AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 113–360

ADVANCING CONGRESS'S TRADE AGENDA: THE ROLE OF TRADE NEGOTIATING AUTHORITY

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

JANUARY 16, 2014

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

89–425—PDF WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON FINANCE

MAX BAUCUS, Montana, *Chairman*

JOHN D. ROCKEFELLER IV, West Virginia
RON WYDEN, Oregon
CHARLES E. SCHUMER, New York
DEBBIE STABENOW, Michigan
MARIA CANTWELL, Washington
BILL NELSON, Florida
ROBERT MENENDEZ, New Jersey
THOMAS R. CARPER, Delaware
BENJAMIN L. CARDIN, Maryland
SHERROD BROWN, Ohio
MICHAEL F. BENNET, Colorado
ROBERT P. CASEY, Jr., Pennsylvania

ORRIN G. HATCH, Utah
CHUCK GRASSLEY, Iowa
MIKE CRAPO, Idaho
PAT ROBERTS, Kansas
MICHAEL B. ENZI, Wyoming
JOHN CORNYN, Texas
JOHN THUNE, South Dakota
RICHARD BURR, North Carolina
JOHNNY ISAKSON, Georgia
ROB PORTMAN, Ohio
PATRICK J. TOOMEY, Pennsylvania

AMBER COTTLE, *Staff Director*
CHRIS CAMPBELL, *Republican Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Baucus, Hon. Max, a U.S. Senator from Montana, chairman, Committee on Finance	1
Hatch, Hon. Orrin G., a U.S. Senator from Utah	4

WITNESSES

Cote, David M., chairman and chief executive officer, Honeywell International, Morristown, NJ	6
Allen, Jim, president, New York Apple Association, Inc., Victor, NY	8
Stegemann, Elena M., director of international business, NuStep, Inc., Ann Arbor, MI	10
Cohen, Larry, president, Communications Workers of America (CWA), Washington, DC	12

ALPHABETICAL LISTING AND APPENDIX MATERIAL

Allen, Jim:	
Testimony	8
Prepared statement	47
Responses to questions from committee members	50
Baucus, Hon. Max:	
Opening statement	1
Prepared statement	53
Cohen, Larry:	
Testimony	12
Prepared statement	56
Cote, David M.:	
Testimony	6
Prepared statement	75
Responses to questions from committee members	80
Hatch, Hon. Orrin G.:	
Opening statement	4
Prepared statement	84
Stegemann, Elena M.:	
Testimony	10
Prepared statement	87
Responses to questions from committee members	98

COMMUNICATIONS

Advanced Medical Technology Association (AdvaMed)	105
Computer and Communications Industry Association (CCIA)	109
National Association of Manufacturers (NAM)	116
United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW)	120

ADVANCING CONGRESS'S TRADE AGENDA: THE ROLE OF TRADE NEGOTIATING AUTHORITY

THURSDAY, JANUARY 16, 2014

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:03 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Wyden, Cantwell, Nelson, Menendez, Carper, Cardin, Brown, Casey, Hatch, Grassley, Crapo, Thune, Isakson, Portman, and Toomey.

Also present: Democratic Staff: Amber Cottle, Staff Director; Bruce Hirsh, Chief International Trade Counsel; Elissa Alben, International Trade Counsel; Chelsea Thomas, Professional Staff Member; Lisa Pearlman, International Trade Counsel; and Jason Park, International Trade Counsel. Republican Staff: Chris Campbell, Staff Director; Everett Eissenstat, Chief International Trade Counsel; Kevin Rosenbaum, Detailee; Rebecca Eubank, International Trade Analyst; and Shane Warren, International Trade Counsel.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will come to order.

Thomas Edison once said, and I quote, "We often miss opportunity because it is dressed in overalls and looks like work."

Today we have a tremendous opportunity to boost our economy and create American jobs through trade. Talks are underway with countries in Europe and across the Pacific. These agreements will open huge new markets for American exports.

Ninety-five percent of the world's consumers are outside of the United States. They hold 80 percent of the world's purchasing power. We need trade deals to reach those consumers. Why? To create jobs here in the United States, and to strengthen our economy.

Some people argue that pursuing trade deals is not the right solution for America's jobs crisis, but here are the facts. Exports support nearly 10 million American jobs. That includes 25 percent of all jobs in manufacturing. Those numbers are increasing. These are good-paying jobs. Workers in factories that export earn nearly 20 percent more than workers in factories that do not export. Busi-

nesses that export create jobs more quickly, and they are less likely to go out of business.

So how can we help create these jobs? How can we get more American exports into foreign markets? Through trade agreements. And, to complete trade agreements, we need Trade Promotion Authority, also known as TPA.

Last week, Senator Hatch and I introduced a bill to renew TPA. It is called the Bipartisan Congressional Trade Priorities Act of 2014. Why do we need this bill? For several reasons. First, we have to level the playing field with our international competitors. The United States is already open to trade. Too often, our trading partners are not. The trade deals we are negotiating will provide new opportunities for U.S. exports in many countries, and that would mean more jobs here in the United States.

The fact is dozens of nations are cutting their own deals with one another as we speak: China, Japan, Korea, just to name a few. If we do not stay in the game, we will be left on the sidelines. Our exports will face high tariffs, whereas our competitors will not. And, frankly, we may not like the look of some of the deals that other countries—that is, our competitors—are cutting.

That leads to another reason why the TPA bill is so important. Labor rights, environmental protection, currency rules, disciplines for state-owned enterprises—all of these issues and more will be left out of trade deals if we do not push for them. We will have forfeited our role as a global power. We will have lost the chance to shape the rules on trade.

Some argue that we need to do more, that we need to bring our policies into the 21st century. The TPA bill does that. It reflects the bipartisan agreement on labor and environment and the need to foster innovation and promote access to medicines.

TPA will call for countries to adopt and maintain core labor standards and environmental commitments, not just enforce their own laws as they stand. The bill will direct USTR to back those commitments with the same strong dispute settlement and remedies that apply to commercial commitments.

The bill ensures that parties to U.S. trade agreements cannot manipulate their currency. The bill also recognizes the importance of the Internet. It ensures that trade rules facilitate legitimate digital trade. And it calls for tougher, enforceable rules against unscientific barriers to U.S. agricultural exports.

The bill updates TPA to address several other 21st-century challenges. These provisions need to be included in trade deals to win congressional support. This helps guarantee that America's workers and companies can compete on a fair, level playing field. What are some of the updates that are in this bill? Localization barriers to trade that shut out American companies or force them to surrender intellectual property; restrictions on the flow of data across borders.

In short, this is not the same old TPA. This strengthened bill tells the administration and our trading partners the provisions that need to be included to win congressional support. As I said, it helps guarantee that America's workers and companies can compete on a fair and level playing field.

Many in Congress have expressed concerns about lack of transparency and consultation in trade negotiations. We heard that message, and this bill addresses those concerns. It sets significantly stronger rules for the administration to follow in negotiations, and ensures Congress is a full partner.

The bill gives every member of Congress a strong voice in the negotiation process. That includes the right to access information, including classified information. And it includes the ability to attend all negotiating sessions and serve as an advisor. These privileges were previously reserved for only some members. Now they are available for all members of Congress. Our bill would make these privileges available to all.

The bill also requires USTR to hold close consultations with any committee whose jurisdiction would be affected by a trade agreement. It also requires USTR to prepare new rules of engagement with Congress, stakeholders, and the public. For Congress, these rules will ensure detailed and timely briefings and access to information. For stakeholders, they mean improved coordination. And for the public, they will boost transparency, public participation, and collaboration in the negotiation. All of these improvements are backed by a strong mechanism for congressional disapproval.

If the trade agreement fails to meet any consultation requirement, Congress can disallow the final deal from being considered under TPA procedures. In short, the bill gives Congress a much bigger role in trade negotiations.

Some have argued we do not need TPA. They say this is not the right time. But I believe we have an obligation—not just an opportunity, but an obligation—to show that the United States leads on world trade. For a trade negotiation to work, countries need to know that our negotiators are good for their word. So we need TPA, and we need a TPA that empowers Congress to play a larger role in negotiations from the beginning.

As I noted at the outset, Thomas Edison said, "We often miss opportunity because it is dressed in overalls and looks like work." In order for our job-creating trade agenda to succeed, we have to act, and we have to renew Trade Promotion Authority now, as well as Trade Adjustment Assistance. TPA and TAA have always gone together, and that will be no different in this case.

Trade bills are always tough, but we work together to get them done. This committee has a history of rolling up our sleeves and working together to get a product that will pass the Senate and the Congress. I am deeply proud of the work we have done together in my time here as chairman. And I am confident that that spirit of collaboration will continue in the days, months, and years ahead.

This bill is not a perfect solution to all the issues we face, but I know that we can work together and get it done.

[The prepared statement of Chairman Baucus appears in the appendix.]

The CHAIRMAN. Senator Hatch?

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH

Senator HATCH. Thank you, Mr. Chairman. I want to thank you for holding this hearing and also for your leadership on these trade agreements that are so important for our country and its future.

Today we are examining the role trade negotiating authority plays in advancing our Nation's international trade agenda.

Before I begin my remarks, I just want to take a moment to express my sincere disappointment that the U.S. Trade Representative did not accept our invitation to testify at this hearing today. This is an important issue. It should be important to the administration too. If the administration does not get more involved in this effort to pass trade negotiating authority, we are not going to be successful. It is just that simple.

Put simply, this is not an issue where the President can lead from behind. With that in mind, I hope we can still have a productive and informative hearing today.

As any student of government knows, article 1, section 8 of the U.S. Constitution grants Congress the power, quote, "to lay and collect taxes, duties, imposts, and excises," and, quote, "to regulate commerce with foreign nations." Congress uses this constitutional authority in many different ways. These ways include creating trade remedies to help U.S. businesses compete with unfair imports; imposing sanctions on imports from unfriendly nations, such as Iran; granting unilateral tariff reductions through approval of bills granting miscellaneous tariff relief, or through programs such as the Generalized System of Preferences; implementing reciprocal trade agreements among countries to reduce tariffs; and, finally, creating agencies to administer U.S. trade law and policy, such as the Office of the United States Trade Representative and the International Trade Commission.

When it comes to negotiating trade agreements with other countries, however, Congress's capacity to speak with one voice to foreign nations is inherently limited. Under article 2 of the Constitution, the executive branch has the authority to negotiate treaties and international agreements. Throughout U.S. history, Congress has sought the most effective way to enhance and effectively utilize its authority over international trade agreements.

As our world became increasingly globalized at the turn of the 20th century, the issue became more acute, culminating in congressional approval of the Smoot-Hawley Tariff Act in 1930. Now, I do not want to unfairly denigrate Senator Smoot. After all, Senator Smoot had a highly distinguished career as the senior Republican Finance Committee leader from Utah. But in this instance, he and Congressman Hawley got it flat wrong, although I sincerely do not believe that they should have gotten the whole blame for the Depression, which some have tried to lay on them.

The Smoot-Hawley Tariff Act was perhaps one of the most misguided trade bills ever devised by Congress. It raised tariffs to unprecedented levels, contributing to the longevity and severity of the Great Depression.

Franklin Delano Roosevelt recognized the role trade could play in helping spur economic prosperity and proposed a new framework under which Congress could effectively regulate tariffs at home

and, in so doing, reduce tariffs overseas and open up markets for U.S. products, which means jobs in America.

Under the Reciprocal Trade Agreements Act of 1934, Congress authorized the President to negotiate limited tariff reductions on a reciprocal basis. That bill has served as the foundation for every iteration of trade negotiating authority since 1934. It has been a highly effective tool in reducing trade barriers overseas and opening up global markets to U.S. goods and services, all the while retaining Congress's constitutional authority over trade.

Unfortunately, the last iteration of trade negotiating authority expired over 7 years ago. Since then, our Nation has not concluded negotiations on a single new trade agreement.

The Obama administration has launched several new trade initiatives, including the Trans-Pacific Partnership in the Asia-Pacific region and the Transatlantic Trade and Investment Partnership with the European Union. But without trade negotiating authority, Congress's power to set priorities for these negotiations and to ensure that our priorities are met is really limited. That is why Senator Baucus and I, along with Chairman Camp of the House Ways and Means Committee, recently introduced the Bipartisan Congressional Trade Priorities Act, which will renew trade negotiating authority.

Through the strong negotiating objectives outlined in our bill, Congress has the opportunity to set forth clear priorities for our negotiations and to articulate standards that our trade agreements must meet in order to be approved. These negotiating objectives were developed after close consultation with many stakeholders. The objectives are updated to address many of the challenges our workers and job creators face when competing to export American goods and services overseas, including problems related to localization barriers, state-owned enterprises, and currency manipulation.

The bill also maintains objectives seeking high standards of protection for U.S. intellectual property rights holders and advances trade negotiating objectives for the digital age.

In addition, the bill expands and enhances Congress's role in ongoing international trade negotiations through strengthened consultation mechanisms, including provisions that require USTR to meet and consult with any interested member of Congress at any time. It also allows any member of Congress to be designated as a congressional advisor and to attend negotiating rounds. Should the administration fail to consult with Congress or abide by the procedures outlined in the bill, Congress retains the ability to cut off the authority provided under our legislation.

Finally, our bill ensures that Congress retains clear authority over the scope of the implementing bill, as well as enhancing congressional oversight over ongoing trade negotiations. It is a carefully crafted and balanced package which will enable Congress to more effectively utilize its constitutional authority to open global markets for U.S. goods and services and grow our economy even better than it does today.

While I am, once again, disappointed that Ambassador Froman did not accept our invitation to testify today, I am pleased that we have a number of witnesses representing a broad range of views to

help us discuss Congress's role in advancing international trade negotiations.

So, Mr. Chairman, I look forward to the testimony of our witnesses today. I want to thank you again for all of your hard work, both on this legislation itself and in helping us prepare for today's hearing. And this is a bill I hope we can get through before you leave for China. It would be a great capstone to your very, very good career while you are here.

[The prepared statement of Senator Hatch appears in the appendix.]

The CHAIRMAN. I am going to have to ask the demonstrators, those holding the signs, to bring them down. I think it would be inappropriate, frankly, for this committee to allow a contest of who has the best signs during a congressional hearing. So I am going to have to ask you all to bring your signs down and listen to the hearing, because, if you do not bring your signs down, we are going to have to ask that you be removed. So, please, just bring your signs down. Otherwise, there will be a competition on signs, and I do not think that would be appropriate here.

I see one sign still up. Thank you very much. Now, I will introduce the witnesses.

We are pleased to begin our hearing today with Mr. David Cote, who is chairman and chief executive officer of Honeywell International in Morristown, NJ. Following Mr. Cote is Mr. Jim Allen, president of the New York Apple Association in Victor, NY. Our third witness is Ms. Elena Stegemann, director of international business of NuStep, Incorporated, located in Ann Arbor, MI. The fourth witness is Mr. Larry Cohen, president, Communication Workers of America.

Thank you all for coming. We deeply appreciate your effort, both in preparing your remarks and taking the time to come here, because I know you are all deeply committed to trying to figure out the best solution for this issue. Obviously, it is to pass the TPA.

I will begin with you, Mr. Cote.

STATEMENT OF DAVID M. COTE, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, HONEYWELL INTERNATIONAL, MORRISTOWN, NJ

Mr. COTE. Chairman Baucus, Ranking Member Hatch, and distinguished members of the committee, thank you for the invitation today. It is my pleasure to appear on behalf of Honeywell, the Business Roundtable, and Trade Benefits America, a coalition of about 160 associations and companies that support passage of 21st-century Trade Promotion Authority legislation.

In order to meet the challenges and seize the opportunities in the global economy, the United States needs policies to ensure American companies and workers are the most competitive in the world. A pro-growth trade policy, including passage of TPA, is an area where government can create an environment where jobs can be created. I therefore commend you, Mr. Chairman and Ranking Member, for working with House Ways and Means Committee Chairman Dave Camp to develop legislation to significantly improve TPA to address today's trade issues.

With more than 95 percent of the world's population and about three-quarters of world GDP outside of the U.S., economic growth and jobs increasingly depend on the expanded trade and investment opportunities available worldwide. By strengthening and passing TPA, a key enabler for trade agreements, Congress can help complete 21st-century agreements that U.S. companies need to be competitive.

The global economic world has changed significantly over the last 20 years and will change even more in the next 20. Twenty years ago, there were only about a billion people involved in the global economy, basically the U.S., Europe, and Japan. Today there are about 4 billion people participating in the global economy with the addition of China, India, and numerous other countries that have recognized that a robust private sector is essential for their prosperity.

Now, this is a good phenomenon for the world, because we now have at least 4 billion people thinking about how to make things better and how to improve productivity. An improved standard of living comes from productivity, the ability to innovate and invent, and the ability to have free flow of ideas, of people, of goods, and of money.

So, as a country, we need to recognize, first, that we are in a different global economy than we were 20 years ago; second, that the global economy will move forward with us or without us; and three, that in all our political arguments, there is truth on both sides, and we need to pull together toward a common objective.

While the negative effects of trade are sometimes more obvious, they are more than outweighed by its positive effects overall on jobs. And trading nations from the Phoenicians to the Hanseatic League to the Dutch, the British, and the U.S. have done well.

According to research provided by the Business Round Table, trade and U.S. trade agreements have helped support American growth and jobs. U.S. companies, including Honeywell, have capitalized on opportunities that trade agreements have created.

Honeywell is a $39-billion industrial company with more than 130,000 employees. Since 2002, we have grown sales by more than 75 percent from a base of about $22 billion. During that time, we also grew sales outside the U.S. from 41 percent of total sales to 54 percent of our total sales. In other words, while sales in the U.S. during those 10 years grew about 33 percent, sales outside the U.S. more than doubled.

Since the vast majority of the world's GDP is outside the U.S. and many developing countries are growing faster than the U.S., we need to be there. The rest of the world is moving, and we are not.

There are legitimate concerns about labor and environmental laws—helping those disrupted by trade—and adherence to agreements. So we need to work together to achieve the best balance of both. This will become especially important over the next 20 years, because the geographic composition of world GDP will be changing substantially. As you can see in the chart provided with my testimony, by 2030, the percentage of world GPD generated from the U.S. will decline from 26 percent to 24 percent. Other developed countries will decline from 39 percent to 29 percent of world GPD.

And importantly, developing economies will grow from 35 percent to 47 percent of world GPD. In other words, in 20 years what we think of as developing countries will account for about half of the world's GDP. That is a big deal, and we need to be in there forging relationships now.

If the U.S. is not in the vanguard of pursuing new agreements, we risk falling behind other countries that are pursuing agreements of their own. We also surrender the opportunity to negotiate new rules to address trade barriers and issues that did not exist previously. And that is why it is crucial for the U.S. to continue to aggressively pursue new agreements and for Congress to pass the improved Trade Promotion Authority.

So thank you for the opportunity to testify, and I look forward to answering any questions the committee may have.

The CHAIRMAN. Thank you very much, Mr. Cote.

[The prepared statement of Mr. Cote appears in the appendix.]

The CHAIRMAN. I see signs back there. One more time, if I see the signs up, I am going to have to ask the police to remove you.

Mr. Allen, you are next.

STATEMENT OF JIM ALLEN, PRESIDENT, NEW YORK APPLE ASSOCIATION, INC., VICTOR, NY

Mr. ALLEN. Good morning. Thank you, Chairman Baucus, Ranking Member Hatch, and distinguished members of the Senate Committee on Finance. I am honored to be invited here today to speak with you about the importance and the value of Trade Promotion Authority in the execution of free trade agreements.

My name is James S. Allen, and I am president of the New York Apple Association. I have the pleasure of representing close to 700 commercial apple growers in the State of New York. In my 14 years as president, I have worked very closely with our past and present apple leaders, serving on Senator Clinton's, Senator Gillibrand's, and Senator Schumer's many different ag advisory committees and related task forces.

At the risk of sounding provincial, I would like to take the opportunity to recognize the honorable Charles Schumer for his unyielding support of the apple industry in New York State. He is often referred to as the Senator Farmer from Brooklyn.

We take apple growing very seriously here in New York State, and we are presently the second-largest apple-growing State in the Union, pumping over $300 million dollars a year into our economy. The leader in production is Senator Cantwell's State of Washington. And number three is held by Senator Stabenow's home State of Michigan. Pennsylvania and California round out the top five.

But today I want to speak to you with an industry message with an industry voice, echoing concerns of all the major apple producing States across the country.

The United States is the world's leading exporter of ag products, reaching a value of $140 billion a year and providing nearly 1 million U.S. jobs. It is well-known that soy beans, corn, and wheat are the top three, but fruit and fruit products is number four, reaching $7.82 billion. Fresh apples represent well over $1 billion in trade to over 70 countries.

The four mentioned apple-exporting States rely on export markets to help balance the domestic supply levels and to expand their markets. For New York State, the close to 1 million cartons exported greatly enhance our overall apple business; for Washington State exports, close to 40 million cartons a year, which is close to 32 percent of their total production.

I would be remiss if I did not point out that the Market Access Program, MAP, which is authorized in the Farm Bill, plays a major role in our export programs and underscores the importance of the Farm Bill.

In the world apple market, all U.S. apples generally compete on the same playing field. And when it comes to trade agreements and Trade Promotion Authority, as an industry, we work closely together to benefit all U.S. apple growers. It is safe to say that a trade barrier that impedes Washington apple exports would adversely affect New York, Michigan, and Pennsylvania in the same way.

My counterpart, Todd Fryhover, president of the Washington Apple Commission, makes a good point, and I agree, when he states that trade agreements provide a platform for all participants to address the wants and the needs of potential exporting countries, while extending the same benefits to importing countries for the betterment of consumers. Without trade agreements, the status quo remains the same and consistent and is adverse to the principles of free trade. Ultimately, free trade is best for every economy, and FTAs open the door for increased commerce.

The U.S. apple industry supports renewing the TPA for two reasons, the first being timing. Trade agreements are being negotiated every day between countries, and, because TPA is not authorized, the U.S. lags behind in our ability to effectively negotiate and quickly execute trade agreements. Secondly, authorizing TPA provides the negotiators the ability to act within the parameters set forth by Congress, while being a credible negotiating party. It is difficult to image our negotiators returning to Congress with the risk of potential amendment.

TPA provides the detail in negotiating objectives and a strong consultations process which allows for an up and down vote on agreements. A great example of a successful free trade agreement that previously passed under TPA is CAFTA. U.S. apple exports into those countries are now treated equally as the other trading countries are. TPA could allow us to conclude trade talks that similarly level the playing field in Europe and Asia.

As U.S. Trade Representative Michael Froman said last week, we need to open markets, support U.S. jobs, and increase exports of products made in America. The TPA will help accomplish this. Apple growers urge Congress to support updated TPA legislation so that they can grow markets and supply nutritious and delicious apples to new markets around the world.

Mr. Chairman, Ranking Member Hatch, and distinguished members of this panel, thank you for allowing me the opportunity today to discuss the importance of TPA for American apple growers. And I would close with just one simple question, and that is: Have you had your apple today?

Thank you.

The CHAIRMAN. Thank you, Mr. Allen, very much.

[The prepared statement of Mr. Allen appears in the appendix.]

The CHAIRMAN. Ms. Stegemann, you are next.

STATEMENT OF ELENA M. STEGEMANN, DIRECTOR OF INTERNATIONAL BUSINESS, NUSTEP, INC., ANN ARBOR, MI

Ms. STEGEMANN. Chairman Baucus, Ranking Member Hatch, and distinguished members of the committee, my name is Elena Stegemann, and I am the director of international business at NuStep, located in Ann Harbor, MI.

I am very pleased to testify today on behalf of my company, as well as 3 million small businesses, State and local chambers of commerce, as well as large companies that are members of the U.S. Chamber of Commerce and its national federation. We strongly support the Bipartisan Congressional Trade Priorities Act of 2014, which will renew TPA.

TPA is vital because economic growth and job creation at home depend on our ability to sell American goods and services to the 95 percent of the world's customers living outside of the U.S. NuStep designs and manufactures recumbent cross-trainers to make exercise possible for users who are unable to access regular exercise equipment due to injury, medical conditions, or other physical limitations.

We manufacture our product in a beautiful state-of-the-art facility in Ann Arbor. We supply our products to thousands of rehab centers across the U.S., but we also have sales in more than 25 other countries now.

Why does trade matter to NuStep or to our country? In a word, it comes down to jobs. Our biggest challenge as a Nation is to get Americans back to work, and we believe trade can help do that.

Let me tell you a bit about our company's experience with international trade. NuStep began to focus on exporting in 2009, when our country faced a terrible recession. Our CEO and owner, Dick Sarns, saw the decline in our domestic sales and decided to go look for new customers abroad. Since then, our international sales have almost quadrupled. Exports today account for nearly 20 percent of our unit sales. Our success as an exporter was even recognized with the President's "E" Award at a White House ceremony in May of 2012, definitely a career highlight for me.

Today NuStep employs nearly 100 people, which is twice as many as when I started in 2009, and about 20 of our employees are involved in our international business. But all of our people are proud of the fact that our products are shipped all over the world. So you might be wondering, how do you take a small company from a small town in Michigan and go global? Well, with a lot of enthusiasm and a lot of help.

The first step was to create a job for someone like me. I was hired to help develop the international business for our company. And today, our international sales are growing in many countries. However, the playing field for trade is not always level. While our market is generally open, U.S. exports face foreign tariffs that often soar into double digits, as well as the thicket of non-tariff barriers.

Now, as you have heard, I am not from Washington. But, as we have already heard today, TPA will require Congress and the White House to work together on trade agreements. Well, that does not sound like a radical notion to me.

And those trade agreements will tear down the foreign barriers that shut out products made by companies like mine, and I think it makes a world of sense. So where are the big opportunities? Asia is currently my company's biggest export market, because 2 billion Asians have joined the middle class in the past 20 years. We are very pleased to see containers full of our beautiful products headed to Japan and a growing number now going to other countries in Asia.

TPP will get rid of many of the barriers that make it hard for us to compete in some Asian markets. Also, the Trade Priorities Act will guide American negotiators to ensure that TPP protects intellectual property and trade secrets.

Even though we are not a high-tech company, NuStep has made big investments in producing high-quality, innovative products, and it would be simply devastating for us to have our know-how stolen because we either did not have a trade agreement in place or because the agreement lacked strong protections that we need.

Europe is another big market for us. We are proud that our products are gaining popularity in such markets as Germany, where consumers have very high standards and where we face intense competition. Regulatory cooperation is another big focus of the Transatlantic Trade and Investment Partnership. NuStep is committed to complying with regulatory standards everywhere that we do business. But anything our trade negotiators can do to streamline regulatory compliance for U.S. exporters would be a huge help for a small business like NuStep.

In conclusion, I have had the privilege during my travels of meeting with business owners and decision makers all around the world. And I have met with people who use our products and whose lives are transformed by them. On one such visit to a care home in Britain, I had the privilege to witness the first time that a wheelchair-bound man saw his legs move in a very long time. I was so proud of the fact that a small company from Michigan had made this product and made this moment possible for him. As an exporter, it is a huge honor for me to represent our country abroad.

During my travels, many people refer to me as the lady from America, and I am very happy to see that being an American is a door-opener. People are hungry for our products, and we are hungry for more trade.

On behalf of small exporters like NuStep, I urge you all to support TPA and the trade agreements it can make possible.

Thank you.

The CHAIRMAN. Thank you, Ms. Stegemann.

[The prepared statement of Ms. Stegemann appears in the appendix.]

The CHAIRMAN. Mr. Cohen?

STATEMENT OF LARRY COHEN, PRESIDENT, COMMUNICATIONS WORKERS OF AMERICA (CWA), WASHINGTON, DC

Mr. COHEN. Thank you, Chairman Baucus and members of the committee. I am here today not only as president of the 700,000 members of the Communication Workers of America, but as part of a broad citizens coalition with more than 30 million members quite concerned about where we are going in this Nation on trade, as well as fast-track or Trade Promotion Authority.

When we come to see any of you in your offices, we are as likely to be there with Public Citizen or the Sierra Club or Food and Water Watch. We are a community organization, as we are with the AFL–CIO, and it is in that spirit that I am here today.

We recognize that we are living in a global economy, but we must ensure that our trade framework serves our national goals, and we must measure those results. We cannot delegate the responsibility to achieve those goals to private or secret negotiations or appointed officials without meaningful, democratic control.

This hearing is timely, coming on the 20th anniversary of the North American Free Trade Agreement. As the administration seeks to negotiate two more massive trade pacts that would dwarf NAFTA, Congress must establish negotiating priorities and enforceable consultations by the administration.

Key are the following: one, we must document that any new trade deal will not add to the nearly $1-trillion annual trade deficit. When do we start to measure the results of 20 years of these trade deals in fast-track authority? No other nation has trade deficits like this, and, while we respect this body in deliberating over budget deficits, every economist, Economics 101, knows there is a direct relationship between trade deficits and budget deficits.

Second, we must document the likely net effect on employment. These micro-examples are wonderful, and we applaud them. But what is the net effect? What has the net effect been of 20 years of these trade deals? What has happened to our jobs, our communities, the North Philadelphia that I grew up in, the Cleveland that I can picture right now? Devastation throughout those communities; nowhere near the replacement in jobs for the more than 700,000 jobs lost from NAFTA alone. Even the Korea trade agreement that was supposed to bring new jobs—in fact, we have lost 40,000 more jobs since its passage.

We can take micro-examples, like telecom equipment. There is no telecom equipment made in this country at all. And yet what do we have today? What did we have when we grew up? We had Bell Labs, we had Western Electric, we had Lucent. Every one of those hundreds of thousands of jobs is gone, and yet we are the biggest consumer of those products. And yet China, which stayed on to enterprise ZTE and Huawei, and European companies that are promoted by their nations, whether Alcatel or Siemens, or Ericsson or Nokia, are thriving.

Third, we must document the effect on pay and the standard of living. Since NAFTA, in these 20 years, average weekly take-home pay in the United States has declined by more than $100. It is directly related.

I could tell you story after story where CEOs say to me, it is gravity. We have to move the jobs or you have to cut the pay. And

so we have high-tech jobs, like Internet help jobs, at $10 an hour in Goldsboro, NC, and we cannot raise the pay despite collective bargaining.

We must ensure, fourth, that consumer protection regulations by Federal, State, and local governments are not diminished. We are quite concerned about that in terms of the text that I have read on Trade Promotion Authority that we are considering here today. Most U.S. consumer groups are concerned that trade agreements can be used to degrade our food safety protection. Allowing for fast-track consideration of TPP would further jeopardize the safety of food consumed in the U.S., as food standards, country-of-origin labeling, and other laws could be undermined.

Fifth, we must ensure that all trading partners comply with International Labor Organization principles and conventions. Most countries have ratified eight core conventions. Sadly, the United States has only ratified two. Amazingly, those conventions—child labor protection, freedom of association—require a two-thirds vote of this body. Yet, this fast-track authority would provide that a multilateral trade bill covering a billion people would go through with a majority vote.

We need to take those ILO conventions and put them in the fast-track authority.

Sixth, we must ensure that environmental standards are not degraded and are enforceable. If recent leaks in news reports are correct, the USTR may be backing down on some key issues, like internationally recognized pollution controls and logging regulations. We need to make improvements in global environment issues, not negotiate a retreat.

Seventh, we should ensure that social goals on the environment, labor rights, and consumer protection are enforceable, at least at the same level as other sections. We cannot have a democratic society if corporations have access to superior remedies to address their concerns.

And finally, we must ensure that Congress plays a meaningful role. We applaud those members of the committee who have written to the USTR demanding exactly that.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Cohen.

[The prepared statement of Mr. Cohen appears in the appendix.]

The CHAIRMAN. I would like to ask Mr. Cote, Mr. Allen, and Ms. Stegemann, in your companies, your businesses, what are some of the opportunities that you see we could pursue here with TPA and the trade agreements to further help your companies export overseas?

That is, what are some of the barriers that you face today? I might say, just for example—it is not your business—but Malaysia, for example, has a 40-percent tariff on tires, and we have a big export business in the United States that exports tires overseas. But they have a 40-percent duty on American tires, and Malaysia is doing an agreement with other countries, which means other countries nearby, Indonesia and others, will not have to face that same 40-percent tariff.

There are really two parts to that question. One, we are looking for opportunities. But, second, if we do not pursue opportunities

under TPA, other countries will do their agreements and give an advantage to their companies.

But in your industries, what are some of the areas where you see barriers that could be addressed with TPA and TPP, for example? Any of you.

Ms. STEGEMANN. I will take that. It is a great question. I am thinking about the TPP agreement. There are a lot of countries involved.

For a small company like us, as I mentioned, we are very committed to meeting very high regulatory standards in every market that we participate in.

Because the countries are so varied in their approach to regulatory requirements, from Canada to Japan to Australia to Singapore, they all have a different take on requirements in our industry. It is very difficult for us, with very limited resources and a limited budget, to stay abreast of regulatory requirements as they develop and change in every country.

For every country we export to, we have to ask ourselves, "What are the latest requirements? What do we need to do to stay compliant?"

So, if the negotiators on both sides can take a look at how we can make things more efficient, easier for a small company to understand what the regulatory requirements are in the TPP member countries, so that we have some kind of a simplified approach, if you will, an ability to meet very high regulatory standards, that would be a great help for us.

The CHAIRMAN. Mr. Allen?

Mr. ALLEN. Thank you very much for asking that question, Senator.

I would refer back to CAFTA as an example, once again. Once that trade agreement was settled, it put U.S. apples on the same playing field as the other importing countries from the southern hemisphere. By removing the tariffs and removing some of those barriers, our business into that part of the world grew very quickly.

I think it is very important that we are able to compete on a level playing field in different markets. Traditionally, unfortunately, what has happened is that we are confronted with a lot of barriers, such as phytosanitary and protocol issues, that are built to keep us out of those markets. And I believe that the trade agreements should address and can address them, but being mindful that we need to make sure that we protect our markets with the products coming into this country the same way that we are being asked to protect foreign markets.

The CHAIRMAN. Mr. Cote?

Mr. COTE. I would say those are two very good, specific examples. I would have to get back to you with some of our more specific examples. But I would say we are a net exporter and have been for a long time, and, to the extent that tariff barriers are reduced, it makes it easier for us to increase the capability of our exports.

The CHAIRMAN. I would like to ask all of you—I do not have much time left here—the degree to which you are concerned that if we do not do this, that is, if we do not have a solid Trade Promotion Authority and, therefore, negotiate solid trade agreements, like the Trans-Pacific Partnership, that we will lose the oppor-

tunity to set higher standards, because those other countries negotiating agreements are not going to set high standards.

A good example would be right now, for example, Mexico and Japan have concluded a trade agreement 2 years after the last TPA expired, and that contained no commitments on labor standards or rights. It contained no provisions on environment, which, obviously, is of interest to the United States in trying to set standards in agreements.

In addition, I might say China is now negotiating their own deal with Japan and Korea, and that surely will not address currency manipulation, another issue that is very, very important to this country, certainly members of Congress, but also this country and companies as they do business overseas.

So to what degree are you concerned, panelists, that a failure to negotiate this agreement, to conclude an agreement, will tend to result in the United States missing an opportunity to set higher standards?

Let me put it differently. If those agreements other countries are negotiating have low labor standards, low environmental standards, the United States will still do business in those countries, but under low labor standards and low environmental standards and no currency manipulation provisions.

So to what degree is that a concern? Because, if we do not do these agreements and other countries do theirs, it helps their people but does not include standards which are important to the United States.

I do not have much time. In fact, my time has expired. You can think about that. I will ask you on my next round.

Senator Hatch?

Senator HATCH. Thank you.

Mr. Cote, a number of op-eds in prominent papers across the country are calling upon the administration to more actively engage in ensuring prompt passage of TPA. For example, the *Chicago Tribune* wrote that, quote, "The President made no push for TPA in his first 4 years. Recently, he has spoken out about the need for it, but he has not twisted arms on Capitol Hill. If TPA is the high priority that it should be for the administration, Obama needs to demand it from members of both parties."

The *Washington Post* recently wrote that, quote, "The GOP is demanding that the President himself advocate fast-track aggressively. It's not an unreasonable request. Mr. Obama could start by giving the issue a prominent mention in his State of the Union Address."

Do you agree that the renewal of Trade Promotion Authority should be a top priority for President Obama this year?

Mr. COTE. I absolutely agree it ought to be a top priority, not just for the President, but for the Congress. And I really think that there is not enough recognition in the country about how much the economic world has changed over the last 20 years, with the fall of the Berlin Wall, and how much it is going to change over the next 20 years. And that shift, where developing countries are going to become half of world GDP, and the fact that other countries are creating agreements and this is our best opportunity to start to in-

fluence how those economies develop—it would be a shame if we would miss that opportunity.

I really think that that is a huge trend that we need to be addressing as a country, as part of our global competiveness.

Senator HATCH. Thank you. As you know, intellectual property is increasingly critical to the U.S. economy. In my own home State of Utah, it is the lifeblood of our industries, from information technology to the life sciences. Like many businesses in Utah, I know that Honeywell has a long history of innovation and depends on strong intellectual property protections.

As I said in my opening statement, our bill maintains negotiating objectives that seek the high standards found in U.S. law. So let me ask you this question. Can you please discuss why it is so important for innovative job-creating businesses such as yours to have these high IPR standards as a benchmark for U.S. trade agreements?

Mr. COTE. Yes. It is a huge deal for us. And to your point, technology is one of the ways we differentiate all of our businesses.

If a country wants innovation, if the world wants innovation, it has to be protected or people stop innovating, because it just gets stolen. To the extent that you can help to improve IP standards around the world, that is absolutely wonderful for any company that is trying to innovate.

Senator HATCH. Well, thank you.

Mr. Cohen, I respect you for your advocacy on behalf of your members, but I just want to mention a few things to you.

One of my really dear friends, in the early part of my service here in the Senate, was none other than Irving Brown, who was the international vice president of the AFL–CIO and, of course, the head of our tripartite negotiators at the ILO in Geneva, Switzerland. In fact, at one time, he asked that I come over and help him with a particular problem that could have resulted in the United States leaving the ILO.

In all my discussions with Irving—and I used to stop in Paris, and we would get together. We had a very close relationship, and I had nothing but great respect for him. I thought he was one of the greatest people I ever met.

But he seemed to appreciate the importance of international trade in creating jobs in America, and I think Mr. Cote would certainly agree that this is a way of creating jobs, not hurting jobs. Naturally, some jobs do go, but by and large, it is much better for us.

I do not see anybody there at the AFL–CIO today of Mr. Brown's caliber. Of course, he was unique, there is no question about that, and one of the truly great people, and yet hardly anybody in America knows anything about him. But he actually headed our tripartite delegation over in Geneva, Switzerland, at the ILO, the largest U.N.-affiliated organization, and everybody respected him. Our tripartite delegation consisted of business, management, and government.

This international vice president of the AFL–CIO, who saved Europe from communism, like I said, was one of the greatest men who ever lived. It seemed to me he was pretty solidly in support of really good trade agreements.

You are a very intelligent man. Why is it that the unions cannot see that there are a lot of high-paid jobs that come from really effective international trade?

Mr. COHEN. So, we support global trade, number one, and our own union is—most of our members are high-tech and work in a global economy——

Senator HATCH. Right.

Mr. COHEN [continuing]. Every single day. I think the question is, what is the platform that we work off of? And, again, I speak not only for labor in this case, but a broader group of environmental and consumer groups. And we are quite concerned about the platform.

So we need some version of fast-track authority, but we need to make the standards that you spoke of, ILO standards, for example, part of our standards. When we go to look at a——

Senator HATCH. But even Irving Brown knew that we could not sign on to the conventions that the Soviet Union did all the time, but never lived up to, because we would have to live up to them, and it would throw a lot——

Mr. COHEN. For example, on TTIP, which this would also effect, every member of the E.U. has adopted Convention 97. And the conventions on freedom of association and child labor are never considered here in this body, and we are saying that those are the global standards.

Senator HATCH. But is that a reason for rejecting this bill?

Mr. COHEN. It is a reason to say—excuse me for interrupting. It is a reason to say that because, apparently, those require a two-thirds vote, that we can put those standards in fast-track and say that we support child labor laws as a global standard, we support the global environmental standards as a basis of the trade deals, and we support freedom of association as a basis for these trade agreements, and that that is enforceable as opposed to saying it is up to each nation to figure it out.

We are just saying those should be part of fast-track authority—and the currency manipulation standards—and that they should be enforceable in the same way that a Honeywell can go and enforce the standards in a TPP.

So we do not really disagree, except that the standards, in our view, should be part of the fast-track authority.

Senator HATCH. My time is up, Mr. Chairman. Thank you very much.

The CHAIRMAN. Thank you, Senator.

Senator Carper?

Senator CARPER. Thanks, Mr. Chairman.

I want to really thank our friends, our witnesses from across the country, for being here, for the work that you do and the leadership that you provide, not only in your own businesses or your own union, but really for our country.

I am going to ask—I have heard Mr. Cohen speak any number of times, very convincingly, compellingly. I aspire to be more like you in the way that I speak.

But I am going to ask our other three witnesses—I am going to make a statement, and then I want to ask our other three witnesses to reflect on what we just heard him say and to see where

you think there might be some areas for agreement. I think this is an important issue for us to push forward. We need trade. We need free, fair trade, and our economies grow when we have that free and fair trade. But I just want you to reflect on what he said and see where there might be some area for consensus.

While you are thinking about that, I think I have shared this story once maybe with Mr. Cote, and it goes back—this is 12, 13, 14 years ago—to the White House with President Clinton, Vice President Gore, the President's cabinet, and 50 Governors from all over the country.

I was privileged to be the chairman of the National Governors Association at the time. The President spoke, and then we had an opportunity just to have a conversation, and it was my job to call in people to ask questions.

I asked the first question, and the question I asked of President Clinton was, I said, "Mr. President, over here to your right is Mel Carnahan from Missouri. He is going to run for the Senate next year," being 2000. I said, "I am going to run for the Senate next year. We are both Democrats. One of the issues that will be raised with us is how we feel about NAFTA. How do you feel about NAFTA?" And I said, "Why should we support that?"

And Bill Clinton, as you know, he is a pretty good communicator too. And he smiled, and he said—he went into his "ah shucks" mode, and he said, "Well, Tom," he said, "You know, in Arkansas, we raise chickens, and in Delaware you raise chickens." And he said, "There are a lot of countries around that don't want to let us sell our chickens to them, and we would like to sell our chickens to those people."

He said, "We let them sell their stuff to us. We have forever. But there are countries around the world that put up these tariff barriers, these non-tariff barriers." And he said, "The idea behind a free trade agreement is not so much to let other countries sell their goods and services to us; they're already doing it." He said, "The idea behind it is that we want to sell more of our stuff to them and to get them to take down their barriers, whether they are tariff barriers or non-tariff barriers."

I have never forgotten that conversation. Another thing I will not forget soon is a visit I had last Monday to Detroit with Debbie Stabenow. And it was the North American International Auto Show. I call it the Detroit Auto Show.

If anybody has questions about whether or not the American auto industry is back, they are back. The top truck of the year, GM Silverado; top car of the year, Chevrolet Corvette. I mean, we are rolling, up from about 10 million units to 16 million unit sales this year, record profits, profit-sharing is up, as you probably heard.

But we still have problems, and one of the problems we have is South Korea. Last year, they sold over 500,000 cars, trucks, and vans here. We sold fewer than 5,000 there.

In the negotiations on the Trans-Pacific Partnership that are underway right now, one of our negotiating partners is Japan. Last year, God only knows how many cars, trucks, and vans they sold here. It was a lot. We sold just a fraction of that over there.

They are still able to sell their stuff to us. We are not able to sell our stuff to them. And my hope is—with the South Korea free

trade agreement which we negotiated, supported by the UAW, as I recall, the idea was to be able to get our stuff sold in those markets, to open up those markets.

Mr. Cote, just, if you can, give us a reflection on what Mr. Cohen has said that might help us find some consensus here.

Mr. COTE. I see this TPA bill as an opportunity for us to raise standards around the world. So whether it is work standards, environmental standards, IP standards, this is an opportunity for us to engage and raise standards around the world and, at the same time, reduce the tariff barriers that we do confront. And I think Elena and Jim did a nice job of describing that.

In any of these sort of discussions, it is not like we can unilaterally impose whatever it is that we want to do. The other side has cards also, and we have to deal with the world as it is, not with how we might wish it was. This is an important time for us to be thinking about how we work together to achieve an increase in standards around the world while reducing those tariff barriers.

There is an old phrase that I like to use for a lot of things that says, we cannot let the perfect be the enemy of the good. And I think, as I take a look at what has been accomplished in this TPA, it is pretty substantial in terms of starting to advance standards around the world to more fairly level the playing field that all of us have to deal with.

So I think it does a very good job of doing that and considers both sides of the argument.

Mr. ALLEN. My comment would be that I represent food, apples, and there is nobody in the world that grows food as well as we do in the United States. That is why we are the number-one ag exporter.

Senator CARPER. No one eats as well as we do, either, or as much of it. [Laughter.]

Mr. ALLEN. That is true. And we grow it——

Senator CARPER. In fact, we would be better off if we ate more apples and maybe used our Apple devices a little less.

Mr. ALLEN. That certainly works for me.

Senator HATCH. We are all going to eat chicken, I will tell you that. [Laughter.]

Mr. ALLEN. But with that in mind, we grow the safest food in the world, and I think that in itself will help raise the standards as we negotiate these agreements and get into new markets. Foreign products will not be able to come into this country if they do not meet our standards. And the new Food Safety Modernization Act that is going to be in force soon, that is going to make sure that happens. So I think, on food, that would be my response.

Ms. STEGEMANN. I think that is a great question. And I agree with Mr. Cohen on certain points, that we have to be mindful of what kind of standards we are embracing and messages we are sending. But, as my colleagues have pointed out—and I think Senator Baucus has alluded to some of that in one of his questions—is this an opportunity for America to show leadership to the world in terms of standards? I think the answer is "yes."

As I reflect on some of our activities internationally, the fact that we have very high internal, almost self-imposed standards on how we build our products, how we comply with regulatory require-

ments around the world, in a way, we are creating barriers for other companies from overseas that are not willing to hold themselves to the same standards, and that is reflected in their products. Once you start using them, you can tell that they are just not as well-made. They are not as well thought-out. They fall apart. They may be unsafe to use.

So, again, I think it is an opportunity for us to show leadership and to set very high standards for the rest of the world to follow.

Senator CARPER. My time has expired. Thank you all very, very much.

The CHAIRMAN. Thank you very much, Senator.

Senator Grassley?

Senator GRASSLEY. Thank you, Mr. Chairman.

Thank you, Mr. Allen, for being a voice for agriculture here. There is not a lot of voice for agriculture in Washington, and we need more of it.

I noticed in your testimony that you mentioned the sanitary and phytosanitary issues that American agriculture products sometimes face unfairly in foreign countries. Are you satisfied with the provisions in the base text of the TPA bill on sanitary and phytosanitary issues?

Mr. ALLEN. I do not know if I can answer. I am not sure if I understand the base text at this point in time, but I would be happy to look at it.

Senator GRASSLEY. Well then, why don't you answer that in writing for me? Would you, please?

Mr. ALLEN. Sure. Absolutely.

Senator GRASSLEY. Thank you.

And I would like to ask Ms. Stegemann—and I thank you, also, for being here. Your testimony that I read—I was impressed with the success you have had taking NuStep products into the international market and doing it so quickly.

You ended your testimony by stressing that trade agreements are not worth the paper they are written on if they are not enforced. I would like to have you give me a lot of examples, but I have a follow-up. I would like an example or two where you think that is not the case.

But the most important part of my question is, are there specific areas that you are watching closely in the development of the TPP and TTIP agreements that you believe could have enforcement concerns?

Ms. STEGEMANN. I thank you for the question, Senator Grassley. I would like to take this opportunity to say that one of the big concerns for us as a small company is intellectual property.

I did mention that we are not a high-tech company, but at the same time, we have invested a lot of resources, time, and money to create a product that is very unique. It is a niche product. In fact, many of the countries where we have entered, the new markets that we have brought our product to, it is a new product category. So we are kind of leading in this health care segment, and a lot of people are beginning to take notice and are realizing that we have created a very attractive business segment for ourselves internationally.

But being a small company, we do not have an in-house legal team, certainly not anybody who is an expert in international law. So we rely on our government to negotiate for us trade agreements that do a very good job of protecting us in the IP area.

Senator GRASSLEY. I think you are telling me that as far as these two negotiations going on, TPP and TTIP, you don't have any particular enforcement concerns at this time. Is that right? I mean the way that it is being negotiated.

Ms. STEGEMANN. Correct.

Senator GRASSLEY. I would like to ask any or all of you my last question. And the chairman touched on this a little bit, but it is a new concern to me that has not been so much of a concern in previous TPA debates, and that is currency.

The bill contains provisions related to currency manipulation for the first time. Like many of my colleagues, I believe this is an extremely important issue, and trade agreements might be one of the best means that we have of getting results.

All of you represent different industries, but I am curious how important each of you believes addressing currency manipulation is, for your specific industry. Is it a top issue, is it part of the top five issues, or maybe it is not a worry to you at all?

I would just like your opinion on that.

Mr. COTE. Sure. With 54 percent of our sales outside the U.S., currency is something that obviously has an effect on us generally. And I would say I am always in favor of a more level playing field, no matter what it is we are dealing with.

But I would also have to say that the whole issue of currency manipulation has not really affected any of our decisions as a company or affected our results in any way. So it is not even a top 10 concern for me.

Senator GRASSLEY. Mr. Allen?

Mr. ALLEN. Again, I am not a finance expert as you folks are.

Senator GRASSLEY. Then I will give you an opportunity to answer in writing.

Mr. ALLEN. All right. That would be fine.

Senator GRASSLEY. Ms. Stegemann?

Ms. STEGEMANN. I would really echo the comments of Mr. Cote. While it is definitely a consideration—we understand that currency fluctuations can impact us either up or down, good or bad—overall, our approach is, we want to be able to export our products. That is our number-one priority. In my experience, the effects of currency fluctuations kind of even themselves out over time. Sometimes you are in the negative, sometimes you are in the positive.

So, if you take a long-term approach to exporting, your number-one priority is to be able to participate in the markets, and the currency stuff, you just kind of deal with it as it comes.

Senator GRASSLEY. Mr. Cohen?

Mr. COHEN. I would say it is a huge consideration, has huge consequences in terms of jobs, where production occurs, the exporting of environmental issues to some other nation; we put it way at the top. The key is that it has to be enforceable with major consequences.

I think it is good that it is mentioned in this legislation, but we believe the consequences of it have to be enforceable in the same

way that any other provision of a trade agreement would be enforced.

Senator GRASSLEY. Thank you, Mr. Chairman. And thank you, panel.

The CHAIRMAN. Thank you, Senator.

Senator Thune, you are next.

Senator THUNE. Thank you, Mr. Chairman. And thank you all for being here today. I appreciate the opportunity to hear from all of you about the importance of trade and the importance of TPA.

I strongly support the push to get Trade Promotion Authority enacted as soon as possible. There are so many American manufacturers and farmers and service providers that can access and benefit from fast-growing economies around the world.

TPA, at its core, is about building new trade relationships in a world where 95 percent of the population lives outside the United States and 80 percent of the purchasing power is outside the United States, and I use my own State of South Dakota as an example. Twenty years ago, 11 percent of the jobs in my State were related to exports and to trade, and now that is 22 percent. So it has literally doubled. One in five South Dakota jobs depends on international trade.

So you consider a State like mine, which has a small population, we ranked 13th in terms of agricultural exports—and it is about $2 billion a year just in oil, seeds, and grain. So I see this as an opportunity to open even more market opportunities to our products and to grow those numbers, and I think this debate is long overdue. My only regret is that it has taken this long to get here.

Every President literally since Franklin Roosevelt has had this authority, and I am glad that President Obama has chosen to request it, even though it has, unfortunately, in my view, been delayed now for 4 years. So, it is time to get it done.

I wanted to mention one thing, and I guess I would direct this to you, Mr. Cote. One of the most important benefits of the TPA legislation that has been introduced by the chairman and Senator Hatch is the issue, I think, of digital trade. Last December, Senator Wyden and I introduced the Digital Trade Act, which modernizes, basically, our trade laws to reflect the Internet-enabled world in which we now live and do business.

So I am very pleased that this TPA legislation that we are discussing today includes a robust section on digital trade, with provisions addressing nearly all of the issues that are included in my bill.

I will just say, by way of example, that the TPA bill seeks to prohibit unjustified barriers to the free flow of data across borders, as well as forced localization policies that are designed to favor foreign businesses over U.S. businesses by compelling those businesses to use local infrastructure, such as data storage, Internet, or e-mail services.

So I would say, just to you, Mr. Cote, as someone who is a CEO of a global company, can you comment on how important it is that we have provisions in our trade agreements that put American businesses on a level playing field as it relates to local businesses in foreign markets?

Mr. COTE. In general, I would have to say I am always in favor of a more level playing field so that we can compete effectively around the world.

I am not completely conversant with the details of what you described in the bill, but I would say that I am in favor of free flow, generally, whether it is goods, services, or digital trade, on a level playing field, because that will increase trade and, I think, benefit everybody.

Senator THUNE. Thanks.

Mr. Allen—and I assume my colleague from Iowa, Senator Grassley, has probably already covered this to some extent—but in your testimony, you discuss barriers that are facing U.S. agriculture in foreign markets, such as unscientific sanitary and phytosanitary measures, or what we call SPS measures.

As you may know, the TPA legislation includes provisions to ensure that SPS commitments by our trading partners will be enforceable, binding, and subject to effective dispute settlement. This is especially important in the context of trade agreements where our trading partners make commitments that go beyond WTO rules.

So, could you just comment on this particular issue and how important it is that we have binding and enforceable rules to prevent unscientific barriers to American agriculture?

Mr. ALLEN. It is absolutely important. We run into this scenario often in the apple industry based on insects and pests. We have an ongoing situation right now with Israel, which is a great trading partner for the United States and, specifically, New York State with apples, and we have been working under a protocol that has been accepted and documented, and research has proved it for decades. Yet, most recently, they have tried to change the protocol to make it much more difficult.

I think under a trade agreement that was negotiated properly, we would avoid that, because we feel that they are using that as a barrier, because there is not a lot of data to reinforce the reasoning behind their request.

Senator THUNE. Just very quickly, anybody who chooses to comment on this, maybe Mr. Cote. The three trade agreements that we got in 2011 were really important. There was a big push for a Russia PNTR in 2012. In both cases, it took the active involvement of the White House. And it has been pointed out that the trade rep is not here today, but could you just comment on how important White House involvement is going to be to enacting TPA?

This is not something, obviously, that Congress, in my view, can do without active engagement from the executive branch. Would you care to comment on that?

Mr. COTE. I would have to agree with you. But the executive branch, along with the Congress, is going to have to work together to get this done, and I think that is why the USTR has been very much involved in trying to get something done here, and we should. Everybody is going to have to work together.

The CHAIRMAN. Thank you, Senator, very much.

Senator THUNE. Mr. Chairman, I would say I hope they lean into it, and I really wish we had a trade rep here today. Thank you.

The CHAIRMAN. Thank you, Senator.

Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

I want to agree with Senator Thune. This is a good first step, this hearing on Trade Promotion Authority, but we do need to hear from the administration, and we need to have them here.

Let me make, first, a couple of comments. I want to ask a question about scope here.

Trade is critically important. We are in a global economy. We need to participate in trade. It is impossible for Congress to negotiate trade agreements. Trade Promotion Authority is a reasonable request.

But there are two areas here that need to be answered that a lot of us are uncomfortable with at this stage. One is the role that Congress plays, because we are delegating our authority. We have the authority, and we are giving up our rights to be able to make specific changes, and it is very important that there is a close working consultation process and that we do not get off track, and Senator Brown is going to be talking, I am sure, more about that. He has been our leader and is trying to bring us together on a reasonable proposal here. Times have changed, and I think it is important that we have a clear role that we play with the administration during trade agreements.

The second is the scope of the expectations. And I have been in Congress long enough to see the resistance to expanding the scope. There was strong resistance for us dealing with labor and environment within a trade agreement, Mr. Chairman, and we finally got that changed, and now I think it is beyond question that we should have at least ILO standards in the countries that we deal with and that there should be enforceable provisions for labor and environment.

But I raised the issue of, when we started, it was mostly tariffs. Then we got into non-tariff issues, such as intellectual property, and we now understand that labor and environment standards are important. Why? Because America has strong standards.

I raise the issue that we need to do a better job on good governance. The countries that we are now entering into trade agreements with are countries that do not have good governance, which puts American companies at a strong disadvantage.

And I appreciate the fact that the chairman's bill mentions corruption and is trying to deal with corruption. I think we have to be bolder than that. We have been bold enough to include ILO in the objectives of our trade agreements. There are international human rights conventions adopted by the U.N. that deal with protecting the rights of citizens from being arbitrarily arrested, and the right of privacy, and those types of issues that are fundamental.

So I would like to see support from particularly the business community to fight on behalf of American companies for a level playing field and say, let us be bold. Let us use trade as an opportunity to advance good governance in the countries where we want to see more open markets.

So can I get your help to expand the scope of TPA to include those types of issues so that American companies can have a more level playing field, so at least our trade negotiators can attempt to

use trade as leverage to improve good governance, which is critically important if we are going to have open markets?

I see everybody nodding "yes." Mr. Chairman, I have full support. So when I offer the amendment I will be able to——

Mr. COTE. My nod meant I was listening. I would have to say, at the end of the day, I do not know that we can use trade as a weapon overall in terms of how we get something done, just because 80 percent of trade is occurring outside the U.S.

I am really concerned sometimes about that. I have kind of likened this to the elephant who is taking a walk to go get a drink of water, and we kind of look at it and go, "Gee let's put this on the elephant." Well, you can get to a point where you put so much on the elephant, he never makes it to the water.

I am not advocating against anything here. I would just be careful that if we put too much on something, we can kill it before it gets there. And, at the end of the day, I am very supportive of a level playing field, and I think corruption is one of the things that kills countries.

Senator CARDIN. And all I am asking is that we try, that we make that part of our objectives.

But I will point out that we heard similar arguments when the United States took the leadership to use trade to bring down the Apartheid government in South Africa. And it worked. Other countries followed our leadership. And I think the same thing is true in other areas of good governance, including anticorruption, which I think is critically important to trade. And I thank you for that.

The CHAIRMAN. Thank you, Senator.

Senator Toomey, you are next.

Senator TOOMEY. Thank you very much, Mr. Chairman. And I just want to thank you directly—and Senator Hatch and Chairman Camp—for producing, I think, a very good product here. And I appreciate your having this hearing.

I want to express my disappointment that the trade rep could not be here, but I know he has indicated his support for Trade Promotion Authority, and I do very much hope that the President will aggressively engage on this, because, as the chairman has pointed out, this is our lift. It is always difficult politically to get this done, and we know that the support with our friends on the other side is at a level which could use some encouragement, I think.

So I hope the President will engage. I am thrilled that the Commerce Secretary, Secretary Pritzker, has been a very, very forceful, outspoken proponent of expanding trade, and I think that is a very encouraging sign.

Before I get to a specific question, I think it is important to underscore a macro point here, and that is, over the last 100 years, America's global leadership in expanding trade and opening markets has been profoundly and enormously beneficial for America and for the entire world.

The result is, today we live in the freest trading environment in at least 100 years, maybe much longer than that. And the result is that countries around the world have been encouraged to develop market economies, rule of law, and more democratic societies. As a result of those things, we have lifted literally billions of people out of poverty, created opportunity, raised standards of living, and

nowhere more than in the United States of America, where we have benefitted enormously from this.

One of the ways that we benefit that we sometimes overlook is, as we lower barriers to trade and lower the taxes that we impose on imports, we save our constituents, the consumers, money. So the single mom who is struggling to raise her kids and make ends meet benefits when she can go to a store and buy a product at a lower cost. That is helpful to her, and that is a direct result of negotiating trade agreements that lower tariffs. She also has more choices in the goods and services that are available to her. And there is no question that it results directly in more exports. We have seen that time and again, and that means more jobs.

In Pennsylvania, 20 percent of our manufacturing jobs are tied directly to trade, and they are some of the best jobs we have in our country and in our State, whether it is making locomotives in the area at General Electric, or the chemicals and gases at Air Products, or the technology at Westinghouse, these are some of the best-paying, most sought-after jobs we have. And if we lower barriers to trade elsewhere, we will have more of this growth.

But that is my view of the history. I would like to pose my first question to Mr. Cote, and it is simply this: all else being equal, if we pass Trade Promotion Authority and that leads to completion of some of the big trade agreements that are currently under negotiation, all else being equal, do you think that would tend to result in you hiring more workers or fewer workers at your company?

Mr. COTE. Well, first of all, I agree with the statements that you made up front, and I do think trade has been—and economics have been—a force for good, not just in the U.S., but in the world. And at the end of the day, to the extent that our sales increased for any reason, whether it is trade or something else, that is what causes me to add more employees. So the answer to that would be "yes."

I think you would also get another affect, and that is, this has the opportunity to increase foreign direct investment in the U.S., because when foreign companies can export more easily out of the biggest market in the world, with the energy advantage that we already have and the rule of law that you mentioned, I think it helps to encourage FDI into the country.

Senator TOOMEY. I also think that it is very important, in the context of these agreements—and I appreciate that several of the witnesses have mentioned the importance of protection for intellectual property. That is absolutely essential. It is our great competitive advantage in the entire world, and it has to be an important part of all of our trade agreements.

I am particularly concerned that the pharmaceutical industry be able to sell products that are enormously expensive to bring to market. The only way that model works and we get new generations of life-saving drugs, is if we do protect that.

My last question is for Mr. Allen. Pennsylvania ranks fourth in apple production and apple exports. Of course, our apples are the best, but we rank fourth in total.

We sent a letter, several of my colleagues and I, because there has been a significant decline in apple exports to Europe recently. If we are able to complete the trade agreement with the Europeans that is under consideration, do you think that would likely reverse

that or at least stop that decline and perhaps turn that around so that we could start exporting more apples to Europe?

Mr. ALLEN. That is a very difficult question. Unfortunately, the European issue goes much deeper to Minimal Risk Levels and pesticide levels on certain chemicals. The European Union has very strict MRL levels, and a lot of them are very difficult to match. There is a material that we use extensively that, as of February 1st, we will not be able to ship into the country. And it is a proven safe material used in the United States.

So unless the TPA addresses the MRL levels, it probably will not help it.

Senator TOOMEY. Well, maybe that is the kind of thing that the negotiations ought to address. I appreciate that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Nelson?

Senator NELSON. I had a conversation last year with the chief negotiator in Brussels for the European Union, and, at the time, he was cautiously optimistic that we could get an agreement.

Reflect, any one of you, if you will, on the enormity of the importance of a European-U.S. agreement that would cover, in effect, 45 percent of all the trade in the entire world and what that means to the U.S.

Mr. COHEN. I would say that the negotiations with Europe are incredibly important. The question is, from the front end, can we state our objectives, frankly, to go up to the standards of the European Union on issues like the environment and workers' rights and labor standards?

So we would see it as an opportunity, actually, to set higher standards, if that is what our goals and objectives are, compared to TPP, where, if there are not those same kinds of standards, American workers will compete with an average wage in Vietnam of 75 cents an hour, no right of association. The Vietnamese government told our staff, the negotiators, "We have a communist government. We don't need labor standards."

The question is, what kind of a democracy do we have, and do we move to higher standards, which still exist in the world now, or do we unravel what we have?

Senator NELSON. Is there any other comment on that, just briefly? I have two other things I want to——

Mr. COTE. As you might imagine, I think it is a terrific thing for us to be doing. The two biggest trading blocs in the world reducing barriers and increasing the free flow of trade is, I think, a good thing for both of those trading blocs.

Senator NELSON. Mr. Allen, you represent apples. I represent oranges. This is one of the few times that you can compare apples to oranges.

Do you want to comment on all fruit, how it will be advantaged with such an agreement?

Mr. ALLEN. Again, it is quite specific. Actually, Europe is a pretty large apple-producing group of their own. So the apple exports from the U.S. into Europe are not as high as many, many other countries.

We compete against their homegrown product, and sometimes that is rather difficult. And, again, I mentioned the E.U. has a very strict level of MRLs. It is becoming more and more of an issue. And perhaps the reason those levels are what they are is because they want to put that up as a barrier, because they certainly grow a lot of apples on their own.

By the way, England, the U.K., is a little different, because that is a good trading partner with the United States, and especially New York, on apples. But we face the same issues in the U.K. as we do with the E.U.

Senator NELSON. Mr. Cote, you represent an aerospace business. I have some passing interest in aerospace. Talk about the future of aerospace with regard to TPA.

Mr. COTE. Aerospace is one of those industries that is going to continue to grow, I think, for a long time to come, because the world is becoming more wealthy on a per capita basis, and, as it does, more people travel. Businesses become more global. Families just become more dispersed. So that is going to continue to grow.

To the extent that we can compete better because we can be in every single country, that will add to the capability in which I would say the U.S. far exceeds the rest of the world, and we would like to keep it that way. And our ability to be able to sell into these countries with the reduced barriers would be a wonderful thing for the aerospace industry.

Senator NELSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Brown?

Senator BROWN. Thank you, Mr. Chairman.

Often, when we debate trade agreements, history is recalled, and revisionist history seems to come into play.

Just a reminder, as my colleagues love to cite Smoot-Hawley and how that caused the Depression—and Senator Hatch did not exactly say that, I understand. But keep in mind, when Smoot-Hawley was passed, we had a trade surplus in this country. And that is what angered the world so much, that we already were in a dominant position, then we passed Smoot-Hawley, not that we had the biggest trade deficit in the history of the world and then did something.

This is for Mr. Cote, Mr. Allen, and Ms. Stegemann. If you would answer, then I will have another question for Mr. Cohen.

The country of Australia, with which we have a bilateral trade agreement, passed a strong public health anti-tobacco law. Philip Morris, a company domiciled here but having, I assume, subsidiaries in different places, sued the Australian government, sued a government, a locally controlled, sovereign state, democratically elected, that passed a strong public health law to protect their citizens, particularly children, against tobacco.

They went all the way to the Australian Supreme Court. The government of Australia spent a lot of money defending this against this large, rather profitable tobacco company. Ultimately, the Australian government won in Australian courts. But then, after the Supreme Court upheld that Australian public health law, Philip Morris then sued the Australian government pursuant to the investment treaty that they had with Hong Kong.

Now, here is my question. Since NAFTA, we have had in these agreements something called investor state, the first time I believe ever in trade policy where a company can sue a foreign government. The foreign government's democratically attained rules or regulations—a company from outside sues them to overturn what that sovereign country has done.

My question is this, to the three of you: do we want this kind of power where a company can go into another country and sue that country on a food safety or tobacco protection or a consumer law or a public health law like that?

Are those provisions we want, both for companies in the U.S. to sue other countries or companies in other countries to sue us to weaken these laws that are democratically attained rules and regulations?

Mr. Cote, if you would answer that first.

Mr. COTE. I would say, even though I am not a lawyer, I generally do not mind opining on the law. But this time, that is a level of legal complexity that is beyond my capability.

Senator BROWN. Well, it is really simple. It is not complex. Should a company like yours have the right to go into Guatemala and undertake litigation to weaken their public health laws, when, first of all, Guatemala probably does not have a whole lot of money to defend these kinds of rules? Should that be part of our international trade regiment generally?

Mr. COTE. My apologies, but I just do not have an answer. I am not knowledgeable enough to even comment.

Senator BROWN. Could you have someone in your corporation who—I assume you have a legal team that could answer that, then, please.

Mr. COTE. Unfortunately, I have to have a very good legal team.

Senator BROWN. And I understand that.

Mr. Allen?

Mr. ALLEN. My gut feeling would be "no." That is only my personal opinion.

Ms. Stegemann?

Ms. STEGEMANN. Unfortunately, I do not have any experience with these matters, legal or tobacco. But you mentioned Australia, and I was just kind of getting excited because it is a market that we are beginning to get established in. It is a great opportunity. I would love to go and visit our distributor there.

They actually have shown a lot of leadership in health care for seniors, and that is why it is an important market for us. They understand why it is important for people of all physical abilities or disabilities to exercise, and it is a very attractive market for us, and we are happy that we have a free trade agreement with them.

Senator BROWN. You are a great advocate for your business, and thank you for that.

Mr. Cohen, I have written two letters to Ambassador Froman, spoken to him personally, spoken to the President's Chief of Staff about this, regarding my concerns related to tobacco and the Trans-Pacific Partnership. I am concerned, from editorials written in the *New York Times* to the article you cited and the environmental issues, that TPP may allow private companies to undertake legal

action against common-sense tobacco regulations through investor state.

Given past agreements, do you think the U.S. is able to effectively address labor, environmental, and public health standards in trade agreements? What standards do you think we need included, and how do we enforce them?

Mr. COHEN. Well, again, there is a long answer to that, but the short answer is, we absolutely need them. I think it is clear what many of those standards are. We have covered many of them. There are key global standards on the environment, on workers' rights, on investor state. And, if we are not careful, we are going to unravel all of those, not only in our own Nation, where, frankly, we are sinking on every one of those instead of rising up, but it will be the reverse of what we heard here, because we will help unravel them in the rest of the world as well, because of the so-called competition.

We have to level that by looking at what is most important, what is most important for our children, what is most important for children in other nations as well. I think the examples you gave are right on target.

And, no, corporations should not have the right to sue governments that provide consumer protection. Unfortunately, TPP and even this Trade Promotion Authority will not stop that, and TPP will actually encourage it by leveling up.

I cannot help but say one more thing. The multinational corporation, like a Honeywell, can produce anywhere, and their challenge is to produce at the highest rate of profit. This is nothing about Honeywell. This is about any of them. And so, if we do not set standards, those corporations, in fact, can produce in Vietnam at a minimum wage of 25 cents an hour and actually make higher profits.

So, if we do not look at those standards and have them as a basis for trade, we will continue to run downhill, as we have done since—and before even—but particularly since NAFTA, and the pay of all workers in this country is affected, not just those in tradable sectors, and the living standards of all of us are affected. And the environment—we have one atmosphere, and we have to move from the micro—yes, very important—and look at the macro: how are we all affected, what is the net result, as you said, of the worst trade deficit that the world has ever seen, and, actually, how does it affect the budget deficit? It is quite concrete. Yet, we seem to worry about the budget deficit and never the trade deficit.

So we would say the trade deficit needs to be thought through as well when we are doing trade deals.

The CHAIRMAN. Thank you, Senator.

Senator Cantwell?

Senator CANTWELL. Thank you, Mr. Chairman.

The CHAIRMAN. Actually, Senator Casey was in earlier.

Senator CANTWELL. Yes. Thank you.

The CHAIRMAN. Senator Casey, you are next.

Senator CASEY. Thank you, Mr. Chairman.

Senator Cantwell, thank you very much for allowing the rules to be enforced. I did not realize that that was the case, and I am grateful.

How about if I give you like 3 more minutes of my time? Would that work?

Senator CANTWELL. Take as much time as you need.

Senator CASEY. But thanks very much. Allow me to do something which I try not to do, which is—I try to avoid this, but I do not always comply—to do a broader statement of kind of how I see some of these issues and then get to the questions. So I may be limiting my own question time by doing what I am about to do.

I do not know all the panelists. I know Mr. Cohen, and I know Mr. Cote. But I am grateful for all of you being here today and for your testimony, because these are tough issues.

Let me make a broader statement first and then get to Trade Promotion Authority. One of the reasons that I have a very substantial degree of skepticism when I approach these issues, trade agreements generally, Trade Promotion Authority in particular today, is because it seems to me, the way I view it and the way I view it from the perspective of what has happened to Pennsylvania and the country—but I will speak mostly from the vantage point of Pennsylvania—is we seem to get the short end of the stick or have gotten the short end of the stick on trade agreements spanning several administrations and, frankly, even a generation or two.

It seems one of the reasons we get the short end of the stick, or our workers do, is because the United States of America, as I see it, does not have and has not ever had in recent history a trade policy. It is an area of our national focus where we deal with the rest of the world. It is unlike national defense, where there is no country in the world, unless they are really sleeping, that does not understand what our priorities are when it comes to national security. When we walk in the door to every meeting, every negotiation, they know exactly where we stand. We say we stand for freedom, we stand for democracy. We are going to not just fight against terrorism, we are going to find the terrorists before they get to us. So it is a very clear set of priorities.

But on trade, we walk in the door, our negotiators, for years now, decades, have walked in the door and said, "Well, we don't have a policy that we can tell you about," unlike a company. In Honeywell, you could recite your mission statement in probably 30 seconds. I will not give you that chance today, Dave. You know what it is.

But we walk in the door without a policy, number one, but sometimes a list of concerns: environmental standards, labor standards, the effect on jobs, as Mr. Cohen has pointed out. And yet, by the end of the negotiation, we say, that stuff is really important to us, these concerns are really important, but, if we want the deal, we will get the deal, and we will get to those priorities later.

It seems, without a policy that has been arrived at, all you have are these trade battles when a trade agreement is on the agenda, and there is a big debate and there is a vote held and then people go back to their corners, and we have not resolved the basic issue, which was the lack of a policy. And I think it is a real failing. I think is a failing of both parties, and I think we have to try to address that.

Then we come to Trade Promotion Authority, and we just have a number of concerns that Senator Brown raised with me in a let-

ter to Mr. Froman, along with Senator Cardin, Senator Menendez, and Senator Debbie Stabenow. I know these may have been alluded to earlier, but we say we are now prepared to support TPA, Trade Promotion Authority, legislation that resembles the current framework for consultations, and it goes on from there. So, obviously, anyone who wants to read that letter can see our concerns.

Here is my question, in the 36 seconds I have left. Do you view that as a problem? And I will say, parenthetically, that I think Mr. Cohen's test or set of priorities where we measure, on pages 2 and 3 of his testimony, he has eight elements. I think we should try to arrive at some consensus. If it is not eight, it should be some other number.

There is a lot we agree on, but we never seem to get to that foundation that will allow us to get a better result at the end.

Now, we are down to "yes" or "no."

Mr. Cohen, do you think we need a policy?

Mr. COHEN. Yes, absolutely. I think that is really the key. We need a policy and clear objectives, whether those eight, as you said, are modified, that the American people understand, that are totally transparent and are the basis for Trade Promotion Authority and, therefore, of our negotiations, and that those of us who care deeply about those priorities are involved in a similar way as, say, a multinational corporation that can produce anywhere in order to meet its mission, which is about maximizing its profits.

There is no harm in that. It is a question of balancing that against the popular and public and social priorities that we would have on a macro basis, looking at the history of these trade deficits and the devastation that you talked about, not just at the successes on the export side.

Senator CASEY. I know we are over time. Maybe do "yes" or "no," and you can supplement it certainly with written testimony.

Ms. STEGEMANN. We just want access to the new markets, and we will take it from there.

Senator CASEY. Thank you.

Mr. Allen?

Mr. ALLEN. Agreed. We need policy so we can expand our markets.

Senator CASEY. Mr. Cote?

Mr. COTE. I like the idea of a policy, but given that it is a negotiation, it is always important to recognize the group that we are dealing with has policies also. So there is a reconciliation or negotiation that has to go on to achieve the best for both and get a deal that benefits both.

Senator CASEY. Thanks very much. Sorry for the long prelude.

The CHAIRMAN. Thank you, Senator, very much.

Senator Cantwell?

Senator CANTWELL. Thank you, Mr. Chairman. I thank the Senator from Pennsylvania for his comments and for his asking us to pull up a little bit and look at this, because I think that is what we need to do: to look at this from a comprehensive perspective and try to move forward.

So I think people have said some very interesting things.

Mr. Cohen, you said we do need some form of a Trade Promotion Authority. I find that encouraging in the context of making sure we address all the issues.

Obviously, Mr. Allen, I have certainly appreciated your focus here today on the apple industry, which employs about 59,000 people in Washington State.

So when I look at this issue, I think about how many bilateral agreements have been done in the time that we have not had Trade Promotion Authority. It is something like 83 bilaterals.

So, while we are not moving ahead on what we put on the table, everybody else is playing this game. It is like we are not even suited up. They are playing the game. And the end result has been that they do bilaterals and they reduce tariffs, which, on apples, can be as much as 10 percent. So China does a deal with Vietnam. The next thing you know, they are sending every shipment in for $2,000 to $4,000 less than what we are doing.

While you can complain about that, and you can say, well, this agreement or that agreement will catch us up, to me, the real issue becomes market share, because once you start losing market share, once you have lost 30 percent market share, it is a problem. Apples may be one thing—I will say I have been to China, and I have definitely seen people steal the Fuji, Washington label and stick it on some other apple just to try to confuse the marketplace that somehow that quality apple is being produced by some other country, when it is not.

It is a bigger issue when it comes to technology.

So first, Mr. Allen, if you would comment on the market share issue and why, as these developing countries have enough resources to buy apples, we have to keep pace. Otherwise, we are just competing against a cheaper product and oftentimes an agreement that basically establishes the marketplace for that product.

Mr. ALLEN. Absolutely. And I know you are aware that the emerging markets are where the growth is: India, Brazil, Russia, Asia. And one of the biggest concerns in the apple industry is not necessarily losing a customer in that market, but the concern is that the other countries are moving in and taking that market away because of those bilaterals.

And we need to be equal to them, there is no question about it. Again, I keep going back to CAFTA, and I hope that is not a dirty word, but when we passed CAFTA, the Washington exports into that part of the world just multiplied unbelievably. And New York exports increased. So it was a win-win for the apple industry, and that is what we need in these new emerging markets.

Senator CANTWELL. Well, I have certainly seen that, where I have gone on congressional delegation trips and, while there on military purposes or whatever, talked to them about one of our products, only to find out they already have a bilateral with somebody. Then the first thing that the country says to me is, "Oh, it is really going to be tough, because we have had a bilateral with so-and-so or so-and-so for so many years now, and you are never going to beat their price or their infiltration to the market."

So it is not just that we are getting beaten on price by bilaterals. It is the fact that, over time, that market share loss will really put us behind, and it will be harder to catch up.

So, Mr. Cote, when it comes to technology, it is a different story, because technology adoption can solidify even more someone's usage.

But back to Mr. Cohen's point. To me, this issue is also about Trade Adjustment Authority. It is about better partnerships. It is about making a more robust system so that our workforce can be trained. I think one of the biggest opportunities for us on a global basis is going to be a smart-grid technology and the adoption of more energy efficient policies.

But, if Mr. Cohen is losing workers because industry will not even bother to retrain them using TAA or apprentice programs—I mean, is that not right, Mr. Cohen? Have we not seen, at the same time we have seen this growth in opportunity, a lot of companies laying off?

How could we be laying off electric workers when the biggest opportunity for us is smarter electrification? So I guess I would like to ask Mr. Cohen and Mr. Cote, quickly, their thoughts on just funding more apprentice programs, funding more training of American workers so that we can capture these opportunities.

Mr. COHEN. Just in less than 1 minute, I think that that is critical, but I also think we have to block the low road. So you had workers at a new Samsung plant in Vietnam rioting this week because of their conditions there. That low road has to get blocked. They have to have rights. Otherwise, the American worker competing with that situation—it is gravity, as a top CEO said to me. The production will go there if that low road is not blocked, if we do not use trade as an opportunity to say, on a global basis, we have to have minimum standards.

Senator CANTWELL. Mr. Cote?

Mr. COTE. I mentioned earlier the need for a global competitiveness agenda for the country, and one of the fundamentals for that, for me, is training across the board, and specifically in math and science.

If we believe that productivity comes from innovation, and innovation is going to continue to be significant for us, if we take a look and just compare ourselves with China, for example, in the year 2007, we graduated about 450,000 engineers. China graduated about a million, and that is with only about a third of a percent of college-age eligible kids going on to college. So when that equates, it will be like 500,000 engineers a year to their 3 million.

We need a much bigger focus on math and science across all our schools, from the time that kids start in Head Start all the way until the time they get to high school, whether it is apprentice programs, how do you just do more, work with software. It is going to be important across the board.

Senator CANTWELL. Thank you. Thank you, Mr. Chairman.

Senator HATCH. Mr. Chairman, can I just point out that half of our engineering students are foreign students? So we are really not producing that many engineers, and that is a big problem.

The CHAIRMAN. Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman. Thank you to all the panelists. I was in and out, because we had other hearings important to New Jersey.

Mr. Cote, thank you for being here today. Honeywell is a great American company. We are thrilled that it is headquartered in New Jersey, and I personally appreciate not only your corporate, but civic engagement in the State.

Let me ask you this. One of the things I fight for on this committee and also as the chair of the Senate Foreign Relations Committee, with others in the world, is intellectual property rights, because it is no value to have great American ingenuity create a product and then have it arbitrarily and capriciously stolen globally and not be compensated for it.

So do you think the intellectual property objectives, as delineated in the bill, would provide a type of adequate protection for companies like yours and other American companies as it relates to intellectual property?

Mr. COTE. I cannot say I am expressly knowledgeable of exactly what the provisions are in the bill and what they do. But I would say, in general, I am very supportive of anything that increases IP compliance around the world.

And, like the discussion we had on corruption, I think the lack of protection on IP hurts a country over time. And I can say that we are extremely careful about where we develop IP around the world, and the safer it is, the greater the chance that we can protect it. And we do now go to places that do not protect it.

Senator MENENDEZ. I hear from many American companies and many New Jersey companies, which have an enormous innovative capacity, about the nature of how countries, many in trade agreements that we have—or on WTO and others—ultimately, still will rather arbitrarily and capriciously go ahead and constantly violate intellectual property rights.

One of the concerns that I have is, what standards do we create and what enforcement mechanisms do we have, because, at the end of the day, regardless of what agreements we enter into, it is only the enforcement of those agreements that makes them valuable. Otherwise, as with any law, there is very little value to the agreement if you do not really seek enforcement.

So that is one of the things I am going to be looking at here, because I think the distinguished chairman has been nominated to be the ambassador to China. There is a place that is probably at the top of the list in the number of entities that consistently take American products and innovation and just violate IP left and right. So that is a huge problem.

I want to ask—I know this has been asked in general, and I think your answer was a consideration as a panel—but a recent study by the Peterson Institute of Economics estimates that currency manipulation has cost between $1 million and $5 million and increased the U.S. current account deficit by $200 billion to $500 billion. And, given that currency manipulation has an impact at least as great as any provision of a trade agreement and that venues such as the IMF and the G–20 have failed to resolve this issue to date, would not any true, high standard, 21st-century agreement have to include some type of binding provision on currency manipulation to ensure that benefits from trade that should accrue to the United States are not undermined by a country's effort to artificially weaken its currency?

Mr. COHEN. I would underscore that and say that currency manipulation in TPA, labor standards, environmental standards, and making it clear that our consumer rights at the Federal, State, and local level cannot be abridged are really the core for TPA, as well as the need to anticipate what are the likely results in terms of jobs, the standard of living, and the deficit itself that you mentioned for this Nation.

Those should be the core priorities as we move forward.

Senator MENENDEZ. Does anyone else have a view on that?

Mr. COTE. From my perspective, I am all in favor of a level playing field, in general, on everything, because I really do believe that with market access and a level playing field, American companies do a very good job of winning.

That being said, I can say that, while I have to be conscious of currency, as I mentioned earlier, I would be hard-pressed to point to a decision I have made or any results in the company that have been impacted by it. So it is not even on my, I would say, top 10 worry list.

Senator MENENDEZ. Maybe as an individualized company, I could understand that. But as a collective—when I see 1 to 5 million jobs, U.S. jobs, and $200 billion to $500 billion lost, it certainly, even in this town, raises a light for me.

Finally, Mr. Chairman, if I may.

What is the difference between the answer you gave earlier, Mr. Cote, about these trade opportunities being an opportunity to raise the standards across the board, including on labor, and the position that Mr. Cohen has that, yes, we support trade, but there should be ILO standards. Is there a difference between your two views?

Mr. COTE. Well, it sounds to me like there is not that much of a difference in how we are saying it, but there is probably a difference in terms of how far we would go to implement it, because I do think it is important to try to raise the standards around the world. But I also think it is a question of degree and at what point do you look at something and say, "This is a walkaway," versus, "Okay, this is something that I have to work through, and this advances the world, advances the U.S., and this is as good as we can get at this point."

So I would say it is more a question of degree.

Mr. COHEN. And I would say that, as important as it would be to raise standards, we are actually faced here with unraveling what we have done. So the race to the bottom, as I have said, gravity takes us there, because in an economic world workplace, if there are not minimum standards that are enforceable, that is where you lower production costs and create profits.

So we must set those minimum standards, is our view. It does no good to have even a discussion about a higher minimum wage in this country to have production occur in the U.S., Honeywell or anything else. A decision is made. How much does it cost in Vietnam, and how much does it cost in Trenton or Camden? That does not do us any good if we are not establishing some kind of minimums about children doing it, about workers with no rights doing it.

So we would say, quite passionately, whether it is our environment, our workforce, or our rights as consumers, we must maintain and increase those standards or they will sink into oblivion.

Senator MENENDEZ. Thank you, Mr. Chairman. That may be a little preview of some of the questions you might get when you go.

The CHAIRMAN. I might have to leave pretty quickly. I would just put this out, just a reaction, because the legislation does include the core labor standards, and they are all enumerated, as you know. And it provides further that they must be enforced and in the same way that other provisions are enforced, that commercial provisions are also enforced.

That is at a much higher level than it was in prior TPA.

Mr. COHEN. The key would be those ILO conventions that we have not adopted or even discussed here, that they be as enforceable as anything else.

The CHAIRMAN. They are in the agreement.

Mr. COHEN. I think, again—I do not want to be disrespectful—but I think the question is, are they enforceable in a way that anything else in the agreement would be enforceable, even though we have not adopted them? That is the key.

The CHAIRMAN. The provisions in the proposed legislation provide that they are as enforceable as any other provisions, which were previously more enforceable.

Mr. COHEN. Even if we have not adopted them? So, if the U.S. has not adopted six of the eight core ILO standards—that is our concern. But I appreciate the effort, and we are happy to follow up.

The CHAIRMAN. I am reminded of Dave Cote's "you can't let the perfect be enemy of the good" here, because it is a major advance, and I think, therefore, it should be treated as such.

Senator Wyden?

Senator WYDEN. Thank you very much, Mr. Chairman. And I am glad we have you here for an additional minute, because I wanted to take just a minute before talking to the panel to acknowledge your extraordinary record on the trade issue.

The reality is that Chairman Baucus was talking about global economics long before it became cool. And you held the position that I hold now, chairman of the Trade Subcommittee, and you basically moved the entire committee to focus on East Asia, to focus on Japan.

And in the tradition of your great mentor, Mike Mansfield, you led. And what has been especially striking is, you showed a lot of us how to look at the trade toolbox in a creative kind of way, and I still recall when you brought in U2's Bono to help get AGOA unstuck and create economic opportunity in Africa.

So your work is not going to end when you go to China. But I just want, as we move toward the end of this hearing, to make sure people are aware and take this opportunity to really celebrate your exceptional record and your leadership on the international trade issue.

For the panel, my bottom line today is pretty straightforward. Democrats and Republicans need to write a TPA that leads to better trade agreements and, in effect, can expand the winner's circle in the international trade area so that Senator Casey's constituents in Pennsylvania do not feel that they are getting the short end of

the stick, and the agreement works for, for example Oregon, where one out of six jobs depends on international trade, and the trade jobs often pay better than do the non-trade jobs because they reflect the higher level of productivity.

Now, going into this challenge, we must face the reality that the economic landscape in 2014 is very different than in 2002 when the last TPA was passed.

Senator Thune talked about our work on digital goods. The Internet is now the shipping lane of the 21st century, and our workers and businesses face a whole array of new challenges, particularly in the rise of state-owned enterprises and aggressive currency manipulation. So TPA is going to have to reflect these changes and be written so that future trade agreements, particularly those with Europe and Asia, are well-shaped.

Now, I heard you talk to Chairman Baucus—and I apologize for running in and out of the room. I chair the Energy Committee and had some business there. And I have not heard, for example, your thoughts with respect to the economic challenges for your companies in Europe, which is a very big market. You touched on the challenges with Asia with Chairman Baucus.

But as we close on this, if you could just highlight—and let us start with Europe, because I have not heard that mentioned. What are the big challenges there? And for those of you who want to pick up again on the discussion with respect to the challenges in Asia, I would be interested in that. And I think I have almost enough time to get all four of you in. And I feel badly, again, for being in and out this morning.

Mr. Cote?

Mr. COTE. When it comes to Europe, I really do think they are going to have a tough economy for at least another 3 years, because they still have major issues that they need to address.

And I can tell you the way that we have planned in our own company is to assume that Europe grows about zero to 1 percent a year, and I think, unfortunately, that is what they are going to be dealing with for a while. It is difficult, but that is what they are going to have to deal with.

Something like this—the agreement that we have talked about with Europe—would benefit both Europe and the U.S. at a time when both of us are lagging economically, because we are also planning in our own company by looking at the U.S. as being more of a 2.5-percent-type growth country for the next 3 years.

This would do something to elevate both of our economies as a result of that and be good for the two biggest trading blocs in the world.

Senator WYDEN. Very good.

Mr. Allen? Just go right down the row.

Mr. ALLEN. Thank you, Senator. Again, with different items, different markets, there are different situations involved. For the apple industry nationally, the biggest export markets are Mexico, Canada, Thailand, Asia, Vietnam—a very emerging market—and India.

Again, the European market is not that strong because of their production of apples. So it is tough to answer that question. It is

a market for us, but it is not the emerging and growing market as the other ones are.

Senator WYDEN. Ms. Stegemann?

Ms. STEGEMANN. In Europe, we see more in terms of opportunities than challenges. It is a relatively new market for us. We are entering into a lot of northern and western European countries. There are great opportunities there, very high standards.

Of course, I guess one of the challenges for us is being able to produce a product that meets very high standards for people who are used to having locally made goods—Germans think of themselves as exporters, not as importers. So to convince them that we know how to make a good product in the U.S. takes a little bit of selling.

I would say in terms of challenges, of course tariffs come to mind. We manufacture a product that is expensive for us to make. By the time our distributor buys it from us, they have paid a lot for it, and then they need to make some money when they resell it. So, by the time it reaches the end user and they have paid VAT and tariffs, it becomes much more difficult for us to get our product into the European market in greater quantities.

Senator WYDEN. My time is up. Mr. Cohen?

Mr. COHEN. I think there are great opportunities to look at sustainable production and trade based upon, again, leveling up to many European standards.

It was fascinating to hear Chancellor Merkel, a conservative, talk about all renewables within 10 years. They have much higher labor standards than in the U.S. in terms of freedom of association, collective bargaining rights—obviously, much higher standards.

They have adopted all eight core ILO standards. So, whether it is environment or workers' rights, they have much higher standards. We need to promote those, and they need to be the goals we talk about in TPA.

Senator WYDEN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Portman?

Senator PORTMAN. I thank the chairman. And I want to congratulate you and Senator Hatch and Chairman Camp and the administration for working together on putting together a good bill on Trade Promotion Authority.

I know the White House is not here today, so I will speak for them in saying that they support moving ahead with Trade Promotion Authority. In fact, they say, in this release I have in front of me, "We look forward to working with Democrats and Republicans alike to pass Trade Promotion Authority as soon as possible." Broad bipartisan support.

So I wish they were here, because they are going to be needed in order to get this done. Having been a U.S. Trade Representative, I know that it is required that the executive branch get engaged, and I know that they are going to. And I know from talking to Ambassador Froman, he is already talking to folks on both sides of the aisle.

We have to get this done for our country. It is sad to me that since 2007, we have not had the ability to open up markets for the workers, farmers, and service providers that I now represent in

Ohio and around this country. We may disagree on some of the specifics, but let us be honest: not having this authority has resulted in other countries completing agreements without us, sometimes regional, sometimes bilateral, taking away our market share, and this is a huge problem right now. We have enough problems in our economy not to have the ability for us to export the best products, the best services in the world.

Interestingly, when you look at the United States compared to other countries—exports as a percentage of our GDP—we are now tied with Ethiopia. There are only 12 countries behind us in the entire world. We are not punching above our weight. We are punching below our weight, as they say. We can do a lot more.

With more exports, we have more jobs. Over a quarter of the manufacturing jobs in my home State of Ohio are now export jobs. And we need to access the 95 percent of consumers who live outside of our borders, as has been said today many times.

This is the first administration since Franklin Delano Roosevelt not to either have Trade Promotion Authority in place or some other equivalent prior to the Trade Promotion Authority being in place. And I was delighted when they asked for it last year. They were also the first administration in the history of the United States since FDR not to have asked for it until that point. They finally asked for it, thank goodness, again, for the sake of our economy and our workers.

Now, we have to get it done. I was U.S. Trade Representative. I have spoken on the floor with Senator Baucus and Senator Hatch about this, but I will tell you, the last best offer will not be on the table to complete agreements unless other countries know that we have this ability.

Our system works differently than the vast majority of other countries, and they need to know that we are not going to nickel and dime an agreement that is thought over and contested and carefully negotiated and, in your worlds, whether it is labor negotiations or whether it is business negotiations, you see this all the time.

You have to be able to say, okay, this is it—at least to go to Congress for an up or down vote. Ultimately, Congress has the ability to turn these things down, and we have come very close to doing that many times, as you know, and that is fair. The people's voice needs to be heard. But we cannot compete in this global marketplace without this authority, and I am really, again, interested in working closely with the chairman and the future chairman, who just left, and Senator Hatch and others, to try to get this done.

There were comments made earlier about how, because we have a trade deficit, it means that this USTR stuff, the opening of markets, does not work. Here are the facts. Only 10 percent of the world's economy is comprised of countries with which we have a trade agreement—10 percent, that is all—and yet we send 46 percent of our exports to those countries.

Think about that. We do not have a trade agreement with China. The talk earlier was about how we have a trade deficit. Yes, our trade deficit is made up primarily of two things. One is exports to the United States of energy, and we need to have a new energy policy for that, which we are making progress on with domestic

sources. And second is trade with China, and it needs to be on a level playing field.

I fought, with my colleague, Senator Brown, and others, to help ensure that. I will continue to do that. I believe in enforcement. I believe it needs to be fair.

But, folks, we cannot say that these things do not work when you look at the fact that in 2012, we had a $58-billion manufacturing goods trade surplus with the 20 FTA partners we have—a $58-billion trade surplus. They purchased over 10 times more goods per capita from the U.S. than non-trade partners.

So that information needs to be out there as we talk about this. I really appreciate your testimony today. All four of you made important points.

To Dave Cote, because you have a lot of workers in Ohio, at 21 facilities, I just have one question for you. Because you do travel the world, you talk to a lot of folks about this. As you are talking to government and business leaders in other countries, how big a concern is it that we have not been engaged in trade, and what impact does it have, as a matter of fact, with your business and the people whom you represent, your workers, your stakeholders?

Mr. COTE. It is a huge concern, and it is an opportunity for us as a country, and I think you stated it very well up-front.

As I said in my testimony, the global economy has changed significantly over the last 20 years and is going to change even more significantly in the next 20. And a lot of these countries that we refer to as developing countries or developing regions, in 20 years are going to represent almost half of the global economy.

And, if we are not participating in free trade agreements with that half of the world economy, that puts us behind a lot of others who are moving in that direction. So it is important for our growth as a country and for the prosperity and jobs in the country for us to be out there doing this. I completely agree.

Senator PORTMAN. It is an important point, and that is one reason we need to complete some agreements with some of those countries.

We mentioned earlier that we do not have an agreement with China, or Brazil for that matter, or India, countries that are growing—Malaysia, Indonesia, and so on. So there is an opportunity here to do more.

Specifically, Mr. Chairman, I do want to mention the health care tax credit issue. We talked about this when we were debating the SGR, and, at that time, you indicated that there would be an opportunity to discuss including this health coverage tax credit with an extension of TAA, which may well be part of a TPA discussion.

I offered a bipartisan amendment, along with Senator Brown and Senator Stabenow, to extend this health care tax credit. The reason this is so important is that it is critical to thousands of workers whose pension plans were taken over by the PBGC, the Pension Benefit Guaranty Corporation, and are now struggling to pay their health bills, including thousands of retired Delphi workers in Ohio and across the country.

So I would hope that we could have a commitment as we move forward with this that we do take the opportunity to also extend

the health care tax credit if we do move forward with TPA and the likelihood of TAA being involved with that in some respect.

I know I am over time. I appreciate, again, your testimony here today and look forward to working with all of you on this going forward.

Thank you, Senator Hatch.

Senator HATCH [presiding]. Thank you, Senator Portman.

I have to say, we are very lucky to have Senator Portman on this committee, with his experience as the Trade Representative of our country. He adds a great deal to this committee, and I am grateful to have him here.

Let me just ask a couple more questions, and then we will finish up.

Did you get enough time, Senator Portman? Did you have enough time? Did you have anything else you would like to ask?

Senator PORTMAN. I am good. Thank you.

Senator HATCH. Ms. Stegemann, let me just turn to you. The Finance Committee received written testimony from J&J, Johnson and Johnson, in strong favor of our bill. J&J is a member of the Alliance for Healthcare Competitiveness, AHC.

A group of 19 leading firms and nonprofits involved in American health belong to that organization. In their written testimony, they note that health care is one of the largest and fastest-growing sectors of the world economy, currently valued at $6 trillion in 2010 and likely to surpass $8.5 trillion by 2015. They also note that the United States is uniquely positioned to take advantage of this market if many of the trade objectives outlined in our bill become law, and it will be of great advantage to our country.

Now, do you agree that health and rehabilitative services represent significant export opportunities for the United States, and do you agree that our bill will help not only large companies such as Johnson and Johnson, but also smaller companies such as yours, to access these growing opportunities?

Ms. STEGEMANN. Absolutely. And thank you for the opportunity, Senator Hatch, to comment on this.

Yes. Health care, particularly in terms of rehabilitation, is a growing field. In terms of just demographics, the world is aging everywhere, not just in the U.S. And so there are growing opportunities for big and small companies to participate in the commercial opportunities that this creates.

I also would like to mention that in my experience—and I have traveled all over the world in the last 5 years with this job—over and over again, I see how American companies and the U.S., in general, are actually leaders in terms of addressing the needs of people with physical disabilities and the aging population.

So our company is also kind of at the forefront of this. We have decided to focus on creating a product that addresses the needs of the aging population and people with special needs. And the world is looking to us.

Many people whom I have talked to in hospitals and at trade shows around the world have said, "We are not like you in the U.S., where a person in a wheelchair feels comfortable going out and being seen." In many parts of the world, people like that feel like they have to hide at home.

So we have an opportunity not only to act on the commercial opportunities that are out there, but also to show leadership to the rest of the world through the products and services, and even the legislation, that we have in the U.S. that address and protect the needs of people in that population.

Senator HATCH. Thank you. I am very grateful to hear your testimony regarding the benefits international trade has brought to your company and to other companies of similar size.

I hear a lot of similar stories from small and medium-sized businesses in my own home State of Utah, and one problem that many of them face, as you have mentioned, is trade secret theft. This is a growing problem around the world, and it is estimated to cost U.S. businesses literally billions of dollars every year.

Now, our bill specifically addresses this problem by providing for high standards for the protection of intellectual property rights, including new objectives prohibiting foreign government involvement in the theft of trade secrets, limiting government's ability to collect undisclosed proprietary information, and directing governments to protect any undisclosed information they do collect.

So my question to you is: do you agree that it is important for TPA to address the problems of trade secret theft so that companies like yours can safely export your equipment overseas?

Ms. STEGEMANN. Definitely. That is a definite "yes." As I mentioned before, being a small company, we do not have our own legal staff. If we are ever faced with any kind of a threat, we have to go to a third party or to a consultant.

So we really rely on our government and our negotiating team to look out for the interests of companies like ours that do not have a global staff. We do not have offices in other parts of the world with staff who can advise us on legal issues there. We very much look to our government to have a free trade agreement that looks out for us specifically in this field.

Senator HATCH. Thank you. This has been a particularly good panel, as far as I am concerned. All of you contributed much to this hearing.

Let me just ask one more question of you, Mr. Cohen. I have enjoyed your testimony, I enjoy you personally, and we do not agree on some things, but that is okay. But this is more of a comment than a question, I suppose.

I read your testimony, and sometimes I feel like you and I are living in an alternate universe. Rather than trade agreements costing U.S. jobs, company after company comes to me and tells me that trade agreements helped them create and retain jobs, both here and abroad.

In fact, I just received a letter from the Telecommunications Industry Association, where they write that, "Experience shows that the effects of prior trade agreements on telecommunications exports are both demonstrable and dramatic," and that, "although countries having trade agreements with the United States currently represent only 10 percent of the overseas economy, they account for 35.7 percent of U.S. exports in telecommunications equipment."

Now, the National Association of Manufacturers tells a similar story, noting that, while the 20 countries with which the United

States has concluded trade agreements under TPA account for just 9 percent of global GDP, they purchase nearly half of all manufacturing exports.

These statistics clearly show we export more manufactured goods to our trade agreement partners than to non-trade agreement partners. These facts seem to fly in the face of your argument that trade costs jobs, and I simply disagree with your premise. I personally do not think that welding ourselves off from the global economy will help our economy grow, and I fear that if we do not act soon, the U.S. will fall further and further behind our competitors.

Now, let me just say this. I am going to re-read your testimony, and I am going to look for what we can do, where we can find common ground. But I have to say, this agreement goes a long way toward, I think, creating jobs in America that you have every privilege in the world of unionizing, and many of which are unionized.

So, I do not mean to lecture you. I am not trying to do that. I just want you to be aware that I feel really deeply about this, and yet I respect a number of the things that you said as well. And we also run into the risk of, can we impose our high standards on others, and, of course, the trade union movement would love to be able to do that, in many respects. But we would never get an agreement anywhere if we started doing that.

The reason I mentioned Irving Brown is because he understood all that, and the whole world listened to him.

Now, hardly anybody knows Irving Brown today, and it is a doggone crying shame. He was one of the greatest men I met in my whole time here. And he disagreed with me on a number of things, but we agreed on a lot too. In fact, because I went over to Geneva and helped him resolve a major problem that would have forced us to withdraw from the ILO, the largest labor organization in the world, the largest U.N.-affiliated organization, we were quite close.

And I had done a number of other things internationally. I helped raise money—and helped raise paper, mimeograph machines, all kinds of things—for Solidarnosc over in Poland, when Lech Walesa was getting tarnished by the Soviet people, and helped to develop the National Endowment for Democracy. I was one of the key people who developed it, was on the board for the first 2 years, which is composed of three groups: business, labor, and government.

I will never forget, Lane Kirkland, who was then the head of the AFL–CIO, said to me, he said, "Senator, if only you were as good in domestic policy as you are in foreign policy." And I turned to him, and I said, "Lane, I was thinking precisely the same thing about you." And he laughed. He caught himself, and then he got a big grin on his face. We had a great relationship in those years. He also was one of the great people on our foreign policy.

So I would like you to take back to our friends in the labor movement—and by the way, I am one of the few guys in the whole Congress who actually earned an AFL–CIO union card in a skilled trade. So I will never forget that. But I would like you to take back to them that this is going to create jobs. This is going to help them. This is not going to hurt them. And I do admire, in many ways, their position, though it is very difficult to implement, of trying to

get other countries to be as fair to their labor employees as we are, and even trying to get us to be more fair, and I respect that.

But I would like to see organized labor get a little bit more behind these international trade agreements, because I think they create more jobs. I do not just think so—I know it means more jobs. I can make a tremendous case for it.

But just know that I respect you and respect the leadership, and I appreciate you coming here today and giving us your point of view.

I particularly appreciate you others as well. I will tell you, Ms. Stegemann, you represent every small business in America today that has any chance of exporting.

The apple industry, that is extremely important not just to New York, but so many other States on the west coast and east coast.

And of course, for Honeywell, I just have nothing but admiration.

So we appreciate all of you being here. I want to come down and shake hands with each of you, and thank you for being here.

With that, we will end this hearing and hopefully get this bill to the floor.

[Whereupon, at 12:25 p.m., the hearing was concluded.]

APPENDIX

Additional Material Submitted for the Record

NEW YORK APPLE ASSOCIATION, INC.

Submitted Testimony of James S. Allen
President/CEO
New York Apple Association, Inc.
Before the United States Senate Committee on Finance
Hearing on Trade Promotion Authority
Thursday January 16, 2014

Thank you Chairman Baucus, Ranking Member Hatch, and distinguished members of the Senate Committee on Finance. I am honored to have been invited here today to speak with you about the importance and the values of the Trade Promotion Authority and the execution of Free Trade Agreements.

My name is James S. Allen and as President of the New York Apple Association, I have the pleasure of representing close to 700 commercial apple growers in the Empire State. In my 14 years as President, I have worked closely with our past and present apple leaders, serving on Senator Clinton's, Senator Gillibrand's and Senator Schumer's many agricultural-related task forces and advisory committees.

At the risk of sounding provincial, I would like to take this opportunity to recognize the Honorable Charles Schumer for his unyielding support over the years of our New York apple industry. He has been often referred to as the "Farmer Senator from Brooklyn". Thank you Senator Schumer.

We take apple growing very seriously in New York, and we are presently the second largest apple-growing state in the union, pumping over $300 million a year into our economy. The prestigious leader in production is Senator Cantwell's home state of Washington; third is Senator Stabenow's beloved Michigan. Senators Casey and Toomey from Pennsylvania represent the fourth leading apple-producing state, followed by California to round out the top five.

But today I want to speak to you with an industry-wide message; one voice that echoes the concerns of all major apple-producing states from the East Coast to the West Coast.

The United States is the world's leading exporter of agricultural products reaching a value of $140 billion and providing nearly 1 million U.S. jobs. It is well known that soybeans, corn and wheat are the top three commodities; but number four is fruit and fruit products, reaching an estimated $7.82 billion.

Fresh apple exports represent over $1 billion in farm gate revenues for U.S. growers. U.S. apples are exported to over 70 different countries. Leading the way are Mexico, Canada, Taiwan, South America, India, United Arab Emirates, Hong Kong, the Middle East, Vietnam and Indonesia. Add this to the additional income from transportation, services and infrastructure revenues, and the value of apple exports are greatly increased.

The aforementioned apple-producing states rely on export markets to help balance domestic supply levels, and to expand markets. For New York state, although our export percentages are dwarfed by Washington state, the volume that we export greatly enhances our overall apple business.

New York's major markets are Canada, South America and the European Union. Volume levels approaching 1 million cartons are vital to our overall marketing plans. In the case of Washington, it represents close to 40 million cartons, which is 32 percent of that state's total production. I would be remiss if I did not point out that the Market Access Program (MAP) that is authorized in the Farm Bill plays a major role in our export programs and underscores the importance of the Farm Bill.

In the world apple market, all U.S. apples generally compete on the same playing field; and when it comes to trade agreements, trade barriers, and Trade Promotion Authority (TPA), as an industry we work together to benefit all U.S. growers. It is safe to say that a trade barrier that impedes Washington apple exports will also adversely affect New York, Michigan and the other exporting regions.

Challenges remain for U.S. agriculture because ag exports often face barriers imposed by countries that keep U.S. products from reaching their target markets, such as unscientific sanitary and phytosanitary measures on pesticides and food additives. Unfortunately, this is a familiar scenario in the apple export arena.

My counterpart Todd Fryhover, President of the Washington Apple Commission, makes a good point that I agree with when he states that, "Trade agreements provide a platform for all participants to address the wants and needs of potential exporting countries, while extending the same benefit to domestic importing countries essentially for the betterment of consumers. Without trade agreements, the status quo remains consistent and is adverse to the principles of free trade. Ultimately, free trade is best for every economy and trade agreements open the doors to increased commerce."

U.S. farm groups support renewing TPA because they know that without the ability to negotiate and ratify trade agreements they will not be able to eliminate foreign barriers.

The U.S. apple industry supports renewing TPA for two reasons; the first is timing equitability. Trade agreements are being negotiated every day between countries, and because TPA isn't authorized, the United States lags behind in our ability to effectively negotiate and execute quickly on trade agreements, rendering U.S. producers uncompetitive. Secondly, authorizing

TPA provides U.S. negotiators with the ability to act within the parameters set forth by Congress, while gaining credibility with negotiating partners. It's difficult to imagine our negotiators needing to go back to Congress with the risk of potential amendment – TPA provides the detail on negotiating objectives and a strong consultations process, which allows for an up or down vote on agreements.

A successful example of the benefits of TPA for the U.S. apple industry would be the Central American Free Trade Agreement that was implemented a few years ago. Under CAFTA, U.S. apples now compete on a level playing field with other apple exporting countries such as Chile. This agreement has resulted in increased trade, and expanded markets for all U.S. apple-exporting states. As for the future, TPA could allow us to conclude trade talks with Europe and Asia that address the range of regulatory barriers preventing U.S. apples from competing on a level playing field in those markets.

As U.S. Trade Representative Michael Froman said just last week, "We need to open markets, support U.S. jobs, increase exports of products made in America and ensure a level playing field for Americans to compete in the global economy. The TPA will help us accomplish that goal."

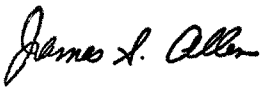
My final conclusion is that we know that we cannot stand on the sidelines and/or just choose to follow in world trade. The United States needs to take the lead to establish the ground rules and to negotiate trade agreements that will benefit commerce, producers, consumers and economies among trading partners. As we negotiate, we must be ever mindful that trade agreements must ensure that trading partners treat one another equally without imposing restrictions on one party over the other.

Our industry urges Congress to support updated TPA legislation so that U.S. apple growers can grow our markets, and supply nutritious and delicious U.S. apples to new markets around the world.

Mr. Chairman, Ranking Member Hatch and distinguished members of the committee, thank you for allowing me the opportunity to be with you today and to discuss the importance of TPA for America's apple growers.

I would close with a simple question for all of you ... ***Have you had your apple today?***

Thank you and good day. I will be happy to provide additional information, if needed.
Respectfully Submitted January 16, 2014,



James S. Allen
President

7645 Main Street • P.O. Box 350 • Fishers, New York 14453-0350
585-924-2171 • Fax 585-924-1629 • www.nyapplecountry.com

UNITED STATES SENATE
COMMITTEE ON FINANCE
HEARING ON ADVANCING CONGRESS'S TRADE AGENDA:
THE ROLE OF TRADE NEGOTIATING AUTHORITY
JANUARY 16, 2014
QUESTIONS FOR JIM ALLEN

Questions from Chairman Baucus

Question 1

In your experience, what will happen if the United States is unable to conclude trade agreements? How would your businesses be affected?

A: The U.S. will not be able to compete with other countries.

Question 2

Mr. Cohen earlier expressed the view that trade agreements have resulted in lost jobs, particularly citing job losses due to the Korea deal and NAFTA. I suspect we could have a spirited debate over the numbers, but let me begin by asking Ms. Stegemann, Mr. Cote, and Mr. Allen, does Mr. Cohen's description of the consequences of trade agreements match your experience? How have trade agreements affected employment in the company or sector you represent?

A: Absent trade agreements, the over 1 million U.S. jobs in U.S. agriculture that now depend on exports could be jeopardized. I would not agree with Mr. Cohen's assumption.

Questions from Senator Hatch

Question 1

As you noted in your testimony, many of our current negotiating partners maintain unwarranted, protectionist sanitary and phytosanitary (SPS) barriers.

To use an example from Utah; pork production supports 3500 jobs statewide. And while 700 of those jobs are tied to exports, that number should be higher. Here's an illustration of the extent of the problem: due to restrictive SPS measures, the United States exports more pork to Honduras than it does to all 28 EU countries combined.

S.1900 very clearly instructs our trade negotiators that we will only accept trade agreements that have strong – and enforceable – SPS obligations.

How would trade agreements with strong, enforceable SPS standards help U.S. apple and other agriculture producers to export around the world?

A: Once again, strong enforceable SPS standards, based on sound science and research, equal to both trading parties, will level the playing field and help grow exports.

Question 2

As you know, the United States has not signed a free trade agreement since 2007. Meanwhile, our competitors around the world have been completing deals and giving their producers better access to foreign markets than U.S. producers enjoy. Your testimony is a good reminder of the harm this causes to American exporters.

The sad fact is, this Administration allowed U.S. trade policy to drift for far too long. But the Administration is now working to lower barriers to U.S. exports to Europe and across the Pacific. I hope this bill can be a catalyst for bringing those negotiations to a close with strong market access results for U.S. exporters.

Specifically, what additional commitments regarding market access, SPS, and other non-tariff measures would you like to see the Administration secure as part of the TPP and T-TIP negotiations? What will be the effect on your export potential if Congress fails to approve TPA which is the key to getting both TPP and T-TIP concluded?

A: Free trade agreements should determine the validity and the authenticity of SPS issues, and make sure they are based on sound science and that the risks are credible and documented.

Questions from Senator Brown

Question 1

Majorities in the House and Senate have written to the Administration concerned about the effect of currency manipulation on U.S. businesses and workers, but the Administration has not yet included this issue in its pending trade agreement negotiations.

Businesses and workers in Ohio and across the United States are harmed by currency manipulation.

C. Fred Bergsten of the Peterson Institute for International Economics has said that the U.S. Current account deficit is an average of $200 to $500 billion per year higher as a result of currency manipulation.

Shouldn't such an important issue with such a large economic impact be subject to disciplines in our trade agreements? More simply put, should we be negotiating trade agreements with nations that manipulate their currency?

A: If currency manipulation will increase exports, and both parties agree, then we should negotiate those conditions, but if currency manipulation does not treat both sides equally and will not have a net effect on exports, they should not be part of any agreement.

Question 2

I believe that we can't rush into more foreign trade agreements until we invest in a global competiveness agenda here at home.

To succeed in the 21st century, the United States needs to work harder and smarter. That means we must have: the best trained workers; the most developed and sophisticated infrastructure; the most robust manufacturing base; and the strongest defense against currency manipulation. Trade agreements cannot be the only way we create jobs in America.

Do you believe that a competitiveness agenda should be part of our trade agenda? What are your recommendations to boost U.S. competitiveness and create jobs?

A: Create new global markets by negotiating fair and equitable trade agreements.

COMMITTEE ON FINANCE
NEWS RELEASE

Max Baucus (D-Mont.)
http://finance.senate.gov

Hearing Statement of Senator Max Baucus (D-Mont.)
On the Need to Renew Trade Promotion Authority
As prepared for delivery

Thomas Edison once said, "We often miss opportunity because it's dressed in overalls and looks like work."

Today we have tremendous opportunities to boost our economy and create American jobs through trade.

Talks are underway with countries in Europe and across the Pacific. These agreements will open huge new markets for American exports.

Ninety-five percent of the world's consumers are outside the United States. They hold eighty percent of the world's purchasing power. We need trade deals to reach those consumers. Why? To create jobs here in the United States; to strengthen our economy.

Some people argue that pursuing trade deals is not the right solution for America's jobs crisis. But here are the facts.

Exports support nearly ten million American jobs. That includes 25 percent of all jobs in manufacturing, and those numbers are increasing.

These are good paying jobs. Workers in factories that export earn nearly 20 percent more than workers in factories that don't export. Businesses that export create jobs more quickly, and they are less likely to go out of business.

So how can we help create those jobs? How can we get more American exports into foreign markets? Through trade agreements. And to complete trade agreements, we need trade promotion authority, also referred to as TPA.

Last week, Senator Hatch and I introduced a bill to renew TPA. It's called the Bipartisan Congressional Trade Priorities Act of 2014.

Why do we need this bill? For several reasons. First, we have to level the playing field with our international competitors. The United States is already open to trade, but too often, our trading partners are not.

The trade deals we're negotiating will provide new opportunities for U.S. exports in many countries, and that would mean more jobs in the U.S.

The fact is dozens of nations are cutting their own deals with one another as we speak. China, Japan, Korea, just to name a few.

If we don't stay in the game, we'll be left on the sidelines. Our exports will face high tariffs, whereas our competitors will not. And frankly, we may not like the look of some of the deals that other countries are cutting.

That leads to another reason why the TPA bill is so important.

Labor rights, environmental protections, currency rules, and discipline for state owned enterprises – all of these issues and more will be left out of trade deals if we don't push for them. We'll have forfeited our role as a global power. We'll have lost the chance to shape the rules on trade.

Some argue that we need to do more; that we need to bring our policies into the 21st century. The TPA bill does that.

It reflects the bipartisan agreement on labor, the environment and the need to foster innovation and promote access to medicines.

TPA will call for countries to adopt and maintain core labor standards and environmental commitments – not just enforce their own laws as they stand. The bill will direct USTR to back those commitments with the same strong dispute settlement and remedies that apply to commercial commitments.

The bill ensures that parties to U.S. trade agreements cannot manipulate their currency. The bill also recognizes the importance of the internet. It ensures that trade rules facilitate legitimate digital trade. And it calls for tougher enforceable rules against unscientific barriers to U.S. agriculture exports.

The bill updates TPA to address several other 21st century challenges. That list includes "localization barriers" to trade that shut out American companies or force them to surrender intellectual property and restrictions on the flow of data across borders.

In short, this isn't the same old TPA. This strengthened bill tells the Administration – and our trading partners – what provisions need to be included in trade agreements to win Congressional support. It helps guarantee that America's workers and companies can compete on a fair and level playing field.

Many in Congress have expressed concerns about a lack of transparency and consultation in trade negotiations.

We heard that message, and this bill addresses those concerns. It sets significantly stronger rules for the Administration to follow in negotiations, and it ensures Congress is a full partner.

The bill gives every member of Congress a strong voice in the negotiation process. That includes the right to access information, including classified information, and it includes the ability to attend all negotiating sessions and serve as an advisor.

These privileges were previously reserved for only some members. Not anymore. Our bill would make these privileges available to all members. The bill also requires USTR to hold close consultations with any committee whose jurisdiction would be affected by a trade agreement.

It requires USTR to prepare new rules of engagement with Congress, stakeholders and the public. For Congress, these rules will ensure detailed and timely briefings and access to information. For stakeholders, they will mean improved coordination. For the public, they will boost transparency, public participation, and collaboration in negotiations.

All of these improvements are backed by a strong mechanism for Congressional disapproval. If a trade agreement fails to meet any consultation requirement, Congress can disallow the final deal from being considered under TPA procedures.

In short, the bill gives Congress a much bigger role in trade negotiations.

Some have argued that we don't need TPA. They say that this isn't the right time. But I believe we have an obligation – not just an opportunity, but an obligation – to show the United States leads on global trade.

For a trade negotiation to work, countries need to know that our negotiators are good for their word. So we need TPA, and we need a TPA that empowers Congress to play a larger role in negotiations from the beginning.

As I noted at the outset, Thomas Edison said, "We often miss opportunity because it's dressed in overalls and looks like work"

In order for our job-creating trade agenda to succeed, we have to act, and we have to renew trade promotion authority now, as well as Trade Adjustment Assistance. TPA and TAA have always gone together, and it will be no different in this case.

Trade bills are always tough, but we work together to get them done. This committee has a history of rolling up our sleeves and working together to get a product that will pass the Senate and the Congress. I am deeply proud of the work we've done together in my time here as chairman. And I am confident that spirit of collaboration will continue in the days, months and years ahead.

This bill is not a perfect solution to all the issues we face, but I know that we can work together and get it done.

###

COMMUNICATIONS WORKERS OF AMERICA

Larry Cohen

President

Statement for the U.S. Senate Finance Committee

For the hearing:

Advancing Congress's Trade Agenda: the Role of Trade Negotiating Authority Hearing

January 16, 2014

Chairman Baucus, members of the Committee, thank you for giving me the opportunity to testify today at this important hearing. As President of CWA, a union representing workers in the telecommunications, aviation, manufacturing, media and public sectors, we appreciate your willingness to hear from representatives of working people on the important topic of "Advancing Congress's Trade Agenda: the Role of Trade Negotiating Authority".

I'm not just here today to give voice to the members of CWA or organized labor. CWA is part of a broad coalition of organized labor, environmental organizations, consumer groups, fair trade advocates and others that have come together to advocate for trade policies that can benefit everyone. I hope my testimony today can help shed light on a number of our shared concerns.

We recognize the reality that we are living in a global economy. We share the belief that trade is an important economic activity and that trade policies are important to ensure that U.S. citizens can take advantage of the global economy. That trade policy, done correctly, is a win for the U.S. economy and U.S. workers – who are the most productive in the world. However, we do not believe that Trade Promotion Authority (TPA) legislation, or "Fast Track," modeled after our past Fast Track Agreements, provides for enough Congressional oversight, nor does it establish appropriate enforceable negotiating goals.

Meaningful Goals for TPA

This hearing is timely coming on the 20th anniversary of the North American Free Trade Agreement (NAFTA). In light of that, and as the current Administration negotiates two more trade pacts that would each dwarf NAFTA, we should take some time to reflect and identify key elements we want to achieve.

It is critical in this modern global economy that we work to stop the global race to the bottom that has been the result of old style trade agreements. As a nation we strive to perfect our democracy. We strive to improve our standard of living and provide a better life for our children and grandchildren. These American values must guide our future trade agenda. We should not compromise on these values and reduce the quality of life for Americans through our trade policies. Instead, trade policies should be designed to raise living standards, enhance our quality of life and protect our environment. We need to continue to rise above minimums and build toward a better tomorrow.

In order to achieve those goals and for everyone to succeed in a global trading environment we must work to ensure that Congress establishes these priorities for any TPA legislation:

1. Document that any new trade deal is not likely to add to the nearly $1 trillion annual trade deficit in goods which has grown since we've adopted the NAFTA style trade agreements of the past.
2. Document the likely net effect on employment overall and not simply look at increases in exports. Each trade deal comes with promises of job growth, yet the overall impact has been job loss.
3. Document the likely effect on pay and standard of living. Since NAFTA and other agreements were negotiated US wages have stagnated and been depressed by competition from significantly cheaper foreign labor and the loss of collective bargaining coverage.
4. Ensure that established and future regulation by federal, state or local government on consumer protection is not diminished.

5. Ensure that all trading partners comply with International Labor Organization (ILO) principles and conventions.
6. Ensure that environmental standards are not degraded and are enforceable.
7. Ensure that these social goals are enforceable at least at same level as all other sections.
8. Ensure that Congress plays a meaningful role in setting priorities, can hold the United States Trade Representative (USTR) accountable, and limits the authority of the USTR to negotiate on basic governance and human rights.

Trade Deficit

Free trade agreements have been devastating for our balance of trade. In 1993, the year before NAFTA, our trade deficit in goods was -$132 billion or -1.9 percent of our GDP. By 2012, our trade deficit ballooned to -$741 billion or -4.6 percent of our GDP. The growth of our trade deficit to such levels has been a strong drag on our economy and especially in terms of jobs and wages.

And specific trade deals have been most at fault for the increased trade deficit. Here are three examples. In 1993, the U.S. had a trade surplus in goods with Mexico of $1.66 billion. By 1995, just one year after NAFTA, this had changed to a $15.8 billion deficit and by 2012 the deficit with Mexico had increased even further to $62 billion.

Allowing China into the WTO also has been disastrous. The U.S. had a trade deficit in goods with China of $83 billion in 2001 when China was admitted to the WTO. This deficit has ballooned to $315 billion in 2012. And for a most recent

example, in just one year after the U.S.-Korea trade agreement took effect, our trade deficit in goods with South Korea increased by $5.5 billion or 46%.

Last year, our federal budget deficit was more than $680 billion. But our trade deficit in goods for 2012 was $741 billion. While a lot of attention in Congress and in Washington, DC has focused on the federal deficit, little attention has been focused on our trade deficit and its negative impact on our economy, jobs and wages. If we had trade deals that actually led to balanced trade, our economy would generate more than 3 million more jobs. Unfortunately, our current model for free trade agreements increases our trade deficits and reduces our employment.

Jobs and Wages

Inequality is on the rise in this country and the overall economic condition of working Americans has stagnated, if not declined. Those of us in organized labor see it in every single contract negotiation. We struggle and fight to hold on to the hard-won gains of years past even as the companies score record profits and CEOs pay is at astronomical highs. In the economy as a whole, average real weekly take home pay for a U.S. worker today is $637 compared to where it was 40 years ago at $731 a week -- $100 less. Yet, if U.S. workers' wages were tied to productivity – the amount of wealth they generate in our economy – the average weekly wages would be $1,183 a week. It is important to note that wages began to fall and break from productivity at the same time as our trade deficit began a major increase – shortly after approval of the first Fast Track legislation under President Nixon.

That's the reality in terms of pay. Let's look at workers' rights in this country. In the two decades since passage of NAFTA, workers' collective bargaining rights

have eroded. U.S. employer threats to close plants if workers voted for a union rose from 29 percent in the mid-1980s to 50 percent in the two years following the adoption of NAFTA to 57 percent recently. Trade agreements have become the new tool in the arsenal for the unfettered corporate attack on collective bargaining rights. With trade agreements, threats to offshore work and actually offshoring the work in highly unionized industries has increased. The result -- the share of the private sector workforce protected by a collective bargaining agreement has declined from a high of 35.7 percent to just 6.6 percent today. This is another direct link cited by most economists as a factor in the rising inequality in our country today.

When I talk to CEOs they tell me about the competitive global markets they are operating in and their need to be competitive. They say they must benchmark their operations against low wages in other countries. For example, we successfully negotiated with AT&T to bring some 5,000 technical support jobs at AT&T back to this country, but at wage levels the company defined as competitive – meaning competitive with wage rates for overseas call centers. Our subsequent efforts to boost the living standards of those workers is stymied because of the competitive pressures from AT&T competitors like Sprint and T-Mobile who have focused on outsourcing and offshoring their call center operations. So we have seen firsthand that the global economy does not translate into better wages for workers.

In terms of the number of jobs created by "fast-tracked" trade agreements, some export sectors in the U.S. may have benefited. But we need to look at the overall impact on job creation and on overall U.S. employment. While we were promised under NAFTA to see the creation of 200,000 jobs by 1995, the Economic Policy Institute reports that there has been a net loss of 700,000 jobs. And while President

Obama promised that passage of the U.S.-South Korea Trade agreement would support "70,000 American jobs from increased goods exports alone", we've seen in just over one year, the loss of 40,000 jobs to Korea. In telecommunications, we have seen the virtual elimination of telecom manufacturing equipment in the US, the elimination of a U.S. national company, and hundreds of thousands of lost jobs in that supply chain.

It's also important to note on the jobs front that the Mexican workers have lost out as well. NAFTA undermined the subsistence agriculture workforce which forced over 2 million Mexicans from their land between 1993 and 2005. Some of them found work in low wage maquiladora factories, but many more crossed our borders and entered the US trying to sustain themselves and their families. According to the Pew Hispanic Center, the number of people leaving Mexico for the U.S. went from 370,000 annually in 1993 to 770,000 annually in 2000.

As a result of this unintended consequence of NAFTA, we have been forced to address complex immigration reform legislation. We need to recognize the role that trade agreements have played in creating this situation.

Service Sector Jobs

We at CWA are especially concerned about the impact that trade agreements entered into without proper Congressional input would have on customer service jobs. Chairman Baucus himself, when outlining provisions of his bill, said that services are now an important sector in international trade. While previous trade agreements have seen an exodus of manufacturing jobs due to offshoring, we are now seeing the same today in the tradable services sector, especially around customer service and call center jobs. In fact, 3.4 million service sector jobs were

projected to be offshored by 2015. We are fearful that this trend will only increase with the passage of additional free trade agreements, jeopardizing U.S. workers and consumers.

Some Members of Congress have recognized that we should take efforts to try to – at a minimum – slow the offshoring of this work. In fact, one of the members of this Committee, Senator Bob Casey, has introduced a bill that has bipartisan and bicameral support that would take such steps. Besides working to ensure that taxpayer funds do not subsidize companies that offshore work, it offers consumers a choice to be transferred to a U.S. based customer service location. Clearly, Senator Casey and the other members of Congress who have put together this thoughtful bill don't want to see the service sector follow the path of the manufacturing sector in being offshored, nor do they want their efforts thwarted by new trade agreements.

Environmental Standards

For those of us who care deeply about the state of the environment that we are leaving for future generations, trade agreements have become a vehicle to shift our environmental problems and pollution around the world. The environmental negotiating objectives identified in previous and the current introduced version of Fast Track, are insufficient. They call on the United States to ensure that environmental obligations are subject to the same dispute settlement procedures as other enforceable obligations in the agreement and to uphold commitments made under a set of seven multilateral environmental agreements. However, the legislation allows the Executive Branch to finalize and sign a trade pact even if these negotiating objectives have not been met.

Recently, the New York Times reported that USTR may be forced to back down from historic negotiating positions on environmental protections. At this point in our history, we should be making improvements, not negotiating a retreat on global environmental issues. We have one global environment that we all live in and we cannot assume that simply exporting pollution is the solution.

In addition, key negotiating objectives that would help ensure that natural resources are protected, such as a ban on trade in illegally harvested timber, wildlife, and fish are completely omitted from the current legislation granting Trade Promotion Authority. It also does nothing to protect our environmental and climate policies from attack by foreign corporations or to put less stress on our scarce natural resources.

More must be done to ensure that trade agreements don't become a global race to the bottom on the environment. The recent challenges to the province of Quebec's moratorium on fracking by a major natural gas corporation under provisions of the investor-state provisions of NAFTA demonstrate how that is happening today. The province is being sued under NAFTA for impacting a natural gas corporation's "expected future profits" by having a moratorium – not a ban – on fracking while a study is completed on the impact to drinking water supplies and public health. Congress must do more to prevent profit-driven corporations from using trade agreements to roll back important environmental and public health protections.

Consumer Protections

Many groups representing U.S. consumers are especially concerned with how trade agreements can be used to degrade our food safety protections. Allowing for Fast Track consideration of TPP would further jeopardize the safety of the food consumed in the U.S. Seafood standards in particular could be challenged through the TPP. The FDA has detained hundreds of seafood exports from TPP countries because they were contaminated. For example in Fiscal Year 2012, the FDA detained 206 imported seafood products from Vietnam alone because of concerns including salmonella, e-coli, methyl mercury, filth and residues from drugs that are banned in the U.S. Currently the FDA is only able to inspect between 1-2 percent of our food imports. The TPP, by greatly expanding our food imports (especially seafood) would result in an even lower percentage of inspections.

U.S. consumers are already worried about the safety of food from other countries with less stringent safety standards than the protections we have in the U.S. Our country-of-origin labeling law was passed in 2002 and expanded in 2008 by the Congress. It requires labels to inform consumers where various products were raised or grown. In 2012, based on a suit filed by Canada, the WTO issued a final ruling against this law. In the case of food safety and the ability for consumers to remain informed about their choices, Congress has often weighed in with policies to protect consumers. However, the USTR is considering language that would greatly undermine that basic consumer protection enacted by Congress.

Enhanced Congressional role needed

Trade agreements are no longer just about tariffs and quotas – they are about the food we eat, the air we breathe, the jobs we hold. Congress needs to have an enhanced and enforceable role in this new era when massive trade agreements can cover so many policy issues. We cannot abdicate the legislative and policy formation process to the USTR and non-elected representatives. Or, we would argue that trade policy should commence with the Congress adopting policy priorities and the countries with whom we will negotiate. It's clear that this is not what has happened.

Vietnam

For example, we are concerned that Vietnam has been chosen as a trade partner. In Vietnam which has a population of 90 million people, the minimum wage is $0.28 per hour and the average wage is $0.75 an hour. There is no right to free association or expression. Our own Department of Labor has placed garments made in Vietnam on the federal "Do Not Procure" list for documented use of forced child labor in apparel production. Vietnam's extremely low wages, non-existent workers' rights, and extensive roster of human rights violations will only further exacerbate the already strong downward pressure on U.S. wages. We should not enter into trade agreements with countries with such records.

We are not the only organization to have raised concerns about the inclusion of Vietnam into the TPP negotiations. In fact, Members of Congress from both parties have expressed serious concerns about the Administration's decision to include Vietnam in the TPP.

The USTR has stated that including Vietnam in the TTP might improve the government's behavior and provide leverage to improve their conditions. USTR has also stated that the inclusion of Vietnam in TPP is more about a diplomatic goal of countering Chinese influence over the country.

Shouldn't this proposition of including countries with such abysmal records like Vietnams be debated? Shouldn't the U.S. Congress determine if that approach is appropriate? Shouldn't the US Trade Representative further consult with Congress as negotiations progress?

And if, after Congressional deliberations, negotiations with Vietnam are seen as part of U.S. policy interests, then it would be prudent to also consider enforcement mechanisms to ensure Vietnamese compliance with labor, food, and environmental conditions be adopted. Establishing our trade partner, negotiating priorities and establishing meaningful enforcement mechanisms should be part of the new trade regime that benefits U.S. workers and consumers. And those should be determined and established by our Congress with meaningfully enforceable mechanisms.

From what we've learned from those with access to text and through leaked text, Congress should be concerned about the direction the negotiations are taking on a number of policy fronts. For example, those concerned with bringing down health care costs should have issues with the USTR negotiating position that would extend drug patents beyond 20 years, making it harder to get cost effective generics to market. The copyrighting of surgical procedures is even in the draft text according to the one chapter leaked. And a number of public health groups have raised concerns about the potential roll back of the strong policies that have been enacted around tobacco and exposure to second hand smoke.

Regardless of your position on these critical policy matters, certainly we can all agree that these debates and policy decisions should happen in the open and through our elected representatives in Congress. Not behind closed doors with all but the USTR and some corporate advisors. We have a democratic legislative process, which we all often grow frustrated with, that has been the basis for how we have determined policy and resolved disputes for over 200 years. That will not continue if you do not allow for a more vigorous and enhanced role for Congress in these massive trade pact negotiations.

Currency Manipulation and Buy America

A perfect example is the recent discussions around currency manipulation. A strong bipartisan majority of 230 Members of the House and 60 in the Senate have made it clear that meaningful and enforceable provisions to prevent currency manipulation by potential trading partners must be part of any trade agreement. Yet, apparently the USTR does not intend to address those concerns. While the currently proposed Baucus-Camp bill creates a section on currency manipulation, there is still too much broad discretion granted the USTR's negotiators and no enforceable provisions to ensure that such language is included in the pending trade negotiations.

Similarly, Congress has weighed in on numerous occasions in various pieces of legislation on the issues of "Buy America". Yet, trade agreements like TPP could be used to undermine or eliminate those Congressional requirements. Congress needs to ensure that no trade agreements can be used to overturn or eliminate "Buy America" provisions or reduce public sector services.

Shared concerns with members of Finance Committee

We at CWA and many of our coalition partners share the concerns recently expressed by five members of this Committee in regards to the lack of meaningful Congressional oversight in development of our trade policies and objectives. As they said, "there must be a productive partnership between Congress and the President as these ambitious agreements conclude and the Administration engages in future trade negotiations." Previous Fast Track authority and the currently proposed version, does not, in our view, provide for the role these Senators articulated. We especially share their views that it is critical for the Administration to engage with and receive direction from Congress "before and during trade negotiations". And that future TPA legislation must develop and provide "mechanisms that enable Congress to hold USTR more accountable throughout the negotiation process or give USTR greater authority to negotiate basic standards on good governance and human rights".

At a minimum, if the public and civil society groups are going to be shut out of a meaningful role in the process, it is critical that our elected representatives do not get shut out as well and are guaranteed a strong and enforceable role in this process.

ILO Standards

It's troubling to us that while previous discussions around Fast Track and negotiating principles have mentioned International Labor Organization (ILO) standards as a benchmark, the U.S. has endorsed few of those very standards itself.

There are eight core conventions governing labor and labor rights, the most important of which are #87, Freedom of Association and #98, the Right to

Organize & Collectively Bargain. Respectively, 152 countries have ratified #87 on the Freedom to Organize and 163 countries have ratified #98 the Right to Organize & Collectively Bargain. Unfortunately, the United States is not among these countries. We have only ratified two ILO conventions: one banning forced labor #29 and the other eliminating the worst forms of child labor #182.

This is an instance where the current TPA legislation, by replicating our old approach to trade negotiations, does not take advantage of an important opportunity to improve the lives of working people. The bill limits itself solely to those ILO conventions that the U.S. has passed, despite the fact that all of our trading partners in Europe have adopted the 8 core ILO conventions. It would not seem to be controversial then to include the language of the ILO conventions in an enforceable manner in the U.S. objectives and negotiating positions. This would serve to set a new frame for working families and their rights to bargain collectively.

Conclusion

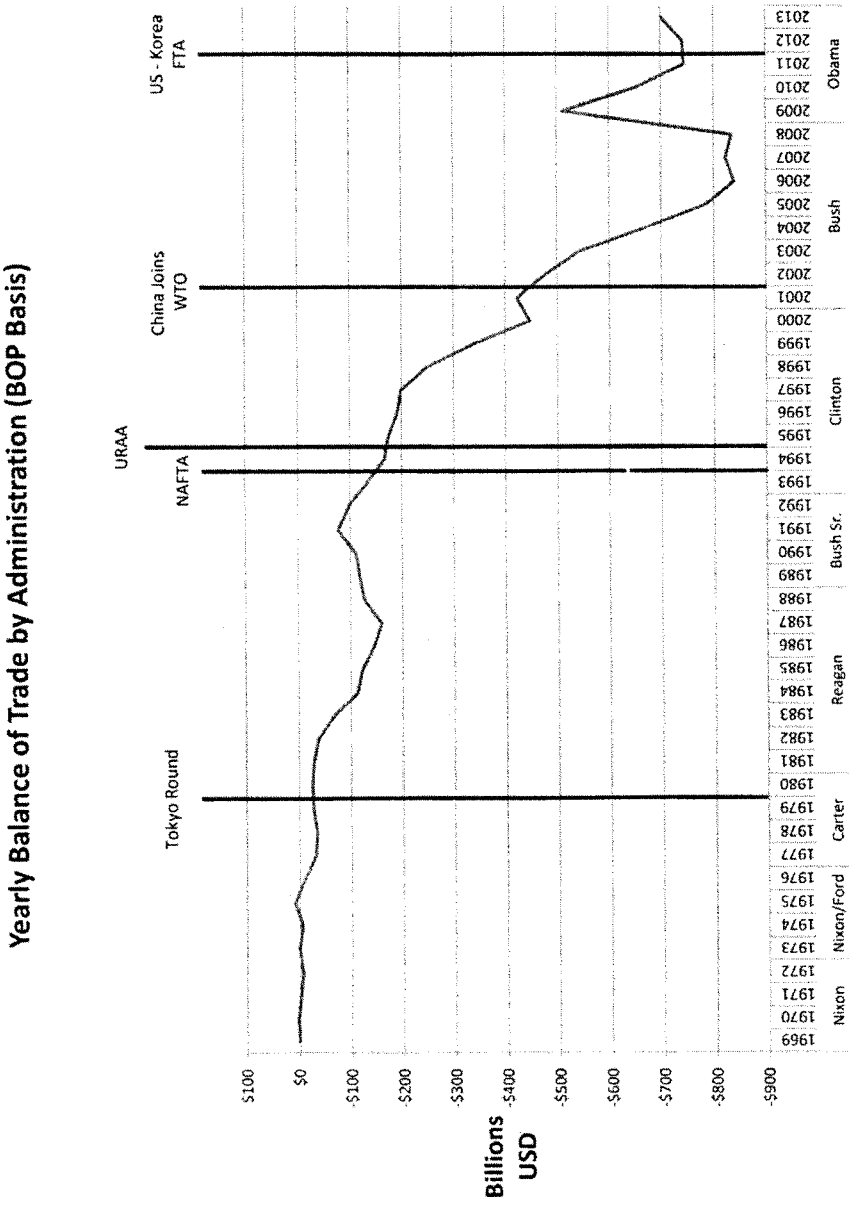
We live in a global economy. Trade is essential to our way of life today. But we must ensure that the trade frameworks we establish serve our national goals. Trade at any cost is not a value.

Our core values – democracy, economic justice, consumer and environmental protection --must be enshrined in our trade agreements. We cannot delegate the responsibility to achieve those goals to secret negotiations nor to appointed officials without meaningful democratic control. Congress must play a strong and enforceable role in ensuring those goals are being met. We cannot let foreign policy objectives, trump domestic concerns and in the process unravel our own

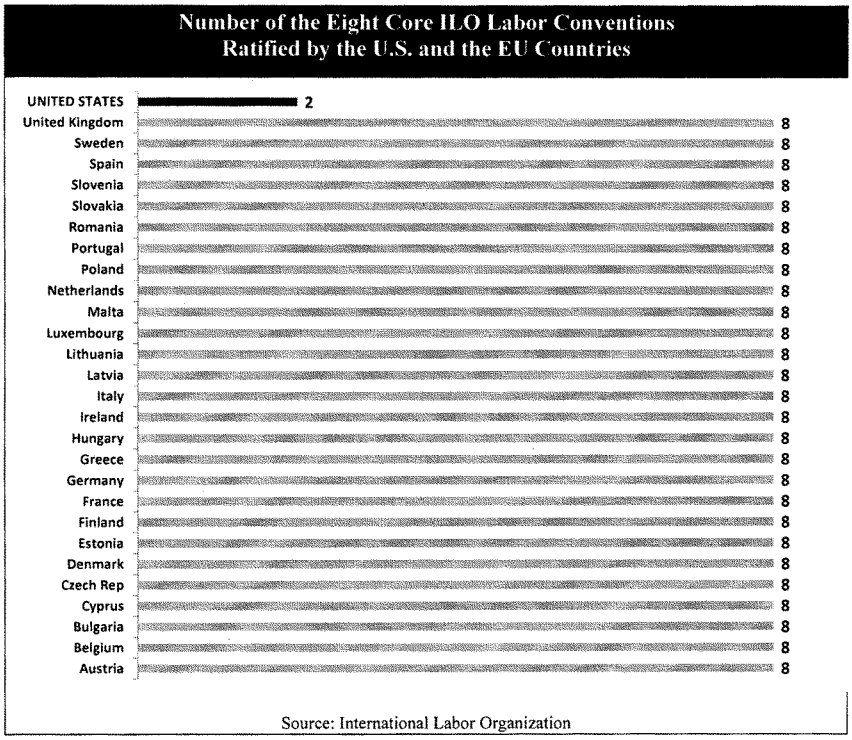
democracy here in the U.S. rather than strengthening others. We can establish a trade framework that moves our country forward together.

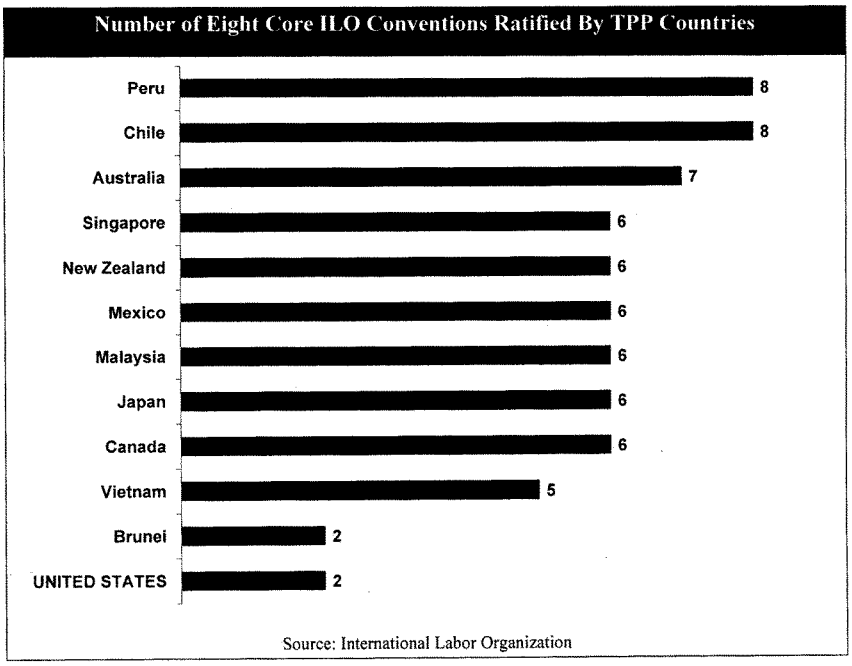
Again, I appreciate having the opportunity to testify today. I look forward to answering any questions that Senators may have.

APPENDIX 1


Yearly Balance of Trade by Administration (BOP Basis)
Billions USD
$100
$0
-$100
-$200
-$300
-$400
-$500
-$600
-$700
-$800
-$900
Tokyo Round
URAA
NAFTA
China Joins WTO
US - Korea FTA
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Nixon
Nixon/Ford
Carter
Reagan
Bush Sr.
Clinton
Bush
Obama

APPENDIX 2


Number of the Eight Core ILO Labor Conventions
Ratified by the U.S. and the EU Countries
UNITED STATES 2
United Kingdom 8
Sweden 8
Spain 8
Slovenia 8
Slovakia 8
Romania 8
Portugal 8
Poland 8
Netherlands 8
Malta 8
Luxembourg 8
Lithuania 8
Latvia 8
Italy 8
Ireland 8
Hungary 8
Greece 8
Germany 8
France 8
Finland 8
Estonia 8
Denmark 8
Czech Rep 8
Cyprus 8
Bulgaria 8
Belgium 8
Austria 8
Source: International Labor Organization


Number of Eight Core ILO Conventions Ratified By TPP Countries
Peru
8
Chile
8
Australia
7
Singapore
6
New Zealand
6
Mexico
6
Malaysia
6
Japan
6
Canada
6
Vietnam
5
Brunei
2
UNITED STATES
2
Source: International Labor Organization

Testimony of David M. Cote

Chairman and CEO

Honeywell

Before the Senate Committee on Finance

United States Senate

Washington, DC

January 16, 2014

Chairman Baucus, Ranking Member Hatch, and distinguished Members of the Committee, my name is David Cote. I am Chairman and CEO of Honeywell. It is my pleasure to appear before you today on behalf of Honeywell, the Business Roundtable and Trade Benefits America, a coalition of about 160 associations and companies that support passage of 21st century Trade Promotion Authority (TPA) legislation.

In order to meet the challenges and seize the opportunities in the global economy, the United States needs policies to ensure American companies and workers are the most competitive in the world. A pro-growth trade policy – including passage of TPA – is an area where government can create an environment where jobs can be created.

I therefore commend you, Mr. Chairman and Ranking Member, for working with House Ways and Means Committee Chairman Dave Camp to develop legislation to significantly improve TPA to address today's trade issues. With more than 95% of the world's population[i] and about three quarters of world GDP[ii] outside of the U.S., economic growth and jobs increasingly depend on expanded trade and investment opportunities worldwide. By strengthening and passing TPA, a key enabler for trade agreements, Congress can help complete 21st century agreements that U.S. companies need to be competitive.

The global economic world has changed significantly over the last twenty years and will change even more over the next twenty. Twenty years ago

there were only about a billion people involved in the global economy... basically the U.S., Europe, and Japan. Today there are about 4 billion people participating in the global economy with the addition of China, India and numerous other countries that have recognized a robust private sector is essential for their prosperity.[iii]

This is a good phenomenon for the world as we now have at least 4 billion people thinking about how to make things better and how to improve productivity. Improved standard of living comes from productivity; the ability to innovate and invent; and the ability to have free flow of ideas, of people, of goods, and of money.

As a country we need to recognize: (1) that we are in a different global economy than we were twenty years ago; (2) that the global economy will move forward with us or without us; and (3) that in all our political arguments there is truth on both sides and we need to pull together towards a common objective.

While the negative effects of trade are sometimes more obvious, they are more than outweighed by its positive effects overall on jobs. Trading nations from the Phoenicians, to the Hanseatic League, to the Dutch, the British, and the US have done well.

According to research provided by the Business Roundtable (BRT), trade and U.S. trade agreements have helped support American growth and jobs. For example:

- Trade — both exports and imports — supports more than 38 million American jobs, or more than one in five.[iv]
- U.S. trade-related employment grew six and a half times faster than total employment between 2004 and 2011.[v]
- The U.S. exported $2.2 trillion in goods and services in 2012 – accounting for about 13 percent of U.S. GDP.[vi]
- America's free trade agreement partners purchased 12.8 times more goods per capita from the United States than other countries did in 2012.[vii]

U.S. companies – including Honeywell – have capitalized on opportunities that trade agreements have created. Honeywell is a $39 billion industrial company with more than 130,000 employees. Since 2002, we've grown sales more than 75% from a base of about $22 billion. During that time we also grew sales outside the U.S. from 41% of total sales to about 54%. In other words, while sales in the U.S. during those ten years grew about 33%, sales outside the U.S. more than doubled.

Since the vast majority of the world's GDP is outside the U.S. and many developing countries are growing faster than the U.S., we need to be there. The rest of the world is moving, and we're not. There are legitimate concerns about labor and environmental laws, helping those disrupted by trade, and adherence to agreements, so we need to work together to achieve the best balance of both.

This will become especially important over the next twenty years because the geographic composition of world GDP will be changing substantially. As you can see on the chart provided with my testimony, according to the economic statistics from the U.S. Department of Agriculture and consistent with forecasts by other reputable economic forecasters like Global Insight, by 2030, the percentage of world GDP generated from the U.S. will decline from 26% to 24%. Other developed countries will decline from 39% to 29%. And importantly, developing economies will grow from 35% to 47% of world GDP.[viii] In other words, what we think of as "Developing Countries", in 20 years will account for about half of the world's GDP. That's a big deal and we need to be in there forging relationships now.

If the U.S. is not in the vanguard of pursuing new agreements, we risk falling behind other countries that are pursuing agreements of their own. We also surrender the opportunity to negotiate new rules to address trade barriers and issues that did not exist previously.

That's why it's critical for the U.S. to continue to aggressively pursue new agreements, like the Trans Pacific Partnership (TPP), the Trans-Atlantic Trade and Investment Partnership (T-TIP), and the Trade in Services Agreement (TISA).

That's an ambitious agenda, and TPA plays an important role in achieving it. That's why it is important for Congress to pass the improved Trade Promotion Authority.

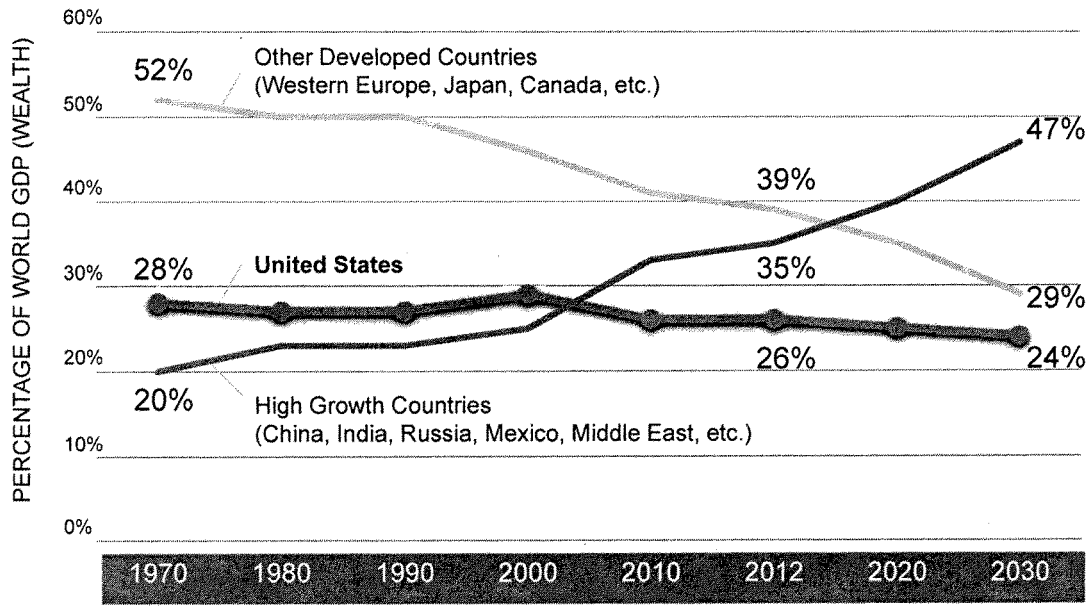
Thank you again for the opportunity to testify, and I will be pleased to respond to any questions the Committee may have.

---

[i] United Nations (2013). "World Population Prospects: The 2012 Revision." Department of Economic and Social Affairs. Note: Population data is for 2010.
[ii] U.S. Department of Agriculture (2013). International Macroeconomic Data Set. Economic Research Service. GDP data is for 2013 and in real (2005 $) terms; *See also* International Monetary Fund (2013), World Economic Outlook database.
[iii] United Nations (2013). "World Population Prospects: The 2012 Revision." Department of Economic and Social Affairs. Note: Combined population of U.S., Japan, and Europe was 1.1 billion in 1990. Combined population of U.S., Japan, Europe, China, and India was 3.7 billion in 2010. See also Clyde Prestowitz, (2005) *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East.* Basic Books, which estimates that three billion new capitalists were created between the fall of the Berlin Wall in 1989 and 2005.
[iv] The Trade Partnership (2010). "Trade and American Jobs, the Impact of Trade on U.S. and State-Level Employment: An Update" (http://businessroundtable.org/uploads/studies-reports/downloads/Trade_and_American_Jobs.pdf), as further updated by Business Roundtable (2013), "How the U.S. Economy Benefits from International Trade and Investment."
[v] *Ibid.*
[vi] Bureau of Economic Analysis (2013). National Income and Product Accounts Table 1.1.5.
[vii] Business Roundtable (2013). "How the U.S. Economy Benefits from International Trade and Investment." Derived from The Trade Partnership. (http://www.tradepartnership.com/site/data.html) and World Bank population estimates.
[viii] U.S. Department of Agriculture (2013). International Macroeconomic Data Set. Economic Research Service.

Global Competitiveness

Honeywell



Source: *Economic Research Service, US Department of Agriculture (1970 - 2030)*

World GDP to Change Substantially

UNITED STATES SENATE
COMMITTEE ON FINANCE
HEARING ON ADVANCING CONGRESS'S TRADE AGENDA:
THE ROLE OF TRADE NEGOTIATING AUTHORITY
JANUARY 16, 2014
ANSWERS TO QUESTIONS FOR THE RECORD FROM DAVID COTE

Questions from Chairman Baucus

Question 1

I am increasingly concerned that we are losing the opportunity to set high standards for trade throughout the world, as other countries negotiate substandard agreements with one another. Mexico and Japan concluded a trade agreement two years after TPA expired. That agreement contains no commitments on labor, the environment, and other issues of importance to the United States. And as we speak, China is negotiating a deal with Japan and Korea that surely will not address currency manipulation and other matters of importance to the Congress. Without TPA, how do we get Asian economies to rise to the high standards set out in our trade agreements?

A: It is my view that in order to get high-standard U.S. trade agreements, we need TPA. As a business person, I have learned that success in a negotiation means knowing what you need to reach a deal and recognizing that the other parties have their own goals. TPA sends a strong and clear signal to our trading partners what level of standards the United States Congress expects to be in our trade agreements. It also shows a commitment to completing negotiations and implementing terms that helps achieve agreements with high standards.

Question 2

Mr. Cohen earlier expressed the view that trade agreements have resulted in lost jobs, particularly citing job losses due to the Korea deal and NAFTA. I suspect we could have a spirited debate over the numbers, but let me begin by asking Ms. Stegemann, Mr. Cote, and Mr. Allen, does Mr. Cohen's description of the consequences of trade agreements match your experience? How have trade agreements affected employment in the company or sector you represent?

A: Honeywell's experience with Free Trade Agreements (FTAs) has been positive. Specifically, we are a net exporter and have been for a while. To the extent that we can reduce barriers like tariffs and sign new treaties into law, companies like ours will continue to support existing jobs here at home and are more likely to hire more employees. According to research done by the Business Roundtable (BRT), there are 171 countries around the world that purchase Montana-grown and manufactured goods and services. That has a direct, positive impact on your state's economy and can only get better with more open trading borders. BRT's research also shows that FTAs have led to rapid export growth to partner countries. America's FTA partners purchased 12.8 times more goods per capita from the U.S. than non-FTA countries did. We need

to continue to encourage customers outside our borders to purchase our high-quality goods and services. Trade helps us do that, and TPA helps U.S. trade generally.

Question from Senator Hatch

Question 1

Digital trade continues to grow in importance for the U.S. economy as well as our trade policy. There are several impediments to digital trade, including forced localization requirements, restrictions on cross-border data flows, and inadequate intellectual property protection. S. 1900 includes new and updated negotiating objectives addressing these problems as well as other trade-related impediments to digital trade.

Would you discuss why it is important for TPA to address these barriers to digital trade?

A: In today's global economy, technology companies are not alone in depending on digital trade. Honeywell, for example, depends on digital trade to manage its global manufacturing and R&D operations, to coordinate its supply chains, and to provide 24/7 service to our customers around the world. Our products and services are also the most competitive in the world because they make use of 21st century technologies. These technologies depend on protection of our intellectual property and the free flow of digital data across national borders. To make sure our operations and products remain competitive, we need trade agreements that have 21st century rules that facilitate digital trade, provide necessary protections and address impediments to it.

Questions from Senator Brown

Question 1

Majorities in the House and Senate have written to the Administration concerned about the effect of currency manipulation on U.S. businesses and workers, but the Administration has not yet included this issue in its pending trade agreement negotiations.

Businesses and workers in Ohio and across the United States are harmed by currency manipulation.

C. Fred Bergsten of the Peterson Institute for International Economics has said that the U.S. current account deficit is an average of $200 to $500 billion per year higher as a result of currency manipulation.

Shouldn't such an important issue with such a large economic impact be subject to disciplines in our trade agreements? More simply put, should we be negotiating trade agreements with nations that manipulate their currency?

A: As a general matter, I believe our trading partners should play fairly and by the rules. With respect to currency manipulation, it is not a top issue of concern for Honeywell and our day-to-day business decisions. That said, I understand that it is an issue of concern for many and, as Chairman Baucus said in his opening statement, it is included in the bipartisan TPA-2014 legislation as a principal negotiating objective in U.S. trade negotiations.

Question 2

I believe that we can't rush into more foreign trade agreements until we invest in a global competiveness agenda here at home.

To succeed in the 21st century, the United States needs to work harder and smarter. That means we must have: the best trained workers; the most developed and sophisticated infrastructure; the most robust manufacturing base; and the strongest defense against currency manipulation. Trade agreements cannot be the only way we create jobs in America.

Do you believe that a competitiveness agenda should be part of our trade agenda? What are your recommendations to boost U.S. competitiveness and create jobs?

A: I agree that we need an American Competitiveness agenda. There are seven areas I'd like to see us focus on immediately.

The first area, and the biggest, is debt reduction. We are on a path to be spending a trillion dollars annually in interest in a little over 10 years. That is all money that we cannot spend on priorities like education and infrastructure. I agree drastic cuts in the short-term are harmful. However, it is entirely possible to not hurt job growth while at the same time implementing plans to control to a considerable extent our overall spending over the next ten years and especially in the second decade. The best time to address the second decade issue is now when it's easier to make the necessary program changes. The faster we act, the less painful it will be for everyone, especially those who depend on the social safety net. Additional revenue, preferably through comprehensive tax reform, will likely need to be a part of this equation.

The second of the seven areas is energy policy. In the debate of energy generation vs. energy efficiency, the answer is to do both. We've estimated that just aggressively using existing Honeywell products could save the U.S. 20-25% of its annual energy bill. Utilizing energy efficiency everywhere will take time. In the meantime we need more oil, gas, and renewables. A thoughtful energy policy comprising both generation and efficiency will create a significant number of new jobs and add significant revenue to government treasuries at the local, state, and federal level.

The third area of focus is free trade and developing a more thoughtful relationship with China. With about 75% of the world's GDP outside the U.S. and many emerging countries growing

faster than the U.S., we have to be in there. Open trade relationships benefit both countries. China in particular has the capability to grow faster than global GDP over the next 50 years. China's development has been a good phenomenon for the world, raising hundreds of millions of people out of poverty. Every country, organization, company, or individual has to be able to evolve and adapt to changing circumstances. It's survival of the most flexible, not the fittest. In that regard, China has shown tremendous capability to evolve their system to address their issues. In 25 years, at current rates of growth, China could have the biggest economy in the world. We need to engage with them to our mutual benefit. It doesn't mean we should acquiesce, it does mean we should engage.

The fourth is a focus on math and science education starting in pre-school. Most innovation and productivity comes from engineers and technology. In 2007, the U.S. graduated about 450,000 U.S. citizens as engineers. China graduated about 950,000 and that's with only about one-third as many college age eligible kids going on to college on a percentage basis. That means when it equalizes, China will graduate about 3 million engineers a year to our 500,000.

The fifth area is infrastructure development. We need better roads, bridges, and ports. While we do need to reduce spending, there is such a thing as good spending. We shouldn't throw the baby out with the bath water.

The sixth area is tort reform. We need to achieve a better balance of providing fairness for people who have suffered inequities while also providing fairness for the companies that invest and provide jobs.

The seventh area is immigration. We need thoughtful policies that, while protecting our borders, also allow people who really want to work hard and are the world's best and brightest to be here and succeed.

STATEMENT OF HON. ORRIN G. HATCH, RANKING MEMBER
U.S. SENATE COMMITTEE ON FINANCE HEARING OF JANUARY 16, 2014
ADVANCING CONGRESS'S TRADE AGENDA:
THE ROLE OF TRADE NEGOTIATING AUTHORITY

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, delivered the following opening statement today at a committee hearing examining the role trade negotiating authority plays in advancing international trade:

Thank you, Mr. Chairman, for holding this hearing. Before I begin my remarks, I just want to take a moment to express my sincere disappointment that the U.S. Trade Representative did not accept my invitation to testify at this hearing today.

This is an important issue. It's important to the administration – or at least it very well should be.

If the administration does not get more involved in this effort to pass trade negotiating authority, we're not going to be successful. It's just that simple.

Put simply, this is not an issue where the President can lead from behind.

With that in mind, I hope we can still have a productive and informative hearing today.

As any student of government knows, Article One, Section Eight of the U.S. Constitution grants Congress the power "To lay and collect Taxes, Duties, Imposts and Excises" and "To regulate Commerce with foreign Nations."

Congress uses this constitutional authority in many different ways.

These ways include: creating trade remedies to help U.S. business compete with unfair imports; imposing sanctions on imports from unfriendly nations such as Iran; granting unilateral tariff reductions through approval of bills granting miscellaneous tariff relief or through programs such as the Generalized System of Preferences; implementing reciprocal trade agreements among countries to reduce tariffs; and, finally, creating agencies to administer U.S. trade law and policy such as the Office of the United States Trade Representative and the International Trade Commission.

When it comes to negotiating trade agreements with other countries, however, Congress's capacity to speak with one voice to foreign nations is inherently limited. Under Article Two of the Constitution, the Executive Branch has the authority to negotiate treaties and international agreements.

Throughout U.S. history, Congress has sought the most effective way to enhance and effectively utilize its authority over international trade agreements. As our world became

increasingly globalized at the turn of the 20th century, the issue became more acute, culminating in Congressional approval of the Smoot-Hawley Tariff Act in 1930.

Now, I don't want to unfairly denigrate Senator Smoot. After all, Senator Smoot had a highly distinguished career as a senior Republican Finance Committee leader from Utah, but in this instance, he and Congressman Hawley got it flat wrong.

The Smoot-Hawley Tariff Act was perhaps one of the most misguided trade bills ever devised by Congress.

It raised tariffs to unprecedented levels, contributing to the longevity and severity of the Great Depression. Franklin Delano Roosevelt recognized the role trade could play in helping spur economic prosperity, and proposed a new framework under which Congress could effectively regulate tariffs at home and in so doing, reduce tariffs overseas and open up markets to U.S. products.

Under the Reciprocal Trade Agreements Act of 1934, Congress authorized the President to negotiate limited tariff reductions on a reciprocal basis.

That bill has served as the foundation of every iteration of trade negotiating authority since 1934. It has been a highly effective tool in reducing trade barriers overseas and opening up global markets to U.S. goods and services, all the while retaining Congress's constitutional authority over trade.

Unfortunately, the last iteration of trade negotiation authority expired over seven years ago.

Since then, our nation has not concluded negotiations on a single new trade agreement.

The Obama Administration has launched several new trade initiatives, including the Trans-Pacific Partnership in the Asia-Pacific region and the Transatlantic Trade and Investment Partnership with the European Union.

But without trade negotiating authority, Congress's power to set priorities for these negotiations and to ensure that our priorities are met is limited. That's why Senator Baucus and I, along with Chairman Camp of the House Ways and Means Committee, recently introduced the Bipartisan Congressional Trade Priorities Act, which will renew trade negotiating authority.

Through the strong negotiating objectives outlined in our bill, Congress has the opportunity to set forth clear priorities for our negotiations and to articulate standards that our trade agreements must meet in order to be approved.

These negotiating objectives were developed after close consultation with many stakeholders.

The objectives are updated to address many of the challenges our workers and job-creators face when competing to export American goods and services overseas, including problems relating to localization barriers, state-owned enterprises, and currency manipulation.

The bill also maintains objectives seeking high standards of protection for U.S. intellectual property rights holders and advances trade negotiating objectives for the digital age.

In addition, the bill expands and enhances Congress's role in ongoing international trade negotiations through strengthened consultation mechanisms, including provisions that require USTR to meet and consult with any interested member of Congress at any time. It also allows any member of Congress to be designated as a Congressional Advisor and to attend negotiating rounds.

Should the Administration fail to consult with Congress or abide by the procedures outlined in the bill, Congress retains the ability to cut off the authority provided under our legislation.

Finally, our bill ensures that Congress retains clear authority over the scope of the implementing bill as well as enhancing Congressional oversight over ongoing trade negotiations. It is a carefully crafted and balanced package which will enable Congress to more effectively utilize its constitutional authority to open global markets for U.S. goods and services and grow our economy.

While I am, once again, disappointed that Ambassador Froman did not accept my invitation to testify today, I am pleased that we have a number of witnesses representing a broad range of views to help us discuss Congress's role in advancing international trade negotiations.

I look forward to their testimony. Mr. Chairman, thank you again for all of your hard work both on the legislation itself and in helping us prepare for today's hearing.

###

Hearing of the
United States Senate
Committee on Finance

"Advancing Congress's Trade Agenda:
The Role of Trade Negotiating Authority"

Testimony by Elena M. Stegemann
Director of International Business
NuStep, Inc.
Ann Arbor, Michigan

on behalf of NuStep
and the U.S. Chamber of Commerce

Thursday, January 16, 2014
10:00 a.m.

Chairman Baucus, Ranking Member Hatch, and distinguished members of the committee, my name is Elena M. Stegemann, and I am the Director of International Business at NuStep, Inc., of Ann Arbor, Michigan. I am pleased to testify today on behalf of my company as well as the U.S. Chamber of Commerce on the importance of renewing Trade Promotion Authority (TPA). The Chamber is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

My employer, NuStep, Inc., designs and manufactures recumbent cross trainers to make exercise possible for users who are unable to access regular exercise equipment due to injury, medical conditions, or other physical limitations. We supply our products to thousands of rehabilitation centers across the United States, but we also have sales in more than 25 countries. NuStep is a proud member of the Michigan Chamber of Commerce, and I am also honored to serve on the East Michigan District Export Council as well as the Industry Trade Advisory Committee on Consumer Goods (ITAC 4).

Why does trade matter to NuStep or to our country? As the U.S. Chamber points out, 21 million Americans are unemployed, underemployed, or have given up looking for work. As a nation, the biggest policy challenge we face is to create the millions of jobs needed in this decade to get these Americans back to work.

World trade must play a central role in reaching this job-creation goal. After all, outside our borders are markets that represent 80% of the world's purchasing power, 92% of its economic growth, and 95% of its consumers. The resulting opportunities are immense, and many Americans are already seizing them: One in three manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

A Level Playing Field for Trade

While the United States receives substantial benefits from trade, there is more than a grain of truth in the observation that the international playing field is unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but other countries continue to levy tariffs on U.S. exports that in some cases are quite high, and foreign governments have erected other kinds of barriers against U.S. goods and services.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. U.S. exporters face higher tariffs abroad than nearly all our trade competitors. The United States received a rank of 128th among 132 economies in terms of "tariffs faced" by its exports, according to the World Economic Forum's Global Enabling Trade Report. That means U.S. exporters are often at a marked disadvantage to our competitors based in other countries. In addition, a thicket of non-tariff barriers adds to the burden exporters face.

No one wants to go into a basketball game down by a dozen points from the tip-off — but that is exactly what American exporters do every day. I can tell you that these barriers are particularly burdensome for America's small- and medium-sized companies.

The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade. Trade agreements should treat

American manufacturers, service providers, farmers and ranchers the same as their foreign competitors. Indeed, America's elected leaders have a duty to look out for the trading interests of American citizens at least as carefully as those of our friends and allies overseas.

NuStep's Experience in Trade

Let me tell you a bit about our company's experience. NuStep began to focus on exporting in 2009 when Dick Sarns, our owner and CEO, decided that international expansion would be a good way to combat the decline in domestic sales brought about by the downturn in the economy. He was not content simply to build a successful domestic brand; he also wanted his company to leave a global footprint!

Since then, our international sales have almost quadrupled, and exports today account for nearly 20% of our unit sales. Our success was recognized when we received the President's "E" Award for our contribution to U.S. exports at a White House ceremony in May 2012.

International sales are an important and growing part of our business, and they keep many people in our company busy. Our company employs nearly 100 people; in line with the fact that exports account for nearly 20% of our unit sales, about 20 of our employees are involved in our international business. We manufacture our products in our state of the art facility in Ann Arbor, Michigan, and our people are very proud of the fact that our products are shipped all over the world.

How did NuStep get started as an exporter? The first step was to create a job for someone like me. I was hired to develop an international business unit for the company. How do you take a small company from a small town in Michigan and "go global"? With a lot of enthusiasm, and a lot of help!

Five years ago, NuStep had about 50 employees, and we lacked the internal resources needed to grow internationally. My first order of business was to reach out to a number of organizations that have provided much needed support, guidance, and assistance with our exporting efforts. We have received help from the U.S. Department of Commerce, the Michigan Chamber of Commerce, the University of Michigan's Business School (whose MBA students have helped develop new market penetration strategies for us), as well as the Michigan Economic Development Corporation (MEDC).

The U.S. Department of Commerce has been an invaluable resource to us. One of the best decisions we made early on in our international expansion effort was to participate in the U.S. Commercial Service CEO program at Medica in 2009. This program allows small companies that are new to exporting to have a presence at the world's biggest medical tradeshow in Germany at a very reasonable cost. Exhibitors have the chance to interact with thousands of visitors from all over the world, and it is the perfect venue for new exporters to meet potential distributors. Our team was able to make the most of our time there due to the superb support we received from the U.S. Commercial Service. The conversations we had with companies at Medica that year led to eventual implementation of distributor agreements in several important European countries. We have had similarly positive experiences at other trade fairs, and we have benefitted immensely from the opportunity to work with the U.S. Commercial Service in many other countries.

During my travels, I have had the privilege of meeting with not only business owners and decision-makers around the world, but also with the people who use our products and whose lives are transformed through the exercise and movement our equipment enables. On one such visit to a care home in the United Kingdom, I had the privilege to witness the first time a wheelchair-bound man saw his legs move in a very long time because a piece of NuStep equipment had made the movement possible for him. The atmosphere in the room was thick with emotion, and I stood there with tears in my eyes, thinking how proud I was of the fact that a small company back home had made this product and this moment possible for him.

As an exporter, I have also had the honor of representing our country abroad: During my travels, many people refer to me simply as "the lady from America." I am very happy to see that being an American business person is a door opener — people love our culture and our products, and they are hungry for more!

Our international sales are continuing to grow in all parts of the world. Asia is currently our largest export market. We are very pleased to see containers full of our beautiful, U.S.-made products shipping to Japan, and a growing number are now going to China. Our other major export markets are Europe and Canada.

Benefits of U.S. Trade Agreements

The good news is that America's trade agreements do a great job creating a level playing field — and tremendous commercial gains are the proof in the pudding. According to data from the U.S. Department of Commerce, nearly half of U.S. exports go to countries with which the United States has free-trade agreements (FTAs) even though they represent about 10% of global GDP. By tearing down foreign barriers to U.S. products, these agreements have a proven ability to make big markets even out of small economies.

The United States has entered into FTAs with 20 countries around the globe: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore, and South Korea.

To settle once and for all the debate over whether these FTAs have benefitted American workers and companies, the U.S. Chamber recently released a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*. The study examined U.S. FTAs implemented with a total of 14 countries. It employed a widely used economic model known as the Global Trade Analysis Project (GTAP), which is also used by the numerous federal agencies, the U.S. International Trade Commission, and the World Trade Organization (WTO).

The results of this comprehensive study are impressive: 17.7 million American jobs depend on trade with these 14 countries; of this total, 5.4 million U.S. jobs are supported by the increase in trade generated by the FTAs. No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to these FTAs, with the exception of the multilateral trade liberalization begun in 1947.

For those worried about the U.S. trade deficit, trade agreements are clearly the solution — not the problem. Taken as a group, the United States has run a *trade surplus* in manufactured goods with its FTA partner countries for the past five years, according to the U.S. Department of Commerce (on top of the U.S. global trade surpluses in services and agricultural products). The U.S. trade surplus in manufactures with its FTA partners reached $60 billion in 2012, and preliminary data suggest it approached a similar level in 2013.

A Trade Report Card

On this front, there is good news to report. The last Congress approved long-pending free-trade agreements with Colombia, Panama, and South Korea. It also approved legislation to ensure American companies receive better access to the Russian market in the wake of Moscow's long-awaited accession to the World Trade Organization (WTO) 18 months ago. Last month at the WTO Ministerial Conference in Bali, Indonesia, the United States played a leading role in the successful effort to a landmark Agreement on Trade Facilitation, which will provide a boost to the global economy estimated at $1 trillion.

We are seeing some positive results. Since the 2008-2009 financial crisis, U.S. exports have grown rapidly. Exports of goods and services rose by nearly half over the past four years. Our boom in exports has accounted for roughly half of all U.S. economic growth during this period as the U.S. recovery has gradually taken hold.

However, the picture is not all rosy. U.S. trade is up, but we are still falling behind our competition. The U.S. share of global exports fell from 18% in 2000 to 12% in 2010. What can we do about this?

Trade Promotion Authority

First, Congress should approve the *Bipartisan Congressional Trade Priorities Act of 2014*, which will renew Trade Promotion Authority (TPA). The U.S. Chamber strongly supports this bill and urges Congress to approve it swiftly.

TPA is a vital tool to help Americans sell their goods and services to the 95% of the world's customers living outside our borders. Without TPA, we simply cannot enter into new trade agreements. We are excited to see that Congress is preparing to take up a TPA bill, which promises to spur economic growth and job creation at home.

The case for TPA is simple. In today's tough international markets, we need our trade negotiators to tear down the foreign tariffs and other barriers that too often shut out U.S products. That is what trade agreements do. However, to secure new growth-creating trade pacts such as the agreements now under negotiation, Congress must first approve TPA.

While the Constitution gives the president authority to negotiate with foreign governments, it gives Congress authority to regulate international trade. TPA allows the Congress to show leadership on trade policy by doing three important things: (1) It allows Congress to set negotiating objectives for new trade pacts; (2) it requires the executive branch to consult extensively with Congress during negotiations; and (3) it gives Congress the final say on

any trade agreement in the form of an up-or-down vote. The result is a true partnership stretching the length of Pennsylvania Avenue.

Without TPA, the United States is relegated to the sidelines as other nations negotiate trade agreements without us — putting American workers, farmers, and companies at a competitive disadvantage. Already, 379 free trade agreements are in force around the globe, but, as noted, the United States is a party to just 14 such agreements covering 20 countries.

If we fail to renew TPA, U.S. workers and companies will be left at a sharp disadvantage. To oppose TPA is to guarantee that foreign markets remain closed to U.S. exports. To reject TPA is to accept a playing field skewed against American workers and companies.

Congress has granted every president from Franklin D. Roosevelt to George W. Bush the authority to negotiate market-opening trade agreements in consultation with Congress. However, TPA lapsed in 2007. That is unacceptable; every American president should have TPA.

From NuStep's perspective, the negotiating objectives laid out in the Bipartisan Congressional Trade Priorities Act make a world of sense. Some of these are simple: Lowering tariffs on our goods when they enter foreign markets will allow us to be more competitive with local suppliers.

The protection of intellectual property and trade secrets is critical for us, too, and I am pleased to see it is a priority in this bill. Even though we are not a "high tech" company, we have made huge investments in producing high quality, sophisticated products that are innovative in the healthcare field.

Our products are drawing a great deal of attention from our foreign competitors. It would be devastating for us to have our ideas and "know how" copied and stolen because we either did not have a trade agreement with a key market in place or because that agreement lacked the strong protections we need.

Anything our government can do to help remove export barriers for U.S. manufacturers would be of great benefit for a small company like NuStep.

The Trans-Pacific Partnership

And how should TPA be used? The first priority is the Trans-Pacific Partnership (TPP).

As U.S. companies scour the globe for consumers, the booming Asia-Pacific region stands out. Over the last two decades, the region's middle class grew by 2 billion people, and their spending power is greater than ever. That number is expected to rise by another 1.2 billion by 2020. According to the International Monetary Fund, the world economy will grow by $21.6 trillion over the next five years, and nearly half of that growth will be in Asia.

U.S. businesses and workers need better access to those lucrative markets if they are going to share in this dramatic growth. But U.S. companies are falling behind in the Asia-Pacific. While U.S. exports to the Asia-Pacific market steadily increased from 2000 to 2010, America's

share of the region's imports declined by about 43%, according to the think tank Third Way. In fact, the growth in U.S. exports to Asia lagged overall U.S. export growth in that period.

One reason U.S. companies have lost market share in the Asia-Pacific region is that many countries maintain steep barriers against U.S. exports. A typical Southeast Asian country imposes tariffs that are five times higher than the U.S. average while its duties on agricultural products soar into the triple digits. In addition, a web of nontariff and regulatory barriers block market access in many countries.

Trade agreements are crafted to overcome these barriers. But what happens if other countries make trade deals among themselves and leave the United States on the outside, looking in? The number of trade accords between Asian countries surged from three in 2000 to more than 50 in 2011. Some 80 more are in the pipeline. Meanwhile, the United States has just three trade agreements in Asia.

This challenge is growing: 16 countries are launching expedited negotiations for a trade deal called the Regional Comprehensive Economic Partnership (RCEP). It includes Australia, China, India, Japan, Korea, and New Zealand as well as the 10 ASEAN countries—but not the United States.

The Trans-Pacific Partnership (TPP) is America's best chance to ensure the United States is not stuck on the outside—looking in—as Asia-Pacific nations pursue new trade accords among themselves. Its objective is to achieve a comprehensive, high-standard, and commercially meaningful trade and investment agreement with 11 other Asia-Pacific nations, including Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam. It also includes Canada, Mexico, Peru, and Chile, thus offering a chance to integrate existing U.S. trade agreements in the Americas.

The TPP must be a comprehensive agreement. In trade talks, whenever one party excludes a given commodity or sector from an agreement, others follow suit, limiting its reach. For the United States to achieve the goal of a true 21st century agreement—with state-of-the-art rules on digital trade, state-owned enterprises, investment, and other key areas—its negotiators must hold fast to the goal of a comprehensive accord.

One U.S. priority is to ensure the TPP protects intellectual property (IP), which plays a vital role in driving economic growth, jobs, and competitiveness. IP-intensive companies account for more than $5.8 trillion of U.S. GDP, drive 74% of U.S. exports, and support 55.7 million American jobs. To build on these strengths, the TPP must include robust IP protection and enforcement provisions that build on the U.S-Korea Free Trade Agreement and provide 12 years of data protection for biologics consistent with U.S. law.

The TPP also needs to reflect how goods are produced in the 21st century using global value chains. Today, the goods we buy are usually labeled "Imported" or "Made in the USA" — with no middle ground. However, companies often rely on global value chains that span the Pacific to hone their competitiveness.

The United States is a principal beneficiary of these supply chains. One recent study found that 70% of the final retail price of apparel assembled in Asia is created by American

innovators, designers, and retailers. Making customs and border procedures more efficient and enacting other trade facilitation reforms will remove sand from the gears of global value chains and enhance U.S. competitiveness.

Completing the TPP would pay huge dividends for the United States. The agreement would significantly improve U.S. companies' access to the Asia-Pacific region, which is projected to import nearly $10 trillion worth of goods in 2020. A study by the Peterson Institute for International Economics estimates the trade agreement could boost U.S. exports by $124 billion by 2025, generating hundreds of thousands of American jobs.

Working closely with the Office of the U.S. Trade Representative (USTR), the Chamber has led the business community's advocacy for the inclusion of strong disciplines in the TPP trade agreement on intellectual property, due process in antitrust enforcement, state-owned enterprises, and regulatory coherence,.

For NuStep, we are excited that the TPP could eventually make it easier for us to comply with regulatory requirements in important markets as Australia, Canada, Japan, and Singapore. The TPP could help us greatly by encouraging countries to avoid radically different approaches to regulation whenever possible. Whenever we have to spend time and money to comply with divergent regulatory standards — even when those standards differ in form but not in substance — we are obliged to expend our limited resources to comply with these requirements.

Overcoming the tyranny of small differences between regulations here and in key markets would reduce costs for NuStep. Companies would see an easier, less costly path to complying with standards and regulations in a meaningful way. It would enhance our competitiveness, help us to grow our business, and create more jobs here at home. In the end, that is why the TPP is exciting.

The Transatlantic Trade and Investment Partnership

As we consider new trade accords with our biggest commercial partners, Europe calls out for attention. Indeed, the European Union is by far America's largest commercial partner.

Together, the United States and the European Union account for nearly half of global economic output, with each producing more than $16 trillion in GDP. Total U.S.-EU commerce—including trade in goods and services and sales by foreign affiliates—tops $6.5 trillion annually and employs 15 million Americans and Europeans.

The U.S.-EU investment relationship is also without peer. Companies headquartered in EU Member States have invested $1.6 trillion in the United States and directly employ more than 3.5 million Americans. Similarly, U.S. firms have invested $2.1 trillion in the EU—a sum representing more than half of all U.S. investment abroad. It is also nearly 40 times as much as U.S. companies have invested in China.

The United States and the Member States of the EU share common values as strong democracies with an enduring commitment to civil liberties and the rule of law. We uphold similar social, labor, and environmental standards in our laws and regulations.

For these reasons and more, the United States and the EU have launched negotiations for a comprehensive and ambitious Trans-Atlantic Trade and Investment Partnership (TTIP). The goal is to eliminate tariffs; open up services, investment, and procurement; and promote regulatory cooperation to ensure high levels of health, safety, and environmental protection while cutting unnecessary costs.

The benefits could be immense. The sheer volume of transatlantic commerce is so large that eliminating today's relatively modest trade barriers could bring big benefits. According to the London-based Centre for Economic Policy Research (CEPR), the TTIP would boost U.S. exports to the EU by $300 billion annually, add $125 billion to U.S. GDP each year, and increase the purchasing power of the typical American family by nearly $900—with similar benefits for Europeans.

One key goal in the negotiations is to tackle regulatory barriers to trade. Companies selling their products on both sides of the Atlantic incur high costs complying with both U.S. and European regulations, even when they are very similar.

For example, U.S. automakers run crash tests to comply with U.S. safety regulations but must do so a second time to comply with EU standards—and vice versa. Mutual recognition of these regulations would save consumers up to 7% on each car or truck and enhance the global competitiveness of U.S. and European companies.

TTIP is also an opportunity to raise global standards. With a combined GDP of more than $32 trillion, the sheer size of the transatlantic economy will incentivize other countries to look to standards set in the TTIP. Accordingly, the United States and the EU should establish a high bar in such areas as protecting intellectual property, cultivating the digital economy, and combating trade and investment protectionism.

Refusing to pursue this agreement would exact a price as other countries enter into new trade pacts with the EU. Already, the EU has 28 free trade agreements in force with such countries as Mexico, South Africa, and South Korea. It has concluded negotiations for an additional 9 agreements with Central America, Colombia, Singapore, Ukraine, and others.

The EU is currently in negotiations with Canada, India, Japan, Malaysia, Thailand, Vietnam, and the Mercosur bloc. Without a trade agreement in place with the EU, U.S. workers and companies could be put at a disadvantage in the giant European marketplace.

Finally, the TTIP would not benefit the United States and the EU at the expense of other nations. In fact, liberalizing transatlantic trade would increase GDP in the rest of the world by as much as $130 billion, according to a CEPR study.

The EU is a major market for NuStep. We are also very proud of the fact that our products are gaining popularity in such markets as Germany and Belgium, where consumers have very high standards for quality, design, and functionality, and where we face intense competition from many local manufacturers.

Succeeding in these countries is particularly rewarding because entering the European Union was not easy for a small company like NuStep. In addition to allocating funds for business

development activities, we have also had to invest in getting our products to meet the CE mark requirement. Being a small company that believes in building quality products that meet regulatory requirements, selling our products abroad has been a major regulatory compliance undertaking for us given our limited budget.

Anything our government can do in its negotiations with the European Union to help streamline regulatory compliance for U.S. exporters would be of great benefit for a small company like NuStep. We are excited that the TTIP offers just such an opportunity for our company and tens of thousands of other small businesses across the United States.

The Trade in Services Agreement

While it has not made national headlines, the United States has joined with more than 50 other countries to launch negotiations for a high-standard trade agreement in services dubbed the Trade in Services Agreement (TISA). This exciting new accord has the potential to ignite economic growth and job creation in the United States and abroad.

Services employ about 96 million of America's 114 million private sector workers. The United States is home to thousands of highly competitive services companies in such sectors as audiovisual; finance; insurance; energy services; transportation, logistics, and express delivery services; information technology services; and telecommunications.

Contrary to popular misconception, many jobs in services pay well. Approximately 18 million Americans are employed in business services such as software, architectural services, engineering and project management services, and insurance—all of which generate billions of dollars in exports. Wages in these sectors are 20% higher on average than those in manufacturing, which employs about 12 million Americans.

Services are a clear strength for the United States, which is by far the world's largest exporter of services. U.S. services exports reached $632 billion in 2012, and the U.S. services trade surplus reached $195 billion. In addition, services sales by foreign affiliates of U.S. multinational corporations topped $1 trillion. Combined, total sales of U.S. services abroad reached approximately $1.7 trillion in 2012.

Even so, the potential for service industries to engage in international trade is almost untapped. One in four U.S. factories exports, but just one in every 20 providers of business services does so. Just 3% of U.S. services output is exported, according to the Peterson Institute for International Economics.

As its chief goals, the TISA should expand access to foreign markets for U.S. service industries and ensure they receive national and most-favored nation treatment. It should also lift foreign governments' sectoral limits on investment in services.

The payoff from the TISA could be huge. Eliminating barriers to trade in services could boost U.S. services exports by as much as $860 billion—up from 2012's record $632 billion—to as much as $1.4 trillion, according to the Peterson Institute. Such a dramatic increase could create as many as three million American jobs.

The TISA may not be making headlines anytime soon, but its potential to drive economic growth and job creation in the United States and beyond is significant. The Chamber is committed to working closely with U.S. negotiators, foreign governments, and the Congress to press for a strong agreement that translates this potential to reality.

Conclusion

To conclude, the United States cannot afford to sit on the sidelines while others set the rules of world trade. To create the jobs, growth, and prosperity our children need, we need to set the agenda. Otherwise, our workers and businesses will miss out on huge opportunities. Our standard of living and our standing in the world will suffer.

We need a laser-like focus on access to foreign markets. We need to renew the president's Trade Promotion Authority by approving the *Bipartisan Congressional Trade Priorities Act of 2014*. Then, Congress and the Administration should use the tools provided by this bill to pursue new trade agreements to ensure that international commerce is fair.

The trans-Pacific and trans-Atlantic trade agreements now being negotiated represent a once in a lifetime opportunity to tear down the walls that have shut American goods and services out of foreign markets for so long. We need to seize this opportunity with both hands.

And with all our trade agreements — old and new — we need to ensure they are fully enforced. The trade agreements we enter into are not worth the paper they are written on if they are not fully enforced.

The United States is home to many of the best workers and companies in the world. We create many of the world's most innovative products. We have also got tougher competition facing us than ever before. But our productivity is high, and our energy costs are going down. The facts show we can compete and win.

The bottom line is simple: Without a pro-active and determined trade agenda, American workers and businesses will miss out on huge opportunities. U.S. companies and the workers they employ will be shut out of foreign markets by unfair foreign trade barriers. Our standard of living and our standing in the world will suffer.

We look forward to working with all of you to advance a bold trade agenda to generate growth, opportunity, and jobs.

Thank you very much, and I look forward to your questions.

UNITED STATES SENATE
COMMITTEE ON FINANCE
HEARING ON ADVANCING CONGRESS'S TRADE AGENDA, THE ROLE OF TRADE NEGOTIATING AUTHORITY
JANUARY 16, 2014
QUESTIONS FOR ELENA STEGEMANN

Questions from Chairman Baucus

Question 1

In your experience, what will happen if the United States is unable to conclude trade agreements? How would your businesses be affected?

Response

Trade agreements play a significant role in making foreign markets accessible to US companies for the many important reasons that have already received a lot of attention, such as elimination of tariffs and reduction of non-tariff trade barriers (regulatory divergence, IP protection, etc). Let's use tariffs as an example of how this barrier affects a company such as NuStep in our sales activity in our key European export market - Germany. NuStep ships containers of our products to Germany, where they are received by our local distributor and then resold to our end users. With a typical shipment, which contains about 20 NuStep machines, the distributor pays a duty of over $2,000 USD (in addition to VAT and other fees). This means that an end user in Germany currently pays about $100 more per each NuStep compared to similar products that are either locally produced, or enter the EU duty free. This naturally puts us at a competitive disadvantage and results in lower sales volume in Germany. What would happen if our products entered Germany duty free? We would have a decision to make – we could either lower our end user price by $100/unit, which would lead to higher unit sales, or we could keep the end user price as is and have higher profits from our sales. What would this mean back home in Ann Arbor? If we chose the first path (higher sales), we would eventually need to hire more people at NuStep to keep up with this increased demand coming in from Germany (i.e. more jobs). If we chose the second path (higher profit per unit), we could spend more money on marketing our products in Germany to increase market penetration, which would eventually lead to higher sales (and therefore more jobs at NuStep). So, this is one very specific example of how an FTA with Europe would benefit NuStep and lead to additional job creation at home.

(As mentioned, there are other trade barriers that affect our company in different markets, and I can discuss them in greater detail if helpful.)

One thing that is important for our government and our negotiators to keep in mind is that a small US company is typically staffed by people who are inexperienced with international business, and are naturally hesitant about venturing out beyond domestic borders. Within such a company, the organizational culture is shaped by the company's experience of meeting domestic demand, so exporting is perceived to be a very risky undertaking. All kinds of fears and concerns surface when an inexperienced company contemplates dealing with international customers, from the logistical (how do we find those customers, how do we get the product to them, what will we do if they don't pay us) to the strategic (what is the economic/political risk in the export country, how likely is our product to be copied). If a decision to export is made, the risk averse company's choice of market is typically the one that's perceived to be a "safe bet" – this is often a country that someone else in the company's industry is exporting to, or a country with which the US has an FTA. This is an important point to make, because a Free Trade Agreement with a country signals to the company that our governments have found common ground on how to work together, obstacles that are difficult for a small company to handle have already been cleared, and a safe path has been paved. The perception of risk is greatly reduced, and this in turn is likely to remove internal barriers to exporting. Thus, FTAs create safer opportunities for small companies to test the waters with exporting, which builds their confidence and appetite for more aggressive international activity.

Question 2

Mr. Cohen earlier expressed the view that trade agreements have resulted in lost jobs, particularly citing job losses due to the Korea deal and NAFTA. I suspect we could have a spirited debate over the numbers, but let me begin by asking Ms. Stegemann, Mr. Cote, and Mr. Allen, does Mr. Cohen's description of the consequences of trade agreements match your experience? How have trade agreements affected employment in the company or sector you represent?

Response

As mentioned in my written and verbal testimony, our international activity has resulted in job creation at NuStep. There are about 20 people involved in our international business. The International Business Segment at NuStep is led by me with the assistance of an International Business Coordinator, and is supported by NuStep employees in manufacturing, shipping, accounting, product development, customer service, engineering, HR and other functions that make it possible for us to deliver our high quality products around the world with minimum lead times and outstanding customer satisfaction.

NAFTA has been a positive force for us – Canada's is our #2 export market, and we have high hopes for continued growth there. In fact, the opportunity is so good, that if we were to staff up our international team, it would be by adding a resource to manage our growth in the Canadian market and this has already been discussed.

Korea is a country where we do not have a presence yet, but we are in talks with several potential distributors. KORUS is a strong incentive for us, and the plan is to get started as soon as we find a strong distribution partner.

So, overall we have not seen FTAs causing job losses here at NuStep.

Questions from Senator Hatch

Question 1

As you noted in your testimony, many of our current negotiating partners maintain unwarranted, protectionist sanitary and phytosanitary (SPS) barriers.

To use an example from Utah; pork production supports 3500 jobs statewide. And while 700 of those jobs are tied to exports, that number should be higher. Here's an illustration of the extent of the problem: due to restrictive SPS measures, the United States exports more pork to Honduras than it does to all 28 EU countries combined.

S.1900 very clearly instructs our trade negotiators that we will only accept trade agreements that have strong – and enforceable – SPS obligations.

How would trade agreements with strong, enforceable SPS standards help U.S. apple and other agriculture producers to export around the world?

Response

I believe this question was intended for Mr. Allen, as this is his area of expertise. However, if my opinion on this subject is indeed being sought, I will be happy to research it and provide a response.

Question 2

As you know, the United States has not signed a free trade agreement since 2007. Meanwhile, our competitors around the world have been completing deals and giving their producers better access to foreign markets than U.S. producers enjoy. Your testimony is a good reminder of the harm this causes to American exporters.

The sad fact is, this Administration allowed U.S. trade policy to drift for far too long. But the Administration is now working to lower barriers to U.S. exports to Europe and across the Pacific. I hope this bill can be a catalyst for bringing those negotiations to a close with strong market access results for U.S. exporters.

Specifically, what additional commitments regarding market access, SPS, and other non-tariff measures would you like to see the Administration secure as part of the TPP and T-TIP

negotiations? What will be the effect on your export potential if Congress fails to approve TPA which is the key to getting both TPP and T-TIP concluded?

Response to - Specifically, what additional commitments regarding market access, SPS, and other non-tariff measures would you like to see the Administration secure as part of the TPP and T-TIP negotiations?

Being a "traditional" manufacturing business we look for our FTAs to include the elements of free trade that are already being addressed, with the key ones being tariffs, IP protection, and regulatory requirements.

In addition to these key elements, a consideration may be given to having a chapter on SMEs (Small and Medium Enterprises) included in our FTAs. SMEs are often called the "backbone of our economy", and a growing number are exporting, so it might make sense to include specific provisions (if some can be made) in the text. What kind of special provisions could a text include? One area that comes to mind is regulatory requirements, and for the sake of this discussion let's look specifically at those needed for us to be active in the EU.

Because we sell our products primarily to hospitals and rehab clinics, our product is treated as a medical device in those instances and must meet the requirements of CE Medical Device Directive 93/42/EEC. Getting our products to meet these requirements initially took us over a year, and required a significant financial investment on our part. (Maintaining compliance is an ongoing effort, and is an investment of a different kind). Making the decision to allocate a significant portion of our budget to meeting EU regulatory requirements was very difficult – we had not sold any products there yet and didn't know whether they would be well received. What if we spent all that time and money to get our products to comply, and then found out that our product wasn't generating enough sales in Europe to cover our investments, let alone earn a profit? In addition to profit, another consideration for us is the opportunity cost associated with allocation of our resources to the EU mark project. If our product development team spent a significant portion of their time managing the CE mark project, then they weren't spending that time developing product upgrades that could have made us more competitive in other markets. One thing that would have made our lives a lot easier is if we could have been given some type of a "temporary pass" for selling into the EU based on us meeting certain US based standards – or perhaps there is some other solution that would have allowed us to enter the EU market faster and/or with less uncertainty.

I understand that regulatory is an area within TTIP that is expected to be difficult to negotiate. So perhaps introducing special provisions for SMEs might overwhelm a chapter that is already fraught with complexity, but I wanted our negotiators to have a feel for how the demands of meeting regulatory requirements are experienced by small companies.

Response to - What will be the effect on your export potential if Congress fails to approve TPA which is the key to getting both TPP and T-TIP concluded?

When you're a small company, you have a small budget for exporting and very limited resources. Any help you can get makes a huge difference. We rely on an extended network of helpers to fill as many gaps in our internal resources as we can. For example, the US Commercial Service has vetted potential distributors for us, provided us with market research and given us advice on local business practices, regulations and market entry requirements – either for free, or at a very low cost. MBA students at the University of Michigan's Business School have helped us develop market penetration strategies for different parts of the world. Participants in a local "back to work" program have provided us with pro bono work as part of their graduation requirement. Without the assistance of this great network of helpers our progress in international markets would be slow, and in some instances it simply would not have happened. FTAs play a similar role in the life of a small exporter – they take some of the burden off of us, and allow us to allocate our limited resources to other business critical matters.

Questions from Senator Brown

Question 1

Majorities in the House and Senate have written to the Administration concerned about the effect of currency manipulation on U.S. businesses and workers, but the Administration has not yet included this issue in its pending trade agreement negotiations.

Businesses and workers in Ohio and across the United States are harmed by currency manipulation.

C. Fred Bergsten of the Peterson Institute for International Economics has said that the U.S. current account deficit is an average of $200 to $500 billion per year higher as a result of currency manipulation.

Shouldn't such an important issue with such a large economic impact be subject to disciplines in our trade agreements? More simply put, should we be negotiating trade agreements with nations that manipulate their currency?

Response

I am not expert on monetary policy, so my comments are personal opinions shaped by my experiences with exporting.

I have held leadership roles in international business for about10 years now – the last five years have been with a small company (NuStep), and the previous five years were with a global corporation (General Electric). So, I have had the opportunity to see both differences and

similarities between how a big and a small company go to market internationally. One of the similarities is that concern with currency fluctuations (or currency manipulation) has never been used as an influencing factor in business decisions. It is understood that it is out there, that it can have a negative effect on business results, but it is not a reason to pull out of a particular market, or to avoid entering it in the first place.

The threat (or existence) of currency manipulation has not prevented NuStep from exporting to China or to Japan – two countries that have been accused of this practice. Japan is our #1 export market and we have been selling there for many years. We got our start in China about five years ago, and since then it has become our #4 export market.

Of course, this does not directly answer the question of whether currency manipulation should have its own chapter in the TPP, but hopefully our specific experiences are helpful to the experts who are working this out.

Question 2

I believe that we can't rush into more foreign trade agreements until we invest in a global competitiveness agenda here at home.

To succeed in the 21st century, the United States needs to work harder and smarter. That means we must have: the best trained workers; the most developed and sophisticated infrastructure; the most robust manufacturing base; and the strongest defense against currency manipulation. Trade agreements cannot be the only way we create jobs in America.

Do you believe that a competitiveness agenda should be part of our trade agenda? What are your recommendations to boost U.S. competitiveness and create jobs?

Response

Much has been said already on the subject of our global competitiveness and how we can improve it (better early education, more focus on STEM fields, etc etc), so I will abstain from repeating what has already been said.

I do have one observation that I'd like to share that I believe is relevant to our ability to compete in foreign markets. In my years of traveling internationally and dealing with business people all over the world, I've come to realize that entrepreneurs from other countries have a specific advantage over US entrepreneurs – they build businesses that are international from the very beginning.

When you start a business in another country, let's say Finland, you know that your domestic market is only 5 million people, and that to grow your business you will need to be selling internationally fairly soon. So, you build a business that is prepared for the realities of exporting. You include globalization in all of the key elements of your business strategy (product design,

packaging, regulatory requirements, website content, pricing, etc etc). So, when you've reached maximum market penetration in Finland, getting your product to customers overseas is relatively easy, because you've been ready for it from the very beginning.

In contrast, if you are a typical US entrepreneur, you've designed your business around serving the needs of a huge domestic market, and it will take many years to reach your market potential. During these years, you will continue to develop expertise around serving domestic customers, and once you make the decision to look for customers internationally you will discover that there are many areas in which you are unprepared. It will be costly and time consuming to make the necessary changes. Your organizational culture will be so deeply entrenched in dealing with US customers and US business practices that doing something different will feel scary, and you will encounter much resistance internally.

It is not surprising then that so few US companies embrace exporting, and I believe we have an opportunity to address this with our entrepreneurial community. Getting entrepreneurs (and maybe even college students) more aware of the benefits of global trade, and training them to incorporate globalization into their businesses from the beginning, may lead to us being better prepared for the realities of exporting and being more competitive on the global stage.

COMMUNICATIONS

SENATE COMMITTEE ON FINANCE

HEARING:

Advancing Congress's Trade Agenda, The Role of Trade Negotiating Authority

January 16, 2014

STATEMENT FOR THE RECORD

SUBMITTED BY:

THE ADVANCED MEDICAL TECHNOLOGY ASSOCIATION (AdvaMed)

The Advanced Medical Technology Association (AdvaMed) appreciates the opportunity to provide comments on the Congressional Trade Priorities Act of 2014 to the Senate Finance Committee. AdvaMed represents approximately 400 of the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and medical information systems. AdvaMed members range from the smallest to the largest medical technology innovators and companies. AdvaMed is dedicated to the advancement of medical science, the improvement of patient care, and in particular to the contribution that high quality health care technology can make toward achieving those goals.

AdvaMed applauds the leadership of Finance Committee Chairman Sen. Max Baucus (D-MT), and Ranking Member Senator Orrin Hatch (R-UT) as well as Ways and Means Chairman Rep. Dave Camp (R-MI) for introducing the Congressional Trade Priorities Act. We are pleased that TPA includes a list of key negotiating objectives for U.S. free trade agreements and procedures for Congress to consider as they address trade legislation. The TPA will help ensure trade agreements are implemented in a fixed time period and without amendments.

AdvaMed members support free trade and believe Trade Promotion Authority (TPA) is necessary to guide and strengthen United States Trade Representative's negotiating objectives in trade negotiations. We also appreciate that this TPA enhances previous versions by adding new negotiating objectives on transparency and procedural fairness in reimbursement decisions, price controls, trade secrets and localization. These are three issues that our members face in a growing list of countries.

Our industry supports the Administration's current trade agenda and recognizes the Finance Committee's work to help push major agreements forward. We appreciate the committee's work with USTR's on the negotiations on the Information Technology Agreement, the TransAtlantic Trade and Investment Partnership, and the TPP. We look forward to continuing to work with the Congress to secure support for strong, comprehensive free trade agreements.

Attached to this testimony is AdvaMed's recent press release on the Congressional Trade Priorities Act as well as a recent letter from some of our industry leaders to USTR Froman on securing a meaningful set of commitments on transparency and procedural fairness in the TransPacific Partnership (TPP) agreement.

FOR IMMEDIATE RELEASE January 10, 2014

AdvaMed Applauds Introduction of the Congressional Trade Priorities Act

WASHINGTON, D.C. – The Advanced Medical Technology Association (AdvaMed) released the following statement by Ralph Ives, Executive Vice President for Global Strategy and Analysis, upon the introduction of the Congressional Trade Priorities Act (TPA) of 2014 by the U.S. Senate Finance Committee and the U.S. House of Representatives Ways and Means Committee:

"AdvaMed applauds the leadership of Finance Committee Chairman Sen. Max Baucus (D-MT), Ways and Means Chairman Rep. Dave Camp (R-MI) and U.S. Sen. Orrin Hatch (R-UT) for introducing TPA. We are pleased that TPA includes a list of key negotiating objectives for U.S. free trade agreements and procedures for Congress to consider as they address trade legislation. The TPA will help ensure trade agreements are implemented in a fixed time period and without amendments.

"Our members support free trade and believe TPA is necessary to guide and strengthen USTR's negotiating objectives in trade negotiations. We also appreciate that this TPA enhances previous versions by adding new negotiating objectives on transparency and procedural fairness in reimbursement decisions, price controls, trade secrets and localization – all issues our members face in a growing list of countries."

###

AdvaMed member companies produce the medical devices, diagnostic products and health information systems that are transforming health care through earlier disease detection, less invasive procedures and more effective treatments. AdvaMed members range from the largest to the smallest medical technology innovators and companies. For more information, visit www.advamed.org.

January 17, 2014

Ambassador Michael Froman
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Froman:

Thank you again for taking the time to meet with CEOs from our industry last September. Our members appreciated your reassurances of USTR's support for securing a meaningful set of commitments on transparency and procedural fairness in the TransPacific Partnership (TPP) agreement.

Since that meeting, AdvaMed staff have been engaged with Mr. Stan McCoy, who has been making a tremendous effort to secure useful and binding provisions in the TPP. The energy and creativity of Ms. Barbara Weisel and Mr. McCoy have kept this issue alive in the negotiations, despite stiff resistance by some of the TPP negotiating partners.

As the TPP negotiations rise to the ministerial level, we want to reiterate the high priority our industry places on seeing these provisions in the final TPP agreement. We have been heartened by language in the recently submitted bipartisan Congressional Trade Priorities Act of 2014 that makes ensuring reimbursement regimes are transparent, non-discriminatory and provide for procedural fairness a key negotiating objective. We believe that this provision should strengthen USTR's negotiating leverage with other TPP participants.

We want to assure you that our industry strongly endorses the Administration's trade agenda and recognizes USTR's hard work in the negotiations on the Information Technology Agreement, the TransAtlantic Trade and Investment Partnership, and the TPP, as well as the many issues on which your outstanding team has helped us open markets. Please know that we will do our part to secure Congressional support for strong, comprehensive free trade agreements.

Thank you for your consideration of our issue.

Sincerely,

David C. Dvorak

Kieran T. Gallahue

Omar S. Ishrak

Stephen J. Ubl

Computer & Communications Industry Association
Tech Advocacy Since 1972

Before the

United States Senate Committee on Finance

Regarding

"Advancing Congress's Trade Agenda, The Role of Trade Negotiating Authority"

January 16, 2014

Statement of the

Computer & Communications Industry Association

The Computer & Communications Industry Association (CCIA) represents large, medium-sized, and small companies in the high technology products and services sectors, including computer hardware and software, electronic commerce, telecommunications and Internet products and services – companies that collectively generate more than $250 billion in annual revenues.[1]

CCIA has been a leading advocate for expanded trade since our founding decades ago. Today, the task at hand is to establish a framework for promoting 21st-century trade, and the Bipartisan Congressional Trade Priorities Act of 2014 makes many strides toward achieving this. Fortunately, existing U.S. law already reflects principles necessary to promote modern, Internet-enabled commerce in the international marketplace. A modern framework for digital trade must enable the expansion of, and respond to new barriers to, technology-enabled commerce. The economic potential of Internet-related trade is immense. Yet businesses face numerous barriers today: impediments to cross-border data flows, mandates on the location and use of technology infrastructure, forced technology transfer, and unreasonable liability rules regarding third-party activity. Internet trade is also confronted with unbalanced IP laws, which do not adequately reflect the appropriate balance presently found in U.S. law and practice. These issues were not addressed when Congress last considered the issue of trade promotion authority in 2002, and thus much work needs to be done.

[1] A complete list of CCIA members is available at http://www.ccianet.org/members.

The Trade Priorities Act makes significant strides in responding to many of these new issues. In order to fully realize the needs of 21st-century commerce, however, U.S. trade policy must do more to respond to the challenges Internet businesses face in the global marketplace. The blueprint for action is clear: the highly successful legal norms pioneered in U.S. law should become global norms. CCIA applauds the Committee's work on this issue, and looks forward to helping address the challenges facing the economic interests of the technology and Internet sector.

I. Digital Trade Promotion

The proposed trade promotion language is a marked step forward for digital trade, enshrining concepts such as the free flow of information and the prevention of forced localization as official U.S. trade objectives. Ensuring that online, digital commerce receives treatment equal to physical trade is essential, as more and more of both the U.S. and the world's commercial transactions move from the physical world to the Internet.

The Committee is no doubt familiar with the great commercial benefits the open Internet provides. It allows small-and-medium-size businesses to access markets and customers well beyond their reach in the brick and mortar world, lowers costs along the entirety of global supply chains, increases efficiency in business from the Fortune 500 down to the smallest mom-and-pop shop, and is the catalyst for the online services marketplace, one of the greatest economic drivers in the country today.

As an example of the immense economic benefit of the Internet, the Boston Consulting Group conducted a study in 2012 analyzing the economic promise of the Internet economy. The study predicts that the Internet economy in the G-20 will reach $4.2 trillion by 2016.[2] Another study, conducted by the McKinsey Global Institute, estimates that 21% of GDP growth over the past 5 years is attributable to the Internet and that 2.6 jobs are created for every job lost. And, perhaps more telling, the same study estimates that 75% of the economic value of the Internet accrues to *traditional sectors* of the economy in the form of greater efficiency and expanded market access.[3]

---

[2] Boston Consulting Group, *The Internet Economy in the G-20* (2012), *available at* https://www.bcgperspectives.com/content/articles/media_entertainment_strategic_planning_4_2_trillion_opportunity_internet_economy_g20/.

[3] McKinsey Global Institute, *Internet Matters: The Net's Sweeping Impact on Growth, Jobs, and Prosperity* (2011), *available at* http://www.mckinsey.com/features/~/media/6BDDD3D756C449C1A9C41633EE5B0732.ashx.

Furthermore, a recent comprehensive report from the U.S. International Trade Commission, requested by this very Committee, noted that "digital trade continues to grow both in the U.S. economy and globally" and that a "further increase in digital trade is probable, with the U.S. in the lead." In fact, the report also shows that U.S. digital exports have exceeded imports and that surplus has continually widened since 2007.[4] As the U.S. economy continues to change, the Internet and the innovative ecosystem that it has spawned become increasingly important to our global economic competitiveness.

The Internet both grows the pie for everyone, and significantly benefits the United States as well. Given the commitment of both the Administration and Congress to lower the trade deficit, it would be unthinkable for the U.S.'s new trade agenda not to acknowledge and support the most internationally competitive sector of the U.S. economy.

Language ensuring the U.S. Government's commitment to the free flow of information and opposition to other digital trade barriers, including preventing trading partners from imposing local hosting requirements, are necessary steps towards constructing a trade agenda that both comports with the realities of 21st-century commerce and serves the best interests of the United States. However, these steps are not sufficient to ensure that 21st-century international online commerce flourishes over the coming decades.

II. Promoting Reasonable Limitations on Intermediary Liability

Internet services increasingly offer platforms for trade, both digital and conventional. Online intermediaries facilitate mind-boggling numbers of interactions and transactions daily. Today, the Internet functions as a commerce-facilitating platform, and it therefore matters to everyone.

Frequently, however, foreign states seek to blame and burden the intermediary for "undesirable" communications. This is particularly appealing when the intermediary or platform is a foreign company with deeper pockets than the domestic end-user whose conduct or speech may be at issue. These liability rules constitute a major barrier to Internet commerce. Congress wisely recognized that penalizing Internet platforms for users' speech or misconduct would jeopardize the industry's growth, and broadly limited this liability. Europe, and other developing

---

[4] United States International Trade Commission, *Digital Trade In the U.S. and Global Economies, Part 1* (2013), *available at* http://www.usitc.gov/publications/332/pub4415.pdf.

countries also provide some liability protections.[5] Unfortunately, these protections are not broadly adopted, and are inadequately enforced.[6] At a time when the U.S. leads the world in the growing market for high-value Internet services, we must resist calls to "shoot the messenger." U.S. trade policy must reverse the trend toward saddling U.S. enterprises – which are often wholly unaware of the speech or content at issue – with liability for other parties' words and actions.

Intermediaries have been subjected to extreme liability in numerous foreign markets for third party content.[7] In some instances, these cases are clearly protectionist, and in others they have the effect of inhibiting lawful free speech and free expression. In many cases, intermediaries are held responsible for online content about which they had no prior knowledge. Courts often impose the impossible burden of affirmatively monitoring and proactively censoring all "undesirable" communications — an obligation uniformly rejected in U.S. and European law. These liability risks "weaken private sector confidence" and impede market entry.[8]

U.S. law features two specific safe harbors – Section 230 of the Communications Decency Act,[9] and Section 512 of the Digital Millennium Copyright Act – which address this sort of problem.[10] For over 10 years, U.S. trade policy has aggressively promoted principles similar to Section 512 to be included in our trade agreements, which we applaud. Our trade policy should continue to reflect this mainstay principle in our trade agreements. At the same time, it is essential that U.S. trade policy also promote intermediary liability protections similar to Section 230, which limits intermediary liability for user misconduct, thus allowing Internet companies to combat undesirable or potentially illegal activity without fear of additional liability for editing user content. This principle, adopted in 1996, made the online environment safe for

---

[5] OECD, *The Role of Internet Intermediaries in Advancing Public Policy Objectives*, at 15 (2011) *available at* http://dx.doi.org/10.1787/9789264115644-en.

[6] Martin H. Thelle & Svend T. Jespersen, *Online Intermediaries: Assessing the Economic Impact of the EU's Online Liability Regime* (2012), at 7, *available at* http://www.europeandigitalmedia.org/uploads/Press/documents/Copenhagen%20Economics-Online%20Intermediaries-201201.pdf.

[7] *See generally* Ali Sternburg & Matt Schruers, *Modernizing Liability Rules to Promote Internet Trade* (2013), *at* http://www.ccianet.org/wp-content/uploads/2013/09/CCIA-Liability-Rules-Paper1.pdf.

[8] *See* OECD, *The Role of Internet Intermediaries in Advancing Public Policy Objectives*, *supra* note 2, at 15.

[9] 47 U.S.C. § 230.

[10] 17 U.S.C. § 512.

digital commerce. If digital commerce is to extend to international trade, a similar principle must be reflected in international trade norms.

III. Balanced Intellectual Property

Since 2002, the economy has changed dramatically, and today a broad range of services exported by U.S. businesses depends upon various limitations and exceptions to copyright. Research commissioned by CCIA in 2011 and recently cited by the National Academies of Science[11] concluded that industries depending upon fair use and other limitations to copyright contributed $2.4 trillion in value-add to the U.S. economy (roughly one-sixth of total U.S. current dollar GDP) and employ approximately 1 in 8 U.S. workers. More relevant from a trade perspective, exports of goods and services related to these industries increased by 64 percent between 2002 and 2009, from $179 billion to $266 billion. Exports of trade-related services, including Internet or online services, were the fastest growing segment, increasing nearly ten-fold from $578 million in 2002 to more than $5 billion annually in 2008-2009.[12]

It is crucial to U.S. exports that services recognized as lawful in the U.S. can also be offered in global markets. To be clear, 20th-century trade policy did not accurately reflect the IP balance found in U.S. law, and that has hindered the export of digital services. A 21st-century trade policy must remedy this. Indeed, under USTR leadership, the Trans-Pacific Partnership (TPP) is already poised to do so. USTR announced in July 2012 its intention to promote the balance of U.S. copyright law with a short provision in TPP, consistent with international and U.S. law, that would obligate parties to "seek to achieve an appropriate balance in their copyright systems in providing copyright exceptions and limitations for purposes such as criticism, comment, news reporting, teaching, scholarship, and research."[13] These principles are critical aspects of the U.S. copyright system, appearing throughout our law and jurisprudence. It is very appropriate that the TPP recognize these principles, and given their importance, they should be formally recognized in our trade policy going forward. Failing to do so may inadvertently signal

---

[11] Stephen A. Merrill & William J. Raduchel, *Copyright in the Digital Era: Building Evidence for Policy*, National Research Council (2013), *at* http://www.nap.edu/catalog.php?record_id=14686.

[12] Thomas Rogers & Andrew Szamosszegi, *Fair Use in the U.S. Economy* at 26-27 (2011), *available at* http://www.ccianet.org/wp-content/uploads/library/CCIA-FairUseintheUSEconomy-2011.pdf.

[13] *USTR Introduces New Copyright Exceptions and Limitations Provision at San Diego TPP Talks*, July 3, 2012, *at* http://www.ustr.gov/about-us/press-office/blog/2012/july/ustr-introduces-new-copyright-exceptions-limitations-provision.

that the U.S. Government favors a skewed intellectual property system, which discriminates against successful U.S. industries.

This will ensure that our trading partners' laws reflect the same mainstream, common-sense principles found in U.S. IP law. As hard as it may be to believe, online services encounter cases abroad where it is unlawful to quote from newspaper articles,[14] or where intermediaries are penalized because users want to sell legitimate, lawfully acquired goods.[15] U.S. law effectively addresses these scenarios, while still affording robust protection to intellectual property. Our trade policy must do so as well.

IV. Promoting Consultation with Stakeholders

The Trade Priorities Act contains new provisions focused on public consultation. Increasing consultation on trade policy is both appropriate and prudent – efforts to increase transparency will help mitigate some of the misinformation that has been spread about the benefits of the trade agenda. In that vein, USTR's recent efforts to foster greater stakeholder engagement should be commended. That being said, the advisory committee structure that presently supports U.S. trade policy does not reflect the 21st century economy, has little input from the Internet sector, and therefore requires updating. For example, even though there are 15 Industry Trade Advisory Committees (ITACs), none of these pertain exclusively (or even predominantly) to digital trade, despite the relative importance of digital trade to our economy. ITACs 8 (Information Communications Technologies, Services, and Electronic Commerce) and 15 (Intellectual Property) both encompass some concerns of digital trade platforms, but both are largely constructed of representatives of companies that have either different or divergent interests. While telecommunications companies, hardware manufacturers or content producers are all important constituencies in the economy, none of these groups fully

---

[14] As CCIA raised in response to USTR's 2013 Special 301 report, the German legislature has created a new *Leistungsschutzrecht* or so-called "ancillary right" for press publishers, such as newspapers and magazines, which prohibits Internet platforms from aggregating quotations of press publications without authorization, notwithstanding EU commitments to the contrary. *See* Comments of Computer & Communications Indus. Ass'n, Dkt. No. USTR-2010-022, filed Feb. 8, 2013, *at* http://www.ccianet.org/wp-content/uploads/library/CCIA%20Comments%20on%20Special%20301%20[2013].pdf.

[15] Such an obligation would obviously comport with the U.S. Supreme Court's recent, unambiguous decision in *Kirtsaeng v. John Wiley & Sons*, which interpreted 17 U.S.C. § 109(a) to mean that copyright's 'first sale' or 'exhaustion' doctrine permits the owner of a work to sell or dispose of that copy as he wishes, whether that work was made domestically or abroad. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S.Ct. 1351, 1358 (2013).

reflect the perspective of businesses engaged in the export of Internet services and retailing, cloud computing and online platforms.

According to a 2009 report on the trade advisory system, GAO found in 2002 that "the structure and composition of the committee system had not been fully updated to reflect changes in the U.S. economy and U.S. trade policy."[16] In the intervening time, little has been done to formally incorporate Internet perspectives. Besides ensuring that USTR is receiving advice that is representative of the needs of the U.S. economy, a reassessment of the ITAC structure would ensure compliance with the Federal Advisory Committee Act's requirements that advisory committees be fairly balanced in terms of points of view.

CCIA thanks the Committee for its continued efforts to modernize our trade policy, and looks forward to working together to address the challenges before our changing economy.

---

[16] Government Accountability Office, *International Trade: Prior Updates of the Trade Advisory System Offer Insights for Current Review* (2009), *available at* http://www.gao.gov/assets/130/123085.pdf.

NATIONAL ASSOCIATION OF
Manufacturers

Leading Innovation. Creating Opportunity. Pursuing Progress.

Statement for the Record

National Association of Manufacturers

Senate Committee on Finance

on "Advancing Congress's Trade Agenda, the Role of Trade Negotiating Authority"

January 16, 2014

Statement for the Record

Senate Committee on Finance
"Advancing Congress's Trade Agenda, the Role of Trade Negotiating Authority"

January 16, 2014

The National Association of Manufacturers (NAM) is pleased to provide the following statement for the hearing of the Senate Committee on Finance on advancing Congress's trade agenda and the role of Trade Negotiating Authority. The NAM is the largest manufacturing association in the United States, representing businesses small and large in every industrial sector and in all 50 states. Manufacturing employs nearly 12 million women and men across the country, contributing more than $1.8 trillion to the U.S. economy annually.

The NAM has long championed trade agreements as vital means to level the playing field in overseas markets and to give businesses of all sizes better access to an $11 trillion global market for manufactured goods and the 95 percent of the world's consumers who live outside our borders. Trade agreements are driving export growth and jobs across the country. Between 2002 and 2012, U.S. manufactured goods exports more than doubled to $1.35 trillion. Those exports support millions of jobs, including 107,000 in New Jersey, 185,000 in New York and 212,000 in Michigan.

Where they can compete on a level playing field, manufacturers in the United States are boosting sales and market share abroad. America's 20 existing trade agreement partners account for less than 10 percent of the global economy but purchase nearly half of all U.S. manufactured goods exports. For many states, including Ohio and Texas, that figure is closer to 60 percent. The United States enjoys a $130 billion manufacturing trade surplus with its trade agreement partners, compared with a $1.75 trillion deficit with other countries.

In manufacturing communities across America, the gains from trade are broadly shared. More than 97 percent of U.S. companies that export are small and medium-sized businesses with less than 500 employees. U.S. employment in trade-related jobs grew six and a half times faster than total employment between 2004 and 2011. Jobs linked to exports pay, on average, 18 percent more than other jobs. According to the Peterson Institute for International Economics, American real incomes are nine percent higher than they would otherwise have been due to more open trade.

Renew Trade Promotion Authority

Trade Promotion Authority (TPA) is essential to build on this successful track record. TPA was last granted in 2002 and expired in 2007. It is critical to a

robust market-opening U.S. trade agenda that sustains and grows manufacturing activity and jobs in the United States.

TPA is vital to promote the negotiation and implementation of ambitious, high-standard trade agreements with Europe and eleven Pacific Rim nations that are currently underway. These agreements hold enormous potential to expand U.S. exports and sales of goods and services and to promote jobs and economic growth if they are concluded successfully. Taken together, these agreements would open markets with nearly 1 billion consumers covering nearly two-thirds of global GDP and 65 percent of world trade. TPA will ensure strong congressional oversight of these negotiations, as well as new negotiations going forward.

Time is of the essence. Other major economies are already negotiating their own agreements with these countries that could put manufacturers and workers in the United States at a significant competitive disadvantage. If Congress does not move expeditiously to pass TPA and ensure the United States continues to lead in striking trade deals that level the global playing field and drive manufacturing growth and job creation, we will be forced to sit on the sidelines while other countries negotiate deals that exclude us.

Failure to move forward would deal a damaging blow to a recovering U.S. manufacturing sector facing significant competitive challenges. The United States is one of the most open economies in the world. According to the World Trade Organization, America has the lowest applied tariff of any G20 country. But a recent study by the World Economic Forum found U.S. exporters face far higher tariffs abroad than their competitors in major markets like China, Russia, India and Brazil. Without TPA, the United States would lose a valuable tool to eliminate those duties and other impediments to open and fair competition.

Recognizing the need to promote a more robust, market-opening trade agenda, the NAM's Board of Directors unanimously approved a resolution at its October 2013 Board meeting calling on "the Administration and Congress to work together expeditiously for consideration and enactment of Trade Promotion Authority to open markets globally and drive economic growth."

Support the Bipartisan Congressional Trade Priorities Act

For these reasons and others, the NAM welcomed the Bipartisan Congressional Trade Priorities Act of 2014, introduced by Senate Finance Committee Chairman Max Baucus and Ranking Member Orrin Hatch. While continuing to set clear and ambitious goals to eliminate tariffs and open overseas markets to U.S. goods, services and investment, this legislation establishes powerful new trade negotiating objectives that address existing and emerging commercial challenges to manufacturing growth and exports in markets around the world.

For the first time in a TPA bill, the Bipartisan Congressional Trade Priorities Act confronts the serious and growing problem of forced localization barriers to trade. It seeks to eliminate trade distortions and unfair competition from state-owned enterprises and to promote regulatory transparency, procedural fairness and rule-making based on risk assessments and sound scientific evidence. It includes critical new provisions addressing cyber theft and protecting trade secrets and confidential business information.

The legislation would foster manufacturing growth and innovation here in the United States. It includes highly important negotiating objectives to establish more open and fair trade in goods, improve transparency, protect and enforce intellectual property, and ensure U.S. property overseas is treated fairly and in accordance with core U.S. due process principles.

Just as importantly, the legislation would restore the vital partnership between Congress and the President that facilitates the negotiation and approval of trade agreements. It enhances congressional oversight over trade negotiations and, for the first time, explicitly confirms and provides that any Member of Congress can access negotiating text, submit views and attend trade agreement negotiating rounds. Separate House and Senate advisory groups would oversee ongoing trade talks, including through regular, scheduled meetings.

At the same time, the Bipartisan Congressional Trade Priorities Act provides the appropriate structure to empower U.S. negotiators to bring back the strongest possible trade agreements to open markets and level the playing field. Without this authority, our trading partners have little incentive to make tough decisions or put their best offer on the table.

* * * * *

The NAM strongly supports the Bipartisan Congressional Trade Priorities Act of 2014 as a vital part of a broader manufacturing growth, jobs and competitiveness agenda. We look forward to working closely with the Senate Committee on Finance to quickly pass this legislation and ensure it is used to conclude comprehensive, high-standard trade agreements that engage stakeholder participation and deliver for manufacturing communities across America.

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA - UAW

BOB KING, President DENNIS WILLIAMS, Secretary-Treasurer

VICE PRESIDENTS: JOE ASHTON • CINDY ESTRADA • GENERAL HOLIEFIELD • JIMMY SETTLES

IN REPLY REFER TO

1757 N STREET, N.W.
WASHINGTON, D.C. 20036
TELEPHONE: (202) 828-8500
FAX (202) 293-3457

January 16, 2014

Statement for the Record
Hearing: Advancing Congress's Trade Agenda, The Role of Trade Negotiating Authority
By UAW President Bob King

United States Senate Committee on Finance
215 Dirksen Senate Office Building
Washington, D.C. 20510

The UAW strongly agrees with the Obama administration that the most important challenge facing the United States is the dramatic growth in income inequality, and we join President Obama in his conviction that trade agreements should serve to reduce rather than exacerbate this inequality. We support agreements that grow our economy, enhance domestic manufacturing, strengthen the enforcement of labor rights, and address climate change through enforceable standards.

The UAW strongly believes that President Obama's first trade agreement, The Trans Pacific Partnership (TPP), must contain three essential objectives: 1) the preservation and expansion of U.S. manufacturing employment; 2) the recognition and protection through strong effective enforcement mechanisms of global labor rights under the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work; and 3) the enforcement of strong environmental standards.

The ILO Declaration on Fundamental Principles and Rights at Work covers four fundamental principles regarding rights at work:

1. Freedom of association and the effective recognition of the right to collective bargaining;

2. Elimination of all forms of forced or compulsory labor;

3. Effective abolition of child labor;

4. Elimination of discrimination in respect of employment and occupation.

We are deeply concerned that these three objectives are not being adequately addressed in current negotiations and could be severely compromised by the passage of S.1900, Bipartisan Congressional Trade Priorities Act. For example, a one-way trade agreement with Japan could devastate our automobile industry over time. Countries who are party to the TPP encompass more than 40 percent of global gross domestic product. This percentage is expected to increase over time, so the significance of the TPP and passage of S.1900 are difficult to overstate.

S.1900 also extends TPA by four years, with an option to renew an additional three years – allowing Fast Track authority for the next administration. In addition to the TPP, the bill could impact other important future trade agreements that, if completed and implemented, will have a lasting impact on our economy and working families for decades to come. Congress should not diminish its role on the TPP and future agreements. Therefore, the UAW opposes the Bipartisan Congressional Trade Priorities Act and urges Congress to work with the administration to address economic inequality here and abroad.

The UAW position is informed by our experience with past trade agreements. In the case of the Korean Free Trade Agreement (KORUS FTA), we were appreciative that the administration focused on and secured provisions that will protect the U.S. auto industry. Therefore, we supported the adoption of KORUS even though there were provisions with which we disagreed.

Earlier trade deals, in particular NAFTA, have shown the terrible impact on the middle and working class of agreements that lack strong enforceable labor and environmental protections, and that incentivize companies to offshore manufacturing jobs. Having learned from this experience, the UAW believes it is essential that we not repeat past mistakes, and that we work together to find an approach that supports our shared values and interests in a global economy where imports and exports account for more than 30 percent of our national economy.

NAFTA resulted in a net loss of nearly 700,000 jobs in the United States. In Mexico, NAFTA lead to a huge upheaval in which more than two million subsistence farmers were forced from their land. While some gained jobs in factories, they still lack the right to freely form independent unions. The UAW actively supports Mexican workers in their fight for the right to join unions that will negotiate for decent wages and safe working conditions. But NAFTA's failure to include strong enforceable labor rights undermines our joint efforts to improve Mexican labor standards and motivates companies to outsource work to Mexico where they can exploit Mexican workers. Negotiating a trade agreement with some of the countries engaged in the TPP poses a serious risk that some of the deficiencies in NAFTA will be reproduced in the TPP.

Vietnam's inclusion in the TPP provides an example of the problems posed by trade agreements with countries with poor labor standards. The average wage in Vietnam is 75 cents an hour; there is no right to freely form unions, and there is documented use of child labor in Vietnam. We must ensure that any trade agreement elevates the living standards

of the people of Vietnam and other nations, but this will not happen automatically. There must be strong enforcement of international labor standards included in all trade agreements so that corporations cannot exploit workers.

Further, some Japanese corporations have a double standard regarding worker rights, respecting those rights in their home country while disregarding them outside their borders. Most Japanese car manufacturers manufacturing in the United States do not respect the right of American workers to freely form unions. For example, Nissan has a cooperative, respectful relationship with unions in Japan, and it works with unions elsewhere around the world. But when workers in the U.S. attempted to organize a union, the company implied in many ways that its facilities would close if workers unionized. Workers were called into individual and group meetings and warned of the negative consequences of forming a union. Entering into a trade agreement without strong, enforceable worker rights mechanisms could encourage Japanese companies to continue to adopt a double standard regarding their attitudes toward unions outside of their home country.

A trade agreement with Japan could harm the middle class and lead to the closing of work places across the country. The U.S. has a competitive and open market but Japan does not; its market is the most closed in the developed world and Japan could gain an ever greater competitive advantage if the TPP fails to create a level playing field.

Under the TPP as proposed, other countries are negotiating the reduction and eventual elimination of U.S. tariffs on cars imported from Japan. Removing these tariffs would be equivalent to a $1 billion tax break for Japanese auto companies.

Our lopsided trade imbalance could get much worse. In 2012, Japanese companies sold well over 5 million cars in the U.S., capturing nearly 40 percent of the American market. Sadly, for every vehicle we export to Japan, it exports 130 vehicles to the United States. And it's not just a problem for American companies. Hyundai, KIA and many other auto companies have given up on selling in Japan, leaving in frustration with their closed system. S. 1900 does not directly address these serious problems and would prevent Congress from taking action to remedy the issue.

The UAW is extremely proud that the American auto industry leads the country in exports and is creating tens of thousands of new jobs a year, most of which were created as a result of collective bargaining. The hard work and enormous sacrifice of UAW members, retirees and auto companies have paid off. The administration and many in Congress also deserve a great deal of credit for taking bold action to save more than one million jobs in the auto sector during the economic crisis. We must pass trade agreements that will expand this growth and not diminish it.

We are also concerned that environmental standards being negotiated under the TPP are inadequate. Last fall, 24 environmental organizations, including the Sierra Club, the Natural Resources Defense Council (NRDC), and the World Wildlife Federation (WWF), sent a letter to the U.S. Trade Representative Michael Froman calling for a strong and

legally enforceable environment chapter in the TPP that includes the elimination of subsidies for harmful fisheries which are a key driver of overfishing; a ban on trade in illegally harvested timber, wildlife, and fish; and obligations to uphold domestic environmental laws and commitments under multilateral environmental agreements.

"If the environment chapter is finalized as written in this leaked document, President Obama's environmental trade record would be worse than George W. Bush's," said Michael Brune, executive director of the Sierra Club. "This draft chapter falls flat on every single one of our issues –oceans, fish, wildlife, and forest protections –and in fact, rolls back on the progress made in past free trade pacts."

The UAW is proud that by working with our environmental allies, companies and the administration, we were able to achieve new progressive CAFE fuel efficiency standards. It is important that we continue moving forward with cooperation in pursuing goals shared by labor, environmentalists, management and government to protect both the environment and our economic future.

Additionally, meaningful and enforceable provisions to prevent currency manipulation by potential trading partners must be part of any trade agreement. The UAW commends the supermajority of Senators and the majority of House members for their support of addressing currency manipulation with enforceable measures in the TPP. However, S.1900's provisions have inadequate enforcement mechanisms and contain loopholes that would likely be exploited by countries that have a history of manipulating their currencies, like Japan. Congressional oversight and engagement can provide valuable input on these and other important matters.

Finally, workers who have been displaced by trade agreements must not be left in the cold. Trade Adjustment Assistance and Health Care Tax Credits need to be reauthorized. Because of these concerns we urge the committee's rejection of S. 1900 and instead urge it to work to combat inequality here and abroad. The UAW stands ready to work with all stakeholders to accomplish this important national objective.

○