



TESTIMONY OF ROGER JOHNSON
NATIONAL FARMERS UNION

BEFORE THE
U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON AGRICULTURE

TO REVIEW PENDING FREE TRADE AGREEMENTS

THURSDAY, MAY 12, 2011
WASHINGTON, D.C.

SUBMITTED TESTIMONY OF ROGER JOHNSON, PRESIDENT

NATIONAL FARMERS UNION

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

CONCERNING: PENDING FREE TRADE AGREEMENTS

MAY 12, 2011

Chairman Lucas, Ranking Member Peterson and other members of the U.S. House of Representatives Committee on Agriculture, I personally thank you on behalf of the U.S. family farmers, ranchers, fishermen and consumers my organization represents. I am Roger Johnson, president of National Farmers Union (NFU).

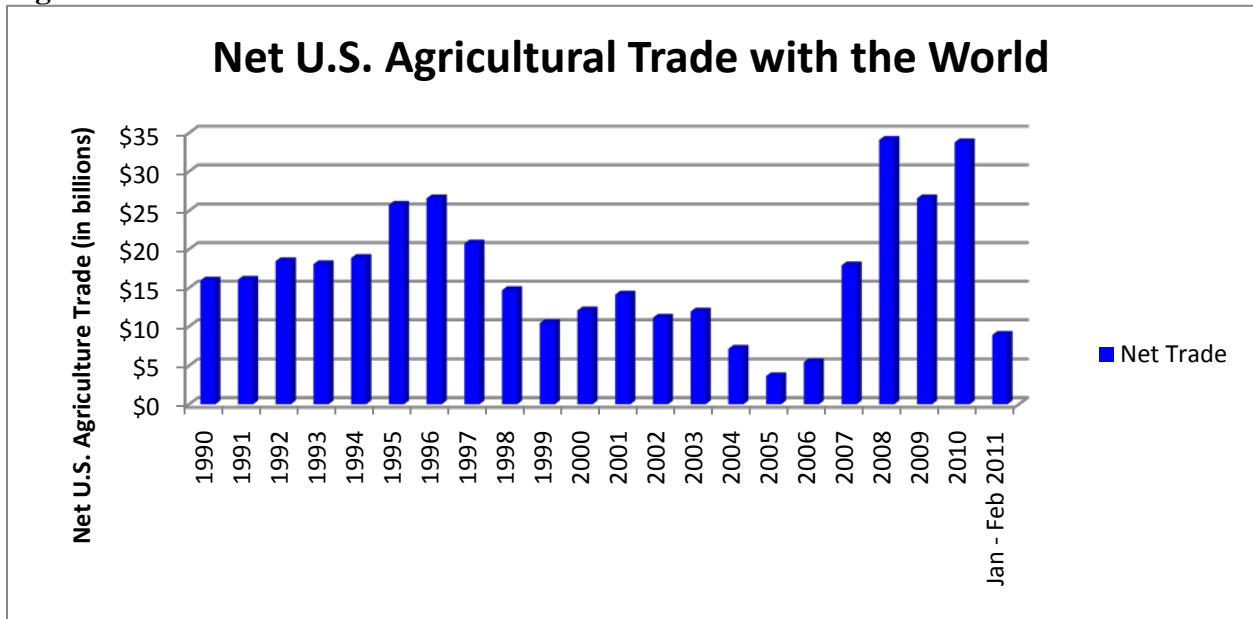
NFU was founded in 1902. We are one of the largest general farm organizations in the United States and have members in all 50 states, with organized divisions in 32 states. I stand here today in opposition to the three pending free trade agreements (FTAs) before the United States Congress on behalf of the hard working members of NFU who labor every day to produce a safe and affordable food supply for American consumers. The Korea, Panama, and Colombia FTAs will force thousands of Americans out of their jobs, result in the importation of products that could be produced domestically, and displace our own family farmers, ranchers and fishermen.

NFU is a grassroots organization. Our members believe that trade policy should help U.S. producers gain greater market access, increase the quality of life for the citizens of all parties in a trade agreement, and provide other mutual economic, social and governance benefits. NFU takes a holistic approach to trade.

There are many reasons for entering into trade agreements. One could be to gain better market access. Another may be on strictly economic grounds. The U.S. may want to establish a trade agreement for diplomatic purposes to help build relationships or even assist countries that are struggling with democracy. Free trade agreements are often justified by claims that the agreements will open new markets and create jobs in the U.S. A study of previous agreements suggests that trade deficits and lost jobs are the more common result. If a trade agreement is desired to help stabilize a country and bring about better democracy, the agreement should be sold on those merits instead of misleading claims about more markets and more U.S. jobs.

NFU has historically opposed free trade agreements on the basis that the agreements were more likely to increase imports rather than open new markets to U.S. goods, as claimed by proponents. We have been proved correct. Vague promises of “market access” have been too often empty and factually inaccurate.

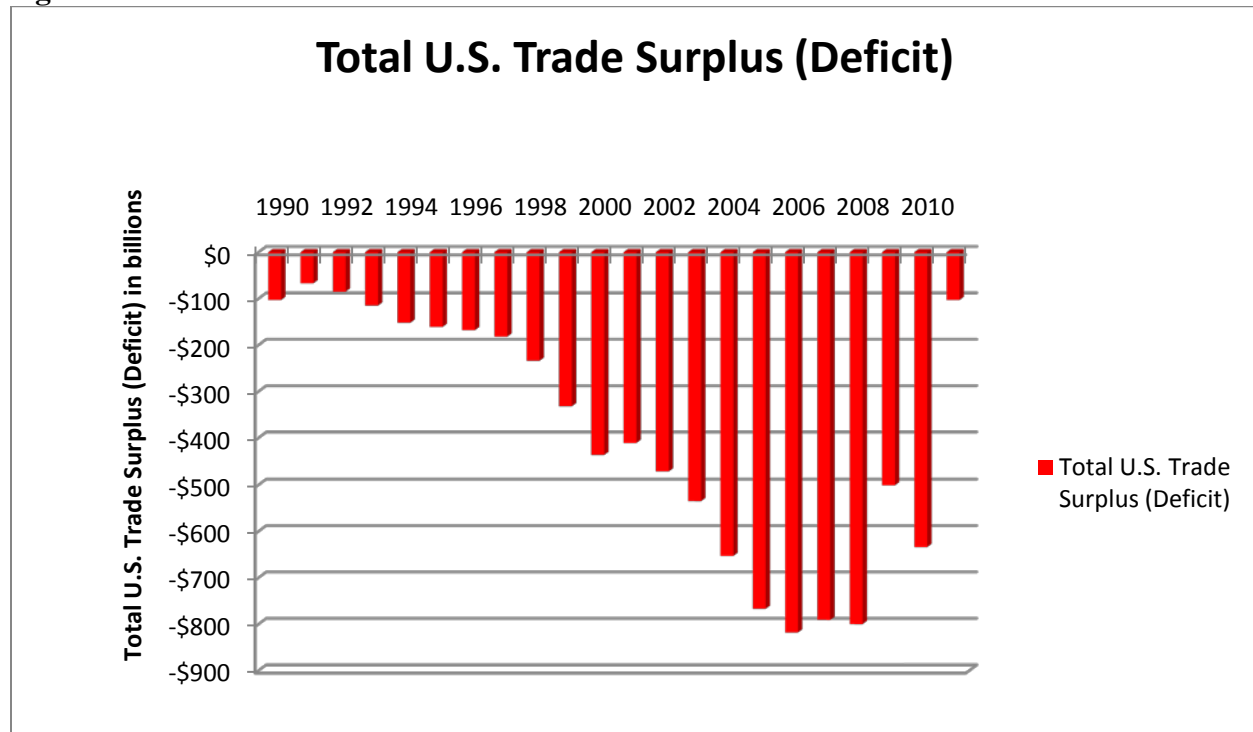
Figure 1



Source: U.S. Department of Agriculture Foreign Agriculture Service

U.S. agriculture has a history of generating agriculture trade surplus, as shown in Figure 1. We have a very efficient system of family farmers, ranchers and fishermen, and have historically provided a safety net for agriculture that helps our producers survive difficult times. This has resulted in long-term agricultural surpluses. On the other hand, the U.S. economy as a whole has a history of generating trade deficits as seen below in Figure 2.

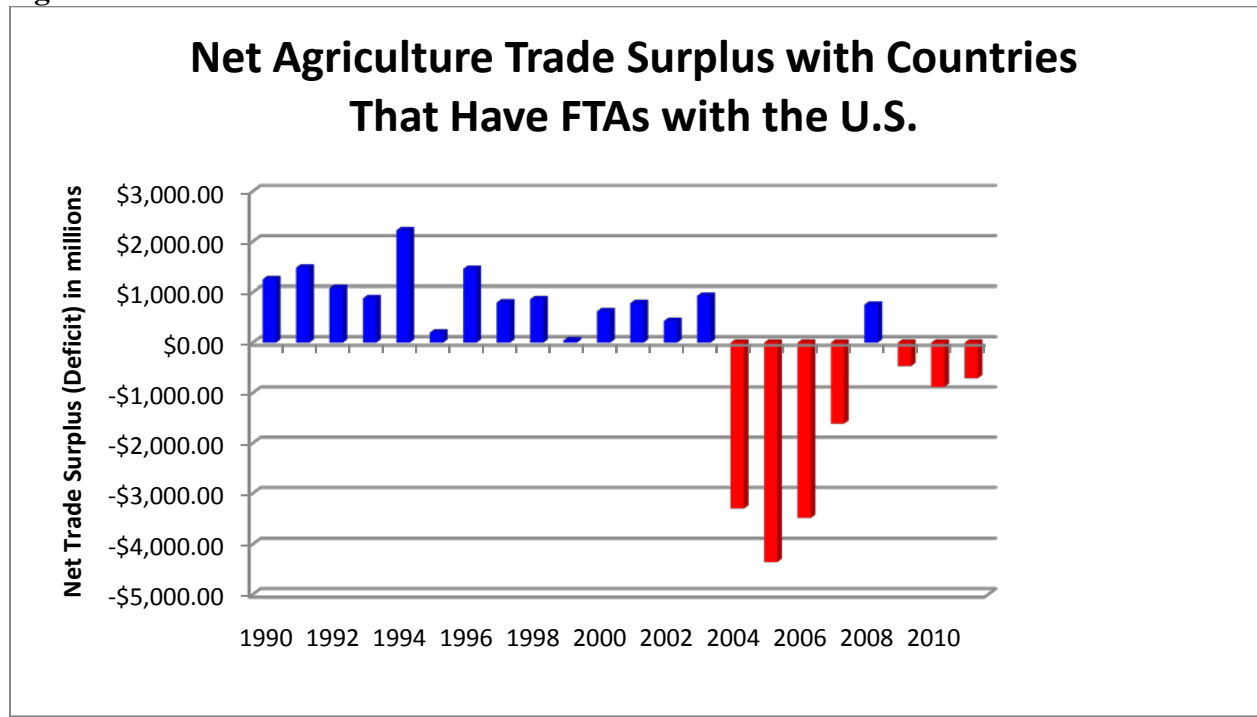
Figure 2



Source: U.S. International Trade Commission (ITC)

On the whole, U.S. agriculture has actually done worse after trade agreements have been entered into than prior to the agreements. Figure 3 below shows the net agriculture trade surplus (deficit) with countries that have entered into trade agreements with the United States. Each year only includes trade data from countries with which the U.S. had a free trade agreement in that year. This subpar performance contrasts with U.S. agriculture's performance as a whole, as depicted in Figure 1. For example, the 1998 data includes only trade information with Israel, Canada and Mexico. Table 1 (page 5) shows when the United States entered into agreements with each of the 17 countries with which it has an FTA.

Figure 3



Source: U.S. Department of Agriculture Foreign Agriculture Service

Table 1

Agreement	Year Effective
United States-Israel Free Trade Agreement	1985
Canada-United States Free Trade Agreement	1988
North American Free Trade Agreement Includes: Canada and Mexico (Superseded Canada-United States FTA)	1994
United States-Jordan Free Trade Agreement	2001
Australia-United States Free Trade Agreement	2004
United States-Chile Free Trade Agreement	2004
United States-Singapore Free Trade Agreement	2004
Dominican Republic–Central America Free Trade Agreement Includes: Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua	2005
United States-Bahrain Free Trade Agreement	2006
United States-Morocco Free Trade Agreement	2006
United States-Oman Free Trade Agreement	2006
United States-Peru Trade Promotion Agreement	2007

We have many FTAs with countries that do not have the economic purchasing power to afford our products. U.S.-produced goods are more expensive than those in such countries because we maintain strong labor, environmental protection, and other standards.

With our economic ability in the U.S., we are able to purchase their products, which increases our imports and offsets our own domestic production, resulting in lost U.S. jobs and even higher U.S. trade deficits.

History

Albert Einstein said, “Insanity is doing the same thing over and over again and expecting different results.” Following the 1988 Canada-U.S. Free Trade Agreement that laid the foundation for the North American Free Trade Agreement (NAFTA), American imports of Canada’s six major grains and oilseeds increased 38 percent from 1990 to 1991. From 1991 to 1992, the rate of growth of Canadian exports to the U.S. grew faster than any of the other top 10 U.S. trading partners. U.S. imports of Canadian wheat increased by 76 percent after the implementation of the Canada-U.S. Free Trade Agreement, U.S. barley imports increased by 213 percent, and durum imports increased 130 percent.

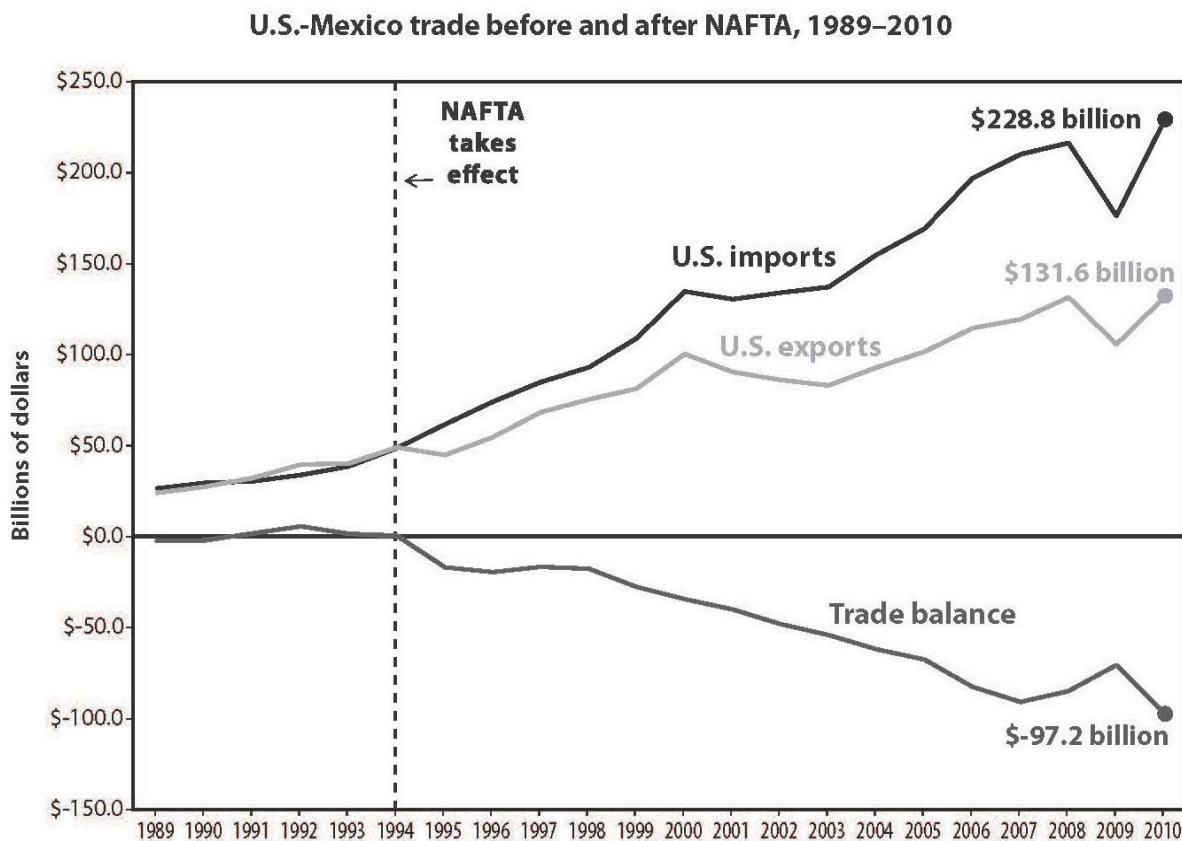
Based on this dismal agricultural trade data, NFU strongly opposed NAFTA. We feared that our experience with Mexico might be similar to what we had already experienced with Canada. What happened?

A recently released Economic Policy Institute study shows that 682,900 U.S. jobs have been lost or displaced since NAFTA took effect in 1994.

The main reason for the job loss is a \$97.2 billion trade deficit with Mexico. In 1993, one year before NAFTA was implemented, the United States had a \$1.6 billion trade surplus with Mexico that supported nearly 30,000 U.S. jobs. The states with the most jobs displaced since NAFTA went into effect were California (86,500 jobs), Texas (55,600), Michigan (43,600), Ohio (34,900), Illinois (34,700), New York (34,300), Florida (28,800), Pennsylvania (26,300), Indiana (24,400) and North Carolina (18,900).¹

As illustrated in Figure 4, post-NAFTA exports did increase, but our imports increased more quickly, leading to a growing trade deficit with our NAFTA partners. Only the Great Recession interrupted this downward trend.

Figure 4



Source: Economic Policy Institute Briefing Paper Number 308, May 3, 2011

Most of the jobs displaced by trade with Mexico, 415,000 jobs or 60.8 percent of the total, have been in manufacturing. The hardest hit manufacturers have been in computer and electronic parts with 150,300 jobs lost or displaced, or 22 percent of the total number of jobs, and motor vehicles and parts losing 108,000 jobs or 15.8 percent.²

¹ Scott, Robert E. (May 3, 2011) *Heading South U.S.-Mexico trade and job displacement after NAFTA*. Retrieved from http://epi.3cdn.net/fdade52b876e04793b_7fm6ivz2y.pdf.

² Ibid.

During NAFTA negotiations, members of Congress were given a list of tariff cuts for crops in their districts as evidence of the new market access their farmers would obtain. In reality, those tariff cut benefits were eliminated when Mexico devalued the peso 50 percent shortly after NAFTA went into effect.³ Now the same old promises have returned. The U.S. International Trade Council (ITC) has estimated that “U.S. beef exports to South Korea could increase by \$600 million to \$1.8 billion under the FTA.”⁴

During the NAFTA debates, USDA analysts predicted an increase in U.S. exports of beef products to Mexico.⁵ The reality is that beef and pork, two projected NAFTA winners, saw their exports to Mexico fall 13 percent and 20 percent, respectively, in the three years after NAFTA was implemented compared to the three years prior to NAFTA.⁶

As noted by a former World Bank chief economist, “... the real depreciation of the peso, given its magnitude, was a larger influence on trade than was the entry into NAFTA. This is because the total reduction in tariffs at the end of 15 years would average only 10 percent, in contrast with the 50 percent real depreciation.”⁷ Due to the peso devaluation, U.S. products became more expensive in Mexico after NAFTA, and many sectors suffered.

Trade is vital in maintaining standards of living, cultural exchange, economic development, and even national security. But bad trade agreements work contrary to those objectives and create uncertainty and difficulties for affected people. Now that free trade agreements with South Korea, Colombia, Panama, and a Trans-Pacific Partnership are being debated, we have an opportunity to learn from our mistakes.

When we look back on the broken promises that free trade agreements were supposed to deliver, it seems foolish to think the United States-Korea Free Trade Agreement (KORUS), Panama or Colombia free trade agreements will be much different. They are based on the same model as NAFTA.

We desperately need a new model. The current free trade agenda has consistently failed to live up to its promised benefits, encouraging a race to the bottom to see who can produce the cheapest food and fiber, regardless of the conditions under which it was produced. Future trade

³ Espana, Juan R. (July, 1995) *The Mexican peso crisis: impact on NAFTA and emerging markets*. Retrieved from http://findarticles.com/p/articles/mi_m1094/is_n3_v30/ai_17221265.

⁴ Cooper, William F. (June 17, 2009) *The Proposed U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions and Implications*. CRS Report RL34330.

⁵ Congressional Budget Office. (May 1993) *Agriculture in the North American Free Trade Agreement*. Retrieved from <http://www.cbo.gov/ftpdocs/64xx/doc6444/93doc176.pdf>.

⁶ Calculations based on data obtained from the USDA Foreign Agricultural Service's (FAS) Global Agricultural Trade System on Jan. 21, 2011. Data was inflation-adjusted using the Consumer Price Index-U-RS as estimated by the Congressional Budget Office in the backup data for Table C-1 of their “The Budget and Economic Outlook: An Update”, released August 2010. FAS aggregations used for beef were “Beef & Veal,Fr/Ch/Fz” and “Beef&Veal, Prep/Pres”. FAS aggregations used for pork were “Pork, Fr/Ch/Fz”, “Pork,Hams/Shldrs,Crd”, “Pork, Bacon, Cured”, “Hog Sausage Casings”, “Pork,Prep/Pres,Nt/Cn”, and “Pork,Prep/Pres,Cannnd”

⁷ Krueger, Anne O. (June, 2000) NAFTA's Effects: A Preliminary Assessment,” *The World Economy*, Volume 23, Issue 6, at 764.

agreements must address additional issues. NFU believes that new models should be based on the Trade Reform, Accountability, Development and Employment (TRADE) Act.⁸

The TRADE Act would address environmental, health, and labor standards of all countries involved in the agreement, and deal with issues such as currency manipulation (Appendix 1). It would increase inspections on imported food, mandate trade pact reviews, restore congressional oversight of future agreements, and enact national security exceptions and remedies that must be included in trade pacts. The TRADE Act would set requirements with respect to public services, farm policy, investment, government procurement and affordable medicines.

The bill would also create a committee, comprised of the chairs and ranking members of each committee whose jurisdiction is affected by trade agreements, to review the president's plan for renegotiations. Under the terms of the legislation, the U.S. Government Accountability Office (GAO) would be required to conduct a comprehensive review of existing trade agreements with an emphasis on economic results, enforcement, and compliance and to analyze non-tariff provisions of the agreements.

The TRADE Act would restore your authority as members of Congress to direct how this country should negotiate trade agreements. It would establish clear benchmarks for assessing trade agreements. So how do the three agreements before you today stack up against those benchmarks?

Pending Free Trade Agreements

KORUS

The Korean Economy

South Korea is considered a high-tech industrialized country. In 2010, its Gross Domestic Product (GDP) was \$1.467 trillion with a GDP per capita of \$30,200. The economy is highly service-sector based, with only three percent of the population working in agriculture. Rice is the biggest agriculture product, and technology products and motor vehicles are the major exports.⁹

Benefits of KORUS Agreement

The Bush administration completed the FTA in 2007 and the Obama administration renegotiated the text in late 2010. NFU acknowledges that there are benefits to the KORUS agreement, especially to American agriculture exports. Korea was our fifth largest agricultural export market in 2009. The removal of tariffs should substantially open the Korean economy to U.S. products. For example, U.S. beef producers would likely see savings of \$90 million annually because of tariff eliminations on Korea's 40 percent tariff on beef.¹⁰

⁸ H.R. 3012: Trade Reform, Accountability, Development and Employment (TRADE) Act of 2010 (111th Congress). Retrieved from <http://www.gpo.gov/fdsys/pkg/BILLS-111hr3012ih/pdf/BILLS-111hr3012ih.pdf>.

⁹ U.S. Central Intelligence Agency. *The World Factbook*. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/ks.html>.

¹⁰ U.S. Trade Representative. Retrieved from http://www.whitehouse.gov/sites/default/files/fact_sheet_economic_value_us_korea_free_trade_agreement.pdf

More important than any potential economic benefit is solidifying an already strong alliance. South Korea is a vital ally in the region, and with threats such as North Korea, it is in the interest of U.S. national security to fortify that alliance.¹¹

NFU understands that it is too late to alter the pending FTA with South Korea, and it is now up to Congress to approve or reject the agreement. While Obama administration negotiations added more access for U.S. pork exports and automobiles during the renegotiation,¹² we cannot support this agreement for a number of reasons. NFU delegates passed a Special Order of Business specifically opposing KORUS (Appendix 2), and it states that trade negotiations must take into consideration more than just traditional trade barriers such as tariffs and import quotas.

Currency Manipulation

First and foremost, NFU is concerned about South Korea's history as a currency manipulator, which could be damaging to U.S. exports. The U.S. Treasury Department has listed South Korea as one of only three countries to be a currency manipulator.¹³ Disturbingly, South Korea is currently taking similar steps to manipulate their currency according to the Treasury Department's semi-annual "Report to Congress on International Economic and Exchange Rate Policies."¹⁴ According to the report, the Korean government intervened during the 2008 economic crisis in order to support the won. However, as the economy began to recover and capital flows and exports increased, the Korean government then began going in the opposite direction in the currency markets. In particular, Korea is intervening in global currency markets by buying up U.S. financial assets in order to keep the Korean won at a deflated exchange rate. The report goes on to cite a 2010 International Monetary Fund Article IV consultation with Korea that states that the exchange rate of the won is undervalued relative to its equilibrium level by between five and 20 percent. This is despite the fact that Korea has \$23 billion more in their coffers compared to pre-crisis levels.

Unfortunately, the negotiated agreement does not deal with currency manipulation. If South Korea continues to devalue its currency, any benefits stemming from added market access in the FTA could well be negated.

Sadly, past FTAs have also failed to take currency manipulation into account. As previously stated, after passing NAFTA, Mexico devalued the peso by 50 percent.¹⁵ This devaluation negated the tariff cuts as a result of NAFTA.¹⁶ NFU is concerned that without provisions to prevent currency manipulation, South Korea will do the same.

¹¹ U.S. Department of State. Retrieved from <http://fpc.state.gov/documents/organization/161348.pdf>

¹² "Statement by the President Announcing the US-Korea Trade Agreement." December 3, 2010. The White House

¹³ U.S. Department of Treasury. Retrieved from <http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/appendix2finalapril152009.pdf>

¹⁴ U.S. Department of Treasury. Retrieved from <http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Foreign%20Exchange%20Report%20February%202011.pdf>

¹⁵ Espana, Juan R. (July, 1995) "The Mexican peso crisis: impact on NAFTA and emerging markets," Business Economics. Retrieved from http://findarticles.com/p/articles/mi_m1094/is_n3_v30/ai_17221265/

¹⁶ Krueger, Anne O. (June, 2000) "NAFTA's Effects: A Preliminary Assessment," *The World Economy*, Volume 23, Issue 6.

Negative U.S. Trade Balance

The U.S. ITC predicts that the KORUS agreement will lead to an increase in the overall U.S. good trade deficit of \$308 to \$416 million because seven U.S. industrial sectors will see net losses.¹⁷ However, using history as a guide, projections by the ITC have been overly optimistic. As stated earlier, the U.S. ITC projected net trade surpluses following the NAFTA agreements. As we now know, this agreement led the U.S. on a direct path to a greater trade deficit. In fact, as earlier discussed, U.S. exports to countries with which it has an FTA have not grown as fast as exports to non-FTA countries. In addition, if Korea devalues its currency as it has in the past, the trade deficit would be even greater.

Job Losses

The U.S. ITC report also predicts greater imports than exports as a result of the FTA.¹⁸ Because of the increased imports and resulting loss of production in the U.S., implementing the KORUS agreement is projected to lead to a net loss of 159,000 jobs.¹⁹ At a time of high unemployment, it seems unwise to pass an agreement that would lead to even more job losses. We are aware that there is another ITC report that has been circulated on the Hill which shows the FTA in a more favorable light.

COLOMBIA FREE TRADE AGREEMENT

The Colombian Economy

Colombia is still very much a developing country. In 2010, Colombia had a GDP of \$431.9 billion with a GDP per capita of \$9,800. In 2010, Colombia had exports totaling \$40.24 billion, up from \$32.08 billion in 2009. The Colombian economy continues to struggle because of inequality, underemployment, and narcotrafficking. The unemployment rate is hovering around 12 percent and 45.8 percent of Colombians live below the poverty line.²⁰

Benefits of a Colombia FTA

A Colombia FTA would increase market access for U.S. goods and services in Colombia, which is currently not provided for in the existing unilateral trade preference program under the existing Andean Trade Preference Act (ATPA). About 90 percent of U.S. imports from Colombia enter the United States duty-free under either ATPA, other trade preferences or through normal trade relations. A Colombia FTA is expected to provide economic benefits for both the U.S. and Colombia as trade increases between the two countries. Additionally, a free trade agreement with the U.S. is part of Colombia's overall development strategy, with expectations that the FTA would attract increased foreign investment and promote economic growth and stability.

¹⁷ U.S. International Trade Commission. (September, 2007) "U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects." USITC Publication 3949. Corrected printing March 2010. Retrieved from <http://www.usitc.gov/publications/332/pub3949.pdf>.

¹⁸ Ibid.

¹⁹ Scott, Robert E. (Feb. 25, 2010) *Trade Policy and Job Loss*, "Economic Policy Institute, Working Paper #289. Retrieved from http://www.epi.org/publications/entry/trade_policy_and_job_loss/

²⁰ U.S. Central Intelligence Agency. (May 4, 2011). *The World Factbook*. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/co.html>

Specific benefits of the FTA for agriculture include phase out of tariffs over a period ranging from three to 19 years. The FTA would provide duty-free access on 77 percent of all agricultural tariff lines, which account for 52 percent of current U.S. exports to Colombia.²¹

Neglect of Labor Laws

Trade policy should promote economic growth, job creation, increased wages, and workers' rights. Although the benefits of the arrangement may appear lucrative to the U.S., Colombia has some of the lowest labor standards in the world. The labor agreement in the Colombia FTA includes only the provision for the government to enforce its own labor laws. While the agreement does require Colombia to adhere to ILO core labor standards, it does not prevent Colombia from weakening their national labor laws. In addition, the Colombia FTA does not prevent violent land displacement for agriculture and use of other natural resources.

Colombia does have laws regarding labor standards, and is a member of the International Labor Organization (ILO). ILO requirements include: freedom of association, the right to collective bargaining, the elimination of forced behavior, the abolition of child labor, and the elimination of discrimination.²² Unfortunately, even as a member of the ILO, Colombia falls short on labor standards in all of those categories. Language in the FTA does require strict adherence to ILO requirements and has additional labor standard stipulations.²³ It is hard to believe, however, that when the agreement with the ILO has been ignored for so long that conditions in the FTA will be taken seriously.

Through government corruption, impunity, and power, Colombian labor laws are frequently altered or ignored. Although the Colombian government allows for the organization of unions, workers join unions at the risk of being subject to discrimination, abuse, violence and often death. In 2005, approximately 900,000 workers were members of unions, making up less than five percent of trade workers. The labor code allows for automatic recognition of a union that is supported by 25 signatures but official recognition can take years.²⁴

Colombian law allows for collective bargaining only when a union represents more than one-third of a firm's workers. The law encourages employers to use this statute as a means to reduce union membership below the one-third threshold.²⁵ This is certainly not in line with the ILO agreements, that state terms of employment should be negotiated under collective agreement, and

²¹ Villarreal, M. Angeles, Congressional Research Service. (April 12, 2011). *Proposed U.S.-Colombia Free Trade Agreement: Background and Issues*. Retrieved from <http://www.fas.org/sgp/crs/row/RL34470.pdf>

²² International Labour Organization. (2006) *International Labour Standards by Subject*. Retrieved from <http://www.ilo.org/ilolex/english/subjectE.htm#s01>

²³ Office of the United States Trade Representative. (n.d.). *Colombia FTA Final Text: 17. Labor*. Retrieved from http://www.ustr.gov/sites/default/files/uploads/agreements/fta/colombia/asset_upload_file993_10146.pdf

²⁴ U.S. Department of State. (March 8, 2006). Country Reports on Human Rights Practices—Colombia. Retrieved from <http://www.state.gov/g/drl/rls/hrrpt/2005/61721.htm>

²⁵ The Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC). (October 4, 2006). *The U.S.-Colombia Free Trade Agreement*. Retrieved from http://www.aflcio.org/issues/jobseconomy/globaleconomy/upload/colombia_LAC_report.pdf

direct negotiations should be possible only in the absence of a union.²⁶ In addition, a union must represent half of the workers in each firm in order to bargain at an industry-wide level.²⁷

Unionist Violence and Impunity

Violence against union organizers and labor rights leaders is widespread. In 2010, 51 union members were killed in Colombia.²⁸ The International Trade Union Confederation ranks Colombia as the most dangerous place to be a trade unionist. The country is home to 63.12 percent of trade unionists murdered in the world over the last decade.²⁹

The frequency of unionist killings stems from the level of impunity allowed in Colombia. According to the Escuela Nacional Sindical (ENS), only six percent of the 2,857 unionist murders ever reached a verdict, and only 25 percent of these murders even went under investigation.³⁰ In addition, those who actually planned the killings are usually not convicted.

Poor Labor Conditions

The lack of ability to unionize, as well as the lack of labor law enforcement leaves Colombian workers to face unfavorable working conditions. In addition to poor standards, physical or sexual abuse is common. Agricultural workers often work in unhealthy labor situations, such as being exposed to toxic pesticides, but continue in fear of losing their jobs.³¹ Child labor laws are also frequently neglected in Colombia. There are 2.5 million children employed in Colombia, two million of them working illegally. Only 38 percent of these children attend school. Significant numbers of children work in illegal mining operations, as coca pickers, or are used as child soldiers.³²

Agriculture and Land Displacement

The Colombia FTA encourages agricultural trade with a nation that has faced serious conflict in terms of land ownership. Millions of people have been displaced from their land in these conflicts, fleeing to cities or deeper into the jungle. When the latter is the case, the only economically viable crop to grow is coca.

Cheap agricultural commodities coming in from America will make the markets of the nine basic crops in Colombia difficult to maintain. A report done by the Colombian Ministry of Agriculture in 2004 stated that with an increase in agricultural products from the U.S. and no support system

²⁶ International Labour Organization. (2006) *International Labour Standards by Subject*. Retrieved from <http://www.ilo.org/ilolex/english/subjectE.htm#s01>

²⁷ The Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC). (October 4, 2006). *The U.S.-Colombia Free Trade Agreement*. Retrieved from http://www.aflcio.org/issues/jobseconomy/globaleconomy/upload/colombia_LAC_report.pdf

²⁸ U.S. Labor Education in the Americas Project (USLEAP). (December 2010). *Murder and Impunity of Colombian Trade Unionists*. Retrieved from http://www.usleap.org/files/Colombia%20Fact%20Sheet_Dec%202010.pdf

²⁹ International Trade Union Confederation. (June 11, 2010). *2010 Annual Survey of Violations of Trade Union Rights*. Retrieved from <http://survey.ituc-csi.org/+Whole-World-+.html?lang=en>

³⁰ Acosta, Jennifer, Council on Hemispheric Affairs. (December 5, 2008). *The Colombia FTA: A Less Attractive Face for Trade?* Retrieved from <http://www.coha.org/the-colombia-fta-a-less-attractive-face-to-trade/>

³¹ U.S. Department of State. (March 8, 2006). *Country Reports on Human Rights Practices—Colombia*. Retrieved from <http://www.state.gov/g/drl/rls/hrrpt/2005/61721.htm>

³² U.S. Department of State. (n.d.). *Colombia*. Retrieved from <http://www.state.gov/documents/organization/160452.pdf>

for Colombian farmers, rural issues could increase. Colombian farmers would be left with the choices of migration, cultivating opium or coca, or joining illegal armed groups.³³

Free Trade's Impacts on the Environment

Colombia is an ecologically rich country, home to 10 percent of the world's species. Colombia is ranked second in the world for biodiversity; 18 percent of the birds, amphibians, mammals, reptiles and fish species and 30 percent of the plant species are native only to Colombia.³⁴ The U.S.-Colombia FTA requires each party to "establish its own levels of domestic environmental protection and environmental development priorities, and to adopt or modify accordingly its environmental laws and policies."³⁵ The environmental stipulations in the agreement only require the parties involved to enforce their own environmental regulations. The FTA puts much more value on trade and investment provisions than environmental protection.³⁶ Increasing the opportunity for industrial and agricultural development will certainly have implications for this biologically rich country.

In the Colombian industrial sector, a substantial environmental impact will be seen on water quality and air quality. Liquid chemical byproducts and effluents will impact water quality. The impacts on air quality include: pollution from water vapor, emissions, incineration of solid residues, organic components from hydrocarbons and chemical reactions and other particles. Ecological influences from increased trade will also be seen from changes in agriculture. Increased opportunity for livestock production will result in deforestation and biodiversity loss. Water and land pollution will be amplified as through soil erosion and chemical treatments. In addition, greenhouse gas emissions will increase.³⁷

PANAMA FREE TRADE AGREEMENT

Panamanian Economy

Although it is amidst Central America's fastest growing economies, Panama is still very much a developing nation. Panama's per capita GDP was \$7,579 in 2010, which ranked 91st among all countries.³⁸ The isthmus nation is unique among Central American countries in that the service sector dominates the economy. More than 80 percent of Panama's economic activity is generated by the Panama Canal, the Colon Free Zone, container ports, flagship registry, tourism, banking, insurance and other services.³⁹ In 2010, Panama had exports totaling \$12.52 billion, an increase

³³ Colombia Ministry of Agriculture. (July 2004). *Colombian Agriculture Before the Free Trade Agreement with the U.S.*

³⁴ The Nature Conservancy. (n.d.). *Colombia*. Retrieved from

<http://www.nature.org/ourinitiatives/regions/southamerica/colombia/>

³⁵ Office of the United States Trade Representative. (n.d.). *Colombia FTA Final Text: 18. Environment*. Retrieved from http://www.ustr.gov/sites/default/files/uploads/agreements/fta/colombia/asset_upload_file993_10146.pdf

³⁶ Acosta, Jennifer, Council on Hemispheric Affairs. (December 5, 2008). *The Colombia FTA: A Less Attractive Face for Trade?* Retrieved from <http://www.coha.org/the-colombia-fta-a-less-attractive-face-to-trade/>

³⁷ Organization of American States. (2007). *Colombia FTA Impacts by Sector*. Retrieved from <http://www.oas.org/dsd/EnvironmentLaw/trade/Documents/TablasColombia,EcuadoryPerudisponibles.pdf>

³⁸ International Monetary Fund, "World Economic Outlook Database." Retrieved from <https://www.imf.org/external/pubs/ft/weo/2010/01/weodata/index.aspx>.

³⁹ Labor Advisory Committee for Trade Negotiations and Trade Policy. (April 25, 2007) *Report to the President, the Congress and the U.S. Trade Representative on the U.S.-Panama Free Trade Agreement*. Retrieved from http://ustraderep.gov/assets/Trade_Agreements/Bilateral/Panama_FTA/Reports/asset_upload_file696_11235.pdf.

from \$10.9 billion in 2009, but ran a total account balance deficit of \$5.946 billion in 2010, larger than the \$4.991 billion deficit in 2009.⁴⁰

Panama as a Tax Haven

Panama has been considered by the GAO to be a “tax haven,” or a state that allows for a greater degree of financial privacy for depositors, among 50 other countries.⁴¹ This is especially attractive in a country that is heavily involved in the shipping industry. Many transportation companies that might otherwise be based in the United States are headquartered in Panama, home not only to a vital canal but also to secretive financial institutions.

Only recently were these tax avoidance practices addressed by the Panamanian government. After significant pressure from U.S. trade negotiators, Panama entered into a Tax Information and Exchange Agreement (TIEA) with the United States in November 2010 that would allow for the exchange of data for the purposes of tax assessment. Panama’s legislative assembly ratified the TIEA in April 2011, which followed legislation passed in June 2010 that would allow the Panamanian government to implement and enforce the treaty.⁴²

Although the agreement aims to end tax shelter policies in Panama, the language of the law is deficient. The agreement contains a significant loophole for prohibiting American access to tax information if Panama determined “the disclosure of the information request would be contrary to the public policy.”⁴³ This allows for unlimited exemptions to the new tax disclosure rules. The Organization for Economic Co-operation and Development (OECD) has called for more time to review the effectiveness of the new tax information access process. OECD will not conclude its review of Panama’s compliance with world standards until late 2012.⁴⁴

In addition, Panamanian politicians have already begun to pursue a challenge to the constitutionality of the agreement.⁴⁵ The superficial efforts made by Panama to squelch tax evasion by foreign corporations were conducted simply in the hopes of assuaging the concerns of American trade negotiators. More information is needed to fully understand the strength and force of the new tax information system before entrusting a known tax haven with easier access to American business.

⁴⁰ U.S. Central Intelligence Agency, “The World Factbook.” Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/pm.html>.

⁴¹ United States Government Accountability Office. (December, 2008) *International Taxation: Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions*. GAO-09-157.

⁴² Hornbeck, J. F. (April 21, 2011) *The Proposed U.S.-Panama Free Trade Agreement*. CRS Report RL32540.

⁴³ U.S. Department of Treasury. “Agreement Between the Government of the United States of America and the Government of the Republic of Panama for Tax Cooperation and the Exchange of Information Relating to Taxes.” Signed in U.S. November 30, 2010. Ratified in Panama on April 13, 2011. Retrieved from <http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/PanamaTIEA10.pdf>.

⁴⁴ “Organisation for Economic Co-operation and Development (April, 2011) *OECD’s Current Tax Agenda*. Retrieved from <http://www.oecd.org/dataoecd/38/17/1909369.pdf>.

⁴⁵ Robinson, Roberto. (April 14, 2011) “PRD se queja por tratado con Estados Unidos (Revolutionary Democratic Party’s complaint with the U.S. Treaty),” *El Siglo*. Retrieved from <http://www.elsiglo.com/mensual/2011/04/14/contenido/354357.asp>

Panama and Human Rights

Although human rights concerns in Panama are not as grave as in Colombia, the Panamanian government has used force against its own citizens during labor disputes within the last year. In July 2010, several thousand indigenous workers at an American-owned fruit plantation demonstrated in the Changuinola in the Bocas del Toro province. The uprising came as a result of the laborers' opposition to a controversial law that would roll back many workers and environmental protections.⁴⁶ Ignoring a warning from the United Nations, security forces suppressed the protestors with violence, killing several workers and injuring more than 100.⁴⁷ Entering into a free trade agreement with a country that resorts to violence to settle labor disputes encourages such behavior. American trade policy should not condone such actions by eliminating trade restrictions with countries that violate internationally recognized human rights standards.

Panama and the Environment

The enforcement of environmental regulations in Panama is a major concern for independent observers, as well as the people of Panama. A recent poll found that 61 percent of Panamanians believed that public servants care little about improving the condition of the environment.⁴⁸ These concerns are justified by the fact that between 1970 and 2008 Panama lost 838,000 hectares (2,070,000 acres) of forest, equivalent to 11 percent of the country's total land area.⁴⁹ Panama has been identified by international organizations to be failing to satisfactorily protect its environment. According to the Inter-American Commission on Human Rights, an entity of the Organization of American States, Panama lacks adequate environmental quality standards to ensure the health and quality of life of its citizens and the preservation of natural resources.⁵⁰ Free trade with the United States will encourage further degradation of environmental quality by encouraging development of natural resources without functional oversight from the Panamanian government.

NFU policy calls for trade agreements that address differences in environmental standards, human rights, working conditions, health care, and currency. Such standards should meet or exceed those of the U.S. It also is necessary to ensure that trade agreements do not undermine U.S. laws, including the tax code.⁵¹ Although some attempts at improvement have been initiated, the proposed agreement with Panama does not satisfy those principals. As a result, NFU opposes the Panama FTA.

⁴⁶ Organization of American States: Inter-American Commission on Human Rights. (August 3, 2010) *IACHR Expresses Concern over Deaths and Injuries During Demonstration in Panama*. Retrieved from <http://www.cidh.oas.org/Comunicados/English/2010/77-10eng.htm>

⁴⁷ The Regional Office of the United Nations High Commissioner for Human Rights (July 10, 2010) *Urgent Statement on the events in Bocas del Toro in Panama*. Retrieved from <http://www.oacnudh.org/novedades/comunicado-urgente-sobre-los-sucesos-de-bocas-del-toro-en-panama/37>.

⁴⁸ Newsroom Panama. (April 21, 2011) *90% of Panamanians want stronger enforcement of environmental standards – poll*. Retrieved from <http://www.newsroompanama.com/environment/2661-90-of-panamanians-want-stronger-enforcement-of-environmental-standards-poll-.html>.

⁴⁹ Ibid.

⁵⁰ Interamerican Association for Environmental Defense. (April 19, 2010) *Universal Periodic Review of Panama Situation of the human right to a healthy environment and related human rights*. Retrieved from http://www.aida-americas.org/sites/default/files/UPRjointsub_envhrgroups_Panama%20Eng.pdf.

⁵¹ National Farmers Union. (March 15, 2011) *2011 Policy of the National Farmers Union*. Retrieved from <http://nfu.org/policy-nfu>.

Conclusion

When NFU considers trade agreements, there are key elements that are always considered. Legislation introduced in the 110th and 111th Congresses encompasses these ideals. The TRADE Act called for all trade agreements to be considered on the basis of their effects on economics, the environment, national security, health and safety.

More than two years of research and work went into the TRADE Act. It charted a course for how our country should approach trade, clearly laying out a path to steer the U.S. away from repeating the failures of the FTAs of the past. It is vital that elements of the TRADE Act be applied to pending FTAs, to the Trans Pacific Partnership, and to future agreements.

Agriculture is a multifunctional industry with a value that cannot be fully quantified by trade balance. Nations will protect their domestic agricultural production for national security, to maintain economic independence, and due to rural employment concerns that surround food production.⁵² It is unreasonable to expect our trading partners to fully remove their trade barriers. What one nation may describe as trade barriers another may describe as incentives for domestic agricultural production that are important to their own national security. If the past has taught us anything, it is that too often these free trade agreements have not delivered on promises of increased revenue and more jobs. A trade agreement that grants the United States additional market access for our agricultural goods does not necessarily mean more exports, job creation and money for family farmers.

National Farmers Union supports trade; fair, mutually beneficial trade that seeks to increase human welfare and respects sovereign nations' need for food and national security.

⁵² OECD Department for Trade and Agriculture (July 20, 2007) *Multifunctionality*, Retrieved from <http://www.oecd.org/dataoecd/62/43/40782915.pdf>.

Support the TRADE Act



- The current free trade agenda has consistently failed to live up to its promised benefits, encouraging a race to the bottom to see who can produce the cheapest food and fiber regardless of the conditions it has produced.
- Future trade agreements must address all factors of trade, including environmental standards, health and labor standards and currency manipulation.
- Rapidly rising unchecked food imports and an inadequate import inspection system jeopardize consumer confidence in the quality and safety of ALL food products.
- The Trade Reform, Accountability, Development and Employment (TRADE) Act (H.R. 3012 - Michaud) mandates trade pact reviews, establishes uniform standards, protects workers in developing nations and restores congressional oversight of future agreements.
- Congress should pass the TRADE Act and demonstrate its commitment to ensuring American agricultural producers compete on a level playing field. The TRADE Act will:
 - Establish standards for labor and environmental protections, food and product safety, national security exceptions and remedies that must be included in new trade pacts;
 - Restore congressional oversight of trade agreements;
 - Set requirements with respect to public services, farm policy, investment, government procurement and affordable medicines;
 - Require the president to submit renegotiation plans for current trade pacts prior to negotiating new agreements and prior to congressional consideration of pending agreements;
 - Create a committee, comprised of the chairs and ranking members of each committee whose jurisdiction is affected by trade agreements, to review the president's plan for renegotiations; and
 - Require the Government Accountability Office (GAO) to conduct a comprehensive review of existing trade agreements with an emphasis on economic results, enforcement and compliance and an analysis of non-tariff provisions.

Appendix 2



National Farmers Union Special Order of Business 2011

FREE TRADE AGREEMENTS AND AGRICULTURE

WHEREAS, past free trade agreements such as the North American Free Trade Agreement (NAFTA) and the Central American Free Trade Agreement (CAFTA) did not perform as promised to U.S. agriculture, nor did they hold all participant countries to comparable U.S. standards for labor, environmental, health and food safety; and

WHEREAS, past trade agreements have allowed food imports into the U.S. that do not meet U.S. domestic food safety standards; and

WHEREAS, the service sector provisions of such agreement require financial deregulation and promote the global concentration of agricultural markets, agribusiness trading, and shipping; and

WHEREAS, U.S. trade agreements prohibit the use of “Buy America” and Buy Local procurement policies with respect to food and other products; and

WHEREAS, past free trade agreements and all pending trade agreements do nothing to address currency manipulation which puts U.S. producers at an economic disadvantage; and

WHEREAS, National Farmers Union policy calls for all U.S. trade agreements to address currency manipulation; and

WHEREAS, many countries in the last twenty years have implemented value-added taxes (VATs) to raise tax revenues while also providing significant trade export and import advantages; and

WHEREAS, the U.S. does not utilize value added taxes, and as such is at a significant disadvantage when trading with nations that do have VATs in place; and

WHEREAS, the U.S. does not have nor is in the process of developing any trade policy tools that could be utilized to equalize the inequities that result when the U.S. engages in trade with nations that do have VATs in place: and

WHEREAS, the Korea, Colombia and Panama FTAs contain a prohibition on reference to the International Labor Organization Convention; and

Appendix 2, continued

WHEREAS, NFU policy is in support of the Trade Reform Accountability Development and Employment Act which sets forth a new model to capture the benefits of trade expansion without replicating the damaging provisions of NAFTA and CAFTA; and

WHEREAS, U.S. environmental, health, labor and food safety standards continue to be at a higher level than those of Colombia or Panama; and

WHEREAS, the U.S. International Trade Commission predicts that the KORUS agreement would lead to an increase in the overall U.S. good trade deficit of \$308-416 million because seven U.S. industrial sectors will see net losses and the Economic Policy Institute projects the agreement will cost the U.S. 159,000 jobs in its first seven years; and

WHEREAS, the U.S. International Trade Commission predicts that the Korea FTA could result in the trade balance for some U.S. agricultural sectors being improved while some agricultural sectors would see declines; and

WHEREAS, South Korea is one of only three countries that the U.S. Treasury Department has officially cited as a currency manipulator and noted in its February 2011 Semiannual Report on International Economic and Exchange Rate Policies as currently intervening to hold down its currency's value; and

WHEREAS, currency devaluations and VATs have been used time after time in past trade agreements to more than offset any perceived benefits from additional tariff cuts and market access; and

THEREFORE, BE IT RESOLVED that NFU opposes the KORUS agreement even though additional agriculture access was granted to the U.S., especially in the meat and livestock sectors, and will not support such agreements until the below concerns are addressed;

BE IT FURTHER RESOLVED that NFU will not support trade agreements as long as they simply repeat and replicate the mistakes of the NAFTA-CAFTA model and do not adequately address currency manipulation or the inequities created by the use of VATs; and

BE IT FURTHER RESOLVED that NFU will not support the trade agreements with Colombia and Panama and other future trade agreements if they do not meet the standards of the International Labor Organization Conventions and products from such countries do not meet U.S. standards for environment, health and food safety and;

BE IT FURTHER RESOLVED that NFU will not support the Trans-Pacific Partnership (TPP) unless dairy is exempt from the negotiations between the U.S. and New Zealand, unless it does not include the NAFTA-CAFTA foreign investor and service sector deregulation provisions, unless all TPP countries are required to meet the International Labor Organization Convention standards for labor, and products from such countries meet U.S. standards for environment, health and food safety and unless such agreement adequately addresses currency manipulation.



Roger Johnson

National Farmers Union President

Roger Johnson was elected National Farmers Union's 14th president during the organization's 107th anniversary convention in 2009.

Prior to leading the family farm organization, Johnson, a third-generation family farmer from Turtle Lake, N.D., served as North Dakota Agriculture Commissioner, a position he was first elected to in 1996. While Agriculture Commissioner, Johnson served on the State Industrial Commission, the North Dakota Trade Office Advisory Board, and the State Board of Agricultural Research and Education, among many other boards and commissions.

From 2007-2008, Johnson served as president of the National Association of State Departments of Agriculture (NASDA). As NASDA president, he played a key role in crafting the 2008 Farm Bill, pressing for provisions that benefit agricultural producers, such as a permanent disaster program, ending the ban on interstate shipment of state-inspected meat, the re-balancing of loan rates for program crops and farm-based renewable energy. Johnson was chairman of NASDA's Rural Development and Financial Security Committee from 2000 to 2007.

Johnson is a past president of the Midwestern Association of State Departments of Agriculture (MASDA), past president of the Food Export Association of the Midwest and a former chairman of the Interstate Pest Control Compact.

Johnson grew up in Farmers Union, participating in the organization's youth programs, serving as a county president and chairman of the board of a local Farmers Union cooperative. Johnson graduated from North Dakota State University with a degree in agricultural economics.

Johnson and his wife, Anita, are the proud parents of a daughter and two sons and two grandsons.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2008.

Name: Roger Johnson

Organization you represent (if any): National Farmers Union

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2008, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you:

Signature: Roger Johnson

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.