



HOUSE WAYS AND MEANS COMMITTEE
“THE BIDEN ADMINISTRATION’S 2022 TRADE POLICY AGENDA”

March 30, 2022 – 10:00 AM

OVERVIEW

On Wednesday, March 30, the House Ways and Means Committee held a hearing titled, “The Biden Administration’s 2022 Trade Policy Agenda.” During the hearing, Members and the witness discussed: China, including the China Section 301 tariff exclusion process; TRIPS waiver; the Indo-Pacific Economic Framework (IPEF); Russia; the United States-Mexico-Canada Agreement (USMCA); the U.S.-EU partnership; the African Growth and Opportunity Act (AGOA); supply chain resiliency; and Generalized System of Preferences (GSP).

OPENING STATEMENTS

- [Chairman Richard Neal](#) (D-MA)

WITNESS PANEL

- [Katherine Tai](#), Ambassador, United States Trade Representative

QUESTION AND ANSWER SUMMARY

China

Chairman Richard Neal (D-MA) asked about “larger systemic concerns” the Biden Administration has with China that were not addressed in the Phase One agreement. Ambassador Tai expressed concern that China “continues to double-down on a state-centered economic system,” alleging that China has no plans to address the U.S.’s systemic concerns. She explained China’s state-sponsored economic strategy is to establish dominance in critical industries, such as electric vehicles (EVs), batteries, and semiconductor chips. She asserted the United States Trade Representative (USTR) must deepen its understanding into how China’s policies affect the U.S. and its allies. She concluded USTR will “build new tools and strategic investments to help us remain competitive.”

Rep. Ron Kind (D-WI) asserted current trade tools to address unfair trade practices “seem insufficient.” He then asked Ambassador Tai what authorities or tools USTR needs to counteract these anticompetitive practices. Ambassador Tai responded the “chase for efficiency has compromised” supply chain security. She highlighted the continued importance of steel, aluminum, and “legacy chips,” even as “we are innovating and moving economies into cyberspace.” She asserted tools that are “formally outside of the trade lane but are nevertheless intricately linked” include investments to rebuild domestic manufacturing capabilities that have been “eroded.” She stated anti-dumping and countervailing duties cannot adequately address larger, more systemic trade issues.

Rep. Tom Rice (R-SC) also asked how to hold China accountable for its unfair trade practices. Ambassador Tai responded, “it is very clear that we cannot keep doing what we have been doing.” Specifically, she highlighted tariffs imposed on more than \$300 billion in Chinese imports that have “not incentivized China to change.” She argued the U.S. must reshore and rebuild its manufacturing base to counter China’s unfair trade practices.

Rep. Terri Sewell (D-AL) asked how “modernized enforcement tools” can combat China’s unfair trade policies. Ambassador Tai noted many trade enforcement tools were established in the 1970s and 1980s, and she argued the nature of competition has changed since the inception of these tools. She reiterated the “need to take on this task of updating our toolbox and expanding it.”

Rep. Darin LaHood (R-IL) asked about economic and trade consequences if China supports Russia’s invasion of Ukraine. Ambassador Tai stated that because of the interconnectedness of foreign policy and trade policy, “choices that we all make in the midst of this conflict are going to have consequences.” She continued that the “choices China makes in this context will either reinforce or surprise us with our sense of trust where China is and the vision [it has] for the future of the global economy.” She concluded USTR is “absolutely paying attention to see what choice” China makes. Rep. LaHood asked if China is aware of the repercussions if it decides to violate these expectations. Ambassador Tai responded she has “every reason to believe they are sophisticated and strategic thinkers.”

China Section 301 Tariff Exclusion Process

Rep. Jackie Walorski (R-IN) asked if USTR will offer another Section 301 tariff exclusion application process. Ambassador Tai highlighted the most recent Section 301 tariff exclusion process that concluded March 23, 2022, and she noted USTR “will consider additional processes as they are warranted.” Rep. Walorski then asked why USTR determined the reinstated product exclusions will retroactively apply to October 12, 2021. Ambassador Tai responded USTR wanted to create a process with integrity, fairness, and transparency. She stated the October 12 date was the outcome of USTR’s deliberations. Rep. Walorski noted some products USTR determined to only be available in China still have Section 301 tariffs in place. She then asked Ambassador Tai about this decision. Ambassador Tai claimed she is “happy to continue the discussion” if there are concerns with the exclusion process.

Rep. Judy Chu (D-CA) asked Ambassador Tai about the retroactive tariff exclusion decisions and if these extended exclusions will continue into 2023. Ambassador Tai claimed she would be “happy to have a conversation with you and your stakeholders about the exclusions we announced last week.” She added that, in terms of an extension into 2023, she cannot “prejudge what decisions we will make” but “appreciate[s] the difficulties we are facing in terms of disruptions in our global economy.”

TRIPS Waiver

Rep. LaHood asked about the safeguards in place to ensure countries do not share COVID-19 vaccine intellectual property (IP) if U.S.-developed vaccines are covered under a potential Trade-Related Aspects of Intellectual Property Rights (TRIPS) waiver. Ambassador Tai clarified there has not been an agreement reached on a TRIPS waiver for COVID-19 vaccines. She asserted USTR “cares very much about these consultations” at the World Trade Organization (WTO), and she acknowledged concerns regarding the “use of IP and who it is used by.”

Rep. Drew Ferguson (R-GA) followed up with Ambassador Tai about her comments that a TRIPS waiver agreement as not been reached. He asked her if the Biden Administration supports an agreement on a waiver for the vaccines. Ambassador Tai responded the Biden Administration is “committed to getting shots in arms,” which “means having a conversation at the WTO and exploring what the WTO can deliver in terms of addressing the needs of the developing world.”

Indo-Pacific Economic Framework (IPEF)

Rep. Adrian Smith (R-NE) asked how USTR can increase market access with trading partners, specifically how U.S. exporters can become more integrated in the Indo-Pacific region without a formal trade agreement. Ambassador Tai highlighted recent actions USTR has taken to resolve disputes and tensions among trading partners, stating USTR leveraged more than \$20 billion dollars of tariffs “into real wins for the U.S. and partners’ economies.” Additionally, she asserted USTR’s engagement with India, Vietnam, and Philippines can secure deeper market access without a free trade agreement (FTA).

She argued tariff liberalization and increased globalization have led to “more insecure” supply chains and increased reliance on “partners [with which] we are not comfortable.” She concluded USTR’s approach is to advance trade policies focused on “trading smarter with our partners,” including a “more strategic approach to these conversations.”

Rep. Suzan DelBene (D-WA) also asked about market access as a consideration for IPEF discussions, specifically how to incentivize countries to increase environmental, labor, and digital trade standards. Ambassador Tai expressed the need to delineate between “trade terminology” and “regular English.” Specifically, she explained “market access in trade speak” generally refers to tariff liberalization and reduction. She stated IPEF negotiations do not include tariff reduction, but in “ordinary English,” the negotiations do include “access to markets [with] meaningful outcomes.” She concluded the intention of IPEF discussions is to “bring to our partners in the region a 21st century trade conversation.” She underscored the importance of establishing “something economically meaningful that goes beyond what we have done traditionally and pushing ourselves to create something with partners that is equitable and durable that makes us all feel secure.”

Rep. Chu asked how IPEF would protect against piracy of IP. Ambassador Tai responded she does not want to “prejudge what will come out of discussions or consultations” with IPEF countries. However, she assured Rep. Chu that as USTR conceives of the digital aspects of IPEF, she is committed to bringing a “broad base of stakeholders into that conversation” that “reflects a robust representation of all aspects of our economy.”

Rep. Jimmy Panetta (D-CA) asked how USTR will pursue high standards for agriculture in IPEF. Ambassador Tai highlighted the four pillars of IPEF, including supply chain, infrastructure and decarbonization, tax and anti-corruption, and trade. She stated USTR wants to bring “high standards on a range of issues” in IPEF conversations, including labor, environment, digital trade, trade facilitation, transparency, good regulation, competition, and agriculture.

Rep. Carol Miller (R-WV) cited Commerce Secretary Raimondo’s statements that IPEF would not require congressional approval because it would not be a traditional trade agreement. She then asked Ambassador Tai if she agrees with this sentiment. Ambassador Tai addressed concerns that IPEF could be “reversed or abandoned” if it is not a traditional trade agreement. She stated the Biden Administration is “consciously trying to solve for this” concern, as “that is exactly what happened with our last attempt in this region.” She continued it is the Administration’s goal to make IPEF durable and “set new and high standards.” She noted “Congress must be our partner in creating this framework” regardless “what the final outcome looks like and [what] the legal requirements [are] for finalizing it.” Rep. Miller then asked if USTR has authority to bind the U.S. in a relationship with the Indo-Pacific without congressional approval. Ambassador Tai reiterated IPEF “may take a number of forms,” and she committed to working with Congress “no matter what form it takes.” Rep. Miller then asked if the “strongest agreements” are approved through the Trade Promotion Authority (TPA). Ambassador Tai noted she has a “lot of thoughts on TPA.” She stated previous uses of TPA have been “contentious;” however, she noted the “core spirit” of TPA is to “memorialize the partnership between Congress and the Administration that is required for durable trade policy.”

Russia

Rep. Lloyd Doggett (D-TX) asked about current Russian imports and how the Biden Administration can continue to isolate Russia as a result of its invasion of Ukraine. Ambassador Tai highlighted terminating permanent normal trade relations (PNTR) with Russia and removing its most favored nation (MFN) status at the WTO. She lauded Congress’ work to move PNTR legislation forward.

Rep. John Larson (D-CT) asked about the role trade policy can play in holding Russia and Belarus accountable for their actions. Ambassador Tai reiterated the work to remove Russia’s MFN status at the WTO and halting negotiations with Belarus to join the WTO. She argued trade has a role to play in addressing the economic instability and disruptions the invasion has caused.

Rep. Jodey Arrington (R-TX) asked about a “targeted deal” with the European Union (EU) to reduce countries’ reliance on Russian energy. Ambassador Tai stated the Biden Administration has established an “energy task force” to work with the EU to resolve this national security threat.

United States-Mexico-Canada Agreement (USMCA)

Rep. Larson asked how the United States-Mexico-Canada Agreement (USMCA) has increased labor and environmental standards in Mexico. Ambassador Tai highlighted USMCA's rapid response mechanism (RRM) that USTR has used to address labor violations in Mexico. She stated USTR has used the RRM at two different facilities in Mexico, adding that the RRM has been successful and resulted in free union votes that allowed workers to elect their own representation. She also highlighted additional consultations under USMCA to address unregulated fishing and other environmental protection concerns.

Rep. Tom Reed (R-NY) expressed concern that Canada is violating the "spirit and intent" of USMCA's provisions to ensure access to the Canadian dairy market. He then asked Ambassador Tai how this Canadian dairy dispute has been addressed under USMCA, and how Congress can support USTR's efforts in this space. Ambassador Tai acknowledged Canadian dairy market access has been a longstanding issue between the U.S. and Canada, and she asserted there was a "clear understanding that dairy market access would be improved" under USMCA. She claimed USTR is continuing to work with stakeholders regarding this issue and she will work with Congress "on a strategy for where we go next."

Rep. Dan Kildee (D-MI) asked Ambassador Tai about USTR's enforcement agenda of USMCA provisions in the near term. Ambassador Tai claimed USTR's enforcement agenda is "guided by the principle that our trade agreements are more than just the words that appear on the pages ... they are about commitments that we have made to each other in terms of countries and economies to support each other in achieving prosperity for ourselves and partnerships." Specifically, she reiterated her commitment to ensuring USMCA "continues to deliver" for stakeholders.

Rep. Jimmy Gomez (D-CA) highlighted provisions in USMCA that provide for termination of the agreement if any signatory enters into a FTA with a nonmarket economy country. He then noted that China submitted an application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), an agreement to which Canada and Mexico are party. He then asked Ambassador Tai about the future of USMCA if China officially joins CPTPP. Ambassador Tai agreed, "we would have to take a look at that section of USMCA." She stated she "certainly would appreciate hearing from [Congress] on how [it] would view USMCA should that come to pass."

Rep. Lloyd Smucker (R-PA) also raised concerns with Canada's violation of dairy market access under USMCA. Ambassador Tai responded she shares Rep. Smucker's frustration and the frustration of U.S. dairy farmers. She explained USTR has litigated this dairy market access issue under USMCA, and the agency has "prioritized taking on Canada and its dairy policies." She concluded USTR has "won that case and [is] in conversations with Canada now."

U.S.-EU Partnership

Rep. Brendan Boyle (D-PA) highlighted the "renewed interest" in the Transatlantic Trade and Investment Partnership (TTIP), and he asked if this is an opportunity to further U.S.-EU economic integration. Ambassador Tai highlighted the U.S.'s and EU's ability to quickly coalesce to counter Russia's invasion of Ukraine. She stated the "spirit of collaborating and becoming closer to each other is very present" in the novel Trade and Technology Council (TTC). She stated the TTC allows the U.S. to expand collaboration with the EU on trade and technology and combat nonmarket economies. Rep. Boyle asked about the progress of a successor agreement for the EU-U.S. Privacy Shield Framework. Ambassador Tai highlighted that President Biden and European Commission President Ursula von der Leyen announced the U.S. and EU are in the process of finalizing a renewed agreement to address privacy concerns.

African Growth and Opportunity Act (AGOA)

Rep. Don Beyer (D-VA) noted the Biden Administration terminated Ethiopia's African Growth and Opportunity Act (AGOA) designation. He then asked if the Biden Administration is considering initiating an out-of-cycle review of Ethiopia's AGOA status. Ambassador Tai claimed the Biden Administration provided "clear benchmarks" that Ethiopia must meet before the Administration will reinstate its AGOA status. She stated USTR has not considered an out-of-cycle review yet but she noted the agency would consider it if it were confident Ethiopia can meet the AGOA criteria and benchmarks. Rep. Beyer then noted AGOA is set to expire in 2025. He asked how to improve the program during a reauthorization. Ambassador Tai responded she "stand[s] ready to work to realize the ambition" of Congress regarding improvements for AGOA.

Supply Chain Resiliency

Rep. Brad Schneider (D-IL) asked how to apply lessons learned from the COVID-19 pandemic to near- and long-term trade initiatives to maintain a robust supply chain. Ambassador Tai expressed concern that previous trade policies placed “efficiency above all other concerns” which made supply chains unable to withstand shocks. She highlighted three recent supply chain shocks, including backlash to globalization, the COVID-19 pandemic, and war. She highlighted the Biden Administration’s work to analyze critical supply chains, such as batteries, semiconductor chips, and pharmaceuticals, and to pursue policies that make these supply chains more robust. She also noted near- and long-term supply chain problems, stating the near-term issues include bottleneck shortages, lack of visibility into supply chains, and port and shipping container concerns. In terms of long-term solutions, she advocated for establishing incentives that will “more properly get our firms to solve for resiliency and have an insurance policy when disruptions and shocks come up.”

Generalized System of Preferences (GSP)

Rep. Stephanie Murphy (D-FL) asked Ambassador Tai if the failure to reauthorize the Generalized System of Preferences (GSP) program has contributed to inflation and increased consumer prices. Additionally, she asked if USTR or the Commerce Department have conducted an assessment to determine if tariffs are impacting current inflation. Ambassador Tai asserted the tools that will make the “biggest impact on inflation” are fiscal and monetary policies, not tariff tools. She continued that USTR is taking steps to strategically position the U.S. for competition “today and in the future.” She concluded trade policy should not be “reactive” to current challenges and undermine longer-term strategic goals. Rep. Murphy then noted the America COMPETES Act would reauthorize the GSP program. Ambassador Tai agreed it is “worth taking a closer look at how to make GSP more effective” to promote further development in eligible countries. She stated the GSP program is “very good for certain actors, but it is worth another look for intended beneficiaries.”

Rep. Steven Horsford (D-NV) asked about the proposed labor amendments to the GSP program included in America COMPETES. Ambassador Tai responded the Biden Administration broadly supports the “realignment of trade policy practices with the focus on supporting our workers.”

Rep. Stacey Plaskett (D-VI) asked about opportunities to support labor compliance and institution building in Haiti through the GSP. Ambassador Tai asserted “there is a lot we can do and a lot of inspiration we can take” from previous USTR initiatives.

--

Please click [here](#) for the archived hearing.