

**Testimony of Ambassador Ron Kirk
United States Trade Representative**

February 29, 2012
House Ways and Means Committee Hearing
1100 Longworth House Office Building
Washington, D.C.

Chairman Camp, Ranking Member Levin, members of the Committee, thank you for the opportunity to testify.

Around this time a year ago, I shared with you the Obama Administration's ambitious plan to open new markets for U.S. exporters and level the playing field for American farmers, ranchers, businesses, and workers. Working together over the past year, we showed what we can do to help our companies grow and put Americans back to work. We resolved the outstanding issues and passed three improved trade agreements with Korea, Colombia and Panama with strong bipartisan support. We extended the Generalized System of Preferences (GSP) and the Andean Trade Preference Act (ATPA). And to support workers transitioning to new jobs, we renewed a streamlined Trade Adjustment Assistance (TAA) program. Thanks to our combined efforts, today U.S. trade policy is increasingly responsive to the concerns of more Americans, and the playing field is more level for our businesses, workers, farmers and families who depend on the well-paying jobs that U.S. exports support.

This year, we can build on the momentum created by our bipartisan efforts and forge ahead with another ambitious trade agenda in 2012.

In his State of the Union address, President Obama laid out a blueprint for an economy that's built to last. It's built on the notion that if American businesses do what they can to bring jobs back to the United States, we will do everything we can to help them compete and succeed. The dedicated team of trade and legal experts at the Office of the United States Trade Representative (USTR) is front and center in that mission. Our efforts are helping to keep us on pace to meet the President's National Export Initiative goal of doubling exports by the end of 2014. We are opening new markets for U.S. exports, and we are ensuring U.S. companies and workers aren't at a disadvantage with their foreign counterparts as we continue to strengthen the rules-based trading system.

Today, I can proudly report to the Committee and Congress that the trade agreements we passed together are well on their way toward being implemented and entering into force. Right now, final plans are being made between the U.S. government and the government of Korea to bring the U.S.-Korea trade agreement into force on March 15. Similarly, we are continuing close coordination and consultation with the governments of Colombia and Panama to ensure they fulfill their commitments to bring those trade agreements into force as soon as possible.

Strong trade enforcement continues to be a top priority for the Administration. Consequently, we are currently seeking legislation from Congress necessary to ensure companies and workers continue to benefit from our efforts. As you know, we believe the U.S. Court of Appeals for the Federal Circuit wrongly decided the case of *GPX International Tire Corp. v. United States (GPX*

case), wherein the Court held that the Department of Commerce (Commerce) lacks the legal authority to impose countervailing duties (CVDs) on subsidized imports from countries with non-market economies, such as China and Vietnam. This flawed decision jeopardizes the ability of the United States to remedy the harmful effects of unfairly subsidized imports, and would impair Commerce's ability to ensure that our nation's manufacturers and workers have the opportunity to compete on a level playing field with our trading partners. Notwithstanding the strength of our legal position, prompt legislative action would clarify the law and avoid harm from injurious, subsidized goods. I appreciate the Committee's attention to this matter and look forward to securing passage of legislation that remedies the court's flawed ruling as soon as possible.

As Russia is set to join the World Trade Organization this year, the Administration is seeking legislation from Congress to ensure that American firms and American exporters enjoy the same job-supporting benefits of Russia's membership in the WTO rules-based system as our international competitors. Specifically, we must work together to terminate application of the Jackson-Vanik Amendment and authorize the President to extend permanent normal trade relations status to Russia as soon as possible. Bringing Russia, the largest market currently outside the WTO, into the rules-based global trading system will provide the United States with more enforcement tools to secure enhanced market access for both U.S. goods and services and a level playing field for U.S. exporters and service providers in Russia. We are committed to working with Congress to ensure that Russia has the responsibilities as well as the rights of a true trade partner.

As we continue to strengthen the rules-based trading system and hold our trading partners accountable for their obligations, we are also thinking creatively about how to enhance our trade enforcement capabilities. That is why yesterday President Obama signed an Executive order to support a new trade enforcement unit—the Interagency Trade Enforcement Center (ITEC), which will significantly enhance the administration's capabilities to prioritize and aggressively challenge unfair trade practices around the world, including those in China. The ITEC will represent a more aggressive "whole-of-government" approach to addressing unfair trade practices. Congress' support for this initiative will enable the Administration to investigate and pursue enforcement cases critical to the needs of U.S. business and workers throughout the country.

We are committed to ensuring that our trading partners adhere to WTO rules as well as trade agreement obligations through negotiation when possible and litigation where appropriate. For example, the Obama Administration is defending U.S. manufacturers' right to a level playing field as we seek a solution with the EU that will remove improper subsidies from the global aerospace market, and as we press China to move promptly to remove their improper export restrictions on key industrial raw materials. And we continue to seek market access in China for suppliers of electronic payment services as China effectively blocks U.S. and other foreign suppliers from participating in China's large and growing market for card-based transactions.

We must also address what seems to be the Chinese government's reflexive resort to trade actions in response to legitimate actions taken by the United States or other trading partners under their trade remedies laws. This type of conduct is at odds with fundamental principles of

the WTO's rules-based system and we will vigorously protect our rights. The Administration is currently challenging China's apparent improper imposition of duties on American broiler chicken products as well as China's anti-dumping and countervailing duties on hundreds of millions of dollars worth of American steel exports to China. In addition to pursuing these cases vigorously in 2012, the Obama Administration will bring additional cases – regarding practices of China and other WTO trading partners – as appropriate to enforce WTO commitments.

Given the importance of our growing trade relationship with China, the United States will use all available tools in 2012 to ensure that China engages in fair play on trade and that U.S. exporters have a fair shot to compete in China. In addition to enforcement efforts that aim to end discriminatory policies and unfair subsidies, we will also continue to press China – through the Strategic & Economic Dialogue, the Joint Commission on Commerce and Trade, and other ongoing engagement – to open investment opportunities, to complete negotiations to join the WTO Government Procurement Agreement by offering comprehensive coverage of its procurement, and to increase transparency and eliminate market access barriers and distortions in areas ranging from agricultural goods to services.

This year, the Administration will also seek China's complete implementation of its commitments to strengthen IPR protection and enforcement, including eliminating the use of illegal software by Chinese government entities. Likewise, focus will remain on ensuring an end to discriminatory "indigenous innovation" policies, as the Administration continues its efforts to protect the value of U.S. intellectual property and technology in China and support IP-related American jobs here at home. This month's agreement between China and the United States to significantly increase market access for imported movies is a positive development in this regard, as was China's action last year to remove local content requirements for wind energy equipment in China.

The Trans-Pacific Partnership (TPP) is a top priority for the Administration this year. Through the TPP, the Obama Administration is advancing the United States' multifaceted trade and investment interests in the dynamic Asia-Pacific region, where experts estimate that economies will grow faster than the world average through 2016. Building on the broad outlines announced last November in Honolulu, in 2012 the United States will seek to conclude a landmark, high standard TPP agreement with like-minded partners including Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam. The agreement will address new cross-cutting issues such as promoting regulatory coherence among the countries, including with respect to sanitary and phytosanitary measures, enhancing the participation of small businesses in Asia-Pacific trade, and building regional supply chains that promote U.S. jobs. We will also decide with TPP partners on the entry of additional countries that have expressed interest in joining the negotiations, including Canada, Japan, and Mexico. In ongoing bilateral consultations with these potential partners, the United States continues to make clear that any new participants must be able to meet the high standards agreed by all TPP negotiating partners and be prepared to address specific issues of concern. Of course, we have and will continue to consult closely with Congress on the TPP. As we move toward negotiating outcomes and new partners, the Obama Administration will explore issues regarding additional trade promotion authority necessary to approve the TPP and future trade agreements.

The Administration is exploring with our trading partners creative approaches to fostering increased regional trade and investment integration worldwide, not only through the Trans-Pacific Partnership and across the Asia-Pacific, but also with the European Union and in response to historic transitions and changing conditions in areas such as the Middle East and North Africa (MENA).

We are engaging with the EU through a High-Level Working Group on Jobs and Growth to deepen and enhance our strong transatlantic trade and investment relationship, which already sustains several millions of jobs in the United States, and has the potential to sustain more. We are working with the EU to identify new opportunities to enhance international competitiveness and job creation in both of our markets.

We are working with regional partners in a Trade and Investment Partnership Initiative in the Middle East and North Africa. This effort will include a broad set of initiatives, including agreements, where appropriate, designed to increase job-supporting trade and investment between the United States and the region, as well as within the region. This initiative will build on specific steps taken in 2011 and early 2012 with a number of partners to boost trade, expand investment and support small and medium-sized enterprises.

We are also seeking to make additional progress with countries in sub-Saharan Africa and the Western Hemisphere. I have spoken with members of Committee about our plans in these areas, and the Administration is eager to work with Congress right away to pass legislation that extends the third-country fabric provision of the African Growth and Opportunity Act (AGOA) to 2015 and identifies South Sudan as a listed sub-Saharan African country, as well as legislation to make technical corrections to the textile and apparel rules of origin in the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). At the same time, we intend to work with Congress and AGOA partners toward defining and achieving a seamless renewal of AGOA beyond 2015. And while we move quickly to implement new agreements with Colombia and Panama, we are also working with partners throughout the Western Hemisphere to enlarge the benefits of our existing agreements by exploring new areas to promote enhanced trade, such as regulatory cooperation.

Our pursuit of enhanced trade to support American jobs extends across all geographic regions and all major economic sectors as well. That is why we are successfully pursuing measures to enhance market access for America's manufacturers, farmers, ranchers, and service providers around the world. For example, when we put our free trade agreements with Korea into effect in mid-March there will be important new export opportunities to that country for the American automobile industry, which has accounted for 23.2 percent of the increase in manufacturing production since the U.S. economic recovery began. We recently concluded an important arrangement with the EU that will benefit American farmers and ranchers, create more opportunities for small businesses, and result in good jobs for Americans who package, ship, and market organic products. And we will continue to press trading partners to remove restrictions on market access for U.S. beef exports.

At the WTO, we continue to look for fresh, credible approaches to market-opening trade negotiations. We remain open to pursuing progress under the framework of the Doha Round

where there are reasonable prospects for producing significant results. And we will work with other members to ensure that the vital, ongoing work of the WTO's various committees remains vigorous and relevant to the world we live in. At the same time, we are ready to consider other options where more progressive WTO members have expressed interest, such as services.

All of these initiatives help contribute to the goal the President set two years ago of doubling U.S. exports over five years. Thanks to our bipartisan efforts, we remain on track to meet that goal: in 2011, overall U.S. goods and services exports exceeded \$2.1 trillion, which represents a 33.5 percent increase over 2009. Export gains continued across all major sectors in 2011: services exports were up 19.7 percent over 2009; manufacturing exports were up 33.4 percent; and agricultural exports were up 38.6 percent.

Working together, we can ensure our trade policy continues to help create the jobs Americans want and provides for new opportunities for our workers, businesses, farmers, and ranchers. I look forward to our discussion today. Thank you.

Embargoed until February 29, 2012 at 10AM