Remarks by Under Secretary of Commerce for International Trade Gilbert B. Kaplan at the American Association of Exporters and Importers in Washington, D.C.

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Introduced by Karen Kelly, AAEI Chair.

Thank you, Karen, for the welcome and kind introduction. It’s great to be here and to be part of AAEI’s Annual Conference and Expo.

The U.S. Department of Commerce and the American Association of Exporters and Importers have a lot in common. They both trace their beginnings back to early in the 20th century.

The Department of Commerce became an independent Cabinet agency in 1913, and AAEI was organized in 1921.

There is also a significant overlap in our purpose and goals, which include promoting a fair and open global marketplace for American companies and workers.

That goal has created a close relationship between Commerce and AAEI over the years on issues as varied as fine-tuning exports controls to protect our economic and national security and revising the content of trade agreements.

It is trade agreements, and a fair and open global marketplace, that I am here to talk about today. This a momentous time in the world of trade. There are a lot of wheels in motion.

Since President Trump introduced his pro-growth, pro-business agenda:

We’ve cut unnecessary regulations that discourage and delay investment in new plants and equipment.
We have instituted a globally competitive corporate tax code.
We have gotten tough on our trading partners who refuse to play by agreed-upon rules.
We have enhanced workforce and apprenticeship programs.
And we have brought a new energy to trade enforcement.

**Bottom line:** We are no longer allowing other countries to target our industries; impose unfair trade barriers; and dump their government-subsidized products into our markets.

The results of our “America First” economic policies have been impressive.

Since Election Day, nearly 6 million new jobs have been created, and the unemployment rate is the lowest it’s been in 51 years.

And, unlike the last administration when 200,000 manufacturing jobs were lost, companies across the nation have created almost 500,000 good-paying jobs in factories.

We have been hard at work to ensure that U.S. businesses have the tools they need to succeed, prosper, and create new jobs.

That includes reworking trade agreements that have disadvantaged American companies and American workers.

The United States is the least protectionist country in the world, and we have the $500 billion trade deficit to prove it. Yet other countries are highly protectionist and have huge trade surpluses.

The United States has zero tariffs on 61 percent of the total value of our imports, encompassing more than 17,000 categories of products.
On thousands of additional products, our tariffs are lower than what other countries impose. This cannot continue. The new U.S.-Mexico-Canada Agreement is the largest trade deal in American history.

It directly attacks the colossal $81.5-billion trade deficit in goods the United States has with Mexico, and the $19.7 billion trade deficit in goods with Canada.

It will be a big win for companies, workers, farmers and ranchers all across America, and a win for our neighbors north and south. Canada and Mexico are the top two export markets for 46 of the 50 U.S. states.

Last April, the International Trade Commission concluded that the new USMCA will increase the U.S. GDP by $68.2 billion and domestic employment by 176,000 jobs.

Most people don't know all the details in the USMCA deal – but their implications for American companies— are stunning.

USMCA eliminates many practices and trade barriers that have long hindered access to the Mexican and Canadian markets by U.S. businesses.

There are important new chapters on Digital Trade; IPR Protection; Anticorruption; Small and Medium-Sized Enterprises; Currency Manipulation; State-Owned Enterprises; and Good Regulatory Practices.

The new chapter on digital trade includes rules that allow data to be transferred freely across borders and prohibits protectionist limits on the location of data storage and processing.

This problem of data localization is very troublesome in many parts of the world and something the United States will have to deal with going forward. The USMCA sets a good paradigm for dealing with it.
The chapter also provides a firm foundation for the expansion of trade and investment in innovative electronic products and services. This is a big win for U.S. companies that operate internationally.

The new chapter on Intellectual Property includes tough enforcement provisions against counterfeiting and piracy.

The IP chapter also includes protections against the misappropriation of trade secrets, a significant problem for the U.S. aerospace and electronics industry and others.

There are new tools for customs officials to impede the flow of counterfeit goods and fakes across our borders.

USMCA establishes 10 years of data protection for both biologics and agricultural chemical products, giving American innovators 10 years of market protection against third parties.

This new trade agreement also strengthens the North American supply chain. It promotes export growth by reducing the costs of cross-border transactions.

It allows traders to submit and receive customs-related documentation and data through one website in each country.

Once customs requirements are met, goods must be released immediately, thereby cutting the red tape that currently delays shipments.

Canada and Mexico will be required to publish information on all fees and penalties they assess on products imported from the United States.

This will allow American companies to better predict trade-related costs before they export.
Express shipments valued below $2,500 will benefit from reduced paperwork requirements, making low-value shipments easier, faster, and less costly for traders.

Along these lines, both Canada and Mexico increased their *de-minimis* shipment-value levels.

This allows lower-value packages to enter their countries from the United States without having to pay taxes and tariffs, and with simplified customs forms. Additionally, USMCA ends Canada’s barriers to U.S. exports of agricultural products.

It ends the unfair conditions that put U.S. workers in competition with low-wage, low-standard labor by including fully enforceable labor and environmental obligations.

Moreover, we have a trade agreement that, for the first time, addresses unfair currency practices that put U.S. producers at a competitive disadvantage.

The USMCA updates the rules-of-origin for automobiles by requiring that 75 percent of the content of vehicles be produced in North America. The agreement also uses trade rules to encourage higher manufacturing wages. It requires that 40 to 45 percent of automotive content be made by workers earning an average base-wage of at least $16 per hour.

As a part of this calculation, manufacturers can earn credit for R&D investments, incentivizing the location of this critical activity in North America.

New rules-of-origin apply to other industrial products as well, increasing the regional content of chemicals, steel-intensive products, titanium, glass, and optical fiber.

These new rules will ensure that only producers who use sufficient amounts of U.S.- or regionally made parts or materials receive preferential tariff benefits.
USMCA contains rigorous rules of origin for steel products by requiring that at least 70 percent by weight of the inputs of selected steel products originate in the USMCA countries.

Or, alternately, that the USMCA partner country add a certain level of regional value content in the processing of the product. These provisions add an extra incentive for North American iron and steel to be used in manufacturing in the USMCA countries.

USMCA has separate annexes dealing with regulatory cooperation in important sectors, including pharmaceuticals, medical devices, information and communications technologies (ICT), cosmetics, and chemicals.

In particular, the USMCA adopted chemical reaction rules to determine origin for most chemical products. All of these provisions are new. They have never been part of any U.S. trade agreement before.

We will be using them as a starting point for deals with countries in Asia, Africa, Europe, and elsewhere. We negotiated USMCA with the intent of preserving Mexico and Canada as the largest export markets for U.S. products.

Last year, $1.3 trillion of goods flowed among the three countries, supporting close to 3 million U.S. jobs.

The U.S. Trade Representative made the requisite filing of the trade agreement with Canada and Mexico with the House of Representatives on May 30th.

Prime Minister Justin Trudeau introduced a bill in Canada's House of Commons on May 29th to implement the USMCA. And President Lopez Obrador sent the Agreement to the Mexican Senate on May 30th. Mexico has already acted, voting to ratify the USMCA last week.

We are hoping to get broad bi-partisan support in the U.S. Congress to ratify the USMCA this summer. It is truly a great deal for American companies, workers, farmers and ranchers. I look forward to working with you to see the USMCA signed, sealed, and delivered.
In closing, I would like to say a little bit about the International Trade Administration, the agency within Commerce that I run.

Certainly, the work of the International Trade Administration, or ITA, will benefit from USMCA, but we have a world-wide area of responsibility and touch many other subjects in the world of international trade and commerce.

As the Under Secretary of Commerce for International Trade, I oversee three business units at the International Trade Administration, also known as ITA:

Global Markets; Industry and Analysis; and Enforcement and Compliance.

Our Global Markets team provide support to tens of thousands of American U.S. exporters, especially to SMEs that would not be as successful without utilizing our services both here and in 77 different markets overseas.

Industry and Analysis is a powerhouse of expertise with an ability to leverage data analytics. This unit has been integral to all the big trade cases that have recently come to a head, such as the Section 232 steel and aluminum cases.

Our Enforcement and Compliance staff of highly skilled trade layers and market specialists remains busier than it has been in decades. They are vigorously enforcing U.S. trade laws and holding our trading partners accountable for unfair trade practices.

With work predominantly under this business unit, ITA undertook the first self-initiated antidumping and countervailing duty cases in 25 years, on aluminum sheet resulting in high margins and a unanimous final determination of injury by the ITC.

Our chief aim at ITA is to strengthen U.S. industrial competitiveness and ensure fair and reciprocal trade for companies and workers.
With 200 offices overseas, 106 offices in 48 states and Puerto Rico, and over 2,000 ITA personnel ready and willing to assist in any area of the premier services we offer, I must stress to all of you that all of us at the Department of Commerce and the International Trade Administration are fully committed to a trade vision that translates into new opportunities for the private sector, including good jobs, good wages, and a higher standard of living for all Americans.

Thank you again for the invitation to join you today.