

## **Testimony of Ambassador Katherine Tai Before the House Ways and Means Committee Hearing on the President's 2024 Trade Policy Agenda**

Chairman Smith, Ranking Member Neal, and Members of the Committee. I appreciate the opportunity to discuss the President's Trade Policy Agenda. Congress is our constitutional partner on trade, and I am delighted to be here to discuss our agenda and hear your views.

President Biden summed it up during his State of the Union Address last month—America is writing the greatest comeback story never told.

Our Administration's economic plan is leading our country in the strongest economic recovery amongst all developed nations. More importantly, we are doing so in a way that democratizes economic opportunity for more people.

We have shifted the conversation from focusing on the bigs to including and championing the interests of the smalls and the mediums. From trickle down to bottom up. From people as consumers only to people as workers also.

We are reorienting the economic system to strengthen the middle class.

The President's trade agenda is critical to this reorientation. In the past, trade policy primarily focused on and benefitted the largest stakeholders, but we are flipping that top-down approach on its head.

Trade is a tool to give all Americans a fair shot and ensure that our system is set up for inclusive and durable growth. Promoting healthy competition is critical to achieving this goal. This is why I am honored to serve as a member of the White House Competition Council, to align our trade agenda with our domestic economic tools to advance fair competition for more people.

It is also a critical tool for building robust supply chains that lower costs for American families, a goal I work to advance as a member of the President's Council on Supply Chain Resilience.

Asking old tools to solve new challenges—like economic insecurity, fragile supply chains, and a worsening climate crisis—is destined to fail. We must question assumptions, revisit norms, and think creatively and strategically.

In this new era, we increasingly measure success and progress by the degree to which we are delivering real benefits to more Americans across our society—no matter where you live or whether you have a college degree.

Our approach is one that addresses and advances the interests of all parts of our economy and does not pit Americans against Americans. Let me give you some examples of what middle-out, bottom-up trade policy looks like.

## **Empowering Workers Through Trade**

First, we are using trade to empower workers, because they are the backbone of our economy. Their success is our success.

We are incentivizing a race to the top so that we are not pitting our workers against those in other countries and regions. Fellow trade ministers tell me that they too want to build their economies from the middle out, and enacting and maintaining high labor standards is key.

This is why the United States has prioritized strong labor commitments in our ongoing trade initiatives, including in our negotiations with Kenya and Taiwan.

As part of this process, USTR has consulted extensively with labor stakeholders, in addition to the business community. We will continue to work with our trading partners and with you to ensure that our trade agreements work for workers.

This is also why we are using innovative tools with our trading partners to address harmful practices, such as forced labor. Our work with Japan through the Task Force on the Promotion of Human Rights and International Labor Standards in Supply Chains is one example.

This is a part of our Administration's broader strategy to fight for workers' rights around the world, including through the first-ever Presidential Memorandum outlining our commitment to worker rights globally, signed by President Biden last November.

Advancing workers' rights abroad also strengthens workers here at home. This is possible when we are not pitting our working communities against each other, but instead allowing them to compete fairly and thrive in this global economy. This is what it looks like to align our domestic and foreign economic priorities—a foreign policy for the middle class.

At a press conference in San Francisco on the launch of the Memorandum, I had the privilege to meet Rudy Gonzalez, Secretary-Treasurer of the San Francisco Building and Construction Trades Council. He spoke with such passion and conviction on why our approach is important to real, working people.

It is because of friends like Rudy and his colleagues that we are also focused on enforcing the labor provisions in agreements we already have. Trade agreements are not trophies to admire on shelves—they are tools to get us results. The United States – Mexico – Canada Agreement is a prime example.

When I worked for the Ways & Means Committee, I worked with many of you to create the USMCA's Rapid Response Labor Mechanism, and I want to share what it is doing for working people.

Since 2021, the United States has sought Mexico's review under the RRM 22 times at facilities that span various industries, including automotive, garments, mining, and services.

These cases have so far directly benefited 30,000 workers, provided five million dollars in backpay and benefits to workers, ensured wrongly terminated workers were reinstated, and helped secure free and fair elections in which workers selected independent unions to represent them.

Last July, I participated in a labor stakeholder forum on the margins of a USMCA FTC meeting in Mexico. There, I met Juan Gerardo Castor Puentes, a special delegate for the Mexican Workers' League.

It is a union that represents garment workers at a factory near the Coahuila-Texas border. He shared with me how important it was for governments to work together to fight for workers and their interests—how doing so is making a real positive impact on people's daily lives.

This not only affects workers in Mexico, it also empowers U.S. workers by reducing the incentive to unfairly ship jobs overseas.

There are many success stories to choose from, but I want to highlight the Teksid facility in Frontera, Mexico.

In that case, the United States requested Mexico's review of whether workers at the facility were being threatened or coerced into choosing a particular union, and whether workers were being subject to a state-level collective bargaining agreement that was inferior to a federal-level collective bargaining agreement. The company was also refusing to recognize the independent union that held the right to represent workers at the facility.

As a result of the RRM, 36 workers who had been wrongfully terminated were reinstated and given backpay. The independent union was given access to the facility and even paid dues that were previously withheld from workers' pay.

Shortly after the case was closed, the independent union negotiated additional benefits for workers, including a nine percent wage increase and a 6.8 percent increase in the overall value of non-wage benefits, as well as an increase in vacation days, bonuses, compliance with required overtime pay, and improvements to working conditions to address work-related injuries.

This is real positive change for these workers in Mexico, but also helps ensure that the good-paying jobs our Administration is creating stays here, in our communities.

This is how we are building up our working communities and middle classes together, giving them a fair shot to thrive in this global economy.

### **Enforcing Trade Agreements for a Level Playing Field**

This is why enforcing the trade rules we have continues to be a priority this year for the Administration. We will continue to level the playing field for American workers and businesses. We are vigorously enforcing our trade agreements, defending American jobs, and making sure more people enjoy the benefits of trade.

For the USMCA, this extends to the interests and rights of our farmers and agricultural producers.

I know the agricultural biotechnology concerns with Mexico are important to our farmers, especially our corn producers. Last August, we established a dispute settlement panel under the USMCA. We are working to resolve our concerns and help ensure that American farmers can continue to access the Mexican market and use innovative tools to respond to climate and food security challenges.

I also know that many of you are concerned that Mexico is undermining American companies and U.S.-produced energy in favor of Mexico's state-owned utility and oil and gas company. We launched dispute settlement consultations under USMCA with Mexico to address those concerns and continue engagement with our stakeholders on developments.

On Canada dairy, the United States won a USMCA dispute on Canada's tariff rate quota allocation measures. However, Canada's revised policies did not fix the problem for U.S. dairy farmers, and we will continue to work with Canada to resolve our dairy industry's concerns.

We have also activated the tools for environmental enforcement under the USMCA by engaging in consultations with Mexico relating to the protection of the critically endangered vaquita porpoise, the prevention of illegal fishing, and trafficking of totoaba fish.

I also want to note that, last year, the United States prevailed at the WTO in the cases against the retaliatory tariffs the People's Republic of China (PRC) and Türkiye illegally imposed in response to the U.S. Section 232 national security actions on steel and aluminum.

These matters are a priority for USTR this year, and enforcement is one way we are fighting for American farmers, ranchers, producers, workers, and businesses.

We are also working tirelessly with trading partners to open markets for hardworking American families and communities—especially our rural communities—to get more wins.

### **Wins for U.S. Agriculture and Rural Communities**

We signed an agreement with the EU to modify tariff rate quota (TRQ) allocations on several important U.S. products, including rice, wheat, and corn.

We revised the beef safeguard mechanism under the U.S. – Japan Trade agreement, to allow U.S. beef exporters to more reliably meet Japan's growing demand for high-quality beef. In 2023, U.S. beef and beef product exports to Japan were \$1.8 billion, accounting for more than 46 percent of Japan's total beef and beef product market.

We are shipping more fresh potatoes to Mexico now, beyond the previous limit of a 26-kilometer zone along the U.S.-Mexico border. U.S. fresh potato exports to Mexico, our largest export

market, grew from \$82.7 million in 2022 to \$117.4 million in 2023. This benefits U.S. potato growers from Idaho to Maine.

We also got major wins for our poultry producers—South Africa lifted restrictions on U.S. poultry and poultry products, and we reopened the Colombian market for U.S. poultry and egg products.

Specifically, let me highlight what we did to open the Indian market for our exports.

Last June, India and the United States terminated six WTO disputes, and India agreed to remove retaliatory tariffs on several U.S. products.

This means improved access for chickpeas, lentils, almonds, walnuts, and apples benefiting farmers across the country, including in Michigan, Oregon, and Washington.

Additionally, in September, India and the United States resolved our final outstanding WTO dispute, and India agreed to reduce tariffs on several U.S. products.

This means more market access for turkey, duck, blueberries, and cranberries benefiting farmers in North Carolina, Pennsylvania, Virginia, and Wisconsin.

We also worked with Japan to implement a new biofuels policy that will allow the United States to capture up to 100 percent of Japan's on-road ethanol market.

I know this is important to many of you. Under this policy, exports of U.S. ethanol could increase by over 80 million gallons annually, representing an additional \$150-200 million in exports each year. This is an important win for our producers in Iowa, Missouri, and South Dakota.

U.S. agricultural exports totaled \$174.9 billion in 2023, and our Administration has won over \$21 billion worth of new agricultural market access in the last three years.

However, this is more than just numbers. It is about people, their livelihoods, and their communities.

People like the first-generation farmer I met in Rowesville, South Carolina. I met him last December together with Congressman Clyburn at his farm where he grows corn, soybeans, cotton, and small grains.

Families growing almonds, like one my Chief Agricultural Negotiator, Doug McKalip, visited in the Central Valley of California last fall.

This family was impacted by India's retaliatory tariffs imposed in 2019, limiting their access to a vital market for their operation. We removed those tariffs and provided more economic certainty for this family and many others.

We are working hard in our efforts to not leave anyone behind. We are making sure that Americans do not have to abandon their hometowns to find opportunity.

### **Making Trade Work for All Americans**

Trade should work for all Americans. This is why we are taking unprecedented steps to incorporate more voices into trade policymaking.

Just as you stay connected with the constituents in your districts, I have travelled around the country to hear from workers, farmers, and small businesses, and Tribal leaders to learn how trade affects them.

I have also made it a priority to meet with a wide range of stakeholders to ensure their views inform our work, including civil society and labor leaders.

I know this approach may be surprising to some, but this should and must be the norm moving forward—because my job is to represent the entirety of the United States, not just those that can afford Washington lobbyists.

We need to deliver more equitable, fairer outcomes for more Americans. If we want different results, we need different inputs—from more people across our society.

This consultation includes Congress and this Committee.

Like our stakeholders, there is a wide range of views in Congress on trade. Over the last few years, I have welcomed all of your views, and I truly value the various perspectives I hear from Congress. Moving forward, I will continue partnering with you as we carry out our agenda.

Pursuing the interests of all Americans is a clear mandate and vision in the President's Trade Policy Agenda, and we are placing utmost importance on this work this year.

We also know that we need more and better data to inform our work. This is why USTR is continuing to work with the U.S. International Trade Commission, and we requested that the USITC repeat the distributional effects investigation every three years for the next 15 years.

This is critical for policymakers, researchers, and the public to monitor and ensure progress in assessing the distributional effects of trade policy on U.S. workers. Better input, for better output.

We are also institutionalizing the principles of fairness and equity in our negotiations and regional engagements.

For the first time, we have partnered on inclusivity chapters in our trade negotiations, including those with Kenya. We are also meeting with a broad base of stakeholders to gather input, such as the African Diaspora, and women, youth, civil and rights organizations.

During our APEC host year, I was proud to host first-ever minister-level dialogues with Labor and Indigenous leaders.

We also announced during APEC that the United States is exploring observership in the Indigenous Peoples Economic and Trade Cooperation Arrangement, or the IPETCA.

This is a direct result of our annual Tribal consultations and engagements with Indigenous leaders and communities, and this will be a cornerstone of our work going forward in APEC and in other fora.

This includes the World Trade Organization, where, during the Thirteenth Ministerial Conference (MC13) in February, U.S. leadership was reflected in the effort of ministers holding a first-ever discussion specifically on how the WTO can help foster better outcomes for more people.

### **Transforming the WTO**

This is part of our overall effort to make the WTO more responsive and effective.

Our Administration is working with other WTO Members on a reform agenda that reflects priorities of our worker-centered approach—improving labor standards, protecting our planet, and advancing shared prosperity.

MC13 was an important milestone to gauge our progress to date, and we announced several important outcomes.

We made more progress on dispute settlement reform in the last year than we did in the last several decades.

We extended the e-commerce moratorium, which was not a forgone conclusion.

We also announced significant development outcomes.

We ensured that Members graduating from the least developed countries (LDC) category can continue a smooth transition. We agreed to support their capacity to effectively utilize the Agreements on Technical Barriers to Trade and Sanitary and Phytosanitary Measures, and we supported a work program for small and vulnerable economies.

We also agreed to hold dedicated sessions on issues important to land-locked developing countries.

Our discussions in Abu Dhabi highlighted that developing economies, both large and small, are having important debates over what rules and policies best serve their interests. This includes issues such as inclusivity, sustainable development, and the need for our trade policies to be flexible to allow WTO Members to manage current global challenges.

While MC13 is over, our work at the WTO continues, and our Administration remains committed to working with all WTO Members to develop a common agenda that allows all of us to have our priorities reflected.

### **Collaborating with Trading Partners**

What we are trying to do in Geneva is reshaping the global trading system for the better, for the future, for the people. And those are the goals of our regional and bilateral trade initiatives as well.

We are making significant progress with Taiwan.

Last June, the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office in the United States (TECRO) signed the first agreement under the United States – Taiwan Initiative on 21<sup>st</sup>-Century Trade. This was less than a year after we announced the negotiating mandate in August 2022.

The first agreement focuses on economically meaningful areas to build our middle classes together.

For example, small business owners tell me that tariffs are not the primary reason they cannot export more of their products—in many cases, it is because of the red tape.

So, the first agreement with Taiwan includes commitments on simplifying customs procedures and making rulemaking processes more transparent, among other issues. It also includes specific provisions to help SMEs compete and thrive, including addressing corruption.

Furthering these negotiations with Taiwan is a high priority for USTR this year.

We are making progress on the U.S. – Kenya Strategic Trade and Investment Partnership (STIP) as well. Our teams recently wrapped up a third negotiating round.

The United States has tabled text on agriculture, anticorruption, SMEs, and services domestic regulation.

Together, we are working closely to deliver real benefits to our people and so that the STIP can serve as a model for engagement with other willing countries on the African continent—all while respecting the priority of integration among African countries themselves.

An important part of these negotiations is to make sure that any trade deal incentivizes a race to the top, for our people and for our planet. This is why we have tabled strong text on labor rights and the environment in these discussions, and also in the Indo-Pacific Economic Framework.

Trade deals take time, but our team made more progress in the last year than what would typically take years to complete.



I am incredibly proud of my team for what we have accomplished. We are continuing forward with a new and innovative approach to trade, designed to create durable and sustainable economic growth.

This also applies to our work with AGOA partners and in our planning for the next AGOA Forum later this year.

I met incredible workers, small business owners, and entrepreneurs when I was in Johannesburg for the AGOA Forum last November. AGOA has helped Africa grow its extraordinary economic potential over the last two decades.

Its renewal is important to continue to bring real change to people across the continent, and our Administration fully supports renewal beyond 2025. However, we must also seize this opportunity to make AGOA better, to improve utilization rates, and to explore other trade tools to complement our AGOA relationship.

### **Promoting Supply Chain Resilience Through Trade**

Increasingly, we are seeing that a sense of growing economic insecurity is shared by different communities across continents, and people everywhere felt this more acutely during the pandemic.

Lives and livelihoods, homes and communities were disrupted. This is why reducing dependencies and vulnerabilities and strengthening supply chains is a major priority for USTR this year, which informs our work as part of the President's Council on Supply Chain Resilience.

Resilient supply chains also reduce opportunities for economic coercion and enhance our economic security. They provide a range of sourcing options; adapt, rebound, and recover with agility following shocks; uphold labor rights and environmental protections; and strengthen the U.S. manufacturing base and workforce.

We have been focused on this topic in various fora, including the G7, G20, APEC, and OECD. This also includes our work through the Trade Track under the Americas Partnership for Economic Prosperity, where a lot of our efforts will focus on supply chain resilience.

But to continue our work to develop innovative trade tools and strategies for connecting trade and other economic policy measures to advance supply chain resilience, we published a Federal Register notice last month.

This will allow USTR to draw upon various perspectives and experiences to get a more granular understanding of the challenges and to identify potential policy solutions.

We are integrating trade tools with domestic economic measures to position U.S. manufacturing and services for continued leadership and competitiveness. We are also collaborating with trading partners and allies to incentivize a race to the top through stronger coordination and alignment on labor and environmental protections within trusted networks.

I was in Burlington, North Carolina a few weeks ago, and met with the owners and workers of Glen Raven, a family-owned fabrics and textiles company. I heard first-hand how important it is for us to pursue resilience over efficiency, for our workers and businesses.

I also visited the Marsh Furniture Company, a family-owned cabinet manufacturer in High Point, North Carolina. We talked about the company's rich, 100-year history, and why it is critical to address unfair practices by the PRC and other economies.

### **Standing up to the PRC's Unfair Economic Practices and Fighting for Fair Competition**

At its core, this is about giving everyone a fair shot.

However, that is not possible when countries like the PRC continue to use non-market policies and practices to dominate industries. That dominance is what enables the PRC to coerce other economies.

The PRC's unfair policies and practices have devastated many working communities and industries across our country, including many in your districts.

Steel, aluminum, solar panels, batteries, electric vehicles, and critical minerals—just to name a few.

The PRC also uses unfair policies and practices to concentrate production of certain goods in the PRC, which undermines supply chain resilience and harms consumers that, in the long run, are deprived of the innovation and choice that fair competition would produce.

As the President said during his State of the Union Address, this Administration will continue to stand up to China's unfair, non-market policies and practices. And we are doing so with like-minded partners and allies, as you saw in the Joint Declaration we issued last June with Australia, Canada, Japan, New Zealand, and the United Kingdom.

We have seen the PRC create dependencies and vulnerabilities in multiple sectors, harming American workers and businesses and creating real risks for our supply chains.

This is why we are taking a serious look at how our existing tools are addressing this problem, including through our four-year review of the China Section 301 tariffs.

This is also why I am closely reviewing the Section 301 petition I received from the five national labor unions regarding the PRC's acts, policies, and practices in the critical maritime, logistics, and shipbuilding sector.

Our economic relationship with the PRC is complex, and as the President said, we want competition with China, not conflict.

But the competition must be fair, and USTR and the Biden-Harris Administration are fighting every day to put working families first, rebuild American manufacturing, and strengthen our supply chains.

## **Conclusion**

We're using trade to give everyone a fair shot. That means creating incentives that are more than lower costs; raising labor and environmental standards; and pursuing resiliency.

USTR will remain focused this year on developing innovative trade tools and strategies for connecting trade and other economic policy measures to advance these goals. I want to thank my USTR team, serving in Washington, DC, and around the world, for their unwavering devotion and determination to serve all of America.

I think we all agree that our economic system, including trade, should strengthen the middle class. I look forward to continuing our partnership through regular briefings with you and your staff, as we have done for the last three years.

Thank you.