

Hearing on the 2020 Trade Policy Agenda

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

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HOUSE COMMITTEE ON WAYS & MEANS
CHAIRMAN RICHARD E. NEAL

ADVISORY
FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
June 10, 2020
No. FC-27

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Chairman Neal Announces a Hearing on the 2020 Trade Policy Agenda

House Ways and Means Chairman Richard E. Neal announced today that the Committee will hold a hearing on “**The 2020 Trade Policy Agenda**” on Wednesday, June 17, 2020 at 10 AM in 1100 Longworth House Office Building. The sole witness is Ambassador Robert E. Lighthizer, United States Trade Representative.

Pursuant to H. Res. 965, Members are permitted and encouraged to participate remotely in this hearing. Members will be provided with instructions on how to participate via the Cisco Webex platform in advance of the hearing. Members of the public may view the hearing via live webcast available at www.waysandmeans.house.gov. The webcast will not be available until the hearing starts.

In view of the limited time available to hear witnesses, 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, July 1, 2020.

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.

ACCOMMODATIONS:

The Committee seeks to make its events 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 [[here](#)].

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Hearing on the 2020 Trade Policy Agenda
U.S. House of Representatives,
Committee on Ways and Means,
Washington, D.C

WITNESS

The Honorable Robert E. Lighthizer
U.S. Trade Representative
The Office of the U.S. Trade Representative
[Witness Statement](#)

The committee met, pursuant to call, at 10:09 a.m., in Room 1100, Longworth House Office Building, Hon. Richard E. Neal [chairman of the committee] presiding.

Chairman Neal. Good morning and welcome. Consistent with the guidelines set by the House Attending Physician and the Speaker, all those present today in the hearing room will be required to wear face coverings. Briefly before we go on the record, I want to thank everyone for their adherence to these guidelines as we continue to do our work while protecting the health and safety of our staff, families, and communities. So, thank you for joining us today.

Pursuant to notice, today's hearing is taking place in our Ways and Means Committee hearing room with members permitted to attend remotely in compliance with the regulations for remote committee proceedings pursuant to House Resolution 965. We currently have 33 members logged in and participating via the Webex platform. For those members who are here in Washington and plan to participate in person, we have a limited number of available seats at the dais to ensure that we adhere to socializing guidelines. I encourage members to watch from their office and only come to the hearing room when it is your turn for questioning.

Before we turn to today's topic, I want to remind members of a few procedures as we navigate this hybrid hearing setting. First, consistent with regulations, the committee will keep microphones of those on Webex muted to limit background noise. Members in the hearing room or via Webex are responsible for unmuting themselves when they seek recognition or when recognized for their 5 minutes. For members physically present, please remember to keep your microphone muted when you are not speaking. This will help avoid any feedback on the Webex platform.

Second, consistent with committee practice, we will adhere to the 5-minute rule today. Members participating remotely should have already pinned the clock so that it appears in the bottom line of your screen. If for some reason you are unable to hear the hearing room clock or unable to see it, I will give you a light tap of the gavel when your

5 minutes are up.

Finally, members participating remotely must leave their cameras on at all times. If you need to step away from the proceeding, please leave your camera on rather than logging out. I thank all of you for your patience as we continue to navigate this new technology and challenge in order to continue serving our country in this great time of need.

With that, I want to recognize and welcome the United States Trade Representative, Ambassador Robert Lighthizer, to discuss important trade issues that impact the health and economic opportunity of all Americans during these challenging times. Last year, Democrats worked tirelessly with the Ambassador to improve the USMCA and to create a successful model for good trade policy that strengthens our economy and meaningfully benefits our workers, a reminder that more than 190 Democrats, I believe, voted for that agreement. We are very proud of the new high watermark we established with USMCA, particularly closing the loopholes in the old NAFTA state-to-state enforcement mechanism. The new USMCA has a system now that will allow all obligations in the USMCA on agriculture, on e-commerce for customs rules, and yes, on labor and environment, to be enforced. We, my Democratic colleagues and I, are looking to you to ensure rigorous enforcement. I was pleased to read your recent writing in which you promoted the core labor standards and labor-specific enforcement mechanism that we fought so hard to include. We are eager to see evidence that you and the current administration will implement and enforce those and similar provisions to the fullest extent.

As we approach USMCA's entry into force, we face historic challenges; some expected, others unanticipated. The COVID-19 thrust to the forefront laws in our national economic systems that disproportionately affect the most vulnerable committees and

workers inside the United States and across North America. How the United States addresses these issues will impact the lives of millions of people. The USMCA provides important opportunities to reduce the pandemic's negative effects but only with effective and strategic enforcement and implementation.

Similarly, we also faced the historic challenge of reversing the continued deterioration of basic labor rights for workers south of our border and, therefore, our own workers. We achieved the most robust labor enforcement mechanism in any U.S. trade agreement ever to date. I hope you agree that the success of the whole agreement depends heavily on this badly needed tool to help raise labor standards and prevent systemic and egregious violations of workers and their human rights. We are aware that serious deficiencies exist in the current implementation of these legislative reforms, and they threaten to preemptively undermine the successful model we have worked so hard to build. Specifically, the failure of the current collective bargaining agreement legitimation process to deter undue influence and interference by employer protection unions jeopardizes Mexico's ability to raise labor standards. This only serves to further chill the rights of millions of workers in Mexico, and it also helps to undermine the rights of American workers. Last week, AFL-CIO President Richard Trumka echoed these concerns. The Mexican legislative reforms are the foundation of building effective labor rights enforcements, and they require our urgent attention.

Similarly, we need to hold our own companies accountable as well. Reports emerge daily of American companies pressuring their factories in Mexico to keep operating to reopen without taking into account health and safety protections for their workers. Some of these companies are the same ones that shuttered their operations and laid off workers in communities here in the United States. We engaged over the last year in good faith, relying on the facts and evidence to negotiate USMCA.

Mr. Ambassador, we know that you are a hardliner on these issues and will apply the same vigor to ensure the enforcement of this trade deal as we did in negotiating it.

With respect to the larger trade agenda, the administration, we know, has been very active over this year. The administration started section 301 enforcement investigations into digital service taxes by our European allies and friends and others. There is broad support on this committee for that initiative. The administration negotiated preliminary agreements with China and Japan that both await more comprehensive and meaningful follow-up. The administration is negotiating or preparing to negotiate trade agreements with the U.K. and Kenya. Maybe the on-again/off-again discussions with the EU will come back to life. At the moment, it looks doubtful. The administration is also reportedly engaging in limited negotiations with Brazil and may consider limited digital trade negotiations with Brazil and other trading partners. You should know that many of our colleagues are unhappy with the administration's lack of coordination and consultation with limited agreements as they relate to Japan last year.

With respect to the larger trade agenda, the administration has been very active over the past year. The administration, as we know, is very challenged on a series of fronts as it relates to our relationship with China. Yet it has not raised labor issues, including the forced labor in Uyghur concentration camps, with China or taken a single action on pending petitions under our FTAs alleging labor violations in Colombia, Peru, the Honduras, or the Dominican Republic. The administration often leverages trade policies and trade tools in the name of America's workers, yet we see no actual enforcement of the cases, and several labor rights cases continue to languish without results. At the same time, we see tax policies, education policies, worker and family support policies, and border policies that undercut the interest of America's workers and make life more difficult for middle class families. Our committee continues to stand

ready to advance U.S. trade policy for the benefit of all Americans. Our work on USMCA was an important first step, but we know much more remains to be done.

And, with that, let me recognize the ranking member, Mr. Brady, for the purpose of an opening statement.

[\[The statement of Chairman Neal follows:\]](#)

Mr. Brady. Thank you, Chairman Neal.

Thank you, Ambassador Lighthizer, for joining us today in person. It is good to be finally back in this historic room where we write laws to shape our country's economy and that of the entire world.

One important key to a strong U.S. economy is a trade agenda that is smart and fair and open and enforceable. It is even more important in the midst of the economic hardship caused by the pandemic.

Mr. Ambassador, you play the central role in advancing President Trump's aggressive trade agenda. The administration's aggressive trade policy agenda has opened more export markets for American goods and services and created a far more level playing field for American workers, farmers, ranchers, and businesses, which is vital for our economic recovery, especially in the face of COVID-19, implementation and enforcement of USMCA will bring good jobs back to America and increase paychecks for our workers. Once this agreement is in force in just 2 short weeks, enforcement will be essential. The agreement's strong enforcement mechanisms absent from NAFTA will now ensure Canada and Mexico abide by their commitments so we reap the benefits we bargained for. As to China, the President's phase one agreement will create significant opportunities for America's growth and prosperity, and will enhance fairness and, more importantly, accountability. And I know you won't hesitate to use powerful enforcement mechanisms if China fails to live up to its obligations. Republicans agree with President Trump. We

will insist that Americans receive our expected benefits and that China does not backtrack.

In addition to USMCA and China, the administration has achieved a phase one agreement with Japan that gives our farmers and ranchers new access to an important market that Australia, the EU, and Canada tried to seize from us. These three agreements, plus the modernization of the trade agreement, has created significant energy and momentum for future trade negotiations, momentum that will benefit our country as negotiations with the U.K. progress, and as we start with negotiations with Kenya, as well as the phase two negotiations with Japan and China.

Another issue we should discuss today is the World Trade Organization. I reiterate both my strong support for the WTO, as well as my frequent calls for real reform. While the WTO is not perfect, it serves the interest of American farmers, workers, and businesses by tearing down barriers abroad, establishing rules based on our system, and forcing countries to comply through rigorous dispute settlements. The reforms are long overdue. This institution has gone astray. I thank you for your strong leadership in assisting on real reform and not papering over the WTO's wayward direction.

We have to push our trading partners to address China's consistent practice of subverting the rules. We have to establish new and more modern rules to tackle distortions created by state-owned enterprises, technology theft, and subsidies. We can't allow countries like China to dodge their obligations to be transparent and claim they are entitled to special treatment as developing countries when they are, in fact, economic powerhouses. Bureaucrats within the WTO have to stop imposing new obligations on us by fiat rather than negotiate outcomes.

Mr. Chairman, let's move to the floor. Our bipartisan resolution was passed by voice vote in December, showing the world that the United States is unified in allowing for a strong WTO that serves our interests. We must also be unified in denouncing actions by

so many economies to seize revenues from our companies in our country through discriminatory digital services taxes. Thank you, Ambassador, for holding firm as others try to flagrantly steal revenue they did not earn.

Let's move to immediately renew the Generalized System of Preferences and the Caribbean Basin/Haiti preference programs to reduce costs here at home, strengthen our relationships with developing countries, and establish incentives for those countries to work with us.

Let's pass a Miscellaneous Tariff Bill to help our manufacturers.

And one last issue, as the Chairman has said, COVID-19 has rocked our economy, highlighting the necessity of durable supply chains to speed our economic recovery and make us more competitive and secure. So let's work together to create market-driven incentives that allow and encourage our companies to increase capacity for developing and manufacturing critical products -- medicines, supplies, and ingredients -- here at home while working with our allies to ensure diverse, dependable supply chains. In the meantime, let's suspend duties for medical products if there is no domestic opposition.

Americans need to return to work. A pro-growth trade policy agenda will create new opportunities, strengthen our economy, make us resilient, and allow us to compete and win, so let's use today's hearing as an opportunity to determine how we will build together on the progress that you have made over the last 3 years and best position America for a strong future. Thank you, Mr. Ambassador.

And I yield back, Mr. Neal -- Chairman Neal.

[\[The statement of Mr. Brady follows:\]](#)

Chairman Neal. Thank you, Mr. Brady.

Without objection, all members' opening statements will be made part of the

record.

Ambassador Lighthizer, welcome back to the Ways and Means Committee. Your full written statement will be made a part of the record in its entirety. I would ask that you summarize your testimony in 5 minutes or so. To help you with that time, please keep an eye on the clock. If you do go over your time, I will notify you with a light tap of the gavel. Ambassador Lighthizer.

**STATEMENT OF THE HONORABLE ROBERT E. LIGHTHIZER,
UNITES STATES TRADE REPRESENTATIVE**

Ambassador Lighthizer. Thank you, Mr. Chairman, Ranking Member Brady.

Let me say, first of all, that over these last few months, I have actually missed seeing the members of the Ways and Means Committee. I know you have never heard a United States Trade Representative say that before in history, but in fact, it is true. We have had calls, but I look forward to the time when we actually get back to traditional legislation in the historic way that we have done it for all these many years.

We are going through a crisis, and these are, indeed, challenging times. I thought of many of you often during these crises. I am confident that, if we work together in good faith as we have in the past, we will get through these problems, heal, and move forward. Hopefully, things will be even better than they were before.

Some of these problems make talk of international trade seem less important, but in other ways, perhaps rebuilding our economy, helping to create good-paying jobs for all Americans, securing fairness for our businesses, and bringing back manufacturing can be part of the solution to bringing us all together as one great country again.

We have been isolated and quarantined so long that I fear we might forget the great

achievement of the last few months. Together, Republicans and Democrats, House and Senate, worked closely with the administration to write, pass, and pass the biggest, and I would say best trade agreement in American history, USMCA, Mr. Chairman. And we should not forget how important that was for our country and for our workers and businesses and ranchers and farmers. I would like to again thank all of you for working with me on that. Together, we had an historic accomplishment.

I would also like to thank you for your support and help as we worked our way through the China phase one agreement -- the Congress had an important role in that -- a very important U.S.-Japan agreement, and numerous small achievements over the last year. Together, I think we helped our workers, farmers, ranchers, and businesses. Going forward, there is much to achieve. As we all know, we have active negotiations ongoing with the United Kingdom. We will very soon commence negotiations with Kenya. And, finally, we have active engagements on trade with numerous other countries, and, of course, I look forward to working with members on the crucial issue of the WTO.

Thank you to all members for working so closely with me and for making time to talk with me and meet with me, for all of your staffs who work so closely with USTR, and for making our end product consistently better than it would have been without your involvement. I look forward to hearing your questions. Thank you, Mr. Chairman.

[\[The statement of Ambassador Lighthizer follows:\]](#)

Chairman Neal. Thank you, Mr. Ambassador.

Without objection, each member will be recognized for 5 minutes, having an opportunity to question Ambassador Lighthizer. We will not observe the Gibbons rule and will instead go in the order of seniority, switching between majority and minority members. Members are reminded to unmute yourselves when you are recognized for your 5 minutes. If you have technical difficulties when your turn comes up, I will come back to

you when you are ready. Let me begin by recognizing myself.

Mr. Ambassador, as I noted in my opening comments, we have received reports from Mexico that there are serious challenges with the process for legitimating existing collective bargaining agreements, many of which, as you know, in the past have been sham protection contracts that were never really voted on by workers. We always knew that Mexico's implementation of its domestic labor reforms and its USMCA obligations would be a challenge. With COVID-19, things are likely to be even more complicated than we had expected. You have repeatedly assured us that you are as committed to the success of this agreement as we are, making sure that it delivers on its promises to U.S. workers and to Mexico's workers. What options do we have that you are currently entertaining to provide reinforcement and course correction in Mexico?

Ambassador Lighthizer. Well, thank you, Mr. Chairman. So, I would say, first of all, that we have taken all the steps necessary to get USMCA enforced, and they are an enormous number of steps having to go through. We set up the committees. We have -- for the most part -- hired the people, and we have done the necessary certifications. I am happy to walk through all these if you like, and the new rapid response mechanism is up and ready to go. I would say the same thing is true on the environment side. So USTR has taken of hundreds of steps necessary to swing into action.

I realize that, and we all realize, all of us, and that is why we spend so much time on it, that labor enforcement in Mexico is going to be a problem. It is a crucial part of this agreement. It is something that all of us have realized from the beginning. And I know, Mr. Trumka, you mentioned, has also made that a key part of his support. The agreement hasn't gone into effect yet. It goes into effect July 1. But I can assure the committee that when it does go into effect, we will take action early and often when there are problems. That said, until now, we have built in a very good system, a rapid response system plus a

state-to-state dispute settlement system. We have committees. We have ways for congressional involvement, and the administration will follow through to the extent of violations of the rapid response mechanism and to the extent there are state-to-state actions, we will do that. I am happy to walk through the steps that we have taken if the chairman thinks that is appropriate. Otherwise, I can put them in the record.

Chairman Neal. Can you give us a synopsis of those and put the others in the record, Mr. Ambassador?

Ambassador Lighthizer. Sure. So, in the labor chapter, we created the Inner Agency Labor Committee. It is section 711 of the act. We have an executive order that set that up when they had their first meeting on April 30th. We put in place the Forced Labor Task Force. That has been created. These are all things that were required. We set up all the mechanisms for the rapid response. We have the appropriations. We have the panelists selected with the cooperation of the various stakeholders in the Congress. We have the -- the way this works is there are non-national members; there are U.S. members; and there are Mexican members. At this point, the United States has put forward five members. Mexico has three. We expect them to go up to five. And then there are six non-national members. We have written the rules of procedure, which is complicated. The rules have been agreed to by Mexico. We have set out to be effective July 1 both a hotline and a web-based position for submissions of complaints. So, we are ready to go. There is a whole timeframe, which at least members of the task force are aware of, and they will all be expected to bring actions as soon as we think that there is a violation.

Chairman Neal. Thank you. Another of the most consequential trade policy issues that this committee has actively engaged relates to U.S.-China trade and competition. Last year, you appeared for the first time in front of our committee to testify

as to that relationship. And in February of this year, our first full committee trade hearing of 2020 was devoted to testimony on the subject of U.S.-China trade and competition during which the committee discussed how the United States could effectively compete with and counteract China's policies and ambitions directed at undermining our competitiveness. Perhaps you could speak to that in broad terms and simultaneously speak to the issues of the developments that are occurring in Hong Kong and to Beijing's intention to snuff out democracy in Hong Kong. What do you know that the Trump administration's position is as it relates to those issues? And are there options that the administration is considering that go beyond the trade tools to punish Beijing? Is the administration contemplating strategically how democracy can be defended across Hong Kong and much of Asia? Would you hit your microphone, Mr. Ambassador? There you are.

Ambassador Lighthizer. Thank you. Thank you, Mr. Chairman. I have testified, as you said, often on the issue of the relationship between the United States and China. My position has been that this is a very complicated relationship. It has gotten more complicated because of actions that they have taken recently. It has security implications and cyber implications. It has business implications. It has human rights implications. And I view my space, my lane, as being the trade lane.

A number of American jobs depend on fair trade around the world, and fair trade with China is, of course, part of that. As you say, we negotiated and signed, and I have a copy of it, our agreement. I commend to members to look at it. I see press reports sometimes, and they act like it is just a soybean sales contract, right, when it really has a lot of very, very serious parts to it. It has obligations on tech transfer, on IP, on SPS for agriculture, on currency, on financial services, and a variety of other things, and it is an enforceable agreement, which we fully intend to enforce. It also has certain requirements

for purchasing, which I think is really important for American workers. It is also it is not just individual persons, but over a period of time, people develop customers and the like.

My own view is I meet with the people that have responsibility throughout the lanes. I talk to them about it. I give them my advice on it. But if I try to solve all problems between the United States and China, I am going to end up not solving any of them. So, I am focusing on the trade relationship. I think we have what is an excellent agreement. We have in place \$370 billion worth of tariffs in addition to all the things I said. So far, it is a really good agreement for the United States. We expect it to be honored. After you go through and talk to the members, some of the members will be interested in the agriculture numbers and the like.

But as you know, I have been a very hardliner on China for at least 25 to 30 years, and I haven't changed my view any on that. But my sense is that I have an obligation to operate in the trade space and to do what the President and what Members of Congress want me to do in that space, and that is to help our economy and make sure we get fair trade for American workers. And I think this agreement is the beginning of that, and I think it is a great achievement.

Chairman Neal. Thank you, Mr. Ambassador.

With that, let me recognize the ranking member, Mr. Brady, to inquire.

Mr. Brady. Thank you, Mr. Chairman.

Let's stick to those two subjects: USMCA and Hong Kong. Obviously, coming from Texas, we are very excited about the entry into force here in just 2 weeks. Thanks for working with us, for making sure the dispute settlement procedures are meaningful and effective. Thank you for understanding the impact of the COVID pandemic and some of the worrisome regulatory developments in Mexico. Obviously, we are concerned about the lack of biotech approvals despite longstanding applications, and discriminatory policies

against U.S. companies in the energy and the broadcasting sectors. I want to make sure Canada fully implements its dairy obligations. So we talked about this in other areas as well. So one question: How do you intend to use entry into force dispute settlement to ensure that we hold USMCA partners accountable and that they meet their obligations?

And the second is on Hong Kong. The President is exactly right to hold China accountable from encroaching on Hong Kong's authority, and China is fully responsible for this escalation, and only China can change these consequences by reconsidering its actions and stepping back from the brink. This is a major challenge we are facing. We need to balance the importance of holding China accountable with looking out for what is best for the people of Hong Kong and, therefore, the U.S.

I know that the President has said we will take action to revoke Hong Kong's preferential treatment as a separate customs and travel territory from the rest of China. I know that the administration hasn't yet announced a decision what trade-related actions it will take. When do you expect that decision, or what general timetable are you looking at? And are there some broad approaches or discernment which tend to be your mark as the USTR, discerning these tariff issues and treatments that we ought to be aware of?

Ambassador Lighthizer. Well, yeah. Thank you, Mr. Brady.

First of all, there are specific obligations, a whole host of them, that were written and agreed to by all -- by most Members, 90 percent of the Members of the Congress -- in USMCA, and there are a number of things that we are looking at that are quite troubling.

One of the reasons that I wanted to get this into effect on July 1 was so that we could start enforcing it. There were people that thought we should let it slide for one reason or another, some COVID-related, some others. My sense was we don't have any availability to enforce anything until we get it. The reality is that NAFTA didn't really have much by way of enforcement, didn't have specificity.

One of the issues you mentioned is biotech. That is a major, major problem. The reality is that Mexico has not approved any biotech products in the last almost 2 years. Our view is that that is not right. My own sense is that this is one of those issues where the administration down there has a very strong view, and I think the only way we are going to get that to change is first by consultations and then via an action. I personally believe that is going to be one of those things where we are going to have to file a state-to-state dispute settlement. But it is something we have been talking about. We will have formal consultations once this agreement goes into effect. It is a serious problem, and it is almost -- it seems almost like a philosophical problem with the government down there.

You mentioned also dairy. Dairy is something we are going to be very closely monitoring with Canada. They have a period of a few months to get rid of class 7 and class 6. We expect them to do it on time. There is no reason to believe they won't. Implementation has a lot of technical aspects to it. I won't go through them here. I know you know what they are, but some of them are -- we will be looking very closely to see whether they are going to shade and not have American farmers get the full benefit of what they negotiated. If there is any shading of the benefits to American farmers, we are going to bring a case against them. I think both countries realized that, from the beginning of the negotiations that we expect to enforce these agreements. We bring cases whenever we think there is a good case, and we will continue to do that there.

On the issue of Hong Kong, the administration, as you say, has taken a lot of steps in that direction in my space. The administration has taken the position that they will treat Hong Kong the same as if it was China. I point a couple of things out. In the case of Hong Kong, we have about a \$30 billion trade surplus with Hong Kong. Now, who knows where that product ends up going, but we have a very large trade surplus from Hong

Kong. Hong Kong charges us -- or we charge Hong Kong and China the same tariffs. Hong Kong charges us lower tariffs than China does because they are -- at least until now, they have had different historic obligations, but we do have a big surplus there. We are continuing to look at what it really means to be treated the same, but that really is a decision that the President has made. Thank you.

Chairman Neal. Thank you.

Let me recognize the gentleman from Texas, Mr. Doggett, to inquire. Will the gentleman --

Mr. Doggett. Have you got me?

Chairman Neal. We can hear you. We have got you.

Mr. Doggett. Okay. Thank you very much. I am sorry for the technical difficulties.

Thank you, Ambassador. Ambassador, do you envision in the agreements that you are currently negotiating to maintain this progress that we made in the USMCA with regard to dispute resolution so that when we are dealing with a developed country like the United Kingdom, we rely on a mature legal system rather than a collective dispute resolution system following the precedent that you set in Canada and which has applied successfully in Australia?

Ambassador Lighthizer. Yes.

Mr. Doggett. Great. Well, do you think that you will have a United Kingdom agreement or any other trade agreement to present in the remaining months this year to the Congress?

Ambassador Lighthizer. Congressman, that is hard for me to say. If you look at the timing on most of these agreements, as you know well, while you have been around -- I was going to say you have been around longer than I have, but I am not sure that is entirely

true. But you have been around a long time. And that would be a very, very, very quick time. I think it is unlikely that that happens. It is unlikely that we would get an agreement, I would say, one, to present to Congress for congressional action. I would put that nearly impossible time, given the various time delays that are built into TPA. So, I would say it is possible, although unlikely, that we could get an agreement. It is almost impossible unless the members decided they wanted to do something extraordinary to have it actually come before the Congress before --

Mr. Doggett. Another issue, Ambassador, you will recall that I was very interested in, still am, is pharmaceutical price gouging. Do you expect any of the agreements that you are negotiating will contain special treatment for the pharmaceutical industry on exclusivity or anything else?

Ambassador Lighthizer. So that is two questions. One is the anything else, and two is the biotech. Is it possible to have me look at -- have Mr. Doggett when I am talking to him rather than look at myself? That would be helpful. I want to see what kind of reaction I get when I tell him. So just so you know --

Mr. Doggett. You will get a very positive reaction.

Ambassador Lighthizer. For some members, I would prefer to look at myself, but for Mr. Doggett, I would prefer to look at him. But I reserve the right to go back and forth.

So, I guess I would say the members have made it pretty clear that they are not in favor of a long data exclusivity provision. So that is probably something that will inform where we end up in that space.

When you say "do anything exclusive," there I would say that there are a number of intellectual property provisions -- many of which you, I think, agree with; some you may not -- but intellectual property provisions that are particularly used by the pharmaceutical

industry. And certainly we expect to have those, many of those, for the USMCA and other agreements. And we certainly expect to do that, but I realize that there is --

Mr. Doggett. Just one more, Ambassador. That is with regard to the special 301 negotiation that you have worked with Treasury on that would have the effect of raising the prices that Americans pay for European goods. I am sure you agree that the better solution is an international agreement that determines how digital service companies have taxed. Every country in the Organization for Economic Cooperation and Development has agreed to such an international tax plan except for the United States. And it is my understanding that the only plan that the United States will support thus far is to make the digital services tax optional. Now, while this committee has great taxing jurisdiction, I have never heard of us relying upon an optional tax. My concern is that the administration is about to start another trade war of the type that we have found damaging in the past where Americans have to pay more in taxes or tariffs added to goods, and industries are disrupted. We know that there are billions of dollars that go untaxed everywhere. Can you outline what your plans are to assure that we are not simply reinforcing the booking of billions of dollars in places like Bermuda, the Cayman Islands with these services not being taxed anywhere and that your program is to be on the side of assuring that tax revenue is earned -- is generated where the marketing occurs and that we don't get in a trade war in order to simply protect some international tax dodgers.

Ambassador Lighthizer. So yeah. Thank you, Congressman. That is a lot of things, and I only have a few seconds. So, I will try to be fairly brief.

I would say, first of all, I agree completely with what we did with the OECD. The reality was they all came together and agreed that they screw America, and that is just not something that we are ever going to be a part of.

Secondly, the notion that there aren't options in the Tax Code. The Tax Code is

full of options, right? Everybody has options right down to whether you take an itemized or standard deduction. I would suggest that the notion of proposing options on which tax we use is something that this committee has been, you know, fond of, you know, for as long as I think it has been here. I certainly agree with you completely. I am not a loophole guy. I don't want to be the loophole guy, any loopholes, but I don't want tax systems that aren't fairly treating American companies. These companies employ tens, and grouped together, hundreds of thousands of Americans. So, I don't think that is fair. I think what we need -- and I really want to reach it out you and talk about it because I think you are one of the best minds on the committee in this area. What we need is a standard tax that taxes -- that takes away the tax planning that a lot of these people go into as you reform across countries and treats every business fairly. And I think there is some evidence that there is some momentum to do that. But the United States will put in place, I believe, it is up to the President, tariffs against these countries if they move forward unilaterally discriminating against American companies.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Florida, Mr. Buchanan, to inquire.

Mr. Buchanan. Thank you, Mr. Chairman.

I want to thank the leader, also the Ambassador, for your bipartisan leadership.

Chairman Blumenauer and myself last week had a hearing on WTO in terms of the Director General. They are looking for someone to lead the organization. As someone that has been in business for 30 years plus, I know one thing, that that is a critical position, especially a member-driven organization. But any organization, whether it is this committee or any other committee, the chairman makes a huge difference.

Obviously, there are a lot of challenges with WTO in terms of reforms with China. But as you look to the right leader, what is your thoughts in terms of the qualities, in terms

of that leadership moving forward that we should be looking towards? Can you give us your thoughts on that, Ambassador?

Ambassador Lighthizer. Sure. Thank you, Congressman. So, in the first place, I think the WTO is a mess. And at the appropriate time in this hearing, I am prepared to go through my list of indictments. This, perhaps, is not the appropriate time, but I am happy to do it at some point. But members generally know that I think the WTO has failed Americans. It has failed the international trading system.

And then so I asked myself, what do I look for in a new director general? I would say, first of all, someone who wants reform, fundamental reform. I think we have to do things very, very differently. I think a number of countries are not treated fairly, but particularly the one that I work for is not treated fairly. So, I think we need fundamental reform.

And, secondly, I think we need a director general that understands the fundamental problem that an extremely large, state-run economy cannot be disciplined into the current WTO rules. So, I look for someone who understands the nature of the problem of free economies dealing with China, and I would look for someone who understands that we need across-the-board reform.

And beyond that, you know, I have no real -- those are the fundamental things for me. I guess as someone who doesn't have any -- in some cases, if I see any whiff of anti-Americanism in any of the person's past actions, I certainly would be willing to veto their appointment.

Mr. Buchanan. The other question I had in terms of USMCA, building some momentum there, excited about the enforcement. That gives you a lot more tools. But as we build off the momentum, a lot of other country in terms of the U.K., EU, Japan, even China, if we go to another phase, Kenya, of course, so there is a lot of opportunity. There

is more than I've ever seen in the last 10 years. So I congratulate you for that.

But as you look at the global pandemic, what has been the impact in terms of your effort with these various countries in terms of not just today but going forward? What do you see?

Ambassador Lighthizer. So, you know, that is kind of a fundamental question. First, when you ask, as a practical matter, the biggest problem is you don't have face-to-face meetings. And I am not one who believes you are ever going to negotiate a major trade deal over video or over the telephone. I just don't think it is possible. I may be wrong about that, but I see no evidence of it. With telephone, the video tends to be sort of a scripted sort of thing, and you end up not having 10 or 12 or 15 hours together like you would in a room, which I think is necessary to come to compromise. So that is the biggest problem.

If you look at its effect on trade, trade in this pandemic is down substantially. Exports are down about 30 percent, and imports are probably a little less, and the effects seem to be about what we would expect, right. We are just getting clobbered in the services areas like travel and leisure and all these kinds of things. It is kind of predictable where we have been hit.

But also I am one who believes that there is pent-up demand, and when we get to the other side of this, which I think is, you know, very soon, we are going to end up with that being turned around very fast. While we have had among -- probably not the biggest drop in exports and trade in history -- but among the biggest. There is only three or four times when we have been in this league. I think we are going to have a much, much faster comeback than we did at any of the other times because what we have here is something that is not driven by basic economics but is driven by a health crisis.

Chairman Neal. I thank the gentleman.

The chair would recognize the gentleman from California, Mr. Thompson, to inquire. I encourage members to make sure that they monitor their own muting services. We are catching background noise here. Mr. Thompson is recognized.

Mr. Thompson. Thank you for holding the hearing. Can you hear me all right?

Chairman Neal. Yes.

Mr. Thompson. Thank you, Mr. Chairman.

Mr. Ambassador, thank you very much for being with us today, and thank you for all of great work that you do. It is a pleasure working with you. I have got three issues I will just raise, and then I will let you respond to all three of them.

First, I am increasingly concerned about Mexico's ability to implement its historic labor reforms. The pandemic has served to highlight some of these issues. There are numerous reports about Mexican workers being forced to go back into unsafe working conditions. You know that I raised this with you personally. I thank you for your response yesterday, but, nonetheless, it is still an issue. And this is, in part, U.S. companies pushing this and, in some instances, members of the administration pushing it as well. And so I would like to know how you plan to effectively use the tools that you have, that have been given to you in this historic USMCA that we worked on together, to make sure that the Mexican labor reform actually comes to fruition.

Second, as you know, there has been a reduced or postponed excise tax provision in place since 2017, and it has been extended now to the end of 2020. There is a problem that a lot of folks are having because the Alcohol and Tobacco Tax and Trade Bureau deals with the domestic tax issues, and Customs and Border Protection deal with the foreign-produced alcohol that is imported into the U.S. And so, it puts folks in a difficult position when they are not working from the same set of rules. And I would like to know what you can do to work with your colleagues at Treasury to make sure we are all on the

same page and that these provisions are being implemented evenly between foreign imported, and domestic.

And then, lastly, we are getting a lot of attention in regard to our trade issues because of COVID, but as we know, as the National Bureau of Economic Research pointed out, we were going into recessionary times before COVID, and all the leading economists tell us it is because of these tariff wars that we have been subjected to. And I know in my district, the leading industries in regard to export are hit extremely hard because of tariffs and the tariff wars. Wine, which is a big product in my district, takes a huge hit because of these tariffs. So I would like to know what USTR is doing and planning to do to resolve the ongoing trade disputes with our trading partners without resorting to additional tariffs and tariff wars. I would appreciate your response on those three issues.

Ambassador Lighthizer. Great. Thank you, Congressman.

And you know, I should specifically, along with some of the other members of the task force, thank you for all your great work with us on USMCA.

So I would say, first of all, this issue of supply chains running through Mexico, some of you may have seen that I wrote a New York Times op-ed last week or the week before, a couple weeks ago, basically making this point, that these businesses that thought they were so clever running these supply chains all over the world instead of making stuff in the United States now realize they were taking on substantially more risk than they thought they were, that this was a problem, and I think this was an example of it. And, hopefully, business is learning that you can run these supply chains right through the United States, and it is a better way to do it.

I would say, on the issue of labor enforcement, I have stated, and I will state it again, we fully expect to bring every case that is a legitimate case and that we have pressed

and will continue to press Mexico. And I think that they operate, to be honest, for the most part in good faith. I think AMLO is a square guy, but even with that, it is going to be really, really hard for them to do it, and I don't think that all members of their system want to have labor reforms. So, between rapid response and state to state, we will take the actions that are required.

I have not really worked with the Treasury Department, to answer your question, on excise taxes. I also will make that call tomorrow, but the third point that you make which is about getting rid of tariffs on imported wine. We all know what the context is. The context is that we won a 15-year case because we lost a lot of jobs because Europe was subsidizing Airbus and will continue those tariffs in place until we resolve that issue. I would say I understand that there are people who import wine that don't like the tariffs. On the other hand, members of this committee and in Congress generally come from areas that have, in my judgment, the best wine in the world, and there is no tariff on any of it.

Finally, I would just say the notion that we were going into a recession before COVID is just absolutely -- I have never heard of such a thing. To be honest with you, I have never seen anybody say that before in my entire life, and I hope I never hear it again. The reality is we had the lowest unemployment, we had the fastest growing economy, and I don't -- so I just -- I want to just lay down a mark here without elaborating, but I think that is totally untrue.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Nebraska, Mr. Smith, to inquire.

Mr. Smith. Thank you, Mr. Chairman.

And, certainly, thank you, Mr. Ambassador, for your presentation here today and, even more importantly, for your stellar service. The productivity of you and your team, I mean, I am looking at my notes here, and there is so much that has been happening with

trade between our country and other countries. We know a lot of folks said USMCA could never be done, and it got done. It was very bipartisan in nature, not by accident but by design. And I think that is really due to your efforts and the President's efforts of prioritizing the various issues in USMCA that I think can really be a great trajectory moving forward.

I know that -- as we look at other trade agreements or possible trade agreements, I know that the EU has been unreasonable, but now we are finding that the U.K. is eager for a trade agreement, and I think that is good news. I am hoping that they will be more reasonable than the EU, especially when it comes to agriculture, as I represent one of the largest agriculture districts in Congress. To the possibility you touched on it a bit earlier, but --

Chairman Neal. We temporarily seem to have lost you, Mr. Smith. Would you also turn your camera on, please?

Mr. Smith. Oh. Okay.

Chairman Neal. Please proceed.

Mr. Smith. Can you reflect on the trade agreement with the U.K. and what it might look like in comparison to what the EU has been pushing for and then again on the timeline?

Ambassador Lighthizer. Thank you, Congressman. I would say, first of all, yeah, we have made, I would say, very little headway, as you suggest, with the European Union on trying to resolve some of our issues. I think there is a desire to work through things, but for whatever reason, we haven't made much headway.

Agriculture, I think, as you know, has been the focus of our trade policy from the very beginning. Agriculture has been a huge, huge winner in the USMCA and in the China agreement, where we have seen literally billions and billions of new sales. In

Japan, where we have -- I know you're aware of this, but we have -- I think last year was one of our best years ever in beef, and this year is, like, 25 percent above it. So, we really, really, really -- I think the trade agreements have really worked for agriculture.

In the U.K., we will have problems in our negotiations, I can guarantee you. They will tend to be in the SPS area. There is a sense in Europe, which I think is shared, hopefully not as deeply, with the U.K. as it is with Europe, and that's this issue that American food is unsafe. And I think that is a thinly veiled protectionism. I often comment that using standards as protection has risen to the state of a high art in Europe. They are among the best places in the world to figure out ways to get protectionism by pretending like it is a standard and not have it be science based.

So, these were very difficult issues with Europe, and they will be very difficult issues with the United Kingdom also. I am hopeful, I am hopeful that we will work our way through them. But on the areas of American agriculture, the United States, this administration is not going to compromise, right. We either have fair access to agriculture, or we won't have a deal with either one of them.

Mr. Smith. Very good. Well, again, I appreciate that, and you know, given the fact that agriculture --

Chairman Neal. We are not hearing you, Mr. Smith, but we will proceed to the next panelist.

The gentleman from Connecticut, Mr. Larson, is recognized to inquire.

Mr. Larson. Thank you, Mr. Chairman, and good to see everybody.

And, Ambassador, let me echo the sentiment of so many who have spoken already about what a pleasure it was to work with you on USMCA. And I think your efforts can be summed up in one word, integrity, that you brought to the process at every single level and facet that you were involved with.

I have two questions for you. One deals with the Good Friday Accords that I know you have heard from us before, but just to emphasize an ongoing concern about open borders. And the other has to deal with shellfish, and specifically with regard to the negotiations with the EU. Obviously, we have strongly supported future relationships between the U.K. and the EU that avoids a hard border between Ireland and Northern Ireland and safeguards all of the island's economy and the Good Friday Agreement with all of its dimensions. I know you share that view, and we hope that you will affirm that any bilateral United States-U.K. agreement will include conditions to ensure the continued upholding of the Good Friday Agreement.

And my second question has to deal with shellfish. And as you know, there has been a long-standing dispute between the European Union and the United States that has blocked the trade of shellfish between the two trading partners for almost 9 years. The dispute centers around questions of whether our respective shellfish sanitation programs are equivalent. We were hopeful in 2018 when the FDA made an equivalency determination to begin allowing shellfish trade with Massachusetts and Washington State and Spain and the Netherlands. Unfortunately, those equivalency determinations were never finalized, and shellfish trade remains stuck. Earlier this year, we heard positive statements from the European Union about finalizing these equivalency determinations this year, which is long overdue. I recognize, and I know you understand that this is also the purview of the FDA, but I hope you can also play a role as we pursue an agreement with the EU.

And my specific questions on shellfish, and that if you take those first, I would appreciate it: What are the prospects of opening up shellfish trade with the EU this year? Will you prioritize this issue during our negotiations with the EU? And what are the prospects for opening up shellfish trade beyond the initial equivalency areas to all parts of

our country?

Ambassador Lighthizer. So, thank you. I am happy to deal with the shellfish issue first, but first I want to thank you for your kind words about me. It was a pleasure working with you and with the other members. And for all of us, hopefully everybody came away with the same sense that I did under USMCA, that this is at least how we think it used to be in the old days, when people worked together and ended up with really good results.

And I hope that that is what we continue to do. It was really a very, for me at least, you know, a really good experience. And with all members, I developed a good relationship, and I am very pleased and hope that continues. So, thank you for your comments on that.

First of all, I am, of course, aware of the shellfish issue with the European Union, and it is something that we are still in discussions with them about. It is clearly a priority, if we do a deal with Europe. And right now, I would say it is not looking good in the short run, although I think, ultimately, we have to get something worked out with Europe.

And with deference to those who don't want us to use tariffs, the President will use tariffs, if he has to, to get a fair shake for American businesses. So, it is a priority. I think there certainly is no logic to their position. We ought to have equivalency. I will work on it.

My guess is this year it is not going to happen, although I could be wrong. But that doesn't mean that we are not going to try. And I know this is something you have cared a great deal about, and we would really like to come through for you and for all the people in this business in the United States.

On the Good Friday Accord, my position is quite clear. I think that if we put up borders, we are not going to -- the agreement won't pass Congress, so there won't be much

point in negotiating it. I have made that quite clear. And the Chairman has made it quite clear to me, and the President agrees. This is not something on which we are going to have negotiation if they -- and I must say, at least at this stage, I don't see a great deal of pushback.

But to some extent, this is something that has to be worked out between the U.K. and Europe, I think, in the first instance before it is worked out with us. But I completely agree with your position. I know the Chairman agrees with your position. I think he is smiling. I can't tell. He has got a mask on, but he is smiling. So, we are in accord on that. I know the President agrees with it also.

Mr. Larson. Thank you.

Chairman Neal. I thank the gentleman.

Mr. Larson. I yield back.

Chairman Neal. Let me recognize the gentleman from New York, Mr. Reed, to inquire.

Mr. Reed. Well, thank you very much, Mr. Chairman.

Chairman Neal. Mr. Reed, will you make sure your camera is on, and we are having a bit of technical difficulties with some other issues here. So, when the gentleman is prepared to proceed, we are prepared to recognize you.

Mr. Reed. I am prepared. Can you hear me, Mr. Chairman?

Chairman Neal. Yes. Would the gentleman proceed.

Mr. Reed. Okay. Well, thank you, Mr. Chairman, and thank you for convening this hearing today.

And welcome, Ambassador. It is great to be with you as always, and appreciate all your hard work. And as to your point about the relationship with members that you have fostered, I would echo that. I hear often the positive response from members of how you

make yourself accessible and listen to members. So I appreciate that hard work that you have shown a commitment to.

Mr. Ambassador, I am just going to get to a couple of specific questions. Don't know if I am going to use all my time, but one of the things I wanted to focus on is the beverage alcohol imports Federal excise tax. It is my understanding that USTR has been part of the policy decision-making process with Treasury regarding the Customs and Border Protection Federal excise tax deferral guidelines for beverage alcohol for U.S. importers.

Recognizing that beverage alcohol excise taxes are the same for domestic producers and U.S. importers, how can we have USTR work with Treasury to ensure parity between the vastly different set of guidelines released by TTB on domestics and Customs and Border Protection on taxes for imports?

Ambassador Lighthizer. I mean, first of all, we are involved in these deferral issues. We work with the Treasury Department and others on them. I am happy to raise that with the Treasury, as I said before. I am happy to bring that up and try to resolve that or at least raise it with the Secretary probably tomorrow. I mean, I am familiar with the issue. This is the second time it has come up in this hearing, and I will certainly look into it tomorrow.

Mr. Reed. Folks in our district are very impacted by this, so we appreciate any attention you can give to it.

And then I just would want to get your thoughts on, as we go into the Canadian relationship, we have a lot of dairy in western New York, and they are struggling right now, as you heard. I am sure other the members have touched upon it. But I just want to make -- I want to be aware of what you specifically -- your thoughts are in regards to how we move forward with Canada, which I think will be a very positive relationship given the

new Mexico-Canada agreement and we are just weeks away from it.

What are your thoughts on making sure that this new agreement, in regards to dairy specifically, how we make sure that we have that opportunity that we envisioned when we negotiated that new open market in Canada?

Ambassador Lighthizer. So, thank you, Congressman. First of all, I would say that Canada has a few months to get rid of the class 6 and class 7 programs, which have been so harmful to us. There also are a lot of very technical things -- I don't want to go through them right now -- on this -- because I don't want to draw particular attention to them, but there are a number of ways that they could implement their program that would be less helpful to us than others.

We are monitoring those, and I want you to know and other members who have been particularly concerned about this issue of Canadian dairy, that we will follow it very closely if we need to. We will bring an action against them.

For members who don't follow dairy very closely, it is a very complicated system up in Canada. It is partially government and partially quasi-private. And there is a long history there of manipulation, I would say, of manipulation of commitments of the like. So, we are going to be very, very dogged on that. This is something that Canada agreed to. It is clear.

I don't believe the government itself will do anything not to live up to their obligations. Maybe the other way to say that, I think the government will do it, but I think there are levels of complication, including industry involvement, that make it difficult. And, so, we will monitor that very closely, and if we need to, we will bring an action. Hopefully that is not necessary.

I would say the Canadian Government has been very good at living up to the spirit of the agreement as we have moved our way through that, and we will make sure that

happens in the dairy space also.

Mr. Reed. Well, I appreciate that. And any assistance you need from us obviously on that, and I look forward to the new relationship with Canada on the dairy front. But in the meantime, know we stand with you to monitor those same metrics so that we have a fair shake there.

So with that, I yield back, Mr. Chairman.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Oregon, the Chairman of the Subcommittee on Trade, Mr. Blumenauer.

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

And, Mr. Ambassador, we welcome you. It was a terrific experience, I think, for all of us taking the NAFTA agreement and being able to work together, something that was probably dead in the water, but by hard work, negotiations, good faith on both sides, we were able to produce something that was worthy of the overwhelming support that it gained. And I hope that that model can be used going forward.

Let me say I have a particular interest in dealing with food and agricultural policy, to make it more visionary and equitable. Currently, the United States spends too much money subsidizing large corporations and doesn't adequately help the majority of small- and mid-sized farmers, and it subsidizes manufactured food at the expense of fresh, healthy food.

Now, we have entered into phase two of our agreements with the United Kingdom. I hope that our negotiators can focus on tearing down protectionist barriers to trade, like quotas and price control measures, and spend less political capital on areas where our two countries may simply have reasonable policy differences.

I think too often we hide behind requiring science-based justification for other

nations' sanitary or phytosanitary measures without allowing flexibility on values and public input. While many large agricultural interests spoke to scientific studies on pathogen rinses for poultry, maybe we should be asking about our production and process, what requires us to wash chickens in chlorine in the first place.

Can't reasonable people have concerns about the state of slaughterhouses in the United States? My goodness. Anyone who has looked at the news recently understands that American policy on slaughterhouses needs a much closer review.

With pesticides, our regulations do not set a high enough standard for determining their effects on our environment and how those environmental effects impact our health. Should we really export our weak standards to another country who has legitimate public policy concerns and may provide better protection?

For genetically modified meat or meat altered by growth hormones, is it possible that a democracy where consumers have input might choose to restrict these practices for reasons other than interfering with American commerce?

As with all negotiations, there are some priorities that you will push harder than others, but I would hope that you can focus your attention and that of your team on protectionist hurdles to our farmers rather than areas of legitimate policy differences.

American families need national and international agricultural policies that address our common welfare and allow for targeted regulations that promote health, address climate change, and put people ahead of corporate interests.

I would hope that you and your staff would be willing to help us explore these differences to determine where there are some legitimate policy differences rather than simply protectionist impacts. Would it be possible for us to work with your team to explore this?

Ambassador Lighthizer. Yeah. Thank you, Congressman. First of all, let me,

you know, return the compliment and say what a pleasure it was working with you during this USMCA process, something that everyone said was impossible. I thought you did an excellent job as chairman, and I thought Vern did an excellent job as ranking member of that subcommittee. And without the cooperation and you all's work, this would not -- we would not have had that agreement. So, I want to thank both of you for that.

On this issue of agriculture, I will just repeat what I have said before. Number one, agriculture policy is set by the United States Congress, not by the U.S. Trade Representative. So, the issues that you raised I know are difficult issues and they are being thought out in Congress, and Congress will come to some conclusion, and I will be guided by what Congress does.

For right now, the reality is that what we want and what we insist from our trading partners is equal access, fair access based on science. The difference between big and small, farmers and corporate farmers, I don't know much about that. I would say the United States has the best agriculture in the world. It has the safest, highest standards.

And I think we shouldn't confuse science with consumer preference. If consumers have a preference of one thing or another, they should certainly exercise their preference. But it is not the role of the United States Trade Representative to change agriculture policy. I am dictated that by the Agriculture Department but mostly by the United States Congress.

So, what I am going to do is try and insist on science-based restrictions, and to the extent they have restrictions that are not science based, we will object.

Mr. Blumenauer. Thank you.

Chairman Neal. I thank the gentleman.

Before I recognize Mr. Kelly, I want to recognize Mr. Thompson for the purposes of a unanimous consent request.

Mr. Thompson.

Mr. Thompson. Thank you, Mr. Chairman.

I would like to ask unanimous consent to submit into the record the National Bureau of Economic Research information in regard to hitting our peak in February and moving into recessionary times. Thank you.

Chairman Neal. So ordered.

[\[The information follows:\]](#)

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

Mr. Kelly. Thank you, Chairman.

And, Mr. Ambassador, thank you so much for being with us today. I am not sure that my camera is on or not.

Chairman Neal. Yes, it is.

Mr. Kelly. Okay. You and your staff, can everybody -- can you hear me, Mr. Chairman?

Chairman Neal. Yes.

Mr. Kelly. Okay. So we are set. Okay.

Ambassador Lighthizer, you and your staff have been incredible and tireless in your efforts to make sure that America is in the place where it can fight fairly and doesn't have to worry about unfair trade practices around the world.

And my good friend from California was talking about the economy. I have got to tell you, from an area where we were having the highest employment up until the pandemic hit in over half a century, and we were at wages that were rising over 4 percent and people going back to work in places that they never thought there would be jobs again, it was absolutely on a rocket ship. This economy was soaring.

So I just want to make sure that we understand. And I can tell you from being in the retail business that, you know, during these times, when people come out of a recession, it is usually they buy houses and cars. I am in the car business. We actually couldn't keep up with the demand. So while there is some talk out there about a recession, it would be hard to find.

I do want to talk to you, and if you could help me on this -- and, again, thank you for your help on the grain-oriented electric steel. I think your intervention on that has got commerce on board, and they are finishing up their comments section.

And we are going to try to protect the fact that the last producer of grain-oriented electric steel, and this is what is used in all our transformers, the big part, when we start to do infrastructure, is happening right here in the district I represent, and it is about a half a mile from the dealership. It was Armco and then it became AK Steel. Now it is Cleveland-Cliffs. So thank you for your intervention on that.

But I do want to ask you about something, though. I have sent this letter to you -- and I think the staff probably has looked at it, and I also sent it to Secretary Ross -- about a company called Steel Light International. And its U.S. headquarters are in the district I represent, New Castle, Pennsylvania.

Steel Light is under a situation where they import -- they do tableware, glassware, flatware, anything to do with the serving of food, a host of business. They are one of the biggest there are in the world. That factory or that position in New Castle, Pennsylvania, is 120 jobs. But they have section 301 tariffs on some of the tableware products.

Now, it is very hard to find people to make forks and knives and spoons now in the United States. And my question is this: Despite the -- the U.S., we do not have a U.S. supplier of this product. And the company still, they have been trying to get relief from the section 301 tariffs, but they are not getting it. And they tell me that it has paid

millions of dollars in tariffs over the last year or so on products for which there is no reasonable prospect of U.S. manufacturing.

So as a result, Steel Light has put on hold -- and I have been to their facility. They were adding onto their warehouse a huge, huge addition. They have held up on it because of the risks that they are looking at and saying, you know what, it may be greater than we can take right now.

So what I am asking you is, what can we do to help them? What should I talk to them about? If there is no substitute, if there is no American producer of it, and they have to get it overseas, what can I tell them when it comes to section 301? Because they have no other option, and yet they are getting burdened with these tariffs.

Ambassador Lighthizer. So, thank you, Congressman. I would say, first of all, let's remind ourselves why we have tariffs on China. We have had talk here about the difficulties dealing with China and the problems and the focus that we had literally from August of 2017 was on this issue of technology transfer and failure to protect U.S. intellectual property, cyber theft, and the like, and the effect on our economy.

So, we went forward, put together an 8-month study and have since have a long history of putting tariffs in order to get -- in order to stop bad behavior and to get fair treatment by America. So that is the context we are in, all right.

Now, you are saying there is someone that imports flatware from China. So, I don't know precisely when the tariffs went on forks and the like, but it has been at least a year. It could be 2 years. Are there U.S. manufacturers in this area, I don't know, clearly, they are not in the low end, but there are in a lot of other countries.

So, what we have told members that we have given people exclusions and now they want extensions, we are saying, if you have a year or 2 years to make a change, then you should have made the change.

So I am happy to talk to you about this particular situation, if you like, but the general policy is a policy based on the fundamental interests of the United States, and people have had a substantial period of time to find another source.

So anyway, Mr. Kelly, I would love to talk to you about this case with your constituents offline. Thank you.

Mr. Kelly. Thank you.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Wisconsin, Mr. Kind, to inquire.

Mr. Kind. Well, thank you, Mr. Chairman.

And, Mr. Ambassador, so good to see you again today. Mr. Ambassador, I want to echo the comments other members have made about the cooperation we had with you with USMCA. I thought it was a good agreement. And I think one of the reasons it became a good agreement is [inaudible] objectives that we wanted to accomplish. And also what asks Members of Congress had to make of Mexico and Canada and what type of reforms and concessions they have had to make.

And that is a good model from the other bilaterals as we move forward. I am chairing now a U.S.-U.K. interparliamentary working group. A large part of our focus naturally is on the bilateral trade negotiation as it proceeds. I would encourage you and your team to think about how you can bring Members of Congress like myself and others on board as far as the overall negotiating objectives.

Also, I want to hear your comments in regard to where we go with the U.K. in light of the fact that we are currently involved in negotiations with the EU. They have got to make a decision as far as the regulatory orbit they are going to be operating on. [Inaudible] make it difficult, I think, for us to [inaudible] get a clear understanding from them.

Chairman Neal. I think we have lost you, Mr. Kind.

Mr. Kind. Oh. I was just asking if you wanted to comment on how we do proceed with the U.K. in light of their decision on what regulatory orbit they are going to ultimately operate under as it relates to the EU.

Ambassador Lighthizer. Yeah. Thank you, Mr. Kind. It was a pleasure working with you all the way through the -- not just on USMCA, in fairness, but on the other issues too, because I have dealt with you and several of the members on every one of these agreements, and I think they are all better because we work together. So, thank you for that.

I would say -- first of all, am I willing to work with members on the U.K. agreement, of course, I am, and I look forward to doing that. There hasn't been an enormous amount that has happened yet. We are in our second round. The second round started this week. We have tabled text on -- and there is a process this goes through where the Hill is involved and your staffs are involved and the like, so I know you know this.

But if we end up with, say, 30 or 32 chapters, and it is not clear yet, we have tabled text on the vast majority of it. We have it on some specific ones and they have tabled text on some, and we are kind of working our way through. It is still early in the process.

You are right, what they do on regulation in their negotiations with the European Union will be crucial to us. I would say a couple things. One, they have twice as big a relationship with Europe -- actually, more than twice as big as they do with us, so that -- economically, that is probably a more important relationship for them, not that ours isn't important, but that is a more important relationship with them.

In some ways, their view is that they can deal with each of us separately, and they are willing to go with us without going with Europe, and that is a basis on which we are certainly willing to act. But we have to remember, the reality is what they give Europe

will affect what we get, and if they buy the Europe's total regulatory regime, then we are in a position where we can substantially lessen. That is the way I at least think about these things, because I am a pure pragmatist, that we should give them less.

So, it is difficult to do these two negotiations at the same time, but that is the position that we are in. I do look forward to working with you on this. And I also -- you didn't raise it, but I look forward to working with you on the issue of dairy, because I know that is something else -- Canadian dairy -- that you really, really care about. You have talked to me about it a number of times, so I look forward, you know, to both of those.

Mr. Kind. Great. Likewise, Mr. Ambassador.

Thank you, Mr. Chairman. I yield back.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from North Carolina, Mr. Holding, to inquire.

Mr. Holding. Thank you, Mr. Chairman. I appreciate it.

Mr. Ambassador, always a pleasure to see you. Glad we can see each other in person. As we are approaching the full implementation of USMCA on the 1st of July, I would like to bring to your attention to a couple of concerning situations that have been brought to my attention.

So just days after Congress approved the USMCA Implementation Act, Mexico's Federal Institute of Telecommunications overturned two decades of practice by imposing a strict 6-minute per hour on paid TV advertising. And this action violates the USMCA by discriminating against U.S. paid TV providers, and it benefits obviously the powerful Mexican broadcasters.

Another situation with Mexico is the government of Mexico City has recently expropriated the private property of an American company, Libra LLC, confiscating taxi hailing technology and over \$100 million in property to advance motives of Mexico City.

And, obviously, we can't allow Mexican officials to take advantage of American entities if we want the USMCA to build long-lasting, free and fair trade relationship. I am going to provide you and your staff with more briefing materials on these two matters and look forward to talking with you about it in the future.

We are hearing a lot -- pivoting now to the U.S.-U.K. agreement, we are hearing a lot from members, and I am very thankful that members are getting more and more engaged on this. This is something I have been engaged in ever since the United Kingdom voted to leave the European Union.

In fact, the first opportunity that I had to meet the President in 2017, this is what I brought up with him. And I told him that I thought that this was something that he could accomplish in his first term, and I am glad to hear you are working at pace.

You know, our nations share a special bond and we have benefited from our prosperous trade relationship for years, and although we represent only half of what is represented by U.K.-EU, I think that there is a lot of potential there and we have a lot of things in common.

You know, in some areas, we haven't kept pace -- you know, none of our trade has kept pace with some of the structural and technological advancements in various economies, and there are barriers there that we can tear down with a U.K. agreement that maybe would set a gold standard for agreements with other countries.

And to some degree, I think if we could seal a deal with the U.K., it would forebode well for what we are able to do at the EU because it would set a standard. So I would like for you to comment on that, where, you know, we could reach an agreement with the U.K. that would be the gold standard, an example for other trade agreements.

And also, you have been asked several times about the timeline and so forth, and I appreciate your responses on that. But if you could talk with some specificity as to, you

know, what is the next point in the trade negotiation that you are trying to get to. Is there a kind of an intermediary point that you are trying to get to? And where are you in that progress? And what do you think the likelihood of us kind of getting to the intermediary point, if there is such a thing, before we get to something that is presented before Congress? So I turn it over to you to comment.

Ambassador Lighthizer. Well, thank you, Congressman. It is good to see you too.

I would say, on the issue of the paid advertising and the taxi, we are aware of that. We have talked to the stakeholders particularly in the taxi case. I look forward to working closely with you to resolve that. Obviously, there is nothing we can do until this goes into effect, which is only a couple of weeks away, and the United States will take every action to enforce its rights under this agreement. And I am familiar with both of those issues, and they are things that we will and are focusing on.

In terms of a deal with the U.K., I believe, ultimately, we will have a deal with the U.K. The question, like in every negotiation, is when. But the imperative to have one is overwhelming, right. Our economies are actually fairly close. Our systems are fairly close. And they are among our closest allies, and so I am confident that we will get an agreement. And I am confident we will get one that will be warmly received by Congress. The question is really when.

So, we are in our second round of negotiation. Even between rounds -- we are doing this virtually, so there are meetings virtually between rounds. At the end of this round, which will be the end of next week, we will make an assessment and sort of see where we are. My own hope is that we have at least a couple of chapters at that point that we have closed out. We will see if that happens. We don't have any at this point, but my hope would be we have at least a couple of chapters that are closed out.

But it is still a long way to go, and there are very, very fundamental issues that we have to come to grips with. So, I don't want anyone to think this is going to be a rollover. I read their press, as I know you do, and the agriculture issues are heating up over there, and there are a lot of other issues that the United States and the United States Congress would not accept in a trade deal. And if they insist on those, then we will just have to push this off until they don't.

By my hope is that they see the overall benefit to their economy, to their workers and farmers, the same as we do, and that we can move forward. At this point at least, I would say there is no -- I haven't gotten to the point where you would say, well, this issue is going to, or that is going to blow things up. But we all know we have certain defensive interests and we have certain offensive interests. And one thing is for sure, we are not going to be in a position where our farmers aren't treated fairly. That is for sure.

Chairman Neal. I thank the gentleman.

Consistent with committee practice and precedent, we will now proceed to a 2-to-1 questioning ratio beginning with the gentleman from New Jersey, Mr. Pascrell.

Mr. Pascrell. Thank you very much. And thanks for putting this together.

Ambassador, thank you for your great service. It did not go unnoticed, and we hope you will have many more years.

I want to talk about labor. I want to talk about something that makes us uncomfortable. We don't want to talk about it for some reason, and we, I think, only skirt the issues. Whether we are in labor or whether we are in corporate America or whether we are in Congress, it doesn't matter.

And I first want to talk about the jobs that are supposed to come back to the United States. Now, under this new NAFTA, this is not a tryout as the first NAFTA was. This is for real. It says in the agreement that Mexico must vet all collective bargaining

agreements. Once vetted, the process for overturning contract allows protection unions to exert undue influence.

Of the 162 contract legitimization votes, zero resulted in defeat, so far. Several votes have been marred by allegations of employer interference and misrepresentation. Several votes.

So, what is USTR doing to press the Mexican government for reforms that cannot be manipulated? And will you advocate for workers to be able to initiate the contract verification process or a labor inspector to supervise verifications? Those are my two questions for now, and then I have another one later.

Ambassador Lighthizer. So, thank you, Congressman. I would say, first of all, the way the system works in the collective bargaining certification, either the company or the union asks for the vote, and they have to have them all done within 2 years. And as you know, there are hundreds of thousands of them, so there are a lot. There have only been a few that have been done so far. I believe it is fair to say that there has been some sort of a labor expert at the ones that they have had so far.

The other thing I would say is that since the agreement doesn't go into effect for a couple of weeks, it is hard for us to use any of the tools that we all worked out to make sure that this agreement is enforced. But we certainly expect to do it when the time comes.

In terms of jobs coming back, I would also point out that the rules of origin, particularly in autos, are going to be very effective in bringing jobs back to America. And those are already -- they are not in effect, but the companies are putting in place those rules already.

And the final thing that I would say on this, and I think it is really important that we remember, the way the labor system really operates there, workers can challenge the

certification of the union. So, there are two things here to think about. One is the collective bargaining agreement, and we all have these -- and they have this history of protectionist agreements, which you were so vocally criticizing, and I certainly agreed with. So that is what the collective bargaining agreement votes. In addition, you can challenge whether or not this is a representative or what we would say a democratic union. So, I think both of those are going to be used.

With respect to collective bargaining agreements, the way that works is the current -- at least initially, the current union or the employer will ask for a vote. Remember, when you get to the deadline, if they haven't had a vote, all the agreements go away. So, at that point, it is clear there is this pressure on these companies and the unions to get these votes, because at some point they all go away.

But I would -- I do want people to remember that challenging the union is really an important part of this process also, and that is something that people can do right now. To the extent these are not democratically elected -- and that is the whole premise that we operate on. These are not democratically elected unions.

Mr. Pascrell. Can I ask you one more question, and that is on this labor leader that was just arrested last week. The Mexican authorities arrested labor advocate Susana Prieto on trumped-up charges. Will the U.S. Government join calls for her release?

Ambassador Lighthizer. So that is something that we are working very closely with our embassy on and also people who are looking out for their interests. You know, we are aware of it. We are working on it. It is something we are going to monitor. We will take action if it is appropriate.

But I am glad you brought that up, because it is not a very -- it is a bad indicator, and I am hoping that it is something that they work out themselves within their own system. I want you to know that we are aware of it and that we are taking -- I mean, we

are going to take this very seriously.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Illinois, Mr. Davis, to inquire.

Mr. Davis. Thank you, Mr. Chairman.

And thank you, Ambassador, for being with us today and for your outstanding work. Especially, I appreciate your accessibility and the way in which you responded to inquiries that we may have had or questions that I have raised.

Two of the issues that I am very much concerned about, one has been raised by both Mr. Thompson and Mr. Reed and you have responded to those, and they both relate to the creation of equity as we deal with the excise tax on alcohol and the differentials between that generated domestically and imports.

You have already responded to those inquiries, and you don't have to respond. But like many others, I am very pleased with the ability that we exercised to negotiate the new NAFTA agreement or the agreement between Mexico, Canada, and the United States.

During the talks, the chair and ranking member of the House Energy and Commerce Committee sent you a letter demanding that the revised NAFTA not include terms requiring countries to enact the sort of liability waiver provided for in section 230 of the Communications Decency Act. Of course, you didn't necessarily respond to those or some of the other concerns raised by Speaker Pelosi relative to the waiver.

At the very end of May, President Trump issued an executive order to roll back section 230. So, given the administration's new policy on 230, can you confirm to us that the U.K. and Kenya agreement, the WTO digital trade agreement, or any other pact that we agree to will not include the liability waiver term?

Ambassador Lighthizer. So, thank you, Congressman. I would say -- I would, you know, ask your forbearance while I kind of explain the sense on this. And I have

talked about this before. The purpose of a trade agreement is not to change any U.S. policy, and this is one where there is a lot of -- you know, there has been a lot of controversy and discussion, particularly recently, as you mentioned; you but also the Speaker and a variety of other people. And my view is this is something that Congress has to work out as a matter of what the policy is.

I would say, the purpose of a trade law is to make sure that the United States Congress -- the trade agreement, I am sorry, the trade agreement -- the United States Congress has enough room, policy space within whatever we negotiate to accommodate what the Congress comes up with.

And that is where we are trying to move in that space. We are trying to -- and we have not tabled language on it yet. We are still working with the interested parties and the like, but it is -- as you say, it is complicated. There are shifting grounds. It is an important policy. And I want to be in a position where what we put in the trade agreement, consistent with TPA, accommodates the ability of Congress to work its will and not have anything in the agreement be inconsistent with what Congress operates.

So, you know, that is my space. There are people from time to time who try to draw me into the 230 debate. The President has his executive order, as you said, but that order didn't change U.S. law. The Congress has to change U.S. law, and the President has to obviously agree to it or have an override or however that works out.

But what I want to do in a trade agreement is just make sure there is space so that you can do -- you, I mean you collectively, what the United States Congress decides U.S. policy should be. And that is -- I am trying to find language that accommodates that for this trade agreement.

Mr. Davis. [Inaudible] being adhered to by Mexico. And you don't have to respond to this, but I certainly would like to see us take a more proactive stand vis-à-vis

the issue regarding Ms. Prieto as well as the ability for labor organizers to actually organize and implement changes.

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

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Missouri, Mr. Smith, to inquire.

Mr. Smith of Missouri. Thank you, Mr. Chairman.

Thank you, Ambassador, for taking the time, for being here today. It is good to be in the committee room.

Ambassador, you and President Trump have worked tirelessly, in my opinion, to protect American agriculture, which we hold dear in the Midwest and southeast Missouri. Unfortunately, no one could have predicted the ways in which the China phase one agreement would be tested with the ink on the page barely dry.

Farmers and ranchers are suffering heavy losses due to the global coronavirus pandemic. Supply chains disruptions and the loss of demand have put many U.S. producers on the ropes. Producers need long-term security, which is why the purchasing commitment secured in the historic China phase one agreement are so critical.

These purchases will secure a foothold for U.S. producers in the Chinese market and ensure that our farmers and ranchers can compete abroad. They will also serve as a critical boost to our economy as we continue to deal with the impacts of the coronavirus pandemic on our country.

Last month, I sent a letter with several of my Ways and Means Republican colleagues raising these concerns to President Trump, and urged him to continue to prioritize U.S. agriculture purchases as part of the implementation of the phase one agreement.

I would like to enter that letter from May 11 into the record, Mr. Chairman.

Chairman Neal. So ordered.

[\[The information follows:\]](#)

Mr. Smith of Missouri. Thank you, Mr. Chairman.

Ambassador, in May, USTR issued a statement saying that despite the global pandemic, both the U.S. and China plan to meet their phase one obligations. While I have complete faith in our ability to hold up the U.S.'s end of the agreement, what signals have you received from China that give you confidence that they are prepared to do the same in terms of their agriculture purchasing commitments?

Ambassador Lighthizer. Well, thank you, Congressman. And as I said before, this China phase one agreement is, in my opinion, a historic deal for a whole lot of reasons. It is the first really written agreement we have had with China. All the rest of them have been, you know, oral. And it has a lot of aspects to it, and one of the important ones, of course, is the purchases.

So, I would say a couple of things on that. One, every contact I have had with the Chinese, they have reaffirmed their commitment to living up to the agreement.

Number two, although you haven't raised this, I could go through all the structural changes, and there are scores of them, that they have put in place pursuant to the agreement, which is another indicator.

Number three, Premier Liu has specifically said, when he addressed the Chinese Congress, whatever, a couple weeks ago, that they expect to live up to this agreement.

Number four, I would say just to remind ourselves of the timing of it all, the agreement goes into effect on February 14. It was -- I know you know this, but I will just restate it for the record, that it was really the beginning of March when they started giving the exclusions and the like as part of their own process.

It's hard to calculate what the effect has been because you have to somehow

amalgamate shipments of things which were ordered months before with purchases recently, so it is a complicated process. I won't take the committee's time going through all of it. But I think if you do sort of a fair process of trying to determine how much they are buying, I think at this stage, they are in the \$10 billion or more range. As recently as last week, they bought \$0.5 billion worth of soybeans, for example.

So, it is something we are monitoring very closely, Secretary Perdue and I. We have kind of a methodology to kind of give us a handle on it because the data doesn't -- isn't designed to tell you what one country is doing in a purchase context. It is more shipments and the like.

And anything that they have as imports, of course, was bought months and months before. But every indication is that in spite of this COVID-19, they are going to do what they say. Now, I will --

Mr. Smith of Missouri. I would be curious, what are your expectations on China's upholding the purchasing agreement of cotton and cotton yarn?

Ambassador Lighthizer. So cotton right now, the process that -- now, I don't have yarn broken out, but if you have cotton, we expect them to buy, as you know -- well, I guess you probably don't know. These numbers aren't out. That is a good point. I guess I can't say that. They have bought, we believe, about \$1 billion worth of cotton right now. And the target is substantially north of that. But \$1 billion of cotton, as you know, is a big thing.

If you look down, I don't have the -- I can show you the chart on where they are, but if you look at -- the way I keep track of things, I have 2017, which is like their best year ever, and then where they are now in purchases on a monthly basis versus that. So, this is what we score every day.

In cotton, they are way above where they were at that time, but they still have a fair

amount of cotton to go. But our best estimate at this point is \$1 billion. I don't know if I should be making these public statements, but whatever. You asked, so I did.

Mr. Smith of Missouri. Thank you.

Ambassador Lighthizer. I think they have bought a fair amount of cotton, which is particularly important as an indicator, Congressman, because their apparel business is slow, right, for obvious reasons, because of the COVID-19. So, we believe they bought a fair amount, they have a fair amount additional to go, and I expect them to live up to the agreement. They have indicated they will. And I know how important it is for not just cotton but for all of them.

Mr. Smith of Missouri. That is great to hear for all of our cotton producers in southeast Missouri.

I do want to hit on one other point with my time running out. With the U.K. agreement, with the urgency of trying to get that accomplished, I know agriculture is going to be front and center in the discussions and a big sticking point.

Missouri being the second largest cow-calf producing State, beef consumption, beef purchasing is extremely important. And I hope that we can have your assurances that the U.K. and U.S. will engage greatly in their purchase of U.S. beef.

Ambassador Lighthizer. So, we will make every effort to have you and other people interested in beef be happy. I would say that this administration has really done a good job for beef producers, right. I mean, I know you know that, but if you look at right down the line -- China, of course, but Japan, which is our biggest market. So, this is an emphasis. It is something we will focus on.

Mr. Smith of Missouri. Thank you for your service, Ambassador.

Ambassador Lighthizer. Thank you.

Chairman Neal. I thank the gentleman.

Let me recognize the gentlelady from California, Ms. Sanchez, to inquire.

Ms. Sanchez. Thank you, Mr. Chairman.

And, Ambassador Lighthizer, thank you for joining us today. I want to get right into my questions, and I sort of want to follow up where Mr. Davis left off.

The administration has many ongoing negotiations, the U.S.-Kenya, U.K., and others. And the U.S. Copyright Office recently released the findings of a 5-year study on section 512 of the DMCA, concluding the section lacks balance.

The Senate Judiciary Committee is currently undertaking a full review of that provision, with the IP Subcommittee chairman indicating his intent to amend it.

I am just curious to know if you will commit that the text you propose in these upcoming agreements will have flexibility to accommodate changes such as those that are currently under consideration and not lock us into a flawed regime.

Ambassador Lighthizer. So, I am not familiar with that specific provision. I will certainly look at it and get back to you. I will repeat what I said and what I think you want the answer to be, and that is that my objective is not to make policy at the United States Congress. My objective is get other people to follow the rules that Congress decides on, make trade fair and accessible, and accommodate the policy changes.

But with respect to that specific provision, let me look at it, Congresswoman, and I will -- I am happy to get back to you.

Ms. Sanchez. I appreciate that.

And with respect to enforcement, which you just mentioned, I want to press on some points in your written testimony about trade with China. We all know that China cheats. Your testimony states that China has abusive trade practices, like stealing intellectual property, forcing technology transfers, employing discriminatory regulations, and manipulating their currency.

Yet you state that the phase one trade agreement, which was signed in January of this year without congressional input -- I feel compelled to add -- you describe it as groundbreaking. And you say, quote, that the administration has maintained the authority and leverage to enforce China's compliance with the agreement.

If that is the case, can you tell me how we are doing with enforcement of the U.S.-China film agreement? Because my understanding is that since 2017, China has agreed to more equitably share box office revenue with U.S. film creators, yet they are still not paying what they have agreed to pay. Has that changed since phase one was signed into effect on January 15 of this year?

Ambassador Lighthizer. So, I would say, first of all, I don't agree with the statement that there was no congressional input. I talked to many members about the China agreement over the course of the --

Ms. Sanchez. That was done by the administration. I don't know what members you were talking to, but we certainly don't feel like we had any input in that process.

Ambassador Lighthizer. Well, I assure you that I spoke to many members about China and they actually, during the course of the --

Ms. Sanchez. Can you please answer the question?

Ambassador Lighthizer. I am sorry. We are talking over each other. I will be quiet now and let you speak.

Ms. Sanchez. I would like you to address the substance of what I just asked about the U.S.-China film agreement.

Ambassador Lighthizer. I am sorry, about the what?

Ms. Sanchez. The U.S.-China film agreement, the revenue-sharing provision. Has that changed substantially since the phase one came into effect on January 15, or are we still not getting what we are supposed to?

Ambassador Lighthizer. So, first of all, the film agreement was not covered by phase one. It is an issue on which we are still negotiating. I realize that the industry has what we consider to be a bad deal. The film share is way, way, way below international standards, and it is something on which we are negotiating.

It is not covered by phase one. There are a number of things --

Ms. Sanchez. Okay. There were a number --

Ambassador Lighthizer. -- that aren't covered by phase one. This is one of them. But it is something on which we are still having ongoing negotiations.

My guess is that the reason we call this phase one is because it is not phase everything, and my guess is you can find things that you can complain about that are not in there. This would be in that group. I didn't --

Ms. Sanchez. Okay. So you admit --

Ambassador Lighthizer. Would I have covered it? Of course, I would have covered it. It is something we negotiated on, we worked with the industry on at great length. And in the final analysis, we couldn't come to agreement with China on it.

Ms. Sanchez. Okay. I just -- I take issue with your saying that this phase one is groundbreaking and that you are going to be able to force compliance, because they are still out of compliance with the film provision.

I want to ask one last question in the time that I have remaining, and that is that trade policy has a direct effect on jobs in Black and brown communities. What trade priorities and policies is the administration pursuing to ensure that trade promotes racial equality and equity?

Ambassador Lighthizer. So, I am glad you brought that up, because we put out our 2020 trade agenda, and WTO 5-year report is something that I commend in there. But in there, we specifically have provisions that we think are significant results of our trade

policy. And it is on -- in fact, it is so prominent it is actually on page 2 of the actual agenda.

But it goes through a variety of specific provisions, and that is wages are growing faster for all groups, but historically disadvantaged groups are seeing the fastest growth. Since President Trump took office, average wage growth for Americans without a bachelor's degree has outpaced wage growth for those --

Ms. Sanchez. That is not --

Ambassador Lighthizer. Excuse me. I am going to get to it, if I can. Average wage growth for individuals in the tenth percentile of the income distribution has outpaced growth of individuals in the 100 -- average growth rate for African Americans and Hispanics have outpaced overall average wage growth.

Ms. Sanchez. That is not my question, Ambassador. My question is, what specific trade policies has the administration pursued so that we can ensure moving forward that there is racial equality and equity in our trade agreement?

Ambassador Lighthizer. So, my emphasis, and which I think is such an important part of our trade policy, is to bring back manufacturing jobs to America. And the result of bringing back manufacturing jobs is that those who have historically been disadvantaged will have middle-class family supporting jobs, and that is precisely our policy. And our policy also is to discourage outsourcing where we lose those kinds of jobs.

So, nothing has made me happier about the results of our trade policy than that it is helping people at the bottom --

Chairman Neal. I think, Mr. Ambassador, you and Ms. Sanchez, I think it would be a good idea if you spoke on the phone together.

Ms. Sanchez. Yes. Mr. Chairman, thank you. I was just going to yield back, but I was going to ask if the ambassador would be willing to answer in writing, because I am

asking about specific priorities and policies and all I am getting is statistical information.

Chairman Neal. Sure. Yeah. Makes sense. Makes sense.

Ms. Sanchez. Thank you, Mr. Chairman. I yield back.

Chairman Neal. Thank you.

With that, let me recognize the gentleman from New York, Mr. Higgins, to inquire.

Mr. Higgins. Thank you, Mr. Chairman, and thank you, Ambassador. I, like my committee colleagues, both appreciate and admire the many qualities of honesty and integrity that you displayed over the past year in your work with our committee. So, thank you, sir, for your service.

As you know, after World War II, the United States led the world's manufacturing powerhouse. In the last 20 years, we have lost 56,000 manufacturing businesses and 6 million manufacturing jobs. The U.S. trade deficit was \$650 billion last year. The United States has had a trade deficit every year since 1976. In fact, it was one year before our colleague, Brendan Boyle, was born, to show you how long we have had a trade deficit.

Germany is a high-tax, high-wage, high-regulated economy, \$4.5 trillion with 83 million people. It is the strongest and largest economy in all of Europe, and 20 percent of Germany's economy is manufacturing versus 10 percent in the United States.

The Martin Luther King, Jr., statue on the National Mall was made in China. The San Francisco Bay Bridge was made in China. The Freedom Tower, which extends almost 2,000 feet, is 104 stories. The Freedom Tower that replaced the Twin Towers that fell on 9/11, the glass was made in China. The steel was made in Germany.

Ambassador, you had said that the United States-Mexico-Canadian free trade agreement that replaced the 25-year-old NAFTA agreement will turn out to be the best trade agreement in history. You have said, and you have said repeatedly in this session

today, that the primary goal of this agreement is to increase United States manufacturing. I think that the trade agreement will be influential in that regard, but I also believe that manufacturing will be determined more than anything on the internal fortitude of our country's willingness and determination to change. My question to you is, what can the United States learn from the German manufacturing powerhouse?

Ambassador Lighthizer. So, first of all, let me thank you for your comment, but thank you mostly for your emphasis on manufacturing. I am, as you know, one who believes -- and when I write, I talk about it. If I can give another plug, I did a lengthy article in the current Foreign Affairs which I think sort of makes the point that I think you would find -- you would be in total agreement with, and I hope you get a chance, and other members, to read it. So, I think manufacturing jobs are really, really important for people that don't have a college degree, which we have to remind ourselves is about half of our workforce. So, it is so important that we bring back manufacturing. You mentioned Germany, so why does Germany -- I believe it is fair to say that they haven't had a trade deficit at least since the fifties and maybe even well beyond that. I would say a couple of things about Germany.

One, I am one who believes that part of the agreement that created the European Union was that countries like Germany would end up with a currency, the euro, which is essentially too weak for their economy. So, to me, the basic commitment was they get a weak currency, which allows them to be a manufacturing powerhouse, and in return, they make -- yeah, they pay money to the south. So, I think that is part of their equation, and it was unfortunate that there is no way for us to emulate that.

I think they also use standards as a defensive tool, see, and that is one of the things we can and should take on. And then if you dissect it beyond that, you dig down -- and you have got to look at sectors. You dig down, and so the next big thing for them is the

automobile industry where they have been so effective. And one of the things that we are trying to do is use USMCA and other tools to insist that they bring that manufacturing to the United States; in other words, that the German automobile manufacturers, which are so important, and all the companies that spin off and all the suppliers are so important to their manufacturing string come to the United States. And we have seen that happen in the past, but we are really trying to emphasize it.

So, the USMCA I do think will have the effect we have talked about. We have worked with members. I think most members agree that our auto industry was moving south before USMCA. And there was probably -- I think it was eight or nine of the last 11 automobile plants in North America, before we started this renegotiation, were built in Mexico, and so we had to stop that. It wasn't economics, in my judgment. It was industrial policy down there, and we turned that around.

But let me just end where I started. I completely agree with your fundamental position that we have to bring manufacturing back to the United States. The President completely agrees with it. I don't think that any administration has actually taken that on, and so I am pleased with it. Until now, we have had this view that, well, we are post-manufacturing and post-industrial. To me, that is nonsense, and it is not consistent with the kind of country we want to have.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from South Carolina, who we hope is doing well, Mr. Rice. Mr. Rice, would you unmute yourself?

Mr. Rice. Great. Can you hear me now?

Chairman Neal. We can hear you.

Mr. Rice. Okay. Mr. Ambassador, thank you so much for being here today. I want to say that my whole focus in Congress was on American competitiveness and that,

between tax reform to make us internationally competitive, trade reform, which you have been the spearhead of, your progress on China, USMCA, your progress in moving forward with the EU and Brazil and Britain has been amazing. It is the reason why our economy before this crisis was the envy of the world. We were at 3.6 percent unemployment, historic lows. People were reentering the workforce in record numbers. Wages were rising over 3 percent, which was never done by the Obama administration. The middle class was returning. All these things show what a stellar economy we had.

Mr. Thompson raised earlier a report by the National Bureau of Economic Research. He said it showed we were going into recession. I can't see that anywhere. The report is absolutely patently false. Again, we were the envy of the world. And, in fact, I want to reintroduce that same report into the record, Mr. Chairman, to show that the leading economic indicators in that very report show how exceptional our economy was. And that, in fact it was still growing. Moving from that, Mr. Lighthizer, Ambassador Lighthizer, I just want to commend you again on what you have done and what the President has done in regulatory reform, trade reform, tax reform, and so forth to spur our economy and to create opportunity for Americans that hadn't seen any level of opportunity like this in decades.

In fact, you have heard me say before: I represent three of the poorest counties in South Carolina; Marion, Dillon, Marlboro. When I took office in 2012, under the Obama administration, Marion County, South Carolina, was right at 20 percent unemployment. Just before this dreaded virus hit us, it was at 4.2 percent unemployment, which is really just a miraculous turnaround, due in no small part to your efforts. So thank you very much.

I want to move on to the China deal and phase 1. I have farmers here in my district who deal in various commodities, commodities to include tobacco, and I just

wanted to get your sense on timetables on when you think China may come into compliance with its commitments under the phase 1 agreement.

Ambassador Lighthizer. So, thank you, Congressman. The way we structured this phase one agreement because there is kind of a disconnect between when it starts and when the economy starts. We expect them and they expect to make their commitments in this calendar year, even though we technically didn't start until February 14, and the exclusions really started at the beginning of March.

If you look at the commitments generally, there is a bit of a backloading. If you look at ag sales, there is a bit of the backloading, is that soybeans tend to be sold at the end of the year. They are buying a lot of soybeans now, but big, big numbers at the end of the year. So, after 2017, which is the year we compare it to, there was \$10 billion of selling at the end of the year. So, our objective is to get as much of all the other commodities as possible and realize at the end of the year, there will be a lot of soybean sales.

I talk and my deputies talk to China every few days. We work out a variety of problems. We run it through the data. I won't comment specifically on any one product in that respect, but they say they are going to meet their commitments, and the indicators now that we have are that they are going to meet them. So that is what we are hoping.

Chairman Neal. We have lost you, Mr. Rice.

There you are. Yeah. We can hear you now.

Mr. Rice. Okay. Mr. Ambassador, I have steel production in my district as well. And I understand that, despite the fact that steel production worldwide is down 10 percent, China continues to increase their capacity and that, in fact, they are at the highest capacity ever. They rose over 1 percent since last year. What is the administration doing to try --

Ambassador Lighthizer. So, I believe that was steel. I didn't -- I couldn't quite hear. Was it steel? Yeah. So if you go back and look at the last 25-year problem in the

steel industry, that problem could come down to one word, and that word is China, all right, and you know this very well because you and I have talked about it. China has created more capacity, 10 times more capacity than the United States has, and we don't believe it is economic.

What the President did is the President put tariffs, 232 tariffs, on all the steel coming into the United States. And, you know, there are issues here, issues there on that, but I believe that if the President had not done that, we would be looking at a catastrophe in the steel industry, and so I am very proud that that was one of the most important things he did. China is still moving ahead, as you suggest, with their production, but it is more and more expensive for them to do it. So, the President took a very, very bold step on behalf of the steel industry whenever that was, 2 years ago, and thank God he did. But I am not going to suggest there are not still big problems in the steel industry.

Chairman Neal. I thank the gentleman.

Mr. Rice. Am I out of time?

Chairman Neal. The gentleman's time has expired.

Let me recognize the gentlelady from Alabama, Ms. Sewell, to inquire.

Ms. Sewell. Thank you, Mr. Chairman.

Mr. Ambassador, I first want to thank you again for all of the hard work that you and your staff did on the USMCA. As a part of the Democratic task force, we spent many months together in rooms negotiating an agreement. And because of our collaborative efforts, I can truly say that I think that that agreement was transformative in the area of labor, the environment, and enforcement provisions. We really can hold up the USMCA as an example of what is possible when the administration works with Congress.

Despite the success of USMCA, unfortunately, this administration has chosen not to work with Congress on other types of trade agreements. Instead, it frequently elects to

bypass Congress in order to implement controversial trade policies against objections from both sides of the aisle.

For example, instead of consulting with Congress and using the trade promotion authority as Congress intended, this administration chose to pursue a skinny deal with Japan to deliberately cut Congress out of the process. Now it appears that this administration is doubling down on this skinny deal strategy as USTR rushes to negotiate politically expedient deals with India and Brazil, and potentially with Australia and Singapore. And I believe that this is dodging congressional oversight and denying us an opportunity to vote up or down. I know that there are loopholes in trade promotion authority, but it is really meant for a better work product that is not just driven by the executive branch but also has input from the legislative branch.

Furthermore, you know I continue to be troubled by President Trump's auto 232 tariff threats against our allies. President Trump issued another threat just last week as auto workers across the country continue to be threatened by the economic impact of COVID-19. Not only is the administration abusing the section 232 tariff powers by labeling automobile imports as a national security threat, but the President continues to violate the law and obstruct Congress' oversight by refusing to release the section 232 report, auto report, to Congress and the public as you are required to do by law.

Mr. Ambassador, I know you know these issues very well of auto 232 tariffs, so I won't focus my questioning today on those areas. I did want to admit my statement for the record.

My question actually is about the use of skinny deals, and I am very supportive of the efforts of this administration to find and negotiate a comprehensive free trade agreement with the United Kingdom. I am glad that the USTR is beginning its second round of negotiations. However, because the administration has a history of skirting the

TPA requirements of oversight by the Congress, I can't help but wonder whether this administration will cut out Congress and reach a skinny deal with the U.K. so that it can be done by November. Can we get assurances from you today, Mr. Ambassador, that you will not bypass Congress during a U.K. negotiation with a Japan style skinny deal?

Ambassador Lighthizer. Yes.

Ms. Sewell. I am interested in seeing that the USTR is pursuing a free trade agreement with Kenya. First, I hope that it is your intent to negotiate a comprehensive free trade agreement with Kenya and not a skinny deal that doesn't shut our ability to provide oversight. So, I am going to trust that your answer would be yes, that you plan on making sure that we get congressional oversight and input when it comes to Kenya.

Secondly, I am curious how you view a potential Kenya free trade agreement in relationship to AGOA. I strongly support efforts to strengthen our economic ties with African countries, but I am concerned if you view a Kenya free trade agreement as a model to replace AGOA. Your thoughts, sir.

Ambassador Lighthizer. Thank you, Congresswoman. It was a pleasure --

Chairman Neal. Could you turn on your microphone, Mr. Ambassador?

Ambassador Lighthizer. I will repeat it.

Congresswoman, it was a pleasure dealing with you through the whole process, and I would say that the USMCA process and the result was better because of your involvement, and I am grateful for that. Needless to say, I don't agree with your statement on the Japan deal. I am happy to talk about that at great length if you want and will put out as a concession to the shortness of everyone's life, I will let it go at this point.

And I guess I should say that there are -- this is probably worth saying quickly, that everything we do at USTR is not just an FTA, right. We worry about problems that are coming from American manufacturers and workers and unions and the like all over the

world all the time. And I have a list here, which I won't through, but which has got 40 or 50 -- I call them singles and doubles. There are things -- is Congress involved? A lot of these things come to us from Congress. They come from shareholders, and we work through these things, you know. This is opening the sorghum market in Vietnam. I mean, there are just scores of these kinds of things. And that is one of the things we do at USTR in agriculture but also in other areas. In the case of Japan, what did we do? We basically got the benefit that had been negotiated in TPP by a different route and didn't have to pay 10 times as much for it which had happened in the TPA context.

So, what we do in all of these cases is we go, and we solve problems for American businesses and farmers and ranchers and labor, and we do work with Congress on that, but they are not under TPA.

So, the relationship between Kenya and AGOA, our view is we want a free trade agreement that is as ambitious as is reasonable to expect from Kenya, and we want that, then, to be a model. It is not a substitute for AGOA, but I will say this: You know, most people in the world, when they negotiate, get something for what they give. So, if you go around and look and see what Europe did in their preference program, they tend to get something for it. We haven't gotten anything. And I think AGOA is a good program for some people. It is not a good program for other people. And the best thing we can do is try to have a model agreement that works for significant African countries. By "significant," I mean sort of large and with a relatively large --

Chairman Neal. I thank the gentlelady.

Let me recognize the gentlelady from Washington State, Ms. DelBene, to inquire.

Ms. DelBene. Thank you, Mr. Chairman, and thank you, Mr. Ambassador, for joining us today.

At last year's trade agenda hearing, I raised the issue of Chinese overcapacity in the

aluminum sector, and I asked you if you had made any progress on securing specific commitments to address this issue, such as numerical targets. Since then, we have had a phase 1 deal that failed to address this issue, and now an aluminum smelter, an Alcoa smelter in my district, one of the few left in the country, just curtailed its operation, which puts 700 people out of work.

I am also concerned that China's plans to revive industrial production following the downturn caused by the COVID pandemic could exacerbate the current problems in the global and mineral market. So it is past time for this to be a priority to address this issue. In the coming weeks and months, I hope you will step up your efforts to address Chinese overcapacity, and I stand ready to work with you on this.

I also wanted to ask you. Given the pandemic, we definitely have seen the importance of developing a stronger, more resilient manufacturing base in the U.S. for medical equipment, personal protective equipment, and pharmaceuticals. However, the reality is that we will still need to rely on imports to a certain extent. This week, the EU forwarded a proposal to ask for WTO members to negotiate an agreement on healthcare products that would eliminate or substantially reduce tariffs on pharmaceutical and medical goods and strengthen cooperation on global health crises. What are your thoughts on such an agreement?

Ambassador Lighthizer. So yeah. I won't spend time on the aluminum other than to say it's something where the President did take a bold step when he put tariffs on. And the problem, unfortunately, is not just China, right, as you know well. It is also a problem with Canada that we are working on.

So, I am a firm believer that the things we need to fight this in the next pandemic should be made in America. We are a great country. If you are a small country with a small economy, you need to rely on others. I believe we have to put together a program

that includes tariffs. So, I am not in favor of reducing tariffs on the things we need. I would be far more in favor of increasing tariffs on the things that we need as a part of an overall plan to make sure that the next time we have domestic manufacturing capability in these areas. So, I do think we have to have manufacturing capability, but I don't think you get to it by entering into agreements where the net effect of which really is to ship that manufacturing overseas.

The other point that I would make that I think is worth mentioning is we have -- I am sure you are aware, in the Uruguay Round, we have a pharmaceutical section of that. A pharmaceutical agreement, they called it, and it is one of these agreements where the 8, might be 16 now, countries got together and said we will all agree to have zero tariffs on a certain list of pharmaceutical products, and we will just give that benefit to the rest of the world, which struck me as like, really, really crazy. So, we have a decision with respect to certain pharmaceuticals. We are committed to zero tariffs, and China and India and others, who are major producers, are not so committed. So, I guess I just don't buy that approach. I think we need a comprehensive program, but it has got to have a tariff piece, just speaking for myself.

Ms. DelBene. I also wanted to ask you about the recent strength of digital protection in some of these countries like India, Brazil, and Indonesia. Do you think it will be possible to extend the WTO e-commerce moratorium or to make the moratorium permanent? And if so, what tradeoffs do you think are going to be needed for developing countries to sign off?

Ambassador Lighthizer. So, the whole area -- I know it is an area you care a lot about. The whole area of e-commerce is important. We have had a moratorium. It is our view at least that the moratorium is going to continue into next year. We are doing everything we can to try to get the e-commerce initiative moving forward. We have -- to

the extent you can in the current environment, right, we have a lot of video conferences on this subject with our trading partners. We are talking to a variety of them.

Once again, I would say this is an area where I think if the United States makes commitments, the commitments shouldn't be given away to the rest of the world, but clearly, it is something that is a matter of emphasis for us.

Ms. DelBene. Thank you. My time has expired. Thank you, Mr. Ambassador, and Mr. Chairman.

Chairman Neal. I thank the gentlelady.

Let me recognize the gentleman from Mr. Arizona, Mr. Schweikert, to inquire.

Mr. Schweikert. Thank you, Mr. Chairman.

Mr. Ambassador, there are a handful of us on the subcommittee that have a real interest, and Mr. Kind and I have been fixated on this. What do we do? What can Congress do? What can the committee do to help you in the adjudication bodies at the WTO in getting them properly reformed so they actually start working again?

Ambassador Lighthizer. Let me answer this question.

Chairman Neal. Would you turn on your microphone, Mr. Ambassador?

Ambassador Lighthizer. Thank you, Mr. Chairman. I appreciate the reminder.

So, the issue is the appellate body at the WTO. I started -- this is a long -- you know, this is a long position. I started out with the proposition that the WTO needs radical reform and needs reform in a variety of areas. One, we have an unfair tariff situation that has grown up over time. Two, we have an appellate body that is, at least in my opinion, non-functional. Three, we have grown up with a situation where countries end up with free trade agreements and the like, all of which are really giving extra benefit to people who are members of the FTA and not to other members under a multilateral trade dispute -- I mean, a trade system.

But my problem with the appellate body is, one, it has taken away benefits of the United States unfairly, and, two, put burdens on the United States that we never negotiated. So, I have long indictment of it. I know the committee had a meeting with a variety of people, Kelly Ann Shaw and Tom Graham and Michael Punke, and you all are looking at this and talking about it.

Mr. Schweikert. Mr. Ambassador, I guess the question I was asking is what would you have us as the committee, if you would have us do --

Ambassador Lighthizer. So, at this stage, to be honest, the most important thing that the committee can do is what they are doing, and that is to say study the process and realize the nature of the problem. This is the creation of jurisprudence. Unaccountable people at the WTO is at the heart of why we don't have negotiations and at the heart of why we are not moving forward with a multilateral trading system.

So, if you say, "What would I have the committee do to get the appellate body back where it began," I don't think the appellate body was working well. I think it was working against the interests of the United States. I think it was hurting our workers. It is nonrepresentative, and from my point of view, I don't feel any compulsion to have it ever come back into effect.

So, you can then say, well, what do we do about this dispute settlement? And that is a reasonable debate. People ought to have a discussion about whether or not, or what kind of a dispute settlement process we have. Up until the time of the Uruguay Round, we had a dispute settlement process, but it was not binding, and it worked partially as follows: You had panels, and then the panels would make a decision, and then people would try to negotiate it out. Sometimes you had a good negotiation. Sometimes you had a stalemate.

But if you look at economic growth during that period of time versus the time now or the growth of trade during the pre-Uruguay Round and the post-Uruguay Round, you

will see that there was no real difference. In fact, trade probably grew faster. So, there is no correlation between an appellate body and trade growth. There is no correlation, in my view, about the appellate body and the economic growth in the United States or jobs in America or wages or any other thing, so I am not a fan of the appellate body. If it ever goes back into effect, I think that would be fine. I think it is reasonable for members to sit down and say, okay, fine, what is an alternative dispute settlement process that won't degrade jurisprudence, that will be fair to the United States? And that is something I would want to engage with the members on.

Mr. Schweikert. Mr. Ambassador, we would love to hear some ideas of any parallel system. And just because it is my last 30 seconds and it affects Arizona, USMCA is coming into effect very shortly. Implementation, any particular rules and mechanisms that still need to come online? What still needs to happen to make sure that this benefits bigger States like Arizona and our country?

Ambassador Lighthizer. So, I would say from United States' point of view, we have done everything that is necessary. I believe that is true. With respect to Canada and Mexico, they have the laws necessary. Whether they will put in place those laws in practice will be something that we will litigate about if they don't. And the biggest problem, of course, we have right now is the situation on the border because of COVID, right. That is going to have more to do with the effects on Arizona after July 1 than this, but we are fully ready to go.

Chairman Neal. The gentleman's time has expired.

Mr. Schweikert. Thank you for your patience, Mr. Chairman. I yield back.

Chairman Neal. I thank the gentleman.

Let me recognize the gentelady from California, Ms. Chu, to inquire. Ms. Chu, would you unmute, please? Would the gentelady unmute?

Ms. Chu. Yes. Can you hear me now?

Chairman Neal. You did. We can hear you. Thank you.

Ms. Chu. Thank you, Mr. Chair.

As co-chair of the Congressional Creative Rights Caucus, I care deeply about protecting the intellectual property in our free trade agreements. I am in possession of a letter from several music stakeholders, including the American Federation of Musicians and the Recording Academy. The letter thanks you for your successful efforts to ensure that Canada fully implements the obligations to give national treatment to sound recordings in the U.S.-Mexico-Canada Agreement ensuring that Americans are properly compensated for their recordings. And what it asks is that, as we go forward in future trade agreements, we know that there are deficits that are denying Americans royalties of about \$150 million annually, as you go forward, especially as you negotiate U.S.-U.K. treatment, that you work on similar agreements that will ensure that Americans are properly compensated. So, I would like to ask unanimous consent to include this letter in the record.

Chairman Neal. So ordered.

[\[The information follows:\]](#)

Ms. Chu. And then I would like to ask about the status of three separate issues with respect to Mexico's compliance with intellectual property in USMCA.

First, there is a concern about whether Mexico has made sufficient progress to implement a robust notice and takedown system so that content creators can notify online providers about copyright infringements. Second, the Mexican legislature has proposed a change to copyright law which would impose a 30 percent quota for online video providers for over the top entertainment digital providers such as Netflix and Disney, and that would be a clear violation of USMCA if it were to pass. And, finally, one of Mexico's regulators

announced a policy reversal that would shift money from the most powerful prime time TV ads away from U.S. providers for the benefit of Mexican broadcasters. That would create a de facto barrier for equal market access for U.S. entertainment, which is exactly the type of discrimination that USMCA was supposed to prevent.

So, Ambassador Lighthizer, would you elaborate on USTR's engagement with your Mexican colleagues to ensure that they are fully in compliance with the IP chapter of the USMCA?

Ambassador Lighthizer. Yes. I would be happy to, Congresswoman, and thank you for your comments.

And we, of course, are very pleased with the national treatment provision in USMCA, and that was a big win. It was really the correction of a long, long, long time injustice. We are working with the administration in Mexico on all three forums that you just mentioned. They are all things that we are concerned about. The advertising provision was one that was already raised. So, there is general -- at least a couple of members, and probably more than that -- who have voiced a concern about that. The quota provision we agree is a clear violation, and we have made it clear to Mexico that if they move in this direction, we will bring a case. Obviously, we can't do anything except talk to them now because we don't have the agreement in effect, but that is our view. We completely agree with you. Our view is that these are violations, and they are the kind of things that we wrote the agreement to avoid and we fully expect to enforce.

Ms. Chu. Thank you for that.

And I want to ask about the 301 tariff exclusion process. I have a company in my district, iRobot, which has its operations in my district and keeps its intellectual property in the U.S. It was successful in receiving a 301 exclusion in March, but the exclusion expires on August 7. So now the company has to file an extension request while they are

simultaneously filing nearly 800 separate reimbursement requests with Customs to recoup the tariffs bit by bit that they paid since the tariffs first began. So, it is a nightmare situation. They also don't know how long an extension will be. Some companies have been granted full 1-year extensions while others are only being granted an extension to the end of the calendar year. So, can you explain how you are determining the length of these extensions?

Ambassador Lighthizer. So, yes. First of all, I am familiar with the company. Secondly, there is a process they go through to get the refunds, and we understand that. Hopefully, it is not too lengthy or too difficult, but I am sure they are happy that they are getting the refunds. All of the extensions from now on will expire -- the extensions or the exclusions will expire at the end of this calendar year, and we will decide what happens after that.

I would say that, with respect to these companies, they have had -- and I mentioned this a few minutes ago-- they have had, depending on the situation, and I don't remember exactly where their -- which tranche their products are in -- they have had a year, or in some cases, 2 years to make some change in their process so that they don't come under these cases, and I won't-- I mean, under these tariffs.

And I won't go through the whole background as to why we have them in place. We have to remind ourselves these tariffs are in place to protect American intellectual property and American jobs, and I realize it creates a problem for some people. That is why we created the exclusion process.

Chairman Neal. I thank the gentlelady.

Let me recognize the gentlelady from Wisconsin, Ms. Moore, to inquire.

Ms. Moore. Thank you so much, Mr. Chairman, and thank you, Ambassador Lighthizer, for your excellent work and your ability to work across the aisle. I do have the

clock pinned, Mr. Chairman. I did learn.

I just want to follow up on some questioning that Congresswoman Sewell had pursued. I didn't necessarily intend to ask this, but, Mr. Lighthizer, you ended your comments by saying that you sort of wanted to stand up a free trade agreement with Kenya that might look a lot like AGOA. And I guess, number one, I was wondering with some of the flaws we see in AGOA, not being able to reach some of the poorer countries in Africa, whether or not we would look to stand up something that wouldn't look at providing benefits to more than five or six countries, number one.

And, number two, I was also wondering whether or not there were any mechanisms in place to make sure that as U.S. markets are opened in Kenya that we don't destroy the market for the Kenyan economy, and then I have a follow up question. But, first, I would like to yield to you to sort of respond to that.

Ambassador Lighthizer. Well, thank you, Congresswoman.

First of all, if I said that we want an agreement with Kenya to look like AGOA, then I misspoke. We want an agreement with Kenya to look as much like a traditional free trade agreement as their system will allow them to do at this time. This is a little bit -- I mean, this is -- we are kind of in new territory here. We are trying to have a high standards free trade agreement with a country in Africa that is less developed in terms of some of the structures that we need. So, it is a tricky thing. We are trying to find the balance. We definitely don't want to do anything that is going to harm the Kenyan economy.

Ms. Moore. Mr. Ambassador, are there any specific plans to make sure -- they have, like, phasing in its share of products can come in? Is there any specific plan?

Ambassador Lighthizer. So, I would say, first of all, we have these issues because of the TPA process that won't start for another couple of weeks. We will have a formal

announcement, but -- we absolutely --

Ms. Moore. I guess what I am concerned with was we are talking about eradicating forced labor and child factories in China and ending human rights violations, child labor infractions. I know that I am a transplant from the Financial Services Committee, and we have the SEC in Dodd-Frank to have accountability for the use of conflict products and protecting the supply chain.

And probably 2 weeks after this administration came into effect, they passed, through the Congressional Review Act, disapproving SEC's resource extraction role in which, in that case, required public trading of mining, oil, and gas companies to disclose the payments that they made to governments. Now, in the absence of these kinds of safeguards, what are we doing to protect the supply chain from child labor, forced labor? And other than the USMCA agreement, what are we doing with regard to making sure that we have conflict-free trade agreements?

Ambassador Lighthizer. So, I apologize. I couldn't quite get the sense of that. I think the nature of the question was what are we doing on the issue of forced labor and child labor, and we have statutes in the United States against forced labor, which is one of those things where you can actually stop the product from coming in. And I apologize, but I didn't hear the kind of predicate of it. There seems to be something that we did that wasn't consistent.

Ms. Moore. Well, I am happy to hear that there are standards by which you are abiding, and I guess I would be interested in knowing what those protocols are. The predicate was that, soon after this administration came into office, there was a Congressional Review Act. They disapproved an SEC rule on its resource extraction. We have seen murders, rapes, all kinds of problems with conflict minerals because the commercial development of natural resources causes these human rights violations, and so

I was wondering what we were doing. I mean, this happened 2 weeks into the administration. So, I wanted to know if there was a to make sure that our trade agreements are conflict-free.

Ambassador Lighthizer. So, I am not familiar with the regulation that you are referring to that happened 2 weeks into the administration, but from our point of view, we clearly have provisions about, and we do in the USMCA also, about violence against workers. It is, like, the first one that people have had that is something that we certainly find as a model and forced labor where there are specific statutes against it, and I think it is something that we have to be continually vigilant about.

Chairman Neal. I thank the gentlelady.

Let me remind all that the Ambassador, I know, is going to testify in the Senate later on today. So, we want to make sure everybody gets their questions in and the Ambassador has a chance to offer answers.

Mrs. Walorski, the gentlelady from Indiana, is recognized to inquire.

Mrs. Walorski. Thank you, Mr. Chairman. Ambassador Lighthizer, it is so good to see you. Thank you so much for all of the work that you have done and you continue to do. I want to associate myself with Mr. Brady's strong support for reauthorizing the GSP.

Mr. Ambassador, we have talked at length, probably longer than you ever wanted to, to talk about a specific issue in my district, the Lauan wood for RV manufacturing. Exclusively, that wood is a specific type of tropical plywood almost always found in Indonesia. The RV manufacturers found that it is the best combination of size, thickness, and flexibility. It is also lightweight and less vulnerable to water and warping. There is no domestic substitute, and it has left RV manufacturers paying a million dollars a month in unnecessary tariffs. I fought hard to make sure and to ensure that Lauan is coming in duty free. If the program lapses, if the GSP lapses, RV manufacturers will be back to

paying unnecessary tariffs. Mr. Ambassador, you also support reauthorizing GSP?

Ambassador Lighthizer. The administration has not formally taken a position on that. I think the GSP program is something that has benefits but that need changes. I would point out one thing that has come to my attention recently that I find that I'll say for the benefit of Mr. Brady, and that is there are countries that get GSP from us that give -- that have free trade agreements with, for example, Europe and give Europe better trade benefits than we do. And that strikes me as completely crazy that we would have a situation, and it is something that I am going to look at and see whether -- what the law prevents now and or if the law should be changed.

So, the notion that -- I mean, it is not Indonesia, although I would have to look and see if Indonesia has a free trade agreement. But the notion is we give somebody duty-free access to a variety of things. They make a deal with Europe. Europe requires them to give reciprocity. So, therefore, for example, if you are a poultry producer in the United States, you will have to pay a very high duty to sell poultry in South Africa, for example, and Europe can sell it with no duty at all. That is something that has come to my attention recently, and I think has to be worked out. But I often talk to the President about GSP, and it is a reasonable suggestion or comment that why haven't I, and it is just -- but I will.

Mrs. Walorski. With the pandemic, it feels like it was forever ago back in February when you were on this committee. I called for USTR to reexamine tariffs on medical supplies needed for the coronavirus pandemic, and I want to thank you for doing that. PPE was in short supply. So, exclusions from the China 301 tariffs have been hugely important for medical facilities on the front lines and businesses trying to reopen responsibly by protecting their workers. But there is still massive demand for PPE, and some of these exclusions are set to expire. For example, the exclusion for gowns expires August 7, gloves and surgical masks, September 1.

So, my question, we share the same goal of bringing the supply chains to the United States for these products. I have legislation to do that. The demand is going to be high for the unforeseeable future. So it takes time to build the domestic capacity, as you have already said, on products that have to meet rigorous FDA standards. With that in mind, will you consider more generous timeframes for coronavirus-related 301 exclusions? Will you consider granting exclusions from MFN tariffs as well? And are you taking the recent ITC report on coronavirus supplies into consideration for any other exclusions?

Ambassador Lighthizer. So, with respect to the 301 process, we did grant exclusions on those, on the things that members brought to our attention. In terms of the extension of that, that is something that we will look at, depending on what the need is. Would I agree to -- would it be my policy to have us waive MFN tariffs on these items? No, I think I would not.

If you look at, like, the 23 products that were brought to our attention, almost none of them, half of them don't have any tariffs at all, and almost none of them have tariffs above 7 percent. At the same time, we have U.S. companies who are now getting into this business, which is what we want them to do, and I would definitely not give away the MFN tariffs, so no. I think we ought to do what we can to encourage U.S. companies to operate, to manufacture in America, and one of the ways to do that is to have tariffs.

Mrs. Walorski. We just approved, literally approved in May. Do you see any automatic extension of 301s given the fact that they are trying to get these companies back up online after COVID?

Ambassador Lighthizer. I am sorry. I didn't get the nature of that question. You said, am I going to grant extensions to the 301s that I wouldn't have been because of COVID? No, probably not.

Mrs. Walorski. Okay.

Thank you, Mr. Chairman. I yield back.

Chairman Neal. I thank the gentlelady.

Let me call upon the gentleman from Michigan, Mr. Kildee, to inquire.

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

And, Amb. Lighthizer. It is good to see you. Thank you for your service. I don't know how many more times you will be in front of the committee, but if this may be one of the latter times, I just want to say how much I have enjoyed working with you.

I will comment, first of all, we have serious concern, as some of my colleagues have expressed, about the extent to which China intends to live up to the agreement in phase 1. We are seeing consequences in my district already, and the indication is China will not fully live up to their responsibilities under that agreement, and I am hoping that you will use every tool that you have at your disposal to ensure that they do.

I would like to ask a question or two about implementation of USMCA, which I support, as you know, and that was a difficult path. I think the improvements that we made made it possible for me to support that agreement. But, specifically, I am concerned about the extent to which large companies, many American-based companies, continue to give signals that they may not fully comply.

One question I have, and I think you already answered the question, is that while the agreement goes into force July 1, Mexico has adopted many of the reforms; for example, the labor reform laws in Mexico. I assume that is correct from your perspective.

Ambassador Lighthizer. I am sorry. I couldn't hear that. Mexico has done what? They have adopted --

Mr. Kildee. Enacted the necessary reforms, passed laws regarding labor reform.

Ambassador Lighthizer. So, they did pass a labor reform bill, but the certification that we make is, did they have in place laws that conform to their obligations? Now, that

is not the same as saying they wouldn't change them or they wouldn't put, in fact, practices which are not consistent with their obligations, and that is the space where we would litigate with them.

Mr. Kildee. So here is the frustration that I just want to get your take on. During the process leading up to USMCA being finalized, I pressed American-based companies about their practices in Mexico and very often heard in response that they follow the law of Mexico. And I am concerned that we are hearing reports that many of those same companies now are violating the law in Mexico, not adhering to those reforms. And what I am concerned about is that they won't do what they are obligated to do but will only do what they are forced to do, and I am just curious about what tools -- I mean, obviously, standing up the implementation is important, but it strikes me as a source of frustration that American-based companies who defaulted to the argument they would adhere to Mexican law now don't seem to be adhering to Mexican law. Is there anything short of full implementation of the enforcement mechanism that USTR in your role can do to address these companies and help them lead by example by adhering to these new reforms, these labor reforms in Mexico?

Ambassador Lighthizer. Well, thank you, Congressman. Thank you also for your help throughout this entire process.

I would say USMCA has, for the first time in history, this rapid response mechanism. And if U.S. companies or companies from any other country are not following the provisions, typically with respect to collective bargaining and organizing and all that sorts of things, there is a very fast process that will take place, and the consequences are drastic.

Now, just to remind ourselves, if there is a violation of this -- if there is determined to be a violation through this rapid response mechanism, with respect to the first violation,

the products from that facility don't come into the U.S., but there has to be a proportionate kind of a response. With respect to the second violation, it's with both facilities. And with respect to a third violation, the company can't ship anything from Mexico to the United States. So, these are really draconian actions. I am expecting U.S. companies, along with companies from everywhere else, to take the steps necessary.

And if there are specific examples, once we get this in effect, I hope that your staff will get them to us. If there are things that we should be doing that I am not aware of doing to make sure U.S. companies understand what their obligations are, to the extent we can enforce them in this agreement, then I definitely, you know, want to bring that to their attention. I look forward to working with you on that. That was clearly the bargain that we made with Mexico and that you made, you know, with us.

Chairman Neal. I thank the gentleman.

Mr. Kildee. I appreciate it. We do have examples of companies intimidating employees and not following health standards. We would like to follow up with you on that.

Thank you. I yield back.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from Philadelphia, Mr. Boyle, to inquire.

Mr. Boyle. Thank you, Mr. Chairman, and thank you, Amb. Lighthizer.

I first want to just express my agreement with something that was said maybe 2 hours ago now, and those were the words of Congressman Larson with respect to the Good Friday Agreement and the sanctity of that agreement and why it is so important and essential that before we talk about adopting any U.S.-U.K. trade deal, we ensure there is no violation of that U.S.-negotiated agreement, and I was happy to hear your response to that.

The second thing is, assuming there is no violation of the Good Friday Agreement

by the U.K., I would find many advantages to a prospective U.S.-U.K. trade deal. I am curious, though, as to why this has taken on such attention or urgency in terms of the order of importance, and here is what I mean. The U.K. is a market of about 60 million. The European Union is a market of 450 million, literally more than seven times larger. So why is it that a U.S.-U.K. trade deal has kind of been such a high priority when we are leaving on the table this market of close to half a billion people?

Ambassador Lighthizer. So, Congressman, that is a great question, and it goes to sort of the order that you would take these things up in. I would say my first response is that it takes two to tango, right? The U.K. wants a deal. Europe doesn't want a deal. Europe has got a real sweet deal right now. They have \$180 billion trade surplus with the United States. In my opinion, it is based on the combination of stupid U.S. tax laws, a weak currency for some of their members, and protectionism, and a few other things that are sort of less derogatory, like the fact that our economy is growing faster than theirs. So why are we dealing with the U.K. before Europe? Because the U.K. wants to deal with us.

Mr. Boyle. Understood. For both the negotiations with the U.K. and the negotiations with the EU, I was wondering if you could address this issue that I constantly read about, whether it is British media, French media, German media. There is this perception regarding U.S. so-called "chlorinated chicken," and I am kind of amazed at the extent of attention this issue gets in Europe, including the U.K. Could you address that at all and maybe add some light to what I think might be some misperceptions?

Ambassador Lighthizer. Well, thank you. I appreciate the question. It is one of these things that has taken on mythical proportions. So, the United States, basically in its food supply -- and I will exaggerate this or generalize it; not exaggerate, generalize it -- in its food supply is very, very concerned that our food process is safe. One of the things we

do is we require a wash. It is not chlorinated. It is a wash to make sure that pathogens are killed on our products. It is something we have done, and by the way, it is something that with a lot of vegetables and the like, the Europeans and others do it too. But the United States has very high food safety standards.

I believe, through a combination of kind of protectionism and nonsense, the Europeans have decided that this is somehow unhealthy. There is literally no science behind it, and the opposite is probably true; that is to say that it is probably healthier to do it the way the Americans do it. This is something that, in my judgment, has to be resolved. It is a question of consumer preference. And I might say -- and I will bet this is true in your experience too. I have been in the United States with lots of Europeans, and lots of them ate chicken, and none of them ever got sick from eating chicken. It is just one of those nonsensical, in my view, protectionist items, that it is emblematic of a kind of a problem they have, and that problem is they are going to use what they think are the standards really as protectionism without science.

Mr. Boyle. Yeah. Since I want to observe the 5 minutes here and I have under 20 seconds left, I just want to finally say, I was glad to hear your response to my colleague, Congresswoman Sewell's, question about mini deals. I urge the administration not to strike any, particularly with the U.K. but, frankly, with any other country.

And with that, I yield back.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Illinois, Mr. LaHood, to inquire.

Mr. LaHood. Well, thank you, Chairman, for holding this hearing today.

And I want to welcome Ambassador Lighthizer. And, Ambassador, thank you for your leadership in the trade space. You have made us proud in terms of your representation in the trade agreements, USMCA, the phase one deal with China, and

obviously the deal with Japan and what you have talked about with future trade agreements. And your focus on reciprocal and fair trade and a pro-growth agenda is -- you know, I think will reap benefits for the United States, so I want to thank you for that.

I wanted to ask a couple questions related to China. And the first one is, it has been mentioned today about the obligations and responsibilities that China has between now and the end of the year on purchase agreements. I am wondering if you could give an update specifically on ag purchases, roughly \$50 billion to \$60 billion that China is obligated to come through on contractually between now and the end of the year. If you could give us an update on that. I know they have bought a significant amount of sorghum and cotton. I would be interested on where they are at on soybeans and corn and ethanol, if you could comment on that.

Secondarily, as you may be aware, the Republican leadership has put forth a China Task Force. I have been appointed to that by Leader McCarthy, and we are working diligently on coming up with a comprehensive report, and I think you are addressing the group at the end of the month.

My specific question would be related -- there is a lot of talk in Congress about decoupling, about moving back supply chains, particularly with the vulnerabilities that we saw during corona as it related to pharmaceuticals and generic drugs and other medicines.

I am wondering whether you could comment on the administration's position as it relates to moving those supply chains back. To me, these are complicated, intricate, and nuanced supply chains with China. And if we are going to do that, it seems like there is a significant cost associated with that. And if you could comment on how do we pay for that, is that done through tax incentives or tax credit, or is it actual money that has to be put forth by the government to implement bringing back some of those supply chains or

decoupling. Thank you, Mr. Ambassador.

Ambassador Lighthizer. Thank you, Congressman. So, first of all, on the question of agriculture purchases that you mentioned specifically, oil seeds, China has undertaken a very large commitment of oil seeds. To give you -- some of these numbers are confidential, but to give you a frame of reference, the most we ever sold, by far, to China was \$12 billion -- over \$12 billion in 2017.

Now, once again, I have got to say, there is a difference between our export numbers and their import numbers, so these numbers are never quite as precise as we would like just because of the nature of trade statistics. But they have undertaken to buy substantially more than that.

At this stage, more or less to date, they are at about -- they are over \$3 billion, so we feel good that they will be on. If you think of oil seeds, one way to think about it is that early -- and I know you know this, since this is your area, but I will just answer it. Early in the year, basically, oil seeds around the world are brought from Brazil because that is when their planting season is. Later in the year, it is from the United States because that is when our planting season is.

Right now, we are getting into when you expect a lot of seeds to be bought. If you look at 2017, where I gave that big number, close to \$10 billion of that was towards the end of the year. So, we are starting to see a lot of major purchases. We feel very good about it.

For example, last week and in recent weeks, the vast majority of the purchases have been from the United States, even though it is a little early for our season, and last week, it was \$0.5 billion of soybeans. And I focus on a little bit on soybeans more because that is such an important market for American companies.

This issue of decoupling is a complicated one. Do I think supply chains should be

brought back? Yes. Do I think they should be brought back from China? Yes. But do I think they should be brought back from everywhere else? Yes. So, as I mentioned before with one of your colleagues, Mr. Higgins and I were agreeing that we basically need to bring as much manufacturing back as we can.

Do I think that you can sit down and decouple the United States economy from the Chinese economy? No. I think that was a policy option years ago; I don't think it is a reasonable policy option at this point.

So but I think that you will see supply chains come back as a result of U.S. policy, including the kinds of things that you all did in the tax bill but also with the regulatory space that the President has done, as well as the tariffs that we put in place. We shouldn't forget that phase one agreement has substantial \$370 billion worth of tariffs. That is a lot of tariffs on their products. So, I think you will see some change in that respect, but I am for -- I am basically for manufacturing in the United States.

Mr. LaHood. Thank you.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Pennsylvania, Mr. Evans, to inquire.

Mr. Evans. Thank you, Mr. Chairman. And thank you for this opportunity. This has been a great discussion.

Mr. Ambassador, how are you?

Chairman Neal. He is inquiring as to your health, Mr. Ambassador.

Ambassador Lighthizer. I am doing well.

Mr. Evans. What did he say?

Chairman Neal. Why don't you hit your mike, Mr. Ambassador. He wants to know if you are doing well.

Ambassador Lighthizer. I am doing well, and you looked well also, and I am

looking forward to virtually being with you, I think in a few weeks, in Philadelphia.

Mr. Evans. Thank you. Thank you, Mr. Ambassador.

Mr. Ambassador, last week I participated in the 45th annual Odunde African Business Roundtable that included ambassadors from Ghana, Ivory Coast. We discussed how to create economic opportunity for African American people. Recently, the United States seems to have awoken to decades and centuries of struggles that African Americans have endured in discrimination.

Now, a number of my colleagues have talked to you about Kenya, but I want you to spend a little time because I am going to ask -- only ask this question about the African Growth and Opportunity Act. And I have talked to you personally about that, but, you know, with Africa, one of the fastest growing continents in the world, and a lot of people under 30 years of age, talk to me a little bit about your views of really how you see this opportunity dealing with Africa.

Ambassador Lighthizer. So, thank you, Congressman. You and I have spoken about this. The reason that I wanted to do something on Kenya, as I think we are all going to look back in the not-too-distant future and say, here is the most populous part of the world and we didn't do anything in trade policy, and that is inexcusable.

Africa, I believe it is in 15 or 20 years, could have 2.4 billion people in Sub-Saharan Africa, so we have to have something. There is a whole lot of complicated issues on that. To me, the first thing we have to do is get a real FTA, as much as we can, with one of the significant African countries, and that is clearly one, and then see if we can profligate that and have other people start doing that.

It is complicated because they are part of the East African community. We also have this issue of Africa starting their Pan-Africa Continental FTA. So, there is a lot of integration going on of economies. But what fundamentally they need is the

infrastructure, the kind of legal and regulatory infrastructure for trade, right. They have the people. They have hardworking people. They have the resources. They need this kind of infrastructure. My hope is we can develop that in Kenya and then have it spread.

AGOA is a good program, in my judgment. It has been used less than probably most of the ambassadors you talk to wanted it to be used. But the problem with AGOA is that it doesn't require any obligations. It doesn't require many obligations on behalf of the African side.

And one of the things we want to do, we want them to have trade for sure, but we also want them to build up this legal and regulatory infrastructure so that people have confidence when they are doing business there, and that will make Africa more prosperous. And better suppliers but also better customers for America.

So, this is something that you and I have spoken about. I think it is a really important thing for us to do. But nobody has really negotiated a real high standard, as high as you can do under the circumstances, free trade agreement. The African -- I mean the Chinese agreements are really not very useful, and even for the most part, the European agreements are not thorough kinds of agreements.

So our hope is that we can do this and that it will spread, and we will create this infrastructure and create kind of a trading culture, more of a trading culture -- international trading culture, I should say, because they certainly have a trading culture in Africa.

Mr. Evans. Thank you, Mr. Ambassador.

I yield back, Mr. Chairman, and thank you.

Ambassador Lighthizer. Thank you, Congressman.

Chairman Neal. Thank you.

Let me recognize the gentleman from Illinois, Mr. Schneider, to inquire.

Mr. Schneider. Thank you, Mr. Chairman.

And, Ambassador, thank you for staying with us this morning. I first want to thank you for the work you have done as the United States Trade Representative. I have greatly appreciated your engagement with this committee, your dedication, your intellect and integrity. And that is why this hearing and your responses today are so important, and why given limited time I am going to request that whatever questions you are not able to answer here, that you will provide more detailed responses in writing.

Something we have always agreed on is the importance of U.S. leadership in global trade, and I would argue that U.S. leadership is more important now than almost any time in our history. No one knows what the global post-COVID economy will look like. I suspect it will be as different from what preceded the pandemic, as the post-World War II economy was different from what preceded it. But one thing I am sure of is that there will still be a global economy. And our position and our ability to compete in that economy will be critical in determining the future prosperity of our children and our grandchildren.

Mr. Ambassador, I believe that if we want to ensure the long-term growth of our economy and prosperity for our citizens, the continued creation of quality American jobs and the expansion of American businesses, we need to not just compete, we need to lead the world in trade, including innovation, manufacturing, and services.

So, I am going to ask a series of questions and then you can answer each. First, what role do you think the U.S. should seek in the post-COVID economy to ensure U.S. economic success both short and long term? What role will multilateral trade agreements and organizations play? Conversely, what role will bilateral agreements have? And how should or will the administration constructively work with us in Congress to optimize these to protect and grow American jobs and expand U.S. markets overseas?

And before you answer those questions, let me touch on one other matter specifically as it relates to COVID. I have long been pushing to shore up our supply

chains for critical goods. We are all aware of the many outgoing chain issues we have faced, from ventilators, PPE, testing supplies, et cetera. And I am deeply concerned about preparing for future supply issues, especially in the case of a second wave in the fall and longer term with the development of a vaccine that will need global production and distribution for such things as vials, syringes, and needles.

In that context, could you discuss how the administration has adjusted our trade policies to prepare for these future needs, in particular, working with the coronavirus task force, and what work is still left to do?

And, finally, let me close with one last thought regarding U.S.-U.K. trade relations and the negotiations that are currently underway. I hope we can count on you to ensure a strong and comprehensive agreement that is submitted to Congress, and in particular, that this is an opportunity to ensure conclusion of a strong environmental chapter that shows true leadership on climate change.

And with that, Mr. Ambassador, I will leave you the remaining time.

Ambassador Lighthizer. Mr. Chairman, was the suggestion that I answer in writing or should I give --

Mr. Schneider. You can answer now.

Chairman Neal. There is plenty of time left of Mr. Schneider's time. You have 2 minutes left if you want to talk about his inquiry.

Ambassador Lighthizer. So, in the first place, Congressman, if your view is that we should submit additional responses in writing, I am happy to do that. So, I didn't quite get that point, but I am happy to do it.

I certainly agree with you that we have learned a lot in this whole COVID process, and one of the things we learned is that extended -- and I wrote about this in a New York Times op-ed, as I mentioned, a couple of weeks ago. One of the things we learned is that

there are risks in extended supply chains that businesses didn't realize.

So that doesn't mean we can't ever have supply chains. Obviously, that is not going to be the case. But when people make a calculation that they are going to save a dollar by having a supply chain run through another country, they have to calculate in the risk, and they didn't calculate sufficiently.

And we have seen that in a lot, a lot of cases, and you are seeing it right now in some of the things that some of the members have mentioned, and that is this issue of supply chains for the automobile industry that run through Mexico. So there is things you can't control when they are outside of the United States.

So I think that is something we did learn, and hopefully it is something, since we live in a free market economy, that businesses will understand and will -- when they make decisions in the future -- make that part of the calculation. And I have talked to businesspeople who have certainly made that point.

In terms of multilateral agreements and bilateral agreements, I expect the United States will have a combination of both. You know because we have spoken that I have a view that we are better off, in many cases, having bilateral agreements, but there certainly is a role for multilateral agreements also.

Mr. Schneider. Thank you. I yield back.

Chairman Neal. I thank the gentleman.

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

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

Ambassador, thank you for being here. It is great to see you again face to face. I appreciate that too. Again, congratulations on USMCA and your work on additional agreements. And I have to say, as everyone has pretty much said here today, we value the relationship that we have on this committee with you and the expertise that you bring to

the table with us on so many things.

And what I am going to talk about is a little bit redundant from what you have been asked already today, but forgive me if you will. You know, right now, we have a public health challenge obviously, and with that has come an economic challenge. And as such, we now have a national security challenge that I think we need to face.

With this pandemic gives us the opportunity, as it should, for us to have an after-action review, to take a look and see what these challenges were, what our shortfalls were, what our vulnerabilities were, and what they are. You know, as we look at this, you know, one of the issues that obviously rose to the surface is the United States and some of our allies in the west, our reliance on adversaries for things of great need.

You know, I was a doctor in Iraq. If someone had told me that our protective equipment and pharmaceuticals were coming from an adversary, we would be pretty surprised at that. And I think most people were caught unaware or at least unaware of the potential danger that that gave us.

And I was in an interview not long after the pandemic started and we realized we were short on supplies. And he said, what is the answer? And I said, well, what this administration has been doing, which is bringing manufacturing back to the United States. And I think that is the key.

I give you and the President credit for bringing up the dangers of trade abuses. And looking at China in particular, their strategic games have put us at risk. But change is very challenging at this point. I think you said something a little bit earlier like we could have really done a lot 10 or 15 years ago, but it is even tougher today. And I appreciate that.

So we talk about a global effort from the west is one of the things going through my mind, possibly strong, enforceable international agreements on medical goods,

pharmaceuticals. And I look at something we debated here a couple years ago with the running shoes that are given to our enlisted when they join the military, because the uniform has to be 100 percent domestic. Well, there was only one running shoe that was 100 percent domestic, and we debated over that. And I find it ironic now that that was a big deal compared to what we are really taking a look at now, right.

Because it is not that simple and we see import/export restrictions, things that we really don't want to have happen, and we want to obviously encourage innovators and developers to be in the United States.

But there are even challenges domestically. If you look at what happened in Puerto Rico a couple years ago after the hurricanes, we were short on saline because we relied so much on one area domestically to produce something that is very necessary.

So, you know, I think what we are challenged with is what is our minimal domestic need and on what products, and what is our minimal domestic production and on what products, and retooling capabilities and things like that and manufacturing.

And I guess, and this is going to require a lot of discussion, but I will leave the time to you, what should Congress be looking at doing to address this problem that we all agree exists? What can we do in trade that we all agree can have a huge impact? And where do we start? How do we encourage the innovators to come back? Should we be looking at international agreements?

You just said it could be a combination. I am glad to hear the open mindedness. It just -- if you have any newer thoughts than what you have already shared today, I appreciate it.

Ambassador Lighthizer. Well, first of all, I, of course, completely agree with your conclusions, and the fundamental one is that we can never be in a position again where we don't have basic manufacturing. We think about these masks that we have, and we

don't -- I mean, how could we not have enough mask capability in the United States? It seems completely counterintuitive.

And I would say, because I talked to some smaller companies and their view is, well, we need a plan so we can all share. And I -- and look at -- those kinds of plans are fine. I don't want to be against them, but we have learned that in the final analysis, our closest allies will keep this stuff for themselves if it comes down to whether or not their citizens live or die. And so should they and so should we.

I mean, that is just -- it is not rational to expect people to send us a ventilator because of some trade agreement if they need it to keep their people alive. It is just crazy, and we are not going to do it and neither is anybody else.

So while working with other people and having these agreements is a good idea, but fundamentally, I believe -- I think the President believes -- the United States has to have the ability to make these things in this country, and that is going to require a combination of a lot of the things you have already done, but also I think it requires tariffs.

Personally, I think you have to have not crazy or out of control, but you have to have enough incentives so that you have enough capacity for these things in the United States when the next crisis comes.

Mr. Wenstrup. Thank you. I yield back.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from New York, Mr. Suozzi, to inquire.

Mr. Suozzi. Well, thank you, Mr. Chairman.

And thank you, Ambassador, for being with us here today. And I want to echo the comments of many of my colleagues in thanking you for your public service. You have really done a great service to the people of the United States of America using your expertise and talent and helped address some very thorny issues in what I believe has been

a very forthright and balanced way. So, I want to thank you for your service.

I want to associate myself with the remarks of all of my colleagues who talked about the USMCA and the importance of enforcement regarding labor and regarding the environment. And I want to spend the balance of my time just talking with you about China.

As I have said before to you, here in the United States of America, we have believed that ever since Nixon went to China, that the more that China was exposed to our way of life, the more they were exposed to our capitalist system, the more they were exposed to our democracy, the more they would be like us, and that clearly did not happen.

Obviously, they excelled under our trade policy with them over the past several years, much to our detriment. In fact, you have referred to their state-sponsored economy as being an existential threat to us. And I appreciate your hardline approach to China.

I am very concerned about a lot of China's behavior regarding its treatment of the Uighurs and the forced labor camps that they have, where many of those forced labor products are introduced into our supply chain and are brought here into the United States. And I am concerned that this administration has not taken the Chinese to task, even as part of our trade negotiations, regarding their treatment of the Uighurs and others. We have the power to do so currently, and it really hasn't even been brought up. In fact, there is a bill that has been passed with strong bipartisan support out of both Houses that has not yet been signed by the President regarding the Uighurs.

I read your article, or I skimmed, I should say. I haven't read it as carefully as I will. It is really impressive -- an article that you wrote in the Council on Foreign Relations about how to make trade work for workers, charting the path between protectionism and globalism. And the parts that I have read are just really fantastic and balanced, where you talk about the role of trade, whether it is foreign policy and achieving

our geopolitical goals or whether it is economic efficiency and maximizing output and consumer prices.

How do we balance our desire to get more of the world to be like us as far as creating the society that we think it should be, that respects workers' rights, that protects the environment, that creates a just world, with our desire to create an economically efficient system at the same time? How do we balance those things? And what is your plan for dealing with China as we see them rejecting these ideas that we have adopted in our country, and much of the rest of the world has adopted, and getting them to be more like us, or if they don't, recognizing that we can't continue to have this liberal trade policy with them?

But I can't hear you.

Chairman Neal. Put your microphone on. Thank you.

Ambassador Lighthizer. Thank you very much for the comment on the article. I really do hope that members read it. I think it really does reflect the way a lot of us think about manufacturing and about trade policy.

And I would say on the issue of China generally, no one has done more than President Trump to try to rebalance our relationship with China, particularly in my space where really nothing was done. And I have been howling about it, and I don't say that as a partisan comment at all, because I was howling about it in the 1990s and then I was howling about it 10 years later and I was howling about it 10 years after that.

So, no one has done anything, and we have gone out and put major tariffs in place and done all the things that I think all of us would look back to. But it was pretty obvious from the beginning that we were letting this get out of control.

When you ask about China, I always ask people to think about what is China, right? China is not a monolith. China is several groups of people. And there are people in

China who are hardliners and are doing a lot of the things that we find really quite horrific, not just to the Uighurs, but in terms of our own relationship with them.

Mr. Suozzi. Ambassador, I have to cut you off because I am running out of time. I need to know what we are going to do about the Uighurs and the forced labor camps.

Ambassador Lighthizer. Well, I mean, in the first place, from the point of view of our trade agreement, our trade agreement doesn't cover this issue. But I would say in terms of importation, just on that specific question -- and then maybe you and I can have a longer philosophical argument offline about this generally, because I really do want to engage with you on it -- but forced labor products cannot be shipped into the United States, and that is the U.S. law and that is something that will be strongly enforced.

Mr. Suozzi. But they are currently being sent into --

Chairman Neal. I thank the gentleman.

Mr. Suozzi. -- the United States.

Chairman Neal. I thank the gentleman.

Let me recognize the gentlelady from Florida, Mrs. Murphy.

Mrs. Murphy. Thank you, Mr. Chairman.

Ambassador Lighthizer, it is always a pleasure to hear from you, and I am glad we figured out a way to hold this important hearing during a global pandemic. As you well know, trade never ceases, and it is especially critical when countries around the world need each other for support in combatting a deadly virus.

I would like to focus on three separate issues, give a little bit of background, and then ask you the three questions. First is our ever-green topic of seasonality, which is especially relevant with USMCA entering in force on July 1. I would like to remind you of the commitments you have made in your January letter to the Florida congressional delegation as well as in our conversations, including a commitment to hold a field hearing.

Second, I have been pretty consistent in my opposition to the current use of unilateral tariffs under section 232 or 301. I think the national security justifications for the current 232 tariffs are weak and abuse the law. On 301, I agree that China is a bad actor that utilizes trade and investment practices inconsistent with their WTO commitments, but I am concerned that the current approach you have taken has done more damage to American consumers and businesses than they have in making any changes in China. After all, tariffs are taxes on American consumers and businesses.

And more generally, what I think I have heard you say repeatedly in this hearing is that you feel tariffs are important to change American behavior, to create enough pain so that they will produce in the U.S. and stop buying from foreign supply chains. However, the pain felt by American consumers and businesses is now being magnified by the pandemic. People are suffering through the loss of loved ones due to the virus. They have lost income from losing jobs, and they don't really have the extra cash in this moment for the burden of paying higher prices due to the tariffs.

As it relates to businesses, they are losing revenue from closures in the economic crisis, and they lack the ability to afford the taxes from the tariffs. But they also lack the liquidity in the midst of an economic downturn to make significant supply chain shifts or even to make investments into the development of new domestic manufacturing.

So I am concerned your trade agenda, your use of tariffs, and your inflexibility on extending exemptions ignores the domestic factors that are in play right now.

And then finally, with respect to Brazil, you may have noticed I was the only Democrat to not sign the letter to you on the prospect of enhanced trade with Brazil. However, I do share the serious concerns that my colleagues highlighted about the direction in nature of the Brazilian government's policies. But Brazil is Florida's number one export partner, so I don't want to preclude any enhanced trade.

So, my questions are as follows: On seasonality, do you have any plans to hold a virtual hearing or an in-person hearing later this year?

On tariffs, is it fair to say that as long as the Trump administration is at the helm, my constituents should continue to expect to pay tariffs indefinitely even while suffering through the pandemic?

And then on Brazil, how do you plan to use the prospect of enhanced trade to influence Brazil to change their policies, ensure that they are consistent with U.S. values, or is that even a consideration for you?

Thank you, and I will yield the rest of my time to you to answer.

Ambassador Lighthizer. Thank you, Congresswoman. So, it won't surprise anyone on the phone to know that I don't agree with an awful lot of what you said. I think that chasing pure efficiency at the cost of manufacturing and at the cost of using U.S. intellectual property is not a good policy.

People who criticize tariffs, I like to say every now and then, well, then what would you do? And so far, I haven't had any response other than, well, in the face of Chinese cheating, we would talk to China. And I would suggest that over the last two decades, people have talked to China a lot, and the situation got worse and worse and worse and worse and worse. So, we are dealing really in a world of alternatives.

In terms of seasonality, yes, we want to wait and have an actual live field hearing, one in Georgia, one in Florida. That seems to be what members want. And obviously we are going to be completely informed on what you want. I know we have talked to Vern Buchanan and others, and so our preference would be to have a live hearing. I think that is what most members want, and so I am happy to do that, you know, if that is what we can -- you know, what members wanted, if it can be done safely.

In terms of Brazil, what we are doing right now on Brazil is trying to work our way

through specific problems to have Brazil open up and create jobs for America. We don't have any plans right now for an FTA with Brazil.

But on this general issue of equating tariffs with pain, I don't quite get that. I think tariffs are a tool. They should be used to create jobs in America when they can be used to create jobs in America. America has had a lot of prosperity using tariffs. On the other hand, if they become counterproductive, then that is something that in those cases I think they should be used.

Chairman Neal. I thank the gentlelady.

With that, let me recognize the gentleman from Texas, Mr. Arrington, to inquire.

Mr. Arrington. Thank you, Chairman Neal and Ranking Member Brady, for this important hearing.

And, Ambassador Lighthizer, greetings from Lubbock, Texas, the largest cotton patch in the world. And it is great to see you, and what an exciting and happy topic to discuss.

With respect to trade, let me say, I can't think in recent history, if not in our total history in this country, that we have ever seen more far reaching and more substantive reforms for the good of this country with respect to trade policy than we have seen in the last 3 years or so from this administration.

Let me commend you for your leadership and your dogged commitment, your laser-like focus to get these things done. I mean, politicians have been talking about doing this for years, decades with respect to USMCA or NAFTA, formally known as. But this President and you put some shoe leather around that verbiage and went out and got it done.

Success has 1,000 fathers, and I am thankful for Chairman Neal and his leadership to encourage and move along this USMCA and other trade-related issues so that they stay bipartisan. And I am truly and sincerely thankful for that.

But the guy driving the bus is President Trump, and you are his wing man. And with his political will to stay the course with the slings and arrows that are coming at him every day on this issue, pressures from Republicans, pressure from industries of all kinds, and criticism about using tariffs and other things, and the outcome is sweet, sweet for the manufacturer, sweet for the worker, sweet for the American people, our economy, and for the future generations that will reap the benefits of greater prosperity and opportunity.

So kudos to you and our negotiator in chief, and I think all Americans recognize the great strides made and accomplishments, maybe the most accomplished trade team in the history of this country. And I don't think that is hype and I don't think that is an overstatement.

But I appreciate the comments in response to my colleague, Jason Smith's, question on cotton. You know that -- by the way, I wore my cotton tie just for you today. We lost 50 percent of that market in China, and that is our number one international market.

And with all the other pressures and the price drop, we really needed cotton to be part of the set of priorities on ag commodities. You have done that, and I encourage you to continue to make sure that China makes good on their purchases in that purchase agreement. So thanks for your comments with respect to cotton.

Now, let me say this: With all the work we have done, led by you and the President, and adding to freer markets because of tax reform, we will only realize the full impact of this if two things happen, in my opinion, and I would love for your comments on this.

Number one, enforcement, enforcement, enforcement. The chairman started this with the discussion of the importance on enforcement regarding labor provisions, all-of-the-above provisions. This is nothing but a piece of paper. All these trade deals are nothing but a piece of paper if they are not enforced.

And I am confident that if you put the same vigilance and venom and vigor that you have in negotiating these deals behind the enforcement of them, we will reap the benefits, but we have to stay on it, and I know you know that.

Secondly, WTO. We can make these structural changes with China, and it is a huge feat to have done that. There is more to go there, as you know. And we need an international mechanism like the WTO, but if it doesn't function fairly for not just America but for all participants, then what good is it?

So I would ask you, number one, how do we help you? What is the best way -- not just Republicans, the Ways and Means team, how do we best support you to fix the broken system of the WTO so that we can make all these gains that you have negotiated and that we have supported and worked on over the course of the last couple of years?

Ambassador Lighthizer. First of all, thank you for your comments, Congressman. Secondly, if you hadn't mentioned cotton, I would have left the meeting immediately on the theory that I was in some alternative universe. Thirdly, we have sold a lot of cotton. We are going to sell a lot more. And it is almost counter-cyclical because their apparel is down, and I cited it before as evidence.

The number, whatever I am up to, four, if there is one thing that is bipartisan, it is enforcement. I am a complete enforcement guy. I have never had any sensible person come to me and say don't enforce, so I completely agree with you on that. I don't know understand why it has never -- what we have had, bipartisan nonenforcement administrations, and in this time right now, in this Congress, bipartisan let's enforce, so I agree with that.

And the WTO, I really want to work with the members. And it may make sense for some small group of us to get together and not have a hearing but just talk. So, I

would like to suggest that to the chairman and the ranking member at some point and just kind of just talk through this stuff.

Chairman Neal. That is a good point.

Let me recognize the gentleman from Virginia, Mr. Beyer, to inquire.

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

And, Ambassador, thank you very much for being here. You received a letter signed by many of my colleagues underlining the inadvisability of pursuing an agreement with Brazil at this time, whether a full FTA or a lesser agreement. I just want to take this opportunity to underline the importance of that letter and how deeply held the views expressed within most of the Democrats on this committee are.

You know, the USMCA relied on a bipartisan process and bipartisan agreement, and I don't think that is going to be possible in the case of Brazil, at least not right now.

Mr. Ambassador, I want to build on the previous discussions about Hong Kong. In the past, the administration has largely separated human rights from trade issues, negotiation with China, and that seemed to be the approach that governed in phase one. But now with the steps the President has taken with regard to Hong Kong, does this signal a new approach, especially with particular regard for the ongoing and horrifying situation in Xinjiang? I know you like to keep discussions within your lane, but there is a trade nexus here dealing with forced labor and other issues.

Ambassador Lighthizer. So, thank you. First of all, I mean, no one has tried to change the relationship between the United States and China across the board more than the President of the United States. It is one of the things that he ran on, and I know it resonated with an awful lot of Democrats as well as Republicans. It certainly resonated with me.

And I think that the Hong Kong issue, the President has taken a very bold step, and

I think that is important. So, in terms of it being a new policy, I don't know quite how to respond to that. We have had a very firm policy with China. We will continue to have one.

I do think it is important that China abide by their agreement. I think there are real benefits, not only to the United States, but for the world in the structural changes as well as in the purchases for the United States. So, personally, I think we have to find a way to create change but not destroy the benefits that we do get out of it, out of trade.

On the issue of Brazil, I remember your letter well, you and your colleagues. I understand. I have talked to several members about it. I realize that there is no appetite among a variety of people for an FTA. I would say, and I tried to make this point before, we are always working with countries to work out specific problems. It is not an endorsement of their policies or anything else, but that we work -- and I have got a list here, which I won't go through, but of 45 or 50 things that we try to work out for American businesses and agriculture with the country. We will continue to do that with Brazil. But I understand your sense very clearly on the issue of an FTA with Brazil.

Mr. Beyer. Thanks, Ambassador, very much.

The Financial Times just reported that Secretary Mnuchin just sent a letter to the EU counterparts about digital service taxes and pulling out of those digital service tax negotiations. And obviously, you know, there is the existing 301 investigations on DSTs, and many American businesses are rightfully concerned about them. But can you give us any perspective on the administration's negotiations here on why they pulled out of negotiations on DSTs?

Chairman Neal. Could you turn your microphone on, Mr. Ambassador? Thank you.

Ambassador Lighthizer. The context is this: We have a situation where a variety

of countries have decided that the easiest way to raise revenue is to tax somebody else's—companies, and they happen to be ours. And they are also in a position where this is like a leading U.S. industry, right? This whole digital trade area. So, it is a sweet spot. It is easy for them -- Senator Russell Long used to say, and many of you have always heard this, don't tax you, don't tax me, tax the man behind the tree. This is an example of that.

The United States will not let that happen. So, we had a process. We put in place these 301s so that we can take action if people treat us unfairly, and it burdens or impacts U.S. commerce. We have had a negotiation going on. We have found, at least till now, that we were not making headway on pillar one, which is the most important pillar in there.

The other people getting together deciding they are going to take action against the United States without our acquiescence is just something that is not acceptable. If you ask me what is the answer, the answer is that we need an international regime that not only focuses on certain size and certain industries, but where we generally agree as to how we are going to tax people internationally.

So, I think there is clearly room for a negotiated settlement. At that point, we were making no headway, and the Secretary made the decision that, rather than have them go off on their own, he would just say we are no longer involved in the negotiations.

But if you are really interested in this, I would really be happy to sit down and go through it with you and talk to you, because I have a lot of ideas on this too.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from California, Mr. Gomez, to inquire.

Mr. Gomez. Thank you, Mr. Chairman.

Mr. Ambassador, good to hear from you. I am watching and listening at the same time. It has been a while. I just want to kind of say that I enjoy the process of the trade working group negotiating with you. You were difficult at times, accommodating at other

times, and really have been a person that we could reach out to have an honest conversation, even if we disagreed.

The USMCA, as you know, it was a big deal. The Council on Foreign Relations wrote, and this was on December 11, a day after we announced the agreement: “The USMCA Breakthrough: The New U.S. Trade Consensus and What it Means for the World.” And this was a week before we actually even had a vote where we had 385 aye votes and 41 no votes. So, it wasn't in reference to the vote count, even though the vote count was better than anybody ever suspected it would be.

How would you define the new trade consensus? And what does it mean for the U.S. and the U.S. role in the globe when it comes to trade?

Ambassador Lighthizer. You know, that is a great question. And before I say anything, I want to thank you for, you know, for our working so closely together on that. It was a real pleasure, from my end. And at the beginning, I don't know if you were on, I said I actually miss seeing members, and one of the ones I was thinking of was you because we have a good relationship and I really do enjoy that.

I also would commend in terms of thinking about trade policy, I wrote a piece -- it is long because they like long pieces, but in the Foreign Affairs Magazine, and it deals with these issues in a way that I think will resonate with you, and hopefully you will get a chance to read that.

If you ask me what is the consensus on trade, the consensus is, one, that we are going to make trade deals that are in the interest of the United States, not just in the interest of multilateral corporations but actually American workers and farmers and ranchers. I think that is fundamental. Two, that we are going to enforce every single agreement. We are going to create new mechanisms, where necessary, to make sure that we have actual enforcement across the board in everything we do.

And some wouldn't agree but probably that we are going to -- we can do this, we can make real headway on a bilateral kind of a way, in other words, not necessarily going entirely just through the WTO.

So, to me, this rebalanced, it updated, and the other thing that I think was important is that Congress had a fundamental role. And Congress did not just have a role at the end, right. You all know Congress had a role on day one. When it didn't matter who was in the majority or who was in the minority, Congress had a role. We worked with the people that want to have a fair, balanced relationship down there, and we did it on the first day and we did it on the last day. And I think working that way pays dividends.

Mr. Gomez. No. And I agree with you. I think it sends a message that trade agreements are not just how much it helps grow our country's GDP, but also what we do to enforce the agreement, how does it protect workers, how does it protect the environment, how does it move different things forward, all with an eye on balance, and how does it, of course, help the American worker.

But I would disagree. I think that it became better when the Democrats came into the majority, but that might be just from my perspective.

Ambassador Lighthizer. I may not fully endorse that position, but I am not going to spend the rest of the day arguing with you about it.

Mr. Gomez. So really quick, I just want to ask a couple of questions in quick succession. One is on the ASARCO mine, you know, the National Labor Relations Board just found that ASARCO and Grupo Mexico was in violation of some labor rights. I just want to know how is USTR going to plan on remedying that situation in Mexico?

And another question has to do with this new Office of American Competitiveness and Enterprise. Can you tell me what is the ACE's office mandate and how does it relate to the USMCA? Two separate questions.

Ambassador Lighthizer. Well --

Mr. Gomez. Mr. Ambassador, are you there?

Ambassador Lighthizer. Yeah. I am sorry. So, what was the first question again? Because the second question is we want to have in our office the purpose of which is to try to determine what we can do to bring manufacturing back to the United States.

So, I think that in some cases, other countries will focus on why is this specific industry not manufacturing in the United States. And what we wanted to do was have a group of people who, as their job, sit back and say, okay, fine, if we make these or those changes, we can bring this industry back.

And, Jimmy, I am sorry, I didn't get the -- I can't remember the first question.

Mr. Gomez. The question dealt with the ASARCO mine and basically that --

Ambassador Lighthizer. Oh, yeah. So, on that, what we expect to do is, when we get this in effect on July 1, we are going to investigate all complaints. That is the complaint that we are going to investigate. We will work with Congress, of course, on it. And if we think there is a valid complaint, we will start a consultation process and then begin the State-to-State dispute settlement.

Chairman Neal. I thank the gentleman.

Mr. Gomez. Thank you.

Chairman Neal. Let me recognize the gentleman from Georgia, Dr. Ferguson, to inquire.

Dr. Ferguson.

Mr. Ferguson. We will try it again.

And, Ambassador Lighthizer, thank you for coming to Capitol Hill today. I happen to be sitting on my porch just a half a block up from a business that you probably remember well, WestPoint Stevens. It used to be home to about 35,000 textile workers

and following NAFTA it went away. So we truly appreciate your work in bringing manufacturing back to the U.S. and your work in your role as trade ambassador.

I really want to focus my questions today and comments today around intellectual property. You know, I think it is pretty remarkable that American manufacturing has made the rebound that it has, and I think that there are a lot of components to go into that. The trade deal certainly, you know, is a critical component. I think having a competitive Tax Code is a critical component of that as well.

But, you know, if we are going to stay at the forefront of manufacturing in the U.S., we need to make sure that our intellectual property is protected here, and we also need to make sure that our -- you know, that intellectual property that was developed here can be brought back here as well.

Can you comment on what you think from a trade standpoint is needed to be able to bring IP back to the U.S. and also to protect intellectual property that is developed here? If you could comment on that, I would appreciate it.

Ambassador Lighthizer. Well, thank you, Congressman. So, I would say, first of all, I agree completely with your premise. I think intellectual property really is the heart of manufacturing for the next generation, and if you don't develop it and if you don't protect it, then you are going to fall behind very, very quickly, and you see that in some areas.

But fortunately, the United States does have good protection of intellectual property. And what we are trying to do is get others around the world to do it. An important part of the China agreement, and China has taken scores of steps to implement the structural part of this agreement and that relates to intellectual property. They have done a lot of major steps. They have been a source of intellectual property, lack of protection of intellectual property theft over a period of years.

So, the things that we are doing is we work in all of our trade agreements to have state-of-the-art obligations that are enforceable to protect intellectual property. We have those laws in the United States and we try to protect them.

I would make another point too. This is sort of outside of my area, but it is something that is worth noticing. I think that -- or noting. One of the things that we do with our trade laws, our tax laws is we allow countries to put their intellectual property in other countries in order to get lower tax rates. Now, I won't go through the whole mechanism. Many of you members are aware. But I think discouraging things like that is something else that we ought to do. We have to protect intellectual property. We have to reward research and development, and we have to, to the extent we can, keep the intellectual property in the United States.

Chairman Neal. Dr. Ferguson, are you muted? You are muted, Doctor.

Mr. Ferguson. How about that? Is that okay, Chairman?

Chairman Neal. Works fine.

Mr. Ferguson. Okay. Thank you.

Ambassador, I am glad to hear you say what you did, and I look forward to working with you and the committee to develop policy that not only, you know, protects current intellectual property, but also creates the environment where research and development make sense to be done here in the U.S. and keep that here.

And while you touched on the Tax Code, and I know that, as you have been very clear, you know, in your comments about you focus on the trade piece here, I was glad to hear you mention that because, again, we want to do things not only from a trade perspective, but also from a tax perspective that really make bringing our intellectual property home something that makes sense for companies.

And it doesn't matter if we are talking about the arts, things that may be in the film

industry, whether it is technology, whether it is genetics, whether it is biopharmaceutical research. The dollars and technical expertise that American minds and ingenuities and taxpayers invest in need to be here.

So, again, thank you for your comments. I look forward to working with you and doing all that we can to bring American IP home and also to make sure that this is the best place for research and development to be done.

With that, Mr. Chairman, I yield back.

Chairman Neal. I thank the gentleman.

Let me recognize the gentleman from Nevada, Mr. Horsford, to inquire.

Mr. Horsford. Thank you very much, Mr. Chairman, and to the ranking member and to you, Ambassador Lighthizer, for joining us today.

You know, we have covered a lot of ground today. I know we are coming towards the end. I am one of the members who ended up supporting the USMCA agreement because I believe that the aims were right and that there were a number of major improvements. But one of the things I did express to you in one of our prior meetings is the challenges regarding workforce preparedness, skills development, and training. We can't just talk about trade or tariffs or taxes without also talking about training of the American workforce.

And so, particularly post COVID, and at the moment that we are in right now where there is record unemployment in my home State of Nevada -- we are looking at over 30 percent unemployment right now. We have over 500,000 people who have already claimed unemployment. Of course, this has hurt our biggest industry sector, the hospitality and service sector, but there are other sectors that are also impacted.

And so, my question, Mr. Ambassador, you have stated that the labor provisions are a crucial part of the USMCA agreement, and I agree. All of those provisions depend

on the ability of workers to learn and know their new rights under the law and to be able to actually exercise their rights without fear of intimidation, threats, retaliation, or violence. This also requires a cultural change in workplaces across Mexico. Congress dedicated unprecedented resources and funding in the USMCA to ensure workers get the hands-on information, education, and training they will need to be able to overcome those obstacles to organize and create just workplaces. Funding new databases and more government bureaucrats is not going to cut it. Independent worker organizing is resource intensive and requires commitment from the top to the bottom of the USMCA structure.

So, I understand that the U.S. Department of Labor plays an important role in allocating these resources, but what are you doing on the Interagency Labor Committee to ensure that those precious taxpayer resources are effectively used to educate and empower workers on the ground in Mexico? And separately, what can we continue to do? I think I asked you before, working through the chairman and other members of this committee, to make the training of the American workforce a bigger priority. The TAA program is abysmal. It doesn't work. And with record unemployment, I don't care how much this administration tries to tout how great the economy was. It was not great for a lot of marginalized communities, particularly African American and Latino communities. And so, I would like to know specifically what you are doing regarding the Interagency Labor Committee and what we can do to help improve workforce training here in America.

Thank you.

Ambassador Lighthizer. Thank you, Congressman.

First of all, I totally agree with your point about training, and I think the administration has done a good job. Ivanka Trump has really made that a priority, and she has a whole many hundreds of companies who are doing extra training, and there are a lot of examples of that. I go to those meetings, but, of course, it is not my initiative, but I

think it really is an important initiative. We really have to prepare people for the jobs that we have and for the jobs that are coming.

When you say, "change the culture," the labor and business culture in Mexico, I completely agree with you. I think that is the fundamental thing. I will talk for a second about the interagency group, but the most important thing in changing that is, one, that they have a President down there who I believe is committed. I think he has resistance from the business community and others, but I think --

Mr. Horsford. I am getting down to the wire, and the chairman is going to cut me off. What is the Interagency Labor Committee role? That is the role that we, in Congress, have oversight over. I don't have oversight of the President of Mexico.

Ambassador Lighthizer. So, at this point, we are in the position of putting people on the interagency group. I think it is fully funded. I think they are fully formed. I think its first meeting was in April. But what they are going to do is, you know, very closely monitor the situation in Mexico and really make sure that we have complete enforcement of the agreement.

Mr. Horsford. If you could provide those updates to the committee staff in writing, we would appreciate it. Thank you very much.

I yield back, Mr. Chairman.

Ambassador Lighthizer. I will be happy to.

Chairman Neal. I thank the gentleman.

Let me recognize, I believe to conclude, the gentleman from Kansas, Mr. Estes, to inquire.

Mr. Estes. Thank you, Mr. Chairman.

And thank you, Ambassador Lighthizer, for joining us today.

I know there has been a lot of work going on so far with a lot of things we have

covered, but, Ambassador, your work with the Trump administration has broken down trade barriers for Kansas workers, agriculture producers and businesses, and our recent free and fair trade agreements have opened up new opportunities for American jobs, new markets for American goods, and economic growth. You know, the U.S. had a continuous stream of increased payroll all through the Trump administration up through March of this year, and I have a sheet here with some fact checking about America wasn't headed into a recession before the coronavirus. I would like to enter that into the record.

Chairman Neal. So ordered.

[\[The information follows:\]](#)

Mr. Estes. So, for decades, you know, various administrations have talked tough on trade reform with China but failed to confront the unfair and deceptive trade practices. Due to your work with President Trump, China is being held accountable for the first time, and Kansans are seeing results. They are also driving reform for the WTO, which is absolutely necessary for that organization to fill a free trade role which is so vital to the world.

You know, as the world is beginning to recover from our recent health crisis, we must continue to implement and enforce our historic trade agreements, like USMCA and China phase 1. We have made significant progress over the last 3 years, and we need to ensure that we continue building on previous agreements. It is great to see the national treatment for music creators in USMCA, and I would encourage we seek the same provisions as we continue to work with the U.K.

Additionally, I would like to thank you for your advocacy against unilateral digital services taxes. I know these taxes, like the ones adopted in France and other countries, are unreasonable, discriminatory, and a burden to American commerce. I continue to believe the U.S. Government should use every tool at our disposal to ensure American companies

are not unfairly targeted. Free and fair trade requires a consistent approach across all countries.

Lastly, I want to mention that I co-wrote a letter supporting a deal to restore GSP eligibility for India last year. I would like to see that move forward and, also, hope Congress will quickly reauthorize the overall program, which is scheduled to expire in December. I look forward to working with you and the Trump administration to continue building on recent trade agreements as our economy and the world economy recover. With forward-thinking trade agreements, America can and will compete in world trade.

Also, I would like to congratulate the administration for taking significant steps to level the playing field for the U.S. economy and particularly American agriculture exports through the phase 1 trade agreement with Japan. It is vitally important that we build upon the success of this agreement and continue to engage in negotiations towards a high standard phase 2 agreement that benefits additional sectors of the U.S. economy, including manufacturing, services, and agriculture.

Ambassador Lighthizer, could you provide us an update on where things stand concerning continuing negotiations with Japan?

Ambassador Lighthizer. Thank you, Congressman.

After 19 times of not turning it on, I immediately turned it on.

Chairman Neal. At least that is a trend.

Ambassador Lighthizer. It won't last, I am afraid, Mr. Chairman.

So, thank you. I would say, first of all, the phase one deal with Japan was a spectacular deal, and we have seen an enormous amount of increase in agriculture sales which we really need. And basically, it is China and Japan are going up while the rest of the world is going down because of the rural economy, and particularly, this is true in the beef area and also in some other areas. So, we are very happy with the phase one deal.

With respect to phase two, we probably would have begun that by now but haven't because of the coronavirus. My guess is we are still a few months away before we will start that, and there are some products that were left out that we want to catch. There are some other things that we want to cover, and they have a whole variety of things they want to do, but my guess is we will start that phase two talk sometime in the next couple of months. We have been really slowed down more than anything by the fact that we have this virus and haven't been able to meet, but it is still a priority. It is still something we expect to do.

But I am just very, very happy with phase one. I think it is one of the best single trade agreements the United States has ever entered into, and it really is paying dividends, and it really was the motivation for an awful lot of the whole TPP, you know, was the agriculture issues in Japan. And we got those, you know, 99 percent of it accomplished. So, I expect phase two to start in a few months.

Mr. Estes. Great. Thank you. It has been positive.

Before I run out of time, I just want to mention, thank you for your work on the free trade agreement with Kenya. I mean, not only is that going to be beneficial to our two countries, but it also opens the door for other trade agreements with other countries in Africa, such as Ghana and others. So I appreciate the work that you are doing in that regard. Thank you for spending time with us today.

Ambassador Lighthizer. Thank you, Congressman.

Chairman Neal. I thank the gentleman.

Mr. Ambassador, let us thank you as well for joining today with us.

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 record.

With that, the Ways and Means Committee stands adjourned.

[Whereupon, at 2:15 p.m., the committee was adjourned.]

[Questions for the record follow:]

[Questions for the Record from Ways and Means Committee Members and Responses from Ambassador Robert Lighthizer.](#)

[Submissions for the record follow:]

[American Chemistry Council Submission for the Record](#)

[American Farm Bureau Federation Submission for the Record](#)

[Americans for Free Trade Coalition Submission for the Record](#)

[Association of Equipment Manufacturers Submission for the Record](#)

[Catholic Organizations Submission for the Record](#)

[Coalition for GSP Submission for the Record](#)

[Distilled Spirits Council of the United States Submission for the Record](#)

[Engine Submission for the Record](#)

[Flexible Packaging Association Submission for the Record](#)

[Motor & Equipment Manufacturers Association Submission for the Record](#)

[National Retail Federation Submission for the Record](#)

[National Taxpayers Union Submission for the Record](#)

[PeopleForBikes Submission for the Record](#)

[U.S. Global Value Chain Coalition Submission for the Record](#)

[Vista Outdoor Submission for the Record](#)