



American Cotton Shippers Association
88 Union Avenue, Suite 1204
Memphis, TN 38103
United States

P +1 901 525-2272
F +1 901 527-8303
www.acsa-cotton.org

House Ways and Means Committee Hearing
The 2020 Trade Policy Agenda
Overview Provided by:



HOUSE WAYS AND MEANS COMMITTEE HEARING

OVERVIEW

Today, the House Ways and Means Committee held [hearing](#) on the 2020 trade policy agenda and received testimony from U.S. Trade Representative (USTR) Robert Lighthizer.

Key Takeaways

- Ambassador Lighthizer said senior Chinese leadership have reaffirmed the country's commitment to fulfill their purchases commitments under the phase-one trade deal. Although the pandemic has complicated the buying timeline, he expects China to meet its purchase goals by the end of the year. To date, he said China has purchased about \$10 billion in U.S. ag products, including about \$1 billion in U.S. cotton with significantly more purchases expected.
- Lighthizer said he is unsure when President Trump will make a final decision on Hong Kong's preferential trade status but reiterated the administration's intent to revoke the special treatment and treat Hong Kong like China.
- Despite calls to delays USMCA's implementation, Lighthizer said the deal will go into effect July 1 as scheduled. He added that the agreement needs to go into effect sooner than later, so the U.S. can begin enforcing its provisions.
- Lighthizer said agriculture has been a key focus in the administration's trade policy and will be included in any U.K. deal, but there will be ag-related problems in negotiations in the sanitary and phytosanitary (SPS) area. The U.S. and U.K. are completing their second round of talks this week, and both sides have tabled text on various issues. Lighthizer said whatever the U.K. does in its negotiations with the EU will certainly impact U.S. interests.
- Although the U.S. and EU reached a tariff ceasefire months ago, the two sides have made little headway on trying to resolve some of their disagreements. Lighthizer said

reaching a deal with Europe in the short-term does not look good, but the U.S. will eventually need to get an agreement in place.

SUMMARY

Opening Statements and Testimony

Chairman Richard Neal (D-MA)

The new USMCA has a system that will allow all obligations in the agreement to be enforced. Democrats are looking forward to the deal's rigorous enforcement and implementation of those provisions to their fullest extent.

The pandemic revealed flaws in our economic system and communities. The USMCA provides important opportunities to reduce the pandemic's negative effects through its enhanced labor standards and enforcement measures.

The administration has negotiated agreements with China and Japan and is negotiating deals with the U.K. and Kenya. Unfortunately, talks with the EU have stalled.

Ranking Member Kevin Brady (R-TX)

The administration's aggressive trade agenda has opened new markets and leveled the playing field for American businesses. The USMCA will bring jobs back to the U.S. and create opportunities for growth.

I support the WTO, but its reforms are long overdue because this institution has gone astray. We must push our trading partners to address China's unfair trading practices, which it justifies on the grounds that it is still a developing country.

Ambassador Robert Lighthizer

Congress and the administration worked closely to pass the USMCA, and we should not forget the importance of this deal. The USMCA, phase-one trade deal with China, and Japan agreement have helped our workers, farmers, ranchers, and businesses. We are actively negotiating with the U.K. and other countries, and we anticipate beginning talks with Kenya soon.

Discussion

China Trade Deal and Hong Kong

Neal: How does the administration plan to address Beijing's actions in Hong Kong? *Lighthizer:* I try to focus solely on the trade space, but the actions China has taken in Hong Kong have further complicated our relationship.

Brady: When do you expect the administration's decision on Hong Kong's special trade status and treatment? *Lighthizer:* I am not sure when the president will make a final decision on Hong

Kong, but he has said we will revoke Hong Kong's special status and begin treating it the same as China.

Smith (R-MO): What signals has USTR received from China that it intends to fulfill its ag purchase commitments? Has China increased its buying of U.S. cotton? *Lighthizer:* Senior Chinese leadership have reaffirmed their commitment to fulfill their purchases commitments, but the pandemic has certainly complicated the buying timeline. At this point, they have purchased about \$10 billion in U.S. ag products. We believe China has purchased about \$1 billion in U.S. cotton, and the target is much higher than that, so they have more to purchase. This is particularly important as an indicator for China's apparel industry.

Rice (R-SC): When do you anticipate China to fulfill its purchase commitments? *Lighthizer:* We believe China will achieve its commitments before the end of the year. There is backloading towards the end of the year, particularly for soybeans. We talk with China every few days, and our indicators show they will meet these targets.

DelBene (D-WA): How does USTR plan to address Chinese aluminum overcapacity? *Lighthizer:* The president implemented tariffs on Chinese aluminum to address overcapacity, but the problem is not just with Chinese aluminum but with Canada and other countries as well.

Arrington (R-TX): I encourage USTR to ensure that China fulfill its purchase commitments of U.S. cotton. *Lighthizer:* We have sold a lot of cotton to China, and we are going to sell much more. We intend to fully enforce the phase-one China deal.

USMCA

Neal: What options do we have to enforce Mexico's compliance with the USMCA's labor provisions? *Lighthizer:* We have taken all the necessary steps to enforce the agreement, particularly the labor and environment measures. Enforcing labor in Mexico will be difficult, but it is a crucial part of the agreement, which goes into effect July 1. When the deal goes into effect, we will take actions early and often when there are problems.

Brady: How does the administration intend to hold our USMCA partners accountable? *Lighthizer:* NAFTA did not have enforcement specificity, but USMCA does. This is why the agreement needs to go into effect sooner than later, so we can begin enforcing the provisions on biotechnology with Mexico, dairy with Canada, and other issues.

U.S.-U.K. Trade Negotiations

Smith (R-NE): Update us on the trade talks with the U.K. *Lighthizer:* Ag has been a key focus of our trade policy, and it has been a winner in the USMCA and with China and Japan. Ag will be included in any U.K. deal, but we will have ag-related problems in negotiations with the U.K., which will be in the SPS area.

Kind (D-WI): How do we proceed with our trade talks with the U.K. while it also negotiates with the EU over its departure? *Lighthizer:* We are in our second round of talks with the U.K., and

both sides have tabled text on various issues. Whatever the U.K. does in its negotiations with the EU will certainly impact our interests.

Holding (R-NC): What is the next point in the trade negotiations with the U.K.? *Lighthizer:* We will ultimately have a deal with the U.K., and it is imperative that we have one. At the end of this second round of talks, we hope to have closed out a couple of chapters.

U.S.-EU Trade Negotiations

Doggett (D-TX): What is the administration's plan to address digital service taxes like those the EU proposed? *Lighthizer:* I do not want tax regimes that unfairly target American companies that employ thousands of citizens. The U.S. will likely move forward with tariffs on the goods of countries that unilaterally move forward with unjust digital service taxes.

Smith: Update us on the trade talks with the EU. *Lighthizer:* We have made little headway with the EU on trying to resolve some of our issues. We have had ag-related problems in negotiations in the SPS area.

Larson (D-CT): Do you anticipate the U.S. and EU reaching a trade agreement? *Lighthizer:* Reaching a deal with Europe in the short-term does not look good, but we will eventually need to get an agreement in place.

Japan

Estes (R-KS): What is the status for another trade deal with Japan? *Lighthizer:* The phase-one deal with Japan has been enormously successful, particularly for U.S. farmers and ranchers. We would have begun phase-two talks but for the pandemic; however, we anticipate negotiations starting in the next several months. A second deal with Japan is still a priority.

New Trade Agreements

Doggett: Does USTR intend to include the USMCA's dispute resolution system in future trading agreements? Will there be any new trade agreements presented to Congress before the end of the year? *Lighthizer:* Yes. That would be a quick turnaround and unlikely to happen because of the various time delays built into trade promotion authority.

WTO Reform

Buchanan (R-FL): Will you veto nominees for the WTO leadership role if they would not further U.S. interest? *Lighthizer:* I would be willing to veto any WTO director-general nominee if they have any anti-American history.

Schweikert (R-AZ): How can Congress and the Committee assist in reforming the WTO's adjudicative functions? *Lighthizer:* The WTO appellate body is nonfunctional. It has unfairly taken away benefits from the U.S. and placed restrictions on us that we did not agree to. The most important thing the Committee and Congress can do is study the process and understand the problems with the WTO. The appellate body was working well, but it was harming American workers.

Arrington: How can Congress and the Committee help reform the WTO? *Lighthizer:* It may make sense to have a hearing or small group meeting on WTO reform.

Pandemic's Impact

Thompson (D-CA): Comment on the pandemic's impact on global supply chains. *Lighthizer:* The pandemic has shown that supply chains that run through international markets are subject to heightened risks, which is why American businesses should try and bring these supply chains back to the U.S.

Seasonality

Murphy (D-FL): How does USTR plan to address seasonality issues? *Lighthizer:* We want to have live field hearings in Georgia and Florida on seasonality issues, assuming they can be done safely with the virus.