Member of Congress


BRETT GUTHRIE
Member of Congress


SANFORD D. BISHOP, JR.
Member of Congress


LISA BLUNT ROCHESTER
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 ROBERT E. LATTA
 Member of Congress

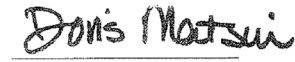

 BRENDAN F. BOYLE
 Member of Congress


 TED W. LIEU
 Member of Congress


 JACKY ROSEN
 Member of Congress


 MIKE THOMPSON
 Member of Congress


 JOHN YARMUTH
 Member of Congress


 DORIS MATSUI
 Member of Congress

[Laughter.]

Mrs. WALORSKI. Thank you.

Mr. Ambassador, there is obviously great support in Congress for an exclusion process for List 3, and we have chatted about it, and I appreciate that.

In fact, the most recent spending bill instructed USTR to establish a process within 30 days. We are almost halfway to that deadline. Do you expect to meet that 30-day deadline?

Mr. Chairman, I can't hear—

Mr. BRADY. Can you get that microphone, Mr. Ambassador?

Mrs. WALORSKI. Thank you.

Ambassador LIGHTHIZER. I would say, first of all, that was a report from the Appropriations Committee. I understand there are people in Congress who want us to have an exclusion process. It is something that we are looking at.

Our view until now has been that we would have the exclusion process for the \$50 billion, which was at 25 percent. The 10 percent, which is what you are referring to in this case, there would not be any exclusion process for.

I would note since the date that we put that into place, there has been a seven or an eight, depending on when you stop, devaluation of the Chinese currency. So the effect has been less significant than fully 10 percent on those people who are affected. And our hope is that we can deal with this in the context of our negotiations with the Chinese.

Mrs. WALORSKI. I—

Ambassador LIGHTHIZER. I—I am sorry?

Mrs. WALORSKI. Sorry to interrupt, I just—I also appreciate—I know you and I chatted—the constraints on resources that I understand you are facing with this exclusion process.

I recognize that the process for Lists 1 and 2 is tough to administer, and I know it is moving slowly, and that List 3 is kind of looming out there, at 4 times the size. And I understand that, as well. But can I just ask you this, as a close, here?

Is there a way to simplify things a little to take a load off of your agency? For instance, what about companies who are hurt because their only competitors are foreign, and are able to export finished products to the United States at little or no tariffs?

Ambassador LIGHTHIZER. We have a process right now that we are following that we think is fair, and it looks at the competitive effect, whether products are available in other areas, and whether or not it is a focus of China 2025. So we are happy with our current process. But it is a—as you say, it is a big, big process.

Mrs. WALORSKI. Mr. Chairman, thank you. I yield back.

Chairman NEAL [presiding]. I thank the gentlelady. Let me recognize the gentleman from Wisconsin, Mr. Kind, to inquire.

Mr. KIND. Thank you, Mr. Chairman.

Mr. Ambassador, thank you for your testimony today and for the outreach that you have been making so far this year. I am going to ask you to respond to a couple of questions in a moment, Mr. Ambassador, one of which is the level of cooperation and coordination you have with other nations in regard to what you are trying to accomplish, as it relates to China.

And the second one is in regard to the concern I have, that the longer this trade war with China lasts, the more market share we start losing in China, China pivots to other countries, and how difficult it is going to be to regain that market share. Because back home in my district in Wisconsin, my family farmers and manufacturers are getting hammered. We had record bankruptcies for family farms last year alone, with well over 800. That trend is continuing.

I am not saying this trade war is the sole cause, but it certainly is piling on right now. So those are the two questions.

But before I do that, I think it is safe to assume—and you probably heard it from most Members—that there is bipartisan consensus on the challenges that we face with China: The IP theft, forced technology transfer, forced joint ventures, what you are trying to accomplish in these negotiations. And there is bipartisan agreement on where we need to go and how we need to resolve this.

But there is a difference of opinion on the tactics being used. There was another approach, through a multilateral effort. I still believe that our summarily rejecting the Trans-Pacific Partnership is going to go down as one of the great strategic mistakes we made in the 21st century. This President, this Administration summarily rejected it without due consideration. Twelve nations in the largest and fastest-growing economic region in the world, the Pacific Rim area, came up with standards and rules that elevate up to where we are, and China would have been on the outside looking in.

It would have isolated them and put great pressure on them, whether it was prohibition on IP theft, on forced technology transfer, on joint ventures. It has strong labor and environmental chapters that are fully enforceable. An e-commerce and digital trade chapter; everything that we are trying to accomplish right now to elevate standards to where we are. A prohibition against localization rules was contained in the Trans-Pacific Partnership. Moving forward on that would have put, I think, incredible leverage on China, isolating them in the region.

And now we are on the outside, looking in. And China is able to help establish those rules of trade. At some point we hope to be able to find a way to get back in that agreement, rather than disadvantaging us from that.

But having said that, let me go back to the original questions I asked in regard to the level of cooperation and coordination with other nations right now in regard to China. There is strength in numbers. And I think, ultimately, China will respond to the collective will of the international community much better than the unilateral action that we are taking against them today.

And then, finally, the lost market access issue.

Ambassador LIGHTHIZER. So thank you, Congressman. I would say, first of all, getting out of TPP was the right decision. It was a bad agreement. It was poorly negotiated, and a car could have been manufactured 45 percent in Vietnam and 55 percent in China and sold in the United States duty free. It didn't do much on currency, it had a whole lot of problems.

And in any event, to get to your geopolitical problem, had China joined it, they wouldn't have lived up to the rules. We would have a problem, number one.

Number two, as you know well, we have FTAs with six of the eleven countries that are in it already. And of the other five, 95 percent of the GDP is in Japan, where, with your support and help, we are negotiating. Now I have stated my view, but I—this period of time prevents me from going into detail.

In terms of cooperation, we are trying to do it on two tracks. We do want to cooperate with other countries. As I say, we have the trilateral thing. We are trying your approach. I would say, though, that your approach by itself is less likely to be successful. And, indeed, was tried by prior Administrations unsuccessfully. So what we want to do is continue that approach, but also put in place unilateral action that the President has taken. And I would note that unilateral action is what has brought us to the point where we are now. We are, hopefully, on the verge of beginning to turn the corner.

In terms of—

Chairman NEAL. The gentleman will finish.

Ambassador LIGHTHIZER. Well, in terms of trade with China, we hope that we can get these barriers down, and we can do this before we lose our supply chains and our customers.

Mr. KIND. Okay.

Chairman NEAL. Thank you.

Mr. KIND. Thank you, Mr. Chair.

Chairman NEAL. Let me recognize the gentleman from Ohio, Dr. Wenstrup, to inquire.

Mr. WENSTRUP. Thank you, Mr. Chairman. Thank you, Ambassador, for being here with us today. A question a little off track from China, but it does relate to China.

My colleague, Terri Sewell, and I have introduced legislation to extend the Caribbean Basin Trade Partnership Act for another 10 years, from 2020 to 2030. It is an important program to the U.S. textile industry because it required the use of U.S.-made yarns. And for a country like Haiti, this Act allows their garment industry a fighting chance to compete with large Asian suppliers such as China and Vietnam.

And with the program set to expire and people trying to make investment decisions and production plans, certainty is important, important to U.S. companies. But especially when doing business in a least-developed country like Haiti, do you foresee support for re-authorization of this Act?

Ambassador LIGHTHIZER. Well, I am not prepared to say. I haven't studied it, I don't have an idea. The fact that you and Congresswoman Sewell are in favor of it certainly is a very positive indicator, from my point of view.

But I want to look at it. And I would also say that, generally, the requirements of U.S.-made yarn and textiles going forward is something that I have supported, as a matter of policy, in a variety of other areas. But I want to look at that so I can give you an informed opinion.

Mr. WENSTRUP. So it hasn't come up in any talks with China, and how it might affect them. So—

Ambassador LIGHTHIZER. Pardon me?

Mr. WENSTRUP. It hasn't come up in any conversations with China as how it might affect them, that they have a concern about it.

Ambassador LIGHTHIZER. No, that—it has not.

Mr. WENSTRUP. One other question when it comes to China's retaliation, if you will, and some of the effects on agriculture and their access to markets, you talk about some of the non-tariff barriers. And one of the things that has come to my attention is inspection requirements that aren't scientifically-based.

Can you elaborate on some of the things that they are doing in that arena, if you will?

Ambassador LIGHTHIZER. I would be happy to do that, Congressman. This is something that we spent an awful lot of time on. There are a whole lot of, as you know, technical barriers to trade, or non-tariff barriers to trade, depending on what term you want to use.

One of them that we spent probably the most time on, is this whole issue of biotechnology and their approval processes. In the United States, it can take 18 to 24 months to get an approval. In China, there are ones that after 7 and 8 years haven't had approval. It is a very complicated process, and it is one that has a very, very negative effect on the United States, because in many cases U.S. farmers will not introduce the technology themselves in the United States until it is approved in their major markets, one of which is China.

So we spent a lot of time on that. Hopefully, we made some headway. The time was spent both to change things systemically, and to put in time limits and the like. Whether we succeed on that, we will see. I don't want to suggest that we will, but we did raise it and talked about it a great deal, that there would be science-based decisionmaking, because right now there is not science-based decisionmaking in many, many cases. That there be time, and that—and we have a long pipeline of things that have been stacked up for years and years and years and years and years.

So we understand how important this is. They are changing their process and getting it, really, more in line with the international norms, which is something we spend a lot of time on, and have it be science-based. So we will see how that turns out. I don't want to suggest that those talks are over. We spent a lot of time on it, though, and we realize how important it is.

Mr. WENSTRUP. Yes, thank you very much. I appreciate it.

Chairman NEAL. I thank the gentleman. Let me recognize the gentleman from New Jersey to inquire, Mr. Pascrell.

Mr. PASCRELL. Thank you, Mr. Chairman, and thank you, Ambassador, for fulfilling article 1 section 8. It is very clear that the Congress has a major role, the major role, under article 1 in trade negotiations. And I thank you for appearing before us.

China needs to provide, we agree, greater access for U.S. services firms and allow them the ability to invest and operate independently from state-owned enterprises and competitively in the financial services technology and audio-visual sectors.

Beyond the scope of the 301 report I want to ask you about two things quickly. One, it has been reported that there will be a

memorandum of agreement on currency in this deal. I have read your comments from the 2010 U.S.-China Security and Economic Commission, in which you laid out your standards for combating currency manipulation. You laid them out very clearly.

You argued in that presentation that China's practice of currency manipulation, it constitutes a countervailable subsidy under our CVD law. I agree. I have a bill that would treat it as such. You argued we should be "imaginative" in dealing with this issue, including restricting imports, or even requesting compensation for value of lost market access.

Do the terms you have reached with China on currency live up to your own standards on currency? Mr. Ambassador, make it as short as possible, thank you.

Ambassador LIGHTHIZER. I am not very good at that.

[Laughter.]

Mr. PASCRELL. None of us are.

Ambassador LIGHTHIZER. I would say, first of all, I would think, without question, that the President has been imaginative, right? The whole 301 approach we have used has been something that people haven't used before, and it has had a huge difference. So I feel very comfortable that I passed my own standard of imaginative.

And I might say in the case of the President, gritty, right? He had the grit to get this done.

In terms of currency, there is—it is certainly our objective—and once again, these provisions are never agreed—the only thing that is agreed to is that there be commitments not to do competitive devaluations. As Congressman—I think it was Thompson said, it is complicated, what has happened in the last couple of years, where we are on that. And I could argue that round or I could argue it square.

Those kind of decisions on currency manipulation are not made by me, of course. They are made by the Secretary of Treasury. But they are complicated issues. But without question, in the past China has used currency manipulation. And our desire is there be commitments like that, as well as commitments to a certain amount of transparency.

Mr. PASCRELL. I hope for another meeting, Ambassador. We will talk about the relationship between your job and the Treasury's job, in terms of trade, and where exactly does the Congress fit in.

Do you think labor or environmental issues are in the scope of the 301 negotiations?

Ambassador LIGHTHIZER. I would say, to the extent that they are involved in these unfair trade practices, they are. But this is not like a free trade agreement, where we are going across the board and looking at a whole variety of very important issues. So my scope is narrow here, because it is based on 301.

And by the way, I would love to work with you and other Members who want to sit back and figure out a way that we can create new statutory authority that allows me to use something like 301 in these areas. I would love to sit down and talk to you—

Mr. PASCRELL. Mr. Chairman, can I just add one sentence?

Chairman NEAL. Please.

Mr. PASCRELL. All right. If your answer to my question is that, as I point out, the agricultural market access is not in the scope of the 301 report, but you are negotiating these anyway.

And so, you know, consistency, consistency. I am not really—that is not my—the essence of my question, my point, which—my time is up. But I wanted you to take a look at that, because it has caused some confusion. And I would like some clarity on it, if at all possible. Call me, write me, whatever you can do.

Thank you, Mr. Chairman. I yield back.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentleman from Kansas, Mr. Estes, to inquire.

Mr. ESTES. Thank you, Mr. Chairman, and thank you, Ambassador Lighthizer, for joining us today.

You know, as a Representative from the bread basket of America, trade is a critical issue for my district and for the State of Kansas. In fact, according to the U.S. Chamber of Commerce, trade supports over 108,000 jobs for these exports, and a value over \$17 billion for the economy in our State.

Before I focus on trade relationships with China, I want to first thank you for your work on upgrading NAFTA and replacing it with a U.S.-Mexico-Canada free trade agreement. You know, Canada and Mexico are Kansas' top export markets worth about \$3.5 billion. And since its adoption, NAFTA was really beneficial for my district, particularly the farmers, ranchers, and aerospace manufacturers.

But the 20-year-old agreement did need some upgrading, and some reform efforts, and I am thankful that they have done that. And hopefully, we can get through this process and get that ratified quickly, so that we can move forward with some of the other important issues that you are working on.

So let's go back today and focus, as we want to, on China. You know, tariff retaliation from China has threatened Kansas exports worth about \$525 million to China, led by a lot of grain products—soybeans, sorghum, cotton, and beef—as well as aircraft manufacturing and other manufacturing.

As a big supporter of free and fair trade, I believe a prolonged trade war with these tariffs is not the final outcome that any of us want.

You know, as I talk to Kansas farmers and manufacturers in the district, I have heard over and over again how they support the President and believe we can get a better trade deal negotiating through their strength.

One of the things I think our colleagues on both sides of the aisle would agree with is that China has been harming American businesses and workers for decades. In fact, we have seen so much cheating over the years that it is having a drastic impact.

You know, for example, in 2013 a Chinese national was arrested in Kansas for attempting to steal some intellectual property regarding research pertaining to rice seeds, and trying to send that to scientists in China. So I am proud that President Trump has been one of the first Presidents to stand up to these unfair trade practices, and hope to bring China to the table in a meaningful way to help make sure we have free and fair trade agreements.

Since we have entered these negotiations with China, there has been a lot of positive steps. And we want to make sure that we continue moving forward with some of those positive activities.

I don't want to stop there. You know, as I mentioned earlier, China has threatened exports from Kansas worth \$525 million. And one of the things we want to make sure that—you know, as I talk with constituents, particularly with—both in the farming community, as well as aerospace—hopefully, we can work on making sure that the retaliatory and regulatory practices are fixed.

And so I just want to talk a little bit about what you are seeing in that regard, in your negotiation of correcting those unfair practices.

Ambassador LIGHTHIZER. Well, you know, thank you very much, Congressman. Thank you, specifically, for your support of USMCA. As you know, that is our top priority. And if the Congress doesn't see fit to pass that, then everything else we are talking about is kind of like a footnote, because it will mean we can't do trade deals, and we can't—we are not going to be in the trade space. I mean it is just—it would be such an admission of failure by all of us. So I am very grateful for your support in that area.

I would also note that we talk about manufacturing jobs being lost because of Chinese practices. The reality is that farmers have been hurt as much as anyone by their practices. That is a huge market. They are the second or third biggest agricultural market, if you skip over 2018 and go back to 2017 and traditional years. But the reality is they should be buying much, much more agricultural products. And my hope is that these purchases, as part of this, while not central, will lead to that, will lead to new markets that will go on for years and years and years.

Mr. ESTES. All right. Thank you, Ambassador.

Mr. Chairman, I yield back.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentleman from Illinois, Mr. Davis, to inquire.

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

And, Mr. Ambassador, thank you. I thank you for the work you have done and the work you are doing, and for the candor in responding to inquiries and questions.

I represent an area in Chicago known as Chinatown. And I am trying to figure out what it is that I say to the Chinese-American Chamber of Commerce there when I go and meet with them. And so I would like to know as specifically as you could, when it comes to disregard for intellectual property protection, currency manipulation, and market access for U.S. businesses that are trying to do business in China, given the fact that it is an enormous market, what can I say and tell the Chamber of Commerce in Chinatown that I am doing, or we are doing, or you are doing?

Ambassador LIGHTHIZER. Well, you know, thank you very much, Congressman.

I would say this, first of all. Chinese-Americans and Chinese—many Chinese businessmen themselves, but Chinese-American businessmen universally—have said to the President and to me for the President, “Hang tough. This is really, really, really important. We have to do things that lead to reform in China. We are not forcing reform in China. We are working with reformers in China who

want to reform China.” And nobody knows better how important that is than Chinese-American business people, men and women. They absolutely know what the problem is.

And they realize also what the potential is if China takes a step forward and changes these practices, the potential for them—and, really, the potential for us—but also I would say the potential for China is enormous. And that is why, in fact, China has reformers, and that is why it has people who want to change some of these policies.

The reality is that all of our businesses—and their group probably more than any—are afraid to do business. At some tier they are afraid to do business with China because they will lose not only what we think of as technology, but also know-how, just how they do business, that they will not have their intellectual property protected and respected, and there are huge markets that they could open up if we get this kind of thing reformed.

But I would be really interested the next time you go back and do that and talk to them. If you call me and tell me, I will come up and talk to you, because I would be very interested to know what their reaction is to what we are doing. I find these people follow this stuff really a lot closer than most Americans do. And when I talk to them, they are like, “Hang tough. Don’t go for the soybean solution. Go for the structural change. This is our one chance.” I would be really interested to get your feedback after you talk to these men and women.

Mr. DAVIS. We will make sure we do that.

Thank you very much, Mr. Chairman, and I yield back.

Chairman NEAL. I thank the gentleman. Let me recognize Mr. Schweikert to inquire.

Mr. SCHWEIKERT. Thank you, Mr. Chairman.

Mr. Ambassador, let’s face it. Some of the best questions have already been asked. So I actually have a one-off. How do we future-proof? Let’s say you have amazing success. You know, the angels sing, whatever happens. What do we do to future-proof a success?

Is it time that those of us here in Congress have a serious discussion on streamlining the WTO? Should we discuss its level of being almost ineffectual, you know, the number of filings that, when we read through them we are a decade later and a tweak has been made, and the bad acts are still happening?

What do we do so we are not back having this same discussion a year, 2 years, 3 years from now?

Ambassador LIGHTHIZER. Okay, well, thank you, Congressman. I want you to know that after the number of hearings that I have done before the Committee, whenever I think of the future I think of you. You are always going to ask me a question about—that I should be thinking more about the future. So I—

Mr. SCHWEIKERT. That is either a good thing or an annoying thing.

Ambassador LIGHTHIZER. Well, I—it is a good thing, in my opinion. It is—we all have a tendency to think about the here and now probably more than we should. So thinking about going off into the future is something we should be doing.

I would say, number one, having a—realistically, having a real enforcement process. That enforcement process is going to—as you

resolve issues, if you are doing it properly, you are going to be resolving issues in ways that turn up new problems and new trends. And I think you have to be able to deal with it in that process.

And, as I have tried to say, I am not Pollyanna. I don't believe that this is going to solve all the problems between the United States and China. We have very different systems. They are in a process of reform, or they are not. It depends on who you talk to. If they are in a process of reform, we will make headway. If they are not, we are going to go right back to having problems.

But I think there is a role for the international bodies. I absolutely do. And I think WTO reform is an important part of it.

Mr. SCHWEIKERT. With that, if it is a process, the sins on the bilateral organizations, is it the timeline, the ability to stall, or is it just the actual adjudication process itself? What can we help in reforming so we are not doing this all the time?

Ambassador LIGHTHIZER. I would say, first of all, trying to look to the future and to reduce problems is a healthy and important process. But I believe we are going to have problems, anyway. So I think we are going to be back here and we are going to be working our way through problems, and trying to work through those problems always with one eye to the future.

But this enforcement process, if we have an agreement—and once again, we don't have an agreement—will be very specific. It will have layers, it will have timeframes, and there will be reaction. And working with Congress on WTO reform is something that I am eager to engage in at—you know, when your schedule permits it. I think there are problems at the WTO that we have to address, and it hasn't risen to the occasion with respect to at least non-market economies.

Mr. SCHWEIKERT. Mr. Chairman, look, to that point, one of my great interests is, you know, I believe there are technology disruptions, there are always economic disruptions, there is, you know, financing technology that is going to create international disruptions. And we will need some types of dispute mechanisms that move efficiently.

How many times have we had constituents come into our office saying, "Well, we were part of this WTO complaint, but by the time we dealt with the lawyer fees and everything else, we are sitting here, you know, a decade later, we gave up." And I am—it would be a powerful thing, as we look at this all over the world. Can we be helpful in fixing that process?

And with that I yield back, Mr. Chairman.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentlelady from California, Ms. Sánchez, to inquire.

Ms. SANCHEZ. Thank you, Mr. Chairman, and thank you to Ambassador Lighthizer for joining us today.

A number of my colleagues have mentioned enforcement mechanisms. And I am wondering if you are able to share with any specificity how you intend any agreement with China to be enforced.

Ambassador LIGHTHIZER. Well, thank you very much, Congresswoman. I would say I will do it with limited specificity.

Ms. SANCHEZ. Okay.

Ambassador LIGHTHIZER. So there will be—if we have an agreement there will be a process that has been agreed to where,

at the office-director level, there will be monthly meetings, and then I will go through the process and then I will take a step back. At the vice-ministerial level there will be quarterly meetings. And then there will be semi-annual meetings at the ministerial level. That would be me and the Vice Premiere, who is my counterpart in this.

And the idea is two things: One, individual companies will come to us with complaints about practices, and we will be able to work those through the process. In many cases, those are going to have to be anonymous, because companies are afraid to come forward, because they know what will happen if they do. They will have real-world effects. It will be negative.

And then, in addition to that, there will be systemic problems, where we will see patterns developing, and a series of things that we disagree with, and we will bring those through the process. Hopefully, in most cases, they will be resolved at the first or second level. If not, they will be resolved at my level. And if there is disagreement on my level, then the United States would expect to act proportionately, but unilaterally, to insist on enforcement.

But without that kind of thing—and I should say this is a fairly unique idea, right? I mean, this is not something that has a lot of precedent. But without that sort of thing, to me, we don't have real commitments.

Ms. SANCHEZ. Thank you. That is helpful because, of course, many people complain that if there is no enforceability, then our trade agreements are not really worth the paper that they are written on.

And I know that there are a number of moving parts in the ongoing negotiations. But one sector that I want to call to your attention, because it is very important to the economic viability of southern California, is the creative industry.

Ninety-five percent of people who are involved in the creative industry in LA are union workers who have quality negotiated benefits and retirement plans. And the audio-visual sector at large is pretty much hamstrung by how to invest and distribute in China.

Specifically, I want to call your attention to current MOU negotiations. I want to call to your attention a commitment that was made by the Chinese in 2012, in the 2012 film agreement. They said that in 2017 they would provide "additional meaningful compensation" in terms of increasing revenue shares to U.S. studios. And it seems clear that a revenue share of at least 40 percent of gross box office would be consistent with international norms.

Given that resolving this issue would be indicative of China's compliance with the WTO obligations under a trade dispute settlement, can you confirm that is a priority for the negotiations in a trade deal with China?

Ambassador LIGHTHIZER. Yes, Congresswoman. Absolutely, it is a priority. It is something we have spent a fair amount of time talking about. They know precisely where we are. As you know, it is a complicated issue. The key point—revenue sharing—isn't that complicated, though.

They can try—I mean, Secretary Mnuchin has been very much involved and he, of course, knows a great deal about that industry,

a lot more than I do. The distribution thing becomes more complicated. There should be some changes there, too.

But what we haven't done is things that will challenge control, right? It is not something that we want to bring into this, the idea of challenging control in China. But this idea, the revenue sharing, the—I don't want to get into the details, but I think you probably know them exactly as well as I do. That is something that has not been resolved, and something we have spent time on, it is something we understand the importance of.

Ms. SANCHEZ. Thank you. I appreciate that, and I yield back.

Chairman NEAL. I thank the gentlelady. Let me recognize the gentleman from Texas, Mr. Arrington, to inquire.

Mr. ARRINGTON. Thank you, Mr. Chairman. I was going to refrain from bragging about west Texas, but I had so many of my colleagues talk about their districts, so let me just say, Mr. Lighthizer, west Texas is the food, fuel, and fiber capital of the United States of America. We feed and clothe the American people, we fuel the American economy—that is fossil and renewable—and we provide energy independence and food security. And I am proud to represent our hard-working farmers and ranchers, and they are concerned. And these are desperate times.

And I know you know this, Mr. Ambassador, but—and by the way, good work, great work, hard work. And I know this is a long-term proposition, it is a long-term game-changer, and nobody knows about the inequities and the unfairness and the way the Chinese—their bad actions and unfair trade practices better than our farmers out in west Texas, especially our cotton farmers. So keep up the great work.

But times are tough. And I just want to remind you that over the last few years we have seen a decline of over 50 percent in farm income in the United States ag industry. That is the steepest decline since the Great Depression. We have seen a 40 percent, roughly, increase in bankruptcies. And I am sad to report that farmers have the highest suicide rate in the United States of any profession, five times the national average. Times are desperate.

And our farmers, in spite of that, and our ranchers, they stand with this President 100 percent. They will stand with him right up until they have to sell the family farm. But they love him, and they appreciate him, and they know that he is fighting for them.

Let me talk about cotton, because when you fly into Lubbock International Airport, you are going to land in the largest cotton patch in the world. We produce about a third of the world's cotton that we export out of the United States. But we have lost 50 percent of our market share in China, and it is an awfully big market.

We want reforms, Mr. Ambassador. We want the equitable, reciprocal, and enforceable, structural reforms that you talk about. We are Americans first. We want that for every American job creator, manufacturer, and producer.

But you have mentioned this, the purchase commitment, and we have heard a lot about soybeans, a little bit about pork. Talk about cotton, because we have a 17-State Cotton Belt, a \$21 billion industry. We produce the most and the best cotton in the world. But that Chinese market, as a result of that 50 percent loss, our guys are

suffering. Can you talk about cotton being mentioned in your purchase commitment discussions with the Chinese, please?

Ambassador LIGHTHIZER. So, first of all, thank you for that, and particularly for the comments about the support for the President. As you know well, you can't talk to the President about trade without having the farmers come up, right? It is like the first thing he talks about, it is usually the loudest thing he talks about, too.

He is—and Secretary Perdue, as you know, is—I don't know all the secretaries of agriculture, but I can't imagine there was ever a better one. He is just full-on everything for agriculture. And we happen to be in the middle of a long-term trend that has been very bad, so all of that is appreciated, and the President keeps us very focused on it, as does the Secretary.

In terms of the purchase commitment, absolutely, cotton is a factor. It is something that China needs, has traditionally bought, and it is easy to buy more of. So it is something we understand—that these people have suffered—and it is something that is on the list of things we expect them to have substantial increases on, and it is something the President keeps us very focused on.

And I have specifically gone through with the President the various items, so I am talking to the President of the United States about these numbers for these ag products—and, by the way, it is these big commodity items—it is hazel nuts—I mean, there are a lot of things that I have had Members talk to me about, and I keep track of them, and I go through them dutifully.

Mr. ARRINGTON. You are doing a great job. Thank you.

Thank you, Mr. Chairman, I yield back.

Chairman NEAL. I thank the gentleman. Now, based upon the ratio present in the room, we will now move to two Democrats and then recognize one Republican.

Ms. DelBene is recognized to inquire.

Ms. DELBENE. Thank you, Mr. Chairman, and thank you, Mr. Ambassador, for being here with us today.

I was pleased last month. We saw 76 countries agree to start negotiations to develop global rules on e-commerce. However, I am concerned that the recent inclusion of China in these talks could weaken those overall efforts and lead to a watered-down agreement, since their current digital regime is so radically different than ours.

In your bilateral talks with the Chinese, are you pushing them to address critical issues like data localization, forced disclosure of source code, restrictions on cloud service providers, and banning customs duties on electronic transmissions? This would not only help many American companies operating in China, but would also help make China a more constructive partner in important multilateral negotiations like the e-commerce initiative.

And if we don't address these issues immediately, we risk creating new digital borders, and those digital borders could create massive disruptions in the digital supply chains that we have. So I would love your thoughts on how you are addressing these issues.

Ambassador LIGHTHIZER. Well, thank you very much, Congresswoman, but you know this is something that I care about. So I am putting this in the soft ball category.

Number one, I completely agree with you. Strategically, what we should be doing is having a small group that writes real rules on e-commerce, and then expand the group to other people. The more people you bring into the negotiation, the harder it is to get any rules that you and I would think of, and many other Members would think of, as actually world-class kinds of rules.

The kind of rules we need, by the way, I would just point out, are in USMCA, right? That is, like, the gold standard for all of this stuff. It is the absolute gold standard for all this stuff. And it is probably a bridge too far, with respect to some of these people. But I think bringing China in will not help these negotiations. That is number one.

Number two, are we dealing with these issues with China? Absolutely. We spend an enormous amount of time on data localization, on data transfer, on source codes, and on requirements in a whole variety of areas. And I mean down to absolutely the most minute detail. And I am happy to sit down with you at some point and kind of go through it, just so you can get some actual appreciation. But, I mean, it is me sitting down with the—you know, among the most senior officials there, talking about precisely where there are circumstances, and which is appropriate to require source codes.

And there are some, I mean, you know, emergency meetings. I mean, there are some strange things. But we have had a very—we haven't concluded, we are not done yet, but we have made headway. It is—whatever it is, it is not going to be what you and I think of as a model agreement, but we will make substantial progress, I believe.

And these are really, really important issues that—and I agree completely with you, this is one of those things where we should lock in rules that stop barriers in the beginning of an industry. Once you get protectionism set in all over the world it is much harder to change practices than it is to have people adopt best practices at the beginning. And so it is very important.

It is also a big issue for—just colloquially, for us. We are good at it, and we ought to have that—

Ms. DELBENE. So, as you know, U.S. technology companies, and specifically cloud service providers, face significant market restrictions and forced technology transfer requirements in China. The 301 tariffs also impact them because other key inputs to data centers are subject to these tariffs.

And so, particularly talk about that. I would like to know what your commitments are to pursuing forced technology transfers. But also, are you looking at things like eliminating foreign equity caps and licensing requirements, so that U.S. companies don't have to rely on Chinese companies to operate?

Ambassador LIGHTHIZER. Yes.

Ms. DELBENE. Thank you. I know we are out of time. We can follow up more at a later date.

Thank you, Mr. Chairman.

Chairman NEAL. I thank the gentlelady. With that, let me recognize the gentlelady from California, Ms. Chu, to inquire.

Ms. CHU. Yes, Ambassador Lighthizer. I represent Los Angeles, the heart of the film, television, and music industry. And also, I am Co-Chair of the congressional Creative Rights Caucus. And I want-

ed to follow up on what you said earlier about the unfair practices affecting the film industry.

Part of the unfair practices has to do with the revenue share, of course. The average for the nation in terms of revenue sharing with regard to films in China is 40 percent. But for the United States, the revenue sharing is 25 percent. And so that, I believe, is so important to address.

But on top of all of this, the U.S. film industry brought a market access case against China to the World Trade Organization. The World Trade Organization ruled in favor of the film industry, and an MOU was entered into by both parties. And in that MOU the Chinese committed to engaging in consultations in 2017, and to providing additional meaningful compensation, in terms of that revenue share.

So my question is have they engaged in those consultations, which were supposed to be done in 2017? And if not, what is your plan for enforceability in this regard?

Ambassador LIGHTHIZER. So we have had discussions, and we have had discussions that predated the current 301 process. But now, because we haven't made sufficient progress, we are folding them into this 301 process. And it is one of the services issues.

The revenue share, as you said, is crucial, but crucial also is trying to make some improvement on the distribution side of things, because the reality is that competition there helps also.

You know, I don't know if I can predict success. I would say they are very difficult negotiations, you know, as of the last time they were here. But your industry is very well represented by you and other Members, and by MPAA. We are focused very much on it. And I think making it part of these negotiations increases the likelihood of a successful outcome.

But it is a difficult issue. You find, just philosophically, all these kinds of areas that you sort of dig in, and you say why is there this or that protectionism, and it is almost always the situation where there is an interest in the other country because that country is getting richer as a result of it. It is very seldom philosophy, although there are cases where it is.

But in this case, there are people there who make money on, basically, squeezing us, number one. Number two, they want to develop their own industry.

Ms. CHU. Yes.

Ambassador LIGHTHIZER. So there are—I don't have to go through it. You know the reasons why we have this problem. But it is something that we are focused on. Hopefully, we will come to a conclusion. We are not asking for the moon at all. What we are asking for is what is normal.

Ms. CHU. Well, I thank you for continuing to press on that issue in these trade negotiations.

Also I wanted to make a statement about a company in my district, iRobot, which employs 675 American workers, engineers, scientists, and which developed the famous Roomba, the robotic vacuum. So it employs many people in my district, but the Roomba is manufactured in China. And the iRobot is on that third list of tariffs. Right now, iRobot is paying 10 percent in retaliatory duties, but it may go up to 25 percent if the deal is not reached.

And so they are very, very anxious about having some way to apply for exclusions for that third list, and I just hope that you can make that process happen.

Ambassador LIGHTHIZER. Well, I have certainly taken the position that if we go to 25 percent, we will—I have made that commitment—have an exclusion process. Short of that, I want to see where we are. And I hope that they are thinking about ways to manufacture more in the United States.

Ms. CHU. Yes—

Chairman NEAL. I thank the gentlelady. With that, let me recognize the gentleman from North Carolina, Mr. Holding, to inquire.

Mr. HOLDING. Thank you, Mr. Chairman.

Mr. Ambassador, it is always a pleasure. I am very glad to see that the Administration is willing to tackle China's unfair trade practices, rather than just talking about it and complaining about it. I think we have bipartisan support in the room to agree that China is a strategic trading partner that plays by the rules when it behooves them, but otherwise ignores them.

And, Mr. Ambassador, as you know, I am from North Carolina, which not only has the best barbeque in the country, but we are also one of the leading pork-producing States in the country. I am glad I didn't hear any objection to that.

Chairman NEAL. We won't subtract that from the gentleman's time.

[Laughter.]

Mr. HOLDING. In 2017 the United States shipped over \$1 billion in pork to China. But with punitive tariffs, over 50 percent, our pork exports to China have slowed down to a trickle. Lost sales to China have caused producers in my State to lose \$8 per hog, and collectively, an annualized loss of \$1 billion.

And I know you have made progress with agricultural purchases, especially for soy and poultry, and I appreciate your good work there on behalf of my farmers. But obviously, there is a tremendous demand for pork in China. And with Chinese pork production in steep decline because of African swine fever, it seems like it is time for significant U.S. pork shipments to China, which would, of course, put a big dent in the trade imbalance.

So can you give us any indications as to where you are on pork market access in the negotiations?

Ambassador LIGHTHIZER. So thank you, Congressman. Yes, that is—you are absolutely right. Pork is one of the issues that is very important to us. Before we talk about the purchasing, it is also important in the SPS area, where we have specific problems with, I would say, lack of a scientific basis for some of their restrictions. So that is another area in which we have issues.

Pork is something that we have talked about. We would expect, if we have a deal, that there would be substantial pork improvements, particularly, as you know well, given the fact that China has issues with their own pork production right now that are substantial. And this is something we have talked about, it has been quite specifically addressed, and we have gone back and forth with numbers. And I am happy to talk to you about it offline.

But we are making headway. And if there is a deal, and if there is a package, I am confident that there will be substantial good news for our pork producers.

Mr. HOLDING. Thank you. Switching to 301 tariffs, you know, we are working with you to find ways to work on the exclusion process. One option in particular I would like to work with you on is the criteria that excludes products that are regulated by other U.S. Government agencies, where those regulations already constrain the ability of importers to access those products.

For example, products regulated by the FDA, where the FDA's regulatory framework means that consumers cannot quickly shift to other suppliers. The existing regulations by our government already constrained supply for the consumer. And I believe we have an opportunity with the List 3 exclusion process to address these products and minimize consumer impact. So that is an area which I, you know, hope that we can work on together in the future.

That doesn't really require an answer, and I am out of time, and that works well. I yield back.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentlelady from Wisconsin to inquire.

Ms. Moore.

Ms. MOORE. Thank you so much, Mr. Chairman, and I do want to thank the Ambassador for his patience and indulgence. A lot of stuff has been covered already, so I won't regale you with repetition.

I do want to say that while these tariffs have had draconian impacts on all of our constituents and districts, they are having an impact on China, as well. But many economists seem to think that China is adapting, and that they are recovering. One of the things they are doing is expanding their export markets.

So a question that hasn't been asked is we don't have a functioning Export-Import Bank now. Do you think that is having an adverse impact on our trade position?

Ambassador LIGHTHIZER. Thank you for that question. Yes, the answer is yes, it is having an impact, and it is way beyond China, and it is costing us jobs, and there is no excuse for it, in my opinion.

Ms. MOORE. Okay, thank you.

Ambassador LIGHTHIZER. So I don't know what else to say. I—

Ms. MOORE. All right. I know what to say, but I won't carry you there.

You have talked a lot about science-based decisionmaking. One of the things that our companies have leaned into was a provision of Dodd-Frank, where companies would report and refrain from using conflict minerals in their products.

I was wondering. Is that a consideration—in terms of unfair trade practices—for China to use conflict minerals, thus undercutting the prices of their products?

Ambassador LIGHTHIZER. It is. I am, of course, sympathetic to your objective—it is not something that we have talked about. And if there is a specific unfair trade action that we should be thinking about, I would be happy to work with you on it.

Ms. MOORE. Okay.

Ambassador LIGHTHIZER. But it is not something we have spent—

Ms. MOORE. Okay, I would love to work with you on that, because that could severely undercut our products, our iPhones with these minerals in them. We want to make sure that they are not being produced or taken from countries where people are being murdered and that have unfair labor practices.

Ambassador LIGHTHIZER. I am very sympathetic to your—

Ms. MOORE. I do want to follow up with—my colleague on the Republican side talked about lists of things that are really critical. And I know that my colleague from Wisconsin probably waxed on about how this is hurting our folks in Wisconsin.

More specifically, I have an initiative to try to prevent sudden infant death syndrome. And one of the products that we have found to be very effective and cost-effective, especially for poor women, is something that is marketed in the United States as a Pack 'n Play. It is a crib that is only made in China, and it has been subject to these 10 percent tariffs. And if we were to continue these tariffs, it would be out of the reach for many consumers.

And so I was wondering how to get these Pack 'n Plays on that list of don't-touch items, because we can't get these Pack 'n Plays from anywhere else.

Ambassador LIGHTHIZER. Well, thank you, first of all. And I can't help but say how important USMCA is for Wisconsin.

Now, having said that, my guess is we ought to be manufacturing Pack 'n Plays in the United States. Why is it that they can't be manufactured here?

Ms. MOORE. Well, can you manufacture them before my great-granddaughter is born on March 23rd?

[Laughter.]

Ambassador LIGHTHIZER. Maybe we will just let you use my granddaughter's. She doesn't need it anymore, she has outgrown it, so—no, I don't want to be flip about it. You know, I am sympathetic. The bottom line is we ought to be manufacturing these things in the United States. That is what our objective is. We ought to be paying people here to manufacture these things.

And I would also say a 10 percent tariff on that product, assuming it doesn't go up, a 10 percent tariff on that product versus what it would have cost 6 months ago with the devaluation of the Chinese currency, is probably a 2 or 3 percent increase in price. My guess is it is not going to price too many people out.

And if the cost of that 2 or 3 percent on the price of that is a bunch of people have jobs they wouldn't otherwise have, personally, that is a trade I would make.

Chairman NEAL. I thank the gentlelady. Let me recognize the gentleman from Michigan to inquire.

Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman, for holding this hearing. And thank you, Ambassador Lighthizer, for being here. And beyond that, thank you for your willingness to engage with us on a regular basis. It makes a difference, and I very much appreciate that. You have been quite accessible.

And I have a question, but before I get into that, I also want to note how much I appreciate you bringing up the polysilicon issue

with the Chinese during these negotiations. It is important that we address China's retaliatory tariffs in response to legitimate American trade remedies. That is important to me, it is important to my district, and I appreciate your efforts in that regard.

Obviously, the Congress and the Administration need to work together to deal with China, and hold China accountable for unfair practices that are costing American jobs. And there, I think, is general agreement on that score, bipartisan agreement, and many of us wish that it was more of a multilateral approach.

One area that I know was addressed, but I wasn't here to hear your answer, has to do with currency manipulation. President Trump promised to label China a currency manipulator on his first day in office during his campaign. Obviously, that didn't happen. And I know you agree with the President's general sentiment that China engages in bad behavior and manipulates currency. In fact, in 2010 you testified to this Committee that China would be labeled—should be labeled—a currency manipulator, and was in violation of its WTO obligations.

You have thoughtfully outlined a list of actions that the United States needs to take to address China's currency manipulation, but I would like to get your perspective on whether or not the understanding that the President recently announced with China on currency issues meets the requirements that you had laid out in your previous testimony.

Simply put, does this deal meet the standards that you laid out in 2010?

Ambassador LIGHTHIZER. Well, thank you, I appreciate that.

I would say, first of all, whether or not China is manipulating its currency right now, being competitive is an issue that we can talk about. It probably is, but it is probably not manipulating it to lower its currency, it is probably manipulating it to raise its currency, because they are at a different position than they were in 2010. So that is one thing I would say. It is not a foregone conclusion that China is manipulating its currency down right now.

And I would say that this is a decision that the Secretary of Treasury makes in conjunction with the President, not me. But I do not think you can make a case that, right now, China is intervening in the market to have their currency be weaker, right? That is not in their interest, and they are probably doing the exact opposite of it.

Have they done it in the past, in my judgement? That is absolutely true. And were they doing it when I made that testimony? That is absolutely true.

Mr. KILDEE. And I don't think you could rule out the possibility that at some moment in the future we could see that happen again. And that is why the structural approach to these issues is more important than looking at this moment in time, or even in the context of a deal that we might see negotiated founded on some temporary transactional benefits, as opposed to structural benefits.

Ambassador LIGHTHIZER. I completely agree with your statement, absolutely 100 percent. And what we are trying—what we want to get is commitments to not have competitive devaluations in the future, and a certain level of transparency.

If you have those two things, and they are enforceable, then you can guard against that problem in the future. The other point I made before you were here is that this is an issue beyond China. We think of it as China. But there are a lot of places in Asia where this is a problem, and a lot of places where it has been a problem in the past.

And there are a lot of people in the United States that aren't working right now because of this issue, a lot of people who were told, "Well, you just didn't do a good job," and they were doing a fine job, they were just cheated on currency.

Mr. KILDEE. My time has expired. I appreciate your attention to these issues. Thank you.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentleman from Missouri, Mr. Smith, to inquire.

Mr. SMITH OF MISSOURI. Thank you, Mr. Chairman. Thank you, Mr. Ambassador, for making time to be here today. Today we are here to talk about China. China has been taking advantage of U.S. workers for a long time. And I think that the President, along with yourself, Ambassador, deserve a lot of credit for sticking your necks out on this very difficult issue.

It is clear that progress is being made, and that there is real potential for positive structural change after years of deception and false promises from China. A lot has been reported on the recent negotiations, and I appreciate the light you are able to shed on this process.

The news we heard last week about new Chinese purchases of U.S. soybeans is especially encouraging for someone who represents a very large agricultural district in southeast Missouri. I am hopeful that we can achieve more than just the status quo with China, and go well beyond current market access.

I would like to reiterate the comments that were made by the gentleman from Texas, Mr. Arrington, in regard to cotton. There is only one thing I would disagree with. Missouri cotton is a little bit better than Texas cotton. But we definitely are like-minded when it is about opening up the markets.

I do want to bring up rice, which is extremely important to the Bootheel. Rice farmers have been fighting for over a decade for access to Chinese markets. While the Administration has made progress in gaining access, since 2017, China has been displacing U.S. rice in our territories by undercutting the price. So while U.S. rice struggles for access, China's access to our domestic market below traded prices continues to grow.

Are you and the Administration investigating the situation? And what are you doing to address it?

Ambassador LIGHTHIZER. So thank you, Congressman. Yes, absolutely.

First of all, to your first point, structural issues are fundamental to what we are talking about. And I have tried to make that point. I read in the media all the time—I read today in the *New York Times*—that we weren't making any headway on structural issues, and it didn't even cite anybody. It made some other comments, by the way, and then cited "contacts of Lighthizer."

I thought, "What is a contact?" Is that like somebody I bump into at the grocery store? Contacts? That is a source, not a contact. But

that is another issue. I won't get into it, in any event, any further than I already have.

The fact is that we are making headway on structural issues, contrary to what maybe you read here and there. And the President believes they are central to having what anyone would consider to be a great agreement. And that is what his instructions to me—his instructions to me were you have to get a great agreement or we have no agreement. We will just wait until we can get a great agreement.

So now, on the specific issue of rice, yes. Rice, number one, is the subject of purchasing that we have to have. Number two, we have, as you know well, we have two WTO cases, one of which has been announced. The other, which has been decided, hasn't become public, so I won't tell you where we are on that. But those are two cases. And resolving those cases in the context of this agreement is something else that we are talking about. So whether we succeed in that, we will see.

And on the issue of unfair Chinese access in the United States, if there are issues where someone has a case that they want to bring to my office and talk about, I am happy to talk about it.

As you know very well, because we have talked a lot, I am completely into enforcement. I think if we don't enforce these laws, the whole basic consensus that favors the trading system breaks down. And I think it has broken down. So I am happy to act on that, you know, very quickly.

Mr. SMITH OF MISSOURI. Thank you, Ambassador. I have several other questions I will just submit for the record, hopefully, to get responses. But I appreciate your responses.

Chairman NEAL. I thank the gentleman. With that let me recognize the gentleman from Virginia, Mr. Beyer.

Mr. BEYER. Mr. Chairman, thank you. And Ambassador, thank you so much for being with us all this time.

You know, Ambassador, we have been discussing—and, of course, you are particularly compelling on the point about how China simply refuses to operate under what we consider to be a lawful and rules-based trading system. And, of course, this extends beyond just trading rules.

On Monday, Deputy Attorney General Rosenstein spoke at CSIS about what he called China's transactional approach to the law, citing China's willingness to detain foreign nationals on specious charges to gain negotiating leverage or force an outcome from a foreign government. This isn't how our justice system works, or it is not supposed to work that way.

After the Huawei CFO's arrest, the President said, "If I think it is good for what will certainly be the largest trade deal ever made, which is a very important thing, what is good for national security, I would certainly intervene if I thought it was necessary."

And during your meeting in the Oval Office with the Chinese Vice Premier the President again discussed the possibility of "talking to the U.S. attorneys," and talking to the Attorney General. He hinted further this would be a subject for trade talks.

I know you are not responsible for law enforcement. I know you are not responsible for the Huawei prosecution. But you are certainly responsible for the trade deal. Are you familiar at all with

any further discussions within the Administration regarding using this case as leverage for trade negotiations?

We have seen firsthand that you are willing to be forthright with the President. Are you not concerned that adopting a transactional approach to the criminal justice system, close to what the Chinese would do, will undermine our own legal system and incentivize reciprocal actions, as we have already seen with the Chinese targeting of Canadian citizens?

Ambassador LIGHTHIZER. I am not aware of anything on this subject. I don't get involved with it, and I am not aware of it at all. I am too involved in what I am doing.

Mr. BEYER. All right, thank you. And most of our national trade discourse, particularly the popular discourse, centers around heavy manufacturing and agriculture, despite the fact that 75 percent of Americans employed in the private sector work in services of one form or another.

In my district we have tens of thousands that support their families with good jobs across a wide range of services. I know you really focus on the trade deficit and goods, and leave out services all together. I just wanted to make sure that we know we run a surplus on services.

But, nevertheless, both the national trade estimate and the Chinese WTO compliance report note that American service companies face significant trade barriers across a number of sectors. And given our general competitive advantage in these areas, it is safe to assume the service surplus could be a lot larger.

China places significant restrictions on legal services, ICT, cloud services, a whole range of things. Can you provide us just some detail on how the concerns raised about services are addressed in your current talks, and can we expect concrete changes in Chinese competitive behavior in this sector, too?

Ambassador LIGHTHIZER. Yes, thank you very much. And I am remiss in not making that point clearly.

Services are the crucial part of what we talked about, and we spent a lot of time on them. I brought my—one of my many—negotiation book, which I will be happy to show you at some time. Somebody looked at it and saw all the notes, and they said, "God, that really is a terrible job you have, Lighthizer," but here it is. We spent a lot of time on banking services, cloud computing services, credit rating services, electronic payment, and express delivery. I won't go through all of them here, because someone will say—my God, insurance services—I mean, we spent a lot of time in great detail, right down to the sub-sub-sub-section on pages and pages and pages of services.

And you are exactly right, services jobs are equally good jobs. The United States has a surplus in services, which is very important, and millions and millions of people work in them. And we should be doing much better, because in many areas we are, by far, the most competitive in the world. So this had an enormous amount of time spent on it.

And it is sort of less thematic, and more specific, right—if you can follow what I mean—in these negotiations. But there was progress made on a number of these fronts.

Mr. BEYER. Thank you very much, Mr. Ambassador.

Chairman NEAL. I thank the gentleman. Let me recognize the gentleman from Pennsylvania, Mr. Evans, to inquire.

Mr. EVANS. I too, Mr. Ambassador, would like to thank you for coming before this Committee today.

There are 100 Chinese firms operating in Pennsylvania, supporting over 3,000 jobs. Pennsylvania imports over \$17 billion from China, and Pennsylvania exports \$2.5 billion to China. Mandarin is the third most spoken language in Philadelphia. But the question that keeps coming up—and this came from our Department of Economic Development—is the issue around intellectual property, when it comes to investment.

The concern—and this question has probably been asked over and over again to you, so forgive me for repeating it again—the issue about intellectual property, or the ability to protect our domestic companies long term, can you speak specifically to that again?

Ambassador LIGHTHIZER. Well, absolutely, Congressman.

First of all, I will repeat what I said before, and that is that I have found that Chinese-Americans are the ones who will say, “Hang tough. We need structural change. This is the only way we are going to get structural change. Don’t cave, don’t sell out for soybeans,” all the kinds of things that you and I have talked about and we both agree on.

And I think that Chinese-Americans will be people who will—number one, they have a stake in a change in that system. And, number two, they will be beneficiaries, from a business point of view.

On the IP front, China has very little IP protection right now. What we did in this negotiation—and I am going to talk to you later, and I am going to stick all this in front of you—we went through section by section by section what normal—what we would consider to be sort of best practices for intellectual property protection. And we negotiated those provisions.

We didn’t get everything we wanted, but you need things like a proper definition of what intellectual property is, a proper definition of what trade secrets are. You have to make sure you have criminal enforcement at some point in the process. You have to make sure you have deterrent-level penalties, because if you don’t have that, you have a problem. You have to make sure you have neutral people making decisions. It is all the kinds of things that you would say, “Yes, that is more or less what we would expect in a system.”

Now, there is variation, and we didn’t get all of it. But the people with whom we dealt in China want to—they want to reform this process. I think they legitimately want to reform it. I think they legitimately view themselves as creators of intellectual property, instead of just consumers of it. And that is—when that changes, people have a different attitude. So Chinese creators of intellectual property now want protection, and have more power than they would have in the past.

So we have an enormous amount of detail. I will just spend 10 seconds and show you my book when we are together, and you can see. But this was a detailed discussion. It is extremely important.

And I would say the final thing, when they put this in place, to the extent it is agreed to because they think it is in their interest, then there will be the enforcement issue, right? And we will be going down, and it will be—it is a change for China to do this, but it is something they seem to want to do.

Mr. EVANS. Real quick, Mr. Ambassador, you raised the issue about banking. Development projects and companies rely on Chinese investment to infuse capital into their projects and work. The restrictions on capital inflow is a concern for future investment.

Ambassador LIGHTHIZER. Well, okay, the President wants Chinese investment, just like he wants everybody else's investment. That creates jobs, and it helps Americans. What we don't want is investment in areas where they are going to end up taking crucial technology from the United States. So there is a balance there, and some people will come in, and what they really want is technology and not investment. In other cases, they want investment.

The President's position and the Secretary of Treasury's position is quite clear: We want investment from China, just like we do from everyone else. But we don't want investment where it is going to go into crucial technologies and we end up losing those technologies, which is going to hurt us in the kind of things that Mr. Beyer talked about. He cares a lot about it.

So there is a balance there, and it is very important that we meet that, you know, balance properly.

Mr. EVANS. Thank you, Mr. Chairman.

Thank you, Mr. Ambassador.

Chairman NEAL. I thank the gentleman. With that we will recognize the gentleman from Illinois, Mr. LaHood, to inquire.

Mr. LAHOOD. Thank you, Mr. Chairman. And, Ambassador Lighthizer, welcome back, and thank you for your toughness on China. And we are lucky to have you as our negotiator going up against China.

I have the eighth largest ag district in the country, in terms of corn and soybean production, a heavy manufacturing base, and there is a lot of anxiety in both of those industries, as we have heard today.

The *Wall Street Journal* just came out with an article in the last couple months. The ag economy is down 13 percent over last year, directly related to tariffs, directly related to the trade war with China. And so there is a lot of stress and concern there.

However, most of my constituents in my district support the President in going after China. And you mention at the beginning of your statement, "Technology is going to rule the future." And how we change the behavior with China is—seems to be—the crux of what you are getting at with your negotiations.

And, historically, looking over the last 25 years, no President, from Clinton to Bush to Obama, has been able to do anything on this front, whether it is cyber threats, forced technology transfers, or stealing intellectual property, we have not been able to change that behavior to put China on the same playing field as every other industrialized country in the world. And that really seems to be what we are trying to get at.

Having said that, you have talked a little bit about our leverage in this negotiating process. And as I look at what you are trying

to do here, I am wondering whether this is going to be different in terms of—what is going to be different this time in changing the behavior in China?

And I am going to submit for the record—this is an article from *Reuters* within the last 2 months, and the title is, “China says U.S. accusations of unfair trade practices ‘groundless’.” And in there, the spokesman from China says the U.S. side made groundless accusations, and China finds that totally unacceptable. That is from their spokesperson. And I will submit that for the record, Mr. Chairman.

I guess, as we look at what you said earlier, how do we have structural change, how do we get to a more laws-based system? And I know that is what you are getting at. So two questions, Mr. Ambassador.

First of all, on the ag side. As we begin planting season for our farmers, what assurances can you give my corn and soybean farmers and pork producers that the market share in China will be there when we resolve this, eventually?

And then, second, as we look at this different approach that you are taking, what gives you confidence that this approach is going to be different? And what if it is not? What are the consequences to China if we are not able to hold them accountable, moving forward, and are not able to change that bad behavior? Thank you.

Ambassador LIGHTHIZER. Yes, thank you very much, Congressman, for that question. It covered a lot of territory. And I have one minute now to respond, but I will do it as quickly as I can.

First of all, in terms of the soy and corn, we are trying to, number one, get more sales, more purchases, not only on the question of corn, it is also on the question of ethanol.

Mr. LAHOOD. Yes.

Ambassador LIGHTHIZER. Which, of course, is a huge user of corn. So I believe if we have a deal, there will be a substantial—in the case of soy we have already seen a substantial amount of additional purchase, and we see the certain moving together of soy prices back to traditional levels, in terms of the foreign competition. So we have seen some impact, particularly with the most recent 10 million metric ton purchases that the Chinese have gotten into the market for.

So if we have a deal, I think we will see substantial new sales there, and hopefully some other improvements, in terms of SPS stuff.

How is this different? You know, we are—it has to be enforceable, it has to be specific. And we are covering many more areas than anyone has ever covered. But it requires the grit and determination of the President, and it really requires the cooperation of people who want reform in China. And there are people who want that.

And the alternative is what has been going on. And that, for sure, fails. So we know that approach doesn’t fail, and hopefully ours will succeed.

Mr. LAHOOD. Thank you, Mr. Ambassador.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentleman from Illinois, Mr. Schneider, to inquire.

Mr. SCHNEIDER. Thank you, Mr. Chairman. And, Ambassador, thank you again, not just for your time here today, but the availability you have given us throughout this whole process.

Being from Illinois, I share the concerns of my colleague for the farmers in our State. I represent the suburbs of Chicago. And I just want to share a quick story of a constituent's firsthand experience with some of China's bad practices.

They were working on some product designs, trying to get some samples. A company in China was delaying, and ultimately the company in my district started seeing their product showing up on shelves here in the United States, a clear theft of intellectual property. And this is something that is happening throughout the country, it is happening to businesses large and small.

So I agree with you that China is a bad actor, and that we cannot let their devious behavior go unchecked. We need to level the playing field for American businesses. On a level field our businesses can absolutely succeed. But I have real concerns with the way the Administration has approached the problem, creating and escalating a trade war that has caused harm to many businesses, and many businesses throughout my district.

Last summer I visited a number of companies to talk about the impact tariffs were having on them. And everyone was very concerned that it was hurting their ability to compete. But it is not just businesses. A local school in my district had to spend \$2 million in contingency funding to cover the increased cost in materials for a remodeling project. So I was pleased to hear that you have made progress in the discussions, and the March deadline was delayed.

In your testimony you mentioned that this Administration is pressing for significant structural changes to allow for that more level playing field. What specific structural reforms or other policies are you pursuing in these negotiations to help our businesses that are experiencing hardships in the Chinese market? And can you ensure to me that these reforms will be not just meaningful, but long-lasting, and that they are looking toward the long term?

And can you please share with the Committee what outcomes you have secured thus far to help businesses like my constituent and those throughout the country that have been harmed by these Chinese companies?

Ambassador LIGHTHIZER. Thank you, Congressman. I would say, first of all, your example of intellectual property theft—and you heard it from your constituents—I have gotten many, many more. We could sit down and exchange stories at some point. And that is a pattern that has to change, right? That is real people losing money, losing market share, not only overseas and in China, but actually in the United States, right? I mean, they literally are competing against people that have sold the stuff in the United States.

And so we are making headway. People say, “Well, tariffs are a blunt instrument.” And my response always is, “But we don’t have any other instrument, right?” If Congress wants to sit down and talk to me and worry about creating new tools, I am happy to do that. I would love to do it. We are using the tools we have.

We know that just sitting around blathering hasn't worked for 25 or 30 years, so we have to try something new. And I think we have gotten to a point where we might have success. We will find out. Hopefully, we will have success.

How will it be long-lasting? We will see. The reality is this is going to be a challenge, it goes on for a long, long time. My guess is it goes on long after I have left, and hopefully by the time you are sitting in this chair, you will be sitting here making sure that the people who are in my job are continuing to do that, because enforcement tends to be about people. And if we are not going to enforce this agreement, they will figure it out pretty quickly, and that will be the end of it.

All we can do is try to set up a situation where we have the potential that if people go in here and have the right attitude, the tools will be there that they can be successful. And that is what our objective is.

And we are using the tools that Congress has given us as imaginatively—I told one of your colleagues—as imaginatively as possible. I testified in 2010 I thought we had to have imagination. I think that is what the President has shown here, imagination. And then grit, right, because—

Mr. SCHNEIDER. If I can use my last couple of seconds to emphasize something else that you said, as well—so thank you for that.

You mentioned that technology is our biggest asset, and we have to protect that intellectual property, that technology. But it is more than that. It is the application of that technology in this country. It is the continued innovation to think about the next technology, and it is the alliances we build around the world to apply those. So I appreciate that. And with my time up, I yield back.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentleman from New York, Mr. Suozzi, to inquire.

Mr. SUOZZI. Thank you, Mr. Chairman.

Ambassador, thank you so much for your public service. We really do appreciate the hard work that you do on behalf of the country.

For decades, since President Nixon and Secretary Kissinger, and certainly since the end of the Cold War, the United States has operated under the assumption that, with increased economic integration and exposure to our system of capitalism and democracy, China would ultimately adopt some of our systems, at least in part. That simply hasn't happened.

Not only has Communist China eschewed democracy and engaged in awful human rights abuses, repression, and abuse of religious minorities such as the Uyghurs and the Tibetan Buddhists, not only have they polluted the air, the land, and the water, and treated their workers poorly, but they have not transitioned to capitalism or a market economy. The Chinese State Communist Government not only cheats, by stealing intellectual property and restricting access to their markets, but the Chinese government subsidizes its industry.

The 2019 Fortune Global 500 includes 111 Chinese companies, of which 78 of those companies are viewed to be 50 percent or more owned by the state. Could you share with us your sense of what

the long-term policy of the United States is, and the goals that you have as part of this negotiation to have long-term structural change on this relationship?

Ambassador LIGHTHIZER. Thank you for that question. That is a great opportunity and all of your colleagues are saying, "I hope Lighthizer is unusually short-winded."

I would say this. You raise the fundamental question. There was a myth that grew up. And if you look at my 2010 testimony, which I think is really quite good testimony—it has been referred to on several occasions here today and in the past—the myth was that if you open up a market, if you have an economy, you will become democratic—small D, democratic. That is the myth. You will open up and that will lead to an open economy, and to an open political system, and all of a sudden we are all a bunch of, you know, people from Ohio, where I am from, right? That is the myth.

And the reality—and that was, literally, professed by all the smart people, all the clever people. And that, really, is what led us to—really, to PNTR, and it is precisely what I read—you weren't here, I read the Speaker's quote, which was very prescient, saying this ain't so. She said it, and she was right. And all those smart people were wrong. The reality is that it doesn't—you can have a very good economy and not have any freedom, or have very little freedom, right? Well, I didn't make them, but assumptions were made that were incorrect. So I completely agree.

And your—the tone of your remarks were, without saying every specific part of it, why do we have a bipartisan view on this, and why are we making success. It is because of people like you that we have success. If this was a partisan thing, it wouldn't be. The fact that it is bipartisan is why we are making success on this.

Mr. SUOZZI. So what are the goals of this negotiation, specifically, to try to have long-term structural impact?

And will we ever get to a place where we think that China represents something closer to what our system of capitalism is? I am not going to put democracy on your shoulders, too.

Ambassador LIGHTHIZER. So I would say on the second question, you know, we will find out. You are younger than I am, you are more likely to have a better view, right, because you will get there and see it. I don't know.

What are our objectives? Our objectives are to foster reform in China, which a group of people want to do, to lead to structural reforms on the kinds of things that we can, within the confines of the statute that you have given us, and the report that we did. Here is our report—if you haven't seen it—and here is our supplement. And it is—

Mr. SUOZZI. Well, we can't get to the whole report in the last 3 seconds I have left, so I am going to take you up on your offer to try to work with you to see if there are other tools that Congress can give you and people like you to be more effective in the future.

Ambassador LIGHTHIZER. Fantastic, thank you.

Mr. SUOZZI. Thank you, Mr. Chairman.

Chairman NEAL. I thank the gentleman. With that, let me recognize the gentleman from Pennsylvania, Mr. Kelly, to inquire.

Mr. KELLY. Thank you, Mr. Chairman.

And, Mr. Ambassador, thank you so much for being here. You know, part of what we do, we get a chance to go around our district and talk to people when we are back home during our district work weeks. And last summer I stopped at a place in New Castle, Pennsylvania, called Blair Steel. Blair Steel got started in the late 1800s, when Pittsburgh was known as the Iron City, before steel became the product of choice, and took off.

So I asked Mr. Kinney. I said, "Mr. Kinney, looking at what is going on right now, what could we have done differently?"

And he looked at me. He said, "I will tell you what we could have done differently. We should have elected this guy 39 years ago."

[Laughter.]

Now, people say, "Oh, no, no, no." No, no, that is exactly what happened, because we have taken a back seat, and somehow we think that if we are just nice, other people will play by the rules.

I think Mr. Suozzi is right on top of this, and a lot of my colleagues have said the same thing. We have to be damn fools if we don't think we haven't been in a trade war for decades, and we are afraid of a trade war today that has already taken place, and has taken heavy casualties. We just never stood up to it to say, "Hey, you are taking advantage of us. But we are so damn nice, we are not going to call you out on it."

Other than what you are doing right now—I mean this sincerely, because you said maybe Congress could help out. This Administration and your tireless efforts to make sure that everybody is playing for the—I am so damn tired of forfeiting the game and then crying because we lost. This is absolutely stupid. We have allowed ourselves to get into this position.

What could we do differently? And I want to tell you I think most of it is stand 100 percent behind this Administration, and don't let these people get away with what they have been getting away with for so many years. An old saying—and this is very crude—but there is an old saying out there. If you are in a peeing contest with a skunk, the only way to beat him is to out-pee him.

I have to tell you right now, I think we are in a trade war that has taken a heavy toll across the United States, and we sit back and we just don't want to offend anybody. I am so offended by us not being offensive, that it is sickening, what we allowed to happen to manufacturing and intellectual properties, and you name it. We have been gamed so badly for so long.

Is there anything else we can do to help you, Mr. Ambassador?

Ambassador LIGHTHIZER. Well, let me say, first of all, it really is important, and I have said this, this is my theme—well, it has been my theme for 2 years, that these things have to be bipartisan. They cannot be partisan. This is just different than a lot of other stuff we deal with. And hearing the last two questions shows why exactly it is bipartisan, right? Why this is a fundamental both intellectual and gut reaction to what is going on.

And I think supporting us, supporting the President when we get this package together—if there is a package, and I am not there yet, as I say all the time—that we have to look at it and get behind it and say this is a great step forward. But you have to—you know, you have to keep your eye on making sure that we enforce it, and

that I enforce it, and that my successors enforce it, and that, you know, years down the road, that new Presidents enforce it.

And the second thing I would suggest, which I have said before, I would love to work with Members on new tools. I think we need new tools.

Mr. KELLY. Yes.

Ambassador LIGHTHIZER. I won't go through it here, because what has happened to 301 is troubling, right? So I don't want to go through all—

Mr. KELLY. Yes, just because we talk about 232 and 301—I have to tell you. When I go back home to western Pennsylvania, people don't look at me and say, "Tell me exactly what is in 232," or, "Tell me what is happening with 301." That goes back to 1974. And the reason we did it is because of unfair, unreasonable discriminatory trade practices, right? So these are things that Congress created for the President of the United States, for the executive branch to handle.

I believe it is going to take eternal vigilance. I think that what you said earlier—our trade agreements are like children, they last as long as they last—holds true. We are in grave danger, I think, in this country of thinking that somehow people will play fair with us because we are nice, as opposed to being vigilant.

Thank you so much for your time and your effort. I know you don't sleep very often, because we have talked before. You are doing one hell of a job. Thank you.

I yield back, Mr. Chairman.

Chairman NEAL. I thank the gentleman. With that let me recognize the gentleman from California, Mr. Panetta, to inquire.

Mr. PANETTA. Thank you, Mr. Chairman, Ranking Member Brady, and, of course, Ambassador Lighthizer. Thank you very much for being here. I think in the 116th, just on the Ways and Means Committee alone, you have been here three times within the last 2 months, and I think that says a lot about you and your commitment to working with us. And we look forward to continuing to work with you, not just on this, but, of course, on the USMCA, as well.

That, as well as trade with China, is very important to me and my district in California. As you know well, California is the number-one ag-producing State in the Nation. Although I appreciate the questions from my other Members here on the dais, California is what it is about when it comes to agriculture. And the central coast of California being the salad bowl of the world is what it is about, when it comes to agriculture. And it contributes to that title that we are the number-one ag-producing State.

But, obviously, these tariffs, these retaliatory tariffs, have affected our farmers. I have over 800 food and agricultural products that are being taxed. And, unfortunately, a lot of those products can be obtained from other non-U.S. trading partners. And so, what we are seeing is a closing of certain markets.

Now, I appreciate the fact that there is an aid package of \$12 billion, and I actually spoke with some of my almond growers yesterday who were benefiting from that. But I can tell you—and what we have heard, and what you have heard, I am sure—it is not

about aid, it is about trade. And it is not about short-term bailouts, it is about long-term business.

And so my question to you is, in regard to these markets that are potentially being shut off, that are being closed, what are we doing to recoup those markets in regard to your negotiations with China?

Ambassador LIGHTHIZER. Well, thank you, Congressman.

First of all, the problem on retaliatory tariffs and market opening goes beyond China. I should say that. And one of the things we are doing is we are having negotiations in a variety of areas; we're at a bit of a stalemate with Europe right now, because they won't include agriculture, and we want to include it.

We have our talks with Japan, which have a very big agriculture component. We have USMCA and the 232, and I am looking forward to working with you on passing USMCA, because it is so important for California and Illinois and everywhere else. So I am looking forward to that.

Now, in terms of China, which, unfortunately, is only part of where we have had retaliatory tariffs, if we get an agreement those tariffs will come off. And then the President's hope is—although it is not the purpose of the negotiation—that the purchases will have the effect of not only giving short-term sales—and by the way, we are looking at numbers that go out several years.

We are not—it is not like I should make this point, even within the purchases, which, contrary to what is in the newspaper, is not the function, the purpose of this. Those purchases are going to have targets and amounts that go out for several years. But our hope is that if you increase those agriculture sales, and you do it for a period of years, you will create new customers that will have results that go on years and years and years and years into the future.

So this is a—it is a very real thing that the President is worried about. Obviously, when you get into a situation where you are trying to bring change about, it is going to have costs. No one has been treated less fairly than the farmers, right? I mean, they are in a position where they should have enormous markets in China. China is a big market for us. As I say, they are our second or third—depending on the year—market, excluding, of course, 2018. But there is a much bigger market there. I mean, there is a lot of people there. And with any kind of fair trade, farmers would be beneficiaries too.

Mr. PANETTA. Thank you for bringing that understanding into these negotiations.

I yield back. Thank you, Mr. Chairman.

Chairman NEAL. Thank you. We will now revert to one for one on both sides. And with that, the Chair would recognize the gentleman from New York, Mr. Reed.

Mr. REED. Well, thank you, Mr. Chairman. And, Ambassador, it is always great to be with you. And I really do echo what my colleagues have said about you. I think you are the right person at the right time to take on this much-needed negotiation with China.

One of the things I want to bring to your attention, and maybe your thoughts on, as well as my colleagues, to focus on a little bit as we deal with these tariffs and the future after we negotiate this agreement—I do believe we are going to be able to negotiate an

agreement. And you have one chance, a very limited runway to do this right, to make a fundamental shift in our trade relations with China.

But, you know, one of the things I see—and I see the Chinese position. You know, they are thinking long term. They are always thinking long term. They are not looking transactional. And so, as I see the negotiations proceed, and the tariffs that are on the books, and the reaction in China, I see their commitment, as a Co-Chair of the U.S. Manufacturing Caucus, to build up excess capacity.

And I will add another issue to it: Excess inventory of certain products. So when that new marketplace is created, what are we going to do to protect American markets from that excess capacity and inventory that would then be dumped or thrown into the U.S. market in a very dangerous way, in my opinion?

Do you understand what I am getting at? Because as I see manufacturers, as I see folks—especially in advanced manufacturing—I see China reacting to this transaction of what we are dealing with in these negotiations. But as these tariffs come off, as we operate under this new agreement, how are we going to minimize the adverse potential impact of what the Chinese 2025 long-term vision of positioning themselves as a world leader in manufacturing does in order to protect our manufacturing bases here on domestic soil?

Ambassador LIGHTHIZER. Let me just thank you for that question, Congressman. That is a fundamental question.

I want to make one point clearly, and that is I think the United States has been guilty of short-term thinking and short-term view, for sure. But I don't think that is true of President Trump; that is why he is going after structural change.

Mr. REED. Amen.

Ambassador LIGHTHIZER. He is looking down the road. He is thinking. He wants to know what is going on way down the road, and have the United States still have this advantage.

We have to be number one. We just have to stay number one. And, by the way, most people in the world want us to be number one, right? I mean—

Mr. REED. I totally agree with you. So what are you going to do when that valve is potentially opened up? Are there going to be strict enforcement mechanisms—

Ambassador LIGHTHIZER. So you have to have strict enforcement—

Mr. REED [continuing]. To make sure that—

Ambassador LIGHTHIZER. Let's remember that no matter what happens, we have to maintain strong laws against unfair trade. We have to remain strong on anti-dumping laws, and have strong countervailing duty laws.

Mr. REED. So if that inventory is dumped on the U.S. market, what are we going to do to make sure that enforcement is there, and easily executable by us to take on that Chinese action?

Ambassador LIGHTHIZER. So, number one, we have in here provisions, if it is agreed to, that will limit subsidies specifically in cases of so-called competitive industries. That is to say where there is this problem of excess capacity. What you are talking about is what has happened in steel, what has happened in aluminum,

what has happened in solar panels, what has happened in, Christ, washing machines——

Mr. REED. Advanced manufacturing——

Ambassador LIGHTHIZER. I could go on and on and on and on.

Mr. REED. Yes.

Ambassador LIGHTHIZER. There is an agreement to limit subsidies in those kinds of cases. There are unfair trade laws, and then there is the enforcement provisions in here. This is a pattern.

And, by the way, it is not always even a plan. Sometimes it is just they start this, and the provincial governments and the local governments all kind of get into it. And they don't even have a way to put their own brakes on, right?

Mr. REED. So do we at least agree that potential threat is there that I am raising?

Ambassador LIGHTHIZER. Well, I absolutely think it is there. I mean——

Mr. REED. And we want to——

Ambassador LIGHTHIZER. It is undeniable that it is there.

Mr. REED. And we want to put in enforcement mechanisms readily available to us as partners in this agreement that we can then deploy against China. And we may need to make it very clear, I think, to China that we are ready to use those. Is that fair to say?

Ambassador LIGHTHIZER. Yes, absolutely.

Mr. REED. Thank you.

Ambassador LIGHTHIZER. Absolutely.

Mr. REED. With that, I yield back.

Chairman NEAL. I thank the gentleman. Let me recognize the gentlelady from Florida, Mrs. Murphy, to inquire.

Mrs. MURPHY. Thank you, Mr. Chairman. Mr. Ambassador, presumably the goal of Section 301 tariffs is to cause China enough economic pain to persuade China's leadership to negotiate an enforceable agreement, curtailing its abuse of trade practices. And in a previous answer you noted yourself that tariffs are a blunt instrument. You know, not only are they not precision-guided, they can have unintended consequences, often for U.S. consumers and small businesses.

And I imagine that before you made the unilateral decision to impose tariffs on China, you weighed the cost and benefits and designed those tariffs to maximize the damage to China and minimize the self-inflicted damage to companies and consumers in the United States, and to the broader American economy.

Whatever your intentions were, I have to tell you the evidence on the ground is really grim. I have had small business owners in my community in central Florida break down when they talk to me about the impact the tariffs are having on the companies that they have spent a lifetime building, and on the workers that they view more like family than they do employees.

Take, for example, David. He is the owner of a 30-person electronics firm in Orlando that imports components from China and sells finished products to American retailers. His business has been upended by this third tranche of 10 percent tariffs that took effect on September 24th. When he went to work that day he had to pay an up-front bill of \$280,000 to release his goods from China that had already landed at a U.S. port. No notice from his government,

no time to adjust. And since September, David has paid over \$800,000 in tariffs. It is a lot of money for a small business.

So what he has had to do is raise the cost of his products. Some of the big retailers have agreed to pay more, but they are just passing those costs onto consumers. And some smaller retailers just simply won't accept the price increase, and so that means that David has lost business. These tariffs have decimated his cash flow, jeopardized his financing, and made him unprofitable, placing his workers' jobs—my constituents' jobs—at risk.

And unlike his bigger competitors, David doesn't always have ways to mitigate the harm. So if this 10 percent tariff endures, the damage could be really severe. And if it increases to 25 percent, the damage could be fatal. In 40 years as a business owner, he tells me he has never seen government actions interfere so directly with his businesses.

And I know you are not insensitive to this issue, but what do I tell these small business owners, like David, whose livelihoods are on the line? When is this going to end? What will their sacrifices have allowed you to achieve? And do you think you are going to be willing to accept a deal that falls short of what you have indicated you want to achieve in order to end this trade war?

Ambassador LIGHTHIZER. So first of all, we are sympathetic to situations like David's, although I don't purport to know the details of it. But there clearly are people who import products who are negatively affected.

I would suggest that this is a 10 percent tariff, and that with the depreciation of the Chinese currency, it is probably having a 4 or 5 percent—maybe less, maybe 2 or 3 percent effect on his business. So I would just make that statement.

In terms of notice, of course, you know that this—we go through a notice and comment process. This process of putting these tariffs in place was months going through, with hearings and all the—I don't want to let anybody have the impression that this is something that we just woke up and did. No, there are laws, and we followed them. And there were months and months and months and months and months of process going through here.

I always start with a proposition of do you think we have a problem with China. If you don't think we have one, then all of this is crazy. If you think we have a problem with China, then we have to weigh what is necessary to move forward.

And in terms of what we are willing to accept, no, I don't think we should accept anything that doesn't have structural change and is enforceable. Absolutely not.

Mrs. MURPHY. Thank you, and I yield back.

Chairman NEAL. I thank the gentlelady. With that, let me recognize the gentleman from South Carolina, Mr. Rice, to inquire.

Mr. RICE. Ambassador Lighthizer, thank you so much for being here. I have told you repeatedly that one of the things that gives me the greatest confidence in this Administration is people like you and Secretary Ross that have taken on these jobs to lift up American workers. I am heartened by your observation about the loss of the 5 million jobs since China entered the WTO, and your objective in taking this job and doing something about that, and lifting up our middle class.

Because, you see, I believe that our middle class—that American workers—can compete with anybody in the world on a level playing field, and that we here in Washington have allowed that playing field to be tilted against them for far too long.

Beginning around 1990 we were competitive at that time in the world, but we sat on our hands and allowed everybody else to change their economic systems, including their tax system, regulatory structure, trade policies, and so forth, to take advantage of American workers. And 30 years ago we could accept trade agreements that weren't necessarily in our favor, we were so far ahead of the rest of the world. But we can't do that anymore.

So I am really proud of what the President has done, restructuring our tax code, restructuring our regulatory system. I think the next most important thing we can do is to balance our trade agreements. Your progress on NAFTA is so important and so impressive. Your progress with China gives us great hope, although I heard you say at least a dozen times today that it is not done yet. But I just want to applaud you on how far we have come, because I don't think there is anything more important at this point, after tax reform, after regulatory reform, that we can use to make our economy competitive and allow our workers to compete on a level playing field.

Once we get through this, we need to move on to infrastructure.

I want to tell you that I had a town hall in Loris, South Carolina, last week. And a group of farmers came to my little town hall in Loris. And they are worried. They grow peanuts, tobacco, cotton and soybeans, primarily. And they said to me, you know, "We are worried about this disruption with China. It is certainly affecting our business. What can we expect? When can we expect it?" You know, "How quickly is it going to be resolved?"

And we talked about all that, and I promised them that I would raise these issues to you here in this hearing. So they are watching you right now.

Hello, everybody back home.

But that being said, when we were through, they also asked me to tell you that they are behind you, and they are rooting for this President, and they recognize that this has to be done, and they recognize how important it is.

So, in my last minute I am going to turn it over to you, and I am going to ask you to tell my farmers back home, as best you can, what they can expect.

Ambassador LIGHTHIZER. Well, thank you very much, Congressman. And thank you for your comments about me. I am grateful for that.

I would just make the obvious statement, and that is that, like other Members in my position, people in my position, we are inspired by and empowered entirely by the President. If it wasn't for the President, I would have no power and no inspiration. So I am happy to have this opportunity to be able to at least fight for the things that we all care about. And so we will see how that turns out.

I would say to these farmers I think they have been victims, as much as anybody in America, of what goes on in China. And I think they are more vulnerable than a lot of other people, for a

whole variety of reasons that we all know about. And that if we have an agreement, there is a likelihood that we will begin the process of the payoff.

Once again, if we don't enforce and we don't keep on it, it is not going to happen. Unfortunately, we are not in a world where good things just happen automatically, right? So if we do our job, and if we get an agreement, I think there is going to be a good payoff for them.

And the President is very grateful for their support. He understands exactly that these are real people putting it on the line for him. So thank you.

Chairman NEAL. We thank the gentleman. And with that, let me recognize the gentleman from Nevada to inquire.

Mr. Horsford.

Mr. HORSFORD. Thank you very much, Mr. Chairman, and to the Ranking Member, for this opportunity and the hearing. I appreciate, Mr. Ambassador, that though these negotiations have been ongoing and fraught, our congressional Committee is finally getting an opportunity to address concerns that we have heard from our constituents about, and that directly impact each of our districts.

So I wanted to first say, Mr. Ambassador, we want you to be successful. On behalf of the American worker, the American business owner, the American consumer, all of whom are depending upon the successful outcome of your negotiations.

I wanted to share with you that in Nevada it is estimated that \$107 million worth of exports are threatened by new tariffs. Nevada's exports to China total \$28.7 million, and these exports affect an estimated 367,000 jobs in Nevada.

As the price of steel rises, so does the construction cost across our State. There is currently an estimated \$25 billion of planned, proposed, and currently under-construction major projects in southern Nevada, projects like the Raiders Stadium, the Las Vegas Convention Center expansion, and public projects including expansion in our universities. All have become more expensive.

Food is also a big component of exports threatened by the U.S.-China trade deal, everything from bread, pastries, condiments, and even milk. So companies that make everything from metal castings to appliances to the dairy sector, and even bakeries, are impacted. And since last March the Administration embarked on a series of tariff actions that drew retaliation from trading partners.

And I know, Mr. Ambassador, you have talked about the need to focus on enforcement and structural change as part of this process. But what hope and relief can we give to our constituents about some of these pressing impacts that we see right now, based on this ongoing trade war with China?

Ambassador LIGHTHIZER. Well, thank you, Congressman. I would say, first of all, in these circumstances, one has to begin the analysis, as I said a minute ago: Is there a problem, right? And if you believe there is a problem where we are right now, between the United States and China, and that problem threatens our future and our kids' future and all of those people who we are very concerned about, and who are adversely affected, if you don't believe

those people are potentially very seriously affected unless we change policies there, then there is no point in this.

But if you do think those people's futures are threatened, then you have to go through this process. And our objective has been to try to minimize the effect, as the Congresswoman said. We have to minimize our effect on our own consumers, and maximize the effect on others, and we try to go through that process. But when we get to the other end we have to be in a position where we have actually defended our workers and our farmers and our ranchers, and we have the potential for structural change in China.

And I think we have done a reasonably good job of minimizing that effect on our own consumers. That isn't to say the individuals aren't particularly affected substantially, and we have an exclusion process to try to help them out. So we are sympathetic, and focused on it.

In terms of the steel, I would just say generally I want to get a steel agreement. The President wants me to get some kind of a steel agreement, if I can, with Canada and Mexico. I think that will alleviate some of that problem.

Mr. HORSFORD. Thank you very much, Mr. Ambassador.

Thank you, Mr. Chairman. I yield back.

Chairman NEAL. I thank the gentleman. And with that, let me recognize the gentlelady from Alabama, Ms. Sewell, to inquire.

Ms. SEWELL. Last, but not least.

[Laughter.]

Thank you, Mr. Chairman.

I also want to thank you, Mr. Ambassador, for being here today. This discussion is long overdue. In fact, since the last time you publicly appeared before the Ways and Means Committee, this Administration has imposed a 25 percent tariff on \$50 billion of imports from China, and another 10 percent tariff on \$200 billion of Chinese imports. The Chinese, predictably, retaliated with a tariff of \$100 billion on U.S. exports.

We are all aware of China's unfair trade practices. And, you are right, the fundamental question is not just do we believe there is a problem with China and trading. We do. I think, universally, all of us will agree with that. I think the more fundamental question is: What do we do about it? I think it is important that we do something about it, but I can also tell you that the tariffs have had a really devastating effect on the folks back home in Alabama.

In fact, I have three concerns about the 301 tariffs as enforcement mechanisms.

First, it is a go-it-alone strategy I am concerned about that this Administration is taking, when I really think we could have put to use our alliances and created a multilateral pressure on China, and probably been a little bit more effective, quicker.

Second, while we in Alabama do believe trade works for us, we really believe that retaliatory tariffs don't. And the retaliation that has the most impact on my district has been both with farmers, as well as with my manufacturers. According to a Brookings study, Birmingham, Alabama, has the fifth highest exposure to retaliatory tariffs in the country. Since the trade war with China has begun, Alabama exports have faced over \$254 million in retaliatory tariffs.

Moreover, my cotton and soybean growers' supply chains have been dramatically affected.

The longer the tariffs are in place, the more likely it is that a lot of the shifts in the supply chain will become more permanent, causing more concerns for lots of my constituents. In fact, the forest industry in my district is suffering from a 25 percent tariff on southern pine logs, and a 10 percent tariff on the softwood lumber.

So I guess my question, really, is one of a fundamental belief that, while there is definitely a problem, a trade problem, with China, is the enforceability of tariffs the way we are doing them the best way to get at that problem?

So my question is, especially given the fact that we are looking for Section 301 tariffs as a tool to enforce other trade agreements, my question to you really is do you see Section 301 tariffs as an enforcement tool of last resort when all of our options have been exhausted? Or do you see it as a weapon that can be deployed regularly to exert concessions from other economic rivals and allies?

Ambassador LIGHTHIZER. Well, I would say, first of all, I don't want to conflate tariffs with other tariffs, right? Because, I mean, as you know well, there is the softwood lumber, and that is a litigation matter by private people. The steel and aluminum is something entirely different, in my opinion.

I think 301 is an effective tool. I think we should be working with Members to find more effective tools. And I can—at some point I want to sit down and take you through the history of 301. When you are just ready to go to sleep and you can't get to sleep, I will take you through it because it is kind of interesting—

Ms. SEWELL. Since I sit on the Intelligence Committee, too, there are many sleepless nights for me.

[Laughter.]

Ambassador LIGHTHIZER. I guess that is right.

So there is a history there. I think we need better tools. But in terms of whether or not we should have done what we did, or done a multilateral approach, I honestly believe that good people tried for 20 years the multilateral approach and the talk approach, and the let's all go along and get along approach. And I can tell you it is not—I will show you. I brought along—I have a chart here that shows the trade deficit, what every one of these go along and get along—there it is, right there.

So here is the trade deficit, and here is every one of these go along and get along joint things. They just demonstrably failed. And when you are in a situation where something really, really matters in our kids' lives, you know, jobs depend on it, and you have tried something and it has failed, failed, failed for 20 years, you would have to be crazy, in my judgement, not to try something else.

Now, is this perfect? I am not going to say it is perfect. But at least it is leading to results, where everything else didn't.

Ms. SEWELL. Now I just want to say thank you for allowing the Ambassador to complete his answer, and I just really want to say, in closing, we are all really, really—your success is our success. We do want to get a better balance when it comes to trade with China. And I want to thank you for being open enough to come and talk

to us on a regular basis with respect to these tariffs and the trade agreements.

Chairman NEAL. We thank the gentlelady, and we will conclude with the gentleman from Georgia, Mr. Ferguson.

Mr. FERGUSON. Thank you, Mr. Chairman.

Ambassador, thank you so much for being here today. You know, it has been fascinating, sitting here and listening to both sides recognize a few common threads. Number one, China has been participating in unfair practices for years, and it has hurt American business, it has hurt American innovation. And most importantly, it has hurt the American worker.

Consistently, I hear throughout my district the support for these efforts to really put China into a new trading position with the United States. Across the board, whether it is Republican or Democrat, small business, large business, they all understand the need to do this, and they also understand the need that, because we have not done it in the past, there is going to be a rough transition period while this fight takes place. But it will be worth it in the end. So I want to commend you and the Administration for fighting so hard on behalf of the American worker.

You know, as I look at this, another thing that I have heard a couple of comments on along these lines, is talking about the context of the China deal, and with everything else that is going on in trade. Could you speak—because we all recognize the problem with China, and we all recognize that it is a very large problem to deal with—can you speak to the importance of getting the USMCA deal done on the heels of the South Korean deal, and then bringing Japan into the fold, and then moving to the Europeans? Can you speak to how important it is that we all develop these trade deals so that we can collectively work to change China's behavior?

Ambassador LIGHTHIZER. Thank you very much, Congressman, and thank you for your comments about the President's program, which I think is working, and I am certainly going to pass along to him the various comments people have made about what we are trying to do.

But you are right, and I said this at one point, and I will say it again. There is no trade program in the United States if we don't pass USMCA. There just isn't one. What it says is we don't have a consensus, and that we don't want to stand up for our workers and our farmers and our ranchers. I think there is no less than that at stake.

We have an agreement. It is clearly better than its predecessor, there is no question. It is \$1.3 trillion worth of business. Millions and millions of people are affected. And it just has to pass. If it doesn't, you have no credibility at all with China, and you will have no credibility on any deals with your other trading partners.

I have Members come to me, as I talked—every day I talk to two or three Members, just, literally, every day. And they are all—it is always constructive. They have this idea, and that idea, and they have thoughts, and all this. And I always in the back of my head think if we don't pass USMCA, just don't bother. Just sit down and say we will just wait a few years before we say anything.

Mr. FERGUSON. I want to thank you for that, and addressing that, but I want to switch gears for just a minute.

In my home town we have an automaker, Kia Motors Manufacturing Georgia. We have seen the benefits of having a good trade agreement with South Korea. We want to continue to see that.

One concern that I have—and if you could address it very quickly—the timelines both on the USMCA and potentially any trade deal, 3 to 5 years for implementation, talk about how that—that, to me, seems like a relatively tight timeline. Is there opportunity, if companies are moving in the right direction, to give some leeway as they try to bring jobs back to America?

Ambassador LIGHTHIZER. USMCA requires a very short transition. They can get the additional 2 years if they are meeting certain requirements. We have worked with the manufacturers. Is it a tight timeframe? Yes. Is it a doable timeframe? Yes. We have to make changes as soon as we can. By extending this out, I mean, we have consensus among manufacturers, and by extending it out you are just postponing Americans getting their new jobs, and I don't want to do that. We want these people to be employed as soon as possible.

So this is a doable thing. And, by the way, we want them to be manufacturing more engines and more transmissions in Georgia, and I think they are going to. And they are going to quit using the Korean engines and transmissions to a large extent. So this is going to be a big win for you.

But I don't want to defend them. I already pushed it off as far as I am going to push it off. Who knows where I am going to be in 5 years?

Mr. FERGUSON. Thank you, Mr. Ambassador. And thank you, Mr. Chairman.

Chairman NEAL. I thank the gentleman.

Mr. Ambassador, let me thank you for joining us today. As always, your accessibility is appreciated by the Committee.

Please be advised that Members have 2 weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

And with that, the Committee stands adjourned.

[Whereupon, at 1:06 p.m., the Committee was adjourned.]

[Questions for the Record follow:]

Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Chairman Richard E. Neal to Ambassador Robert E. Lighthizer

1. Since the 90-day deadline for the U.S.-China negotiations was suspended, does the Administration plan to announce a new deadline? If so, when? If there is a near term deadline, what is the plan to engage with the Chinese on substantive issues in the medium and long term?

Answer: At this time, the Administration does not plan to announce a new deadline for completion of the negotiations. As you know, the President announced that the tariffs on the \$200 billion list of products would stay at 10% while negotiations continue to be productive. The plan for long term engagement on substantive issues will ultimately depend on the result of these negotiations, but I can assure you that in the event of a trade deal, enforcement would be paramount.

2. Previous U.S.-China formal economic dialogues took place on a regular schedule and negotiators strived to secure from China commitments that would yield meaningful, structural outcomes. If outcomes on market access, non-discrimination, and IP protection are achieved through the current discussions, how will these negotiations have been different from earlier efforts? What will the implementation and enforcement plan be to ensure that China lives up to its commitments?

Answer: If an agreement were to be reached between the United States and China, it will have to be one that is enforceable. That means that there will be effective consequences in the event that China does not live up to its commitments. As I discussed in my testimony, if there is an agreement, a process will be established with regular meetings at the staff, vice-ministerial, and vice-premier level. These channels will address individual instances and systemic problems that companies are encountering in areas covered by the agreement. If these problems cannot be resolved within defined timeframes, then the United States would expect to act proportionately, but unilaterally, to insist on enforcement.

3. What are this Administration's labor and environment standards objectives for the China negotiations? If these are not being address in the current negotiations, why not? And when will the Administration address those structural competitive problems in China?

Answer: Under President Trump's leadership, the United States is committed to working toward a more fair and reciprocal trade relationship with China. In the current negotiations with China, we are seeking to address a wide range of unfair trade practices. Although we are not currently directly addressing labor and environment

standards, I am committed to working with you and other Members of Congress to discuss options and policy tools for addressing these important issues.

4. What commitments is the Administration asking China to make to ensure that Chinese marketing approvals, technical regulations, and standards requirements are transparent, science-based and consistent with international standards? How will the Administration ensure that any commitments result in meaningful changes to China's systems and approaches?

Answer: The Administration's goal is fair and reciprocal trade with China on terms that are enforceable and that address China's unfair trade practices. In our negotiations with China, we are working to ensure that China adopts standards and technical regulations that are consistent with international standards. We are also working to ensure that American companies can participate fully and on equal terms with Chinese companies in China's standards-setting processes. Ensuring that China implements its commitments in any agreement is also crucial, and so we are determined to include an enforcement mechanism that makes China's commitments fully enforceable and subject to responsive action by the United States in the event of noncompliance.

5. China's licensing and approval regimes often deny market access and limit U.S. companies' ability to compete even if the market technically appears to be open under Chinese law. What provisions do you anticipate including in a trade agreement with China to ensure fair and reciprocal treatment for American companies operating and selling in China? Will China commit to providing American investors treatment no less favorable than the best treatment offered to any domestic Chinese company, whether private, state-owned or state controlled? Has China agreed to eliminate laws, regulations, enforcement regimes, approvals processes and other policies or requirements that discriminate against American and foreign firms? Will U.S. companies still be required to acquire licenses with Chinese business partners to operate in China?

Answer: The Administration's goal is fair and reciprocal trade with China on terms that are enforceable and that address China's unfair trade practices. In our negotiations with China, we are working to ensure that American companies are treated no less favorably than Chinese companies in a wide range of contexts, including in China's numerous licensing and administrative approval processes. Ensuring that China implements its commitments in any agreement is also crucial, and so we are determined to include an enforcement mechanism that makes China's commitments fully enforceable and subject to responsive action by the United States in the event of non-compliance.

6. How is the Administration working jointly with our allies and trading partners to confront shared challenges with China?

Answer: The Administration works extensively with our allies and trading partners to confront shared challenges with China. For example, I meet regularly with my counterparts in the European Union and Japan to address non market-oriented policies and practices of third countries that lead to severe overcapacity, create unfair competitive conditions for their workers and businesses, hinder the development and use of innovative technologies, and undermine the proper functioning of international trade, including where existing rules are not effective. Additionally, within the USMCA, the United States, Mexico and Canada set forth high standards aimed at combating non-market practices such as currency manipulation and state-sponsored subsidies. The Administration will continue to actively engage with our allies and trading partners on these shared challenges.

7. The Administration's current leverage in the discussions with China comes from the tariffs imposed on \$250 billion of imports from China. What other tools and sources of leverage does the Administration consider are available to impact the terms of U.S.-China trade? Is the Administration considering using other tools? Are there additional tools that the Administration would like to have available? What would they be?

Answer: The President's use of Section 301 of the Trade Act of 1974 is providing the United States with an important source of leverage to bring China to the table to negotiate an enforceable agreement that will address China's unfair trade practices. Additionally, there is a role for international bodies, including WTO dispute resolution where appropriate, along with engagement with our allies and other like-minded countries, in confronting China. I would be pleased to work with Members of Congress on new tools to address challenges like those that we confront with regard to our trade relationship with China.

8. What is the Administration's ultimate aim in re-setting the terms of U.S.-China trade? What kind of relationship does the Administration consider the United States and China should have in the global economy now and in the future?

Answer: The Administration's goal is fair and reciprocal trade with China on terms that are enforceable and that address China's unfair trade practices, including in the areas of forced technology transfer, intellectual property protection and enforcement, cyber theft of commercial secrets, tariff and non-tariff barriers, including subsidies, services, and agriculture. Achieving this goal will require structural changes in China and a more market-based and open economy.

9. If negotiations with China are not able to yield results that fundamentally alter China's approach to directing and managing its economic and trade policies and relationships, what does the Administration consider to be the best options for U.S. international economic and trade policy with China going forward? Is the "de-coupling" of the U.S. and Chinese economies a worthy or feasible goal – either for all or select sectors? Why or why not?

Answer: The President's pro-growth, pro-jobs economic agenda has created the strongest economy America has seen in decades. Through deregulation, tax reform, and an ambitious trade policy, he has created 5 million jobs and lifted wages for Americans. The President's trade policies are working, and we will have an even stronger economy as a result. The President's success is particularly remarkable in light of the slowing growth in other countries, such as China. Our strong economy puts the United States in a position of strength. We have maximum leverage to fix longstanding trade concerns and are able to sustain any short term disruptions. We are encouraged by our negotiations with China and will continue to work with the Chinese in good faith. However, we will not compromise on achieving greater market access for U.S. exports and fair and reciprocal treatment for U.S. farmers, ranchers, and businesses.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Trade Subcommittee Chairman Earl Blumenauer to Ambassador Robert E. Lighthizer

1. During the hearing, you estimated that the agreement text with China covering intellectual property issues would come out to around 28 pages. You later estimated that the entire set of agreements with China could result in roughly 150 pages of text. As you are negotiating these agreements, do you intend that their provisions will require reciprocal commitments by the United States? Will those commitments taken by the United States result in sanctions or other economic consequences if U.S. policies or laws were to change? If so, do you plan to submit these agreements to Congress for review and/or approval? What is the legal basis for your view?

Answer: Consultation with Congress is an important part of addressing the challenge from China. My staff and I have frequently sought input from Members of both the House and the Senate during the course of the Section 301 investigation and during this phase of negotiation with China. Any resulting agreement would reflect that input. The current negotiations with China are an attempt to reach an executive agreement that would be entered into under the existing authority of the President and USTR. Any agreement will not require changes to U.S. law.

2. As the Administration negotiates an agreement with China on currency manipulation, it would be helpful to understand how you assess the value of the yuan (Renminbi). What constitutes unacceptable yuan weakness? Below 7 to the dollar for more than a month? Not rising at all if the dollar depreciates 10% against the euro and yen? Falling 4% annually against the dollar for 5 years?

Answer: As I noted in during the hearing, the Secretary of the Treasury is responsible for evaluating the currency practices of the United States' major trading partners. With respect to the China negotiations, the talks are still underway, but address a range of issues including, currency practices. The aim is to reach agreement to refrain from competitive devaluations in currency and to agree to a certain level of transparency that would be enforceable under the agreement.

3. Since the dollar is the global currency and the yuan is dependent on the dollar, it would seem that the United States could not simply mirror China's policies on exchange rates. With that in mind, how would the United States respond if this weakness occurred? With tariffs?

Answer: As I noted in during the hearing, the Secretary of the Treasury is responsible for evaluating the currency practices of the United States' major trading partners.

With respect to the China negotiations, the talks are still underway, but address a range of issues including, currency practices. The aim is to reach agreement to refrain from competitive devaluations in currency and to agree to a certain level of transparency that would be enforceable under the agreement.

4. It seems that the Administration is asking for market-oriented policies within China, but also intervention to ensure the yuan is stable. Will the liberalization we want weaken the yuan or does the Administration think China will seek alternative ways to take advantage of its trading partners?

Answer: I defer to the Treasury Department on questions relating to China's currency practices.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Brad Wenstrup to Ambassador Robert E. Lighthizer

1. My colleague Rep. Terri Sewell and I have introduced legislation, H.R. 991, to extend the Caribbean Basin Trade Partnership Act (CBTPA) for ten years - until 2030. CBTPA is a very important program to the U.S. textile industry because it requires the use of U.S.-made yarns. For the beneficiary nations, CBTPA allows their garment industry a fighting chance to compete with large Asian suppliers such as China and Vietnam. The program is set to expire in September 2020, but investment decisions and production plans are happening now. Certainty is always important to U.S. companies, but especially when doing business in a less-developed countries.

Do you agree that strengthening the U.S. supply chain through mutually beneficial agreements like CBTPA serve as an important backstop against domination by China and other competitors with lower wage and labor standards in certain sectors, in this case the garment industry?

Answer: The use of U.S.-made inputs in apparel qualifying under the CBTPA continues to be important for Made-in-USA yarns and fabrics. We look forward to working with Congress as it considers legislation to extend the CBTPA program.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Kenny Marchant to Ambassador Robert E. Lighthizer

1. I represent a small company called New York Air Brake. They manufacture train brakes and other train related technologies. They are currently facing an uphill battle against their single US competitor because they chose to keep their manufacturing in the US whereas their competitor chose to manufacture in Mexico. Due to the tariffs on Chinese aluminum, New York Air Brake is paying an additional 10 percent on their imported aluminum and they believe their competitor pays no tariffs as they manufacture in Mexico. New York Air Brake anticipates paying an additional \$6.3 million in tariffs – which obviously provides their competitor with an advantage in this low margin market.

Mr. Lighthizer, would you be willing to have your staff sit down with representatives from New York Air Brake?

Answer: Our staff has received submissions from New York Air Brake and is working with the company consistent with the legal process set out in the relevant Federal Register notices.

2. There have been increasingly represented concerns presented to me about the cost of the tariffs on imported Chinese goods, many of which are used in residential construction. My home builders tell me there are around 600 products on list 3 commonly used in home building. The National Association of Home Builders has said these products are so common that the 10% tariff in place represents a \$1 billion tax of residential construction.

Can you shed some light on what the goals of a US-China deal would do to lower the cost of construction and home price for my constituents?

Answer: As I noted at the hearing, we start with the proposition that there are serious problems in the China relationship that, left unaddressed, will result in long-term costs for U.S. growth, job quality, and technological leadership. We are seeking an agreement that will bring structural changes to Chinese policy and address these longterm challenges. If successful, this in turn would help ensure that American industries are able to invest in R&D, remain the world's leaders, and build national wealth in coming years. That in turn will mean a more affluent society with a higher demand for residential homes, office buildings, and other construction. The imposition of tariffs certainly has a cost, but we believe it is essential to our success with China.

3. When China joined the World Trade Organization in 2002, the Chinese government agreed to several market-based principles and commitments, including allowing foreign computer reservation systems (now GDSs) to have “direct access” to agents of foreign airlines, subject to approval of the Civil Aviation Administration of China (CAAC). Despite these commitments, GDSs based outside of China still – 17 years later – do not have unrestricted access to participate in the Chinese travel market – either for booking intra-China travel, or for booking travel by Chinese nationals to foreign destinations.

This is due in part to the China’s cumbersome nature of the existing foreign GDS regulations, which require a foreign airline to apply to the CAAC on behalf of each agent to which the GDS seeks to provide services. Access is also being suppressed due to retaliatory actions taken by the state-owned incumbent, TravelSky, against Chinese agents that choose to do business with foreign GDSs. This makes China the only major market in the world that does not permit access by any GDS that wants to serve the market. The actions by China and TravelSky have been highlighted in several of the United States Trade Representative Reports to Congress on China’s WTO Compliance, the latest report from January of 2018.

Were the U.S. and other foreign GDSs allowed to operate within China’s borders and compete with each other and with TravelSky, the Chinese airlines and traveling public would benefit immensely from better travel search and other advanced travel technology that these GDSs offer in the global travel marketplace. The U.S.-based GDSs would also benefit from access to one of the largest travel markets in the world. One result of this win-win development would be to bring more Chinese visitors to the United States, which will have an enormous and positive impact on our nation’s economy including the creation of U.S. jobs.

Will you commit to working on this issue and making it a top priority for your office as you continue to negotiate a final outcome with the Chinese?

Answer: U.S. global distribution services (GDS) suppliers have not been able to operate on a level playing field in China due to many of the factors cited in your question for the record. It is an Administration priority to ensure that U.S. GDS suppliers can operate on a level playing field in China, as they do in other foreign markets. We look forward to staying in touch with Members of Congress on this issue.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative George Holding to Ambassador Robert E. Lighthizer

Section 301 Tariffs

1. I know that the 301 report does not address financial services, but the negotiations have clearly sought to address structural and market access issues. I've read that the Chinese have demonstrated a willingness to open the financial sector to 100% ownership by US companies within 3 years but has offered no clear roadmap. What are we doing in these negotiations to ensure that U.S. financial institutions will be allowed access to the Chinese market without ownership or activity restrictions, just as Chinese banks are allowed access to the US market?

Answer: The Administration is working to ensure that U.S. financial services suppliers, across a wide range of services, including banking (as well as electronic payments), insurance, and securities have full and fair access to business opportunities in the Chinese market.

2. When the United States imposed tariffs on imports from China under Section 301, China retaliated in part by imposing identical tariffs on similarly situated U.S. made products being exported to China. The U.S. has now granted nearly 1,000 product exclusions for imports from China. As the negotiations with China proceed, in the interim are you seeking to have China grant exclusions on products that the U.S. has excluded from the Section 301 tariffs?

Answer: The goal of the Section 301 investigation is to change China's unfair and market-distorting behavior. China should have responded to the findings in the Section 301 investigation and the U.S. tariff actions by undertaking the necessary economic and policy reforms needed to end its trade-distortive practices. Instead, China retaliated with tariffs on U.S. products. The Administration is pressing China to remove those retaliatory tariffs entirely.

3. The conference report to H.J. Res. 31 instructs USTR to establish a product exclusion request process for list 3 of the Section 301 tariffs within 30 days of enactment and it further directs USTR to work with this Committee on the establishment of that process. Given the lengthy delays in the processing of product exclusion requests filed for List 1 and the much larger scope of List 3 I want to request that you work closely with the Committee on criteria for the process for List 3 that would significantly improve the efficiency of the process. One option in particular I would like to work with you on is a criteria that expeditiously excludes products that are regulated by other U.S. government agencies where those regulations constrain the ability of importers to access those products. For example, products regulated by the Food and Drug Administration where the FDA's regulatory framework means that

consumers cannot quickly shift to other suppliers. I believe the product exclusion process for List 3 should be designed to carve these products out of the scope of the 301. Are you willing to consider a product exclusion process criteria that would provide automatic exclusions for certain FDA regulated products?

Answer: USTR developed the exclusion processes for Lists 1 and 2 with extensive input from both Congress and other federal agencies. We regularly seek and obtain interagency views (including from FDA) regarding specific exclusion requests. We look forward to continue to consult with the Committee on any future exclusion processes for List 3.

Film Agreement

4. Mr. Ambassador, I'm sure you're well aware of the Film Agreement that came about after a 2012 WTO case between the U.S. and China. This deals with barriers by China to U.S. film imports. I understand those negotiations have not yet been completed, and it's something you're currently working on. I just want to say that I appreciate your work on this and look forward to you completing an agreement with a revenue share that's in line with international norms.

Answer: In a 2012 Memorandum of Understanding (MOU) relating to theatrical films, the United States and China reached an alternative solution with regard to certain rulings relating to the importation and distribution of theatrical films in a WTO dispute that the United States won. Among other things, China agreed in the MOU to raise the share of box office revenue received by U.S. film producers. The MOU also provided that it would be reviewed in calendar year 2017 in order for the two sides to discuss issues of concern, including further meaningful compensation for the U.S. side in terms of, among other things, the U.S. film producers' share of box revenue. In 2017, in accordance with the terms of the MOU, the two sides began discussions regarding the provision of further meaningful compensation to the United States. It is a priority for the United States to ensure that, as part of the negotiations launched by Presidents Trump and Xi on December 1, 2018, China fulfills its MOU obligations, including by allowing U.S. film producers to realize a share of box office revenue consistent with market rates around the world.

Solar 201 Tariff

5. My home state of North Carolina has been a leader in the deployment of utility scale solar production. As you know, U.S. manufacturers of solar cells and modules sought relief from Chinese imports under Section 201 of the Trade Act of 1974, and subsequent tariffs were placed on imported solar cells and modules.

It is my understanding that on March 16, 2018, USTR received a request that 1,500-volt crystalline silicon photovoltaic bifacial modules ("1,500-Volt Bifacial Modules") be

excluded from the solar safeguard measure. I have been told that these modules are neither currently produced nor imminently available in sufficient quantities in the United States. Please give this exclusion request all due consideration.

Answer: USTR, in consultation with the Departments of Commerce and Energy, is carefully reviewing all of the exclusion requests we have received to evaluate whether granting them would undermine the objectives of the Section 201 safeguard measures on solar products.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Linda Sánchez to Ambassador Robert E. Lighthizer

1. I'm also concerned that domestic headquartered companies who have outsourced their manufacturing are continuing to benefit from unfairly subsidized Chinese steel and aluminum. Companies can still use raw materials like steel and aluminum from China in their foreign operations, which puts purely domestic companies, many of them unionized, at a competitive disadvantage.

The last thing our trade policies should do is hurt good paying American jobs and US manufacturing facilities. To me, this disadvantage seems thrust upon companies who have invested in American manufacturing only.

Answer: I appreciate and share your concern. Addressing China's pervasive subsidization of its domestic industries is a key objective of our ongoing bilateral negotiations. These and other market distorting practices have caused unfair competitive disadvantages for U.S. manufacturers and workers for decades. This Administration is determined to take action to address the issue.

2. Finally, I want to make sure USTR continues to focus on the impact administration policies have on American workers. For years, I focused on transshipment issues championing the ENFORCE Act. Now I'm becoming increasingly concerned with code misclassification for goods entering the United States as a way to avoid tariffs. Are you working with Customs to address this form of evasion?

Answer: As you are aware, evasion is a serious issue that enforcement agencies have to deal with every day in combatting efforts that seek to undermine the effectiveness of the tariffs or duties in place resulting from a specific remedy. USTR will continue to work closely with multiple U.S. government agencies to address issues that have a meaningful impact on trade, including misclassification and other forms of evasion, to ensure that importers pay the tariffs or duties that are rightly owed to the United States.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Jason Smith to Ambassador Robert E. Lighthizer

1. Small manufacturers are critical economic engines and employers in rural communities. However, these manufacturers often don't have the time or resources to participate in the complex product exclusion process. When USTR establishes a product exclusion process for List 3, as directed by Congress, would you be willing to consider preferences for manufacturers in rural communities that would help expedite consideration of their requests?

Answer: My office has made considerable efforts to facilitate the access of small businesses to the product exclusion process. Those efforts include the following:

- **Single Point of Contact and Technical Support:** We designated a single Section 301 hotline to take inquiries from the public. USTR trade specialists staff the hotline during business hours and respond to all voicemail messages within 24 hours. We provide a full spectrum of technical services to the public, including helping interested persons submit their exclusion requests to the docket via Regulations.gov, answering questions about the products subject to the additional tariffs, and making referrals to other government agencies on collateral issues. We receive, on average, 20 to 25 calls per day from interested persons. Furthermore, we have worked individually with requesters (mostly small businesses) to correct deficiencies in approximately 1,700 requests.
- **Collaboration with the Small Business Administration (SBA):** We have worked extensively with the SBA throughout the Section 301 investigation, including on the product exclusion process. For example, we assisted the SBA Office of International Trade on publishing a primer on the recent tariff actions: <https://www.sba.gov/blogs/what-small-businesses-should-know-about-tariffs>. We also conducted an agency-wide product exclusion process briefing to SBA district officers from the field offices and briefed state and local level trade officials. At the request of SBA, USTR also created Frequently-Asked-Questions to address small business concerns. Furthermore, we have advised SBA on additional resources for small business counselors.
- **Notice and Dissemination of Information:** We conducted an extensive notice and comment process throughout the investigation that included four public hearings, more than 500 witnesses, and approximately 10,000 comments. In addition, we created information papers and a searchable database to facilitate public access to information regarding the products and requests. We published the information and tools on a designated Section 301 investigation page: <https://ustr.gov/issue-areas/enforcement/section-301-investigations>.

- **Simplified Form:** We created a two page simplified form to makes it easier for small businesses to submit requests for exclusions.

USTR developed the exclusion processes for Lists 1 and 2 with extensive input from both Congress and other federal agencies. We look forward to continue to work closely with the Committee on any future exclusion processes for List 3.

2. While market access for U.S. agriculture products is critically important, farmers and producers have other concerns as well. I recently visited a farm in southeast Missouri where I was able to get some hands-on experience with the growing importance of drone technology for farmers. This family has thousands of acres of farmland and thanks to drone technology, the can very easily monitor their crops and address problems before they effect yields. Technologies like drones, cell phones and computers are all very important to modern farming. If an agreement is not reached soon, what assurances can you provide that these most basic technology products will not face tariffs?

Answer: The goal of the Section 301 investigation is to change China's unfair and market-distorting behavior. China should have responded to the findings in the Section 301 investigation and the U.S. tariff actions by undertaking the necessary economic and policy reforms needed to end its trade-distortive practices. It is critical that the United States ensure that American intellectual property and technology are protected. USTR is continuing to negotiate with the Chinese in an attempt to resolve these issues.

3. China continues to restrict access to its markets for the U.S. film industry, making it difficult for U.S. companies to do business. I am pleased that you and President Trump have been tough on China in order to get them to play fair and open their markets for American businesses like the film industry. One area I would urge them to continue to focus on is making sure that those industries are treated consistent with international norms. Can you confirm that this is a priority for the Administration?

Answer: In a 2012 Memorandum of Understanding (MOU) relating to theatrical films, the United States and China reached an alternative solution with regard to certain rulings relating to the importation and distribution of theatrical films in a WTO dispute that the United States won. Among other things, China agreed in the MOU to raise the share of box office revenue received by U.S. film producers. The MOU also provided that it would be reviewed in calendar year 2017 in order for the two sides to discuss issues of concern, including further meaningful compensation for the U.S. side in terms of, among other things, the U.S. film producers' share of box revenue. In 2017, in accordance with the terms of the MOU, the two sides began discussions regarding the provision of further meaningful compensation to the United States. It is a priority for the United States to ensure that, as part of the negotiations launched by Presidents Trump and Xi on December 1, 2018, China fulfills its MOU obligations, including by allowing U.S. film producers to realize a share of box office revenue consistent with market rates around the world.

4. In relation to Canada, despite strong concerns from the U.S. insurance industry and the Canadian insurance industry, I understand that Canada's financial regulator is moving forward with plans to severely restrict cross-border reinsurance trade in a way that will make it very difficult for U.S. insurers to do business in Canada. Is that something you are aware of an engaged on?

Answer: The Administration is aware of concerns with respect to actions that Canada may be taking involving reinsurance that could negatively impact U.S. reinsurers' ability to do business in Canada. We expect Canada to be mindful of its trade commitments as it undertakes revisions to its policies with respect to supply of reinsurance. We look forward to staying in touch with Members of Congress on this issue.

5. When China joined the WTO, it committed to open its electronic payment services (EPS) market by 2006. A 2012 WTO dispute settlement panel confirmed that commitment. However, as you stated in your 2018 Report to Congress On China's WTO Compliance, "[t]oday, the reality remains that no foreign [EPS] companies conduct business in China's domestic market." (See p. 2 of the report). You also stated (at p. 8 of the report) that, "China's industrial policy objective is to protect its national champion, China Union Pay [CUP], from competition in China so that it can use the revenues from a captive domestic market to fund its own global expansion." At the same time, we give CUP full access to the U.S. market. As you note (at pp. 40-41 of the report), "China Union Pay reportedly has reached 100 percent penetration at U.S. automated teller machines and between 80 and 90 percent penetration at U.S. stores that accept credit cards." This is unfair. China has gotten away for far too long with false promises that it will comply with its commitments. As recently as 2017, as part of the 100-Day Action Plan of the U.S.-China Comprehensive Economic Dialogue, China promised to put in place procedures that would lead to U.S. EPS supplier getting "full and prompt market access." China has reneged on that promise.

Can you commit that you will be seeking a firm commitment from China—with specific, reasonable timeframes—to process license applications of U.S. EPS suppliers? How are you going to ensure that China lives up to its commitment to give U.S. EPS suppliers full and prompt market access?

Answer: The Administration is fully engaged on this issue and has been working closely with relevant stakeholders. It is a priority for this Administration that China complies with and implements its obligations, including its WTO obligations, in electronic payment services. We welcome the opportunity to stay in touch with Members of Congress on this important issue.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Suzan DelBene to Ambassador Robert E. Lighthizer

1. The OECD recently released a report on subsidies showing unequivocally that Chinese industrial subsidies are much broader in scope and dramatically larger in amounts than subsidies from any other country. The case study industry here was aluminum, and the report found that 85% of all subsidies went to the top 5 of the 17 companies the report looked at – and all 5 of those companies were Chinese. The report also found that overcapacity in China was caused, at least in part, by these subsidies.

Can you please outline the specific measures you are seeking in the proposed U.S.-China deal to curb Chinese aluminum overcapacity?

Answer: Addressing the role of market-distorting forces in creating and maintaining excess capacity is a key component of our ongoing bilateral negotiations with China. We are seeking enforceable commitments from China to eliminate all forms of nonmarket support to its industries, to address the negative impact of past subsidy-fueled capacity expansion, and to enhance transparency regarding government interventions that affect the operations of market participants, whether directly or through the activity of China’s state-owned enterprises.

2. According to press reports, USTR has included removal of China’s retaliatory trade duties on US polysilicon exports to China as one of its 10 immediate action items. Could you please advise on the status of this issue in your discussions with the Chinese? It is absolute critical that these retaliatory Chinese duties are removed as soon as possible, both for the preservation of hundreds of high wage jobs in Washington state, as well as the preservation of an important advanced materials industry foundational for the solar, semi-conductor and lithium-ion battery industry in the United States. To this end, I would like to know how and if you plan to prioritize and press this issue with the Chinese in your negotiations.

Answer: USTR has been engaged in discussions with U.S. stakeholders in an effort to find a solution that is beneficial to both the U.S. solar industry and the U.S. polysilicon industry, and which would be acceptable to China. USTR also is pressing our concerns specifically about China’s duties on U.S. polysilicon as part of the negotiations launched by Presidents Trump and Xi on December 1, 2018.

3. As you know, I was disappointed in the de minimis outcome in USCMA, and I’m becoming increasingly concerned about the Administration’s position on this important issue. I was troubled to see that the report you sent to Congress identifying changes to U.S. law suggested

that you would seek to amend the statute that sets the de minimis threshold in the United States.

Do you plan to include language in the draft USMCA implementing legislation that would reduce the US de minimis threshold? If so, what specific changes will you seek? Are you concerned that lowering the US de minimis level could constitute yet another tax on consumers and small businesses that are already dealing with the cost of the 232 and 301 tariffs?

Answer: As noted in the Administration's submission to Congress on changes to existing law required to bring the United States into compliance with the obligations of the USMCA, we will be consulting with the Committee on Ways and Means of the House and the Committee on Finance of the Senate before making a final determination on implementing the flexibility we negotiated with respect to reciprocity of treatment.

4. As I am sure you are aware, some of the tariffs on Chinese products have inadvertently affected U.S. producers in the global supply chain for these products. Several Washington state fishing companies export 100% of their catch to China, Korea, and Japan, however in many cases the product exported to China is not sold, but simply reprocessed before returning to the U.S. Some of this product is now and being hit with a tariff, and that increased cost is being passed down the supply chain and affecting our fishermen at home.

Don't you think there should be an exemption for such products with a U.S. origin? Are you working to address this issue?

Answer: Only products considered to have Chinese origin under U.S. law are covered by the tariff action in the Section 301 investigation. To the extent that U.S. interests want to import Chinese-origin products, we are conducting a product exclusion process for products on Lists 1 and 2. I have stated in my testimony before the Committee, and in correspondence with individual Members of Congress, that USTR would initiate an appropriate exclusion process for List 3 if the duty rate on those tariffs were raised to 25 percent. Members of Congress believe that we should have an exclusion process for List 3. For this reason, we have begun preparations to launch a process by the end of the month.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Darin LaHood to Ambassador Robert E. Lighthizer

1. As you know, U.S. technology companies, including cloud service providers, face significant market access restrictions and forced technology transfer requirements in China. In addition, the current 301 tariffs are significantly impacting many of these same technology companies, as several key inputs into data centers are on the list of products being assessed additional duties. They are arguably being squeezed on both sides and are understandably worried about what this will mean for their global competitiveness when they are being negatively impacted in the two biggest markets in the world. Given this, it is important that the negotiations you are conducting with China produce results to roll back these market access restrictions in China and prevent forced technology transfer.

What specific measures are you discussing to prevent forced technology transfers? Are you looking to eliminate foreign equity caps and licensing requirements so that U.S. companies don't have to rely on Chinese companies to operate?

Answer: The Administration places a high priority on the elimination of forced or coerced technology transfer, foreign equity limitations, and discriminatory licensing requirements in the China market, so that U.S. firms can compete on a level playing field with Chinese companies and other foreign competitors. These are key areas of discussion in our current negotiations.

2. Over the last year, India has adopted or proposed data and investment restrictions that would effectively close off the Indian market to many U.S. high tech services. The U.S., by contrast, allows Indian and other foreign technology and services companies to provide cross-border services into the U.S. unobstructed by such burdensome data transfer restrictions. India's measures are far more trade restrictive than necessary to protect personal data, create cyber-vulnerabilities that would not otherwise exist, limit consumer choice, and hurt U.S. companies. Recently, USTR decided to terminate GSP for India based on "equitable and reasonable" access to its markets, but did not cite specific issues in the notice to Congress. Indian officials have responded that GSP withdrawal will not have a significant impact on India's exports to the U.S.

Should the U.S. take additional measures to address the growing data and services related issues with India?

Answer: As documented in the 2019 National Trade Estimate, USTR has identified a number of measures issued by the Government of India in the past year that could serve as barriers to digital trade. In particular, USTR is concerned about data localization requirements that would prevent U.S. companies from offering services in India on a cross-border basis. The United States has filed comments with the Government of India in response to several of these measures and has raised concerns in bilateral engagements with India about the potential effects of these digital trade barriers on U.S. companies. Looking forward, the United States will continue to work with India on a bilateral basis to address these concerns.

3. I would like to raise an emerging topic in Canada that is causing a great deal of alarm for U.S. insurers and reinsurers. Despite industry concerns in both Canada and the U.S., I understand that Canadian authorities are advancing plans to limit cross-border reinsurance trade in a way that severely harms U.S. insurers seeking to serve Canadian customers. Not only would these measures harm the U.S. insurance industry, but they are also inconsistent with our fair-trade goals and best practices for insurance regulation.

Has USTR been in touch with the Canadian authorities to protest the direction Canada is headed? Do you see a path forward for working with the Canadian authorities to make sure that insurance trade flows between the U.S. and Canada aren't adversely affected by these measures?

Answer: The Administration is aware of concerns with respect to actions Canada may be taking involving reinsurance that could negatively impact the ability of U.S. reinsurers to do business in Canada. We expect Canada to be mindful of its trade commitments as it undertakes revisions to its policies with respect to supply of reinsurance. We look forward to staying in touch with Members of Congress on this issue.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Gwen Moore to Ambassador Robert E. Lighthizer

1. How do you justify not excluding the play yard (cribettes) from the “List 3” tariffs? The distribution of play yards at cost to families that do not have access to a safe sleep environment for their babies is a critical element in the fight to reduce the incidence of Sudden Unexpected Infant Death (SUID) in families in my district and around the country. Other items that address infant safety, such as car seats, high chairs, strollers and safety helmets were exempt from the tariffs. Moreover, similar products that are less critical to the safety of infants were exempted. Curiously these cribettes were not exempted, even though placing tariffs on these items detrimentally affects US consumers because of the dearth or non-existence of alternative country sources. The best and safest place for an infant to sleep is in a crib or cribette. Understanding that, please explain how you applied your criteria for evaluating whether a product would be exclude to the cribettes. Why did the cribette fail to meet that the criteria given its critical importance in helping prevent unsafe sleep practices that may result in infant deaths and lack of alternative sources from which to acquire this product?

Answer: List 3 was finalized after full consideration of all available information, including information obtained from public comments and from the public hearing. USTR is hesitant to discuss decisions with respect to individual products in this forum, and we would welcome discussions with your staff regarding this type of product specific request.

2. Please provide the math behind your determination that the price of cribettes would increase 2-3% were they made in the U.S. Additionally, please identify any manufacturers with whom you have spoken who have indicated to you that they would resume production in the U.S. if the tariffs remain in place.

Answer: As I noted in my testimony, weaker Chinese currency over the last year has greatly mitigated the actual effect of the additional 10 percent tariff on products from China.

3. What are examples of labor and environmental standards that relate to the unfair trade practices being negotiated?

Answer: Under President Trump’s leadership, the United States is committed to working toward a more fair and reciprocal trade relationship with China. In the current negotiations with China, we are seeking to address a wide range of unfair trade practices. Although we are not currently directly addressing labor and environment

standards, I am committed to working with you and other Members of Congress to discuss options and policy tools for addressing these important issues.

4. I am glad that you share my concerns about the use of conflict minerals and that trade agreements should include provisions to help prevent the use of these minerals. Many of the natural resources used to manufacture cellphones, laptops, tablets and other electronic devices originate in areas of ongoing, deadly conflict. I am concerned that Chinese manufacturers may be procuring minerals from conflict zones to produce products that are imported into the United States, thereby further undercutting the cost of their goods. I urge you to please explain what steps are being taken during the current U.S.-China trade negotiations to prevent such minerals from entering supply chains.

Answer: As I indicated during the hearing, my staff and I would be happy to work with your office to better understand the nature of the Chinese conduct at issue.

5. What are examples of non-tariff measures you're negotiating with the Chinese?

Answer: As I indicated at the hearing, we are seeking to address a number of non-tariff measures. One example involves subsidies that have unfairly impeded the ability of U.S. manufacturers, workers, and farmers to compete in China and around the globe. As another example, we are asking China to adopt and adhere to transparent, non-discriminatory and consistent requirements, including time limits, for approvals U.S. companies need to do business in China. As I mentioned in my testimony, in the agricultural biotechnology sector we see instances in China in which even after eight years, an application has not been approved and there is no indication when approval will occur. In these and other areas, we are seeking to bring China more in line with international norms.



Questions for the Record for Ambassador Robert E. Lighthizer

U.S. House Ways and Means Committee

Hearing on U.S.-China Trade

February 27, 2019

From Representative Stephanie Murphy to Ambassador Robert E. Lighthizer

1. Updating the Film Agreement remains a top priority for the US movie and TV industry. It is important to note, though, the obligation to update that Agreement preceded the Section 301 investigation, tariffs, and ensuing negotiations. Accordingly if the only deliverable for the US movie and TV industry is the Film Agreement update, it would be a major missed opportunity to address China's serious AV market access barriers. How do you anticipate making progress on China's AV barriers like content discrimination and investment limitations in online video streaming and local studio production?

Answer: The Administration is seeking to ensure that U.S. audio-visual service suppliers, including suppliers of online video platforms and film production services, have full and fair access to business opportunities in the China market.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Brian Higgins to Ambassador Robert E. Lighthizer

1. Are there going to be provisions in the U.S.-China Trade Agreement that will prevent China from doing to the 5G optical equipment industry what it did to traditional industries like steel and aluminum? Specifically, will it include provisions to get China to agree not to build excess capacity in hi-tech sectors subject to China 2025 or other industrial policies? If not, why not?

Answer: Addressing the role of market-distorting forces in creating and maintaining excess capacity is a key component of our ongoing bilateral negotiations with China. We are seeking enforceable commitments from China to not only eliminate all forms of non-market support to its industries, but also to refrain from providing such subsidies in the future, including in the context of its Made in China 2025 initiative.

2. If China does not agree to meaningful excess capacity provisions for hi-tech products, will the U.S nonetheless agree to eliminate or reduce the Section 301 tariffs on products subject to China 2025 and any other industrial policies that discriminates against U.S. firms and workers?

Answer: The goal of the Section 301 investigation is to change China's unfair and market-distorting behavior. China should have responded to the findings in the Section 301 investigation and the U.S. tariff actions. Instead, China retaliated with tariffs on U.S. products. The Administration does not intend to remove the Section 301 tariffs in the absence of China addressing our concerns.

3. If provisions to discourage China from building excess capacity in hi-tech sectors are included in the Agreement, will these provisions authorize the U.S. to take trade action without an injury determination to enforce China's commitment?

Answer: Ensuring that China implements its commitments in any agreement is crucial. The Administration is determined to include an enforcement mechanism that makes China's commitments fully enforceable and subject to responsive action by the United States in the event of non-compliance.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Jackie Walorski to Ambassador Robert E. Lighthizer

1. I appreciate the resource constraints your agency faces with these exclusion processes for the China tariffs. The process for Lists 1 and 2 is tough to administer and moving slowly, and List 3 looms at four times their combined size. Is there a way to simplify things a little to take some of the load off your agency? For instance, what about companies who are hurt because their only competitors are foreign and are able to export the finished products to the US at little to no tariffs? Or what about a company that would take years to switch suppliers because the product is regulated by a governmental agency like the FDA?

Answer: USTR developed the exclusion processes for Lists 1 and 2 with extensive input from both Congress and other federal agencies. We regularly seek and obtain interagency views (including from FDA) regarding specific exclusion requests. We look forward to continue to work closely with the Committee on any future exclusion processes for List 3.

2. How many people do you have working on the 301 exclusions and what's their experience level in dealing with classification and global supply chains? And to what extent do your staff working on exclusions interact with the International Trade Commission?

Answer: Approximately 25 USTR attorneys, paralegals, and trade analysts with experiences in law, industrial sectors, and data analysis work on the exclusion process. This team works extensively with the ITC and other federal agencies with relevant expertise.

3. What kind of evaluation does USTR conduct to determine whether or not companies are able to source products outside of China?

Answer: USTR carefully considers each request under the product exclusion criteria set forth in the Federal Register notice. USTR takes into account all available information, including information submitted by the requester and by other interested parties that may comment on specific requests.

4. Are you contemplating instituting an appeals process for 301 exclusions?

Answer: USTR is not considering an appeals process at this time.

5. If the US and China agree to a deal while a significant backlog of exclusion requests exists, and if there were to be changes to the tariff rates (such as removal or reduction), will USTR continue with the exclusion processes? The funds at stake that might be recovered are critical for US businesses, particularly small- and medium-sized companies in communities around the country, including my district.

Answer: USTR will consider all options in the event tariff rates are modified, and will continue to consult with Congress on this and other matters arising under the Section 301 investigation.

6. In the report you sent to Congress identifying laws that would need to be changed to implement the USMCA, you included the statute that sets the US de minimis low value threshold. Are you asking Congress to decrease the US de minimis threshold across the board? What impact would increasing the US de minimis threshold have on American consumers?

Answer: As noted in the Administration’s submission to Congress on changes to existing law required to bring the United States into compliance with the obligations of the USMCA, we will be consulting with the Committee on Ways and Means of the House and the Committee on Finance of the Senate before making a final determination on implementing the flexibility we negotiated with respect to reciprocity of treatment.

7. Ambassador Lighthizer, in 2018, the RV Industry Association submitted a competitive needs limitation waiver to the USTR for a specific type of hardwood plywood made from trees that only grow in Indonesia and a few other tropical locations—lauan and meranti. Unfortunately, what I believe to be a flawed ITC report determined that there was domestic production of a “like or directly competitive product.” Because of this, the American-made RV industry is paying an additional \$1 to 2 million dollars a month on these imports, as this plywood is now subject to an 8 percent duty. Will you promise to work with my office to correct this, and direct your staff to work with the RV industry and the ITC to fix this flawed outcome?

Answer: The U.S. International Trade Commission (ITC) is an independent federal agency. USTR, therefore, does not participate in its investigations regarding possible modifications to the list of products eligible for duty-free treatment under the Generalized System of Preferences (GSP). I encourage you to discuss any concerns you may have with the ITC’s analysis on hardwood plywood directly with the ITC.

As you may be aware, USTR has just launched its 2019 GSP annual product review. Should we receive a petition from the RV Industry Association related to hardwood plywood, we will make note of your interest in this issue.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative John Lewis to Ambassador Robert E. Lighthizer

1. Please explain the impact of the shutdown on your staff and their ability to process and provide guidance on 301 exclusion requests?

Answer: During the shutdown USTR's Section 301 product exclusions team continued to carry on the analytical and public guidance work to the greatest extent provided by law. I would refer you to other agencies that work on Section 301 for details on how they handled the shutdown.

2. Do you believe that USTR has the necessary staff and resources to process 301 exclusion requests in addition to handling the many other duties and responsibilities?

Answer: USTR aims to accomplish its Section 301 exclusion process mission and other duties and responsibilities at the current level of funding. That said, implementing an exclusion process for List 3 would involve a substantial level of resources.

3. If bilateral negotiations lead to the removal of particular classifications from current tariff lists, how will USTR handle pending exclusion requests related to goods that are currently subject to Section 301 tariffs?

Answer: USTR will consider all options in the event tariff rates are modified, and will continue to consult with Congress on this and other matters arising under the Section 301 investigation.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative John Larson to Ambassador Robert E. Lighthizer

Canadian Reinsurance Regulatory Proposal

1. Ambassador Lighthizer, I would like to raise an emerging topic in Canada that is causing a great deal of alarm for U.S. insurers and reinsurers. Despite strong concerns from the U.S. insurance industry and the Canadian insurance industry, I understand that Canada's financial regulator is moving forward with plans to severely restrict cross-border reinsurance trade in a way that will make it very difficult for U.S. insurers to do business in Canada. Not only would those measures harm the U.S. insurance industry, but they are also inconsistent with our goals to seek fair trade and best practices for insurance regulation. Has USTR been in touch with the Canadian authorities to protest the direction Canada is headed? If so, do you see a path forward for working with the Canadian authorities to make sure that insurance trade flows between the U.S. and Canada aren't adversely affected by these measures? If not, is this an issue that is on the radar of your office and would you or your staff considering reaching out to the Canadian authorities to try to fix this emerging problem?

Answer: The Administration is aware of concerns with respect to actions Canada may be taking involving reinsurance that could negatively impact the ability of U.S. reinsurers to do business in Canada. We expect Canada to be mindful of its trade commitments as it undertakes revisions to its policies with respect to supply of reinsurance. We look forward to staying in touch with Members of Congress on this issue.



Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Bill Pascrell, Jr. to Ambassador Robert E. Lighthizer

1. It has been reported that negotiations with China have included an agreement around currency manipulation, an issue which I have been concerned about for many years. I have read your comments from the 2010 U.S. China Security and Economic Commission, in which you laid out your standards for combatting currency manipulation. In them, you argued that China's practice of currency manipulation constituted a countervailable subsidy under our CVD law. I agree and have co-led a bill with former Rep. Sandy Levin that would treat it as such.

That bill, the Currency Reform for Fair Trade Act, would allow for the imposition of countervailing duties to address subsidies relating to undervalued currency of any foreign country. Does this Administration support this proposal, and will you work with me to see it become law?

Answer: I agree that currency issues are a major problem. I am open to working with anyone interested in legislative or other action to address it.

2. In the same comments, you argued that we should be "imaginative" in dealing with the issue of currency manipulation, including restricting imports, or even requesting compensation for value of lost market access.

Do the terms you have reached with China on currency live up to your own standards laid out in 2010? How will a commitment from China to refrain from interfering in their yuan's value be enforced?

Answer: As I noted in during the hearing, the Secretary of the Treasury is responsible for evaluating the currency practices of the United States' major trading partners. With respect to the China negotiations, the talks are still underway, but address a range of issues including, currency practices. The aim is to reach agreement to refrain from competitive devaluations in currency and to agree to a certain level of transparency that would be enforceable under the agreement.

3. As a follow-up, the egregious practices in China that harm U.S. companies have persisted for many years and grown worse. How will you ensure that the deal reached with China in these negotiations to resolve the Section 301 tariffs will be fully enforceable? What role will Congress have in the future to ensure the terms of the deal are enforced? What actions will Congress and future Administrations need to take to ensure China does not backslide into

continuing the practices of forced technology transfer, data and IP theft, restricting agricultural and services market access, and state subsidies?

Answer: If an agreement were to be reached between the United States and China, it will have to be one that is enforceable. That means that there will be effective consequences in the event that China does not live up to its commitments. As I discussed in my testimony, if there is an agreement, a process will be established with regular meetings at the staff, vice-ministerial, and vice-premier level. These channels will address individual instances and systemic problems that companies are encountering in areas covered by the agreement. If these problems cannot be resolved within defined timeframes, then the United States would expect to take appropriate actions in response to any failure to follow through with the commitments in the agreements.

With respect to the future, no one agreement or negotiation can resolve fully each and every challenge posed by China in our economic and trading relationship. Based on the record of experience since China joined the multilateral trading system, it is reasonable to expect new issues and problems to arise. Both Congress and administrations to come will need to continue to focus on the long-term competitiveness of the United States. In the near term, it will be both the job of the Congress and the Administration to ensure that sufficient resources and personnel are allocated to monitor China's actions, and to develop new tools to address any of China's actions that are problematic.

4. I supported the investigation undertaken by USTR under Section 301 of the Trade Act of 1974 into forced technology transfer and IP theft in China. The issues of data and intellectual property theft and forced technology transfer are growing problems faced by U.S. companies in China, and components in a suite of policies that give China an unfair advantage in trade.

In negotiations to resolve the trade enforcement actions taken under this Section 301 investigation, you have included additional areas of contention beyond the scope of the investigation. For instance, agricultural market access has been discussed. In the hearing, I asked you about this issue. Can you explain in writing how the scope of these negotiations was determined? Who decided to include agricultural market access?

Answer: The focus of the Section 301 investigation initiated in August 2017 was on China's acts, policies, and practices related to technology transfer, intellectual property, and innovation. The long-standing concerns of the United States with respect to its trading relationship with China are broader and expansive. The United States has long been concerned with China's approach to the economy and trade and the extent to which they do not reflect the principles of nondiscrimination, market access, reciprocity, fairness and transparency. President Trump and President Xi met in Buenos Aires in December 2018. In that meeting, President Trump and President Xi agreed to begin negotiations on structural changes with respect to a wide range of issues, including forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture.

5. You answered in the hearing that you did not believe labor or environmental issues should be included in the scope of these negotiations. Why was agricultural market access included, but labor and the environment (or human rights concerns, for that matter) were not? Do you intend to address labor and environment concerns in a future 301 investigation into China's unfair trade practices? If you have no immediate plans, do you believe a Section 301 action could be taken in these areas under future Administrations?

Answer: Under President Trump's leadership, the United States is committed to working toward a more fair and reciprocal trade relationship with China. In the current negotiations with China, we are seeking to address a wide range of unfair trade practices. Although we are not currently directly addressing labor and environment standards, I am committed to working with you and other Members of Congress to discuss options and policy tools for addressing these important issues.

6. Section 301 has been cited as a tool to enforce future trade agreements, including the recently negotiated U.S.-Mexico-Canada Agreement (USMCA). Do you believe labor and environment issues can be addressed through 301 enforcement actions in general, even though you did not include those issues in the China negotiations?

Answer: Section 301 of the Trade Act of 1974 (Trade Act) is designed to address a wide range of unfair practices. Section 301 may be used to enforce U.S. rights under bilateral and multilateral trade agreements, including with respect to labor and environment obligations. Section 301 may also be used to respond to unreasonable or discriminatory foreign government practices that burden or restrict U.S. commerce, including practices involving labor rights and environmental issues.

7. China has an existing obligation under the 2012 Film Memorandum of Understanding ("Film Agreement") with the US, which settled a WTO case lost by China, to provide additional meaningful compensation. Currently, U.S. studios' shares of revenue in China generated by their movies is well below international norms (40% to 50% of gross box office receipts). President Xi committed to update the Agreement seven years ago to address this problem. Will you insist on implementing this existing commitment in your negotiations with the Chinese government?

Answer: In a 2012 Memorandum of Understanding (MOU) relating to theatrical films, the United States and China reached an alternative solution with regard to certain rulings relating to the importation and distribution of theatrical films in a WTO dispute that the United States won. Among other things, China agreed in the MOU to raise the share of box office revenue received by U.S. film producers. The MOU also provided that it would be reviewed in calendar year 2017 in order for the two sides to discuss issues of concern, including further meaningful compensation for the U.S. side in terms of, among other things, the U.S. film producers' share of box revenue. In 2017, in accordance with the terms of the MOU, the two sides began discussions regarding the

provision of further meaningful compensation to the United States. It is a priority for the United States to ensure that, as part of the negotiations launched by Presidents Trump and Xi on December 1, 2018, China fulfills its MOU obligations, including by allowing U.S. film producers to realize a share of box office revenue consistent with market rates around the world.

[Submissions for the Record follow:]

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 27, 2019

Chairman Richard Neal
Ways & Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Neal:

Thank you for convening the hearing today about U.S.-China Trade. We agree that China has severely harmed American workers and businesses by cheating on trade for decades. President Trump is the first president to confront China's predatory behavior head-on and insist on a fairer trading relationship. We must challenge China's trade practices while minimizing unintended consequences on our farmers, manufacturers, and consumers. We write to highlight several principles that will be our focus in today's hearing and into the future.

First, we emphasize the strong bipartisan consensus that China is not playing by the rules. China's distortive policies, including massive subsidies, intellectual property theft, and forced technology transfers, have been harming U.S. workers and companies for many years. We frequently have joined many of our colleagues in raising these issues on a bipartisan basis, but the problem only has worsened with time.

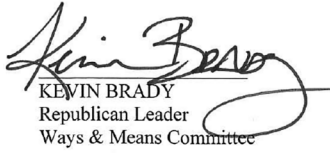
Second, we commend President Trump for his leadership in insisting that the status quo with China must end. President Trump clearly has China's attention in a way that we have never seen, and we are hopeful that China will make the difficult but necessary decision to respond by addressing the structural issues that have created an unlevel playing field for so many U.S. companies.

Third, we are hopeful that President Trump can achieve a durable and enforceable negotiated solution to these issues—a solution that addresses the systemic distortions that China has created by improving the rule of law, treating U.S. and other companies fairly, improving the protection of intellectual property, and addressing other distortions and structural issues. Although we are under no illusion that achieving a solution will be simple or easy, the stakes are too high not to exert maximum effort to achieve a successful negotiated outcome. A level playing field in the large and growing Chinese market would provide massive opportunities for U.S. farmers, ranchers, workers, and companies to compete and win.

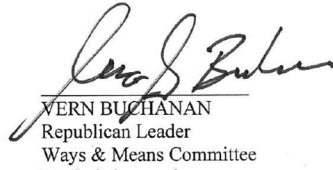
Fourth, action to force China to address its unfair trade practices must be narrowly targeted while minimizing unintended negative consequences on the United States. We are committed to a meaningful product exclusion process so that products that are not otherwise available or present other compelling circumstances are excluded from tariffs.

We appreciate your scheduling of this timely hearing on a topic that we all care deeply about. We look forward to addressing these critical issues with Amb. Lighthizer today and working on a bipartisan basis to address trade and investment issues in China going forward.

Sincerely,



KEVIN BRADY
Republican Leader
Ways & Means Committee



VERN BUCHANAN
Republican Leader
Ways & Means Committee
Trade Subcommittee

2/26/2019

China says U.S. accusations of unfair trade practices 'groundless' | Reuters

DAVOS

NOVEMBER 22, 2018 / 2:25 AM / 3 MONTHS AGO

China says U.S. accusations of unfair trade practices 'groundless'



BEIJING (Reuters) - China rejected fresh U.S. accusations of perpetuating "unfair" trade practices and urged Washington on Thursday to stop making provocations, showing little sign of backing down days ahead a high-stakes meeting between leaders from both countries.

President Xi Jinping is due to hold talks with U.S. President Donald Trump during a G20 summit in Argentina at the end of the month, with the rest of the world hoping they can find a way to de-escalate a trade war that is threatening the global economy.

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2/26/2019

China says U.S. accusations of unfair trade practices 'groundless' | Reuters

China's commerce ministry said it is deeply concerned by a report issued by the U.S. administration this week, which said China had failed to alter its "unfair" practices.

"The U.S side made new groundless accusations against the Chinese side, and China finds it totally unacceptable," Commerce Ministry spokesman Gao Feng told reporters at a news conference in Beijing.

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The findings were issued in an update of the U.S. Trade Representative's "Section 301" investigation, which looks into China's intellectual property and technology transfer policies and has sparked U.S. tariffs on \$50 billion worth of Chinese goods that later ballooned to \$250 billion.

Gao said the report reflects U.S. unilateralism in violation of World Trade Organization rules.

"We hope the United States will drop the words and behaviors that damage bilateral economic and trade relations and adopt a constructive attitude," Gao said.

2/26/2019

China says U.S. accusations of unfair trade practices 'groundless' | Reuters



FILE PHOTO: Shipping containers are seen at a port in Shanghai, China July 10, 2018. REUTERS/Aiy Song/File Photo

The ministry is also evaluating the potential impact from a separate U.S. proposal this week to increase control over technology exports, and said it would take the necessary steps to uphold Chinese firms' legitimate interests.

Citing security concerns, the U.S. government on Monday proposed stepping up scrutiny over technology exports in 14 key high-tech areas including artificial intelligence and microprocessor technology, a move that many analysts view as directly targeting China.

A 30-day public consultation period on the proposal to include those sectors in its broader export control regime is underway and will end on Dec. 19, according to a document published on the U.S. government's Federal Register on Monday.

VERBATIM: China trade deal 'soon' or 'not at all'

"We are evaluating the measures that the United States may take," Gao said, stressing that

Washington's generalization of the concept on national security would only result in unnecessary

<https://www.reuters.com/article/us-usa-trade-china-idUSKCN1NR0JK>

3/4

2/23/2019

China says U.S. accusations of unfair trade practices 'groundless' | Reuters

barriers and damage trade.

"China will pay close attention to the relevant U.S. legislation and take necessary measures to safeguard the legitimate rights and interests of Chinese enterprises as appropriate," he said.

Washington is demanding Beijing to improve market access and intellectual property protections for U.S. companies, cut industrial subsidies and slash a \$375 billion trade gap. Trump has imposed tariffs on \$250 billion of Chinese imports to force concessions.

The U.S. tariff rate on \$200 billion in Chinese goods is set to increase to 25 percent from 10 percent on Jan. 1. Trump has threatened to impose tariffs on all remaining Chinese imports - about \$267 billion more in goods - if Beijing fails to address U.S. demands.

Reporting by Yawen Chen and Ryan Woo; Editing by Simon Cameron-Moore

Our Standards: [The Thomson Reuters Trust Principles.](#)

January 23, 2019

The Honorable Wilbur Ross
Department of Commerce
Herbert Clark Hoover Building
1401 Constitution Avenue NW
Washington, DC 20230

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

Dear Secretary Ross and Ambassador Lighthizer:

The undersigned organizations, in full recognition of the importance of U.S.-Mexico-Canada Agreement (USMCA) ratification to the economic interests of all three countries, wish to underscore the importance of lifting tariffs on steel and aluminum imports and the removal of all retaliatory tariffs on trade among the parties.

For many farmers, ranchers and manufacturers, the damage from the reciprocal trade actions in the steel dispute far outweighs any benefit that may accrue to them from the USMCA. The continued application of metal tariffs means ongoing economic hardship for U.S. companies that depend on imported steel and aluminum, but that are not exempted from these tariffs. Producers of agricultural and manufactured products that are highly dependent on the Canadian and Mexican markets are also suffering serious financial losses.

We urge you to take all necessary steps to resolve this matter so that zero-tariff North American trade can resume, and we can turn our attention to working with you to gain prompt Congressional approval of the USMCA.

Sincerely,

Agricultural Retailers Association American
Apparel & Footwear Association American
Bakers Association
American Chemistry Council
American Frozen Food Institute
American Peanut Product Manufacturers, Inc.
Association of Equipment Manufacturers
Can Manufacturers Institute
CropLife America
Distilled Spirits Council of the U.S.
Edge Dairy Farmer Cooperative
Flexible Packaging Association
Fresh Produce Association of the Americas
Grocery Manufacturers Association
Juice Products Association
Midwest Food Products Association
Motor & Equipment Manufacturers Association
National Association of Egg Farmers
National Corn Growers Association
National Council of Chain Restaurants

National Council of Farmer Cooperatives
 National Foreign Trade Council
 National Pork Producers Council
 National Potato Council National
 Renderers Association National
 Restaurant Association National
 Retail Federation
 National Tooling and Machining Association
 North American Die Casting Association
 North American Meat Institute
 Pet Food Institute
 Precision Machined Products Association
 Precision Metalforming Association Retail
 Industry Leaders Association
 Society of Chemical Manufacturers & Affiliates
 Specialty Equipment Market Association
 Sweetener Users Association
 U.S. Apple Association
 U.S. Chamber of Commerce
 U.S. Dry Bean Council
 U.S. Grains Council
 U.S. Hide, Skin and Leather Association
 U.S. Meat Export Federation
 United Egg Producers
 United Fresh Produce Association
 United States Council for International Business

Cc: Mr. Lawrence Kudlow, Director, White House National Economic Council





2311 Wilson Boulevard Suite 400 Arlington VA 22201 USA
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March 11, 2019

The Honorable Richard Neal
 Chairman
 Committee on Ways and Means
 U.S. House of Representatives
 Washington, D.C. 20515

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

Dear Chairman Neal and Ranking Member Brady:

On behalf of the Air-Conditioning, Heating, and Refrigeration Institute (AHRI), I am writing in reference to the U.S.-China Trade Committee hearing, held February 27, 2019, that featured United States Trade Representative Robert Lighthizer. AHRI is the trade association representing over 300 manufacturers of heating, cooling, water heating, and commercial refrigeration equipment. AHRI is an advocate for the industry and develops standards for and certifies the energy efficiency of many of the products manufactured by HVACR manufacturers world-wide.

The HVACR and water heating industry opposes tariffs (which it views as a tax) and barriers to free trade. The Section 301 tariffs on Chinese products, and the resulting retaliatory tariffs¹, have disrupted the U.S.-China trade partnership and have increased prices, thus negatively affecting American consumers.

After the tariffs were announced, an April 2018 survey of the AHRI membership found that a majority of our members expected to be adversely affected by them. These concerns were confirmed in a second survey on the subject, conducted in January 2019, which found that a majority of members were in fact negatively affected by the Section 301 tariffs on Chinese products and supported removing the tariffs.

Some of the products affected by Section 301 tariffs are components used in the production of a variety of HVACR and water heating equipment in the United States. Tariffs on equipment components increase final production costs² and consumer costs, in addition to having unintended, negative effects on energy efficiency and climate change goals. Of course, they also negatively affect members' ability to compete with products not affected by tariffs (some of which may be imported). All of these negative, chaotic effects could lead many member companies to postpone investment, hiring and, in some cases, to lay off current employees.

¹ At least 80 types of AHRI member product exports to China are affected by retaliatory tariffs, according to the Harmonized Tariff Schedule codes [listed by China](#) in its retaliatory tariffs.

² 55% of respondents to AHRI's January 2019 member survey admit to have "to some degree" been forced to make changes in their supply chain management decisions.



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Achieving greater energy efficiency in HVACR and water heating equipment is both an industry and a U.S. Department of Energy goal. Increasing energy efficiency requires more sophisticated equipment that is intended to interact with electric utility companies. Some of this equipment is ENERGY STAR® certified. Tariffs discourage the use of such equipment because of the upward pressure on the cost to the consumer, and they concurrently discourage innovative advances by the manufacturer to relieve pressure on the grid by developing new energy efficient equipment.

To voice its opposition to the Section 301 tariffs, AHRI has submitted the following comments:

- March 21, 2018: AHRI submits a [letter](#) for the House Ways and Means Committee U.S. Trade Policy hearing with United States Trade Representative Robert Lighthizer, opposing barriers to trade.
- May 5, 2018: AHRI submits [comments](#) to the Office of the United States Trade Representative (USTR) expressing its opposition to the first round of Section 301 tariffs.
- June 18, 2018: AHRI joins an [industry letter](#) to the Senate Finance Committee and the House Ways and Means Committee advocating for greater balance in the tariff policy process between the President and Congress.
- July 18, 2018: AHRI submits a [letter](#) for a House Ways and Means Committee hearing on tariffs, opposing recent Section 232 and Section 301 tariff developments.
- July 23, 2018: AHRI submits [comments](#) to the USTR expressing its opposition to the second round of Section 301 tariffs.
- September 6, 2018: AHRI submits [comments](#) to the USTR expressing its opposition to the third round of Section 301 tariffs.

AHRI also supports a faster, fairer, and more transparent exclusion process by the Office of the United States Trade Representative for U.S. products affected by the Section 301 tariffs. The current exclusion process is burdensome, slow, and time-consuming for AHRI members. AHRI also supports the timely creation of an exclusion process for the third list of Section 301 tariffs. The attention required to submit exclusion requests (in particular for small- and medium-sized enterprises), and the time required to simply track the day-to-day changes in the trade and tariff landscape, have been a constant drag on the productivity of our members, distracting them from their core businesses.

AHRI understands that the Administration is a strong supporter of U.S. manufacturing and appreciates its efforts to address concerns surrounding China's acts, policies, and practices related to technology transfer, intellectual property, and innovation. Unfortunately, the Section 301 tariffs put in place ostensibly to address those concerns have adversely impacted a substantial majority of AHRI members, which then impacts consumers via price increases, limited product choice, and other unintended consequences.

AHRI appreciates the opportunity to provide its members' views on this important topic.

Sincerely,



2311 Wilson Boulevard Suite 400 Arlington VA 22201 USA
Phone 703 524 8800 | Fax 703 562 1942
www.ahrinet.org

A handwritten signature in black ink that reads "Samantha M. Slater". The signature is written in a cursive, flowing style.

Samantha M. Slater
Vice President of Government Affairs
Air-Conditioning, Heating, and Refrigeration Institute



Advocacy that fits.
740 6th Street, NW • Washington, DC 20001 | P: 202-853-9080 | www.aafaglobal.org

**Statement by
American Apparel & Footwear Association (AAFA)
Before The House Ways and Means Committee
U.S. China Trade
February 27, 2019
Submitted March 11, 2019**

The following statement is being submitted by the American Apparel & Footwear Association (AAFA) – the national trade association of the apparel and footwear industry, its suppliers and our consumer partners. AAFA represents more than 300 companies and 1,000 world famous name brands. Our industry employs nearly four million U.S. workers, and contributes more than \$400 billion in annual U.S. retail sales.

We are submitting this statement to make two main points regarding the Section 301 investigations.

- First, we strongly support the Administration’s efforts to seek swift and meaningful resolution of the underlying disputes with China. Forced technology transfer and intellectual property theft undermine the ability of U.S. companies to create and advance American employment. AAFA members have a long and well documented history of working towards the improvement of Chinese intellectual property (IP) rights enforcement – especially in the domains of trademark, copyrights, patents, and trade secrets. While we have seen some progress in recent years, these gains are (at best) spotty, and insufficient to overcome systemic problems that hurt our members, their employees, and their shareholders. Thus, we absolutely cheer targeted efforts to ensure a sustained, long-term solution to this persistent problem. With that said, however, we are aware that recent trade tensions have chilled cooperative efforts.
- Second, we absolutely oppose the use of tariffs as a tool to advance the Section 301 investigation. We’ve made this point on multiple occasions directly to the Administration in comments, through meetings, and direct testimony. While we were pleased to see that no articles from Harmonized Tariff System (HTS) Chapters 61-64 – wearing apparel, home textiles, and shoes – were included on any of the tranches, we’ve been deeply dismayed to see many other items of key interest to our members, such as textiles, travel goods, hats, gloves, accessories, and related product categories (such as hangers and packaging), hit with punitive tariffs.

These tariffs:

- Are a hidden tax on U.S. consumers, especially on the many consumer products that are included.

- Harm our U.S. manufacturing base, adding a tax to the basic tools that we use to make products in the USA.
- Tax U.S. global value chains, and the millions of American workers they employ, because China is the dominant or only source for these categories.
- Trigger continued retaliation by China, further eroding U.S. manufacturing opportunities by taxing U.S. exports.

What's especially frustrating is these tariffs are coming on top of high tariffs that our industry already pays. During 2017, our industry paid 51 percent of all of America's tariff receipts, even though we account for only 6 percent of all items that are imported. For our companies – many of whom pay an annual tariff bill that is higher than their annual income tax bill – these extra costs are not sustainable.

Moreover, because our industry – like many other industries – are still heavily reliant on China as a global supply chain partner. In 2017, 84% of all U.S. travel goods imports, 71% of all U.S. footwear imports, and 42% of all U.S. apparel imports were sourced in China. Please recognize that the Administration's tariff policy is in effect asking U.S. companies to abandon efficient and compliant supply chains they have established and developed, embedded with U.S. values, over many years. While our members are desperately trying to diversify their sourcing from China, this process takes a long time to make sure new, compliant supply chains can be established. Undertaking such a disruptive and costly move, while paying high tariffs on goods still being imported from China, is daunting.

Lastly, we note with some irony that the tariffs are paid by U.S. branded companies (who also take steps to ensure their products comply with applicable laws and taxes) on products that convey their legitimate IP. Counterfeiters, on the other hand, will likely avoid these duties as the delta between legitimately traded items and their illegal knockoffs increases. This could have the unintended, adverse impact of driving certain consumers to purchase counterfeit goods as a cheaper alternative. Recognizing that trade tensions have also chilled cooperative IP efforts – as noted above – only make this situation more troubling.

In summary, we are truly pleased to see the Administration has started a dialogue with China. But let's make sure this dialogue helps, and does not come at the expense of, U.S. workers, U.S. companies, U.S. consumers, and U.S. communities.

Comments for the Record
United States House of Representatives
Committee on Ways and Means
Hearing on U.S.-China Trade
 Wednesday, February 27, 2019, 10:00 A.M.

By Michael G. Bindner
 Center for Fiscal Equity

Chairman Neal and Ranking Member Brady, thank you for the opportunity to submit these comments for the record to the Committee on this topic. As usual, we will preface our comments with our comprehensive four-part approach, which will provide context for our comments.

- A Value Added Tax (VAT) to fund domestic military spending and domestic discretionary spending with a rate between 10% and 13%, which makes sure very American pays something, as well as any carbon tax.
- Personal income surtaxes on joint and widowed filers with net annual incomes of \$100,000 and single filers earning \$50,000 per year to fund net interest payments, debt retirement and overseas and strategic military spending and other international spending, with graduated rates between 5% and 25%.
- Employee contributions to Old Age and Survivors Insurance (OASI) with a lower income cap, which allows for lower payment levels to wealthier retirees without making bend points more progressive.
- A VAT-like Net Business Receipts Tax (NBRT), which is essentially a subtraction VAT with additional tax expenditures for family support, health care and the private delivery of governmental services, to fund entitlement spending and replace income tax filing for most people (including people who file without paying), the corporate income tax, business tax filing through individual income taxes and the employer contribution to OASI, all payroll taxes for hospital insurance, disability insurance, unemployment insurance and survivors under age 60.

China is sitting on a time bomb. Their difficulties arise from their treatment of domestic migrants from rural areas working in Chinese factories. Eventually, these migrants will object to the locality system imposed upon them and demand the same level of pay, benefits and consumerism as is earned by those designated as urban. When this occurs, the valuation of the Yuan will occur, assuming that the Chinese Communist Party survives. We do not make this assumption, however.

The sad fact in U.S.-China trade is the CEO/Donor Class attack on unions for the past 30 years. It has taken its toll on the American worker in both immigration and trade. That has been facilitated by decreasing the top marginal income tax rates so that when savings are made to labor costs, the CEOs and stockholders actually benefit. When tax rates are high, the government gets the cash so wages are not kept low nor unions busted. As Chinese workers are not allowed to unionize, the working class in both nations become expendable factor in production rather than human beings.

The recent election is an opportunity to begin to undo the damage and our tax reform plan can help. Our prior comments on our standard tax plan still apply, even though that hearing was on agricultural exports. Allow us to repeat them now:

The main short-term impact of our plan on trade is the first point, the value added tax (VAT). This is because exported products would shed the tax, i.e. the tax would be zero rated, at export. Whatever VAT Congress sets is an export subsidy. Seen another way, to not put as much taxation into VAT as possible is to enact an unconstitutional export tax.

The second point, the income and inheritance surtax, has no impact on exports. It is what people pay when they have successfully exported goods and their costs have been otherwise covered by the VAT and the Net Business Receipts Tax/Subtraction VAT. This VAT will fund U.S. military deployments abroad, so it helps make exports safe but is not involved in trade policy other than in protecting the seas.

The third point is about individual retirement savings. As long as such savings are funded through a payroll tax and linked to income, rather than funded by a consumption tax and paid as an average, they will add a small amount to the export cost of products.

The fourth bullet point is tricky. The NBRT/Subtraction VAT could be made either border adjustable, like the VAT, or be included in the price. This tax is designed to benefit the families of workers, either through government services or services provided by employers in lieu of tax. The most important if these would be a \$1000 per month per child refundable tax credit, distributed through payroll rather than during tax time. Such a credit would keep consumption afloat. It would be a bulwark against recession and also (pay attention pro-life movement) abortion.

NBRT services are really part of compensation. While we could run all compensation through the public sector and make it all border adjustable, that would be a mockery of the concept. The tax is designed to pay for needed services. Not including the tax at the border means that services provided to employees, such as a much needed expanded child tax credit – would be forgone. To this we respond, absolutely not – Heaven forbid – over our dead bodies. Just no.

The NBRT can have a huge long-term impact on trade policy, probably much more than trade treaties, if one of the deductions from the tax is purchase of employer voting stock (in equal dollar amounts for each worker).

For too long the mere mention of Personal Retirement Accounts has been like holding a lightning rod in a thunderstorm. Democrats forget that the attack on George W. Bush for doing so had no impact on the 2004 election. Turnout was juice by support for the war in Iraq, the defense of traditional marriage and the non-existence of the response to the Swift Boat Veterans for Truth-speak (the continuation of the Butcher/Tea Party/MAGA/Russia right-wing conspiracy). The 2006 win was because of the bad management of the Iraq War and rampant Republican corruption.

Engaging in real debate rather than obstruction could have given us insured accounts holding employer voting stock voted by union proxies with equal employer tax credits funded on an uncapped payroll or consumption tax, such as the NBRT.

Personal Accounts would not be used for speculative investments or even for unaccountable index fund investments where fund managers ignore the interests of workers. Accounts invested in index funds do not have that feature, although they do serve to support American retirees who because of them have a financial interest in firms utilizing foreign labor, particularly low-wage Chinese labor.

The USA accounts proposed by President Clinton had the same feature, although as a supplement to the Social Security benefit rather than a partial replacement, although this feature would be muted by enactment of value added taxes. The flaw in using foreign investment to make up for lost worker revenue is that eventually foreign workers either radicalize or become consumers and demand their own union rights.

The tendency for consumerism to follow industrialization is why globalization is a poor substitute for expanding the domestic population, as the Center proposes with its expanded Child Tax Credit, which we propose as an offset to the NBRT.

It would be better for all concerned if American workers were already in an ownership position due to repeal of the Taft-Hartley Act prohibitions on concentrated pension fund ownership and the enactment of personal retirement accounts. We can turn the tide for workers and encourage employee-ownership (aka cooperative socialism) now through Democratic means as part of a Green New Deal.

Over a fairly short period of time, much of American industry, if not employee-owned outright (and there are other policies to accelerate this, like ESOP conversion) will give workers enough of a share to greatly impact wages, management hiring and compensation and dealing with overseas subsidiaries and the supply chain – as well as impacting certain legal provisions that limit the fiduciary impact of management decision to improving short-term profitability (at least that is the excuse managers give for not privileging job retention).

Employee-owners will find it in their own interest to give their overseas subsidiaries and their supply chain's employees the same deal that they get as far as employee-ownership plus an equivalent standard of living. The same pay is not necessary, currency markets will adjust once worker standards of living rise.

Over time, this will change the economies of the nations we trade with, as working in employee-owned companies will become the market preference and force other firms to adopt similar policies (in much the same way that, even without a tax benefit for purchasing stock, employee-owned companies that become more democratic or even more socialistic, will force all other employers to adopt similar measures to compete for the best workers and professionals).

China could end its peasant labor system in advance of revolution. Hopefully quick adoption of our suggestions to expand employee-ownership is more likely than revolution in China. If not,

trade wars and rumors of trade wars will always be with us, along with the damage they do to both the financial markets and the real economy.

Eventually, trade will no longer be an issue. Internal company dynamics will replace the need for trade agreements as capitalists lose the ability to pit the interest of one nation's workers against the other's. This approach is also the most effective way to deal with the advance of robotics. If the workers own the robots, wages are swapped for profits with the profits going where they will enhance consumption without such devices as a guaranteed income.

We remind the Committee that in the future we face a crisis in net interest on the debt, both from increased rates and growing principle. This growth will only be feasible until either China or the European Union develop tradable debt instruments backed by income taxation. Currently, we trade the security of our debt for consumer products. Theoretically, some of these funds should make workers who lose their jobs whole – so far it has not. This is another way that higher tax rates and collection (and we are nowhere near the top of the semi-fictitious Laffer Curve) hurt the American workforce.

This is the secret to the ability of the United States to be the world's bond issuer. It is why a trade deficit is not necessarily a bad thing, although the President does not seem to realize this. Indeed, exporting the debt is the essential feature of neo-liberalism, as is the belief that saving more for retirement with tax assisted accounts while shifting jobs overseas can have their slavery pay for our retirements. At some point overseas workers will rebel, so we need incentives to pay down the debt.

The national debt is possible because of progressive income taxation. The liability for repayment, therefore, is a function of that tax. For every dollar you pay in taxes, you owe \$13 in debt. People who pay nothing owe nothing. People who pay tens of thousands of dollars a year owe hundreds of thousands.

The answer is not making the poor pay more or giving them less benefits, either only slows the economy. Rich people must pay more and do it faster. Most workers cannot reliably save, or even eat. Don't look to them to ever pay off the debt. Your children and grandchildren and those of your donors are the ones on the hook unless their parents step up and pay more. How's that for incentive to raise taxes?

As we stated at the outset, the best protection for American workers and American consumer are higher marginal tax rates for the wealthy. This will also end the possibility of a future crisis where the U.S. Treasury cannot continue to roll over its debt into new borrowing.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Contact Sheet

Michael Bindner
Center for Fiscal Equity
14448 Parkvale Road, Suite 6
Rockville, MD 20853
240-810-9268
fiscalequitycenter@yahoo.com

Committee on Ways and Means
Hearing on U.S.-China Trade
Wednesday, February 27, 2019, 10:00 A.M.
1100 Longworth House Office Building

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears:

This testimony is not submitted on behalf of any client, person or organization other than the Center itself, which is so far unfunded by any donations.



**Written Statement on U.S.-China Trade
to the House Committee on Ways and Means
by the International Dairy Foods Association
March 13, 2019**

The International Dairy Foods Association (IDFA), Washington, D.C., represents the nation's dairy manufacturing and marketing industry, which supports nearly 3 million jobs that generate more than \$161 billion in wages and has an overall economic impact of more than \$628 billion. IDFA members range from multinational organizations to single-plant companies. Together they represent approximately 90 percent of the milk, cultured products, cheese, ice cream and frozen desserts produced and marketed in the United States and sold throughout the world. The diverse membership includes numerous food retailers, suppliers, cooperatives and companies that offer a wide variety of nutritional dairy products and dairy-derived ingredients. Visit www.idfa.org.

Transformation to a Global Competitor

The transformation of the U.S. from an importer to one of the top three exporters of dairy products over the past 12 years is attributable to several factors. First, the United States is now the single largest cow's milk producer in the world with U.S. farm milk production growing from 170 billion pounds in 2003 to 212 billion pounds in 2016, and more than 52 percent of that additional farm milk is exported to other countries in the form of various finished products.

Second, as the world population grows by another 2 billion people by 2050 and continues to develop economically, the necessity for more protein and improved diets will increase the demand for dairy products. Dairy foods are uniquely positioned to meet the nutritional needs of a growing world with more disposable income and an appetite for higher-protein products. This will mean increased opportunities for global trade in dairy.

The International Dairy Federation estimates that world demand for milk and dairy products would double by 2030 if dairy consumption grew to match the actual nutritional needs of all global diets. That number would triple by 2050. The Australian Bureau of Agricultural and Resource Economics (ABARE) estimates that dairy consumption in the Asia-Pacific region alone – driven by China, India and Japan – will double by 2050.

The U.S. dairy industry is a global competitor, having increased milk production through efficiency and technological advances. Our industry must have new market access and a level playing field must be created in order for U.S. dairy exports to thrive. USDA projects that U.S. milk production will grow by 23 percent over the next 10 years. Exports are expected to increase 43 percent to 53.4 billion pounds in 2025 (skim-solids, milk-equivalent basis), accounting for more than 20 percent of milk production.

Trade agreements that open markets and lower trade barriers are crucial to continuing this trend of growing U.S. dairy exports. With more than 95 percent of our potential customers living outside our borders, expanding access to international markets is essential for our future success. Reaching trade agreements with countries in the Asia-Pacific region will be critical to increasing dairy exports and supporting American jobs. Our competitors in the European Union (EU), New Zealand and Australia are already negotiating with key export markets like China and Japan. The U.S. must not fall behind.

China as a Market for U.S. Dairy

China represents the biggest growth opportunity in the world for U.S. dairy products. The U.S. dairy industry has the ability meet China's growing dairy needs in a sustainable way year-round at competitive prices.

China is a large milk producer, but its production capacity cannot keep up with ever-growing domestic demand. Accordingly, China relies heavily on dairy imports. China's per capita consumption of dairy products grew 2% per year 2007-2017 and is forecasted to grow 3% per year over the next ten years as consumer demand and income grows. In 2018, China imported \$10.5 billion in dairy products including \$4.9 billion in infant formula, \$2.5 billion of skim and whole milk powders, \$913 million of packaged fluid milk products, \$697 million of butter and other dairy fats, \$633 million of whey products, and \$513 million of cheese and curd. However, the U.S. accounted for a mere 4.7% of market share, while the EU-28 (47.5%) and New Zealand (38.3%) dominated the market.

The U.S. dairy industry supports the Administration's efforts to negotiate a trade agreement with China but any agreement with China must include provisions that level the playing field for the U.S. dairy industry. Our industry must have an agreement that provides market access that is at least equal to if not better than the current access granted to New Zealand, Australia and the EU in their agreements with China. For example, New Zealand currently has a free trade agreement with China that grants them duty-free access up to a safeguard level that grows over time. The U.S. should request similar duty-free access for dairy products within in the context of an agreement that leads to the removal of the retaliatory tariffs that the Chinese government imposed on U.S. dairy products last summer.

China's Retaliatory Tariffs

On March 22, 2018, President Donald Trump signed an executive order to impose tariffs on imports from China based on findings from the Office of the U.S. Trade Representative's Section 301 investigation report which determined that China's acts, policies, and practices related to technology transfer, intellectual property, and innovation are "unreasonable or discriminatory and burden or restrict U.S. commerce."

Over the last twelve months, the U.S. has imposed \$250 billion worth of tariffs on Chinese goods. In turn, China has retaliated on \$110 billion worth of U.S. goods including U.S. dairy products. U.S. milk, cream, yogurt, whey, butter and cheese face a 25% tariff while lactose and infant formula face up to a 10% tariff.

These retaliatory tariffs, along with the tariffs that U.S. dairy products already faced in China,

put the U.S. dairy industry at a disadvantage compared to other dairy exporting nations that enjoy preferential market access to the Chinese market. Before the U.S. imposed tariffs last year, China was becoming a major market for cheese, with total imports up by an annual average of 20% over the past five years. But between July and December 2018, U.S. cheese exports to China declined 41% year-over-year due to the retaliatory tariffs. China was also the number one export market for U.S. whey in 2017 when we shipped 38% of our whey production at a value of \$235 million to Chinese buyers. From July to December 2018, U.S. whey exports to China declined 39% year-over-year. Unless these tariffs are lifted soon, the U.S. dairy industry will lose this important and growing market. It will be difficult, if not impossible, to regain market share in China once Chinese buyers have established business relationships with dairy suppliers in other countries.

Closing Remarks

Increased market access is essential to the future success of the U.S. dairy industry. The U.S. is well positioned to provide China the dairy products their consumers will demand in the future. However, to successfully compete for this business, the U.S. dairy industry must have a level playing field which means any trade agreement with China must include duty-free access for U.S. dairy products and the removal of China's retaliatory tariffs.

IDFA appreciates the opportunity to provide comments to the House Committee on Ways and Means regarding U.S.-China trade.

Regards,



Beth Hughes
Senior Director, International Affairs
International Dairy Foods Association

Edward W. Hill, VP Government Relations - Federal
McGuireWoods Consulting LLC
2001 K Street N.W. Suite 400
Washington, DC 20006-1040

A Crisis in the U.S. Pork Industry

The Issue:

- The implementation and threat of imposing duties on U.S. imports has resulted in significant retaliation on U.S. pork exports.
- To date, both Mexico and China have implemented new duties on U.S. pork, and an escalation of current trade skirmishes could result in further sanctions.
- Specifically, China imposed a punitive 25% tariff on pork on April 1, 2018, as retaliation for the Section 232 tariffs, and imposed an additional 25% tariff on pork on July 6, as retaliation for the Section 301 tariffs. This is on top of the 12% duty on frozen and 20% on fresh chilled pork China already imposes on pork imports. Furthermore, the Chinese government has restricted U.S. pork exports to Hong Kong by testing every load.
- Mexico imposed a 10% tariff on U.S. pork, which escalated to 20% on July 5.
- Exports are vital to the continued success of Smithfield Foods and our industry. Pork exports support more than 110,000 jobs, many of which are in America's heartland. The toll on our company from escalating trade disputes with critically important trade partners is mounting. Both Smithfield and the industry are feeling the pain every single day.

The Impact:

- Mexico is the largest volume market for U.S. pork and accounted for 33% of total U.S. pork and variety meat exports by volume and 23% by value last year (801,887 mt; \$1.5 billion). China is the third largest market for U.S. pork, and accounted for 13% of total U.S. pork and variety meat exports by volume and 10% by value last year (309,284 mt; \$663 million). In addition, the U.S. exported 186,353 mt of pork and variety meat valued at \$415 million to Hong Kong. Disruptions to these markets, especially Mexico, will have severe economic consequences for U.S. pork producers.
- Iowa State predicts that losses in 2018 will average \$17.13 per animal. The same analysis performed before the tariffs in January 2018 showed modest positive profits. The U.S. will slaughter 126.6 million animals in 2018. This means that the industry will incur losses in excess of \$2 billion. These enormous losses will continue as long as export markets are restricted. This analysis does not account for the 25% tariff that China implemented on July 6.
- U.S. pork exports are expected to lose 15% of the Mexican market share in just a few months under the tariffs.
- These figures do not account for the economic impact that will result from Mexican customers turning to other countries, such as Canada and the EU, for their pork products. The industry has already seen orders for ham plummet in July when the tariffs went into effect.

The Solution:

- End these trade disputes so that hard-working U.S. pig farmers and food manufacturers can do what they do best: meet global demand for one of our nation's most competitive export products, one that favorably impacts U.S. trade imbalances with countries around the world.
- Pursue new trade agreements with export partners, such as Japan, to create more opportunity for American farmers and food manufacturers.



Erik Autor
President
National Association of Foreign-Trade Zones
529 14th Street NW, Suite 1071
Washington, DC 20045

In many situations, Sec. 301 duties are being improperly assessed on foreign components used in the production of goods manufactured and substantially transformed in the United States in a U.S. foreign-trade zone (FTZ) that are not of Chinese origin or are not included on the lists of products specifically identified as being subject to Sec. 301 duties. Meanwhile, companies manufacturing in the United States outside an FTZ are assessed Sec. 301 duties only on Chinese-origin products that are on the retaliation lists.

What will the Administration do to correct this discriminatory treatment so that all U.S.-made products are subject to the same rules and treatment in the application of trade-remedies duties regardless of whether production and substantial transformation occurred in a U.S.-based factory inside or outside a U.S. foreign-trade zone?





March 13, 2019

Mr. Richard E. Neal
Chairman
Ways and Means Committee
House of Representatives
WMdem.submission@mail.house.gov

Dear Chairman Neal:

On behalf of the Software & Information Industry Association (SIIA), I am submitting this written statement in connection with the February 27, 2019 hearing on U.S.-China Trade. SIIA appreciates the opportunity to comment. SIIA is the principal trade association for the software and digital content industry. We provide global services in government relations, business development, corporate education, and intellectual property protection to the leading companies that are setting the pace for the digital age.

SIIA is grateful for the analytical approach taken by the Committee in considering U.S.-China trade policy. There are many trade and investment problems stemming from Chinese practices, laws, and regulations that must be addressed. Our members experience market access challenges in China, explicit or implicit forced technology transfer rules, intellectual property theft, data localization, misuse of competition rules and many other problems. For example, China's Cybersecurity law remains problematic for all foreign invested digital trade companies for many reasons, including the following: the definition of "Important Data" is over-inclusive, encompassing everyday business data such as basic business contact and publicly available information. SIIA therefore concurs with the view that structural problems in the U.S.-China trade relationship must be dealt with. It is crucial for the United States to work with allies and partners (many of whom share U.S. perspectives on China) to forge a strategy to change Chinese behavior.

SIIA does not share the view that tariffs are an appropriate way to change Chinese practices, laws, and regulations. Too often the tariffs harm U.S. companies and consumers. They are, in fact, tax increases. In some instances, they actually undermine U.S. competitiveness. This is why SIIA is a member of Americans for Free Trade (AFT), which has developed information on the harmful effects of the tariffs, including in many economically vulnerable parts of the United States. Therefore, SIIA urges the tariffs be eliminated as soon as possible and that tariffs must be accompanied by a well-functioning product exclusion process. For specific problems with the tariffs for the technology sector, see the accompanying September 6, 2018 letter to USTR on the impacts of tariffs on data centers and the May 11, 2018 SIIA letter to USTR on the negative impact of tariffs for U.S. industries developing Internet of Things solutions.

Sincerely,

Carl Schonander
Senior Vice President for Global Public Policy
Software & Information Industry Association



September 6, 2018

Mr. Robert E. Lighthizer
 United States Trade Representative
 Office of the United States Trade Representative
 White House

Dear Mr. Ambassador:

The Software & Information Industry Association (SIIA) appreciates the opportunity to submit comments on the U.S. government's proposed tariffs on certain Chinese products, which are contained in Docket No. USTR-2018-0026, otherwise known as "list 3" tariffs. It is certainly true that Chinese trade and commercial practices require sustained attention because there is no doubt that China does not provide for a level playing field for the kinds of technology and information companies that SIIA represents. SIIA therefore supports the Trump Administration's emphasis on changing the paradigm for U.S.-Chinese economic relations.

As a general matter, SIIA opposes tariffs as a means of changing other countries' practices because they are usually not effective, and because they impose costs on U.S. consumers and businesses. They are effectively a tax increase for individuals. This is why SIIA co-signed a March 18, 2018 multi trade association letter¹ to the President and a multi trade association April 11, 2018 letter² to the House of Representatives Ways and Means Committee explaining the general rationale for not imposing tariffs. Moreover, SIIA sent a May 11, 2018 letter to you opposing tariffs ("list 2") on smart thermostats, augmented reality components, and components important to building data centers. We noted that these tariffs impose a tax on U.S. consumers and undermines U.S. leadership in the Internet of Things (IOT) sector.³

SIIA views on those proposed tariffs were furthermore informed by the immense potential the United States has in developing the Internet of Things (IOT), which we discuss in a White Paper entitled: "Empowering the Internet of Things: Benefits, Solutions, and Recommendations for Policymakers."⁴ The paper includes information noting that the United States is the global leader with respect to IOT enabling factors. By 2030, IOT could enable annual 2.3% higher growth in the United States versus 1.3% in China. But this U.S. competitive advantage assumes, in part, seamless supply chains.

"List 3" Tariffs Undermine U.S. Data Center Construction and U.S. Cloud Computing Competitiveness

¹ Multi-Trade Association March 18, 2018 [Letter](#) to President Donald J. Trump.

² Multi-Trade Association April 11, 2018 [Letter](#) to House of Representatives Ways and Means Committee Chairman Kevin Brady and Ranking Member Richard Neal.

³ SIIA May 11, 2018 [Letter](#) to Ambassador Robert E. Lighthizer.

⁴ SIIA [White Paper](#): "Empowering the Internet of Things: Benefits, Solutions, and Recommendations for Policymakers," March 17, 2016.



This letter focuses on the proposed tariffs on transmission devices (HTS 8517.62.00) and printed circuit board assemblies (HTS 8473.30.11). Tariffs on these two categories of products will directly increase the cost and difficulty of building data centers in the United States and will raise costs for the small and large U.S. companies that rely upon cloud services to export to global customers.

Cloud computing is a major U.S. strategic economic asset where U.S. dominance is at this time only challenged by Alibaba from China and SAP from Germany. SIIA was early in emphasizing the importance of cloud computing and put out a White Paper on cloud computing with recommendations for policymakers in 2011.⁵ The top seven cloud computing services companies in 2018 are Amazon Web Services, Microsoft Azure, IBM, Google Cloud, Alibaba, Salesforce, and Oracle.⁶ In 2016, the United States led the world with respect to procurement of cloud computing services at \$44 billion, followed by the EU at \$14.5 billion, China at \$1.2 billion, Brazil at almost \$1 billion and the rest of the world at \$15.7 billion.⁷ There is huge potential for further expansion in the United States and in export markets around the world, especially, but not only, in Europe. The global cloud services market is expected to reach \$555 billion by 2020.⁸ But those added services (exports in many cases) are at risk if it becomes too expensive to build data centers in the United States. While American firms could remain dominant for a while, cheaper inputs for foreign competitors will make them more competitive.

SIIA wrote in the May 11, 2018 letter about how the proposed tariffs on smart thermostats undermine U.S. leadership in the Internet of Things sector. We followed up with an article providing more detail.⁹ The proposed HTS 8517.62.00 tariffs go even further in undermining U.S. competitiveness in that they cover “machines for the reception, conversion, and transmission, or regeneration of voice, images, or other data, including switching and routing apparatus.” This is the keystone tariff line for Internet *connectivity*, as the products covered by this tariff line enable devices and other machines to connect with one another.

The construction of data centers is particularly affected by HTS 8517.62.00 because for the thousands of servers in a data center to connect with each other, and for the data center to connect with the outside world, US companies need to use optical transceivers, line cards, and other transmission devices to enable that connectivity.

The United States is a leader with respect to data centers. According to a 2017 list,¹⁰ the United States has seven out of the world’s top ten data centers. These U.S. data centers are located all over the United States and employ thousands of people. See below for where these U.S. data centers are located.

- The Citadel - Tahoe, Reno, Nevada
- Switch SuperNAP - Las Vegas, Nevada
- DFT Data Center - Ashburn, VA
- Utah Data Center - Bluffdale, Utah

⁵ SIIA White Paper, “[Guide to Policymakers on Cloud Computing](#),” 2011

⁶ Datamation, “Top 7 Cloud Computing Companies in 2018,” Cynthia Harvey, May 18, 2018

⁷ United States International Trade Commission, “Global Digital Trade I: Opportunities and Key Foreign Trade Restrictions,” August 2017, page 73.

⁸ Allied Market Research, “Cloud Services Market is Expected to Reach \$555 Billion, Globally by 2020,” August 2018

⁹ “Tariffs Will Impede the Development of the Internet of Things (IoT) in the United States,” Carl Schonander, SIIA Blog Page, May 15, 2018

¹⁰ Data Center News, “Top 10 Largest Data Centers in the World,” February 16, 2017



- Microsoft Data Center - West Des Moines, Iowa
- Lakeside Technology Center - Chicago, Illinois
- QTS Metro Data Center - Atlanta, Georgia

It is essential to remove the tariffs on HTS 8473.30.11 as well. Again, the products affected by the tariffs such as memory modules, graphical processing units (GPUs), and other printed circuit board assemblies (PCBAs) are crucial to data centers and cloud technologies in general. Should vital components needed for new data centers effectively be taxed through tariffs, it will become more affordable to construct new data centers outside the United States. In this context, it is worth noting that two of the top ten data centers are located in China. Making data centers more expensive to build in the United States makes the United States less competitive with respect to China. In fact, it will become essential if the United States wants to remain the world's preeminent cloud computing services provider and continue to dominate the data center market to continue to have access to competitively priced components and seamless supply chains.

In this context, it is worthwhile noting that in the United States the average data center adds \$32.5 million¹¹ in economic activity to its local community each year. During construction, each data center adds \$9.9 million in revenue for state and local governments, while employing an average of 1,688 workers.¹² For specific examples, Facebook's data center in Forest City, South Carolina, had a gross economic impact of \$707 million across the state and supported 5,000 jobs within the span of two years.¹³ Google's data centers support over 11,000 jobs throughout the United States, primarily in Georgia, Iowa, North Carolina, Oklahoma, Oregon, and South Carolina.¹⁴ The growth of this industry depends upon the ability of U.S. tech firms to rapidly build U.S. data centers in new areas of the country so that small and large businesses can experience lower latency and faster, higher-quality performance.

Forcing US data center providers to reconfigure their supply chains and stop sourcing certain inputs from China would result in severe economic harm to US providers and jeopardize US leadership in the cloud market. In many cases, shifting production facilities could take a year and very often more time would be needed, giving foreign competitors an unearned opportunity to undercut and out-innovate US counterparts. This is because US providers have worked with specific manufacturing partners that have engaged in lengthy processes to build and qualify factories in certain locations, and have chosen specific vendors that can audit and validate the properties of server boards, networking equipment, and other key inputs. These are not fungible processes that can be shifted to a new location in a short period of time.

In addition to building and qualifying new factories, US providers would need to spend additional time to set up new transportation routes, negotiate pricing (and in some cases pay contractual penalties to manufacturing partners), and implement new logistics processes. These processes represent time lost to foreign competitors in the highly competitive and quickly growing market for cloud services.

Again, the most likely outcome of these tariffs is that companies that are currently doing final assembly of servers and other cloud infrastructure in the US would move those manufacturing facilities overseas to avoid the impact of tariffs. This would result in the loss of thousands of US jobs as well as the loss of

¹¹ U.S. Chamber Technology Engagement Center, "Data Centers – Jobs and Opportunities Nationwide," June 15, 2017

¹² U.S. Chamber Report

¹³ RTI International, "Economic and Fiscal Impact Analysis: Facebook's Forest City Data Center," Executive Summary, August 2014, page 3

¹⁴ <https://static.googleusercontent.com/media/www.google.com/en//about/datacenters/usstory/full-report/full-report.pdf>



valuable expertise and know-how that comes from homegrown manufacturing, assembly, and testing of cloud infrastructure. Ultimately, tariffs on parts covered by HTS 8473.30.11 would put U.S. cloud providers at a global disadvantage and harm many local businesses, manufacturers, and farmers that rely on U.S. data centers to store and access mission-critical data and workloads.

Proposed Tariffs will Impact Consumers Visibly, Including Possibly During the 2018 Christmas Season

On the consumer side, the impact is even more direct because the proposed duties would apply to a massive range of internet-connected consumer devices largely developed by US companies. If tariffs are imposed on this category, a recent study shows that they will increase costs for U.S. consumers by nearly \$3.2 billion annually -- up to a 22% cost increase for each device.¹⁵

First, a consumer needs a modem and a router to connect to the Internet. Consumers and small businesses will see a direct increase in the costs of accessing the Internet if duties are imposed on these products.

Second, a consumer uses a wide range of Internet-connected devices to manage tasks, watch videos, play games, monitor their health, etc. Virtually all of these products (except for cell phones themselves) will be hit with increased costs if tariffs are imposed on HTS 8517.62.00.

Here are some examples of the types of products covered by HTS 8517.62.00 that consumers use to tap into the Internet, and that are potentially subject to 10-25% duties:

- bluetooth and other smart speakers
- e-readers
- gateways
- fitness trackers
- modems
- routers
- smart watches
- streaming devices for your TV
- wireless headphones

Virtually every American household that accesses the Internet at home or uses consumer tech will be directly impacted and will pay higher costs if the Administration imposes 10-25% additional duties on HTS 8517.62.00.

There will also be an Impact for U.S. Exporters of Consumer Goods

The impact, though, is not only on consumers. The innovators in these consumer tech categories are primarily US companies – companies like Apple, Google, Amazon, Microsoft, Cisco, Nest, Fitbit, and Sonos, among others. The US firms that make these products will become less competitive on a global basis as the additional duties give their foreign competitors a significant cost advantage over US goods in key export markets.

China's Trading Practices Need to Change and this Can be Achieved Together with Allies

¹⁵ https://prod1.cta.tech/CTA/media/policyImages/Estimated-Impacts-of-Proposed-Tariffs-on-Imports-from-China_-Printed-Circuit-Assemblies-and-Wireless-Telecommunications-Accessories.pdf



Again, SIIA very much appreciates the Administration's clear interest in changing the ground-rules for the U.S.-Chinese economic relationship. In this context, it is critical to determine what success would look like in negotiating with China and how to achieve that success.

Specifically, with respect to digital trade, China is one of the most restrictive markets. For example: U.S. firms ought to be able to provide cloud computing services in China, but Chinese policies block U.S. companies; it is also unacceptable that Chinese consumers cannot access 11 out of 25 of the world's most important consumer websites—roughly 3,000 websites cannot be accessed by Chinese consumers due to blocking by the Chinese government; voice-over-Internet Protocol services are restricted for no obvious reason; internet domain resources such as domain name registration procedures are subject to opaque rules that make it difficult for U.S. firms to provide services to businesses and consumers; the Cybersecurity law remains problematic because of the "secure and controllable" philosophy underpinning it; while "secure and controllable" policies were suspended for the banking sector, they remain a threat to the insurance and electronic commerce sectors; there are restrictions on online video and entertainment software that should be removed; intrusive encryption rules should be excised; there are no valid reasons why Internet-enabled payment services cannot be offered; intellectual property rights, in general, need to be enforced and respected; and data localization requirements should be removed.

Achieving the policy outcomes described above will not be easy. Our experience with respect to China's proposed "secure and controllable" cybersecurity rules tells us that success is possible if the U.S., EU, Japanese, South Korean, and other like-minded governments work together to address unfair Chinese trading practices. Such diplomatic coordination, coupled with international private sector coordination, produced results in 2016 with respect to proposed "secure and controllable" cybersecurity requirements in the banking sector. SIIA urges the U.S. government to intensify cooperation with allies to address Chinese commercial practices. Moreover, SIIA strongly supports the Trump Administration's decision to file a WTO case against Chinese licensing practices. While even favorable outcomes from WTO dispute resolution panels do not necessarily lead to the policy changes we seek, these cases are helpful in building the international support needed to modify Chinese behavior.

Once again, SIIA appreciates this opportunity to comment.

Sincerely,

Ken Wasch
President and CEO
Software & Information Industry Association



May 11, 2018

Mr. Robert E. Lighthizer
United States Trade Representative
Office of the United States Trade Representative
White House

Dear Mr. Ambassador:

The Software & Information Industry Association (SIIA) appreciates the opportunity to submit comments on the U.S. government's proposed tariffs on certain Chinese products, which are contained in Docket No. USTR-20018-0005. It is certainly true that Chinese trade and commercial practices require sustained attention because there is no doubt that China does not provide for a level playing field for the kinds of technology and information companies that SIIA represents. SIIA therefore supports the Trump Administration's emphasis on changing the paradigm for U.S.-Chinese economic relations.

As a general matter, SIIA opposes tariffs as a means of changing other countries' practices because they are usually not effective, and because they impose costs on U.S. consumers and businesses. They are effectively a tax increase for individuals. This is why SIIA co-signed a March 18, 2018 multi trade association letter¹⁶ to the President and a multi trade association April 11, 2018 letter¹⁷ to the House of Representatives Ways and Means Committee explaining the general rationale for not imposing tariffs.

SIIA views on the proposed tariffs are furthermore informed by the immense potential the United States has in developing the Internet of Things (IOT), which we discuss in a White Paper entitled: "Empowering the Internet of Things: Benefits, Solutions, and Recommendations for Policymakers."¹⁸ The paper includes information noting that the United States is the global leader with respect to IOT enabling factors. By 2030, IOT could enable annual 2.3% higher growth in the United States versus 1.3% in China. But this U.S. competitive advantage assumes in part seamless supply chains. Tariffs on important products such as automatic thermostats (HTS 9032.10.00) such as the key IOT product smart thermostats, undermine that ecosystem.

The SIIA IOT White Paper discusses efficiencies in the energy sector specifically. Smart thermostats are an important element in reducing energy use in homes and businesses, thus saving consumers and companies money, as well as reducing demand for energy. They have also become a major convenience for millions of U.S. consumers by allowing for remote control through smartphone apps and learning user temperature preferences. Statista estimates that the number of smart thermostats in the United States will rise from 17.5 million in the United States to 33 million in 2020.¹⁹ Greentech Media estimates an

¹⁶ Multi-Trade Association March 18, 2018 [Letter](#) to President Donald J. Trump.

¹⁷ Multi-Trade Association April 11, 2018 [Letter](#) to House of Representatives Ways and Means Committee Chairman Kevin Brady and Ranking Member Richard Neal.

¹⁸ SIIA [White Paper](#): "Empowering the Internet of Things: Benefits, Solutions, and Recommendations for Policymakers," March 17, 2016.

¹⁹ Statista [Chart](#), 2018



even higher number of smart thermostat owners in the United States by 2020: 40 million U.S. households.²⁰ By placing an upward pressure on prices, the proposed tariffs will depress this demand, thus depriving some U.S. consumers of a product they clearly value and potentially reducing energy savings in the United States.

This is not a question of risking the loss of intellectual property to China. The real value-added to the smart thermostats manufactured in China is the research and development and software behind them. The R&D and software of US companies are largely developed in the United States by highly skilled workers and are not at risk based on the location of the thermostats' final manufacturing and assembly. In fact, the thermostats are often used in conjunction with apps that consumers download onto their phones. This software is not developed in China. The proposed tariffs risk dampening the thriving market for these products, which could negatively impact the growth of this key IOT market in which US companies have been leaders up to now.

From the standpoint of determining whether, pragmatically, the proposed tariffs have the potential to affect the Chinese government's policies, it is important to note that Chinese companies do not compete in the U.S. smart thermostat market in any significant way. In fact, the smart thermostat market is led by companies from the United States, the UK, Ireland, and Canada. These companies work with contract manufacturers to perform the final assembly in China. However, the contract manufacturers are not headquartered in China. What this means is that the tariffs will damage U.S. businesses and companies from U.S. allies while having very little impact on Chinese technology companies of the kind that the Chinese government wants to promote. This lessens the Chinese government's incentive to change policy in response to the proposed thermostat tariff. For these reasons, we request that USTR remove automatic thermostats (HTS 9032.10.00) from the list of products subject to the proposed additional tariffs.

Tariffs are generally harmful for the highly competitive U.S. technology sector. For example, U.S. firms lead in R&D funding for Augmented Reality and Virtual Reality. There are tariffs in these areas that increase the expense of conducting this research.²¹ Other tariffs on components for data centers would likely also make it more expensive to build centers in the United States. As of 2017, seven of the world's top 10 data centers were located in the United States.²² But this position cannot be taken for granted. It therefore remains important for U.S. data center owners to be able to source the cheapest and best components that are available. Maintaining the U.S. lead in data centers is likely a strategic, as well as economic, imperative.

Again though, SIIA very much appreciates the Administration's clear interest in changing the ground-rules for the U.S.-Chinese economic relationship. In this context, it is critical to determine what success would look like in negotiating with China and how to achieve that success.

Specifically, with respect to digital trade, China is one of the most restrictive markets: U.S. firms ought to be able to provide cloud computing services in China, but Chinese policies blocks U.S. companies; it is also unacceptable that Chinese consumers cannot access 11 out of 25 of the world's most important consumer websites—roughly 3,000 websites cannot be accessed by Chinese consumers due to blocking by the Chinese government; voice-over-Internet Protocol services are restricted for no obvious reason; internet

²⁰ Jeff St. John [Article](#), "100 Million US Homes Lack Smart Devices, but 40 Million Will Have Smart Thermostats by 2020," Greentech Media, May 4, 2017

²¹ 9031808085 - Other instruments, optical; 9031.80.8085 - Other optical device; 9031909195 - Parts of optical device; 7320.20.5020 - Steel Spring; 8479909440 - Parts of Industrial Robots; 7320205020 - Steel Helical Spring; 7320205060 - Steel Helical Spring; 8536694040 - Printed Circuit Connectors; 8541402000 - LEDs; 9013807000 - Flat Panel Display.

²² Justin Mitchell [Article](#), "Top 10 Largest Data Centers in the World," RackSolutions, February 16, 2017



domain resources such as domain name registration procedures are subject to opaque rules that make it difficult for U.S. firms to provide services to businesses and consumers; the Cybersecurity law remains problematic because of the “secure and controllable” philosophy underpinning it; while “secure and controllable” policies were suspended for the banking sector, they remain a threat to the insurance and electronic commerce sectors; there are restrictions on online video and entertainment software that should be removed; intrusive encryption rules should be excised; there are no valid reasons why Internet-enabled payment services cannot be offered; intellectual property rights, in general, need to be enforced and respected; and data localization requirements should be removed.

Achieving the policy outcomes described above will not be easy. Our experience with respect to China’s proposed “secure and controllable” cybersecurity rules tells us that success is possible if the U.S., EU, Japanese, South Korean and other like-minded governments work together to address unfair Chinese trading practices. Such diplomatic coordination, coupled with international private sector coordination, produced results in 2016 with respect to proposed “secure and controllable” cybersecurity requirements in the banking sector. SIIA urges the U.S. government to intensify cooperation with allies to address Chinese commercial practices. Moreover, SIIA strongly supports the Trump Administration’s decision to file a WTO case against Chinese licensing practices. While even favorable outcomes from WTO dispute resolution panels do not necessarily lead to the policy changes we seek, these cases are helpful in building the international support needed to modify Chinese behavior.

Once again, SIIA appreciates this opportunity to comment.

Sincerely,

Ken Wasch
President and CEO
Software & Information Industry Association

March 13, 2019

The Honorable Richard Neal
Chairman
House Ways and Means Committee
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

On behalf of the Solar Energy Industries Association (SEIA), we request your support in encouraging the Office of the United States Trade Representative (USTR) to complete its review of the solar Section 201 exclusion requests with an eye toward moderating the adverse impact of these tariffs on the U.S. solar industry. In our view, USTR has the opportunity to grant additional product exclusions which would help advance the broader U.S. solar industry while maintaining President Trump's commitment to protecting and incentivizing U.S. solar module manufacturing.

As the national trade association for the U.S. solar energy industry, which employs more than 242,000 Americans, we represent organizations that promote, manufacture, install, and support the development of solar energy. SEIA works with its 1,000 member companies to build jobs and diversity, champion the use of cost-competitive solar in America, remove market barriers, and educate the public on the benefits of solar energy. With respect to trade, we have long advocated for a free and fair system.

As forecasted by SEIA during the solar Section 201 investigation, the tariffs have resulted in the loss of thousands of U.S. jobs and billions of dollars in investments. For example, SEIA forecast that in 2018 the U.S. solar industry would deploy approximately 12.8 GW of solar in the absence of Section 201 tariffs but only 10.9 GW if a 25% tariff was imposed, a decrease of nearly 2 GW. We now know, based on full-year data for 2018, that the industry deployed approximately 10.6 GW of solar, which is nearly identical to SEIA's forecast under a 25% tariff.

We also recognize that the solar Section 201 tariffs have provided some benefit to U.S. solar manufacturing. However, in total, these new module manufacturing investments are expected to create less than 2,000 jobs, in contrast with the loss of nearly 9,000 jobs among solar installers and racking manufacturers and thousands more tied to unrealized growth potential. Nonetheless, we applaud the module manufacturers' new U.S. investments and efforts to grow the U.S. solar supply chain.

It should also be recognized that even with the addition of new U.S. module manufacturing capacity, U.S. module demand will significantly exceed domestic supply, particularly for products used in the utility segment. In our view, there are multiple opportunities for USTR to grant additional product exclusions which will both spur overall growth in the U.S. solar industry and maintain the competitiveness of new U.S. solar manufacturing investments. We ask for your support in encouraging USTR to work with the U.S. solar industry to moderate the adverse impact of the solar Section 201 tariffs. Thank you for your consideration.

Sincerely,

Abigail Ross Hopper
President and CEO





Philip K. Bell
President

Phone: (202) 296-1515

21st Century Steelmakers

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Re: Hearing on U.S.-China Trade

Dear Chairman Neal:

Attached for inclusion in the record of the February 27, 2019 hearing on U.S.-China Trade are comments I respectfully submit on behalf of the Steel Manufacturers Association.

The Steel Manufacturers Association (SMA), represents 26 electric arc furnace steel producers, 24 of which produce steel in the United States. Electric arc furnace steel producers account for nearly 70 percent of domestic steelmaking capacity. Through EAF steel production, our sector has significantly reduced carbon emissions. Products produced by SMA members routinely contain over 95 percent recycled content. As SMA's President, I also serve on ITAC 7, the Steel International Trade Advisory Committee.

Chinese Policies Led to Global Excess Capacity and the Steel Crisis

SMA's steel producing members have faced long-term threats from China's distortive trade and economic policies. In 2006, China's growing steel production exceed domestic demand for the first time and China became a net steel exporter. China made industrial policy decisions to continue to expand its steel capacity during the 2008 financial crisis and its aftermath, when the U.S. steel industry and most of the rest of the world's industries suffered severe production cuts and closures. Between 2009 and 2015, China's capacity to make steel expanded a further 350 million metric tons (more than the total existing capacity of the United States and Europe combined). This occurred even though steel demand in China had peaked. The resulting excess steelmaking capacity and increased Chinese exports severely disrupted global markets, led to repeated surges of U.S. imports of steel from many countries and suppressed U.S. steel production and capacity utilization for over a decade, resulting in lost U.S. jobs and reduced investment in the domestic steel sector.

In March 2018, the Administration took national security action under section 232 of the Trade Expansion Act of 1962 to adjust steel imports and counteract the adverse effects on this prolonged crisis on the U.S. steel industry. However, because the underlying causes of global excess capacity remain unaddressed, SMA strongly supports the ongoing efforts by the Office of the U.S. Trade Representative (USTR) to address Chinese policies that distort trade, investment and competition through the Section 301 unfair trade practices investigation, the 301 measures and the negotiations with China to eliminate unfair practices.

We are optimistic that U.S. negotiators understand the nature of the problems posed by China's industrial policies and are working very hard to bring home an enforceable agreement with China that will effectively deal with its distortive policies, including those in the steel sector. Such an agreement should address the industrial policies that contributed to excess capacity in the Chinese steel sector and associated sectors and make measurable progress to remove them. Chinese policies that have served to expand steel production and provide unfair benefits to Chinese steel producers and exporters include: industrial subsidies, benefits to state owned enterprises in strategic sectors such as steel, export subsidies, import substitution subsidies, discriminatory and coercive investment policies, forced technology transfer, theft of intellectual property, currency manipulation and distortive raw materials policies (import and export restrictions, export taxes and provision of raw materials for less than adequate remuneration). Each of these distortive practices contributed to the severe imbalances in the Chinese steel sector and the global excess steel capacity that persists today.

China Industrial Policies Continue to Distort Markets in the Steel Sector

While Chinese officials frequently make public comments about their efforts to rein in excess capacity, limited actions have been taken by the Chinese government to date, and these actions have had very little practical effect on global steel markets. In 2018, China's steel production reached 928.3 million metric tons,¹ a historic high, and a 6.6 percent increase over 2017 levels, while Chinese domestic steel demand growth in 2018 was expected to be no more than 2 percent.² China currently accounts for 51 percent of global steel production,³ up from 50 percent last year. Chinese analysts are now predicting that "[o]vercapacity in [the] China steel industry will still exist for the long run."⁴

While China claims to have closed over 100 million metric tons of steelmaking capacity since 2017, it has also sought to expand the role of its state-owned steel companies in steel investments in other countries. Indeed, following the Chinese government's efforts to close polluting and inefficient capacity in 2017, actual Chinese induction furnace equipment from plants closed in China was shipped to Southeast Asia for new steelmaking plants.⁵ Chinese companies have received state support from China Development Bank, China Export Import Bank and China Investment Corporation to build and purchase

¹ *Global crude steel output increases by 4.6 percent in 2018*, Worldsteel Association, January 25, 2019. <https://www.worldsteel.org/media-centre/press-releases/2019/Global-crude-steel-output-increases-by-4.6--in-2018.html>

² *Short Range Outlook*, Worldsteel Association, October 2018. <https://www.worldsteel.org/media-centre/press-releases/2018/worldsteel-Short-Range-Outlook-2018-2019.html>

³ *World Crude Steel Production Statistics*, Worldsteel Association, May 2018. <https://www.worldsteel.org/en/dam/jcr:1fd4a9e7-c787-457d-b780-988db153aa23/Steel%2520May%25202018.pdf>

⁴ *China Steel Industry Enters into High-Quality Development Stage; Analysis and Forecast on China Steel Market*, Dr. Wu Wenzhang, President and Chairman SteelHome China, Presentation at the American Metal Market/World Steel Dynamics Steel Success Strategies Conference, New York, June 27, 2018.

⁵ *China's Outcast Steel Machines Find Unwelcome Home in Southeast Asia*, by Manolo Serapio, Reuters, December 16, 2018. <https://www.reuters.com/article/us-steel-asia-china-analysis/chinas-outcast-steel-machines-find-unwelcome-home-in-southeast-asia-idUSKBN1OG06E>

plants in other countries, in effect creating additional capacity in other countries, further contributing to the global excess capacity problem.⁶

China Global Infrastructure Policies

China is seeking to expand its global share of infrastructure and construction projects. Steel, building materials, and power and resource development are among the sectors China's State Council has identified for "international industrial capacity and equipment manufacturing cooperation."⁷ The Government of China has pledged over \$1 trillion to support its "One Belt One Road" Initiative (OBOR) to fund large ports, roads, bridges and other steel-intensive projects in the countries between China and Europe. China's industrial overcapacity is a big motivator for the OBOR initiative,⁸ and China has invested billions of dollars in new steelmaking capacity in OBOR countries such as Bangladesh, Laos, India, Indonesia and Serbia,⁹ further exacerbating global excess capacity.

China's State Council has also stated that it is seeking to "actively tap the markets of advanced countries"¹⁰ such as the United States. Indeed, when President Trump announced his \$1 trillion U.S. infrastructure initiative last year, government officials from China's Development Bank and other ministries urged the United States to work with Chinese companies to increase Chinese participation in U.S. infrastructure projects.^{11 12} As the 116th Congress considers much-needed new U.S. infrastructure spending, we urge caution be taken to ensure Chinese policies to support infrastructure investment are not allowed to make inroads in the U.S. market. In our view, U.S. steel producers should supply the steel for U.S. infrastructure projects, consistent with U.S. laws and Buy America government procurement provisions, accruing the benefits of U.S. government infrastructure investment to U.S. workers and companies, not to Chinese infrastructure companies.

⁶ *How China Skirts America's Antidumping Tariffs on Steel*, by Matthew Dalton and Lingling Wei, The Wall Street Journal, June 4, 2018. <https://www.wsj.com/articles/how-china-skirts-americas-antidumping-tariffs-on-steel-1528124339>

⁷ *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974*, March 22, 2018, p 68. <https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF>

⁸ *U.S. Firms Want in on China's Global "One Belt, One Road" Spending*, by Keith Bradsher, The New York Times, May 14, 2017. <https://www.nytimes.com/2017/05/14/business/china-one-belt-one-road-us-companies.html>

⁹ *China Global Investment Tracker*, Derek Scissors, American Enterprise Institute. <http://www.aei.org/china-global-investment-tracker/>

¹⁰ *Guiding Opinions on Promoting International Cooperation in Industrial Capacity and Equipment Manufacturing* (State Council, Guo Fa [2015] No. 30, issued May 13, 2015). English translation https://www.mizuhobank.com/fin_info/cndb/economics/briefing/pdf/R216-0027-XF-0105.pdf

¹¹ *China Can Help U.S. with Infrastructure Plan*, by Liu Yong, Chief Economist China Development Bank, January 30, 2018. <http://www.chinadaily.com.cn/a/201801/30/WS5a6fb4b7a3106e7dce1377ab.html>

¹² *China tells Donald Trump: We Can Help Make America's Infrastructure Great Again*, by Catherine Wong, South China Morning Post, April 26, 2018. <https://www.scmp.com/news/china/diplomacy-defence/article/2143586/china-tells-donald-trump-we-can-help-make-americas>

*Steel Manufacturers Association
March 13, 2019*

Conclusion

To increase pressure on China to amend its unfair trade and economic practices, address overcapacity and eliminate the adverse effects of excess capacity on U.S. steelmakers, SMA strongly supports the efforts led by USTR to negotiate effective agreements with China to end these distortive practices.

Please do not hesitate to contact me at (202) 296-1515 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Philip K. Bell".

Philip K. Bell