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Dear Policy+ Subscribers,

The House Ways and Means Committee (oversees tariffs and other revenue-generating programs) held a hearing on US-China trade issues on February 27 featuring the USTR Ambassador Robert Lighthizer. The Committee members expressed bipartisan support towards the Administration's focus on the bilateral economic relationship, yet much disagreement remained on approaches, enforcement and outcomes. Additionally, Lighthizer's testimony sheds some light on the ongoing bilateral trade talks that P+ members should be aware of:

#### The "go-it-alone" Approach

- Lighthizer rejected the idea of submitting the trade deal with China to US Congress for approval, citing that "it was the **President's Constitutional right** to carry out executive agreements."
- He argued that getting out of TPP was a good decision because previous administrations had demonstrated that the **multilateral approach** was ill-fated.
- He further claimed that the Administration does not plan to address **labor or environmental concerns** unless they pertain to the unfair trade practices defined by Section 301.
- According to him, USTR is taking legal steps to delay the tariff increase from 10 percent to 25 percent. A Federal Register notice would be released later this week to formalize the decision. Yet, he maintained that tariffs would remain **an important tool** to push China to make structural policy changes sought by the US Government.



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### "[Enforcement] is a challenge that will go on for a long time"

- Lighthizer expected a **long process** with multiple negotiations and enforcement discussions even after an agreement was made. *"Agreements between nations, like flowers and children, last while they last."*
- The intended enforcement process would be standing meetings at the Minister (semiannual), Vice Minister (quarterly), and Office Director (monthly) level where complaints brought to the USG's attention by companies would be addressed. If patterns emerged, they would seek to **address the issue holistically**. If not addressed at lower level meetings, complaints would move up to the next level. Companies would be able to remain **anonymous**.
- Yet, some comment that Lighthizer's proposed plan is **no different from past** administrations' approach which primarily focused on regular government dialogues. Whether the US "unilateral enforcement" would serve as an effective deterrent was another question raised by critics.

### The trade agreement would entail:

- Lighthizer said to expect a **binding and enforceable agreement** which addressed intellectual property concerns, unfair trade practices, investment practices to obtain critical technology, and possibly currency.
- A purchase agreement would be included because it would benefit specific groups and address the deficit, but it would not be the heart of the agreement.

### Why did Lighthizer appear at the hearing just before the 90-day deadline?

- Some suspect that Lighthizer's attendance points to a gap between Lighthizer and Trump-- Lighthizer wants to **push for structural reforms** in China. While Trump agrees with that, he is also thinking about re-elections and the current US investment environment has been hurt by tariffs. Lighthizer may have wanted to leverage the hearing to **send a clear message** to both Trump and China that a deal must address structural changes.



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As always, if you have questions or comments, please feel free to let us know. We foresee a busy March coming up with various P+ exclusive events and reports in the pipeline! We will be in touch again with more details soon (and yes we will send along the P+ priorities meeting PPT). Please stay tuned!

If you have not yet downloaded our 2019 *China Business Climate Survey Report*, please see [here](#).

Best,

AmCham China Government Affairs and Policy Team



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