

## Comments for Ways and Means Committee

1/11/2016

Good Afternoon:

I am Bill Hickey, President of Lapham-Hickey Steel Corp.; a Chicago area headquartered steel processing company. Lapham-Hickey Steel is a family-owned and operated business founded in 1926 with 7 locations and approximately 550 employees.

My comments today are about the TPP and U.S. Trade Policy.

First, the United States is the most open market in the world. The proof of this fact is the massive imbalance we accumulate annually in the Goods Trade Deficit, which will surpass 725 billion dollars in 2015.

My question to this committee today is what are the goals of our Trade Policy? I have always believed that trade policy should promote the economic interests of the United States.

Having observed first-hand, U.S. trade policy over the last four decades, I believe that current trade policy is designed to increase the dependence on imports of manufactured products and goods. This current trade policy has the effect of lowering the standard of living for the citizens who lose their employment in manufacturing jobs. Manufacturing jobs create wealth; all the people and communities that are involved in the process share the wealth that is created.

The definition of insanity is doing the same thing over and over again and expecting a different result. I believe passing TPP is economic insanity.

Before I go into specifics about the TPP lets do a quick summary of the last "free" trade agreement that the United States agreed to in 2010; The Korea FTA. This administration sold this KFTA on the premise that the United States would increase exports to Korea by 10 to 11 billion dollars and that those exports would create 70,000 jobs in America. Today, at the start of 2016, let's review the performance of that "free" trade agreement. Since 2011 the results of trade with Korea is that the United States has about the same amount of goods and services sold to Korea as in 2011. Korea has gone from a 13 billion dollar trade surplus in 2011 to a 26 billion dollar trade surplus in 2015. The result of the last FTA is not the export increase this Administration promised but a deluge of Korean manufactured goods that have put tens of thousands of American manufacturing workers on the unemployment line. I have witnessed this economic destruction in the domestic steel business since the KFTA was approved. See Attachment.

I will highlight, for the sake of my limited time, the three areas that are critical flaws in the massive TPP document.

## 1) Currency

The policy of currency manipulation is one of the most pressing issues facing the United States in international economic policy. Several parties to the TPP including Japan, Malaysia, Vietnam and Singapore have been accused of manipulating their currencies with the aim in gaining a competitive advantage in international trade. The TPP contains no provision regarding currency manipulation. There is no provision providing for the consideration of complaints by one TPP party that another TPP country has an exchange rate policy that is/are creating economic imbalances. This currency manipulation issue is critical to any FTA.

## 2) State Owned Enterprises

The rise of state owned or state sponsored enterprises is a challenge to a rules-based trading system. New rules are needed to insure competitive neutrality and transparency with expedited trade remedies for industries that compete against SOE's or SSE's. The TPP countries have many SOE's and SSE's. The chapters and annex's to the TPP agreement provide expansive exemptions to the SOE's. This problem is compounded by the transparency rules that have unlimited discretion in claiming confidential treatment of information.

## 3) Rules of Origin

The objective of a trade agreement is to have the countries that are partners to the agreement receive mutual benefit from that agreement. The Rules of Origin is the process to insure that the benefit to the FTA is shared by countries to the agreement. I do not understand why or how we have different Rules of Origin for each FTA agreement. The ROO in NAFTA requires 62.5% regional value for auto parts. The ROO for KFTA is 30%. I have been told that the ROO for the TPP may only require 40% regional content for inclusion in the agreement. One of the problems with the TPP is the length and detail of the text requires a trade lawyer to decipher. This ROO will allow other countries outside of the TPP to provide material and products into this free trade area for the benefit of non-TPP member countries. This could have a dramatic effect on auto parts supply chain and all the industries that support and supply that industry.

These are three of the major problem areas that are in the current TPP agreement. This agreement will be great for trade lawyers. If approved we will continue the loss of manufacturing companies and the good jobs that those companies provide to their employees.

Let's debate and adopt a trade policy that ends these massive trade deficits.

I welcome your questions.

Thank you.