

Testimony of U.S. Trade Representative Ambassador Katherine Tai
Trade Policy Agenda Hearing
House Ways and Means Committee
March 30, 2022

Thank you, Chairman Neal, Ranking Member Brady and Members of the Committee. I appreciate the opportunity to be here today to discuss the President's Trade Agenda.

President Biden believes that trade can be a force for good that grows the middle class and addresses inequality – if we get the rules right. To achieve those goals, trade must be grounded in fair competition, and workers should not have to compete against artificially low wages or unsafe working conditions. They should compete on the merits and today, I am pleased to update you on our path toward achieving those goals.

The President also believes we are at our strongest when we work closely with our partners and allies around the world. Over the last year, in coordination with my colleagues across the Biden Administration, we have worked to repair strained relationships and recommitted the United States to the world's institutions. These renewed partnerships have been instrumental to the strong, united response to Russia's unjustified attack on Ukraine.

Advancing a Worker-Centered Trade Policy

Our agenda begins with a commitment to putting workers at the center of our trade policy. When we defend the rights of workers – both at home and abroad – labor standards go up, workplaces are safer, and we drive a “race to the top.”

This commitment is evident both in our enforcement of existing agreements like the United States – Mexico – Canada Agreement, as well as our efforts to put workers at the center of our discussions at multilateral fora like the OECD, WTO, ASEAN and APEC.

We have also stepped up our efforts to eliminate the use of forced labor in global supply chains, and in January, USTR announced that we will develop the first-ever focused trade strategy to combat forced labor. Paired with the implementation of the Uyghur Forced Labor Prevention Act, this will send a clear message that the United States will use every tool available to block the importation of goods made partially or entirely with forced labor.

Our agenda also recognizes that farmers, ranchers, fishers, and food manufacturers are key to our worker-centered trade policy, and we are fighting to achieve quick, economically meaningful wins. Some highlights from last year include:

- The 232 tariff arrangements and cooperative frameworks for large civil aircraft with the EU and UK lifted retaliatory tariffs on billions of dollars of U.S. exports – including agriculture products like butter, cheese, pork and nuts and distilled spirits;

- An agreement with Japan to increase the beef safeguard trigger level under the U.S.-Japan Trade Agreement. The new three-trigger safeguard mechanism will allow U.S. exporters to meet Japan’s growing demand for high-quality beef and reduce the probability that Japan will impose higher tariffs in the future.
- Regaining access for our shellfish industry to the EU for the first time in a decade;
- Opening access for U.S. pork exports to India in December 2021, following USTR’s engagement under the U.S.–India Trade Policy Forum;
- The Philippines’ unilateral lowering of its tariffs in April 2021 on imported fresh, chilled, and frozen pork, and a one-year increase of tariff rate quota volumes following TIFA meetings; and
- Vietnam’s approval in 2021 of pending biotech regulatory applications following TIFA engagement, as well as MFN duty reductions for corn, all classes of wheat, and frozen pork.

Re-Aligning the U.S. – China Trade Relationship

The next major component of our trade agenda is the realignment of the U.S. – China trade relationship.

As President Biden often says, competition with China must be fair. American workers, farmers, producers, and businesses must be able to compete on the merits, not against unfair state-led industrial planning and targeting of certain sectors, labor rights suppression, a weak environmental regime, or other distortions that put market-oriented participants out of business.

In October, we launched a direct dialogue with the People’s Republic of China (PRC) regarding our concerns with distortions and imbalances in our relationship. This included the PRC’s failures to fulfill the purchase commitments detailed in the “Phase One Agreement,” as well as the state-centered and non-market practices not addressed in the Phase One deal.

It was important for us to fight for the farmers and businesses that benefit from those obligations and test how committed the PRC was to the obligations it signed up to.

However, over time it became clear that the PRC would only comply with those trade obligations that fit its own interests. This is a familiar pattern with the PRC – from their actions at the WTO and in various bilateral high-level dialogues. The United States has repeatedly sought and obtained commitments from China, only to find that follow-through or real change remains elusive.

While we continue to keep the door open to conversations with China, including on its Phase One commitments, we also need to acknowledge the Agreement’s limitations, and turn the page on the old playbook with China, which focused on changing its behavior. Instead, our strategy must expand beyond only pressing China for change and include vigorously defending our values and economic interests from the negative impacts of the PRC’s unfair economic policies and practices.

In the last year, we have worked hard to deepen our understanding of how these policies and practices affect our workers and industries, as well as those of our allies and partners, and global supply chain resiliency. We have seen what happened in the steel and solar industries when existing mechanisms were too slow or ill-suited to effectively address the distortions wrought by China's targeting of those sectors. In the meantime, we know that the PRC is targeting critical industrial and high-tech sectors, like electric vehicles, batteries, semiconductors and others.

To ensure that our industries remain competitive, we must develop new domestic tools targeted at defending our economic interests, and make strategic investments in our economy. We have already made significant progress through the American Rescue Plan, the Administration's focus on supply chain resilience, the Made in America Office and the Bipartisan Infrastructure law. But to truly boost America's competitiveness, we urge Congress to quickly pass the Bipartisan Innovation Act.

President Biden also recognizes that our ability to defend against unfair PRC economic practices requires that market economies act in concert to confront policies and practices that are fundamentally at odds with the modern global trading system. That is why we have also brought a renewed focus to engagement with our partners and allies, who also are negatively impacted by the PRC's unfair trade and economic practices.

At the same time, we are also working towards innovative arrangements with our allies and like-minded partners to strengthen our resilience. For example, the global arrangement we are currently negotiating with the EU will be world's first sectoral arrangement on steel and aluminum trade to tackle both emissions and non-market excess capacity.

Engaging with Key Trading Partners and Multilateral Institutions

Beyond this cooperation, we have deepened our engagement with key trading partners through new and existing bilateral, plurilateral and multilateral agreements and arrangements.

- We launched the U.S.-EU Trade and Technology Council to promote shared economic growth through an expanded trade and investment relationship by avoiding unnecessary barriers to trade in emerging technology products and services, promoting cooperation on labor rights, combatting child and forced labor, and expanding resilient and sustainable global supply chains.
- We launched the U.S.–Japan Partnership on Trade to advance an agenda of cooperation, as well as to address bilateral trade issues of concern to either side.
- We continued our work under the USMCA to ensure that Canada and Mexico fully implement their commitments.
- We re-launched the United States-India Trade Policy Forum to enhance our relationship with India and make progress on important bilateral trade irritants.

- And most recently, we hosted the first Dialogue on the Future of Atlantic Trade in Baltimore, Maryland last week. We will hold the second leg in Scotland next month to consider what concrete, economically meaningful steps we can take to deepen our trade relationship with the United Kingdom and create more durable trade policies.

The Biden Administration is also committed to economic engagement with partners in the Indo-Pacific. The Indo-Pacific is one of the most dynamic regions in the world, and it is one of strategic importance to the United States. Additionally, the region is home to some of our closest allies and trading partners, including some with which we have longstanding trade agreements. By working closely with allies and partners to bolster our economic engagement in the Indo-Pacific, we can establish a new path forward that supports the global competitiveness of American workers and businesses and further the shared interests of our allies in the years to come.

The goal of this framework will promote inclusive growth for workers and businesses, advance strong labor standards, and tackle climate change. The framework is also central to the Biden Administration's economic strategy in the Indo-Pacific and complements our national security goals in the region.

USTR will lead efforts to craft a trade arrangement with our partners that includes provisions on: high-standard labor commitments; environmental sustainability; the digital economy; sustainable food systems and science-based agricultural regulation; transparency and good regulatory practices; competition policy; and trade facilitation.

Going forward, USTR will remain in close coordination and consultation with this Committee and Congress to keep you updated and to develop this framework.

On the multilateral front, the Biden Administration has made clear its commitment to the WTO, and ensuring that it can be a force for good that confronts the pressing global challenges affecting the lives of people.

The Biden Administration supports a WTO reform agenda that reflects the priorities of our worker-centered approach, grounded in fair competition, to benefit workers and the environment.

One of the top issues we are working towards is an outcome on intellectual property as part of the Administration's broader efforts to end the pandemic. This has been a long and difficult process – and it is never easy to reach a consensus across the 164 members of the WTO. While no agreement on text has been reached, we will continue to engage with Members to get as many safe and effective vaccines to as many people as fast as possible.

Promoting Confidence in Trade Policy Through Enforcement

The Biden Administration is also clear-eyed about what happens when trade policy fails to deliver on its promises. Manufacturers, farmers and ranchers do not always get the full benefits of access to new markets and too many workers and communities suffer due to unfairly traded imports. This has created a trust gap with the public and is why enforcement is a key component of our worker-centered trade policy.

For example, we have already employed the USMCA Rapid Response Mechanism in two instances to defend workers' rights in Mexico. One critical aspect of this work is that we have been able to partner with the Mexican government to deliver real results to workers. Working with other governments to advance a worker-centered trade policy is a bedrock of the Biden Administration's approach because when we fight for workers abroad, we are fighting for workers here at home by combatting a global race to the bottom.

We cannot always achieve these results through cooperation, and we are also using state-to-state mechanisms when we need to. We pursued dispute settlement with Canada to ensure U.S. dairy farmers receive the fair treatment in the Canadian marketplace that is due to them. We have also initiated environmental consultations with Mexico designed to prevent illegal, unreported, and unregulated fishing.

We are also upholding the eligibility requirements in our preference programs. The African Growth and Opportunity Act has unique rules to value rule of law and respect for human and labor rights as cornerstones of development.

In November 2021, President Biden announced the termination of eligibility for Ethiopia, Guinea, and Mali due to a failure to meet the eligibility criteria, including those relating to human rights and rule of law. We remain committed to working with all three countries to meet the statutory benchmarks that would enable them to be reinstated in the AGOA program.

We also recognize that despite our enforcement efforts, many of our existing trade tools were crafted decades ago. In some cases, they do not adequately address the challenges posed by today's economy. We are reviewing our existing trade tools and will work with Congress to develop new tools as needed.

Promoting Equitable, Inclusive, and Durable Trade Policy and Expanding Stakeholder Engagement.

A final, important part of our trade agenda is promoting trade policy that is equitable, inclusive, and durable for all Americans and expanding stakeholder engagement.

In order for our trade policies to be effective and lasting, we must make sure diverse perspectives are represented in the policymaking process, and that our policies reflect those viewpoints.

The President's Trade Policy Agenda and Annual Report now includes strategic objectives and actions to advance racial and gender equity in trade policy. These actions will reflect the principles outlined in the Executive Orders President Biden has signed to date, namely *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government* and *Worker Organizing and Empowerment*. It will also incorporate elements of the United States' first *National Strategy on Gender Equity and Equality* and the Presidential Memoranda on *Tribal Consultation and Strengthening the Nation-to-Nation Relationship*.

We have been – and will continue pairing these values with sustained, long-term engagement with partners and stakeholders.

Congress, including this Committee, is our constitutional partner on trade. Having worked on the House Ways & Means Committee for seven years, I am committed to close consultations and a robust partnership between our two branches of government. We will continue this partnership through regular briefings and one-on-one engagement with you and your staffs.

That engagement is critical given the ambition and scope of our agenda. One year into this position, I am more confident than ever that we can walk, chew gum, and play chess at the same time. Serving as United States Trade Representative and representing the Biden Administration at home and abroad is the honor of my career. I am always inspired by the outstanding work and professionalism of the people that make up USTR – and I look forward to continuing this work in the year ahead.

Thank you for your time and I look forward to answering your questions.