

**Testimony of Michael Punke
Deputy U.S. Trade Representative**

**Before the House Committee on Ways & Means Subcommittee on Trade
July 16, 2014**

Chairman Nunes, Ranking Member Rangel, and Members of the Trade Subcommittee, thank you for the opportunity to testify on the Obama Administration's priorities and recent developments at the World Trade Organization (WTO).

The core of the Obama Administration's economic strategy is to create jobs, promote growth, and strengthen the middle class. Our trade and investment policy contributes significantly to that strategy by opening markets for Made-in-America exports, leveling the playing field by raising standards around the world, unlocking opportunities for our workers, and enforcing our trade laws and our trade rights.

The WTO is a critical aspect of the Administration's trade and investment policy, given its important function in setting the rules that govern the global trading system. As important a role as the WTO plays, the Administration believes that the organization has the potential to do much more in defining the global standard for free and open trade policy. That is why the United States must continue to play a leading role. We want to shape international trading rules, not be shaped by them. Moreover, we want to ensure that the rules reflect our values. And once the rules have been agreed to, we want to make sure that our global trading partners abide by them.

All of this helps to explain why the United States led the charge at the WTO's 9th Ministerial Conference last December in Bali to complete the Trade Facilitation Agreement (TFA) – the first successful conclusion of multilateral trade negotiations in the two-decade history of the WTO. And it is why we are working on several other major initiatives in Geneva, including a Trade in Services Agreement (TiSA), expansion of the Information Technology Agreement (ITA), and a just-launched Environmental Goods Agreement (EGA). We believe that these plurilateral agreements have the potential to reinvigorate the multilateral trading system and help the WTO meet its potential.

Bali

In Bali, WTO Members made major strides towards reestablishing the WTO's credibility by delivering a package of significant results. The new TFA was the cornerstone of the package, which also included important results on agriculture and development issues. We are now actively engaged with our WTO trading partners in ensuring implementation of all the Bali outcomes in a manner that is in keeping with the specific timelines and procedures agreed to by WTO ministers.

The TFA is designed to speed trade flows by addressing the most basic forms of friction in the global marketplace – the movement of goods across borders. Once fully implemented, the TFA will ensure that all WTO Members reduce paperwork associated with trade, cut clearance times for goods, de-link the release of goods from final customs clearance, promote rapid clearance of expedited shipments, and implement many other modern customs reforms.

The OECD estimates that the TFA will reduce the costs of trading by as much as 10 percent for developed countries, and 13 to 15 percent for developing countries. All WTO Members will benefit – this is a win, win, win – for trade, for development, and for global economic growth.

WTO Members are now working on the specifics of how we bring the TFA into force and implement its provisions. In this regard, we are confronting efforts by a small minority to change the conditions for implementation, as agreed in Bali. I want to assure you that the United States is insisting that TFA implementation takes place in strict accordance with the procedures and timelines agreed by all ministers in Bali.

Post-Bali Work Program

The TFA, in and of itself, is a huge accomplishment for the WTO, re-establishing that its Members can reach significant outcomes on a multilateral basis. Admittedly, the rest of the Doha agenda, which was launched more than a decade ago, remains a challenge, and new tests are on the horizon. Looking to the post-Doha era, the WTO is moving to develop a Post-Bali Work Program by the end of this year. This Work Program should go a long way towards determining whether a rapid conclusion of the Doha Round is possible.

The worst-case scenario for the WTO after the Bali success would be renewed drift in the Doha Round negotiations. The time has come for the WTO to position itself to conclude Doha, move forward, and take up new areas of trade.

And, while we support a definitive conclusion of the Doha chapter – which has gone on far too long – we cannot support just any deal. A final Doha agreement, if there is to be one, must address key U.S. priorities not addressed in the Bali Package, including in agriculture, industrial market access, and services. There will be no Doha result without balance across all of these areas, as well as a balance of commitments across all of the major trading countries. The United States will not sign on to a Doha package that requires us to provide new market opening commitments, but provides nothing substantial from our major trading partners.

It is clear that for Doha to succeed, the emerging developing countries – those with large and growing economies that have benefited so much from increased global trade – must contribute appropriately to any outcome. This question of the responsibilities of emerging markets has been the core reality and stumbling block of the Doha Round for years now, and until it is resolved in a satisfactory way, the WTO will not live up to its full potential.

The Potential for Plurilateral Negotiations to Spur Future Negotiations in the WTO

While we have been working on the Doha round, we have also created other opportunities by leading regional and plurilateral negotiations with like-minded trade partners. In fact, the new plurilateral WTO Government Procurement Agreement entered into force earlier this year, adding to the value of foreign procurement opportunities available to U.S. exporters.

We are approaching these sectoral plurilateral negotiations, such as the TiSA, ITA, and the EGA, with a can-do spirit and a long-term vision of spurring the next generation of Geneva agreements.

These negotiations can produce more immediate results by reducing trade barriers in the short-term and establishing rules for 21st century trade issues. Once concluded, we believe they will become platforms for other WTO Members to join.

Let me touch on each of these agreements in turn.

TiSA is a unique initiative – outside the WTO, but under negotiation in Geneva and with capitals and Geneva ambassadors directly involved. We have the opportunity among 23 participants representing 50 WTO Members to build a new agreement that incorporates the best of what the United States has been achieving in this sector in our free trade agreements.

We have high expectations for TiSA, not just in terms of the increased market access it will provide, but also in its ability to include rules that will support the expansion of services trade well into the future. TiSA participants have declared that they are ready to move now to open their entire markets, rather than follow the WTO process of successive rounds of negotiations, adding a few subsectors at a time. TiSA participants are also ready to tackle 21st century issues affecting trade, like those related to data flows and the Internet, which are issues not on the Doha agenda.

TiSA will address real-world challenges facing our service suppliers. Not everyone in the WTO is ready for this, at least not right now. But by working with those who are ready – almost one-third of the membership and 75 percent of global services trade – we can set the course for future WTO work on services.

Trade in environmental goods is another sector where we can achieve twin goals of promoting our values and spurring economic growth. Just last week we launched negotiations on the EGA together with 13 other WTO Members, representing 86 percent of global trade in environmental goods. The EGA negotiations will build on a list of 54 environmental goods on which APEC Leaders agreed to reduce tariffs to five percent or less by the end of 2015. By eliminating tariffs on environmental technologies, such as wind turbines, water treatment filters, and solar water heaters, we will make these goods more available and boost U.S. jobs in a sector that exported \$106 billion of goods last year.

ITA expansion holds out similar promise for boosting simultaneously the WTO's credibility – and exports of high-quality American technology. If we are successful – we still have more work to do with our Chinese colleagues – the ITA will be the first tariff-cutting agreement at the WTO in 17 years.

Enforcement

From day one, the Obama Administration has made enforcement of existing trade agreements a key priority to ensure that American workers and businesses get the full benefit of the market

opportunities we have already negotiated. Unfortunately, we have challenges in opening certain foreign markets to American goods and services. And many of the problems exist despite the existence of WTO rules in these areas – whether it’s technical barriers to trade, or import licensing systems, or sanitary and phytosanitary (SPS) measures.

Our front line of offense in addressing these barriers is direct engagement with our trading partners – and WTO committees and councils provide a unique vehicle for shining a light on problematic trade barriers and policies, and seeking their modification or removal.

For example, we have aggressively used WTO rules to prompt China to be more transparent regarding its industrial subsidy regime. When China was not forthcoming, we submitted to the WTO Subsidies Committee nearly 200 Chinese measures in the first subsidy “counter notification” ever submitted by the United States.

When direct engagement with a trading partner is not successful, we do not hesitate to use WTO dispute settlement to help preserve and support American jobs threatened by WTO-inconsistent practices wherever they may occur.

The United States has brought 18 WTO complaints since 2009, with a focus on opening large, strategic markets, and combatting policies and practices of concern to American workers, farmers, ranchers, and businesses.

We have brought disputes in areas such as trade-distorting subsidies, export restraints on raw materials, import licensing barriers for industrial and agricultural products, local content requirements, retaliatory use of trade remedies, and non-science-based SPS measures. Those disputes involve major trading partners and markets such as China, India, Indonesia, and Argentina.

As a result, we have had significant successes, obtaining WTO findings on China’s misuse of trade remedies on autos, chicken broiler products, and specialty steel; Chinese export duties and quotas on key raw materials; and China’s market access barriers to U.S. electronic payment services suppliers.

Looking forward, we will continue to prosecute and defend these disputes, launch new disputes as appropriate, and insist that WTO Members live up to their obligations so that American workers, manufacturers, service providers, farmers, ranchers, and innovators can compete on a level playing field. And just as we vigorously enforce our WTO rights and insist that others play by the rules, with the help of this Committee the United States will seek to live up to its end of the bargain.

Conclusion

My colleagues in Geneva often tell me how envious they are of America’s economic position in the world. We have a big market, strong rule of law, an entrepreneurial culture, a skilled work force, and abundant sources of clean and affordable energy. When we complete the Trans-Pacific Partnership and the Trans-Atlantic Trade and Investment Partnership agreements, we will

have free trade with two-thirds of the global economy. Finally, we are in a position to write the global rules for how trade will be conducted for this century through our trade negotiations and our work at the WTO. In the WTO, we're working to make the institution a place where negotiations can succeed – a forum for solving the problems that traders face in the world as it exists today.

The overarching goal of President Obama's trade policy is to strengthen the American middle class and support jobs by selling more Made-in-America exports to the world. Through our efforts at the WTO and in other contexts, we are working around the clock to make that vision a reality and deliver tangible benefits to American workers, farmers, ranchers, businesses of all sizes, and – most importantly – American families.

Finally, let me say something on TPA. To actively and effectively pursue these initiatives, and to bring these benefits home to Americans, we will need Trade Promotion Authority.

TPA is the mechanism by which Congress has worked with Presidents since 1974 to give the Executive branch its marching orders about what to negotiate, how to work with Congress before and during the negotiations, and how Congress will take up and approve or disapprove the final agreement. There is no other area of policy that reflects closer coordination between the Executive branch and Congress than trade policy.

We have heard from many that TPA needs to be updated. We agree. The Administration welcomed the introduction of bipartisan TPA legislation in January, and looks forward to working with this Committee and Congress as a whole to secure a TPA that has as broad bipartisan support as possible.

Thank you again for the opportunity to appear here today.