

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

April 10, 2013

President Barack H. Obama
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

We are writing in regards to the 28th annual “National Trade Estimate” (NTE) report, released last week. That report lays out many of the foreign barriers affecting U.S. exports of goods and services, U.S. investments abroad, and protection of U.S. intellectual property rights. These barriers tilt the playing field against American businesses and workers even as they struggle to bring this country back from the worst economic crisis since the Great Depression. Eradicating these barriers – and ensuring that our trading partners abide by the same international rules that we are bound by – is a matter of the greatest national imperative.

Your administration has made important strides to ensure that we hold our partners to their obligations. With active engagement of the Interagency Trade Enforcement Center (ITEC), a heightened focus on such troubling practices as forced localization that are on the rise in different sectors and in different countries, and the initiation of five new disputes in the last year against China, India, Argentina, and Indonesia for WTO-illegal actions, the administration sends a strong message to our trading partners that we will not hesitate to stand up for American business and workers.

We are concerned, however, about the impact that continued budget cuts and resource constraints will have on the U.S. Trade Representative’s readiness and ability to perform this vital function. Ambassador Marantis testified before the Senate Finance Committee last month, for example, that “we face the possibility that the sequester alone will hamper our ability to . . . initiate new enforcement disputes.” It is deeply troubling that efforts at “cost-cutting” could place USTR in a position of not being able to defend vital U.S. interests. The Administration has a highly ambitious agenda to negotiate new agreements, including the Trans-Pacific Partnership (TPP) negotiations with ten of our trading partners, an International Services Agreement (ISA) negotiation with 20 trading partners, and a Trans-Atlantic Trade and Investment Partnership (TTIP) negotiation with the European Union and its 27 Member States. That ambition to negotiate new agreements must be met by the same level of ambition to enforce existing ones. We do not strengthen our economy, or serve American businesses and workers, by failing to

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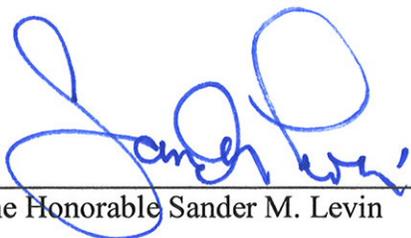
hold our trading partners accountable when they deny us the benefits of the bargains we have struck.

The NTE report details vividly the enforcement challenges that remain. For example, our goods trade deficit with China once again grew in 2012, up \$19.6 billion to \$315 billion. The NTE report details many measures – from import substitution policies, to technology transfer requirements, to weak intellectual property protections, to measures that discriminate against foreign service providers and investors, and retaliatory, unfounded trade remedy measures – that feed into the chronic, growing imbalance. However, one of the main causes of the imbalance – China’s longstanding competitive currency undervaluation practices – is not listed in the NTE report. While China is not alone, it is the most significant currency manipulator in recent history. And the impact on the United States of such practices has been devastating. A recent study by the Peterson Institute for International Economics finds that “[t]he United States has . . . suffered 1 million to 5 million job losses [as a result]. Half or more of excess US unemployment—the extent to which current joblessness exceeds the full employment level—is attributable to currency manipulation by foreign governments.” Addressing currency manipulation will be key to creating new jobs and accelerating the economic recovery.

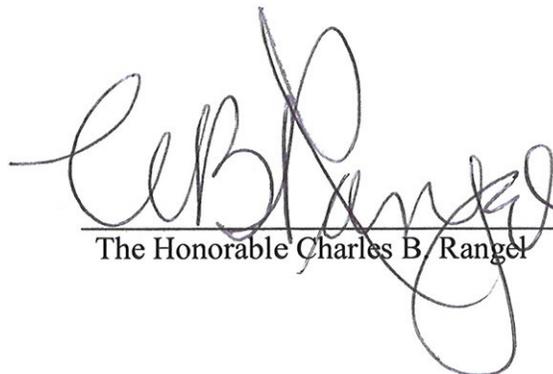
We also reiterate our concerns about Japan, the country with which we had our second largest trade deficit in 2012 (\$76 billion). Once again the NTE report details extensive barriers including to U.S. auto sector exports, agriculture products, insurance, drugs and medical devices. In addition to these, Japan too has a history of intervening to devalue the yen for competitive purposes. We noted last year that the endemic barriers in that market not only present a significant trade enforcement challenge, but there also must be full knowledge of their nature in each of these areas, and whether and how they can be successfully addressed under the framework of potential entry by Japan in the Trans-Pacific Partnership (TPP). We urge you to give these concerns serious regard, and to consult closely with us, as your administration considers how to proceed with Japan’s bid for entry.

We stand ready to work with you on all of these fronts and to ensure that USTR continues to have the resources it needs to pursue robust enforcement efforts.

Sincerely,

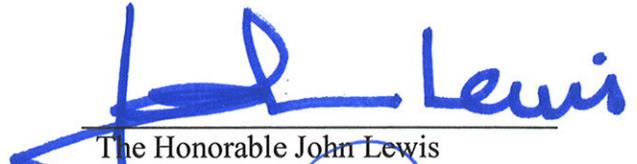


The Honorable Sander M. Levin

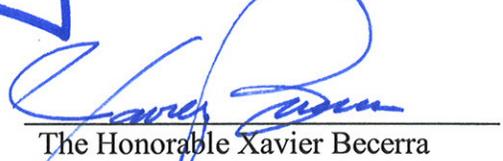


The Honorable Charles B. Rangel


The Honorable Jim McDermott


The Honorable John Lewis


The Honorable Richard E. Neal


The Honorable Xavier Becerra

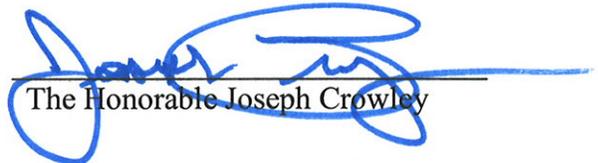

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The Honorable Earl Blumenauer


The Honorable Ron Kind


The Honorable Bill Pascrell Jr.


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The Honorable Danny Davis


The Honorable Linda Sanchez