



DATE: 3/24/2023

RE: House Ways & Means Hearing on the Biden Administration's 2023 Trade Policy Agenda with United States Trade Representative, Ambassador Katherine Tai

Topline Summary:

- Members of the House Ways & Means Committee gathered to conduct a hearing on the Biden administration's trade policies and agenda with United States Trade Representative Katherine Tai.
- There was a wide range of discussions related to the various trade interests of the United States. Members discussed the ongoing status of the United States-Canada-Mexico (USMCA) agreement and how it has impacted trade between North American allies, specifically its role in helping to resolve tensions around areas such as labor. There was also discussion on Mexico's recent decision to ban imports of genetically modified corn and how USTR is responding to that ban.
- Much of the conversation included implications for how trade decisions impact the relationship between the United States and China. There were mentions of the Biden administration's decision not to increase tariffs on Chinese solar products that may be avoiding sanctions by shipping through other southeast Asian nations and on how certain trade partnerships, such as the Indo-Pacific Economic Framework (IPEF) are impacting US interests in that region.
- Other conversations included the difference between traditionally negotiated trade deals and the Biden administration's determination to pursue more relaxed trade partnerships and how to ensure that electric vehicle manufacturer's supply chains are free from critical minerals that could have been extracted using forced labor.

Members Attending: Chairman Jason Smith (R-MO), Ranking Member Richard Neal (D-MA), Rep. Vern Buchanan (R-FL), Rep. Adrian Smith (R-NE), Rep. Mike Kelly (R-PA), Rep. David Schweikert (R-AZ), Rep. Darin LaHood (R-IL), Rep. Brad Wenstrup (R-OH), Rep. Jodey Arrington (R-TX), Rep. Ron Estes (R-KS), Rep. Lloyd Smucker (R-PA), Rep. Kevin Hern (R-OK), Rep. Carol Miller (R-WV), Rep. Greg Murphy (R-NC), Rep. Brian Fitzpatrick (R-PA), Rep. Greg Steube (R-FL), Rep. Claudia Tenney (R-NY), Rep. Michelle Fischbach (R-MN), Rep. Blake Moore (R-UT), Rep. Michelle Steel (R-CA), Rep. Beth Van Duyne (R-TX), Rep. Randy Feenstra (R-IA), Rep. Nicole Malliotakis (R-NY), Rep. Mike Carey (R-OH), Rep. Lloyd Doggett (D-TX), Rep. Mike Thompson (D-CA), Rep. John Larson (D-CT), Rep. Bill Pascrell (D-NJ), Rep. Linda Sanchez (D-CA), Rep. Brian Higgins (D-NY), Rep. Terri Sewell (D-AL), Rep. Suzan DelBene (D-WA), Rep. Judy Chu (D-CA), Rep. Dan Kildee (D-MI), Rep. Don Beyer (D-VA), Rep. Dwight Evans (D-PA), Rep. Jimmy Panetta (D-CA)

Meeting called to order by Chairman Smith

Opening Statements

Chairman Jason Smith: Ambassador Tai, thank you for appearing here today. It is my pleasure to welcome you back to this Committee, where you served with distinction.

As you know, American families need results. They have lost two months of wages in the Biden economy, wholesale prices are continuing to weigh on small businesses, and our economy continues to struggle. Making matters worse, President Biden has left American workers on the sidelines, surrendered our economic advantage to China, and refused to consult with Congress.

To be clear: a Country that cannot supply their own demand for food, energy and medicine but must instead rely on other nations to fulfill those basic needs, they are no longer independent. . . but they are politically dependent.

Given that this is your first time appearing before the Ways and Means Committee in the new Republican majority, I believe today's hearing is an opportunity to establish a new path forward to put American workers first and hold China accountable. U.S. trade policy has historically been bipartisan. For example, President Trump's successful USMCA strengthened the trade relationships between North American countries and gave us stronger enforcement mechanisms to stand up for American workers. I'm glad to see some positive developments with regard to enforcement to ensure fairness for American farmers and energy producers competing in Canada and Mexico. But the American people expect us to go further and to use the tools at our disposal to level the playing field for our workers, farmers, and job creators.

Without a trade agenda that puts workers and jobs first, the United States is falling behind China and other competitors. China is forging ahead with an aggressive trade agenda that cheats America, shapes the global playing field in its favor, and threatens key American supply chains and the livelihoods of American farmers and workers.

But rather than lead on trade, the Biden Administration's tax and trade policies surrender the world's customers to China and allow it to profit using taxpayer dollars.

The U.S. must be clear about the Chinese Communist Party's human rights abuses and predatory trade practices and work to stop them. The Phase One Agreement negotiated by President Trump included specific enforcement provisions. Yet for some reason, the Biden Administration has yet to provide a comprehensive accounting of China's compliance.

Ambassador Tai, this should be a no-brainer.

In the meantime, this Committee is prepared to take common-sense steps to strengthen our supply chains and reduce our dependence on China. That includes more U.S. production and deeper cooperation with allies. But during hearings in West Virginia and in Oklahoma, witnesses representing America's farmers, energy producers, and manufacturers told the Ways and Means Committee that they are hamstrung by red tape and the Biden Administration's new taxes. They deserve better.

The Biden Administration unfortunately has refused to recognize that the Constitution requires Congress be at the center of U.S. trade policy. Through so-called "trade frameworks" that sidestep Congress and fail to establish durable agreements, this Administration is fueling the supply chain crisis and plunging American workers, farmers, and manufacturers into prolonged uncertainty. Endless dialogues and frameworks are no substitute for exercising Congress's constitutional authority – and giving the American people a voice – over trade. In order to succeed, this Administration must recognize that Congress is in the driver's seat in setting priorities and deciding whether to approve any trade agreements. And trade at

its core function should be used to benefit the American people and increase the wealth of our nation and our economy. Trade plans are only worthwhile so much as they accomplish those goals and advance the well-being of the American people.

Ambassador, I'm optimistic that we can work together and deliver real results. Together, we can stand up for workers, farmers, and manufacturers, build on USMCA's progress, hold the Chinese Communist Party accountable, strengthen our critical supply chains, and restore American leadership in the world.

Ranking Member Richard Neal: Ambassador Tai, welcome back to the Committee. Since your first Trade Agenda hearing, President Biden has led a strong and sustainable recovery, focused on workers. More jobs have been created under his leadership in just two years than under any other president in a full term. Wages are on the rise, and our investments in our supply chains and infrastructure are bringing weight back to "Made in America." This is how you rebuild an economy from the bottom up and the middle out, and I'm grateful for your leadership in connecting this to our worker-centric trade agenda.

As our nation's lead trade negotiator, you have put American workers and businesses first while strengthening relationships with global allies. And under your leadership, the United States has now used the USMCA's Rapid Response Labor Mechanism seven times—standing up for workers' rights and showing the world what's possible with strong enforcement mechanisms.

Last year, this Committee took decisive action on a bipartisan basis to hold Russia accountable for its horrific, unprovoked war on Ukraine. We banned Russian energy imports and suspended normal trade relations to inflict substantial economic pressure on Putin's regime. Ambassador Tai, I encourage you to continue working with our partners and allies in isolating Putin and improving global supply chain resiliency.

Even in the face of these atrocities, we've seen unparalleled unity with our allies. Now is the time to capitalize on our connections and strengthen our economic ties, especially in Europe and Africa.

I had the opportunity to visit the World Trade Organization last year, meeting with many of our allies, yearning for deeper U.S. engagement. I applaud your commitment to strengthening the institution and commend you on delivering a successful outcome for MC12. I have seen first-hand the positive impact the WTO has had on global commerce, but more reforms are still needed, especially with dispute settlement. I share your concerns with recent rulings on the natural security exception, which must be addressed to maintain the integrity of the organization.

You have embraced our climate as a key trade priority. Ways and Means Democrats proudly contributed the largest federal investment to protect our climate to the Inflation Reduction Act. These types of worker-focused economic and trade investments not only protect our planet but also create good-paying jobs. Looking ahead, strong environmental protections, workers' rights, and human rights are interconnected. In combatting this crisis, guardrails will need to be put in place to ensure that one environmental problem is not replaced with another. There are plenty of lessons to learn from the past, and the climate solutions of the future must be grounded in those lessons.

As you know well, Ambassador Tai, House Democrats fought hard to establish a new structure for aggressive enforcement of the USMCA and to back it up with the necessary funding for commensurate enforcement actions.

USMCA now stands as a powerful beacon for what's possible when it comes to durable, enforceable trade agreements. And I credit that to the work and consensus-building of Congress. It is the collaboration between Congress and the Executive that allows trade policy to live up to its fullest potential, and in this critical moment, that cannot be forgotten. I saw my Senate colleagues delivered this message yesterday, and I echo their concerns.

We seek long-lasting solutions, just as you do, and we firmly believe that when done right, trade is a powerful driver of good-paying, quality jobs, and a thriving economy. Let's continue to do this work together. Thank you again for being here, Ambassador Tai, and with that, I yield back the balance of my time.

Witness Testimony

Katherine Tai, United States Trade Representative

[Testimony](#)

Q&A

Chairman Jason Smith (R-MO) discussed how Mexico is violating the USMCA by effectively banning US grown corn from the Mexican market. He talked about how Mexico is the second largest market for US corn and a recent delegation that he led to Mexico where they met with the country's president. He insisted on the need for USMCA dispute settlement if concerns are not addressed and asked what the next steps the administration are prepared to take. Amb. Tai responded that the issues are critical for the integration of the US and Mexican economies. She discussed how USTR requested technical consultations and moving through a process of meeting with Mexican counterparts to try and find clarifications on exactly how the decree will work and what will be impacted. She said that they plan to make use of all tools in the USTR arsenal to resolve this dispute. Chairman Smith discussed how his delegation also traveled to Ecuador and Guyana, citing the importance of engagement with Latin America, particularly because of China's influence in the region. He asked what the administration's plan is for a more proactive and aggressive strategy to counter China globally. She responded that the relationship between the US and China is extremely consequential and directed his attention to actions taken by the administration with respect to standing up to Chinese challenges. She discussed how the PRC's economic policies are important to take on but stressed the need for deliberate strategy to ensure that a realignment of our competitive footing with China is effective. She assured him that this is her top priority and will keep him apprised of any actions that they take. Chairman Smith asked about USTR's China Review and asked when they can expect to see it. She responded that they would have seen conclusions from the analysis in speeches she previously gave in 2021 and said that she will commit to keeping him informed on next steps in terms of what they plan to do about the Trump administration's Phase I agreement. Chairman Smith discussed China's normal trade relation status that they were granted in 2000 and said it is important to evaluate all aspects of the relationship with China. He asked if there are additional tools available to hold China accountable. She responded that there are a lot of tools that they have been developing and said that there are a lot of updates and new tools that they can develop to ensure that enforcement can keep up with the times. She suggested that it is a good time to revisit USTR's authorities to ensure that policies can keep up with the times. He talked about the use of forced labor in critical mineral extraction in places like China and the Democratic Republic of Congo and said that no taxpayer dollars should fund those practices. He asked if this administration is concerned that shuttering

domestic cobalt mining is contributing to the overseas production of critical minerals using this type of labor. She responded that he is highlighting a problem that goes back to the importance of critical supply chains. She said that they need to be more aware of every aspect of supply chains and said that is something that they are working on very closely at USTR. He asked if critical mineral agreements they are pursuing would require the EU and Japan to ban minerals produced with forced labor before car companies can acquire them and use tax credits. She said that they have been allies in eradicating forced labor and she is confident that this will be a priority.

Ranking Member Richard Neal (D-MA) discussed USTR's mission to put workers at the center of trade and expressed his approval of the emphasis being put on enforcing existing trade agreements. He asked her to speak to the importance of a worker centered trade policy and to what they were able to do in the USCMA based upon enforcement mechanisms. She responded that this committee has a lot to be proud of in the USMCA and praised its importance in developing a worker centered trade policy. She discussed the process of renegotiation NAFTA and the importance of the labor and environmental protection enhancements and a labor-specific enforcement mechanism. She talked about how there is now a mechanism to empower workers, something that trade has struggled with for generations. She said that they are looking to replicate this across trade agreements and make trade a force for good. Ranking Member Neal discussed how he knows that she is a supporter of the congressional role in this space and asked for her to elaborate. She responded that she comes from Ways & Means and knows the importance of their work.

Rep. Vern Buchanan (R-FL) asked about the action plan and whether Ambassador Tai is willing to share it. Ambassador Tai said that the answer is yes, but asked whether he is referring to a general action plan or part of the trade agenda. Rep. Buchanan said he was referring to her comments prior. Rep. Buchanan then talked about MTB and GSP, and said that it is a job creator in his state and it should be an easy layup. He asked what the holdup is and what sense of commitment Ambassador Tai has. Ambassador Tai said that there is a deal on the table and that in respecting the co-equal branches, both are Congressional programs. Rep. Buchanan then talked about legislation in the Senate, and then asked about the EU and why we don't get more of these opportunities. Ambassador Tai said she spends most of her time on the road and that she is doing everything she can to reestablish old relationships and establishing new relationships with the European Union. Rep. Buchanan asked again if he could get a copy of the plan.

Rep. Lloyd Doggett (D-TX) talked about the provisions being negotiated with trading partners in Asia. He asked why this step is necessary, and said the language should be public. He then expressed that the language is helpful with regard to workers and the environment, but that the language needs to be enforceable. Rep. Doggett then talked about the investor state dispute provision, and said that there are still a large number of such provisions in existing trade agreements. He expressed concern about a company in Honduras that is suing the country, and asked if the administration is reviewing such provisions. Ambassador Tai said that on this question, we know there has been an evolution on common practice and they have been thinking about how things have changed. Rep. Doggett said one of his longstanding concerns has been the enforcement of our agreement with Peru. He said the Obama administration failed to enforce certain provisions and asked Ambassador Tai about illegal logging in Peru. Ambassador Tai said that the logging annex in the Peru trade agreement continues to be a touchstone for how they think about issues like deforestation.

Adrian Smith (R-NE) expressed concern that the nation has lost momentum on trade two years into the new presidency. While China has remained economically aggressive. He stated that despite bipartisan calls for new trade promotion authority reform in both the House and Senate, the Administration has decided to attempt negotiation of new trade pacts without congress. He said trade agreements must be approved by congress and provide real market opportunities for United States producers, reduce tariffs, strengthen trade enforcement and reflect American law and values. He said congress will not relinquish its constitutionally mandated oversight of all trade matters. Rep. Smith asked Ambassador Tai if it was accurate to say the executive orders and frameworks like IPF and APEP could be dismantled when a new administration takes office. Ambassador Tai responded that when looking at the world economy and the United States place in it after the pandemic, supply chain disruptions, pressures on the energy market, and food insecurity because of Russia's invasion of Ukraine, the United States has to be innovative in adapting its trade policies to be more successful. Rep. Smith asked stated that if the nation wants a stable environment to encourage investment and economic prosperity, a congressionally approved trade agreement is necessary. Rep. Smith asked Ambassador Tai why ITC was not asked to produce to analysis of how proposed trips waivers would impact the economy and the workforce. Ambassador Tai responded that she believes there are aspects of the letter sent to ITC that address the questions related to the waivers impacts. She added that the question raised at the WTO is the interaction between intellectual property rules and were they've been set and the ability of people who need to access them. Rep. Smith said asking stakeholders is one thing, but he hopes the Ambassador can get an actual analysis of the economic impact and the impact on workers.

Rep. Mike Thompson (D-CA) stated the committee can achieve a lot of high quality trade agreement work working together, strengthen economic national security by creating good paying United States jobs and strengthen environmental and labor protections and raise international standards. He stated the work Ambassador Tai is doing to enforce the terms of the USMCA trade agreement is setting the stage and expectations for future trade agreements that benefits all American workers. He asked Ambassador Tai to describe the Administration's effort to hold Mexico accountable in the GMO corn case and other opportunities for biotech moving forward. Ambassador Tai responded that the United States has regulations and standards and stand by the safety of products. She added that innovation in agriculture production is critical to food security as well a responsible contribution to climate future. She said Mexico is being engaged in this area, especially in the technical consultations phase. Rep. Thompson asked what progress is being made regarding Taiwan and trade agreements. Ambassador Tai responded that there are shared values with Taiwan. She added that the 21 Century Trade Initiative is being negotiated with Taiwan. Rep. Thompson asked Ambassador Tai to describe the Canadian lumber issue and if she believed the United States and Canada could restart negotiations regarding lumber. Ambassador Tai stated this has been an ongoing challenge with Canada. She added that market conditions and incentives of the industries are critical to creating opportunities for negotiation.

Rep. Mike Kelly (R-PA) began by discussing Grain Oriented Electric Steel (GOES) and the importance of producing it domestically. He mentioned that Mexico limited their imports to historic levels so that the Trump administration could exempt them from Section 232 tariff programs. However, Rep. Kelly said that Mexico currently is not living up to their end of the deal which he said is a reflection of what most US partners do around the world. Rep. Kelly was concerned about losing GOES mills due to US partners not committing to what they would import/not import. He asked Ms. Tai if the US could keep the conversation going to make sure US partners can live up to their import commitments.

Rep. John Larson (D-CT) asked Ms. Tai what else can be done to assist the American worker. Ms. Tai explained how Worker Centric Trade Policy puts American workers in the forefront of US trade policy. She also said that President Biden's trade policy is to build the economy from the bottom up and the middle out which she explained means starting with regular working-class Americans.

Rep. David Schweikert (R-AZ) said that he is concerned that as the economy becomes much more technical, that the speed, efficiency, and fairness of the adjudication process in the WTO is impacted. Ambassador Tai said that the dispute settlement system that the WTO provides a forum to resolve disputes with 164 economies in the world. She said that the reform in that system is tied to the consensus that the entire WTO should be reformed to better reflect the current economy and keep up with changes in the economy. She said that the U.S. is leaning in on how to make the WTO more functional. Rep. Schweikert asked about the clock. Ambassador Tai said that on dispute settlement, they are working on a system to help two parties resolve a trade dispute. She said that dispute settlement has evolved into a system of judicial rulemaking. She said that the results have damaged U.S. interests that, for example, shield China's non-market practices and undermines the ability to shield U.S. workers and businesses. She also mentioned the deeply concerning recent national security decisions that have come out of the WTO system. Ambassador Tai said that the reform process requires 164 economies and members of the WTO to agree; she clarified that it is not about the U.S dictating the terms. Rep. Schweikert said that some EU trading partners and free market economies in Asia have the same concerns that were articulated. He added that there might be bad actors that do not join the consensus and asked how the U.S. could leverage that many the world's trading partners believe that the reforms are necessary. Ambassador Tai said that hard work comes in terms of doing the reform. Rep. Schweikert offered the committee's help to move the process along.

Rep. Bill Pascrell (D-NJ) said that he was concerned about Mexico's reform period that will end with a large section of the old protection contract system still intact. He asked Ambassador Tai to explain what is being done to ensure the Mexican government has sufficient oversight to manage risks in the transition period. Ambassador Tai said that they always knew that the Mexican government set out an extremely ambitious reform and said that she has a lot of confidence in the Mexican Labor Experts Board. She said that they are very concerned about what is happening on the ground. She said that she would like to work with Mexico to use the tools in and outside of the agreement and tools from the legislative branch to get Mexico on the most positive path possible. She said that this is an area where the Biden Administration and the Lopez Obrador Administration have overlapping visions. Rep. Pascrell talked about Mexico's implementation of the forced labor provision of the new NAFTA. HE asked for a status update on the steps each nation is taking to prohibit the importation of goods produced with forced labor. He said that they need to be sure to talk to corporations to make sure they follow through on the mandates of the new law. He also said that the number of cases filed can and should be more proportional to the number of labor right violations that they know are taking place in Mexico. Rep. Pascrell voiced that he didn't like comments made by the President of Mexico in the days prior and that he didn't know where he was coming from.

Rep. Ron Estes (R-KS) began by expressing concern with the lack of engagement from the Administration on the trade front. Rep. Estes next discussed digital service taxes and OECD Pillar I being implemented abroad. Rep. Estes noted that he was supportive of OECD's Pillar I efforts but is concerned with the drastic shift in attention over to Pillar II at the expense of the implementation of Pillar I. Rep.

Estes asked Ambassador Tai if they are looking at reactivating or planning on moving forward with the 301 statute. Ambassador Tai explained that USTR works closely with the Treasury Department on these matters as they are the ones who are responsible for negotiations with OECD. She noted that she is not particularly familiar with the latest from OECD but affirmed that the 301 statute is of high importance. Rep. Estes next moved to the topic of trade with China and expressed concern with China's IP theft and restrictions on American industries. He asked Ambassador Tai what her current perspective is on China and what more should be done to counter some of the actions by the CCP. Ambassador Tai noted that USTR is working diligently on the subject, conducting a comprehensive four-year review of the second 301 actions, investing domestically, and working with partners to address the challenges that we collectively face. Rep. Estes noted that Indo-pacific countries want the U.S. to increase its engagement and argued that the U.S. should.

Rep. Nicole Malliotakis (R-NY) began by discussing partners such as Taiwan and Mexico and emphasized the importance of reinforcing relationships with our allies. Turning specifically to Taiwan, Rep. Malliotakis discussed market access and expressed hope that USTR is working to start negotiations with the country to improve trade and market access. Ambassador Tai explained that there is an important element of USTR's trade practices and tariff liberalizations which guide the agency. She further noted that one concern that USTR has around the Asia-Pacific region is the concentration of American supply chains there, especially as it relates to China. She added that USTR is working to take very strategic steps to ensure that when there is engagement, that the U.S. is doing it in a way to build resilience on both sides. Rep. Malliotakis again asked whether USTR is working towards increasing access. Ambassador Tai noted that expressed interest in discussing the issue with the Representative in the future. Rep. Malliotakis finished by expressing concern over the concentration of API's in the Indo-pacific region and encouraged the Administration to take more action.

Rep. Darin LaHood (R-IL) talked about the importance of trade policy to his district and the need for market access globally. He expressed his frustration over the lack of the development of enforceable trade agreements being pursued by the Biden administration and the decision to pursue trade frameworks that are difficult to enforce. He discussed the Indo-Pacific Economic Framework (IPEF) and his worry that there is not enough of an alternative being presented to non-market economies in the Indo-Pacific, particularly China. He talked about his work on the House Select Committee on China and conversations he has had about the need for economic leadership. He asked for her specific ideas on IPEF and whether it presents an alternative to China's pressure in the region. She responded that she hears her frustrations and noted that it important to acknowledge that they are not pursuing a traditional trade agenda in order to address the unique and changing landscape of global trade today and traditional trade agreements contribute to many of the problems that they are working to account for. She said that she would like to brief the members of the China Select Committee and discussed how IPEF has received robust participation and they envision economic engagement in the region that is durable and promotes shared interests.

Rep. Linda Sanchez (D-CA) discussed calls for WTO reform and praised her work protecting workers through USMCA mechanisms. She asked her to speak on the administration's views on how to improve labor enforcement under the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) and would it be practical to renegotiate CAFTA-DR to include labor protections such as a rapid response mechanism seen in the USMCA. She responded that there were enhancements and improvements made

recently to CAFTA-DR and they are in consideration of when to next level-up those partnerships. She talked about the number of existing free trade agreements in the Western Hemisphere and the program that they are advancing now works to advance relationships with all of those countries. Rep. Sanchez asked if she foresees any tension between countries that are both members of the Americas Partnership for Economic Prosperity (APEP) and CAFTA-DR and their compliance with differing agreements. She responded that she thinks about it a little differently, noting that eight of the ten current APEP members have existing trade agreements with the US. She said that they want to advance a complementary agenda to the agreements that they already have.

Rep. Lloyd Smucker (R-PA) talked about how the Biden administration redefines things that doesn't fit their agenda. He then talked about critical mineral agreements and then said that they believe close consultation is leaving documents for members to review but not share with constituents. He then talked about GSP and the benefits it has. Rep. Smucker asked what tools USTR has at its disposal or what tools Congress can provide to ensure any new eligibility in GSP promotes a race to the top and harms the GSP users. Ambassador Tai said that she is here before him right now and is committing to a desire to be as knit up with the committee as possible on issues. Ambassador Tai continued by saying that GSP ought to reflect the state of modern U.S. trade policy practice and that they have an established bipartisan consensus on trade policy that trade includes labor and the environment. Rep. Smucker then talked about enforcement challenges that QVC faces and he asked for Ambassador Tai's commitment to work with his office.

Rep. Brian Higgins (D-NY) talked about the Canadian property tax on vacant property and said thanked Ambassador Tai for talking about that. He then talked about Russia and China's land grab in Africa for rare earth elements. He said China owns 80% of these minerals and that China controls production of things like batteries. Rep. Higgins said we need to be tougher on China and that the Biden administration is working on that via the CHIPS and Science Act and the Inflation Reduction Act. Ambassador Tai said she doesn't think it's too little too late and that with respect to Africa she wants to treat America as being inherently valuable to the development of Africa. Ambassador Tai said in terms of critical supply chains we should be focusing on a combination of investing in domestic supply chains and working how to secure supply chains that are more resilient abroad.

Rep. Randy Feenstra (R-IA) stated that Iowa is the breadbasket to the work, the second largest export of agricultural good, and the first when it comes to grain export. He said the trade deficit has been difficult. He asked Ambassador Tai if she will commit to continue working on section 301 Tariffs and expand it to include Lysine and Threonine amino acids. Ambassador Tai stated she knows how strong Iowa is for the agricultural economy. She added that market access has been expanded or producers. She said there is an ongoing review of the section 301 actions and tariffs. Rep. Feenstra asked Ambassador Tai is describe the indicating conditions to begin tearing down tariff barriers for Iowa farmers. Ambassador Tai responded that the traditional whole of economy aggressively tariff liberalizing approach had led to a lot of the vulnerabilities the nation is facing today. She encouraged partnership in thinking about how the tool of tariff liberalization can be used to advance the ground of resilience, sustainability, and inclusiveness in trading relationships.

Rep. Teri Sewell (D-AL) thanked Ambassador Tai for visiting her hometown of Selma Alabama on the 50th anniversary of the Bloody Sunday. She asked for Ambassador Tais commitment to stay engaged on

the issue of the illegal seizure of Vulcan facilities and ports Mexico. Ambassador gave her commitment. Rep. Sewell emphasized the importance of correctly enforcing section 232 of the Steel Tariffs due to back actors, like China, dumping steel on the global market to kill the United States industry. She asked Ambassador Tai to describe how the negotiations for a global arrangement on steel and aluminum with the EU done by Biden administration are progressing and what will happen if the EU walks away from the table. Ambassador Tai responded that if negotiation don't succeed, 232 tariffs come back on EU steel and aluminum, and that EU retaliatory tariffs across the board would come back as well. She added that she and her European counterparts have agreed to meet regularly on this to ensure the October deadline is met.

Rep. Jodey Arrington (R-TX) said he did not see any action from the Biden administration indicating any importance on trade. He noted how committed to trade the Trump administration was. Rep. Arrington believed that competitors across the globe are taking more market share of global trade than the US is. Rep. Arrington then asked Ms. Tai to explain how important trade is to growing the US economy. Ms. Tai explained that trade has the potential to be a tremendous tool for growth and development when used right. She added that the Biden administration's focus now is to bring corrective aspects to trade by continuing to push itself to do better.

Rep. Suzan DelBene (D-WA) submitted into the record a letter from the Washington State delegation raising concern with Japan's digital gaming market and its compliance with existing digital trade commitments. Rep. DelBene noted that the US is behind in the digital economy and said it is important to have trade provisions that reflect a prioritization of digital trade including non-discriminatory treatment of digital products, privacy protections, and restrictions on data localization. She believed that prioritizing digital trade would positively impact the US's position in the tech industry and would impact other industries including agriculture and manufacturing. She asked Ms. Tai to explain how digital tools can help small businesses, workers, and strengthen human rights. Ms. Tai agreed that the US is behind in digital trade and noted that the way the US engages with its partners on digital trade needs to reflect the interests of the US's biggest stakeholders in that area, small companies, and the interests of workers.

Rep. Kevin Hern (R-OK) said that the Biden Administration's timid approach to trade initiatives is concerning. He said that our trade agenda must provide certainty that future agreements will create new import and export opportunities to the benefit of American businesses. Rep. Hern also said that the Biden Administration has taken no steps to revive a bipartisan trade promotion authority. He said that without TPA there is a vacuum that China is already capitalizing on. He talked about the need to develop an aggressive and robust trade agenda. He also voiced his concern with the Administration unilaterally disarming the 301 investigations. He asked what USTR's plan B is if pillar 1 talks fail and if she would reinstate 301 investigations on the 30 OECD country's DSTs. Ambassador Tai said that there has been no unilateral disarming and that our DSTs under Section 301 are suspended, meaning they can be unsuspending. She also corrected some of his statements and said that it was untrue that all FTAs have gone through the Congress under TPA. She also said TPA does not always guarantee that an FTA makes its way through. She also said that pursuing failed trade policies does not guarantee that we become stronger. She said that if Congress and this committee could show her the money and show that there is bipartisan work that can be done together, she would like to. Rep. Hern said that she was implying that it was Congress' fault that there are no trade agreements and not the Administration. Ambassador Tai told Rep. Hern to meet her with the recognition of the current state of the world and the economy with the

terms that are needed to do things. She highlighted the need for cooperation between the Administration and Congress.

Rep. Carol Miller (R-WV) said that she has been disappointed with the Administration's lack of progress on restrengthening America's position in the global trade economy. She also said that the Indo-Pacific Economic Framework for Prosperity (IPEF) is not quite enough. She said that while competition with China increases, it is important to advance trade agreements that feature real incentives like tariff cuts and market access. She shared an example that Cambodia is hungry for U.S. trade and investment. She said that America needs to move quicker than China in that region. Rep. Miller asked what is being done to directly counteract the tariff advantage that Chinese products have over American products in the Indo-Pacific as result of RSEP. Ambassador Tai disagreed with the contention that market access and tariff cuts lead to better supply chains. She also said that across the industrial areas, the combination of tariff cuts and rules of origin have led to a deindustrialization. She said that the U.S. approach in the Indo-Pacific region is to bring disciplines and strategic changes to the trad program. Rep. Miller asked if Latin American countries often raise market access and GSP renewals as a priority in bilateral talks with USTR and asked if GSP renewal would improve the ability to negotiate with Latin American countries. Ambassador Tai reaffirmed that she is supportive of the reauthorization of GSP in a way that aligns it with American trade practices. She said that these countries want to be more closely integrated and tied with the U.S. and that they want to develop their economies in a way that they can rely on each other. She asked members to think outside of the box to consider how trade interests can be improved as opposed to relying on traditional trade practices.

Rep. Judy Chu (D-CA) discussed Taiwan and noted her past work to push for a free trade agreement between the U.S. and Taiwan. She thanked Ambassador Tai for deepening relations with Taiwan but again noted her belief that a more comprehensive FTA should be developed. She noted that agreements between the U.S. and Taiwan already exist in five key areas and asked Ambassador Chu to provide and update on the progress of the remaining six key areas. Ambassador Tai noted her excitement about the USTR's trade initiative with Taiwan and stated that they are making good progress. She noted that the five core areas are scoped in light of attempts to further deepen trade relations. She added that they have added six new scoped areas and are encouraged by the progress they have made so far, committing to keeping the Committee updated on this progress. Rep. Chu turned to the topic of creative rights and copyright, noting the importance of this industry to her district and the U.S. economy as a whole. She highlighted the need for trade policy to address the stolen or unlicensed use of copyrighted content on digital platforms and expressed frustration with the Administrations lack of action on this front. She asked how USTR is working to cut down on this theft. Ambassador Tai explained that the USTR's work in this area is fairly expansive and highlighted the intellectual property and innovations office efforts to continuously monitor and track for this type of theft. She also added that USTR is deeply engaged in digital conversation that takes into consideration digital content creators and their copyrighted work. She acknowledged that she was unaware of any work to pressure partners on this front but again committed to continue working with the committee.

Rep. Brad Wenstrup (R-OH) also touched on intellectual property and its specific implications in the healthcare space. Rep. Wenstrup highlighted how an outsized portion of the United States medical supply chains are located in countries like China and expressed concern that, if they were to steal or gain the IP rights on certain innovations like vaccines, the products we use here may take on additional risk and

safety issues. Rep. Wenstrup highlighted how the U.S. currently tests drugs and pharmaceuticals from other countries to ensure they're not tainted. Ambassador Tai countered Rep. Wenstrup's characterization of how IP is given away and noted that it did not bare any resemblance to what was agreed on at WTO. She shared his concerns around the supply chains of APIs and noted that one specific area that must be addressed is the lack of incentives to pursue other goals outside of profit.

Rep. Greg Murphy (R-NC) said that he believes that Amb. Tai is too nice a person to be in the job that she is in and is being handicapped by the administration. He talked about how the US is handcuffing itself with its prioritization of green policies and she finds herself stuck in the middle of that. He talked about the need for a Taiwan free trade agreement and talked about how pork exports to the country have declined 35 percent since 2021 and asked why. She responded by assuring him that she is not too nice and people listen to her when she talks. She said that she has been hearing the same thing from his side of the dais and it indicates to her that they are sticking to talking points and missing the message. She talked about how the US was pushed out of the rare earth minerals industry because of unfair Chinese trade practices and that is the conversation that needs to be had, not blaming each other. Rep. Murphy discussed how he is a bipartisan cosponsor of the resolution of disapproval that would roll back regulation that suspends increased tariffs on Chinese solar products that circumvent US trade laws. He said that he hopes the administration will reverse the policy and asked her to explain the rationale behind the decision. She responded that they are in a bind on the solar issue and, like in other industries, the domestic solar market was growing around 20 years ago and has since been lost and no longer producing at scale. She said that, when this happens, we end up fighting ourselves and said that she would like to see partnership in how to get to a better place and the need to look forward to other industries where similar risk exists. Rep. Murphy asked again why the US is behind this position and allowing the Chinese industry to do workarounds and she said that she would be happy to submit in writing given the time constraints.

Rep. Dan Kildee (D-MI) associated himself with the comments made by Rep. Murphy regarding the circumvention of tariffs by Chinese solar manufacturers and disagrees with the position taken by the administration. He talked about how "free trade" is a loaded term in his district, especially in manufacturing and farming. He expressed his support of USMCA, especially the rapid-response labor resolution mechanisms that are drastically helping workers in Mexico and asked her to commit that USTR is committed to helping Mexican workers exercise the new right granted to them under USMCA. She responded that they are completely committed to that and praised the rules that empower workers. Rep. Kildee also expressed approval for USTR's work to hold Mexico accountable for trying to circumvent the USMCA with regard to corn imports. He did express concern over some of the new frameworks that the administration is pursuing rather than fixing existing trade agreements and asked her to do that with CAFTA-DR specifically. She responded that they will continue to talk on these issues.

Rep. Greg Steube (R-FL) talked about the administration's 'go-it-alone' approach and her appearance in a recent Senate Finance hearing. He said that trade should be bipartisan and that it is surprising they are running into a lack of transparency from the administration. He asked Ambassador Tai if the U.S. allows for the importation of Chinese citrus. Ambassador Tai began to answer, but Rep. Steube interrupted and said that the U.S. does allow for the importation of Chinese citrus. He said that he had a bill last Congress that would ban Chinese citrus. He asked what Ambassador Tai's office is doing to promote American citrus. Ambassador Tai said that there is a lot they're doing and that they have been working with USDA. Rep. Steube asked if the CCP adheres to the same regulations that domestic producers abide by.

Ambassador Tai said that the bigger question he's getting at is the trade agreement with China fair and reciprocal. Rep. Steube said he was just talking about citrus. He asked why she thinks it's okay to allow the importation of Chinese citrus. Ambassador Tai said there is a conversation that needs to be had and that she doesn't think it needs to be oppositional. Rep. Steube then asked how Ambassador Tai plans to combat the CCP through trade. Ambassador Tai said that they are using Section 203 actions from four years ago and are reviewing the effectiveness of these actions.

Rep. Claudia Tenney (R-NY) said that her new district is the number one dairy producing district in the northeast. She expressed concerns about dairy terms with Canada and asked Ambassador Tai about when they will get results from the panel that has been put together. Ambassador Tai said that this was the first dispute settlement panel under USMCA but that it hasn't yet translated into additional access for dairy farmers. Ambassador Tai said they have moved into panel phase for the second time. Rep. Tenney then talked about steel prices. Ambassador Tai said they have many channels of work with the EU on steel and she is happy to work with Rep. Tenney. Rep. Tenney then asked how the Indo-Pacific Economic Framework will work. Ambassador Tai said that they have scoped in an agricultural negotiation that goes directly to these issues and hoping to improve market access.

Rep. Don Beyer (D-VA) thanked Ambassador Tai for remaining in close contact with the government of Ethiopia as they pursue reinstatement of the African Growth and Opportunity (AGO) Act Trade Preference program. Rep. Beyer stated Ethiopia's inclusion in the AGO Act helped foster the growth of the manufacturing industry and provided tens of thousands of jobs for Ethiopian workers. He added that since Ethiopia was blacklisted from AGO, Jobs have been disappearing and expressed concerned that the longer they are denied, the deeper into poverty the nation will be pushed. He asked Ambassador Tai to provide and update on the progress of Ethiopia meeting benchmarks provided to them to potentially be included in AGO and if an out of Psych review is under consideration. Ambassador Tai responded that the out of Psych review is always available as apart AGO. She added that she could send Rep. Beyer's team an update. Rep. Beyer expressed concern that mixed messaging on the support of the WTO and the commitment to abide by those decisions. He asked Ambassador Tai to provide an update on individual cases she has worked on. Ambassador Tai responded that they are doing a lot of work on reform. She said they are on phase three of dispute settlement. Rep. Beyer asked if Ambassador was concerned that they are not being ambitious enough on environment and labor standards om negotiations, given that USTR is not seeking congressional approval instances like IPF and critical minerals. Ambassador Tai responded that they are always ambitious because they speak on behalf of the United States. She added that there is a robust role for congress.

Rep. Michelle Fischbach (R-MN) stated that the entire northern border of her district borders Canada, the issue of the Canadian border brought up by Rep. Tenney is important to her. She stated that while consultations can be helpful, she fails to see an obvious reason for delaying a formal dispute resolution process and urges the Ambassador to do so as soon as possible. Rep. Fischbach stated between a quarter to half of the production in western Minnesota is exported overseas. She stated the lack of ambition for pursuing new agreements, particularly in agriculture exports, is putting farmers in her district at a disadvantage. She urged the Ambassador to be more aggressive in pursuing new export opportunities across the county. She asked what is being done to address the issues of non-tariff barriers blocking access to United States agricultural goods. Ambassador Tai responded that she has an A+ agricultural trade team. She added that non-tariff trade barriers are pursued with the specific country. Rep. Fischbach

reiterated the need for a more aggressive stance when it comes to pursuing new agreements and more market access for agricultural goods.

Rep. Blake Moore (R-UT) spoke on his state of Utah and mentioned that there is a large opportunity to lead on trade. He also discussed the interest in reauthorizing the Generalized System of Preferences (GSP) since its expiration in 2020. Rep. Moore noted the enforcement mechanism, competitive nature towards China, and the ability to reduce the costs of goods within the GSP. Rep. Moore asked Ms. Tai to speak on what the benefits would be for reauthorizing the GSP. Ms. Tai said that the GSP can be a helpful tool for the US in different ways and noted that if Congress can update it there may be a chance for its reauthorization. Rep. Moore then asked Ms. Tai to provide an update regarding national security and the WTO. Ms. Tai said that it is appropriate to advocate for reform of the WTO and stand firm on not letting the WTO have a say in national security matters.

Rep. Dwight Evans (D-PA) explained that his focus was to expand the African connection especially within his district in Philadelphia, Pennsylvania. He told Ms. Tai that he is available to help however he can to strengthen that trade connection.

Rep. Michelle Steel (R-CA) said that trade is highly important for California. She added that California companies exported over \$185 billion worth of goods in 2022. She said that one area of concern is agriculture exports and that the USTR must continue to protect farmers and the agriculture industry. She specifically urged her to fight against dumping olives from Spain and other areas. Rep. Steel said that one concern is that the Indo-Pacific region has two major free trade agreements that China is in and that the U.S. is in neither agreement. Rep. Steel asked how the U.S. is countering China's growing trade and economic influences around the world and in the Pacific region. Ambassador Tai said that the CCPs participation in trade agreements in the Indo-Pacific region have contributed to deeply entangled supply chains. She said that they are engaged in that region in the Indo-Pacific economic framework. In terms of competing, they must put forward a vision and following through on how the U.S. is a good partner. Ambassador Tai also added that a lot has happened in Congress over the past 5-8 years on trade; she said that they have been able to cooperate before. She also reiterated that the Biden Administration is for trade. Rep. Steel said that Taiwan is a big trade partner for the U.S. but that it was not included in the Indo-Pacific economic framework. She also asked for progress on it. Ambassador Tai said that they just published the summaries of the proposals that were made to Taiwan in the first round of negotiations and that good progress was made.

Rep. Beth Van Duyne (R-TX) said that the Biden Administration does not seem to have an agenda on trade agreements. Rep. Van Duyne talked about the lack of American response to supposed abuse by Mexico on American companies. Rep. Van Duyne asked if Ambassador Tai was standing up for the working families in the U.S. in Mexico and U.S. business investment. Rep. Van Duyne voiced concerns over some claims made by President Obrador and Mexican drug cartel's partnership with China. Ambassador Tai said that the USTR has remained in close contact with Vulcan. Rep. Van Duyne asked if we are effectively using trade agreements with China. She asked if China uses slave labor. Ambassador Tai said that all indications are yes. Rep. Van Duyne asked if U.S. companies are benefitting from forced slave labor. Ambassador Tai said that all indications are yes. Rep. Van Duyne asked if Ambassador Tai recognized there is genocide being committed against Uyghurs in China. Ambassador Tai said that all indications show that is happening. Rep. Van Duyne asked how many coal plants China is building each

week. Ambassador Tai said that she does not know the answer to that question. Rep. Van Duyne asked why China is not being subjected to the same constraints as the U.S. in the Paris Climate Accords.

Rep. Jimmy Panetta (D-CA) discussed the importance of looking forward when considering industrial policy in the United States, especially involving incentives around electric vehicles and clean energy which he noted has supercharged investment. He added that he believes the U.S. should take a more serious look at regional partnerships and use trade with those partners to better compete with China. Rep. Panetta noted that he was left concerned by some of the recent actions taken by the Mexican President who has worked to weaken electoral agencies, banning GMO corn, and has discussed getting involved in U.S. elections. Rep. Panetta asked Ambassador Tai what actions and assurances she can provide to agricultural companies that their investments in Mexico are secured. Ambassador Tai explained that USTR will continue to do everything it can through USMCA and outside of USMCA to ensure a positive investment environment in Mexico. She noted, though, that Mexico is a sovereign nation, and we cannot control their domestic decisions. She added that we are partners and therefore we will always continue to work with Mexico to right the ship. Rep. Panetta turned to the Jackson-Vanik amendment which he noted remains on Kazakhstan while having been lifted from other former Soviet states, asking what Ambassador Tai's perspective on the amendment was. Ambassador noted that this is within the jurisdiction of Congress and expressed interest in removing the Jackson-Vanik from Kazakhstan. Rep. Panetta then asked if she would support reinstating GSP for Ecuador.

Rep. Mike Carey (R-OH) discussed his upbringing in a rural town and discussed the importance of opening up U.S. agricultural markets. He additionally discussed the closure of factories in these areas and emphasized the need to consider these factors when developing trade policy. Rep. Carey turned to rare-earth materials and noted the barriers that slow permitting cause as well as the need to coordinate with regional partners on mining lithium. Rep. Carey then discussed how foreign e-commerce companies have been able to avoid tariffs under di minimis treatment, giving them an advantage over U.S. retailers. Rep. Carey asked Ambassador Tai if the U.S. should level the playing field for domestic manufacturers by ensuring di minimis is applied to shipments from U.S. foreign trade zones. Ambassador Tai agreed with Mr. Carey's characterization of the issues and noted that she understands why there are questions around potential loopholes in di minimis.

Rep. Brian Fitzpatrick (R-PA) talked about how negotiations have began with the EU and Japan to skirt the IRA requirement that EV battery components be made by countries that the US has an FTA with. He talked about a conversation he had with Treasury Sec. Yellen on this issue and asked what the US is getting out of these negotiations and will US auto makers receive tariff relief or better market access. She responded that these are legitimate questions and said that she feels strongly that the EU and Japan are important allies in building secure supply chains. Rep. Fitzpatrick talked about how integrated that Chinese materials are in battery supply chains and asked what the administration's plans are to ensure that Chinese suppliers to Japanese and EU companies don't end up being the ones who benefit from this. She responded that there is no switch to flip to get from where we are to where we want to be.

Chairman Smith brought the hearing to a close.