

Testimony of Robert E. Lighthizer
Before the U.S. House Committee on Ways and Means
February 27, 2019

Mr. Chairman Neal, Ranking Member Brady, and all the distinguished Members of this great committee: thank you for the opportunity to testify this morning.

The Committee is meeting at a historic moment for those of us interested in U.S. trade policy. Under President Trump's leadership, Americans are benefiting from the strongest economy in the developed world. Over the last year, the U.S. economy has grown at an annual rate of roughly 3 percent – significantly better than that of any other G-7 country. Our unemployment rate is 4 percent. Inflation is very low. These are great times for American workers.

Americans who trade are benefiting from this growth. Through the first 11 months of 2018, total U.S. exports of goods and services were up 7.3 percent from the same period in 2017, and up 13.7 percent from the same period in 2016. We've seen similar percentage increases on the import side. Last year, the United States created 264,000 new manufacturing jobs – the highest such figure in 21 years.

We have new trade agreements with South Korea, Mexico, and Canada. We are working with you on talks with Japan, the European Union, and the United Kingdom. We are aggressively enforcing U.S. trade laws. All of these efforts have one purpose: to build a higher standard of living for all Americans. I am happy to report that our efforts are working.

Of course, no challenge in the trade space is greater than that presented by China.

- In 2000, the year before China joined the WTO, our trade deficit in goods with them was \$83 billion. Last year, through November, it was on pace to exceed \$417 billion.
- In 2000, the year before China joined the WTO, there were 17.3 million manufacturing jobs in the United States. By 2016, 5 million of those jobs were lost.
- Last month, USTR issued its annual report on China's compliance with its WTO obligations. We concluded that "China's actions have done severe harm to other WTO members and the multilateral

trading system, which was never designed to deal with a non-market economy of China's size.”

- Last March, USTR issued the results of a detailed investigation into China's policies regarding intellectual property, technology transfer, and innovation. We found that China had engaged in numerous unfair practices – including forced technology transfer and cybertheft. In a supplemental report last November, we found that China had not changed its ways.
- Together, these reports represent nearly 500 pages of detailed, thorough analysis of the systemic and structural problems in the Chinese economy that are hurting U.S. workers and businesses.

These facts – and many others of which Members are already aware – raise a very difficult question: How should the United States deal with a country like China, which is the world's second largest economy – and which continues to operate under a market-distorting system? In the whole history of U.S. trade policy, I am not aware of another country that has presented such a severe challenge to American policymakers. In retrospect, we should have taken this question more seriously when

China's economy was much smaller. But we did not, and now this Administration – and you – must deal with the result.

Fortunately, in President Trump, we have a leader in the White House who recognizes the importance of the China challenge – and who has empowered his Administration to take firm and unprecedented actions in response. I am also encouraged by the strong bipartisan support we have received from Members who recognize the gravity of the issues before us. Speaker Pelosi has long been a leader on this issue – as long ago as 2000, she wisely warned about the dangers of granting permanent normal trade relations to China. I regularly confer with Chairman Neal, Ranking Member Brady, and now Chairman Blumenauer and Representative Buchanan and many other members of this Committee – and I have been greatly aided by their wisdom and support.

I want to emphasize that Congress has been extremely helpful in our recent talks with China. The Chinese government is very aware of the strong desire for structural change – and enforcement – found on

both sides of the aisle. And your support has been critical in persuading China to take our concerns more seriously.

As you know, we have had near-constant negotiations with China in recent months. Both sides are seriously engaged at the highest level – and significant progress has been made. While it is too early to predict the outcome, I want to emphasize two key points:

First, this Administration is pressing for significant structural changes that would allow for a more level playing field – especially when it comes to issues of intellectual property rights and technology transfers. The issues on the table are too serious to be resolved with promises of additional purchases. We need new rules.

Second, any agreement must be enforceable. We at USTR are very aware of the history of our trading relationship with China, and the disappointments that have resulted from promises that were not kept. Thus, the Administration is focused on making sure that we have the ability to enforce any new agreement.

Again, I am happy to discuss these issues with you. I look forward to your questions.

