

# **Hearing on U.S.-Japan Trade Agreements**

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HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

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**HOUSE COMMITTEE ON WAYS & MEANS**  
CHAIRMAN RICHARD E. NEAL

# ***ADVISORY***

## **FROM THE COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON TRADE**

FOR IMMEDIATE RELEASE  
November 13, 2019  
No. TR-4

CONTACT: (202) 225-3625

### **Trade Subcommittee Chairman Blumenauer Announces a Subcommittee Hearing on U.S.-Japan Trade Agreements**

House Ways and Means Trade Subcommittee Chairman Earl Blumenauer (D-OR) announced today that the Subcommittee is holding a hearing titled “U.S.-Japan Trade Agreements.” This hearing will focus on two agreements the United States and Japan signed in October 2019 and prospects for a second phase of negotiations for a bilateral agreement to cover trade in a comprehensive manner. The hearing will take place on Wednesday, November 20, 2019 at 10:00 AM in room 2020 Rayburn House Office Building.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

#### **DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:**

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “Hearings.” Select the hearing for which you would like to make a submission, and click on the link entitled, “Click here to provide a submission for the record.” Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Wednesday,**

**December 4, 2019.** For questions, or if you encounter technical problems, please call (202) 225-3625.

### **FORMATTING REQUIREMENTS:**

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below.

Any submission not in compliance with these guidelines will not be printed but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format, and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

### **ACCOMMODATIONS:**

The Committee seeks to make its facilities and events accessible to persons with disabilities. If you require accommodations, please call (202) 225-3625 or submit a request via email to [WMDem.Submission@mail.house.gov](mailto:WMDem.Submission@mail.house.gov) in advance of the event (four business days' notice is requested). Questions regarding accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

**Note:** All Committee advisories and news releases are available at <http://www.waysandmeans.house.gov/>

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The subcommittee met, pursuant to notice, at 10:00 a.m., in Room 2020, Rayburn House Office Building, Hon. Earl Blumenauer [chairman of the subcommittee] presiding.

\*Chairman Blumenauer. We will come to order. Today the Trade Subcommittee is holding a hearing on the United States-Japan trade agreement. The subject of today's hearing, Japan's partial agreement with the United States, has significant consequences for one of our largest trading partners, a strategic ally, and a country with whom we have had, as our witnesses might attest, a complicated trading relationship.

It is also important to note that the United States has assumed a much-reduced role in trade relationships with Japan and Asia. While Trump sidelined the United States with TPP, Japan and the other 10 countries move on, concluding a comprehensive and progressive agreement for the Trans-Pacific Partnership, which went into effect last year.

Japan also concluded a comprehensive FTA with the EU 10 months ago, and it is currently engaged in a regional comprehensive economic partnership with 14 other countries, including China, hoping to finalize a deal soon. This is the context in which we are evaluating this partial agreement.

This is also a significant time in the relationship between Congress and this Administration. As you know, we have been working productively, resolving differences over NAFTA 2.0 with the Administration. But their process with Japan and Congress is troubling.

Over a year ago, USTR notified Congress of its intent to enter into this agreement, but it would do so only based on consultations with Congress, consultations, which, as near as I can tell, did not occur. This is despite the fact that TPA requires the USTR to notify and consult before, during, and upon completion of trade agreements.

Sadly, the USTR ignored our repeated requests for meaningful consultation while

negotiations with Japan were ongoing. What consultation did occur was perfunctory and after the fact.

It is telling that, in September, USTR had a last-minute weekend telephone call to staff of both parties to assure this bipartisan staff that there was no deal, while simultaneously the President announced an agreement had been achieved in principle. Curious.

While Congress has had virtually no role, the Japanese Diet has been considering the agreement for the last two weeks, and I am told that the Lower House has already approved it going forward.

The Administration even declined our request to appear before the committee with us today to have this long-overdue discussion. Nevertheless, we will move forward, helping to highlight the strengths and weaknesses of the U.S.-Japan Trade Agreement and the U.S. Japan Digital Trade Agreement. We need to evaluate how the rest of the TPA objectives outlined in December are pursued.

There are implications for picking low-hanging fruit -- I mentioned earlier some of this is literally picking it up off the ground, not low-hanging -- for initial trade agreements and deferring the tough subjects for later. And there are certainly difficult elements of the trade relationship with Japan that we need to address.

There are also implications, as Congressman Kind reminds us, for the WTO and its central tenet of Most Favored Nation treatment if the United States and other countries increasingly negotiate agreements that cut tariffs for a limited array of products. We may be undermining the core principle of multilateralism.

The relationship between the USTR and Congress going forward, the implications of negotiating partial agreements, and the challenges to WTO rules of trade are all important areas to explore as we examine one of the most important trading relationships

in the world at a critical time in international trade, especially relating to Asia.

We have a distinguished panel here who can help us explore it. I look forward to hearing from our witnesses to elaborate these and other items.

[\[The statement of Chairman Blumenauer follows:\]](#)

\*Chairman Blumenauer. Let me defer to Ranking Member Buchanan for an opening statement.

\*Mr. Buchanan. Mr. Chairman, thank you for holding this hearing. Japan is one of our most important trading partners, and I am pleased to discuss the tremendous wins for U.S. companies that the Administration has achieved through our new agreements, as well as the opportunity to improve our access to customers in Japan through a comprehensive agreement.

Japan is one of our top trading partners. Its GDP ranks third behind only the United States and China. The United States and Japan, combined, account for over 30 percent of GDP globally. U.S. goods and services trade with Japan totaled nearly \$300 billion last year. Japan is the fourth-largest market for U.S. goods and third largest for U.S. agriculture.

U.S. exporters are successful in Japan, but there are many challenges. I commend President Trump and Ambassador Lighthizer for negotiating new agreements to address significant trade barriers and modernize our relationship. Their success is particularly important for many of our farmers and ranchers who are now at a huge disadvantage to major competitors like Australia, Canada, EU, Mexico, because they have trade deals with Japan that exclude us.

This initial agreement is a major win for our farmers and ranchers. When we implement this deal in January, we will be leveling the playing field for most of our ag

exports by matching the tariff rates enjoyed by TPP countries. Over 90 percent of the U.S. food and ag exports to Japan will either be duty free or see better access in January. We will see results quickly because tariff changes can be implemented without a congressional vote through a narrow and exclusive authority for tariffs only that Congress delegated to the Administration and TPA.

The digital trade agreement is valuable to high-tech companies as well as every sector of our economy, including manufacturing, service providers, and agribusiness -- because digital trade is essential to efficiency and serving customers worldwide. This agreement ensures free flow of data, prohibits any data service localization, and ensures non-discriminatory treatment of digital products, including taxation.

I am enthusiastic about these initial deals with Japan, but while we recognize the benefits for farmers and industry, we rely on a free flow of data. We have to press for more.

We agree with USTR and Japan that we need a complete, comprehensive, high-standard agreement that levels the playing field for U.S. workers and companies in all sectors of our economy. I commend Ambassador Lighthizer for setting forth detailed negotiating objectives for a comprehensive agreement in 2018. We must move promptly to complete this agreement.

As these negotiations proceed next year, we look forward to partnering with the Administration through improved, robust, and frequent consultation with Congress, as required by TPA.

Finally, as we push forward with Japan, Congress has a crucial opportunity to access new customers and modernize trade rules with our closest trading partners here in North America. USMCA is a high-standard and comprehensive agreement that I am proud to support.



My home state of Florida annually exports over \$12 billion worth of goods and services to Canada and Mexico, supporting over 700,000 jobs. USMCA updates these deep trade relationships and makes sure they work for all Americans. I am confident that there will be strong bipartisan support, and I look forward to voting for this this year.

Every day we delay has real costs for U.S. jobs and growth.

Thank you again, Mr. Chairman and I want to thank all of our witnesses for being here today, as well.

[\[The statement of Mr. Buchanan follows:\]](#)

\*Chairman Blumenauer. Thank you. Thank you very much, Mr. Buchanan.

If I may just exercise a point of personal privilege, David Skillman, my deputy chief of staff and chief counsel, has played, I think, a critical role, not just in my office, but with -- interacting with Ways and Means staff for the last 12 years. This is his last week with us.

David, thank you for your contributions on both sides of the aisle. As somebody who is respected for his hard work and evenhandedness, you will be missed.

[Applause.]

\*Chairman Blumenauer. Now, turning to our distinguished panel of witnesses to discuss the agreement, I would like to first welcome Darci Vetter, the global lead of public affairs and vice chair of agriculture and food at Edelman U.S. Public Affairs.

Following Ms. Vetter is Matthew Goodman, senior vice president, Simon chair in political economy, and senior advisor for Asian economics at the Center for Strategic and International Studies.

Then we will hear from Josh Nassar. Mr. Nassar is the legislative director for the United Auto Workers.

And finally, we will hear from Russell Boening, the owner of Loma Vista Farms and Boening Brothers Dairy, Inc., and the president of the Texas Farm Bureau.

Welcome to you all. There is more information about their distinguished biographies in the material.

We would let you know that each of your statements will be entered into the record. If you could summarize your testimony -- some of it would be a little longer than five minutes. We would ask you to hold it to five minutes or less.

And to help with that there is a timer in front of you to help you keep track. When you have one minute left, the light will switch from green to yellow and, finally, to red when the five minutes are up.

Ambassador Vetter, welcome. You may begin.

STATEMENT OF DARCI VETTER, GLOBAL LEAD, PUBLIC AFFAIRS, VICE  
CHAIR, AGRICULTURE, FOOD, AND TRADE, EDELMAN NORTH AMERICA

\*Ms. Vetter. Chairman Blumenauer, Ranking Member Buchanan, and members of the subcommittee, thank you for the opportunity to discuss the U.S.-Japan Trade Agreement.

This agreement is critical for U.S. agriculture to remain competitive in the Japanese market and will provide a much-needed boost for U.S. agricultural exports.

U.S. agriculture is struggling. Several years of low commodity prices have stretched farmers thin, while catastrophic flooding has impacted this year's harvest. At the same time, farmers are being squeezed by tariffs on steel and aluminum imports on one side, and retaliatory tariffs on U.S. agricultural exports on the other. Together, these factors have contributed to a 16 percent decrease in net farm income in 2018.

In this context, the U.S.-Japan agreement could not come soon enough. Japan is currently our third-largest agricultural export market. But over the past few years Japan has concluded trade deals with some of our strongest competitors, including Canada, Australia, and New Zealand through the CPTPP, as well as with the EU. Without our own agreement in place, these countries will undermine U.S. market share in Japan, a process that is already evident in this year's export numbers.

The U.S.-Japan agreement can reverse this trend. It provides broad benefits across the agricultural sector and would immediately bring the tariffs paid by U.S. producers to the same level as those faced by CPTPP and EU countries. The agreement provides a substantial majority of the benefits that would have been provided, had the United States remained in TPP.

While the agreement is undoubtedly a positive for U.S. agriculture, it is important to remember what this agreement is and what it isn't. It is a critical opportunity to ensure that U.S. agriculture does not fall behind its competitors. It is not, however, a free trade agreement in the traditional sense, and may not be the appropriate model for opening markets in other countries.

For starters, the agreement does not cover all agricultural products. Key exclusions include rice, butter, milk powders, lamb and sheep meat, fresh poultry, and a wide variety of horticulture products. Given the breadth and depth of U.S. agricultural export interests, these exclusions are important not only because those products won't gain new access to Japan, but also because these exclusions may be seen as a signal that the United States is willing to exclude products in future deals.

This deal does not provide the structure to alleviate non-tariff barriers that our other, more comprehensive agreements do. Food safety and animal and plant health regulations, when improperly applied, can become barriers that are far more restrictive than

tariffs.

In addition to being a major agricultural producer, the United States also excels in the provision of agricultural services and technologies.

All of these concerns point to the importance of concluding a phase two of this agreement. Any second phase should augment the existing tariff provisions with a robust chapter on SPS, services, and intellectual property, and should provide market access for those products not currently covered.

Finally, we cannot overlook the fact that the context for the U.S.-Japan agreement was unique. Most provisions of this agreement had already been agreed and, in the case of Japan, voted upon as part of the TPP process.

Further, the tariff concessions granted by Japan have already been implemented with multiple other trading partners.

But agriculture is typically a very politically sensitive sector and, given this sensitivity, if we were to pursue a phased agreement with other countries, it is unlikely that agriculture would be the first sector across the finish line. Many trade agreements already contain a lot of exceptions to full market opening for agriculture. A phased approach would provide yet another opportunity for delay.

While this agreement allowed us to grab some low-hanging fruit for U.S. agriculture, with other countries the low-hanging fruit might not include any actual fruit -- or meat, dairy, grains, or wine.

[Laughter.]

\*Ms. Vetter. In summary, the U.S.-Japan agreement is an important step forward with a leading trade partner at a critical time. But it is not a substitute for a more comprehensive agreement or a structure that, if replicated, is likely to be advantageous for U.S. agriculture. The United States should seek a more comprehensive agreement with

Japan as part of any second phase negotiations. Thank you.

[[The statement of Amb. Vetter follows:](#)]

\*Chairman Blumenauer. Thank you, Ambassador.

STATEMENT OF MATTHEW GOODMAN, SENIOR VICE PRESIDENT, SIMON  
CHAIR IN POLITICAL ECONOMY, SENIOR ADVISER FOR ASIAN ECONOMICS,  
CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

\*Mr. Goodman. Thank you, Mr. Chairman, Mr. Ranking Member, members of the committee. Thank you for this chance to offer my thoughts on the recently signed U.S.-Japan Trade Agreements.

In my view, the agreements with Japan are a step in the right direction, but only a step. There are, broadly, three things to like about the agreements, and three areas where they fall short.

On the plus side, the main agreement levels the playing field for many agricultural products in Japan which lost ground to Australia, Canada, and others when tariff cuts started to take effect under CPTPP, the successor to the Trans-Pacific Partnership, after the United States withdrew from TPP early in the Trump Administration.

Second, the digital trade agreement advances U.S. preferred rules in this critical area of today's economy by, among other things, prohibiting customs duties on e-commerce, ensuring the free flow of data across borders, and preventing data localization.

And third, the deal allows the United States and Japan to focus on other priorities in their relationship, notably managing the challenges of a more assertive China.

The three main shortcomings are, first, that this mini deal leaves a lot on the table,

including agriculture concessions that Japan made in TPP, and an array of other longstanding trade issues between the United States and Japan, notably in the automotive sector.

Second, there are questions about the mini-deal's consistency with Congress's grant of trade promotion authority and with the WTO requirement that such deals cover “substantially all the trade” between the parties.

And finally, this mini-deal fails to maximize the potential of the U.S.-Japan economic relationship. The United States and Japan are the first and third largest economies in the world, and they are aligned on most of the rules governing the global trading system. We don't agree on everything. U.S. exporters and investors have long found the Japanese market very hard to penetrate because of market access barriers and regulatory challenges in Japan.

But for decades Washington and Tokyo have worked together to defend and uphold an open, transparent, rules-based international order. We have been partners in regional and global institutions from APEC to the IMF in supporting existing rules and norms and creating new ones. At a time when the global order is under stress, particularly from new challengers like China, there is more need than ever for the United States and Japan to work together to ensure that our preferred rules and norms prevail.

This was the power of TPP, which established new rules not only in the digital space, but on state-owned enterprises, regulatory practices, procurement, and many other areas. We could try to recreate some of these rules bilaterally with Japan via second stage negotiations toward a comprehensive FTA, but this will require a lot of time and political capital. And, frankly, I am skeptical that either side will make it a priority, at least next year.

In parallel with, or instead of bilateral talks, I think U.S. interests would be well-

served by indicating our intention to rejoin CPTPP. In addition to the economic benefits, this would send a strong signal to our allies and partners in the Indo-Pacific region at a time when they are questioning our commitment there. It would also send an important signal to China.

Beyond trade, there is a lot of work to be done with Japan in other areas of rulemaking and standard setting. These include infrastructure, where Prime Minister Abe's efforts at the last June's Osaka G-20 summit to broker a set of principles on quality infrastructure offered a valuable response to China's Belt and Road Initiative.

CSIS issued a report late last year in which we identified other areas for economic cooperation with Japan and the region. We called it the Article 2 Mandate, after the second article, not the twenty-second, the second article of the U.S.-Japan Security Treaty, which reaches its 60th anniversary next year. Article 2 says that the United States and Japan will, “seek to eliminate conflict in their international economic policies and will encourage economic collaboration between them.”

The trade deal we are discussing today is a step toward that objective, but there is a long way to go.

Thank you for your attention, and I look forward to the discussion.

[\[The statement of Mr. Goodman follows:\]](#)

\*Chairman Blumenauer. Thank you.

Mr. Nassar?

STATEMENT OF JOSH NASSAR, LEGISLATIVE DIRECTOR, UNITED  
AUTOMOBILE WORKERS (UAW)

\*Mr. Nassar. Thank you, Chairman Blumenauer, Ranking Member Buchanan, and members of the committee for this opportunity to testify today.

First of all, I want to just state that our one million members and retirees are highly dependent on the success of the domestic auto industry, not just people that are working at plants, but also retirees and their families. This is an issue that we have paid very close attention to for a very long time.

We think the stage one is a mistake. And the reason why is because the idea of trading industrial goods for ag access could set a very bad precedent and could be really bad for, frankly, industrial workers.

And I hear a lot about how auto and auto parts are excluded. That is true on official tariff lines. But when you dig deeper there are a lot of tier three suppliers that have parts that are in automobiles, ultimately, that are having tariffs eliminated.

Also a concern about the precedent of any president going ahead and just reducing tariffs without a more robust process with Congress. I think that is dangerous.

The whole idea of trying to get into Japan's market is not new when it comes to automobiles. The truth is that over 77 percent of our trade deficit with the Japanese is in autos. Japan has the most closed market in the developed world in automobiles, less than seven percent imports. Okay? The U.S., by comparison, over 50 percent imports.

Why does Japan keep such a closed market? How does that happen?

Well, one is they have a long history of intervening in the currency markets. I have seen reports saying it has happened hundreds of times. And what I mean is they intentionally have exercised monetary policy which lowers the value of the yen, which makes their products cheaper and ours more expensive. So an imported car from Japan has immediately a pretty significant price advantage. Currency manipulation is not tackled in this stage one. We think that is a key part of any agreement with Japan or any other



country, frankly.

We also think that it is important to address labor standards. Our trade model, in general, we would contend, has not worked for working people and our membership. And we think that we need a model that actually puts worker rights in the forefront.

I also want to point out that Japanese automakers that are in the United States -- well, a couple things.

One, if tariffs are eliminated -- because we have tariffs on Japanese autos, but they have none on ours, and yet we still have this enormous trade deficit. It could, over time, create less of an incentive for companies to build those cars in the United States, because the tariffs motivate some of the investments in the United States, especially in light trucks, where it is 25 percent.

The other thing, though, is, unfortunately, Japanese auto companies, by and large, have had really anti-labor practices in the United States. They have a long history of fighting workers' efforts to join together. We have seen a history of a large use of a temp workforce, and other things like that. And we think that labor rights has to be tackled here.

Nissan has 45 plants in the world, 42 were unionized. Guess which three aren't? The three in the United States.

So, finally, I just wanted to say that, when looking at this agreement, we think the whole idea of trading access for access to one market is not a great way to go. We think you got to -- if you are going to do it, look at the whole thing.

And now some people will say there has been efforts made again to open Japan's market, but they have -- is not just currency manipulation. They have a labyrinth of non-tariff barriers that not just U.S. companies, by the way, have failed to penetrate. So we think, if you really want to get serious about reducing the auto trade deficit with Japan, it would take things like limiting, actually, Japanese auto imports here through quotas and

such. That is how you would actually do it.

So, in conclusion, I just want to say that this is a critical issue for auto workers. This is something that we have been tracking for a long time.

By the way, our members depend on trade. We rely on good trade agreements. And we need trade in order to have good jobs. But this is not that.

And finally, we are very sympathetic with agricultural communities. We have a lot of members who build ag equipment, for example, who are hurting. We have no negative thoughts towards our agricultural sector. So, anyway, look forward to answering your questions. Thanks for your time.

[\[The statement of Mr. Nassar follows:\]](#)

\*Chairman Blumenauer. Thank you.

Mr. Boening?

STATEMENT OF RUSSELL BOENING, OWNER, LORNA VISTA FARMS AND  
BOENING BROTHERS DAIRY, INC., PRESIDENT, TEXAS FARM BUREAU

\*Mr. Boening. Good morning, everyone. Chairman Blumenauer, Ranking Member Buchanan, and members of the subcommittee, thank you for this opportunity to testify today.

My name is Russell Boening. My family and I live near Poth, Texas. No one knows where that is. That is about 35 miles southeast of San Antonio. We make our living farming and ranching. We have a dairy. We have a beef cattle operation. We grow wheat, cotton, feed grains, and watermelons. I currently serve as president of Texas Farm Bureau, and on the American Farm Bureau Federation board of directors, and I chair their

trade advisory committee.

International trade plays a critical role in the success of our U.S. economy. We, as farmers and ranchers, see the benefits of trade daily as we work to plant, grow, harvest, and especially to market our products.

In 2018 U.S. food and ag products totaled a staggering \$145 billion and supported more than 1 million jobs. U.S. farmers and ranchers export nearly \$13 billion a year of ag products to Japan, making it our third-largest market, which has been pointed out.

Coming a little bit closer to home, trade with Japan is extremely important to my home state. In 2018 Texas exported more than \$216 million worth of beef products, \$35 million worth of grain sorghum, and over 2.4 million in pork and dairy products.

Bringing that close to our operation, dairy, beef, and grain sorghum are the three most important products on our farm.

So, as you can see, trade with Japan is vitally important. We have a strong trading relationship with Japan, currently.

We think we are about to make substantial advances. The new U.S.-Japan Trade Agreement was welcome news for farm and ranch families across the entire country. This agreement will help level the Japanese trade playing field and open markets around the world for American farm and ranch families. It does help keep some of the trade benefits that we would have gained under the Trans-Pacific Partnership, but we do understand that there is more work to be done there.

According to the USDA, of the \$14.1 billion in U.S. food ag products imported by Japan, 5.2 billion were already duty-free. Japan -- under this agreement, Japan will eliminate or reduce tariffs on an additional \$7.2 billion of U.S. food and ag products.

I am proud that this agreement will help Texas and U.S. beef producers. Implementation will allow our country to obtain market access equal to the CPTPP

countries.

Tariffs for fresh, chilled, and frozen beef will reduce from 38 percent to 9 percent.

I made a comment earlier to some folks in a private meeting. Several years ago I went to Japan with a group of producers. They do want our beef. They want U.S. beef. They want Texas beef. So we really look at this as a win.

It is our -- currently, our largest export market for pork. And that market should grow, as well, from 1.6 billion to more than 2.2 billion over the next 15 years.

It is our fifth-largest export market for dairy products. Japan's 40 percent cheese tariffs will be eliminated over 15 years.

Tariffs will be immediately eliminated on over \$1.3 billion of U.S. farm products, including almonds, blueberries, cranberries, sweet corn, grain sorghum, and more. And for our other products, tariffs will be eliminated over several years, which includes wine, ethanol, frozen poultry, processed pork, and more.

It is obvious that this agreement is a win. However, it has been pointed out, and we agree, we must pursue the next phase of negotiations with Japan. Not all ag products, such as rice and some other dairy products, were included in this agreement. We must work toward market -- additional market access.

Sanitary, phytosanitary, and biotech issues should also be addressed.

So, as farm and ranch families face much uncertainty, we think a fully comprehensive trade agreement with Japan is desperately needed. We appreciate the Administration and other leaders in Congress and Washington to continue striving for a more free and fair trade.

Lastly, but perhaps most importantly, I would like to mention USMCA. This agreement is very, very important to U.S. ag. We think it must be ratified now. It would tremendously benefit U.S. farmers, just to move forward with this agreement, and many

other sectors of the economy, as well.

I truly believe that many of our trading partners are looking at USMCA and waiting for us to get a deal done with our neighbors. I urge congressional leaders to take action on this agreement.

Again, thank you for the opportunity to be here, and I will be happy to try to answer any questions.

[\[The statement of Mr. Boening follows:\]](#)

\*Chairman Blumenauer. Thank you very much.

Mr. Nassar, in your verbal testimony you gave a statistic that wasn't in your written testimony about -- is it Nissan?

\*Mr. Nassar. Yes, Nissan.

\*Chairman Blumenauer. They have --

\*Mr. Nassar. Forty-five plants worldwide, and forty-two are unionized. The three that aren't are in the United States.

\*Chairman Blumenauer. Thank you.

Mr. Goodman, as has been mentioned by the ranking member, Japan is the world's third-largest economy. It is our fourth-largest trading and investment partner. And our trade policies are largely aligned. This negotiation presented an opportunity to codify and capitalize on those shared practices.

However, the Administration has decided to pursue this negotiation in stages. This is the first time that the USTR has notified the Congress for a comprehensive FTA negotiation and returned with a deal that has not achieved most of the objectives.

How difficult will it be for the USTR to achieve a second stage of negotiations that actually fulfill those objectives? What does this staging approach mean for the future of

FTA negotiations, generally?

\*Mr. Goodman. Thank you, Mr. Chairman. Yes, I think it is going to be very difficult to reach a second stage agreement with Japan, at least in the near term, if the objective is to do this within this term of the Trump Administration. I think it is going to be very difficult in practice, because TPA -- FTA negotiations are, as you know well, very complex and rarely can be done that quickly.

In any case, although we have agreed to many of the chapters of what would be in a comprehensive FTA with Japan through our agreement in TPP, there were some issues on which the U.S. and Japan did not agree, and at the margin, those are going to be important differences that are going to have to be worked out.

I think Japan is also reluctant to move into a full FTA. They have always been reluctant. I think they have been much more inclined to have the United States rejoin the TPP. They started trying to persuade the Administration of that and realized that they weren't going to succeed, so they stopped advocating for that explicitly. But that is still their objective.

And I think they think that the two things are inconsistent. I am not actually sure they are. I think, in theory, you could do both, even though it is a lot of work. But beyond that, in terms of the broader implications for trade policy, I think this is a sub-optimal approach. It would be better to do these things in one bite.

I am also, though, a pragmatist, and I think there were some real issues that had to be addressed, including the agriculture ones. And as a former policymaker I would say there are times when you have to make the best of what you have got. But I do think, in principle, we should be working for something bigger, and I think it should be a broader, regional agreement like TPP.

\*Chairman Blumenauer. Well, I appreciate your cautionary notes.

And, Ambassador, you referenced things like rice that are still hanging out there, and less likely that we have the incentive, the motivation, and the reciprocal activity on the other side. I would like to pursue further just the notion, in terms of this bigger picture.

In October 2018, USTR notified Congress of its intent to enter into free trade agreement negotiations with Japan. In December 2018, they released comprehensive negotiating objectives consistent with TPA. They specifically stated that, while it might seek to pursue negotiations with Japan in stages, it would do so only based on consultation with Congress.

This consultation has never happened.

As members of the trade advisory committees or former trade negotiators, can you reflect on the traditional model of consultation, and what took place in work that you were involved with, and any differences that took place in that negotiation?

Ambassador, can we start with you and move down the line here?

\*Ms. Vetter. I would be happy to reflect a bit on the consultation process in negotiating the agriculture package for TPP.

I think that, in that instance, frequent conversations, both with Congress and with stakeholders, were extremely helpful in being able to achieve an agreement that maximized value for the sector.

Japan did not make negotiation of an agriculture agreement easy. Instead of dealing with full categories of products, saying how would we treat beef or pork, for example, we really negotiated that line by line, and product by product. And so, using those contacts with stakeholders and with Congress to understand the relative value of individual products within categories allowed us, then, to craft an agreement that would allow U.S. agriculture to benefit the most -- to time trade concessions, to structure quotas or safeguards -- in a way that would be most advantageous to the United States.

And so that negotiation I really consider a partnership with U.S. industry and with the Hill.

\*Mr. Goodman. Well, I am not a lawyer, but I have read the Constitution.

[Laughter.]

\*Mr. Goodman. And I think article I, section 8 makes clear who is in charge here. So I do think that consultation with Congress is essential. And, certainly in my experience, that was always part of the process.

I think -- picking up on something Ambassador Vetter said, it actually is very helpful to an administration to consult with Congress, both for getting substantive input, and for political support. But I would say, back in the day, you guys were the bad cop, the administration was the good cop, and could say, you know, "Personally, I abhor violence, but as for Igor here, I can't speak for her." That was what your role was, and it was quite helpful.

So I think consultation is very important. And if it didn't happen in this case, then I think it should have.

\*Chairman Blumenauer. Mr. Nassar?

\*Mr. Nassar. Yes. I serve on several committees, LAC, et cetera, and I got to say the LAC, which is Labor Advisory Committee, we didn't have formal consultation while these terms were getting negotiated. The advisory committees did have an opportunity to comment on proposals right before they went out the door.

By the way, we weren't allowed to talk about it to anyone.

But that, in our view, is not meaningful consultation.

Also, I don't want to slight the hardworking men and women who work for USTR and Department of Commerce, but the process was really not good on this one.

\*Chairman Blumenauer. Mr. Boening, do you have any observations, even though



you may not have negotiated them?

\*Mr. Boening. I don't know about -- exactly. I guess there wouldn't be any disagreement from us that consultation is important with Congress.

I think I just -- one thing I don't think I pointed out in my testimony, and maybe this is my opportunity. From Ag's perspective, it was just -- we needed a win. We needed a -- it was a -- you know, the word "critical" has been used several times from -- in different perspectives. And so we -- you know, we were looking for a win from -- whether it, you know, comes from Japan, whether it comes from China, whether it comes from USMCA, which -- comes from any of those areas.

So, you know, hopefully, as we move forward, that can get worked out. But again, we just needed a win on that.

\*Chairman Blumenauer. And I appreciate you providing that contextual statement.

What we are doing with this hearing is to try and understand the cost of a short-term win for long-term problems, including things like advancing agricultural interests with the tough ones. But I appreciate you making that point. It is important, and that is why we are pleased that you are here.

Mr. Buchanan?

\*Mr. Buchanan. Thank you, Mr. Chairman. There is no question we have got a -- you know, a good working relationship, in general, but there is a lot of work to be done. It is going to be complicated.

I was a young person trying to do business in Japan many years ago. Assessing that market was a big issue. So there is -- so I think you kind of said, Mr. Goodman, a little bit -- you know, sometimes you got to get the low-hanging fruit. Maybe it is not the perfect way to go, but farmers and ranchers are somewhat at risk, if you listen to all the stories. And someone mentioned one time, you know, work on getting a half a loaf. Get

that done, and then work on the other half.

But Mr. Boening, let me ask you. To break it down, you know, you are a fourth-generation rancher, farmer, in terms of your family business, which I think is pretty exceptional. I just love to see your, you know, generational businesses like that. What does that mean to businesses like yourself in this environment if we didn't get it done?

I mean we are ideally going to put this in effect January 1st, or first of the year, ideally. What would be the impact if we didn't get it done, or what does it mean to you, in terms of dollars and cents, or jobs, local jobs, and that type of thing?

Can you break it down, instead of the large numbers? Macro standpoint, break it down to what it means to Texas or in your area.

\*Mr. Boening. Thank you, Ranking Member Buchanan. I -- from our perspective, you know, I will just use us on our own operation, first.

We are a little bit fortunate. We have been there for 65-plus years, and my dad and uncle started the operation. And so, you know, I think what I really want to mention is our younger producers, our producers that are just getting started. When I say "just getting started" in ag, that means over the last 5 or 10 years. And we have seen prices -- basically, we have seen farm income go down by almost 50 percent over the past 5 or 6 years.

So I think these trade agreements -- the American farmer and rancher, through technology and a lot of other things, I mean, we can produce a lot of product in every -- and so we need those markets.

So it is really a matter of we are -- we have more bankruptcies in our state. We have more young producers saying maybe it is time to quit before I file bankruptcy. So I think these trade agreements -- again, I mentioned, you know, Japan, China, USMCA --

\*Mr. Buchanan. Okay, let me -- I only got a few minutes left, so let me -- I appreciate that. I think you kind of laid it out.

Ambassador, let me ask you, in terms of going forward, phase two or whatever you want to call it, more of a comprehensive agreement, where do you think our focus should be? Or what do you see as the opportunities and challenges?

And then I would like to ask Mr. Goodman quickly after that, so keep it fairly concise.

\*Ms. Vetter. Sure. You know, as I had noted earlier, the agreement is not comprehensive. There are a number of exceptions that were not covered by the agreement, a number of products. I think we have to look at ensuring that we get comprehensive coverage, both because those are -- a number of those products are of significant export interest to Japan, but also because trade agreements build off of one another. One becomes the precedent for the next.

And U.S. agriculture exports such a wide variety of products to the world, having that many exceptions --

\*Mr. Buchanan. But when you look to manufacturing autos, and as it gets much more complex and complicated, what are your thoughts on the other sectors, in terms of business?

\*Ms. Vetter. Oh, I think they absolutely -- you know, we need to approach phase two as an opportunity for a comprehensive FTA. I would say the same for product coverage in those areas, as well.

And, of course, the rules surrounding trade in goods are critically important, particularly as more of that trade involves data flows. Some of those things are covered, the digital aspects of trade. But intellectual property, innovation, much of the value of trade in U.S. products lies in also securing agreement on those things, as well --

\*Mr. Buchanan. Yes, Mr. Goodman, let me just move on a little bit.

As a kid that grew up in Detroit, my two brothers worked in the factories and stuff,

so I know that we want to have this be more competitive. I mean the massive trade deficits and -- we have got to figure out a way to move, in terms of a more comprehensive agreement, where it is fair to everybody.

What are your thoughts of some of the areas of opportunities, in terms of phase two, or whatever you want to call it?

\*Mr. Goodman. Well, I think the big opportunity is getting agreement with Japan to advance the rulemaking parts that were left behind in TPP, including ag and all the other areas that we have all touched on.

And then, getting better market access in Japan is important, including ag, and a bunch of other sectors, from industrial products to services, and pharmaceuticals, and medical devices. There are a bunch of regulatory issues there. Those are all things that are going to be difficult.

One other: currency. I think currency is probably going to be the single hardest issue with Japan. They will resist quite forcefully the notion of putting currency into the trade agreement. They did agree in TPP to a side agreement, and that is possible. But I think getting it into the agreement is going to be something Japan is going to resist.

\*Mr. Buchanan. Yes. I have run out of time, but otherwise I would give you an opportunity -- but thank you, and I appreciate all of you being here today.

\*Chairman Blumenauer. Mr. Pascrell?

\*Mr. Pascrell. Mr. Chairman, I appreciate the committee's doing needed oversight on the President's trade deals. Given this Administration's contempt for the article 1 Congress, I think that we need to take a very careful look at this, and I am glad we are doing it today.

I think we should take a fine-toothed comb and go through an agreement and see if everything is as it appears. And if we find that rules were violated or, if I can use the term,

“quid pro quos” were involved, we need to act.

Article 1, section 8, clause 3 vests Congress, not the President, with the authority to regulate trade. Ultimate authority lies with the Congress. When we fail to properly vet a trade agreement, we abrogate, I believe, our own powers and further enfeeble our own branch. And that is the price of our inaction.

Now, we may want to shove it off to the executive, because then it is less work for us. So we become more quiet as we dig deeper into these trade deals.

Congress has granted authority to the executive to negotiate agreements. We lent it. So if Congress's will is ignored, the agreement isn't worth a darn.

Process matters, and I am not a process person, really. I like to get to the end result. But on every trade agreement we must follow regular order. We cannot let this president or any president, Democrat or Republican, thumb their nose at the committee and, by extension, all of Congress. And I hope you agree with me on preserving our role.

Finally, I understand that the voice of the United States Trade Representative rejected an honest invitation to testify today. Am I right or wrong, Mr. Chairman?

\*Chairman Blumenauer. They refused.

\*Mr. Pascrell. Thank you. I urge my Ways and Means colleagues to join the letter I am leading with Mr. Kildee, asking for further details on the U.S.-Japan Trade Agreement and the U.S.-Japan Digital Trade agreement.

I disagree wholeheartedly with the idea that if we get one or two things that we wanted, but does not affect the entire economy, that we should jump on it because a little is better than nothing. That is where we are right now, and that is where we have been minimized. We have minimized our role.

So let me ask you this question, Ms. Vetter. Having negotiated a trade agreement, you should be intimately familiar with congressional consultations and process. You have

heard the chairman ask the question. Please expand on why you cautioned against using the Japan agreement as a model for future agreements.

\*Ms. Vetter. I am happy to, Mr. Pascrell. I think that, as the Japan negotiating process showed us, agricultural trade is incredibly sensitive in a number of countries because of the role that agriculture plays in the economy -- in those economies, the amount of employment that it can affect in those economies, and the political power of agricultural producers in those countries, much as it exists in ours.

And so, when you look at ag trade sections of agreements, you see long tariff phase-outs, you see quotas and, you know, volume limitations. You see safeguards, a number of tools to try to lessen the blow to those sectors. And the Japan agreement is no exception.

In TPP, frankly, it took working very closely with Congress to figure out how to manage expectations, to maximize access, and how to balance that desire to open those markets, while at the same time, you know, meeting the interests of U.S. farmers and --

\*Mr. Pascrell. So we lent authority to the President -- you don't disagree with me -- in votes we have had over the past.

Ms. Vetter or Mr. Nassar -- and if you don't have time to answer the question, please get back to me; I would appreciate that. The U.S.-Japan Free Trade Agreement includes rules of origin and origin procedures, as well as product-specific rules. Does section 103(a) of the TPA provide the President with the authority to create rules of origin and origin procedures?

And are you aware of any other instance where an administration has relied on section 103(a) of TPA to create such rules?

You have got 15 seconds -- oh, we don't have 15 seconds. Would you get back to me with your answers on that? I would personally appreciate it.

Mr. Chairman, I want to conclude by saying I associate myself with the words of

Mr. Goodman. I think it -- he has been -- he is reasonable in what he says. And we want trade.

This is not a question of trade or no trade. I don't want to be put in that situation. I don't agree with it. Let's look at it and see what we can get. But the entire economy we are talking about, not just the 9th district of New Jersey.

\*Chairman Blumenauer. Important as that is --

\*Mr. Pascrell. As important as that is.

\*Chairman Blumenauer. Mr. Holding?

\*Mr. Holding. Mr. Chairman, thank you very much for holding this hearing on U.S.-Japan Trade Agreements. It is difficult to follow my friend, Mr. Pascrell, but I will try.

This initial agreement is a great deal. And I don't think there is any disagreement on that. It is something that I believe we are all glad to see, and I am glad we are talking about it.

I also hope the Administration will continue to move forward in negotiations with Japan, because there is a lot more to do. And that is something else we all agree about.

Now, my state benefits tremendously under this agreement that we are discussing. As my colleagues have heard me say before, North Carolina produces the country's best pork barbeque. Why? Because we raise the best hogs, and the world knows it.

So North Carolina is the second-largest exporter of pork. More specifically, we raise a specialty breed of pork that is the most sought-after in Japan. We exported over \$120 million in pork products to Japan in 2018. And under this agreement the tariff on pork will be phased down and eliminated. And this opens Japan's lucrative market even more to my state.

North Carolina also has a large and competitive poultry sector, and they too will

benefit under this agreement. Japan's import tariffs on chicken products will be phased down, and their tariff on turkey will be eliminated immediately. Great news for Butterball, which is in my district. Think about that at Thanksgiving. Think about me.

[Laughter.]

\*Mr. Holding. And there is a lot of chatter about export of goods. But I also want to take a minute and take up -- talk up about American services. Japan is the fifth-largest export market for the U.S. in services. In fact, we have had a trade surplus with Japan in services for the past 20 years, since 1999.

So we want to be sure that we are leveraging that strength, because the U.S. has a strong competitive advantage with Japan in services. It is in our interests to negotiate a comprehensive free trade agreement that includes high-standard services trade, and investment rules, market access, commitments.

Now, Mr. Goodman, noting that you are a pragmatist -- and I appreciate that -- I want to take a big-picture view. And how would you recommend we think about U.S. export competitiveness?

Because it seems to me that, while manufacturing and agriculture are certainly critical -- critical to North Carolina -- the U.S. is a leader in many services industries. So we need to look out for those areas of the economy, too, and help support areas of future growth in services.

So, in terms of enhancing the U.S. economic leaders in the Asian-Pacific, can you speak a little bit on a comprehensive agreement touching pointedly on services? Thank you.

\*Mr. Goodman. Sure, I would be happy to. Can I just first tell a personal story about when my wife and I, newly married, moved to Japan, just before having our first Thanksgiving together. And we had a hard time finding a Butterball turkey in Tokyo, but



we --

\*Mr. Holding. No longer.

\*Mr. Goodman. We finally did.

[Laughter.]

\*Mr. Goodman. And had a very nice Thanksgiving dinner.

So services is critical. It is the largest employer and fastest-growing employer in the United States. And we have to be competitive, and we are competitive in services. And we have to succeed in other markets.

Japan is a difficult market for services. We have had issues there for many, many years. I used to be the Treasury attaché there. We had major financial services-related issues. Many of those still linger today. Many other areas of services -- there is a regulatory culture there that is still difficult to work through.

But Japan was very supportive of us in TPP, and in other forums, in taking forward services disciplines. So I think, in principle, they agree with us about the need for good regulatory environments and services-enhancing rules. And so they have been very supportive in TPP and other forums in taking that forward. And I think we should build on that in a round two, or in a renewed effort in TPP.

\*Mr. Holding. Thank you.

And thank you, Mr. Chairman, and I yield back.

\*Chairman Blumenauer. Mr. Kind?

\*Mr. Kind. Thank you, Mr. Chairman. Thank you for holding this important hearing. I want to thank our witnesses for your testimony here today.

But as good as you are, the one witness we were really hoping to hear from today is either Ambassador Lighthizer or some representative from USTR's office themselves. And the lack of that type of testimony today speaks volumes, as far as the disdain that the

current Administration has to our role in establishing trade policy.

Now, let's be honest today, that the only reason we are sitting here discussing this de minimis, very minimal trade agreement with Japan is two main reasons: A, because the President has threatened to use very nebulous 232 national security tariffs to hit Japan's auto sector to drive them to the table; and B, the Administration wanted to bypass Congress entirely in this bilateral negotiation with Japan.

And to my friends on the other side, many of whom I worked closely with the last time we got trade promotion authority passed in this Congress before, this will have serious ramifications the next time we address TPA, especially section 103(a) authority.

Either we are going to believe that we have a coequal role, at least, in establishing trade policy, or we might as well just submit our voting cards and go home now, and just allow the executive branch to run everything.

Now, I know that there was progress made in certain agricultural sectors in this agreement, and it was needed. But it wasn't complete. And, as I feared leading up to the conclusion of the negotiations -- in fact, materialized.

Mr. Boening, I am glad you are here today as one of the dairy representatives we have in our country. I represent a large dairy state, myself. It has been brutal to our dairy producers throughout the country in recent years. I am not one to say that the President's trade wars are the sole cause of the plight that our farmers and our dairy producers, especially, are finding themselves in today. But it is certainly piling on at exactly the wrong moment.

And as I was getting a little bit of information about where negotiations were going past, I submitted a letter with Ms. DelBene's help, and Ms. Moore on this committee, along with some other members, expressing concerns of where we were going to end up with the dairy provisions.

And Mr. Chairman, that letter is dated September 20, 2019, a few weeks before the final agreement was announced. I would ask unanimous consent to have it submitted for the record.

\*Chairman Blumenauer. Without objection.

[[The information follows:](#)]

\*Mr. Kind. One paragraph in that letter reads, “Despite the President's frequently asserting that his negotiations would lead to the best trade agreements for our farmers, we are now finding that this agreement would achieve inferior market access for U.S. dairy, compared to competitors like the European Union and signatories of the TPP nations on exports such as cheese, butter, skim milk powder, ice cream, condensed milk. Further, there appears to be no agreement on geographic indicators, which could impact our cheese exporters, due to the EU's prolific use of GIs to limit market access for U.S. dairy products around the world.”

And that, in fact, is what materialized in the final agreement. In fact, I have got a side-by-side comparison because of one ask that we made with the Administration when it came to our agriculture negotiations, especially dairy, at least achieve parity with the TPP nations and with the EU, so that they are not left behind, and not left at a competitive disadvantage. That is not what happened in this agreement.

And I note, through past history, you only get one kick at the can. Japan is not going to be interested in re-negotiating any agriculture provision, going forward. They just won't. And the idea that we are going to get back to some comprehensive agreement with Japan is, I think, a pipe dream, because their response is very logical. They are going to come back and say, “Listen, if you want this parity with TPP, with the EU, there is a simple solution. Get back in the tent. Rejoin TPP. And we will give you the same access that we

are giving the other countries. But don't expect us to do it outside that framework.”

So, Mr. Chairman, I would like to submit for the record a comparison of TPP and EU agriculture access, compared to what is contained in this agreement for the record.

\*Chairman Blumenauer. Without objection.

[[The information follows:](#)]

\*Mr. Kind. So, Ms. Vetter, let me ask you, as a seasoned negotiator in all of this, there are some WTO implications, as well, that we can get into. But if you can, just briefly describe the importance of, at some point, the ability for us to get back into the TPP framework again, and the synergies that that brings, and how that is important for our overall strategic vision, as a country, because I still believe the President's summarily rejecting TPP will go down as one of the great strategic mistakes we made as a nation in the 21st century.

\*Ms. Vetter. Well, certainly, I agree with you that a TPP framework is superior to a simply one-off deal with Japan.

And when we had crafted that negotiation, we did it knowing that, for U.S. agriculture in particular, Japan was a mature, high-value market that would produce immediate gains for the sector. But the big investment we were making was in Southeast Asia and in the markets of Vietnam and Malaysia, where you had a growing market, a growing middle class, with, you know, growing incomes, where we could get our foot in the door early, and then become a preferred trading partner in that same wide variety of agriculture goods throughout the region. And that, of course -- this approach does not provide that. It is simply missing.

And so, coming back in to do phase two, being able to do it, to also have a foothold in Southeast Asia would be of great interest.

\*Mr. Kind. Thank you.

Mr. Chairman, I would also just like to briefly mention that the SPS was left behind in this agreement, and cranberries from my home state. The biggest producing state in the nation in cranberries was also left outside this agreement. I yield back.

\*Chairman Blumenauer. I appreciate you getting that word in.

Mr. Rice?

\*Mr. Rice. Thank you, Mr. Chairman --

\*Chairman Blumenauer. You have a dog in this fight?

[Laughter.]

\*Mr. Rice. My farmers back home have a dog in this fight, and they are anxious to see any progress on trade.

And, you know, when we talk about the consultation and the article 1, section 8, and the powers of Congress, we delegated trade promotion authority to the administration. And we didn't do it to the Trump Administration, we did it to the Obama Administration. And many of the folks who are bemoaning today the lack of progress on trade did not vote for that trade promotion authority delegation to the Obama Administration.

So I know that I want a comprehensive agreement. I know that pretty much everybody in this room would prefer to see a more comprehensive agreement with Japan. I know the Administration would prefer to see a more comprehensive agreement with Japan.

And I listen to these experts speak, and I think I heard unanimity that they all agree that American workers -- you know, this isn't a perfect agreement, and we would like to see it go further for autos and others. But, overall, American workers will be better off with this agreement than we are without it.

We can bemoan the fact that we are not in TPP. I suspect very few folks on the

other side of the aisle would have voted for TPP if we had a chance to vote for it today.

And so that is gone, it is done, and it is over with. So we have to move on with a bilateral agreement, and that is what we are doing. And I have to take the Administration at their word on a more comprehensive agreement.

But I will tell you this: USMCA has been on the table for over a year. I traveled to Canada, I traveled to Mexico with a lot of folks on the other side of the aisle. And we expressed our concerns, and I don't think anybody can say that the Administration hasn't been very open with us and very active in our consultation role. And they continue to work on it today, and that agreement has been approved by Canada and Mexico for six months, and it has been sitting, gathering dust, with the -- on the Speaker's side, waiting for a vote.

We have the votes, if she will pull it up for a vote. It will pass. And I promise you that we can bemoan the progress on -- the lack of progress on trade, but I promise you those ministers in Japan chuckle a little bit when they recognize that we can't even get USMCA across the line.

Why is that? You know, everybody agrees -- I have asked every Democrat witness that has been in front of us, every Republican witness. Everyone agrees American workers will be better off under USMCA than they are without it. I have asked what Mexico gave up, and we haven't -- you know, border adjustment, sanitation rules -- I can -- rules of origin, hourly wages, labor rules, environmental -- we have this laundry list of things that Mexico and Canada gave up, and we gave up -- I can't find anybody who can name anything we gave up. It is going to be better for American workers. And yet it is sitting there, gathering dust. Why? I don't know.

I mean if it is better for American workers, and the other parties have agreed to it, why would we hold it up? I suspect it is for political purposes. I suspect that we are sacrificing, we are holding hostage American workers for the sake of the next election.

And I think that is horrific for our economy.

Trade, you know, we have gone through tax reform, we have gone through regulatory reform, we are trying to make the country competitive. Trade is the next big thing. And for us to hold this up and to sacrifice American workers for political purposes just is a great example of how broken the system is, and a great example of why 435 people can't negotiate a trade agreement. We have to delegate authority to the Administration, and we can retain the right to approve or disapprove.

We can argue over, you know, the commas and the colons on whether or not we delegated this much authority, or we did not. But as Mr. Boening said, we need a win. We needed a win.

If we are serious about trade, if we really want to make this country competitive in trade, if we are serious about lifting up American workers, we have to show the world that we, as a legislative body, are not paralyzed by politics, by who is going to win the next election. And we have got to show that we are serious leaders, and that we are going to put our constituents first.

And the first thing we need to do is stop arguing about whether we have delegated this authority, or whether we have been consulted enough on this agreement, this small agreement to move ag forward. And we need to pass USMCA, and we need to do it six months ago. Stop the politics. Let's put the American workers first.

I yield back.

\*Chairman Blumenauer. The gentleman yields back. I will just say, as somebody who has been involved with some of these discussions, there has been a lot of hard work to make the agreement better, which I think will be revealed as we are able to have the fruition of this.

We have made clear for months that things at least the majority of this committee

was concerned with, in terms of environment, pharmaceuticals, enforcement, which has been sorely lacking. And I think you will -- may not agree, but I think it will be clear that there was work done to make it compatible with what the majority of the committee -- and I think the majority of Americans -- expect from a trade agreement.

I don't want to get into too much of a debate here, I want to turn instead to Mr. Davis.

\*Mr. Davis. Thank you. Thank you very much, Mr. Chairman.

\*Chairman Blumenauer. Let me just say before I go forward, in order to balance out the equity in terms of the dais, after Mr. Davis, we will turn to Mr. Kildee, and then we will alternate back and forth to end up even at the end.

And then we will turn to some guests that we have, who are so interested in this subject that they pried themselves away from other important congressional business to sit and join us. And we welcome you.

\*Mr. Kildee. You are not on the intel committee, are you?

[Laughter.]

\*Chairman Blumenauer. They don't tell us.

[Laughter.]

\*Chairman Blumenauer. Mr. Davis?

\*Mr. Davis. Thank you. Thank you very much, Mr. Chairman, for holding this oversight hearing.

I also want to thank all of the expert witnesses for coming and sharing with us this morning.

And I am pleased that the farmers in Illinois, Texas, and perhaps in other places throughout the country are going to experience some relief as a result.

Of course, like all others who have expressed it, I would like to have seen a more



comprehensive agreement.

Coming from a state with a strong agricultural base, as well as a strong manufacturing base, we are always concerned about deficits. And I note that the automobile exports from Japan account for much of the deficit that we have with that country.

Mr. Nassar, I wanted to ask you, did you see anything in the agreement, or did you note any trend during negotiations that might lead in the direction of reducing the deficit that we are experiencing with Japan in relationship to automobile imports and exports?

\*Mr. Nassar. The answer to that question is no, and thank you for the question.

Right now the ratio is 89 to 1, 89 Japanese cars are shipped here for every 1 car we sell over there. And this agreement trades away some industrial goods, so it could lead to the opposite, actually.

\*Mr. Davis. Let me ask you. I understand that the Labor Advisory Committee prepared a full report on the proposed deal, which was shared with the committee four weeks after its submission. Could you share some of what that report suggested?

\*Mr. Nassar. I am not sure if I am able to, from, you know, a confidentiality standpoint.

\*Mr. Davis. All right. Then we will --

\*Mr. Nassar. I would love to. I would love to. But I don't think I can.

\*Mr. Davis. I will buy that, especially given the --

\*Mr. Nassar. I really, really want to tell you, but --

[Laughter.]

\*Mr. Davis. Let me ask Mr. Goodman, in terms of technology and digital advancement, how do we stack up with Japan, in terms of import-export relationships?

\*Mr. Goodman. Off the top of my head, I don't have the trade numbers. But I

would say we are both very competitive in high-value-added technology products and services. Japan makes a high percentage of your iPhone, the really sophisticated parts. We make very sophisticated technology in a range of areas, from health care to chips.

Again, I don't know the trade numbers, but I would say it is a robust and mutually beneficial exchange in that sector.

\*Mr. Davis. Well, let me thank you very much, and let me just add I do believe that it is necessary that the Administration take another look at its relationship with the Congress in terms of transparency, in terms of engagement, and involvement in the negotiation process, because, without it, then, of course, our constituents really want to know what our role is and what it becomes.

So, Mr. Chairman, I thank you for holding this oversight hearing. And again, I thank the witnesses for sharing with us.

\*Chairman Blumenauer. Thank you, Mr. Davis.

Mr. Kildee?

\*Mr. Kildee. Thank you, Chairman Blumenauer, for holding this hearing. I think this is an important role for the subcommittee, and I look forward to more of these discussions.

And I want to thank the witnesses. You have all added, each of you, a great deal to this conversation.

And, as my colleagues -- some have noted, anyway -- it is unfortunate that there is no one from USTR to address this hearing. It is one thing not to be consulted in the first place. It is something else to hold a hearing on the specific subject, and not have any representation whatsoever.

I mean, if the idea is that they are so busy working on USMCA that they didn't really have time to consult with us on the agreement, that is a little hard to believe, when

they actually had time to actually negotiate the agreement. I mean part of negotiating the agreement is consulting with us.

Before I ask my question I just want to comment. I think Mr. Rice and I probably do share some views on USMCA. It is a better agreement. I don't think there is any way to doubt that it is a better agreement. But it is not my view that a not-so-good agreement that you can't enforce, the original NAFTA agreement, being replaced with a better agreement that you can't enforce, is going to do a whole lot of good for the people that I represent. So there are some elements that still need to be completed.

And I will say, as one who has been involved in this, there is a lot of work going in to trying to get that right. And so, it is better to get it right and take a couple of extra months than to get it wrong and deal with what we have dealt with for the last 25 years, at least where I come from.

So, if I could ask specifically, Mr. Nassar, a question, you know, I am from Flint, as we all know. Yes, no kidding.

[Laughter.]

\*Mr. Kildee. Please do, make note. Make note. You know, it is an auto community, is the place where GM was founded. We make great vehicles.

But Ford, for example, doesn't sell any cars in Japan. In 2018 GM sold 700 cars there. This is a nation, Japan, with 126 million people, 68,900,000 vehicles. This year, just in the first nine months, there were over four million new registrations of vehicles in Japan. They don't tariff our vehicles.

Is it that they just don't like American cars? Why can't we have better access to that market?

\*Mr. Nassar. Because the country has been determined to keep a closed market for a long time, and they continue to do so.

I wanted just to point out that this is -- as I said, this is not a new problem. I mean I am reading the various agreements that President Reagan, Bush, President Clinton had, and here is just one quick quote. It says, from Senators Carl Levin and Arlen Specter, "It is unacceptable that current Japanese auto and auto parts barriers continue to remain in place." That was said in 2000. That remains true today.

It is -- auto companies from around the world have trouble going into Japan because they have a -- tons of policies that maintain a closed market. The currency manipulation is a very, very critical one, because that gives just a clear price advantage. And they have over-capacity. They make a lot more cars than can be sold, than Japan can handle. So they really need export markets. That is a major motivator for why they want to trade with us in the first place. It is the big prize. So that is why it is that way.

\*Mr. Kildee. I wonder, you know -- and the issue of currency is, obviously, a big one. It is not addressed. Many of us have long felt, even in the conversation around TPA, that -- because currency is such a foundational element of trade, that it ought to be addressed in an agreement that addresses trade.

But I wonder if you might just briefly -- because we only have about 45 seconds -- comment or give an example of one of these other non-tariff barriers that we face in the auto sector.

\*Mr. Nassar. Sure. Well, there is discriminatory taxes, first of all, that happen that are different from imports to cars built there.

There is a whole dealership network, where, actually, to establish a dealership is extremely difficult for a company that is based out of Japan within Japan.

\*Mr. Kildee. Thank you. I appreciate the testimony of the panel.

This is an important conversation, Mr. Chairman. I really do look forward to many more of these discussions. We have a lot to get to.

And I appreciate all your participation. I yield back.

\*Chairman Blumenauer. Mr. Smith?

\*Mr. Smith of Missouri. Thank you, Mr. Chairman. Thank you for holding this hearing today. It is a great opportunity for us to highlight another win that President Trump has done for the American farmer.

I would like to enter into the record a letter that was sent to all the members of the Ways and Means Committee today from over 30 different agriculture organizations.

And from their letter it says -- they write this letter "to express our strong support for the U.S.-Japan Trade Agreement, phase one," so -- which is what we are discussing today.

And I do want to highlight some of the --

\*Chairman Blumenauer. Without objection.

[[The information follows:](#)]

\*Mr. Smith of Missouri. Thank you, Mr. Chairman. And in this letter, I do want to point out some of the organizations that are in it, since dairy has come up. U.S. Dairy Export Council has signed onto this letter; the National Milk Producers Federation has signed onto this letter; the National Dairy Foods Association has signed onto this letter; along with the American Soybean Association; American Farm Bureau. Over 30 different ag organizations in strong support of this letter.

I am, frankly, surprised by the negative tone that we have heard from my Democrat colleagues on the other side of the aisle. I don't know if it is because they have been too focused on impeachment to really understand what was in this agreement, but there is a lot of very, very good stuff for the American farmer.

Thanks to the efforts of President Trump, the U.S. will soon have substantial

market access to Japan, with the overwhelming majority of tariff barriers lifted for U.S. agriculture products. This is great news for Missouri farmers, and a critical down payment towards a larger agreement.

Thanks to the Administration's aggressive two-step approach, Missouri farmers will no longer be at a disadvantage competing with other countries.

And while this is a great win, there is still more work to be done, in my opinion, both for agriculture and other sectors, as well. For instance, I am hopeful that the Administration will continue to work with Japan towards opening our market in regards to rice.

Ms. Vetter, rice is an important commodity in southern Missouri. Whether it is growers, truck drivers, processors, or shippers, any time rice is being shipped, communities benefit in southeast Missouri. Japan, too, depends on rice. Understanding that this agreement is meant to be a first step, it is important that rice does not lose ground in this agreement with Japan.

Ms. Vetter, what is your opinion on the likelihood of U.S. rice access in the comprehensive agreement?

\*Ms. Vetter. Well, as I am sure you are aware, the TPP negotiation, which became the template for this current U.S.-Japan deal -- and, of course, the CPTPP and European agreements, as well -- had Japan put, for the first time, on the table its six sacred products: beef, pork, dairy, wheat, rice, and sugar -- pretty much emblazoned in my brain after that TPP process. And the reason they did so was the opportunity to gain access to 11 other markets at the same time. And so the political leverage of a multilateral negotiation, or a regional negotiation, allowed them to make that trade.

But, as I am sure you know, of the six, rice was absolutely the most difficult. And the concessions that they gave in rice were really only to two of those TPP partners, to the

United States and to Australia. And the level of access that Japan was able to achieve for its industrial goods and autos was very much related to their generosity and how much they were willing to give on rice.

And so I have not been part of this negotiating process, I have not been consulted by this Administration, so I do not know what is the basis or the background that has been laid for a phase two, and whether there is an understanding that all U.S. products would also be on the table, in addition to all --

\*Mr. Smith of Missouri. Okay.

\*Ms. Vetter. -- of those from Japan. But I think those would be necessary conditions to seeing further concessions from our Japanese partners.

\*Mr. Smith of Missouri. I just want to make it clear that rice needs to be part of the conversation. I know the Administration has delivered real progress for rice farmers in both the early China agreement and South Korea, just recently. There is no reason rice can't be part of this agreement.

With that, Mr. Chairman, I yield the rest of my time.

\*Mr. Rice. And Mr. Rice associates himself with his remarks.

[Laughter.]

\*Chairman Blumenauer. Thank you very much.

Mr. Panetta?

\*Mr. Panetta. Mr. Chairman, thank you, and thank you for having this long-needed hearing on this important issue. And thanks to all the witnesses who are here, as well. Thank you for your service, and thank you for your preparation to be here, as well as you being here.

I think we all know that, following the withdrawal from the TPP, negotiating a trade deal with Japan has been a priority, especially for the agriculture producers in my

district.

As many of you know, as many on this dais know, I come from the salad bowl of the world, on the central coast of California, as I am fond of saying. And Japan is my district's fourth-largest agricultural export market. So it is important, I believe, that this Administration should continue to consult with Congress -- in particular, this committee -- when it comes to negotiating with important trade partners, especially like Japan.

But as we know, and as we are hearing, that just, unfortunately, didn't happen. And yes, I am thankful for some of the tariff reductions and the elimination for some of the California products, like its wine, its beef, its cut flowers, and some other produce. But I do believe that the lack of consultation led to some real missed opportunities, as well as some oversights, unfortunately, including potential gains in market access for strawberries, lettuce, rice, as we heard, and also the reduction of technical barriers to trade.

Now, I know that we will continue to try to gain market access for these select products. But unfortunately, those were prioritized over tackling more difficult issues, which I believe were put off for later, although we really don't know when that later is.

So as this Administration continues to work on phase two of this agreement, I hope that we can improve market access more equitably and address these technical barriers to trade beyond just tariffs. I expect that the negotiators will keep members of this committee apprised of developments, and hopefully seek our counsel.

And I do hope that this Administration will accept the next invitation to appear before this committee.

This committee, especially this subcommittee and my colleagues up here, should hear directly from our negotiators on agreements such as this one, which really are critical to our economy.

Now, because in my district we have a lot of fresh fruits and vegetables, dealing



with Japan has led to a number of issues, mainly when it comes to sanitary, phytosanitary issues. Lettuce -- and it has, basically, caused a lot of producers to just stop trading, unfortunately, with Japan. Lettuce, for example, has almost abandoned the market.

Now, obviously, Ambassador Vetter, you know that, in the multilateral TPP, the SPS provisions were positive improvements. Can you just comment briefly as to whether or not you would agree with the assessment made by this Administration that stronger trade terms can be negotiated in a bilateral agreement, as opposed to a multilateral agreement?

\*Ms. Vetter. Thank you. As I had commented to the last question by the congressman from Missouri, I think in the case of Japan, and discussing its agricultural market, it was actually helpful to be able to have those negotiations, where the tradeoff for opening its agricultural market provided it access to multiple other markets for other sectors.

But in the case of rules, I think it was also quite helpful to have the dynamic among the TPP countries, where you had strong priorities around creating a different culture for doing business in the region, and where they would see the benefits of those rules fully.

I do agree with you that SPS barriers can, in many cases, be more difficult to overcome than tariffs, that they do need to remain a priority, and would certainly encourage that the relationship among U.S. and Japanese regulators continue to be fostered outside of direct negotiations of a trade agreement, which I think they can do, and that our great professionals in FDA and USDA try to work out those issues with their counterparts.

But, you know, that -- in any second phase of negotiations I think it is difficult to say that there is a complete ag package if you don't look at the tariffs and the rules, particularly SPS rules that would accompany them.

\*Mr. Panetta. Point well taken. Thank you.

Thank you, I yield back.

\*Chairman Blumenauer. Thank you, sir.

Ms. DelBene?

\*Ms. DelBene. Thank you, Mr. Chairman, for holding this hearing, and thanks to all our witnesses for being here. I share the concern with many of my colleagues, that no one from the Trade Representative's office was able to join us today. Consulting with Congress is a critical part of the trade process, and I think we end up with better agreements, as a result.

One part of this agreement, obviously, has been on the digital side, the digital agreement. Mr. Goodman, I wanted to ask you, do you think we need to build on the digital agreement with Japan, use it to bring other like-minded countries in the region to the table, such as Singapore, Australia, and New Zealand?

\*Mr. Goodman. Yes, with three underlines under it.

[Laughter.]

\*Mr. Goodman. This is the, I would say, the big challenge in trade, period, going forward. We have to get the kinds of rules that were in this deal and originally in TPP extended and improved in USMCA. We have to get those pushed out to those partners -- Singapore, Australia -- others, and beyond, because we all know that data is everywhere, and involved in everything.

And there are not rules. There is a WTO for trade, there is an IMF for monetary issues, there is a World Bank to get development standards pushed out. There is no digital or data institution. There is no building in Geneva, there is no governance structure for this. And I think that is the big challenge, really, going forward.

And there is a big competition underway, because you have got the U.S., which is still trying to get our own act together in figuring out what we want, in terms of the balance between privacy and data flows and other aspects of this question. You have got Europe,

that has made a decision on privacy, and we are all having to now live with that. I think it isn't entirely comfortable for a lot of us. And then China has got a completely different approach, and they are pushing that out through various means.

So I think there is no issue where the stakes are higher. And we should be working in every forum -- the APEC forum in Asia with those partners, the G-20, both those partners are in practice in that group. Every other forum we can find -- the WTO e-commerce agreement -- to push out our preferred approach. It is critical.

\*Ms. DelBene. And we need to have a high-standard agreement. I mean, in your opinion, how important is it that we work to have a multilateral digital agreement? And, as you said, it is across all sectors, because digital impacts every segment of our economy. But how important is it to have a multilateral digital agreement in the Asia-Pacific because we need a high-standard alternative to the Regional Comprehensive Economic Partnership?

\*Mr. Goodman. The last part of your question doesn't worry me. I don't think the Regional Comprehensive Economic Partnership -- it is symbolically important, but in practice it is not going to advance those rules very far. But it is a symbol of our absence, and so it is important to show up. It highlights why we need to be back in this game.

I think that "pluri-lateral" is the way to think about this, meaning a few countries or subsets of the world, and of that region, that are probably more likely to agree on a common set of high standards. And so I think various means -- trilaterally with the EU through APEC, through coalitions of countries that are willing to move forward on those issues -- is probably the more promising route than trying to get some comprehensive, multilateral approach.

\*Ms. DelBene. Thank you.

Ms. Vetter, obviously, as the lead negotiator in TPP on agriculture, you were able to secure TPP-wide tariff rate quotas for butter, for skim milk powder, evaporated milk, and

condensed milk. I have a big dairy district, and these were key exports for many of the dairy farmers that I represent. So I am disappointed that USTR was not able to secure those commitments from Japan in this deal.

If the Administration ever gets to negotiating a phase two deal, what concessions do you think that the United States would have to give to get Japan to give us the TPP tariff rate quotas in these areas?

\*Ms. Vetter. Thank you for that question. Obviously, the dairy category was one of those sacred product categories. And butter and powder, specifically, were two of the most sacred products within that category. And of course, the tariff rate quotas that were secured through TPP were available to TPP countries, as a whole.

The United States felt that having a larger TPP-wide quotas would actually allow us to secure more volume, thinking about where we would fall, relative to the other countries, with market share. But in order to provide, then, access under a U.S.-Japan bilateral agreement, that would have required Japan to let in more volume, overall, of that product. And that is a politically sensitive proposition for them.

So, just bearing that in mind, again, the comprehensiveness, and how attractive the overall package would be in a phase two for Japan, I would think, based on the previous dynamics of our negotiation, would be what Japan would consider as to whether they could further examine those politically sensitive products.

But again, not having been part of the modalities or the terms of the negotiation for this set of talks for the agreement, nor having knowledge on the basis that U.S. and Japan laid out for a phase two, it is difficult to say how the negotiations have been structured to drive or not drive toward that result.

\*Ms. DelBene. Thank you.

I yield back, Mr. Chairman.

\*Chairman Blumenauer. Thank you.

Mr. Schweikert?

\*Mr. Schweikert. Thank you, Mr. Chairman. And just quick -- Ms. DelBene, you actually took one of my questions. I would love to have a side conversation with you about everything from Internet privacy standards to some protocols. It is something we have been fixated in our office on for a couple years now.

Madam Ambassador, can I actually sort of take us a slightly different -- because the hazard of being at this end of the table is everyone has sort of asked your questions. What does the future look like?

We have some articles on -- talking about -- and these are a little tough, because some -- you know, you are trying to make assumptions, you know, thousands of miles away. We see stories that much of what is happening with Japan's demographics, rural depopulation in their agricultural communities.

Is there a way -- or is it something you have been involved in, when you are involved in those negotiations and discussions, saying what does the future of our economies look like, how do we build the synergy, what is happening to us all demographically?

And so it is everything from how does our agricultural prowess backfill Japan's demographic needs, their prowess on solid state batteries, and their technology advances that, if they are successful, will help the entire world.

Do you try to future-proof part of the discussion of what the windows look like not right now, not the satiation of today's politics, but over the next couple decades?

\*Ms. Vetter. Well, Congressman, I think that is the point of doing a comprehensive trade agreement and trying to open on as many categories of products as possible, simultaneously. Not that you are keeping score about value on one side or the other at a

particular point in time, but that you are trying to anticipate and provide an opportunity for U.S. producers to be able to fill needs as they arise, and as our economies evolve.

\*Mr. Schweikert. So, within that, Japan has been very scientific, very progressive in their understanding of genetically modified crops and their efficacies on, when designed properly, are actually really good for the environment, because they have much less pesticide load, or water load, or those things.

Do you see some of those types of discussions of, hey, these are some things we are really good at, here are some of the things they are very good at on the technology, and being able to take the benefits from each society's expertise, and do you see that future-proofing -- let's call it a phase two or just, as you would use the term, more comprehensive?

\*Ms. Vetter. I mean I think that we certainly had discussions about demographic trends, the structure of Japan's agriculture market, where they might have particular advantages or disadvantages, and how to draft an agreement accordingly.

At the same time, we were negotiating, their whole cooperative system was undergoing a reform, trying to look at the fact that they faced some of the same challenges we do: aging farmers, no succession plans, things like that.

So yes, I mean, I think much of that is structured into the current agreement.

\*Mr. Schweikert. We should probably do a quick explanation, because we are way out on a rabbit hole for --

\*Ms. Vetter. Sure.

\*Mr. Schweikert. There are some data out there that much of rural Japan's age -- their younger populations over the last three decades have abandoned those areas, and they are actually hitting a pretty brutal age cliff. So the adoption of technology in those areas -- but then does our prowess and our cost efficiencies backfill that? Is that a fair way to

describe it?

\*Ms. Vetter. I think that is right. And I think, if you look at those areas in agriculture where Japan really wanted an opportunity to export to us, it was in specialty products like Wagyu beef, where we provided some opening. It was in very high-quality and -- produce, melons, things where they see themselves perhaps as smaller volume, but higher-value producers, and trying to develop export opportunities for those producers.

But I would also say that if you look at those demographic trends in Japan, while they are a high-value market, they do have a decreasing population --

\*Mr. Schweikert. It is --

\*Ms. Vetter. -- and a demographic where, volume-wise, they may purchase less. And that is why we should think of, I think, this agreement as an important opportunity to keep shipping those products. But it is not an answer to, you know, really being able to make inroads into growing populations --

\*Mr. Schweikert. In --

\*Ms. Vetter. -- and increasing --

\*Mr. Schweikert. In our last couple seconds, it is also one of the concerns I constantly have, particularly on our reliance of agriculture, is there is technologies coming that may dramatically change efficiency of growth.

\*Ms. Vetter. Yes.

\*Mr. Schweikert. And as those technologies change, it is -- we are not the only country that is going to own that synthetic biology that makes plants grow dramatically faster, so in the smaller plats of land you can grow much more product. What happens if you relied heavily on agriculture?

So we -- it is hard, but we have to deal with the reality the science is coming. And how do we future-proof these agreements?

So with that, thank you for your tolerance, Mr. Chairman. I yield back.

\*Chairman Blumenauer. Mr. Beyer?

\*Mr. Beyer. Thank you, Mr. Chairman. Mr. Chairman, thank you for holding this Trade Subcommittee hearing. It's very helpful.

And thank you all for being here, although I share my colleagues' disappointment that USTR chose not to answer our invitation. You would think, if you were proud of what you had done, you would be willing to come and talk to us about it.

And one of the most troublesome and disappointing aspects is that USTR agreed to text with the Japanese prior to showing it to Congress or any of the cleared advisors. I certainly hope that that won't be the process in phase two, if there is a phase two.

But Ambassador Vetter, when you were negotiating TPP, did you ever agree to outcomes with your counterparties from other countries before briefing cleared advisors or Members of Congress?

\*Ms. Vetter. I don't believe so, no. We certainly briefed Congress any time there was a new major proposal and, as those results were developing, provided briefings to discuss how the structure of agreements on particular products may come together to get advice and create awareness.

\*Mr. Beyer. Great, thanks.

Mr. Nassar, you talked about the absence of labor and environmental provisions. Japan joined the CPTPP that has labor and environmental provisions. We are on the five-yard line, allegedly, with USMCA, which has the May 10th labor and environmental provisions in it. Why not?

\*Mr. Nassar. The labor chapters thus far in our FTAs have been completely toothless. They have had zero positive impact for workers. They have been failures.

So, I mean the reality is that, with USMCA, which has been talked about a lot



today, no one hates the current NAFTA more than auto workers, you can trust me on that. I can't even list all the parts manufacturers and OEMs that have left to go to Mexico and then sell those cars back here. That is not going to change unless we have enforceable labor standards that actually change companies' behavior, and actually leads to them treating workers better.

I think those elements are critical in any trade agreement. Thank you.

\*Mr. Beyer. Mr. Goodman, you expressed skepticism that either side would be willing to make the stage two negotiations a priority, at least in 2020. Given that Japan seems to have gotten pretty much everything that it wanted in it, and we still have a lot that we would like, from dairy to rice to labor and environmental provisions, is there any credible reason to think a stage two is going to happen?

\*Mr. Goodman. As I say, Congressman, I think it is going to be very unlikely that we are going to get into a serious round two negotiation. I think there will be some conversations, but I don't think we are going to have serious negotiations at a high level, and certainly not reach an agreement next year.

I think Japan does have offensive interests in this, still. They didn't get anything on the auto side, they didn't get the phase-out of the 2.5 percent tariff on autos that they had gotten under TPP. And so they've still got interests on their side.

So in principle, I think there is a deal to be had. There is a conversation to be had about those tradeoffs, but I just think it is not going to happen in practice. There are other priorities.

\*Mr. Beyer. And Mr. Goodman, I think this question is for you, but, you know, people have raised the concern that this narrow, incomplete phase one U.S.-Japan Free Trade Agreement could violate section 14 of the WTO articles. How concerned do we have to be about that?

\*Mr. Goodman. Well, again, I am not a lawyer, but a lawyer flagged that for me as an issue that we have to be concerned about. It is article 24, I believe --

\*Mr. Beyer. Twenty-four, okay.

\*Mr. Goodman. -- of the WTO. That requires --

\*Mr. Beyer. I have to read --

\*Mr. Goodman. -- substantially, all the trade between the partners to be agreed.

There is a -- not quite an exception, but there is a provision for notifying an interim agreement, as long as there is a schedule for when you are going to get to the comprehensive deal, which I don't believe we have done, at least not yet.

So, yes, there are concerns. And it is not only concerns about whether we have violated WTO or not ourselves, but whether we are setting an example for others if they go down this road and create preferential deals that exclude us. So I think there is a reason for concern.

\*Mr. Beyer. Mr. Nassar, as you probably know, my family business sells Mazdas and Subarus, and we love selling them. But I am really concerned, as a former automobile dealer, by all the restrictions in Japan, you know, the dealer network, the government subsidies, the, you know, basically, unrealistic standards on safety and other things. How do we overcome that without starting another tariff war?

\*Mr. Nassar. I hate to be a Debbie Downer, but I -- you know, at a certain point you got to call it like you see it. And, you know, it is Whac-A-Mole. And administration after administration has tried.

So I think any opening of U.S. access in exchange for a promise that Japan is going to change their ways is a bad deal for U.S. auto workers. It is really a tough thing to do.

\*Mr. Beyer. All right, thank you.

I yield back, Mr. Chairman.

\*Chairman Blumenauer. Thank you.

Mrs. Murphy?

\*Mrs. Murphy. Thank you, Mr. Chairman, and thank you to the witnesses for joining us today and sharing your expertise. I also really appreciate having this hearing to discuss an important issue and, basically, exercise a key function of Congress, which is -- and especially for this subcommittee -- providing oversight of the executive branch's trade policies and trade negotiations.

Today, we are looking at the recently signed U.S.-Japan Trade Agreement, otherwise known as a mini-trade deal, or a phase one deal. And disappointingly, USTR declined our invitation to be here today to provide their testimony and explain their decision-making process. And while I mean no disrespect to our incredibly impressive and capable witnesses, I can imagine that you too are only guessing at what USTR was thinking in negotiating this mini-deal.

And I will also admit that I am deeply suspicious that these phases are merely an attempt to avoid congressional oversight, much like not showing up today. But let me just see. Based on the testimonies today, let me see if I can summarize how we find ourselves here today with a mini-deal with Japan, one of our largest trading partners, an ally, somebody with whom there should be a more comprehensive deal.

So first, the Administration puts U.S. ag at a disadvantage to other countries by withdrawing from a comprehensive trade deal, also known as TPP.

And then farmers are feeling a lot of pain. As Mr. Boening said, we needed a win. No doubt, some of that desperation tinge in your voice results from the crushing impact of other trade policies taken by this Administration.

And so, in order to address that pain for the farmers, the Administration then negotiated a sub-optimal -- using Mr. Goodman's word -- a sub-optimal, mini-deal that Mr.

Nassar says sets a dangerous precedent of trading industrial goods for ag.

And now the Administration is taking a victory lap on having completed a mini deal.

So, in sum, a comprehensive deal is better than a mini-deal, but a mini-deal is better than nothing. That seems to me to be a pretty low bar for U.S. trade policy.

Mr. Goodman, there seems to be some hesitancy to criticize this particular deal. I hear industry holding out hope for phase two. But you have said that you didn't think that phase two would be coming. You also said yesterday in the briefing that you didn't think China phase two was likely, either.

Is there a negative economic cost to U.S. companies, to U.S. consumers from negotiating this way?

\*Mr. Goodman. Yes. I believe that this is, as I mentioned, sub-optimal, or second-best, and I think this will have implications, including for the sectors that have not benefitted from the opening of trade.

And I think that if we are not pushing, as I mentioned, the rules in digital or other areas that were incorporated in TPP, and have been in some cases improved upon, in what - as I understand, the USMCA content, if we are not pushing those things out, then there is a real risk that the economic playing field that we are going to be operating on, our businesses, our farmers, and ranchers, and others are going to be operating -- service providers -- is going to be tilted against us, and we are going to find it much harder to sell, and to -- and even to buy on competitive terms.

So I think this has economic impact.

\*Mrs. Murphy. Great, thank you.

Mr. Boening, you told some heart-wrenching stories about bankruptcies increasing, that some farmers were thinking about selling before they have to face bankruptcy. It can't

just be the absence to date of that U.S.-Japan mini-deal that would have created this troubling pattern. Can you provide a little context on what other pressures are causing these types of hardships with farmers?

\*Mr. Boening. Yes. I mean I can attempt to, Congressman Murphy.

You know, some of it, I guess, just comes down to supply and demand, to a certain extent. I mean we -- you know, we -- production is up over the past several years.

So I think the trade issue is a -- is definitely a major factor, when we look at trade as a whole.

We haven't talked about China a whole lot today. We have talked more about Japan and USMCA. But it is kind of a snowball effect --

\*Mrs. Murphy. Let me just see if I can summarize this --

\*Mr. Boening. Wait --

\*Mrs. Murphy. -- is that farmers' productivity is up, but U.S. Administration's trade policy is suppressing demand. Thank you, and I yield back.

\*Chairman Blumenauer. Mr. Marchant?

\*Mr. Marchant. Thank you, Mr. Chairman.

I would like to change the tone just a little bit and say that I am deeply appreciative of the Ambassador Lighthizer's job that he did on the Japanese trade agreement. I was in Japan in -- last February, and they talked about almost nothing else but their desire to get a trade deal with the United States.

We were at the same time dealing with France and an Internet tax on Internet providers, China and the tariffs, Brexit, the USMCA, and North Korea. All of those things were going on at the same time, yet this Administration made it a priority to try to get a trade deal with Japan.

And I think both Japan and the United States should be commended for being able

to sit down and at least get to a phase one agreement, the phase one agreement that, obviously, neither one is happy with. But when we look back on this last year, I think that it is an accomplishment to get some kind of a trade deal done.

I think that there is not a more important thing for the U.S. trade ambassador today to be working on, and trying to work out those details that I truly believe the Democrats have been working on the last two or three months, the details that they feel like they need in the USMCA, and truly hope that that is where the effort is going right now, so that we can get a deal here before the end of the year on that.

Mr. Boening, I read -- was glad to see your recent op-ed in the Houston newspaper. I don't always read the Houston newspaper, since I am a Dallasite, but it was a good article. And I appreciate you emphasizing the benefits that the USMCA will have for American farmers and ranchers. I share your enthusiasm for that support.

What impact would passing the USMCA -- what immediate impact would it have on Texas farmers, first of all, and then farmers in general?

\*Mr. Boening. Thank you, Congressman Marchant. You know, it has been pointed out in more than one place that ag doesn't get a super-boost or -- from USMCA over NAFTA, because we felt like NAFTA has been good for ag. But as some discussion earlier today, it is -- some of it is psychological.

Just having a good deal, which USMCA -- having a deal done, there is -- you know, we have talked about it in our ag circles. Other potential trading partners across the world, I think they definitely look at USMCA as a -- you guys can't get this done? I mean this is three neighbors that have worked on a deal for a couple of years now. So I think it is psychological, to a certain extent. And I think it is -- and some of it is psychological, you know, to keep doing what you are doing every day.

So, with that being said -- and there are some quantitative improvements, too, to

dairy with Canada, and to wheat with Canada. So I think it would be just a win, and something that we feel like we -- from what I hear from industry-wide, it has been good. And from what I do hear, the trade advisory folks have visited with folks from both sides of the aisle to address some of their concerns.

So we are looking forward to that one happening, hopefully, by the end of the year.

\*Mr. Marchant. Thanks to the whole panel for being here today. Thank you. I yield back.

\*Chairman Blumenauer. Mr. Ferguson, Doctor Ferguson.

\*Mr. Ferguson. Thank you, Mr. Chairman, and thank you for holding this hearing. And to our panelists, we thank you for taking time to come and share your expertise with us.

I want to start by saying that, you know, when I look at the U.S. trade -- U.S.-Japan relationship, it is very deep, it is very important across a lot of fronts. And being able to maintain that relationship going forward, and actually to strengthen that relationship, is vitally important. And, of course, trade will be a key component of that.

I look at what happens in my state of Georgia. The relationship between Japan and the state of Georgia is very strong, the number of manufacturers that are there. Just to give you an example of one manufacturer in my district, Yamaha is based in my district. So all of the golf carts and four-wheelers and that kind of thing are built in my district.

We understand how important trade is, and we want comprehensive trade agreements to be in place. While we work towards that, we also have to recognize that there are rural parts of our districts, of our states, of our counties that are really hurting right now.

And so, when I look at this first phase one, I look at the impact that it could have in rural Georgia and rural America, I think it is pretty positive. And so, while we flounder

around talking about how do we eat this whole elephant with this trade agreement, I suggest -- I kind of like the idea of we eat it one bite at a time. And I like the fact that we are getting something done that will have a positive impact in my district.

Is there any perfect process in this? No. But I will tell you what. While you scream and holler for a perfect process, and all of the things that we are talking about, you have folks that are in rural America that are dying on the vine. And providing them a lifeline is vitally important.

We have cattle that are produced in all 159 counties in the state of Georgia. And I think it is a very important part of our local economies, whether it is the Angus industry, Charolais, Simmental, it -- they -- these are all vitally important.

Mr. Boening, can you talk about what that would mean to cattle producers in a district like mine?

\*Mr. Boening. Congressman, are you referring specifically to the Japan agreement?

\*Mr. Ferguson. Yes, correct.

\*Mr. Boening. Well, there is -- I mentioned earlier in my testimony the folks in Japan, the population in Japan, being a high-income population, and the beef that is raised in this country -- in your state and the rest of the -- is a high-value product and is a quality product.

I mentioned earlier that on a trip several years ago, when we had a -- I do not speak any Japanese, but even visiting the Costcos, the higher-end supermarkets, Japanese consumers want our beef. And already beef is exported around the world.

I think there is no doubt that it will benefit our beef producers to a much greater degree than it will benefit any other beef producers in this country -- in the world.

\*Mr. Ferguson. Thank you for that. Going back to some comments that were made



on the USMCA, you know, I find it pretty remarkable, as I have had the opportunity to speak with colleagues on both sides of the aisle, had the opportunity to travel to Canada with the chairman of the committee and other colleagues, meeting with the trade representatives from our friends to the south, in Mexico, we keep talking about the enforcement piece of this.

And what I find remarkable is we are all saying the same thing. We all want strong enforcement of these trade deals. It does us no good to have a trade deal that we can't enforce.

And so I am very hopeful that, as we go through this process, and we are all pushing towards the same common goal of making sure that our economies are strong, that our workers have great opportunities, that we see really remarkable opportunities for American families, and we recognize that enforcement of these provisions is vitally important, I hope that we can all very quickly get on the same page, and get this deal done.

Again, it is important for the country. But when I look at what the USMCA and this agreement with Japan could mean to rural America, it is incredible, and it is important. And if we don't address this, and we don't get a focus on rural America, we are going to wind up taking the prosperity that we have gained in this country, and we are going to use it to fight poverty in rural America. We can avoid that expense.

This country has done an amazing job of turning rural America into the next inner city, and it is a shame. And I think that we can fight back against that. I think that we can re-balance this. And I think that American workers that are in the rural parts of our economy are just as important of those in the suburban and urban areas, as well.

I can tell you, whether you are building cars, whether you are farming, it does not matter. It is vitally important that we do this.

And with that, Mr. Chairman, I yield back, and I thank you for allowing me to be a

guest here today.

\*Chairman Blumenauer. I am glad you could join us.

Mr. Smith?

\*Mr. Smith of Nebraska. Thank you, Mr. Chairman. And thank you to our panel. Certainly, thank you to Ambassador Vetter, a Nebraskan here originally from my district.

And I salute you for your thoughtful approach while in the Administration and since. And I think we have seen, over the years, a lot of ebb and flow of trade policy and trade rhetoric. And I don't want to get too aggressive here, as a guest at this subcommittee hearing --

\*Chairman Blumenauer. Fire away.

[Laughter.]

\*Mr. Smith of Nebraska. Fire away? Okay. But I hope that we will reward good-faith negotiations, good-faith discussions that take place. And I don't want to be doubtful of -- that this will take place. But in seeing how USMCA has been handled of late, I guess I am skeptical.

But I hope that -- and I will say that, given all of the trade discussions across America over the last two years, roughly, I think we have an elevated discussion about trade, what trade is, what trade does, what it should do, what it shouldn't do, or what it hasn't done, what it has done.

So I think discussions across America are, like I said, elevated. And there are many folks in my district, the number-one agriculture district in America -- Mr. Arrington does not like that, but --

\*Mr. Arrington. Point of order --

[Laughter.]

\*Mr. Smith of Nebraska. But they are grateful, you know, in a bigger picture of the

various actions taken to help rural America, I think, reduced regulations and others, and they see the importance of USMCA in solidifying that, passing that, as strengthening our position as we face China and the challenges with China that -- I don't talk to anyone who thinks we should do nothing about China. I hope that we can unite together.

So here we have Japan, we have some great opportunities. I hope we take advantage of those. And I think, as good a relationship as our two countries enjoy, that we can address some things now and some other things later. I think that it can take place.

Mr. Nassar, you mentioned that we rely -- we use and rely on good trade agreements. I am -- I would be curious to know which trade agreements you would point to as most beneficial.

\*Mr. Nassar. I don't think I phrased that correctly. What I meant to say was we rely on trade, the actual flow of commerce back and forth.

When I am talking about our FTAs, we think there has been some critical flaw as far as the, really, weak, weak labor chapters, and other things I mentioned.

\*Mr. Smith of Nebraska. On every FTA, or would there be one FTA that would be better than another?

\*Mr. Nassar. They are all different, based on --

\*Mr. Smith of Nebraska. Would USMCA be better than previous FTAs?

\*Mr. Nassar. It has provisions that are better, but I would add that we want to make sure that it actually changes the flow of work from U.S. to Mexico, and ends offshore, and -- we have seen for so long. So there is work to be done, still.

\*Mr. Smith of Nebraska. So, in making sure that it does, perhaps we need to let it go into effect.

\*Mr. Nassar. We lose all leverage once we go with the agreement. There are a lot of forces in Mexico and corporations based here that would love the status quo. So,

actually, seeing changes on the ground, having an enforceable agreement means a lot, because we think whatever happens here we are going to have for decades.

\*Mr. Smith of Nebraska. Do you think --

\*Mr. Nassar. So we just want to get it right.

\*Mr. Smith of Nebraska. Do you think labor changes made in Mexico have been made in good faith?

\*Mr. Nassar. Yes.

\*Mr. Smith of Nebraska. Okay, thank you. I yield back.

\*Chairman Blumenauer. Thank you.

Mr. Arrington?

\*Mr. Arrington. Thank you, Mr. Chairman, for the invitation to participate in the hearing. And I find it just sweet justice that I get the microphone last after my colleague challenged a Texan in a bragging match.

[Laughter.]

\*Mr. Arrington. But while our witness -- one of our witnesses is a Texan, but --

\*Mr. Smith of Nebraska. We have got a Nebraskan, too, in there.

\*Mr. Arrington. So I might as well have my first question.

Is Texas the largest ag state in the union, Mr. Boening?

[Laughter.]

\*Mr. Arrington. Yes or no. Yes or no.

\*Mr. Boening. Yes, yes.

\*Mr. Arrington. Okay. I yield -- no, I am kidding.

Mr. Chairman, in a -- on a serious note -- and Mr. Boening, you have been a great friend, and I have enjoyed working alongside of you as -- to be a voice for agriculture here in our nation's capital.

But on a very serious note, we have seen a 50 percent reduction in farm income over the last several years, the likes of which we haven't seen since the Great Depression. True or false?

\*Mr. Boening. That is true, sir.

\*Mr. Arrington. We are witnessing the highest bankruptcy rates in recent history. True or false?

\*Mr. Boening. That is true.

\*Mr. Arrington. Here is one that just will rattle your soul. Farmers and ranchers have the highest suicide rate in the nation, five times the national average.

Are times tough in ag country, Mr. Boening?

\*Mr. Boening. Yes, sir, they are.

\*Mr. Arrington. You know, I am reminded of a famous quote from a -- from one of our presidents: Farming looks mighty easy when your plow is a pencil and you are 1,000 miles from the cornfield.

\*Mr. Boening. Yes, sir.

\*Mr. Arrington. We are -- our U.S. beef guys, especially, but ag in general have been bleeding out on account of not having parity and competition in the Japanese market. We would stand to lose over \$1 billion in the next several years, had we not shorn up this component on the tariff-related provisions. A billion dollars. This is our largest market for U.S. beef.

And I think the President and the Administration, Bob Lighthizer, ought to be commended for understanding the urgency of the matter here. Time was not on our side, and we needed to do a deal. And it is, quite frankly, a great deal with respect to tariff provisions. It, obviously, is not a comprehensive trade agreement, and I think everyone in this room and all the witnesses would agree that is the long-term goal.

But you got to be able to survive. It is like being on the operating table in the emergency room. I would like to know how our bones are going to heal, but I would just like to stop bleeding out. And that is, I think, what this represents, in many ways. And I think that is, again, agreed upon by the folks here, as witnesses.

We have more cows in West Texas than we -- than 43 states, individually, have people. And every time I go back to the district, they tell me those cows -- how bad the Green New Deal is.

That is a joke, Mr. Boening, you can laugh.

[Laughter.]

\*Mr. Arrington. But we have talked about the framework for rural prosperity, you and I both. Freer markets, fairer trade, a stronger and more reliable safety net, and sustainable infrastructure for Small Town, USA.

We have got lower taxes and lower regulatory burdens. The tax reform was pro ag, whether it was 100 percent expensing or the death tax exemption raised.

The farm bill, bipartisan -- and I give Collin Peterson a big thumbs up for being willing to work and compromise to help the producers in this country with a more reliable and responsible safety net.

We need more markets. We need more customers. And we need to move on, quite frankly, from our existing trade relationships and go after new markets and new customers. And USMCA, as you said, Ms. Vetter, that these things build on each other. That is why it is important to get the best deal you can.

Well, we have this comprehensive trade deal just waiting in the wings to be implemented. And it is not going to be perfect. But we all agree it needs to be enforced. And it is a game-changer: 170,000 new jobs for this great country.

But more importantly -- and I would like to just tee it up for everybody to comment,

but Mr. Boening, you could start --

\*Chairman Blumenauer. Not in the last five seconds.

\*Mr. Arrington. It is -- yes, sir. May I just put a little fine point here on my comment? And they don't have to respond.

\*Chairman Blumenauer. That is good, because your time is up.

\*Mr. Arrington. The answer is no.

\*Chairman Blumenauer. No, put a fine point on it. You are a guest.

\*Mr. Arrington. It is -- thank you. It is the fact that -- it is not just for the Mexico-Canada markets, it is the framework to move with greater speed than we have been moving for opening up new markets. I think that is why it is more profound than just simply a better deal.

Thank you, Mr. Chairman.

\*Chairman Blumenauer. Thank you. I must say I need to interject for a second, Mr. Arrington. Mr. Panetta would have corrected you. California is the largest agricultural-producing state.

Now, Texas may well get more subsidies. You get far more than California. But Texas is highly ranked in a number of areas, but you are not the largest agricultural state. And I do think you are the largest recipient of subsidies.

With that, let me thank our witnesses. We deeply appreciate you taking all this time with us today. We appreciate the committee members and guests who joined in the conversation, and we look forward to continuing it in the future.

Thank you very much. This was very helpful. We are adjourned.

[Whereupon, at 12:10 p.m., the subcommittee was adjourned.]

[Questions for the record follow:]

[From Representative Dan Kildee to Ambassador Darci Vetter](#)

[From Representative Terri A. Sewell to Ambassador Darci Vetter](#)

[From Representative Terri A. Sewell to Mr. Josh Nassar](#)

[Submissions for the record follow:]

[The Honorable Kevin Brady and the Honorable Vern Buchanan, Letter](#)

[American Chamber of Commerce in Japan](#)

[Center for Fiscal Equity](#)

[Engine](#)

[U.S. Chamber of Commerce and the U.S.-Japan Business Council](#)