

Hearing on U.S.-China Trade

HEARING
BEFORE THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTEENTH CONGRESS
FIRST SESSION

FEBRUARY 27, 2019

Serial No. 116-6

COMMITTEE ON WAYS AND MEANS
RICHARD E. NEAL, Massachusetts, Chairman

JOHN LEWIS, Georgia LLOYD DOGGETT, Texas MIKE THOMPSON, California JOHN B. LARSON, Connecticut EARL BLUMENAUER, Oregon RON KIND, Wisconsin BILL PASCRELL, JR., New Jersey JOSEPH CROWLEY, New York DANNY K. DAVIS, Illinois LINDA SÁNCHEZ, California BRIAN HIGGINS, New York TERRI A. SEWELL, Alabama SUZAN DELBENE, Washington JUDY CHU, California GWEN MOORE, Wisconsin DAN KILDEE, Michigan BRENDAN BOYLE, Pennsylvania DON BEYER, Virginia DWIGHT EVANS, Pennsylvania BRAD SCHNEIDER, Illinois TOM SUOZZI, New York JIMMY PANETTA, California STEPHANIE MURPHY, Florida JIMMY GOMEZ, California STEVEN HORSFORD, Nevada	KEVIN BRADY, Texas, Ranking Member DEVIN NUNES, California VERN BUCHANAN, Florida ADRIAN SMITH, Nebraska KENNY MARCHANT, Texas TOM REED, New York MIKE KELLY, Pennsylvania GEORGE HOLDING, North Carolina JASON SMITH, Missouri TOM RICE, South Carolina DAVID SCHWEIKERT, Arizona JACKIE WALORSKI, Indiana DARIN LAHOOD, Illinois BRAD R. WENSTRUP, Ohio JODEY ARRINGTON, Texas DREW FERGUSON, Georgia RON ESTES, Kansas
---	---

BRANDON CASEY, *Staff Director*
GARY J. ANDRES, *Minority Chief Counsel*



HOUSE COMMITTEE ON WAYS & MEANS
CHAIRMAN RICHARD E. NEAL

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
February 20, 2019
No. FC-5

CONTACT: (202) 225-3625

Chairman Neal Announces a Hearing on U.S.-China Trade

House Ways and Means Committee Chairman Richard E. Neal today announced that the Committee will hold a hearing on U.S.-China Trade. The hearing will take place on Wednesday, February 27, 2019, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m. The only invited witness is Ambassador Robert E. Lighthizer, United States Trade Representative.

In view of the limited time available, 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, March 13, 2019.

For questions, or if you encounter technical problems, please call (202) 225-3625.

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.

The Committee seeks to make its facilities 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](#)].

###

Hearing on U.S.-China Trade

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 notice, at 10:00 a.m. in Room 1100 Longworth House Office Building, Hon. Richard Neal presiding.

*Chairman Neal. And the committee will come to order. Good morning.

Today we welcome Ambassador Robert E. Lighthizer, the United States Trade Representative, to discuss U.S.-China trade.

One of the challenges for the ambassador, members of the committee, and the Administration, indeed, is the following, that as trade issues play out, there is generally some truth to what everybody says about trade.

At the direction of the Trump Administration, there are currently U.S. tariffs of \$250 billion of Chinese imports. In retaliation, China has imposed tariffs on \$110 billion of U.S. exports. This hearing is our opportunity to make clear what Congress stands for on U.S.-China trade, and what the American people need to see in any trade agreement as the Administration concludes its work and memorandums of understanding with China.

At the outset, I want to acknowledge that Ambassador Lighthizer is leading negotiations with China, and that he may want to exercise discretion about the level of detail he gets into as we reach the delicate stage of finishing, hopefully, the agreement. At the same time, I encourage the ambassador to be as forthcoming and vigorous, as we know he is capable of doing, as possible.

I have often observed that there is truth, again, as I noted earlier, to what everybody says about China: China has been good for some, but it also has been bad for many others.

In 2000, when Congress voted on normalizing trade relations with China, the promise was that China would reform and become market-based, democratic, and would respect human rights. But the China that we trade with and compete with today is very different from the one we had hoped would emerge.

China's economy, which has taken on some market characteristics, remains fundamentally state-directed. China's companies, state-owned or not, are called upon to serve the government's interests. China's trade and economic policies are coordinated through 5-year and 10-year plans. Those plans are backed by China's resources. They are

aimed at fostering national champions, advancing China's economic and technological ambitions, and ensuring full employment in China. They are implemented at the expense of other economies, through the theft of others' intellectual property, and without regard to the global trade rules or human rights of workers.

These are structural economic challenges that American workers and companies face in trading and competing with China.

While this Administration confronts the same challenges with China that previous administrations have faced, it has chosen to use tactics and tools that previous administrations of both parties did not. The Administration's tariffs have been sweeping, disruptive, controversial, and indeed, for some sectors, painful. The Administration's promise is that high-risk approaches will yield high rewards.

My concern is that we are about to see the Administration use the same, from time to time, ineffective playbook that has been applied in the past.

Recall that in April 2017 President Trump met with President Xi at Mar-a-Lago, as part of a 100-day plan for a big China deal. The Commerce Secretary declared that the outcomes from the exercise represented more than has been done in the whole history of U.S.-China relations. Of course, when we examined the results of those negotiations, we found that some of the commitments were not quite as advertised. Other commitments that were made promising changes in China were already in the process of being made.

But in May of last year China's trade negotiation seemed like it was about to lead to a package of large purchase commitments for commodities like soybeans and natural gas, along with aircraft. Those negotiations clearly were not leading to the solution that we had hoped for, in terms of significant trade challenges. They, indeed, were put on hold.

This time around, on December 1st, the President announced the 90-day period to fix our complex trade problems with China. And as we near the finish line, we are hearing once again about very large purchase commitments for commodities like soybeans, natural

gas, and along with aircraft.

There is a primary difference, however, with these negotiations: that is that Ambassador Lighthizer is at the helm. He has time and again, I think, developed a vision that many of us on this committee will support vigorously. And we believe that the structural problems that face America as it faces its trade relationship with China are well observed by the ambassador.

This Administration has chosen to take a path of high-risk confrontation. It must hold out for the good deal, a structural deal. The future of America's economic prosperity is in the balance.

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

*Chairman Neal. And with that I would like to recognize the Ranking Member, Mr. Brady, for an opening statement.

*Mr. Brady. Thank you, Chairman Neal, for convening this hearing on America's trade relationship with China.

And thank you, Ambassador Lighthizer, for your leadership in the ongoing negotiations with China, and for consulting with us today about where those negotiations stand and what comes next.

We can all strongly agree that China has cheated on trade for decades, severely harming American workers and businesses. President Trump deserves significant credit for being the first president to confront China's unfair and predatory trade practices head-on, and insist on a new, fairer trading relationship with the U.S.

While we want China to buy more U.S. goods that support farmers, manufacturers, and professionals here at home, it is even more important for us to hold China accountable to meeting high international standards on intellectual property rights, on subsidization, on overcapacity, and on the other structural ways in which China distorts the global economy.

A new era of fairer trade between China and the U.S. is in everyone's interest. The

solution must be enforceable at every level of Chinese governance, measurable, and subject to corrective action should it fall short of commitments. And it should provide as much predictability as possible for our American job creators seeking to serve China's market.

With a more level playing field and now armed with a competitive, 21st century tax code, I am confident that our farmers, workers, and local businesses can compete and win anywhere in the world. U.S. companies face a wide range of trade barriers in China, and I look forward to a thoughtful discussion of them today.

China's unfair treatment of U.S. investors is a huge part of the problem that the U.S. Trade Representative's Section 301 report identifies in great detail. For example, China's equity caps and joint venture requirements prevent U.S. companies from controlling their own operations, as well as their own intellectual property when they invest in China, giving Chinese competitors an unfair advantage and costing American jobs.

A high-standard, fully enforceable bilateral investment treaty with China can help us address many of these issues for the long term. And I am hopeful the substantive talks underway, including in Washington last week, will produce meaningful commitments from China that lower trade barriers, achieve structural reforms, and establish a new era of fair trade.

But no one country can take on China entirely alone. The three-party initiative, Mr. Ambassador, that you are undertaking with the European Union and Japan, holds great promise that we must build on together. I am also encouraged that the Trump Administration is showing leadership in aggressively challenging China when it violates WTO rules, including in its intellectual property licensing policies, as well as its subsidies and tariff rate quotas for our key ag commodities.

At the same time I am concerned about the very real impact of tariffs on American manufacturers, consumers, and farmers. I will continue to work closely with the President and his team to ensure we minimize the impact to the United States and our allies as we

take on China. Fairly traded goods should be excluded from our tariff actions, as should products that are otherwise unavailable to U.S. companies. And I think having a real and workable exclusion process in place for any tariffs is essential, so that we can focus these impacts on the bad behavior of China.

In sum, thank you for being here, Ambassador. I look forward to today's discussion about the challenges we face in China and our demand for China to negotiate in good faith to achieve a durable and enforceable solution to the structural issues we face.

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

*Mr. Brady. Mr. Chairman, with that I yield back.

*Chairman Neal. Thank you, Mr. Brady. And without objection, all members' opening statements will be made part of the record.

Today's sole witness is Ambassador Robert E. Lighthizer, the United States Trade Representative.

The committee has received your written statement. It will be made part of the formal hearing record. You have five minutes to deliver your oral remarks.

Ambassador Lighthizer, again, welcome. And you may begin your testimony as you are ready.

STATEMENT OF ROBERT E. LIGHTHIZER, UNITED STATES TRADE REPRESENTATIVE

*Ambassador Lighthizer. Mr. Chairman, Ranking Member Brady, and distinguished members of the committee, it is a pleasure to be here today and to discuss this very important issue. As you said at the beginning, I can never hear anybody up there, so at some point you will have to get --

*Chairman Neal. Mr. Ambassador, could you speak into the microphone?

*Ambassador Lighthizer. Yeah. See, you can't hear me and I can't hear you. It is like a perfect room.

[Laughter.]

*Ambassador Lighthizer. I want those 10 seconds back. I have to say that every time I come here.

All right. I think at the beginning it is appropriate to take a minute and remind ourselves that, with all our pressing problems, we have a very successful economy. Under President Trump's leadership we are growing much faster than any G7 nation. We have created millions of new jobs, significantly the many 500,000 manufacturing jobs, and we have seen two million people join the workforce. These are people who were not in it before.

These are real working people moving from despair to hope, and their kids from insecurity to a future. A lot needs to be done, and I salute all members of the -- of both parties -- who are working so diligently on issues of worker training, opiate addiction, as well as trade and other issues.

But we are here to talk about China. I agree with those who see our large and growing trade deficit and their unfair trade practices, including technology transfer issues, failure to protect intellectual property, large subsidies, cyber theft of commercial secrets, and other problems as major threats to our economy.

We can compete with anyone in the world, but we must have rules, enforced rules, that make sure market outcomes, not state capitalism and technology theft, determine winners.

President Trump has, for years, recognized this very serious and, I would say, existential problem. And he is determined to take action to defend our workers, farmers, and ranchers, and our economic system. He directed me to conduct a study under Section 301. After months of hard work the President ordered that certain tariffs be put in place. Because of his insight and grit, we are in a position to deal with this problem for the first time after decades of governmental inaction.

I would like to note that, as with many extremely important issues facing our country, prescience has been bipartisan. The Speaker was an early, forceful, and foresighted leader on this issue. I have admired her perception and hard work over the years, and have counseled with her regularly in my current position.

I would just like to read something briefly. Faced with the PNTR vote in April of 2000, the Speaker said, "It is incumbent upon all of us in the public and private sectors to work for free and open trade with China that is real. The U.S.-China bilateral WTO agreement, however, is seriously deficient in substance, implementation, and enforcement. This issue is too important for our economy to be based on a pattern of broken promises, not proven performance. China can become a member of the WTO without Congress having to surrender its right to U.S.-China trade review annually. There is no reason why we should permanently surrender that leverage at this time." I ask, if her position had prevailed, how different would things be right now?

There are many other examples of bipartisan leadership, including a lot of people on this committee, and I am going to get into -- I am going to answer the questions, if it is relevant.

Let me close by saying that we have engaged in a very intense, extremely serious, and very specific negotiation with China on crucial structural issues for several months now. We are making real progress. If we can complete this effort -- and again, I say if -- and can reach a satisfactory solution to all -- to the all-important outstanding issue of enforceability, as well as some other concerns, we might be able to have an agreement that helps us turn the corner in our economic relationship with China.

Let me be clear: much still needs to be done both before an agreement is reached and, more importantly, after it is reached, if one is reached.

I want to thank all members for your bipartisan approach on this seminal effort, and I look forward to continuing our work together. I want to say that if this was not a

bipartisan view, we would not be having the success that we are having.

Thank you, Mr. Chairman. Thank you, Ranking Member. I look forward to your questions.

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

*Chairman Neal. Thank you, Mr. Ambassador. We will now move to questioning.

Without objection, members will have four minutes to question the witness today, in order to ensure that all members have an opportunity to inquire before the ambassador's schedule requires him to depart.

I will begin by recognizing myself. Members will be acknowledged in the order of what we call the Gibbons Rule, and that is when the member took their seat.

Mr. Ambassador, in my opening I referenced some of the earlier Administration efforts to negotiate trade with China. Those efforts seemed to overlook the deep and complex structural problems underlying our trade relationship.

My question is this: what would be different this time, and what can we expect next?

*Ambassador Lighthizer. Thank you, Mr. Chairman, and that is the fundamental question. What the President wants is an agreement that, number one, is enforceable, but the changes -- the pattern of practice of forced technology transfer, intellectual property protection, large industrial policy subsidies, and then a whole variety of specific impediments to trade and unfair practices in the area of agriculture, in the area of services.

What we want is fair trade. That requires structural change, and it has to be enforceable. We have had -- and I can go through for the members -- many, many examples of the Chinese agreeing to specific -- not this specific, but agreeing to take steps to forego certain unfair trade practices. And in very few cases have they actually kept their obligations.

We have to, in this case, engage in -- approach this with the view that there are reformers in China who want to change these practices, and we are working together with them. That has to be our approach. And if that is the case, our hope is to have specific language on specific issues that is enforceable through a very clear process.

*Chairman Neal. So do you envision one negotiated package in the next few weeks that is going to resolve all these structural issues?

*Ambassador Lighthizer. So I am not foolish enough to think that there is going to be one negotiation that is going to change all of the practices of China or our relationship with them. I don't believe that.

I think that we have to take on the major issues, the ones that I just raised, and we have to specifically preclude anti-market practices and practices that are unfair to our workers and ranchers and farmers, and there are lots of them.

At the end of this negotiation, if we are successful, there will be a signing and then there is going to be a long process of me working with the members of this committee and the Finance Committee in the Senate and other Members to ensure that we actually live up to this. And I believe other problems will arise, and they are going to have to be dealt with.

I view this as a process, but this is the -- well, I use the term "turning the corner." This is the first time, I believe, that it has been approached in this way. And the result -- it is more the result of the creation of an enormous amount of leverage by the President.

*Chairman Neal. Mr. Ambassador, as you reach an accord, will you envision putting the tariff threat in abeyance?

*Ambassador Lighthizer. So this may not be the first time or the last time I say this in this hearing. But actually, specific provisions may be -- I want to kind of hold off on -- as the chairman knows well, I am happy to talk to him about whatever is on my mind. I love it when you said there would have to be some discretion here. I wrote that down,

because I am thinking that is, like, not my strongest suit, discretion. But I am trying. I am trying to do it.

I will talk to you about that, specifically. Certainly, it is an objective of the Chinese that tariffs go away, and, I should just add a footnote that, in my judgement, does not mean -- anti-dumping, kind of -- that normal trade law -- that is a separate process. That is a separate enforcement process. I am dealing with Section 301 in this agreement.

*Chairman Neal. Thank you. Let me recognize Mr. Brady.

*Mr. Brady. Thank you, Mr. Chairman. And I think you raise -- both you and Ambassador Lighthizer raised -- an important part here, which is this is the first serious, substantive attempt to change China's misbehavior.

And it is not just one issue. You are taking a comprehensive approach by challenging China at the World Trade Organization in cases, aligning with Europe and Japan on the WTO reforms that can address this, implementing investment restrictions Congress put in place last year to address China. And then the Section 301 case, the issue you are dealing with right now, it will take -- this is the first comprehensive approach I have seen, and the one I think holds the most likelihood for success.

I think, as people look at what is a successful win for America, you ought to really focus, as you just mentioned, on the Section 301 area, where you really pulled back the curtain on China's trade practices and predatory trade practices, and laid out that case.

I know at home, in Texas, we have one of our best corporate citizens, Huntsman Corporation, nearly 1,000 employees in my district; they are an example of how American companies have no recourse when their intellectual property rights are violated in China, because provincial Chinese courts simply don't uphold the rule of law.

Not only did the court throw out this patent intellectual property case based on the expiration date of the dye, but they also appointed a court panel to review the case that had an employee of the company that stole the intellectual property. It is that hard for

businesses to compete.

So let's talk about 301 for a second. I think these are the key issues here. That will define, I think, our success. You mentioned this earlier.

Will the agreement that you are negotiating with China have measurable commitments in them?

Will they be enforceable at all levels of China's governance? Because we know the play they have run before is to, you know, pretend to protect intellectual property at the central government level, but not at the provincial or local court and communities level.

And finally, will there be an avenue for corrective action if China doesn't live up to its commitments in what we hope will be an agreement here in the near future?

So measurable, enforceable at all levels of governance, and corrective action, make sure they live by those commitments.

*Ambassador Lighthizer. So, you know, thank you, Mr. Brady. I appreciate that.

First of all, in terms of what is successful, you know, I have been doing this a long time. But nonetheless, over the course of the last few months, I went to every statement that business groups have made, that agriculture groups have made, that labor unions have made, and that Members have made. Most of them, myself -- in some cases having my immediate staff go through and tell me -- "Tell me what that guy or that woman said is essential to a successful" -- and that is my guide. I am taking that, and I am distilling that down. And it is -- I could -- I mean some of you it is one thing, some of you it is another. But it is all right in a band, right?

And so that is what I am measuring myself by, and that is what I have as my objective. It is not just what I think, it is what everybody -- I have distilled down what the people who have spent time thinking about this think.

So the Huntsman example is, like, unfortunately, one of many, many thousands.

*Mr. Brady. Unfortunately.

*Ambassador Lighthizer. And I could go on and on about that. I won't, because I only have 12 seconds or 10 seconds to go.

So number one, yes. Clearly, it has to be specific and measurable.

It has to be enforceable at all levels of government. Some things are not appropriate for that, but 99 percent, the core stuff, is all -- and in the agreement it will say central, sub-central, local, and -- so it has got to be across the board like that. And we have to have the ability to take proportional action unilaterally, to make sure that we have a situation where they are following --

*Mr. Brady. Thank you, Ambassador.

*Chairman Neal. Thank you, Mr. Brady. The chair would now recognize the gentleman from Georgia, Mr. Lewis, to inquire.

*Mr. Lewis. Thank you very much, Mr. Chairman and Ranking Member, for holding this hearing. Thank you, Mr. Ambassador, for being here.

I have said it before and I will say it again. There is no way to compete in a race to the bottom. Like our friend and colleague, Ms. Sewell, I grew up in Alabama. She grew up in the big city, but I grew up in rural Alabama. And I watched American jobs disappear throughout my life and career.

In my home state of Georgia, many manufacturers, workers continue to struggle to find good, livable-wage jobs. Over the years, many of those businesses move overseas in search of cheap labor and lower environmental protection. What I witnessed in our community inspired me to oppose granting China permanent normal trade relations almost 20 years ago.

At the same time, my congressional district is also home to a large number of manufacturers, both large and small, who rely on the aluminum. I do not need to tell you, Mr. Ambassador, that China plays by its own rules, and focuses on the long game. While we may differ on the tactics, everyone in this room will agree that we need a level playing

field. And we don't have it. We can do better. We can do much better.

As you note, Mr. Ambassador, this is not an easy matter. We must be thoughtful, we must be mindful, and we must get it right.

Now, Mr. Ambassador, I want to thank you again for being here, and thank you for your service. The current negotiation focuses on a number of issues. I want to know about the labor and environment protection part of the discussion.

*Ambassador Lighthizer. So I would say first of all the principal reason why I am spending my time doing this now is for the same reason that you just stated. That is to say we have lost -- not all just to China, but since China joined the WTO, we have lost five million manufacturing jobs, and millions of additional jobs. And it would distress me if that was the result of economic forces. But it is not the result of economic forces, it is the result of state capitalism. So I am motivated by the same thing that you are, and I want to be judged by that, right? I want to ultimately be judged by that.

On the aluminum question, you are completely right. We have a problem, a global problem in aluminum, precisely because China doesn't operate on an economic system. They have created, through controlling their market access and subsidies and other practices, an extraordinary amount of excess capacity that has basically wiped out the aluminum industry across the world.

The issues that we are focusing on in this negotiation are not -- they are labor and environment to the extent those are unfair trade practices. But it is not the same as we are, as you know, well in USMCA, where those are specific objectives that we are requiring change in. So to the extent they are unfair trade practices -- I would say also we are constrained by the limits of 301, and by the statute that we have to work with. But those are also, as you know well, high priorities for me.

*Chairman Neal. I thank the gentleman. Mr. Nunes is --

*Mr. Nunes. Thank you, Mr. Chairman.

*Chairman Neal. -- recognized.

*Mr. Nunes. Thank you.

Ambassador, thanks for being here. And I want to congratulate you for really being the first -- being part of the first administration in 20 years of complaining about China to actually do something.

I associate myself with a lot of the comments that Mr. Lewis made, and I know it is tough, because I know the Chinese are trying to be very targeted in how the tariffs are being implemented on our side. But I can tell you that, from the intelligence angle that we have been studying here in the Congress for several years, that, you know, the Chinese have moved into taking over the communications systems around the world. They have moved into building strategic military locations around the globe, and those are spreading.

At the same time they have targeted major industries for either takeover through acquisition of banks, energy sectors, and others around the globe, in every continent, including here in the United States.

So I would like to give you an opportunity, Ambassador, to get into a little bit of how the Chinese use the regulatory angle to encourage abuse and theft of intellectual property, because it is not something that I think a lot of Americans understand, but they are actively, on a daily basis, stealing intellectual property from right here in the United States, and transferring that to China to compete directly with our companies and our allies' companies around the globe.

I will give you an opportunity to expand on that.

*Ambassador Lighthizer. Yes, thank you very much, Congressman.

So, number one, I think that the U.S. has the best technology in the world. It is probably our single biggest competitive advantage, and why we will be number one for a long time, if we protect our intellectual property, because it is not just a question of high-tech industries, it is steel, it is these combines. If you get into a modern combine, it is like

a -- you know, like a spaceship was in the sixties, right? These -- you know, how they drive these things, they know -- they have all these computer operations and satellite operations.

And so technology is our biggest advantage, and it runs absolutely across every part of our economy. It is the key, and that is why the President had me focus on it right here. And I think China, as you suggest, knows full well that it is the key. Technology is what is going to determine who rules the future. Chinese practices are -- you could break them down into twofold: one is what they do there, and the other is what they do here.

We have -- we are negotiating provisions that will, if enforced, restate, make far more specific, and clarify commitments against cyber theft, against physical theft, and against using investment practices to get technology.

What happens now, I don't want to go through a lot of specific examples, and I know you know far more of them than I do, because this is part of your responsibility in the Intelligence Committee. But what happens very often is China comes in -- for example, they invest in a company, the company develops technology, that technology ends up in China. And it could end up through investment, it could end up through cyber theft, it could end up through employees working for that company and then leaving and going to China.

I mean there is a whole group of things. And what we are trying to do is deal with it as much as we can in one agreement. And then that is one side of the problem, it is the one you are focused in.

The whole other side is how they get technology from us through non-economic means in China, U.S. companies operating there. And that is another thing that we are trying to deal with in this.

*Mr. Nunes. Thank you, Ambassador.

Thank you, Mr. Chairman.

*Chairman Neal. Thank you, Mr. Nunes. The gentleman from Texas is recognized, Mr. Doggett.

*Mr. Doggett. Thank you, Ambassador. I think our country is fortunate that you are on the front lines of this very important negotiation. I did note with interest the exchange you had with the President last Friday that this ongoing negotiation with China is a trade agreement -- that is the goal -- and not a memorandum of understanding.

And I think you indicated that, since he is the boss, you agree with him and that your goal is to negotiate and complete a reasonable trade agreement. Is that right?

*Ambassador Lighthizer. I am going to elaborate on that when it is my turn to talk.

*Mr. Doggett. Well, I am just referring to your precise words last Friday, that you would no longer use the term "memorandum of understanding," and that this is a trade agreement.

Pardon? I think if you turn your microphone up --

*Chairman Neal. We are having trouble hearing you, Mr. Ambassador.

*Ambassador Lighthizer. Yes, and could you pause my time here? Is that better now?

*Chairman Neal. Yes, thank you.

*Ambassador Lighthizer. I actually felt pretty good when you couldn't hear me, either, for a minute.

[Laughter.]

*Ambassador Lighthizer. Kind of like this is -- it is finally a fair system here.

There will be -- I am not quite sure I know, Congressman Doggett, where you are going on this, but this will be a binding agreement.

I should take a step back and say to the extent any agreement between nations is binding -- right? I always have to make that clear. It is a great de Gaulle quote, which is

that agreements between nations -- I will slightly change it for -- to update it to the current situation -- agreements between nations, like flowers and children, last while they last.

*Mr. Doggett. Right. And so it is a binding trade agreement. A contract, as the President referred to it.

And as a binding trade agreement, given the statutory authority that you and the President have to negotiate that is delegated by Congress, can you outline to us what you would anticipate after the agreement would be the timetable for submitting it to Congress for approval?

*Ambassador Lighthizer. Thank you. We have no intentions of submitting it to Congress. It is --

*Mr. Doggett. Well, if it is a trade agreement, under Section 103, you are required to submit it to Congress, are you not?

*Ambassador Lighthizer. It is an executive agreement. We are not required to submit it to Congress. We have to submit at some point --

*Mr. Doggett. It is --

*Ambassador Lighthizer. The President has the -- I am sorry, Congressman.

*Mr. Doggett. No, it is -- yes, as you have agreed with the President it is a binding trade agreement that you are seeking, you can seek it only through delegation of congressional authority. And you are required to submit such agreements back if you are lowering U.S. tariffs, which would appear to be the case.

*Ambassador Lighthizer. Well, let me just say that we are in no way -- this is a settlement of a 301 action. The President is using his power under Section 301, which has been delegated. And it is an executive agreement which the Constitution gives the President the right to enter into. We are not changing any tariff lines, we are not using TPA. And if we did, by the way, I wouldn't be here now anyway, because we wouldn't have gone through the process.

So this is not a TPP process. This is a settlement of a 301 action, and it is the President's constitutional authority to enter into executive agreement.

*Mr. Doggett. Since we may not agree on that, let me ask you if you do agree that unless you get meaningful structural changes to address this stealing of our intellectual property and the other issues that are out there structurally that you outlined in your testimony, if all we get is the sale of a few more soybeans and other products, then this is an agreement not worth having, isn't it?

*Ambassador Lighthizer. I couldn't hear the last --

*Mr. Doggett. I am just saying that the goal here is meaningful structural changes. And if we don't get them, this is an agreement not worth having.

*Ambassador Lighthizer. I agree completely with that statement. And right now we are 500, you and me --

*Mr. Doggett. And let me just add how --

*Ambassador Lighthizer. I want --

*Mr. Doggett. -- important it is, given -- and I realize this is not in your direct jurisdiction, but I agree with my Texas Senator, John Cornyn, and the others who express concern about Huawei and its national security threat, and if there is any bargaining away of our national security to get this agreement, it would be with great harm to our country. Thank you.

*Ambassador Lighthizer. So let me just say, one, as -- I agree with you on 50 percent of the things. And that is a -- you get to the Hall of Fame if you --

*Mr. Doggett. That is progress.

*Ambassador Lighthizer. Yes, that is -- now, we are usually at 90 percent. But I do not think it should just be a purchase agreement. I agree with that completely. The law enforcement provisions are outside of my purview; I have nothing to do with them.

*Chairman Neal. Thank you. The chair would recognize Mr. Buchanan to

inquire.

*Mr. Buchanan. Thank you, Mr. Chairman, for this important hearing. I also want to thank the ambassador for reaching out, really, to both sides. I know you have had a lot of meetings, you have got a lot more meetings you are going to do. So I appreciate you doing that on a bipartisan basis.

I also want to just echo what many of my colleagues have said, in terms of enforcement. My experience -- I happened to be in Beijing 20 years ago as a part of the U.S. Chamber, in a delegation there. Intellectual property was a big issue back 20 years ago, in terms of the theft. And I am not sure how far -- there hasn't been any or much progress on that. Still, as you know, a big challenge.

And the thought is whether the agreement is 150 pages or 1,000 pages, what I have learned in my business career, the agreement is only as good as the 2 parties involved. So I just want to go on record also concerned about the enforcement. I am for free trade, but it has got to be fair, and we got to level the playing field.

I want to switch gears to -- I touched base with you the other day, but it is a big issue in Florida and, I think, across the country: Fentanyl. Last year, there was a 77 percent increase in deaths in Florida. China is one of the leading sources for Fentanyl. I know the President has had some discussions, and I think he said he had some commitments. Can you maybe expound on where that is at, in terms of Fentanyl and the Chinese ability to produce that, what we are trying to do as a part of this document, ideally?

*Ambassador Lighthizer. Yes. Well, thank you, Congressman. First of all, you are right. There is a long history of failure by China to protect intellectual property.

The first kind of modern example of it was a 301 that was brought in 1991 during the George Herbert Walker Bush Administration, and then in the -- between 2010 to 2016 there were 10 different commitments where they agreed to do certain things, which commitments I would suggest are not -- were not lived up to. And therefore, enforcement

really is the biggest thing.

The President completely agrees with you on the issue of Fentanyl. He specifically raised it with President Xi when we were in Buenos Aires out to dinner. President Xi -- I don't want to suggest if -- that this is my area of expertise, because it isn't -- but agreed that he would treat it as whatever the equivalent of a controlled substance is in China.

And this is something that the President views himself as having a commitment on. It may very well be something that we end up writing into this agreement. But it clearly is something the President views himself as having a commitment on, and that we are monitoring to see if there, in fact, are changes. Very important to the country for all the reasons you said. I even made a veiled allusion to it in my opening statement: this idea of fighting opioids is as important as job training.

*Mr. Buchanan. Let me add one other thing. I just want to put on your radar -- I know you have got a lot of things on your radar, but the ag community in Florida, forestry, a couple of years ago it did \$8.4 billion. It is a big industry in our state. And in terms of exports to China, that has dried up for various reasons. We can talk about that at a later date. I just want to make sure that is something you are considering or looking at, as well, as part of the agreement.

*Ambassador Lighthizer. No, I am. I actually -- I have a list of specific issues that have been raised by Members that are appropriate for the agreement, and it is something that we have raised and will continue to raise.

*Mr. Buchanan. Thank you, and I yield back.

*Chairman Neal. We recognize the gentleman from California, Mr. Thompson, to inquire.

*Mr. Thompson. Thank you, Mr. Chairman. Thank you for holding the hearing. Ambassador, thank you for being here. And thank you for your willingness to work with us and meet with us. You have been very open and very helpful during your

time in this spot.

I have three issues. You have heard from me on a couple of them before. I would just like to reiterate those and raise one new one to you, and then let you respond accordingly.

As you know, my district produces the finest wine in the world, and China is the largest and the fastest-growing wine marketplace in the world. The 232 and 301 tariffs put a 39 percent tariff on our products. And we are having to compete with other new wine areas, Australia and Chile, with zero tariffs. So I just -- I would like some assurance that you are doing everything you can to ensure that high-value-added specialty crop products have the enhanced entrance or enhanced access to the market. I know you are working on all agricultural issues and products.

And then the other ag issue is rice. You know, milled rice in California has been waiting for the promised access to the Chinese market ever since China joined the WTO. And they have been very, very helpful, as you know, and very understanding. And I guess I would like to have some idea as to how much longer they are going to have to wait, or whether or not we are close to the promised access.

And then the new issue that I want to raise today are the tariffs on building and construction materials. The National Homebuilders Association suggests that these tariffs equal about \$1 billion worth of tax on residential construction. And as you know, affordable housing, the lack of affordable housing, is something that impacts all of our districts, every district in the country. And this just makes it harder to be able to build homes and get people into homes.

And in my district, in particular, we just went through a just horrific fire, where we lost about 7,000 homes. And home owners are trying to rebuild, and they have seen the cost of building materials, coupled with the shortage of supply and the shortage of labor, just drive the cost of replacement to a point where they can't rebuild the home that they lost

in their fire.

And then we have had these 7,000 homes in my district, and then the new fires up in the northern part of the state, in Congressman LaMalfa's area, and down in the southern part of the state there are thousands more. And this is really a setback for home owners who have already been through a lot.

And so I am just wondering. Is that \$1 billion tax really the best way to hold China accountable? And I concur that, you know, we need to hold them accountable, but is this the best way to do it, at the expense of people who are trying to move into their -- rebuild and move into their homes?

*Ambassador Lighthizer. So thank you, Congressman. I would say, first of all, on the wine issue and, as you call them, high-value-added specialty crops, yes, they are very important. We -- this negotiation is, we have all said, is about structural change, structural change, and enforcement.

But it is important that we have purchases, because the purchases will be good for specific people, and it will also get the deficit down, which I think is an important thing to do, directionally, for sure. And in that context we very much talk about high-value-added specialty crops. And wine, of course, is a high -- it is a great example of one. I mean there is -- it is a product where the United States makes the best products in the world, so I would -- I can attest to that, personally.

The second thing, rice, is complicated, all right? First of all, we have -- we are talking about rice in the context of the purchases, number one. Number two, as you know, we have WTO cases which we have -- is the second one public yet? No? Well, we have one that we have won and one that is in the process. It will become public at some point. So, trying to resolve those in the context of this agreement is something that we are trying to do. So that is something that we have raised. But as you know, rice is a funny issue in China. It is not -- it has a different -- a political context than a lot of these other things we

are talking about. But nonetheless, we are trying to do that.

In terms of the billion dollars, I don't know the letter. I should look at it. I presume they are talking about softwood lumber, which I would say is a litigation matter, and I presume also steel and aluminum. I presume those are the things they are talking about. Yes, yes, I would assume that.

And each of them has their own context. I would say softwood lumber is a litigation thing that we would have to work our way through. Steel and aluminum, my objective, as many members know, is to try to work out something with Mexico and Canada on those things. But I --

*Mr. Thompson. We have run out of time, but thank you. And any information you can get back to me.

*Ambassador Lighthizer. All right, I am sorry. I will --

*Mr. Thompson. Thank you.

*Chairman Neal. Now that we have established that California produces the best wine in the world, the chair would recognize the gentleman from Nebraska, Mr. Smith, to inquire.

*Mr. Smith of Nebraska. Thank you.

*Ambassador Lighthizer. I want to say Oregon and there are some other states that also have very good wine.

[Laughter.]

*Ambassador Lighthizer. Maybe even -- maybe Georgia, I don't know.

*Mr. Smith of Nebraska. And the Nebraska wine industry is coming right along, as well.

Thank you, Ambassador, for joining us this morning. I appreciate that, certainly, you are dealing with a lot of issues, and we appreciate that you take the time to be here this morning.

President Trump has time and again expressed his concerns for our farmers and ranchers. He has certainly made the National Farm Bureau Federation annual conference and annual event on his schedule. He has been steadfast in his insistence that agriculture be a part of any negotiations we undertake with the European Union. For this and much more, the rural community is appreciative.

There are many long-term issues to be considered in the China negotiations, including intellectual property issues, barriers to biotech products, and many other non-tariff trade barriers. However, I do want to make sure that we don't lose sight of the fact that commodity prices are down. And the bread basket of the world, being America, has been negatively impacted by the cumulative impacts of the tariffs and, certainly, non-tariff trade barriers, as well. We should never lose sight of this fact in our deliberations.

Because it is so crucial, and these talks come to a successful conclusion, I am grateful for the President's personal involvement. I, along with many members of this committee, asked, last summer, that the President engage directly with President Xi to move these talks forward. I urge him to continue to do so, and that -- remember the sacrifices being made by our producers, ag producers, in your daily discussions.

In addition to China we need to continue to move forward with USMCA, we need to bring down the 232 tariffs on Canada and Mexico, and eliminate the retaliation our producers continue to endure in order to facilitate the agreement's approval.

I am grateful for the progress made in the Japan talks. Every day our producers face tariff rates higher than their competitors when doing business in Japan, which is a lost opportunity to expand and defend their market share.

So once again, time is of the essence. With the President's commitment to U.S. agriculture in mind, I would appreciate your thoughts on the 232 tariffs on Canada and Mexico, and also your outlook for the Japan negotiations.

*Ambassador Lighthizer. Yes, thank you very much, Congressman.

First of all, in the context of China, it is not just about purchases. We have -- we had many, many hours of discussion about a whole variety of issues which I won't go through, because most members -- well, most members have at least some interest from biotechnology to specific issues involving beef, poultry, aquatics, meats. I mean it is just - I could go through it all. A lot on rice. I mean beyond the purchase, a lot on just the SPS issues.

So we spend a lot of time on there. We actually had long discussions on Ractopamine, for those of you who are from the beef producing areas, with the vice premiere of China. So it was a pretty detailed discussion.

So, having said that, to sort of jump ahead, I want to go to Japan very soon. The date is probably going to be in the next month. I want to have a trilateral meeting there on this issue of China. I want to start our negotiations, which we have now -- remember, we have gone through the process of TPA with everyone, with the Congress, and now we are beyond our 90 days, so we can start the actual negotiating.

We feel a certain urgency, a real urgency, because of the combination of market access from TPP and Europe and this sort of thing you alluded to is going to have a real effect on our farmers. So it is something that we feel very strongly about.

On Canada and Mexico, in the context of maintaining the integrity of the steel and aluminum program, we want very much to work out an agreement with Canada and Mexico, and we are in the process of doing that. Whether we will succeed or not, I don't know. But it certainly is my hope that we will do that.

*Mr. Smith of Nebraska. Thank you. I yield back.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentleman from Connecticut, Mr. Larson, to inquire.

*Mr. Larson. Thank you, Mr. Chairman. Thank you for holding this hearing. Mr. Ambassador, thank you so much for your candor over the last several days.

My question -- and I hope to give you as much time as we can to answer -- is we all -- I think you can sense up here the bipartisan nature of our concern, as it relates to China. And so my question would be pretty straightforward.

How will you define success in our meetings with China and with a specific focus from the standpoint of a number of us here on both labor standards and environmental standards?

And how will that play into whether or not you feel the pending negotiations will be successful?

*Ambassador Lighthizer. Thank you, Congressman. I would say what we are doing and what we have to remind ourselves in this context of settling a 301 case. So how I would define success -- and, once again, I will try to repeat what I said before.

I really went through and tried to distill what everyone else -- members, business groups, farm groups, but also experts, people who actually study these things. And for me, success is, number one, enforceable; number two, real rules on forced technology transfer at every level of government, as Mr. Brady said, which is absolutely essential. Intellectual -- minimum, intellectual property requirements.

And once again, this section is probably going to be -- if we have an agreement, the IP section alone will be about 27 or 28 pages. It is going to be -- this is long, detailed. But every one of you would say, "Oh, yes, that is what I would expect normal IP protection to be, right?" In other words, I am not inventing anything at all.

We have a series of items involving services. There are specific provisions that China has that keep us out of banking, out of electronic payment, out of a whole variety of things like that. And we -- on many of those we have made substantial progress. And I would consider that to be -- another chapter, I would say, would be non-tariff barriers. And this is, literally, how we negotiated this thing.

Non-tariff barriers, what is a big non-tariff barrier? That is these subsidies, these

industrial subsidies that have the effect -- which have the effect of making it possible for our people not only to compete, in many cases, in China, but to compete around the world. So that is another thing. There is a whole lot of things that we expect to gather on agriculture, and I kind of went through it on that. And we have made progress on a number of those.

One thing that we haven't mentioned is we are negotiating currency restraints. A lot of Members are very concerned about currency manipulation and having access to the information that allows you to make a -- so that is another part of these negotiations. And I am -- to be honest, there actually are more, and I could make it even more detailed. But to me, that is how I am going to determine whether or not this is a trade agreement.

Now, keep in mind it is not like an FTA in the sense that we are going in there and going across the board. What we are going in there -- is focusing on what was raised by -- for the most part, what was raised by our 301. And if we do all of those things -- and the Speaker said this, and it is not enforceable, and she said it in the context of USMCA, and it is not enforceable, and it is not very valuable. So we have to have it be enforceable. And that -- I think it will be for the first time. I think we will have an enforceable agreement.

*Mr. Larson. Thank you. I yield back.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentleman from Texas, Mr. Marchant, to inquire.

*Mr. Marchant. Thank you, Mr. Chairman. Ambassador Lighthizer, thanks for being here today.

I don't know if you are familiar with the district that I represent, but when you land at the Dallas-Fort Worth Airport, you are in the middle of my district. It is the headquarters, the national headquarters for Toyota, Exxon Mobile, Fluor, Kimberly-Clark, et cetera. So I have a district that the businesses and major employers in my district are very vitally interested in what you are doing, and deeply appreciate your hard work on

behalf of the country.

DFW Airport facilitates \$35 billion worth of trade. The ranking member, Mr. Brady, has an airport of similar stature in his district. So to us, in Texas, our ports are not only Houston, but our ports are the airports. And because of that, trade is very vitally important in my district.

I have a letter here from our governor, Greg Abbott, that is a full-throated support of your negotiations. And I would like to put that in the record, Mr. Chairman.

*Chairman Neal. Without objection.

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

*Mr. Marchant. It is a support of your work on the USMCA. And he recognizes the importance of that. And we would like to make sure that this goes in the record, and make sure that he -- that you know that he is in full support of the work that you are doing.

Because I have such an interest in my district, when I go to town hall meetings, what am I going to be able to tell my constituents that is being accomplished in the China agreements and the China discussions that will be very important that gets changed for my district?

*Ambassador Lighthizer. So thank you, Congressman. First of all, I have spent a lot of time at DFW. And if that entire airport is in your district, you have got a very large district. Because I think that airport is bigger than some districts in the -- that members have. It is the biggest thing I have ever seen. So -- and I appreciate very much the governor's support, and hopefully your support, for USMCA.

It is -- if USMCA doesn't pass -- I have said this before -- it would be a catastrophe across the country. But it would particularly be a catastrophe in Texas. It is just -- I mean it is just -- it would be very bad on every level, way beyond economics, right?

And you know what I am talking about, and I won't dwell on that. But I am very appreciative of the -- and the President is very appreciative of the governor's -- so when I

look at this -- and this is not just your district.

I don't know if you have -- you must have a big district, if it has got that airport in it. But if you have any agriculture products, there will be a substantial increase in those and a substantial reduction in barriers.

But I would say, when I talk to members generally, the most important single thing that we are going to do is stop the non-economic transfer of technology; that technology really is what separates us from the rest of the world. And it is, for me -- and I think this is true in most of you -- it is, for me, what is going to ensure that our kids have the kind of jobs that we had, and better jobs, jobs that we want them to have. If we end up losing that technological edge, where we are number two in technology, then the world is going to look very different for our children. And that, literally, is what I think is -- but I could talk about the various specific provisions.

But if we make headway to stop this transfer of technology and this unfair trade by this trading partner, it is going to have a huge impact in terms of jobs, and high-end jobs, in America.

*Mr. Marchant. Thank you for the work you are doing, Ambassador.

*Chairman Neal. I thank the gentleman. With that, let me recognize the trade subcommittee chairman, Mr. Blumenauer, to inquire.

*Mr. Blumenauer. Thank you, Mr. Chairman. Mr. Ambassador, I think you have got one of the toughest jobs in the Administration, and we appreciate your being here, we appreciate your openness and candor and discussions you have had with me and so many members of the committee on both sides of the aisle.

Frankly, I am a little concerned about the 301 tariffs. It is kind of a blunt instrument, a tax on everyday Americans and most businesses. And I am concerned that we have some sort of agreement that results just in purchasing soybeans and airplanes. That is not sustainable. I am hopeful that this effort that you have been involved with, and

using the tariffs, and the negotiations result in some structural changes in order to be termed a success. And I am confident that is your goal, as well.

Any meaningful deal, I feel, must effectively deal with another long-term problem that has been vexing us for the last couple decades: currency manipulation. The President made a campaign promise that he would have the Treasury Secretary label China a currency manipulator on day one of his presidency. Well, I am not so much concerned about that broken promise as I am whether or not we are moving forward.

It doesn't appear as though China has been actually manipulating in the last 25 months. I am concerned whether the Administration is focusing on ensuring China commits to transparency regarding its currency practices, addressing the potential that China will resume aggressive currency manipulation, damaging our economy.

In the past you have testified before this committee regarding the detrimental impact of Chinese currency manipulation on our economy -- and manufacturing, in particular. You have even called on the United States to change our trade remedy laws and bring a WTO case against it.

I have four questions. It has been claimed that there is already a deal reached on currency. Is that true? If so, can you tell us anything about the substance of that agreement?

In the past I have made a point in my support for trade agreements that we need to have our trading partners commit to stronger worker protections, environmental standards, currency disciplines, and that the commitments need to be meaningful. Are you seeking enforceable currency commitments from China?

And last, but not least, if you see indications that China is manipulating, what will the United States do? Does enforcement mean more across-the-board tariffs?

*Ambassador Lighthizer. Thank you, Mr. Chairman. So I would say, as you say, I -- as -- currency problems is something I have spent a fair amount of my time, not

necessarily in my current job, but in previous jobs, worrying about.

And I would also say that it is not just a problem with China. It is a problem with a lot of other areas in Asia. And a reasonable case can be made that it has, at times, been a serious problem with Japan. And I know those of you who are in the automobile industry realize that. It was a substantial problem, and we lost a lot of jobs because of that, but also some other areas. I don't want to name any other countries, but it has been a problem from time to time.

So it is something we have to focus on. There are costs in being the reserve currency, but one of them can't be that we lose -- that, you know, the good people that go to work every day and have a competitive job lose their jobs. So it is something we have to focus on.

In here, is there agreement? There is no agreement on anything until there is agreement on everything. You know that from how these things work. But the reality is that we have spent a lot of time on currency. And it will be enforceable. But the agreement will be enforceable. And I think there will be something on it. But I will talk to you offline.

*Mr. Blumenauer. Yes, I would appreciate that.

*Ambassador Lighthizer. Yes.

*Chairman Neal. The chair would recognize the gentlelady from Indiana, Mrs. Walorski, to inquire.

*Mrs. Walorski. Thank you, Mr. Chairman. Thank you, Ambassador Lighthizer, for being here today.

Mr. Chairman, I ask permission to insert into the record a letter signed by over 150 trade associations, asking for a Federal Register notice that formally delays the increase of the List 3 tariffs from 10 percent to 25 percent.

*Chairman Neal. Without objection.

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

*Mrs. Walorski. Thank you.

Mr. Ambassador, great to see you again. Always glad to have you here. When can we expect that Federal Register notice?

*Ambassador Lighthizer. Oh, the Federal -- what -- that Federal Register notice is being worked on right now. The President has made the decision, and it is sort of in process. In the next day or so -- the President has made that decision, he has made the announcement, and it will -- we are following the legal process. We have a process where we go through -- we have a process, as you know --

*Mrs. Walorski. Right.

*Ambassador Lighthizer. -- with other agencies, and there are certain steps we have to go to. But that is something that will happen, and it will happen according to the normal course.

*Mrs. Walorski. And with that, when do you anticipate releasing more decisions for exclusion requests from Lists 1 or 2 of the 301 tariffs?

*Ambassador Lighthizer. So we are in the process of doing that right now. And those -- in the first place, we have already granted more than 1,000, or almost 1,000, as you know. And things were sort of slowed down because of the government closure, but we are in the process of doing that right now. We expect another sort of tranche to come out fairly soon.

*Mrs. Walorski. Mr. Chairman, I ask permission to insert into the record a letter myself and my friend, Mr. Kind, led that was signed by 167 of our colleagues, asking for an exclusion process for List 3 of the 301 tariffs.

[No response.]

*Mrs. Walorski. Mr. Chairman?

*Mr. Kind. [Presiding] Without objection.

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

[Laughter.]

*Mrs. Walorski. Thank you.

Mr. Ambassador, there is obviously great support in Congress for an exclusion process for List 3, and we have chatted about it, and I appreciate that.

In fact, the most recent spending bill instructed USTR to establish a process within 30 days. We are almost halfway to that deadline. Do you expect to meet that 30-day deadline?

Mr. Chairman, I can't hear --

*Mr. Brady. Can you get that microphone, Mr. Ambassador?

*Mrs. Walorski. Thank you.

*Ambassador Lighthizer. I would say, first of all, that that was a report from the Appropriations Committee. I understand that there are people in Congress who want us to have an exclusion process. It is something that we are looking at.

Our view until now has been that we would have the exclusion process for the \$50 billion, which was at 25 percent. The 10 percent, which is what you are referring to in this case, that there would not be any exclusion process.

I would note that since the date that we put that into place, there has been a seven or an eight, depending on when you stop, devaluation of the Chinese currency. So the effect has been less significant than fully 10 percent on those people who are affected. And our hope is that we can deal with this in the context of our negotiations with the Chinese.

*Mrs. Walorski. I --

*Ambassador Lighthizer. I -- I am sorry?

*Mrs. Walorski. Sorry to interrupt, I just -- I also appreciate -- I know you and I chatted -- the constraints on resources that I understand that you are facing with this exclusion process.

I recognize that the process for Lists 1 and 2 is tough to administer, and I know it is moving slowly, and that List 3 is kind of looming out there, at 4 times the size. And I understand that, as well. But can I just ask you this, as a close, here?

Is there a way to simplify things a little to take a load off of your agency? For instance, what about companies who are hurt because their only competitors are foreign, and are able to export finished products to the U.S. at little or no tariffs?

*Ambassador Lighthizer. We have a process right now that we are following that we think is fair, and it looks at the competitive effect, whether products are available in other areas, and whether or not it is a focus of China 2025. So we are happy with our current process. But it is a -- as you say, it is a big, big process.

*Mrs. Walorski. Mr. Chairman, thank you. I yield back.

*Chairman Neal. [Presiding] I thank the gentlelady. Let me recognize the gentleman from Wisconsin, Mr. Kind, to inquire.

*Mr. Kind. Thank you, Mr. Chairman.

Mr. Ambassador, thank you for your testimony today and for the outreach that you have been making so far this year. I am going to ask you to respond to a couple of questions in a moment, Mr. Ambassador, one of which is the level of cooperation and coordination you have with other nations in regards to what you are trying to accomplish, as it relates to China.

And the second one is in regards to the concern I have, that the longer this trade war with China lasts, the more market share we start losing in China, China pivots to other countries, and how difficult it is going to be to regain that market share. Because back home in my district in Wisconsin, my family farmers and manufacturers are getting hammered. We had record bankruptcies for family farms last year alone, with well over 800. That trend is continuing.

I am not saying this trade war is the sole cause, but it certainly is piling on right

now. So those are the two questions.

But before I do that, I think it is safe to assume -- and you probably heard it from most members -- that there is bipartisan consensus on the challenges that we face with China: the IP theft, forced technology transfer, forced joint ventures, what you are trying to accomplish in these negotiations. And there is bipartisan agreement on where we need to go and how we need to resolve this.

But there is a difference of opinion on the tactics being used. There was another approach, through a multilateral effort. I still believe that our summarily rejecting the Trans-Pacific Partnership is going to go down as one of the great strategic mistakes we made in the 21st century. This President, this Administration summarily rejected it without due consideration. Twelve nations in the largest and fastest-growing economic region in the world, the Pacific Rim area, came up with standards and rules that elevate up to where we are, that China would have been on the outside looking in.

It would have isolated them and put great pressure on them, whether it was prohibition on IP theft, on forced technology transfer, on joint ventures. Strong labor and environmental chapters that are fully enforceable. An e-commerce and digital trade chapter; everything that we are trying to accomplish right now to elevate standards to where we are. A prohibition against localization rules was contained in the Trans-Pacific Partnership. Moving forward on that would have put, I think, incredible leverage on China, isolating them in the region.

And now we are on the outside, looking in. And China is able to help establish those rules of trade. At some point we hope to be able to find a way to get back in that agreement, rather than disadvantaging us from that.

But having said that, let me go back to the original questions I asked in regards to the level of cooperation and coordination with other nations right now in regards to China. There is strength in numbers. And I think, ultimately, China will respond to the collective

will of the international community much better than the unilateral action that we are taking against them today.

And then, finally, the lost market access issue.

*Ambassador Lighthizer. So thank you, Congressman. I would say, first of all, getting out of TPP was the right decision. It was a bad agreement. It was poorly negotiated, and a car could have been manufactured 45 percent in Vietnam and 55 percent in China and sold in the United States duty free. It didn't do much on currency, it had a whole lot of problems.

And in any event, to get to your geopolitical problem, had China joined it, they wouldn't have lived up to the rules. We would have a problem, number one.

Number two, as you know well, we have FTAs with six of the 11 countries that are in it already. And of the other five, 95 percent of the GDP is in Japan, where, with your support and help, we are negotiating. So I -- that is -- now I have said my thing, but I -- this period of time

In terms of cooperation, we are trying to do it on two tracks. We do want to cooperate with other countries. As I say, we have the trilateral thing. We are trying your approach. I would say, though, that your approach by itself is less likely to be successful. And indeed, was tried by prior administrations unsuccessfully. So what we want to do is continue that approach, but also put in place unilateral action that the President has taken. And I would note that that unilateral action is what has brought us to the point where we are now. We are -- hopefully, on the verge of beginning to turn the corner.

In terms of --

*Chairman Neal. The gentleman will finish.

*Ambassador Lighthizer. Well, in terms of trade with China, we hope that we can get these barriers down, and we can do this before we lose our supply chains and our customers.

*Mr. Kind. Okay.

*Chairman Neal. Thank you.

*Mr. Kind. Thank you, Mr. Chair.

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

*Mr. Wenstrup. Thank you, Mr. Chairman. Thank you, Ambassador, for being here with us today. A question a little off track from China, but it does relate to China.

My colleague, Terri Sewell, and I have introduced legislation to extend the Caribbean Basin Trade Partnership Act for another 10 years, from 2020 to 2030. It is an important program to U.S. textile industry because it required the use of U.S.-made yarns. And for a country like Haiti, this Act allows their garment industry a fighting chance to compete with large Asian suppliers such as China and Vietnam.

And with the program set to expire and people trying to make investment decisions and production plans, certainty is important, important to U.S. companies. But especially when doing business in a least-developed country like Haiti, do you foresee support for re-authorization of this Act?

*Ambassador Lighthizer. Well, I am not prepared to say. I haven't studied it, I don't have an idea. The fact that you and Congresswoman Sewell are in favor of it certainly is a very positive indicator, from my point of view.

But I want to look at it. And I would also say that, generally, the requirements of U.S.-made yarn and textiles going forward is something that I have supported, as a matter of policy, in a variety of other areas. And -- but I want to look at that so I can give you an informed opinion.

*Mr. Wenstrup. So it hasn't come up in any talks with China, and how it might affect them. So --

*Ambassador Lighthizer. Pardon me?

*Mr. Wenstrup. It hasn't come up in any conversations with China as how it might affect them, that they have a concern about it.

*Ambassador Lighthizer. No, that -- it has not.

*Mr. Wenstrup. One other question when it comes to China's retaliation, if you will, and some of the effects on agriculture and their access to markets, you talk about some of the non-tariff barriers. And one of the things that has come to the attention is inspection requirements that aren't scientific-based.

Can you elaborate on some of the things that they are doing in that arena, if you will?

*Ambassador Lighthizer. I would be happy to do that, Congressman. This is something that we spent an awful lot of time on. There is a whole lot of, as you know, technical barriers to trade, or non-tariff barriers to trade, depending on what term you want to use.

One of them that we spent probably the most time on, this whole issue of biotechnology and their approval processes. In the U.S., it can take 18 to 24 months to get an approval. In China, there are ones that after seven and eight years haven't had approval. It is a very complicated process, and it is one where -- that has a very, very negative effect on the United States, because in many cases U.S. farmers will not introduce the technology themselves in the U.S. until it is approved in their major markets, one of which is China.

So we spend a lot of time on that. Hopefully, we made some headway. The time was both to change things systemically, and to put in time limits and the like. Whether we succeed on that, we will see. I don't want to suggest that we will, but we did raise it and talked about it a great deal, that there would be science-based decision-making, because right now there is not science-based decision-making in many, many cases. That there be time, and that -- and we have a long pipeline of things that have been stacked up for years and years and years and years.

So we understand how important this is. They are changing their process and -- getting it, really, more in line with the international norms is something we spend a lot of time about, and have it be science-based. So we will see where that turns out. I don't want to suggest that those talks are over. We spent a lot of time on it, though, and we realize how important it is.

*Mr. Wenstrup. Yes, thank you very much. I appreciate it.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from New Jersey to inquire, Mr. Pascrell.

*Mr. Pascrell. Thank you, Mr. Chairman, and thank you, Ambassador, for fulfilling article 1 section 8. It is very clear that the Congress has a major role, the major role, under article 1 in trade negotiations. And I thank you for appearing before us.

China needs to provide, we agree, greater access for U.S. services firms and allow them the ability to invest and operate independently from state-owned enterprises and competitively in the financial services technology and audio-visual sectors.

Beyond the scope of the 301 report I want to ask you about two things quickly. One, it has been reported that there will be a memorandum of agreement on currency in this deal. I have read your comments from the 2010 U.S.-China Security and Economic Commission, in which you laid out your standards for combating currency manipulation. You laid them out very clearly.

You argued in that presentation that China's practice of currency manipulation, it constitutes a countervailable subsidy under our CVD law. I agree. I have a bill that would treat it as such. You argued we should be "imaginative" in dealing with this issue, including restricting imports, or even requesting compensation for value of lost market access.

Do the terms you have reached with China on currency live up to your own standards on currency? Mr. Ambassador, make it as short as possible, thank you.

*Ambassador Lighthizer. I am not very good at that.

[Laughter.]

*Mr. Pascrell. None of us are.

*Ambassador Lighthizer. I would say, first of all, I would think, without question, that the President has been imaginative, right? The whole 301 approach we have used has been something that people haven't used before, and it has had a huge difference. So I feel very comfortable that I passed my own standard of imaginative.

And I might say in the case of the President, gritty, right? He had the grit to get this done.

In terms of currency, there is -- it is certainly our objective -- and once again, these provisions are never agreed -- the only thing that is agreed to is that there be commitments not to do competitive devaluations. As Congressman -- I think it was -- Thompson said, it is complicated, what has happened in the last couple of years, where we are on that. And I could argue that round or I could argue it square.

Those kind of decisions on currency manipulation are not made by me, of course. They are made by the Secretary of Treasury. But they are complicated issues. But without question, in the past China has used currency manipulation. And our desire is there be commitments like that, as well as commitments to a certain amount of transparency.

*Mr. Pascrell. I hope for another meeting, Ambassador. We will talk about the relationship between your job and the Treasury's job, in terms of trade, and where exactly does the Congress fit in.

Do you think labor or environmental issues are in the scope of the 301 negotiations?

*Ambassador Lighthizer. I would say, to the extent that they are involved in these unfair trade practices, they are. But this is not like a free trade agreement, where we are going across the board and looking at a whole variety of very important issues. So my

scope is narrow here, because it is based on 301.

And by the way, I would love to work with you and other members who want to sit back and figure out a way that we can create new statutory authority that allows me to use something like 301 in these areas. I would love to sit down and talk to you --

*Mr. Pascrell. Mr. Chairman, can I just add one sentence?

*Chairman Neal. Please.

*Mr. Pascrell. All right. If your answer to my question is that, as I point out, the agricultural market access is not in the scope of the 301 report, but you are negotiating these anyway.

And so, you know, consistency, consistency. I am not really -- that is not my -- the essence of my question, my point, which -- my time is up. But I wanted you to take a look at that, because it has caused some confusion. And I would like some clarity on it, if at all possible. Call me, write me, whatever you can.

Thank you, Mr. Chairman. I yield.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentleman from Kansas, Mr. Estes, to inquire.

*Mr. Estes. Thank you, Mr. Chairman, and thank you, Ambassador Lighthizer, for joining us today.

You know, as a representative from the bread basket of America, trade is a critical issue for my district and for the State of Kansas. In fact, according to the U.S. Chamber of Commerce, trade supports over 108,000 jobs for these exports, and a value over \$17 billion for the economy in our state.

Before I focus on trade relationships with China, I want to first thank you for your work on upgrading NAFTA and replacing it with a U.S.-Mexico-Canada free trade agreement. You know, Canada and Mexico are Kansas's top export markets worth about \$3.5 billion. And since its adoption, NAFTA was really beneficial for my district,

particularly the farmers, ranchers, and aerospace manufacturers.

But the 20-year-old agreement did need some upgrading, and some reform efforts, and I am thankful that they have done that. And hopefully, we can get through this process and get that ratified quickly, so that we can move forward with some of the other important issues that you are doing.

So let's go back today and focus, as we want to, on China. You know, tariff retaliation from China has threatened Kansas exports worth about \$525 million to China, led by a lot of grain products -- soybeans, sorghum, cotton, beef -- as well as aircraft manufacturing and other manufacturing.

As a big supporter of free and fair trade, I believe a prolonged trade war with these tariffs is not the final outcome that any of us want.

You know, as I talk to Kansas farmers and manufacturers in the district, I have heard over and over again how they support the President and believe we can get a better trade deal negotiating through their strength.

One of the things I think our colleagues on both sides of the aisle would agree is that China has been harming American businesses and workers for decades. In fact, we have seen so much cheating over the years that it is having a drastic impact.

You know, for example, in 2013 a Chinese national was arrested in Kansas for attempting to steal some intellectual property regarding research pertaining to rice seeds, and to send that to scientists in China. So I am proud that President Trump has been one of the first presidents to stand up to these unfair trade practices, and hope to bring China to the table in a meaningful way to help make sure we have free and fair trade agreements.

Since we have entered these negotiations with China, there has been a lot of positive steps. And we want to make sure that we continue moving forward with some of those positive activities.

I don't want to stop there. You know, as I mentioned earlier, that China has

threatened exports from Kansas worth \$525 million. And one of the things we want to make sure that -- you know, as I talk with constituents, that particularly with -- both in the farming community, as well as aerospace -- and hopefully, that we can work on making sure that the retaliatory and regulatory practices are fixed.

And so I just want to talk a little bit about what you are seeing in that regard, in your negotiation of correcting those unfair practices.

*Ambassador Lighthizer. Well, you know, thank you very much, Congressman. Thank you, specifically, for your support of USMCA. As you know, that is our top priority. And if the Congress doesn't see fit to pass that, then everything else we are talking about is kind of like a footnote, because it will mean we can't do trade deals, and we can't -- we are not going to be in the trade space. I mean it is just -- it would be such an admission of failure by all of us. So I am very grateful for your support in that area.

I would also note that we talk about manufacturing jobs being lost because of Chinese practices. The reality is that farmers have been hurt as much as anyone by their practices. That is a huge market. They are the second or third biggest agricultural market, if you skip over 2018 and go back to 2017 and traditional years. But the reality is they should be buying much, much more agricultural products. And my hope is that these purchases, as part of this, while not central, will lead to that, will lead to new markets that will go on for years and years and years.

*Mr. Estes. All right. Thank you, Ambassador.

Mr. Chairman, I yield back.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentleman from Illinois, Mr. Davis, to inquire.

*Mr. Davis. Thank you very much, Mr. Chairman.

And Mr. Ambassador, thank you. I thank you for the work you have done and the work you are doing, and for the candor in responding to inquiries and questions.

I represent an area in Chicago known as Chinatown. And I am trying to figure out what it is that I say to the Chinese-American Chamber of Commerce there when I go and meet with them. And so I would like to know as specifically as you could, when it comes to disregard for intellectual property protection, currency manipulation, and market access for U.S. businesses that are trying to do business in China, given the fact that it is an enormous market, what can I say and tell the Chamber of Commerce in Chinatown that I am doing, or we are doing, you are doing?

*Ambassador Lighthizer. Well, you know, thank you very much, Congressman.

I would say this, first of all. Chinese-Americans and Chinese -- many Chinese businessmen themselves, but Chinese-American businessmen universally, have said to the President and to me for the President, "Hang tough. This is really, really, really important. We have to do things that lead to reform in China. We are not forcing reform in China. We are working with reformers in China who want to reform China." And nobody knows better how important that is than Chinese-American business people, men and women. They absolutely know what the problem is.

And they realize also what the potential is if China takes a step forward and changes these practices, the potential for them -- and, really, the potential for us, but also I would say the potential for China is enormous. And that is why, in fact, China has reformers, and that is why it has people who want to change some of these policies.

The reality is that all of our businesses -- and their group probably more than any -- are afraid to do business. At some tier they are afraid to do business with China because they will lose not only what we think of as technology, but also know-how, just how they do business, that they will not have their intellectual property protected and respected, and that there are huge markets that they could open up if we get this kind of thing reformed.

But I would be really interested the next time you go back and do that and talk to them. If you call me and tell me, and I will come up and talk to you, because I would be

very interested to know what their reaction is to what we are doing. I find these people follow this stuff really a lot closer than most Americans do. And when I talk to them, they are like, "Hang tough. Don't go for" -- many congressmen, your colleagues, "Don't go for the soybean solution. Go for the structural change. This is our one chance." I would be really interested to get your feedback after you talk to these men and women.

*Mr. Davis. We will make sure we do that.

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

*Chairman Neal. I thank the gentleman. Let me recognize Mr. Schweikert to inquire.

*Mr. Schweikert. Thank you, Mr. Chairman.

Mr. Ambassador, let's face it. Some of the best questions have already been asked. So I actually have a one-off. How do we future-proof? Let's say you have amazing success. You know, the angels sing, whatever happens. What do we do to future-proof a success?

Is it time that those of us here in Congress have a serious discussion on streamlining the WTO? Its level of being almost ineffectual, you know, the number of filings that, you know, when we read through them we are a decade later and a tweak has been made, and the bad acts are still happening?

What do we do so we are not back having this same discussion a year, two years, three years from now?

*Ambassador Lighthizer. Okay, well, thank you, Congressman. I want you to know that after the number of hearings that I have done before the committee, whenever I think of the future I think of you. You are always going to ask me a question about -- that I should be thinking more about the future. So I --

*Mr. Schweikert. That is either a good thing or an annoying thing.

*Ambassador Lighthizer. Well, I -- it is a good thing, in my opinion. It is -- we

all have a tendency to think about the here and now probably more than we should. So thinking about going off into the future is something.

I would say, number one, having a -- realistically, having a real enforcement process. That enforcement process is going to -- as you resolve issues, if you are doing it properly, you are going to be resolving issues in ways that turn up new problems and new trends. And I think you have to be able to deal with it in that process.

And as I have tried to say, I am not Pollyanna. I don't believe that this is going to solve all the problems between the United States and China. We have very different systems. They are in a process of reform, or they are not. It depends on who you talk to. If they are in a process -- reform, we will make headway. If they are not, we are going to go right back to having problems.

But I think there is a role for the international bodies. I absolutely do. And I think WTO reform is an important part of it.

*Mr. Schweikert. With that, if it is a process, the sins on the bilateral organizations, is it the timeline, the ability to stall, or is it just the actual adjudication process itself? What can we help in reforming so we are not doing this all the time?

*Ambassador Lighthizer. I would say, first of all, trying to look to the future and try to reduce problems is a healthy and important process. But I believe we are going to have problems, anyway. So I think we are going to be back here and we are going to be working our way through problems, and trying to work through those problems always with one eye to the future.

But this enforcement process, if we have an agreement -- and once again, we don't have an agreement -- will be very specific. It will have layers, it will have timeframes, and there will be reaction. And working with Congress on WTO reform is something that I am eager to engage in at -- you know, when your schedule, you know, permits it. I think there are problems at the WTO that we have to address, and it hasn't risen to the occasion with

respect to at least non-market economies.

*Mr. Schweikert. Mr. Chairman, look, to that point, one of my great interests is, you know, I believe there is technology disruptions, there is always economic disruptions, there is, you know, financing technology that is going to create international disruptions. And we will need some types of dispute mechanisms that move efficiently.

How many times have we had constituents come into our office saying, "Well, we were part of this WTO complaint, but by the time the lawyer fees and everything, we are sitting here, you know, a decade later, we gave up." And I am -- it would be a powerful thing, as we look at this all over the world. Can we be helpful in fixing that process?

And with that I yield back, Mr. Chairman.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentlelady from California, Ms. Sanchez, to inquire.

*Ms. Sanchez. Thank you, Mr. Chairman, and thank you to Ambassador Lighthizer for joining us today.

A number of my colleagues have mentioned enforcement mechanisms. And I am wondering if you are able to share with any specificity how you intend any agreement with China to be enforced.

*Ambassador Lighthizer. Well, thank you very much, Congresswoman. I would say I will do it with limited specificity.

*Ms. Sanchez. Okay.

*Ambassador Lighthizer. So there will be -- if we have an agreement there will be a process that has been agreed to where, at the office-director level, there will be monthly meetings, and then I will go through the process and then I will take a step back. At the vice-ministerial level there will be quarterly meetings. And then there will be semi-annual meetings at the ministerial level. That would be me and the vice premiere, who is my counterpart in this.

And the idea is two things: one, individual companies will come to us with complaints about practices, and we will be able to work those through the process. In many cases, those are going to have to be anonymous, because companies are afraid to come forward, because they know what will happen if they do. They will have real-world effects. It will be negative.

And then, in addition to that, there will be systemic problems, where we will see patterns developing, and a series of things that we disagree with, and we will bring those through the process. Hopefully, in most cases, they will be resolved at the first or second level. If not, they will be resolved at my level. And if there is disagreement on my level, then the United States would expect to act proportionately, but unilaterally, to insist on enforcement.

But without that kind of thing -- and I should say this is a fairly unique idea, right? I mean this is not something that has a lot of precedent. But without that sort of thing, to me, we don't have real commitments.

*Ms. Sanchez. Thank you. That is helpful because, of course, many people complain that if there is no enforceability, then our trade agreements are not really worth the paper that they are written on.

And I know that there are a number of moving parts in the ongoing negotiations. But one sector that I want to call to your attention, because it is very important to the economic viability of southern California, is the creative industry.

Ninety-five percent of people who are involved in the creative industry in LA are union workers who have quality negotiated benefits and retirement plans. And the audio-visual sector at large is pretty much hamstrung by how to invest and distribute in China.

Specifically, I want to call your attention for current MOU negotiations. I want to call to your attention a commitment that was made by the Chinese in 2012, in the 2012 film agreement. They said that in 2017 they would provide "additional meaningful

compensation” in terms of increasing revenue shares to U.S. studios. And it seems clear that a revenue share of at least 40 percent of gross box office would be consistent with international norms.

Given that resolving this issue would be indicative of China's compliance with the WTO obligations under a trade dispute settlement, can you confirm that that is a priority for the negotiations in a trade deal with China?

*Ambassador Lighthizer. Yes, Congresswoman. Absolutely, it is a priority. It is something we have spent a fair amount of time talking about. They know precisely where we are. As you know, it is a complicated issue. The key point -- revenue sharing -- isn't that complicated, though.

They can try -- I mean Secretary Mnuchin has been very much involved and he, of course, knows a great deal about that industry, a lot more than I do. The distribution thing becomes more complicated. There should be some changes there, too.

But what we haven't done is things that will challenge control, right? It is not something that we want to bring into this, the idea of challenging control in China. But this idea, the revenue sharing, the -- I don't want to get into the details, but I think you probably know them exactly as well as I do. That is something that has not been resolved, and something we have spent time on, it is something we understand the importance of.

*Ms. Sanchez. Thank you. I appreciate that, and I yield back.

*Chairman Neal. I thank the gentlelady. Let me recognize the gentleman from Texas, Mr. Arrington, to inquire.

*Mr. Arrington. Thank you, Mr. Chairman. I was going to refrain from bragging about west Texas, but I had so many of my colleagues talk about their districts, so let me just say, Mr. Lighthizer, west Texas is the food, fuel, and fiber capital of the United States of America. And we feed and clothe the American people, we fuel the American economy -- that is fossil and renewable -- and we provide energy independence and food security.

And I am proud to represent our hard-working farmers and ranchers, and they are concerned. And these are desperate times.

And I know you know this, Mr. Ambassador, but -- and by the way, good work, great work, hard work. And I know this is a long-term proposition, it is a long-term game-changer, and nobody knows about the inequities and the unfairness and the way the Chinese -- their bad actions and unfair trade practices better than our farmers out in west Texas, especially our cotton farmers. So keep up the great work.

But times are tough. And I just want to remind you that over the last few years we have seen a decline of over 50 percent in farm income in the United States ag industry. That is the steepest decline since the Great Depression. Forty percent, roughly, increase in bankruptcies. And I am sad to report that farmers have the highest suicide rate in the United States of any profession, five times the national average. Times are desperate.

And our farmers, in spite of that, and our ranchers, they stand with this President 100 percent. They will stand with him right up until they have to sell the family farm. But they love him, and they appreciate him, and they know that he is fighting for them.

Let me talk about cotton, because when you fly into Lubbock International Airport, you are going to land in the largest cotton patch in the world. We produce about a third of the world's cotton that we export out of the United States. But we have lost 50 percent of our market share in China, and it is an awfully big market.

We want reforms, Mr. Ambassador. We want the equitable, reciprocal, and enforceable, structural reforms that you talk about. We are Americans first. We want that for every American job creator, manufacturer, and producer.

But you have mentioned this, the purchase commitment, and we have heard a lot about soybeans, a little bit about pork. Talk about cotton, because we have a 17-state Cotton Belt, \$21 billion industry. We produce the most and the best cotton in the world. But that Chinese market, we are -- as a result of that 50 percent loss, our guys are suffering.

Can you talk about cotton being mentioned in your purchase commitment discussions with the Chinese, please?

*Ambassador Lighthizer. So, first of all, thank you for that, and particularly for the comments about the support for the President. As you know well, you can't talk to the President about trade without having the farmers come up, right? It is like the first thing he talks about, it is usually the loudest thing he talks about, too.

He is -- and Secretary Perdue, as you know, is -- I don't know all the secretaries of agriculture, but I can't imagine there was ever a better one. He is just full-on everything for agriculture. And we happen to be in the middle of a long-term trend that has been very bad, so all of that is appreciated, and the President keeps us very focused on it, as does the Secretary.

In terms of the purchase commitment, absolutely, cotton is a factor. It is something that China needs, has traditionally bought, and it is easy to buy more of. So it is something that we understand -- that these people have suffered -- and it is something that is in the list of things that we expect them to have substantial increases on, and it is something the President keeps us very focused on.

And I have specifically gone through with the President the various items, so I am talking to the President of the United States about these numbers for these ag -- and, by the way, it is these big commodity -- it is hazel nuts -- I mean there is a lot of things that I have had Members talk to me about, and I keep track of it, and I go through it dutifully.

*Mr. Arrington. You are doing a great job. Thank you.

Thank you, Mr. Chairman, I yield back.

*Chairman Neal. I thank the gentleman. Now, based upon the ratio present in the room, we will now move to two Democrats and then recognize one Republican.

Ms. DelBene is recognized to inquire.

*Ms. DelBene. Thank you, Mr. Chairman, and thank you, Mr. Ambassador, for

being here with us today.

I was pleased last month. We saw 76 countries agree to start negotiations to develop global rules on e-commerce. However, I am concerned that the recent inclusion of China in these talks could weaken those overall efforts and lead to a watered-down agreement, since their current digital regime is so radically different than ours.

In your bilateral talks with the Chinese, are you pushing them to address critical issues like data localization, forced disclosure of source code, restrictions on cloud service providers, and banning customs duties on electronic transmissions? This would not only help many American companies operating in China, but would also help make China a more constructive partner in important multilateral negotiations like the e-commerce initiative.

And if we don't address these issues immediately, we risk creating new digital borders, and those digital borders could create massive disruptions in the digital supply chains that we have. So I would love your thoughts on how you are addressing these issues.

*Ambassador Lighthizer. Well, you know, thank you very much, Congresswoman, but you know this is something that I care about. So I am putting this in the soft ball category.

Number one, I completely agree with you. Strategically, what we should be doing is having a small group that writes real rules on e-commerce, and then expand the group to other people. The more people you bring in to the negotiation, the harder it is to get any rules that you and I would think of, and many other members would think of, as actually world-class kind of rules.

The kind of rules we need, by the way, I would just point out, are in USMCA, right? That is, like, the gold standard for all of this stuff. It is the absolute gold standard for all this stuff. And it is probably a bridge too far, with respect to some of these people.

But I think bringing China in will not help these negotiations. That is number one.

Number two, are we dealing with these issues with China? Absolutely. We spend an enormous amount of time on data localization, on data transfer, on source codes, requirements in a whole variety of areas. And I mean down to absolutely the most minute detail. And I am happy to sit down with you at some point and kind of go through it, just so you can get some actual appreciation. But, I mean, it is me sitting down with the -- you know, among the most senior officials there, talking about precisely what -- where there are circumstances, and which is appropriate to require source codes.

And there are some, I mean, you know, emergency rooms. I mean there are some strange things. But we have had a very -- we haven't concluded, we are not done yet, but we have made headway. It is -- whatever it is, it is not going to be what you and I think of as a model agreement, but we will make substantial progress, I believe.

And these are really, really important issues that -- and I agree completely with you, this is one of those things -- we should lock in rules that stop barriers in the beginning of an industry. Once you get protectionism set in all over the world it is much harder to change practices than it is to have people adopt best practices at the beginning. And so it is very important.

It is also a big issue for -- just colloquially, for us. We are good at it, and we ought to have that --

*Ms. DelBene. So, as you know, U.S. technology companies, and specifically cloud service providers, face significant market restrictions and forced technology transfer requirements in China. The 301 tariffs also impact them because other key inputs to data centers are subject to these tariffs.

And so, particularly talk about that. I would like to know what your commitments are to pursuing forced technology transfers. But also, are you looking at things like eliminating foreign equity caps and licensing requirements, so that U.S. companies don't

have to rely on Chinese companies to operate?

*Ambassador Lighthizer. Yes.

*Ms. DelBene. Thank you. I know we are out of time. We can follow up more, too.

Thank you, Mr. Chairman --

*Chairman Neal. I thank the gentlelady. With that, let me recognize the gentlelady from California, Ms. Chu, to inquire.

*Ms. Chu. Yes, Ambassador Lighthizer. I represent Los Angeles, the heart of the film, television, and music industry. And also, I am co-chair of the congressional Creative Rights Caucus. And I wanted to follow up on what you said earlier about the unfair practices affecting the film industry.

Part of the unfair practices has to do with the revenue share, of course, the average for the nation in terms of revenue sharing with regard to films in China is 40 percent. But for the U.S., the revenue sharing is 25 percent. And so that, I believe, is so important to address.

But on top of all of this, the U.S. film industry brought a market access case against China to the World Trade Organization. The World Trade Organization ruled in favor of the film industry, and an MOU was entered into by both parties. And in that MOU the Chinese committed to engaging in consultations in 2017, and provide additional meaningful compensation, in terms of that revenue share.

So my question is have they engaged in those consultations, which were supposed to be done in 2017? And if not, what is your plan for enforceability in this regard?

*Ambassador Lighthizer. So we have had discussions, and we have had discussions that predated the current 301 process. But now, because we haven't made sufficient progress we are folding them into this 301 process. And it is one of the services issues.

The revenue share, as you said, is crucial, but also trying to make some improvement on the distribution side of things, because the reality is that competition there helps also.

You know, how -- I don't know if I can predict success. I would say they are very difficult negotiations, you know, as of the last time they were here. But your industry is very well represented by you and other members, and by MPAA. And so, you know, it is -- we are focused very much on it. And I think making it part of these negotiations increases the likelihood of a successful outcome.

But it is a difficult issue. You find, just philosophically, all these kinds of areas that you sort of dig in, and you say why is there this or that protectionism, and it is almost always the situation where there is an interest in the other country that has an actual -- you know, is getting richer as a result of it. It is very seldom philosophy, although there are cases where it is.

But in this case, there are people there who make money on, basically, squeezing us, number one. Number two, they want to develop their own industry.

*Ms. Chu. Yes.

*Ambassador Lighthizer. So there are -- I don't have to go through it. You know the reasons why we have this problem. But it is something that we are focused on. Hopefully, we will come to a conclusion. We are not asking for the moon at all. What we are asking for is what is normal.

*Ms. Chu. Well, I thank you for continuing to press on that issue in these trade negotiations.

Also I wanted to make a statement about a company in my district, iRobot, which employs 675 American workers, engineers, scientists, and which developed the famous Roomba, the robotic vacuum. So it employs many people in my district, but the Roomba is manufactured in China. And the iRobot is on that third list of tariffs. Right now,

iRobot is paying 10 percent in retaliatory duties, but it may go up to 25 percent if the deal is not reached.

And so they are very, very anxious about having some way to apply for exclusions for that third list, and I just hope that you can make that process happen.

*Ambassador Lighthizer. Well, I have certainly taken the position that if we go to 25 percent, we will -- I have made that commitment -- have an exclusion process. Short of that, I want to sort of see where we are. And I hope that they are thinking about ways to manufacture more in the U.S.

*Ms. Chu. Yes --

*Chairman Neal. I thank the gentlelady. With that, let me recognize the gentleman from North Carolina, Mr. Holding, to inquire.

*Mr. Holding. Thank you, Mr. Chairman.

Mr. Ambassador, always a pleasure. I am very glad to see that the Administration is willing to tackle China's unfair trade practices, rather than just talking about it and complaining about it. I think we have bipartisan support in the room to agree that China is a strategic trading partner that plays by the rules when it behooves them, but otherwise ignores them.

And Mr. Ambassador, as you know, I am from North Carolina, which not only has the best barbeque in the country, but we are also one of the leading pork-producing states in the country. I am glad I didn't hear any objection to that.

*Chairman Neal. We won't subtract that from the gentleman's time.

[Laughter.]

*Mr. Holding. In 2017 the U.S. shipped over \$1 billion in pork to China. But with punitive tariffs, over 50 percent, our pork exports to China have slowed down to a trickle. Lost sales to China have caused producers in my state to lose \$8 per hog, and collectively, an annualized loss of \$1 billion.

And I know you have made progress with agricultural purchases, especially for soy and poultry, and I appreciate your good work there on behalf of my farmers. But obviously, there is a tremendous demand for pork in China. And with Chinese pork production in steep decline because of African swine fever, it seems like it is time for significant U.S. pork shipments to China, which would, of course, put a big dent in the trade imbalance.

So can you give us any indications as to where you are on pork market access in the negotiations?

*Ambassador Lighthizer. So thank you, Congressman. Yes, that is -- you are absolutely right. Pork is one of the issues that is very important to us. Before we talk about the purchasing, it is also important on the SPS area, where we have specific problems with, I would say, lack of scientific basis for some of their restrictions. So that is another area in which it comes in.

Pork is something that we have talked about. We would expect, if we have a deal, that there would be substantial pork improvements, particularly, as you know well, given the fact that Chinese is in -- I mean has issues with their own pork production right now that are substantial. And this is something we have talked about it, it has been quite specifically addressed, and we have gone back and forth with numbers. So -- and I am happy to talk to you about it offline.

But we are making headway. And if there is a deal, and if there is a package, I am confident that there will be -- you know, there will be substantial good news for our pork producers.

*Mr. Holding. Thank you. Switching to 301 tariffs, you know, we are working with you to find ways to work on the exclusion process. One option in particular I would like to work with you on is the criteria that excludes products that are regulated by other U.S. Government agencies, where those regulations already constrain the ability of

importers to access those products.

For example, products regulated by the FDA, where the FDA's regulatory framework means that consumers cannot quickly shift to other suppliers. The existing regulations by our government already constrained supply for the consumer. And I believe we have an opportunity with the List 3 exclusion process to address these products and minimize consumer impact. So that is an area which I, you know, hope that we can work on together in the future.

That doesn't really require an answer, and I am out of time, and that works well. I yield back.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentlelady from Wisconsin to inquire.

Ms. Moore?

*Ms. Moore. Thank you so much, Mr. Chairman, and I do want to thank the ambassador for his patience and indulgence. Many -- a lot of stuff has been covered already, so I won't regale you with repetition.

I do want to say that while these tariffs have had draconian impacts on all of our constituents and districts, they are having an impact on China, as well. But many economists seem to think that China is adapting, and that they are recovering. One of the things they are doing is by expanding their export markets.

So a question that hasn't been asked is we don't have a functioning Export-Import Bank now. Do you think that that is having an adverse impact on our trade position?

*Ambassador Lighthizer. Thank you for that question. Yes, the answer is yes, it is having an impact, and it is way beyond China, and it is costing us jobs, and there is no excuse for it, in my opinion.

*Ms. Moore. Okay, thank you.

*Ambassador Lighthizer. So I don't know what else to say. I --

*Ms. Moore. All right. I know what to say, but I won't carry you there.

You have talked a lot about science-based decision-making. One of the things that our companies have leaned into was a provision of Dodd-Frank, where companies would report and refrain from using conflict minerals in their products.

I was wondering. Is that a consideration -- in terms of unfair trade practices -- for China to use conflict minerals, thus undercutting the prices of their products?

*Ambassador Lighthizer. It is -- I am, of course, sympathetic to your objective -- it is not something that we have talked about. And if there is a specific unfair trade action that we should be thinking about, I would be happy to work with you about it.

*Ms. Moore. Okay.

*Ambassador Lighthizer. But it is not something we have spent --

*Ms. Moore. Okay, I would love to work with you on that, because that could severely undercut our products, our iPhones with these minerals in it. We want to make sure that they are not being produced or taken from countries where people are being murdered and have unfair labor practices.

*Ambassador Lighthizer. I am very sympathetic to your --

*Ms. Moore. I do want to follow up with -- my colleague on the Republican side talked about lists of things that are really critical. And I know that my colleague from Wisconsin probably waxed on about how this is hurting our folks in Wisconsin.

More specifically, I have an initiative to try to prevent sudden infant death syndrome. And one of the products that we have found to be very effective and cost-effective, especially for poor women, is something that is marketed in the United States as a Pack 'n Play. It is a crib that is only made in China, and it has been subject to these 10 percent tariffs. And if we were to continue these tariffs, it would be out of the reach for many consumers.

And so I was wondering how to get these Pack 'n Plays on that list of don't-touch

items, because we can't get these Pack 'n Plays from anywhere else.

*Ambassador Lighthizer. Well, thank you, first of all. And I can't help but say how important USMCA is for Wisconsin.

Now, having said that, you know, I -- my guess is we ought to be manufacturing Pack 'n Plays in the United States. Why is it that they can't be manufactured here?

*Ms. Moore. Well, can you manufacture them before my great-granddaughter is born on March 23rd?

[Laughter.]

*Ambassador Lighthizer. Maybe we will just let you use my granddaughter's. She doesn't need it any more, she has outgrown it, so -- no, I don't want to be flip about it. You know, I am sympathetic. The bottom line is we ought to be manufacturing these things in the United States. That is what our objective is. We ought to be paying people here to manufacture these things.

And I would also say a 10 percent tariff on that product, assuming it doesn't go up, a 10 percent tariff on that product versus what it would have cost 6 months ago with the devaluation of the Chinese currency, it is probably a 2 or 3 percent increase in price. My guess it is not going to price too many people out.

And if the cost of that two or three percent on the price of that is a bunch of people have jobs that they wouldn't otherwise have, that is -- you know, personally, that is a trade I would make.

*Chairman Neal. I thank the gentlelady. Let me recognize the gentleman from Michigan to inquire.

Mr. Kildee?

*Mr. Kildee. Thank you, Mr. Chairman, for holding this hearing. And thank you, Ambassador Lighthizer, for being here. And beyond that, thank you for your willingness to engage with us on a regular basis. It makes a difference, and I very much appreciate

that. You have been quite accessible.

And I have a question, but before I get into that, I also want to note how much I appreciate you bringing up the polysilicon issue with the Chinese during these negotiations. It is important that we address China's retaliatory tariffs in response to legitimate American trade remedies. That is important to me, it is important to my district, and I appreciate your efforts in that regard.

Obviously, the Congress and the Administration need to work together to deal with China, and hold China accountable for unfair practices that are costing American jobs. And there, I think, is general agreement on that score, bipartisan agreement, and many of us wish that it was more of a multilateral approach.

But one area that I know was addressed, but I wasn't here to hear your answer, has to do with currency manipulation. President Trump promised to label China a currency manipulator on his first day in office during his campaign. Obviously, that didn't happen. And I know you agree with the President's general sentiment that China engages in bad behavior and manipulates currency. In fact, in 2010 you testified to this committee that China would be labeled -- should be labeled -- a currency manipulator, and was in violation of its WTO obligations.

You have thoughtfully outlined a list of actions that the U.S. needs to take to address China's currency manipulation, but I would like to get your perspective on whether or not the understanding that the President recently announced with China on currency issues meets the requirements that you had laid out in your previous testimony.

Simply put, does this deal meet the standards that you laid out in 2010?

*Ambassador Lighthizer. Well, thank you, I appreciate that.

I would say, first of all, whether or not China is manipulating its currency right now, competitive is an issue that we can talk about. It probably is, but it is probably not manipulating it to lower its currency, it is probably manipulating it to raise its currency,

because they are at a different position than they were in 2010. So that is one thing I would say. It is not a foregone conclusion that China is manipulating its currency down right now.

And I would say that this is a decision that the Secretary of Treasury makes in conjunction with the President, not me. But I do not think you can make a case that, right now, China is intervening in the market to have their currency be weaker, right? That is not in their interest, and they are probably doing the exact opposite of it.

Have they done it in the past, in my judgement? Absolutely true. And were they doing it when I made that testimony? That is absolutely true.

*Mr. Kildee. And I don't think you could rule out the possibility that at some moment in the future we could see that happen again. And that is why the structural approach to these issues is more important than looking at this moment in time, or even in the context of a deal that we might see negotiated is founded on some temporary transactional benefits, as opposed to structural benefits.

*Ambassador Lighthizer. I completely agree with your statement, absolutely 100 percent. And what we are trying -- what we want to get is commitments to not have competitive devaluations in the future, and to a certain level of transparency.

If you have those two things, and they are enforceable, then you can guard against that problem in the future. I -- and I -- and the other point I made before you weren't here is that this is an issue beyond China. We think of it as China. It is -- there is a lot of places in Asia where this is a problem, and a lot of places where it has been a problem in the past.

And there is a lot of people in the United States that aren't working right now because of this issue, a lot of people who were told, "Well, you just didn't do a good job," and they were doing a fine job, they just got cheated on currency.

*Mr. Kildee. My time has expired. I appreciate your attention to these issues.

Thank you.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentleman from Missouri, Mr. Smith, to inquire.

*Mr. Smith of Missouri. Thank you, Mr. Chairman. Thank you, Mr. Ambassador, for making time to be here today. Today we are here to talk about China. China has been taking advantage of U.S. workers for a long time. And I think that the President, along with yourself, Ambassador, deserves a lot of credit for sticking your neck out on this very difficult issue.

It is clear that progress is being made, and that there is real potential for positive structural changes after years of deception and false promises from China. A lot has been reported on the recent negotiations, and I appreciate the light you are able to shed on this process.

The news we heard last week about new Chinese purchases of U.S. soybeans is especially encouraging for someone who represents a very large agriculture district in southeast Missouri. I am hopeful that we can achieve more than just the status quo with China, but go well beyond current market access.

I would like to reiterate the comments that were made from the gentleman from Texas, Mr. Arrington, in regards to cotton. The only thing I would disagree with that is Missouri cotton is a little bit better than Texas cotton. But we definitely are like-minded when it is about opening up the markets.

I do want to bring up rice, which is extremely important to the Bootheel. Rice farmers have been fighting for over a decade for access to Chinese markets. While the Administration has made progress in gaining access, since 2017, China has been displacing U.S. rice in our territories by undercutting the price. So while U.S. rice struggles for access, China's access to our domestic market below traded prices continues to grow.

Are you and the Administration investigating the situation? And what are you

doing to address it?

*Ambassador Lighthizer. So thank you, Congressman. Yes, absolutely.

First of all, to your first point, structural issues are fundamental to what we are talking about. And I have tried to make that point. I read in the media all the time -- I read today in the New York Times -- that we weren't making any headway on structural, and it didn't even cite anybody. It made some other comments, by the way, and then cited "contacts of Lighthizer."

I thought, "What is a contact?" Is that like somebody I bump into at the grocery store? Contacts? That is a source, is a contact. But that is another issue, I won't get into it, in any event, any further than I already have.

The fact is that we are making headway on structural issues, contrary to what maybe you read here and there. And the President believes they are central to having what anyone would consider to be a great agreement. And that is what his instructions to me -- his instructions to me are you have to get a great agreement or we have no agreement. We will just wait until we can get a great agreement.

So now, on the specific issue of rice, yes. Rice, number one, is the subject of purchasing that we have to have. Number two, we have, as you know well, we have two WTO cases, one of which -- we have one -- has been announced. The other, which has been decided, but it hasn't become public, so I won't tell you where we are on that. But those are two cases. And resolving those cases in the context of this agreement is something else that we are talking about. So whether we succeed in that, we will see.

But -- and on the issue of unfair Chinese access in the United States, if there are issues where someone has a case that they want to bring to my office and talk about, I am happy to talk about it.

I will -- I am -- as you know very well, because we have talked a lot, I am completely into enforcement. I think if we don't enforce these laws, the whole basic

consensus that favors the trading system breaks down. And I think it has broken down. So I am happy to act on that, you know, very quickly.

*Mr. Smith of Missouri. Thank you, Ambassador. I have several other questions I will just submit for the record, hopefully, to get responses. But I appreciate your responses --

*Chairman Neal. I thank the gentleman. With that let me recognize the gentleman from Virginia, Mr. Beyer.

*Mr. Beyer. Mr. Chairman, thank you. And Ambassador, thank you so much for being with us all this time.

You know, Ambassador, we have been discussing -- and, of course, you are particularly compelling on the point about how China simply refuses to operate under what we consider to be a lawful and rules-based trading system. And, of course, this extends beyond just trading rules.

On Monday, Deputy Attorney General Rosenstein spoke at CSIS about what he called China's transactional approach to the law, citing China's willingness to detain foreign nationals on specious charges to gain negotiating leverage or force an outcome from a foreign government. This isn't how our justice systems works, or it is not supposed to work that way.

After the Huawei CFO's arrest, the President said, "If I think it is good for what will certainly be the largest trade deal ever made, which is a very important thing, what is good for national security, I would certainly intervene if I thought it was necessary."

And during your meeting in the Oval Office with the Chinese vice premier the President again discussed the possibility of "talking to the U.S. attorneys," and talking to the attorney general. He hinted further this would be a subject for trade talks.

I know you are not responsible for law enforcement. I know you are not responsible for the Huawei prosecution. But you are certainly responsible for the trade

deal. Are you familiar at all with any further discussions within the Administration regarding using this case as leverage for trade negotiations?

We have seen firsthand that you are willing to be forthright with the President. Are you not concerned that adopting a transactional approach to the criminal justice system, close to what the Chinese would do, will undermine our own legal system and incentivize reciprocal actions, as we have already seen with the Chinese targeting of Canadian citizens?

*Ambassador Lighthizer. I am not aware of anything on this subject. I don't get involved with it, and I am not aware of it at all -- involved in what I am doing.

*Mr. Beyer. All right, thank you. And most of our national trade discourse, particularly the popular discourse, centers around heavy manufacturing and agriculture, despite the fact that 75 percent of Americans employed in the private sector work in services of one form or another.

In my district we have tens of thousands that support their families with good jobs across a wide range of services. I know you really focus on the trade deficit and goods, and leave out services all together. I just wanted to make sure that we know we run a surplus on services.

But nevertheless, both the national trade estimate and the Chinese WTO compliance report note that American service companies face significant trade barriers across a number of sectors. And given our general competitive advantage in these areas, it is safe to assume the service surplus could be a lot larger.

China places significant restrictions on legal services, ICT, cloud services, a whole range. Can you provide us just some detail on how the concerns raised about services are addressed in your current talks, and can we expect concrete changes in Chinese competitive behavior in this sector, too?

*Ambassador Lighthizer. Yes, thank you very much. And I am remiss in not

making that point clearly.

Services are the crucial part of what we talked about, and we spent a lot of time on it. I brought my -- one of my many -- negotiation books, which I will be happy to show you at some time. Somebody looked at it and saw all the notes, and they said, "God, that really is a terrible job you have, Lighthizer," but here it is. Banking services we spent a lot of time on, cloud computing services, credit rating services, electronic payment, express delivery. I won't go through all of them here, because someone will say -- my God, insurance services -- I mean we spent a lot of time in great detail, right down to the sub-sub-section on pages and pages and pages of services.

And you are exactly right, services jobs are equally good jobs. The United States has a surplus in services, which is very important, and millions and millions of people work on them. And we should be doing much better, because in many areas we are, by far, the most competitive in the world. So this had an enormous amount of time spent on it.

And I am -- it is sort of less thematic, and more specific, right -- if you can follow what I mean -- in these negotiations. But there was progress made on a number of these fronts.

*Mr. Beyer. Thank you very much, Mr. Ambassador.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Pennsylvania, Mr. Evans, to inquire.

*Mr. Evans. I too, Mr. Ambassador, would like to thank you for coming before this committee today.

There are 100 Chinese firms operating in Pennsylvania, supporting over 3,000 jobs. Pennsylvania imports over 17 billion from China, and Pennsylvania exports 2.5 billion to China. Mandarin is the third most spoken language in Philadelphia. But the question that keeps coming up -- and this came from our department of economic development -- is the issue around intellectual property, when it comes to investment.

The concern -- and this question has probably been asked over and over again to you, so forgive me for repeating it again -- the issue about intellectual property, or our domestic companies to protect long term, can you speak specifically to that again?

*Ambassador Lighthizer. Well, absolutely, Congressman.

First of all, I will repeat one that I said before, and that is that we have found -- I have found that Chinese-Americans are the -- just almost to a person, ones who will say, "Hang tough. We need structural change. This is the only way we are going to get structural change. Don't cave, don't sell out for soybeans, or" -- all the kinds of things that you and I have talked about and we both agree on.

So -- and I think that Chinese-Americans will be people who will -- number one, they have a stake in a change in that system. And number two, they have the -- they will be beneficiaries, from a business point of view.

On the IP front, China has very little IP protection right now. What we did in this negotiation -- and I am going to talk to you later, and I am going to stick all this in front of you -- we went through section by section by section of what normal -- what we would consider to be sort of best practices, intellectual property protection, are. And we negotiated those provisions.

We didn't get everything we wanted, but you need things like a proper definition of what intellectual property is, a proper definition of what trade secrets are. You have to make sure you have criminal enforcement at some point in the process. You have to make sure you have deterrent-level penalties, because if you don't have that, you have a problem. You have to make sure you have neutral people making decisions. It is all the kinds of things that you would say, "Yes, that is more or less what we would expect in a system."

Now, there is variation, and we didn't get all of it. But the people with whom we dealt in China want to -- they want to reform this process. I think they legitimately want to reform it. I think they legitimately view themselves as creators of intellectual property,

instead of just consumers of it. And that is -- when that changes, people have a different attitude. So Chinese creators of intellectual property now want protection, and have more power than they would have in the past.

So we have an enormous amount of detail. I will just spend 10 seconds and show you my book when we are together, and you can sort of see. But this was a detailed discussion. It is extremely important.

And I would say the final thing, when they put this in place, to the extent it is agreed to because they think it is in their interest to, then there will be the enforcement issue, right? And we will be going down, and it will be -- it is a change for China to do this, but it is something they seem to want to do.

*Mr. Evans. Real quick, Mr. Ambassador, you raised the issue about banking. Development projects and companies rely on Chinese investment to infuse capital into their projects and work. The restrictions on capital inflow is a concern for future investment.

*Ambassador Lighthizer. Well, okay, the President wants Chinese investment, just like he wants everybody else's investment. That creates jobs, and it helps Americans. What we don't want is investment in areas where they are going to end up taking crucial technology from the United States. So there is a balance there, and some people will come in, and what they really want is technology and not investment. In other cases, they want investment.

The President's position and the Secretary of Treasury's position is quite clear: we want investment from China, just like we do from everyone else. But we don't want investment where it is going to go into crucial technologies and end up losing technologies, which is going to hurt us in the kind of things that Mr. Beyer talked about. He cares a lot about it.

So there is a balance there, and it is very important that we meet that, you know, balance properly.

*Mr. Evans. Thank you, Mr. Chairman.

Thank you, Mr. Ambassador.

*Chairman Neal. I thank the gentleman. With that we will recognize the gentleman from Illinois, Mr. LaHood, to inquire.

*Mr. LaHood. Thank you, Mr. Chairman. And Ambassador Lighthizer, welcome back, and thank you for your toughness on China. And you are -- we are lucky to have you as our negotiator going up against China.

I have the eighth largest ag district in the country, in terms of corn and soybean production, a heavy manufacturing base, and there is a lot of anxiety in both of those industries, as we have heard today.

The Wall Street Journal just came out with an article in the last couple months. The ag economy is down 13 percent over last year, directly related to tariffs, directly related to the trade war with China. And so a lot of stress and concern there.

However, most of my constituents in my district support the President in going after China. And you mention at the beginning of your statement, "Technology is going to rule the future." And how we change the behavior with China is -- seems to be -- the crux of what you are getting at with your negotiations.

And historically, looking over the last 25 years, no president, from Clinton to Bush to Obama, has been able to do anything on this front, whether it is cyber threats, forced technology transfers, stealing intellectual property, we have not been able to change that behavior to put China on the same playing field as every other industrialized country in the world. And that really seems to be what we are trying to get at.

And having said that, you have talked a little bit about our leverage in this negotiating process. And as I look at what you are trying to do here, I am wondering whether this is going to be different in terms of -- what is going to be different this time in changing the behavior in China?

And I am going to submit for the record -- this is an article from Reuters within the last two months here, and the title is, "China Says U.S. Accusations of Unfair Trade Practices are Groundless." And in there, the spokesman from China goes on to say that -- says the U.S. side made groundless accusations, and China finds that totally unacceptable, and that is from their spokesperson. And I will submit that for the record, Mr. Chairman.

And I guess, as we look at what you said earlier, how do we have structural change, how do we get to a more laws-based system? And I know that is what you are getting at. So two questions, Mr. Ambassador.

First of all, on the ag side. As we begin planting season for our farmers, what assurances can you give my corn and soybean farmers and pork producers that the market share in China will be there when we resolve this, eventually?

And then, secondly, as we look at this different approach that you are taking, what gives you confidence that this approach is going to be different? And what if it is not? What are the consequences to China if we are not able to hold them accountable, moving forward, and changing that bad behavior? Thank you.

*Ambassador Lighthizer. Yes, thank you very much, Congressman, for that question. It covered a lot of territory. And I have one minute now to respond, but I will do it as quickly as I can.

First of all, in terms of the soy and corn, we are trying to, number one, get more sales, more purchases, not in the question of corn, it is also in the question of ethanol.

*Mr. LaHood. Yes.

*Ambassador Lighthizer. Which, of course, is a huge user of corn products -- of corn. So I believe if we have a deal, there will be a substantial -- in the case of soy we have already seen a substantial amount of additional purchase, and we see the certain moving together of soy prices back to traditional levels, in terms of the foreign competition. So we have seen some impact, particularly with the most recent 10 million

metric ton purchases that the Chinese have gotten into the market for.

So if we have a deal, I think we will -- you know, we will see substantial new sales there, and hopefully some other improvements, in terms of SPS stuff.

How is this different? You know, we are -- it has to be enforceable, it has got to be specific. And we are covering many more areas than anyone has ever covered. But it requires the grit and determination of the President, and it really requires the cooperation of people who want to reform in China. And there are people in that.

And the alternative is what has been going on. And that, for sure, fails. So we know that approach doesn't fail, and hopefully ours will succeed.

*Mr. LaHood. Thank you, Mr. Ambassador.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentleman from Illinois, Mr. Schneider, to inquire.

*Mr. Schneider. Thank you, Mr. Chairman. And Ambassador, thank you again, not just for your time here today, but the availability you have given us throughout this whole process.

Being from Illinois, I share the concerns of my colleague for our farmers in our state. I represent the suburbs of Chicago. And I just want to share a quick story of a constituent's firsthand experience with some of China's bad practices.

They were working on some product designs, trying to get some samples. A company in China was delaying, and ultimately the company in my district started seeing their product showing up on shelves here in the United States, a clear theft of intellectual property. And this is something that is happening throughout the country, it is happening for businesses large and small.

So I agree with you that China is a bad actor, and that we cannot let their devious behavior go unchecked. We need to level the playing field for American businesses. In a level field our businesses can absolutely succeed. But I have real concerns with the way

the Administration has approached the problem, creating and escalating a trade war that has caused harm to many businesses, and many businesses throughout my district.

Last summer I visited a number of companies to talk about the impact tariffs were having on them. And everyone was very concerned that it was hurting their ability to compete. But it is not just businesses. A local school district in my district had to spend \$2 million in contingency funding to cover the increased cost in materials for a remodeling project. So I was pleased to hear that you have made progress in the discussions, and the March deadline was delayed.

In your testimony you mentioned that this Administration is pressing for significant structural changes to allow for that more level playing field. What specific structural reforms or other policies are you pursuing in these negotiations to help our businesses that are experiencing hardships in the Chinese market? And can you ensure to me that these reforms will be not just meaningful, but long-lasting, and that they are looking towards the long term?

And can you please share with the committee what outcomes you have secured thus far to help businesses like my constituent and those throughout the country that have been harmed by these Chinese companies?

*Ambassador Lighthizer. Thank you, Congressman. I would say, first of all, your example of intellectual property theft -- and you heard it from your constituents -- I have gotten many, many more. We could sit down and exchange stories at some point. And that is a pattern that has to change, right? That is real people losing money, losing market share, not only overseas and in China, but actually in the United States, right? I mean they literally are competing against people that have sold the stuff in the United States.

And so we are making headway. People say, "Well, tariffs are a blunt instrument. And my response always is but we don't have any other instrument, right?" If Congress wants to sit down and talk to me and worry about creating new tools, I am happy to do that.

I would love to do it. We are using the tools we have.

We know that just sitting around blathering hasn't worked for 25 or 30 years, so we have to try something new. And I think we have gotten to a point where we might have success. We will find out. Hopefully, we will have success.

How will it be long-lasting? We will see. The reality is this is going to be a challenge, it goes on for a long, long time. My guess is it goes on long after I have left, and hopefully by the time you are sitting in this chair, you will be sitting there making sure that the people who are in my job are doing -- are continuing to do that, because enforcement tends to be about people. And if we are not going to enforce this agreement, they will figure it out pretty quickly, and that will be the end of it.

What -- all we can do is try to set up a situation where we have the potential that if people go in here and have the right attitude, the tools will be there that they can be successful. And that is what our objective is.

And we are using the tools that Congress has given us as imaginatively -- I told one of your colleagues -- as imaginatively as possible. I testified in 2010 I thought we have to have imagination. I think that is what the President has shown here, imagination. And then grit, right, because --

*Mr. Schneider. If I can use my last couple of seconds to emphasize something else that you said, as well -- so thank you for that.

You mentioned that technology is our biggest asset, and we have to protect that intellectual property, that technology. But it is more than that. It is the application of that technology in this country. It is the continued innovation to think about the next technology, and it is the alliances we build around the world to apply those. So I appreciate that. And with my time up, I yield back.

*Chairman Neal. I thank the gentleman. With that, let me recognize the gentleman from New York, Mr. Suozzi, to inquire.

*Mr. Suozzi. Thank you, Mr. Chairman.

Ambassador, thank you so much for your public service. We really do appreciate the hard work that you do on behalf of the country.

For decades, since President Nixon and Secretary Kissinger, and certainly since the end of the Cold War, the U.S. has operated under the assumption that, with increased economic integration and exposure to our system of capitalism and democracy, that China would ultimately adopt some of our systems, at least in part. That simply hasn't happened.

Not only has Communist China eschewed democracy and engaged in awful human rights abuses, repression, and abuse of religious minorities such as the Uyghurs and the Tibetan Buddhists, not only have they polluted the air, the land, and the water, and treated their workers poorly, but they have not transitioned to capitalism or a market economy. The Chinese State Communist Government not only cheats, by stealing intellectual property, restricting access to their markets, but the Chinese Government subsidizes its industry.

The 2019 Fortune Global 500 includes 111 Chinese companies, of which 78 of those companies are viewed to be 50 percent or more owned by the state. Could you share with us your sense of what the long-term policy of the United States is, and the goals that you have as part of this negotiation to have long-term structural change on this relationship?

*Ambassador Lighthizer. Thank you for that question. That is a great opportunity and all of your colleagues are saying, "I hope Lighthizer is unusually short-winded."

I would say this. You raise the fundamental question. There was a myth that grew up. And if you look at my 2010 testimony, which I think is really quite good testimony -- it has been referred to on several occasions here today and in the past -- the myth was that if you open up a market, if you have an economy, you will become democratic -- small D, democratic. That is the myth. You will open up -- that that will

lead to an open economy, and to an open political system, and all of the sudden we are all a bunch of, you know, people from Ohio, where I am from, right? That is the myth.

And the reality -- and that was, literally, professed by all the smart people, all the clever people. And that, really, is what led us to -- really, to PNTR, and it is precisely what I read -- you weren't here, I read the Speaker's quote, which was very prescient, saying this ain't so. And she said it, and she was right. And all those smart people were wrong. The reality is that it doesn't -- you can have a very good economy and not have any freedom, or have very little freedom, right? You can -- there is a -- we made -- well, I didn't, but assumptions were made that were incorrect. So I completely agree.

And your -- the tone of your remarks were, without saying every specific part of it, are why we have a bipartisan view on this, and why we are making success. It is because of people like you that we have success. If this was a partisan thing, it wouldn't be. The fact that it is bipartisan is why we are making success on this.

*Mr. Suozzi. So what are the goals of this negotiation, specifically, to try and have long-term structural impact?

And will we ever get to a place where we think that China represents something closer to what our system of capitalism is? I am not going to put democracy on your shoulders, too.

*Ambassador Lighthizer. So I would say on the second one, you know, we will find out. You are younger than I am, you are more likely to have a better view, right, because you will get there and see it. I don't know.

What our objectives are? Our objectives are to foster reform in China, which there is a group of people that want to do, to lead to structural reforms on the kinds of things where we can, within the context of -- the confines of the statute that you have given us, and the report that we did. Here is our report, and here is our -- if you haven't seen it, and here is our supplement. And it is --

*Mr. Suozzi. Well, we can't get to the whole report in the last three seconds I have left, so I am going to take you up on your offer to try and work with you to see if there are other tools that Congress can give you and people like you to be more effective in the future.

*Ambassador Lighthizer. Fantastic, thank --

*Mr. Suozzi. Thank you, Mr. Chairman.

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

*Mr. Kelly. Thank you, Mr. Chairman.

And Mr. Ambassador, thank you so much for being here. You know, part of what we do, we get a chance to go around our district and talk to people when we are back home during our district work weeks. And last summer I stopped in a place in New Castle, Pennsylvania called Blair Steel. Blair Steel got started in the late 1800s, when Pittsburgh was known as the Iron City, before steel became the product of choice, and how it took off.

So I asked Mr. Kinney. I said, "Mr. Kinney, looking at what is going on right now, what could we have done differently?"

And he looked at me. He said, "I will tell you what we could have done differently. We should have elected this guy 39 years ago."

[Laughter.]

*Mr. Kelly. Now, people say, "Oh, no, no, no." No, no, that is exactly what happened, because we have taken a back seat, and somehow we think that if we are just nice, other people will play by the rules.

I think Mr. Suozzi is right on top of this, and a lot of my colleagues have said the same thing. We have to be damn fools if we don't think we haven't been in a trade war for decades, and we are afraid of a trade war today that has already taken place, and has taken heavy casualties. We just never stood up to it to say, "Hey, you are taking advantage of

us. But we are so damn nice, we are not going to call you out on it.”

Other than what you are doing right now -- I mean this sincerely, because you said maybe Congress could help out. This Administration and your tireless efforts to make sure that everybody is playing for the -- I am so damn tired of forfeiting the game and then crying because we lost. This is absolutely stupid. We have allowed ourselves to get into this position.

What could we do differently? And I want to tell you I think most of it is stand 100 percent behind this Administration, and don't let these people get away with what they have been getting away with for so many years. And old saying -- and this is very crude -- but there is an old saying out there. If you are in a peeing contest with a skunk, the only way to beat him is to out-pee him.

I got to tell you right now, I think we are in a trade war that has taken a heavy toll across the United States, and we sit back and we just don't want to offend anybody. I am so offended by us not being offensive, that it is sickening, what we allowed to happen to manufacturing and intellectual properties, and you name it. We have been gamed so badly for so long.

Anything else we can do to help you, Mr. Ambassador?

*Ambassador Lighthizer. Well, let me say, first of all, I -- it really is important, and I have said this, this is my theme -- well, it has been my theme for two years, that these things have to be bipartisan. They cannot be partisan. This is just different than a lot of other stuff we deal with. And hearing the last two questions shows why exactly it is bipartisan, right? Why this is a fundamental both intellectual and gut reaction to what is going on.

And I think supporting us, supporting the President when we get this package together -- if there is a package, and I am not there yet, as I say all the time -- that we have to look at it and get behind it and say this is a great step forward. But you have to -- you

know, you have to keep your eye on making sure that we enforce it, and that I enforce it, and that my successors enforce it, and that, you know, years down the road, that new presidents enforce it.

So -- and then the second thing I would suggest, which I have said before, I would love to work with Members on new tools. I think we need new tools.

*Mr. Kelly. Yes.

*Ambassador Lighthizer. I won't go through it here, because -- but the -- what has happened to 301 is troubling, right? So -- and I don't want to go through all --

*Mr. Kelly. Yes, just because we talk about 232 and 301 -- I got to tell you. When I go back home in western Pennsylvania, people don't look at me and say, "Let me -- tell me exactly what is in 232," or, "Tell me what is happening with 301." That goes back to 1974. And the reason we did it is because of unfair, unreasonable discriminatory trade practices, right? So these are things that Congress created for the President of the United States, for the executive branch to handle.

I believe it is going to take eternal vigilance. I think that what you said earlier -- our trade agreements are like children, they last as long as they last -- we are in grave danger, I think, in this country of thinking that somehow people will play fair with us because we are nice, as opposed to being vigilant.

Thank you so much for your time and your effort. I know you don't sleep very often, because we have talked before. You are doing one hell of a job. Thank you.

I yield back, Mr. Chairman.

*Chairman Neal. I thank the gentleman. With that let me recognize the gentleman from California, Mr. Panetta, to inquire.

*Mr. Panetta. Thank you, Mr. Chairman, Ranking Member Brady, and, of course, Ambassador Lighthizer. Thank you very much for being here. I think in the 116th, just on the Ways and Means Committee alone, you have been here 3 times within the last 2

months, and I think that says a lot about you and your commitment to working with us. And we look forward to continuing to work with you, not just on this, but, of course, on the USMCA, as well.

That, as well as trade with China, is very important to me and my district in California. As you know well, California is the number-one ag-producing state in the nation. Although I appreciate the questions from my other members here on the dais, California is what it is about when it comes to agriculture. And the central coast of California being the salad bowl of the world is what it is about, when it comes to being agriculture. And it contributes to that title that we are the number-one ag-producing state.

But obviously, these tariffs, these retaliatory tariffs, have affected our farmers. I have over 800 food and agriculture products that are being taxed. And unfortunately, a lot of those products can be obtained from other non-U.S. trading partners. And so, what we are seeing is a closing of certain markets.

Now, I appreciate the fact that there is an aid package of \$12 billion, and I actually spoke with some of my almond growers yesterday who were benefitting from that. But I can tell you -- and what we have heard, and what you have heard, I am sure -- it is not about aid, it is about trade. And it is not about short-term bailouts, it is about long-term business.

And so my question to you is, in regards to these markets that are potentially being shut off, that are being closed, what are we doing to recoup those markets in regards to your negotiations with China?

*Ambassador Lighthizer. You know, well, thank you, Congressman.

First of all, the problem on retaliatory tariffs and market opening goes beyond China. I should say that. And one of the things we are doing is we are having negotiations in a variety of areas; we're at a bit of a stalemate with Europe right now, because they won't include agriculture, and we want to include it.

We have our talks with Japan, which have a very big agriculture component. We have USMCA and the 232, and I am looking forward to working with you on passing USMCA, because it is so important for California and Illinois and everyone else. So I am looking forward.

Now, in terms of China, which is -- which, unfortunately, is only part of where we have had retaliatory tariffs, if we get an agreement those tariffs will come off. And then the President's hope is -- although it is not the purpose of the negotiation -- that the purchases will have the effect of not only giving short-term sales -- and by the way, we are looking at numbers that go out several years.

We are not, like -- it is not like I should make this point, even within the purchases, which I -- contrary to what is in the newspaper, is not the function, the purpose of this. Those purchases are going to have targets and amounts that go out for several years. But our hope is that if you increase those agriculture sales, and you do it for a period of years, you will create new customers that will have results that go on years and years and years and years into the future.

So this is a -- it is a very real thing that the President is worried about. Obviously, when you get into a situation where you are trying to bring change about, it is going to have costs. No one has been treated less fairly than the farmers, right? I mean they are in a position where they should have enormous markets in China. China is a big market for us. As I say, they are our second or third -- depending on the year -- market, excluding, of course, 2018. But there is a much bigger market there. I mean there is a lot of people there. And with any kind of fair trade, farmers would be beneficiaries too.

*Mr. Panetta. Thank you for bringing that understanding into these negotiations. I yield back. Thank you, Mr. Chairman.

*Chairman Neal. Thank you. We will now revert to one for one on both sides. And with that, the chair would recognize the gentleman from New York, Mr. Reed.

*Mr. Reed. Well, thank you, Mr. Chairman. And Ambassador, it is always great to be with you. And I really do echo what my colleagues have said about you. I think you are the right person at the right time to take on this much-needed negotiation with China.

One of the things I want to bring to your attention, and maybe your thoughts on, as well as my colleagues, to focus on a little bit as we deal with these tariffs and the future after we negotiate this agreement -- I do believe we are going to be able to negotiate an agreement. And you have one chance, a very limited runway to do this right, to make a fundamental shift in our trade relations with China.

But, you know, one of the things I see -- and I see the Chinese position. You know, they are thinking long term. They are always thinking long term. They are not looking transactional. And so, as I see the negotiations proceed, and the tariffs that are on the books, and the reaction in China, I see their commitment, as a co-chair of the U.S. Manufacturing Caucus, to build up excess capacity.

And I will add another issue to it: excess inventory of certain products. So that when that new market place is created, what are we going to do to protect American markets from that excess capacity and inventory that would then be dumped or thrown into the U.S. market in a very dangerous way, in my opinion?

Do you understand what I am getting to? Because as I see manufacturers, as I see folks -- especially in advanced manufacturing -- I see China reacting to this transaction of what we are dealing with these negotiations. But as these tariffs come off, as these -- as we operate under this new agreement, how are we going to minimize the adverse potential impact of what the Chinese 2025 long-term vision of positioning them as a world leader in manufacturing in order to protect our manufacturing bases here on domestic soil?

*Ambassador Lighthizer. Let me just thank you for that question, Congressman. That is a fundamental question.

I want to make one point clearly, and that is I think the United States has been guilty of short-term thinking and short-term view, for sure. But I don't think that is true of President Trump; that is why he is going after structural changes.

*Mr. Reed. Amen.

*Ambassador Lighthizer. He is looking down the road. He is thinking. He wants to know what is going on way down the road, and have the United States still have this advantage.

We have to be number one. We just have to stay number one. And, by the way, most people in the world want us to be number one, right? I mean --

*Mr. Reed. I totally agree with you. So what are you going to do when that valve is potentially opened up? Are there going to be strict enforcement mechanisms --

*Ambassador Lighthizer. So you have to have strict enforcement --

*Mr. Reed. -- to make sure that --

*Ambassador Lighthizer. Let's remember that no matter what happens, we have to maintain strong laws against unfair trade. We have to remain strong on anti-dumping laws, strong countervailing duty laws.

*Mr. Reed. So if that inventory is dumped on the U.S. market, what are we going to do to make sure that that enforcement is there, and easily executable by us to take on that Chinese action?

*Ambassador Lighthizer. So, number one, we have in here provisions, if it is agreed to, that will limit subsidies specifically in cases of so-called competitive industries. That is to say where there is this problem of excess capacity. What you are talking about is what has happened in steel, what has happened in aluminum, what has happened in solar panels, what has happened in, Christ, washing machines --

*Mr. Reed. Advanced manufacturing --

*Ambassador Lighthizer. I could go on and on and on and on.

*Mr. Reed. Yes.

*Ambassador Lighthizer. There is an agreement to limit subsidies in those kinds of cases. There are unfair trade laws, and then there is the enforcement provisions in here. This is a pattern.

And, by the way, it is not always even a plan. Sometimes it is just they start this, and the provincial governments and the local governments all kind of get into it. And they don't have a way even to put their own brakes on, right?

*Mr. Reed. So do we at least agree that that potential threat is there that I am raising?

*Ambassador Lighthizer. Well, I absolutely think it is there. I mean --

*Mr. Reed. And we want to --

*Ambassador Lighthizer. It is undeniable that it is there.

*Mr. Reed. And we want to put enforcement mechanisms readily available to us as partners in this agreement that we can then deploy against China. And we may need to make it very clear, I think, to China that we are ready to use those. Is that fair to say?

*Ambassador Lighthizer. Yes, absolutely.

*Mr. Reed. Thank you.

*Ambassador Lighthizer. Absolutely.

*Mr. Reed. With that, I yield back.

*Chairman Neal. I thank the gentleman. Let me recognize the gentlelady from Florida, Mrs. Murphy, to inquire.

*Mrs. Murphy. Thank you, Mr. Chairman. Mr. Ambassador, presumably the goal of Section 301 tariffs is to cause China enough economic pain to persuade China's leadership to negotiate an enforceable agreement, curtailing its abuse of trade practices. And in a previous answer you noted yourself that tariffs are a blunt instrument. You know, not only are they not precision-guided, they can have unintended consequences,

often for U.S. consumers and small businesses.

And I imagine that before you made the unilateral decision to impose tariffs on China, you weighed the cost and benefits and designed those tariffs to maximize the damage to China and minimize the self-inflicted damage to companies and consumers in the U.S., and to the broader American economy.

Whatever your intentions were, I have to tell you the evidence on the ground is really grim. I have had small business owners in my community in central Florida break down when they talk to me about the impact the tariffs are having on the companies that they have spent a lifetime building, and on the workers that they view more like family than they do employees.

Take, for example, David. He is the owner of a 30-person electronics firm in Orlando that imports components from China and sells finished products to American retailers. His business has been upended by this third tranche of 10 percent tariffs that took effect on September 24th. When he went to work that day he had to pay an up-front bill of \$280,000 to release his goods from China that had already landed at a U.S. port. No notice from his government, no time to adjust. And since September, David has paid over \$800,000 in tariffs. It is a lot of money for a small business.

So what he has had to do is raise the cost of his products. Some of the big retailers have agreed to pay more, but they are just passing those costs onto consumers. And some smaller retailers just simply won't accept the price increase, and so that means that David has lost business. These tariffs have decimated his cash flow, jeopardized his financing, and made him unprofitable, placing his workers' jobs -- my constituents' jobs -- at risk.

And unlike his bigger competitors, David doesn't always have ways to mitigate the harm. So if this 10 percent tariff endures, the damage could be really severe. And if it increases to 25 percent, the damage could be fatal. In 40 years as a business owner, he tells me he has never seen government actions interfere so directly with his businesses.

And I know you are not insensitive to this issue, but what do I tell these small business owners, like David, whose livelihoods are on the line? When is this going to end? What will their sacrifices have allowed you to achieve? And do you think you are going to be willing to accept a deal that falls short of what you have indicated you want to achieve in order to end this trade war?

*Ambassador Lighthizer. So first of all, we are sympathetic to situations like David's, although I don't purport to know the details of it. But there clearly are people who import products who are negatively affected.

I would suggest that this is a 10 percent tariff, and that with the depreciation of the Chinese currency, it is probably having a 4 or 5 percent -- maybe less, maybe 2 or 3 percent effect on his business. So I just would make that statement.

In terms of notice, of course, you know that this -- we go through a notice and comment process. This process of putting these tariffs in place was months going through, with hearings and all the -- so I don't want to let anybody have the impression that this is something that just -- we woke up and did this. No, there are laws, and we followed them. And there were months and months and months and months and months of process going through here.

I always start with a proposition of do you think we have a problem with China. If you don't think we have one, then all of this is crazy. If you think we have a problem with China, then we have to weigh what is necessary to move forward.

And in terms of what we are willing to accept, no, I don't think we should accept anything that doesn't have structural changes and is enforceable. Absolutely not.

*Mrs. Murphy. Thank you, and I yield back.

*Chairman Neal. I thank the gentlelady. With that, let me recognize the gentleman from South Carolina, Mr. Rice, to inquire.

*Mr. Rice. Ambassador Lighthizer, thank you so much for being here. I have

told you repeatedly that one of the things that gives me the greatest confidence in this Administration is people like you and Secretary Ross that have taken on these jobs to lift up American workers. I am heartened by your observation about the loss of the five million jobs since China entered the WTO, and your objective in taking this job and doing something about that, and lifting up our middle class.

Because, you see, I believe that our middle class -- that American workers -- can compete with anybody in the world on a level playing field, and that we here in Washington have allowed that playing field to be tilted against them for far too long.

Beginning around 1990 we were competitive at that time in the world, but we sat on our hands and allowed everybody else to change their economic systems, including their tax system, regulatory structure, trade policies, and so forth, to take advantage of American workers. And 30 years ago we could accept trade agreements that weren't necessarily in our favor, we were so far ahead of the rest of the world. But we can't do that anymore.

So I am really proud of what the President has done, restructuring our tax code, restructuring our regulatory system. I think the next most important thing we can do is to balance our trade agreements. Your progress on NAFTA is so important and so impressive. Your progress with China gives us great hope, although I heard you say at least a dozen times today that it is not done yet. But I just want to applaud you on how far we have come, because I don't think there is anything more important at this point, after tax reform, after regulatory reform, that we can use to make our economy competitive and allow our workers to compete on a level playing field.

Once we get through this, we need to move on to infrastructure.

I want to tell you that I had a town hall in Loris, South Carolina last week. And a group of farmers came to my little town hall in Loris. And they are worried. They grow peanuts and tobacco and cotton and soybeans, primarily. And they said to me, you know, "We are worried about this disruption with China. It is certainly affecting our business.

What can we expect? When can we expect?" You know, "How quickly is it going to be resolved?"

And we talked about all that, and I promised them that I would raise these issues to you here in this hearing. So they are watching you right now.

Hello, everybody back home.

But that being said, when we got through, they also asked me to tell you that they are behind you, and they are rooting for this President, and they recognize that this has to be done, and they recognize how important it is.

So, in my last minute I am going to turn it over to you, and I am going to ask you to tell my farmers back home, as best you can, what they can expect.

*Ambassador Lighthizer. Well, you know, thank you very much, Congressman. And thank you for your comments about me. I am grateful for that.

I would just make the obvious statement, and that is that, like other members in my position, people in my position, we are inspired by and empowered entirely by the President. If it wasn't for the President, I would have no power and no inspiration. So I am happy to have this opportunity to be able to at least fight for the things that we all care about. And so we will see how that turns out.

I would say to these farmers I think that they have been victims, as much as anybody in America, of what goes on in China. And I think they are more vulnerable than a lot of other people, for a whole variety of reasons that we all know about. And that if we have an agreement, there is a likelihood that we will begin the process of the payoff.

Once again, if we don't enforce and we don't keep on it, it is not going to happen. Unfortunately, we are not in a world where just good things happen automatically, right? So if we do our job, and if we get an agreement, I think there is going to be a good payoff for them.

And the President is very grateful for their support. He understands exactly that

these are real people putting it on the line for him. So thank you.

*Chairman Neal. We thank the gentleman. And with that, let me recognize the gentleman from Nevada to inquire.

Mr. Horsford?

*Mr. Horsford: Thank you very much, Mr. Chairman, and to the ranking member, for this opportunity and the hearing. I appreciate, Mr. Ambassador, that though these negotiations have been ongoing and fraught, that our congressional committee is finally getting an opportunity to address concerns that we have heard from our constituents about, and that directly impact each of our districts.

So I wanted to first say, Mr. Ambassador, we want you to be successful. On behalf of the American worker, the American business owner, the American consumer, all of whom are depending upon the successful outcome of your negotiations.

I wanted to share with you that in Nevada it is estimated that \$107 million worth of exports are threatened by new tariffs. Nevada's exports to China total \$28.7 million, and these exports affect an estimated 367,000 jobs in Nevada.

As the price of steel rises, so does the construction cost across our state. There is currently an estimated \$25 billion of planned, proposed, and currently under-construction major projects in southern Nevada, projects like the Raiders Stadium, the Las Vegas Convention Center expansion, and public projects including expansion in our universities. All have become more expensive.

Food is also a big component of exports threatened by the U.S.-China trade deal, everything from food, bread, pastries, condiments, and even milk. So companies that make everything from metal castings to appliances to the dairy sector, and even bakeries, are impacted. And since last March the Administration embarked on a series of tariff actions that drew retaliation from trading partners.

And I know that, Mr. Ambassador, you have talked about the need to focus on

enforcement and structural changes as part of this process. But what hope and relief can we give to our constituents about some of these pressing impacts that we see right now, based on this ongoing trade war with China?

*Ambassador Lighthizer. Well, thank you, Congressman. I would say, first of all, in these circumstances, one has to begin the analysis, as I said a minute ago: is there a problem, right? And if you believe there is a problem where we are right now, between the United States and China, and that that problem threatens our future and our kids' future and all of those people who we are very concerned about, and who are adversely affected, if you don't believe those people are potentially very seriously affected unless we change policies there, then there is no point in this.

But if you do think those people's futures are threatened, then you have to go through this process. And our objective has been to try to minimize the effect, as the congresswoman said. We have to minimize our effect on our own consumers, and maximize the effect on others, and we try to go through that process. But when we get out the other end we have to be in a position where we have actually defended our workers and our farmers and our ranchers, and we have the potential for structural change in China.

And I think we have done a reasonably good job of minimizing that effect on our own consumers. That isn't to say the individuals aren't particularly affected substantially, and we have an exclusion process to try to help that out. So we are sympathetic, and focused on it.

In terms of the steel, I would just say generally I want to get a steel agreement. The President wants me to get some kind of a steel agreement, if I can, with Canada and Mexico. I think that will alleviate some of that problem.

*Mr. Horsford. Thank you very much, Mr. Ambassador.

Thank you, Mr. Chairman. I yield back.

*Chairman Neal. I thank the gentleman. And with that, let me recognize the

gentle lady from Alabama, Ms. Sewell, to inquire.

*Ms. Sewell. Last, but not least.

[Laughter.]

*Ms. Sewell. Thank you, Mr. Chairman.

I also want to thank you, Mr. Ambassador, for being here today. This discussion is long overdue. In fact, since the last time you publicly appeared before the Ways and Means Committee, this Administration has imposed a 25 percent tariff on \$50 billion of imports from China, and another 10 percent tariff on \$200 billion of Chinese imports. The Chinese, predictably, retaliated with a tariff of \$100 billion on U.S. exports.

We are all aware of China's unfair trade practices. And, you are right, the fundamental question is not just do we believe there is a problem with China and trading. We do. I think, universally, all of us will agree with that. I think the more fundamental question is: what do we do about it? I think that it is important that we do something about it, but I can also tell you that the tariffs have had a really devastating effect on the folks back home in Alabama.

In fact, I have three concerns about the 301 tariffs as enforcement mechanisms.

First, it is a go-it-alone strategy that I am concerned about that this Administration is taking, when I really think that we could have put to use our alliances and created a multilateral pressure on China, and probably been a little bit more effective, quicker.

Secondly, while we in Alabama do believe that trade works for us, we really believe that retaliatory tariffs don't. And the retaliation that has the most impact on my district has been both with farmers, as well as with my manufacturers. According to a Brookings study, Birmingham, Alabama has the fifth highest exposure to retaliatory tariffs in the country. Since the trade war with China has begun, Alabama exports have faced over \$254 million in retaliatory tariffs. And moreover, my cotton and soybean growers' supply chains have been dramatically affected.

The longer the tariffs are in place, the more likely it is that a lot of the shifts in the supply chain will become more permanent, causing more concerns by lots of my constituents. In fact, the forest industry in my district is suffering from a 25 percent tariff on southern pine logs, and a 10 percent tariff on the softwood lumber.

So I guess my question, really, is one of a fundamental belief that, while there is definitely a problem, a trade problem, with China, is the enforceability of tariffs the way we are doing them the best way to get at that problem?

So my question is, especially given the fact that we are looking for Section 301 tariffs as a tool to enforce other trade agreements, my question to you really is do you see Section 301 tariffs as an enforcement tool of last resort when all of our options have been exhausted? Or do you see it as a weapon that can be deployed regularly to exert concessions from other economic rivals and allies?

*Ambassador Lighthizer. Well, I would say, first of all, I don't want to conflate tariffs with other tariffs, right? Because, I mean, as you know well, there is the softwood lumber, and that is a litigation matter by private people. The steel and aluminum is something entirely different, in my opinion.

I think 301 is an effective tool. I think we should be working with Members to find more effective tools. And I can -- at some point I want to sit down and take you through the history of 301 some time. When you are just, like, ready to go to sleep and you can't get to sleep, I will take you through it and go -- because it is kind of interesting --

*Ms. Sewell. Since I sit on the intel committee, too, many sleepless nights for me.
[Laughter.]

*Ambassador Lighthizer. I guess that is right.

So there is a history there. I think we need better tools. But in terms of whether or not we should have done what we did, or done a multi-lateral approach, I honestly believe that good people tried for 20 years the multilateral approach and the talk approach,

and the let's all go along and get along approach. And I can tell you it is not -- I will show you. I brought along -- I have a chart here that sort of shows the trade deficit, what every one of these go along and get along -- there it is, right there.

So here is the trade deficit, and here is every one of these go along joint things. They just demonstrably failed. And when you are in a situation where something really, really matters in our kids' lives, you know, jobs depend on it, and you have tried something and it has failed, failed, failed for 20 years, you would have to be crazy, in my judgement, not to try something else.

Now, is this perfect? I am not going to say it is perfect. But at least it is leading to results, where everything else didn't.

*Ms. Sewell. Now I just want to say thank you for allowing the ambassador to complete his answer, and I just really want to just say, in closing, we are all really, really -- your success is our success. We do want to get a better balance when it comes to trade with China. And I want to thank you for being open enough to come and talk to us on a regular basis with respect to these tariffs and the trade agreements.

*Chairman Neal. We thank the gentlelady, and we will conclude with the gentleman from Georgia, Mr. Ferguson.

*Mr. Ferguson. Thank you, Mr. Chairman.

Ambassador, thank you so much for being here today. You know, it has been fascinating, sitting here and listening to both sides recognize a few common threads here. Number one, China has been -- you know, has been participating in unfair practices for years, and it has hurt American business, it has hurt American innovation. And most importantly, it has hurt the American worker.

Consistently, I hear throughout my district the support for these efforts to really put China into a new trading position with the U.S. Across the board, whether it is Republican or Democrat, small business, large business, they all understand the need to do this, and

they also understand the need that, because we have not done it in the past, that there is going to be a rough transition period while this fight takes place. But it will be worth it in the end. So I want to commend you and the Administration for fighting so hard on behalf of the American worker.

You know, as I look at this, another thing that I have heard a couple of comments along these lines, talking about the context of the China deal, and with everything else that is going on in trade. Could you speak -- because we all recognize the problem with China, and we all recognize that it is a very large problem to deal with -- can you speak to the importance of getting the USMCA deal done on the heels of the South Korean deal, and then bringing Japan into the fold, and then moving to the Europeans? Can you speak to how important it is that we all develop these trade deals so that we can collectively work to change China's behavior?

*Ambassador Lighthizer. You know, thank you very much, Congressman, and thank you for your comments about the -- you know -- the President's program, which I think is working, and I am certainly going to pass along to him the various comments people have made about what we are trying to do.

But you are right, and I said this at one point, and I will say it again. There is no trade program in the United States if we don't pass USMCA. There just isn't one. What it says is we don't have a consensus, and that we don't want to stand up for our workers and our farmers and our ranchers. I think there is no less than that at stake.

We have an agreement. It is clearly better than its predecessor, there is no question. It is \$1.3 trillion worth of business. Millions and millions of people are affected. And it just has to pass. If it doesn't, you have no credibility at all with China, and you will have no credibility on any deals with your other trading partners.

I have Members come to me, as I talked -- every day I talk to two or three Members, just, literally, every day. And they are all -- it is always constructive. They

have this, and they have ideas, and they have thoughts, and all this. And I always in the back of my head think if we don't pass USMCA, just don't bother. Just sit down and just say we will just wait a few years before we say anything.

*Mr. Ferguson. I want to thank you for that, and addressing that, but I want to switch gears for just a minute.

In my home town we have an auto maker there, Kia Motors Manufacturing Georgia. We have seen the benefits of having a good trade agreement with South Korea. We want to continue to see that.

One concern that I have -- and if you could, address it very quickly -- the timelines both on the USMCA and potentially any trade deal, three to five years for implementation, talk about how that -- that, to me, seems like a relatively tight timeline. Is there opportunity, if companies are moving in the right direction, to give some leeway as they try to bring jobs back to America?

*Ambassador Lighthizer. USMCA requires a very short transition. They can get the additional two years if they are meeting certain requirements. We have worked with the manufacturers. Is it a tight timeframe? Yes. Is it a doable timeframe? Yes. We have to make changes as soon as we can. By extending this out, I mean, we have consensus among manufacturers, and by extending it out you are just postponing new Americans getting their new jobs, and I don't want to do that. We want these people to be employed as soon as possible.

So this is a doable thing. And, by the way, we want them to be manufacturing more engines and more transmissions in Georgia, and I think they are going to. And they are going to quit using the Korean engines and transmissions to a large extent. So this is going to be a big win for you.

But I don't want to defend them. I already pushed it off as far as I am going to push it off. Who knows where I am going to be in five years?

*Mr. Ferguson. Thank you, Mr. Ambassador. And thank you, Mr. Chairman.

*Chairman Neal. I thank the gentleman.

Mr. Ambassador, let me thank you for joining us today. As always, your accessibility is appreciated by the committee.

Please be advised that members have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

And with that, the committee stands adjourned.

[Whereupon, at 1:06 p.m., the Committee was adjourned.]

[Questions for the record follow:]

[From Chairman Neal to Ambassador Lighthizer](#)

[From Trade Subcommittee Chairman Blumenauer to Ambassador Lighthizer](#)

[From Representative Wenstrup to Ambassador Lighthizer](#)

[From Representative Marchant to Ambassador Lighthizer](#)

[From Representative Holding to Ambassador Lighthizer](#)

[From Representative Sánchez to Ambassador Lighthizer](#)

[From Representative Smith \(MO\) to Ambassador Lighthizer](#)

[From Representative DelBene to Ambassador Lighthizer](#)

[From Representative LaHood to Ambassador Lighthizer](#)

[From Representative Moore to Ambassador Lighthizer](#)

[From Representative Murphy to Ambassador Lighthizer](#)

[From Representative Higgins to Ambassador Lighthizer](#)

[From Representative Walorski to Ambassador Lighthizer](#)

[From Representative Lewis to Ambassador Lighthizer](#)

[From Representative Larson to Ambassador Lighthizer](#)

[From Representative Pascrell to Ambassador Lighthizer](#)

[Submissions for the record follow:]

[The Hon. Kevin Brady and the Hon. Vern Buchanan, Letter](#)

[The Hon. Darin LaHood, Article](#)

[Agricultural Trade Associations](#)

[Air-Conditioning, Heating, and Refrigeration Institute \(AHRI\)](#)

[American Apparel & Footwear Association](#)

[Center for Fiscal Equity](#)

[International Dairy Food Association \(IDFA\)](#)

[McGuireWoods Consulting](#)

[National Association of Foreign-Trade Zones](#)

[Software & Information Industry Association](#)

[Solar Energy Industries Association](#)

[Steel Manufacturers Association](#)