

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

From Representative Suzan DelBene to Ambassador Robert E. Lighthizer

1. The OECD recently released a report on subsidies showing unequivocally that Chinese industrial subsidies are much broader in scope and dramatically larger in amounts than subsidies from any other country. The case study industry here was aluminum, and the report found that 85% of all subsidies went to the top 5 of the 17 companies the report looked at – and all 5 of those companies were Chinese. The report also found that overcapacity in China was caused, at least in part, by these subsidies.

Can you please outline the specific measures you are seeking in the proposed U.S.-China deal to curb Chinese aluminum overcapacity?

Answer: Addressing the role of market-distorting forces in creating and maintaining excess capacity is a key component of our ongoing bilateral negotiations with China. We are seeking enforceable commitments from China to eliminate all forms of nonmarket support to its industries, to address the negative impact of past subsidy-fueled capacity expansion, and to enhance transparency regarding government interventions that affect the operations of market participants, whether directly or through the activity of China's state-owned enterprises.

2. According to press reports, USTR has included removal of China's retaliatory trade duties on US polysilicon exports to China as one of its 10 immediate action items. Could you please advise on the status of this issue in your discussions with the Chinese? It is absolute critical that these retaliatory Chinese duties are removed as soon as possible, both for the preservation of hundreds of high wage jobs in Washington state, as well as the preservation of an important advanced materials industry foundational for the solar, semi-conductor and lithium-ion battery industry in the United States. To this end, I would like to know how and if you plan to prioritize and press this issue with the Chinese in your negotiations.

Answer: USTR has been engaged in discussions with U.S. stakeholders in an effort to find a solution that is beneficial to both the U.S. solar industry and the U.S. polysilicon industry, and which would be acceptable to China. USTR also is pressing our concerns specifically about China's duties on U.S. polysilicon as part of the negotiations launched by Presidents Trump and Xi on December 1, 2018.

3. As you know, I was disappointed in the de minimis outcome in USCMA, and I'm becoming increasingly concerned about the Administration's position on this important issue. I was troubled to see that the report you sent to Congress identifying changes to U.S. law suggested

that you would seek to amend the statute that sets the de minimis threshold in the United States.

Do you plan to include language in the draft USMCA implementing legislation that would reduce the US de minimis threshold? If so, what specific changes will you seek? Are you concerned that lowering the US de minimis level could constitute yet another tax on consumers and small businesses that are already dealing with the cost of the 232 and 301 tariffs?

Answer: As noted in the Administration's submission to Congress on changes to existing law required to bring the United States into compliance with the obligations of the USMCA, we will be consulting with the Committee on Ways and Means of the House and the Committee on Finance of the Senate before making a final determination on implementing the flexibility we negotiated with respect to reciprocity of treatment.

4. As I am sure you are aware, some of the tariffs on Chinese products have inadvertently affected U.S. producers in the global supply chain for these products. Several Washington state fishing companies export 100% of their catch to China, Korea, and Japan, however in many cases the product exported to China is not sold, but simply reprocessed before returning to the U.S. Some of this product is now and being hit with a tariff, and that increased cost is being passed down the supply chain and affecting our fishermen at home.

Don't you think there should be an exemption for such products with a U.S. origin? Are you working to address this issue?

Answer: Only products considered to have Chinese origin under U.S. law are covered by the tariff action in the Section 301 investigation. To the extent that U.S. interests want to import Chinese-origin products, we are conducting a product exclusion process for products on Lists 1 and 2. I have stated in my testimony before the Committee, and in correspondence with individual Members of Congress, that USTR would initiate an appropriate exclusion process for List 3 if the duty rate on those tariffs were raised to 25 percent. Members of Congress believe that we should have an exclusion process for List 3. For this reason, we have begun preparations to launch a process by the end of the month.