UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	
DISTRIBUTIONAL EFFECTS OF	)	Inv. No. 332-587
TRADE AND TRADE POLICY ON	)	
U.S. WORKERS	)	

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Tuesday,
April 19, 2022

Remote Meeting
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at 9:32 a.m., before the Commissioners of the United States International Trade Commission, the Honorable JASON E. KEARNS, Chair, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

CHAIR JASON E. KEARNS
VICE CHAIR RANDOLPH J. STAYIN
COMMISSIONER DAVID S. JOHANSON
COMMISSIONER RHONDA K. SCHMIDTLEIN
COMMISSIONER AMY A. KARPEL

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STEPHANIE FORTUNE-TAYLOR, International Economist
SARAH SCOTT, International Trade Analyst
SANDRA RIVERA, Associate Director of Economics
TAMAR KHACHATURIAN, International Economist
ROSS JESTRAB, International Economist
TAMARA GUREVICH, International Economist
ALLISON UTOMI, International Trade Analyst
ELIZABETH NESBITT, International Trade Analyst

I N D E X

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P R O C E E D I N G S

(9:32 a.m.)

CHAIR KEARNS: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this public hearing concerning the Distributional Effects of Trade and Trade Policy on U.S. Workers.

We are holding this hearing via video conference due to COVID-19 considerations. The Commission instituted this two-part investigation in response to requests from the U.S. Trade Representative, USTR, dated October 14th, 2021, pursuant to Section 332(g) of the Tariff Act of 1930 for the purposes of providing a report, and expanding our research capabilities regarding the potential distributional effects of goods and services trade, and trade policy on U.S. workers by skill, wage, and salary level, gender, race, ethnicity, age, and income level, especially as they affect under-represented and under-served communities.

For part one of this investigation the Commission is preparing a public report that catalogs information on the distributional effects of trade and trade policy on under-represented and under served communities. The USTR asked the Commission to gather this information through roundtable discussions among representatives of under-represented and under-served communities.

Accordingly, the Commission held seven roundtables between March 1st and April 1st of this year, including two roundtables in Fresno, California and Detroit, Michigan. The USTR also asked the Commission to convene an academic symposium, which the Commission held on April 5th and 6th. The Commission is scheduled to submit its report to USTR on October 14th of this year.

In part two of the investigation the Commission is expanding our research and analysis capabilities so that future probable economic effects advice includes estimates of the potential distributional effects of trade and trade policy, including goods and services imports on U.S. workers.

In this report the Commission will include summaries of the positions of persons who testified at this hearing, or who filed briefs, or other written statements. If you'd like the Commission to include a summary that described your position, and you've not already done so, you are invited to submit a 500-word summary as part of your post-hearing brief, or as a separate submission filed with the Office of the Secretary, and identified as such.

Before we begin, let me note some of the rules for the hearing. All witnesses must be sworn in by the Secretary before presenting testimony. Any questions regarding the time allocations should be directed to the Secretary.

Speakers may not refer to business proprietary information. If you'll be submitting documents that contain information you wish classified as business confidential, your request should comply with Commission Rule 201.6.

Finally, please speak clearly into the microphone, state your name and affiliation for the record for the benefit of the court reporter, and mute your microphone, and turn off your webcam when you are not presenting.

Mr. Secretary, are there any preliminary matters?

MR. SECRETARY: Thank you, Mr. Chair. I would note that all members of panel one have been sworn in with the exception of Mr. Nassar, who I will circle back with once he pops on. There are no other preliminary matters.

CHAIR KEARNS: Okay. Thank you, Mr. Secretary. Will you please announce our Congressional witness?

MR. SECRETARY: Thank you, Mr. Chair. We are joined by the Honorable Frank J. Mrvan, United States Representative of the First District of Indiana. Welcome, Representative Mrvan. Please begin when you're ready.

REPRESENTATIVE MRVAN: Thank you, Mr. Secretary. Good morning, Chairman Kearns, Vice Chairman Stayin, and all the members of the Commission. It's good to see you all again.

I first want to thank you for the opportunity to speak before you in support of our incredible American work force in manufacturing industries. I also want to thank you for holding this series of roundtable discussions in investigation on the impact of our trade policies on all U.S. workers, and that you are including such focused conversations on the impact in relation to race, ethnicity, gender, orientation, disability, age, education, and for the under-served communities.

As a Representative from Indiana's First Congressional District, I believe that one of the reasons that there is a great divide in our nation is because far too many workers feel left behind. In union halls, and manufacturing industries in northwest Indiana workers have been concerned for years about the impact of trade, and how bad actors around the world are able to threaten their livelihoods and jobs through illegal trading policies, and practices.

Some of you may be familiar with my predecessor, Congressman Pete Visclosky, who showed me and all workers in northwest Indiana the value of incredible work of you, and everyone at the International Trade Commission, who are on the front lines of enforcing our trade laws, and ensuring that all American workers can compete on a level playing field. While I hope to follow Mr. Visclosky's footsteps, and serve in the House Appropriations Committee in the future, I will continue to do all I can, along with the rest of the leaders and the members of the Congressional Steel Caucus to advocate in support our invaluable work.

I would also like to add as a firsthand experience there was a case of a tin mill that impacted my community where a tin mill closed because of certain limitations of our trade policies, and over 60 workers had lost their job.

And in my previous capacity, I sat across the table from those workers as they looked for healthcare, as they looked for new opportunities to provide for their families. It impacted me a great deal that strong trade policies, and the enforcement of those policies, need to taken up on the front-end before we get to the unemployment side.

And I know that's not possible, but I just relay that story to tell you in real life I did sit across from the table from men and women who beyond no control of their own had lost their jobs based on trade policies in the circum-plantation of bad actors doing that.

So with that, I want you to know I carry that in my heart as a member of Congress, as a co-chair of the Steel Caucus, and as the policies that I put my time and energy in, is to protect our American worker.

I thank you again for your initiative to investigate and research the distributional impact of U.S. trade policies on all the U.S. workers, and I look forward to the results of your investigation, and continue to support your deliberate and necessary work to support the strength of the American manufacturing, our nation's economy, and our working men and women of the United States.

I thank you very much, and I'm Congressman Frank Mrvan.

MR. SECRETARY: Thank you, Representative Mrvan. Mr. Chair, that concludes Congressional testimony.

CHAIR KEARNS: Okay. Thank you, and thank you, Mr. Mrvan. It's good to see you again, and I appreciate you testifying before us today.

REPRESENTATIVE MRVAN: I thank you all very much, and thank you for your time, and have a great week.

CHAIR KEARNS: Thank you. You too.

Mr. Secretary, please announce our county government officials.

MR. SECRETARY: Thank you, Mr. Chair. We are first joined by the Honorable Melissa McKinlay, County Commissioner of Palm Beach County, Florida.

Welcome, Commissioner. We appreciate you joining us today. Please begin when you're ready.

MS. MCKINLAY: Thank you, Mr. Secretary, and Chairman Kearns, and to the rest of the Commission, thank you for allowing me this opportunity. My name is Melissa McKinlay, and I serve as the County Commissioner from Palm Beach County, Florida.

My Commission district includes the agricultural glades region, otherwise known as the Everglades Agricultural Area. It's comprised of three of the most poverty-stricken cities in Florida. These cities of Belle Glade, Pahokee, and South Bay are predominantly minority communities where the poverty rate is over 30 percent.

The Glades region has long struggles to attract new industry. There are numerous reasons for this, including its dependency on agriculture, its distance from the coast, the educational retainment of its work force, and its soil, which is perfect for growing food that is not conducive to stable construction, and must be demucked first, which adds significant cost to building.

Not only is agriculture the lifeblood of the Glades region, it's a core component of Palm Beach County's economy as a whole, and for the State of Florida. Over a third of my county's land mass is dedicated to agriculture, including sugar cane, sweet corn, bell peppers, rice, lettuce, radishes, and leafy greens. We lead Florida, and all counties east of the Mississippi River in agricultural sales, and we are one of the ten largest county agricultural industries in the United States with total sales of approximately $1.4 billion.

Despite this success, many of our farmers, and the agricultural workers who depend on them, particularly in our fruit and vegetable sectors, are being crushed by foreign produce. The Florida Department of Agriculture and Consumer Services warns that since 2000 Florida's share of the domestic U.S. market has plummeted by 40 percent, while Mexico's has expanded by 217 percent.

According to the University of Florida in 2019 Mexican imports of fruit and vegetables to the United States reached about 11 million tons with a total value of 15.7 billion, almost twice that of 2011. As an example, Florida producers' share of the U.S. cucumber market in 2000 was 19 percent, and by 2020 the share had plummeted to 4.17 percent due to the growing volume of unfairly priced cucumbers from Mexico.

In Palm Beach County for the five-year period ending 2017, the most recent period for which county data are available from USDA, 26,098 acres of farmland were lost, a loss of five percent. Our county sustained a $100 million decline in market value of produce sold, a ten percent decrease.

We saw a reduction in average cash income per farm from 148,000 to 131,000. This figure stood at $300,000 back in 2002. Even starker has been the staggering loss in farms between the size of 500 and 999 acres. In 2002 we had 26 such farms, in 2017 we only had nine left.

Since then farmers have regularly come before the County Commission with developers saying they can't compete anymore, and it's time for them to throw in the towel and sell their land. They don't want to do this, but they feel like they have no choice anymore. For those who have been farming for generations it's a devastating choice to have to make.

It's clear what is happening, our farmers are being pushed out of business by unfairly priced imports. Mexican shippers are selling produce in the U.S. market at low prices that are only declining from year to year, and often are at levels that don't even cover freight costs, much less costs of production.

Moreover, the Mexican government for two decades provided the capital its industry needed to build protected agricultural infrastructure, irrigation, packing houses, and produce supply chains. This has led to a booming Mexican fruit and vegetable output, and surging U.S. imports.

Mexico's labor wages are one-tenth of ours. Its industry is permitted to use cheaper chemicals, which our farmers haven't used for decades. Our farmers cannot compete with these unfair conditions of competition, low Mexican prices, and surging shipments. As the trade data made perfectly clear, our farmers are being forced out of business, and U.S. trade tools are doing nothing to save them.

In Palm Beach County the three under-served cities in the Glades region rely upon the sugar cane industry, which has not suffered the same impacts as our county's produce growers have; however, if the sugar cane industry were to experience a similar decline, it would be a devastating last straw for these communities. That's why it's imperative that our national and local governments put measures in place to relieve this growing harm.

Locally in Palm Beach County we developed a Glades region master plan. We're working with our local economic development partners on diversifying this region's economy, and have made important progress on finding work force training programs to strengthen the adaptability of these workers. Nationally, however, we are still in dire need of concrete measures that will stem the harm from these unfairly priced surging imports, and save our industry.

If the federal government fails to act on an urgent basis, the consequences of losing further farms will be catastrophic for our rural communities in Florida. If farmers aren't making money, they don't buy trucks and equipment. Businesses that rely upon farms go under, and new businesses are attracted, but most importantly, workers who have only known farming must figure out how to pivot to new work.

As we're seeing more frequently in Palm Beach County, our farmers often have no choice but to sell to developers, who then build expensive homes that most residents can never afford. This can cause community strength from those who oppose the development, increase congestion, and environmental stress and strain our government resources.

Perhaps most important for all of our nation, the decline of potential last of our state's produce industry is creating a national food security issue. If our farms continue to shut down, Americans, especially the poorest among us, will be dependent upon other countries for our fruits and vegetables during the winter and spring months of the year.

We have seen during the COVID-19 pandemic the dangers of not having domestic production in other industries, and we cannot allow that to happen to our agricultural industry.

As our country considers the effects of trade policy on U.S. workers, especially the under-served, we must understand these harmful consequences resulting from unfair imports, and deploy whatever federal tools are necessary on an urgent basis to help save our Florida produce sectors, our rural communities, and America's food supply. I thank you for your time.

CHAIR KEARNS: Thank you, Commissioner McKinlay for your testimony. We appreciate it. Do any of the

Commissioners have questions for Commissioner McKinlay?
Okay. Thank you again.
VICE CHAIR STAYIN: I have one.
CHAIR KEARNS: Oh, go ahead, Randy.
VICE CHAIR STAYIN: I have one question. To what extent do the producers export their products?
MS. MCKINLAY: I don't have those specific data points in front of me, Commissioner, but I would be happy to provide that answer to you and to the Committee members in writing following the conclusion of the hearing.
VICE CHAIR STAYIN: And what was the volume prior to the NAFTA in terms of the agricultural industry in your area?
MS. MCKINLAY: That's another specific data point I will get back to you in writing, and to the Commission. I was elected in 2014, so I wasn't in office when NAFTA first occurred.
VICE CHAIR STAYIN: Yeah. That's when we had the agreement with Canada and Mexico, and they had some impacts. All right. Thank you very much.
MS. MCKINLAY: Thank you.
CHAIR KEARNS: Any of the Commissioners have questions?
Okay. Thank you again, Commission McKinlay.
MR. SECRETARY: Thank you, Commissioner McKinlay.

Our next county government witness is the Honorable Martha Schroder, County Commissioner of Clackamas County, Oregon.

Welcome, Commissioner. Thank you so much for joining us today. Please begin when you're ready, and you're on mute. There you go.

MS. SCHRADER: Well, there we go. I want to thank the United States International Trade Commission for today's hearing on the distributional effects of trade and trade policy on U.S. workers. On behalf of the National Association of Counties, and the nation's 3,069 counties that we represent, thank you for providing the opportunity to testify.

My name is Martha Schrader, and I am an elected county commissioner for Clackamas County, Oregon. Clackamas County is a mid-sized county of about 420,000 residents, with nearly $2.4 billion of exports, and over 15,000 jobs supported by exports. Located directly southeast of Portland, my county encompasses 1,800 square miles.

Today, I am representing the National Association of Counties, where I serve as a Vice Chair for the Community, Economic and Workforce Development Policy Steering Committee, as well as a Vice Chair for NACo's International Economic Development Task Force.

NACo works to represent all county governments in the United States, including Alaska's boroughs, and

Louisiana's parishes. Founded in 1935, NACo assists America's 3,069 counties in pursuing excellence in public service to produce healthy, vibrant, safe and resilient communities. This hearing addresses critical issues for county governments.

In an increasingly global economy, counties have a vested interest in ensuring local businesses are connected to the global economy through international exports and foreign investments. Between 2003 and 2020, new foreign direct investment projects created more than 1.6 million jobs, and brought in over $748 billion in 1,400 counties. Those 1,400 counties with new foreign investment tended to have faster jobs growth, faster GDP growth than those without FDI.

In counties with FDI, jobs grew by 14 percent, and economic output grew by 30 percent from 2003 to 2017. In counties without GDI, in contrast, jobs grew by only five percent, and economic output grew by 24 percent during that same period.

Exports also bolster local economies. Over 12 million jobs across county economies were supported by and would not have existed without exports. Further, county economies that were more reliant on exports tended to have faster rates of economic growth.

The Portland metro area is well-positioned as a competitive, sustainable and globally integrated economic region through its focus on economic growth, export, and foreign direct investment. The Greater Portland region is home to more than a hundred foreign owned companies that employ more than 60,000 workers. Clackamas shares in this success with more than 40 foreign-owned companies in the County. The top FDI investors in these industries include: Metals and Manufacturing, High-Tech and Agriculture and Food Processing. The top foreign investor countries are Japan, Germany, Canada, and the United Kingdom.

Based on 2017 PIERS, Port of Portland Import/Export Reporting Service, nine Clackamas based exporters shipped through the Port, and 120 importers brought product into the United States via ocean carrier. These nine exporters were responsible for 1,564 containers of shipped product. The larger exporter, Pacific Seafood Group, exported to over 44 global markets, with major shipments headed to Asia, and Africa.

Clackamas importers brought in more than 2,335 containers of products in 2017. The top five importers were Warn Industries, Cornell Pumps, Grand & Benefits, Pacific Seafood and Proactive Sports. Imports from China, Korea, Japan, Malaysia, and Vietnam were among the top suppliers, with other imports coming from India, the Netherlands, and Poland.

Across this nation counties are engaging in different strategies to expand economic productivity through international trade and business, including encouraging local businesses to export, stimulating foreign investment, developing international business relationships, forming regional partnerships, and building adequate infrastructure.

Clackamas County recognizes international trade as an important economic driver that serves the well-being of the business community, its county citizens, and the government. Through trade, companies that export grow faster, are innovative, and create more and better paying jobs. Inbound foreign investment in business ventures further serve to help Clackamas County's economy growth.

Clackamas County has developed a comprehensive, collaborative and cohesive international trade program and framework with a clear vision to expand trade and inbound international investment. This framework will increase capacity-building opportunities for businesses, the community and local officials, market briefings, cultural trainings, workshops, trade outreach seminars, and conferences.

In November of 2016 Clackamas County signed a sister county agreement with Guanyun County, Jiangsu Province, China. The agreement supports communication and cooperation between the two parties in areas of collaboration in trade, culture, education, science and technology.

Since the agreement was signed in 2016, the County has hosted several delegation visits from China and has also participated in outbound delegation trips to China. I traveled to China twice in the past eight years with the support of the Oregon China Council to promote relations with Clackamas County's sister county and trade with China.

Other counties as well, both large, small and urban and rural counties across this nation are promoting and expanding international economic development in all of our communities.

The greater Portland region is home to more than 100 foreign-owned companies that employ more than 60,000 workers. Clackamas shares in this success with more than 40 foreign-owned companies in the county. The top FDI investors in those industries include metal and manufacturing, high tech and agriculture and food processing.

You'll have to excuse me, I'm going through my notes as we speak here.

As a facilitators and stewards of international trade, it is the role of counties to ensure all communities -- specifically the historically under-served and under-represented communities -- have equal opportunity and engagement in U.S. trade and trade policy.

Clackamas County has, as I said earlier, hosted two International Trade Forums. During these forums, panelists from larger companies have also established export programs, shared their personal experiences in exporting products and services. This allowed the audience members to learn valuable insight on best practices, challenges, opportunities and resource support for export activities.

The voice of the private sector is important. Private sector representation on an Advisory Trade Group would ensure greater influence on strategic decision-making and could lead to a better export and investment outcomes.

International trade opportunities, like domestic ones, are based on relationships of mutual interest. Relationships matter. Cultural awareness matters. Educating the community about international trade matters. Being intentional about setting the table for companies to engage successfully in trade matters.

I want to end by thanking you so much for giving me this opportunity to speak about economic development and international trade.

County leaders play a crucial role in international trade and development and so should be consulted and involved in conversations around the distributional effects of trade and trade policies on U.S. workers.

We stand ready to work with the U.S. International Trade Commission, Congress, and other federal agency partners to support trade and develop trade policies that will benefit all U.S. workers. Federal policies and programs developed without meaningful consultation with state and local partners put the ability of local governments to fulfill our responsibilities to our residents at work.

Counties continue to serve as reliable partners in implementing federal regulations and policies to meet our shared federal, state and local goals and protect our residents.

Counties look forward to further strengthening the intergovernmental partnership around international trade to create healthy, vibrant local economies for all American workers and families.

Thank you again for this opportunity to testify on this important topic. If you have any questions I can certainly attempt to give the answers.

CHAIR KEARNS: Thank you, Commissioner Schrader. I appreciate your testimony.

Do any Commissioners have questions?

VICE CHAIR STAYIN: Yes.

CHAIR KEARNS: Go ahead, Vice Chair Stayin.

VICE CHAIR STAYIN: Very interesting. I appreciate your testimony. You present a very important and different viewpoint from maybe some of the interior areas.

You talk about foreign investment. How do you draw foreign investment to a community?

MS. SCHRADER: Essentially, I think that one of the things we did that made a huge difference of course directly with our particular county was the relationship we have with China. We really import an incredible amount of products, agricultural products for example. Everything from strawberries to hazelnuts, things of that sort from China. So we are encouraging them to also come and invest in our county as well.

I think the other thing to do to draw other companies in is essentially we work with our larger businesses that already have export opportunities and are working with other foreign investors and between those relationship we can also pull people in to invest.

We also through Business Oregon and to wealthful (phonetic) Greater Portland Inc. which works with our SETS (phonetic) program, were to entice folks to invest in our counties here and the whole state of Oregon to essentially pull in those foreign investors as of looking for places to expand and invest.

So between those two entities and also working with our trade associations, we've been reasonably successful in doing so.

VICE CHAIR STAYIN: In terms of foreign investment, do you have some idea of the number of jobs that have been provided by these foreign investments?

MS. SCHRADER: I would have to again find that data point and get back to you on that. I don't have that specific number in front of me. But I can certainly make sure that we get that for you.

VICE CHAIR STAYIN: What type of investments are there? Are these manufacturing jobs or --

MS. SCHRADER: I'd say at this point mostly manufacturing kinds of jobs that we bring in here. We have, for example, Shimadzu in Canby, Oregon, which is one of our smaller communities. They have a large manufacturing business that's Japanese. And essentially this is the part of economically we just use for recruitment essentially, and when they are needing land, we have specialists who are ready to meet with them to show them what we have available and to encourage them to actually site their factories here.

VICE CHAIR STAYIN: Do you have some idea of the number of jobs that have been produced by the foreign investment in your area?

MS. SCHRADER: I will have to get that information directly from some of my specialists in economic development and get back to you on that.

VICE CHAIR STAYIN: The fact that -- I guess your exports, is this the largest part of the economic effect in your area? Or is it kind of a mix between exports and imports?

MS. SCHRADER: It's pretty much a mix. I would say in terms of agricultural products that's where our strength is pretty much. That's where strawberries, wheat, you know, hazelnuts, things of that sort. But we also have a supply chain in other areas. WARN Winches, for example, exports all over the world with their products.

VICE CHAIR STAYIN: Thank you.

My other Commissioners may want to ask some questions.

CHAIR KEARNS: Any other Commissioners have questions?

(Pause.)

VICE CHAIR STAYIN: I had one more question. I'm fascinated because you have this tremendous export business in your area and the number of jobs is really quite a testimony to the benefit of exports.

But you also have imports. The balance, would you say the balance between imports and exports, how would you say that worked out?

MS. SCHRADER: I would say primarily, off the top of my head, 60/40. Sixty percent exports and 40 percent.

VICE CHAIR STAYIN: Okay. Well, thank you very much.

I have no further questions.

MS. SCHRADER: Thank you.

CHAIR KEARNS: Thank you, Commissioner Schrader.

MS. SCHRADER: All righty.

MR. SECRETARY: Thanks very much, Commissioner Schrader. Please enjoy your remaining time with your family.

MS. SCHRADER: yeah, it's a little early here in the morning.

MR. SECRETARY: We appreciate you joining us today.

MS. SCHRADER: Thank you so much.

MR. SECRETARY: You bet.

Mr. Chair, that concludes our county government witnesses.

CHAIR KEARNS: Okay, thank you. Will you please announce our first panel?

MR. SECRETARY: Thank you, Mr. Chair.

Our first witness on our first panel is Elena Lopez, Legislative Specialist with the Communications Workers of America.

Welcome back, Elena. Good to see you. You have a total of ten minutes for your direct presentation.

Please begin when you're ready.

MS. LOPEZ: Thank you so much, Secretary Bishop.

Good morning, everyone. Hello. My name is Elena Lopez and I'm a Legislative Specialist with the Communication Workers of America, CWA.

CWA is a union with membership in telecomm – telecommnications, information technology, manufacturing, the public sector, and more.

I want to thank the ITC for hosting this hearing. We really appreciate the opportunity to testify on the effects of trade and trade policy on U.S. workers.

As the union representing the largest number of call center workers in the industry we have seen first-hand how our trade policy has encouraged companies to offshore jobs, driving down wages and benefits, and working conditions for U.S. workers.

Embedded within our various trade agreements are ways for multinational corporations to disinvest in our domestic call center industry and offshore work with ease. These policies include but are not limited to the investor state-to-state settlement, ISDS, which creates strong legal protections for companies that offshore jobs, undermining Buy American laws by granting companies access to a broad swath of government procurement for goods and services; loopholes within our rules of origin allowing companies to take advantage of agreements with goods and services produced elsewhere to specific intellectual property protections allowing companies to offshore jobs, confident that their intellectual property is respected overseas.

As a result in recent years our union has seen call centers downsize or shut down their U.S. operations in all regions and across all industries and shift those operations overseas to where workers are denied their fundamental labor rights.

The call center industry has increased overseas because companies can take advantage of the low wage costs and bilingual skills of the workforce. Wages at call centers overseas are as low as $1.15 an hour in India; $1.60 an hour in the Philippines; and $3.27 an hour on average in the ten-your (phonetic) markets in Latin America. The average wage on the other hand for a U.S. call center worker in 2020 was $17.27 an hour and union represented jobs provided even higher wages and better benefits.

The Bureau of Labor Statistics data has shown a broad stagnation in wages for U.S. customer service representatives which is most likely due to outsourcing and the loss of union representation within the industry.

Communities see call center jobs as a desirable source of employment as they offer good family supporting wages, yet the rise of offshoring has created a stagnation on wages that have caused instability for workers.

A study by Cornell found that close to 80 percent of all call center workers felt that there was likely going to be a layoff at their call center that was associated to offshoring, outsourcing, company downsizing or restructuring. These fears reflect an overall level of stress reported by these workers. Seventy-seven percent said that they felt their personal stress level was high or very high.

All this to say that U.S. trade policies have been structured in a way that minimizes the opportunity for and puts downward pressure on wages for a large swath of the American working class. Each of these points are important for the ITC to consider individually.

First, if a worker loses a job as a result of a mass offshoring event that hollows out an entire region's economy. It's simply not possible to expect that the worker can and will easily move to another region. Doing so would require leaving your friends, your family and your community behind. And even if you do move, you might not quickly secure a job in a new region either. This means that workers are often stuck with lower wages or simply being unemployed after their plant or call center closes due to offshoring.

Research does find that workers who lose their jobs in mass job loss events hold jobs with lower wages, diminished job authority (phonetic) and fewer employer-provided benefits for decades afterwards.

Workers displaced from their jobs move to jobs with lower pay, status and stability and this is especially true for workers who switch industries or/and workers of color. Particularly black workers are especially likely to experience job displacement and spend longer under-employed after a mass layoff.

The effects of job displacement are not just limited to earnings though. Job displacement takes a toll on a worker's psychological well-being, their health, their marriage, their child's education and well-being as well. So the more job displacement affects more than the individual worker, it affects their entire family and their community. Research has shown that mass job displacement can lead to a concentrated increase in joblessness in a community resulting in a fear of displacement among family members and community members even if they themselves are not facing layoffs.

Making it easier for companies to offshore jobs, especially to low-wage countries as referenced above as our current trade agreements are designed to do, likewise enables companies to more easily intimidate workers seeking to exercise their right in fight for higher wages.

For example, research has shown that immediately after NAFTA was enacted, plant closings threads in the face of union organizing drives increased dramatically. Specifically employers threatened to close a plant in 50 percent of all union elections with about 12 percent of the employers actually following through once a union election was won.

Given that union members tend to have higher wages, it's likely that the inability (phonetic) of worker intimidation created by the increased either offshoring by

U.S.-based multinationals have resulted in lower wages.

Furthermore, it seems that the same threats impact other forms of worker actions for increased wages that do not necessarily involve unionization efforts. So there is good reason to think that there has been a significant loss of wages for workers in occupations vulnerable to offshoring.

The impacts of our trade policies are not limited to totally offshoring of jobs but also include undermining negotiating power for international workers seeking to form unions or secure better pay, wages and working conditions. Our trade policy should promote growth for all workers --domestic and abroad -- rather than a race to the bottom.

For example, the BPO industry in the Philippines is one of the Philippines' largest employers accounting for at least 1.3 million jobs. The growth in the industry, however, has not translated to improved wages or working conditions for BPO workers. BPO workers in the Philippines are subject to horrific exploitation including poor health and safety standards, low wages, threats, and a raft in violence for union organizing. This harassment and killing of trade unions prevents workers from organizing their work places or securing better wages and working conditions. This keeps the wages low, working conditions hazardous and labor law weak -- all factors that companies can take advantage of when offshoring work.

When jobs are offshored to the Philippines, the pressure from cheaper, less regulated foreign companies exerts a downward pressure on wages and working conditions here in the U.S. If workers in the Philippines were able to exercise their labor rights, it's likely that some companies would resource jobs in response to actually needing to pay market wages, putting American worker on a level playing field with their Philippine counterparts.

I want to conclude by urging the ITC to ensure that our trade policies significantly advance the interests of workers by including resources, tools and enforcement mechanisms to tackle unfair trading practices and ensure that our trading partners are committed to respecting labor rights. Our existing trade model has showed workers (phonetic) and we welcome the opportunity to work with the ITC to envision what a new model for trade should look like.

Thank you so much, and I look forward to your questions.

MR. SECRETARY: Thanks very much, Elena.

Our next witness is Dr. William E. Spriggs, chief economist with the American Federation of Labor and Company Congress of Industrial Organizations.

Welcome, Dr. Spriggs. It's good to see you again. You have a total of 10 minutes for your presentation. Please begin when you're ready.

DR. SPRIGGS: Thank you. And thank you Chair Kearns, Vice Chair Stayin, and Commissioners for this invitation to give testimony before the Commission today on the issue of distributional effects of trade and trade policy on U.S. workers. I'm happy to offer this testimony on behalf of the AFL-CIO, America's house of labor, representing the working people of the United States and based on my expertise as a professor in Howard University's Department of Economics.

Globalization has many facets, and it has evolved over time. Following World War II, the basic set of rules gave great leeway to governments to avoid the economic catastrophe of the Great Depression era and aggressively pursue full employment and shared prosperity. The lessons of the 1920s high level of inequality and the 1930s level of economic deprivation were seen as enemies of democratic rule and political stability. The World Bank and the International Monetary Fund were established to give governments more leeway to meet the fiscal challenges of dynamic economies. And governments were given great leeway, also, in designing industrial policies to build their economies.

In the era since 1980, those rules have been tossed in favor of a set of rules that favor growth through investment of private capital and to ease the production location choices of firms to offshore. Governments have less control over the rules, meaning that the voice of people in the economy has fallen. Rather than governments focusing on full employment, they have yielded more autonomy to central banks that focus on price stability and encourage austerity over public investment.

Governments have been handcuffed in their pursuit of regulating economic activity at the micro and macrolevel and have been made impotent to address underlying problems of domestic inequality. Unfortunately, this has fostered an attitude to ignore policy choices as the root of economic inequality. Instead, it is more popular to advance the virtue of the new rules and to blame inequality on individuals and technology. Closer examination highlights the effects of austerity, the prioritization of price stability over full employment by the Federal Reserve, and trade rules that have lowered American labor standards as the root cause of inequality problems in the United States.

Unfortunately, America has a deep problem when it comes to racial inequality. Historical exclusions based on race on everything from occupations to land ownership to schooling have compounded to create an intricate web that filters policies that appear race neutral but, instead, exacerbate racial disparities. These legacies especially mean that policies that exacerbate inequality lead to making racial disparities worse. Growing inequality from trade policies is one such example.

Because policies of racial exclusion were not uniformly implemented, and in most cases have faded, there are yet regional inequalities that filter federal policies to potentially exacerbate regional disparities, and I want to focus on these levels of inequality.

The Commission, to its credit, has had several public roundtables this March to hear from informed segments of the public, a range of sectors, including workers, employers, educators, and local government officials. It also held a very eminent academic symposium to hear the best academic research, using the most up-to-date techniques to compile evidence on the distributional effects of trade.

I want to reflect on what you heard in those hearings. I think there's an appreciation now of the displacement that can take place for industries and occupation at the national level and that there is a deeper appreciation of the displacement that can result in local labor markets because of trade. The effects have disproportionate effects on black workers, young workers, women, and local public investment. Hopefully, this knowledge will help the Commission shape policies that are more informed to the costs from the impact of trade so that in reflecting on trade, the Commission will make policy recommendations that will encompass and not exacerbate equity issues.

At the dawn of this century, in March 2000, we had 17.3 million manufacturing workers in the United States. In February, of 2020, we had 12.8 million. In March 2000, we had 8.2 million manners in food service and drinking establishments, and in February, of 2020, we had 12.3 million. In 20 years, we had lost almost as many positions in manufacturing as we gained in food service. So we almost were equally a nation of food service workers compared to manufacturing workers in 2020.

From 1966 through 2000, America averaged 17.7 million workers on manufacturing payrolls each month, sometimes with a high in the 18 to 19 million range, which was, at its peak in 1979. Sometimes, during economic slowdowns, it might get as low as 16.7 million, as it did in the recessions in 1983 and 1992. But by 2001, one year after we went to new trade relations with China, payrolls plummeted in manufacturing to 15.7 million, a 35-year low. And the number fell to 14.9 million at the end of 2002, almost a 50-year low.

The decline in the number of jobs did not coincide with a spike in investment or in surge in productivity in those two years. So the jobs did not disappear to robots. This rapid decline took place in the United States, especially in those industries most exposed to the new openness to China trade, but it did not take place in Europe, which was slower to open to China trade.

Careful analysis by economists comparing the differences in the location of American industries and showing the extent to which those location were exposed to the rapid integration of China into the American market, under those job markets with greater exposure experienced greater job loss than the ones that were less exposed. Further, that the net job loss was from a gross job loss in the industries most in direct competition with Chinese imports, though there were some small gains in other industries, just not large enough to offset job losses. The key implication is that employment in the areas impacted by trade fell. Some of the workers were directly affected by shift to other industries, but on net, the community had fewer jobs.

The cascading effects of those job losses is akin to a game of musical chairs, creating a zero-sum game in that local community, and in that atmosphere, equity issues become really crucial. It's bad for the community. Marriage rates fall for young men. Their access to greater job stability in manufacturing falls. The share of unwed mothers go up. You increase a sense of despair, especially greater drug overdoses particularly among white workers. And there's an overall drop in the health of communities, especially mental health.

The dislocating effects go to occupation, as the cascading of workers scramble out of manufacturing. The effects of the job loss have equity effects because black workers find themselves now in a system that's very discouraging towards them, and unemployment insurance should play a key role, but, unfortunately, black workers tend to be located in those states that have the weakest unemployment insurance systems.

When you look at the effect on local communities, there is loss of higher-wage jobs, which means a lowering of demand for housing, which weakens property tax revenues because of lower home prices. There's less net migration into the community, which slows population growth and demand for housing. And so this depresses the community and public investment.

I'm hoping that all of the Commission has heard on these impacts on local communities and our specific workers will get the Commission to do the research now that broadens our understanding of trade impacts and gets us to understand there are real costs, they last for long periods of time, and we can no longer accept models that show instantaneous shifts of workers, instant bouncing back of communities, and that we will begin to incorporate what would it take, what are the costs in order to make things more equitable for those communities and those workers most impacted.

I look forward to your questions.

MR. SECRETARY: Thank you, Dr. Spriggs.

Josh, would you please go ahead and activate your web cam. I need to quickly swear you in, please. Can you raise your right hand for me.

(Witness sworn.)

MR. SECRETARY: Thank you so much.

Our next witness is Josh Nassar, legislative director of the United Auto Workers.

Welcome back, Josh. Good to see you. You have a total of 10 minutes for your presentation. Please begin when you're ready.

MR. NASSAR: Sure. Good to see you as well. Good to see everyone else. Really appreciate the opportunity. And the work that the ITC is doing here, I think, is really important and, frankly, long overdue.

You know, we really have seen that, you know, kind of, a trade -- predicting the outcome of trade agreements, you know, shouldn't overly rely on tariff reduction. We've seen that, you know, low wages, labor repression, a lot of other things really have an impact on how these trade agreements actually work out.

Now, we're very familiar with the -- you know, with the theories about comparative advantage and all, but, you know, the reality is, is that what we have seen in the auto industry -- I'm going to take NAFTA as an example -- has been, even though there were predictions, at the time, about it being a boon for auto workers in the U.S., it's been the exact opposite. There's been a tremendous loss of jobs, and, in fact, wages in all three North American Countries have not gone up with the growth in productivity since the beginning of NAFTA, as one might think it would. Workers have not gained more power throughout North America, as some had thought would happen.

The following auto supplies have moved, have cut down operations, reduced operations in the U.S. while growing operations in Mexico -- UAW represented -- Lear, Johnson Controls, IAC, Flex-N-Gate, Federal-Mogul, Faurecia, Bosch, Magna, American Axle, Delphi, Lear -- the list goes on and on and on.

What we have seen is this direct of impact where production, you know, shifts to Mexico, and then what we have seen is, you know, most of the time, those exact parts and cars are shipped right back into the United States. So why would that be happening?

It happens because the wages and the labor repression is so bad in Mexico. You know, we're happy about the reforms that have gone through from USMCA, but a lot more needs to be done.

Just to give an example of, kind of, how these things operate and have for a very long time, when BMW announced they were having a St. Louis CC plant (phonetic), 2014, their contract was negotiated before there were any workers actually working in the plant. In other words, people were locked into a $1.10 starting wage with a top wage of $2.53 for work that -- in 2014, when work didn't even begin until 2017. That's how dysfunctional the protection unions are, and they've actually been locking in very low wages in Mexico for auto workers, which has increased the impact of the incentives, too, for auto makers to go to Mexico.

So you got to look at the labor conditions, the wages -- they're really other important factors that -- you know, that really need to be considered when analyzing the likely impact of a trade agreement.

Now, the -- you know -- has talked about this a bit, but I just want to elaborate that this threat of displacement is really acute in manufacturing. Our U.S. labor laws are weak, and the actions -- the punitive action that can be taken or the enforcement action for union busting are woefully insufficient in the U.S.

So there's a lot of activities that on paper are illegal that actually happen all the time. One is this threat of displacement. If you push for too big of a contract, if you -- to form a union, you know, we're going to move operations overseas. We're going to close this plant. It's a threat that's made constantly, sometimes explicit, a lot of time it's implicit, but it's always hanging out over there in organizing and in contract negotiations and, again, not just in -- this isn't just in light-duty auto, but that's what I'm focusing on.

So when you have this dramatic pull of plants going from U.S. to Mexico, it just increases that threat, and that threat has real consequences. Workers are less empowered. They're often intimidated. You know, in fact, you know, not -- kind of not choosing to join a union, in part, because they're worried about, you know, their job going away if they do join a union. So you have the situation where there's a lot of intimidation and pressure going on to auto workers in the U.S. And then trade deals like NAFTA, which have led to a lot of shift of work from the U.S. to Mexico only increases that pressure on workers and reduces workers' power and wages even further. So it has ways that are kind of more obvious, like a plant closing down in U.S., build something specific, building it in Mexico, and then selling it back to the U.S.; that has a negative impact. But there's also this constant threat, which has a really, really -- it's a hard thing to measure, but it's a very real -- it's a very real thing that has happened.

So the reality is, is that, you know, we can see the auto trade deficit with Mexico, in NAFTA circumstances, has grown tremendously. You know, it's also grown post KORUS. It has -- you know, what we've seen is that the predictions that were made, a lot of times in advance of trade agreements, were too narrow in scope. They were too narrow in scope. They were overly focused on tariff reduction. So, again, we've got to really encourage, you know, models to look at the wages and labor conditions as well very carefully and to also look at the impact of unfair trade practices too. That's another thing.

So let's take examples of, you know, some of our trade relations, for example, with Japan, where we have, you know, our auto trade deficit is awful. It's typically about a hundred to one. In other words, there are 100 cars shipped into the U.S. from Japan for every one U.S. car sold in Japan, and there are no tariffs. That are no tariffs on the U.S. automobiles, while we have tariffs on theirs. And so the reason why that's such a distorted, you know, trade imbalance is because a number of factors, but a lot to do with Japan keeping their market closed, for example.

So, you know, if there's the -- there's the currency misalignment. There's also a lot of business practices and laws which make it hard -- very hard for auto companies from -- from outside of Japan, for example, to set shop in Japan. So that's just an example of the kind of thing that really has to take into consideration when you're looking at the likely impact of a trade agreement.

So, again, I think it's really important to look at the real labor practices, the wages. We have some real good examples from NAFTA of how things actually do play out compare today what we think -- how we predict they would likely play out.

So for us, we think one of the main -- a major thing that could be done is, in the future, when looking at trade agreements and analyzing, is having a more robust and complete model for looking at the -- you know, all of the factors that could really, you know -- that could really predict how this is going to work for the workers is really needed. Just this -- the current way of analyzing is proven insufficient.

I'm not faulting anyone's motives here. I know everyone's trying to do the best they can, but it's pretty clear, from UAW, from worker's perspective, that we do need to take a fresh look at how we evaluate trade agreements ahead of time and that this is just really -- you know, I think this part is part of having a more worker-centric trade agenda that the president and Ambassador Tai often talk about, you know, because what happens with the assumptions that are made here is that -- you know, by ITC, is that you have a -- you know, those assumptions are taken by folks who are in favor and agreement and are, kind of, reported as, you know -- you know, with -- to kind of back up, buttress their arguments for proceeding with a trade agreement. And then once we're in it, it's actually, obviously, hard to -- to improve a trade agreement once you're already in it.

So, essentially, we think that, you know, just looking forward, commits on labor reform should be made before a country benefits from trade agreements. I think that's just -- I know that's not what we're exactly talking about today, but I think that's going to be really important, and I think we're really going to have to look at, you know, having more confidence of industrial policy; so really looking at everything from worker training, labor law, tax, trade, and looking at it and kind of looking at it as a more complete picture.

So this is really -- I'm really grateful for not just this hearing but the ones in the field that you have had and look forward to answering any questions you might have. And, again, on behalf of our president, Ray Curry -- UAW President Ray Curry, and our board of directors and our one million members, really appreciate this opportunity. So thanks again.

MR. SECRETARY: Thank you, Josh.

Our next witness is Ed Brzytwa, vice president of International Trade with the Consumer Technology Association.

Welcome, Ed. Good to see you again. You have a total of 10 minutes for your direct presentation.

MR. BRZYTWA: Thank you so much, Mr. Bishop, and good morning to the members of the Commission. It's great to see all of you. I wish we were in-person but, you know, this is the opportunity we have and I really appreciate this opportunity to talk about the distributional effects of trade and trade policy on U.S. workers. It's such an important conversation. I'm grateful that Ambassador Tai showed leadership in starting this conversation in the U.S., you know, political and policy system.

Again, my name's Ed Brzytwa. I'm the Vice President of International Trade at the Consumer Technology Association (CTA), and CTA represents over 1500 companies from every facet of the consumer technology industry, including manufacturers, distributors, developers, retailers, integrators. Eighty percent of our members are startups or small and mid-sized companies, as defined by the Small Business Administration.

My remarks today draw the Commission's attention to the socioeconomic impact of protectionist trade policies, including tariffs, on underrepresented and other sort of communities, and businesses in the technology sector.

In our view, the current trade policy landscape is not worker-centric and is not designed to advance the United States in a strategic position as an innovation powerhouse and as the incubator of the workforce of tomorrow.

I'll start-off with the socioeconomic impact of protectionist trade policies. CTA has long-denounced protectionist trade policies due to their detrimental effects on our own economy, workers, consumers, and children.

Our case-in-point, the Section 301 tariffs, particularly as applied to consumer technology products. Businesses in the technology industry, as well as their consumers, have been directly affected by the Section 301 tariffs, but the socioeconomic impact of the recent protectionist trade policy streak has been much broader.

Higher tariffs have driven up the prices of goods, contributing to a spike in inflation. The distributional effects of higher product prices from inflation are mostly felt by workers with fixed sources of income, and they disproportionately affect people in public institutions of lower means.

Higher prices on tech products means that a rural hospital in need of virtual medicine capabilities can only afford a fraction of its needs. It means that an inner-city public school cannot afford to provide computers or internet access to high school students, who we expect to sustain our economy in the future.

In this way, tariffs are a form of regressive taxation. Lower-income households generally spend more on traded goods as a proportion of their income. They're therefore more impacted by the increased costs associated with tariffs and other trade policy choices that raise barriers to trade.

These policies also inhibit digital integration and restrict access to digital markets. Over the past 30 years, the digital economy has grown so that it now amounts to 9.6 percent of the current-dollar GDP of the United States.

Trade policy choices that exclude participants from this share of the economy are extremely counter-productive. An increasing majority of jobs in our economy require digital knowledge. Workers of every stripe, from white-collar professionals to utility workers to line operators, are now spending sizable portions of their workdays using tools that require digital skills.

Facilitating access to digital products is therefore vital to create the workforce of tomorrow. Due to the regressive nature of tariffs and other protectionist trade policies, underprivileged households are the most likely to be excluded from the digitalization of the economy, thus perpetuating inequalities and curbing social mobility.

Most distressingly, access to digital products is increasingly necessary for education, in part due to the need for workers with digital skills, and due in part to global events like the COVID-19 pandemic. Underserved communities are one again disproportionately affected. I'll talk next about the impact of protectionist trade policies on workers.

American workers are affected by these phenomena in a number of ways. First, increases in the price of goods triggered by tariffs drives-down profits. Profit losses affect all business, but particularly, small- and medium-sized businesses and startups, which often lack the platform or bargaining power to negotiate better deals for intermediate goods and lack the capability and capacity to reinvent their supply chains overnight.

Lower profit margins lead to more conservative attitudes towards investment and growth, which in-turn affect decisions on wages and employment.

While tariffs may have created jobs in certain sectors, the overall impact on an American worker has been far from positive. A range of studies have found the Section 301 tariffs and other tariffs enacted by the prior Administration and continued under this Administration have resulted in lost jobs in the United States or prevented job creation.

For example, the tax foundations model estimates that U.S. tariffs have resulted in a reduction of U.S.

employment by 173,000 full-time equivalent positions. A 2021 study by Oxford Economics, as commissioned by the U.S.-China Business Council, found that the U.S.-China trade war has cost the United States 245,000 jobs.

A 2019 report from Moody's Analytics estimates that the U.S.-China trade war resulted in 300,000 fewer jobs being created in the U.S., just in the first year -- so the 2018, 2019 timeframe.

Protectionist trade policies also trigger retaliation, causing American business to suffer reduced access to international trade and foreign markets. Workers again bear the burden, either with layoffs or with smaller paychecks due to squeezed profits.

At the same time, systemic inflation also tends to lead to higher interest rates, which further hamper the ability of businesses to borrow capital, to innovate, expand, and hire. When increasing productivity is the primary method to ease inflation, it seems particularly ironic to continue imposing significant tariffs on productivity-enhancing technology products.

Trade policies that are not designed to account for these macroeconomic issues cannot lead to prosperity for workers or businesses.

Thus, at the end of the day, protectionist trade policy choices stunt innovation, the key U.S. comparative advantage, by reducing the availability and raising the cost of investment in American businesses and their workers.

Perception of risk associated with investment in the United States has changed since we embarked on a trade war on multiple fronts. Uncertainty about future barriers to trade further pollutes investor confidence.

Once again, capital-hungry startups and small businesses stand to lose the most as a result. Almost half of American workers are employed by small businesses. It is therefore impossible to think of effective worker-centric trade policies without laying the ground for small businesses to success.

In conclusion, CTA applauds the Biden-Harris Administration's goals to create a worker-centric trade policy to foster an inclusive trade environment and to expand the digital economy, but the perpetuation of protectionist trade barriers directly undermines those goals.

Protectionist policies such as tariffs on a vast array of consumer technology products pick winners and losers. The last four years have made it clear to CTA that the losers picked by these policies are the workers of both today and tomorrow.

We hope the Commission's report will reflect the same so that it can be helpful to this Administration, and future ones, in developing trade policies that sustain the

U.S. innovation advantage through a productive and digitally-competent workforce.

Thank you for your attention and opportunity to testify. I look forward to answering any questions that you may have.

MR. SECRETARY: Thank you, Ed. Our final witness on this panel is Linda Schmid, International Development Advisor, with Trade and Services International. Welcome back, Linda. Good to see you.

MS. SCHMID: Good to see you, too.

MR. SECRETARY: You have a total of 10 minutes for your presentation. Please begin when you're ready.

MS. SCHMID: Thank you. Thank you, Commissioner Kearns, and Commissioners for the opportunity to testify. Trade and Services International is dedicated to helping small- and medium-sized services enterprises leverage the global services economy for export expansion, employment, and sustainable growth.

My testimony will focus on the distributional effects of international trade and services from an employment perspective and a consumption perspective.

The U.S. is a leader in international trade and services. In 2020, the U.S. exported over $684 billion in commercial services and imported over $435 billion. The intersection of the U.S. economy with services trade takes place digitally online, through investment, and the temporary movement of people.

Digital services trade has opened the global marketplace to women entrepreneurs. 99.9 percent of women-owned employer businesses are small businesses and services industries, such as professional, scientific, and technical services. Women from all walks of life are engaging in international trade and service across borders from their desktop.

FDI -- foreign direct investment -- permeates the services economy and creates jobs. Foreign direct investment through the acquisition establishment and expansion of businesses, supported 7.9 million U.S. jobs in 2019.

This included 419,000 jobs in finance and insurance, 359,000 in information services, 448,000 in professional, scientific, and technical services, 90,000 in real estate, 924,000 in retail trade, 686,000 in wholesale trade, and over 2 million in other industries not including manufacturing.

FDI in the services sectors creates employment, lower-cost higher-quality services, as well as entrepreneurial opportunities. FDI depends and diversifies U.S. capital markets, which contributes to capital formation for business growth and job creation. Foreign firms are present in the life and non-life insurance sector and play a leading role in the reinsurance market.

Underrepresented communities do need low-cost, high-quality financial services to manage spending, mitigate risk, and plan for retirement. Advances in brokerage services have opened capital markets to workers with a cell phone and an interest in trading securities.

The U.S. has benefitted from an open financial sector and should continue to press large economies to provide full reciprocity. The collapse of travel and its renewal illustrates the distributional effects of services trade on workers.

Visiting foreign students, medical patients, tourists, and businesspeople consume educational, health, business, and leisure and hospitality services. In the third quarter of 2020, spending by international travelers was down 78 percent in North America.

The consequent loss of employment in the U.S. leisure and hospitality industry exemplifies the negative distributional effects of international services trade when the temporary movement of people comes to a halt.

As the U.S. experiences a renewal of visitors from abroad, demand for educational, health, business, leisure and hospital services will grow and demonstrate the positive distributional effects of international trade and services through the temporary movement of people.

The U.S. ITC should report the serious constraints lower income workers face navigating a churning and evolving job market. The pandemic has made these constraints clear. Potential workers remain outside of the labor market in underrepresented communities.

While college-educated workers have reengaged in the economy, consistent with 2019 levels, lower income and less-skilled workers lag in reengagement. Similarly, women with children face child care costs and availability hurdles to rejoining the labor market.

Women with young children report the inability to arrange child care as a primary reason why they are not in the labor force. Lower-income workers are more dependent on labor income, they hold fewer assets, they are less inclined to participate in capital markets as stock or bond holders.

With fewer assets and lower income, less-skilled workers have less flexibility to commute or physically move to new jobs in different counties or states. They have less money for education and training to switch into growth sectors. They have a difficult time reacting to production shocks, due to the global pandemic or the concentrated negative effects of trade, such as job losses.

Low- to moderate-income households may take several years to recover from financial and housing instability due to the pandemic or a job loss. The U.S. is experiencing a tight labor market, in-part due to obstacles that inhibit workers from securing and moving to new jobs. In 2021, the U.S. experienced average monthly job gains of 550,000.

In January of 2022, the labor force participation rate stood at an all-time low of 62.2 percent, and the unemployment rate was four percent. Just over 25 percent of the unemployed were considered long-term unemployed, as they had been jobless for 27 weeks or more.

There is also a proportion of the population that have left the job market altogether, which means they're no longer counted in the unemployment numbers. So, this is important to consider.

These workers have left due to discouragement, care for family members, and of course, some have also retired. Trade policy can help alleviate the steep costs workers face transitioning to new employment. In 2020, Americans spent 35 percent of their income on housing, followed by just over 15 percent on transportation and roughly 12 percent on food.

U.S. trade policies that increase tariffs on lumber, steel, and aluminum, raise the cost of inputs to the housing market. In 2021, price increases for lumber, structural steel, and other finished steel products and aluminum products rose over 40 percent, raising the cost of new construction and further dampening U.S. housing supply.

U.S. tariffs on housing inputs aggravate the extensive U.S. housing crisis, and there is a housing crisis. This inhibits workers from moving to communities with expanding job opportunities.

Underrepresented communities spend a greater percentage of their income on essential goods and services and bear the heaviest burden when costs of goods and services rise due to trade restrictions at home and abroad.

Services industries and renewed international trade are playing a significant role in the economic recovery. In February 2022, notable job gains occurred in leisure and hospitality, professional and business services, retail trade, transportation, and warehousing services.

Today, 80 percent of U.S. workers are employed in services industries. The size of the professional and businesses services sector is 13.2 percent of employment. These are also some of the highest-paying jobs, versus manufacturing of 7.9 percent.

Financial services and information technology services together represent 7.5 percent of employment. Healthcare and social assistance represent 12.9 percent. Leisure, hospitality, and retail represent 84 percent. And I also provided a chart along with my testimony, so you can look at this in terms of a graphic.

U.S. economy generates a broad scope of innovative services jobs at high wages that demand different types of skills and workers. The highest paying services sectors are information, financial, professional, and business services. In 2021, the United States provided 426,000 H1B visas to temporary foreign workers to work primarily in the information technology services industry at a median annual salary of $101,000 a year.

The U.S. educational system is pivoting to bridge the disconnect between U.S. workers' skills and labor market demand. States as diverse as Texas and California do provide affordable college education to underrepresented and underserved communities to learn skills in-demand in the labor market.

Many states have invested in secondary STEM education to boost employment for high school graduates. Low-wage workers are concentrated in leisure and hospitality and retail trade, which includes warehousing. Persistent low-wage services jobs reflect a long-term, diminished institutional support for workers' rights and collective bargaining, which is being contested.

In 2022, workers in grocery stores, food services, and healthcare services challenged management for better working conditions and wages. A significant number of women workers are concentrated in low-wage services industries.

U.S. domestic policies that influence working conditions and wages must be consistent with our open trade stance. The U.S. MCA labor chapter that suggests cooperation activities on non-discrimination, equal pay for equal work, collective bargaining, and the advancement of child care should be conducted in the U.S. as well as Mexico.

The U.S. trade stance has an important role to play in facilitating a dynamic, evolving U.S. economy that produces jobs for American workers. When we consider the role of trade in the economy in 2020, trade as a percentage of GDP was just above 23 percent in the U.S.

The domestic economy plays the leading role as an engine of growth. Getting our trade stance right makes a significant difference to the entire economy. International trade and services is a critical part of creating a dynamic U.S. marketplace that generates employment opportunities as the economy evolves. Thank you.

MR. SECRETARY: Thanks very much, Linda.

Mr. Chair, that concludes direct testimony from this panel. We would like to invite all of the panel members to go ahead and activate your webcams if you're comfortable during Commission questioning. Thank you, Mr. Chair.

CHAIR KEARNS: Thank you, Mr. Secretary. We'll begin questions with Commissioner Karpel.

COMMISSIONER KARPEL: Thank you all for being here today, and for your testimony. I guess I want to see if the members of this panel could speak a little bit about the factors that make some communities more vulnerable to the impacts of trade and trade policy.

DR. SPRIGGS: Well, we know that some communities lack flexibility because they have poor infrastructure in terms of transportation. That makes it harder for some workers to adjust.

But the big impact, the biggest impact, is that there are larger employers face what amounts to unfair trade competition, competition that those firms cannot respond to, and, as you heard, sometimes this is outright movement of the company, but more often it's either wage or working conditions that the company cannot respond to.

What we do know, again, if the community has better transportation networks, it makes it more resilient. We know that if they have a stronger set of public investments that it makes the community more resilient, but no one can withstand the effect of unfair labor competition.

MR. BRZYTWA: Commissioner Karpel, that's a great question. I'm going to answer this from a digital economy perspective. We know that rural broadband deployment in the United States is critical to making sure that communities across the country can access the digital economy. But the Administration's efforts to deploy broadband across the country are so important.

And, I think, when you see more communities connected to the internet, to the digital economy, you'll see more opportunities for job creation, for start-up creation in these communities, for more capital deployment in these communities. It's not just rural communities, it's also under-represented communities even in urban areas, and suburban areas.

So, this is why we're so focused on making sure that the cost of consumer technologies that communities use, businesses use, counties as well, stays low, and that we can deploy these new technologies to as many people as possible. I mean, this is really about the democratization of technology across the country so that it's not just in the hands of a few, it's in the hands of the many.

COMMISSIONER KARPEL: Thank you. Go ahead, Commissioner.

MS. SCHMID: I'd just like to make the point that I think the -- you know, the shock of the pandemic is similar to a shock that might be -- that workers might experience from increased trade, and, I think, we have to listen to the lessons of all of the people who lost their jobs when we had this huge collapse in travel, and we have got to pay attention to the availability of childcare for women.

Women make up a large percentage of the workers in the very low income services sector. That would be hospitality, leisure, restaurant workers. They can't get back into the job market because in some places there's a shortfall in childcare, and we need to start, you know, paying attention to this issue for women. It's a problem.

COMMISSIONER KARPEL: I ask this question because I'm sort of wondering to the extent that we can identify factors that would make certain communities more vulnerable to trade shocks, can we do a better job of proactively reaching out to those communities to help in transition, or to avoid the impact of the shock? Go ahead, Mr. Nassar.

MR. NASSAR: I mean, absolutely, and I welcome the question. I mean, I think looking at -- you know, for example, you know, looking at communities which have auto manufacturing plants, which have plants, you know, that -- of goods that could be -- you know, that are highly tradeable, and could be made, you know, elsewhere, with why these -- you know, it's important to look at that, and the communities which, you know, are producing goods that are really dependent on kind of a fair trade regime, it's real important to look at, and the surrounding communities.

And when you're looking at auto, it's not just the final assembly plant, it's all the suppliers that surround the final assembly, which actually tend to have more jobs than when the car finally goes off the line. So, I think focusing on some of the -- you know, the presence of certain manufacturers, I think, is a good thing to look at.

MS. LOPEZ: And if can just add, similarly, CWA represents a number of manufacturers, for example, in GE we had a plant in Bedford -- Salem, Virginia, which closed. Workers there were making $36 an hour. Unfortunately, within the community that was the biggest employer, and, so, you know, we've had this influence of workers in the job market trying to make all $36 an hour, which they did before, but, unfortunately, you know, most -- a lot of them had to take lower paying jobs where they're paid $15 an hour, $16 an hour.

And, so, I think, we're looking at what -- identifying, you know, how populations could be vulnerable to trade shocks. Again, as I think some of the other panelists have said, you know, we need to look at like who is the major employer in the region, is there other folks who are going to be employed, or, you know, making less wages afterwards, and, you know, what does that population look like. In this population there was a number of women who were vulnerable to, you know, making lower wages than they were before, which, again, reduces their ability to take care of their children, their family.

COMMISSIONER KARPEL: Ms. Schmid?

MS. SCHMID: I would just add, I think you also have to look at the educational infrastructure. I mean, and that's something that you can look at from a -- from

Washington, D.C. You can look at the educational infrastructure across the states and see what kind of technical, vocational, adult education, I mean, those services are so critical given the rapid change. You know, even if we're just talking about in the services industries, they're changing so rapidly that, I think, that would be a metric that you could look at.

Maryland is a very good example. You know, Maryland has a wonderful university system, it has a wonderful community college system, it has a wonderful -- a number of wonderful high schools. So, I think, that would probably be a pretty good indicator to see how workers can react to production shock.

DR. SPRIGGS: Again, when you call on your economists to give you advice and do studies, we know which industries are going to be most vulnerable because we know the trading partners that you're being presented with in terms of evaluating the trade agreement, that tells you who is going to be vulnerable.

So, even Maryland with its educational system, Baltimore has not fully recovered from the loss of steel jobs. It hasn't found a way back. That was a huge impact on them.

We have to think about when we sign trade agreements which industries are the ones that are going to be most affected, and then we have to think of, as you've heard many examples of how can we help the community be more resilient, that has to be part of the cause (phonetic).

Now, you know, fortunately, as people said, we're making some of these investments now, we're improving broadband access, we are making a huge investment right now in infrastructure. If we could get Congress to listen to Ms. Schmid, we would be making the investments in the care economy that are necessary to make workers more resilient. We haven't done that, but we need to do that.

But when you have your economists tell you how much is this trade agreement going to cost, it will cost jobs in certain industries the way that we have structured them. It will create unfair labor competition. We will lose jobs. So, what is the cost of remediation with the communities, and we know we're going to have to help them infrastructurally with childcare. We're going to have to help them with education. Those are costs that are going to have to go to those communities to help them become flexible and resilient.

COMMISSIONER KARPEL: That's my sign that my time is up. Thank you for these contributions. I'll pass it onto my fellow Commissioners, and circle back. So, thank you very much.

CHAIR KEARNS: Okay. I'm up next. Thank you all again for appearing before us today. Good to see a lot of familiar faces, and we appreciate your testimony.

I want to start with just kind of talking about how workers as a whole are impacted by trade and by trade policy before, you know, we start getting into subsets of workers. I do believe that the request letter from USTR asks us to look into the effect on workers, you know, generally.

And I'm curious, one thing that I heard a few of you testify about today is that the trade agreements with -- in like NAFTA, and, so forth, that that sort of undermines the ability of U.S. workers to negotiate and keep high wages.

And, so, I want to hear more about that. It reminds me of something that we heard from another witness at one of our roundtables, Jeff Ferry from the Coalition For A Prosperous America. He made the comparison, you know, most economists would say, well, you know, if you got a trade agreement between two countries, you know, the price of oranges might be high in one country, and might be low in the other country, it's going to equalize.

But is it the same thing with wages? Well, we expect wages in a high wage country to come down, and wages from a low wage country to come up.

And, so if you can speak to that effect because I don't -- you know, on the one hand we tend to hear that the benefits of trade agreements are spread very broadly, and are diffused, and the costs are very concentrated, but when you start talking about how the wage in the U.S., which is a relatively high wage country, might be impacted by trade agreements, that sounds much more diffuse, and affecting many more people.

So, if you all can speak to -- a little bit more to how wages are impacted by trade liberalization in our trade policies, I think that would be helpful.

DR. SPRIGGS: I'll take first crack at that. Yes, it is a much broader effect because the way we envision these in models that we used up-to-date -- we treat it as the U.S. will have high capital interest of industries that have very high wages. Those areas are our comparative advantage. Those jobs will gain in those areas that are labor-intensive, those that are low capital intensive will lose those jobs, will reallocate our workers from low productivity, low wage areas, and woo them to the areas that will get all this new export that are high capital intensive, high wage.

That is not taking place because the wage advantage that these countries have is not a natural wage inventive (phonetic). It is the result of their rules on organizing for workers, workers' rights within the nation, labor standards broadly speaking, and, so, we have designed our trade agreements to undermine our rules and regulations. We're putting those on the table. And there's no incentive for the other country to then raise their wages, or standards.

This is the point that Mr. Nassar was making about what was projected would happen with autos. It was projected that America would gain all of these high wage jobs in auto because we would shift almost all assembly to the U.S., and the lower wage jobs in certain parts of the parts manufacturing might well go to Mexico, but the problem there is their wages in Mexico never rose. They, as he detailed, had labor laws that prevented actual unions from forming.

So, even though we had the same auto companies in Canada, the United States, and Mexico, we should have been alerted right away how can these companies function in the United States and Canada, and pay decent wages, but the same companies give on the other side of the Rio Grande, and suddenly all of those protections, all of those wages disappear.

And, so, yes, this could be an equalization of the wages, and it affects all workers because it means we're not shifting production to higher wage industries as was projected.

The scary part of this century that I detailed we lost as many manufacturing jobs as we gained fast food jobs. That would be the same as somewhere in the 1950's we decided that all the black sharecroppers who moved north and took jobs in steel mills, and auto factories, and increased productivity in the United States, had been shifted back to being sharecroppers. That would be really bad policy, but that's what we did this century. We shifted workers from high manufacturing, high wage, high productivity jobs to the lowest wage sector that we have.

CHAIR KEARNS: Thank you, Dr. Spriggs. If I can follow-up with that. So, on the one hand I'm hearing kind of two things. On the one hand I think you're saying yes, wages will eventually equalize, which is not probably a good thing if your wages start off high.

I'm also hearing about, you know, that our models are based on transition -- our models assume there isn't much in terms of a transition from one sector to another, and that those assumptions are problematic.

And I'm hearing that labor standards in our trading partners aren't the same as ours, and, so that kind of -- that ends up equalizing in a sense. In other words, we lower our labor standards, and maybe they raise their labor standards.

But it seems like to some extent I'm hearing different things here because on the one hand wages equalize. On the other hand, am I kind of hearing what you're saying an underlying assumption from our models that the marginal productivity of labor equals the wage. And is that true?

Is that a good economic assumption for us to make, or is it instead that when you have labor standards that are different in one country versus another that maybe we need to be careful assuming that productivity equals wages. Does that question make sense?

DR. SPRIGGS: The question makes perfect sense, and the assumption that wages will equal marginal productivity, which would be the efficiency that economists normally assume, allocates workers, well, that holds, but there are a couple of assumptions that make that hold, one of which is that you have some labor standards that are meaningful.

And, so, if you trade with someone who doesn't have those, those wages that you're looking at more often reflect the ability of firms to exploit workers, and if there's a presence of workers being exploited, that's downward pressure on American workers because now whether than allocate us according to our efficiency, we're faced with the threat of being exploited because that's how the firms are getting the profits in those countries.

And it didn't happen in Mexico. The firms didn't stop exploiting the Mexican workers. We would have expected Mexican workers to have rising wages. That did not happen because the exploitation did not stop, they didn't raise their minimum wage standards, they didn't allow their workers to organize, and have the same rights that Americans and Canadian auto workers had enjoyed.

And it's a process, and it goes into the process of how something is made, but it's vital that the wages actually do reflect the productivity of the workers, and not exploitation, so that the trade will be efficient, so that the things we imagine in our trade models that are true comparative advantages can actually take place, but you can't have that where there's exploitation whereas we see in China the use of forced labor.

None of those conditions hold. The wages there do not reflect productivity, and, therefore, you're not going to get the allocation and the efficiencies that are in the few.

CHAIR KEARNS: Thank you. Mr. Nassar, and then Ms. Schmid, please. Mr. Nassar, I think you're on mute.

MR. NASSAR: Sorry about that. I just want to make one real quick point. When we're talking about, you know, exploiting workers, and lack of labor rights, we're talking about a lot of times people getting their heads cracked open, and we're talking about, you know, real threats, and actual violence.

And, so, you know, this isn't -- when you're talking about election polls, this happened fairly recently, you know, actually like -- you know, company unions actually taking apart election machinery on the day of the vote. Like that's what we're talking about. That's the level of repression we're talking about.

So, of course, with that level of repression with people having that lack of power, you know, these things do not -- the assumptions about wages rising has to do with the assumption of some kind of democratic process, and some kind of -- you know, the power relations. That's just often not the case is one thing, just to add that point. Thanks.

CHAIR KEARNS: Okay. Thank you. Ms. Schmid?

MS. SCHMID: I just wanted to look at this from a services perspective, and I wanted to point out that now you have 8.7 percent of employment in leisure and hospitality, and 9.7 percent of U.S. employment in retail trade, or you've got 7.9 percent. So, it's almost double the amount of people who are in manufacturing, who are in these low wage services sectors.

So, I think part of the challenge for us in the U.S. is to make sure that our domestic policies support our open trade environment. If you want to talk about asymmetries between corporations and workers in these low services paying jobs, you have to make sure that you're enforcing labor rights in those industries.

And, you know, there's another -- there's a whole other element of artificial intelligence coming into monitoring people, what rights do they have vis a vis AI when they're being monitored. The truck drivers, I mean, truck drivers are monitored 24/7 now.

So we really need to think about what we're doing in the domestic market to strengthen the position of workers vis a vis companies, and that basically means you invest in, you know, the institutional infrastructure that protects -- you know, that adjudicates labor law.

If we don't do that, these low wage services jobs are not going away. We're still going to have twice as many people employed in retail, hospitality, leisure, and the majority of those people are women so we need to start really paying attention to what we do domestically -- I mean, I would just add that a lot of this also has to do with domestic investment and our tax structure. You have to invest in infrastructure. You have to invest in education.

If you want an open trade environment you have to invest domestically and we haven't done that in a long time.

CHAIR KEARNS: Thank you very much, Ms. Schmid. My time has expired, but I do want to come back to this. I want to understand better, I think a lot of those sectors you were talking about I think of as not necessarily tradeable sectors. Others are tradeable. Ms. Lopez would certainly say some of those jobs are tradeable. And I want to hear from the two of you about exactly how those things fit together and how worker rights in the United States kind of work on both the non-tradeable and the tradeable sectors. But we'll come back to that later.

Vice Chair Stayin?

VICE CHAIR STAYIN: Yes.

What are the positive impacts of trade and trade policy on under-served communities? For example, are those instances in which U.S. trade or trade policy have helped level the playing field for historically under-represented communities such as by increasing access to information or specific export markets and in turn led to increased opportunity?

Mr. Nassar?

MR. NASSAR: I'll do my best to answer at least part of it which is that certainly if you're talking about absolute having trade, certainly when there's U.S. exports, you know, shift abroad and sold in big volumes, that certainly can and does support U.S. employment. There's plenty of examples of that within manufacturing.

But again, that's just part of the picture.

I want to agree with you that trade is an important aspect. It does have beneficial results as well.

VICE CHAIR STAYIN: What are the differential effects of U.S. workers by foreign investment in the United States? What are the effects on domestic production in jobs? How are the effects distributed by community?

DR. SPRIGGS: One of the major problems with foreign investment is that when you look at foreign (technical interference), very few of them are (technical interference). The auto sector is a prime example. Our UAW members work at -- for the overwhelming part -- work with domestic-owned companies. They are not transplants. The transplanted companies have been very vicious in attacking the ability of our workers to organize. It's actually an embarrassment that the United States allows foreign-owned companies to deny American workers the right to organize. We're constantly bothered by forced into work (phonetic).

Some foreign-owned companies have been standoffish. So it is possible for us to win some victories. Chinese interest owned Smithfield, they have allowed our U.S. UAW workers to organize, but the problem is with tooling foreign-owned companies, they take full advantage of this unlevel playing field and attacking the right of American workers to organize.

VICE CHAIR STAYIN: Thank you.

Ms. Schmid?

MS. SCHMID: I just wanted to make a few points.

Earlier in my testimony I went through a number of statistics on foreign direct investment in services industries and from the Labor Department identified the number of services industries that receive foreign direct investment and benefit workers directly through employment.

But I also wanted to remake the point that when we saw the collapse of travel because of the pandemic, the people who lost their jobs in dramatic ways were in tourism, hospitality and leisure. Those services, even though they take place in the United States they are tradeable because when we have people coming, whether they're students, foreign business people, foreign patients, when they come to the United States and they consume services here, that makes the service tradeable.

So I just wanted to make that point. I hope that helps answer your question. I think my testimony provides some real numbers on the benefits of foreign direct investments in service industries.

VICE CHAIR STAYIN: Thank you very much.

One area that is relatively under-researched relates to the distributional effect of increased exports abroad. Do you have any data where new exports or export-oriented abroad are being created and what types of workers are filling these jobs?

DR. SPRIGGS: I think you will recall, Vice Chair, that when you had the academic symposium, there were presentations trying to look at the effect of exports. They were negligible because they were so diffused and it was very hard to measure some significant impact on communities from the exports. Again, because they were diffused.

And so while people know that -- obviously, there's new business, it does not come as acutely as the harm from the type of agreements we have done most recently.

Obviously if we look at the United States through 1980, American firms benefitted greatly from their ability to access markets but there we were claiming mostly with partners who shared our same labor standards, our same rights of workers to organize.

So the issue of, again, our wages showing productivity differences, our export trade differences, our wages helping to reallocate workers to what's more efficient.

We wouldn't be where we were, we wouldn't be where Ms. Schmid is reminding you, because of our trade this century, we now have more low wage service sector workers than we do manufacturing workers. In this century, in the 21st century. That tells you what we've done with our trade.

VICE CHAIR STAYIN: Thank you.

Mr. Brzytwa, you wanted to respond to my previous question?

MR. BRZYTWA: Yes. Just to go back to that, I think from a consumer technology perspective, we know that the United States is the most innovative market in the world. Our companies are creating new ideas. They are launching companies. They are focusing on all the big challenges that our country and the world faces and entering into new markets is so important for these companies.

And when we use the United States as a platform for that innovation, and we really need to focus trade policy on how to open up those new markets and set the rules of the road for the future so that we can have workers that benefit from trade.

This is why my testimony focused on not just the workers of today but the workers of tomorrow. I just want to point you to what CTA does. We not only have a policy arm, we have a giant trade show called the Consumer Electronics Show, you might have heard about, that we run every year and we did this during the pandemic and we had companies come from all over the world at the beginning of January to do their product launches here in the United States. They want to invest in the United States, they want to trade. And if we don't have a trade policy that allows for these opportunities we're going to be left behind.

I think one point that I'll emphasize is that the United States is behind right now in terms of the negotiation of free trade agreements, our trading partners are negotiating new trade agreements, they are setting the rules of the road. The United States hasn't negotiated a new bilateral agreement since US-Korea in 2008. I mean, we redid NAFTA, the USMTA, there are better rules in there for certain things, but when it comes to new trading partners and opening up new markets, the United States hasn't done that and I think we have a golden opportunity to negotiate new rules on digital trade and opening up new markets for consumer technology products that are innovated in the United States. We should take advantage of that opportunity as soon as possible because we're being left behind.

VICE CHAIR STAYIN: Thank you.

What current government policies help workers deal with negative effects from trade? What policies or policy improvements should be implemented?

For example, what existing policies or policy improvements should be implemented -- and I just realized my time has run out.

I'll come back to that. Thank you.

CHAIR KEARNS: Mr. Nassar, I think you wanted to respond.

MR. NASSAR: Yeah, just really quickly. I mean, TAA is one of those helpful policies for workers in transition. The House passed Competes Act that actually improves TAA and we're hoping that can become law. But that's just one of many different supports that are needed. Thank you.

VICE CHAIR STAYIN: Thank you. We'll come back to that.

CHAIR KEARNS: Commissioner Johanson?

COMMISSIONER JOHANSON: Yes. Thanks to all of you for being here today.

Job creation varies throughout the country. Can you all please comment further on what factors prevent workers from relocating to find work elsewhere?

MS. LOPEZ: I think one example is low wages, no savings. You know, if you're taking care of a family, you have a maybe low wage job that you just started, and your job gets offshored you just might not have the funds to relocate. It's a big move.

Even personally, if you grew up in this community you might not want to leave. Your parents might be there, they might need taken care of, you might not have any other family. So I think it's a mixture of not having the financial ability to relocate but also I think personally, they might not be in a situation where they're able to move from Ohio to say California where their industry would be located, or Utah, where it might be located.

DR. SPRIGGS: I think I would add a slightly different way as we've learned with what happened with COVID. We implicitly assume there's a lot of social infrastructure and that's a large part of our care economy. But we rely on that social infrastructure too much. So as Ms. Lopez was mentioning family ties, it's not just, you know, I love my mother, but it's also my mother is my babysitter.

So if a family's going to relocate then they're confronted with this social infrastructure that they're relying on whether it's part of their care economy, whether it's their way of transportation, of getting to work. All of that has to be replicated.

We have (technical interference) poor infrastructure when it comes to the care economy, when it comes to transportation, and these are real barriers that worker face.

Only a few states give unemployment insurance to a relocating spouse. So if a family is confronted with oh, this new trade agreement, it had some companies that may need more workers, but if the husband moves, now he has a problem, his spouse may have to give up a job, and we only have a handful of states that workers -- that recognize spousal unemployment benefits from a move, from the result of a move.

We have big problems with access to health insurance for low wage workers. If they shift to certain states in the United States they will find that because we did not expand Medicaid in their new state, that they will lose access to health insurance or health insurance would be prohibitively expensive for them. That becomes another barrier for workers wanting to move.

A lot of the states that have been gaining foreign investment and new jobs are in those very states that have not extended Medicaid, so it becomes prohibitive for workers to want to move to those states. Those also happen to be the states that are least likely to have a meaningful unemployment insurance system, so they definitely don't have spousal coverage.

So there are a lot of things that prevent it. We do not have a national employment service. We have discouraged our states from having aggressive state employment services.

So if I'm in one state and I want to know about job opportunities around the nation, there's no one site I can go to because we have prevented our states from sharing that information or from posting what their employment services are posting, and our own companies resist listing job openings in the employment service.

You hear companies today claiming that they can't find workers. First ask them, did you post a job with the state employment service? And many states it's as low as 20 percent of job openings are listed in the state employment service.

So my ability to even get information about job openings is greatly limited in many states.

COMMISSIONER JOHANSON: Thank you.

There are some other folks who raised your hand so I'm going to try to call on them in order.

Ms. Schmid, I think you had your hand up.

MS. SCHMID: Yeah, I would say -- and I tried to cover this in my testimony and I think we have to recognize that workers are very dependent on labor income and many low income workers have very few assets. This has been a long thing. We think about the explosion in the stock market and workers have not been involved traditionally in capital accumulation or stocks and bonds, so they're operating very close to the bone. I think this is really the challenge if you're going to move from one county to another or one state to another.

Then I also tried to make the point that housing prices are also now becoming an extreme barrier. So it's very expensive to move. And if you're a low income worker, you may just not have the resources to do it.

COMMISSIONER JOHANSON: Thank you, Ms. Schmid.

One reason I raise this question, I know you all have been discussing it in your testimony, but I do travel around the country quite a bit and I do see, as you all have mentioned, job openings kind of all over the place. I'm just kind of wondering why it's difficult for folks to fill those.

Mr. Nassar, I believe you were up next.

MR. NASSAR: Yeah, some of my comments were already said by my colleagues so I'm not going to repeat those, but just wanted to say the comment about, you know, expenses and the need for supporting care economies is strongly associated in UAW with the comments made by colleagues around that.

But the other thing is just as far as the family interruption is concerned, you're talking about sometimes it requires pulling kids deep into high school out of school, disrupting their education. You know, people have roots that they develop in these communities and just uprooting could be, they're enormous barriers to doing it, it's impractical for a lot of people. Thanks.

COMMISSIONER JOHANSON: Thanks, Mr. Nassar.

Mr. Brzytwa?

MR. BRZYTWA: Thanks, Commissioner Johanson.

This is a really interesting question. I think historically, the labor mobility rate in the United States has decreased over time in the post-war era, and the COVID-19 pandemic kind of changed a lot of the thinking in terms of where one can work and how.

This is why the access to the internet and to digital technology is so important for bolstering that labor mobility where people can work anywhere they want if their employer allows them to do that, and some employers have made that -- some employers are saying go back to the office; others are saying you can work from anywhere. It's a choice that companies are making.

I think if you have more access to the internet and more affordable digital technologies what you're probably going to find is that some of those lower cost communities from a housing perspective or a land perspective, you know, might be more attractive to some workers and you might see more labor mobility.

But I'd be interested in hearing thoughts from others on this because I don't think we can assume that labor mobility is always going to stay low. Maybe things will change post-pandemic.

COMMISSIONER JOHANSON: Before other folks might comment, I think the issue of technology making it possible to live in different areas and to work in different areas really varies probably on services sector versus manufacturing. If you all can maybe comment on that as well.

MS. LOPEZ: I think that's a correct assumption. For example, call center workers, we were able to have a number of them work from home, you could connect to the system online so long as you had good internet, which we fully agree that we do need to make sure that we're building the infrastructure to reach our under-served, rural communities.

But again, a manufacturer working in a plant, putting together parts for a windmill, not able to do that at home, unfortunately, unless you have a plant in your backyard.

But again, there are certain sectors that we see able to work from home such as call centers that rely on more of the information technology, whereas manufacturing, unfortunately you're in the plant working.

COMMISSIONER JOHANSON: Mr. Nassar, you're with the UAW. Any chance of auto workers or other folks in the manufacturing sector really benefitting from technology to the extent that we can, you know, work in different locations?

MR. NASSAR: I hate to say it, but for most of the jobs, the answer is no. I mean --

COMMISSIONER JOHANSON: I would assume that, yeah.

MR. NASSAR: Yeah. You have to physically be there. I mean, there are some as far as the, you know -- potentially some on the R and D side, et cetera, that maybe, you know, marginally, people can help (phonetic). But the bulk of our members -- a lot of them were essential workers, by the way, during the pandemic as well, as we kept on having to make ag equipment and all that, you know, moving along. So a lot of our folks didn't have the luxury that we have right now, frankly, working remotely.

MR. BRZYTWA: Commissioner Johanson, can I just jump in quickly on that?

COMMISSIONER JOHANSON: Yes.

MR. BRZYTWA: Maybe today the manufacturing relocation ability, vis-a-vis technology, is not really going to happen, but in the future, I mean, when you see more companies adopt robotics and automation that can be operated remotely, you might see that labor mobility change. And I think we're at the cusp of that. I don't think we're anywhere close to seeing that kind of technology adoption, but it's coming, and that's going to change how, you know, labor interacts with technology in the future. You're going to see more workers use this technology every day as a part of their lives, and it's so important for the sake of our productivity if we keep those costs of technology low.

COMMISSIONER JOHANSON: All right. Thanks for your responses. My time has expired.

CHAIRMAN KEARNS: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay. Thank you all. Thank you all very much for being here today.

I wanted to ask, sort of, a fundamental question, and maybe I'll key it off of something Mr. Nassar said in his testimony.

Mr. Nassar, you said it's hard to improve a trade agreement once we're already in it, and so I'm just curious, because we've heard a lot of discussion today and over the course of our seven roundtables about some of the negative impacts of trade and the job losses and so forth and low wages.

I'm curious to hear from you all what do you think can be done about this going forward. Right? So if we're going to continue to trade at some level with countries that don't share the same labor standards or rights to organize, you know, have low wages, like China -- right? -- or Mexico, obviously, or maybe India, if you will. That's where there's a lot of call centers, I think.

So how do we stay competitive with those countries if we're going to -- in other words, without -- if we don't have tariffs -- you know, and I've heard -- Mr. Brzytwa, I heard your testimony about tariffs being a regressive form of taxation. Do you have any ideas on how the U.S. stays competitive if we're going to continue to trade with, let's just say, China?

MR. BRZYTWA: I'll take the first crack at that one Commissioner.

I think we have to keep up our innovation. We have to be as innovative as possible. We have to, you know, invest in our hard infrastructure and our soft infrastructure and, you know, I think we can debate both -- what they mean, but I would say education, education, education. It's super important for us to be innovative in the global environment. And we may see a lot of stresses in the global trading environment as a result of manufacturers, including, you know, what's happening with Russia's horrible invasion of Ukraine and, you know, the ongoing effects of the COVID-19

Pandemic and, you know, awful issues that are happening in China. But at the end of the day, if we don't focus on our ability to innovate new products and services in the United States that are able to be consumed by countries and businesses and people all over the world, we're going to lose, I think, that competition at the global level.

And I really think that, from our members' perspective, they want to innovate those products and services in the United States; they don't want to do it elsewhere because they do value intellectual property rights protection, and, unfortunately (phonetic) in the United States, they value our education, they value our focus on the digital economy, and they do see that we have one of the best ecosystems for innovation relative to other countries across the world.

COMMISSIONER SCHMIDTLEIN: And when you say "invest", do you mean government subsidies? Do you mean -- what exactly do you mean by "we need to invest"?

MR. BRZYTWA: Right. So --

COMMISSIONER SCHMIDTLEIN: Who needs to invest? Is it the government?

MR. BRZYTWA: Our perspective is -- the association is, is that we're not advocating -- we never advocate for government support for our industry. This is a bedrock principle. So we think that the investments for our industry should come from within the private sector because that's a more efficient allocation of capital, and it doesn't put a burden on future generations. So we don't want more debt to be accrued by the United States.

And so I think having, you know, different types of approaches to investment is a good thing because it allows for more innovation, and, you know, the investment in our company largely has come through private capital.

COMMISSIONER SCHMIDTLEIN: But why would people invest in the U.S. if they can invest somewhere else and pay people less and then export to the U.S. whatever they've developed to sell to the U.S. consumers? That's my question. Right? Like, how do you -- how do you incentivize that kind of investment here if we continue to have an open trade environment with countries where wages are low and they don't share the same labor standards? I just don't know. What is the solution to this?

MR. BRZYTWA: So I think your question, in part -- and correct me if I'm wrong, please -- assumes that production and innovation all happen in the same place, and that is not how the technology industry works. The innovation, largely, should happen in the United States because of our education system and our research and development system. Where products are produced is an entirely different question. And if you look at technology products, there could be hundreds or thousands of inputs into a technology product, and those inputs could come from many parts of the world because, you know, different countries specialize in the production of different inputs.

And so it may make economic sense for that to happen in that way, where it's distributed and the gains from the production or the good are distributed across countries, but the main value is added in the United States in terms of the R and D, in terms of the marketing, the distribution, the retail, the ideation. And so I think that's what we want to focus on, is making sure that we remain the most innovative country in the world um – will stop (phonetic)

COMMISSIONER SCHMIDTLEIN: But isn't China catching up in that regard? I mean, didn't I read where for iPhones that are -- you know, they're produced in China, obviously -- all iPhones are -- that they no longer say "designed in California" if the phone is going to be sold in China, but now the phone says -- you know, where it said -- had that, like, "designed in Cupertino, California", or "designed in California", right; it doesn't say that if the phone is going to be sold in China; it says "designed in China" because there's so much design work that goes on at Foxconn or the other companies that are -- you know, because all that manufacturing spins off so much research and development in connection with what they're learning as they manufacture it.

But now, like, all of that innovation, you know, that you were talking about, like, so much of it is going on this China. Isn't that true?

MR. BRZYTWA: You know, you would have to really check the trade and value added data. I mean, I recall that the Commission has done a lot of work on trade and value added over the years, and, you know, to a large extent in the past, you know, the value -- the biggest portions of the value for a phone -- let's just a say a smartphone – were out of the United States.

I can't speak to the specific facts of the example you're citing, but, you know, China is a big market, and it's a growing market still, and I think there are -- the income of the middle class in China is growing, and there's a demand for the same types of technology products in China that, you know, we -- our consumers would like to buy in the United States. So if we are able to open new markets to our products in a way that reduces trade barriers, that might shift how people and companies think about the United States as an export platform. If we don't open those markets, then other countries will be export platforms in the future.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

Mr. Nassar, you've had your hand up for a while.

MR. NASSAR: Yeah. Just a few things. One, I mean, it just -- as far as the open markets -- the open new markets, I mean, you know, just because a new market is open doesn't mean those products, obviously, are going to come from the United States. So we have to look to where the production's going to be in those other markets -- necessarily going to be U.S.

But more importantly, I just wanted to say that what I think what's really important is that in future trade agreements is for not to -- the trade deals shouldn't go into force -- there shouldn't be any tariff reductions, there shouldn't be any liberalization until there's really independent verification of the labor commitments being met because once the benefits of a trade deal start being had, the tariffs are reduced, you know, then, kind of, trying to reverse course because, I think, very politically, close to impossible, and the pressures and norm is to just say, hey, this other country, you know what, they've done good enough, when they actually, a lot of times, haven't done much at all.

The other thing is, I mean, I think when we're looking at tariffs, because it's been discussed, I think we also got to look at, you know, the impact of, you know, flooding of markets of unfair trade practices has led to the loss of a lot of domestic capacity.

I mean, I'll just tell you one -- you know, there's only one manufacturer right now of electrical steel, which is for the grid in the U.S., for example. We have no -- you know, it's another thing, but we should talk about chips and why we have this chip shortage. It's partly because of failed trade policies, but the -- and the final thing is public investments, even for every private company, I mean, they are as reliant on public investments -- they need good roads, need military protection, need a educated work force. So, you know, they're always is a degree of public policy, although I understand the point that was being made about, you know, the importance of private investment.

So I just wanted to make those points. Thanks.

COMMISSIONER SCHMIDTLEIN: Dr. Spriggs?

DR. SPRIGGS: Yeah. I think, you know, we can point to flat screens as an example of the initial innovation was the United States. When we signed NAFTA, we were the world's biggest manufacturer of screens -- CRT screens for computers, televisions. We were it. We no longer make those things. We're no longer the innovators in those things. Innovation in that space takes place somewhere else.

When you give up the manufacturing, you give up the source of the innovation because you lose the innovation that comes from the workers and from production. A lot of patents are just process technology. It's how do you make the thing, and if you don't make it, you're not going to be the innovators.

And so that isn't a practical way to address this issue. Right now, in the world, we are facing a global crisis because of the threat to democracy. We can no longer ignore that it is the fundamental issue of democracy that's at stake that we're facing. And when countries are allowed to ignore the basic human right of workers to organize, they are telling you, we don't agree with your sense of democracy. We don't agree with human rights.

And so when you empower those nations, you are putting in play, in the world, the threat that we see growing, which is this threat to democracy. That is a global threat, and we face a global threat from global warming. We can no longer have trade agreements that say democracy doesn't matter, polluting the earth doesn't matter. We can't afford either of those in our world today.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you so much.

Ms. Schmid, I saw you had your hand up. Did you want to comment?

MS. SCHMID: That's hard to follow.

COMMISSIONER SCHMIDTLEIN: I would just agree with that. But yeah.

MS. SCHMID: I was just going to add, I mean, one thing we -- the U.S. has been in a very privileged position, vis-a-vis foreign direct investments, for a long time because we have such a large consumer market. I mean, that has always attracted foreign direct investment into the United States.

When we see these extreme wage inequality, we don't have as much of a powerful consumer market, and it's showing up in data now where you do not have people who make wages enough. We're losing that because of the extremes in wealth.

So I would just say that, generally speaking, the size of our market has attracted foreign direct investment. And we can't squander -- it's punishing (phonetic) -- we can't squander what we do have here because it is -- when you start talking about intellectual property rights, when you talk about the rule of law, those things matter. I'm working on two projects, one's in Senegal and one is in Nigeria. Nigeria is a huge country with so much potential -- so much potential. But IPR, you know, it's not there.

So we can't squander what it is that we do have, and I think we need to -- I mean, some people -- you know, I understand --

Let me say it this way: I think there is a role for public investment in the United States. There is a role for public investment in infrastructure, which is broader than roads and bridges. It means digital infrastructure, where we are, you know -- where you have rural areas where the cost of getting online is so high, you know, they can't do it. So there is a role for public investment in infrastructure, digital infrastructure, education, vocational education. That is critical. And tax policy has got to recognize these extreme -- this extreme division in wealth because it is affecting how our economy operates now, and we're not going to be able to maintain. So it's going to make a difference in our ability to compete.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you all very much. I apologize for going over.

CHAIRMAN KEARNS: Commissioner Karpel?

COMMISSIONER KARPEL: Yeah. Thank you.

I wanted to ask a question that Mr. Brzytwa brought up in his testimony. I think Ms. Schmid had mentioned this as well.

But are workers hurt by higher tariffs and are low-wage workers hurt disproportionately? And I ask that in that, you know, obviously, as the Commission, we deal with unfair trade remedy cases frequently, and the role that tariffs can play in addressing injury caused by unfair imports is very real and can have a very important impact on those industries and the workers in those industries. But at the same time, I'm thinking more of some of the less targeted tariffs that -- maybe the 301s -- that impact, sort of, a broader swath of products in the economy and interested in, you know, how OIC (phonetic) makers should be thinking about how those might have disproportionate impacts and are there things that should be done to offset that or at least be more talked about those kinds of policies?

MR. BRZYTWA: If you allow me, I'd like to follow up on that, Commissioner Karpel.

It is true that the Section 301 tariffs do impact a broad swath of the economy. I don't -- I think it's difficult to discern why that choice was made, to be honest. We don't know exactly why it was necessary to cover $370 billion worth of imports from China. We, the CTA (phonetic), and many other stakeholders and the business community did not want that tariff protection. We didn't ask for it. Right? We felt that it was going to have very detrimental impacts on our businesses and on U.S. economy. And I think a number of us cited the inflation after the fact (phonetic). So I just want to make that clear.

I think we recognize that, by putting a tariff on a product is not produced in the United States, that's just pure cost. Either the importer is going to absorb it or it's going to get passed down to the consumer. And I think, through the course of the pandemic, we've probably seen more passing down of the cost to the consumer, and that's contributed to inflation.

I think we also can't look at tariffs in a vacuum in the individual industry.

And, Ms. Schmid, you know, you cited, in particular, the impact of tariffs on raw materials and the impact of, you know, the cost rises of those raw materials in the housing market, for example, and that impacts workers. Like, the workers are just not workers; they're also consumers, and they have families and they have to pay for things that, you know, live their lives. And if we think that, just by protecting one industry through a tariff, that doesn't have an impact on other parts of the U.S. economy, I think we're very mistaken.

So I'm happy to talk about this further, but my personal view -- and I've said this to many people on Capital Hill and even to the administration -- is we need somebody in the government to actually do a study on the impact of the 301 tariffs and the other enforcement tariffs on the economy, and it hasn't been done yet in a very conclusive or broad way. You've seen a lot of the individual studies by economists but not by someone -- or an agency like the US ITC, and I think it's long overdue. You should do that.

COMMISSIONER KARPEL: You may get your wish there, Mr. Brzytwa. There's some language in the appropriations bills or the explanatory notes to them to that effect.

MR. BRZYTWA: Yes.

COMMISSIONER KARPEL: Okay. So can others speak to that? I'm particularly interested in witnesses who didn't speak to this in their affirmative testimony. Did you have thoughts on this question?

DR. SPRIGGS: Well, you mean specifically on 301?

COMMISSIONER KARPEL: It doesn't have to be specific on 301, but the idea that we maybe need to keep in mind in trade policy that involves raising tariffs that those tariffs could impact some workers harsher than others and maybe some maybe more favorably. I haven't -- it could be either way, but --

DR. SPRIGGS: Well, I mean, the reason you were asked by the Trade Representative to look at these distributional effects is that in any trade policy's going to automatically be a winner or a loser. As much as people complain about ideas about government investment choosing winners and losers, trade policy always creates winners and losers, and the problem to date has been that we've ignored the problem of the losers to the exclusion of understanding the depths and permanence of those costs.

We assume that people moved away from or they reached some new equilibrium that could redistribute those costs. And in the specific area of China, I mean, there's a growing body of evidence that China engages in industrial espionage and does, in fact, impinge upon intellectual property, and that's a serious issue. It gets again to having agreements with countries that don't agree with rules of law or with human rights, and it's a challenge, and that in and of itself presents a cost.

So I don't think we can be so believing that it's benign to deal with countries that don't agree with rules of law and don't agree with human rights, that there needs to be something that's not in our economic equations that let us understand the risks that we are creating by upholding those countries. And we see it today. I mean, our ability to have Russia behave properly in the world is a challenge.

We have to admit that countries like that create an existential threat, and we have to think about how do you incorporate those costs because, if the countries are not going to agree to intellectual property rights, if they're not going to agree to enforcing them, if they're willing to engage in industrial espionage on a high level, if they're willing to ignore human rights, at some point, you're going to have to pay the cost of that.

COMMISSIONER KARPEL: Mr. Nassar?

MR. NASSAR: Yeah, I was just going to add a fairly small point, which is just that, you know, any kind of cost increase, you know, the people who are most, you know, low on the economic scale are always going to feel any kind of cost increase more acutely, right, because of just, you know, having less marginal income and being more subject to any kind of increase, you know, in a more meaningful way.

So I think another thing we've got to look at as just kind of, you know, as part of all this is why aren't wages keeping up with productivity, which brings back to -- I know it's outside the area of your jurisdiction -- but, you know, domestic policy. We really do need to improve our weak, weak labor laws and do such. So we need to make a lot of moves domestically to improve the power of workers.

But, yeah, I mean, if you just look at it, I think it's a complicated story when you start talking about tariffs. I don't think it's an easy one to summarize.

COMMISSIONER KARPEL: Okay. I wanted to ask another question, and this also ties to something I think, Dr. Spriggs, you mentioned as well. You said it's difficult to measure the impact of exports because the impact is so diffuse and that the benefits of exports don't come as acutely as the harm from imports.

And I wondered -- and so my question that I had written down ahead of time was, as a general consensus among economists, they suggest that export expansion has been a net job creator in the United States. However, it is unclear how those export-oriented jobs are being distributed among different groups of workers as defined by skill or education level, geographic location, race, or gender.

And so do you have any ideas on where export jobs are being created or what types of workers are filling these jobs or what types of workers are seeing the benefits of that, or is it really, as Dr. Spriggs said, it's so diffuse that we can't really see it that much? But some of the negative impacts of trade are seen in more concentrated areas, for example, if a firm shuts down because of increased competition due to a trade policy.

DR. SPRIGGS: Yes, it's so much the latter. I mean, you know, obviously, we have a huge trade surplus when it comes to agricultural goods, but, you know, the thing is agriculture is a very tiny sector in the United States. And so, if you measure, you know, how much do you get from that, when you look at our trade, I mean, the size of the economy, exports simply aren't that big, and so they do tend to be spread out. So that's part of it.

The tiny gain that we may get in jobs is tiny compared to the size of our economy, and as Ms. Schmid has been, you know, reminding us in her testimony, so much of what we do is domestic, and a lot of it is in non-traded goods. But even the standards that those workers face get influenced by the arguments that we need to be competitive with low-wage countries, and those arguments creep into whether we enforce our labor laws, whether we raise our minimum wages. When you look at the record of people objecting to raising our minimum wage, you won't hear them talk about our trade competitiveness, even though it dominates in our non-traded good domestic sector.

So I think that that's the problem that we face. The language that suppresses American workers to make us competitive bleeds into every part of our domestic agenda. And despite the fact that our high-wage competitors now give free college to their citizens, you know, we in the United States argue, well, yes, that's what other high-wage countries are doing, the countries we claim, you know, are the high road. They're the ones who succeed who want trade.

We argue against the United States implementing that same policy for our own citizens. We have companies say that instead of investing in our children, as every other advanced economy is doing to be more competitive, we should just simply import the people that other countries are providing free education to instead of educating our own Americans.

So it colors our whole conversation, the way that we perceive what makes us competitive and what makes us able to export and what makes our firms able to be profitable.

COMMISSIONER KARPEL: Do any others have thoughts on this question of sort of the benefits of exporting being sort of diffuse throughout the economy and not concentrated? So maybe it's impacting this sort of question of the distributional impacts of trade differently for the export side versus the import side. Any further thoughts on that?

MR. BRZYTWA: I'll jump in, Commissioner Karpel, based on my prior experience with a different industry. I do think that you can find some industries that are situated in certain states where they have access to ports that enable them to export whatever they produce very quickly to, you know, their markets. And I think there are a number of manufacturing industries that do have trade surpluses that you probably would want to look at.

I think, for technology, I mean, by and large, you know, we are exporting a lot of digital -- digitally enabled services, as Ms. Schmid said. And I think we can increase our exports of new, you know, consumer technologies if we're going to manufacture more of those in the United States, and that gets to the point I think we've all been kind of talking about, is what do we need more of the United States?

We need more chips, and if we're going to build out more chips, what other industries can we build to, you know, access those chips, and do we want to open up new markets to those new products that we're making in the United States?

I think the answer is absolutely because that enables us to have greater scale to employ more people and to grow, you know, our communities. So, you know, we have to look at the long run as opposed to just the short run.

COMMISSIONER KARPEL: Okay. Mr. Nassar?

MR. NASSAR: Yeah, I just wanted to make the point on chips. Like, I mean, you know, the reason we don't have auto-grade chips and why, you know, plants, our members have really suffered from this chip shortage, and I know lots of industries have, is because we didn't have industrial policy.

We used to be the leader, you know, in semiconductors, clear leader around the world, and, you know, over time, just by letting, you know, the private sector make all the decisions, there were basically decisions made about having, you know, with no industrial policy, of having the chips that autos depend on made abroad, and our crisis has been much worse because of that.

It was a failure of trade policy in part as to why we have this crisis today. I just wanted to make that point. It didn't have to be this way on this chip shortage.

COMMISSIONER KARPEL: Okay. I've gone well over, so thanks to my Commissioners for indulging me on this last question.

CHAIR KEARNS: All right. I'm next up, and I'm afraid I missed some of the conversation you all had with Commissioner Karpel about the issue of some of the studies Mr. Brzytwa mentioned about 232, 301. But I wanted to kind of talk more about that. I mean, I'm wondering if there's some way -- I like the fact that we have a panel here with, you know, very different views, and I wonder if we can help kind of reconcile some of these views.

I mean, how do we kind of square these things that, on the one hand, you know, I think some folks are kind of saying that trade liberalization has led to job loss and has hurt underserved communities, and others say that actually going the opposite direction, protectionism, more tariffs, would have that effect. And I'm wondering, I mean, it seems to me like part of this issue is about short-term versus long-term impacts, and that works into kind of our economic models, I think, but then, also, other things that are kind of in our economic models that get you to the studies that we have on things like 232 and 301.

In other words, I guess this is something that Dr. Spriggs was referring to before about the assumptions that are made in terms of what, you know, maybe labor standards are in our trading partners and that sort of thing. So any more you all can do to kind of help us try to reconcile these views, I think, would be really helpful. Any thoughts on that?

DR. SPRIGGS: Well, yes, Chairman. I think your point about what's long-term and what's short-term are very important in what we include in our models and what we don't. And that's what's gotten us to this point.

Yes, in the short run, it seems like, oh, this is wonderful, we don't make chips anymore, countries that can make them cheaper because of labor or environmental standards, and now we get them. And then you see, well, the long-run implication of that policy is you see the vulnerability that we have today because you're not piecing together what's the real implication in the long run.

And so, yes, maybe a lot of people thought, oh, this is really nice. We can conceivably get shirts cheaper because we got rid of textile workers in the southeast of the United States, but look at how cheap our shirts are, until, in the long run, suddenly we have the crisis that we had with COVID. We had no American manufacturers for scrubs because we had lost our textile industry. We had made ourselves too vulnerable.

And who gained in those communities where we lost those textile jobs? It's not as if we increased exports to those countries from those communities. So that's where I think these long-run implications -- and I think because of what's happening globally we have to take seriously that winking and nodding and assuming that trade and engagement through trade would make other countries adopt more democratic processes that would make them appreciate problems of global warning, that communication through trade would make it easier to negotiate things, I think we're seeing that's not true. That doesn't happen.

And so we have to incorporate in our thinking, if we continue to create a world that is more dangerous for democracy, if we continue to create a world that's more dangerous to global warming, are those trade rules really servicing us.

And sooner rather than later, we have to confront that American workers are not going to be willing to accept fighting global warming if other countries then get to export carbon footprints free because we know it's not free. It's not free that we get snowstorms in the middle of April and we get flooding. We know that global warming has a real cost, and so it's not free when we say we're not going to pay attention to the carbon footprint of imports.

And so it's not free for us to have trade agreements that say, we don't talk about process, we will ignore process. And we're seeing continued instability in South America and Central America that we have to confront at our borders because we haven't made those countries safe for democracy. That's not free either, and we have our border's state governors screaming and hollering about the consequences of not making our hemisphere safe for democracy. None of this is free.

CHAIR KEARNS: Any other comments on how to reconcile these different views?

MR. BRZYTWA: I think these views are emblematic of the competing policy priorities that this country faces every single day. On the one hand, we all -- maybe not all -- many of us agree that addressing climate change is a huge priority.

Many of us agree that fighting unfair trade practices around the world is a huge priority. Many of us agree we want to employ more people, but sometimes those policy perspectives aren't necessary aligned, and if you make one choice, it has an impact on your ability to achieve goals in other areas.

And so I'll just speak to my sector. I mean, we know that technology products are one way to enhance productivity, to generate more employment. We know that the energy efficiency of technology products is increasing over time, and we need to have that energy efficiency to fight climate change.

And if we're applying tariffs to make those products more costly, it harms our ability to actually address, you know, the climate change problem as a country. I mean, I can't speak to how, you know, we're going to address it globally, but the more energy efficiency programs we promote in more countries, you know, the better off the world is going to be.

And, yes, fossil fuel reduction is one way that we have to do this, but also it's about energy efficiency. And I think many of our companies are definitely all in on using more renewable sources of energy too, and I think that gets to Dr. Spriggs' point of view. You know, we have to take steps that enable us to address those non-democratic-challenging countries in the world, and, you know, if we have more energy efficiency and more renewable sources of energy in the United States, that's a way to do it.

CHAIR KEARNS: Yeah. Thank you. That's helpful. That's interesting that you said that we all kind of agree we need to address unfair trade practices, because I was thinking about that in the context of 232 and 301 because you hear a lot about the costs of the 232 tariffs and the 301 tariffs. You don't hear a lot about the unfair trade practices that led to those actions. I mean, in the case of 232, you had, if I remember right, I mean, at least a decade where you have a non-market economy creating a huge glut of steel and I guess also probably aluminum and you've got countries around the world saying can't you please stop, can't you please stop, we'd just -- we'd really like you to stop.

That ended up not working out so well. China didn't say, oh, sure, sorry, didn't know it was offending you while it was costing us jobs in the U.S., until, finally, I think somebody finally said, well, you know, we need to kind of put some leverage into this equation.

And so I don't know if there's -- you know, shouldn't we look at things like, you know -- how are we going to address these unfair trade practices in other countries, if not by, you know, some sort of sticks? And we talk about tariffs versus not tariffs. I mean, doesn't it at some point have to come down to that? I mean, we have 301, you know, retaliation for a purpose, right? I mean, there are some times when, whether through WTO litigation or elsewise, we have to retaliate against these practices, don't we? Mr. Nassar?

MR. NASSAR: A hundred percent we need to. I mean, you need to have a deterrent, you know, factor in order to change behavior. I mean, it's just pure and simple. And there has to be, you know -- otherwise, you know, cracking down on trade practices without any tools, we're not going to crack down at all.

I mean, just, you know, one thing just to give an example is, you know, this Administration should be commended. UAW commends this Administration for the first time initiating a labor case on its own under a trade agreement, first time, first time.

And so, you know, but what we've seen is a few of the elections in Mexico, there actually ended up being free and fair elections, but how did that happen? It's because there were tools out there that were potentially in play that had economic consequences for the companies engaged and for the countries engaged.

So I absolutely think you have to have some kind of enforcement methods, or otherwise, you know, just depending on people to do it by the goodness of their hearts, it's just not going to work.

CHAIRMAN KEARNS: Okay. Well, my time is about to expire, but I do want to hear more about that because, I mean, we were talking earlier -- Commissioner Schmidtlein asked about, you know, how do we compete, and we talked about -- if it's not through tariffs -- and it was -- you know, the answer, I think, was, you know, innovation. So why don't we talk more about that because, I mean, I will say -- Mr. Brzytwa, wanted to get you thinking about it for later -- you know, we can talk about innovation, but as the point has been made, I think, by Dr. Spriggs, and, I think, others, I mean, innovation and manufacturing do tend to cohabitate, and so we have that issue.

Also, you said, you know, we don't want, you know, U.S. subsidies for innovation, but what do you do when other countries are subsidizing? I mean, it's great to say, you know, let's let the market decide most efficient allocation of resources, but then how the world is working -- what do we -- how do we respond to that?

And then another point I think we should talk about later is, you know, we talk about innovation needs to go with manufacturing, but even if it didn't, I think that the whole purpose of these hearings and these roundtables -- what happens if -- you know, let's say we can decouple the two and we can do all the innovation here and all the manufacturing would be done elsewhere. What does that mean for marginalized communities in the U.S.? You know, they don't have -- they're not going to be the next software engineer, I don't think, unfortunately, and for a lot of reasons that we're going to, I think, document in our report. But what do you do then? Is it okay for us to just be like, we're going to innovate, we'll make it somewhere else, and the U.S. economy will thrive. I'm just not sure that's the case. But I want to hear from you, Doctor, Mr. Brzytwa, when we come back.

MR. BRZYTWA: Doctor is good. I don't have a Ph.D., but I'll take it.

CHAIRMAN KEARNS: Okay. All right. Thank you.

Vice Chair Stayin?

VICE CHAIR STAYIN: Thank you.

Go back to where I was before -- what current government policies help workers deal with negative effects from trade? What new policies or policy improvement should be implemented? For example, what existing policies toward workers after factory closure -- what new policies or policy improvements could be implemented to better assist displaced workers?

DR. SPRIGGS: I'd like to take a stab at that, Vice Chair. And I would say that TAA, as Mr. Nassar pointed out, is still an essential program. It needs to be more beneficial to workers. They need more money and they need it for a longer time. Our evaluations of TAA have shown that the reason the program doesn't come out as a net winner is simply because we haven't compensated the workers sufficiently for their loss.

But from the studies I do, I have reported to you over the course of this year, it's also clear that the impact isn't simply on the worker who loses their job but on the community broadly speaking. And so we need to have a response that helps the community -- there need to be as the house legislation calls for an investment from the Department of Commerce and Economic Development that lets these communities do the work to find new employers.

There need to be job opportunities for young people, in particular, or the ones who really get on because once those jobs disappear, it's the kids who are in high school immediately who thought that there was a job pipeline, and they're going to find it difficult to get that initial job. There have to be summer jobs in those communities targeted to help young people get a footing in the labor market while they're still in high school and then as they transition out of high school.

And we need to give those communities room enough to have apprenticeship programs that are accessible to young workers. And in this regard, of course, apprenticeships with the labor unions are key.

We know that we have a very successful industry that supports -- our aerospace industry in the world's leader, but they do it with partnership between the labor movement and the employers, and that sets up a meaningful set of job training standards that are then agreed upon by the industry so that we know that we can move workers from one company to another in case there's a impact against one company or one portion of what goes on in the production process.

That level of coordination is possible because that is one industry where we have tended to respect the labor management agreement, and a huge amount of money from workers and from the industry go into training the workers that make us a leader in that.

That is a role model to emulate, but we need to enforce our own labor standards and recognize the rights of American workers to unionize so that we can implement strategies like we see with the International Association of Machinists and the aerospace industry.

VICE CHAIR STAYIN: Thank you.

Ms. Lopez?

MS. LOPEZ: Yes. Just to follow up with what my labor brothers have mentioned -- TAA, we have seen it be a spectacular program for our members who lost their jobs to offshoring, and I'll give you an example.

I already mentioned we had a plant in Salem, Virginia, close. A woman, you know, was making $36 an hour, unable to find a job of the same wage, wasn't able to support her family but was able to get TAA benefits so she could go to school and become a respiratory therapist. And granted, there was issues with the program, just some uncommunication, unclarity around, you know, what qualifies under TAA and how the classes work; but overall, this allowed her to not only, you know, start her program new but stay in her same place, contribute to the local economy, and then do something she realized she was really passionate about.

So we think TAA is a great program. As my brother, Josh Nassar mentioned, there is an updated version in the COMPETES Act that we're really supportive of. And so I just wanted to flag that -- what we think is a great policy that has helped workers counter the effects of trade.

VICE CHAIR STAYIN: Thank you.

Mr. Brzytwa?

MR. BRZYTWA: Just real quickly. I'm not disputing the TAA program, but I have thought about the experience -- the experiences of many companies over the last four years, you know, in dealing with the Section 301 and Section 232 tariffs, and it is clear that those tariffs caused some companies to have to let go people or, you know, shut down production in certain cases.

TAA wouldn't apply to situations where companies let go of employees. The employees lost their jobs because of, you know, these tariffs coming into force. And I don't know what the solution is to that. I think you probably see, you know, instances of job loss due to other U.S. enforcement actions, but, you know, those companies -- the employees of those companies should have access to similar tools, is what I'm saying. I think we shouldn't just leave those folks behind too.

VICE CHAIR STAYIN: And this, I think, takes me to the next very important question is: How do education and training impact workers' ability to respond to job displacement? How accessible are education and training programs to workers in different communities, as defined by race, ethnicity, geography, gender, education level, age, gender, income level? How could the value and accessibility of education and training programs be improved?

DR. SPRIGGS: I'll take a lead on that.

We have transformed our job train -- federal job training, federal typical (phonetic) we have seen the transformation at a local level because there have been in the past disparities, and you've seen cities want to have -- in instances, pull out of broader job markets because there were disparities when it came to serving people in certain pockets and mayors felt uncomfortable in those coalitions.

So that's a good thing that we increased the voices at a community level to be part of job training decisions. We need more firms to be -- more companies to be active participants with their local job training networks. This continues to be a problem in recruiting firms to participate. And as I mentioned before, our state employment services need to be bolstered, and we need more cooperation with firms and companies to use state employment services so that the job training can be tied to actual jobs that are being open.

You would be astonished how few firms participate with the local job training effort and then complain no one trains workers for them or participates in designing training for them. We've bolstered our community colleges and the role that they can play, but many of the jobs we want now do require college degrees. It is a change in what's happened in manufacturing.

In the United States, we are simply lagging behind our competitors. We have not made college accessible to enough of our citizens, and we must return to when we led the world in terms of college affordability and accessibility. We've retreated in the 21st century, at a time where we should be returning to American values on investing in higher education and making it accessible to as many of our citizens as we can.

These are the workers that American industry clamor for. They want these people who can design circuits. They want the people who can be the innovators. They're willing to import the people that other countries have paid to freely get a college degree, and it's time that we get as serious about Americans that should receive that same support.

VICE CHAIR STAYIN: Thank you. Are there any other responses? Anybody else want to comment? Go ahead.

MS. SCHMID: I just wanted to add, in doing research for my testimony, I did find examples in Texas and California where they're being very aggressive in recruiting underprivileged students and where they're providing affordable education. So I think there are examples out there where we need to, you know, pay more attention to how different states are meeting the needs of students at a reasonable cost.

CHAIRMAN KEARNS: Commissioner Johanson?

COMMISSIONER JOHANSON: Okay. This is a question for Mr. Nassar, but other participants are welcome to comment as well.

Mr. Nassar, in your statement, you mentioned competition with the Mexican auto industry. According to a recent article from Reuters, President Lopez Obrador, of Mexico, raised minimum wage by 16 percent in 2019; 20 percent in 2020; 15 percent in 2021; and 22 percent in 2022.

Have these increases or the recently added auto provisions in the USMCA improved the situation of workers in the U.S. auto industry?

MR. NASSAR: It's kind of a mixed bag on that. I mean, there is some evidence of some wages increasing, you know, having the free union elections, we think, is going to have an impact on that as well.

But looking at, kind of, the -- you know, the first two decades of NAFTA, you know, just inflation, at just what we had looked at, the wages weren't -- you know, weren't keeping up whatsoever. But I do --

I would say that I don't have a conclusive answer, but I do think that some of the actions Mexico has taken in recent years has helped, yes. I'll agree with that.

COMMISSIONER JOHANSON: Do you or any others happen to have any evidence or other indications that USMCA has benefitted U.S. auto workers, due to the changes in Mexico's auto industry?

MR. NASSAR: We've been looking at that, and I think, partly, the USMCA, you know, the rules of origin implementation is a -- it's not the most transparent. You know, companies have their own plans that they're operating under so it's kind of hard for us to completely see.

But we haven't seen any kind of major shift in investment yet, you know, from USMCA from Mexico to U.S., so to speak -- in auto. In auto. Just speaking about auto.

COMMISSIONER JOHANSON: Okay. Thank you, Mr. Nassar.

This next question is for Mr. Brzytwa, but anyone else is welcome to comment as well.

Mr. Brzytwa, I'm not sure if he were able to join us virtually for our academic symposium on April 5th and 6th, but there was a study that was presented, which I'd like to get your reaction to.

It was presented by Professor Kyle Handley, of the University of California San Diego, and Mr. Handley's study found that despite the China Trade Shock, firms in high human capital areas saw increases in earnings in both manufacturing and non-manufacturing sectors, whereas firms in low human capital areas saw declines in both sectors.

If an area's ability to adjust to depressions of international trade depend on the level of human capital in that locality, what solutions should be the focus of policymakers?

MR. BRZYTWA: Unfortunately, I was not able to join the symposium. I had some CTA activities I had to do with our members. But I would love to take a look at that study.

I think it would be really interesting.

But my understanding is that the China Trade Shock, as outlined by the academics from MIT, coincided with significant uptake of information technology by U.S. firms, both in manufacturing and services sector.

So there certainly was a trend towards more human capital intensive industries already underway. If you look at information technology landscape in the trade universe, I mean, the real impetus for more trade and information technology products, freer trade was the WTO Information Technology Agreement in 1997, and that predated China's entry into the WTO.

So, for IT, you know, information technology products, you know, we've been globalizing far earlier than, you know, China, and I think there's still -- if you look at the firms in the information technology space, so many of them employ people that have, you know, significant amount of education but, increasingly, people that don't have a college degree. And I think there's a number of companies that said we know how costly it is to get a college degree or a graduate degree; let's find opportunities for people that don't want to take that step. Maybe it's not affordable for them, but we think that if they're smart and they're willing to do the work, you know, if they're willing to learn, we're happy to include them in our companies and in our programs.

IBM, I think, has been really transparent about this. Their New Collar, you know, workers program, which I think is really interesting.

But for the broad swath of U.S. industry, I personally think that you're going to see more and more employees having to be fluent and conversant about technology and about data and about the intersection between those two, and that, perhaps, is a conversation for another day, but it's really important for the U.S. economy as a whole.

COMMISSIONER JOHANSON: Thank you, Mr. Brzytwa, for your comments there.

Would anyone else like to discuss that issue?

Okay. Then I'm going to raise an issue which was discussed by Mr. Brzytwa this morning. I would like to have the comments of different participants to that.

Mr. Brzytwa mentioned, this morning, that the United States is not negotiating new trade agreements. Is the United States missing out on opening up new markets and, thus, not creating new jobs for U.S. workers, as Mr. Brzytwa indicated?

MR. NASSAR: I'm going to just say one real quick thing, which is that I think, you know, just looking at new FTAs as the only mechanism for opening markets, I think, is a little narrow. I mean, first of all, you know, we have, you know, plenty of existing agreements where we, you know, could use better enforcement, for example, you know, strengthening our -- our economic cooperation and conversations, you know, plays a role too. So I think it's just not about new FTAs. I'll just make that one comment.

DR. SPRIGGS: I would concur because the issue of easing tariffs is really past due. It's not a big deal anymore. That isn't an issue in the world anymore. And when you look at the substance of these agreements, so little of it really is about tariffs. It's really about protecting the right of investors and how do we protect the right of investors and how do we protect intellectual property. That's the bulk of these agreements. They're not about tariffs because the amount of tariffs just simply isn't that big that's left out there.

So I don't think taking account of what's happening to tariffs moves the needle in terms of access. It's the broader questions which are on the table, and we are confronted today with a big bite about the Internet and what will be the shape of the Internet. So when we talk about these things, it -- what holds up digital trade isn't tariff. What holds up digital trade are what are going to be the agreements about how free is the Internet and who controls the Internet. I see that as the big challenge right now with China, which isn't a free trade tariff thing.

It gets back to what I've been saying. We're back to the original purpose of the world order that we established at the end of World War II with the World Bank, with the IMF going towards the WTO. All of that, as its goal, thinking through the challenges of maintaining democracy, and we have to rethink where we are today and rededicate ourselves to what does it take to have democracy anymore.

COMMISSIONER JOHANSON: Thanks, Dr. Spriggs.

Mr. Brzytwa, you have your hand raised, and then Ms. Schmid.

MR. BRZYTWA: I actually agree with Dr. Spriggs here, insofar as we have to look beyond just tariffs, into other areas to open markets. Regulatory alignment, hugely important for all sectors of the economy. If we're going to open up new markets, we have to make sure our regulations, our approaches are much more aligned with our trading partners and reflect our values.

I think that is really hard to do. I mean, you can try to do it in a trade agreement, and I think USMCA does that in a number of respects -- the digital trade chapter, all the regulatory cooperation components, good regulatory practices. But if you're talking about the biggest growth markets -- potential growth markets in the next two generations, tariffs are an issue because many of these markets did not make the same tariff commitments that the

United States did or the European Union and its members did or even China did, for that matter.

I've gone into the WTO tariff profiles numerous times, and I'm shocked to see that some countries have their bound tariffs at enormously high levels, and their applied tariffs are also quite high. I mean, sometimes they're a little bit lower, but that difference between the bound rates and the applied rates is significant, whereas the U.S., it's like this. There's practically no difference except in certain areas, where they're called tariff peaks.

So this is a wonky tariff conversation I'm happy to have, but if we're talking about growth markets, we do have to pay attention to the tariff rates for the sake of our exports.

COMMISSIONER JOHANSON: Yes, Ms. Schmid?

MS. SCHMID: I just wanted to mention the WTO services reference paper, which I think is significant, that came out of the WTO. They started negotiating on it in 1999, and what it does is it sets standards for regulatory institutions, and I think it's a really valuable tool for developing countries and emerging markets to look at how regulators provide transparency if they offer an opportunity for public comment and if they allow the market to really be contestable once they promulgate regulations.

So I think, because so many other things are going on, not many people have really paid much attention to the WTO's services reference paper, but I think it's a significant instrument that, for our trading partners, I mean, you know, we talk a lot about the trade regime for the United States. But one thing that we also want to do is improve regulatory institutions with our trading partners, because improving the regulatory institutions makes their economies work better. So I would just suggest that, you know, take a look at that and consider what it has to say. I think it has some real benefits for our trading partners.

COMMISSIONER JOHANSON: Thank you, Ms. Schmid. My time has expired.

CHAIR KEARNS: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay, thank you all. So we've covered so much ground with you all. I'm not sure if this was asked here, if Commissioner Johanson asked it. I missed some of his questions. Do you all have any views on what other outcomes besides wages or employment should researchers be considering? So, you know, should we be looking at, if we could measure it, physical/mental well-being, household wealth accumulation, for example? Do you have any views on that?

DR. SPRIGGS: We do have some evidence on mental well-being and on substance abuse, and it is disturbing in the sense that where we saw the greatest impact of China trade, we've seen incidents of depression, of lack of engagement, lower marriage rates, higher unwed mothers. We've seen these social dilemmas. So we have some of that.

Where we need more evidence, I think, is a careful analysis of the pace at which we protect ourselves and our citizens in terms of labor market regulation. We've seen a huge divergence take place in the United States since the 1980s on things like the minimum wage. We have a huge disparity right now between those states that are still using the federal minimum wage of $7.25 and the states that represent the majority of American workers that are on a path to a different minimum wage.

And we've seen differences in access to unemployment insurance, huge divergences taking place in terms of the safety nets that we give to workers. I don't think these are unrelated to the views that to be competitive in the United States you must lower its labor standards, because, for so many American workers, we are lowering their standards either in terms of their access to safety nets or in terms of their protection from minimum wages or even in the enforcement. The enforcement activity across states varies greatly.

Some states have very few State Labor Inspectors. Other states have more, and this is true also when it comes to worker safety, a problem we saw during COVID. This is another area that's very crucial so that we understand how there's a creep that takes place that isn't just felt by unions, you know, with threats but how it infects our political process and gets our states not to uphold these standards.

Ms. Schmid has, you know, reminded us the great advantage the United States had was we had a huge free trade zone that was a middle-class country, and we are quickly moving away from that middle-class country, and there are reasons why. A lot of them rest on the destruction of our labor standards.

COMMISSIONER SCHMIDTLEIN: All right. Ms. Lopez?

MS. LOPEZ: Thank you so much for the question. I think Dr. Spriggs has mentioned a couple of the factors that we should look at. And then I would agree, you know, I think we need to look at, you know, wealth accumulation, household wealth, because we'll have households making higher wages, unfortunately, you know, at a manufacturing plant, at a call center, then move to low-wage sector jobs, hopefully $15 an hour, but if they're even lower, you know, we know that black, brown, workers of color, women workers, are more likely to, you know, have a lower wealth accumulation than their white counterparts, and so they're often not able to weather job displacement as well as, you know, their white counterparts during that.

So I think that's something we need to take really a deeper look at, of how, you know, job displacement is not, you know, just kind of immediately you lose your job. What does that do for you in the long run? Because, if you go from making a high-wage job to a lower-wage job, you know, you're not able to save. You might not be able to help yourself during a healthcare emergency or your family. So I think that's another important factor to look at.

COMMISSIONER SCHMIDTLEIN: Mr. Nassar?

MR. NASSAR: Thanks. I'm not going to repeat things that were already said, but I just associate with a lot of the remarks that have already been made by my brothers and sisters in the labor movement.

But the other thing is I think, you know, we're talking about kind of, you know, democracy here and what we need to do to preserve and strengthen democracy, and I will say that, you know, one of the problems we're really seeing is a lack of faith of institutions, you know, from a lot of the American people and, you know, things like, you know, predictions about how trade agreements are going to work out and then seeing them work out completely in the opposite direction, people seeing they're, you know, working longer hours and their wages not keeping up, not having a voice at work. All that feeds into this atmosphere of anger, resentment, and also just lack of faith of institutions, all which are really a threat to democracy.

So having a more stable middle class, which is what, you know, we're about here in the labor movement, really, really is part of saving democracy, and we also take heed because it's a dangerous time. Thanks.

COMMISSIONER SCHMIDTLEIN: Okay. Mr. Brzytwa?

MR. BRZYTWA: Thank you. I'm going to take a slightly different tack with this. In the consumer technology space, we're seeing more and more companies focused on health, a significant amount of companies that are developing new technologies to help people live healthier lives. We have a health division at CTA. One of the biggest categories of exhibitors at the CES this past year was in health. The number of sleep technology companies alone was astounding.

So, when I think about health, I think about health and trade in particular, yes, there's been an impact perhaps of trade policies on the health of citizens, but we also need to keep in mind that trade can be an enabler for better health through importing lower-cost, new, innovative technologies into the United States or manufacturing them in the United States when it comes to importing inputs that you would use to manufacture those products.

So, if you look within our membership, we have an increasing number of health-oriented companies, even healthcare providers, and this is just a really incredible space, and I think it's worth taking note of that for the report, that trade policy can help us with respect to the future health of the country and to lower costs, because healthcare costs are still high, and we need to find different ways using technology to lower those costs over time.

COMMISSIONER SCHMIDTLEIN: Okay. Dr. Spriggs, let me ask you a question. So, you mentioned, you know, that there's information or data or I don't know if you were referring to studies that are out there showing that the level of substance abuse or decline in marital rates I think you mentioned sort of coincides with where some of the greater impacts of the China shock occurred if I understood you correctly.

How do they tie that together, right? So is it just that it's correlated, or are there studies out there that have been able to show that there's a causation or at least some circumstantial evidence of causation, I guess? I think it would be incredibly hard. I'm sure there's a lot of factors. But do you understand my question?

DR. SPRIGGS: Yes.

COMMISSIONER SCHMIDTLEIN: Is it just correlation? I mean, because, you know, we always talk, like, correlation is not necessarily causation, right? Are there things out there that are able to tie that together?

DR. SPRIGGS: Yes. The things that I'm mentioning and the reports that you had in the academic conference, and we economists now consider it to be our standard for doing causation, not correlation.

So we look at trends that preceded 2000 and we incorporate all of those things that were moving before then, and then we look after 2000, and we look at the difference in exposure that groups of communities had to the China trade shock. So we see what was the trend before and what's the trend after and how does that trend vary according to this exposure.

So it's the common-sense way in which people think of causation. I'm walking down the street. Nothing is happening. All of sudden, it rains. I get wet. The other person doesn't get wet. It must be rain.

It's sort of that common-sense things were going the same for both of us before, suddenly they're not going the same, and it looks like it's the fact that I got exposed to something that another community did not, and the level of that exposure tells me how much the effect is going to be. So it is causation in the common-sense use of the term.

COMMISSIONER SCHMIDTLEIN: Okay, all right. Thank you all very much. I don't have any further questions. My time has expired for this round.

CHAIR KEARNS: Commissioner Karpel?

COMMISSIONER KARPEL: Yeah, thank you. I don't have any more questions for this panel, but I appreciate all of you being here and for this really good conversation. It's been very helpful to hear from all of you. Thank you.

CHAIR KEARNS: Okay. I want to begin, Mr. Brzytwa, with, you know, giving you a chance to answer the question I sort of asked. You know, as we said, you know, the question was, you know, if not through tariffs, how do we compete, and your answer was, you know, by innovating but not through any government support and you let the free market do that.

And I suggested, well, you know, given that parts of the rest of the world aren't taking that same approach and seem to be gaining an upper hand in terms of innovation sometimes because of government support, how do we address that, and more importantly, innovation and manufacturing seem to be related, so that's kind of a question for you. But even if they're not, can the United States address some of its social justice issues if we have as our plan that we will innovate and others will produce?

MR. BRZYTWA: So, I mean, I want to be clear, the position of our association and our industry is that we won't advocate for government support for our industry. Now whether the government chooses to, you know, provide subsidies, if you will, to industry, that's an entirely, you know, separate matter.

When I think about, Commissioner Kearns, I mean, when I think about subsidies, I think about, you know, a downward spiral of subsidization, if you will, so many governments spending scarce resources on subsidies at the expense of other priorities, right?

And maybe those subsidies are not allocated appropriately. Maybe other policy priorities aren't being paid attention to. I think about retaliation. If the United States structures its subsidies of industry inappropriately, you know, other governments might say, well, that's a harmful -- policy, and, therefore, we're going to retaliate against you through tariffs or other means. So I think the right approach for all of this is having a set of new rules about how governments can support their industries that do not violate trade rules.

And I think the trilateral discussions between the United States and Japan and the European Union, they're a great starting point. I'd like to see more progress there. I'd like to see more countries be part of that conversation, whether that happens at the WTO or otherwise. I think these opportunities between the U.S. and EU and the Trade and Technology Council are a great avenue for that conversation as well, perhaps the Indo-Pacific Economic Framework.

I think there should be something for Latin

America. That's a missing piece of the puzzle, but these are -- I think we've all talked about what our values should be, and if our values are we're going to lift up, you know, our standards, we need to push others to do the same in terms of their support for their industries.

And, you know, you could have an argument that what China does when it comes to its environmental standards is an implicit subsidy or what China does when it prevents the export of certain materials to other countries, that's an implicit subsidy.

These are all part of the same conversation about how we support our industries, and new rules are absolutely necessary if we're going to have a multilateral working-with-allies approach to addressing those big-picture problems. If we're just going to do this by ourselves, we are not going to succeed at the end of the day.

CHAIR KEARNS: Okay. Thank you very much.

I'm going to turn now to a narrow question for Dr. Spriggs and then widen it out for everyone else. We've heard a lot in the roundtables about the importance of education and training, and we've touched on that a bit here as well. And, first, my narrow question for you, Dr. Spriggs, I mean, we've also heard, however, that even if you account for educational differences, even if you kind of hold that constant, black workers are less represented in jobs with higher wages and benefits and overrepresented in non-traditional and temporary work. So what's your view on the importance of education in determining trade outcomes on individuals?

DR. SPRIGGS: It's important, but the discussion of racial disparities that result in a disrupted job market cannot be resolved with education. They really get to some institutional factors. Discrimination, unfortunately, is real in our labor markets, and so black workers get hurt disproportionately when we disrupt these equilibriums in the local labor market. So that doesn't answer that part of the question in terms of could I just simply educate my way out of those disparities. There are other things we have to do to address them.

One of them is doing our very best to keep our markets, our labor markets as near full employment as possible. That lessens discrimination, and it increases the returns to black education, and it increases the cost of discrimination for the firms, which is why you get a better rate of return to black education.

So it's unfortunate that that's the case, but more people will say let's do more training, we need to do that. That's absolutely necessary, and it does make things better, but it doesn't address this racial disparity, unfortunately.

CHAIR KEARNS: Okay, thank you. And then, to broaden the question out for everyone else, because I've heard a lot from a number of you about the terms of our trade agreements and how they may be in need of reform. So my question is, should we be focusing more on reforming the trade policies that created the need for retraining in the first place? I mean, we've established, I think, pretty well that retraining is important, education is important, but what about our trade policies themselves? Can they be improved?

I think, Ms. Lopez, you talked about investor-state protections. Dr. Spriggs, you talked too about -- I think there's this assumption by economists that this is all about trade liberalization, it's all about bringing down tariffs, and that creates job loss and then we have to kind of compensate for that and we have to retrain and so forth.

But are there terms in our trade agreements that sort of give less power to workers and more powers to others in the economy, whether it's investment provisions, weak labor standards or non-existing labor standards, environmental standards, intellectual property?

I mean, any other thoughts on the extent to which our trade policies themselves are contributing to the problem as opposed to just needing some sort of remediation after the fact? Mr. Nassar?

MR. NASSAR: I'll just say it's a part of that question, which is, you know, as far as the -- you know, the -- we absolutely need better labor chapters, commitments, and enforcement. I mean, I just want to be clear that, you know, under, you know, most of our FTAs, you know, it's country versus country. And then the only thing -- you have to have a pattern and practice, and then the only thing that will put a pause on any kind of remediation is just a country pledging to stop that practice. That's it. There's not exactly a lot of sticks out there.

So we absolutely need to rethink our labor chapters. Most of them, to be candid with you, are not worth more than the paper they're printed on right now.

CHAIR KEARNS: And I guess Ms. Lopez's point about investor-state and a disputed settlement, I guess, if you contrast those two things, I mean, with investor-state, you know, the investor can bring the case itself, it doesn't have to convince the government, can get monetary damages and so forth.

But I guess another point too, Mr. Nassar, is you talk about our FTAs, and those are our more recent FTAs which have stronger labor environmental provisions, less so with our earlier FTAs. But then there's all the countries we don't have FTAs with, right? For example, China --

MR. NASSAR: Yeah.

CHAIR KEARNS: -- it kind of makes it hard to negotiate when you have a trading partner like China that is under no obligation, in essence, to have any labor standards whatsoever.

MR. NASSAR: Yeah, I would just -- yeah, and I'd also just say, I mean, part of this, you know, when talking about kind of what will we need to do to have better outcomes with our trade is, you know, we need more industrial policy. I'll give an example.

Like China absolutely dominates the supply chain for electric batteries, and everyone in the auto industry agrees there's going to be a lot more electric cars on the road worldwide. How do they dominate? It's not just geographic advantage. They've had extensive public monies and policy to secure those supply chains and those sources.

We haven't done the same. There's going to be an enormous price paid for that. We have a lot of catch-up to do, but it's going to be hard to measure all the effects of what we didn't do, you know what I mean? So it's really hard to calculate all the damage from not having industrial policy and not having strong labor chapters.

CHAIR KEARNS: Thank you. Anyone else want to chime in?

(No response.)

CHAIR KEARNS: Okay. Very good. Let's see, I did have a number of questions left, but let me go back, I promised Ms. Schmid and Ms. Lopez, I wanted to hear more about -- Ms. Schmid, you were talking about workers in service sectors and sort of how improving labor standards here in the U.S., I think, would benefit them.

And you were making a comment, you responded a bit, I think, to my question, you responded to it with Vice Chair Stayin about tradable sectors versus non-tradable. But is there anything else you want to add to that about what you mean about how we can improve the situation for those workers?

MS. SCHMID: Well, you know, I think what has occurred to me is we can think of workers -- like we might think of workers in manufacturing, and then we think of workers in leisure, hospitality, and retail trade, and, I think we have to, you know, kind of do away with those distinctions between the workers because what you really want to have is kind of a level playing field for workers, whether they're competing in services industries, whether they're employed in services industries, or whether they're employed in manufacturing.

And, I mean, we have to come to terms with what our labor market looks like, and most people are employed in services, and those people who are employed in low-wage services, we need to pay attention to labor conditions in the low-wage services sectors so that we can, you know, improve

-- really, what you're talking about is improving their standard of living.

Now, if you wanted to tie it to trade, you just look at all the people that come to the United States and use those services, they are tradable.

So, I mean, that would be my only point. Really, you have to create a level playing field for workers, and they don't have that right now.

CHAIR KEARNS: Okay. Thank you. My time has expired.

Vice Chair Stayin?

VICE CHAIR STAYIN: Yes. To what extent do the effects of the U.S. trade and trade policy vary based on the concentration of industries in certain areas? Do you have any suggestions for how trade policymakers could better anticipate and mitigate the impacts of trade and trade policy on communities that are not economically diverse, communities that rely on one or two key industries?

MS. SCHMID: I mean, I think that's an excellent question, and I think that you probably could statistically figure out a way to deal with that. I mean, this did come up earlier when we were talking about agriculture, and I think it's less than -- okay, agriculture, I think, is less than one percent of the people who are employed, but it's a huge part of our trade exports. So it's a good question. I don't have the answer to the question.

VICE CHAIR STAYIN: Does anybody else want to respond?

MR. BRZYTWA: I'll try to respond to this. I think there are a number of industries in the United States that have this centrifugal force, if you will, they attract other industries around them, they're supporting industries. They may not necessarily be visible, but they're providing services towards, you know, production of goods. Maybe they're providing transport, maybe they're providing Human Resources support.

But, you know, what I think you would want to focus on is how can we make those industries just as competitive. How can we help workers in those industries as well, not just the direct production but the supporting industries around them. And I think part of that is ensuring that all these, you know, ecosystems are digitally enabled, that they have access to the internet, that they have high-speed internet, that they have the technologies they need to become more competitive and advance their businesses, and they have the right training and education programs so that their employees can become more digitally fluent.

So, I mean, I think that's a partial answer to your question, but this is one of those long-term, you know, questions that I think we all need to think about.

DR. SPRIGGS: Well, there are going to be key differences when you have a key industry, and the Vice Chair is from Virginia, and he well knows we have two or three locations in Virginia that were decimated when they lost their one employer. And you heard the example of the call center in Salem, Virginia, that was really devastated because the wages were so high for those workers compared to workers elsewhere.

So I think, again, when we think about trade adjustment assistance, you have to think about the community, not just the individuals who lost their jobs, because it isn't going to be the case that for the community there are other jobs that workers that can quickly shift to that pay the same amount of money, and that impact can be different.

That's where the House legislation becomes so crucial because it incorporates measures of the community, not just the individual workers. And I think we do ourselves harm -- Ms. Schmid has, you know, brought this up several times, our travel industry is an export industry. Our attitude towards those workers is not they are export workers. There are high wage paths in travel. There are low wage paths in travel. You can do up or you can do down.

And we don't make the investments or think through how we can turn low-wage travel into high-wage travel. There are clearly ways of doing it. One of those things is that many of us have continued to push. The United States simply doesn't have paid leave in the way that other nations do. A key way in which they're able to have high-wage travel industry is because they have more domestic travel because they have more paid leave.

And our impact from COVID would have been so different if all Americans enjoyed paid leave. And going forward, we have to anticipate that we're going to need a stronger arm to our domestic travel, and that is a path to making travel a high-wage industry. There's nothing intrinsic about our travel industry that should make it low wage other than a lot of bad institutional factors and the type of workers that tend to be in that industry and the way we let them be exploited. But that's something that we can do domestically that can improve it.

And even in some of those communities that have lost manufacturing, tourism is an outcome, is an industry that we could start to lean on, but they need to do it with the institutional framework that would allow them to do it from a high-wage perspective.

VICE CHAIR STAYIN: Thank you.

It has been reported that small minority-owned enterprises tend to hire workers from their own communities. It has also been reported that businesses that export tend to pay higher wages. However, small minority-owned enterprises generally are less likely to export than other small enterprises. What current policies might encourage SMEs to export? What policies should be developed to encourage exports among such firms?

DR. SPRIGGS: Well, part of it gets to financing and the lack of access to capital. Minority-owned firms simply do not have the same access to capital.

And while we think of the export/import thing for big firms, we need to think of a scale that could work for smaller firms and to take advantage of the fact that many minority-owned firms have connections and ties that would make exporting easy because many of them are owned by recent immigrants or people who have very strong ties to other countries, where they would already be sensitive to marketing ideas and needs in other countries.

We as a nation would be able to leverage so much better those skills and talents if we could figure out a way to make financing easier and let those companies have greater access to that kind of financing.

VICE CHAIR STAYIN: Thank you. Does anybody else want to respond?

MR. BRZYTWA: I'd like to respond, Commissioner. You may recall that during the Obama Administration there was an initiative called the National Export Initiative, which was about helping more companies, particularly SMEs, access new markets, and I think the data point was -- I mean, there's two data points I recall from this initiative from my time in government.

Number one is that most small and medium-sized enterprises if they exported at all it was only to a single market. Why? Probably because it was, you know, only a single market was within the realms of their technical capacity or bandwidth.

And then the second data point was 95 percent of all consumers in the world are outside the United States, so why shouldn't we promote more exports?

So it's not necessarily -- a trade policy can be about trade agreements and trade negotiations and also, you know, new rules, but it should also be about how we promote our exports. And I think there's a number of governments around the world that do an excellent job of promoting their exports, and it's kind of ingrained in their bureaucracy.

It's like Germany and Japan are two great examples, but in the United States, we have the Congressional Service, but we haven't replicated that National Export Initiative or taken a look back to see how could we change so that it can reflect the interest of underserved, underrepresented communities, minority communities across the country, and in particular, entities that are owned by minorities.

VICE CHAIR STAYIN: Thank you. Does anybody else want to respond?

(No response.)

VICE CHAIR STAYIN: Okay. Thank you very much. I appreciate you being here and all of your candid responses. We've learned a lot and look forward to continuing our work in this area.

CHAIR KEARNS: Commissioner Johanson.

VICE CHAIR STAYIN: I have no further questions.

CHAIR KEARNS: Commissioner Johanson?

COMMISSIONER JOHANSON: Yes, I have just one more question for this panel. Has the United States been successful in bringing jobs back to our country? Do you have any examples of that?

And, Ms. Lopez, you actually caused me to think about this because it's my understanding that some call center jobs have come back here. I don't know if that's true or not.

MS. LOPEZ: I would say at least with the companies that we represent we have not seen the onshoring of jobs. We think that, you know, if there were -- yeah, in my testimony, I used the example of the Phillippines, where, you know, folks are making low wages, they sleep in the actual call center, you know, they're threatened and beaten up and sometimes killed for union organizing. So it makes -- you know, kind of all those factors make it attractive to go over there, exploit workers, and you can do, you know, call center work for cheap. So we haven't seen those jobs come back.

We think, if the call center workers, for example, were, you know, paid great wages, had benefits, you know, could unionize if they wanted to, we would see kind of a reshoring of jobs back to the U.S. because there would be a level playing field, and, you know, that would benefit U.S. workers, it would benefit consumers.

There are a couple of instances of data breaches, for example, because other countries don't have the same standard for privacy laws and gave no privacy that the U.S. does, so that's kind of our thinking behind it, but I can get back to you to see if, you know, we have any more detail on that.

COMMISSIONER JOHANSON: That would be great if you could, Ms. Lopez.

Ms. Schmid, I think you were next.

MS. SCHMID: I would just say, you know, I don't know if you are going to see necessarily reshoring, but you're seeing -- you're continually seeing an evolution of new jobs. The jobs that we have two years from now are not necessarily the same jobs we had five years from now, and the United States is very good at generating new jobs. Really, the question is, you know, that skills gap for workers.

So we're generating jobs, there's no question about that. Now, whether they're coming from back overseas or whether they're a consequence of foreign direct investment, the jobs are there. I mean, we have an extremely tight labor market. So I think it's kind of a question of what's that gap? Why do we have these new jobs, and then we've got this gap of, you know, really long-term unemployed people? That's our challenge.

COMMISSIONER JOHANSON: Yes, Ms. Schmid, I think that's a good point to raise. I was actually just reading an article this morning in a British publication comparing job creation in the United States as opposed to, let's say, the European Union or the United Kingdom. It's just we do seem to be much more agile in creating new industries.

And, Mr. Brzytwa, you were next up. Maybe you could talk on that issue as well. And you're on mute.

MR. BRZYTWA: My apologies. I haven't eaten in a while.

COMMISSIONER JOHANSON: Sorry.

MR. BRZYTWA: The frame that Ms. Schmid just described about job creation is exactly what I was going to say. Yes, there can be examples of jobs that went overseas, and you can take a look at whether they have come back, but, really, it's about are we as a country creating new jobs to respond to new opportunities in the world and, you know, new markets that might be ripe for U.S. goods and services.

So this is a really important question. I think there are studies out there that may show that jobs have been created due to trade. I'll cite one of them. It's a study from last year by the Trade Partnership Imports Work For American Workers, and it says that 21 million jobs in the United States are due to imports. And so it looks at both creation and job loss in that area as well.

And I think you'd probably find other examples in specific sectors too, but, you know, as the digital economy -- as all companies in the United States become tech economies -- or, excuse me, tech firms, we're going to see probably more job creation over time in places we probably wouldn't expect.

COMMISSIONER JOHANSON: All right. Thank you, Mr. Brzytwa.

Would anyone else like to chime in?

(No response.)

COMMISSIONER JOHANSON: Okay. If not, I appreciate you all being here today. That concludes my questions.

CHAIR KEARNS: Commissioner Schmidtlein, do you have further questions?

COMMISSIONER SCHMIDTLEIN: I have no further questions. I'd just like to thank you all for your time being here today.

CHAIR KEARNS: Commissioner Karpel?

COMMISSIONER KARPEL: Nothing further.

CHAIR KEARNS: Okay. I think I just have a couple more, and I recognize that everyone's getting hungry, so I'll try to keep this short.

But, in particular for Mr. Nassar and Ms. Lopez, we heard at a few of the roundtables that unions are a great equalizer. Participants in the Detroit roundtable, for example, stated that unions help increase employment for minorities who would have a harder time finding jobs in non-union companies. Can you elaborate on that? Is there a disproportionate impact to people of color in a loss of union jobs?

MR. NASSAR: Absolutely. So it goes both ways. Part of this is, you know, under a collective bargaining contract, you know, you get rid of kind of a lot of the barriers that workers have because it's the same terms and conditions for workers across and their rights are protected, you know, the same.

Now that doesn't mean everyone gets paid the same amount. I mean, there's different seniority and such, but because you have seniority, you also have an area where people are able to advance when a lot of times there's kind of, you know, discriminatory practices holding back.

So there's -- I can -- we can find information, I'm sure Dr. Spriggs has the figures, but, you know, there's definitely data to back up the fact that it's minority workers that benefit first and are hurt first when you have lack of a strong labor movement.

MS. LOPEZ: And I would just agree with everything, Mr. Nassar, my brother, Josh, has said. You know, again, we see -- you know, I think the studies show that workers of color, it's, you know, last hired, first fired.

And we know that unions can help when offshoring, you know, provide benefits, provide supports for those workers either, you know, through different federal policies, you know, for example, helping workers get TAA or, you know, re-employment if those jobs were to come back or if, you know, the company was to open a new plant in the area. We know unions can help provide that bridge, and so I think it would help the racial disparity that we see in job displacement.

CHAIR KEARNS: Thank you.

Dr. Spriggs, anything you wanted to add to that?

DR. SPRIGGS: Yes, absolutely. So, despite an ugly history in the past with labor unions, people ignore the role of unions like the UAW and the importance they had in creating a different legacy for the labor movement. The President of the UAW himself is black.

So, when you look at the share of the workforce that's in the union, it's much higher for black workers than it is for white workers. In fact, the share of black women who are a member of unions is equal to the share of white men who are in unions.

So unions are exceedingly important for black workers, and it's for the reasons that you just heard. Unions create transparency in hiring decisions and in the treatment of workers. And that satellite is one of the most powerful tools in getting rid of discrimination because of that transparency. It's just so hard to have institutional factors that would get in the way of fair hiring but also fair treatment and fair dismissal.

And so, for black workers, people talk about the loss of manufacturing and how that hurt black workers because, in the late 1970s, black workers were disproportionately in manufacturing. It really was not just the loss of manufacturing but the loss of union jobs because the decline in those communities also meant the decline of unions in other sectors, and it was harder for black workers to land jobs where they would have the same kind of protection.

And so this is one of the most powerful mitigating forces that we've had. We know that in those states with higher union density that those are the states that spend more on K-12 education, those are the states that are more likely to have expanded Medicaid. So these are the states where the voices of workers influence the kind of decisions that the average worker cares about, invest in my children, have a health insurance system that can protect us. In those states with low union density, the voice of workers simply is not there, and we don't see the same level of investment in education or the ability to access health insurance just as an example, and, again, this hurts black workers.

So it is very hard to downplay how detrimental the decline in union density since the 1980s have been because black workers had a much higher share of union membership. It has been more severe a loss of union membership for black workers than for other workers.

CHAIR KEARNS: Thank you. That's very helpful. I think it's not always well understood by a lot of people in the general public that that's the case. That's very good to hear.

Mr. Nassar, just to follow up on that, we heard from a UAW member in the Detroit roundtable that when work slows down, there's a disproportionate impact on minorities because they are overrepresented at independent parts suppliers, which are typically not unionized. Can you say anything more about that?

MR. NASSAR: Yeah. Well, what we've seen is one of the major shifts over the past many decades. It used to be about 80 percent of a car's value was made at what we call the OEM final assembly, like where the car rolls off and goes to the dealer. Now it's pretty much reversed. It's almost three-fourths of the value of the car is in the parts sector.

I think that's for a bunch of different reasons, but it's definitely a much lower unionization rate. I believe it's in the teens in auto parts as compared to 50 percent for final assembly. And so we absolutely see that impact on the parts sectors, and that testimony is absolutely true that you heard before. Absolutely.

CHAIR KEARNS: Okay. Thank you.

And my last question. Dr. Spriggs, this is something that was touched on during the roundtables, but there's this issue, and it was touched on a little bit today during the hearing, I guess, but, you know, trade versus technology. Does considering how the effects of automation compare to the effects of trade on workers inform this study, and what does the most recent literature conclude about the effect of automation on employment and wages?

DR. SPRIGGS: Well, there continues to be a big controversy whether it's trade or whether it's automation, and autos in particular know, and in most of the industrial Midwest, the big automation effect took place in response to Japan. And so it was in the '70s and '80s when the biggest set of investments took place and we transformed the industry and then an adoption of Japanese practices in terms of suppliers not being the original manufacturer, as Mr. Nassar was just talking about, which was a huge transformation. Those were, you know, mostly before 1990.

So, when we look at NAFTA and we look at China, that was after some of the biggest changes had already taken place in terms of automation. The effect of automation in autos tended to be that the UAW argued for job security in the face of automation. And so workers rarely lost their job to a machine, and the UAW and the Big Three agreed to a massive training fund that let workers make that transformation.

My brother-in-law, as an example, because he went -- he entered late. He started working for General Motors in the early 1980s while this was taking place, ended up being one of those workers during the many layoffs who got a degree in electronics engineering so that he was trained to run robots. And so his job became repairing robots, whereas he had started as an assembly worker.

So he didn't lose a job for a robot. He was in charge of the robots. Eventually, he lost his job because -- not because of a robot but because the robots got shipped to Mexico. That's why he lost his job. It had nothing to do with did he have the ability to fix and repair robots. He was fixing, repairing, and programming robots, but the robots weren't in Michigan anymore.

So the reality is that that transformation in the '80s, yes, was technology-driven, but the '90s and forward has had far less to do with technology and far more to do with trade and that unbelievable drop in manufacturing jobs that took place that I talked about in my testimony in 2001 and 2002. We didn't see much in a lot of robots in the United States. We suddenly saw huge investments by American firms into China building up Chinese infrastructure, and that's where the investment went.

So I think the balance in the evidence is, yes, there's a period in the '70s and '80s when companies made that transformation, mostly, again, in response to competing with Japan, and since then, it's been mostly bad trade agreements, the loss of our unions, and not maintaining our minimum wage that have hurt workers the most.

CHAIR KEARNS: Okay. Thank you very much. Thank you all, all the panelists. This has really been very informative, and appreciate all your time.

Vice Chair Stayin?

(No response.)

CHAIR KEARNS: Okay. Do any other Commissioners have questions?

(No response.)

CHAIR KEARNS: Okay. Do Staff have questions?

MS. SCOTT: Thank you. Staff has no questions.

CHAIR KEARNS: Okay. Then we will break for lunch. Let's reconvene at 2:15, and thank you again to all of the panelists today, this morning. Thank you.

(Whereupon, at 1:27 p.m., the hearing in the above-entitled matter recessed, to reconvene at 2:15 p.m. this same day, Tuesday, April 19, 2022.)

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A F T E R N O O N S E S S I O N

(2:15 p.m.)

CHAIR KEARNS: Mr. Secretary, are there any preliminary matters?

MR. SECRETARY: Thank you, Mr. Chair.

I would note that all members of Panel 2 have been sworn in. There are no other preliminary matters.

CHAIR KEARNS: Okay. Thank you. Will you please announce our next panel?

MR. SECRETARY: Thank you, Mr. Chair.

Our first witness on Panel 2 is Scott N. Paul, President of the Alliance for American Manufacturing.

Welcome back, Scott. Good to see you. You have a total of 10 minutes for your direct presentation. Please begin when you're ready.

MR. PAUL: Thank you, Mr. Secretary. Thank you also, Chairman Kearns and Commissioners. On behalf of the Alliance for American Manufacturing, I'm pleased to have the opportunity to testify at today's public hearing on your investigation on the distributional effects of trade and trade policy on U.S. workers.

AAM is a non-profit, non-partisan partnership formed in 2007 by some of America's leading manufacturers in the United Steelworkers Union. Our mission is to strengthen American manufacturing and create new private sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America's economic and national security as well as to providing good jobs for future generations.

For the past 15 years, I've spent an extraordinary amount of time in nearly every corner of America, in cities big and small, listening to our diverse working families about their lives, their communities, their hopes, and their dreams, and I will say that manufacturing workers of all backgrounds have faced hardships because of offshoring, trade policy, and the incredible loss of factory jobs in recent decades, but black workers have suffered the most, and I'd like to use my testimony to highlight this often overlooked history.

While black working-class Americans experienced generations of discrimination and hard ceilings, in the mid-20th century, manufacturing offered an opportunity to earn a good wage and to begin to build wealth. Black factory workers bought houses, they moved into better jobs. Thriving black communities in cities like St. Louis, Chicago, Baltimore, Detroit, and Youngstown, Ohio, emerged. Then, as import competition intensified, the factories began to shut down and these communities were left gutted.

Trapped in place by redlining and discrimination, industrial flight had a devastating and disproportionate impact on black workers. Black Americans couldn't find new jobs as quickly as white counterparts. When these men and women did find other work, the pay was often significantly less. Black families didn't have as much in savings or other support to fall back on. Black workers didn't have the network or resources to move to a new setting for new opportunities.

Deindustrialization began in the late 20th century, but the story continues to play out today. When a factory moves out, wages go down in town, and many people stay in these communities, drawn by culture and family or trapped by discrimination or squeezed by underwater mortgages or debt. But, without the revenue generated by the factory, along with factory workers eating at local restaurants, shopping at local stores, donating to local charities, everyone and everything suffers, including the ability to fund and provide essential public services. When times are bad, the social fabric of a community is ripped apart when it can least afford it.

Now this shock has been felt in thousands of communities across America and particularly in the industrial heartland. And if you add social discrimination and structural inequities to all of this, one can quickly understand why standard economic analysis of trade and trade policies may overlook far-reaching and deep consequences.

This is why, for instance, an owner of the Baltimore Orioles more accurately analyzed the contribution of import competition, shifts in production, and deindustrialization to the massive social unrest his hometown saw back in 2015 than any trade or economic model ever could.

Surging imports of steel and shifts of production in other industries over decades reduced manufacturing employment in Baltimore by more than 100,000 from 1950 to 1995, driving up poverty and despair in the process. And between 1995 and 2022, another 20,000 jobs were lost in the city. The social and economic fabrics of our nation and of stressed communities are interwoven. One cannot be strong without another.

Now, as the ITC considers these matters, several studies bear careful consideration and thorough digestion. First, "The Decline in African American Representation in Unions and Manufacturing," authored by John Schmitt and Ben Zipperer at the Center for Economic Policy and Research. This study traced the decline in black worker representation by unions to a steep drop in manufacturing jobs, which other studies have demonstrated as highly correlated with import competition and shifts of production abroad. This decline in union representation, as other studies show, meant a loss in real wages and the ability to initiate or sustain wealth accumulation.

Second, "The Effects of Plant Closings or Threat of Plant Closing on the Right of Workers to Organize" by Kate Bronfenbrenner of Cornell University for the North American Commission for Labor Cooperation in 1996 -- and I've seen this study referenced in the first panel already -- it demonstrated the rapid acceleration of the threat and follow-through of employers to close factories during collective bargaining actions in the wake of the implementation of the North American Free Trade Agreement.

In more than 1 in 10 cases, employers directly threatened to move to Mexico if the workers voted to unionize. This demonstrates how trade policy tilted the scale towards employers once tariff-free or low-tariff access to American markets were secured, and then the most vulnerable workers suffered the most severe consequences.

Third, "Unmade in America: Industrial Flight and the Decline of Black Communities" by Gerald Taylor for the Alliance for American Manufacturing in 2016. Gerald's research showed that massive factory job loss hit America's black communities especially hard. Proportionately more black workers were unemployed than white workers as a result of this and stayed unemployed for longer. The wealth gap and housing discrimination also made things work -- worse, excuse me, for black manufacturing workers to rebound.

Fourth, "Botched Policy Responses to Globalization

Have Decimated Manufacturing Employment with Often Overlooked Costs for Black, Brown, and Other Workers of Color" by Robert E. Scott, Valerie Wilson, Jorie Condra, and Daniel Perez at the Economic Policy Institute this year. This research shows that the loss of manufacturing jobs has been particularly devastating for black and Hispanic workers and other workers of color, who represent a disproportionate share of those without a college degree and for whom discrimination has limited access to better-paying jobs.

EPI estimates that between 2001 and 2011 the growth of the trade deficit with China displaced 958,800 jobs held by workers of color, representing 35 percent of total jobs displaced by the growing trade deficit with China. Workers of color suffered large trade-related wage losses of $10,485 per worker in 2011.

In conclusion, I would say that the Commissioners and staff should be commended for the manner in which you are approaching this important task. Outreach to impacted communities ensures that workers' voices are at least present throughout this investigation, and we are grateful for the sincerity and thoroughness of your efforts.

Too many trade policy conversations and formal methods of analysis have failed to capture many of the long-lasting and indirect costs of trade agreements and other policy decisions that have led to more intense import competition and shifts of production abroad. It's well past time for a change, and we look forward to productively engaging with you as this process moves ahead. Thank you.

MR. SECRETARY: Thank you, Scott.

Our next witness is Edward Gresser, Vice President for Trade and Global Markets with the Progressive Policy Institute.

Welcome back, Ed. Good to see you. You have a total of 10 minutes for your direct presentation. Please begin when you're ready.

MR. GRESSER: Thank you very much, Mr. Secretary, Commissioner Kearns, members of the Commission. I join Mr. Paul in congratulating you and thanking you for the in-depth look at the effects of trade and trade policy on America's underserved and underrepresented workers and communities. And I would also like to express my admiration for Ambassador Tai for seeking this investigation and trying to bring these findings and the deeper issues of the poor and the unrepresented into trade policymaking.

I listened closely and with great interest to the panel earlier today. They discussed and you discussed some quite complex issues. The role of tariffs in retaliations and dealing with unfair trade practices, how to balance their intended reducing unfair trade practices with the damage they may do to U.S. businesses and their employees, the roles of education and trade adjustment assistance in addressing trade-related job loss, and challenges of creating export communities in disadvantaged regions. These are very important and quite complex matters, and I value the panelists and the Commissioners for doing the examination.

My own testimony will deal with an issue that I think is less complex and maybe in a lot of ways fairly simple. Briefly put, I would like to -- the main point I would like to make is that the U.S. most favored nation tariff system is a regressive element of the U.S. tax system with disproportionate negative effects on low-income families, especially single-parent families, and also on African American and Hispanic families, and that the system could be significantly reformed in their interest with very little and possibly no social cost.

This conclusion emerges from four facts. One, the type of goods that are in MFN tariffs are taxed the most heavily; two, the types of people who spend the largest shares of their income on these goods; three, an internal skew in which luxury goods are taxed lightly and mass market goods heavily; and four, the characteristics and ineffectiveness of the protective employment or production in consumer goods. Let me take each in turn.

First, the U.S. MFN tariff system is mainly a way to tax home goods. As Table 1 in my written testimony shows, in 2017, that is, the last full year before imposition of the Trump Administration's 232 and 301 tariffs, the tariff system provided about $32.9 billion in revenue. Most of this came from a small set of consumer goods, specifically clothes, shoes, home linens and carpets, travel goods, silverware, prints, and drinking glasses. These made up about $144 billion of the U.S. $2.3 trillion in imports or 6 percent of the total and raised $17 billion or 55 percent of the $32.9 billion in tariff revenue.

By way of comparison, the Trump Administration's imposition of tariffs of 7.5 percent, 10 percent, and 25 percent on steel, aluminum, and a range of Chinese goods received a lot of attention and drew a lot of controversy because these rates seemed quite high. But, in the home consumer goods world, tariffs of 7, 10, and 20 percent or higher are the MFN norm. On average, they have trade-rated tariff rates around 11.3 percent, 15 times the MFN rate on all other goods.

Second, since tariffs are principally ways of taxing home necessities, the tariff system is a regressive element of the tax system. Data from the Bureau of Labor Statistics shows that poor families spend more of their income on clothes, shoes, and other home necessities than middle-class or wealthy families. In practice, single-parent families, earning on average $48,600 per year in 2019, spend about 5 percent of their income on these goods. Wealthy families earning much higher incomes spend about 3.5 percent of family income on these goods. Likewise, African American and Hispanic families spend more on these goods at 4.6 and 3.9 percent of income than others, with the national average of 3 point -- or white family average is 3.1 percent at the same time.

The implication of these data is clear. Low-income families and African American and Hispanic families devote more of their budgets to home necessities. The MFN tariff systems raises a disproportionate share of revenue from these products. Therefore, it is bound to be regressive in taxing poor families more heavily than rich or middle-class families. Likewise, you will have disproportionate effects, even if not huge ones, by race and ethnicity.

I'll commend to you an excellent recent statistical review of the system by Manuel Acosta and Libya Cox referenced in the testimony but only by footnotes since it's so recent. They conclude that regressivity "is present across the entire tariff schedule and especially pervasive on consumer goods" and that this "substantially alters the implied distributional gains from trade."

Third, U.S. consumer goods tariffs are low on luxury goods but high on cheap mass market goods. In most of our major trading partners -- that would be the European

Union, Japan, China, Australia, Canada, et cetera -- tariffs are relatively level within particular products. In the U.S., this is not the case. Instead, tariffs are often steeply skewed against poor people, with cheap mass market products taxed at especially high rates while analogous luxury goods get low ones.

As examples, tariffs on shoes range from 8.5 percent for dress -- to 20 percent for lead running shoes and 48 percent for cheap sneakers, reported at under $3 per pair. Tariffs on forks are zero if they're silverplated but 15.8 percent plus a 0.9 cent per for fee for cheap stainless steel forks costing under a quarter each. Tariffs on men's shirts are 0.9 percent for silk, 16 percent for cotton, and 32 percent for polyester. Fundamentally, we should think of this as a system that taxes stockbrokers and lawyers lightly and maids and security guards heavily.

Fourth and finally, few tariffs on home necessities appear to be effective protectors of production and employment. I looked at the Commission's work in this hearing and the studies focused on the worker impact of policies. What's striking here is that the persistence of high tariffs on low-priced consumer goods has not at all been effective in protecting employment. As MFN tariff rates for these goods remain stable through decades, the world changed around them. We can recount the industrial development in formerly poor countries, improved logistics and the steady growth of the container shipping fleet that carries low-priced manufactured goods and improved communications all serving to reduce the cost of trade and make tariffs less effective year by year.

Because of this, the power of tariffs in these areas through sustained employment or production has steadily diminished and often vanished. In shoes and clothes, for example, the import shares of the U.S. market are 98 percent and 97 percent respectively. Employment in both industries have dropped way over 90 percent. No cheap sneakers at all are made in the United States, nor to the best of my knowledge are any low-priced forks. In such cases, tariffs have become essentially excise taxes and should be analyzed as such rather than as trade policy.

Conclusion. What, if anything, can be done about this? Well, as we are all hearing and we all know in daily life, trade policy can have many purposes. One purpose should be to support the living standard of vulnerable Americans in their lives as workers and managers of limited family budgets other than through promoting U.S. growth and economic efficiency, providing opportunities for exporters, and ensuring that American workers are treated fairly in global markets.

These goals do not always complement one another.

A particular trade policy choice may be good for the nation but to some degree bad for vulnerable communities and/or good for some vulnerable communities but harmful to others. In such cases, Congress and administration officials must make intellectually and ethically complex decisions both on national interest adjustments and compensation.

On the other hand, sometimes policy choices can be intellectually and ethically simple. If a long-established policy is generally regressive and often discriminatory against the poor and ineffective or entirely ineffective in some cases in protecting employment and production, then there's a strong argument to simply scrap them.

Let me leave it there. Thank you all very much, and I look forward to your questions and discussion.

MR. SECRETARY: Thank you, Ed.

Our next witness is Melinda St. Louis, Director of Public Citizen Global Trade Watch.

Welcome, Melinda. We appreciate you joining us. You have a total of 10 minutes for your direct presentation. Please begin when you're ready.

MS. ST. LOUIS: Great. Can you see my slides?

MR. SECRETARY: Yep. Looks great. Thank you.

MS. ST. LOUIS: Great. Thank you. Mr. Chairman and members of the Commission, thank you so much for the opportunity to testify today on the distributional effects of

U.S. trade policy on U.S. workers. My name is Melinda St. Louis, and I recently joined as the Director of Public Citizen's Global Trade Watch. Public Citizen is a national public interest organization with more than half a million members and supporters, and for 50 years, we've advocated for some -- with some considerable success for consumer protections and government and corporate accountability.

For decades, the trade policy community in Washington has pushed for more and more of the same free trade agreements while often mentioning winners and losers as an afterthought. But the damage of corporate-led hyperglobalization that has been implemented over the past decades by NAFTA, the WTO, and other free trade agreements has been well documented, from mass job offshoring to unreliable supply chains, to downward pressure on wages, to weakened consumer and environmental protections. And that's why it's so important that the Commission has embarked on this discussion of the distributional effects not as an afterthought but as central to the discussion of U.S. trade policy.

Since the 2016 election, many have reflected on how Donald Trump hijacked progressives' critique of corporate globalization and job offshoring but reframed it into a narrative of resentment with racial lies, appeals to white working-class voters, focusing on white non-college-educated workers as the main victims of corporate-led hyperglobalization.

Today, I'd like to summarize, though, a report, the findings from a report by Public Citizen from 2021 that challenges that narrative by demonstrating that the trade-related decline in U.S. manufacturing had a dire impact on racial minorities, particularly African Americans. We do intend to update this report with more current data and we'll also share those findings with the Commission when we do.

As has been said, a strong manufacturing sector means higher wages, better working conditions, greater rates of unionization, and more economic stability. Manufacturing wages have been significantly higher on average than those in the service sector. And what we've seen is that Latino and black workers impacted by trade deals struggle harder to find new jobs and face larger pay cuts when they do, exacerbating the existing wealth inequality between black and Latino families relative to their white counterparts.

Since the start of NAFTA and the WTO, there have been than 3 million U.S. jobs that have been certified under the Trade Adjustment Assistance Program, and as you know, that is a significant undercount of the number of jobs that have been lost. Because of the requirement of proving that it's trade-related, only certain jobs have qualified over the years, et cetera. And according to the BLS, over 60,000 U.S.

factories have closed and overall U.S. manufacturing, net U.S. manufacturing has declined by 4.5 million, one out of every four manufacturing jobs, and two out of every five rehired in 2018 were paid less in their new job, with one in six losing greater than 20 percent of their income.

I think it's important to note that when we're talking about distributional effects and offshore jobs that each displaced worker is a person who is part of a community and has a story. And like the testimony from Ghana Goodwin-Dye, one of our partners with the UAW, Local 909 in Michigan, who said that when our jobs were shipped to Mexico, it created a void for the entire community not just where the plant was but the communities that encompassed the entire metropolitan Detroit area. And for those who had a union contract, they had the opportunity to move, but many of them weren't able to do so. And she said these were the well-paying jobs and there weren't other well-paying jobs created in their place. And so we need to keep that in mind.

As was mentioned, the 2018 report by the Alliance for Manufacturing documented the impact of long-term unemployment experienced by African Americans contributed to the impoverishment of black communities. And people of color both in the U.S. and in the global South have born the brunt of the damage caused by corporate-led globalization. We've seen just in the case of NAFTA, displaced more than 2 million

Mexicans engaged in farming and related work in Mexico. Many of them were displaced, headed to the Mexican border, to the maquila factories and across the U.S. border in search of work.

In our report, we looked and saw that the narrative that white non-college-educated workers were the primary victims of this job loss was not borne out by the data. This table has 10 manufacturing subsectors that experienced the greatest trade balance decline between 1993 when these agreements went into effect in 2019. African Americans, Latinos, or both represented a larger share of the workforce in these sectors compared to their share of the entire working population in nine out of 10 of these industries.

Furthermore, the BLS has said that black workers lost nearly half a million manufacturing jobs during the NAFTA-WTO era, and during the last 25 years, 182,000 Latino jobs in the textile, apparel, and leather manufacturing was lost alone. In electronics, there were more than 100,000 jobs lost while people in Mexico were working across the border in electronics factories earning less than $2 an hour.

We also looked and saw that in the states, that in some of the most diverse states is where we've seen the greatest concentration of job loss. Of TAA-certified job losses, 57 percent of those were in the 15 states that have the majority of black population, and 50 percent of the government-certified TAA job losses were in the 15 states where there's 85 percent of the Latino population, whereas, in the least diverse states, we actually saw that there was less manufacturing and therefore much less, less than 20 percent of job loss.

And this has exacerbated the debilitating wage gap that's been reinforced by this race to the bottom. There are only so many non-offshorable jobs for people without a college degree, such as in the hospitality and retail industry and greater competition for those jobs combined with a nationwide decline in union membership has led to this race to the bottom.

While all workers in the U.S. with similar education levels have suffered growing economic insecurity in this period, the structural biases in educational levels and racial prejudice has added a toxic fuel to this race to the bottom.

Black and Latino workers have been over-represented among those whose wages have stagnated. For those who have lost manufacturing jobs, U.S. Latino and black workers are much less likely to find a replacement job. For every 100 workers who lost their jobs, more than 21 black and Latino workers remained unemployed, where it was 14 for every of their white counterparts.

As was mentioned, the Economic Policy Institute study from 2013 shows that nearly 1 million black, Latino, and Asian workers who were displaced by the China Shock suffered a net pay cut as large as $10,500 per worker per year on average.

And disproportionate pay cuts await those who lose manufacturing and find new jobs. More than half of black workers and 60 percent of full-time Latino workers are less than $15 an hour, compared to the U.S. average of 42 percent.

So, in conclusion, it's -- I wanted to say that we -- as the U.S. confronts this deep-seated racism and looks at investigating the outcomes, it's very important to look at the disparate impacts, and that's why it's so important that this study look at one piece, which was the trade-related job loss in manufacturing, but additional inquiry needs to look into other trade rules, such as expanded monopolies for pharmaceuticals and other types of new regulatory policies that have had disparate impacts.

Rethinking our trade agreement is critical to aiming the halt and the decline in manufacturing in the country, making our economy more resilient to crises. We are encouraged by the equity action plans that were released last week by the USTR and the commerce department. It will be really critical for those plans to really incorporate the voices of marginalized communities and translate into real sustained understanding of what some of these impacts of trade policies might be in this area.

Thank you very much.

MR. SECRETARY: Thank you, Melinda.

Our next witness is Teryn Zmuda, chief economist and chief research officer with the National Association of Counties.

Welcome, Teryn. Good to see you. You have a total of 10 minutes for your direct presentation. Please begin when you're ready.

MS. ZMUDA: Thank you.

To the United States International Trade Commission, thank you for holding today's hearing on the distributional effects of trade and trade policy on U.S. workers, and thank you for providing the opportunity to testify.

The National Association of Counties represents the nations 3,069 counties with county governments across the United States, including Alaska's boroughs and Louisiana's parishes. Founded in 1935, NACO assists America's counties in pursuing excellence in public service to produce healthy, vibrant, safe, and resilient communities. This hearing addresses critical issues for county governments.

Across the nation, counties are engaging in strategies to expand economic productivity through trade and business, including encouraging local businesses to export domestically and internationally, stimulating foreign investment, developing international business relationships, forming regional partnerships, and building adequate infrastructure.

Counties across the country are responsible for over $2 trillion in trade output annually. Among the 130 county jurisdictions with populations over 500,000, nearly $1.3 trillion in economic output is attributed to trade. In some counties, trade is the primary economic producer -- per 2019 economic output, trade was the top economic producer in 48 counties. Those counties, located primarily in the South and Midwest regions, were collectively responsible for more than $25.6 billion in trade-related output.

Counties play a significant role in fostering trade within the local economy. As you heard earlier from Commissioner Schrader and Commissioner McKinlay, many counties have economic development offices responsible for creating strategic plans that promote trade, including international trade, for the businesses within the community. For example, Pima County, Arizona's 2019-2021 Economic Development Plan outlines key steps the county can take in partnership with neighboring counties to foster international trade across the region.

Similarly, in counties across the Midwest, local officials are working with international investors to revitalize old manufacturing hubs to create jobs and economic prosperity for those in the local community. These strategic partnerships stimulate foreign investment locally and cultivate international business relationships for future development opportunities.

Furthermore, the role of the county in international trade is particularly relevant for counties along the southern and northern borders of the nation. For instance, San Diego County, California, along the Mexico border and the Pacific Ocean, is a strategic hub for international business and trade.

Counties are primed to expand economic productivity through trade by focusing on infrastructure -- a particularly open opportunity as counties work to recover from the pandemic by investing American Rescue Plan Act funds, through the state and local fiscal recovery fund, and applying for programs under the bipartisan infrastructure law. Nationally, counties invest in the operation, maintenance, and support -- and support sea and inland port facilities, such as the Port of Detroit in Wayne County, the largest seaport in Michigan, processing goods worth over $130 billion in 2020.

County government leaders live and work in the same communities as the people they serve. As such, counties are acutely aware of the disparate impacts of public policy on local communities. From offshoring jobs to lack of investment within communities, impacts of trade policy have historically produced disproportionate impacts across demographics within communities.

According to the Washington International Trade Association, the impacts of trade policy on the manufacturing sector had disproportionate effects on populations by demographics. Impacts of trade policy are not limited to the availability of employment; trade policy impacts local communities through many facets, including wage stability, regulations and product availability, which have come to the forefront during the pandemic.

Because local leaders experience these impacts along with the local community, local leaders are uniquely positioned to invest in ways that foster economic resiliency in trade while ensuring our local industries are protected. By investing in local infrastructure and developing international partnerships, counties stabilize the local and national economy while creating economic prosperity and opportunities for the local workforce.

In Wisconsin, eight counties have banded together to form the Madison Regional Economic Partnership. This group of counties is leveraging national -- leveraging natural and built resources to support local businesses in the agriculture, food and beverage, and manufacturing sectors.

In responding to the pandemic, MadREP leveraged funding from the CARES Act to conduct a 20-month study on the participating counties to map the local assets, including labor force, raw material supplies, etc. This information will help the counties to invest in enhancing local businesses, including export-related industries in advanced manufacturing, to create new opportunities for local communities, including underserved and disproportionately impacted communities.

In conclusion, county leaders play a crucial role in fostering trade and supporting local communities. Counties stand ready to engage with the U.S. International Trade Commission, Congress, and other federal agency partners to support trade and develop trade policies that benefit all U.S. workers.

Counties look forward to further strengthening the intergovernmental partnerships around international trade to create healthy, vibrant local communities for all American workers and families.

Thank you again for the opportunity to testify on this critical topic.

MR. SECRETARY: Thank you, Teryn.

Our final witness on this panel is Derick G. Holt, partner with Wiley Rein.

Welcome back, Derick. Good to see you. You have a total of 10 minutes for your direct presentation. Please begin when you're ready.

MR. HOLT: Thank you, Bill.

Good afternoon, Chairman Kearns, commissioners, and commission staff. I am Derick Holt, a partner in international trade packets (phonetic) at Wiley Rein. I've been practicing international trade law for 11 years, primarily representing domestic companies that produce, manufacture, or grow products in the United States.

Through my experience, I have seen first hand how unfairly traded imports have harmed U.S. workers and their communities. I appreciate the opportunity to testify before you today regarding the distributional effects of trade and trade policy on U.S. workers, especially black and Latin-X (phonetic) Americans.

Before I start, I would like to note that this statement represents my personal views and is not intended to represent the views of Wiley Rein or any of my clients.

International trade provides opportunities and challenges for American workers, businesses, and communities. Traditional U.S. trade policy promised to create more jobs and increase wages for Americans while at the same time, reducing prices and expanding choices for consumer goods. By increasing access to new markets, U.S. companies would have the opportunity to grow export sales, leading to job creation at home and rising incomes. These were the promises of NAFTA, these were the promises of the WTO, and these were the promises when China entered the WTO also.

As companies moved production of manufactured goods outside of the United States to take advantage of lower labor and environmental standards in emerging markets, U.S. manufacturing jobs have declined significantly. Unfairly traded imports that are dumped or subsidized by foreign governments also negatively impact American workers by reducing hours, wages, or, even worse, shutting down entire manufacturing plants. These manufacturing jobs typically provide health benefits and livable wages that allow workers to purchase homes, save for emergencies and retirement, and help send their children to college. What was once a path to the middle class for many workers, especially for black and Latin-X Americans, is now becoming more narrow due to traditional U.S. trade policy and the decline in manufacturing jobs.

Black and Latin-X workers have been disproportionately affected by traditional trade policy. Black and Latin-X workers and businesses have been systemically and disproportionately affected on both sides of the international trade equation. While industrial flight and increased imports impacted the quality and availability of manufacturing jobs for black and Latin-X workers, they were also unable to pivot to quality service sector jobs. Black Americans, in particular, were unable to equitably benefit from trade by exporting goods and services despite access to new markets.

Black and Latin-X workers have been disproportionately impacted by offshoring and unfair trade. On the import side of the equation, traditional trade policy favoring corporate globalization and job offshoring has disproportionately impacted black and Latin-X workers. Research from a 2021 report published by Public Citizen's Global Trade Watch demonstrates that black and Latin-X workers were disproportionately represented in nine out of ten manufacturing industries that have been hardest hit by import competition since NAFTA and the WTO went into effect.

These industries include several of the U.S. -- several that the Commission is already familiar with, such as fabricated metals, primary metals, furniture, plastics, rubber, chemicals, transportation equipment, paper manufacturing, and the beverage industry.

In the last 25 years, black Americans lost 494,000 manufacturing jobs based on employment data from the U.S. Labor Department. When black and Latin-X Americans lose manufacturing jobs to unfair trade and offshoring, the next best job in their geographic location is often a lower quality job in the service sector. These service sector jobs tend to have lower wages, less benefits, and are typically non-unionized.

During the roundtables, the Commission heard several anecdotal stories explaining how the loss of manufacturing jobs affected under represented communities and the economic as well as logistical challenges of migrating to new industries. The academic symposium provided empirical data to back those stories up. The promises of NAFTA and the WTO, which included more jobs and rising wages, did not materialize for many black and Latin-X Americans.

Black and Latin-X businesses and workers are under represented in exporting goods and services. On the export side of the equation, black Americans have not equitably enjoyed the benefits of trade. According to The Census Bureau's 2018 Annual Business Survey, exports comprise a mere 0.65 percent of total receipts for black businesses. In comparison, all other companies export at a rate five times greater than black-owned businesses.

Because only 1.1 percent of black businesses operated in the manufacturing sector, the 0.65 percent figure likely does not represent the significant exports of goods. Where exporting goods could have been an opportunity zone for black Americans, the data shows that black businesses are not participating in or benefitting at equitable rates compared to all other companies.

With respect to exporting services, black and Latin-X workers are under represented in the top U.S. industries that export services. The United States is the world's largest services cross-border exporter and importer, while the U.S. maintaining $289 billion trade surplus.

According to the U.S. Department of Commerce, Bureau of Economic Analysis, in 2019, the United States' top three exports services were professional services, travel services, and financial services. These three services alone account for 74 percent of the $853 billion in services that the U.S. exported in 2019.

Unsurprisingly, black and Latin-X Americans are under-represented in these industries, especially at the highest levels of influence. For example, while black and Latin-X workers account for 12.8 percent and 17.4 percent of the workforce, ethnic minorities in the hospitality, travel, and leisure industry account for only 6.0 percent of board members and 3.8 percent of executive committees of companies in 2020.

With respect to financial services, black and Latin-X workers account for only 9.7 percent and 9.1 percent, respectively, of the total workforce, according to data of the Economic Policy Institute.

Similarly, black and Latin-X workers are under-represented in virtually all other professional occupations except for community and social service occupations, which tend to be professions that are unlikely to be exported and have lower wages.

Given that U.S. exports of services have been a bright spot for U.S. trade policy, the disproportionate participation in these key industries demonstrates that black and Latin-X Americans are not reaping the full benefits of trade.

Both imports and exports have negatively impacted Black workers in America. Over time, imports and the loss of manufacturing jobs have caused a hollowing out of expertise, skills, and development for black workers, especially in manufacturing. The Commission has examined this phenomenon in cases before it when unfairly traded imports cause production facilities to shut down while others have to reduce or curtail capital investments that could otherwise help the company thrive.

Nearly a half a million jobs lost by black people is significant, and this has hindered the expansion of black businesses in manufacturing here at home and also to export goods.

Beyond the hollowing out of manufacturing jobs, access to credit and private capital provide additional barriers for underserved communities to export. According to the Federal Reserve, the average small business loan was $663,000, which may not be sufficient to start and build out sufficient manufacturing in the United States.

Additionally, while discrimination in lending is prohibited by law, racial disparities still exist and hinder people of color from starting manufacturing businesses. While there are some sources of private capital for manufacturing, this source might not be ideal because the scale-up time for manufacturing often exceeds the hold time for venture capital.

An inclusive trade policy must also consider underserved communities as business owners. In her opening statement before the Senate Finance Committee, Katherine Tai stated that, "We must pursue trade policies that advance the interests of all Americans", policies that recognize that people are workers and wage earners, not just consumers.

For U.S. trade policy to be inclusive, we must go further. Our trade policy must also recognize members of underserved communities as business owners and not just workers. This is especially true for black and Latin-X communities, where traditional trade policy has led to a widening racial wage, wealth, and employment gap.

To make the benefits of trade inclusive for all Americans, the United States should carefully consider actions that support under represented communities from enter

-- I mean, entering manufacturing.

There is no easy solution to remedy the detrimental impact of traditional trade policy on underserved communities, especially black and Latin-X Americans.

I see that my time is up. Can I quickly finish?

MR. SECRETARY: Yes. Go ahead, Derick.

MR. HOLT: Thank you.

However, the U.S. should consider a broad range of solutions that will make the benefits of trade accessible to all Americans.

One potential solution to make the benefits of trade accessible for all Americans is that the U.S. should invest in policies that encourage environmentally sustainable manufacturing in underserved communities.

Second, the U.S. should actively encourage and support underserved communities to start or expand manufacturing businesses in the United States. Access to capital is an obstacle that prevents many minority businesses from thriving and contributing more to economic growth and their local communities. So developing loans for minority businesses in the manufacturing sector would help that cause.

And then the last one is that while there are national solutions, the Commission can do its part by collecting data on underserved communities through its normal evaluation of antidumping and countervailing duty cases. The

Commission reviews dozens of cases in industries in each year that are materially threatened or injured with material injury. And collecting information by race, gender, ethnicity in those questionnaires will be a way for the Commission to contribute to having the detailed information on production workers.

Thank you again for this opportunity to testify, and I look forward to answering any of your questions.

MR. SECRETARY: Thank you, Derick.

Mr. Chair, that concludes direct testimony from this panel. We would welcome and invite all of our panel members to go ahead and activate your webcams during Commission questions. Thank you, Mr. Chair.

CHAIR KEARNS: Thank you, Mr. Secretary.

I'll start questions. First of all, thank you all for appearing before us today. This is all very helpful.

I want to start with a question that I also asked this morning, which is how widespread the negative effects of trade are. As you may have heard me this morning, I mean, we tend to say that, you know, there's this notion that the benefits of trade are diffuse but that the costs are concentrated on just a few individuals, but that seems a bit at odds with what we hear about the impact on wages, that, you know, as I said this morning, there's a -- it would make sense -- and we talk about this in other areas of trade where, if you have a high price before trade in one market and a low price for a commodity in another market, those tend to equalize.

And I guess the question is, is the same true with wages? So any thoughts on that? How should we determine how widespread the negative effects that we've been talking about are from trade? Ms. St. Louis?

MS. ST. LOUIS: Yes. Thank you for the question. I think, as you well mentioned, that the suppression of wages and the fact that the job loss, job offshoring, and the overall kind of competition for fewer jobs that have high unionization rates or that are available, particularly to workers who do not have college degrees, we have seen kind of widespread wage stagnation.

You know, and while trade policy isn't the only reason for that, as we mentioned, you know, union density is a huge part of that, et cetera, but, as was mentioned, the threat of offshoring of jobs has also led to wage stagnation as, during collective bargaining, opportunities for workers to advocate for their rights when there's the threat that their job could be offshored really has led to, you know, flat wages in a lot of ways.

And that is not just those whose plants shut down, but I think that it did make an impact more broadly. And, you know, I mean, and we're just talking about, again, the impact of the offshoring of manufacturing jobs. But there are other trade terms that also have caused damage, you know, in terms of the expanding pharmaceutical monopolies that have caused increases in medicine prices, and that obviously has impacts broadly, and other terms like that that are not what we typically think of as trade policies but that are part of these free trade agreements.

CHAIRMAN KEARNS: Thank you. Mr. Paul?

MR. PAUL: Thank you. I'd just like to add and build on some of the comments that Ms. St. Louis made. I think that the impacts, particularly the negative impacts, of import competition and shifts in production as a result of trade policy or trade are both broad and deep, and I think there's great evidence for that.

I believe that you're familiar with the work that David Autor, David Dorne, and his colleagues have done on just an analysis of the China import shock, which showed that in communities that suffered plant closures -- and there were not hundreds, there were thousands of them across the country -- the impact went well-beyond manufacturing wages into the wage base of non-manufacturing workers as well. And so it's important that analyses capture that aspect of it.

And then I think the other, the geographic aspect of this, is also very important. And I will be the first to admit that the Trade Adjustment Assistance database is an imperfect tool; it doesn't capture all of the losses as a result of trade policy. But it does show that there have been severe community impacts in every state in this country, and the research that is built on trade impacts shows that those displacements as a result of trade tend to be longer and deeper, particularly for vulnerable populations, and by vulnerable populations, I'm talking about people who may lack a Bachelor's degree, which is the majority of Americans in this country, or who are black or Hispanic, or perhaps women as well.

And so I think that it is an entirely accurate statement to say that the literature that's available on this captures a small piece of what is important. And, you know, traditionally, when we've looked at economic analysis of trade agreements, you know, whether it's done by the ITC or other institutions, they've kind of wildly underestimated the human capital impacts of what has occurred.

Of course, some of that is because what was borne out in the model didn't happen, but I think that has to be a consideration going on, is that there are vulnerable populations that are going to suffer deeper, longer impacts of this and that those impacts are not going to be confined to the factory itself or even to the upstream and downstream producers. It's going to be felt by every person in those communities.

CHAIR KEARNS: Okay. Thank you. Mr. Gresser?

MR. GRESSER: Yeah, some things in common, some different perspectives. Mr. Paul mentioned the work of David Autor and Gordon Hanson, which was quite interesting and illuminating. Their general view was that competition with China had accounted for about a fifth of net manufacturing job loss from mid-1990s to 2011, that the unbalanced trade with China was a net gain for the United States but that the impact had been heavy on disadvantaged workers and communities and that their numbers were not small.

Since then, manufacturing employment has been steadily rising since 2011, so I think there is a reason to believe that the country has adjusted and that the sector's fortunes have turned up.

In the longer frame, you ask a very provocative question about wages in the United States and wages in competitor and partner countries. This is really the classic question of American trade policy. As you probably know, the first U.S. trade document was Alexander Hamilton's report on manufacturers in 1791, and he raises exactly this question. How can U.S. as a high-wage country compete with lower-wage countries? And he suggests that the answer is productivity, that we need to become innovative, we need to develop more efficient factories, and if we do that, we can compete with the low-wage rates at the time.

That was the fundamental debate of U.S. trade policy throughout the 19th century and up to the 1930s, where President Hoover had that same question in his mind but said that actually we can't compete with these low-wage countries.

But I think Hamilton was always right about this, that the experience of industries that have held onto high tariffs or that have used trade protection very heavily shows that it is short-term good, it can help provide time to adjust and become more competitive, but then it doesn't work in the long term. And, you know, the textile and shoe industries are a real testament to that, having held onto a kind of 1930s high-tariff system for a long time really has not been good either for them or for low-wage Americans.

So, when we're thinking about how to compete, we need to think about ensuring fair terms of trade. We need to think about ensuring open markets, but we have to lean hard on education and innovation and competitiveness within the country, and that's really the core that allows a high-wage country to compete with the world and has done so for 200-plus years.

CHAIR KEARNS: And so, to follow up on that, you heard our discussion this morning where we were talking about, you know, do wages reflect productivity levels and, you know, what do we need to do when it appears as though other countries like China are investing heavily in innovation, and the government of China, the non-market economy of China, is investing heavily in those things, and we had some witnesses who thought that, you know, we can just -- the private sector here in the U.S., that the best way to compete is just for the private sector to innovate on its own and things will go okay.

What did you take from that conversation this morning? Do wage differences just reflect productivity differences, and does that mean that, you know, the U.S. wage will continue to be greater than the wage in China or the wage in Mexico and won't really be an issue of job loss because of that difference? Or what was your takeaway from that conversation this morning?

MR. GRESSER: I guess I would think of those as two different questions. One would be is there a U.S. Government role in promoting competitiveness and, you know, bringing up U.S. level of productivity, and there I'd say definitely yes, that I think it's very clear we have for a long time underinvested in infrastructure, in seaports and airports.

CHAIR KEARNS: And if I could break in, I know you want to answer the second part too, but if that's the case and we haven't invested enough yet, has that hurt the United States, and what should we do on trade policy until we invest more? I mean, should we have trade policy that doesn't sort of recognize the fact that we're not investing enough in our technologies, or how would you respond to that?

MR. GRESSER: No, I think the United States is not an uncompetitive country. We have a lot of very strong industries. We are a large exporter, second largest in the world. We need to focus more on the export sector than we have in the last five years or so.

What I have noticed in looking at data from BEA is that we had a count of about 304,000 exporting companies in 2014 and '15. As of 2020, we were down to 270,000. That is artificially low because of COVID, but it has eroded over time, and I think we do need to look at opening foreign markets and providing the sorts of financing and SME support that I believe Derek was talking about.

But, you know, I think a strong government R&D investment and a strong infrastructure investment program will on balance make the U.S. more competitive generally, but that's obviously not deterring imports at the moment.

So, no, I don't think we should put export advocacy or advocacy for the living standard of low-income people on hold while we debate infrastructure and the right level of R&D investment.

CHAIR KEARNS: Okay. Did you want to answer the part about productivity and wages?

MR. GRESSER: Yes. Productivity is at the core of competitiveness, and if you have a high-wage, low-productivity sector, then it is going to be deeply troubling. If you have a high-wage, high-productivity sector, it will be more successful. It's not the whole of the story. We need a lot of activism in other areas, but it is at the core of how we solve competitiveness problems.

CHAIR KEARNS: And do you think, though, that in the U.S., Mexico, China, in those three countries, that wages simply reflect the marginal productivity of labor, or do you think that that isn't necessarily the case?

MR. GRESSER: I think they approximate them. They don't always exactly reach them, and government subsidies in some cases can artificially draw investment.

Also, to your earlier question, you know, I think you had asked whether low wages will draw industry in and of themselves. And in some cases, they do. I think that's clearly what has happened over the history of the clothing industry. It began near my hometown in Massachusetts. It migrated south. It migrated to Hong Kong and Korea and so forth, centered in China for a while, and now it's moving to Bangladesh.

So there are cases like that, and their at least experience shows it's quite difficult to reverse through policy means. But there are also industries that are almost wholly dependent on competitiveness, and those I think would be a lot of the high-end manufacturing industries.

CHAIR KEARNS: Okay. Thank you.

Vice Chair Stayin?

VICE CHAIR STAYIN: Yes. What interventions have proved effective in reducing any negative effects of trade policies on certain racial and ethnic groups? Yes, Mr. Paul?

MR. PAUL: Commissioner Stayin, thank you for the question. I think that there is emerging evidence that the U.S.-Mexico-Canada agreement has at least provided new tools available to limit wage suppression efforts in Mexico, which impact, again, import competition, shifts of production, particularly with respect to auto parts, electronics, and auto assembly. And, obviously, these tools are new. They've only been implemented for the last, you know, couple dozen months, but I think that that has demonstrated some ability to be valuable.

I do think that trade enforcement actions -- Mr. Holt underscored some of these as well -- are critical to leveling the playing field. And there are industries in the United States that are both high-productivity and high-wage, but they suffer from a lot of import competition that is underpinned by unfair trade practices.

And you can think of industries like steel, for example, that have suffered from this for a long time where, because of differing environmental enforcement standards or pollution standards or labor standards or the enforcement thereof or direct government subsidies or government ownership, have undermined the free market system in the United States. And in an industry like steel, you tend to have, particularly in union steel mills, an overrepresentation of workers of color. And so I think that's an important tool that can be utilized.

I do think that there are plenty of examples of where trade policy has fallen short in this respect, and I think one of those is in the adjustment aspects, where I think, particularly for a vulnerable population, the flaws of the TAA system, where states are more concerned with placements within a certain amount of time than trying to build a skill competency and have a better qualitative, better wage placement, have not served disadvantaged populations particularly well.

But those are just a few examples that I could give you here, Commissioner.

VICE CHAIR STAYIN: Thank you. Any other comments from others?

MR. GRESSER: May I speak? Okay. With respect to intervention on behalf of the Spanish communities, I would point to one data point that is quite telling to me. Among African American-owned businesses, exporters, on average, according to Census and BEA, employed 33 employees at a payroll of 44,000 per worker.

Among non-exporters among African American businesses, average employment is eight employees at a payroll of 25,000 per worker. This was released about a year ago, so it's slightly out of date, but very telling and very similar to what you see in other communities. So there is a very significant premium in wage rates and employment levels for exporting companies. And it, you know, brings me back to a need to focus harder on the export sector than we've been doing in the past five years.

On the other side of the coin, trade adjustment assistance is something that always has a couple of lessons. One is that it provides more support to trade-related job-losers than to other job-losers. So it is a way of saying someone who has lost a job to trade competition is in some way more deserving of help than a waitress or a gas station attendant, which has always troubled me. I've always thought that we should treat people the same, and we should give them a high level of benefits and support.

The other challenge that comes with trade adjustment assistance is the need to prove that you lost your job to trade competition. We've gone through the forms. They're not very difficult, but if you are a high school-educated worker, you know, 40s and 50s, it's challenging to learn about trade assistance and how you demonstrate these things.

So I think personally, the most valuable thing we could do for displaced workers, including trade-displaced workers, is to make this system available to everyone who loses their job through no fault of their own. That would make it easier for trade-related job-losers to qualify for it, and it would serve a much wider pool of Americans.

I mean, if we do remember, there are 12 million manufacturing workers, there are 150 million workers in the United States. We should really be thinking on a much bigger scale than trade-related job loss alone.

VICE CHAIR STAYIN: Thank you. Yes?

MR. HOLT: Commissioner Stayin, so, I will say that there isn't a lot of great data on this specific point, but AD/CVD cases generally tend to help workers in general, and that's why I, you know, suggested that Commission collect some of this information by gender, race, ethnicity, so that, you know, we can have that information over time, especially through a sunset review process.

With respect to other, I guess, interventions that have worked, we know that the 232 has created about 3200 jobs in the steel industry. With respect to primary aluminum, the 232 has allowed the last American aluminum smelter to hire about half of the jobs that they lost due to, I guess, China's subsidization of primary aluminum.

And about, I want to say, a large percentage of the people that they were able to hire were from under-represented communities in South Carolina. So, just gives that anecdotal information in addition to what everybody else said.

VICE CHAIR STAYIN: Thank you. Ms. St. Louis?

MS. ST. LOUIS: Thank you. I also just wanted to make the point that when we're talking about compensating those who have been displaced, I mean, or, you know, mitigating the impacts of trade-related displacement, that's one approach.

And then the other is to actually think about what are the rules themselves, how did they come to be, who were they created to benefit, you know, and I think, therefore, you know, taking an additional step back, as opposed to just thinking, okay, trade is what it is; it's going to have impacts, and how do we mitigate them.

We actually made specific choices of the types of trade policy that would have impacts. And so, I just wanted to, you know, kind of make that point that, you know, we've advocated very strongly for a much more inclusive and participatory and transparent trade negotiating process that would include the voices of those who might be impacted, early on, as opposed to at the end.

So, I mean, I can elaborate on that further, but I just wanted to make that point.

VICE CHAIR STAYIN: So, a chair at the table for the discussions? Do you have any knowledge of how this may have happened or have not happened? Have labor been brought into these discussions?

MS. ST. LOUIS: So, the trade advisory system that has been in-place for, you know, in recent years for the developing U.S. positions and as the U.S. negotiates in these trade agreements, has been a very closed process.

There are 500 trade advisors. Nearly all of them represent large corporations. There's a handful of labor representatives, a handful of environmentalists, but they are kind of relegated to one section of the process.

The process has been very closed. The advisors have to sign secrecy agreements that mean they cannot publish, they can't talk about what they've seen.

And there's a lot of expertise that's out there that's not being utilized because of this secretive system that has privileged the influence of the largest corporation, and therefore, I would argue that the rules have benefitted them disproportionately.

VICE CHAIR STAYIN: Thank you. This is important, this is very important, and Mr. Holt, I agree, these are very important points. My time is up.

CHAIRMAN KEARNS: Commissioner Johanson?

COMMISSIONER JOHANSON: Yes, thanks to all of you for being here today. This question I wrote for Ms. Zmuda, but any of you are certainly welcome to respond to it.

Why have some U.S. cities and counties adjusted better to international trade competition than others?

MS. ZMUDA: I think that there are perhaps a couple of components to this. I think we're looking at the attraction of foreign direct investment -- of FDI. There are factors of infrastructure that would need to be in-place to attract that foreign investment.

So, on the previous panel, I know we talked quite a bit about what would attract individuals, even, to a community, and I think that is an important aspect as well in building the infrastructure to attract residents to build-up the capacity within a community.

So, that includes investment in broadband, ensuring that people, individuals can be connected. I think also from that end, our educational systems within local communities -- so again, building the capacities of the potential labor within that community.

That includes, from an accounting perspective, particularly community colleges. So, counties are typically engaged more in the community college infrastructure than other post-secondary education.

And it's also important when we're looking at building-up rural community capacities, ensuring that those structures are in place to connect people to what potentially would be good jobs, and also to look on the front end of, again, building that capacity.

I think additionally, building up the community and investment in the community to attract those infrastructures, so things like transportation and counties, for example, operate about 44 percent of the nation's roads.

So, it's a big area of focus for us and, you know, outside of urban areas, to ensure that those investments are in-place to attract the foreign direct investment. I think on the export side, there are certainly counties and cities that are better positioned from access to, or the infrastructure built in our port counties and cities, international airports, things of that nature, to ensure that the infrastructure is in place to support that.

So, I think, from two aspects, building capacities within the community, within the people themselves to support and attract foreign direct investment, and then also on the export side, looking at how we're set-up from an infrastructure perspective in our ports and our airports.

COMMISSIONER JOHANSON: Thanks, Ms. Zmuda. Re you familiar with any counties which have lost manufacturing and have been able to work with you all on their own to build-up their economies and to come back?

MS. ZMUDA: In my testimony, I mentioned in the

Midwest that there has been a regional development to address some of the loss within manufacturing. I'm happy to follow-up with specifics of that regional approach, and I'm not certain that the number of jobs or what the economic impacts have been specifically from that commission.

COMMISSIONER JOHANSON: Okay, yeah, that'd be helpful if you have any specific names or names of counties, et cetera, that we could maybe look into.

MS. ZMUDA: Absolutely.

COMMISSIONER JOHANSON: Because we are -- in this process, we're looking basically at how some things have gone wrong. It'd kind of be nice to know how things were fixed. Because economies do turn around. Sometimes horrible things happen, but they do come back; the communities are rebuilt. Would anyone else like to comment on this question? Yes, Mr. Paul?

MR. PAUL: Thank you, Commissioner, good question. I can give you at least a couple of examples in manufacturing-intensive states where there has been a bit of a reconfiguration. Indiana, Wisconsin, and Arkansas are three examples that come to mind.

In Indiana, very intensive automotive and steel production, and obviously it's still the largest steel producer in the country. One of the shifts, though, as you saw some import competition and some shifts of production, was a specialization in part of the state in medical devices, and built-up an academic training and manufacturing and innovation ecosystem.

And it's one of those cases where, unlike some of the tech sector where the innovation may be done in the United States but the production's gone abroad, that they've been able to keep that production in some locations in North-Central Indiana.

Same with specialty metal shops in Wisconsin that produce for the Aerospace Defense, other industries been able to do that. Or in Arkansas, which has been able to attract a new generation of steel production where some textile, some tire, and other production had shifted broad as well.

And it's a combination of, kind of, imaginative economic development, energy policies. But also having the kernel planted that manufacturing is a good economic development strategy.

More broadly, I just wanted to answer the question of what separates the counties that have done well or the areas that have done well from those who haven't, and a lot of it is based on education levels and age.

And the younger and the higher-educated the population tends to be, the more opportunity, the more mobility. In the other circumstance, with less education, with less wealth, folks get stuck in-place. And so, when the jobs disappear, the outcomes don't tend to be as well.

And you see that in areas that have extractive industries like in Appalachia or in some of the manufacturing that had disappeared throughout some of those industrial communities in the Midwest and seeing the urban centers hollowed-out.

And so, I think that's a factor. It's not directly related to trade policy, but I think it's important to understand that one of the challenges in the United States is that lack of mobility based on either age or educational attainment level.

COMMISSIONER JOHANSON: I wonder how much the lack of mobility is also given the size of our country. I mean, if you lose a job, let's say, in the UK, you might have to move, like, three hours away from your traditional home, but if I lose a job in Florida and there are jobs in Maine, I'm probably not going to do that.

MR. PAUL: I would say there is something to that. I mean, you know, there's good literature that says more than half of Americans won't be 18 miles from their mom, wherever they live, and so that certainly limits it in a country the size of the United States -- that's right.

COMMISSIONER JOHANSON: I think China has the same thing. They have a lot of workers going to cities, but it's pretty grim what happens with workers who move around in

China, but I won't get into that.

I think, I don't know who was next, I think, though, it was Ms. St. Louis, and then we'll go to Mr. Gresser.

MS. ST. LOUIS: Thank you. I just wanted to chime-in too that, you know, I think that some of the cities that actually are some of the most diverse and that have the largest concentrations of people of color have been some of the cities that have been most devastated by trade-related job offshoring.

You know, Baltimore, people of color constitute 73 percent of the residents, and they lost 44,300 manufacturing jobs -- that's 42.6 percent of the manufacturing workforce. In Chicago, where it's nearly 70 percent of people of color, they lost 219,000 jobs. That was 44 percent of the manufacturing jobs.

In El Paso, they lost 61 percent of the manufacturing workforce. So, just kind of an example just to show that we do see, kind of, the disparate impacts in some of our, kind of, most diverse cities.

And the other thing I think anecdotally, too, to throw out, and as we were talking about competitiveness and resiliency in communities, I think one of the domestic policies in addition to education we need to be looking at is also healthcare.

I mean, the United States, our healthcare system just does not meet the needs of our population, and because it's employer-based, when people lose their manufacturing jobs, they lose their healthcare, and they end up getting sicker.

And we see even huge, you know -- it becomes a cycle that we need to break. And so, you know, I think I just wanted to add healthcare into that, you know, many of our competitor countries, the employers are not saddled with healthcare costs in addition because it's provided, you know, in a universal system. So, I just wanted to put that into the mix.

COMMISSIONER JOHANSON: Thanks, Ms. St. Louis. Mr. Gresser?

MR. GRESSER: Yeah, a couple of thoughts. I share a lot with Mr. Paul's comments on success stories, and maybe add Cleveland and Pittsburgh to the list. Those are cities that were quite depressed, quite polluted, really troubled as steel and heavy industry in the '70s and '80s, and they're now very healthy, very strong employers.

To your question on mobility, some of it may be a temporary but very prolonged effect of the financial crisis a decade ago. That drastically reduced the value of a lot of peoples' homes and made it very, very difficult for them to move, even if they didn't have jobs or had opportunities elsewhere.

My final point is, in listening to Ms. St. Louis job loss in cities, I think this is probably a time for some creative and optimistic thinking. Manufacturing employment is doing very, very well right now.

Last month we had, I believe, 482,000 manufacturing hires, about 100,000 layoffs, about 300,000 people quitting manufacturing jobs, and a, kind of, deficit level of open manufacturing jobs that people aren't applied for (phonetic) -- about 800,000.

So, at the moment, the manufacturing sector is looking for workers, and probably looking for places to put them. So, counties and cities and government should be thinking hard about, you know, if there is a lot of social benefit to manufacturing jobs as opposed to jobs in other sectors, this is a time to take advantage of a situation that's unusually positive.

COMMISSIONER JOHANSON: Thank you, Mr. Gresser and others. My time has expired.

CHAIRMAN KEARNS: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Thank you, all. Thank you for being here. I'm going to start with a question for Mr. Holt. I wonder if you could elaborate on the point you made about the Commission collecting information on questionnaires in Title VII cases -- I think that's what you said.

MR. HOLT: Yeah, so, you know, it also kind of goes back to Commissioner Stayin's, you know, question where, you know, he asked, you know, what policies or what interventions have you seen. And we know that AD and CVD cases definitely are something that can protect domestic industries and American workers.

Having this information and detail by production workers by race, ethnicity, and gender will allow the Commission and other people to see this information -- to the extent that it's public -- to analyze this over a period of time.

Or, you can have this, you know, five-year, 10-year, 15-year period of data, which we use to analyze the industries that are affected by trade impacts. So, having this information would allow - it helps with the collection of data, the analysis of data.

And because this is a topic that's just being presented, you know, we lack a lot of data on this issue. So, this is just one way to collect additional data and also understand what the impacts are for trade-exposed industries on, you know, people of color, gender, and those types of things.

COMMISSIONER SCHMIDTLEIN: Do you think -- I mean, this is a little bit technical, but I'm just, you know, since we're talking about it, do you think companies would provide that data if we -- because I assume we would have to then include on the questionnaire that the information provided on the questionnaire could be used for purposes other than the Title VII case that the questionnaire's being submitted for.

Do you think companies would provide that data to the Commission?

MR. HOLT: I mean, it's a toss-up. I mean, some companies probably would; some probably wouldn't. You know, to the extent that, you know, the Commission does have subpoena power, so if they do want to provide it -- if you want the information, that is something that the Commissioners, you know, could get.

But I would say willingly, I mean, it could be a toss-up. You know, we see this, you know, even in the legal field, right? Like, every law firm doesn't provide information to --

COMMISSIONER SCHMIDTLEIN: Well, I mean, you would wonder, like would some companies feel they were taking a risk if they were collecting data that showed that, in their company, the people who are most impacted first are people of color.

I would think that they would be -- if they don't normally keep that data in the course of business, they might not be interested in -- I don't know. I'm just being realistic about whether or not we would actually get data from that process.

Especially if right now, like, the questionnaires are confidential, you know? Like, you have to be on the APO to see it and all of that, and so there'd have to be a change there, as well. I mean, it's an interesting idea. I don't know if it would actually pan-out to be feasible.

MR. HOLT: And there may be a way to anonymize the data in terms of when you aggregate it, and that may provide some comfort to companies.

You know, obviously when they provide their financial data, they wouldn't really willingly provide their financial data unless it was under the APO, but when you aggregate it for the industry and you're unable to, you know, determine who, you know, who's making this much money or who's losing this and the operating income, when you put it together and you aggregate it, you can see the effects.

So, I think the aggregation of it, especially for large industries, would give some cover in terms of providing that information.

COMMISSIONER SCHMIDTLEIN: Okay. So let me shift gears a little bit. I mean, we've had a lot of discussion today about the disproportionate impact of the -- of the China Shock. And so I think recently Ambassador Tai testified that China was not living up to the phase one deal and that they really hadn't changed their behavior. And so, you know, the U.S. needs to look at all -- you know, use all of its tools, be innovative in how they address it.

I just wonder if any of you have views on what should the -- how should the U.S. respond? What can we do? I mean, I know that there's been discussion about these tariffs and whether or not they're working. So I'm just wondering if you have any other ideas.

Mr. Paul, you had your hand up?

MR. PAUL: Thank you, Commissioner. I think it's an excellent question and probably the existential trade question right now.

COMMISSIONER SCHMIDTLEIN: Right.

MR. PAUL: And I will say, because, you know, we're decades in development here, and these are the two biggest economies in the world, that there are no easy answers as well. If there were, I think we would have worked through this by now.

But I think there are some strategies that could be valued. I do think that the Section 301, the other tariffs that are in place are valuable in terms of leverage and that there's been -- in terms of the size and scale of the U.S. economy, they may be an irritant to some businesses, but they're not a deterrent to job growth or to economic performance, and you've seen that across the board. It's not caused any sort of recessionary or depressionary impacts in the United States even though it's obviously had micro impacts on some companies.

I think another strategy that could be valuable is enlisting a coalition of other willing economies to be more aggressive in confronting China in a way that the United States is incapable of doing going it alone or through the World Trade Organization because of its limitations or because of the appellate body responses or the time that it takes or the narrowness of the cases which could be brought and the potential outcomes of that. And so I think that that's something that this administration is clearly pursuing as well, in terms of a global arrangement on steel and other industries that may be in over capacity with respect to China.

I think that the industry specific economic framework, which this administration is also pursuing, to, again, kind of, coalesce like-minded economies around a set of rules could be of some value as well. And I also think that there are industrial policy mechanisms that are important to complement all of this, and you've seen some action, both from a regulatory perspective and from a legislative perspective, on taking steps forward. Infrastructure is a piece of that, you know, a generational investment in upgrading America's infrastructure will undoubtedly increase our productivity, our competitiveness. The public sector investment to offset the substantial capital costs of standing up next generation semiconductors facility in the United States is being contemplated right now by the Congress, I think, is another important step. And I also think the administration looking at key supply chains and key materials and how we can do a better job of locating potential domestic suppliers for that or building a domestic ecosystem or finding what some call, I guess, friendshoring (phonetic) opportunities for that is going to be another strategy.

But I think one thing -- and I think I agree with the ambassador on this -- is that we should no longer expect China to change its behavior; that that is an unreasonable expectation that's unlikely to happen. And so I think that there may also need to be increased pressure on the U.S. multinational companies that operate in China to consider other options and to potentially increase both the incentives or the pain points for them to do it because, obviously, the strategies that have been employed so far have been inadequate to detect any sort of -- I would say more of a -- we have a trickle but we don't have a trend, and we'd like to get to the point of a trend, and we may need to adopt some more aggressive strategies in order to do that.

COMMISSIONER SCHMIDTLEIN: Thank you.

Ms. St. Louis?

MS. ST. LOUIS: Thank you. I also -- I just wanted to throw in an area of what, again, I think we should not do, which is -- I think there were there's a push around during the Obama administration with the negotiation on the Trans-Pacific Partnership that became the CPTPP that, you know -- and folks within the security community, et cetera, who feel that we need to do these types of trade agreements to isolate China, and I think that that has been a wrong-headed approach. And what matters is, really, what the rules are and that if we are pushing a series of bad rules that are pushed by just the largest corporations to benefit them, that will not benefit the U.S. workers, et cetera, that that is not going to be a -- you know, a recipe for isolating China in a tran (phonetic) by pushing rules like pharmaceutical companies were pushing for expanded monopolies that would impact -- would raise the prices of life-saving medicines in southeast Asia. That was not winning us any friends in that area of the world.

And so I think it's really important for us to be thinking through what the rules are, and as we're thinking, as Mr. Paul mentioned, about the inter-specific (phonetic) economic framework that there's some real potential there to have a worker-centered policy that the Ambassador Tai has talked about, but we would not want it to become another TPP

2.0 that was not, you know, politically viable in the United States and, actually, you know, it was not beneficial for some of the trading partners.

COMMISSIONER SCHMIDTLEIN: Mr. Gresser?

MR. GRESSER: Yeah. A couple of thoughts. I think, first, is that, you know, we should be fairly confident (phonetic) in ourselves. The economy is quite strong and, in fact, the economy is growing -- bringing a lot of money into research and development. The government has rededicated itself to supply chains and investment in infrastructure. You know, we're not doing particularly bad.

Second, we should think about what we want to achieve. The Trump administration's agreement with China, phase one agreement, started out through a 301 case that focused on forced (phonetic) technology transfer and intellectual property and was very quickly diverted to a set of purchasing targets, some of which were quite unrealistic and all of which buckled under the COVID impact. It wasn't well-designed. It kind of lost track of what the main U.S. concerns were. And so we should be clear in our own minds what we would like to achieve, what we think is viable to change, and where we need to work with friends.

And that's the third point: We do need to work with friends and allies and partners -- done a lot of work in this area, especially the European Union and U.K. We shouldn't disarm ourselves. If we do not have a market access agenda, if it is really telling these countries what they need to do better -- when China comes to that part of the rule they can watch what they are (phonetic). They have Regional Comprehensive Economic Partnership that is a duty-free (phonetic) system throughout most of Asia. They have Belt and Road, which is a major program of infrastructure investment. There's obviously complaints that we can raise about both of them, and, often, those complaints are well-founded. But if we don't have something with that level of ambition, or at least something that we can, you know, clearly show that U.S. is coming with, you know, something that really has clout and makes sense, it will be difficult to find friends and allies if there really is an effort to confront China.

So we need to look at ourselves and ask whether we're being ambitious enough.

COMMISSIONER SCHMIDTLEIN: Very interesting.

All right. Thank you. My time has expired.

CHAIRMAN KEARNS: Okay. Thank you.

Commissioner Karpel had to step away. So I'm next in the order.

I want to follow up on that. Mr. Paul, you provided a lot of ideas, kind of, beyond the training and education that we've talked a lot about already, about ways to, kind of, improve the situation for under-represented groups, infrastructure, and so forth.

And as did you, Ms. St. Louis, and you, Mr. Gresser.

I guess I'd like to follow up a little bit more to hear about what sorts of changes we need to make in trade policy itself. And I think I've heard some things said before but not entirely necessarily in that context. So, for example, do our trade agreements -- and I'm talking not just about our FTAs but, you know, the GATT, the WTO agreements, are they structured to best address the issues of, you know, helping workers and, in particular, you know, under-represented workers? And just -- and more than just WTO and more that just FTAs, our whole international economic structure with bilateral investment treaties and everything else. Do we have the right international policies in place to ensure that those who need the help the most in the United States will get it?

Ms. St. Louis?

MS. ST. LOUIS: Well, what I will argue that -- again, going back to something that I said earlier, which is who writes the rules will have the most benefit from those rules. And I think that what we've seen historically is from the WTO and the -- and NAFTA, et cetera, is that the reason Public Citizen actually started paying attention to these agreements was because we were working on domestic regulatory policy, you know, on consumer safety, on health, on environmental policy, and we started to hear, kind of, when we were talking to policymakers, I don't know, this looks like it might be a violation with the WTO. And it was like, what's the WTO? What is this? Where are these rules coming from? Because those rules were not debated, they were not created in terms of the way that we create a public policy. They were negotiated behind closed doors with extremely heavy corporate influence.

If you look at the rules around -- on financial services, AIG in that room. You look at the rules on intellectual property -- Pfizer was in that room. But organizations that protected consumers, workers, et cetera, did not have the same kinds of seat at the table. And so I think -- I don't think the rules were written to benefit U.S. workers in particular. I mean, I don't think they were written necessarily to hurt U.S. workers, but that wasn't the constituency that was really at the table, you know, and I think that that's why we see, you know -- so I think there are limits of trade policy that are -- you know, that are actually harmful, you know, and when you mention the bilateral investment treaties, the fact that we have, you know, private-writer (phonetic) enforcement by corporations to directly challenge domestic laws outside of the court system, through the investor state dispute settlement system, that's not something that was created to protect U.S. workers. That was, you know, a mechanism that was put in place -- you know, investment protection but defined extremely broadly so that they could actually attack environmental policies to protect communities from pollution, attacking, you know -- we're experiencing that right now with the Keystone XL Pipeline. We are now facing -- you know, after -- after activists and the Biden administration decided to cancel the Keystone XL Pipeline, we're now on the hook for, you know, billions of dollars potentially for that public policy that we decided in our democratic process.

And so, you know, I think those -- that's, you know, one example. And as I mentioned, I think the intellectual property rules were -- that was not written to benefit all of the people who are consuming -- or, you know, who need life-saving medicines. It was to protect the monopolies and the ability to protect pharma profits in that process.

So those are just a few examples.

CHAIRMAN KEARNS: Okay. Thank you. And you were focusing more on things that are in there that aren't helping workers, aren't helping underserved communities. I'd like to hear more from you later, but next Mr. Paul and also Mr. Holt, whatever they have to say, but also, in particular, what could be added to trade agreements that might be helpful for workers.

We heard, this morning, a little bit about labor provisions, and I think -- as I mentioned, I think -- it's kind of funny the way we talk about China because, you know, no one's contemplating an FTA with China, and so no one's talking about labor provisions with China and yet labor standards in China, I think, are a pretty real issue for U.S. workers to this day. And Mr. Gresser mentioned technology transfer as one of the key issues that led the 301 case, and technology transfer, I'm sure, is a very big issue. I'm not sure how impactful it is for underserved communities in the U.S. compared to other policies, like labor standards in China. So I don't know if you all want to say more about that.

But, Mr. Paul, I want to give you the floor next and then Mr. Holt.

MR. PAUL: Thank you, Chairman Kearns.

And I will say, I was part of an effort, when I was at the ALFCA (phonetic) that actually brought a 301 case, with respect to labor rights in China because it is definitely a legitimate competition issue. The administration at the time agreed with the thrust of the complaint but decided not to accept it for other reasons, I'll charitably say.

I do think, in terms of things that work, I think that there are some templates that can be valuable here, and I do think that some of the changes that were embedded in the U.S.-Mexico-Canada agreement, with respect to workers' rights and environmental enforcement, show not a ceiling but a floor of what is possible if that becomes a priority in trade negotiations and that workers do have a -- or the voices of workers do have a seat at the table.

And so I do think that that's kind of a kernel of hope. I think that there are two or three other concrete changes that we can and should make.

One is that we should definitely prioritize the ability and not restrict access to but enhance access to the ability of small and mid-size firms, in particular, to access trade enforcement tools as part of market access and other kinds of agreements. I think that that is -- too often they're taken away when they need to be sharpened, and we need to be creative about the tools that we're using, you know, looking at import surges, in addition to just your standard unfair trade practices.

I think there is a more systemic challenge, and I think that there's a decision that the United States is going to have to reach with respect to the utility of the World Trade Organization. It is fundamentally not built around worker-centered rules. You know, labor is explicitly excluded from considerations within the World Trade

Organization. There is very limited environmental considerations within WTO deliberations right now. They're very much sidelined.

In addition to a system where workers were not at the table when it was created, as Ms. St. Louis rightly points out, but it is also a system that's built on trust and implementation that countries were going to follow through on their commitments. And so it is completely broken because you have the second largest country in the world and the largest exporter in the world, which violates, you know, many, many WTO terms under which they entered, and they're not a damn thing we can do about it. And so we have to decide with the utility of, kind of, that approach as well, and I think that's a more difficult conversation.

But back to the U.S. MCA and the trade enforcement tools, I do think there's some ways we can sharpen that to ensure that disadvantaged workers or communities are better represented in our trade policy and, perhaps, can avail themselves of better outcomes as well.

CHAIRMAN KEARNS: Thank you.

Mr. Holt, I saw you nodding when we were talking about trade remedy assistance. Do you have more to say?

MR. HOLT: Definitely. But I guess two things that I would want to point out that we should be able to address. One is over capacity in our trade agreements. You know, we know what it looks like with China and their industrial capacity, their industrial policies (phonetic) identifies pillar industries that they build up and then there's over capacity in those industries. We see how that affects, you know, the entire world but, oftentimes, those products are imported to the United States, and they become the source of a trade case. Right?

So some of it is caught in our subsidiaries (phonetic) agreement. Right? But just the general over capacity itself, how do you reduce that? And we need to be able to address China and other countries that build up their industries with this over capacity effect.

The second one is the state-owned entities. We need to be able to address state-owned entities that are competing with U.S. businesses. And, you know, this is not only a China issue. We have some state-owned entities in Europe, and we see that sometimes with the import of steel. But we need to be able to address state-owned entities and when they are too big to fail. Right? They're competing with, you know, small businesses or medium-sized businesses in the United States, which can be put out of business. And we see that in our trade cases. So, you know, addressing over capacity, state-owned entities, and, you know, the stuff that Scott was saying, you know, about being able to access the trade laws. This is not necessarily within our agreements with other countries, but in terms of accessing the trade laws, being able to self-initiate these cases and use the self-initiation tool more often and more frequently. Right?

There are so many industries that may just not have the financial capacity to bring a trade case, and we need to be able to use the self-initiation tool, and it doesn't have to be a perfect case. I think that's what ends up happening. You know, right now, we see it used, you know, infrequently because they're looking for a perfect case. It doesn't need to be a perfect case. You need to protect the domestic industries when they're facing unfair import competition, and self-initiation and being willing to use it is something that we could use, and that's a domestic tool that we already have.

CHAIR KEARNS: Thank you. I'd love to talk to you more about that. There's a WTO case on subsidies that we assume that the subsidy disappears if an entity is privatized, and I think that's probably a mistake.

But let me let Ms. St. Louis and then Mr. Gresser chime in. And I know my time has expired.

MS. ST. LOUIS: Yes. I also just wanted to echo and kind of emphasize what Mr. Paul said about the U.S.-Mexico-Canada agreement and some of the innovative tools that were included, including the rapid response mechanism for labor enforcement. In fact, you know, just this spring we've seen -- again, these are new tools and we need to see how they're going to work, but we actually saw some real progress in protecting the right to organize independent unions in Mexico with both the GM factory and then also Tridonex, where the rapid response petitions were filed and we actually were able to see victories from the independent unions being able to establish themselves after there had been coercion and we actually saw real on-the-ground changes, which I think in some ways is one of the first times we've seen U.S. trade policy used in a way that we could see concretely the positive impacts of that.

And so, like Mr. Paul said, I think we want to see that as a floor. I think there are potentials to think about how we could use something similar around, you know, trying to achieve our climate goals. I think that that is, you know, a policy that we have seen not just -- you know, we've been talking about race to the bottom in terms of wages and wage suppression, but also we have seen, you know, a race to the bottom in terms of environmental conditions in many cases around the first NAFTA in particular. You know, we saw factories locating across the border to dump toxic chemicals in Mexico, dire situations related to that.

And then, obviously, you know, our attempt to implement gold climate policies may come up, you know, may actually come up against some of our trade rules, and we need to make sure that we aren't having those rules impede that type of gold climate policy.

So I think that there are some creative ways to think about how we incorporate, you know, climate agreements into trade rules in an enforceable way. We, you know, think about potentially having a moratorium on the types of trade cases against climate-related policies so that we can, you know, achieve those goals.

CHAIR KEARNS: Okay. Thank you.

Mr. Gresser?

MR. GRESSER: Just a quick caution on very intense enthusiasm for trade remedies and new import management tools. Mr. Paul was right to say that the 301, 232 tariffs didn't cause a recession. They have amplified and boosted inflation from when the ranges was 0.5 to 1 percent. That's a big challenge for the country, and I don't think we should try to intensify it.

At a lower level, these sorts of policies are typically assisting one sector and paid for by others. So the steel and aluminum tariffs are to the advantage of metals producers but to the disadvantage of automobile and machinery and tool producers. And we have to be careful that we see both sides of these things, and we shouldn't see these as measures that in general are going to help manufacturing because really it's helping one and doing a bit of harm to another.

CHAIR KEARNS: I'll come back to you on that, Mr. Gresser. Thank you.

Vice Chair Stayin? I apologize for going over time.

VICE CHAIR STAYIN: Yes. How should policymakers maybe better anticipate and mitigate the impacts of trade and trade policy on communities that are not economically diverse and how does this impact the availability of jobs for the workers who are having difficulty, black and Latino workers? Non-economically diverse, to make it clear. Relying on one or two key industries.

MR. PAUL: Commissioner, I'd be happy to respond briefly to that. I do think that there are limitations to economic models and forecasting for the impacts of trade agreements, and I know that, you know, for instance, the U.S. International Trade Commission is tasked by Administrations and Congress to do this often with agreements that are negotiated under trade agreement authorities.

And so I think understanding those limitations but also paying particular attention to the most vulnerable would benefit the information that policymakers are receiving. And I'll give you my, I guess, gold standard example here that goes back to the U.S. ITC analysis of NAFTA, which projected some modest positive job impacts and even under the most dire scenarios just generally balanced trade.

The reality obviously was much different after seven or eight years in particular where you saw particular industries like auto parts and certain agricultural industries like tomatoes and citrus and others just be absolutely devastated by surges of Mexican imports. You saw the peso devalued, and you saw a rush of electronics to the maquiadoras as well, and you saw the trade deficit exceed the U.S. ITC's highest estimate of trade deficits by 20X.

And so I think that when policymakers are looking at agreements, you know, they cite these kinds of forecasts as rationales for what they're doing. And so I do think, and, obviously, there's some risk in all of this, but I do think having more attention to qualitative factors like how the most vulnerable in the United States are going to be impacted thus and whether or not they will be availed of opportunities to find other jobs because they're not economically mobile or they face discrimination or they're otherwise disadvantaged, I think, is a very, very important consideration, as well as the calculation of what are the economic benefits of averting layoffs or avoiding plant closures in the United States, which can have enormous welfare benefits for these communities. You can imagine these China shock communities being spared from some of this hardship and what the outcome should be. And so I do think that those are important considerations.

Now, as you say, like, if there's a one factory town or a one industry community that's particularly sensitive to imports, I think it's important for the process to understand what those vulnerabilities are and what those impacts may be. And I know that those are difficult circumstances for policymakers to make because they only have one representative in the Congress perhaps, and there will be a whole bunch that have different concerns.

But I do think that understanding that protecting vulnerable communities has to be an element of trade policy as we move forward, that we may not accomplish all of our market opening goals with this or we may have to scale some of them back, but we should not leave so many people behind in all of this. And I think that's been one of the flaws of trade policy as I've seen it over the last couple of decades. There's been an underappreciation for the impacts that it will have on some of these communities that have been particularly impacted by shifts of production or import competition.

VICE CHAIR STAYIN: Thank you.

Ms. Zmuda?

MS. ZMUDA: Yes. Thank you, Commissioner. I would be happy to add to Mr. Paul's comments. I think right on point. The impacts are local. And to help mitigate those international trade impacts, it can be very much about communicating with the local community and local officials that are impacted. In the short run, it's not necessarily a one-to-one recovery. So even if in the macro level there are mechanisms in the model to balance trade impacts, I think there really needs to be the recognition that the local impacts are immediate, and often those individuals that are impacted immediately by a plant closure or by some shock in the local economy, those individuals are likely falling into a local safety net, relying on local government services.

For the county perspective, counties invest $62 billion annually in human services, and in 10 states, counties administer SNAP. So a lot of that does -- the kind of effects of the shifts, the immediate effects do fall on the local elected officials.

I think there's sort of two sides. I think, first, the communication with local communities and local elected officials, local leaders about how to, from an economic planning perspective, mitigate some of those impacts, but then also an eye towards what those immediate services will be if needed if people can't kind of directly transition to something new.

I think, lastly, a renewed focus nationally on mental and behavioral health. I think we're seeing caseloads at the local level just rise in mental and behavioral health services, and that's something, I think, that, you know, it's not just related to trade impacts or job shifts, transition shocks. There are certainly aspects of the pandemic that have contributed to it, but I think that is something that we need to be thinking about as well, those support systems in mental health that can help those that are disproportionately impacted. And we're seeing a lot of that through the American Rescue Plan Act and the state and local fiscal recovery fund, big investments in mental and behavioral health, standing up new centers, especially locally. But just something to keep an eye on as well.

VICE CHAIR STAYIN: Thank you.

Mr. Holt?

MR. HOLT: So, in Scott's remarks, the last part of his remarks literally took the words out of my mouth, so I'll be brief.

First, I would say this. We need to identify those communities that, you know, have that one source or a small sources of economic viability because of a factory. So, really, it seems like a new 332 study in my opinion that you could probably do, right, just to identify them.

And then, you know, the second thing that you could do is understand, you know, what are the challenges, what are the opportunities, you know, the conditions of competition.

You know, are they facing import competition? And if so, if they're facing import competition, this could be one of those issues -- I mean one of those areas where, you know, the U.S. Government says, hey, this is a small community, it's facing import competition, should I self-initiate, you know, a trade case to the extent that they're being affected? And, obviously, you have to take into account the entire U.S. industry. But, you know, is this one of those communities where this may be an impact?

Also, in terms of opportunities, you know, are they taking -- is this community or this factory in this community taking advantage of export opportunities? Did the U.S. Government help with associated exports?

And the last thing is, is there opportunities to diversify, right? So is there another opportunity here that you can diversify the companies that are employing the citizens in that community. You know, it may not be manufacturing. It may be services, or it may be another manufacturing opportunity. But you should look at those and identify those opportunities.

VICE CHAIR STAYIN: Thank you very much.

Mr. Gresser?

MR. GRESSER: A very provocative question. I think my take is that I think ITC really has excellent modelers, excellent economists who do a very, very good job of looking at the details of policy. Where I think we might do better, and this is not really a -- but about Congress and its hearings and -- into trade policy -- officials, is that in contrast to especially Japan and China, we're very focused on the details of policy and are not as focused on changes in the world around us so that one of the major reasons we have a lot of manufacturing trade is the invention of container shipping and its development into a kind of gigantic system. One of the major reasons that we have new export opportunities but also new challenges is the creation of the internet and replacement of the covered cable net worker hybrid for cables.

And I think we often look very, very closely at the impact of changes in tariff rates and so forth which have some pricing effect but are much smaller than the impacts of these structural changes in the real world. And we need to do a better job of analyzing them, trying to think of what's likely to come, what opportunities are open for us and what challenges it creates for us.

VICE CHAIR STAYIN: Okay. Thank you very much. My time has run.

CHAIR KEARNS: Commissioner Johanson?

COMMISSIONER JOHANSON: Yes. Mr. Gresser, at the end of your last line of questions with me, you mentioned the recent uptick in hiring in manufacturing. Why has this occurred and should this increase our optimism going forward?

MR. GRESSER: I think there are a number of reasons it occurs. You know, in general, the U.S. economy is running very hot and is growing very quickly. U.S. consumer demand is very high. That reflects something about people's, you know, optimism about the economic prospects, about the way they changed their habits during the COVID crisis and so forth. But it has brought a big wave of imports and a big wave of domestic hiring.

So I don't think there's a mystery about it. In general, the U.S. is not as decrepit and lacking in competitiveness as sometimes we think about ourselves. We are quite a strong economy. We put $720 billion into research and development last year. The U.S. manufacturing economy real dollars, I looked it up this morning, it was $1.67 trillion in 2000, in 2022 it's $2.33 trillion, so it's a lot bigger.

So I think we have a lot of inherent strengths. We have a well-educated population, we have great education systems, we have infrastructure that could be better, but, you know, it's not bad. We are the heart and core of the internet industry. So there's a lot of wealthy U.S. population that's, you know, enthusiastic consumers wanting to buy things. There's a lot of reasons that companies want to set up and hire here. So we shouldn't sell ourselves short. We should look at our problems and try to fix them. But we shouldn't overestimate our competitors or underestimate ourselves.

COMMISSIONER JOHANSON: Would any of the other participants like to respond to what Mr. Gresser said? Yes, Mr. Paul?

MR. PAUL: Yeah, I generally agree with the thrust of what Mr. Gresser said. I'd like to add something that I think is particular about this manufacturing jobs rebound. There has been a dramatic change in consumer behavior over the last 24 months and we've gone from an economy where a consumer might spend 60 cents on services for every 40 cents they spend on goods to just about the opposite right now. And so there is a lot of -- there's intensified consumer demand, in part because of changed behavior that's brought about by the pandemic.

I don't think that will last forever. I think some of that will dissipate. And there's also been some in-filling of jobs because it's important to note that while manufacturing has been doing well over the last 12 months, that the industry as a whole still hasn't recovered all the jobs that it lost during the couple months at the beginning of the pandemic and so that it's still gaining back.

That said, there are some inherent strengths that we have. We have generally speaking lower energy costs than the rest of the world, notwithstanding the recent kind of disruptions that we've seen. We have, you know, 24 percent of the world's consumption right here within our borders, so it's a good place to be.

And, you know, there's been some policy guidance as well particularly in the clean energy sector that if you want to sell it here you need to make it here. That's, you know, through procurement regulation or other sort of regulations that this Administration has put into place. And to I do think there's been a little bit of policy shaping.

I don't think we can take anything of this for granted because I think generally manufacturing employment and its fortunes depends on, as Mr. Gresser rightly said, how well the overall economy is doing. I think that's the most important factor.

I think, second, our exchange rates and our relative strength in global exports, which vary widely from year to year.

And then I think that automation is a factor, but I think that changes more jobs than it displaces, and so that's why some of this skill build-up is also important.

COMMISSIONER JOHANSON: Thanks, Mr. Paul.

Ms. St. Louis?

MS. ST. LOUIS: You know, just to make the point and kind of bring us back to the purpose of this, you know, of this investigation, that while we may, you know, over -- you can look at overall statistics and see that we -- and say that we are a highly educated population, but we also do need to look at what are the distributional differences in that and that, you know, the majority of the U.S. population does not have a college degree, three in five of those workers without a college degree have had their wages depressed during the trade policy period and that, you know, those things are true.

So it is just extremely important that when we are looking at the overall picture that we are looking at what the disparate impacts are and that, you know, and that of structural racism and a whole host of, you know, the core of the United States' story factors into what is the, you know -- what's the experiences of various communities. So I just wanted to highlight that.

COMMISSIONER JOHANSON: Yeah, certainly. Thanks. But, again, I guess, Ms. St. Louis, maybe you can comment on this as well -- I mean, we've heard during the roundtables and just from what we read in the press that U.S. manufacturers are finding it difficult to find skilled employees. What can be done about this? Because I don't think there's necessarily an antagonistic relationship between employers and employees. It's just trying to find a match.

MS. ST. LOUIS: Well, certainly, yeah, I mean, I don't -- I'm not suggesting that there is always an antagonistic relationship between employers and employees. You know, I think that, you know, as has been discussed, that it's extremely important to be investing in training and educational opportunities in various communities so that there are the skills that are needed by employers. I'm certainly happy to kind of look into that more fully and provide more information to the Commission going forward.

COMMISSIONER JOHANSON: Okay, thanks.

Would anyone else like to respond to that? Because this is something we keep hearing about, jobs not being filled, and if they could be filled, it would certainly benefit everybody, right? Mr. Paul?

MR. PAUL: Yeah, thank you, Commissioner Johanson, for that question. It is an important one, and it's one of the conundrums that's kind of facing manufacturing right now. There are a couple of reasons for this, and I would say that there is a difference among employers as well.

Employers who tend to offer higher wages, more benefits, and where workers have a voice at work have less -- have fewer job openings like that. I mean, they are hiring, but there's not that gap. They can find people who want those jobs. For instance, the starting wage in a steel mill can be 85-, $90,000 for a worker who has four to five months of training but doesn't necessarily need a college degree. It's an attractive quality.

There have been reasons that workers have cited as barriers to entering manufacturing right now. One is flexibility. Manufacturing is often shift work, and this pandemic has caused people to need more flexibility than ever. Another has been cited I heard by the last panel, childcare. And manufacturers offer an array of benefits, but they kind of lag behind in terms of daycare provision. That's not always the case, but, from an industry perspective, it certainly is.

And then there are wage expectations as well, and there's, again, a gap, I think, between what the expectations of the employer and the employees are in some regions of the country. So you'll find that this is an uneven -- this is not a nationwide phenomenon, nor is it sectoral, but that it is much more specific.

But it is notable because, you know, as Mr. Gresser pointed out, there are 800,000 openings for factory positions right now. And it's going to take, I think, employers giving a little and also, you know, employees understanding that it is going to take a little bit of skill-building. This is not, you know, kind of an entry-level service sector job where you can get at it with two or three days of, like, on-the-job training. It's going to take a little bit of an investment to get there.

COMMISSIONER JOHANSON: Okay. Thanks, Mr. Paul.

Mr. Gresser?

MR. GRESSER: Yeah, just briefly, and agree with everything Mr. Paul said. I think those points are very well-taken. Just to emphasize the employer side, one thing that has evidently happened, and I don't quite understand it, is that manufacturing wages have been falling relative to other industry wages over the last five years.

If you look at 2017, the average wage across the country was $26.65 per hour. Manufacturing was $26.78, so very slightly above. As of February 2022, the average wage across the country is $31.73, and manufacturing is $30.55. So it's a little bit below the national average and also below the services average.

So that's something that I don't quite understand, but it does suggest to me that these workers who are not taking the manufacturing jobs may be deciding to do something that they can get better pay elsewhere, and that's something that the companies will need to think hard about.

COMMISSIONER JOHANSON: Okay. Thanks a lot for your responses. My time has expired.

CHAIR KEARNS: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay. I just had another -- one more question that I asked the panel this morning, which was do you have any views on whether researchers should be focusing on outcomes in addition to wages and employment effects? So we touched on, you know, mental well-being, substance abuse, other types of impacts. I wonder if you have any -- if any of you have any thoughts on that. Mr. Paul?

MR. PAUL: Yeah, thank you for the question. I do have thoughts about it and have studied this quite a bit. And I think that there is a public policy rationale in addition to just having individual concern about the outcomes here, and I'll explain why.

I mean, Deaton and Case had a study built on kind of deaths by despair and how they've grown over the last decade and have grown among certain demographics more strongly than others, and Deaton has linked this also with de-industrialization and the loss of manufacturing jobs, some of which obviously is due to shifts in production or import competition.

And I think the reason why this is important from -- obviously, from an individual perspective, it's critically important because we're talking about the potential to lapse into real individual social decay here and isolation. I think, from a larger perspective, there's also much -- much more pressure is put on public services here.

You're tricking the tax base at the same time as you're growing the need for the dispensation of some of these public services. It's something I've pointed out kind of in my testimony at the top about at the very time when you need this the most you have the fewest resources to manage this.

And so I think considering the increased provision of public services that may be necessary, you know, is something that is calculable. I think some of, you know, these more ethical questions about, you know, what are the economic costs with respect to increased divorce rates or other sorts of symptoms of despair is interesting as well, but it certainly has to be factored in along with wages or just, you know, job quality or just having a job at all.

And, you know, there's a little bit of literature about this right now, and, you know, I hope that that can be built on in the years to come as well.

COMMISSIONER SCHMIDTLEIN: That is an interesting point about measuring the increase in the need for public services. I hadn't thought about it that way.

Mr. Holt?

MR. HOLT: I would say that I'd take into account the wealth gap between -- the racial wealth gap between communities. I mean, you look at black households, the median household wealth in 2019 was about $24,000, which is about eight times less than the median wealth of white households. Similarly, if you look at the median wealth of

Latinx households, it's about $36,000.

A lot of times when we're thinking about, you know, how can we improve, you know, companies' and businesses' entrepreneurship, you know, how are you supposed to just, you know, get this business up and running if you don't have the assets and the wealth behind it, right?

And we also know that access to capital is a big thing, and black and Latinx Americans are also disproportionately affected in their access to capital. I think we heard in the earlier panel that, you know, we don't want any subsidies, we just want to, you know, use our own capital to build everything out, and to the extent that there's no existing capital or there's little existing capital, it's going to be much more difficult for, you know, black and Latinx and underserved communities to do so.

COMMISSIONER SCHMIDTLEIN: Ms. St. Louis or Mr. Gresser, do you have any thoughts on, you know, other things that should be measured besides just the wage and employment effects of trade?

MS. ST. LOUIS: I would agree with what was said particularly around the wealth gap, and also, I mean, I think, when you're thinking about wages, also thinking about the wage gap and how it is impacting, either getting larger or smaller kind of through these policies as well, you know, racially, gender-wise as well.

And also I would throw into that kind of along the same lines of what Mr. Paul was saying around the need for social services, again, I think measuring health outcomes is also relevant here because, as I mentioned, you know, in the United States, especially when it comes to manufacturing jobs, those may be some of the only jobs in the community that actually have employer-based insurance related to them.

Most of the service sector jobs, I mean, we've been talking about wages, but most of those don't have benefits at all, you know, and when people lose their jobs and they lose their insurance, not to mention during a pandemic, you know, as we've seen, you know, that this is devastating.

And I must play my hand a little bit here too. The last three years, I also worked on domestic healthcare policy and really was advocating for a more universal system, and I think that that is critically important kind of as we're thinking about these issues as well. But I think it is important to kind of track what those health impacts are.

COMMISSIONER SCHMIDTLEIN: Mm-hmm. Mm-hmm.

MR. GRESSER: I'll put in my nomination for looking at -- looking more closely and in finer detail at the distributional effects on consumers both of the current trade systems we have and of agreements. With respect to the -- created at WTO and also to previous rounds, there were decisions made in those days to exempt low-priced clothes and shoes from tariff cuts. That is a decision that I think has -- price has been paid by lowest-income Americans, by single moms and their families, by very low-income people.

And it would have been nice during the probable effects, look at those agreements to say, yes, there will be an overall benefit for consumers in this, but we have decided not to give it to very poor people. And I think that we would have been better off had we done that. So I hope we'll be able to do that going forward.

COMMISSIONER SCHMIDTLEIN: Good point. All right. Well, I have no further questions for you all. I just want to thank you for your time and for being here today.

CHAIR KEARNS: Commissioner Karpel?

COMMISSIONER KARPEL: Yeah, thank you. And sorry I had to step away earlier. I was listening by phone, so I hopefully didn't miss any of your testimony. I did want to ask a question, and I think a couple of the witnesses have already spoken to it in different ways, but let me ask this.

So, to the extent trade shocks disproportionately harm certain types of workers or communities, what is the answer to lessening those effects? Is it making communities more resilient in responding to trade shocks and being careful to be equitable in how that assistance and that resiliency is done, or is it in stopping the trade shocks from happening in the first place or avoiding certain types of trade shocks in particular?

And I think, Mr. Paul, something you said made me think that maybe you were thinking a bit more of the latter at least as part of the answer. And I was also listening to what Ms. Zmuda said in terms of resiliency and things that can be done in that respect. And I think even on the first panel Ms. Schmid said something that I thought was interesting. It was that we have to invest domestically if we want to have an open trading system in the United States. So I think it relates to this question as well.

So, Mr. Paul, do you want to speak?

MR. PAUL: Yeah, Commissioner Karpel, thank you so much. It's an interesting and complex question, and I think that I agree with all of your paths forward there. I think that they can be done in concert and that they're not mutually exclusive.

I do think that there needs to be better adjustments. There are limitations to that. I think that, you know, preventing, you know, much of this is actually entirely possible both through expectation-setting when we're negotiating trade agreements about mechanisms to open market and expose workers to certain types of competitions, competition number one. I think that there are other mechanisms, such as import surge prevention mechanisms, that can be utilized as well.

And there was a brief, temporary, and ultimately kind of insufficient import surge mechanism that came along with China's entry, you know, into the WTO, the 421, which was grossly underutilized, but I do think that understanding that preventing that -- the net welfare benefit of preventing that is going to be much larger than trying to stand up some new factory that takes an exceptional amount of capital and wage replacement in that community. And we know from history that that is highly unlikely to happen, and so I think that there has to be an enhanced value placed on that in trade policy conversations as well.

So I do think that understanding our import-sensitive industries, how crucial they are, particularly if there are economic and national security implications of those, have to play a more critical role as we're entering kind of market opening agreements or market access or lowering tariff or investment barriers into the U.S. And, again, so far, that's been insufficient.

But I'll give an example of where, again, I think we've made a little bit of progress, and that's in the new USMCA. And in the automotive sector, the domestic content rules that were set there have been structured in such a way that companies are setting up their battery facilities in the United States rather than somewhere else because they know to be counted as kind of like a NAFTA vehicle the battery's going to be probably the most expensive single component in that vehicle and that a U.S. location will allow that tariff-free access for that. And so I think that there's examples of how we can utilize this for job creation, as well as retention as well.

COMMISSIONER KARPEL: So let me ask you about just focusing a bit more on the distributional impacts. You know, would you factor that in too in terms of the choices policymakers are making in these either trade agreement or another type of trade policy, and how would we do that? Would they look to see that this policy may have a disproportionately negative effect on certain types of workers and therefore not put that on the table in terms of the negotiation?

MR. PAUL: I think that that would be one possible way to approach this, but I do think that having a distributional analysis, particularly by education level, which is an important factor in understanding the levels of adjustment or economic mobility that are possible, and also considering the fact that, again, the vast majority of Americans do not have a four-year college degree and are not particularly mobile and so they're going to be, as a class, as the single largest class in the United States, potentially more vulnerable, and then, within that, you know, understanding who the most vulnerable populations may be.

There may be industries that are particularly import-sensitive but that have overrepresentation of black workers or women or other workers of color. And I think having a deeper understanding of that and that sort of distributional analysis would be very, very important for policymakers to understand as they enter negotiations and then as they're evaluating potential agreements.

COMMISSIONER KARPEL: Ms. Zmuda, do you just want to weigh in on this? Like, what's the answer here? Is it focusing on resiliency or focusing on sort of avoiding trade shocks that have these disproportionate impacts, or I suspect it's probably combination of the two, but, Ms. Zmuda?

MS. ZMUDA: I do think it is a -- it's a combination. I would lean in my answer, lean more into the resiliency aspect. I really think the front-end investments in communities -- so childcare was mentioned. Right now, it's very much a local solution, local decisions that are made to provide childcare for workers.

I think we really have an opportunity to strengthen the workforce by developing those resources by equipping our communities to develop economic development plans to really think holistically about the community and then really provide the tools to be more resilient when there are trade shocks and trade impacts.

Also, incorporating elements of community engagement and community needs evaluations. Every community, every local economy, make-up of the workforce in industry is unique, and I think sometimes we think of urban versus rural and kind of bucket those in categories, or we think on a geographic scape, okay, the West, the Midwest, the East. But, really, across the nation you can have one community in the same county that is focused on agriculture on the west side and the east side is really focused on manufacturing. So I think understanding that that is diverse even at the county and community level.

Of course, considering strengths and assets at a local level as well, so are those assets at a local level, you know, natural resources, forestry, agriculture, I mean, across the gamut of industry and really continue to invest in communities on that resiliency aspect, allowing local leaders the flexibility and the resources to adjust and create tools for response to keep their communities going.

Of course, also, you know, trade does come into play, and that, I think, you know, I would encourage considering connecting with local leaders and resources on the education side on how to leverage and engage in trade in a way that does benefit the community.

COMMISSIONER KARPEL: Thank you. Ms. St. Louis? Ms. St. Louis, did you want to contribute?

MS. ST. LOUIS: Oh, yes. Sorry. Yeah. So I also just wanted to make the point, unfortunately, I think sometimes the interests that have pushed some of the parts of the trade agreement rules that, you know, have been damaging to communities are also the same interests that have worked to undermine the social safety nets in communities. Like, we don't actually see, you know, often, you know, in terms of challenging or, you know, the corporate tax cuts that then are, you know, starving the ability to provide social services and so forth and then pushing extreme, you know, corporate-friendly trade rules that then also create damage.

So, you know, I think that that's kind of the sad side of kind of your question, which is that we do need to be investing in both and making sure that we're, you know, developing policies from the outset that are going to be as beneficial as possible to workers in the United States and around the world while we also are investing in social services and other tools as well so that communities can weather any shocks.

COMMISSIONER KARPEL: Mr. Holt?

MR. HOLT: Well, I would agree that it's twofold, but one thing my grandmother used to tell me is that prevention is better than cure. And I think if we can address some of these issues on the front end, whether that's in our trade agreement, you know, before the manufacturing plant is offshored or, you know, they succumb to import competition, those are the things that we need to be investing in and trying to figure out, you know, where can we put resources to, you know, prevent that phenomenon from happening.

Obviously, resiliency is what's going to have to happen if the community wants to stay and thrive, right? So they have to have that social safety net. You have to have those programs in place if, you know, you have a factory closure. But I do think that some of the resources, when you're thinking about, you know, is it 50/50, you might want to do more towards the prevention part than the curing of the more resiliency part.

COMMISSIONER KARPEL: All right. Thank you all very much. My time is up.

CHAIR KEARNS: Mr. Paul, I wanted to start with you first about a question of the importance of manufacturing to the U.S. economy and then also the importance of manufacturing to the black community.

So, first, with a civilian labor force of 160 million, why do the 5 million manufacturing jobs lost during the 2000s matter in terms of livelihoods of working Americans as a whole? Can you put the significance of those jobs in some perspective for us?

MR. PAUL: I sure can, and there are qualitative and quantitative reasons why this sector deserves this particular attention.

One is that from a trade policy perspective, manufacturing, pretty uniquely among all the sectors in the economy, is trade-exposed. Every manufacturing job is subject to import competition. I think that's scarcely true of just about any other sector. I mean, agriculture, almost all of them are, that's true, but I think that among manufacturing it's particularly trade-exposed. So that's number one.

Number two is that there's a qualitative aspect to manufacturing jobs that traditionally has made it important in communities and in other networks, and those are the supply chains that result. They tend to be longer and involve more people both upstream and downstream than other sectors of the economy, so there's more indirect impact. We know from economic studies that there's higher indirect spending aspects in the community from a manufacturing job, and part of that is because of the combination of wage and benefits than there are of other sectors that spur additional job creation.

And we also know that, as opposed to a retail franchise or something else, it's much harder to re-stand up a manufacturing enterprise than it is any -- because of capital costs. Manufacturing is particularly capital-intensive among all the sectors that the Commission and others need to consider. There are capital costs in energy and agriculture, but manufacturing, they are pervasive, and they're particularly difficult for small- and mid-sized manufacturers to do that.

Now there are the other aspects -- and I'll do this within a minute, I promise -- manufacturing plays an outside role in patent formation in the United States. It's responsible for 90 percent of all patents filed in the United States. Manufacturers are responsible for about two-thirds of private-sector research and development that's done in the United States as well. And, obviously, and, unfortunately, the Russian invasion of Ukraine has put this into sharp focus. You need manufacturing to defend your country, you know, and it's just qualitatively important that way as well.

And so, when you're reducing your manufacturing base, you're reducing your defense industrial base in the United States because the two are the same. There is no enterprise in the United States that is solely dependent on DOD contracts. They all compete in commercial aspects as well, whether it's in steel or aerospace or vehicles or what have you. And so keeping that sector healthy is critically important. And I can go on, but I promised I'd limit myself to a minute, but those are a few of the reasons about why it deserves, I think, particular attention and focus.

CHAIR KEARNS: Okay. Thank you. And then, on the importance of manufacturing to the black community, one of the notable points from your testimony is that manufacturing was one of the few pathways to the middle class for black Americans facing discrimination in all walks of life, whereas this may not have been the case for other groups. Can you expand on that?

MR. PAUL: Yes, I certainly can, and I know that Dr. Spriggs mentioned that on the first panel as well, and I think it's important. And I will say that, you know, unfortunately, the labor movement for a period of time wasn't helpful with respect to discrimination, but it certainly was in many of the trade unions beginning in the 1950s and certainly in the 1960s.

And that opened up pathways to black workers where there was economic mobility for the first time and the ability to have wealth creation and home ownership and a whole array of opportunities that had not been open to the black community for generations in this country.

And so you saw communities, middle-class communities, that sprung up in industrial cities all over the United States. Unfortunately, some of those were too swiftly taken away, but those were opportunities, again, particularly for black workers who do not have a four-year college degree, attaining that middle-class income and home ownership and wealth creation was something that was virtually impossible outside of this unless you had a union-represented public sector job down the road.

And so I think that it played a particularly important role in middle-class black community development in many urban areas throughout the United States and something that no other sector was really able to replicate.

CHAIR KEARNS: Okay. Thank you very much.

And, Mr. Gresser, I wanted to you to a little bit about -- we haven't talked too much about your tariff proposal, but by my calculations -- I'm trying to figure out exactly how much we're talking about in gains from tariff elimination on the products that you talk about.

And by my calculations, I mean, you show in Table 1 of your testimony that the trade-weighted average tariff of those goods is 11.3 percent, so a single-parent household earning 48,000 and spending 4.9 percent of their income on those items, as you show in Table 3, would see a gain of, if I did the math right, $269 a year by my calculations. Does that sound roughly right to you?

MR. GRESSER: I would have to look at it. I don't have it in front of me. It does sound reasonable.

CHAIR KEARNS: Okay. And then so how do we figure this -- so, you know, on the other hand, we hear from Josh Bibbins, a 2013 study, he finds that the implied wage effects of trade expanded rapidly after 1995 as trade with low-wage nations, particularly Mexico and China, picked up significantly. He finds that, by 2013, trade flows with low-wage nations were likely reducing wages for workers without a four-year college degree by roughly 5.6 percent. And so, for a non-college degree worker making the median hourly wage and working full-time full-year, this translates into just under about 2,000 annually.

So I'm curious what you think of that. I don't know if you're aware of that study or not, but if you have any comments on it? I mean, obviously, the nice thing, of course, is we can consider both of these changes.

You point out that, you know, you're talking about eliminating tariffs on goods that aren't being made in the U.S., and so we could do both. But I'm curious, you know, if you think these numbers are roughly suggestive of what our priorities should be or what you think of them and what you think of the study that Josh Bibbins did?

MR. GRESSER: I guess I would have to read Mr. Bibbins' study and get back to you. You know, I wouldn't want to react to it positively or negatively without really understanding his premises.

CHAIR KEARNS: And that's fine. You can, you know, reply in writing if you prefer.

MR. GRESSER: There are studies by a couple people at the Peterson Institute that find trade liberalization and tariff cuts adding, I believe, $5,000 in net income to average American families, so there's going to be some differences of opinion.

But what I would focus on in the pitch that I was making is that at least in these areas, the tariff system is not at all an effective protector of jobs, so low-income people are paying for it without protecting any employment. So I think that conclusion stands on its own.

If you look at shoes, for example, there are, I believe, about 6,000 people employed in shoemaking, mostly in very high-end running shoes and sophisticated boots for, you know, like, chemical workers and so forth. There are no cheap sneakers made in the United States and haven't been, as far as I know, since the 1970s. Likewise, there are no cheap forks made in the United States. My understanding is one silverware company in upstate New York makes high-end, expensive stuff that isn't subject to the tariffs.

So I think that there are, I'm sure, different analyses of wage effects across the country or on particular industries, but if the actual causes of having -- in place are not doing their jobs, they're not protecting these jobs, then I think there isn't really a strong case to keep them.

CHAIRMAN KEARNS: Mm-hmm. Okay. Thank you very much. I have no further questions. I appreciate all the testimony from all the witnesses.

Vice Chair Stayin?

VICE CHAIR STAYIN: Thank you. One area that is exclusively, relatively under research, I should say, relates to distributional impacts of increased exports abroad. Do you have any idea where new export-oriented jobs are being created and what types of workers are filling these jobs? There seems to be a general consensus among economists that --

MR. SECRETARY: You're on mute, Vice Chair. You're unmuted now.

VICE CHAIR STAYIN: I was just going to say there appears to be a general consensus that export expansion has been a net job creator in the United States. Is that your experience, or thoughts?

MR. GRESSER: Am I up? Okay.

VICE CHAIR STAYIN: Yes, please.

MR. GRESSER: I think, as I understand it, the dominant economic theory is that export expansion can shift the mix of jobs often into higher-paying areas but that it probably is not a net job creator. I'm willing to be contradicted on that, but that's my understanding of the stated theory.

There is very good evidence in terms of export job creation that Hispanic- and Asian-owned businesses are more likely than the average to be exporters and that, across the board, exporting companies have quite high pay and employment premiums.

I would have to pull this up, but I mentioned the case for African American-owned businesses, and also look at women-owned, if I can find it here. It's not immediately available, but, in general, the BEA and Census each year look at exporting businesses and find that the most likely by race and ethnicity, Asian American- and Hispanic-owned, and, typically, the ratio of employment for exporting to non-exporting is about four or five to one, and the ratio of pay is about -- pay per worker is about 1.5 or 1.6 to one.

So there are a lot of advantages that come with working from exporting businesses and a good reason for us to be concerned that the export business population has shrunk in the last few years.

VICE CHAIR STAYIN: Thank you. Mr. Holt?

MR. HOLT: So I would say, you know, in terms of exports as services, you know, we have to look at, you know, where the exports are being and what industries they're concentrated in. And then also, when we look at the distributional impacts, you know, are black and Latinx workers in these industries, right?

So, if you're creating all of these export opportunities in professional services, travel services, you know, financial services, you know, what is the racial make-up of these industries? From my testimony, you know, you have about 13 percent of black workers that represent the American workforce and 17 percent Latinx, and they're significantly underrepresented or disproportionately underrepresented in most of these industries, especially in professional services, you know, where there's work.

VICE CHAIR STAYIN: Thank you. Does anybody else want to comment on that, exports? Yes, please.

MR. PAUL: Sorry, Commissioner Stayin, I agree that exports are important. I think, when you look at net exports, the analysis would show that trade has been a net loss generator for the United States.

But I do think for the sectors that have net exports that there has been some substantial benefit. I mean, the largest exporters tend to be in the energy sector, in aerospace, and then in integrated supply chains with machines and electronics moving either between our Asian trade partners or within the USMCA, as well as some commodities in agriculture as well.

And so the impacts within those industries, some are more labor-intensive than others, but you can certainly see in communities like built around Everette, Washington, where Boeing manufactures planes, that there's a great deal of dependency on having an export market for their products.

And so I do think that that's an important consideration. Again, I think, on balance, when you look at net exports, we have a real challenge in the United States. Some of it's related to trade policy. Much of it's related to things outside of trade policy, like taxes or exchange rates or consumption patterns for Americans, but you're correct to say that it can be an important job generator for certain sectors of the economy.

VICE CHAIR STAYIN: Thank you. To foreign investments, have they been a job creator in the United States. To what extent have you and your assignees in your work areas come across this, and what is the contribution?

MR. PAUL: I would say, Commissioner Stayin, it depends on the foreign investment. There are many cases in which foreign investment has saved U.S. industries or has grown new U.S. industries. You're seeing that in the clean energy sector right now in the United States. We just had an Australian company, Trillium, establish a factory in Tennessee to build electric vehicle chargers. That is certainly welcome foreign investment in our economy.

You have other cases where state-owned or state-related foreign investment from China is locating in the United States either to avoid potential trade remedies or because their actions have wiped out domestic competitors and so they're able to enter our markets and to serve the U.S. consumer that way. And so I think the implications of that are less good for the welfare of the economy. But FDI can be an important job generator under the right circumstances in the U.S.

VICE CHAIR STAYIN: How are the effects of foreign investment distributed by community, thinking in terms of the worker, the workforce? What is the makeup of the workforce that you find in export businesses?

MR. PAUL: Commissioner, I don't have that data at my fingertips. I'd be happy to respond in writing to that.

VICE CHAIR STAYIN: Okay, thank you very much.

MR. GRESSER: I guess I could follow up a little bit. The Bureau of Economic Analysis publishes these figures each year, so they are available but only, as I understand it, to the state level, not to the community level.

FDI in the United States, my understanding, is relatively heavily tilted toward manufacturing and employs some significant share of U.S. manufacturing workers, not close to a majority but disproportionately more in manufacturing than in other areas.

VICE CHAIR STAYIN: All right. Thank you. What kinds of research would help policymakers better understand the distributional effects of trade? Can you identify academics, organizations, et cetera, that are currently working on these research questions?

MR. GRESSER: With respect to the tariff system, yes. Lydia Cox and Miguel Acosta last month published a really excellent paper on the distributional effects of the U.S. tariff system looking back to its origins and today. So I would recommend that very enthusiastically.

VICE CHAIR STAYIN: Thank you very much. Does anybody else want to comment on that?

(No response.)

VICE CHAIR STAYIN: Okay. Thank you all. I have no further questions. Appreciate you being here and the great information you provide to us. Thank you.

CHAIR KEARNS: Commissioner Johanson?

COMMISSIONER JOHANSON: I have no further questions, but I appreciate you all appearing here today.

CHAIR KEARNS: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: No further questions. Thank you.

CHAIR KEARNS: Commissioner Karpel?

COMMISSIONER KARPEL: Yeah. I did just have a question since I missed my first round, but I know it's late in the day, and I appreciate everyone's patience in staying with us through the afternoon.

I just want to ask briefly about education. I think a number of the witnesses have commented that workers without a college degree are disproportionately impacted by trade shocks, and that might lead one to conclude that part of the solution is to help more workers get a college degree. But, as we heard often from the roundtable discussions we had that that isn't necessarily an answer in that, you know, college can create a lot of debt, there can be barriers, particularly to certain communities, to college education, and, frankly, that many job functions don't require a college degree, even if those job descriptions might say they do require a college degree, and so I wondered if some of you could speak to sort of this question that the data is showing us that those without a college degree may be more adversely impacted, but I'm not sure that's really pointing us to an answer in terms of how to maybe make those workers more resilient or to provide more resources so that they are less adversely impacted?

Mr. Paul?

MR. PAUL: Yeah. Thank you, Commissioner Karpel. I've considered this question quite a bit. I think, fundamentally, you know, we do have to meet workers kind of where they are and understand where they are and that it's probably not just a kid coming right out of high school who's been displaced but someone that is well into their 20s or their 30s and may have some other obligations as well.

And so I think having an array of options is what's important because, as I mentioned in response to another question, there are, you know, potentially manufacturing job opportunities available that require some training, you know, not maybe even more than six months or four months, it might take a year or something like that.

And so having mechanisms to address the cost of that and other challenges, including the need for a flexible academic schedule or training schedule or childcare or transportation expenses, is important. I think more employers are offering apprenticeships so that there's some income generation at the same time, you know, as a mechanism to break down some of the barriers.

I think that is critically important. I think that the challenge we face in the adjustment mechanisms we have right now is that there is so much emphasis put on job placement that may not be a good career fit for an individual who has been displaced but then is just churned out of the system, that it's not a particularly thoughtful or cost-effective approach over the long term when they may be out on the job market again in six months or a year. And so I think having a great deal more thought put into that is important.

That takes investment, obviously, and that's going to be a policy decision that Congress and the Administration have to make together. But I think having a deep understanding of some of the barriers that these workers face to potentially getting back into a situation where they can enter the labor market is going to be critical for policymakers to understand.

COMMISSIONER KARPEL: Thank you. Mr. Gresser?

MR. GRESSER: Yeah, I think Mr. Paul made some really good points. I think the additional vulnerability or the lesser vulnerability of college-educated workers is true across the economy. I don't think it's a particularly trade-related issue. You look at unemployment rates right now, it's 2 percent for college-educated, 4 percent for high school-only, 6 percent for no high school. That's in a very high, very good labor market, and it's quite typical that you see a gradation like that.

And going back to one thing I said earlier, which was that I think the TAA program is quite a good one, but it's inherently limited both for trade-related job loss and generally by the fact you have to prove that it's trade-related. It should be open to all, some similar set of benefits.

And Ms. St. Louis, I think, made a good point a couple of times that healthcare is a really important fact about job loss, that if you are in a position where you lose your health coverage along with your job, it becomes much harder to commit to job training and upscaling. It becomes much harder to commit to a broader job search for a comparable level of pay.

So I think the Affordable Care Act is a very big step forward in this, but it's not the full, not the whole journey. So that is something I think public policy really should look at closely.

COMMISSIONER KARPEL: Thank you. Ms. St. Louis? I think you're still on mute.

MS. ST. LOUIS: Sorry.

COMMISSIONER KARPEL: There you go. That's okay.

MS. ST. LOUIS: Thanks to all of you for the opportunity to be here today. I want to thank Mr. Gresser for that, and I guess I would go one step further, and I hope that the ITC report says that we should have Medicare For All. So that's what I'm going to put out there, you know, just as part of the outcome of this.

But I did want to, again, note that what Dr. Spriggs said earlier in the earlier panel that, you know, when we're talking about education, that this isn't just something -- especially when you're looking at the wage gap and you're looking at the impacts for black and brown Americans having more difficulty finding new jobs, et cetera, that you can't just educate your way out of that and that it's an important piece but that we also need to address other structurally racist, you know, discrimination in the workforce and address, you know, unionization rates, et cetera, as part of that resiliency. And, yeah, so I'll just leave that there.

COMMISSIONER KARPEL: Ms. Zmuda?

MS. ZMUDA: Yes, thank you so much for the question. Yes, thank you for the opportunity to be here today. I would add that I think, when you're looking at economic mobility, it's a holistic system. So economic mobility and the ability to be connected to a job and be successful in that and move the needle in your own individual position.

As far as economic mobility is concerned, it's about having appropriate systems, support systems for childcare, healthcare, as mentioned. It's about having local supports for getting where you need to go both in a literal and kind of figurative way, being able to be connected from your home through transportation to the job, having the support systems that allow you to stay in place and have that stability.

It's about housing affordability, which I don't think we've touched much on, but ensuring that the whole community is set up in a way that supports you and your family's economic mobility and the reliability, kind of the stability of a job, a safe place to live, healthcare, all of the above. And I think a lot of those does happen through federal programs, but the action occurs at the local level in connecting all of those systems.

COMMISSIONER KARPEL: Thank you. So what I'm hearing is it's more the data which is showing that workers without a college degree may be disproportionately impacted. It's more just identifying a group of workers that may need more support or may need more thought about how we address challenges associated with job loss maybe from a trade shock versus necessarily suggesting anything about what form that that assistance or resources should take in terms of education level.

It's more an indicator of the type of worker that might need more attention, more focus of resources and supports, is that fair? Mr. Paul is nodding. Okay, I'll take that as a yes. Ms. Zmuda? Okay, all right. I think that was a question I've had for a while. We've heard it a number of times, and thank you very much for taking the time to give some thought to that.

Okay. Well, that's it for me. I've really appreciated this conversation and your willingness to engage in it. It's been immensely helpful for us, so thank you very much.

CHAIR KEARNS: Do any other Commissioners have questions?

(No response.)

CHAIR KEARNS: Okay. Do Staff have any questions?

MS. SCOTT: Thank you. Staff does not have any questions.

CHAIR KEARNS: Okay. Thank you.

On behalf of the Commission, I want to thank all the witnesses for participating in today's hearing. Post-hearing briefs, statements responsive to questions and requests of the Commission, and corrections to the transcript must be filed by May 6, 2022.

All the written submissions, including the 500-word summary, must be filed by May 17. The Commission appreciates everyone's patience and flexibility in adapting to our modified procedures during this time.

Seeing no other business before the Commission, this hearing is adjourned.

(Whereupon, at 5:16 p.m., the hearing in the above-entitled matter adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Distributional Effects of Trade and Trade Policy on U.S. Workers
INVESTIGATION NO.: 332-587

HEARING DATE: April 19, 2022

LOCATION: Washington, D.C. - Remote

NATURE OF HEARING: Conference

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