

*Ambassador Michael Froman  
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Chairman Ryan, Ranking Member Levin, Members of the House Ways and Means Committee, thank you for the opportunity to testify on the President's trade agenda.

The Obama Administration's economic agenda of creating jobs, promoting growth, and strengthening America's middle class is supported by the work we do at USTR: opening markets and leveling the playing field to ensure that American workers, farmers, ranchers; manufacturers and service providers; innovators, creators, investors and businesses – both large and small – can compete in the world's fastest growing markets.

***Building on Record Breaking U.S. Exports***

In 2014, USTR built on record-breaking exports, market opening initiatives, intensive engagement, and trade enforcement to achieve strong results for America's economy. The data is compelling: Unemployment has dipped to 5.6 percent and we are creating more than 200,000 jobs per month. Those jobs include a gain of 786,000 new manufacturing jobs over the last five years. Manufacturing exports have grown by 9 percent a year on average. Our total exports have grown by nearly 50 percent and contributed nearly one-third of our economic growth since the second quarter of 2009. In 2013, the most recent year on record, American exports reached a record high of \$2.3 trillion and supported a record-breaking 11.3 million jobs.

It's clear, more exports means more good jobs and more jobs are dependent upon exports than ever before. That's why we've worked hard to open more markets to Made-In-America goods and services, agricultural products, innovation, and investment. In the last four years, the increase in U.S. exports has supported 1.6 million more good jobs, which typically pay 13-18 percent more on average than jobs not related to exports.

Done right, trade policy unlocks opportunities for Americans. Done right, trade policy promotes not only our interests, but also our values. And it gives us the tools to make sure others play by the same rules as we do. The United States is an open economy and our borders are already open to trade. But other countries still erect real barriers to our exports.

***Exports Drive Small Business Growth and Create Jobs Across the United States***

Over the past year, I heard many of the stories behind these statistics. I listened to workers, small business owners, farmers and ranchers talk about their efforts to grow their businesses and create jobs. I traveled to Iowa to promote President Obama's "Made in Rural America" export and investment initiative through the White House Rural Council and meeting with dairy farmers in Wisconsin to talk about USTR's efforts to open new markets. I toured a small brewery in Denver and a waste water treatment equipment manufacturer in Cleveland, where I heard about each company's contribution to Colorado and Ohio's record-breaking exports last year. I met

with a high-tech firm in San Antonio and an advanced manufacturer in Baltimore to discuss the future of the digital economy and share how our trade agreements can unlock opportunities for their businesses. Today, more small businesses are exporting than ever before, and by tapping into global markets, these companies are able to increase their sales and their payrolls.

But we know that the status quo is not an option to compete in the global economy. And we know that our workers are competing against workers in countries that lack even the most basic labor rights. Our businesses are competing against companies that get subsidies from their governments or that don't have to maintain any environmental standards. If we sit on the sidelines, we will be faced with a race to the bottom in global trade instead of continuing to promote a race to the top. That's not how we want to compete. As the President said last week, we should be the ones to engage and lead. We want to take the field, establish the rules of the game that reflect our interests and our values, and do so with all the tools we need to win

Our trade agreements will support American jobs by boosting Made in America exports from our businesses, farms, and factories. In fact, for every \$1 billion we export, between 5,400 and 5,900 jobs are supported here at home. By opening rapidly expanding markets with millions of new middle-class consumers in parts of the globe like the Asia-Pacific, our trade agreements will help our businesses and workers access overseas markets, where 95 percent of the world's consumers and 80 percent of the world's purchasing power reside. Combined with our supply of energy, highly skilled work force, and culture of innovation, our trade agreements will help once again make America the global production platform of choice.

### ***USTR Priorities for 2015***

In 2015, USTR will take steps to: (1) lead the Administration's effort to secure Trade Promotion Authority with bipartisan support; (2) make significant progress to bring home high-standard trade agreements, including the successful conclusion of the Trans-Pacific Partnership (TPP) negotiations and the plurilateral deal to expand the Information Technology Agreement (ITA), and the advancement in the Transatlantic Trade and Investment Partnership Agreement (T-TIP), the Trade in Services Agreement (TiSA), and the Environmental Goods Agreement (EGA); (3) harness the preferential access provided by our FTA agreements to further expand exports of U.S. goods, services, and investment with those countries; (4) strengthen key trade and investment relationships, including with China, India, Burma, Taiwan, Brazil, and the countries of Sub-Saharan Africa; and (5) ensure that our trading partners honor their commitments, including in the WTO and under our trade agreements.

### ***Unlocking Opportunities through U.S. Job-Supporting Trade Agreements***

We're working harder than ever to bring home trade agreements that will unlock opportunities by eliminating barriers to U.S. exports, trade, and investment while raising labor, environment, and other important standards across the board.

### **Trans-Pacific Partnership (TPP)**

In 2014, we significantly advanced negotiation of the TPP, a state-of-the-art trade agreement that will guarantee expanded U.S. access to the rapidly growing economies in the Asia Pacific. Together with the 11 other TPP countries, we have made important progress in the market access negotiations for agricultural products, industrial goods, services and investment, and government

procurement. We have also made substantial progress on ambitious, high-standard trade rules that will promote U.S. commercial interests and values in the region, in such areas as intellectual property, digital trade, competition with State-owned enterprises, and labor and environmental protections. The Peterson Institute for International Economics estimates that TPP will add \$123.5 billion to U.S. exports each year when it is fully implemented.

We continue to make progress in closing gaps related to autos, agriculture, and other market access issues in our bilateral negotiations with Japan. Japan agreed upfront to provide the longest staging of any TPP products for U.S. autos and truck tariffs, and we continue to work with Japan to address the long-standing barriers to American autos in the Japanese market. We will continue to closely consult with our auto workers and industry as the negotiations proceed in order to get the best deal possible for them. In agriculture, we continue to work hard to dismantle high tariffs, restrictive quotas, and complex administrative policies to create new opportunities for U.S. producers.

At the TPP Leaders meeting in November convened by President Obama, all 12 countries took note of the progress that has been made on TPP, and agreed that the end of the negotiation is now coming into focus. And the TPP countries reaffirmed their commitment to concluding a comprehensive, high-standard agreement, and to work toward finalizing the TPP agreement as soon as possible.

#### **Transatlantic Trade and Investment Partnership (T-TIP)**

With the new European Commission, the United States and the European Union see an opportunity for a fresh start in the T-TIP negotiations as we work to bolster our economic partnership that already supports \$1 trillion in two-way annual trade, \$4 trillion in investment, and 13 million jobs across the Atlantic. In November, President Obama and EU leaders reaffirmed their commitment to an ambitious, comprehensive, and high-standard T-TIP agreement. We look forward to building on the progress we've made at the 8<sup>th</sup> T-TIP negotiating round next week in Brussels and we hope to make good progress across all chapters in 2015.

#### **World Trade Organization (WTO)**

At the WTO, the United States played a critical role in building consensus on the first-ever fully multilateral trade agreement in the 20-year history of the WTO, the Trade Facilitation Agreement (TFA). As WTO Members move towards TFA implementation, the cost of trading for developed and developing countries alike will be significantly reduced. By some estimates, the global economic value of the new WTO deal could be worth hundreds of billions of dollars. In November, the United States and China announced a major breakthrough in negotiations to expand the scope of goods covered by the WTO Information Technology Agreement (ITA), which provided the basis for the resumption of plurilateral negotiations in Geneva. We are working closely with all ITA participants to bring about the successful conclusion of an ITA expansion deal as soon as possible. This would be the first major tariff-cutting deal at the WTO in 17 years and help boost American exports to growing markets around the world. When completed, the ITA expansion is estimated to cover roughly \$1 trillion in trade, adding \$190 billion to the global economy and supporting tens of thousands of good-paying U.S. manufacturing and technology jobs. The United States will also work with WTO Members to

develop a post-Bali work program that ensures balance among the largest Members in areas such as agriculture and industrial market access in the Doha Round negotiations.

### **Trade in Services Agreement (TiSA)**

The United States is the largest exporter of services in the world, and in 2013, services exports accounted for a majority of U.S. export growth. Services liberalization abroad is necessary to sustain that growth for industries such as information technology and communications, distribution, energy services, environmental services, professional services, express delivery services, and more. U.S. service providers should have opportunities and fair treatment abroad that other countries' firms already enjoy in the United States. To support this vital sector, the United States engaged in the Trade in Services Agreement (TiSA) negotiations, a free trade agreement focused exclusively on services. TiSA brings together nearly two dozen countries, which makes up more than two-thirds of the global trade in services market. In 2015, we will continue to push for greater access and promote fair and open competition across a broad spectrum of service sectors.

### **Environmental Goods Agreement (EGA)**

In July 2014, 14 WTO Members, including the United States and China, launched negotiations on the Environmental Goods Agreement (EGA) at the WTO. The goal in 2015 is to make essential progress toward our environmental protection and economic goals by eliminating tariffs faced by American exporters on a range of environmental goods. Tariffs on these environmental goods, including wind turbines, solar water heaters, and catalytic converters are unnecessarily high and limit the technological advancement for green technologies. In fact, as I speak, my team is in Geneva at the 4<sup>th</sup> round of negotiations pushing for the inclusion of key clean energy technologies, of which the United States is a major producer.

### **Agriculture**

In 2013, U.S. farmers and ranchers exported a record \$148.7 billion of food and agricultural goods to consumers around the world. And we expect that we had another record year in 2014. Going into 2015, the Administration aims to help build on that record performance. America's strong competitive advantage is greatly due to our agricultural exports, and liberalizing trade in agricultural goods remains a priority issue in all of our bilateral engagements. We will open new export markets through our ongoing trade negotiations, including TPP and T-TIP. We will continue to work to remove non-science based sanitary and phytosanitary measures restricting exports of a variety of U.S. agricultural products.

### **Manufacturing**

In 2013, the United States exported nearly \$1.4 trillion in manufactured goods, which accounted for 87 percent of all U.S. goods exports and 61 percent of U.S. total exports. Here too, we expect that 2014 was a record year. In 2015, the Obama Administration will continue to pursue trade policies aimed at supporting the growth of manufacturing and associated high-quality jobs here at home and maintaining American manufacturers' competitive edge. U.S. manufacturing is vital to our economy and the Obama Administration is committed to making sure that the United States is competitive in attracting businesses to locate here. This is why we support a dynamic manufacturing sector and research and development policies to support broad-based innovation and advanced manufacturing that will help U.S. workers and firms win the future. As

American manufacturers increase their capacity to produce more advanced and value-added goods, consumers around the world continue to place a high value on Made-in-America products. Across our trade negotiations, we aim to create rules that ensure state-owned enterprises (SOEs) do not compete unfairly with private firms, and seek to ensure that rules of origin and global supply chain provisions create conditions for manufacturers to locate here in the United States.

### **Innovation, Intellectual Property, and the Digital Economy**

America's economic growth and competitiveness depend on its capacity to innovate. Our trade agreements, including TPP and T-TIP, promote strong and balanced IP protection and enforcement while opening markets for U.S. produced IP-intensive goods and services. In negotiations, like TPP, we are working to ensure access to affordable life-saving medicines, including in the developing world, and create incentives for the development of new treatment and cures that benefit the world and which create the pipeline for generic drugs. And to ensure we are advancing a balanced policy and defending jobs that rely on innovation, we are committed to receiving input from across the spectrum of the U.S. economy: those who create, distribute, produce, and use intellectual property.

We will continue to support a free and open Internet that encourages the flow of information across the digital world. We know that the impact of digital trade is enormous, and thus that a supportive trade framework is critical for its continued expansion. Therefore, among the other twenty-first century issues we are addressing, we are modernizing our trade agenda to promote growth in the digital economy in particular. We will continue to work closely with Congress and all our stakeholders on a wide range of trade issues related to the protection and enforcement of copyrights, trademarks, patents, trade secrets, and other forms of IP. We will also work to push back against efforts by our trading partners to improperly use geographical indications to limit the ability of our farmers and exporters to use common food names and trademarks for their products.

The theft of U.S. intellectual property puts American jobs at risk and generates counterfeit products that can pose a threat to the health and safety of consumers around the world. We utilize our annual "Special 301" Report to identify and resolve IP concerns with many trading partners. This year, it included specific focus on India through an out-of-cycle review during which we were able to highlight the need for India to increase its engagement with the U.S. Government and with U.S. stakeholders on a broad range of IPR issues identified in the Special 301 Report. Use of the out-of-cycle review helped to secure commitments from India in the 2014 Trade Policy Forum on a broad range of IP issues of concerns to the United States and its stakeholders. And Israel, Italy and the Philippines were removed from the Watch List for their important legislative and regulatory reforms in enhancing intellectual property enforcement.

### ***Enforcement Tools Utilized to Protect U.S. Trade Rights Around the World***

As we work to open markets around the world, we are simultaneously working to hold our trading partners accountable for their commitments under existing agreements so that American workers, businesses, farmers and ranchers get the full benefit of all the economic opportunities the United States has negotiated over the years. From day one, the Obama Administration has shown an unwavering commitment to enforce our trade rights around the world. Within existing

resources, we have undertaken a bold and ambitious trade enforcement agenda reflected in the scale, scope, and systemic importance of our disputes. And for every part of our economy, USTR is fighting on their behalf - from American auto workers to farmers to high-tech manufacturers that need rare earth metals to American service providers.

### **WTO Enforcement**

USTR is building upon significant WTO victories for the United States as we move forward with a robust monitoring and enforcement agenda in 2015. We continue to build on our strong success with major victories in several WTO disputes. In June, the WTO found that China had breached WTO rules by imposing on American cars and SUVs unjustified extra duties, which were assessed on over \$5 billion of U.S. auto exports in 2013. In August, the WTO found that China again breached WTO rules by imposing duties and quotas on exports of rare earths, tungsten, and molybdenum, which discriminate against U.S. manufacturers of hybrid car batteries, wind turbines, energy-efficient lighting, steel, advanced electronics, automobiles, and more. In October, a WTO panel found India's ban on U.S. agricultural products – such as poultry – allegedly to protect against avian influenza was imposed without sufficient scientific evidence, among other things. And earlier this month, the WTO finalized the outcome of a dispute against Argentina's import licensing requirement and other import restrictions that were imposed as protectionist measures against billions of dollars of Made-In-America electronics, aerospace, pharmaceuticals, precision instruments, medical devices and motor vehicles and parts. These outcomes are an example of our strong record on trade enforcement. For the 18 WTO complaints filed since 2009, every single case that has been decided has resulted in a win for the United States. And when you consider those victories I just mentioned – the range of trading partners, the types of trade barriers, and value and diversity of exports involved – the power of robust trade enforcement becomes clear. We're absolutely committed to ensuring American workers get all the benefits of U.S. trade agreements because we've seen that trade, done right, supports high-quality, middle class American jobs.

### **Enforcement of U.S. Free Trade Agreements**

The Administration also continued to vigorously monitor our FTA partners' implementation of their obligations under Congressionally-approved FTAs. Under the CAFTA-DR, the Administration proceeded with a labor rights enforcement case against Guatemala to ensure it implements the labor protections to which its workers are entitled. We convened Labor Affairs Council meetings with our counterparts in Peru and Panama to discuss labor rights, including labor inspections and subcontracting arrangements. We convened FTA labor subcommittee meetings with Jordan and Morocco, where we discussed Jordan's progress on the Labor Implementation Plan, which was signed by both governments in 2013, and a U.S. Department of Labor (DOL) technical assistance project to combat child labor and empower women in Morocco. We engaged in constructive FTA labor consultations with Bahrain in 2014. Also working together with DOL, USTR released a report in April describing the progress and the work that remains in Colombia to address concerns about labor protection and labor rights. We also convened Environmental Affairs Councils and other bilateral meetings with our CAFTA-DR partners, as well as with Morocco, Panama, and Peru to review progress under our environmental chapters and discuss concerns. To ensure that the U.S.-Korea FTA is fully implemented, we worked closely with our Korean counterparts to make important progress in resolving issues related to customs origin verification, financial services, and automotive issues.

We will continue to be vigilant in 2015 to ensure that Korea, along with our other current FTA partner countries, fully adheres to the letter and spirit of their FTAs.

### ***Deepening our Trade and Investment Partnerships Around the World***

The Administration continues to work to deepen our trade relationships around the world. This includes engagement with China, India, Burma, Sub-Saharan Africa and other regions to address concerns with our bilateral trading partners.

#### **China**

On China, the Administration made progress on a wide range of issues, including protection and enforcement of trade secrets and other intellectual property rights, as well as SOEs, investment, services, global drug supply chain integrity, and transparency at the U.S.-China Strategic and Economic Dialogue in July. These engagements yielded concrete changes which support jobs and exports from the United States. We also made significant progress on key issues like transparency and a level playing field in competition law enforcement, agricultural biotechnology, the protection and enforcement of trade secrets, and technology localization at the 25<sup>th</sup> Joint Commission on Commerce and Trade held in December. There was further progress in the pharmaceutical sector at the JCCT, where China agreed to streamline its approval processes for pharmaceutical and medical devices. We also intensified our negotiations toward a Bilateral Investment Treaty (BIT) with China and expect to initiate the critical “negative list” market access negotiations in early 2015.

#### **India**

In November, I led a U.S. delegation to the U.S.-India Trade Policy Forum (TPF), the first TPF since 2010 and an important step in invigorating our bilateral relationship. The TPF provided the forum for the discussion of several key trade and investment issues, including intellectual property rights, agriculture, services, manufacturing and others. The meeting resulted in substantive work plans for regularized engagement across these priority issues. In advance of this meeting, India and the United States worked together to address outstanding concerns arising from the WTO Bali package which, with the support of the other WTO members, will now allow the Trade Facilitation Agreement to be fully implemented. For 2015, we are planning a significant ramp up of our engagement with India to strengthen our bilateral relationship and work to address outstanding concerns in a number of areas.

#### **Burma**

In November, the United States launched an initiative with the Government of Burma, the International Labor Organization, Japan and Denmark to improve fundamental labor rights and promote responsible business practices in Burma through a multi-year labor law reform plan and a stakeholder consultative mechanism. This is part of broader efforts to promote responsible trade and investment practices and sustainable economic development. Earlier in the year, the United States held the first-ever Trade and Investment Framework Agreement meeting with Burma to address economic reform, implementation of Burma’s WTO commitments and labor rights.

## **Taiwan**

We continue to make progress with Taiwan on a broad range of trade and investment issues through the TIFA Council, during which Taiwan took concrete steps to lift data center localization requirements, address technical barriers to trade, and clarify investment criteria. Taiwan also made important commitments involving investment, agriculture, pharmaceuticals, and medical devices. In 2015, we look forward to make progress on these and other trade and investment issues important to the United States and Taiwan.

## **Brazil**

After resolving the long-standing cotton dispute with Brazil, we are looking to enhance cooperation on trade and investment through the U.S.-Brazil Agreement on Trade and Economic Cooperation. Brazil is one of the most dynamic countries in the world and a top customer of the United States for value-added goods, such as machinery, aircraft, chemicals and fuels. Our 2013 goods trade surplus of \$16.5 billion is our largest in the hemisphere. In 2015, we will explore opportunities to deepen cooperation on a number of issues of mutual concern, including innovation, trade facilitation, and technical barriers to trade, and working together to reduce barriers to agriculture trade in third markets.

## **Africa**

In August, President Obama welcomed leaders from across the African continent for the historic U.S.-Africa Leaders Summit, which marked the largest event any U.S. President has held with African heads of state and government. During the Summit, I convened the AGOA Forum Ministerial with African trade ministers to discuss the future of the African Growth Opportunity Act (AGO) program and opportunities to strengthen trade and investment ties between the United States and Africa--one of the world's most dynamic and fastest-growing regions. Before those meetings, President Obama determined that Swaziland would no longer be eligible for AGOA benefits because it failed to meet AGOA's eligibility criteria related to internationally recognized worker rights. The President also determined that Madagascar should regain its AGOA eligibility, following that country's return to democratic rule following a 2009 coup d'état. Later in the year, the President determined that Guinea-Bissau would regain its AGOA eligibility following its return to democratic rule, and that The Gambia and South Sudan would lose their AGOA eligibility for reasons related to AGOA's human rights criteria. In addition, USTR hosted separate Trade and Investment Framework Agreement (TIFA) Council meetings with Nigeria and Angola. The Administration stands ready to work with Congress to renew the AGOA program prior to its September 30, 2015 expiration.

## **Generalized System of Preferences (GSP)**

The United States is committed to creating economic growth and development around the world through our trade preference programs, trade capacity building, and other initiatives. The Generalized System of Preferences (GSP) – the oldest and most widely used U.S. preference program – provides developing countries with duty-free access on a range of goods. The GSP program promotes economic growth in developing countries while also helping to improve competitiveness for U.S. business because it reduces the cost of imported inputs used in U.S. manufacturing and production. We have made effective use of the GSP statute's labor provisions to encourage trading partners such as Bangladesh to make greater efforts to ensure respect for internationally recognized labor standards within their economies. The



Administration urges Congress to expeditiously renew authorization of the GSP program, which lapsed in July 2013, and we stand ready to work with you to that end.

In addition to important emerging markets, the United States will continue our robust engagement with trading partners around the world as we seek additional bilateral and regional trade and investment opportunities to help increase U.S. exports and grow our economy. The United States will seek to advance trade-enhancing investment measures with key trading partners in order to continue attracting the best jobs and industries here in America.

### **Trade Promotion Authority (TPA)**

Let me build upon the President's remarks on trade at the State of the Union. As the President made clear last week, the Administration is committed to securing bipartisan Trade Promotion Authority. America has always been strongest when it speaks with one voice, and that's exactly what Trade Promotion Authority, or TPA, helps us do. TPA puts Congress in the driver's seat to define U.S. negotiating objectives and priorities for trade agreements. It clarifies and strengthens public and Congressional oversight by requiring consultations and transparency throughout the negotiating process. It makes clear to our trading partners that the Administration and Congress are on the same page negotiating high standards in our trade agreements. There is no other area of policy that reflects closer coordination between the Executive branch and Congress than trade policy. And in return, I can promise you that we'll continue working hard to strike balanced agreements that benefit our workers, employers, our environment and the economy at large.

The previous TPA legislation was passed over a decade ago and we agree with the Congressional voices that an update is necessary. The global economy has changed significantly since 2002 and Congressional views on labor, environment, innovation, and access to medicines need to be memorialized while the rise of the digital economy and the increasing role of SOEs need to be addressed. We agree with the broad group of stakeholders that these issues should be reflected in a new TPA bill.

The Administration looks forward to continue working with this Committee and the new Congress as a whole to secure TPA that has bipartisan support. We also look forward to renewing Trade Adjustment Assistance (TAA), which helps provide American workers with the skills to compete in the 21st century.

### ***Promoting Increased Engagement and Transparency in Negotiations***

As we work to open markets to support more American jobs, an important part of that work is keeping the public, Congress, and a diverse array of stakeholders engaged and informed. We believe that public participation, Congressional input, and an open national debate enhance trade policy. And to ensure these agreements are balanced, we seek a diversity of voices in America's trade policy.

The Administration has taken unprecedented steps to increase transparency. Those steps have resulted in more public dialogue and outreach on trade agreements like TPP and T-TIP than on any other free trade agreements in history. This includes the more than 1,600 consultations we've had on TPP alone. We have provided access to the current negotiating texts of both agreements to Members of Congress. We have previewed every new U.S. proposal with the

Committees of jurisdiction before tabling them in both negotiations. And we have briefed interested Members of Congress before and after every negotiating round—seeking feedback at every stage of the game.

The Administration has also engaged with the public around its trade agenda in new ways. We have held public hearings soliciting the public's input on the negotiations and suspended negotiating rounds to host first-of-a-kind stakeholder events so that the public can provide our negotiators with direct feedback on the negotiations. We have also shared information on the current status of the negotiations through an array of tools on our website.

We are always looking for new ways to engage the public and welcome input, including from your committee, which will help inform and guide our trade policy. Enhancing transparency will remain a priority, consistent with the ability to deliver on our ultimate mission, which is to deliver agreements that achieve the maximum possible benefit for the American people.

### ***Conclusion***

The Obama Administration's trade agenda is focused on expanding opportunities to export more Made-in-America products, support jobs at home, and create economic growth by opening overseas markets and leveling the playing field for American workers, farmers, and businesses. In doing so, we will continue to advocate for strong, enforceable rules that promote core U.S. values and interests, including protection of U.S. creativity and innovation, access to medicines, fundamental labor rights, and robust environmental commitments. We can only accomplish these shared goals and priorities through strong bipartisan cooperation between Congress and the Administration. We look forward to working with you to ensure our trade policy creates opportunities for all Americans.

Thank you again for the opportunity to testify today. I am happy to take your questions.