



Statement of the U.S. Chamber of Commerce

**ON: The Implications of Potential Retaliatory Measures
Taken Against the United States
in Response to Meat Labeling Requirements**

**TO: U.S. House of Representatives
Committee on Agriculture
Subcommittee on Livestock and Foreign Agriculture**

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The Chamber's mission is to advance human progress through an economic,
political and social system based on individual freedom,
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

On the occasion of this hearing of the House Agriculture Committee on “the implications of potential retaliatory measures taken against the United States in response to meat labeling requirements,” I am pleased to testify on behalf of the U.S. Chamber of Commerce and our members. The Chamber is the world’s largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers of commerce and industry associations.

The Chamber is taking part in today’s hearing as co-chair—alongside the National Association of Manufacturers (NAM)—of the COOL Reform Coalition. Launched one year ago, the COOL Reform Coalition includes companies and associations from a wide variety of sectors—including agriculture, agri-food, and manufacturing—that are advocating for U.S. compliance with obligations it has undertaken in the World Trade Organization (WTO) agreements relating to the topic of this hearing.

Country-of-origin-labeling (COOL) requirements are common, and as promulgated in many countries and for many products, they are often fully compatible with the World Trade Organization (WTO) agreements. At least 70 countries have some kind of country-of-origin-labeling requirement. In the United States, mandatory COOL rules require most retailers to provide country-of-origin-labeling for fresh fruits and vegetables, fish, shellfish, peanuts, pecans, macadamia nuts, ginseng, meat and poultry.

The dispute under discussion today only involves muscle cuts of meat. It arose because, two decades after the North American Free Trade Agreement (NAFTA) entered into force, U.S. meat producers and their counterparts in Canada and Mexico have come to treat North America as an integrated market—just as U.S. manufacturers do.

It often makes good economic sense for cattle to be born, raised, and slaughtered in different places across the continent—north or south of the 49th parallel, or north or south of the Rio Grande. Taking these realities into account, the WTO has recognized the U.S. COOL rule for muscle cuts of meat imposes real economic costs on the meat industry by forcing segregation of cattle and hogs and requiring costly tracking systems and record keeping. These costs are real, and they make labeling requirements for meat different than for, say, almonds or apples, which are grown in one spot.

The WTO Dispute

This dispute has been unfolding for years, and it is now entering its final stage. The COOL rule for muscle cuts of meat is required by the 2002 farm bill as amended by the 2008 farm bill. In late 2009, less than one year after the COOL rule for muscle cuts of meat took effect, Canada and Mexico began the process of challenging it at the WTO. They argued that COOL reduces the value and number of cattle and hogs shipped to the U.S. market; by imposing new costs exclusively on Canadian and Mexican producers, it has a discriminatory, trade-distorting impact.

In July 2012, the WTO Dispute Settlement Body adopted an Appellate Body ruling that the COOL rule for muscle cuts of meat violated the WTO Technical Barriers to Trade (TBT)

Agreement because it treats imported Canadian cattle and hogs, and imported Mexican cattle, less favorably than domestic livestock.

A deadline of May 23, 2013, was set for the U.S. Department of Agriculture (USDA) to bring U.S. regulations into alignment with obligations the United States has undertaken in the WTO agreements. On that date, USDA published a revised rule. Government officials of both Canada and Mexico stated that the revisions were inadequate. On September 25, 2013, Canada and Mexico requested the establishment of a compliance panel to determine whether the revised rule is compliant with obligations the United States has undertaken in the WTO agreements.

On October 20, 2014, a WTO compliance panel report again found the United States had failed to comply with its WTO obligations. In fact, it found the revised rule was even more discriminatory than the earlier version. The following month, the United States appealed this decision, and the WTO Appellate Body expects to circulate its ruling on the appeal no later than May 18, at which time it will be made public.

In other words, the end of this long and winding road is within sight. The pain for U.S. agriculture and industry, however, could be just beginning.

Trade with Canada, Mexico is Vital to U.S.

The importance of the U.S. trade relationship with Canada and Mexico for American workers, farmers, ranchers, and companies of all kinds is worth bearing in mind. A trade dispute with a minor commercial partner can be damaging; a trade dispute with the two largest markets for U.S. exports could be highly damaging. Consider the dimensions of our economic ties to Canada and Mexico today:

Trade

- Since the North American Free Trade Agreement (NAFTA) entered into force in 1994, trade with Canada and Mexico has risen nearly fourfold to \$1.28 trillion in 2013, and the two countries buy about one-third of all U.S. merchandise exports.
- The trade boom continues. U.S. merchandise exports to Canada and Mexico rose by 66% over the past five years, reaching \$552 billion in 2014. In fact, our North American neighbors provided 39% of all growth in U.S. merchandise exports in the 2009-2014 period.
- Canada (population 36 million) again edged the EU (population 500 million) as the top market for U.S. goods exports in 2014. U.S. merchandise exports to Mexico (population 125 million) were nearly double those to China (population 1.4 billion), which is the third largest national market for U.S. exports.
- In fact, the United States in 2014 had a trade surplus in manufactured goods ([\\$21.6 billion](#)) with Canada and Mexico, just as it has for the past four years. In 2013, the U.S. services trade surplus with Canada and Mexico reached [\\$45 billion](#). The U.S. remains a significant net importer of petroleum from its North American neighbors.

Jobs

- Trade with Canada and Mexico supports nearly 14 million U.S. jobs, and nearly 5 million of these net jobs are supported by the increase in trade generated by NAFTA, according to a comprehensive economic [study](#) commissioned by the U.S. Chamber.
- The expansion of trade unleashed by NAFTA supports tens of thousands of jobs in each of the 50 states and more than 100,000 jobs in each of 17 states, according to the same study.

Manufacturing

- Canadians and Mexicans purchased U.S. manufactured goods valued at \$486 billion in 2014, generating more than \$40,000 in export revenue for every American factory worker. To put this in context, these export earnings are equivalent to about half the annual earnings—including pay and benefits—of the typical American factory worker (\$77,500).

Agriculture

- NAFTA has been a bonanza for U.S. farmers and ranchers. U.S. agricultural exports to Canada and Mexico rose by nearly 50% between 2007 and 2013, increasing from \$27 billion to nearly \$40 billion. Canada was the largest agricultural export market of the United States until it was overtaken by China in 2013, and U.S. agricultural exports to Mexico have quintupled since NAFTA entered into force.

Services

- With new market access afforded by NAFTA, U.S. services exports to Canada and Mexico have tripled, rising from \$27 billion in 1993 to \$93 billion in 2013. Among the services industries that are benefitting are: audiovisual; finance; insurance; transportation, logistics, and express delivery services; and software and information technology services.

Small Businesses

- Canada and Mexico are the top two export destinations for U.S. small- and medium-size enterprises, more than 125,000 of which sold their goods and services in Canada and Mexico in 2011 (latest available).

The Consequences of Noncompliance

As noted, the COOL Reform Coalition is seeking U.S. compliance with its obligations under the WTO agreements. Our coalition is building on years of work by a variety of organizations representing ranchers, farmers, and food and agriculture businesses impacted by the COOL rule for muscle cuts of meat.

Broad industry groups such as the Chamber have joined in the debate over COOL to signal our concern about the broad impact retaliation could have on a wide variety of industries, including many well removed from agriculture. The governments of Canada and Mexico have indicated they are fully prepared to proceed with WTO-authorized retaliation against U.S. exports of agricultural, agri-food, and manufactured goods as soon as this summer, pending the outcome of the final appeal.

WTO-authorized retaliation by these two vital U.S. trading partners could result in losses in the billions of dollars across multiple sectors including, but not limited to, food production, agriculture, and manufacturing. Many U.S.-made products would be subjected to steep tariffs that would effectively bar them from the Canadian and Mexican markets. As noted, the stakes are especially high because these are by far our largest export markets.

Our coalition website (www.COOLReform.com) offers a map that shows the products likely to face retaliation and the states where these agricultural and manufactured goods are produced. It is based on information provided by the governments of Canada and Mexico, indicating their explicit intentions to retaliate should the United States fail to comply with its trade obligations, driving home the potential cost to communities all across the United States.

Earlier experiences underscore how painful retaliation could be for American workers, farmers, and companies. After a dispute settlement panel ruled in Mexico's favor in the cross-border trucking dispute several years ago, Mexico levied steep retaliatory duties on \$2.4 billion worth of U.S. goods. The impact was devastating for tens of thousands of American workers and farmers. Many of the same products are likely to be targeted in the event retaliation goes forward in the COOL dispute.

One prominent COOL supporter told a recent press conference that “undoubtedly the result of [an] appeal is going to be somewhat different” from the October ruling. He further said “there is strong legal standing to resolve the dispute,” and he said the United States “may win on appeal.”

This is highly unlikely. Not only have WTO panels issued multiple adverse rulings, the most recent WTO panel report finds the United States has violated not just one but two agreements—the bedrock GATT 1994 agreement, which is the cornerstone of the WTO and the global rules-based trading system, and the TBT agreement. As noted, the report found the latest, revised version of the COOL rule was even more discriminatory than its predecessor. In any event, there will be no denying the immediacy of the problem when the final ruling is released within approximately eight weeks.

The U.S. Must Meet its WTO Obligations

It is clearly in the long-term economic interests of the United States to comply with the rules of the international trading system. After all, our country did more than any other to write these rules, from the General Agreement on Tariffs and Trade in 1947 to the creation of the WTO in 1995.

A host of studies shows the United States derives tremendous benefits from the open international trading system. One widely cited study shows that trade liberalization under these rules has boosted the income of the average American household by about \$10,000 annually.

As a nation, the United States flaunts its obligations under the rules-based trading system at our peril. Since the WTO was created in 1995, other countries have brought a number of disputes against the United States to the WTO, and the United States has lost a number of these.

The United States has always (eventually) amended its laws or changed its practices to conform to these adverse rulings. The United States has done so because it is in the country's interest to do so.

Further, American workers, farmers, and companies rely on these rules to secure access to overseas markets. Just a few months ago, a WTO panel ruled against India in a dispute brought by the United States relating to Indian restrictions on the importation of U.S. agricultural products. As U.S. Trade Representative Michael Froman said at the time: "This victory affirms the Administration's commitment to ensuring WTO Members play by the rules, and that America's farmers, workers and businesses get the fair shot they deserve to sell Made-in-America goods under WTO rules."

Today, the shoe is on the other foot. More than 95% of the world's consumers live outside our markets, but American farmers, workers, and companies will not be able to sell their goods and services to those consumers if we fail to live up to these rules ourselves.

The Goal of the Coalition

A consensus has emerged that congressional action is required to avert retaliation, and time for Congress to do so is running out. The WTO Appellate Body has announced it will circulate its ruling on the final U.S. appeal no later than May 18. WTO-authorized retaliation by Canada and Mexico could be authorized as soon as 60 days thereafter.

As we learned in the U.S.-Mexico cross-border trucking dispute, export sales of products targeted for retaliation can be lost even before authorized retaliation goes into effect. Sourcing managers planning future purchases will take into account likely retaliation and shift to vendors in other jurisdictions in response to the mere possibility of higher tariff-related costs in their supply chains. Once these sourcing relationships are lost, it can be years for companies to recover lost market share.

Over the past several years, the avenues open to the United States to avoid retaliation have dwindled. Our coalition proposed and advocated for several approaches which are no longer feasible. Given the period of as little as 60 days between the announcement of the final ruling in May and retaliation by Canada and Mexico, the only way to avert costly retaliation is for Congress to approve legislation repealing the COOL rule for muscle cuts of meat.

For these reasons, the Chamber strongly urges Congress to move swiftly to approve legislation repealing the COOL requirements for muscle cuts of meat due to the imminent and all-but-certain adverse ruling by the WTO Appellate Body in May. Failure to do so could cost tens of thousands of American jobs and jeopardize mutually beneficial trade relationships with our two closest neighbors and largest export markets.

The U.S. Chamber of Commerce and members of the COOL Reform Coalition appreciate the Committee's attention to this vital matter and look forward to working with the Committee to reach this goal.