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Thank you, Commissioners, for the opportunity to testify before you all today. I believe that the ITC does such important work and plays an invaluable role in the development and understanding of U.S. trade policy. As you all know, our trade agreements have grown in complexity over the years. Of course our agreements eliminate many tariffs, but our trade agreements have expanded to other areas that have an incredibly important impact on the trading relationships between countries. I'm proud that the United States has been at the cutting edge on addressing many of these new issues - whether it be the inclusion of labor and environmental chapters or addressing new disciplines on state-owned enterprises and the free flow of data across borders.

Of course, this expansion also makes the ITC's job much more difficult. The text of U.S. trade agreements is dense and the impact on the U.S. economy is not easily ascertained. The ITC's job in this report is to explain what *actually* happened as a result of our past trade agreements. I strongly urge the ITC's analysis to go farther than just analyzing whether U.S. GDP has risen – we need to understand how these agreements have affected wages in the United States, income inequality, and a number of other incredibly important issues. The ITC recognized many of these issues in its 2003 report. However, given the improvements in data and econometric modeling over the past decade, I expect the ITC to complete a much more rigorous analysis in this report. With this mind, I would like to focus my remarks on the following issues.

First, so many claims about trade agreements relate to jobs. Some claim trade agreements create thousands of jobs while others claim that the United States will lose thousands as a result.

Yet, when economists talk about a trade agreement, they often seem to assume that a trade agreement will have an incredibly limited effect on jobs. That may be because standard econometric models assume that the U.S. economy is operating at full employment - thus, not even allowing for the possibility of job loss or gain. The ITC should analyze whether an econometric model assuming full employment is an appropriate model to use. Unfortunately, full employment is clearly not a reasonable assumption, but can we realistically estimate the impact of trade agreements on trade balances and jobs? These are questions I expect the ITC to address.

Second, the ITC report needs to examine who gets the gains or losses realized from U.S. trade agreements. It is not enough to assert that a trade agreement is good for the United States by simply asserting that our GDP will be higher. This report needs to analyze a number of other factors. For one, what impact do trade agreements have on income inequality? Dani Rodrick, a Harvard economist, has written that in a situation with low tariffs (as we have in the United States) the gains from further trade liberalization are relatively minimal, but the distributional effect is much higher. Further, numerous reports suggest that the percentage of GDP growth going to the owners of capital is increasing. This ITC report should analyze the extent to which this phenomenon is due to trade and investment liberalization in U.S. trade agreements.

The ITC should analyze the impact our trade agreements have on the median wage and the impact U.S. trade agreements have on an average person – as well as the most vulnerable among us. Yes, trade agreements should result in more efficiently made goods that result in consumers obtaining goods for cheaper prices. That is a potentially positive effect of a trade agreement. However, if the wages of an average U.S. worker also go down because of heightened competition from lower-wage labor abroad, the equation is more complicated. For instance, what impact have low wages in the Mexican automotive sector had on the competitiveness of the U.S. automotive sector after NAFTA? The impact of our trade agreements on wages is an important issue that should be at the core of the ITC's analysis.

Third, the ITC report should thoroughly analyze the impact of provisions in U.S. trade agreements that are not related to tariffs. What result do the intellectual property standards have on the U.S. economy? Does the extension of patent terms in foreign countries enhance U.S. competitive and, if so, who gets those benefits? And what result have the rules of origin in each of our trade agreements played regarding the economic impact of the agreement? Regarding the automotive sector, we have had very different rules of origin depending on the agreement. How has the difference between the rule of origin in KORUS and NAFTA impacted U.S. workers and the economy more broadly?

Along these lines, the ITC report should consider what's *not* in our trade agreements. NAFTA, for instance, does not contain enforceable labor and environmental provisions. The ITC's analysis should address the impact that this omission has had on the impact of the agreement. Further, our trade agreements have not addressed currency manipulation - how has this omission dampened the impact of, for instance, the cuts in tariffs in our trade agreements. In this regard, the ITC's analysis regarding the effect of the Korean free trade agreement will be particularly important.

Fourth, there are claims being made on both sides about the impact that our trade agreements have on the U.S. trade deficit. Some argue that trade agreements have only made our deficit worse, while others claim that trade agreements have helped to shrink it. Then there are economists who assert that trade deficits are the result of much larger macroeconomic factors than are not addressed in our trade agreements. Part of this equation is the impact of our trade agreements have on imports. While proponents of trade agreements often tout the benefits of increased exports, the ITC needs to fully consider the impact increased imports have had on our economy as well.

Fifth, the 2003 ITC report occurred shortly after China acceded to the WTO. Since then, China has become the second largest economy in the world. The accession of China to the WTO agreements signed pursuant to TPA has had a massive impact on most economies around the world. While enacting permanent normal trade relations, or PNTR, with China was not passed using TPA procedures, the underlying WTO agreements that China acceded to were passed subject to TPA. Thus, in order for the ITC to analyze the impact of the suite of WTO agreements passed under TPA by Congress in 1995, China's eventual accession to those agreements must be taken into account when analyzing the impact those agreements have had on the U.S. economy.

China's economic growth has raised key issues, including its use of oppressive labor practices, harmful environmental practices, and unabashed currency manipulation. I look forward to the ITC's analysis regarding the impact of China's accession to the WTO has had on the U.S. economy and, in particular, on the median wage in the United States.

I believe that the ITC report can be a critical tool to help us to better understand how to craft our trade agreements to ensure that benefits of trade are shared broadly. And, finally, we must acknowledge that we are in the midst of considering the TPP. In fact, Ambassador Froman recently requested that the ITC prepare its assessment of the TPP. It may go without saying, but the issues I have highlighted today are also incredibly important issues for the ITC to analyze in its assessment of the TPP. I know that the 105 days provided to complete that report may occur before this retrospective report is completed, but these same issues must be addressed in order to complete a detailed and thorough analysis of TPP.

Thank you for this opportunity, and good luck on this complex and important report.