

Testimony of Ambassador Ron Kirk
United States Trade Representative
Before the House Committee on Agriculture
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Chairman Lucas, Congressman Peterson and members of the committee, thank you for inviting me to discuss the pending trade agreements with Korea, Panama, and Colombia and the importance of agricultural exports in the Administration's trade agenda.

President Obama has set a goal to double American exports by the end of 2014, selling more of what we make and grow here to the ninety-five percent of the world's population that resides outside the United States. The growth of our food and agricultural exports has helped put us on a path to reach that goal.

American agriculture derives more success from export markets than do many other sectors. About ten percent of the overall U.S. economy relies on export sales – but about twenty-five percent of our agricultural economy depends on exports.

In fiscal year 2010, domestic exports of U.S. farm products continue to increase for our farming sector, reaching a total of nearly \$109 billion, a 13 percent increase over FY 2009. Equally impressive was the fact that we had a trade surplus in our agricultural trade of almost \$34 billion last year.

At the Office of the United States Trade Representative, our objective is to ensure access for American farmers and ranchers to a global customer base. The Obama Administration has pursued a two-pronged approach that includes both negotiating new market-opening opportunities and enforcing our rights in the global trading system.

American farmers and ranchers thrive in today's competitive global marketplace because they are the most efficient and productive producers in the world. Given a level-playing field, they can out-compete agricultural producers from any other country. We work to strike trade agreements and expand trade relationships so

they can have fair access to high-growth markets, where they can sell products to generate growth and income here at home. Enforcing our trade agreements with partner countries is just as critical to maintain the access we have.

Today, the pending agreements with South Korea, Panama, and Colombia are at the forefront of our efforts to open new markets. Last week we started the technical discussions with Congress on the draft implementing bills and draft Statements of Administrative Action. These agreements are part of the Obama Administration's broad trade agenda that also includes the reauthorization of the 2009 Trade Adjustment Assistance program, renewal of the Andean Trade Preferences Act and of the Generalized System of Preferences, and pursuing Permanent Normal Trade Relations (PNTR) with Russia as they work towards joining the WTO.

With respect to the U.S.-South Korea trade agreement, we are committed to ensuring that the significant economic promise of that agreement is fully realized – more than \$10 billion in increased annual exports of U.S. goods alone, and more than 70,000 American jobs.

The U.S.-South Korea trade agreement will provide America's farmers, ranchers, food processors, workers and the businesses they support with improved access to South Korea's \$1 trillion economy and 49 million consumers. Selling more Grown in America products in South Korea will support more U.S. jobs on our own farms and ranches, and in our processing plants and shipping centers.

Immediately upon entry into force, the U.S.-South Korea trade agreement eliminates tariffs on two-thirds of "Grown in America" agricultural exports to South Korea, including fruits, nuts, vegetables, and soybeans. South Korea is already our fifth-largest agricultural export market, and the Department of Agriculture projects that South Korea will purchase about \$6.2 billion of U.S. agricultural products during fiscal year 2011. This agreement will build on our current export success to benefit our farmers and ranchers even more. According to a recent report by USDA's Economic Research Service (ERS), following implementation of the agreement, total U.S. agricultural export gains in the Korean

market are estimated at over \$1.9 billion annually, an increase of about 40 percent from current levels.

Improving beef access to the Asian markets in countries like China, Japan, Korea, and Taiwan is an important issue. The President and I are committed to working in close consultation with you, to further open these markets consistent with international guidelines. In the meantime, U.S. exports of beef and beef products are already growing. Last year, sales to Korea reached \$518 million, an increase of 140 percent in value over the previous year. Once the South Korea agreement enters into force, our beef exports will grow even more as American producers enjoy the progressive elimination of South Korea's high tariff on beef.

With regard to Panama, the completion of action by the Panamanian Government on tax transparency and labor cleared the way for the Obama Administration to move forward with preparing this agreement for consideration by Congress.

U.S. agricultural exporters would also stand to gain from the Panama agreement. Despite U.S. agricultural goods exported to Panama currently face an average tariff of 15 percent, with tariffs on some products as high as 260 percent, American products account for almost 50 percent of Panamanian agricultural imports. More than half of current U.S. farm exports to Panama will become duty-free immediately, while other products will gain duty-free access through tariff rate quotas, with out-of-quota tariffs reduced and eliminated over time. Commodities that will be duty-free immediately include, for example, high-quality beef, frozen turkeys, soybeans and soybean products, wheat, most peanuts, whey, cotton, table wine, most fruit and fruit products, most frozen and processed vegetables, most tree nuts, and many processed products. Products such as standard beef cuts, chicken leg quarters, pork, corn, rice and dairy products will receive duty-free access for specific volumes of product immediately while the out-of-quota tariffs are reduced and eliminated over time. Panamanian duties on most other U.S. agricultural goods will be phased out within 5 to 12 years and, for a few of Panama's most import-sensitive products, within 15 to 20 years. Though Panama represents a relatively small market, according to the USDA/ERS report, the U.S.-Panama agreement is expected to provide U.S. exporters with opportunities for an

additional \$46 million in annual sales of rice, corn, meats, dairy, and processed foods.

There has also been important progress on the Colombia agreement. Last month, President Obama and President Santos agreed to an Action Plan Related to Labor Rights through which Colombia is addressing a number of labor-related concerns so that the U.S.-Colombia trade agreement can move forward.

Many American agricultural commodities, including wheat, barley and soybeans, will benefit from the Colombia agreement, as almost 70 percent of current U.S. farm exports to Colombia will become duty-free immediately. Virtually all remaining tariffs will be eliminated within 15 years. Overall, the International Trade Commission has estimated that the agreement would expand exports of U.S. goods to Colombia by more than \$1.1 billion, and increase U.S. GDP by \$2.5 billion. For agriculture, according to the USDA/ERS report, the agreement is estimated to generate an increase of 44 percent in U.S. exports, or an additional \$370 million per year.

While we work toward preparing these agreements for your consideration, the Obama Administration is pursuing other opportunities to help America's agriculture community tap into the world's high-growth markets.

The Trans Pacific Partnership trade agreement, or TPP, is one of the Administration's top trade priorities. This high-standard, regional agreement will help us expand U.S. exports and strengthen economic ties to the dynamic and rapidly growing markets in the Asia-Pacific region. TPP countries currently import \$4.9 billion of U.S. agricultural products. With a successful conclusion of TPP, we will be able to substantially build on the \$2.3 billion of U.S. agricultural exports to countries with which we do not already have a free trade agreement. In addition we are looking to have a TPP sanitary and phytosanitary chapter that builds on WTO obligations to ensure that regulations in each country are science based and transparent, and result in meaningful market access openings for America's farmers, ranchers and workers.

At the WTO, the Doha Round negotiations are confronting a difficult moment. Serious gaps in ambition remain, and the path ahead is uncertain. With regard to

agriculture, based on what is currently on the table, the nature of the commitments that the United States would be making are far clearer than the benefits we would obtain in terms of new access for U.S. agricultural exports in foreign markets. This is not the basis for a deal.

Together with other WTO Members, the United States is currently pursuing a sober and realistic evaluation of the Doha negotiations. We are not throwing in the towel, and we will work with willing partners to find solutions. But time is not on our side, and our consideration of productive next steps must be serious, and immediate.

Even as we pursue new market access, the Obama Administration is also ensuring that American farmers and ranchers benefit more fully from existing trade agreements.

American farmers and ranchers now have greater access to world markets because the Obama Administration has resolved long-standing disputes and addressed other barriers to U.S. agricultural products. For instance, we succeeded in reopening the markets in Russia, China, Ukraine, Korea, Honduras and Thailand to U.S. pork and/or live hogs after the H1N1 influenza outbreak. Enforcing our agriculture rights has meant American ranchers are selling more beef to Europe than they have in decades.

At the end of March, I sent to Congress and the President a report detailing USTR's efforts over the past year to combat unwarranted sanitary and phytosanitary (SPS) trade barriers. This report can be found on our website at <http://www.ustr.gov/>. We made significant progress in reducing or eliminating many of these barriers. The SPS Report was created in 2010 to respond to the concerns of U.S. farmers, ranchers, producers, and workers who are running into SPS trade barriers as they seek to export high-quality American agricultural products around the world. This year, USTR will continue to work with colleagues from across the U.S. Government, as well as interested stakeholders, to encourage governments around the world to remove their unwarranted SPS rules.

Improving market access to Russia is important for U.S. agriculture, including adding some certainty and predictability to that access. Your frustrations, frankly, are my frustrations. USTR and our interagency colleagues are working closely with our stakeholders to improve access and remove the unjustified barriers applied to U.S. agricultural products exported to Russia.

As we work to improve the SPS situation, however, it is important to keep in mind why it is imperative to move Russia forward towards WTO membership. Currently, our “tool box” for trade enforcement with regard to Russia is a small one. Having Russia subject to the same rules as 153 other WTO members puts meaningful enforcement tools in our hands.

When Russia joins the WTO, they will agree to comply with all of the terms of membership, including the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures. That agreement requires that SPS measures be based on science, including risk assessments, and provides other disciplines on implementing SPS measures. Russia’s implementation of this agreement will help address significant barriers facing U.S. exports of agricultural goods, in particular pork, beef, dairy, and poultry. Importantly, once Russia becomes a member of the WTO, it will be subject to all WTO mechanisms, including dispute settlement, in the event Russia fails to comply with its obligations.

The Obama Administration supports Russia’s membership in the WTO. Russia aims to conclude its accession negotiations this year, and we are doing what we can to support that goal. But as with any WTO accession, the pace of accession is in the applicant country’s hands. As these efforts progress, we look forward to working with Congress to grant Russia PNTR this year, which will ensure that American farmers and ranchers enjoy the full benefits of Russia’s accession.

In closing, I want to assure you that our focus at USTR is always greater prosperity for American agriculture, and for the entire American economy. We stand ready, as always, to work with you and other stakeholders in pursuit of this goal.