HEARING TO REVIEW PENDING FREE TRADE AGREEMENTS

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SUBMITTED MATERIAL

HEARING TO REVIEW PENDING FREE TRADE AGREEMENTS

THURSDAY, MAY 12, 2011

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Committee met, pursuant to call, at 10:05 a.m., in Room 1300 of the Longworth House Office Building, Hon. Frank D. Lucas [Chairman of the Committee] presiding.

Members present: Representatives Lucas, Goodlatte, Johnson, King, Neugebauer, Conaway, Fortenberry, Schmidt, Thompson, Stutzman, Gibbs, Austin Scott of Georgia, Tipton, Southerland, Crawford, DesJarlais, Gibson, Hultgren, Hartzler, Schilling, Roby, Peterson, Holden, McIntyre, Boswell, Baca, Cuellar, Costa, Walz, Schrader, Pingree, Courtney, Fudge, Sewell, Sablan, and McGovern.

Staff present: Mike Dunlap, Tamara Hinton, John Konya, John Porter, Nicole Scott, Debbie Smith, Heather Vaughn, Andy Baker, Liz Friedlander, and Jamie Mitchell.

OPENING STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS FROM OKLAHOMA

The CHAIRMAN. This hearing by the Committee on Agriculture hearing to review pending free trade agreements will come to order. Good morning. I would like to thank Secretary Vilsack and Ambassador Kirk and our industry representatives for joining us today to discuss free trade agreements.

As we know, there are three pending free trade agreements with Korea, Colombia, and Panama. Unfortunately, it has been nearly 4 years since these agreements were signed, and the Administration is just now close to bringing the agreements before Congress.

It is difficult to overstate the importance of these agreements to America's farmers and ranchers and to our economy as a whole. Trade has a ripple effect. Exports support one in every three jobs in farming and two of every three jobs off the farm in industries like transportation, food processing, and manufacturing. All told, American agriculture exports support nearly 900,000 jobs. Exports currently account for more than 25 percent of total agricultural sales.

For every dollar of those exports' sales, we create $1.48 in processing, financing, shipping, and packaging activities. The benefits of trade are made possible by the incredible productivity and hard work of America's farmers and ranchers. Even in this economic downturn, they have managed to maintain a trade surplus in agricultural exports. Our farmers and ranchers are successfully competing in the global market and bringing much needed income to communities across America.

But they are doing so in the face of stiff protectionism in the form of high tariffs and non-tariff import restrictions. The pending FTAs will dramatically reduce these barriers and open markets for agricultural goods. The agreement with Panama will immediately eliminate all duties on more than half of our agricultural exports. The remaining tariffs will be phased out over 15 years. This is critical to establishing a healthy trading relationship since 99 percent of Panama's exports to the U.S. are already duty-free.

The FTA with Colombia will immediately eliminate all duties on more than half of our agricultural exports. In addition to phasing out the remaining tariffs, Colombia will also eliminate its price band system, which affects key U.S. exports including, corn, wheat, dairy, pork, and poultry.

The Korean FTA will grant immediate duty-free access to ⅔ of U.S. agricultural products and phase out tariffs and import quotas on most products within 10 years. By 2016, more than 90 percent of U.S. pork will be imported duty-free, and the elimination of the 40 percent tariff on U.S. beef will create $325 million in savings once the agreement is fully implemented. All told, American agriculture stands to gain an additional $1.9 billion in new market access in Korea. The agreements were finalized nearly 4 years ago, yet they are still awaiting implementation. Each year that we delay action, it costs us billions of dollars in unrealized benefits.

The FTAs are more than $2.5 billion annually in market access for our farmers and ranchers. So our producers have missed out on nearly $10 billion due to inaction on these agreements.

What is more, our trading partners aren't sitting around and waiting for us to act. Many of our competitors have finalized and implemented agreements with Korea, Colombia, and Panama in the past 4 years. That means that other countries are gaining preferred access to these markets and gaining ground on U.S. producers. Korea has an FTA with the European Union that will go into effect on July 1. An agreement with Australia is likely to be finalized within a year. Colombia has signed and implemented FTAs with a number of trading partners in the past 4 years, and Panama recently completed an agreement with Canada.

These FTAs include tariffs that will be phased out over 10 to 15 year periods. So it is critical that we do not allow our competitors' products to gain a price advantage over American products in the next decade. There is still time to prevent the loss of valuable market access. However if we act quickly and bring these agreements to a vote before July 1, we can ensure that U.S. producers don't lose out on our competitive advantages.

The agricultural communities overwhelmingly support these FTAs and are eager to see them implemented as soon as possible. It is time to take action. I look forward to hearing from Secretary Vilsack and Ambassador Kirk on the Administration's progress on readying these agreements for Congressional consideration.

[The prepared statement of Mr. Lucas follows:]

PREPARED STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS FROM OKLAHOMA

Good morning. I'd like to thank Secretary Vilsack and Ambassador Kirk and our industry representatives for joining us today to discuss free trade.

As we know, there are three pending free trade agreements with Korea, Colombia and Panama. Unfortunately it has been nearly four years since these agreements were signed and the Administration is just now close to bringing the agreements before Congress.

It is difficult to overstate the importance of these agreements to America's farmers and ranchers and to our economy as a whole.

Trade has a ripple effect—exports support one in every three jobs in farming and two of every three jobs off the farm, in industries like transportation, food processing, and manufacturing. All told, American agricultural exports support nearly 900 thousand jobs. Exports currently account for more than 25 percent of total agricultural sales. For every dollar of those export sales, we create another $1.48 in processing, financing, shipping, and packaging activities.

The benefits of trade are made possible by the incredible productivity and hard work of America's farmers and ranchers. Even in this economic downturn, they have managed to maintain a trade surplus in agricultural exports. Our farmers and ranchers are successfully competing in the global market and bringing much-needed income to communities across America.

But they are doing so in the face of stiff protectionism in the form of high tariffs and non-tariff import restrictions. The pending FTAs will dramatically reduce these barriers and open markets for our agricultural goods.

The agreement with Panama will immediately eliminate all duties on more than half of our agricultural exports. The remaining tariffs will be phased out over 15 years. This is critical to establishing a healthy trading relationship, since 99 percent of Panama's exports to the U.S. are already duty-free.

The FTA with Colombia will also immediately eliminate all duties on more than half of our agricultural exports. In addition to phasing out the remaining tariffs, Colombia will also eliminate its price band system, which affects key U.S. exports including corn, wheat, dairy, pork, and poultry.

The Korea FTA will grant immediate duty free access for two-thirds of U.S. agricultural products and phase out tariffs and import quotas on most other products within 10 years. By 2016, more than 90 percent of U.S. pork will be imported duty-free. And the elimination of the 40 percent tariff on U.S. beef will create $325 million in savings once the agreement is fully implemented. All told, American agriculture stands to gain an additional $1.9 billion in new market access to Korea.

The agreements were finalized nearly four years ago. Yet they are still awaiting implementation. Each year that we delay action costs us billions of dollars in unrealized benefits. The FTAs are worth more than $2.5 billion annually in market access for our farmers and ranchers. So our producers have missed out on nearly $10 billion due to inaction on these agreements.

What's more, our trading partners aren't sitting around and waiting for us to act. Many of our competitors have finalized and implemented agreements with Korea, Colombia, and Panama in the last four years. That means that other countries are gaining preferred access to these markets and gaining ground on U.S. producers.

Korea has an FTA with the European Union that will go into effect on July 1st. An agreement with Australia is likely to be finalized within the year. Colombia has signed and implemented FTAs with a number of trading partners in the past four years. And Panama recently completed an agreement with Canada.

These FTAs include tariffs that will be phased out over 10 or 15 year periods, so it is critical that we do not allow our competitors' products to gain a price advantage on American products for the next decade.

There is still time to prevent the loss of valuable market access, however. If we act quickly and bring these agreements to a vote before July 1st, we can ensure that U.S. producers don't lose out on any competitive advantages.

The agricultural community overwhelmingly supports these FTAs and is eager to see them implemented as soon as possible. It is time to take action. I look forward to hearing from Secretary Vilsack and Ambassador Kirk on the Administration's progress on readying these agreements for Congressional consideration.

The CHAIRMAN. And with that, I turn to the Ranking Member for his opening comments.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Mr. PETERSON. Good morning, and thank you, Chairman Lucas, for holding today's hearing, and thank you to the Secretary and the Ambassador for being here to be with us today to examine the potential benefits for agriculture under the three free trade agreements currently pending with South Korea, Colombia, and Panama.

All three agreements have broad support among U.S. agriculture producers. Worldwide U.S. ag exports totaled $115 billion last year, and according to the International Trade Commission, these three agreements together could boost agricultural exports by $2 billion to $4 billion.

I want to mention, however, that there are some problems with these agreements in regard to how they will benefit farmers and ranchers. Under the Korea agreement, there is no new access for rice, and I continue to worry about the beef access given some of the unjust phytosanitary restrictions that keep popping up all of the time. I would also like to know more about how much imports that we are going to get under these agreements. We can't forget NAFTA. When we did that, everybody talked about all the increases. Nobody talked about the increase in imports, and actually NAFTA was the opposite of what we were told. So we need to make sure we know exactly what the numbers are.

By and large, I think the three pending free trade agreements are good for agriculture. Increasing market access is always a good thing, but we should not ignore the fact that these agreements also open our market, arguably the most lucrative market in the world to our trading partners. We need to continue other approaches in trade such as opening trade with Cuba, which we previously supported in this Committee and further developing fuels from the farm that could benefit U.S. producers.

So I want to thank the chair for holding today's hearing and I look forward to hearing the testimony of our witnesses.

The CHAIRMAN. The chair thanks the gentleman for his opening comments. The chair requests that Members submit their statements so that we can get to questioning the witnesses.

[The prepared statement of Mr. McGovern follows:]

PREPARED STATEMENT OF HON. JAMES P. MCGOVERN, A REPRESENTATIVE IN CONGRESS FROM MASSACHUSETTS

Thank you, Mr. Chairman. I'm going to confine my remarks and questions to the Colombia FTA.

I've been to Colombia six times since February 2001.

I tend to stay for several days, travel to remote areas, and visit some of the poorest city slums where you find hundreds of thousands of Colombia's five million internally displaced; and to the border regions, where hundreds of thousands more have fled Colombia's violent countryside and are now refugees in neighboring countries.

As my colleagues know, Colombia has the greatest number of internally displaced people in the world, last year surpassing Sudan.

Along with Afghanistan, it has the greatest number of landmine victims.

Its homicide rate per capita—mainly from paramilitary, guerrilla and criminal violence—is twice that of Mexico.

It has one of the highest levels of inequity, and the highest rate of land concentration in the hemisphere.

I love Colombia and its people. But it is still a country in violent conflict—President Santos told us that just a couple of days ago. Most of that violence and conflict happens in the countryside—and it primarily affects rural communities and small farmers.

In the United States, we take great pride in supporting our small farmers. We should also be concerned about Colombian small producers and how the Colombia FTA might affect them.

The most definitive study on this matter estimates that small-scale producers of Colombia would lose around 16% of their net income from agriculture under the Colombia FTA. For those who produce products that will directly compete with U.S. agricultural imports, they will likely experience a fall of between 48% and 70% in their net agricultural income.

We should care. Because it means these people are likely to lose their land and join the ranks of the displaced and growing urban poor.

Or they will move to more marginal land and start growing the best-paying crop in town, namely coca.

Or, in search of income, they will join one of the many criminal gangs that dominate rural Colombia.

Or, in search of food for their families, they will join the paramilitaries or the guerrillas.

Their land will be scooped up by local land-owners, many of whom are collaborators or full-scale partners with paramilitaries and criminals.

Couple this with the on-going exploitation and violence suffered by agricultural workers and by the port workers where U.S. agricultural goods will enter Colombia, and you have a number of reasons why we should proceed with caution.

The Labor Action Plan has a number of good proposals—but it would be an understatement to say that it fails to go far enough, let alone tackles the tough question of substantially reducing violence against workers.

Sugarcane workers operate in a situation akin to modern-day slavery. Workers on palm oil plantations are daily threatened with death, including now when some are on strike. And Colombia's Vice President described the situation of port workers as "a humanitarian crisis." Nothing in the Labor Action Plan addresses *reducing violence* against these workers. Nothing.

The closest you get is to urge the Colombian Government to extend protection to labor activists who receive continuous death threats. But if we don't focus on eliminating the sources of violence and dismantling their structures, all we're doing is increasing the pool of individuals who need protection. And that number has no end.

There's no end to the violence aimed at small farmers and rural communities.

There's no end to the violence against the displaced who the government is asking to return to their lands.

And there's no end to the violence suffered by workers on medium- and large-scale farms.

In June, the Santos Government is convening a forum on rural development. The U.S. government, Colombian large-scale producers, a few think tanks are all invited to participate. But not a single, solitary rural *campesino* organization has been invited. No one representing small-scale farmers has a seat at the table—at this point, not even a token one, let alone the representation they truly deserve.

So, I ask you, Mr. Ambassador and Secretary Vilsack, what in the policies of your agencies and in the terms of the Colombia FTA will concretely help change the violent reality and daily poverty confronting over 93 percent of Colombia's rural population, namely small-scale farmers and agricultural workers?

No platitudes about how trade lifts all boats. We know it doesn't. Not here in the United States, and certainly not among Colombia's rural poor.

Concretely, how do you plan to ensure that they are not displaced from their land, fall deeper into poverty, or forced to grow illegal crops, join one of the illegal armed actors, or go work for a criminal network? Or the other choice, stand firm and be killed?

The CHAIRMAN. We would like to turn now to our panel, our first panel, I should say, and welcome our witnesses to the table. The Honorable Tom Vilsack, Secretary, U.S. Department of Agriculture, Washington, D.C., and the Honorable Ron Kirk, United States Trade Representative, Washington, D.C. And, Mr. Secretary, you may begin whenever you are ready, sir.

STATEMENT OF HON. THOMAS "TOM" J. VILSACK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Secretary VILSACK. Mr. Chairman, and Members of the Committee, thank you very much. I am pleased to appear before you today with my colleague, Ron Kirk, to discuss the pending trade agreements with South Korea, Colombia, and Panama, U.S. agricultural exports, and the capacity of exports to create economic opportunities in our rural communities.

Over the past 2 years, as the nation has rebounded from the worst recession in decades, American agriculture has helped lead our recovery by shattering trade records and creating jobs. In Fiscal Year 2011, U.S. agricultural exports are forecast to reach a record high of $135.5 billion, up nearly $27 billion from the previous year with a record trade surplus of $47.5 billion.

They will help support 1.1 million jobs nationwide. Just yesterday, we learned that the U.S. farm exports reached an all-time high of $75 billion in the first half of Fiscal Year 2011. This is up 27 percent from the same period last year, and is keeping us on track to hit the forecast. And our pending trade agreements will help continue that successful story.

These three trade agreements will create jobs. Through agricultural exports alone, they will yield over $2.3 billion in sales and help to support more than 19,000 American jobs in agriculture and related industries.

The Korean agreement is a trade opportunity we cannot afford to pass up worth an expected $1.9 billion annually to ag producers. Sixty percent of the items that we currently trade to Korea will be duty free immediately, including corn, soybeans for crush, cotton, cherries, and grape juice. Other commodities such as meat, poultry and dairy will see tariffs and duties reduced over a period of time, creating tremendous opportunity for us to grow our export opportunities.

The Colombia Trade Promotion Agreement also contains good news for U.S. agriculture. Currently, no U.S. agricultural exports enjoy duty-free access to Colombia, with most applied tariffs ranging from 5 to 20 percent. But on day 1 of implementation, U.S. exporters will receive duty-free treatment on products accounting for almost 70 percent of current trade. When implementation is complete, we expect to increase our agricultural exports by 44 percent, which is an additional $370 million per year.

In Panama, U.S. agricultural exports have been on the rise, growing to over $450 million in 2010. Our agreement with them will continue this progress with an additional $46 million in annual sales upon full implementation. Tariffs on 68 percent of Panama's agricultural tariff lines accounting for more than half of current trade by value will be eliminated by the agreement.

It is critical for U.S. agriculture that we work together to move these three pending trade agreements as part of a broader trade agenda. Today, Korea, Colombia, and Panama have approved or are negotiating trade agreements with a host of other nations, as the Chairman indicated, including the EU, Canada, Mexico, and New Zealand. Completing these three trade agreements will level the playing field with some competitors and secure better markets for U.S. agriculture ahead of others.

These trade agreements represent an important cornerstone of our strategy to continue to increase agricultural trade, and USDA is involved in a host of other activities. Thanks to the President's National Export Initiative, which challenged U.S. businesses to double exports by the end of 2014, USDA is reaching out to producers and agribusiness, especially small and medium-sized enterprises with information about how to tackle the export market and financing to make it happen. Whether it means helping small businesses attend trade shows or directing U.S. companies in trade groups with foreign customers by connecting them and bringing them to the country, we are working to expand opportunity for agricultural trade.

We have focused many of our efforts in developing countries with a growing middle class and increased purchasing power for high quality U.S. agricultural products. It is one of the reasons we sent a trade mission to Indonesia and Peru this year and why China became our biggest export market last year.

We are engaged in nonstop efforts to break down sanitary and phytosanitary and technical barriers, advocating forcefully for the interest of American agriculture with other nations. USDA is also addressing export barriers to U.S. specialty crops, facilitating new exports and preventing disruptions that would have affected hundreds of millions of dollars in exports in Indonesia and the European Union.

When I travel the country, especially in rural America, and talk about trade, the message I hear is simple. We need an economy that makes, creates, and innovates, and we need a nation that exports. That is why I am so proud of USDA's work to increase exports and hope that Congress will act swiftly to approve these trade agreements. At the end of the day, increased exports mean more opportunities for small business owners and for folks who package, ship, and market agricultural products as well as American agricultural producers. It means better incomes for our nation's family farmers, and more jobs across rural America.

I look forward to answering the Committee's questions, and I thank the chair for this opportunity.

[The prepared statement of Mr. Vilsack follows:]

PREPARED STATEMENT OF HON. THOMAS "TOM" J. VILSACK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Members of the Committee, I am pleased to appear before you today. I welcome the opportunity to discuss the pending trade agreements with South Korea, Colombia, and Panama, the contribution to the economy of U.S. agricultural exports, and the capacity of our rural communities to meet the country's agricultural needs and capitalize on export opportunities.

In a word, the most paramount reason to implement these three pending trade agreements is "jobs." For agricultural exports alone, USDA's Economic Research Service (ERS) projects that on full implementation, the three agreements will yield over $2 billion in sales. For every billion dollars of agricultural exports, there are 8,400 people working in America in jobs associated with those exports. The additional jobs generated by the agreements will add to the tremendous story of U.S. agriculture's contribution to our economy.

One out of every twelve jobs in this country is connected in some way, shape, or form to American farms. Our farmers and ranchers also make sure that this country is food secure. American consumers spend less for their groceries than virtually anybody else in the world—a recent study that we did at USDA suggested that just six to seven percent of our paychecks, on average, go to the grocery store.

USDA looked at 2011 and we project that it is going to be a good year for farm country. We see net farm income increasing to $94.7 billion. That is a 20 percent increase over last year, and last year was a 34 percent increase over the year before. It will be the second highest income level as adjusted for inflation in the last 3 decades. That is certainly good news. Crop receipts are up 14 percent, to $24.1 billion, led by corn, cotton, soybeans, and wheat; and livestock receipts also are edging up a bit. We now see the value of farm assets exceeding $2 trillion. We have basically recouped all of the loss we suffered in 2009, and that is certainly a good story.

Today we are here to talk about trade, one of the brightest spots in the agricultural economy. As this Committee is aware, in agriculture, we consistently post a trade surplus, and are coming off a great year. USDA's forecast for U.S. agricultural exports for FY 2011 is a record high $135.5 billion, up from $108.7 billion in FY 2010, and the previous record of $114.9 billion in FY 2008. We are projecting a trade surplus of $47.5 billion. If we reach $135.5 billion, that means over a million people will have jobs that might not otherwise be employed but for agricultural exports.

USDA is focused on a trade strategy that will continue to increase trade opportunities. In addition to our non-stop efforts to eliminate unwarranted sanitary and phytosanitary (SPS) and technical barriers, our strategy includes securing Congressional approval of the trade agreements with South Korea, Colombia, and Panama.

In the Korea agreement (KORUS), we have a multi-billion-dollar trade opportunity. Almost ⅔ of the items that we currently trade to Korea will be duty free immediately, including corn, soybeans for crush, cotton, cherries, orange juice, grape juice, and whey. Other commodities will have their tariffs and duties reduced over a period of time, creating tremendous opportunity for us to grow our export opportunities within Korea. ERS projects that on full implementation, U.S. agricultural export gains under KORUS would be over $1.9 billion annually.

Increased meat and poultry access includes reductions in Korea's tariffs on beef, which will decline from the current 40 percent to zero in 15 equal annual reductions; duty-free entry for more than 90 percent of U.S. pork products by 2016; and tariffs on poultry leg quarters dropping from 20 percent to zero over 10 years. The KORUS agreement creates tariff-rate quotas that double current access for dairy products.

Looking at the Colombia Trade Promotion Agreement, the news is also good for U.S. agriculture. On full implementation, ERS estimates that the Colombia agreement will generate an increase of 44 percent in U.S. agricultural exports, or an additional $370 million per year. On day one of implementation of the Colombia agreement, U.S. exporters receive immediate duty-free treatment on products accounting for almost 70 percent of current trade. Currently, no U.S. agricultural exports enjoy duty-free access to Colombia, with most applied tariffs ranging from 5 to 20 percent on agricultural products.

Colombia would immediately eliminate its price band system, which affects more than 150 products, including corn, rice, wheat, oilseeds, oilseed products, dairy, pork, poultry, and sugar. Under the current price band system, the tariffs on these products vary with world prices. Under the terms of the agreement with Colombia, all prime and choice beef cuts receive immediate duty-free treatment. Tariffs on most key pork products phase-out within 5 years and chicken leg quarters receive an immediate 27,040 metric ton tariff-rate quota (TRQ) with four percent annual growth.

U.S. agricultural exports to Panama have been on the rise, growing to over $450 million in 2010. On full implementation of the Panama agreement, U.S. exporters can expect an additional $46 million in annual sales of rice, corn, meats, dairy, and processed foods. Tariffs on 68 percent of Panama's agricultural tariff lines, accounting for more than half of current U.S. trade by value, will be eliminated on entry into force of the agreement.

Like the Colombia agreement, the Panama agreement will provide immediate duty-free treatment for USDA Prime and Choice beef cuts. Tariffs on pork variety meats will be eliminated immediately and preferential duty-free TRQs will be established and grow over time for fresh and frozen pork cuts, pork fat and bacon, and processed pork. Likewise, a TRQ will be established for chicken leg quarters and, over time, all tariffs on poultry will be eliminated.

It is critical for U.S. agriculture that we work together to move the three pending trade agreements as part of our broader trade agenda that includes the reauthorization of the 2009 Trade Adjustment Assistance program, renewal of trade preference programs, and pursuing Permanent Normal Trade Relations (PNTR) with Russia as it joins the WTO. We must lock in equal and better access to these markets than our competitors. Korea recently ratified an agreement with the European Union, which will go into effect on July 1; recently signed an agreement with Peru; already has in place a trade agreement with Chile; and is negotiating with Australia, Colombia, Turkey, and New Zealand. Colombia has finalized agreements with the EU and Canada, is a party to the MERCOSUR-Andean Community agreement, and has many FTAs with countries throughout the hemisphere. Panama negotiated an agreement with Canada in 2010 and has recently initialed an agreement with the European Union. Panama already has FTAs in place with Chile and numerous Central American neighbors. Until we complete these three trade agreements, U.S. agriculture will not have a level playing field in these important markets.

In addition to the pending trade agreements, the Administration seeks to renew the 2009 Trade Adjustment Assistance program, the Andean Trade Preference Act (ATPA), and the Generalized System of Preferences (GSP), and to secure Permanent Normal Trade Relations (PNTR) with Russia. The preference programs, ATPA and GSP, are critical to developing countries' continued growth, helping them grow their industries and become more developed markets. Additionally, these programs provide U.S. businesses the inputs and products they need to keep good jobs here at home. Russia has become an increasingly important destination for American agricultural goods, and moving Russia fully into the global, rules-based WTO trading system will benefit U.S. agricultural exporters.

At USDA, we have also focused on reducing trade barriers, and that is why I was so pleased when President Obama and President Calderón met and agreed on a path forward on the Mexican trucking issue. That is going to be a great opportunity for us to remove the tariffs that Mexico has assessed against 99 of our products, 54 of them agricultural products. It will restore and expand trade opportunities for us in Mexico. The U.S. Department of Transportation released the details of a proposed new program that prioritizes safety, while satisfying the United States' trade obligations. Mexico has committed to suspend 50 percent of the currently charged tariffs when an agreement is signed and the remaining 50 percent when the first Mexican truck receives authorization under the new program.

I am frequently asked about our efforts to reduce barriers to U.S. beef exports. Nearly 100 countries are open to at least some U.S. beef and beef products. This reflects the tireless efforts of USDA and USTR to prevent markets from closing, as well as the re-opening of some 80 markets after the detection of a case of BSE in 2003. Continued recovery and expansion of beef trade remains a priority for USDA and USTR. U.S. beef and beef product exports were valued at nearly $4.08 billion in calendar year 2010. While that value of trade is on par with the pre-BSE level of 2003, volumes still lag.

USDA has also addressed export barriers to U.S. specialty crops in key markets. In FY 2010, the value of specialty crop exports increased eight percent from FY 2009 levels to more than $17.4 billion. The Administration secured Indonesia's recognition of the U.S. food safety system for fresh foods including specialty crops, facilitating exports valued at over $100 million last year. USDA arranged for a European inspection visit regarding mycotoxins in California pistachios, thus preventing disruption of exports that totaled $305 million in 2010. We worked quickly with West Coast cherry exporters to address SPS concerns in Korea and Taiwan, preserving export opportunities for $7 million in perishable products.

We are going to continue to focus on countries where there are increasing middle classes, and China is probably the best example. In 2010, China became our number one agricultural export market; so our top three agricultural markets are now China, Canada, and Mexico. Analysis by our Foreign Agricultural Service suggests that the size of the middle class in developing countries could reach 731 million households by 2020, up over 100 percent from 2009 levels. These middle class households will have the purchasing power for high quality U.S. agricultural products. It is one of the reasons we sent trade missions to Indonesia and Peru this year, in an effort to continue to promote agricultural opportunities—American agricultural opportunities. In Peru, where we have preferential market access from an existing trade agreement, USDA facilitated face-to-face meetings for twenty U.S. companies with processors, buyers, and traders. Business deals were finalized taking advantage of new opportunities, which translates into American jobs.

We are going to continue our focus on export promotion, including trade shows. We will bring more foreign buyers to the United States. We are going to continue to promote American products. We are going to make sure that we also encourage our trading partners to reduce the sanitary and phytosanitary barriers that make it more difficult for us to bring product into their markets. For example, we are in the process of third-party mediation with Mexico in an effort to expand access to all of Mexico for U.S. table stock potatoes, which are limited to a 26 kilometer border zone due to pest concerns.

Under the Administration's National Export Initiative, President Obama has set a goal of doubling U.S. exports over 5 years. Opening new markets is key. Also key to meeting that goal is the productivity of U.S. farmers and ranchers. Nobody in this country, nobody in this economy, has been as productive over the long haul as American agriculture. In my lifetime, there has been a 330 percent increase in corn production and an over 200 percent increase in soybeans and wheat production. American farmers embrace technology, and because of that, American farmers now are able to meet our food, feed, fiber, and fuel needs and significantly boost our economy through exports to markets around the world.

Mr. Chairman, Members of the Committee, the message I hear from farm country is simple. We need an economy that makes, creates, and innovates, and we need a nation that exports. When we do that, we see the kind of income projections we are speaking of today in farm country and all across the country.

This concludes my statement. I look forward to answering any questions you may have. Thank you.

The CHAIRMAN. Thank you, Mr. Secretary. Mr. Ambassador, you may begin when you are ready.

STATEMENT OF HON. RON KIRK, UNITED STATES TRADE REPRESENTATIVE, WASHINGTON, D.C.

Mr. KIRK. Mr. Chairman, Congressman Peterson, Members of the Committee, it is an honor to have an opportunity to join Secretary Vilsack to discuss the importance of agricultural exports to our country's trade agenda.

Since the Chairman and my colleague have spoken of the economic impact of the three free trade agreements, I will move on in the interest of time. I do want you to know that our efforts to open markets for agricultural exporters and to keep them open, the Obama Administration has pursued a two-pronged approach that balances negotiating new market access with strong enforcement of America's rights in the global trading system.

Today, the pending agreements with South Korean, Panama, and Colombia are at the forefront of our efforts to open new markets. Last week, I am pleased to advise you we began the technical discussions on drafting the implementing bills for each of the free trade agreements with our committees of jurisdiction. This is part of a broader agenda that also includes reauthorization of a robust Trade Adjustment Assistance Program as well as renewal of the expired trade preference programs that benefit some of our poorest trading partners and beginning a conversation with Congress about granting permanent, normal trade relation status for Russia as it prepares to join the World Trade Organization.

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

As noted by the Chairman upon entry into force, the Korea trade agreement will eliminate tariffs on ⅔ of American agricultural exports immediately including fruits, nuts, vegetables, and soy beans.

Separately, in response to the Ranking Member's concerns about beef access, we will request consultations with Korea under the 2008 Beef Protocol to discuss the full implementation and application of that agreement after the FTA goes into effect. President Obama and I are absolutely committed to working with Members of this Committee and others to further open beef access to markets across Asia consistent with international guidelines.

U.S. ag exporters will also benefit from the agreement with Panama with more than half of our current exports to Panama becoming duty free immediately, and the remaining gaining duty-free access with the quota of tariffs reduced over time.

With respect to Colombia, more than half of our current farm exports will become duty free immediately, and remaining tariffs will be eliminated within 15 years. Overall, the International Trade Commission estimates that the agreement with Colombia can expand our exports by over $1 billion and increase our GDP by $2.5 billion. Now, as we work with you to implement and approve these FTAs, the Obama Administration is also advancing our agricultural interests in other talks and fora as well.

One of the most critical is our efforts to create a state-of-the-art trade agreement with the Asia-Pacific region through our Trans-Pacific Partnership. U.S. exports to this dynamic market have an opportunity for extraordinary growth. We are leading the effort to create this trade agreement within the region and have an opportunity to have one of these most state-of-the-art chapters on sanitary and phytosanitary standards of any free trade agreement we have ever negotiated.

We are also working with other partners in the World Trade Organization to find a sober and realistic solution to the challenges of concluding the Doha round of talks. It is no secret that the Doha round is confronting a very difficult and challenging moment, but we are not throwing in the towel. And we will continue to work with like-minded partners to find an acceptable solution.

Aside from our ongoing negotiation, American farmers and ranchers also benefit greatly to more access around the world because of our efforts to hold our trading partners accountable under our existing FTAs. I want to make sure that you know that USTR will continue to work with our colleagues in the Federal Government to hold other partners around the world accountable and address unwarranted SPS rules.

Finally, improving market access to Russia is also critical for U.S. agriculture including as we address Russia's accession to the WTO. Just let me say this: Having Russia subject to the same rules as the other members of the global trading community will substantially increase the tools and enforcement mechanisms that we have which are extremely limited right now.

In closing, I appreciate the opportunity to address the Committee. We look forward to working with you toward passing of the pending FTAs, and I would appreciate the opportunity to take your questions at this time. Thank you.

[The prepared statement of Mr. Kirk appears follows:]

PREPARED STATEMENT OF HON. RON KIRK, UNITED STATES TRADE REPRESENTATIVE, WASHINGTON, D.C.

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 ⅔ 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 worlds' 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.

The CHAIRMAN. Thank you, Mr. Ambassador. The chair would like to remind Members that they will be recognized for questioning in the order of seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival. I do appreciate the Members' understanding, and I now recognize myself for 5 minutes.

Mr. Ambassador, let us get down to the mechanics for a little bit about what all it entails to make this happen. The action plan that Colombia has agreed to on their domestic labor laws has date-certain obligations that they must meet is my understanding. Is the Administration placing any deadlines on U.S. efforts to prepare the agreements for consideration by Congress? We have asked for date-certain times, dealing with certain issues. Are we doing that to ourselves?

Mr. KIRK. Well, we have structured the action plan with Colombia, Mr. Chairman, in a manner that would allow us, as they meet those obligations, those deadlines included in the action plan to then continue with the progress that we have begun with Congress. And the first deadline was at the end of May. Colombia met those. We are continuing to work with them on the next tranche. We believe and know that they are working with us in good faith. As long as we have good progress on that, we will be able to continue our progress and discussion with the committees on bringing the FTA forward.

The CHAIRMAN. And to follow up on that, are you committed to coordinating with Colombia in regard to those labor action plans at a pace that will make it possible for us to consider these agreements by July 1? You know a lot of my producers out there would like to be selling in this market season, and they view that July 1 as kind of target date to be able to do that. Are you committed to working with Colombia in a way that we can get there?

Mr. KIRK. Well, we—and I want to make in plain that the deadlines in the action plan will allow us, if they meet those, to then work with Congress on the broader goal of when we would move all of the FTAs in concert with the other items that I referenced, but particularly with respect to trade adjustment assistance. So I want to be careful not to set a hard deadline of July 1. We are well aware of the interests of our farmers and others that want to get into this market. We want to get there too. That is specifically why we structured the labor action plan in the manner that we did.

The CHAIRMAN. And to reiterate one more time for the benefit of the Committee, do you believe Colombia is working in good faith on their elements of the labor action plan?

Mr. KIRK. Absolutely. I said when I was before the Appropriations Committee a few months ago, and I know some questioned whether we were doing this to just keep moving the goalposts. But in many ways, our work with the Santos Administration felt like we were pushing on an open door, and to their credit, they very much and his Administration very much understands it is in their interest to reform many of the practices. Not just with respect to improving the protection of labor and union leaders, but what he is trying to do with land reform. So this has been a very strong partnership and collaboration, and we are very hopeful we can continue to make the good progress that we have.

The CHAIRMAN. One last question, Ambassador. I do lots of town meetings, and there are certain questions that come up in my town meetings. Could you describe for us the protections that are included in these agreements to prevent, I guess, what I would describe as transshipment of goods from non-FTA countries into the United States?

Mr. KIRK. With respect to all three FTAs, Mr. Chairman, we have not changed any of the rules as it relates to transshipment of goods. And as a general rule, and every FTA we have done—and it is the same in Korea, Panama and Colombia, we are only dealing with granting tariff relief for goods produced in those countries, not with respect to a transshipment. And the rules of origin, as it applies here, are the same as they have been. We have not changed that at all.

The CHAIRMAN. Thank you, Ambassador. I now recognize the Ranking Member for 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman. Secretary, when do you plan to publish the proposed rule on animal traceability?

Secretary VILSACK. Representative Peterson, we are in the final phases of working with our cooperators at the state level, with state veterinarian groups, with the tribes, with a number of commissioners and secretaries of agriculture. So we anticipate sometime this late spring or early summer that that rule will be available for review.

Mr. PETERSON. And what risk do U.S. producers, meat packers, and food companies face in the global marketplace should we not have a viable animal traceability system established?

Secretary VILSACK. Well, one of the concerns that we often hear from our trading partners is the capacity to basically trace back at least to the state of origin any problem with animal health. This is why the traceability system is important and why we wanted a system that was more effective than the previous system, which was a voluntary system. It was one in which roughly 30 percent of producers participated in, and it really didn't provide us the certainty and the guarantee that I believe this system will. It is much less complex. It is much less expensive.

It recognizes that it only relates to interstate transfer and transport of livestock, as opposed to things that occur within the state. We are looking for the least expensive technology in terms of traceability, in terms of identification. So we think we are going to get much more acceptance from this effort, and that should reassure our trading partners.

Mr. PETERSON. Thank you very much, and I yield back.

The CHAIRMAN. The gentleman yields back. Tim Johnson from Illinois is recognized for 5 minutes.

Mr. JOHNSON of Illinois. Thank you, Mr. Chairman. I will address this question to both of you. There is apparently certain new European Union rules pertaining to sustainability that have the potential to dramatically reduce or almost eliminate our soybean producers and their access to the European market. What—can you tell me what your role is and what you are doing, your respective agencies, to try to deal with that issue?

Mr. KIRK. If I might, Congressman, I think I can probably respond for the both of us. This is an area that USTR works hand-in-glove with the Department of Agriculture. And we have engaged the EU immediately on what we think are the negative impacts. This is what they call a renewable energy directive that can widely impact and negatively, we think, impact agricultural exports in general.

We have engaged the EU very early and directly with our concerns, encouraged them to have the most transparent process possible. We don't quarrel with the overriding objective of what they are doing, but we have made them aware of the implications that it could have in unfairly impacting exports from the United States and other markets.

And I just want to assure you that this is an area that we work hand-in-glove with the Department of Agriculture in terms of our engagement with the EU.

Mr. JOHNSON of Illinois. Thank you. Another question. I know these three agreements have really been executed quite some time ago, and for a variety of reasons haven't been submitted to the Congress yet for ratification. Can you give us an indication of why we have delayed this long and what the timetable is going forward?

Mr. KIRK. Yes. Well, let me, if I can, work from the end of your question back. The good news is we began the informal process that we follow in the Trade Promotion Authority of reviewing in every detail the proposed implementing bills and FTAs on Korea, Panama, and Colombia with our committees of jurisdiction last week and are hoping to complete that review as expeditiously as possible.

I would like to take a minute and address your broader question of why it took us a while to get here, and one of the challenges that we faced when we came into office was what to do with the three FTAs that we inherited. And there were some that believed the FTAs were just fine as they were and wanted us to move. There were a number, including a number of your colleagues in Congress, that thought each of the three agreements had challenges with them that needed to be addressed before we could move forward.

With respect to the Korea FTA, there was very broad concern from Members on both sides of the aisle, that they thought was just an unspeakable disparity in access to Korea's auto market compared to ours. We were able to stay at the table and negotiate a much better deal with respect to access to that automotive market and for manufacturers that now puts us in a position of having an agreement that has very broad support from Members on both sides of the aisle, and also for the first time in a very long time, having a trade agreement not only endorsed by all of our agricultural interests and the Chamber of Commerce, but also the United Auto Workers and the Food and Commercial Workers, which is almost unprecedented in this time.

With respect to Colombia, I think many of you know there was very strong concern, not so much with the FTA but whether the United States would address those core issues that many Americans were concerned about in terms of respect for human rights and what some believed was an unspeakable amount of violence against union organizers and labor leaders.

We believed Colombia had made great progress, but we also believe that the United States entering an FTA for many economies is like a gold seal of approval, and that we should leverage that opportunity to try to advance some of our other interests. And the good news is we were able to work with both the Arriba and Santos Administrations to come up with the labor action plan to move that forward.

With respect to Panama, the agreement was stalled for reasons really having to do with neither of these. In the previous Administration, unfortunately, Panama elected as the head of their parliament, an individual who had been convicted in our courts.

Mr. JOHNSON of Illinois. Let me just—I appreciate—let me just get to one more question. I appreciate your response.

Mr. KIRK. I didn't mean to—

Mr. JOHNSON of Illinois. No, that is okay. I just wanted to ask one more thing before my time expires. What do you foresee as new opportunities in specific geographical areas around the world?

Mr. KIRK. Well, part of what we are doing through the National Export Initiative is to look at those. One of the next frontiers, we believe, is that encompassed in the area in which we are negotiating the Trans-Pacific Partnership. Most economists forecast over half the world's growth in the next 25 years or so is going to be in the Asia Pacific region and then including India, China, and Brazil and Africa. And so these are areas in which we are paying specific attention.

Mr. JOHNSON of Illinois. Thank you.

The CHAIRMAN. The gentleman's time has expired. The gentleman from Oregon, Mr. Schrader, is recognized for 5 minutes.

Mr. SCHRADER. Thank you very much. I guess, Mr. Trade Representative and Mr. Secretary, which country of the three holds the most promise to take more ag exports, American ag exports?

Secretary VILSACK. Let me try to respond initially. It is fairly clear that Korea, from an ag trade standpoint, has the greatest potential, $1.9 billion of additional trade, which would be Korea ag trade at $7.2 billion. To give you a sense of how big that number is, if you take the nine previously entered-into free trade agreements and totaled up ag activity in those nine, it would equal less than $7.2 billion.

Mr. SCHRADER. Well, that is a good enough answer for me. Is it true that our balance—I will ask Mr. Kirk this one. Is it true that our balance of trade with Korea is actually narrowing at this point, that the imbalance is getting better for America?

Mr. KIRK. It is narrowing a bit. I mean one of our challenges— our ag balance with Korea, we are wildly on the surplus side. Now, on the manufacturing side, it has narrowed, but on balance, it is a pretty strong relationship both ways.

Mr. SCHRADER. Isn't it also true that Korea has tariff barriers in the neighborhood of, I guess, 11 to 13 percent against American goods and we only have a three percent barrier, if you will, on average to——

Mr. KIRK. Yes, actually in some cases, it is much higher than that 11 and 12. But this is—these agreements, all three, very much are going to operate in our favor because our tariffs are so low.

Mr. SCHRADER. Yes, so it sounds like we are going to obviously be net winners at the end of the day in terms of being able to export more American goods, not jobs overseas, at least to Korea.

Are we having the same problems with Panama and Colombia as we are with Korea with regard to pending free trade agreements with other countries that could undercut American opportunity?

Mr. KIRK. Well, as the Chairman noted, we are in, aside from our own issues, we are in a very competitive environment, and Korea and Panama, collectively, have signed 12 other free trade agreements over the last 4 to 5 years. So there is some imperative for us to resolve our differences and move forward.

Mr. SCHRADER. Is there anything like the Australia or EU agreements with Korea pending right now in Panama and Colombia?

Secretary VILSACK. I simply will point out that over the last several years, we have seen an erosion of our market share in Colombia. So obviously there is very stiff competition, and obviously the sooner we get this done, the better it will be for us because tariffs will come down, and our goods will be much more competitive than they have been.

Mr. SCHRADER. Isn't it, I guess, also true that our sugar industry will be impacted negatively with any free trade agreement with Colombia and Panama?

Mr. KIRK. Well, there is an elimination of the price band system with sugar, which should be beneficial to sugar producers as a result of the Colombian agreement.

Mr. SCHRADER. But won't we see greater imports from those two countries to the United States?

Mr. KIRK. Well, there are obviously restrictions and regulations in terms of the level of imports in sugar as part of the sugar program.

Mr. SCHRADER. Well, I guess my point, if I may, Mr. Chairman, is I am just trying to point out that there is one of the three agreements that American farmers as well as American workers are clear winners on. There is the Colombia agreement that still is, while all the good intentions of the Santos Administration work is great, right now, as long as labor leaders are getting murdered and butchered in Colombia, it is a little tough for Congress to step up and support that particular agreement. I would hope the Administration, after trying to submit all three agreements, finds that it doesn't work that they would follow up very quickly with the Korea Free Trade Agreement to make sure agriculture is protected at the end of the day. I yield back.

Mr. CONAWAY [presiding.] The gentleman yields back. I recognize myself for 5 minutes. Mr. Schrader, if you wouldn't mind providing us with the murder and butchering data that you just referenced.

Mr. SCHRADER. I can do that. I will be glad to.

Mr. CONAWAY. Okay, because I—my information is that is pretty dated scenario. Start the clock. I am on a 5 minute clock for myself. The Foreign Agricultural Service and USTR have had a great role in developing all of these trade agreements. Back home, the folks believe sometimes that ag is traded out too often in many of these agreements, that we are—ag interests don't have the same standing that others do. And so having a standalone agency helps with that perception.

The President has recently asked OMB to merge all of trade-related issues under one agency. You are shaking your heads no. He has not done that?

Secretary VILSACK. He has asked the OMB to conduct a conversation with all trade agencies and those who are engaged in trade to see if there are ways in which we can simplify the process in which we can provide a more streamlined effort and a greater effort. And we have been engaged in that process.

Mr. CONAWAY. Okay, so could you help, just for the record, Secretary Vilsack, state that it is your intention that ag interests in that new arrangement, whatever it might be, would have the same standing in the level of authority with respect that they currently have in any kind of a new paradigm that you would work out with OMB and the USTR.

Secretary VILSACK. Mr. Chairman, I have actually specifically indicated that to the President, the importance of maintaining the good relationship that we have with the Office of the United States Trade Representative and others who are involved in trade. Agriculture, in our view, is a very specialized area, and it requires specialized information and knowledge.

And the reality is that in many countries, agriculture is, in terms of its overall economy, is a much greater proportion to the overall economy than in the United States. And so you have to be conscious of that when you are discussing any kind of trade relationship.

Mr. CONAWAY. Okay, well, that is good news to hear that you guys recognize that and that maybe the information we received with respect to the breadth of what President Obama asked OMB to do, it looked to us that they were going to put it all under one umbrella. And that would, in our view, would decrease ag's standing with respect to the overall negotiations. So it is good to hear those reassuring comments. I will yield back. Now, Ms. Fudge, I guess you are next. Five minutes.

Ms. FUDGE. I thank you very much, Mr. Chairman, and I thank both of you gentlemen for being here today. And I just have three quick questions, and either of you, whichever one feels comfortable, may answer. The first one is the TPP does include Vietnam, which is now only second to China in the exports of apparel to the United States. How will the U.S. trade negotiators address issues surrounding trade of textiles and apparel in TPP negotiations?

Mr. KIRK. We are—for reasons that I am surmising behind your concern behind the question, we are seeking to have a textile chapter. We have tabled one in one of our round of negotiations so that we can address many of the concerns we have heard from you and a number of your colleagues who represent that industry.

We think it is an important opportunity to bring Vietnam in because we don't have a free trade agreement. They are potentially a huge market, but we—in the development of our negotiating parameters for TPP in general, I would just say we have done more outreach with Members of Congress and stakeholders. Representatives of the textile industry have been present at most of the six rounds we have had thus far, and so we have had them engaged in every step of the way.

Ms. FUDGE. Second, are there some parts of previous trade agreements—we have heard colleagues talk about the fact that some of us were not clear on what was in previous agreements. But are there parts of previous trade agreements that U.S. negotiators would seek to avoid this time as negotiations proceed with TPP?

Mr. KIRK. Well, one of the things—one of our goals with TPP was to learn from what we have done, what we have done well, what we can do better, but also what we can address that perhaps wasn't as relevant 20, 30 years ago. Our broad goal is to have as aspirational and forward-looking of an agreement as we can. For example, we know much more about what it takes to compete against state-owned enterprises than we did 20 years ago. So we are seeking to address some of those challenges.

Protecting intellectual property rights doesn't just go to Microsoft, but in particular with agriculture. So much of what we do in biotech in this industry is critical to make sure that we have state-of-the-art language on that. So a lot of what we are doing is making sure that we include those areas, in particular with respect to labor rights and the environment, which were side agreements, for example, in NAFTA. Those are now embedded in just about everything we are proposing, going forward.

Secretary VILSACK. If I might just add one comment about this, I think there is a degree of sensitivity and acute awareness on the part of negotiations and discussions as it relates to the dairy industry. We want to make sure that whatever is done in the TPP discussions that it is a fair and balanced approached to that very important aspect of agriculture, which is our dairy industry.

Ms. FUDGE. Thank you. Is it possible that North Korean inputs could find their way into South Korean company supply chains and be exported to the United States directly or indirectly? Do you think that is a possibility?

Mr. KIRK. We believe that it is not, and I want to make it plain because there has been a lot of confusion about this. Nothing in this trade agreement changes existing law, either under FTA's or under Congress's authority to singularly make the decision on whether or not we would allow goods to come from North Korea under any circumstances. So nothing we do in this agreement changes current law.

Now, there have been previously sanctions imposed by this Congress on North Korea that had very limited exceptions for some goods from North Korea. But it would take Congress making that decision in order for that to happen.

Ms. FUDGE. Okay, and my last question: What discussions or options are going to be available to the United States to protect our chief exporters?

Mr. KIRK. Under any of the agreements or all three?

Ms. FUDGE. All three.

Mr. KIRK. Again, in every agreement, we have done everything we could to create opportunities, reduce tariffs for all of our ag exporters, particularly whether it is in dairy, whether it is fluid milk or processed goods or cheese, and so we have fairly detailed information, Congresswoman. Perhaps I can have our staff sit down with you and go through those exact elements in each of the agreements.

Secretary VILSACK. I would just add to that, in terms of the Korean agreement, there is an opportunity for phasing out duty-free access within tariff rate quotas that we will phase out over a period of time as it relates to cheese. So that is a benefit for cheese exports that should see—we should see an increase. That is part of the $1.9 billion increase that we think we will see from the Korean Free Trade Agreement.

Ms. FUDGE. Thank you. I yield back, Mr. Chairman.

Mr. CONAWAY. The gentlelady yields back. The gentleman from Ohio, Bob Gibbs, is recognized for 5 minutes.

Mr. GIBBS. Thank you, Mr. Chairman, and thank you Secretary and Ambassador for coming in. And thank you for your work to expand agricultural trade and exports. You know, gaining duty-free access to markets has greatly expanded particularly in regards to the livestock sector. In the pork industry alone, passage of these three agreements would mean an estimated $800 million in additional exports annually. This goes along nicely with the President's stated goal of doubling exports in the next 4 years.

However, one of the biggest concerns I hear is from the livestock sector on the feed availability issue, and this is to Secretary Vilsack. I would be interested to hear your thoughts about this issue, especially given the tight corn supplies that we are looking at and the increased production with the trade agreements. If USDA has any ideas or preparation to address the situation to ensure that livestock producers have source feed and have reliable supply and predictability.

Secretary VILSACK. A couple of things, Congressman. First of all, notwithstanding the difficulties we are having from weather, we are looking at fairly significant increases in planting of corn in particular, roughly 4 to 5 million additional acres. The yields that we are projecting are also higher than last year's, so we are going to see an increase in productivity, which should help address some of the concerns that you have raised.

It is also important to point out that as we use our corn, for example, to produce fuel, there is also a byproduct of that process, which is a feed supplement, which has been very widely used and very helpful in expanding the feed opportunities. So the combination of those two things has us in a position where we recognize there are tight supplies, but we are very confident in the American producers' capacity and capability of being able to meet the various needs.

I don't know of a single circumstance in my experience where we haven't challenged agriculture where they haven't met the challenge. And I see no reason why this will be any different.

Mr. GIBBS. I agree with you, Mr. Secretary, and I think that the free market should function. I just want to make sure that there is no impediments to prevent the free market from functioning, and price will ration supply and demand. And we will see what happens, but I just wanted to make the point that a lot of poultry and livestock producers are really concerned about the feed situation.

So I just want to make that point. So I yield back, Mr. Chairman. Thank you.

Mr. CONAWAY. The gentleman yields back. The gentleman from Minnesota, Mr. Walz, is recognized for 5 minutes.

Mr. WALZ. Thank you, Mr. Chairman. Thank you, Mr. Secretary, Mr. Ambassador, for the work you do and for being here. I just have one question, and you have spoken a little bit on it. It goes to dairy, obviously critically important to many of my colleagues and myself in southern Minnesota.

My question is a little different though, off the trade agreement right now. It deals with access to the Indian market. My producers and folks are pretty frustrated. They are not asking for a trade agreement. They are simply asking India to abide by its responsibilities to WTO, and that is a fast and a large market. And we have been stymied now for 7 years. I just kind of wanted to hear your take on this and maybe how do we deal with countries like that?

Secretary VILSACK. Congressman, I share your frustration. We have had opportunities to visit with the Indian ag minister, agricultural minister on several occasions both here in the U.S. and in India. I traveled with the President to India. The discussions we have had have been primarily focused on the dairy industry.

As you know, there are cultural and religious issues that are raised whenever we discuss dairy, and we are continuing to work to try to reassure India that we can meet the cultural and religious concerns in terms of an understanding of the physiology of cows and how they digest feed and how we can reassure folks that the product that they are getting is appropriate. We still have work to do.

We have sent the Indians a series of studies to support our belief that we can provide them scientifically balanced and supported assurances. We still continue to have a difficulty, and we are going to continue to work on this until we finally open that market. They are open obviously to the possibility of organic milk products. The problem that our industry sees in that particular market is really, really, really small at this point in time and may not merit all of the activities that the industry would have to go through in order to access that market.

So we continue to negotiate. We continue to try to convince. We continue to try to educate, but I don't want to underestimate the difficulty of this. We have been very frank in our conversations and will continue to be so.

Mr. WALZ. Mr. Ambassador, do you have anything to add to that, or does that sum it up?

Mr. KIRK. You know if the pained look on my face doesn't convey our—I mean we share your—we have engaged the Indians at every forum, every opportunity from when the prime minister was here. I myself have been to India twice. Secretary Vilsack has had his team with us. We continue to push. We thought we had what was an acceptable resolution of it in terms of how we feed our animals and get them ready. But they came up with yet another creative response. But we are—one thing I might add is because of that, in our conversations with many Members, if I would just draw to your attention, one thing we did do is last year, because of cases like this, for the first time now in addition to our 301 report, we just published our annual report on sanitary barriers entitled, *Report on Sanitary and Phytosanitary Measures.* It helps to inform our work to try to work with you on how we can attack those, and if you have not seen that, I would like to make sure that we get that in your hands of you and your staff.

Mr. WALZ. Thank you both, and thanks for your service to the country. I yield back, Mr. Chairman.

Mr. CONAWAY. The gentleman yields back. The gentleman from Georgia, Austin Scott, is recognized for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman, and gentleman, thank you for coming before the Committee today. Secretary Vilsack, just following up on what Mr. Gibbs said, you said that you expect an increase in the productivity of the corn crop. And I guess my question is: have y'all taken into account the recent flooding and the disruption in planting and anything that that may do to the actual yields of the crop?

Secretary VILSACK. We have. Notwithstanding those difficulties and challenges, the yield projections which were announced in the last day or 2 are actually, in my view, significantly above what they were last year.

Mr. AUSTIN SCOTT of Georgia. Okay, thank you. Thank you for that, and I am sorry. I would like to move to the next question. I will try to be brief. You said that you hope that Congress will act swiftly. Are you talking about acting swiftly on the South Korea, Panama, and Colombia trade agreements?

Mr. KIRK. Yes, sir.

Mr. AUSTIN SCOTT of Georgia. Okay, well we want to act swiftly on those as well, and, Mr. Ambassador, the President is in the third year of a 4 year term. He has a Republican Congress that is ready, willing, and able to work with him on this. And, over a year ago, he said he was going to—new market access was going to be a priority. This was over a year ago. And we hear now that the informal review, the technical discussions on drafting are moving along, but that Congress should act expeditiously once we get them.

I mean this Committee, and I think that the vast majority of the Committee Members are saying what are you waiting on. What are you waiting on, and when can we expect the agreement? And nobody in the Administration has shown us enough respect to give us at least the goal of the timeline. And again, I apologize that we haven't had more time to get to know each other. But then you said that the Administration is essentially waiting on union approval so that the unions would be on board before we get the trade agreements.

And with all due respect to the President and the Administration, if the American farmer is being held hostage over union approval of these trade agreements, that is not acceptable. And that is one of our chief concerns for the trade agreements going forward and what the President wants to do and what many of us believe will be diminishing the USDA's role in negotiating trade agreements, going forward.

So there is a broad statement there, but I have a couple of issues. One is, is agriculture going to be held hostage by the unions in this Administration and trade agreements?

Mr. KIRK. Well, first of all, Congressman, I could understand your frustration if that had been what I said, but let us be clear. I did not. And we are not waiting on union approval, and let me be clear. We finished negotiating the Korean Free Trade Agreement in December. We sent a letter to our committees in January and said we are ready to go. Let us approve it. The Korean agreement hasn't been held up because of the Administration. It was held up frankly because some of your colleagues insisted they would not move on Korea until we finished the work that we had done with Panama and Colombia. So the delay on Korea has not been because of the Administration. Second——

Mr. AUSTIN SCOTT of Georgia. Let us get Korea, and let us roll.

Mr. KIRK. We absolutely are ready to move on the Korea Free Trade Agreement. Again that has been held because there were many on both sides that wanted all of the agreements to move forward at once. Now look, the good thing is we are not as far apart as you think we are. We are ready to move those agreements. There is a manner in which they go through an informal review under TPA, and then we will formally submit those agreements. We are having those conversations with the committees of jurisdiction——

Mr. AUSTIN SCOTT of Georgia. Sir.

Mr. KIRK. If I could——

Mr. AUSTIN SCOTT of Georgia. We are short on time, and I have a 5 minute time limit. And I apologize for that, but the difference in a farmer which is a small or mid-sized business owner and a bureaucracy—I mean time is money for both. The more time a bureaucrat wastes, the more money they get. The more time that is wasted from the standpoint of the small business owner, the more opportunity, costs, and revenue they lose. So I mean why can't we have these trade agreements ready to vote on July 1?

Mr. KIRK. Well, that—listen some degree, that is now going to be up to the leadership of the Ways and Means and Finance Committees as we come up with the structure to move those agreements as well as address the issues we have raised on trade adjustment assistance and the preference programs. If it is——

Mr. AUSTIN SCOTT of Georgia. Okay, in your department that you are in charge of, present them to the committees by July 1 so that the committees can start——

Mr. KIRK. That is not within the prerogative of my department. We negotiate the agreements——

Mr. AUSTIN SCOTT of Georgia. Whose prerogative is it?

Mr. KIRK. It will be up to the President to formally submit them to Congress.

Mr. AUSTIN SCOTT of Georgia. Thank you.

Mr. CONAWAY. The gentleman's time has expired. Mr. Boswell, from Iowa, 5 minutes.

Mr. BOSWELL. Mr. Chairman, I appreciate you recognizing me. I have been in and out. We were having our annual visit from our Greater Des Moines Partnership, and my schedule in the office is unbelievable. So I haven't heard the questions that were asked, and I don't want to waste the Secretary's time to ask the same questions that are already answered. So I guess I will check the record, but I appreciate that discussion that just took place. You tell me that you told us that the Korean deal was ready to go, but the process here is holding it up because they want all three packages together. Is that—did I understand that clearly?

Mr. KIRK. That was one of the reasons. Yes, sir. But the important thing is the Administration is—we have begun the process of reviewing the implementing bills with the committees. We think we have a reasonable way to move forward and get all of the agreements done, but we have made it plain.

I want to say it again. For the Obama Administration, this was never just about passing three FTAs. It is about trying to come up with a more thoughtful, balanced trade policy that will allow us to keep trade part of our economic growth, going forward. And to do that, we have to demonstrate the same commitment to trade adjustment assistance in America's workers as the enthusiasm we have for opening up these new markets.

Mr. BOSWELL. Well, I appreciate that. I, personally, and with others have worked very hard on the Korean side. There is a guy in the next panel—I don't know if he is in the room or not. The name is Carney. I just saw his hand go up. We have been on this discussion for a long, long time. I went to Korea, and a little sidelight, just for the fun of it. They said they were glad to see us the day we were there because the next day they were going to have a fight on the committee. And they had a fight. They were tearing each other's clothes and bloody noses and everything else. So I am glad we missed out on that, Mr. Chairman. That was good.

But it seems to me like that move right along, but—on the agreement. And you tell us it is ready to go, and we are waiting on the other parts. I keep hearing things, problems in the other countries. I don't know. I haven't had time to check it out. I thought I would wait and see if something shows up, but I appreciate your hard work. Thank you very much.

Mr. KIRK. Thank you.

Mr. BOSWELL. I yield back.

Mr. CONAWAY. The gentleman yields back. The gentleman from Iowa, Steve King, for 5 minutes.

Mr. KING. Thank you, Mr. Chairman. I want to thank the Secretary and the Ambassador for your testimony here today, and this aisle back-to-back thing, that can happen very well here, and I appreciate that all the way around the triangle here today.

I just have a series of questions that—one I would just make a comment that the Cuban Free Trade Agreement isn't tied to these three, or I would have a real problem with that, just in case anybody wonders what my position is on Cuba. But I would go beyond this. This has been a bit of a mystery to me on the free trade agreements that we have had, and they have been before this Congress, some might say, 4 years.

But I remember George Bush timing it so he could deliver these three trade agreements to Congress because the law required that there be a vote on the floor of Congress. And there was a procedural vote that suspended that, and now here we are, these years past, 2½ or so years into this Administration. And finally they come forward.

And so I am curious. Mr. Secretary, I know you have been engaged in trade, and I am curious as to what the directive has been from the White House that might have made you less aggressive than you would naturally be, and what has been the directive now that brings this forward? I heard the details, but I think there is something more behind this. And there is a White House that runs a cabinet.

What is the theme? Have they taken a shift in their position, or is it labor protectionism that many have reported is part of it? What has finally been resolved in the larger picture of politics? Mr. Secretary, please.

Secretary VILSACK. Representative King, the President has been quite clear in every cabinet meeting that I have been involved in where trade has been discussed that he wants an aggressive effort, and it is one of the reasons why we continually report the success of agricultural trade. I indicated in my testimony that we are anticipating an ag surplus this year of $47.5 billion. To give you a sense of that, 5 years ago, that number was $5 billion. So the President has been very consistent and very insistent on us being aggressive, and that is the reason why we did 27 international shows through the National Export Initiative, why we helped 970 exhibitors in foreign countries, why we participated in 250 trade missions, and why we also extended $5.5 billion of financing help.

Mr. KING. Mr. Secretary.

Secretary VILSACK. So, you know, we——

Mr. KING. Why couldn't this have been before this Congress in the first 2 or 3 months of President Obama's Administration then?

Secretary VILSACK. Well, I can just speak to one aspect of the Korean agreement that I am somewhat familiar with, and that is the issue involving beef and the access to the beef market. This is a very complicated issue, and it involves a wide variety of not just the politics here in this country but probably more so the politics in Korea. And I am very pleased with the fact that we now have a roadmap pathway to opening up access to that very significant market and a process and a phase out of various tariffs.

Mr. KING. So it would be your position then that the Administration has been active and aggressive in promoting not only trade but these specific free trade agreements and that there were issues to work out that went beyond the issues that were worked out under the Bush Administration?

Secretary VILSACK. That is correct, and I think probably the Trade Representative is in a better position to respond to that.

Mr. KING. And I appreciate that, and I will come back to that if I have time, Mr. Ambassador. But I had another subject I wanted to raise that I think is important for us to think about. I watched these free trade agreements be negotiated, and I have been a promoter and active in all of them since I have been here on this Agriculture Committee. And I appreciate the balance in trade that has been improved because of our export of agriculture. That is significant data.

I am also watching some trade protectionism take place within the 50 states. And I speak specifically of California that has been putting regulations on Iowa ag products including ethanol and eggs. And when we are dealing with foreign trade free trade agreements, I would suggest that some of the protectionism that comes from within us, and that would be the regulations in California, run up against the line and probably cross the line of the commerce clause in the Federal Government's preemption.

And so I would suggest this, Mr. Secretary. I would ask if you would consider this proposal. That this Agriculture Committee, working with the Energy and Commerce Committee, produce some language that would eliminate the regulation of commonly traded commodities based upon the means of production, such as ethanol going into California with California CARB regs on it that looks to me like they are trade protectionism for California.

The requirement that Governor Schwarzenegger has signed that there be only free range eggs—eggs from free-range hens after 2014 in California. I would suggest that if you cannot determine by analysis of the commodity, the means of production, I would let them regulate the analysis of the commodity. But the means of production is an entirely different thing, and when we go into that area, we end up allowing California to regulate and do trade protectionism.

From a Federal perspective, is that something you would consider and perhaps support?

Secretary VILSACK. On the ethanol side, I will try to be brief, Mr. Chairman. On the ethanol side, I think perhaps a better way of looking at this would be to figure out ways in which we can produce ethanol in other parts of the country from sources in addition to the corn-based ethanol that you and I are familiar with; which is what we are trying to do with a strategy to expand this industry to create a million new jobs in rural America and to provide great opportunity for producers in all parts of the country. When we see that, Representative, I think we will see greater acceptance, and perhaps we will see less restriction on the lines that you have outlined.

Mr. KING. But, of course, that is not an answer. But thank you, Mr. Secretary. I yield back.

Mr. CONAWAY. The gentleman's time has expired. The gentleman from—Joe Courtney, from Rhode Island, 5 minutes.

Mr. COURTNEY. I am a little further west in Connecticut, Mr. Chairman.

Mr. CONAWAY. Sorry about that.

Mr. COURTNEY. I know from Texas, we just look like a little county, but——

Mr. CONAWAY. It is a good sized county though, but nevertheless a county.

Mr. COURTNEY. Thank you. I thank the witnesses for their testimony today. Mr. Ambassador, actually during the last break, I was over in the UK on a trade mission with the U.S. Department of Commerce Export Assistance Center with 16 Connecticut companies. Last year, we did the Middle East. Year before, we did Brussels.

First of all, I just want to make a comment that the export assistance centers are absolute all-stars in terms of helping U.S. firms, particularly small, medium-sized firms who, on their own, would really struggle in terms of trying to find new opportunities. It is a great program. We have real tangible great stories to tell as a result of those last visits.

But I would say that being with them and actually in meetings with prospective customers, I mean, it has been an eye-opener and an education to me about what really is on the minds of U.S. firms when they are sort of dealing with international markets. This is not in your wheelhouse or this Committee's wheelhouse necessarily, but the issue of export controls, it is a problem that people are still bitterly frustrated with. And I know Secretary Gates is trying to move that initiative forward.

But I will tell you for the firms that I spent time with, free trade agreements barely register on the Richter Scale in terms of their issues. Export controls are just persistent and vehement problems.

And second, I mean, the other issue is currency. You know, when you have a product that is of the highest quality that will match any firm or country in the world in terms of input costs and productivity, but will be at a disadvantage because a country is putting the thumb on the scale in terms of devaluing their currency. Then it really kind of renders the whole effort moot.

I mean right now in Europe, we are on the good side of that because the Euro is overvalued, and we are undervalued. But the fact is in Asia, that is not the case. And I realize, I am just going to make that observation. I mean that is a real issue for a lot of us who are looking at these trade deals in terms of the lack of any provisions in terms of currency manipulation.

We went through the whole exercise in the last Congress of passing a Currency Reform for Fair Trade Act, H.R. 2378, which got huge bipartisan support in terms of final passage because of the frustration level of the fact that it is just not a fair system when a country is actually intervening into those markets. It just renders all the hard work that you are doing almost moot.

The question I want to ask though is does it apply ag? And that is another issue which we are also waiting for action on, and is the Trade Adjustment Assistance Reauthorization—we have lobstermen who, frankly, were put at a tough disadvantage in terms of Canadian lobsters. This is a program which has provided real help for them. And I just want to hear your view in terms of reauthorization and whether or not ag is still going to be part of that program, which, again, I think is so important.

Mr. KIRK. First, Congressman, thanks for your comments about the export assistance, and I will pass those onto Secretary Locke. That is a great program. Second, as you know, we just finished a strategic economic dialogue with China. They were here Monday and Tuesday. I want to assure you Secretary Geithner, all of us, continued to press China on allowing their currency to float to international standards. And that is something we take very seriously.

And third, if you had heard my—I mean in my response to a number Members of your—colleagues on the Committee, the Obama Administration has been unequivocally clear that we think a part of our overall trade strategy that allows us to move forward with Panama, Colombia and Korea is keeping faith with America's workers. And that means that we have to renew trade adjustment assistance. We want it renewed at a level commensurate to what was included in the 2009 Global Trade Recovery Act, which did help many of those in agriculture. It has been used by over a half a million workers in every state in the country. We think it is the right thing to do, and we are asking that Congress approve it just as they move forward with these other agreements.

Secretary VILSACK. Representative, if I could just say that the TAAF has helped about 11,000 farmers and producers and fishermen, on a wide variety of products. Because of limited funding this year, we are going to have to prorate our payments, but they are going to be coming out very soon. We will be prepared to do whatever Congress directs us to do, and hopefully Congress will provide us the resources to be able to do an adequate job of providing assistance and help to producers that need it.

Mr. COURTNEY. I yield back.

Mr. CONAWAY. The gentleman's time has expired. The gentleman yields back. Mr. Steve Southerland, from Florida, is recognized for 5 minutes.

Mr. SOUTHERLAND. Thank you, Mr. Chairman, and, Mr. Secretary, Mr. Ambassador, thank you for being here today. I, of course, am from Florida, and we produce a tremendous number of specialty crops. So I wanted to ask some questions regarding some of those specialty crops. I understand one of the chief anticipated imports from Colombia and Panama is tropical fruits and vegetables. How will these compete in Florida, the nation's second largest producer of these products?

Secretary VILSACK. How will they compete?

Mr. SOUTHERLAND. How will they compete? In other words, how will the imports—obviously we in Florida are huge producers of fruit and vegetables. I mean tell me in the agreements that you are working on with Colombia and Panama, tell me what success looks like.

Secretary VILSACK. Well, success from my perspective is that we are actually exporting much of what is being produced in your state, whether it is citrus, lemons, grapefruits, or oranges. And all three of these agreements have opportunities for expanded exports.

As tariffs come down, we have a more level playing field, and we will be in a position to compete more effectively. So success for me is immediate reductions and phased-in reductions of those tariffs, resulting in higher exports from our producers, which creates additional markets, which helps to stabilize price.

Mr. KIRK. If I might just briefly——

Mr. SOUTHERLAND. Yes.

Mr. KIRK.—Congressman. We have the reality that, one, I don't know that Panama does a lot in agriculture, particularly not in citrus. Colombia, most of what they bring to us is coffee, is in coffee and cut flowers and others. But almost 99 percent of what comes currently from Panama and Colombia come into the U.S. duty-free already. So as counterintuitive as it is to some in agriculture, this is a huge win because we are reducing our tariffs that is going to increase our competitiveness going the other way.

Mr. SOUTHERLAND. Let me ask. One of the things that we are obviously concerned about in Florida is pests and disease, okay, and we struggle there. Well, we just must be vigilant all the time regarding that. Tell me about the safeguarding of those issues in these agreements.

Secretary VILSACK. The process involves very close examination and inspection of products that come in from other countries at the border. APHIS works with the Customs folks to make sure that they are properly trained and on the lookout. Obviously as it relates to disease, we are very concerned about citrus greening, which I know you are very well aware of. We are spending millions, tens of millions of dollars now, as is the industry, in an effort to try to figure out how to contain and ultimately eliminate that pest.

This is a challenge for us. It is a challenge in a global economy where we are now faced with roughly $1 billion of investments in various disease and pest mitigation strategies. But we are continuing to work on making sure that we are doing a better job at the border.

Mr. SOUTHERLAND. Let me ask another thing. I am going to kind of switch gears. I know that you have mentioned in your statement, Mr. Vilsack, that the U.S. needs to lock in equal and better access to key markets than our competitors. How does the department deal with the perception of inequities in our trade agreements?

And this is something that is not just, I don't think, this department, this Administration has had to deal with. This is something that predates many Administrations. The American families feel like in many ways these trade agreements that the Americans get kicked in the teeth.

How do you go about, day-to-day, to convince the American people otherwise?

Secretary VILSACK. Well, one of the things I try to point out, Congressman, is the trade surplus that we enjoy in agriculture. As I have said earlier today, we have a $47.5 billion expected ag surplus in trade, $135.5 billion of expected sales. Every billion dollars of ag sales generates somewhere in the neighborhood of 8,400 to 8,500 jobs. So this is not just providing assistance to producers and growers and farmers and ranchers to improve their bottom line, but it is also creating jobs.

And speaking of bottom lines, last year was the second best year we have seen in farm income in 35 years. Our expectation is that this may be a record year for income, and part of that is because we have a strong export story to tell. So one, making sure they understand that we are aggressively pursuing agricultural trade, that that puts money in the pockets of those who produce the food, and two, that it is also a job creator at home.

Mr. SOUTHERLAND. Ambassador Kirk, if I could ask you to kind of expand on that. I know my time is waning here. As far as focusing on balanced trade rather than any kind of—so many of the American people are aggravated with our trade agreements, with China in particular. Can you expand on that as far as our pursuit of——

Mr. CONAWAY. The gentleman's time has expired. Could we take that for the record, or we will do a second round, Mr. Southerland?

Mr. SOUTHERLAND. That is fine.

Mr. CONAWAY. All right, thank you. Mr. Costa from California.

Mr. COSTA. Thank you very much, Mr. Chairman, for this important hearing and having our two witnesses here. Let me start first with Mr. Ambassador Kirk. I know there has already been reference in previous questions with regards to the South Korean treaty as it relates to the case on a region and potentially North Korea benefiting as a result of this trade agreement. I would just like to get it from you one more time because I want to support the treaty, but a lot of folks who I care about have very deep concerns that this is a loophole that you could literally drive the proverbially truck through. So will you please once again tell me why it is not going to happen?

Mr. KIRK. As plainly as I can say, nothing in this agreement makes a provision for an exception to U.S. law that prohibits goods from North Korea coming to United States, unless this Congress specifically decides you want to make an exception.

Mr. COSTA. So on that point is a side agreement or legislation, separate legislation an option on this issue?

Mr. KIRK. Not within this FTA. As I understand it, they have previously been in place, Congressman, and this isn't my first field, brought sanctions against North Korea with very limited exceptions. As I understand it, those exceptions are now up for review, and Treasury and State are reviewing those. But that would have to come back from Congress. That has nothing to do with the FTA.

Mr. COSTA. All right, well, I appreciate your efforts on this. For a lot of my agricultural exporters, this is a big effort. We appreciate also the effort and the focus on the beef issue that both you and Secretary Vilsack have paid attention to, given what I think has been some issues that the South Korean Government has raised that frankly, are somewhat duplicitous in terms of reaching an agreement. Is there any effort going to be made, in your view, to tie all three together where the Administration resists the effort to tie all three treaties together?

Mr. KIRK. Well, if I can just say briefly, as many have noted, all three of these agreements are coming forward under previously authorized promotion authority. Each of those is frankly very prescriptive. We don't know of any mechanism by which there would be "an omnibus vote" where you roll them all three into one.

Mr. COSTA. Okay, let me move over. Mr. Secretary Vilsack, it is always good to have you here. You were touting, and I think deservedly so, the expansion of U.S. exports of agricultural products. I think part of that is due to the bipartisan effort we have on the 2008 Farm Bill. I think the Market Access Program has been a good tool, along with some of the other efforts. As we look at the 2012 Farm Bill, you have any thoughts as it relates on how we build on that to continue to expand our exports, and what will be your view on Market Access Program?

Secretary VILSACK. Congressman, we have seen remarkable returns on investment from the Market Access Program. For every dollar that USDA has been involved and engaged in in investing in trade, we have seen a $35 return in terms of trade activity. So obviously we will be supportive of continuation of investments in that area. Understanding that this is a constrained fiscal environment that we are all working under, we want to make sure that folks understand that there are ways that you can grow your way out of a deficit as well as cutting your way out of a deficit. And our hope would be that——

Mr. COSTA. Well, and certainly we have a history here over the last several years to see what works, and it seems to me we ought to—you know it is—we don't want to be penny wise and pound foolish. This is an area that brings in greater return and revenues to our nation, as well as to farmers, ranchers, dairymen throughout the nation. It is a good investment.

Secretary VILSACK. Yes, it is.

Mr. COSTA. So we will be looking forward to hearing your thoughts as we try to reauthorize that particular area on specialty crops, which I think many of us here have a great interest in.

Secretary VILSACK. Well, Congressman, we look forward to working with you on this.

Mr. COSTA. It is not directly related to the subject at hand, but as it relates to exports of beef to South Korea and other markets in Asia, I am very concerned about getting this GIPSA rule worked out. I appreciate what the USDA has done to address many of the concerns and the economic analysis. Although, that was somewhat troublesome but now it is there. I remain concerned about the process as you move forward. In the new rule with the economic analysis put forth and the final and interim or final rule, will there be any other opportunity for the stakeholders to comment?

Secretary VILSACK. Well, Congressman, we have had 66,000 comments, 30,000 of which are unique, and all of that was designed to inform the analysis that is in the process of being——

Mr. COSTA. Before my time runs out, what is the timeline——

Mr. CONAWAY. The gentleman's time has expired.

Mr. COSTA. Well, I will take that for the record, or finish quickly, Mr. Vilsack.

Secretary VILSACK. Mr. Chairman, our hope is that we get this done sometime in the fall.

Mr. COSTA. All right, thank you very much, Mr. Chairman.

Mr. CONAWAY. The gentleman's time has expired. The gentleman from Arkansas, Mr. Crawford, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman. I have a quick question for the Ambassador. I understand the U.S. Free Trade—Korea Free Trade Agreement offers no improved market access for U.S. rice. In fact, rice was completely excluded from the agreement at the insistence of the Korean Government. Besides denying potential benefits to U.S. rice farmers and exporters, the exclusion of rice, I believe, sets a terrible precedent that will haunt U.S. negotiators in future deals.

Many of my colleagues and I understand the import sensitivity surrounding food and agricultural products. There are negotiating solutions to accommodate these sensitivities, but exclusion is not one of them. And rice is one of the most important import-sensitive foods around the globe.

And protectionism against U.S. rice is widespread and significant. Our trading partners now look at the Korea agreement as precedent to exclude rice from any trade agreements they may be negotiating with the United States. What assurances can you provide the Committee and to me that the U.S. will not accept the exclusion of rice in current trade negotiations like the upcoming Trans-Pacific Partnership or in future negotiations?

Mr. KIRK. Well, Congressman, you are correct. Korea was very protective of their rice market. We are encouraged though. There is a minimum market access, 50,000 metric ton provision for U.S. rice, and we are exceeding that last year by almost another 40,000 tons. And we are going to continue to see if we can't press and work with Korea to see if we can't improve on that minimum market access. But we are selling just under $100 million worth of rice into the Korean market.

And in the interest of time, for all the reasons you articulated, we are very careful in TPP that at least all the parties we have asked to put everything on the table. Now you can understand every country is then going to come back, and we are concerned about dairy and others. But we are very cognizant of those issues that you raised.

Mr. CRAWFORD. Thank you, Mr. Ambassador. I yield back.

Mr. CONAWAY. The gentleman yields back. Mr. McGovern, from Massachusetts, for 5 minutes.

Mr. MCGOVERN. Thank you very much. I thank you both for being here. I have a great admiration for your work, but I have a lot of concern about these trade agreements. But I want to confine my comments, if I could, and my questions to the Colombia FTA. I also co-chair the Tom Lantos Human Rights Commission, so human rights is a major concern of mine.

I have been to Colombia six times since February 2001, and when I go, I tend to stay several days. I travel to remote areas, visit some of the poorest city slums where you find hundreds of thousands of Colombia's five million internally displaced people, and to the border regions where hundreds of thousands more have fled Colombia's violent countryside and are now refugees in their neighboring countries.

Colombia is a wonderful country with so many incredible people, but it is still a country in violent conflict. That is what President Santos told us just a couple of days ago. Most of that violence and conflict happens in the countryside, and it primarily affects rural communities and small farmers.

Now, in the United States, we take great pride in supporting our small farmers. We should also be concerned for Colombia's small producers and how the Colombia FTA might affect them. The most definitive study on this matter estimates that small scale producers of Colombia would lose around 16 percent of their net income from agriculture under the Colombia FTA. For those who produce products that will directly compete with U.S. agricultural imports, they will likely experience a fall of between 48 percent and 70 percent in their net agricultural income.

And I think we should care because it means that these people are likely to lose their land and joins the ranks of the displaced and the growing urban poor.

Colombia, is only second to Sudan in terms of the number of internally displaced people inside their country. But these people, who are going to join the ranks of the displaced, or they are going to end up moving—or they will move to more marginal land and start the growing the best paying crop in town, which is namely coca.

I worry that they will be—in search of income, they will join one of the many criminal groups that dominate rural Colombia, or they will join the paramilitaries or the guerillas because there will be no other choice.

The Labor Action Plan has a number of good proposals, but it would be an understatement to say that it fails to go far enough, let alone tackles the tough questions of substantially reducing violence against workers. So I ask you, Mr. Ambassador and Mr. Secretary, what in the policies of your agencies and in terms of the Colombia FTA will concretely help change the violent reality and daily poverty confronting over 93 percent of Colombia's rural population, namely small-scale farmers and agricultural workers?

And concretely, how do you plan to ensure that they are not displaced from their land, fall deeper into poverty, forced to grow illegal crops, or join one of the illegal armed actors or go to work for a criminal network? Or the other choice, stand firm and end up being killed. It is a very serious situation, and I appreciate the Administration coming forward with a proposal. But, setting benchmarks and not insisting on results, I don't think, is the right way to go. I mean from a human rights perspective, there is a lot to be concerned about here, and I appreciate your comments.

Mr. KIRK. Well, first of all, Congressman, I very much appreciate the care and the attention that I know that you and many others have brought to this issue. I would say for the record for those that have asked why the Administration took the time and care that we did to work with Colombia to come up with the action plan is reflected in the concerns you expressed. And for our Administration, we did think this is important.

Now, to your latter question about what analysis, we do not have the charge nor the resources to make a determination of the impact of the FTA on what it is going to do in Colombia. I would say broadly that your concern about what do we do to help the poorest farmers in countries of our trading partners is reflected in our request that Congress renew the Andean Trade Preferences Act. It is designed specifically to address many of the concerns that you spoke of. It is to get people away from poverty other than being involved in the drug trade, either in terms of farming or joining FARC.

And it is one of the reasons we think it is a real tragedy. Congress could have approved that now. We asked them to do it in December. We got a temporary extension to get through the flower season and Valentine's Day, but it is one of the reasons that the Administration has asked that, as proud as we are of the work that we have done on Colombia with the action plan in Korea and Panama, this all be done as part of a broad strategy in which we renew the Preferences Act. We pass Trade Adjustment Assistance right along with the three FTAs.

Mr. CONAWAY. The gentleman's time has expired. The gentleman from—sir?

Mr. MCGOVERN. I ask for an unanimous consent request to insert in the record a memo to the Administration signed by six Members of Congress expressing a concern about the agreement.

Mr. CONAWAY. Any objection? Without objection.

Mr. MCGOVERN. Thank you.

[The document referred to is located on p. 99.]

Mr. CONAWAY. The gentleman's time has expired. The gentleman from Nebraska, Mr. Fortenberry, for 5 minutes.

Mr. FORTENBERRY. Thank you, Mr. Secretary and Mr. Ambassador, for coming today. First, Mr. Ambassador, let me thank you for working so aggressively a while back on reopening hog markets that were artificially closed, hog export markets. You did a good job. I know you put a lot of effort into that. A number of people were hanging in the balance, and I appreciate that effort. I hadn't had a chance to see you since that occurred, but thank you.

Gentlemen, let me ask a straightforward question. When is your best estimate that these agreements will get done? The President—this is a central component of the President's economic policy, as we all know. Most Members of Congress agree on this. You have talked about the broad coalition of groups that support this. You gave a very good history of the free trade agreements with Korea, the development of them with Korea and Colombia. You got cut off on Panama. I would like to hear the remainder of your answer that you were giving to Mr. Johnson in regards to Panama. Your best estimate, given all the convergence of variables that you have laid out well that have to happen, your best estimate of a timeline.

Mr. KIRK. We believe—and, Congressman, thank you for your remarks about our efforts to reopen the pork markets. That is a great example again of where we work across the Administration with USDA, Commerce, and others to protect the interests of our farmers.

The President has made it clear we are ready. We would like to see all these agreements implemented as soon as possible for the reasons we want open markets, for competitive reasons, the Korea EU FTA having been signed, with Colombia and Korea moving.

But I would say I have to put it back on you. Largely now, this is in the hands of Congress. We have made it plain, and I will say again, it is a broken record. We want to see action on all of these. The FTAs, Trade Adjustment Assistance, the Preference Program. Congress can approve Trade Adjustment Assistance now. You have had two votes on it. They stalled in the House. We think it is important.

We have to make that covenant to American workers because we are concerned for the reasons a number of you have raised, the American public has lost faith with Congress in terms of our trade policy. They know we get excited about passing FTAs, but they don't believe we will enforce them. And we think we have a good record on that, but they are really concerned that we will stand up for the rights of workers and the environment and will look and take care of American workers.

So if we can have Trade Adjustment Assistance pass, the committees have a process we can move through and get these agreements approved and ready, and they could be passed certainly by August, perhaps sooner. But to some degree, this is now in the hands of Congressional leadership.

Mr. FORTENBERRY. Okay, clearly my question is intended to pressure, urge you to continue your forceful march toward getting this done and to remain flexible so that we can actually wrap this up. I think most people simply want to know when is this going to happen.

If you could finish the commentary on the history of Panama, I think that would be helpful. But also before I run out of time, let me make a comment in regards to what you said earlier. I appreciate your thinking that trade agreements are an opportunity to leverage outcomes on human rights progress. Ultimately, trade and economies are about persons and societal well-beings and should not just be about the potential of propping up unjust structures elsewhere, such as we see in China for instance.

I would like you to define though how you measure progress on human rights.

Mr. KIRK. Well, let me—first of all, we believe that if the United States is going to enter into an agreement with another country, we owe it at least to the American public to give them the confidence. We are not trading our jobs away, which a lot of people believe. And they know we get great consumptive benefits, cheaper food, fresher products, cheaper computers, but right now, Americans are concerned about jobs. And they want to make sure we are doing a trade agreement with another country that doesn't have the minimum standards of labor so we encourage businesses from here to move production elsewhere. So that is why we took the time and the care that we did.

Now, we did everything we could to work with Panama to address some of those most egregious cases, have a real labor ministry. They have agreed they are going to hire 100 labor inspectors and enforcers. They are going to deal with the backlog of cases. They are going to extend protection not just to union leaders. Much of the violence is against teachers, and I won't belabor it. But if you look at the action plan, it has very specific benchmarks and guidelines what we have asked them to address.

And then finally in interest of time, what stalled the Panama agreement were two things. One, the Bush Administration, and we applauded it for that, said we will not bring this agreement forward as long as you have sitting at the head of your legislative body someone convicted of murdering an American soldier. Once that was resolved, we had the circumstance of OECD labeling Panama a tax haven, and we had leadership of——

Mr. FORTENBERRY. I think we could do an entire hearing on this very question as to how we couple the advance of economic progress between peoples with social progress as well. But thank you.

Mr. CONAWAY. The gentleman's time has expired. The gentleman from Indiana, Mr. Stutzman, for 5 minutes.

Mr. STUTZMAN. Thank you, Mr. Chairman. And thank you, Mr. Secretary and Ambassador, for being here. I want to touch on something that I am hearing from folks back in my district in northeast Indiana, and that is the rising cost of feed. And I am a corn farmer and high prices, high commodity prices to me are a good thing as long as you sell high and buy your input costs at a reasonable rate.

But large poultry—we have a lot of poultry production in Indiana and also beef. I am looking through the trade agreements specifically in Korea. Seems like poultry and beef are put at a disadvantage, and I know that eventually the tariffs will be removed long term. But even through the other trade agreements, and I would like your thoughts on international trade specifically to beef and poultry. Seems like they continually are put at a disadvantage. Agree or disagree, and what are some of your thoughts?

Secretary VILSACK. Well, let me start. On the beef trade, we are working our way out of a circumstance that occurred in 2003 with BSE, and we are now almost to the level where we were prior to that incident. And we continue to work with countries, Korea, China, Japan and others who have concerns about the safety of product, trying to reassure them that it is safe and in fact it is high quality and it is affordable.

This Korean agreement helps us open the door for an even more aggressive effort in some of those other countries that have been closing their markets to beef trade. So I am confident we are going to see more activity here.

In terms of poultry, we have been working aggressively with Russia, for example, to deal with some of the concerns that they have raised. And sometimes it is frustrating because some of those concerns, we don't think, are backed by science. They are not consistent with international standards and organizations.

I think it is one of the reasons why the Administration is looking at Russian accession to the WTO as an opportunity perhaps to get them to a point where they don't necessarily arbitrarily impose things on our products that disrupt the trade as they have done in the past.

I think these trade agreements move that process forward. I think we are aggressively promoting the sanitary and phytosanitary standards so that it is a science-based, rules-based system and that we are going to continue to encourage other countries to abide by those same standards.

Mr. STUTZMAN. I mean don't you agree that we are somewhat putting ourselves at a disadvantage when corn exports are up, and we are shipping feed to other countries—and I appreciate that you said that you are aggressively pushing our poultry and beef. And I understand the concerns from the past, but my fear is that we continually ship our feed products overseas. They then feed their poultry and beef and other livestock. Are we coming back around to where we are going to be the leader and then continue to be growing our exports in our livestock production?

Secretary VILSACK. Well, we have seen rather dramatic growth in all aspects of agriculture exports, and we see no reason that that growth is going to abate, given the rising middle class, given the aggressive efforts and the resources that we are putting behind this; and the President's insistence that we focus on exports, knowing full well that it not only helps the bottom line for farmers and ranchers and growers, but also helps to create jobs here back at home.

Mr. STUTZMAN. Because I hear a lot of folks think that it is really ethanol that is driving commodity prices higher, and that is not really—I mean that may play into it a very small part. But it is really the global demand that is driving commodity prices higher. We have a weaker dollar. We have debt problems and all sorts of issues that play into all of this. But, I mean, I think that our folks back home are trying to figure out why—what are we going to do to encourage purchases, internationally and domestically, for our beef and our poultry products.

Secretary VILSACK. We are focusing our efforts and targeting our efforts on countries where we see emerging middle classes where we know that will result in the need for more protein, and I think we have seen some success with those efforts. We are going to continue to see more with this agreement in Korea for sure, and I think again this agreement gives us an opening to renew our discussions with the Chinese in a more aggressive fashion than we have. Although we have been very aggressive with the Chinese on this.

And once Japan gets itself through dealing with the disaster that struck them just several months ago, I think we have an opportunity to more aggressively look at that market as well. So I think there are great opportunities here with this agreement basically paving the way.

Mr. STUTZMAN. All right, thank you, Mr. Chairman.

Mr. CONAWAY. The gentleman's time has expired. The gentleman from Pennsylvania, Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman. Mr. Secretary, Mr. Ambassador, it is good to see you. Thanks for your continued service, and thanks for your, Mr. Secretary, well, both of you, thanks for your support of these free trade agreements. It is obviously very important. You know they have been slow coming for a multitude of reasons, and we have heard good discussion on that.

I am kind of looking ahead of that. You know we have lost—I think because of others, and you referenced some of the other negotiations some of these countries have been doing, have been able to facilitate goes along a little quicker than what we have. So they have kind of got in line or they have them implemented.

Are there any strategies to regain market share, going forward? Any of the lost market share that we have perhaps lost as a result of these delays?

Mr. KIRK. Well, and thanks for your comments. It will sound fairly simple. One of the smartest things we can do is get these trade agreements passed because it will—even against those odds, we see a very strong, strong preference still all around the world. The good news is, "Grown in America," "Made in America," is still just absolutely one of the most powerful brands in the world. Anything we can do that reduces our cost, reduces tariffs on us is going to enhance our competitiveness.

Second, and to some degree, this goes to your colleague's question, if I could just add briefly, Mr. Chairman. It is one reason we try to spend as much time on enforcement as we do on market access, and we spend an extraordinary amount of time engaging industry. And they are as frustrated because of some barriers other countries put up, and again I would reference—commend again for Committee's consideration the report that we put out to you now addressing sanitary and phytosanitary barriers.

But broadly, what we are seeking to achieve is to get all of our partners to just play by the rules. If you do that, we know consumers around the world have a strong preference for products made here. So both opening new markets, enforcing our rules, and then trying to look down the road at this incredible universe now of 95 percent of world's consumers who live outside of the United States where are they moving into a middle class that they can afford American beef and pork and other products. And that is where we are beginning to look in terms of new opportunities.

Secretary VILSACK. I might just simply add to that that we anticipate and expect that there is going to be an aggressive marketing effort once the Korean Free Trade Agreement is approved. The Meat Export Federation is indicated a real desire to really begin to aggressively promote the American brand in beef, and I suspect that that will be successful. We do have the best, highest quality, best tasting, and competitively priced livestock opportunities in the world. And we need to continue to market that, and I think you are going to see a very aggressive move on the part of all of us to do that.

Mr. THOMPSON. Thank you. I apologize. I came in late, and so if this was already traveled—this discussion, I missed it. I did hear some discussion about organic milk products. I am just—beyond that, how will these agreements affect dairy exports? And by extension, how might these increase—if we see an increase in exports, would this help increase our dairy prices?

[The information referred to is located on p. 111.]

Secretary VILSACK. Congressman, we know that in the Korean Free Trade Agreement, we are going to look at a doubling of access immediately for cheese with the TRQ and that that will grow over time. We anticipate a similar situation with butter. We will see duty-free access within the TRQs for skimmed and whole milk powder in Korea. In Panama, we are going to see a greater commitment to sanitary and phytosanitary standards that will promote more dairy opportunities. And I think a similar circumstance is true with the elimination of the price bands in the Colombia agreement.

So we see that there is a real opportunity across the board in all three of these agreements. And that is why we project significant increases in agricultural exports as a result of these three agreements.

Mr. THOMPSON. Great. That is good news. Any potential within these free trade agreements in terms of affecting timber exports that you are aware of?

Mr. KIRK. I don't know that there is an extraordinary amount of timber, but if you will allow our staff to go back and look at that, and if we can follow up with you.

[The information referred to is located on p. 112]

Mr. THOMPSON. That would be great. I appreciate it.

Secretary VILSACK. There is the product of timber. Nuts is—there is an opportunity for nuts.

Mr. THOMPSON. That is going out on a branch. I yield back.

Mr. CONAWAY. The gentleman yields back. The gentleman from Texas, Mr. Neugebauer, for 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. And Secretary and Ambassador, thank you for being here, and thanks for your hard work on these important trade agreements. I think there is a broad agreement that this will be a positive thing for American agriculture. I do have some questions from some of my constituents, particularly in the textile area. And one of the things that they are concerned about that they think that—and in fact, according to a former Customs agent, that there is a weak area of their enforcement in the ability to actually make sure that textiles from other countries aren't filtered through Korea and then to avoid, or circumvent the system. And I heard you say, Ambassador, a while ago that you have been stepping up your enforcement area.

What kind of assurances can I give the folks back home that we are going to be on the lookout and make sure that that's not the case?

Mr. KIRK. First of all, and a number of your colleagues, Congressman, have been concerned about potentially goods coming, say, from North Korea through Kaesong. And I just want to make it plain again. Nothing in this Korea FTA permits goods made outside of Korea to be transshipped, or in any of our FTAs.

With respect to North Korea, if that were to happen, that would have to—that would require an affirmative decision by this Congress to make an exception, which Congress has done in very limited cases under the previous sanctions. But again we don't touch that in the FTA at all, and generally, our rules of origin apply to the FTA, and the tariff protections only go to goods made in those countries. And if I might say, you can be pretty much assured most countries that negotiate an FTA with us are much more interested in creating jobs for their people and products just as we are creating them here. So there is nothing in the agreement that would facilitate that.

Now, the responsibility to inspect those is more Customs than us. The enforcement to which I was referring to Mr. Thompson is looking at our current agreements and making sure we get the access that we have been entitled to. I will give you one example. I came in the office, and one of the Members was expressing concern about impact on farmers. We had a dispute with the European Union over beef access that had gone on for 14 years. I thought that was absolutely nuts.

Now, we can't do it in every case. We were able to get that resolved within 90 days, and we now are selling about $120 million, about 11,000 metric tons of beef back into Europe that we should have been doing. So we are looking in every case where our partners aren't living up to their agreements in addition to negotiating new market access to make sure we get those markets open.

Mr. NEUGEBAUER. Well, I agree with you that most countries want to create jobs in their countries. But where there are opportunities for arbitrage where if I can bring goods in from China, or I can bring goods in from North Korea cheaper than I can build them or make them in South Korea, then it is to my advantage to manipulate the system, change the labels, whatever.

And so I think the primary question for my constituent is what kinds of enforcement resources and processes are in place to watch over that kind of activity?

Mr. KIRK. Well, again, the rules of origin provisions within the FTA speak to how much of that product has to be made in that agreement to be considered a product of that country and get the benefits. And I would have to—I would be happy to get DHS and Customs to perhaps walk you through your concerns about what they do in terms of inspection and enforcement on that end.

[The information referred to is located on p. 112]

Mr. NEUGEBAUER. I appreciate it. Thank you very much. I yield back, Mr. Chairman.

Mr. CONAWAY. The gentleman yields back. Mrs. Roby, from Alabama, for 5 minutes.

Mrs. ROBY. Thank you. I too apologize for being late. So if this is a repeat, I am sorry, but I too have lots of concerns from the textile industry in Alabama. And so I want to address that. Colombia Free Trade Agreement will benefit many businesses in my district, in particular our textile producers. And as you are aware, the Andean Trade Preference Program expired in February. Colombian manufacturers, many of whom depend on U.S. producers for inputs, are now paying 15 to 30 percent in duties to import products into the United States.

And while we appreciate very much your efforts to achieve Congressional approval of the Colombia Free Trade Agreement, I would like to know your plans to extend the Andean program in the meantime so that important businesses in the region, Colombia in particular, is not lost during the FTA approval process.

As you know, 95 percent of all cotton exported to Colombia is U.S. cotton, and Colombia will consume more than 250,000 bales of U.S. cotton in 2011. So, Ambassador Kirk, if you could just kind of address this, that would be great.

Mr. KIRK. Well, first of all, Congresswoman, welcome to the Committee.

Mrs. ROBY. Thank you.

Mr. KIRK. And I just want you to know on behalf of the Administration that we still are all, our hearts and prayers, with many of your constituents with respect to the recent natural disasters that have occurred in your state.

Mrs. ROBY. Thank you very much.

Mr. KIRK. I have said to the point of making—well, still somewhat of a bore on the Committee for the Obama Administration. We are proud of the work we have done to get Panama, Korea, and Colombia in a position that Congress could approve them. But we think it should be part of a comprehensive strategy that includes renewal of the Trade Preferences Program, particularly the Andean program.

And we worked very hard to try to get Congress to authorize that in December. We were only successful in getting an extension through Valentine's because of the importance of the flower industry, but we have been very up front in asking the justice—we are asking Congress to embrace and improve the free trade agreements. They should extend not only to Andean but the generalized system of preferences for many of the same reasons you articulated and trade adjustment assistance as well.

Mrs. ROBY. Thank you. And again, I apologize if this is a repeat of concerns of my colleagues. What was the Administration's process in determining which parts of the South Korea Free Trade Agreement were to be renegotiated? The textile producers in my district have real concerns with how the Korea agreement is structured, and I understand from my constituents, and, of course, my colleague just addressed some of the issues. But I understand that certain fixes to the agreement would have gone a long way to stem the estimated 40,000 jobs lost to the industry if the agreement is approved as is.

The auto and beef industry had their opportunity. Why did the Administration shut out textiles? My constituents on the one hand would benefit under the Colombia agreement, but if Korea goes into effect, that agreement threatens to shift product lines that flourish under the Andean and soon-to-be Colombian Free Trade Agreement into South Korea, China, Vietnam. Was there any impact analysis done industry by industry with all three agreements?

Mr. KIRK. First, let me answer your first question. When we met, I—for reasons you articulated, I took the time to go to North Carolina. I have been to Maine. I have been throughout the South. We have met with many in the textile industry. We raised some of those issues, but we knew we were not going to be able to rewrite the entire agreement and get everything.

But I hear your concern. We are disappointed. We were not able to address those. We did think we had an opportunity to greatly improve the agreement, particularly on the auto side because the imbalance was so extraordinary. And then I did advise your colleagues we did—I sent a letter to Congress last week advising them that, in addition to the extraordinary progress we have made in getting beef back into the market, we will be requesting consultations under the 2008 Beef Protocol once the agreement goes into force.

Now, for the reasons you articulated, we have been very careful with respect to whether it is Colombia, Panama, but more importantly, what we are looking for down the road with the Trans-Pacific Partnership to engage the textile industry often and early. They have been a participant in just about all of our sessions, and we have tabled a textile chapter as part of what we are putting forward in the Trans-Pacific Partnership hopefully so that we can get a much better deal for the industry.

Mrs. ROBY. Thank you so much. I yield back.

Mr. CONAWAY. The gentlelady yields back. Panel, thank you very much. We have a request for one second round. I think, Mr. McGovern, if you want to quickly ask something within a 5 minute timeframe.

Mr. MCGOVERN. Yes, thank you. I just want to again re-emphasize this issue of human rights. I think if the United States stands for anything, we need to stand out loud and foursquare for human rights. And there is a human rights problems in Colombia, and I am a great—I am hopeful with the new President, President Santos, that he can get things under control. He said all the right things, but, I have been here a long time. And I have heard people say nice things, but it doesn't always necessarily follow with nice actions. And, I mean, there are—right now, the sugarcane workers in Colombia operate in a situation akin to modern day slavery. I mean it is an atrocity. I mentioned the number of people who were displaced. You know I appreciate the kind of notion that a rising tide lifts all boats, but it doesn't always work that way.

And I believe that Americans are focused on jobs, but I think most Americans want jobs not at the expense of the displacement of more workers in Colombia. And I think this is an opportunity that I think we are missing to leverage a trade agreement to actually get some real improvements in human rights in Colombia. And I appreciate the attempts that you have made, but I would be more comfortable and I would be more supportive if it were based on results and not on future promised actions.

And so again I would just—I would urge the Administration to not relegate human rights kind of as a side agreement or an afterthought. Yes, we want jobs. But I will tell you in the long run, to the extent that we can benefit and small farmers in Colombia can benefit, I think it is a win-win. And again Colombia is the most dangerous place in the world to be a trade unionist. And I just—I wish we would focus more on this issue of human rights. I think in the long run, it is in our interest, and not only from a moral perspective, but also in our economic interest. And I think what you have proposed in your action plan falls short on that issue, and I would be remiss if I didn't emphasize that concern. I mean we should be more concerned with human rights. I appreciate you being here. Thanks.

Mr. CONAWAY. The gentleman's time has expired. The gentleman yields back. Mr. Ambassador, thank you very much. Mr. Secretary, thank you very much. We appreciate it. We will now move to the second panel.

[Recess.]

Mr. CONAWAY. We appreciate the second panel's patience with the lengthy questioning of our Trade Representative and also the Secretary Vilsack. Let me quickly introduce the panel. We have Gordon Stoner, Stoner Farms, on behalf of the National Wheat Growers and the U.S. Wheat Association from Outlook, Montana. Rick Tolman, Chief Executive Officer from the National Corn Growers Association, Chesterfield, Missouri. Sam Carney from—do we have Mr. Carney? Okay, Mr. Carney decided to take a quick break. Meantime, we have Mr. Roger Johnson, President of the National Farmers Union here in D.C. Bob Stallman, American Farm Bureau, D.C. And Bill Donald, National Cattleman's Beef Association here in D.C.

You latter three understand the drill. You three from out of town, thank you for coming in. If you could keep your comments within the 5 minute timeframe, we would appreciate that. And with that, Mr. Stoner, if you will—your testimony, with unanimous consent, will be—the written testimony will be entered into the record as you have presented it. So hit the highlights for us within your 5 minutes.

STATEMENT OF GORDON STONER, MEMBER, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF WHEAT GROWERS; FARMER/RANCHER, STONER FARMS, OUTLOOK, MT; ON BEHALF OF U.S. WHEAT ASSOCIATES, INC.

Mr. STONER. Very good. Good morning, Chairman Lucas, Ranking Member Peterson, Members of the Committee. My name is Gordon Stoner. I am fourth generation farmer/rancher from Outlook, Montana where I run a diversified operation raising durum wheat, peas, lentils, and cattle. Thank you for the opportunity to testify before you today to discuss the values these three outstanding free trade agreements hold for U.S. wheat growers.

Free and open trade is critical. We are the third largest wheat-producing country in the world and also the largest exporter of wheat in the world. In a typical year, we export about half of the product we produce, meaning that we really do feed the world. Agricultural export markets are even more important to Montana farmers because we export approximately 80 percent of our annual wheat production.

In fact, if Montana residents were required to consume all the wheat we produce within our borders, every person would have to eat 400 loaves of bread every day.

The entire U.S. wheat exports for 2009/2010 marketing year was nearly seven times the average annual production of my own home state. The U.S. wheat industry strongly supports immediate ratification of the three outstanding free trade agreements with Colombia, Panama, South Korea. We request that when the Administration sends the agreements to Congress, you support them and move them through the approval process.

Last year, U.S. wheat farmers exported to these three countries wheat that at today's prices would be valued at more than $650 million. With the agreements, we will be able to maintain and grow these volumes because immediately upon implementation, duties on wheat imports to each country will be eliminated.

The U.S.-Colombia FTA is of particular importance. Colombia is a wheat-dependent import country, and the United States has been the dominant supplier of wheat to the Colombian people. It is estimated that U.S. wheat producers will lose $100 million in annual sales to this market without an FTA. In marketing year 2007/2008, our share of the Colombian wheat market was almost 70 percent, representing almost one million metric tons.

However in every year since, U.S. sales have declined by hundreds of tons per year. The Colombian people are not eating less wheat. They simply are looking and buying it elsewhere, especially from Canada and Argentina. There is every indication that sales will continue to decline, especially as our competitors gain preferential access through lower duties.

This marketing year, Colombia has purchased five of our six classes of U.S. wheat from farmers across the country, loading vessels out of the Gulf of Mexico and the Pacific Northwest. Colombia's purchases of different classes of wheat means that this FTA will benefit wheat producers from coast to coast. Competition with Canadian wheat in the Colombian market means our market share is hanging by a thread.

Additionally, increasing and maintaining sales of U.S. wheat abroad reaps rewards for the entire U.S. economy. A USDA Economic Research Service study found that for every billion dollars in exports, 8,400 jobs are created in the United States from farms to export barges to my local equipment dealer and grocery store.

Ultimately, Mr. Chairman, these agreements are about jobs. U.S. wheat growers welcome developments that indicate the Administration is ready to begin technical discussions. We encourage Congress and the Administration to work together to quickly move and approve these agreements as soon as possible.

Mr. Chairman, Mr. Peterson, Members of the Committee, thank you for allowing me this opportunity to be here with you today to discuss the importance of these trade agreements to my industry. Immediate ratification of each will increase U.S. wheat sales abroad and create much needed jobs here at home. I look forward to answering any questions you may have.

[The prepared statement of Mr. Stoner follows:]

PREPARED STATEMENT OF GORDON STONER, MEMBER, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF WHEAT GROWERS; FARMER/RANCHER, STONER FARMS, OUTLOOK, MT; ON BEHALF OF U.S. WHEAT ASSOCIATES, INC.

Chairman Lucas, Ranking Member Peterson, Members of the Committee, my name is Gordon Stoner, and I am a fourth generation farmer/rancher from Outlook, Mont., where I run a diversified operation raising durum wheat, peas, lentils and cattle.

Thank you for giving me the opportunity to testify before you today to discuss the value these three outstanding free trade agreements (FTAs) hold for U.S. wheat farmers.

I currently serve as President of the Montana Grain Growers Association; on the board of directors for the National Association of Wheat Growers (NAWG); and as Vice Chairman of the Joint International Trade Policy Committee coordinated between NAWG and U.S. Wheat Associates, Inc.

Free and open trade is critical to U.S. wheat farmers. We are the third largest wheat producing country in the world after China and India, but the largest exporter of wheat in the world. In a typical year, we export about half of the product we produce, meaning we really do feed the world.

Free and open trade with other countries is a vital component for ensuring the financial viability of U.S. wheat farmers. Nearly 96 percent of the world's consumers live beyond U.S. borders. The remaining four percent, those who live within the U.S., do not consume enough wheat products to utilize the abundance of our nation's farms. As growers of an export-dependent commodity, NAWG welcomes every opportunity to reduce costs for our international customers and compete on an equal playing field with our competitor suppliers.

In the most recently completed marketing year of 2009/2010, the United States exported 24 million metric tons (MMT) of wheat, roughly 40 percent of production. One metric ton is equivalent to 2,204.623 pounds or about 37 bushels of wheat. One million metric ton of wheat is then 37 million bushels. So 24 MMT is roughly 6.7 times the average Montana wheat harvest of 131 million bushels (2005–2010 average production as reported by USDA). World wheat exports in 2009/2010 were estimated at 135.8 MMT, with the United States accounting for nearly 18 percent of global exports.

The 2010/2011 market year projections by USDA indicate an increasingly important picture for U.S. wheat exports with 34.7 MMT expected to be sold to buyers around the world, which represents 58 percent of production, and accounting for 28 percent of world wheat trade.

World and U.S. Wheat Production, Exports and Ending Stocks

Mkt year [1]	World production (million bushels)	U.S. production (million bushels)	U.S. share (percent)	World exports (million bushels)	U.S. exports (million bushels)	U.S. share (percent)	World ending stocks (million bushels)	U.S. ending stocks (million bushels)	U.S. share (percent)
1991	19,970.574	1,980.139	9.92	4,039.897	1,282.305	31.74	5,997.970	475.021	7.92
1992	20,673.261	2,466.798	11.93	4,043.241	1,353.580	33.48	6,505.106	530.652	8.16
1993	20,520.260	2,396.440	11.68	3,810.947	1,227.761	32.22	6,706.682	568.484	8.48
1994	19,218.100	2,320.981	12.08	3,608.784	1,188.277	32.93	6,004.584	506.585	8.44
1995	19,750.332	2,182.708	11.05	3,644.792	1,241.143	34.05	5,726.544	376.020	6.57
1996	21,365.365	2,277.388	10.66	3,928.013	1,001.522	25.50	6,045.700	443.607	7.34
1997	22,422.188	2,481.466	11.07	3,836.521	1,040.391	27.12	7,279.407	722.478	9.93
1998	21,694.809	2,547.321	11.74	3,722.028	1,045.743	28.10	7,690.753	945.918	12.30
1999	21,561.099	2,295.560	10.65	4,169.235	1,086.499	26.06	7,728.488	949.748	12.29
2000	21,425.441	2,228.160	10.40	3,730.479	1,062.041	28.47	7,633.579	876.182	11.48
2001	21,441.976	1,947.453	9.08	3,891.710	962.311	24.73	7,514.015	777.112	10.34
2002	20,893.833	1,605.878	7.69	3,882.818	850.211	21.90	6,202.779	491.416	7.92
2003	20,384.492	2,344.415	11.50	3,995.254	1,158.324	28.99	4,935.195	546.439	11.07
2004	23,028.533	2,156.790	9.37	4,108.902	1,065.911	25.94	5,637.661	540.100	9.58
2005	22,749.354	2,103.325	9.25	4,298.463	1,002.781	23.33	5,528.716	571.190	10.33
2006	21,908.548	1,808.416	8.25	4,108.865	908.476	22.11	4,799.133	456.153	9.50
2007	22,490.641	2,051.088	9.12	4,309.376	1,262.612	29.30	4,627.834	305.818	6.61
2008	25,066.192	2,499.164	9.97	5,278.601	1,015.415	19.24	6,123.597	656.505	10.72
2009	25,125.606	2,218.061	8.83	4,989.833	881.017	17.66	7,271.911	975.637	13.42
2010	23,779.831	2,208.391	9.29	4,561.989	1,275.000	27.95	6,717.963	839.235	12.49

[1] Aggregated based on local marketing years. Latest data may be preliminary or projected.
Source: USDA, Foreign Agricultural Service, Production, Supply, and Distribution Database and USDA, World Agricultural Outlook Board, World Agricultural Supply and Demand Estimates.

Agricultural export markets are even more important to Montana farmers because we send 80 percent of our annual wheat production into export channels. In 2010 Montana growers produced more than 200 million bushels of wheat and the U.S. Census listed our state population at 989,415 people. We simply do not have a large enough consumer base to support our state's large agricultural production. In fact, if Montana citizens were required to consume all of the wheat we produce within our borders, every person would have to eat 400 loaves of bread every day.

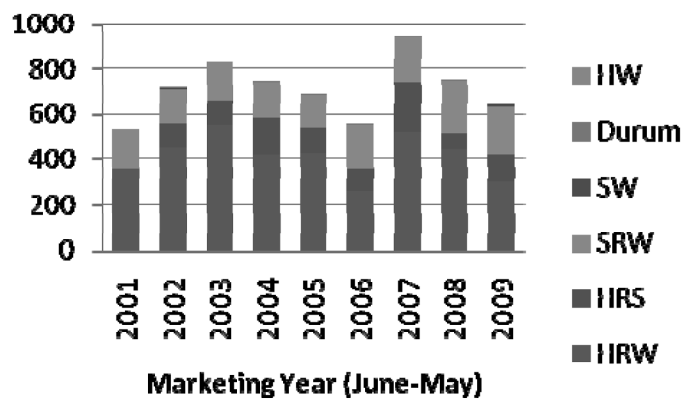
The U.S. wheat industry strongly supports immediate ratification of the three outstanding free trade agreements with Colombia, Panama and South Korea. We request that when the Administration sends the agreements to Congress, you support the agreements as they move through the Congressional approval process. Each of these three countries has been a valuable buyer of U.S. wheat, and passage of these agreements will enable us to maintain and grow sales and market share.

Implications for FTAs with Colombia, Panama and South Korea

Last year, U.S. wheat producers exported 645 thousand metric tons to Colombia, 123 thousand metric tons to Panama, and 1.1 MMT to South Korea. Using today's export price of $350 per metric ton, trade to these three countries represents more than $650 million for wheat farmers, and thousands of jobs in the United States. U.S. wheat farmers will be able to maintain and grow these volumes with the FTAs as immediately upon implementation, duties on wheat imports to each country will be eliminated.

U.S. Exports to Colombia by Class

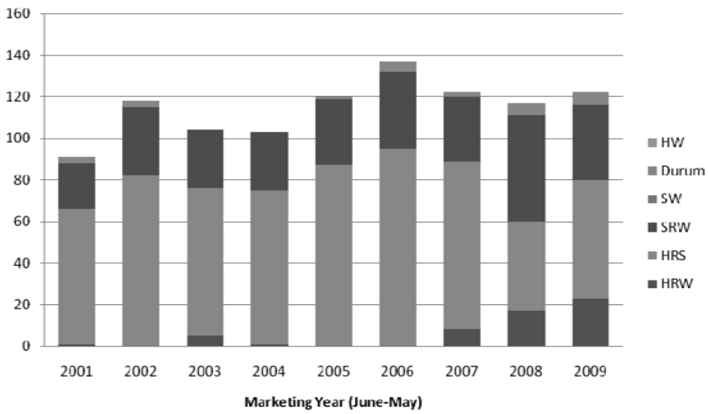
1,000 Metric Tons



Panama is a consistent market for U.S. wheat producers, buying hard red winter (HRW), hard red spring (HRS) and soft red winter (SRW) wheat, and sourcing almost all of their needs from the United States. The FTA will lock in zero duties and Panama will not be able to increase tariffs to a bound level of three percent.

U.S. Exports to Panama U.S. by Class

1,000 Metric Tons

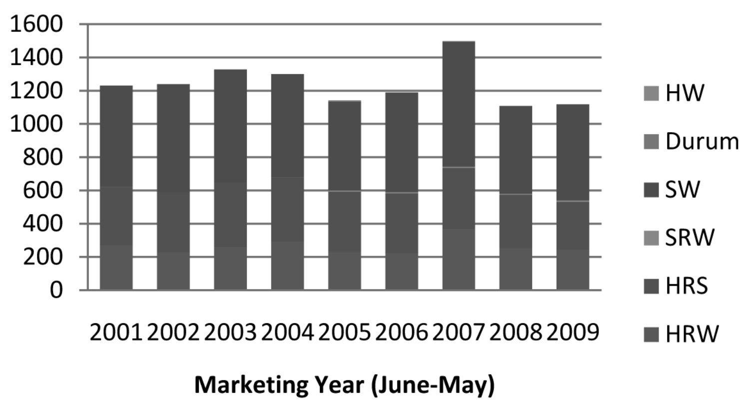


South Korea is a large market for U.S. wheat and is the sixth-largest world market for U.S. wheat farmers based on a 5 year average. They purchase a range of wheat classes that impact wheat farmers in several growing regions.

The South Korea FTA would mean they will not be able to increase tariffs to 1.8 percent. Econometric analysis [i] indicates that this agreement would cause a gradual increase of $0.08/bushel in farm gate prices for wheat when implemented. Although this seems small, when multiplied by the entire U.S. wheat production of over 2 billion bushels, the economic gain is significant.

U.S. Exports to South Korea by Class

1,000 Metric Tons



Commercial sales to Colombia and South Korea have risen in the current market year, indicating the preference these buyers have for U.S. wheat when we are able to compete on a similar playing field, but also the increased trade we have to lose with delayed ratification.

Colombia of Particular Importance

The U.S.-Colombia FTA is of particular importance to U.S. wheat farmers. Colombia is a wheat import-dependent country, and the United States has been the dominant supplier of wheat to the Colombian people. **It is estimated that U.S. wheat producers will lose $100 million in annual sales to this market without an FTA.**

In marketing year 2007/2008, our share of the Colombian wheat market was almost 70 percent, representing almost one million metric tons. However, in every year since, U.S. sales have declined by hundreds of tons per year. The Colombian people aren't eating less wheat—they are simply looking elsewhere to buy it, particularly from Canada and Argentina. There is no indication that this decline will not continue, especially as competitors gain preferential access through lower duties.

In marketing year 2009/2010, Colombia was the eighth largest market for U.S. wheat. Colombia has routinely been the top South American market for U.S. wheat producers for many years, but has been nudged out this marketing year by Peru (1 MMT in sales)—in part because of an implemented free trade agreement that entered into force in February 2009.

This marketing year Colombia has purchased five of our six classes of U.S. wheat from farmers across the country, loading vessels in the Gulf of Mexico and the Pacific Northwest. Colombia's diversity of purchases to make various end products means that this FTA will benefit wheat producers from coast to coast.

Sadly this FTA is no longer about giving U.S. wheat farmers an advantage into the Colombian market. Instead, it is now about being on an equal playing field with our competitors. Argentine wheat, under the MERCOSUR agreement, currently enters Colombia duty free. Argentine wheat was basically non-existent in this market until their duties were decreased in February 2005, making imports from Argentina more attractive, resulting in a 375 percent increase year on year due to this preference. Similarly, Canadian wheat will not be subject to tariffs once the Colombia-Canada FTA is implemented, which is expected in early July of this year.

Colombian flour millers have told us that they like using U.S. wheat, and would like to continue doing so. However, they have also said that they cannot continue to buy our wheat at the volumes they have been if it is more expensive than Canadian wheat. More concerning to me as a farmer is that they tell us that Argentine and Canadian wheat blend together quite well. If millers become accustomed to an Argentine-Canadian blend, it will be more difficult to get them to recalibrate their mills back to using mainly U.S. wheat.

The U.S. agreement will eliminate Colombia import duties currently applied at ten percent, and they will not be able to increase duties to their World Trade Organization-bound limit of 124 percent. Also eliminated will be Colombia's price band system, a variable import tariff scheme to keep domestic prices within a specific price range that is based on fluctuations in international prices. The certainty granted to U.S. farmers and Colombian importers by a permanent zero tariff rate is critical for the United States to remain competitive in this market. I can not stress enough how important this market and FTA is for us. The same econometric analysis[i] also indicates a \$0.10/bushel increase in farm gate price for the Colombia FTA.

Tangible Benefits for the U.S.

Increased sales of U.S. wheat abroad—or not losing sales as is the case in Colombia—isn't just beneficial for U.S. wheat growers but it reaps rewards for the entire U.S. economy. A USDA Economic Research Service study found that for every \$1 billion in exports, 8,400 jobs are created in the United States—from farming to product transportation to banking and related support industries. During this time of economic recovery, we must take advantage of every opportunity to create jobs. Passage of the FTAs with Colombia, Panama and South Korea are three perfect opportunities to do just that.

Reduced trade barriers also have the potential to increase demand as lower-priced products and increased economic well-being contribute to greater purchases of food. We cannot afford to miss out on these markets as these countries are not waiting on us. Negotiations and talks are underway between these three countries and a number of others, including major wheat competitors, such as Australia, Canada, European Union and the MERCOSUR block that includes Argentina. A USDA Economic Research Service report states that the number of regional trade agreements has proliferated from fewer than 25 in 1990 to over 290 in 2010. The United States and U.S. wheat producers are missing out on new market access by having only 11 trade agreements in place with 17 countries.

Conclusion

Last week, the U.S. Trade Representative notified Congress that the Administration is ready to begin technical discussions on the FTAs and kick off the process of sending the agreements to Congress for ratification. U.S. wheat farmers welcome this development, and encourage Congress and the Administration to work together quickly through the technical discussions and bring the agreements up for a vote as soon as possible. There is broad support for both agreements, and they should be passed with bipartisan support. Competition with Canadian wheat in the Colombian market is looming as a critical market for U.S. wheat farmers hangs by a thread.

Mr. Chairman, Mr. Peterson and Members of the Committee, thank you for allowing me the opportunity to be with you today to discuss the importance of these free trade agreements to my farm. Immediate ratification of each will increase U.S. wheat sales abroad and create much-needed jobs here at home. I am happy to answer any questions you have.

Endnote

[i] DTB Associates LLP, Allen F. Johnson and Associates, AgRisk Management LLC, Dan Sumner & William Mathews, Global AgriTrends. (2010) *Analysis of the Effects of Trade Agreements on U.S. Agricultural Exports and U.S. Market Development Programs—A Global Broad-Based Initiative Study.*

Mr. CONAWAY. Thank you, Mr. Stoner. I appreciate you finishing right on the button. Mr. Tolman for 5 minutes.

STATEMENT OF S. RICHARD "RICK" TOLMAN, CHIEF EXECUTIVE OFFICER, NATIONAL CORN GROWERS ASSOCIATION, CHESTERFIELD, MO

Mr. TOLMAN. Thank you very much, Mr. Chairman and Members of the Committee, and thank you for the opportunity to testify about these pending trade agreements and their importance to agriculture. My name is Rick Tolman. I am the Chief Executive Officer of the National Corn Growers Association. Our association was founded in 1957 and represents over 35,000 dues-paying corn growers and others who are affiliated through our state associations.

I appreciate this Committee holding this hearing so we can demonstrate how developing new markets for our country's agricultural products will help lead the nation in economic growth and international competitiveness. Our members have a lot to gain from ratification of free trade agreements with Korea, Colombia, and Panama. Beyond just increasing and holding international demand for corn, passing these free trade agreements benefits our important customers in the livestock and poultry industries. And we are very supportive of these agreements for those reasons.

The U.S. is the largest corn producer and exporter in the world. Our exports of corn and corn products are essential to farmer income. During the last marketing year, we exported about 2 billion bushels of corn worldwide. Corn co-products such as dried distillers grains represent a growing export market for our farmers, and in the last year, the United States exported over 8 million tons of dried distillers grains.

Despite numerous weather issues from 2008 to 2010, U.S. corn growers producers over 12 billion bushels each of those years annually. And Mother Nature has ensured that this year is going to be another exciting year. We are off to a little bit of a challenging start this spring, but we expect to produce a record amount of corn this year, as you heard from Secretary Vilsack a few minutes ago.

Now, under the free trade agreements, Korea is the United States' third-largest corn market. In the last year, Korea imported 279 million bushels of corn from the United States, and we know that Korea is a market that we cannot afford to ignore. We also don't want to lose this market to our competitors. Just earlier this month, Korea's National Assembly ratified its free trade agreement with the European Union. And we know, as we have heard this morning, that Korea is in negotiations with other competitors, such as Canada, Australia, and China.

When the FTA has passed, Korea's imports of U.S. corn for feed are guaranteed to enter at zero duty immediately. This is certainly according to our growers' desire to ensure a robust and reliable export market. Although Korea currently imports large quantities of corn at zero tariff under its autonomous quota, Korea can legally discontinue this zero tariff at any time and revert to the WTO tariff of five percent for the first about 240 million bushels of corn and 328 percent for any imports above that quantity.

The growth in ethanol production here in the United States has lead to increased production of dried distillers grains. This high-protein feed is a direct co-product of the ethanol industry. Korea imported 351,000 tons of dried distillers grains last year from the United States. While somewhat small in volume, imports are growing, and there is significant potential for increased use in feed rations. Once this agreement is signed, it will provide duty-free access for dried distillers grains into the Korean market.

On to Colombia. Colombia is currently importing corn from U.S. competitors in Argentina, Brazil, and Paraguay. Typically Colombia is one of our top ten export markets, but there is an import duty preference for these other countries. We have watched this market slip away, particularly to our largest competitors in the region, Brazil and Argentina. Failure to implement a trade agreement with Colombia will place the U.S. corn producers at a competitive disadvantage.

From a corn grower's perspective, the pending trade agreements with result in benefits far beyond increasing international markets for U.S. corn. NCGA recognizes any opportunity to increase access to downstream value-added products, such as meat products, as a benefit to our economy.

We respectfully request that Members of this Committee and others in Congress support pending trade agreements with Korea, Colombia, and Panama. Our members want to preserve current export markets, increase the exports of dried distillers grains, but significantly important to us is to increase demand for corn domestically through other value-added exports like meat exports.

We appreciate the efforts of U.S. trade negotiators to increase meaningful and achievable access to foreign markets. Moreover, U.S. corn producers stand ready to develop and provide corn products to meet the demands of modern global consumption. Thank you very much.

[The prepared statement of Mr. Tolman follows:]

PREPARED STATEMENT OF S. RICHARD "RICK" TOLMAN, CHIEF EXECUTIVE OFFICER, NATIONAL CORN GROWERS ASSOCIATION, CHESTERFIELD, MO

Chairman Lucas, Ranking Member Peterson and Members of the Committee, thank you for the opportunity to testify about the pending free trade agreements and their importance to the agriculture sector. My name is Rick Tolman, and I am the Chief Executive Officer for the National Corn Growers Association (NCGA). NCGA was founded in 1957 and represents over 35,000 dues-paying corn growers. NCGA and its affiliated state associations work together to help protect and advance corn growers' interests.

NCGA members have much to gain from ratification of free trade agreements with Korea, Colombia and Panama. Beyond increasing domestic and international demand for corn, passing free trade agreements also benefits our customers in the livestock and poultry industries. Developing new markets for our country's agricultural products will help our sector lead the nation in economic growth and international competitiveness.

NCGA supports a consistent U.S. trade policy so that corn and corn products are not disadvantaged for the benefit of another sector. In finalizing the pending agreements, NCGA emphasizes the need to eliminate sanitary and phytosanitary barriers that are not based on the unique science of agriculture products derived from biotechnology.

U.S. Corn Production and Export Demand

The United States is the largest corn producer and exporter in the world, and exports of corn and corn products are essential to producer income. During the 2009–10 marketing year, the United States exported 50.4 million metric tons of corn worldwide. Corn co-products such as distiller's dried grains (DDGS) represent a growing export market for domestic producers. In marketing year 2010, the United States exported over 8 million metric tons of DDGS.

Production growth and consistency make the United States both a reliable supplier of grain and a steadfast advocate for new export markets for corn and livestock products. Despite numerous weather issues from 2008 to 2010, U.S. corn growers produced over 12 billion bushels of corn annually. Mother Nature has ensured that this year is also off to a challenging start. However, the rebounds witnessed in previous years indicate growers' ability to harvest a record crop.

U.S Corn Supply and Demand

(mil bushel)	2007–08	2008–09	2009–10	2010–11
Carry-in	1,304	1,624	1,673	1,708
Average Yield	151	153.9	165	152.8
Production	13,038	12,092	13,092	12,447
Supply	14,362	13,729	14,773	14,169
Feed & Residual	5,913	5,246	5,242	5,200
Ethanol	3,049	3,677	4,474	4,922
FSI	1,338	1,276	1,365	1,390
Export	2,437	1,858	1,985	2,000
Carry-out	1,624	1,673	1,708	658

Source: USDA World Agricultural Supply and Demand Estimates (WASDE).

Corn Sales to Korea

The Republic of Korea (Korea) boasts a $1 trillion economy and 49 million consumers. Based on these statistics alone, corn growers understand that Korea is a market we cannot afford to ignore. More importantly, Korea is a market we cannot afford to lose to our largest competitors. On May 4, 2011, Korea's National Assembly ratified its free trade agreement with the European Union. Additionally, we know that Korea is in negotiations with U.S. competitors including Canada, Australia and China.

The U.S. share of agricultural imports to Korea stood at nearly 30 percent in 2010. The U.S. Department of Agriculture's Foreign Agricultural Service (USDA FAS) warns that if the United States fails to implement the U.S.-Korea Trade Agreement (KORUS), that share will certainly decline.

Korea is the United States' third largest corn market, and it is a potentially important market for corn co-products such as DDGS. In marketing year 2009–2010, Korea imported over 7 million metric tons of corn from the United States. The flow of corn into Korea is affected by a myriad of factors, and Korea remains one of our more volatile export markets.

Marketing Year (September–August)

	2004–5	2005–6	2006–7	2007–8	2008–9	2009–10
MT	2,100,515	5,585,993	4,042,566	8,555,974	5,195,554	7,075,479
Bushels	82,692,774	219,908,574	159,147,161	336,830,362	204,537,828	278,546,446

Under KORUS, Korea's imports of U.S. corn for feed are guaranteed to enter at zero duty immediately. Although Korea currently imports large quantities of feed corn at zero tariff under its autonomous quota, Korea can legally discontinue this zero autonomous tariff at any time and revert to the World Trade Organization (WTO) tariff of five percent for the first 6.1 million tons, and 328 percent for any imports above this quantity. KORUS is critical to corn growers because the tariff will be fixed at zero percent. This is the certainty growers desire to ensure robust, reliable export markets.

The growth in corn-based ethanol production has led to increased production of DDGS. This high protein feed is a direct co-product of the ethanol industry. In 2009–2010, Korea imported 351,389 metric tons of DDGS from the United States.

While relatively small in volume, imports are growing, and there is significant potential for increased use in feed rations. Korea's WTO bound rate for DDGS is 6.6 percent. Once more, KORUS provides immediate duty-free access for DDGS into the Korean market.

Allowing greater market access can alleviate volatility and, more importantly, open the Korean market to meat imports. Only a decade ago, the United States exported 44,000 metric tons of pork to Korea. Today that number is zero. Ratifying KORUS will translate into significant increases in pork, beef and other livestock product exports. Such increases in market access not only help NCGA members who raise livestock, but also enhance total demand for corn and DDGS domestically.

Corn Sales to Colombia

Colombia is traditionally one of the top ten export markets for U.S. corn. During marketing year 2007–2008, the Unites States exported 114 million bushels of corn to Colombia, with an estimated value of nearly $627 million. Unfortunately, U.S. corn exports declined dramatically during the 2009–2010 marketing year. Only 36 million bushels of corn were exported to Colombia during that time, valued at $152 million. The decline in exports reflected a loss of $475 million to the U.S. economy.

Marketing Year (September–August)

	2004–5	2005–6	2006–7	2007–8	2008–9	2009–10
MT	1,932,544	2,597,611	3,148,527	2,902,893	1,234,651	912,954
Bushels	76,080,116	102,262,379	123,950,761	114,280,677	48,605,564	35,941,043

Under the U.S.-Colombia Trade Promotion Agreement (Colombia TPA), U.S. corn producers would gain immediate access to the Colombian market for 2.1 million metric tons of corn at zero percent duty. Over the course of the 12 year phase out for corn's 25 percent over-quota base tariff, the rate would be reduced each year by two percent, while the volume of the tariff rate quota would increase by five percent, compounded annually.

Currently, Colombia is importing corn from U.S. competitors including Argentina, Brazil, Paraguay and the majority of MERCOSUR members because of an import duty preference. We cannot afford to watch important export markets slip away, particularly to our largest competitors in the region, Brazil and Argentina. Failure to implement a trade agreement with Colombia will place U.S. corn producers at a competitive disadvantage in the world market.

Corn Sales to Panama

The U.S.-Panama Trade Promotion Agreement (Panama TPA) stands to level the playing field between U.S. and Panamanian exports. U.S. grain tariffs into Panama can be as high as 90 percent, while nearly all Panamanian exports enter the United States duty free under the Caribbean Basin Initiative passed by Congress in 1983.

According to USDA FAS, under the agreement Panama will establish a 298,700 ton duty free preferential tariff rate quota for corn. The over-quota rate tariff will be eliminated in 15 years, with no reduction in the first 5 years.

Corn exports to Panama peaked in 2007 and have since dropped 20 percent. In 2010, U.S. share of Panama's agricultural imports stood at 48 percent. Similar to the Colombia TPA, if the United States fails to capture the opportunities presented in the Panama TPA, our share of Panama's agricultural imports will plummet.

Value-Added Products

U.S. corn markets are directly impacted by increased exports of value-added products such as meat. To put this into perspective, it takes approximately 79 bushels of corn to produce one metric ton of poultry, under a 2:1 conversion ratio of corn to white and/or dark meat. Likewise, it takes approximately 232 bushels of corn to make one metric ton of pork. As referenced in the section discussing corn sales in Korea, the loss of 44,000 metric tons of pork in the Korean market affects 10 million bushels of corn.

From a corn grower's perspective, the pending trade agreements will result in benefits far beyond increasing international markets for U.S. corn. NCGA recognizes any opportunity to increase access to downstream, value-added products as a benefit to the U.S. economy.

Conclusion

NCGA respectfully requests that the Members of this Committee and others in Congress support the pending trade agreements with Korea, Colombia and Panama. Our members want to preserve current export markets, increase exports of DDGS and significantly increase demand for corn through opportunities in value-added corn products.

NCGA remains committed to the development and maintenance of fair and open global trade policies. We appreciate efforts by U.S. trade negotiators to increase meaningful and achievable access to foreign markets. Moreover, U.S. corn producers stand ready to develop and provide corn products to meet the demands of modern global consumption.

Mr. CONAWAY. Thank you, Mr. Tolman. We appreciate that. Mr. Carney, you missed a lengthy introduction a while ago by being out of the room. So I will abbreviate it. Mr. Carney represents the National Pork Producers Council from Adair—Adair or Adair?

Mr. CARNEY. Adair.

Mr. CONAWAY. Adair, Iowa. Mr. Carney for 5 minutes.

STATEMENT OF SAM CARNEY, CHAIRMAN, TRADE POLICY COMMITTEE, NATIONAL PORK PRODUCERS COUNCIL; OWNER AND OPERATOR, CARNEY FARMS, INC., ADAIR, IA

Mr. CARNEY. All right, good afternoon. I am Sam Carney, a pork producer from Adair, Iowa, immediate past President of National Pork Producers Council, and Chairman of NPPC's Trade Policy Committee. I appreciate the opportunity to appear here before you today.

The future of the U.S. pork industry and America's family hog farms, like mine, depend on free and fair trade and the continued expansion of our exports. The U.S. is now the lowest cost producer of pork in the world and the number one global exporter of pork. In 2010, the United States exported more than $4.8 billion of pork, which was nearly 20 percent of the pork produced in the United States. That is up about six percent from 10 years ago.

Those exports added $56 to the price I received for each hog I sold. There is no disputing that free trade agreements have been a major factor in the rapid growth of the U.S. pork exports over the last few decades. Since the year before NAFTA was implemented in 1994, for example, U.S. pork exports to Mexico, now our number two market, have increased 780 percent to almost $1 billion last year. And similar increases have occurred in other countries in which the U.S. has FTAs.

Increasing pork exports is important to more than just pork producers. The U.S. pork industry supports an estimated 550,000 domestic jobs, 110,000 of which are result of pork exports. Just last year, U.S. pork exports grew by almost $500,000. USDA estimated that for each $1 billion in meat exports generated, about 12,000 new U.S. jobs. Meaning that last year, pork exports created 6,000 new U.S. jobs.

Mr. Chairman, as you can see on our display, we export products, not jobs. Currently, the U.S. has pending FTAs with Colombia, Panama, and South Korea. These FTAs will generate over $770 million in additional pork exports annually, causing live hog prices to increase by more than $11 and creating more than 10,000 direct pork industry jobs.

We need to approve these FTAs as soon as possible before other pork export competitors like EU and Canada move forward with their own FTAs with Colombia, Panama, and South Korea. Economists have projected that we will be out of all three markets in 10 years if the U.S. fails to implement its agreements with these countries as a result of the FTAs these nations have concluded with U.S. competitors. Losing these markets would mean less value to the hogs I sell, which I would translate into less profit and ultimately lost jobs.

Let me touch on three other trade topics. NPPC is pleased that the U.S. and Mexican Governments have resolved the long-standing truck dispute. The United States has agreed to its NAFTA obligations, and Mexico will suspend its tariffs on $2.4 billion of U.S. goods including pork. Congress should allow a U.S. pilot program that lets Mexican trucks haul products into the United States to go forward. If it doesn't, Mexico undoubtedly will reinstate and possibly raise the tariffs on pork and other U.S. goods.

Russia is an important market for us, but in recent years, we have lost sales there because of the tariff rate quota system and use of non-science-based restrictions delisting U.S. pork plants over unfounded SPS issues.

For the United States to maintain access to the Russia pork market and to begin recovering lost sales, it is critical that the Obama Administration use the WTO accession negotiations with Russia to eliminate that country's restrictions on U.S. pork.

We also must negotiate an equivalency agreement with Russia on SPS issues and plant inspections. Like Russia, Vietnam has imposed non-science-based restrictions on U.S. pork. As part of the negotiations for joining the TPP, Vietnam should abide by WTO principles.

Finally, while free and fair trade will continue to be a boom to the U.S. pork industry, it will do little good if domestic policies hamper pork producers' ability to operate. Unfortunately that is exactly what the USDA's regulation on buying and selling of livestock and poultry with the GIPSA rule will do if implemented as currently drafted. The bottom line is it will raise my cost and make the U.S. pork industry less competitive in a global market that will mean lost U.S. jobs.

In closing, to continue as leaders in the global and domestic economies, U.S. pork industry needs free and fair trade and domestic policies to support America's producers. Mr. Chairman, thank you. I am happy to answer any questions.

[The prepared statement of Mr. Carney follows:]

PREPARED STATEMENT OF SAM CARNEY, CHAIRMAN, TRADE POLICY COMMITTEE, NATIONAL PORK PRODUCERS COUNCIL; OWNER AND OPERATOR, CARNEY FARMS, INC., ADAIR, IA

Introduction

The National Pork Producers Council (NPPC) is an association of 43 state pork producer organizations and serves as the voice in Washington for the nation's pork producers. The U.S. pork industry represents a significant value-added activity in the agriculture economy and the overall U.S. economy. Nationwide, more than 67,000 pork producers marketed more than 110 million hogs in 2010, and those animals provided total gross receipts of $15 billion. Overall, an estimated $21 billion of personal income and $34.5 billion of gross national product are supported by the U.S. hog industry. Economists Dan Otto and John Lawrence at Iowa State University estimate that the U.S. pork industry is directly responsible for the creation of 34,720 full-time equivalent pork producing jobs and generates 127,492 jobs in the rest of agriculture. It is responsible for 110,665 jobs in the manufacturing sector, mostly in the packing industry, and 65,224 jobs in professional services such as veterinarians, real estate agents and bankers. All told, the U.S. pork industry is responsible for more than 550,000 mostly rural jobs in the U.S.

Exports of pork continue to grow. New technologies have been adopted and productivity has been increased to maintain the U.S. pork industry's international competitiveness. As a result, pork exports have hit new records for 17 of the past 19 years. In 2010, the U.S. exported more than 1.9 million metric tons of pork valued at $4.8 billion of pork. Exports last year represented about 20 percent of pork production. The U.S. pork industry today provides 21 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide.

The demand for meat protein is on the rise in much of the world. Global competitiveness is a function of production economics, regulations, labor costs and productivity. The U.S. pork industry can continue to be a leader in food production and meet the needs of increased consumer demands as long as exports continue to grow, feed grains are available and producers are allowed to operate without undue legislative and regulatory burdens.

Free Trade Agreements

There is considerable global demand for pork and pork products. Pork represents 44 percent of global meat protein intake, far more than beef and poultry. And there is no disputing that free trade agreements have been a major factor in the rapid growth in U.S. pork exports over the last 2 decades. Since the year before the North American Free Trade Agreement was implemented in 1994, for example, U.S. pork exports to Mexico have increased 780 percent to $986 million last year; since the year before the Australia FTA was implemented, U.S. pork exports to that country have grown by 1,300 percent to $148 million; since the year before the Central America FTA was implemented, U.S. pork exports to the CAFTA countries have increased by 313 percent to $119 million; and in the 2 years since the Peru FTA took effect, U.S. pork exports to that South American country have more than doubled to $1.3 million. Iowa State University economist Dermot Hayes estimates that U.S. pork prices were $56 per hog higher in 2010 than they would have been in the absence of exports.

The United States is now the lowest-cost pork producer in the world, and the U.S. pork industry has established itself as the number one global exporter. But the industry will not stay in that position, even as the lowest-cost producer, if competitor countries cut trade deals in key markets and the United States does not.

U.S. pork producers have been and continue to be strong supporters of trade agreements, including the deals with Colombia, Panama and South Korea, which are pending Congressional approval. Iowa State University economist Dermot Hayes estimates that, when fully implemented, those FTAs will generate more than $770 million in additional pork exports, causing live hog prices to increase by $11.35 per head and creating more than 10,200 direct pork industry jobs.

The failure of the United States to approve free trade agreements with Colombia, Panama and South Korea would result in the U.S. pork industry eventually being out of those markets. Not only would U.S. pork producers forgo the increase in hog prices, but the U.S. pork industry and the U.S. economy, in general, would lose thousands of jobs, according to analyses conducted by Iowa State University economist Dermot Hayes.

Given that South Korea already has an FTA with Chile and that its agreement with the European Union becomes effective July 1, 2011, and under a scenario in which the U.S. dollar returns to a price of $1.25 to the Euro—reflecting the long-run equilibrium between these two currencies—if the United States fails to implement its FTA with South Korea, U.S. market share in Korea would fall by three percentage points per year for the entire projection period, and the U.S. would be eliminated from the Korean market over a 10 year period. That, Hayes calculates, would cost the United States more than 3,600 full-time positions in the pork industry and 18,000 total full-time positions after allowing for indirect employment affects.

Likewise, because Colombia and Panama have concluded FTAs with Canada, if the United States fails to implement its agreements with those countries, it will be out of the markets in 10 years at a loss of hundreds of jobs.

U.S. Trade Obligations

As it demands of other countries, the United States must live up to its trade obligations. Bilateral and multilateral trade agreements lay out specific commitments for the signatories, and failure to abide by them can—and often does—lead to disputes that hurt one or more countries.

Such was the case with the trucking provision of the North American Free Trade Agreement (NAFTA) among the United States, Canada and Mexico. The provision allowed each country's trucks to haul goods into the other nations, but the United States refused to allow Mexican trucks into the country. Mexico took its case to a

NAFTA dispute-settlement panel, which ruled that it could retaliate against the United States. In March 2009, the Mexican Government placed tariffs of up to 20 percent on 89 U.S. products worth $2.4 billion; in August 2010—after no U.S. action to resolve the dispute—it added more products, including pork, to its retaliation list. The duties made U.S. goods going to Mexico less competitive with products from other countries and placed more than 26,000 U.S. jobs in jeopardy.

NPPC is pleased that the U.S. and Mexican Governments have reached a framework agreement that should lead to resolution of the dispute. Under the agreement, the United States will implement its NAFTA obligations over time, and Mexico will suspend the tariffs on U.S. goods while the U.S. implements its commitments. Congress should allow a U.S. pilot program that lets Mexican trucks haul products into the United States to go forward. If it does not, Mexico undoubtedly will reinstate, and possibly raise, the tariffs on pork and other U.S. goods.

Other Trade Issues

Russia

Russia until recently has been a very important market for U.S. pork exports. In 2008, U.S. pork sales to Russia totaled more than 203,000 metric tons (MT), making it the fourth largest market in the world for U.S. pork exports. Since that time, however, U.S. pork sales to Russia have plummeted, totaling only 83,000 MT in 2010.

The rapid decline in U.S. pork exports to Russia can be attributed primarily to restrictive Russian import policies. Since 2008, Russia has unilaterally reduced the tariff rate quota (TRQ) it provides for pork imports. In addition, it has imposed a series of sanitary and phytosanitary (SPS) restrictions that have resulted in the delisting of a large number of U.S. pork plants, representing close to 60 percent of U.S. pork production capacity.

For the United States to maintain access to the Russian pork market and to begin recovering sales it has lost in recent years, it is critical that the Obama Administration use the World Trade Organization (WTO) accession negotiations with Russia to eliminate non-science-based and WTO-inconsistent Russian restrictions on U.S. pork.

Russia currently maintains a global tariff rate quota for pork of 472,100 MT, 57,500 MT of which is allocated to the United States. This stands in contrast to the commitments Russia made in a bilateral Meat Agreement with the United States in 2008, under which it was supposed to provide a global pork TRQ of 531,900 MT, 100,000 MT of which was allocated to the United States. In recent WTO accession negotiations, Russia has been proposing to even further reduce the size of the global TRQ for pork, while maintaining the U.S. country allocation at close to its current level of 57,500 MT, by increasing the U.S. share of the overall quota. This approach is unacceptable to the U.S. pork industry and would essentially freeze the U.S. country allocation at an unacceptably low level.

In addition to a larger quota, pork producers seek either elimination of or a deep reduction in Russia's current 15 percent in-quota tariff rate applied under the TRQ. As a secondary priority, the industry would like to see a reduction in the out-of-quota duty, currently set at 75 percent. Also, it is important that Russia include commitments on a fair and transparent system for administering its pork TRQ.

In addition to restricting U.S. pork exports by reducing the size of the TRQ, Russia has used spurious SPS measures to limit U.S. pork exports. The most serious SPS problem that the U.S. pork industry faces with Russia is the Russian Government's arbitrary, unpredictable and non-science-based delistment of U.S. pork plants from eligibility to ship product to Russia. Over the course of several years of discussions, U.S. officials have amply demonstrated the efficacy of the U.S. meat inspection system in ensuring product safety. U.S. consumers and U.S. trading partners around the world recognize the effectiveness of the U.S. system in ensuring a safe product. In spite of this, the Russian Government has refused to recognize the U.S. pork plant approval process, continues to insist that U.S. establishments strictly comply with Russian plant approval rules and has delisted a large number of U.S. plants from eligibility to export to Russia. At present, U.S. plants representing 60 percent of U.S. pork production capacity have been banned from exporting pork to Russia.

A fundamental principle contained in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures is that of "equivalence." The equivalence principle requires that WTO members recognize the SPS measures of other trading partners as equivalent to their own if they achieve an appropriate level of health and sanitary protection. The United States was able to extract highly valuable commitments from China and Vietnam as part of the WTO accession process, recognizing the U.S. Federal meat plant inspection system as fully equivalent to their own. It is critical that United States obtain the same kind of clearly worded equivalence commitment from Russia through the WTO Accession negotiations.

Directly linked to the massive delistment of U.S. pork plants are a variety of Russian SPS measures covering technical issues such as compound and pathogen tolerance levels in pork products. For example, Russia maintains an effective zero tolerance for the antibiotic tetracycline in pork production, even though both the U.S. Food and Drug Administration and the Codex Alimentarius have found the controlled use of the antibiotic to be safe in pork production. Russia also maintains an effective zero tolerance for pathogens such as salmonella on meat products, even though it is virtually impossible for any country, including Russia, to ensure absolute freedom from such pathogens. Russia insists on testing for trichinosis in fresh/chilled pork from the United States, even though there has not been a single case of trichinosis in the U.S. commercial herd in more than a decade.

SPS technical measures of this kind have frequently been used by the Russians as a pretext for the delistment of U.S. plants. None of these measures is based on legitimate food safety concerns. They violate fundamental requirements of the WTO SPS Agreement that SPS measures be based on a scientifically based risk assessment or internationally established standards.

To address these issues in a systemic way, the United States will need additional assurances from Russia that go beyond the commitment to accept the U.S. Federal meat plant inspection and approval system as equivalent to its own. Along with the equivalence commitment, Russia should provide a specific commitment that it will abide by the WTO SPS Agreement obligations as it relates to tetracycline, pathogens on meat, trichinosis and other SPS import measures by either adhering to internationally established standards or conducting a science-based, peer reviewed risk assessment in the establishment of import policies.

Trans-Pacific Strategic Economic Partnership

NPPC strongly supports U.S. participation in the Trans-Pacific Strategic Economic Partnership (commonly referred to as TPP). U.S. pork producers would derive major benefits from this proposed regional free trade agreement, through the elimination of import duties and sanitary-phytosanitary (SPS) barriers to trade in participating countries.

The U.S. pork industry has a number of non-tariff issues with some of the countries now negotiating to join the TPP. U.S. trade negotiators must focus not only on the removal of tariffs but the removal of all non-tariff barriers to trade, particularly SPS barriers.

Of the countries currently participating in the TPP negotiations, Vietnam offers the most potential for expanded U.S. pork exports. According to Iowa State University economist Dermot Hayes, the short-term potential for U.S. pork exports to Vietnam if import duties and SPS barriers are eliminated is $80 million, while the long-term potential is $600 million. Market prices in Vietnam are three times higher than those in the United States, and more than 60 percent of Vietnam's pork is produced by inefficient backyard producers. Unfortunately, Vietnam recently has taken a series of actions that seriously restrict U.S. pork sales. These actions run contrary to the trade liberalizing objectives of the TPP negotiations and are having a negative impact on U.S. pork exports to Vietnam.

Vietnam instituted in July 2010 an effective ban on the importation of all pork offals. No explanation was given for the import ban. As a result of the *de facto* ban on pork offals, U.S. pork offal sales to Vietnam plummeted from 5,868 MT in 2008 to 611 MT in 2010. Vietnam also refuses to recognize the scientific process of applying a "reference" maximum residue level (MRL) for compounds in pork offals. This process is recognized by the Codex Alimentarius and used by the United States and most other countries. In lieu of establishing a reference MRL, Vietnam has instead established non-science-based MRL requirements for individual pork offal products. So even if the import ban on offals is lifted, this practice will continue to inhibit our exports of offals.

Further, Vietnam's zero-tolerance policy for pathogens on raw meat products, including pork, is not acceptable. No country in the world, including Vietnam, can guarantee the complete absence of pathogens on raw meat products. The United States and many other countries use the Hazard Analysis and Critical Control Points (HACCP) process to ensure product safety as it relates to pathogens. Vietnam's zero-tolerance policy for pathogens is not based on science and likely violates numerous provisions of the WTO's Agreement on the Application of Sanitary and Phytosanitary Measures. If strictly applied to U.S. pork, it would act as an effective ban on U.S. pork sales to Vietnam.

Malaysia is another country with excellent potential for increased pork imports from the United States. There is a large ethnic Chinese population in Malaysia, and an estimated ten million people in that country consume pork. Per capita consumption among those who consume pork in Malaysia is 22 kilograms per year, a level roughly equal to that of Australia and New Zealand. Malaysia's domestic pork production industry is small and inefficient. According to Iowa State's Hayes, the long-term potential in Malaysia if import tariffs and SPS barriers are eliminated is $100 million.

Malaysia's Department of Veterinary Services maintains a list of pork products that are allowed entry into Malaysia. The allowable import list includes bellies, pig feet, ribs and intestines for the fresh market and hams and other cuts for further processing. However, except in cases of exceptional shortages, Malaysia does not allow imports of most fresh and frozen pork cuts for direct sale on the Malaysian retail market. Malaysia has never provided an adequate explanation of why it maintains an effective import ban on sales of most pork products into its retail market. The effective ban is clearly WTO illegal.

In addition, Malaysia has indicated that it intends to impose a new and highly burdensome registration process for all foreign meat establishments supplying product to Malaysia. This includes a long questionnaire that requires all foreign plants to provide confidential business information on their operations. Many U.S. plants are unlikely to complete the Malaysian plant registration process for this reason. The plant registration process acts as a significant barrier to trade and should be removed through the TPP negotiations.

As a result of the 2005 U.S.-Australia FTA, U.S. pork exports have surged to Australia from about 2,700 MT in 2004, the year before the agreement went into effect, to 43,800 MT in 2008, valued at $111 million. However, there is still potential for growth in U.S. pork sales to Australia if SPS barriers are removed.

Australia has implemented an unreasonable and unscientific zero-tolerance approach to two commonly managed diseases that are endemic in the U.S. and other major pork producing countries in the world, including the European Union and Canada: Porcine Reproductive and Respiratory Syndrome (PRRS) and Post Systemic Wasting Syndrome (PMWS). Neither disease is a food-safety issue and does not pose a risk to human health.

As the result of a 2004 risk assessment, Australia partially opened its market to U.S. pork, allowing processed pork and frozen boneless pork for further processing. The risk of introduction of PRRS or PMWS from U.S. pork to the Australian pork herd is negligible. Therefore, Australia should take action to fully open its import market to U.S. pork.

New Zealand restricts imports of U.S. pork for further processing and only a few months ago allowed imports of consumer-ready high-value cuts. These restrictions are because of an unreasonable and unscientific zero-tolerance approach to two commonly managed diseases that are endemic in the U.S. and other major pork producing countries in the world, including the European Union and Canada: Porcine Reproductive and Respiratory Syndrome (PRRS) and Post Systemic Wasting Syndrome (PMWS). Neither disease is a food-safety issue and does not pose a risk to human health. The New Zealand restrictions are not justified by any legitimate health or sanitary concerns.

Chile, Singapore and Peru impose restrictions on U.S. pork exports based on unscientific concerns of transmission of trichinae. These countries impose costly and unnecessary trichinae risk mitigation requirements such as freezing and testing of all U.S. pork. These testing requirements are prohibitively expensive and act as a major barrier to U.S. exports of fresh/chilled and frozen pork and pork products to these countries.

While trichinae is a concern in domestic pork from many developing countries, there is negligible risk in the U.S. commercial herd because of the high level of biosecurity and commercial production practices. According to Dr. Ray Gamble, President of the International Commission on Trichinellosis, the odds of trichinae in the U.S. commercial food supply is 1 in 300 million. Under the USDA Agricultural Marketing Service's Trichinae Export Program, more than 38 million tests have been conducted for trichinae in pigs. Not a single pig was infected with trichinae.

NPPC and virtually every other U.S. food and agriculture group support the addition of Japan to the TPP negotiations. NPPC urges the Obama Administration and Congress to make this a reality should Japan request to become part of the TPP.

Thailand

Although Thailand has relatively high per capita consumption of pork, it imports only a small amount of pork from the United States because of a variety of import restrictions. In the absence of current import barriers, Thailand could be a very good market for U.S. pork exports.

Thailand imposes an import inspection fee of 5 Baht per kilogram, currently equal to about $166 per MT, on pork imports. Thailand argues that this fee is needed to cover the cost of health inspections for imported pork, but the fee is far in excess of the cost of any legitimate inspection costs. Domestically produced pork in Thailand is assessed an inspection fee of only $15 MT. Thailand needs to reduce the import fee on pork imports, which contravenes WTO rules, to a level no more than the fee currently applied to domestically produced pork. Additionally Thailand's Department of Livestock and Development rarely, if ever, grants import licenses for U.S. pork, other than cooked pork. The policy has been in place for a number of years, but the Thai Government never has provided a justification for this arbitrary import permit refusal. Indeed, there is no justification for this practice, which violates WTO rules.

Thailand also has a ban on imports of pork produced with ractopamine despite the fact that its Ministry of Health has approved ractopamine for domestic use. Ractopamine is a feed ingredient that is used to improve efficiency in pork production in the United States and in other pork-producing countries. In 1999, it was approved and recognized as safe by the U.S. Food and Drug Administration and has been proved safe in several scientific safety reviews by the Joint FAO/WHO Expert Committee on Food Additives (JECFA)—the independent international scientific advisory committee to the Codex Alimentarius Commission. At least 26 countries now recognize the safety of ractopamine in pork production. In fact, some countries such as Japan, which is the number one importer of U.S. pork, have already adopted the JECFA safety tolerance for imported pork.

WTO Doha Round

NPPC remains hopeful that the WTO Doha Round negotiations, which have been going on for nearly 10 years, can be resumed. For NPPC, a successful Doha Round agreement would include improved market access for U.S. pork in developed and developing countries—particularly Japan, the EU and the Philippines—and the elimination of the European Union's trade-distorting export subsidies for pork. The average global tariff on pork is a staggering 77 percent.

Ractopamine

As noted above, ractopamine is an FDA-approved feed ingredient that is used to improve efficiency in pork production in the United States and in at least 25 other pork-producing countries, including several Asian nations.

Despite the product being deemed safe by FDA, 25 other national authorities and the JECFA, several countries, including China, the European Union, Singapore, Taiwan and Thailand, have banned imports of pork produced using ractopamine without any scientific justification.

The feed additive has been up for final adoption the past 3 years by the Codex Alimentarius Commission, which establishes international food standards, guidelines and codes of practice for the trade of safe food. At its last meeting in July 2010, the commission determined that a "draft" maximum residue level (MRL) for ractopamine, the same standard that has been up for adoption the past 3 years, met human safety standards. However, because of unscientific concerns raised by several Codex members, the adoption of the ractopamine MRL has been delayed, causing further market disruptions for U.S. pork producers. NPPC is concerned that the commission has become politicized and that decisions are not being based on science. NPPC strongly urges the Codex Alimentarius Commission to adopt without further delay the MRLs for ractopamine at its next meeting in July 2011.

Legislation and Regulation

As NPPC recently testified before the Committee on Agriculture's Livestock, Dairy, and Poultry Subcommittee, while exports have been, and with new FTAs will continue to be, a boon for the U.S. pork industry, they will do little good if domestic policies hamper producers' ability to operate.

NPPC restates its strong opposition to the U.S. Department of Agriculture's proposed regulation on the buying and selling of livestock and poultry—the GIPSA rule. Congress in the 2008 Farm Bill asked USDA to address five specific issues related to production contracts. But USDA's proposed rule goes well beyond those issues and includes provisions considered and clearly rejected by Congress. If implemented as currently drafted, the GIPSA rule would have a devastating impact on livestock producers. According to an analysis of the rule conducted by Informa Economics, it would cost the U.S. pork industry nearly $400 million annually. Industry analysis of the regulation concluded that it likely will have a chilling effect on innovation and flexibility, will create legal uncertainty that will drive costs higher and cause an increase in vertical integration in the livestock sector, driving producers out of the business and possibly affecting meat supplies. All of those effects will harm the U.S. pork industry's international competitiveness, costing U.S. on-farm and pork processing jobs as well as negatively affecting the U.S. balance of trade.

NPPC continues to urge USDA to scrap the current GIPSA rule and to write a regulation that sticks to the five mandates it was given by Congress in the 2008 Farm Bill. It wants USDA to conduct a cost-benefit analysis—open to public comment—before any rule is finalized. It also requests Congress to conduct oversight hearings on the origins of the rule, the legal and economic analyses used to develop it and the rule's impact on small businesses.

Conclusion

The U.S. pork industry is the lowest-cost producer and number one exporter of pork in the world, and U.S. pork producers continue to produce the most abundant, safest, most nutritious pork in the world. They have proved very resilient, most recently weathering financial crises in 1998–1999 and 2008–2009 as well as the vagaries of a free market economy, all while investing in and adopting new technologies that have promoted animal health, protected the environment and added thousands of jobs and billions in national income to the American economy.

To continue as leaders in the global and domestic economies, the U.S. pork industry needs free and fair trade and domestic policies that support America's pork producers.

ATTACHMENTS

February 14, 2011

Hon. BARACK OBAMA,
President of the United States,
The White House,
Washington, D.C.

Dear Mr. President:

Many of the undersigned food and agriculture organizations first declared their support for the Colombia and Panama free trade agreements (FTAs) in 2007. Four years of trade benefits for U.S. farmers, ranchers and food processors have now been forfeited by our inaction on these agreements, and competitor countries have taken advantage of this lapse to grab U.S. market shares. It is time to bring this situation to an end.

We greatly appreciate Ambassador Kirk's recent statement to Congress that the Administration is committed to intensifying negotiations with Colombia and Panama and to resolving the issues that have prevented you from submitting the implementing legislation to Congress. We urge you to direct U.S. negotiators to move forward with these efforts as quickly as possible.

Colombia and Panama each have undertaken important changes in policies to correct problems identified by Members of Congress. There is little debate that those governments have worked hard to address U.S. concerns. We believe that a strong and mutually beneficial relationship between our respective nations may well advance legitimate U.S. objectives in these areas more than continuing to withhold approval of the FTAs. At some point, the current approach could cause us to lose not only the trade agreements but the friendships of those important regional allies.

As you know, each agreement will provide important new market access benefits to U.S. food and agricultural exports that will in turn create U.S. jobs and strengthen rural economies. Many U.S. food and agricultural products will become eligible for duty-free treatment in those countries immediately upon entry into force of the agreements, and virtually all will receive duty-free treatment over specified phase-in periods.

According to the American Farm Bureau Federation, the U.S.-Colombia FTA would result in U.S. agricultural export gains of more than $815 million per year at full implementation, and the Panama FTA would add another $195 million. This extra $1 billion in exports would generate 6,000–8,000 new jobs here at home. But we are already several years behind in implementing the agreements, and those jobs are going elsewhere.

Colombia is on the verge of implementing FTAs with Canada and the European Union, and other major agricultural exporting countries, such as Argentina and Brazil, already have preferential access to that market. Our share of that market in wheat, feed grains and other products is certain to plummet unless we act promptly to correct these inequities. According to USDA, the U.S. share of Colombia's total agricultural imports has already fallen from almost 44 percent in 2007 to 27 percent in 2009.

Mr. President, implementation of these agreements, along with the Korea FTA, will significantly advance your effort to double U.S. exports over 5 years. On the other hand, because these countries are negotiating agreements with some of our main competitors, the failure to implement the agreements will be a real set-back to that objective. Once again, we urge you to move forward rapidly to finalize the FTAs and submit the implementing bills as soon as possible.

Sincerely,

American Farm Bureau Federation;
American Feed Industry Association;
American Frozen Food Institute;
American Meat Institute;
American Peanut Product Manufacturers, Inc.;
American Seed Trade Association;
American Soybean Association;
Animal Health Institute;
Blue Diamond Growers;
California Table Grape Commission;
Commodity Markets Council;
Corn Refiners Association;
Distilled Spirits Council of the United States;
Grocery Manufacturers Association;
Idaho Barley Commission;
International Dairy Foods Association;
National Association of State Departments of Agriculture;
National Association of Wheat Growers;
National Barley Growers Association;
National Cattlemen's Beef Association;
National Chicken Council;
National Confectioners Association;
National Corn Growers Association;
National Council of Farmer Cooperatives;
National Grain and Feed Association;
National Meat Association;
National Milk Producers Federation;
National Oilseed Processors Association;
National Pork Producers Council;
National Potato Council;
National Renderers Association;
National Sorghum Producers;
National Sunflower Association;
National Turkey Federation;
North American Equipment Dealers Association;
North American Export Grain Association;
Northwest Horticultural Council;
Produce Marketing Association;
Sweetener Users Association;
U.S. Apple Association;
U.S. Canola Association;
U.S. Dairy Export Council;
U.S. Livestock Genetics Export, Inc.;
U.S. Wheat Associates;
United Egg Association;
United Egg Producers;
USA Dry Pea & Lentil Council;
USA Poultry & Egg Export Council;
USA Rice Federation;
Western Growers Association.

CC:

Hon. RON KIRK, *U.S. Trade Representative;*
Hon. TOM VILSACK, *U.S. Secretary of Agriculture.*

January 24, 2011

Hon. JOHN BOEHNER,
Speaker,
U.S. House of Representatives,

Hon. HARRY REID,
Majority Leader
U.S. Senate,

Washington, D.C.;

Hon. NANCY PELOSI,
Democratic Leader,
U.S. House of Representatives,
Washington, D.C.;

Washington, D.C.;

Hon. MITCH MCCONNELL,
Republican Leader,
U.S. Senate,
Washington, D.C.

Dear Speaker Boehner and Leaders Reid, Pelosi and McConnell:

The undersigned food and agricultural groups and companies, representing nearly all sectors of the agricultural economy, applaud the recent agreement between the United States and the Republic of Korea on issues that have delayed approval by Congress of the Korea-U.S. Free Trade Agreement (KORUS FTA). We strongly support this agreement and urge that it be approved at the earliest possible opportunity.

Below we offer a number of compelling reasons for supporting the KORUS FTA. But the simple heart of the matter is that the agreement is overwhelmingly good for American agriculture and presents no risks. It will create significant new and expanded market opportunities for U.S. exports but will not result in any appreciable increase in agricultural imports.

Risks for U.S. agriculture—and they are extremely serious—arise if the KORUS FTA is not implemented. If this agreement is rejected, we stand to relinquish our export sales to countries that have implemented their own FTAs with Korea.

This is not a trivial concern. There are 13 such agreements in place or in the works involving some 50 nations around the world. They include some major agricultural producing and exporting countries: Chile, Australia, New Zealand, Canada, the 27-nation European Union, Mexico, MERCOSUR (Argentina, Brazil, Paraguay and Uruguay), Peru and the ASEAN bloc. In fact, South Korea's FTA with the European Union is set to enter into force on July 1, 2011. This, coupled with the failure to implement the KORUS FTA, will put U.S. food and agriculture products at a severe disadvantage with respect to competition from the European Union in the Korean market.

Imagine, for example, Korea's current 25 percent tariff remaining in place on U.S. pork but eliminated for pork from the European Union. Our standing as the top global pork exporter would count for nothing. Iowa State economist Dermot Hayes has calculated that we would be completely out of the Korean market in 10 years. The same predicament would face a wide range of U.S. agricultural exports.

Another example of a U.S. agricultural product losing out on an important export market is corn starch. The European Union secured a highly advantageous deal for its starch exports. In some cases, European starches received approximately four times the market access that U.S. starches did. Moreover, tariffs on European starch products are eliminated more rapidly than tariffs on U.S. corn starch exports. If Congress fails to ratify the agreement in a timely manner, the U.S. corn refining industry will be placed at a significant competitive disadvantage relative to its European competitors.

With the KORUS FTA, on the other hand, existing import barriers will be removed *immediately* for nearly $3 billion of U.S. food and agricultural products. These exports represent more than 60 percent of our sales and include wheat, feed corn, soybeans, hides and skins, cotton and a large number of high-value agricultural products, including almonds, pistachios, wine, raisins, grape juice, orange juice, fresh cherries, cranberries, frozen French fries, frozen orange juice concentrate, Bourbon, Tennessee Whiskey and pet food.

In just 2 years, many other products will be tariff-free, including avocados, lemons, dried prunes and sunflower seeds. In 5 years, more products will gain free access, including food preparations, chocolate and chocolate confectionary, sweet corn, sauces and preparations, alfalfa and other forages, breads and pastry, grapefruit and dried mushrooms.

Still other important U.S. farm products will benefit from new or expanded tariff rate quotas. These include skim and whole milk powder, whey for food use, cheese, starches, barley, popcorn and soybeans for food use. Market access improvements were also achieved for beef and pork products, eggs and egg products, pears and table grapes.

Put together, these access benefits mean greatly expanded exports to Korea. According to an analysis by the American Farm Bureau Federation, the KORUS FTA would result in $1.8 billion in additional sales to Korea, a 46 percent increase over existing sales. This analysis appears very conservative according to Dr. Hayes of Iowa State and the American Meat Institute, who forecast increased U.S. beef, pork and poultry exports alone to be more than $2.1 billion.

These new exports would create thousands of new jobs on the farm and in rural communities and throughout the economy. They would expand our share of trade in a growing economy with the 15th highest GDP in the world. For 3 years, these important benefits have been forfeited while the implementing legislation has been on hold.

We can either lose jobs as our market share declines in Korea, or we can create new jobs by expanding exports to that market. We urge Congress to choose the latter. In addition, we urge Congress to work with the Obama Administration so that the Colombia and Panama trade agreements also may soon be sent to Congress for approval. These agreements, like the KORUS, will generate additional agricultural exports and create new jobs.

Sincerely,

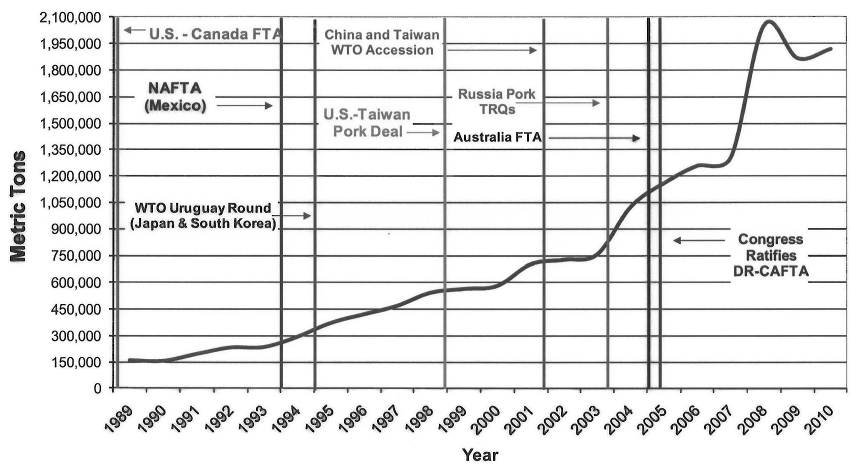
Agri Beef Co.;
American Farm Bureau Federation;
American Feed Industry Association;
American Frozen Food Institute;
American Meat Institute;
American Peanut Product Manufacturers, Inc.;
American Soybean Association;
California Dried Plum Board;
California Fig Advisory Board;
California Strawberry Commission;
California Table Grape Commission;
California Walnut Commission;
Cargill;
Commodity Markets Council;
ConAgra Foods, Inc.;
Corn Refiners Association;
Distilled Spirits Council of the United States;
Grocery Manufacturers Association;
Hormel Foods;
International Dairy Foods Association;
JBS USA;
National Association of State Departments of Agriculture;
National Association of Wheat Growers;
National Barley Growers Association;
National Cattlemen's Beef Association;
National Chicken Council;
National Confectioners Association;
National Corn Growers Association;
National Council of Farmer Cooperatives;
National Grain and Feed Association;
National Grape Cooperative Association Inc.;
National Meat Association;
National Milk Producers Federation;
National Oilseed Processors Association;
National Pork Producers Council;
National Potato Council;
National Renderers Association;
National Sorghum Producers;
National Turkey Federation;
North American Equipment Dealers Association;
Northwest Horticultural Council;
Ocean Spray Cranberries, Inc.;
Pet Food Institute;
Produce Marketing Association;
Seaboard Foods;
Smithfield Foods;
Sunmaid Growers of California;
Sunsweet Growers Inc.;
Sweetener Users Association;
Tyson Foods, Inc.;
U.S. Canola Association;
U.S. Dairy Export Council;
U.S. Premium Beef;
United Egg Association;
United Egg Producers;

United States Dry Bean Council;
USA Dry Pea & Lentil Council;
USA Poultry & Egg Export Council;
Valley Fig Growers;
Welch Foods Inc., A Cooperative;
Western Growers Association;

CC:

Members of the U.S. House of Representatives,
Members of the U.S. Senate.

U.S. Pork Exports



U.S. Agriculture Wants Congress To Say 'Yes' To U.S. Exports And U.S. Jobs

Colombia Trade Promotion Agreement – will generate an additional $815 million in U.S. agricultural exports annually and create more than 6,800 new U.S. jobs.

Panama Trade Promotion Agreement – will generate an additional $195 million in U.S. agricultural exports annually and create more than 1,600 new U.S. jobs.

U.S.-Republic of Korea Free Trade Agreement – will generate an additional $1.9 billion in U.S. agricultural exports annually and create nearly 16,000 new U.S. jobs.

Passing the free trade agreements with Colombia, Panama and South Korea will level the playing field for American farmers and ranchers, allowing their products to enter those countries free of the tariffs that currently make U.S. goods more expensive than products from other countries.

And passing the free trade agreements with Colombia, Panama and South Korea will expand U.S. exports and generate thousands of U.S. jobs.

Agricultural Coalition For Trade

"We Export Products, Not Jobs"

Pass Free Trade Agreements With Colombia, Panama And South Korea Now

Mr. CONAWAY. Mr. Carney, thank you very much. Roger Johnson from the National Farmers Union. Mr. Johnson for 5 minutes.

STATEMENT OF ROGER JOHNSON, PRESIDENT, NATIONAL FARMERS UNION, WASHINGTON, D.C.

Mr. Roger JOHNSON. Mr. Chairman, Members of the Committee, thank you for the opportunity to testify. At our recent convention in Texas, our National Farmers Union delegates voted to oppose the three pending free trade agreements before you today because they will force thousands of Americans out of their jobs and worsen America's overall trade deficit.

We take a very holistic approach to trade. While recognizing that there are agricultural advantages posed by these agreements, we know that there are disadvantages in other areas. There are many reasons for entering into trade agreements: market access, economics, diplomatic purposes, building democracies. Free trade agreements are often promoted by claiming new markets and new jobs, but trade deficits and lost jobs are the much more common result.

If a trade agreement is desired to help stabilize a country and bring about better democracy in that country, the agreement should be sold on those merits, instead of misleading claims about more markets and more U.S. jobs.

U.S. agriculture has a history of generating significant agricultural trade surplus, as shown in *Figure 1* of my testimony. On the other hand, the U.S. economy as a whole has a history of generating significant trade deficits as shown in *Figure 2* of my testimony. U.S. agriculture has actually done worse after trade agreements than prior to the agreements. *Figure 3* shows net agricultural trade with countries that have entered into trade agreements with the U.S. Contrast that with the ag trade surplus in *Figure 1* for the rest of the world.

Following the 1988 Canada-U.S. Free Trade Agreement, American imports of Canada's six major grains and oilseeds increased substantially. Consequently, my organization strongly opposed NAFTA. We feared that our experience with Mexico might be similar to what we had experienced with Canada: 680,000 U.S. jobs were lost since NAFTA took effect. One year before NAFTA was implemented, the U.S. had a $1.6 billion trade surplus with Mexico that supported nearly 30,000 U.S. jobs.

Per *Figure 4,* post-NAFTA exports did increase, but imports increased much faster, leading to a large trade deficit. NAFTA was sold as providing new market access to farmers. Then Mexico devalued their peso, and those benefits turned to losses. The ITC estimates that U.S. beef exports to South Korea could increase by about $1 billion under the FTA, but will they?

During NAFTA debates, USDA predicted increases in U.S. exports of beef to Mexico. History shows large losses occurred instead. It seems foolish to think that these free trade agreements will be much different. They are based on the same model. We need a new model, and that new model, we believe, should be based on the TRADE Act, which, among other things, would address environmental, health, and labor standards, deal with currency manipulation, increase inspections on imported food and mandate trade pact reviews to determine whether the promises made materialize.

So how do these three agreements before you today stack up against those benchmarks? Korea, certainly there are benefits to agriculture, especially meat. More important perhaps is solidifying an already strong alliance with South Korea as a vital ally of the U.S. However, South Korea has a history as a currency manipulator, and this agreement does not address currency manipulation. So any benefits for added market access could well be negated. We worry that we may repeat the NAFTA experience.

The ITC predicts the Korea agreement will increase the overall U.S. goods trade deficit by $300 to $400 million and cost us 159,000 jobs. And historically the ITC projections have been overly optimistic.

Colombia, this agreement would likely increase market access. It is a part of Colombia's overall development strategy. It would most likely promote economic growth and stability. However, as this Committee has heard earlier today, Colombia has some of the lowest labor standards in the world, and our members are concerned about those. Violence against labor is widespread in Colombia. It is the most dangerous place in the world to be a trade unionist, and the agreement so far that it has been structured is not proven. We would like to see some action before the agreement is adopted.

Panama is a tax haven. Only recently has Panama begun to address the tax avoidance practices, and we have no experience to find out whether they are going to be effective. In fact, the OECD has called for more time to review the effectiveness of their new policies. National Farmers Union supports trade, fair, mutually beneficial trade that seeks to increase human welfare and respects sovereign nation's need for food and national security. Thank you.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF ROGER JOHNSON, PRESIDENT, NATIONAL FARMERS UNION, WASHINGTON, D.C.

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).

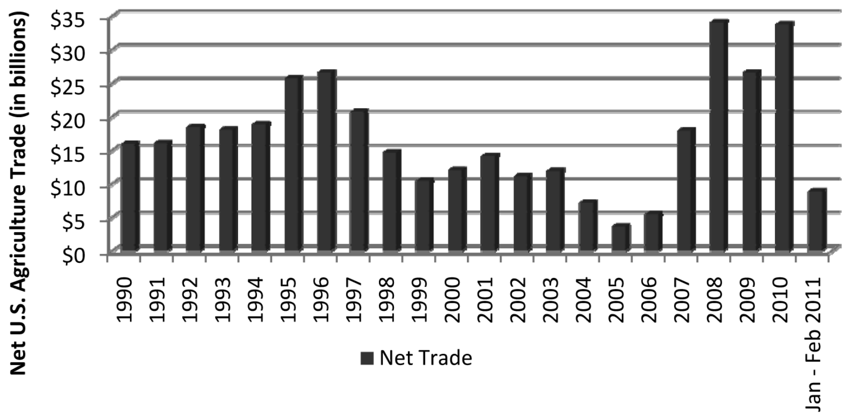
NFU was founded in 1902. We are one of the largest general farm organizations in the United States and have members in all 50 states, with organized divisions in 32 states. I stand here today in opposition to the three pending free trade agreements (FTAs) before the United States Congress on behalf of 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.

Net U.S. Agricultural Trade with the World

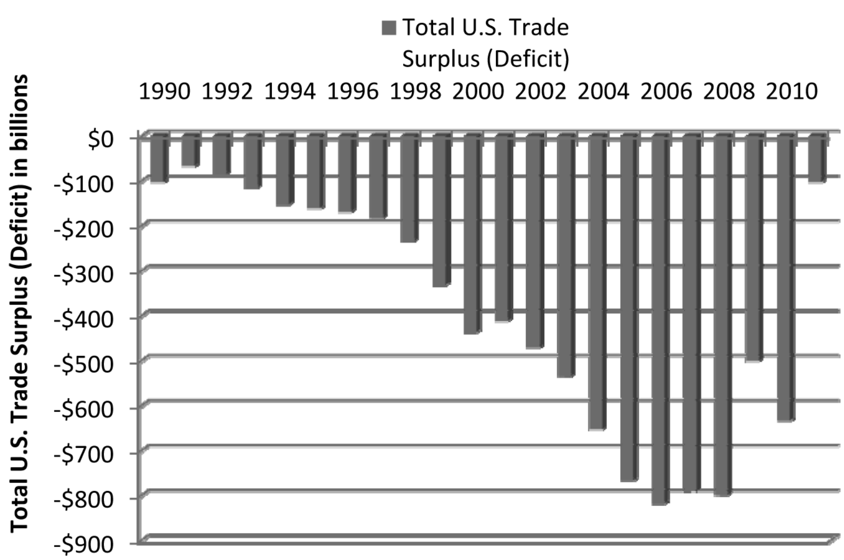


Source: U.S. Department of Agriculture Foreign Agriculture Service.

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

Total U.S. Trade Surplus (Deficit)

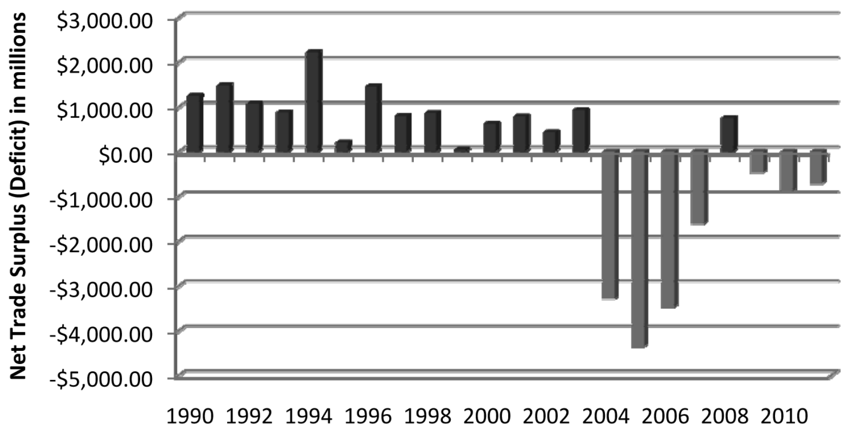


Source: U.S. International Trade Commission (ITC).

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* shows when the United States entered into agreements with each of the 17 countries with which it has an FTA.

Figure 3

Net Agriculture Trade with Countries That Have FTAs with the U.S.



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, *f* the rate of growth of Canadian exports to the U.S. grew faster than any of the other top ten 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?

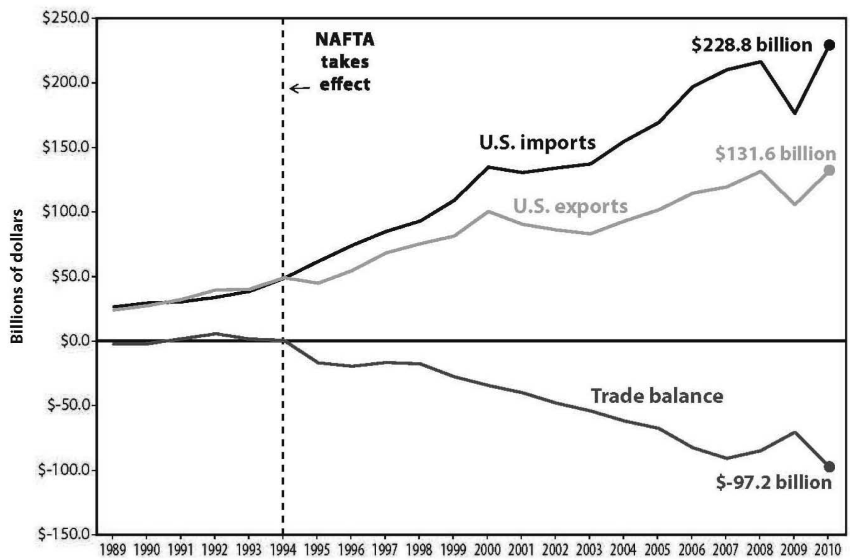
A recently released Economic Policy Institute study shows that 682,900 U.S. jobs have been lost or displaced since NAFTA took effect in 1994.

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

U.S.-Mexico Trade Before and After NAFTA, 1989–2010



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]

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]

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[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.*

[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.

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 3 years after NAFTA was implemented compared to the 3 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 ten 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 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]

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[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,Cannd".

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

[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*.

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]

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.

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

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

[11] U.S. Department of State. Retrieved from *http://fpc.state.gov/documents/organization/161348.pdf*.

[12] "Statement by the President Announcing the U.S.-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%204%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.

[17] U.S. International Trade Commission. (September, 2007) "U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects." USITC Publication 3949. Cor-

Continued

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 narco-trafficking. 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.

Specific benefits of the FTA for agriculture include phase out of tariffs over a period ranging from 3 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 cat-

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rected 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*.

[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*.

egories. 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 ⅓ of a firm's workers. The law encourages employers to use this statute as a means to reduce union membership below the ⅓ threshold.[25] This is certainly not in line with the ILO agreements, that state terms of employment should be negotiated under collective agreement, and 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]

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[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*.

[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*.

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 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 ten 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 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]

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[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,EcuadoryPeru disponibles.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.*

[40] U.S. Central Intelligence Agency, "The World Factbook." Retrieved from *https://www.cia.gov/library/publications/the-world-factbook/geos/pm.html.*

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 Organisation for Economic Cooperation 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.

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

[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*.

[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*.

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.

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 2 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.

APPENDIX 1

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.

[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.*

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

- 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

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 7 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;

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.

Mr. CONAWAY. Thank you, Mr. Johnson. Mr. Stallman from American Farm Bureau Federation, 5 minutes.

STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION; RICE AND CATTLE PRODUCER, COLUMBUS, TX

Mr. STALLMAN. Mr. Chairman, Members of the Committee, my name is Bob Stallman, and I am President of the American Farm Bureau Federation and a rice and cattle producer from Columbus, Texas. I appreciate the invitation to share Farm Bureau's views on the three pending free trade agreements and their benefits for U.S. agriculture.

Farm Bureau is the nation's largest general farm organization with more than 600 million member families representing producers of nearly every commodity grown or raised commercially in all 50 states and Puerto Rico.

The American Farm Bureau Federation supports passage of the Korea, Colombia, and Panama Free Trade Agreements with the United States. Combined, these agreements represent almost $2.5 billion in additional trade for U.S. agricultural producers, but that is only if they are implemented.

The U.S. is facing a proliferation of FTAs that increase the export potential of our competitors while putting U.S. agriculture at a disadvantage. Due to the Administration and Congress's inaction on these agreements, the debate is no longer simply about generating potential export gains but about how to prevent the loss of existing export markets. These trade agreements are not only important to the bottom line of America's farmers and ranchers, but also the economic health of our rural communities and the overall U.S. economy. The USDA estimates that every billion dollars in agricultural exports supports 9,000 U.S. jobs. There is a long supply chain made up of American workers who get products from the farm gate to our foreign consumers.

A decline in our exports means a decline in work for those that are part of that supply chain. Given the state of our economy, we must do whatever we can to assure we are creating opportunities for work and not taking them away.

The U.S.-Korea Free Trade Agreement, or KORUS, provides a significant opportunity for the U.S. agriculture sector. When the agreement is fully implemented, we estimate export gains to exceed $1.9 billion annually. Korea has completed an agreement with the European Union, which is expected to be implemented by July of 2011. The Korea-EU FTA in 5 years will eliminate 94 percent of Korea's tariffs. In contrast, the KORUS would eliminate 94.5 percent of Korea's tariffs in 3 years of implementation.

We know that the Korea-EU agreement will enter into effect before KORUS. If we further delay passage, European exporters will gain a significant competitive advantage over the United States in the Korean market.

Loss of market share in Korea because of U.S. competitors preferential access has become a reality for some segments of U.S. agriculture. Wine consumption has been increasing in Korea. During the 2000–2009 period, Chilean market share, by value, rose from 2.4 percent to 21.5 percent while the U.S. share fell from 17.1 percent to 10.8 percent. This is believed to be the direct result of the 15 percent import duty eliminated on Chilean wine under the Korea-Chile Free Trade Agreement implemented in 2004.

The Colombia Trade Promotion Agreement eliminates Colombian tariffs on U.S. agricultural products, correcting the current imbalance in agricultural trade between our countries, created in part by Congressional passage and extension of the Andean Trade Preference Act. Recent analysis of the agreement suggests gains in exports in this agreement of $370 million. This is significantly less than the $815 million that we estimated just a few years ago. And this adjustment is due in large part to the delay in passing the Colombia agreement, thus allowing our competitors to move in and displace U.S. agricultural products.

Our competitors such as Brazil, Argentina, Uruguay, and Paraguay have passed agreements with Colombia granting preferential access to this growing market at the expense of U.S. exporters. Colombia continues to negotiate and sign free trade agreements with additional U.S. competitors such as the EU and Canada.

Overall, we have seen not only the value of our exports decline, but also a U.S. market share decline. We have seen almost a billion dollar loss in exports to the country since 2008 and a drop in market share from 46 percent to 21 percent. In other words, the United States has already blown a major trade opportunity and will need to work hard to ever return to our earlier status.

In April, I lead a Farm Bureau delegation to Colombia and Panama to see firsthand what the potential of the market holds for U.S. agriculture, and there is a demand. We consistently heard from the Colombians that they want to purchase U.S. products because of the high quality, but they are buying from Brazil and Argentina because the price is better, given that they face little to no tariff on their products due to the MERCOSUR Agreement. Passage of the U.S.-Colombia agreement will put us back in the game.

Under the Panama agreement, we estimate increased exports of U.S. ag exports to exceed $45 million. Panama has completed a trade agreement with Canada. If this agreement enters into effect before the U.S. agreement, Canadian exporters will gain a significant competitive advantage over the United States.

Mr. Chairman, just to restate, these agreements contain significant export gains for U.S. agriculture that will only be realized by passage and implementation. Conversely inaction has proven to result in loss of market share and forfeiture of economic growth here. We need to pass these agreements, and Farm Bureau supports passage of all three. Thank you for the opportunity to share our views.

[The prepared statement of Mr. Stallman follows:]

PREPARED STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION; RICE AND CATTLE PRODUCER, COLUMBUS, TX

My name is Bob Stallman. I am President of the American Farm Bureau Federation (AFBF) and a rice and cattle producer from Columbus, Texas. I appreciate the invitation to share Farm Bureau's views on the three pending free trade agreements (FTA) and their benefits for U.S. agriculture. Farm Bureau is the nation's largest general farm organization, with more than six million member families, representing producers of nearly every commodity grown or raised commercially in all 50 states and Puerto Rico.

The American Farm Bureau Federation supports passage of the Korea, Colombia and Panama trade agreements with the United States. Below is a detailed description of each agreement. Combined, these agreements represent almost $2.5 billion in additional trade for U.S. agricultural producers, but that is only if they are implemented. The U.S. is facing a proliferation of FTAs increasing the export potential of our competitors, while putting U.S. agriculture at a disadvantage. Due to the Administration and Congress' inaction on these agreements, the debate is no longer about generating potential export gains but about how to prevent the loss of existing export markets.

These trade agreements are not only important to the bottom line of America's farmers and ranchers, but also to the economic health of our rural communities and the overall U.S. economy. The Agriculture Department estimates that every $1 billion in agricultural exports supports 9,000 U.S. jobs. There is a long supply chain made up of American workers who get products from the farm gate to our foreign consumers. They are transportation workers, processors, packers, longshoreman, sales and marketing employees and administrative and clerical staff. A decline in our exports means a decline in work for those who are a part of that supply chain. Given the state of our economy, we must do whatever we can to assure we are creating opportunities for work, not taking them away.

U.S.-Korea Free Trade Agreement (KORUS)

KORUS provides a significant opportunity for the U.S. agriculture sector. When the agreement is fully implemented, increased exports of the major grain, oilseed, fiber, fruit, vegetable and livestock products are likely to exceed $1.9 billion annually. KORUS allows the United States to become a competitive supplier of agricultural products to South Korea by providing duty-free and reduced tariff access. Agricultural tariff rates in South Korea range from just over one percent to nearly 500 percent, depending on the commodity. Eliminating these tariff rates through KORUS would be extremely beneficial to the United States' agricultural sector. The United States currently has less than ⅓ of the market share and faces considerable pressure from other suppliers. Lower tariff rates on U.S. products will make the

United States more competitive with the European Union, Australia, China, Japan and other agricultural suppliers to South Korea.

Benefits for U.S. Agriculture

Under KORUS, almost ⅔ of current U.S. agricultural exports to South Korea will become duty-free immediately. Items that receive immediate duty-free treatment include wheat, corn, soybeans for crushing, hides and skins, cotton and a broad range of high-value and processed products including almonds, pistachios, bourbon whisky, wine, raisins, grape juice, fresh cherries, frozen French fries and frozen orange juice concentrate.

KORUS will provide an opportunity for the United States to expand exports of grains, oilseeds, fiber, fruits, vegetables and livestock products. Unlike previous free trade agreements where trade gains have been focused in bulk agricultural commodities, the largest gains from KORUS are focused in the processed and semi-processed products. In addition to the usual products, livestock products, fish, fruits, vegetables and nuts all benefit substantially from the agreement. The table below shows the value of these increased exports.

Summary of KORUS Benefits to U.S. Agriculture

Agricultural Product	Current Imports from U.S.		Estimated Gains
	22006–2008 Avg	2009–2010 Avg	
	(Values in U.S. Dollars)		
Rice	44,056,800	78,818,200	−1,000,000
Wheat	433,854,000	343,148,400	30,000,000
Corn	1,493,024,100	1,501,800,300	−11,880,000
Other Grains	8,811,800	8,503,800	−120,000
Fruits, Vegetables and Nuts	372,601,800	429,645,000	133,000,000
Soybeans & Products	292,431,500	439,650,100	71,064,000
Other Oilseeds & Products	97,639,800	102,223,200	12,936,000
Cotton	123,756,800	122,167,100	14,000,000
Beef	97,042,000	353,556,200	563,000,000
Poultry	57,544,900	76,493,800	52,440,000
Pork	239,426,500	207,482,700	223,560,000
Other Livestock Products	457,839,200	430,943,000	49,000,000
Dairy	97,716,800	114,372,100	93,000,000
Processed Food and Fish Products	320,656,100	416,961,500	404,000,000
Other Agriculture	378,847,300	436,685,300	301,000,000
Total	**4,515,249,400**	**5,062,450,700**	**1,934,000,000**

Source: USDA ERS, American Farm Bureau Federation Economic Analysis.

Looking at some of the specific commodities of export interest to the United States, the agreement would put the United States in a strong position to capitalize on the following commodity opportunities in what will be a fast-growing market:

- Growing import demand for **livestock products** related to growth in population and per capita incomes, combined with limited domestic production potential, and a 2011 outbreak of foot-and-mouth disease will drive considerable expansion of U.S. exports. KORUS would allow the United States to use its cost advantages and its wide variety of beef, pork and poultry products to fill a growing share of this market. Prior to the agreement, all U.S. beef had been shut out of the Korean market. U.S. exports of beef to South Korea are rebounding dramatically since the market was reopened in 2006. In 2010 alone, U.S. beef exports to Korea increased more than 140 percent from the previous year to total $518 million in sales. Reduction of import tariffs will further boost the United States' efforts to re-gain supplier of choice status in this important market. The U.S. and Korean beef industries have agreed that the United States will export to the Korean market only beef less than 30 months of age. This is a worthy first step in allowing U.S. beef into the market and achieving consistency with the World Organization for Animal Health standards. While we urge the U.S. and Korean Governments to continue to discuss further opening of the market, Congress should move ahead and pass the trade agreement.
- Related to growing import demand for livestock products, indirect exports of **grains and oilseed products** are likely to be substantial. For U.S. corn and soybean producers, exports of meat products will have a large and important impact. The livestock products produced for export will be grown domestically utilizing domestic feed, thereby indirectly increasing exports of corn and soybeans. Indirect exports of corn as a result of KORUS are estimated to exceed $212 million per year. Indirect exports of soybeans are estimated to exceed $66 million per year. With no wheat and oilseed production capacity, South Korea's dependence on imports is likely to grow steadily. South Korea has already made

a transition to fed livestock (producing some livestock and importing the feedstuffs). The trade agreement puts the United States in a strong supplier position to compete on a level playing field with other trade partners.

- Gains in **fruit and vegetable** import demand are expected to be substantial. South Korea imports a wide variety of fruits, processed fruits and vegetables, and tree nuts. Exporters of oranges, cherries, grapes, processed potatoes, sweet corn, shelled walnuts and shelled almonds will benefit greatly. KORUS will put the United States in a position to capture the remaining market share.
- Gains in **other agricultural products and processed food and fish products** will also be substantial. The United States exports a broad range of farm products to South Korea. Other commodities or commodity groupings of importance include dairy products, snack foods, horticultural products, food ingredients and other animal products, such as hides. KORUS will allow the United States to capture a larger share of these expanding markets as well.

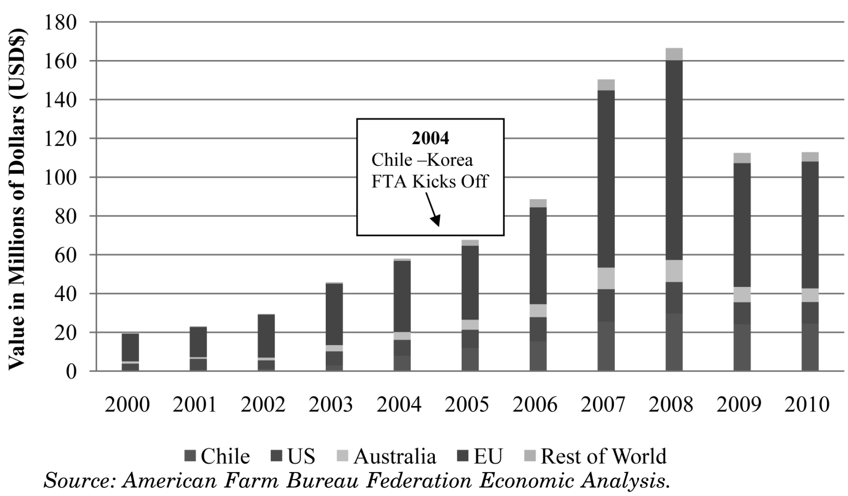
Lost Opportunities

Korea has completed an agreement with the European Union (EU), which is expected to be implemented by July 2011. The Korea-EU FTA will immediately eliminate 82 percent of Korea's tariffs; in 5 years, the agreement will eliminate 94 percent of Korea's tariffs. In contrast, KORUS will eliminate 94.5 percent of Korea's tariffs within 3 years of implementation; virtually all tariffs will be eliminated in 10 years. *If the Korea-EU FTA agreement enters into effect before KORUS, European exporters will gain a significant competitive advantage over the United States in the Korean market.*

Loss of market share in Korea because of U.S. competitors' preferential access has become a reality for some segments of U.S. agriculture. Korean wine imports were increasing sharply and peaked at about $167 million in 2008. During the 2000–2009 period, Chile's Korean market share (by value) rose from 2.4 percent to 21.7 percent, while the U.S. share fell from 17.1 percent to 9.8 percent. This is believed to be the direct result of the 15 percent import duty which was eliminated on Chilean wine under the Korea-Chile trade agreement implemented in April 2004. There is a real potential for the U.S. position to be further eroded if South Korea's FTA with the EU, which currently enjoys a market share in excess of 50 percent, enters into force before KORUS. In addition to the EU, other U.S. competitors—Australia, Canada and the members of MERCOSUR—are currently negotiating deals with Korea, any of which could further erode the U.S. competitive position.

South Korea Wine Imports

2000–2010



Source: American Farm Bureau Federation Economic Analysis.

U.S.-Colombia Trade Promotion Agreement (CTPA)

The CTPA eliminates Colombian tariffs on U.S. agricultural products, correcting the current imbalance in agricultural trade between our countries created in part by Congressional passage and extension of the Andean Trade Preference Act

(ATPA). It is important to understand that the CTPA allows the United States to become a competitive supplier of agricultural products to Colombia. The United States will be able to land product duty-free and compete with Colombia's Latin American trading partners who currently supply a large percent of the Colombian food and fiber market through preferential trade agreements. This also levels the playing field by providing U.S. products exported to Colombia the same duty-free access already enjoyed by Colombian products imported to the United States.

Colombia has one of the highest tariff structures in South America. This is the major impediment to market access in many sectors, including agriculture. Colombian import duties on agricultural and processed food products are currently high, and the average tariff rate is roughly 30 percent. Elimination of Colombia's duties in the agricultural sector would create new opportunities for American farmers and ranchers in this market, particularly relative to other suppliers that already have trade agreements with Colombia.

Benefits for U.S. Agriculture

Under the CTPA, more than 80 percent of current U.S. exports to Colombia will become duty-free immediately. Agricultural items that receive immediate duty-free treatment include high-quality beef, cotton, wheat, soybeans, soybean meal, apples, pears, peaches, cherries and some processed food products. In addition, the United States and Colombia have worked to resolve sanitary and phytosanitary (SPS) barriers to agricultural trade, including food safety inspection procedures for beef, pork and poultry.

Summary of CTPA Benefits to U.S. Agriculture

Agricultural Product	Current Imports from U.S.		Estimated Gains
	22006–2008 Avg	2009–2010 Avg	
	(Values in U.S. Dollars)		
Rice	584,900	13,193,500	28,600,000
Wheat	234,443,400	159,251,800	90,100,000
Corn	588,056,800	195,707,100	68,537,700
Other Grains	4,398,100	6,300,300	762,300
Fruits, Vegetables and Nuts	31,445,700	46,315,200	2,500,000
Soybeans & Products	320,609,300	199,432,900	62,969,400
Other Oilseeds & Products	21,518,800	26,176,900	7,230,600
Cotton	64,127,200	91,393,400	9,600,000
Beef	440,600	649,400	17,500,000
Poultry	14,840,000	21,518,900	12,670,000
Pork	8,534,500	12,372,500	5,430,000
Other Livestock Products	22,136,300	16,658,000	2,400,000
Dairy	8,340,400	5,001,700	2,300,000
Processed Food and Fish Products	50,001,200	98,131,900	55,900,000
Other Agriculture	134,230,700	143,761,500	4,100,000
Total	**1,503,707,900**	**1,035,865,000**	**370,600,000**

Source: USDA ERS, American Farm Bureau Federation Economic Analysis.

As shown in the table, our analysis of the agreement suggests CTPA-related gains in exports of $370 million.

Looking at some of the specific commodities of export interest to the United States, the agreement would put the United States in a strong position to capitalize on the following commodity opportunities in what will be a fast-growing market overall:

- Colombia's growth in imports of **grains and oilseed products,** related both to growing food demand for wheat and vegetable oils and to growing domestic livestock demand for feed grains and protein meals, is likely to be substantial. The trade agreement puts the United States in a strong supplier position to compete on a level playing field with other preferential trade partners.
- Gains in **cotton** imports are key, due to increased domestic demand for cotton and import demand from the U.S. for finished textiles and apparel. The CTPA would put the United States in a position to price competitively and boost market share.
- Gains in **other agricultural products** could also be substantial. The United States exports a diverse basket of farm products to Colombia. The commodities noted specifically above account for ⅔ of the United States total exports. Other commodities or commodity groupings of importance include fruits, vegetables, tallow and other processed products.

Lost Opportunities

In addition to detailing the potential gains to U.S. agriculture, a review of the CPTA would be incomplete without discussing the potential losses of continued inaction on the CPTA. In 2009, AFBF's Economic Analysis Department estimated that the increased total U.S. agricultural exports likely with the CTPA in place could exceed $815 million. AFBF models used at that time accurately reflected the potential gains from trade that would have been experienced given the agricultural trade situation of the 2005 to 2008 base period.

However, since that time, there have been several significant global economic changes affecting trade, including increased energy and agricultural commodity prices, a worldwide financial crisis, newly enacted SPS and technical barriers to trade (TBT) measures, and considerably shifted global trade patterns. These changes, and the continued inaction on the CTPA, led to continuing and considerable losses for U.S. agricultural exports to the Colombian market.

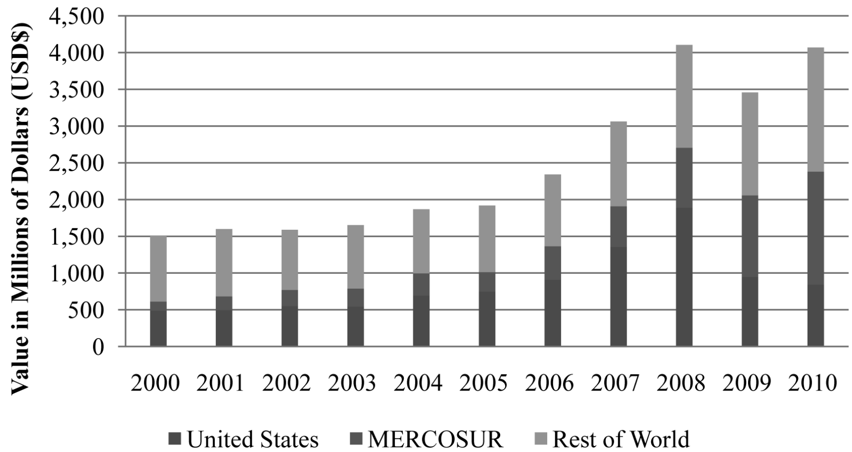
While passage of the CPTA has languished in the United States, our competitors such as Brazil, Argentina, Uruguay and Paraguay (MERCOSUR) have passed agreements with Colombia, granting preferential access to this growing market, at the expense of U.S. exporters. Colombia continues to negotiate and sign free trade agreements with additional U.S. competitors, such as the EU and Canada. This, combined with further implementation of the MERCOSUR agreement, will continue to erode the U.S. competitive position, likely closing the U.S. out of the Colombian market if the CPTA is not enacted. As a result, potential trade losses grow larger with each day the CPTA is not passed. This inaction could lead to U.S. agricultural export losses in excess of $1.1 billion annually. The annual losses for the United States are detailed in the table below.

Estimated Losses from Non-Passage of the Pending Colombia FTA United States

Agricultural Product	2006–2008 Average			2009–2010 Average			Potential U.S. Loss
	Imports from World	Imports from United States	U.S. Market Share	Imports from World	Imports from United States	U.S. Market Share	
	Million $U.S. Dollars						
Rice	43.9	0.6	1%	31.4	13.2	42%	**−10.1**
Wheat	417.5	234.4	56%	353.8	159.3	45%	**−166.4**
Corn	677.7	588.1	87%	729.8	195.7	27%	**−115.5**
Other Grains	115.7	4.4	4%	110.1	6.3	6%	**−1.3**
Fruits, Vegetables, and Nuts	246.9	31.4	13%	340.2	46.3	14%	−85.6
Soybeans & Products	629.1	320.6	51%	831.4	199.4	24%	**−98.4**
Other Oilseeds & Products	155.7	21.5	14%	240.3	26.2	11%	**−11.3**
Cotton	76.7	64.1	84%	94.8	91.4	96%	**−347.2**
Beef	7.3	0.4	6%	11.4	0.6	6%	**−0.4**
Poultry	21.4	14.8	69%	32.4	21.5	66%	**−14.5**
Pork	23.3	8.5	37%	31.9	12.4	39%	**−13.1**
Other Livestock Products	55.6	22.1	40%	60.1	16.7	28%	**−8.0**
Dairy	75.4	8.3	11%	73.0	5.0	7%	**−14.6**
Processed Food and Fish	281.0	50.0	18%	384.9	98.1	25%	**−207.7**
Other Ag	416.1	134.2	32%	486.4	143.8	30%	**−60.0**
Total	3,243.2	1,503.7	46%	3,812.0	1,035.9	27%	**−1,154.0**

Source: USDA ERS, American Farm Bureau Federation Economic Analysis.

Colombia Agricultural Imports
2000–2010



Source: American Farm Bureau Federation Economic Analysis.

U.S.-Panama Trade Promotion Agreement (PTPA)

The United States already has a very large share of the Panamanian agricultural market. In fact, averaged across all agricultural products, the United States already supplies 47 percent of Panamanian agricultural imports. For the commodities that the United States has the most interest in, the share is more than 80 percent. However, the agreement will prevent other countries, specifically other Latin American suppliers, from taking some of the current U.S. share of the Panamanian market. The agreement also levels the playing field by providing U.S. products exported to Panama with the same duty-free access already enjoyed by Panamanian products exported to the United States through the Caribbean Basin Initiative (CBI).

While Panama's agricultural sector is very small, there are some segments that are protected from imports. For the most part, Panama's tariffs on bulk and intermediate commodities are low. However, high-value and consumer-ready products, which tend to compete directly with local Panamanian producers, generally face higher tariffs. Agricultural tariff rates in Panama range from just three percent to nearly 160 percent, depending on the commodity. Eliminating, or even significantly reducing, these tariff rates through free trade agreement negotiations could be beneficial to the U.S. agricultural sector.

Benefits for U.S. Agriculture

Under the PTPA, more than half of current U.S. agricultural exports to Panama will become duty-free immediately. Items that receive immediate duty-free treatment include high-quality beef, mechanically de-boned chicken, frozen whole turkeys and turkey breast, pork variety meats, whey, soybeans and soybean meal, cotton, wheat, barley, most fresh fruits, almonds, walnuts and many processed products.

The PTPA will provide an opportunity for the U.S. to expand exports of grains, oilseeds, fiber and livestock products. The PTPA allows the United States to maintain its competitive supplier position for agricultural products to Panama. Passing the PTPA will put the United States in a position to take full advantage of Panama's expected economic growth when the Panama Canal's expansion is completed in 2014. While the PTPA does not guarantee the United States expanded exports, the United States will be able to land product duty-free, along with Panama's other regional suppliers. The increased total U.S. agricultural exports likely with a PTPA in place could exceed $45 million if other agricultural and processed products grow at the same pace.

Summary of PTPA Benefits to U.S. Agriculture

Agricultural Product	Current Imports from U.S.		Estimated Gains
	22006–2008 Avg	2009–2010 Avg	
	(Values in U.S. Dollars)		
Rice	22,947,500	25,326,600	13,810,300
Wheat	35,268,700	36,633,200	1,999,500
Corn	64,321,200	75,949,700	6,776,000
Other Grains	1,614,400	789,900	124,200
Fruits, Vegetables and Nuts	46,745,000	60,730,300	8,190,000
Soybeans & Products	52,418,100	66,164,300	5,100,000
Other Oilseeds & Products	12,001,400	14,613,300	893,000
Cotton	2,400	4,500	3,800
Beef	662,700	2,651,700	1,200,800
Poultry	13,290,800	18,662,100	2,035,300
Pork	5,550,900	9,334,200	1,301,200
Other Livestock Products	6,945,500	11,063,400	39,900
Dairy	16,814,600	19,236,900	737,600
Processed Food and Fish Products	60,153,100	88,478,300	3,497,200
Other Agriculture	19,829,300	23,482,700	0
Total	**358,565,600**	**453,121,100**	**45,708,800**

Source: USDA ERS, American Farm Bureau Federation Economic Analysis.

Lost Opportunities

In addition to detailing the potential gains to U.S. agriculture, a review of the PTPA would be incomplete without discussing the potential losses of continued inaction on the PTPA. In 2009, AFBF's Economic Analysis Department estimated that the increased total U.S. agricultural exports likely with the PTPA in place could exceed $195 million. AFBF models used at that time accurately reflected the potential gains from trade that would have been experienced given the agricultural trade situation of the 2005 to 2008 base period.

However, since that time, there have been several significant global economic changes affecting trade, including increased energy and agricultural commodity prices, a worldwide financial crisis, newly enacted SPS and TBT measures, and considerably shifted global trade patterns. These changes, and the continued inaction on the PTPA, led to continuing and considerable losses for U.S. agricultural exports to the Panamanian market.

While passage of the PTPA has languished in the United States, our competitors—Chile, Costa Rica, El Salvador and Honduras, among others—have secured agreements with Panama, granting preferential access to this growing market, at the expense of U.S. exporters. Additionally, Panama has completed trade agreement negotiations with Canada and the EU. If these agreements enter into effect before the U.S. agreement, the United States will lose an important competitive advantage in the market for products such as beef, frozen potato products, beans, lentils, pork, malt and other processed foods.

Mr. CONAWAY. Thank you, Mr. Stallman. Mr. Donald for 5 minutes.

STATEMENT OF BILL DONALD, PRESIDENT, NATIONAL CATTLEMEN'S BEEF ASSOCIATION, WASHINGTON, D.C.

Mr. DONALD. Good morning, Mr. Chairman and Members of the Committee. My name is Bill Donald, and I am President of the National Cattlemen's Beef Association. It is my pleasure to testify before your Committee to discuss the importance of the Korea, Colombia, and Panama Free Trade Agreements. I am a third-generation rancher from Melville, Montana, and I know how important access to foreign markets is for the beef industry.

With 96 percent of the world's consumers living outside the U.S., it is understandable that those of us in the beef industry are overwhelmingly supportive of these trade agreements. Fast-growing economies in Asia and South America represent an ever-growing consumer base that enjoys eating American beef. I appreciate the Administration's efforts to finalize these agreements, but time is ticking. And we need to begin implementation.

Time is of the essence because, as a cattle producer, I am competing with other cattlemen in the EU, Australia, Canada, Argentina, and Brazil. We are all courting the same consumer base, particularly in Asia and South America. These foreign governments are independently working to secure trade agreements and market access for their own cattle producers.

In Korea, the largest competitor to U.S. beef is Australian beef. In 2010, Australia had 53 percent of the Korean market compared to 32 percent for U.S. The Australian Government is currently negotiating a similar bilateral trade agreement with South Korea. And if they sign their agreement before the U.S. ratifies ours, then Australian producers will have a 2.67 percent tariff advantage over American beef producers for the next 15 years.

In October of last year, the EU and South Korean Government signed a free trade agreement that will likely take effect in July. Korea also recently announced they will reopen their markets to Canadian beef as early as next month. Our government's failure to implement these trade agreements sends the wrong message to major exporting markets including Russia and China.

Let me be clear. NCBA fully supports the immediate implementation of the Korean Free Trade Agreement. Korea is one of the largest markets for American beef. In 2010, the U.S. exported nearly $518 million worth of beef, which is 140 percent increase on sales over 2009. However, due to the 40 percent tariff on all cuts of U.S. beef, we paid over $200 million in tariffs.

The Korean trade agreement phases out the 40 percent tariff on beef imports and includes $15 million in tariff reductions the first year and $325 million annually once fully implemented. The U.S. International Trade Commission's report states that annual exports of U.S. beef could increase as much as $1.8 billion after full implementation.

Additionally NCBA supports the immediate passage of the Colombia trade agreement. Recently I sent a letter to President Obama urging him to work with Congress to pass and implement the revised agreement. Despite an 80 percent tariff Colombia currently has in place on U.S. beef imports, consumers purchased $759,000 worth of U.S. beef in 2010. This agreement eliminates that massive tariff. Cattlemen are also supportive of the Panama Free Trade Agreement. Currently American beef faces a 30 percent tariff on prime and choice cuts. This tariff would immediately be eliminated, and the duties on all other cuts would be phased out over the next 15 years.

We are pleased this agreement is ready for Congressional conclusion—consideration, excuse me. We can't talk enough about discussing trade without discussing non-tariff trade barriers. International trade must be based on sound science, not political science. Abiding by the internationally recognized science-based guidelines like those set by OIE promotes fair trade for the U.S. and developing countries. We are extremely supportive of the fact that both Colombia and the Panama agreements provide assurances for a stable export market through planned equivalency inspections and OIE guidelines related to BSE.

According to *CattleFax,* the U.S. beef industry lost nearly $22 billion in potential sales since 2003 due to BSE bans and restrictions that were not in compliance in OIE standards.

In closing, I want my sons and my grandchildren to be able to carry on the family business. The beef industry is not asking for a handout from Washington, but we are asking for the opportunity to compete for consumers in Korea, Colombia, and Panama. Exports have added $145 per head advantage, and these agreements will increase that number. Pass the trade agreements and enhance America's cattle producers' ability to do what we do best, produce the safest, most wholesome and affordable beef in the world. I look forward to answering any questions.

[The prepared statement of Mr. Donald follows:]

PREPARED STATEMENT OF BILL DONALD, PRESIDENT, NATIONAL CATTLEMEN'S BEEF ASSOCIATION, WASHINGTON, D.C.

Chairman Lucas, Ranking Member Peterson, and Members of the Committee thank you for giving me the opportunity to testify before your Committee today. The three pending trade agreements are a top priority for the beef industry and it's a privilege to be here representing my fellow cattlemen and women. I'm Bill Donald, President of the National Cattlemen's Beef Association (NCBA). I am a third generation rancher from Melville, Mont. Along with my family, I own and operate Cayuse Livestock Company, a cow/calf/yearling operation. My wife, our two sons and their families are actively involved with our operation, which is headquartered in the foothills of the Crazy Mountains in South Central Montana.

NCBA is the nation's oldest and largest national trade association for cattlemen and represents more than 140,000 cattle producers through direct membership and our state affiliates. NCBA is producer-directed and consumer-focused and represents all segments of the beef industry. Our top priority is to produce the safest, most nutritious and affordable beef products in the world. This has been consistent throughout our industry's history and in our long-term efforts to continually improve our knowledge and ability to produce beef products to meet consumer preferences.

With 96 percent of the world's consumers living outside of the United States, access to foreign markets for our beef and beef products is significantly important for our industry to grow. Exports are vitally important for the future success of U.S. beef producers and rural America. Future growth of the U.S. economy depends upon our ability to produce and sell products competitively in a global marketplace. Economic globalization is not simply a matter of ideological or political preference; it is a fundamental reality that will determine whether America remains an economic super-power or becomes a secondary economic force.

Fast-growing economies in Asia and South America expose a growing consumer base to U.S. beef, and as statistics show, they enjoy eating U.S. beef. The pending free trade agreements with Korea, Colombia and Panama give cattlemen like me and my sons the opportunity to compete on a level playing field with cattlemen around the world. We're all courting the same consumers internationally. I'm here to say today—please do not handicap us by delaying these agreements any longer. I want my sons and grandchildren to be able to carry on the family business. The beef industry is not asking for a handout from Washington but we are asking for the opportunity to compete for consumers in Korea, Colombia and Panama. These trade agreements would allow the beef industry to grow and create economic opportunities throughout rural America without costing taxpayers a dime.

NCBA continues to encourage Congress to expedite the technical discussions with President Obama and U.S. Trade Representative Ron Kirk, draft legislation and send the three pending agreements to Capitol Hill for swift consideration. I appreciate the recent efforts to finalize these agreements, but we cannot afford to wait any longer to implement them. Each day that goes by without implementing these agreements is another day we risk losing more American jobs by losing market share to other countries. Additionally the free trade agreements are an important factor to reach President Obama's goal of doubling exports. The progress made last week to move forward with technical discussions is definitely welcome, but I will not be satisfied until the ink is dry and the trade agreements are implemented. As a cattleman, I am only as good as my word. And quite frankly, I've heard a lot of bull when it comes to trade. Last May, a group of us from the agriculture industry came to Washington and heard lots of promises and talk about action on these trade agreements. But here we are one year later. The agreements still have not been implemented. It's time. Not 6 months from now. Right now.

Competing for Market Share

The European Union (EU), Australia, Canada, Argentina and Brazil are independently competing with the United States for access and market share of foreign markets. Further delay of these free trade agreements keeps outrageously high tariff rates in place that put American cattlemen at a competitive disadvantage. If other countries secure agreements that eliminate or reduce their tariff rates before we do, their beef will be sold at a lower cost than ours. This means we lose even more market share and consequentially will export more American jobs.

The U.S. beef industry's largest competitor is Australia. In 2010, Australia had 53 percent of Korean market share compared to 32 percent by U.S. If the Australians successfully ratify a similar bilateral trade agreement with South Korea before the United States, they will have a 2.67 percent tariff advantage over American beef for the next 15 years, allowing them to sell more of their product at a cheaper price. Additionally, South Korea and the EU signed a free trade agreement in October 2010 that will take effect this July. Recently, Korea announced they will re-open their market to Canadian beef as early as June 2011. Time is ticking—we can't continue to sit on the sidelines while other countries move forward and sign their trade agreements. Furthermore, other key Asian trading partners are closely watching the Korea-U.S. Free Trade Agreement (KORUS FTA) as this agreement will likely set the benchmark for American beef trade with Japan, China and Hong Kong.

Other countries are also competing with the United States for market share in Central and South America. Most recently, Canada and Mexico aggressively pursued free trade agreements with Colombia and have been successful in securing those agreements. Failure to implement the pending free trade agreements sends the wrong message to major export markets like China and Russia—markets with tremendous potential consumer demand but limited or non-existent access. That demand will be met, let us meet it with American beef. Pass the trade agreements and allow America's cattle producers to do what they do best—produce the safest, most wholesome and affordable beef in the world.

NCBA Supports Implementation of Korea-U.S. Free Trade Agreement (KORUS FTA)

NCBA fully supports immediate implementation of the KORUS FTA. Korea is one of the largest export markets for American beef. The United States exported nearly $518 million of beef in 2010, which is a 140 percent increase in sales over 2009. American beef exports to South Korea added $25 in value to each of the 26.7 million head of steers and heifers produced in the United States in 2010. Unfortunately, American beef faces a 40 percent tariff on all cuts, resulting in over $200 million in tariffs in 2010. NCBA strongly believes the 40 percent tariff is the greatest hindrance to U.S. beef exports to Korea.

Implementation of the KORUS FTA would phase out South Korea's 40 percent tariff on beef imports, with $15 million in tariff benefits for beef in the first year of the agreement alone and about $325 million in tariff reductions annually once fully implemented. According to U.S. International Trade Commission, annual exports of U.S. beef could increase as much as $1.8 billion once the agreement is fully implemented. Eliminating the 40 percent tariff will give more Korean consumers greater access to safe, wholesome U.S. beef at a more affordable price.

NCBA Supports Implementation of U.S.-Colombia Trade Promotion Agreement (CTPA)

NCBA supports immediate passage of the U.S.-Colombia Trade Promotion Agreement (CTPA). I recently sent a letter to President Obama urging him to work with Congress to pass and implement the revised agreement with Colombia. I am pleased that Ambassador Kirk has notified Congressional leaders of his intent to begin technical discussions, and I hope these discussions are completed as soon as possible.

Colombia is an important market for U.S. beef and beef variety meat exports. Unfortunately, Colombia places up to an 80 percent tariff on U.S. beef imports, making it one of the highest tariffs U.S. beef faces anywhere in the world. Once the CTPA is implemented, high quality U.S. beef will have duty-free access and the tariffs on all other beef and beef products will be reduced over the next 15 years. For the first time ever, the CTPA puts American beef on a competitive footing with beef imports from Brazil and Argentina. In 2010, the United States exported approximately $759,000 of beef and beef products to Colombia, a paltry sum considering the excessive duties. In addition to eliminating tariffs, CTPA addresses non-tariff barriers by providing assurances for a stable export market through plant inspection equivalency. It also fully reopens the Colombian market to U.S. beef by assuring that Colombia adheres to the World Organization for Animal Health (OIE) guidelines related to BSE.

NCBA Supports Implementation of Panama Free Trade Agreement

Another important lynch pin for U.S. beef trade is the Panama Free Trade Agreement. NCBA is pleased that all outstanding issues have been addressed and that the agreement is ready for further action by Congress. Like the CTPA, the Panama Free Trade Agreement provides assurances for a stable export market through plant inspection equivalency and Panama also modified its import requirements related to *bovine spongiform encephalopathy* (BSE) to be consistent with international standards. Additionally, the 30 percent tariff on prime and choice cuts would be immediately eliminated and the duties on all other cuts would be phased out over 15 years. Once the agreements with Panama and Colombia are put into place, the United States will ultimately have free trade for U.S. beef with approximately ⅔ of the population in the Western Hemisphere.

Abiding By Internationally-Recognized Science-Based Standards Insures Fair Trade

International trade must be based on sound science, not political science. Allowing U.S. beef producers to be subject to the whim of foreign governments who do not base their decisions on internationally recognized science-based standards creates a high level of market volatility. According to *CattleFax,* U.S. beef lost nearly $22 billion in potential sales through 2010 due to BSE bans/restrictions.

Abiding by internationally recognized science-based guidelines as those set by the OIE guidelines promotes fair trade for the U.S. and developing countries. Additionally, this creates less market volatility and encourages safer production practices. But if you question the need for abiding by internationally recognized science-based standards, take a look at what has happened to U.S. beef in some key Asian markets.

China's market remains closed to U.S. beef since the 2003 discovery of a Canadian-born cow infected with BSE in the United States. China uses non-science based standards to keep out U.S. beef, which is recognized internationally as a safe product. U.S. Beef sales in China could exceed $200 million if given access. Beef isn't the only industry to suffer from these non-science based trade restrictions. On a larger scale, the elimination of China's tariff and other trade restrictions could lead to an additional $3.9 to $5.2 billion in U.S. agricultural exports to China, according to an U.S. International Trade Commission study.

Historically, Japan was the top market for U.S. beef exports at $1.4 billion. In 2010, the U.S. exported $640 million in U.S. beef in Japan—far short of pre-BSE levels due to Japan's 20 month age restriction, which is not based on internationally recognized sound science. If Japan would follow OIE guidelines and recognize U.S. beef as the safe product it is by raising the age limit, it is estimated that Japan would once again easily be a $1 billion market for U.S. beef.

Unfortunately, Taiwan is another example of what happens when internationally-recognized science-based standards are not in place. Recently, 20 United States senators sent a letter to Taiwan President Ma urging his government to use internationally-recognized scientific standards regarding U.S. beef.

In January 2011, the Taiwan Food and Drug Administration began testing for the existence of ractopamine in imported beef. Based on trace amounts of the feed additive in U.S. beef products, Taiwanese officials pulled products from grocery shelves and rejected affected products at ports of entry. Ractopamine is recognized by the U.S. Food and Drug Administration as a safe feed additive. Taiwan's current zero-policy standard lacks scientific standing and is out of step with accepted international standards. Further, the zero-tolerance policy is inconsistent with Taiwan's own risk assessment in 2007, which found that ractopamine was safe for use. Taiwan's non-science based actions create an unnecessarily volatile trading environment. U.S. exporters are extremely reluctant to ship product to Taiwan given the uncertainty presented by the amplified testing regime. Prior to the enhanced testing regimen, Taiwan had been a historically strong market for U.S. beef. In 2010, Taiwan purchased more than $216 million worth of U.S. beef, a 53 percent over 2009 levels of $141 million in sales.

Exports Create Jobs

Without question, exports create jobs. According to *CattleFax,* fed steers have been selling near $115 per hundred weight (cwt), or roughly $1,495/head. Of that, Cattlefax estimates that exports have added a minimum of $145/head in value (as opposed to not having exports). I believe the potential value added to each head that is created by increased exports provides the essential economic incentive needed to curb out-migration in rural America. An aging agricultural workforce is a serious problem facing our country. A profitable future in agriculture is the draw we need to get younger generations involved in food and fiber production.

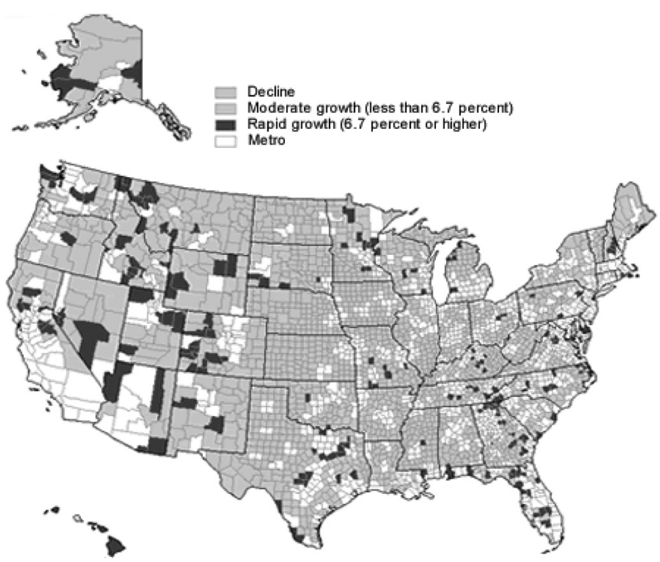
I am fortunate and blessed that my sons have chosen to return to our family ranch, but that isn't the case everywhere. One of the biggest problems facing agriculture today is an aging workforce with fewer young people returning to the farm to participate in farming and livestock production. There is a growing global demand for food, and some predict that global food production must double by 2050 to meet demand. "[G]lobal food production may have to double by 2050, says agriculture economist Robert Thompson of the Chicago Council on Global Affairs. From 2010 to 2050, the world's population is projected to increase 38 percent, from 6.9 billion to 9.5 billion, with gains concentrated in poorer countries." (Samuelson, Robert, "The Global Food Crunch," *The Washington Post,* 03/13/2011).

The shrinking number of young folks returning to production agriculture isn't the only challenge. For those men and women who do choose farming and ranching, they face a wide array of challenges. Rising land prices and startup costs make it difficult for younger generations to begin ranching unless they inherit the family business. High startup costs for production agriculture and market volatility make livestock production a risky investment for young people with little credit. "Higher land values also can have a crippling effect on beginning and limited resource farmers or ranchers who may not have the capital necessary to initiate or expand their operations. Nationwide, the annual number of new farm entrants under age 35 declined from 39,300 from 1978–1982 to 15,500 from 1992–1997 (Gale, 2002)." ("Final Benefit-Cost Analysis for the Farm and Ranch Lands Protection Program (FRPP)," USDA—Natural Resources Conservation Service, December 2010)

Without question, development of land formerly used for production agriculture is making farm/grazing land more scarce and more expensive. "As development pressure increases, agricultural land values are hard pressed to compete with developed uses. Farm real estate values continue to increase. These values have been driven largely by non-agricultural factors, such as low interest rates and demand for residential development and recreational uses." ("Final Benefit-Cost Analysis for the Farm and Ranch Lands Protection Program (FRPP)," USDA—Natural Resources Conservation Service, December 2010).

Rural America is facing a growing trend of out-migration primarily due to lack of employment opportunities.

Nonmetro Population Change, 2000–05



Source: USDA, using ERS data from the U.S. Census Bureau.

As you can see, most of this out-migration is occurring in the middle of cattle country. According to USDA–ERS, one of the reasons we are experiencing out-migration in rural areas is due to few non-agriculture related jobs. Between 2000 and

2005, population patterns in non-metro counties reverted to those of the 1980s. Population in an estimated 1,027 out of 2,051 non-metro counties (about half) declined in population, compared with the decline in 593 counties between 1990 and 2000. This is a reversion to patterns of the 1980s. For the most part, the newly declining counties are found in and among the large agriculture-dependent zones of the Great Plains and Corn Belt that lost people in the 1990s. But counties with declining populations also include Appalachian mining areas and a number of Southern counties that have relied heavily on manufacturing. Population decreased overall in both farming and mining county types (in the ERS county typology system) during 2000–05. (*http://www.ers.usda.gov/Briefing/Population/Natural.htm*)

One way to fight trend of out-migration is to develop more jobs in rural areas. If exports add value to and increase demand for agricultural products, then increasing exports is a benefit to employment in rural America. The U.S. should stop relying on government programs as the main incentive for young people to get into agriculture. Greater market access for U.S. agricultural goods means greater economic incentive for young people to get involved in agriculture.

In closing, I appreciate the opportunity to testify before you today on an issue of such importance to beef producers. I support President Obama's effort to double U.S. exports and create jobs in rural America. NCBA and many other stakeholders ask for your continued support in expanding market access by voting for the pending free trade agreements.

Mr. CONAWAY. I want to thank the panel. Excellent job of staying right under the 5 minute window. I appreciate that. Did you want to ask questions, or you want to go to——

The CHAIRMAN. Mr. Chairman, since I was detained at a Financial Services Committee markup, I will let the other Members go first who were able to be here for the process.

Mr. CONAWAY. All right, the gentleman from Iowa, Mr. Boswell, for 5 minutes.

Mr. BOSWELL. Well, thank you, Mr. Chairman. Interesting presentation. It seemed like everybody is on the same frequency except for one, and I am concerned, Mr. Johnson, where you come up with the details regarding the currency business. I haven't heard that one. I have heard it a lot about China, but I haven't heard about Korea.

Mr. Roger JOHNSON. Well, Mr. Chairman, Congressman Boswell, my prepared testimony is actually pretty extensively footnoted as to where these references came from. I believe it is the ITC. It was the U.S. Government that has recognized Korea as a currency manipulator, one of three. And it is a large concern of ours. We—I think we all, in this room, are aware of the issue that we face with China right now, and it is largely an issue that is predicated on their ability and, in fact, action to manipulate their currency to take advantage of this very lucrative market in this country.

Korea has a similar history, and so it was really sort of astounding to us that, given the detail, the amount of attention that was provided to these agreements, that the question of currency manipulation was not an issue that was put on the table. As I think was stated earlier in the hearing, this body, the full Congress, in fact, the House—not unanimously—overwhelmingly approved a bill in the last session dealing with this very question. So I think this is an issue that has broad support, but it simply is not recognized in any of these agreements.

And in Korea in particular, it is the one where history has shown that we ought to be most concerned about.

Mr. BOSWELL. I appreciate that. I will read your testimony to learn more about it. Mr. Carney, we have known each other a long time.

Mr. CARNEY. Long time.

Mr. BOSWELL. And we have spent a lot of time over the last many months or year or 2 on the deal with some of the pharmaceutical stuff going on. Has that kind of quieted down now? Is there any question about this with like Korea or any other place? And we went through that landmark deal, and I don't want to reinflame that. I am just curious. I haven't had a chance to talk to you. I suppose you have been planting corn. Are you done?

Mr. CARNEY. Got the corn in. Still planting beans.

Mr. BOSWELL. Okay, well, good luck. I heard going to the airport yesterday or the day before rather, that we are at the 5 year average getting the corn in so I hope that is true. Anyway, anything about the question that I just asked? You have any concerns there with this market?

Mr. CARNEY. With the pharmaceuticals, as of now, no, there has not been any problems. They have not raised any concerns that I know about, and I can check into it in more depth if you would like.

Mr. BOSWELL. No, I just haven't had a chance to talk to you because we have both been busy. I was just curious about it because we spent a lot of time on it once before. So good. I yield back.

Mr. CONAWAY. The gentleman yields back. Mr. Johnson, from Illinois, for 5 minutes.

Mr. JOHNSON of Illinois. Thank you, Mr. Chairman. I think that this is as much a statement as it is a question, but I am interested to see any of the panelists' response. I think one of the underlying points that we sometimes forget in a hearing of this sort, we get so focused on the nuances and specific aspects of trade agreements that we maybe partially lose sight of the fact that we are not just talking about the agricultural sector that benefits from these trade agreements, but also the whole economic social infrastructure of any one of our states.

And we represent Iowa, North Carolina, Oklahoma, Texas, Pennsylvania, and we all have grocery stores and implement dealers and restaurants and so forth that benefit very directly when farmers and the agricultural sector is prosperous. And when they are not, those same areas that employ a lot of people have a tendency to go the other way. So I don't know if any of you have any particular response to that, but it seems to me that is something that we ought to make sure to continue to tell the American people and continue to tell the world, that this is a symbiotic relationship. Any thoughts about that?

Mr. STALLMAN. Well, absolutely. I mean we focus in agriculture as producers on what our ag exports numbers are and what our commodity prices are. But the reality is that the whole food chain from producer gate all the way to, in the U.S., to consumer plate or to the ultimate consumer plates in other countries where we are providing product for.

All of that creates jobs, and the range of those jobs are tremendous and the number tremendous, and sometimes I don't think we really pay a lot of attention to that or enough attention to that when we talk about the benefits of these trade agreements. But the benefit is very real as you have stated. I have watched rural communities. When agriculture does well in rural communities, rural communities tend to do well, and the reverse is true.

Mr. JOHNSON of Illinois. Another question for really any of the panelists. I know the earlier two panelists, Mr. Kirk and Mr. Vilsack, were certainly helpful to us, but they seemed to be very self-congratulatory in terms of their movement on these trade agreements, which, as I understand it, were largely framed a good many years ago.

I guess my question for any of you—and I don't think any of you want to be in a position of criticizing the Administration for obvious reasons. Wouldn't you agree that time is a very significant factor and the passage of time from point—even before the point when Speaker Pelosi refused to call the Colombian trade agreement for a vote, that you and various other competitors move into that market and that time is a very, very significant matter?

Mr. DONALD. Yes, sir, I agree wholeheartedly that time is of the essence, and being from Montana, I would like to just acknowledge that our senior senator, Senator Baucus, has been very adamant that this agreement must address the issue of getting South Korea to set standards before he wanted to allow it through his committee. And I will acknowledge, while that has been a delay, the Senator has confidence that that is the direction that South Korea is going to go, and this Administration is committed to ensuring that we get to that point.

And now, with that hurdle behind us, I absolutely recommend that this Congress and the Administration work together to get this done as quickly as possible because we are going to be at a competitive disadvantage to our main competitors in the market, and so that is why timing is such an issue. Thank you for bringing that up.

Mr. JOHNSON of Illinois. And last, Mr. Johnson, I don't meant to single you out, but I think it is a fair assessment of your testimony that it stands in fairly sharp contrast to the other five and in contrast to what I believe. And again, everybody is entitled to their own opinion, not everybody is entitled to their own facts.

It seems to me that what we are doing with respect to meeting the deadlines under the action plan that the Administration required in Colombia as well as the whole dynamic of what this does to exports and imports, again, I am not going to get into a one-on-one debate with you. But what I would simply say is that the greater weight of evidence to me is very strongly that this will help America. It will help our exports. It will help our balance of trade, and that we are doing a very, very good job, we have, to meet some of those labor and human rights concerns that we all have.

Mr. Roger JOHNSON. We share that hope. In the 3 seconds remaining, I would simply say that our members are the ones that adopt our positions, and they carefully looked at all these questions, understanding there are significant values to agriculture that come from these agreements. But there are also other things that need to be considered.

Mr. CONAWAY. The gentleman's time has expired. Mr. McIntyre, from North Carolina, for 5 minutes.

Mr. MCINTYRE. No questions at this time. Thank you.

Mr. CONAWAY. Thank you. Mr. Thompson, from Pennsylvania, for 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman. Mr. Stoner, who are your chief competitors in the global market, and what is the best way you see to outpace them and secure additional market share?

Mr. STONER. Depending on the market we are looking at, that varies. Colombia, clearly Canada, Argentina. Argentina, is a member of the MERCOSUR region, 2005. That agreement was implemented by 2009. Their tariffs went to zero. Canada has an FTA in place likely to be implemented by July 2010, we lost to Argentina our place as Colombia's number one supplier of agricultural products, clearly due to their trade preference. Our market share of wheat in Colombia has declined from 73 percent, 2008, to now about 43 percent. Canada's market share is increasing because the mills are anticipating duty-free wheat entering their country shortly. They are switching over. We need a level playing field.

Other countries, the Asian Rim, certainly Australia is a competitor. As time continues on, the EU, the Black Sea region, as their infrastructure ramps up. Wheat is grown the world over. If we do not have at least as competitive a marketplace, the American farmer cannot compete.

Mr. THOMPSON. Thank you, sir. President Stallman, you mentioned in your testimony that there have been several significant global economic changes affecting trade, including increased energy and agricultural commodity prices. Can you elaborate a little bit on that?

Mr. STALLMAN. Well, that was just acknowledgement that when you do these kind of analyses as to what the impacts are going to be, you have a lot of variable factors. And obviously the economic volatility that has occurred over the course of the past several years, the commodity price volatility and energy price volatility all weigh into those numbers. And that is really all that that refers to is that there are a lot of factors that adjust the analysis, if you will, and how you come out with the numbers.

Mr. THOMPSON. In your view, is the trade agenda that is outlined by the current Administration aggressive enough to position U.S. agricultural exporters at the forefront of the global markets that are obviously out there?

Mr. STALLMAN. Well, I will say it is better than it was. I guess that is the best way to characterize it. We have been actively and aggressively calling for passage specifically of these three FTAs the sooner the better. From the time this Administration came in, we are pleased that where it looks like—we are not certain—but it looks like we are getting to the point where we are going to be able to pass these three agreements.

In terms of trade enforcement and trade negotiations, we have been working closely with USTR and USDA, and we have been relatively pleased with the process that has unfolded, whether we are talking about Doha or talking about dealing with some of these phytosanitary bilateral situations that we have. Probably we would say that it is never strong enough, and that may apply to any Administration. But at least we think directionally we are headed the right way.

Mr. THOMPSON. Okay, thank you. Well, I think that is the nature of agreements *versus* mandates, I guess. Mr. Tolman, you mentioned that the challenges your exporters face with regard to the sanity, the phytosanitary barriers. Do you feel the SPS issues are adequately addressed in these agreements, and is this an approach you feel should be—should or should not be replicated with other trading partners?

Mr. TOLMAN. I think the approach in these agreements are to move forward, and they are ones that we should look at using in other agreements. We continue to have new products, new traits, particularly in air and biotechnology. And there are times when the SPS—standards in certain countries are used as trade barriers to keep us from getting our product in there. And the more we can get worldwide agreement on those standards and some consistent basis for evaluating regularly in those, the better off we are going to be.

But these agreements certainly are a step forward and a good measure for us to use in other agreements as well.

Mr. THOMPSON. Okay, Mr. Chairman, given the waning seconds, I will yield back.

Mr. CONAWAY. The gentleman yields back. The real Chairman of the Agriculture Committee is recognized for 5 minutes. Mr. Lucas.

The CHAIRMAN. Thank you, Mr. Chairman. Let me speak from an Oklahoma perspective for just a moment, and while we are traditionally thought of as a state that is wheat and it is cattle and Farm Bureau members and, yes, the single largest farmers' union membership, I believe, in the country. Correct, Mr. Johnson, is still in Oklahoma?

Mr. Roger JOHNSON. Yes.

The CHAIRMAN. Nonetheless, we have an industry that has grown rather dramatically in the last 20 years in regard to pork. And looking again at some of the information provided by the panel, it would indicate that right behind beef in Oklahoma, pork would be the biggest gainer. Could you expand for just a moment, Mr. Carney? And I apologize for being delayed in a Financial Services markup coming back. Expand for just a moment. If I am doing a town meeting and I am trying to explain in Oklahoma why it is important we raise those millions of pigs, the effect this potential has on pork not only in Oklahoma but across the country?

Mr. CARNEY. Yes, Mr. Chairman, what you would tell them right now is if we get these three free trade agreements passed, it will add approximately $11 a pig. It is going to add billions of dollars of export——

The CHAIRMAN. That is a stat they understand, yes.

Mr. CARNEY. I know. And then it will add exports, and when you—for every billion dollars of exports, USDA says there are 12,000 new jobs, so they will provide new jobs. And I don't know if you have this chart. I thought maybe I got it passed out to everyone up there, but I am not sure. This chart—and I will make sure you get one.

For every time that we have passed a free trade agreement, our export levels have went up every year, every time, except for 2009, and we had this little thing called H1N1. We lost exports. It went down. We got things fixed. We worked hard at it, very hard at it. And in 2010, our exports started going back up.

So you can tell your folks, it is going to add jobs. It is going to help their bottom line, and it is just a boom boom for the pork industry.

The CHAIRMAN. Thank you, sir. And in that spirit, Mr. Chairman, I will yield back the balance of my time.

Mr. CONAWAY. The gentleman yields back. Well, gentlemen, thank you very much for coming today. Any other comments? Thank you very much for coming today. We appreciate your testimony. We appreciate the impact you have on helping us decide policy in this arena. Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from witnesses to any question posed by a Member. This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 12:47 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

Submitted Letter by Hon. James P. McGovern, a Representative in Congress from Massachusetts

March 17, 2011

Hon. Barack Obama,
President of the United States,
The White House,
Washington, D.C.

Dear President Obama,

We write to you with significant urgency about the consideration of the pending U.S.-Colombia Free Trade Agreement (FTA), and to offer a credible and meaningful basis for assessing whether conditions on the ground in Colombia have been sufficiently transformed to merit consideration of this FTA by Congress.

At a time of economic uncertainty, with millions of families across our country struggling to support themselves, it is our responsibility as Members of Congress to do everything in our power to promote and protect American jobs. One of the most important ways we can safeguard the ability of American families to make a living and keep their jobs is by guaranteeing they are not in competition with workers in other countries whose wages are kept low not simply because their countries are poor, but because they lack the essential democratic rights that American workers have to improve their standards of living—the right to speak out, to protest, to organize unions, to bargain collectively and directly with their employers, and to freely support political efforts to improve their economic condition. Colombia, sadly, stands out as a country where wages are kept low and workers are repressed through widespread violence against employees trying to better their lot.

Mr. President, we have long been engaged on human rights issues in Colombia, many of us for over a decade; these are matters of critical concern in their own right, which demand your attention and the attention of Congress. Our monitoring of the labor and human rights situation on the ground in Colombia indicates that very little tangible progress has been made in improving human rights. Colombia continues to lead the world in murders of trade unionists. The level of murder and violence is not declining. Despite this, we believe this is a moment of opportunity for the United States and Colombia to break the stalemate and address the underlying problems that have made consideration of this FTA untenable for many Members of Congress and a broad swath of the American public.

The United States and Colombia currently enjoy a robust trade relationship, and we believe that should be continued by providing a 2 year extension of the Andean Trade Promotion and Drug Eradication Act (ATPDEA). In that same spirit, and consistent with your commitment to ensure that trade agreements reflect our values as a nation, we provide for your serious consideration the attached memo outlining measures that can be undertaken immediately and in the near term by the Colombian Government. If implemented with strong and sincere political will, these measures could result in Colombia showing substantial progress in areas that have long been under scrutiny by those concerned about labor and human rights conditions in Colombia.

These are credible, achievable steps Colombia can take in the near term to comply with internationally recognized labor rights; protect unionists and other rights activists from violence, attacks and threats; and break with its long history of impunity. Anyone familiar with Colombia understands that the magnitude and roots of the challenges it faces cannot be addressed in one or 2 years, but the measures we describe would clearly show that Colombia has turned the corner and is committed to irrevocable and sustainable change.

We support international trade and we are dedicated to doing everything possible to increase American jobs—but only if the terms are fair to American workers. Therefore, before you send us an FTA with Colombia for consideration, we ask that you first assure us that Colombia's long track record of repression, violence and murder of labor unionists has truly changed and that trade between our countries can take place on an even playing field for both nations' workers. As you have commented, "The history in Colombia right now is that labor leaders have been targeted for assassination on a fairly consistent basis and there have not been prosecutions . . . We have to stand for human rights and we have to make sure that violence isn't being perpetrated against workers who are just trying to organize for their rights."

The question remains of how to evaluate and determine whether the situation on the ground in Colombia has improved substantially with regards to basic labor rights for Colombia's workers, and by dramatically diminishing the level of violence carried out with impunity against unionists and rights defenders.

We believe that in order to make such a determination it is essential to ask those most affected by the lack of rights and the threat of violence. As Members of Congress, we will consult and speak directly with Colombian trade unionists, rights defenders, Afro-Colombian and indigenous leaders, and rely upon the analysis of Colombian organizations such as the *Escuela Nacional Sindical* and others, to determine the situation on the ground and whether substantial, sustainable and irreversible change is genuinely occurring. We recommend that responsible officials in your Administration interfacing with Colombia use the good offices of the Bureau of International Labor Affairs in the U.S. Department of Labor to do the same.

Please feel free to contact us should you have any questions about these recommendations. We would welcome the opportunity to discuss them with you.

Sincerely,

Hon. JAMES P. MCGOVERN,
Member of Congress;

Hon. GEORGE MILLER,
Member of Congress;

Hon. ROSA L. DELAURO,
Member of Congress;

Hon. MICHAEL H. MICHAUD,
Member of Congress;

Hon. JANICE D. SCHAKOWSKY,
Member of Congress;

Hon. LINDA T. SÁNCHEZ,
Member of Congress;

ATTACHMENT 1

Date: March 17, 2011

To: Hon. BARACK OBAMA,
President of the United States,
The White House,
Washington, D.C.

From: Hon. JAMES P. MCGOVERN;
Hon. GEORGE MILLER;
Hon. ROSA L. DELAURO;
Hon. MICHAEL H. MICHAUD;
Hon. JANICE D. SCHAKOWSKY
Hon. LINDA T. SÁNCHEZ

Subject: Advancing Colombian Labor and Human Rights and Congressional Consideration of the U.S.-Colombia Free Trade Agreement

For the past several years, the proposed U.S.-Colombia Free Trade Agreement (FTA) has not advanced in the U.S. Congress because of labor rights and human rights abuses in Colombia. A chief concern has been the plight of Colombia's trade unionists, who defend the rights of workers producing the goods to be traded with the United States, and who continue to be threatened, attacked and killed. Colombian workers also lack the basic rights to organize unions, bargain collectively, strike or otherwise engage in public protest aimed at improving their standard of living. Internationally, Colombia, in particular, is set apart by its long history of murder and threats against labor unionists and the deprivation of the most basic worker rights.

Colombia continues to be ranked by the International Trade Union Confederation as the single most dangerous country in the world for unionists, with the annual number of union murders in Colombia often equal to or exceeding the total murders of unionists in all other countries combined. Violence against Colombian trade unionists continues unabated, and in most cases, no one has been held accountable. The International Labor Organization (ILO) has repeatedly reported that the Colombian Government has failed to provide in law and practice the most fundamental rights of workers and has failed to effectively enforce those laws, including in the recent conclusions and recommendations issued by the ILO High-Level Tripartite

Mission to Colombia following its February 14–18, 2011 meetings and consultations in Colombia.

Anti-union violence has not only taken the lives of thousands of men and women belonging to labor and union organizations, it has also affected the labor movement as a whole. Collectively, the Colombian labor movement has been adversely affected by stigmatization, a reduction in the number of affiliates, and the weakening of its capacity for action, mobilization and participation in Colombian democracy.

The attacks, murders and death threats against trade unionists are manifestations of much larger threats to the rule of law in Colombia, especially the continued power that illegal armed groups exercise over many of Colombia's regions and political structures. Among these groups are the successor organizations to the paramilitaries that only partially demobilized in 2005. Several regions of the country are dominated by a combination of these paramilitary structures, organized crime, and their accomplices among local politicians, landowners, and sectors of the security forces. In addition to trade unionists, these illegal successor groups threaten and attack sectors of the population, particularly Afro-Colombian and indigenous communities. They target human rights defenders, victims seeking return of stolen land, and religious and community leaders who, like trade unionists, advocate for fundamental rights.

Further, members of Colombia's own military and security forces collaborate with these illegal groups. According to its 2010 Annual Report, publicly released on February 24, 2011, the U.N. High Commissioner for Human Rights (UNHCHR) in Colombia estimates that more than 3,000 persons may have been victims of extrajudicial murders, primarily attributed to the Army. Most occurred over the past 6 years, and the majority remain unresolved. In particular, for those murders carried out by the Colombian military that took place during the period of 2004–2008, a verdict has been reached in only 6% of the cases.

Despite this problematic landscape of violence and rights abuses, *we believe there is a window of opportunity for the United States and Colombia to advance the rule of law and the rights and security of trade unionists—and by extension, of all civil society.* President Juan Manuel Santos has established a welcome tone for civil discourse by asserting the legitimacy of human rights defenders and their work; improving relations with the Supreme Court and Constitutional Court and recognizing their independence; submitting to the Colombian Congress laws on land restitution and victims' rights; directing the security forces to more forcefully target and arrest leaders of successor groups to paramilitaries; and announcing a commitment to address poverty and inequity and to modernize the Colombian state. While these proposed policies would help to align the government with the victims of violence rather than its perpetrators, they have not yet been implemented and face powerful opposition from armed groups and their political supporters and benefactors.

It is incumbent upon the United States, along with its European and Canadian counterparts, to support the Colombian Government in these efforts so that concrete and sustained results can be achieved in addressing violence against trade unionists and its larger causes, and creating a climate in which workers can exercise their fundamental labor rights without fear.

We understand that it might take years for many of these ongoing problems, some with deep historical roots, to be fully addressed and resolved. Nonetheless, we believe concrete measures can be taken—decrees issued and robustly carried out, laws adopted and implemented, policies enforced, and relevant government agencies strengthened—that would demonstrate over time that Colombia is engaged in irreversible change.

After consulting with labor and human rights organizations in Colombia and the United States, and carefully reviewing recent reports by the ILO, United Nations and others on the labor and human rights situation in Colombia, **we believe, at this time, that the conditions on the ground in Colombia do not allow for consideration of the FTA. It is our belief that the U.S.-Colombia FTA should *not* be brought before the Congress, Mr. President, until you can assure and demonstrate to Congress that the changes outlined in this memo have occurred.** We recommend that responsible officials in your Administration interfacing with Colombia use the good offices of the Bureau of International Labor Affairs (ILAB) in the U.S. Department of Labor when making such a determination. We view as insufficient superficial gains that fail to create an environment in which workers can exercise their fundamental rights, do not decrease substantially the level of violence and threat targeted at unionists and other rights defenders, and do little to end impunity.

With these challenges in mind, *we provide you these measures for realizing sustainable change and ask you to support and work with Colombian Government efforts dedicated to achieving them in three major categories:*

- Ending Violence Against Trade Unionists and Other Human Rights Defenders;
- Strengthening Investigation, Prosecution and Breaking the Culture of Impunity; and
- Strengthening Fundamental Worker Rights.

I. Ending Violence Against Trade Unionists and Other Human Rights Defenders

From 1986 to the present, the *Escuela Nacional Sindical* (ENS), Colombia's most prominent NGO monitoring labor rights, has recorded the murder of over 2,800 unionists. The number of assassinations of unionists per year remains shocking, with 149 unionists murdered over the past 3 years alone—51 in 2008, 47 in 2009 and 51 in 2010. New murders of unionists have already occurred in 2011, including the killings of three teachers. Other forms of violence also remain at crisis levels, including death threats, forced disappearances, kidnappings, attempted murders, arbitrary detentions, torture, forced displacement and illegal break-ins targeted at trade unionists. These facts horrify. As the February 2011 ILO Mission to Colombia recognized in its conclusions, "the only acceptable situation is one in which all acts of violence have ceased and there is need to act with determination to bring this about." The challenge is how to effectively and sustainably reduce sharply and ultimately end the level of violence and threat against unionists, target the source(s) of that violence, dismantle the structures that support and benefit the perpetrators of violence, bring to justice those engaged in murdering and threatening unionists along with their collaborators, and increase the state's ability to provide effective protection to unionists and others who live under a state of constant threat and violence.

In 2003–2006, Colombia instituted a demobilization process aimed at the coalition of right-wing armed paramilitary organizations known as the AUC. Almost immediately, after the seriously flawed process had ended, new groups cropped up all over the country, taking the reins of the criminal operations that the AUC leadership previously ran. These groups—often led by mid-level commanders of demobilized paramilitary organizations—are committing widespread abuses, including massacres, killings, rapes and forced displacement. They have taken on roles similar to the defunct AUC, such as murdering and issuing threats against labor, Afro-Colombian, indigenous, religious, human rights and community leaders. For example, according to the Colombian Commission of Jurists, 14 human rights defenders were killed in 2010. And on March 7th, the Inter-American Commission on Human Rights (IACHR/OAS) condemned the continuing threats, harassment, and murders of family members of human rights defenders in Medellín, charging the state with having failed to provide effective measures for protection. On February 24, 2011, with the release of its 2010 Annual Report, the UNHCHR-Colombia stated that criminal organizations linked to former paramilitary groups drove a dramatic increase (34%) in massacres in 2010, and killed human rights activists, trade unionists, public officials and other civilians. In January 2011, Colombian National Police Director Oscar Naranjo acknowledged that successor groups to paramilitaries are responsible for the majority of violence in Colombia.

The emergence and increasing consolidation of these successor groups is largely due to the Colombian Government's failure to thoroughly investigate and dismantle the military, financial and political networks of the AUC; effectively identify and recover the illegally seized property that provides a material and economic base for the new groups' on-going activities and recruitment of new members; or bring to justice the majority of paramilitary gunmen, sponsors and beneficiaries. In many regions, Colombian military, police, political and judicial officials have been collaborators with these armed actors, or at a minimum, tolerated and turned a blind eye to their violence, threats, abuses, murders and criminal activities. The result has been continuing and increased violence in those regions where these groups hold sway. In some cases, U.S. corporations and investors with operations within Colombia have made extortion payments to these groups for so-called "protection." In effect, they provided funds for criminal groups engaged in violence against the civilian population, including labor activists employed by the U.S. corporations.

If the Santos Administration is to have success in carrying out its land restitution and victims' rights initiatives, it will need to confront this challenge head on, providing greater protections to labor and rights activists, and to those who represent families and communities dispossessed of their lands who are now being asked to return. The government will need to work forcefully and effectively to dismantle the structures that support and benefit from these paramilitary and criminal organizations. It is encouraging that the Santos Administration has recently announced a new strategy to combat successor groups, but the implementation and results of this policy remain to be seen. Success must be measured in terms of reduction of abuses against the civilian population, well-founded prosecutions of members of successor groups and their accomplices, and the dismantling of organizational structures.

Recommended Measures

With these challenges in mind, **the Colombian Government must:**

- Demonstrate a dramatic and sustained decrease from current levels in murders and attacks against trade unionists and rights defenders, with the clearly-defined goal and recognition that the only acceptable situation is one where all murders have ceased;
- Ensure that members of state security forces do not engage in extrajudicial executions or other serious abuses against civilians, or collaborate with paramilitary successor groups and other illegal groups; and
- Demonstrate a substantial reduction in abuses committed by successor groups to the paramilitaries, and significant progress in dismantling their organizational structures.

To achieve these goals the Colombian Government must, among other steps:

(1) Establish and enforce a "zero tolerance" policy on extrajudicial killings by Colombia's military, police and other state actors, including immediate suspension from duties and ending any incentives that may encourage such abuses.

(2) Establish and enforce a "zero tolerance" policy on collaboration with abuses carried out by guerrillas, paramilitaries or other illegal armed groups and criminal networks by Colombian military, police or other state actors, including immediate suspension from duties.

(3) Substantially strengthen the presence of professionally trained police in areas where successor groups to the paramilitaries are present, particularly in rural areas where police often are not present, ensuring full compliance with the zero tolerance policies and practices stated above.

(4) Strengthen the Early Warning System of the Ombudsman's Office (*Defensoría*), so that it has the necessary resources and stability to continuously monitor potential threats to civilians posed by successor groups. Ensure that the system's risk reports are made public and that other state agencies take necessary actions to respond to these reports, protect the population and address the threats, including taking actions to sanction state agents who fail to carry out such duties.

(5) Ensure that protection programs and measures for trade unionists, rights defenders and other community leaders receive adequate and sustainable resources so that no one at risk or under threat who requires protection fails to receive it. In addition, the state should not delegate its responsibility to protect its citizens, and should abide by the recommendations described in the March 2010 Mission to Colombia Report of the U.N. Special Rapporteur on the Situation of Human Rights Defenders, namely that protection measures offered under Colombia's Protection Program should not be privatized.

(6) Ensure the removal from national intelligence files of references to unionists and union organizations that were included in the files because of their union activity.

(7) In coordination with union organizations, carry out a multi-year national campaign to promote the legitimacy of union organizations in Colombian society.

(8) Dismantle organizational structures and substantially reduce abuses by paramilitary successor groups by establishing and effectively enforcing a mechanism to identify land and illegal assets that paramilitaries, members of successor groups or their accomplices may be holding, and ensure their recovery and restitution to victims. Importantly, this needs to include measures and funding that effectively protect the safety of those returning to their former lands. It also needs to include return of land to Afro-Colombian and indigenous communities in a manner that respects their Constitutionally-protected rights, including the right of prior consultation.

II. Strengthening Investigation, Prosecution and Breaking the Culture of Impunity

The history of impunity in Colombia has made it difficult for the Colombian people, victims of abuse, and the international community to have confidence in the judicial system. While there have been modest advances over the past decade, the Attorney General's Office (*Fiscalía*) is still largely ineffective in investigating and prosecuting even high profile crimes and abuses, due to a variety of structural, financial, technical, logistical, and political deficiencies. While the Government of Colombia has created new structures and made modest progress prosecuting those responsible for committing various crimes against unionists, the overwhelming majority of violent crimes against unionists remain in impunity. According to the Colombian Commission of Jurists, the *Fiscalía* is only investigating 25.5% of union killings since 1986, and no one has been held accountable in 98% of crimes against unionists. Even the limited number of convictions reached has been marred by serious flaws in the methodologies authorities employ to investigate anti-union violence.

The problems confronting investigations, prosecutions and breaking the culture of impunity are intimately tied with the challenges in providing protection and ending the violence, murders, threats and stigmatization against trade unionists, other rights defenders and vulnerable populations. It is impunity—the ability to literally get away with violence and murder unpunished—that results in and encourages further violence, threats and abuses.

The Santos Government has demonstrated that when the political will exists, investigations and arrests of state and non-state perpetrators of violence, including the intellectual authors, can occur in a swift and professional manner. The arrests of members of security forces accused of the rape and murders of children in Tame, Arauca and the arrests of those responsible for the murders of two Universidad de los Andes students are recent examples of the government's capacity when a mandate and appropriate resources are provided. This same mandate and political will must be demonstrated, at a minimum, in *new* cases of violence, murder and threats perpetrated against trade unionists and rights defenders.

Recommended Measures

With these challenges in mind, **the Government of Colombia must demonstrate a dramatic increase from current levels in the *rate* and significant improvement in the *quality* of criminal investigations and prosecutions of:**

- Perpetrators of anti-union violence, including convictions in a significant number of the more than 2,800 killings of trade unionists reported since 1986;
- Perpetrators of violence against other rights defenders, including Afro-Colombian and indigenous leaders;
- Members of paramilitary successor groups and their accomplices;
- State actors responsible for extrajudicial killings; and
- State actors who have collaborated with, benefited from, or tolerated the criminal acts of paramilitaries or their successor groups.

To achieve these goals, the Colombian Government must, among other steps:

(1) **3Develop a new strategy for investigating and prosecuting cases of anti-union violence,** drawing upon the expertise of union and human rights organization through direct consultation on such a strategy, and including the following measures:

- Staff the Attorney General's special sub-unit for crimes against union members with prosecutors with expertise in the subject area and reassign all other cases unrelated to trade union violence. (When the sub-unit was created, it pooled prosecutors from unrelated divisions and added the union cases onto their workload.)
- Ensure investigations examine the context of these crimes rather than treating them as isolated cases. The failure to do so means that connections are not made that could lead to the identification of other perpetrators, intellectual authors or beneficiaries. Every effort must be made to identify and prosecute intellectual authors.
- Ensure prosecutors follow up on credible evidence that implicates members of the armed forces, politicians or business leaders. If the evidence points towards state actors, prosecutions should continue up the chain of command to those responsible.
- Ensure that the accused and convicted be in custody, as trials *in absentia* do not adequately end impunity. Far too many of the sentences are unenforceable because the accused is not in custody.
- Ensure that convictions are based on more than the mere admissions of guilt by paramilitaries participating in the Justice and Peace process. Prosecutors should follow all lines of inquiry in order to establish full truth about crimes

and acquire information to identify intellectual authors and who benefited from the murder.

- Ensure that the special prosecutors for labor union cases handle all the reported cases, not just the reduced number they are currently investigating. Assess the universe of murder cases found in the database of the *Escuela Nacional Sindical* (ENS), not the subset currently under review by the *Fiscalía*. Issue a plan for overcoming impunity that establishes a credible process for investigating and prosecuting this caseload, with annual benchmarks and the financial and institutional resources required to accomplish those benchmarks. (Colombian labor organizations have suggested designing a 10 year plan to achieve this goal.) Special attention should be given to the 12 departments and 25 unions that account for 85% of the homicides against unionists and investigations should prioritize the murders of the 737 union leaders killed since 1986.

Further, the Colombian Government must, among other steps:

(2) Ensure that all criminal cases involving human rights abuses by state actors, including members of the military and security forces, are handled by civilian authorities.

(3) Strengthen and increase the size of the specialized unit of prosecutors in the Attorney General's Office charged with investigating successor groups and assign them sufficient resources to carry out their work effectively.

(4) Ensure that the National Unit for Human Rights and International Humanitarian Law of the Attorney General's Office, including its Sub-Unit for Crimes Against Union Members and the sub-units charged with investigating extrajudicial killings and violence against rights defenders, have sufficient resources and staff to effectively carry out their work.

(5) Conduct thorough investigations not only of individual members of successor groups, but of their criminal networks, including financial backers and collaborators within the state.

(6) Provide the mandate and resources to vigorously arrest, investigate and prosecute the perpetrators of *new* cases of violence against trade unionists and rights defenders so that violence and murder with impunity are no longer the norm.

(7) Increase funding for the Attorney General's witness protection program for human rights cases, especially those involving violence against trade unionists and other rights defenders, so that the program has sufficient resources to ensure that all witnesses requiring it in fact receive appropriate, timely and effective protection measures.

(8) Establish and implement a robust system to effectively investigate threats against trade unionists and other rights defenders and bring to justice the perpetrators. Threats have a chilling effect on trade union activity and human rights advocacy and amplify the ability of perpetrators of violence to operate with impunity.

(9) Develop a state policy that establishes collective reparations for the union movement, including collective reparations within the Draft Law on Reparations for Victims of Violence, as expressed in the conclusions of the February 2011 ILO Mission in Colombia.

III. Strengthening Fundamental Worker Rights

Although Colombia has ratified all of the eight core ILO conventions, its laws and regulations fail to comply with the minimum obligations set forth in these conventions. Moreover, even the laws that are currently on the books are not effectively enforced. In industry after industry, Colombian workers, many of whom make goods for export to the U.S. market, are unable to exercise their fundamental labor rights. Further, the development of industries that potentially compete with American workers—mining, agriculture, alternative fuels and transportation—have been expanded through the seizure and violent forced displacement of *campesino,* Afro-Colombian and indigenous communities.

Colombian employers and authorities have created and/or permitted the use of a series of schemes to undermine or disguise direct employment relationships in order to deny workers the rights they would normally be due under law or collective bargaining agreements. These include, but are not limited to, the practice of forcing employees into involuntary "cooperatives" functionally controlled by the employer (CTAs), hiring workers under commercial rather than employment contracts, and employing workers through temporary service companies, among others. Additionally, workers face a number of other hurdles such as: the institution of *pactos colectivos*—contracts often unilaterally imposed by employers on unorganized workers; restrictions on the right to bargain or strike; the blanket prohibition on public employees and apprentices from collective bargaining; and the denial of national-level union organizations the right to negotiate for industry-wide agreements. Through these and other strategies, millions of Colombian employees have been denied even the most basic labor rights. According to the conclusions of the February 2011 ILO High-Level Tripartite Mission to Colombia, the level of trade union density in Colombia remains very low, variously estimated between 4% and 7%, and collective bargaining lower still, marking a steep decline from the 15% who enjoyed collective bargaining coverage in 1990.

Colombia has also failed to uphold international standards concerning child labor. According to government statistics, an estimated 1.6 million Colombian children are currently working in violation of child labor laws, including significant numbers in trade-related industries such as agriculture and mining.

Beyond child labor violations in the mining industry, Colombian miners are exposed to dangerous conditions, including preventable coal dust explosions caused by primitive mine safety laws. Miners receive scant protections because Colombia has failed to provide more than a handful of inspectors for some 2,000 mines. Further, mining companies are hamstrung because the government-controlled enterprise, *Industria Militar* (INDUMIL), has blocked the import of special "permissible" safe explosives designed for mining to reduce mine explosions. These matters have received attention inside Colombia due to mining accidents and deaths over the past few months.

Article 63 of the recent Law on Formalization and Generation of Employment (Law 1429 of 2010) is a modest step forward in combating involuntary "cooperatives" by substantially increasing the penalties for employers who violate the prohibition on using involuntary "cooperatives" to hire workers to perform the core functions of an enterprise (as defined by the employer), and which were largely already prohibited by law but rarely enforced. We remain concerned, however, that the law does not actually outlaw involuntary "cooperatives." The law also does not adequately address the many other forms of indirect employment that, like involuntary "cooperatives," deny workers the rights to unionize and negotiate directly with their employers.

Indeed, along with specific requests to be carried out by the Colombian Government between April and September of this year, the February 2011 ILO High-Level Tripartite Mission to Colombia identified three key areas where *urgent* action is needed:

- "Renewed legislative and enforcement measures to put an end to the labor intermediary activities of cooperatives (CTAs), and to all other legal and practical obstacles to freedom of association and collective bargaining;
- Additional effective legal and practical action to ensure that collective accords concluded by employers with non-union workers are not used against the exercise of freedom of association and collective bargaining; and
- A major effort to strengthen labor inspection, enforcement and effective sanctions so that acts of anti-union discrimination, including dismissals and intimidation, are prevented, or addressed through expeditious, accessible, and effective procedures and remedy."

Recommended Measures

With these challenges in mind, **the Colombian Government must take immediate measures to address these concerns:**

(1) Colombian labor law must explicitly provide for the full range of rights contained in the ILO Declaration on Fundamental Principles and Rights at Work and in the eight core ILO conventions that Colombia has ratified (see *Adenddum*), as required under the terms of the FTA, although little has been done to do so since Colombia formally approved the FTA in 2007. These include, but are not limited to: the rights of all workers, both public and private, to freedom of association and to collectively bargain over their terms and conditions of employment; revising the legal definition of "essential services" in which employees are banned from striking in conformity with ILO definitions and jurisprudence; explicitly permitting parties to engage in industry-wide bargaining; and recognizing the fundamental right to strike. Particular attention must be given to advancing the absolute prohibition of acts of anti-union discrimination and other obstacles to the exercise of freedom of association and collective bargaining presented by the use of associated work cooperatives (CTAs), as well as collective accords in enterprises with non-unionized workers (*pactos colectivos*).

The President should ensure legal conformity with these rights through the promulgation of decrees, executive orders, regulations and directives to relevant ministries; by proposing to and gaining the approval of the Colombian Congress of changes to current labor law and the labor code; and by robustly implementing the resulting laws and policies.

(2) As recommended by the February 2011 ILO Mission, the Colombian Government must ensure changes to Colombian labor law and legislative action are vigorously pursued in a timely and expeditious manner. These measures should be submitted for consultation, at a minimum, to the appropriate ILO mechanisms set up to work with Colombia on these matters, Colombian labor organizations, and the National Commission on Social Policy and Salaries prior to their submission to Congress.

(3) The Ministry of Labor should be reconstituted, as announced by the Santos Government, and provided consistent and sufficient funding to carry out its functions, including the necessary funds and personnel to carry out labor inspections and enforce employment policy. It should draw upon the technical assistance offered by the ILO Office, be designed to conform with internationally-recognized ILO standards, and as recommended by the February 2011 ILO Mission to Colombia, facilitate national dialogue that results in agreements between the government, union organizations and the private sector.

(4) In addition to strengthened inspection enforcement that occurs through a reconstituted Ministry of Labor, working through the Ministry of Mining and Energy, the Director of Mines, and the Director of INGEOMINAS (mine safety enforcement, mine rescue, *etc.*) the Colombian Government should codify new mine safety rules that will prevent mine explosions and fires, eliminate non-tariff trade barriers so that mining companies can import safe explosives designed for mining, and provide the necessary resources to expand the number of mine inspectors with qualified staff in order to ensure mines are regularly inspected for compliance.

(5) The Colombian Government must demonstrate and increase confidence in its ability and commitment to guarantee the rights of freedom of association and collective bargaining. In order to do so, it should issue decrees and regulations that allow workers to contract directly with their employers in industry sectors where such relationships existed in the past and/or where agreements were negotiated but not implemented. These include, but are not limited to, ensuring that:

- The port workers contract directly with the Port Societies, eliminating all subcontractors in port-related employment and allowing 100% direct contracting between labor (employees) and the Port Society (employer). The President should direct the Ministry of Labor and provide it with the necessary support to remove subcontractors in all port-related employment, transition employees into the formal workforce with direct contracts, and ensure compliance with international labor rights and standards. The President should provide port workers protection during this transition period.
- The sugarcane workers contract directly with refineries, eliminating use of third party sub-contractors, including the Associative Labor Cooperatives (CTAs). The President should direct the Ministry of Labor and provide it with the support necessary to remove the CTAs, transition employees into the formal workforce with direct contracts, and ensure compliance with international labor rights and standards. The President should provide the sugarcane workers with protection during the transition period.
- The telecommunications workers contract directly with telecom companies, eliminating the use of cooperatives (CTAs). The President should direct the Ministry of Labor and provide it with the necessary support to remove the CTAs, transition employees into the formal workforce with direct contracts, and ensure compliance with international labor rights and standards. The President should provide the telecom workers with protection during the transition period.

IV. Conclusions and Final Recommendations

We believe these are credible and achievable measures. We intend that they provide you with a meaningful basis for discussions between yourself and President Santos and decisions you must take on how the Colombian Government must demonstrate that it has achieved concrete results in protecting and upholding the rights and security of workers in Colombia.

As stated above, we believe there is a window of opportunity to move forward these fundamental labor rights and human rights issues. These are matters of grave concern to Colombians, and the Santos Government has announced initiatives under consideration on some of the measures noted here, although most have yet to be implemented. Pronouncements are welcome first steps, but they are not change. Any serious undertaking will require much more than a matter of days or weeks to achieve genuine change, although some, like demonstrating the political will, commitment and mandate could happen immediately. Others, like bringing Colombian labor law into conformity with ILO standards and conventions, might take months. Still others, such as substantially reducing the level of violence against unionists, rights defenders and civil society leaders, breaking the culture of impunity, and dismantling the structures of those most responsible for violence against unionists require time to implement and mature before sustainable results on the ground are realized.

We emphasize, therefore, that the U.S.-Colombia FTA should *not* be brought before the Congress, Mr. President, until you can assure and demonstrate to Congress that these changes have occurred, as current conditions on the ground do not now warrant its consideration.

The question remains of how to evaluate and determine whether the situation on the ground in Colombia has improved substantially with respect to guaranteeing basic labor rights for Colombia's workers and dramatically diminishing the level of violence carried out with impunity against unionists and rights defenders. **We believe that in order to make such a determination it is essential to ask those most affected by the lack of rights and the threat of violence. As Members of Congress, we will consult and speak directly with Colombian trade unionists, rights defenders, Afro-Colombian and indigenous leaders, and rely upon the analysis of Colombian organizations such as the *Escuela Nacional Sindical* and others,** to determine the situation on the ground and whether substantial, sustainable and irreversible change is genuinely occurring. **We recommend in the strongest possible terms that you and the responsible officials in your Administration interfacing with Colombia use the good offices of ILAB in the U.S. Department of Labor to do the same.**

We believe it is essential that your Administration, under the direction of ILAB, establish immediate direct consultation with the sectors inside Colombia cited above that have been most affected by the lack of rights, violence and threats and create jointly a formal mechanism to monitor and determine the status of union rights and security currently and over the longer term. Such joint consultation and the resulting formal mechanism should also identify and determine how the U.S. would respond and sanction Colombian commercial interests and/or the government should there be a dramatic deterioration in the situation of labor rights, security and protections in the future.

We recognize that it might be difficult for the Colombian Government to achieve some of these measures without additional targeted financial, technical, logistical and other assistance from the United States, Canada, the European Union and other international parties. **We strongly recommend that the U.S. Government take the lead in ensuring those resources are available.** Over the past decade, the U.S. has invested substantial sums in strengthening rule of law and the ability of the Attorney General's Office to bring to justice those state and non-state actors responsible for carrying out acts of violence and murder against trade unionists, rights defenders and other civil society leaders. As these recommended measures make clear, the task is far from done. We should not squander these prior investments by failing now to provide the resources needed to strengthen the *Fiscalía*'s professional quality, staffing, and its investigative capacity and infrastructure. **If the Santos Government commits itself to carrying out these measures, then the United States must provide the necessary resources so that they can be implemented expeditiously.**

Mr. President, we trust that these measures will receive your most serious attention. Should you have any questions or desire additional information, we would welcome the opportunity to discuss them further with you.

ADDENDUM

The Eight Core ILO Conventions Signed and Ratified by Colombia:

29—Forced Labor Convention
87—Freedom of Association and Protection of the Right to Organize Convention
98—Right to Organize and Collective Bargaining Convention
100—Equal Remuneration Convention
105—Abolition of Forced Labor Convention

111—Discrimination (Employment and Occupation) Convention
138—Minimum Age Convention
182—Worst Forms of Child Labor Convention

ATTACHMENT 2

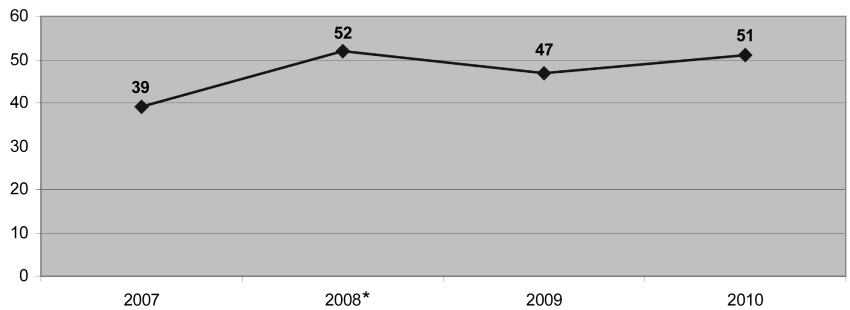
Violence Against Colombian Trade Unionists: Fact vs. Myth

The Myth:

"Most experts agree that the violence [against Colombian trade unionists] has abated recently."—*The New York Times,* March 1, 2011 news story.

The Facts:

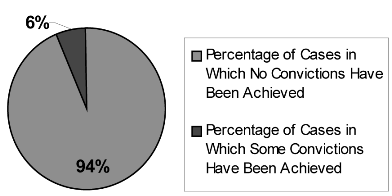
The Number of Colombian Trade Unionists Murdered Is Not Declining



Source: *Escuela Nacional Sindical* (ENS), Colombia.

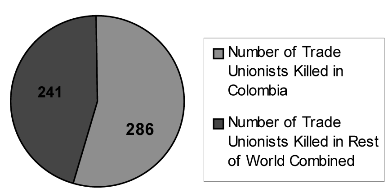
Impunity Continues Unabated

(1986–2010)



Source: *Escuela Nacional Sindical* (ENS), Colombia

Colombia Continues to Lead the World in the Number of Unionists Killed Each Year
(2005–2009)



Source: International Trade Union Confederation.

U.S. Labor Education in the Americas Project, *www.usleap.org*

SUPPLEMENTARY MATERIAL SUBMITTED BY HON. RON KIRK, UNITED STATES TRADE REPRESENTATIVE

During the May 12, 2011 hearing entitled, *Hearing To Review Pending Free Trade Agreements*, requests for information were made to Hon. Ron Kirk. The following are information submissions for the record.

Inserts 1 & 2

Mr. THOMPSON. Thank you. I apologize. I came in late, and so if this was already traveled—this discussion, I missed it. I did hear some discussion about

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*In the October 15, 2008 presidential debate, candidate Barack Obama defended his opposition to the Colombian Free Trade Agreement, saying: "*The history in Colombia right now is that labor leaders have been targeted for assassination on a fairly consistent basis and there have not been prosecutions . . . We have to stand for human rights and we have to make sure that violence isn't being perpetrated against workers who are just trying to organize for their rights.*"

organic milk products. I am just—beyond that, **how will these agreements affect dairy exports?** And by extension, how might these increase—if we see an increase in exports, would this help increase our dairy prices?

* * * * *

1Mr. THOMPSON. Great. That is good news. Any potential within these free trade agreements in terms of **affecting timber exports that you are aware of?**

Mr. KIRK. I don't know that there is an extraordinary amount of timber, but if you will allow our staff to go back and look at that, and if we can follow up with you.

Response for Insert 1

The three pending trade agreements will provide significant new market access for U.S. dairy products through the phased elimination of tariffs. In addition, under each of the agreements the creation of tariff rate quotas (TRQs) will provide duty free access for various dairy products during the transition period. According to projections made by the Department of Agriculture's Economic Research Service, growth in exports of U.S. dairy products to Korea is projected to be 145 percent, or more than $90 million per year under the KORUS trade agreement. Similarly, the USDA projects U.S. dairy exports to Colombia to increase an additional 50 percent as a result of the elimination of tariffs under the Colombia Trade Promotion Agreement. A sentence about the specific benefits to Pennsylvania exporters, including dairy could be added here.

Response for Insert 2

All three agreements eliminate 100 percent of duties on wood, lumber and paper products.

Under the U.S.-Korea Trade Agreement more than 92 percent of U.S. wood and lumber exports to Korea by value would receive duty-free treatment within three years of implementation of the agreement; Korean wood and lumber tariffs currently average 5.9 percent, ranging up to 12 percent. All U.S. paper product exports to Korea will receive duty-free treatment immediately upon implementation of the agreement. Korean paper and paper product tariffs currently range from 0 to 7 percent.

Under the U.S.-Colombia TPA more than 84 percent of U.S. wood and lumber exports to Colombia would receive duty-free treatment within five years of implementation of the agreement; Colombian tariffs on wood and lumber currently average 12 percent, ranging up to 20 percent. More than 97 percent of U.S. paper and paper product exports to Colombia would receive duty-free treatment within five years of implementation of the agreement; Colombian paper and paper product tariffs currently average 12.5 percent, ranging up to 20 percent.

Under the U.S.-Panama TPA over 80 percent of U.S. exports of forest products (wood, lumber and paper products) to Panama would receive duty-free treatment immediately upon implementation of the agreement.

Insert 3

Mr. NEUGEBAUER. Well, I agree with you that most countries want to create jobs in their countries. But where there are opportunities for arbitrage where if I can bring goods in from China, or I can bring goods in from North Korea cheaper than I can build them or make them in South Korea, then it is to my advantage to manipulate the system, change the labels, whatever.

And so I think the primary question for my constituent is what kinds of enforcement resources and processes are in place to watch over that kind of activity?

Mr. KIRK. Well, again, the rules of origin provisions within the FTA speak to how much of that product has to be made in that agreement to be considered a product of that country and get the benefits. And I would have to—I would be happy to get DHS and Customs to perhaps walk you through your concerns about what they do in terms of inspection and enforcement on that end.

U.S. Customs and Border Protection maintains a number of tools and processes to implement and enforce our agreements. We have contacted U.S. Customs and Border Protection, which we understand will be reaching out to your staff shortly for a in-depth discussion of this issue.

SUBMITTED JOINT STATEMENT BY THOMAS M. SUBER, PRESIDENT, U.S. DAIRY EXPORT COUNCIL; JERRY KOZAK, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL MILK PRODUCERS FEDERATION

The National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC) would like to express our strong support for the passage of the Free Trade Agreements with South Korea, Panama and Colombia and appreciate the opportunity to provide comments on this issue in the context of the Agriculture Committee's May 12th hearing on these agreements. As debate on these agreements moves forward, we would also like to express our support for a renewal of Trade Adjustment Assistance (TAA). TAA, including its component that targets assistance to impacted agricultural sectors meeting the program's criteria, is a complementary trade program that helps solidify support for the expansion of beneficial U.S. trade agreements.

The members of NMPF's 31 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 40,000 dairy producers on Capitol Hill and with government agencies. USDEC is a nonprofit, independent membership organization that represents the export trade interests of U.S. milk producers, proprietary processors, dairy cooperatives, and export traders.

Despite a temporary decline in 2009, U.S. dairy exports have been on an upward trend for the past several years. In fact, the U.S. dairy industry has become a significant supplier to the world dairy market, and these overseas markets are playing a greater role in determining prices for dairy products in the United States.

Given the expected benefits to our industry of the three FTAs with South Korea, Panama and Colombia, USDEC and NMPF are urging broad support for these agreements when they are submitted to Congress. We applaud the commitment by many in our government to ensure that these agreements, which were all negotiated years ago, finally get the opportunity to be approved. We greatly hope that Congressional consideration of each FTA will be positive given the strong benefits for the U.S. dairy sector from these three agreements.

Most of the anticipated growth in U.S. dairy exports as a result of these FTAs will be the result of improved access for U.S. cheese, whey, skim milk powder, and certain other processed dairy products. In addition to directly benefiting those companies actively involved in these export sales, the additional exports will help bolster milk prices for America's dairy farmers, and help to support additional jobs in the dairy processing and transportation sectors. Although the value of the agreements differs, each of them offers positive new market access opportunities for the U.S. dairy industry. At this time of heightened global competition, it is all the more important to take advantage of all positive opportunities since even relatively smaller markets become quite meaningful when the benefits of each begin to accumulate.

The U.S. Free Trade Agreement (KORUS FTA) will provide the best opportunity since the U.S.-Mexico portion of the North American Free Trade Agreement to expand U.S. dairy exports. **We estimate that the benefit to the U.S. dairy industry over the first several years of the agreement will yield approximately an additional $380 million per year on average. Based on Commerce Department multipliers, we estimate that the expected increase in U.S. dairy exports would mean as many as 10,000 additional U.S. jobs, on and off the farm.** Our industry is very eager to take advantage of this remarkable opportunity, particularly considering the fact that Korea's FTA with one of our major competitors, the European Union, will go into effect this summer, thereby putting U.S. dairy exports at a tariff disadvantage.

The FTA will help to grow a high-value market that has historically strictly limited imports. (Korea has temporarily allowed for greater access to its dairy market in the wake of the Foot and Mouth Disease crisis it suffered earlier this year and the devastation that wreaked on its dairy sector.) U.S. sales to Korea in 2010 totaled $130 million. Conversely, if the agreement is not approved, we risk losing even our existing market share not only to the EU but also to major competitors Australia and New Zealand, with whom Korea is swiftly negotiating new FTAs. That would put U.S. suppliers at a distinct disadvantage in the Korean market.

The agreements with Colombia and Panama will also provide very helpful new export avenues to our industry. They build on the natural proximity advantage we have over our three largest dairy exporting competitors: the European Union, New Zealand, and Australia. **We estimate that the combined benefit to the U.S. dairy industry over the first several years of each of these agreements will be additional $50 million per year, on average.**

The Colombian and Panamanian dairy markets are relatively restricted currently. This is particularly the case in Colombia, to which the U.S. exported only $6 million last year. Similarly, we also anticipate meaningful gains above the $16 million the

U.S. exported to Panama in dairy products last year. The European Union has just completed FTA negotiations with both countries, creating a strong need for swift action by the U.S. government to approve these agreements to maximize the possibilities for U.S. suppliers to gain an early advantage or at a minimum not lose competitive ground to the European Union in these markets.

We look forward to working with this Committee to continue to provide information as these agreements move forward through the Congressional process. Thank you for the opportunity to submit comments in relation to this Committee's May 12th hearing on the three FTAs.

Sincerely,

THOMAS M. SUBER,
President,
U.S. Dairy Export Council;

JERRY KOZAK,
President and CEO,
National Milk Producers Federation.

Point of Contact:

SHAWNA MORRIS,
Vice President, Trade Policy,
National Milk Producers Federation & U.S. Dairy Export Council.

SUBMITTED STATEMENT BY DR. PETER H. CRESSY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, DISTILLED SPIRITS COUNCIL OF THE UNITED STATES, INC.

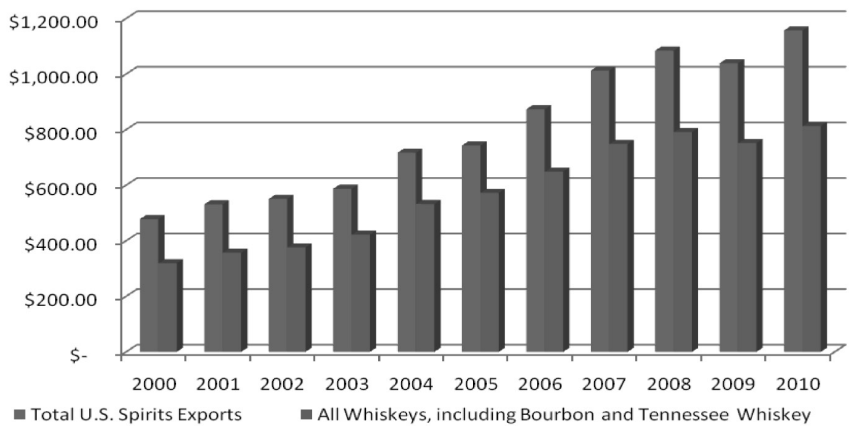
The following statement is submitted on behalf of the Distilled Spirits Council of the United States, Inc. (Distilled Spirits Council) for inclusion in the printed record of the Committee's hearing on the pending bilateral free trade agreements (FTAs) with Colombia, Panama and South Korea. The Distilled Spirits Council is a national trade association representing U.S. producers, marketers and exporters of distilled spirits products. Its member companies export spirits products to more than 130 countries worldwide, including to Colombia, Panama and South Korea.

I. Overview

Distilled spirits are processed agricultural products that fall within the scope of Chapter 22 of the Harmonized Tariff Schedule of the United States, the WTO Agreement on Agriculture and the agriculture chapters of the free trade agreements the United States has negotiated with a number of key trading partners. The Distilled Spirits Council and its member companies have a strong and growing interest in agricultural trade, from a commercial perspective and from a policy perspective.

The Council and its members enthusiastically support Congressional approval and prompt entry-into-force of the free trade agreements (FTAs) with Colombia, Panama and South Korea, which will bring about significant and measurable benefits for U.S. spirits exporters. As a commercial matter, the Council's members have become increasingly reliant on exports to fuel growth. Indeed, as shown below, U.S. spirits exports have more than doubled since 2000, and have surpassed the $1 billion mark for the fourth consecutive year. The vast majority of U.S. spirits exports are comprised of whiskeys, including Bourbon and Tennessee Whiskey, which are distinctive products of the United States. As of 2008, the industry supported 676,000 direct employees. Expanding exports to foreign markets will help to support current and future employment in the industry.

Global U.S. Distilled Spirits Exports
(2000–2010)



While the Uruguay Round negotiations produced significant benefits for U.S. distilled spirits exporters, including substantial reductions in import tariffs and non-tariff barriers, numerous barriers still remain. Thus, the U.S. distilled spirits industry actively supports the U.S. government's efforts to seek the elimination or reduction of these remaining barriers within the context of the ongoing World Trade Organization negotiations, and in other multilateral and bilateral negotiations.

The pending FTAs eliminate several of the barriers that U.S. spirits exporters currently face in these markets. Prompt Congressional approval and implementation of the FTAs will permit U.S. spirits exporters to benefit from improved market access to Colombia, Panama and South Korea, thus ensuring the continued growth of the U.S. distilled spirits industry.

II. Benefits of the U.S.-Colombia Agreement to U.S. Distilled Spirits Exporters

The U.S.-Colombia Free Trade Agreement (or Trade Promotion Agreement (CTPA)) will provide significant benefits for the U.S. distilled spirits industry in the growing Colombian spirits market, which was valued at $2.5 billion in 2010 (retail sales). Although the overall spirits market is growing, the market for imported spirits faces several hurdles in Colombia. The spirits market is dominated by locally-produced spirits (*i.e., aguardiente* and rum). *Aguardiente,* in particular, has a long-standing place in Colombia's beverage alcohol market, accounting for approximately 67% of total spirits volume in 2010. The dominance of domestically-produced categories is due, in part, to the benefits these products have enjoyed from lower tax rates via Colombia's discriminatory consumption tax regime, as well as by the existence of alcohol monopolies or *licoreras* in several states or *departamentos.* As detailed below, implementation of the CTPA will address these concerns and provide meaningful market access improvements for U.S. spirits exporters to Colombia.

First, the U.S.-Colombia FTA provides essential protections for Bourbon and Tennessee Whiskey—two distinctly American spirits. Under the agreement, Colombia has agreed to provide explicit protection in the Colombian market for Bourbon and Tennessee Whiskey as distinctive products of the United States. Such recognition ensures that only spirits produced in the United States, in accordance with the laws and regulations of the United States, may be marketed in Colombia as Bourbon and Tennessee Whiskey.

Second, Colombia has agreed to eliminate its 20% *ad valorem* tariff on all U.S.-origin spirits, except whiskey, rum, and vodka, immediately upon entry-into-force of the agreement. The tariffs on U.S.-origin whiskey, rum, and vodka will be phased out over a 10 year period. While the U.S.-Colombia FTA remains in limbo, both Canada and the European Union—the U.S. spirits industry's key competitors in international markets—have concluded FTAs with Colombia. Once in force, Colombia will phase out its tariffs on imports of Canadian whisky and vodka over a 12 year period and will phase out its tariffs on European whiskeys and vodka over a 10 year period. Unless the U.S.-Colombia FTA is promptly implemented, U.S. spirits exporters will be placed at a significant competitive disadvantage *vis-à-vis* European and Canadian producers.

Third, Colombia has agreed to eliminate the discriminatory aspects of its tax regime for distilled spirits within 4 years of *entry-into-force* of the agreement. Colombia's tax regime, which has been in place since 2003, discriminates against imported distilled spirits through arbitrary breakpoints that have the effect of applying a *lower* tax rate per degree of alcohol to domestically-produced spirits than the rate that applies to most imported spirits. Every year that the agreement has remained in limbo has added another year to the time that U.S. spirits exports continue to be subject to Colombia's discriminatory tax system.

Finally, the agreement contains important obligations with regard to national treatment (Article 2.2) and prohibitions with regard to import/export restrictions (Article 2.8), which will help to address the industry's concerns regarding the operation of Colombia's alcohol monopolies (*i.e., licoreras*) in several states or *departamentos.* The *licoreras* control the distribution and marketing of distilled spirits, restricting the ability of U.S. distilled spirits companies to do business in Colombia. These state monopolies are subject to the national treatment obligations in the CTPA. The state monopolies remain a significant and real concern: earlier this year press reports suggested that the monopolies proposed to prohibit certain imported spirits. Thus, once the agreement is implemented, it should usher in much needed reform to this system.

III. Benefits of the U.S.-Panama Agreement to U.S. Distilled Spirits Exporters

Similarly, the U.S. spirits industry stands to benefit from the provisions of the U.S.-Panama FTA. Panama's 15% *ad valorem* tariff on U.S. spirits imports will be eliminated immediately upon entry into force of the agreement, significantly improving the competitiveness of U.S. spirits in this market. Panama currently ranks as the fifth largest export market in Latin America for U.S. distilled spirits; in 2010, exports totaled almost $4.8 million (FAS value). As in the case of Colombia, further delays in implementation of the FTA will be costly to U.S. exporters. Canada, one of the U.S. spirits industry's major competitors, particularly in the whiskey category, signed a free trade agreement with Panama in May 2010. Under that agreement, Panama will immediately eliminate its tariffs on most spirits imported from Canada, including Canadian whisky. Prompt action on the U.S.-Panama FTA is required to ensure that U.S. exporters will not be disadvantaged.

In addition, under the FTA Panama has agreed to provide explicit protection in its market for Bourbon and Tennessee Whiskey as distinctive products of the United States which, as stated above, is an important tool to ensure that only spirits produced in the United States, in accordance with the laws and regulations of the United States, may be marketed in Panama as Bourbon and Tennessee Whiskey.

IV. Benefits of the U.S.-Korea Agreement to U.S. Distilled Spirits Exporters

Prompt implementation of the U.S.-Korea Free Trade Agreement (KORUS FTA) will ensure that U.S. spirits exporters will be able to compete in one of the most important markets in Asia with strong potential for increased spirits sales. In 2010, the Korean spirits market was valued at $10.1 billion (based on retail sales prices), ranking it as the tenth largest spirits market in the world, and fourth among Asian nations behind China, India and Japan, respectively.

The spirits market in Korea is dominated by two categories: whiskey and soju, the domestically-produced spirit made from any of the following ingredients: rice, wheat, barley, sweet potatoes or tapioca. In volume terms, soju accounts for an astonishing 96% of total spirits sales in Korea. In value terms, however, the market is more evenly divided, with soju accounting for 56% and whiskey accounting for 39%. Thus, the whiskey category is comprised mainly of higher-priced premium and super-premium brands—the segment were U.S. whiskeys compete. Whiskey is forecast to grow by over 45% from 2009 to 2014 in value terms (Euromonitor International).

Korea's whiskey market is dominated by Scotch Whisky; sales of Scotch Whisky accounted for almost 98% of total whiskey sales (retail) in Korea in 2010 (Euromonitor International). The leading U.S. spirits exports to Korea are Bourbon and Tennessee Whiskey, accounting for 68% of total exports in 2010. Although American whiskeys are growing in popularity in Korea, they are still considered as niche products and have not been able to penetrate significantly the whiskey market in Korea, in large part due to the high tariffs and taxes that currently apply and Scotch Whisky's continued dominance.

Under the KORUS FTA, Korea will eliminate its 20% *ad valorem* tariff on Bourbon (and Tennessee Whiskey), which as noted above comprises 68% of total U.S.

spirits exports to Korea, immediately upon entry into force. The tariffs on all other U.S. origin spirits (between 15–20% *ad valorem*) will be phased out over a 5 year period. Prompt action to approve the KORUS FTA is needed to ensure that U.S. spirits exporters are not competitively disadvantaged *vis-à-vis* European spirits producers: under the terms of the EU-Korea FTA, which will enter into force on July 1, 2011, Korea will eliminate its tariffs on Scotch and Irish whisky over 3 years.

In addition, as noted above with the Colombia and Panama FTAs, the KORUS FTA provides recognition of Bourbon and Tennessee Whiskey as distinctive products of the United States. Securing this recognition is critical because it provides the U.S. spirits industry with an important anti-counterfeiting tool.

V. Conclusion

In summary, the pending free trade agreements with Colombia, Panama and South Korea successfully address the principal trade barriers currently impeding U.S. exports of distilled spirits to those markets. The Distilled Spirits Council, therefore, strongly supports these agreements, which, once implemented, will provide considerable tangible benefits to U.S. spirits exporters. We stand ready to work closely with the Congress in seeking the swift approval of these agreements, so that U.S. spirits exporters may begin soon to enjoy improved access to the Colombian, Panamanian and South Korean markets.

Thank you very much for your consideration.

Written Statement of:

DR. PETER H. CRESSY,
President/CEO,
Distilled Spirits Council of the United States, Inc.

SUBMITTED LETTER BY ROBERT CUMMINGS, SENIOR VICE PRESIDENT, USA RICE FEDERATION

May 16, 2011

Hon. FRANK D. LUCAS,
Chairman,
House Committee on Agriculture,
Washington, D.C.

Via Electronic Submission

Re: Comments Concerning the House Agriculture Committee Hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea

The USA Rice Federation (USA Rice), located at 4301 N. Fairfax Drive, Suite 425, Arlington, VA 22203, is the global advocate for all segments of the U.S. rice industry with a mission to promote and protect the interests of producers, millers, merchants and allied businesses. USA Rice members are active in all major rice-producing states: Arkansas, California, Florida, Louisiana, Mississippi, Missouri and Texas. The USA Rice Producers' Group, USA Rice Council, USA Rice Merchants' Association and the USA Rice Millers' Association are members of the USA Rice Federation.

USA Rice appreciates the opportunity to comment on the pending free trade agreements. Rice is a sensitive political and economic commodity throughout the world, and protectionism is extensive. The U.S. rice sector is a key player in the global rice market and the economic health of the rice industry is tied to exports. While the United States produces only two percent of global rice output, the United States ranks, in any year, as the third or fourth largest global exporter and between 45 and 50 percent of the U.S. rice crop is exported.

Through free trade agreements, rice is able to be a competitive commodity and, in turn, create U.S. jobs. According to a recent economic impact study completed by the Agriculture and Food Policy Center at Texas A&M, the rice industry contributed 127,186 jobs to the U.S. economy in 2009. This figure, based on 2009 rice production and sales information, is a component of the total value-added to the U.S. economy from rice production, milling, and selected end-users of $17.5 billion in 2009. Small businesses are well represented within the thousands of rice farmers across the six rice-producing states.

Colombia

The free trade agreement with Colombia offers tremendous short and long term economic benefits to U.S. rice producers, millers and exporters. We believe that this trade agreement holds the most promise for the rice industry since the North American Free Trade Agreement was implemented more than 10 years ago.

The free trade agreement with Colombia reflects the sensitivity of rice. Import duties on U.S. rice phase out over 19 years, with reductions from the bound rate of 80% not beginning until year 7. A tariff rate quota for 79,000 mt (milled equivalent basis) of U.S. rice is established in year one, growing 4.5% annually until free trade is achieved in year 19.

The rice provisions of the agreement with Colombia are similar to those in the CAFTA–DR agreements, but with one substantial and positive difference. The Colombia agreement provides that the net revenue from auctioning licenses to import under the TRQ will be split evenly between the U.S. and Colombian industries. This provision remains a singular achievement of U.S. negotiators that distinguishes this agreement from other U.S. free trade agreements in the region and significantly increases its value to U.S. rice farmers and marketers, who otherwise would wait nearly 2 decades for free trade.

The USA Rice Federation recently estimated that the *gross* revenue to the United States from a 79,000 TRQ would be approximately $11.5 million. While the net figure would be somewhat smaller because of the expenses associated with administering the TRQ, the remaining revenue is significant and would greatly benefit the rice industry. The USA Rice Federation has proposed that all net revenue be allocated to the state rice research boards in the six producing states to be used exclusively for rice research.

Because of Colombia's 80% duty on imported rice, U.S. sales to date have been sporadic and surged only in response to production shortfalls. Annual imports from the United States have rarely exceeded 5,000 mt in the current decade, except in 2009 when a crop shortfall caused Colombia to establish a zero-duty TRQ for 75,000 mt, which the United States promptly filled nearly exclusively. U.S. sales suffer further from the duty-free treatment afforded rice from Venezuela and Ecuador.

Without the passage and implementation of this agreement, U.S. rice exports to Colombia will be sporadic at best and the key benefit of sharing the quota rents from the TRQ between the two rice industries will be lost. Colombia is an important commercial and political partner of the United States and the trade agreement with Colombia is a key tool for strengthening this agreement that should not be lost.

Panama

The U.S.-Panama Free Trade Agreement will also benefit U.S. rice producers, millers and exporters. The agreement phases out Panama's duties on U.S. rice over a 20 year period. Two separate TRQs are established for rough rice and milled rice, which allow for duty-free imports.

The milled rice TRQ in year one is 4,240 mt and will increase 6% each year before becoming duty free in year 20. Average U.S. milled rice exports to Panama for 2005–2009 were only 758 mt. This TRQ will allow for substantial access for U.S. milled rice starting in the agreement's first year of implementation.

The rough rice TRQ in year one is 7,950 mt and will similarly increase 6% each year before becoming duty free in year 20. However, the TRQ for all years is less than the 2005–2009 average for U.S. rough rice imports of 59,405 mt.

Unlike the CAFTA–DR agreement, domestic purchase as a requirement of import under the TRQ is forbidden. The agreement calls for detailed TRQ administration requirements to guarantee quota fill and to exclude producers from influencing quota administration. Thus, domestic producers cannot be allocated or awarded a portion of the TRQ. Any unfilled TRQ licenses must be surrendered by September 1 and a final auction held by October 1.

Although the 20 year phase out until free trade is 3–5 years longer than the CAFTA–DR, it is an important agreement supported by USA Rice.

South Korea

USA Rice does not support the agreement due to the exclusion of rice. Free trade agreements entered into by the United States should be comprehensive and include all products, even those that are politically sensitive.

The U.S. rice industry understands the political and cultural sensitivity of the matter for Korea. However, the U.S. rice market is open, and about 15 percent of U.S. rice consumption is imported. Tariff protection in the United States for rice is virtually non-existent.

We appreciate the opportunity to provide these comments. Please contact us if you have any questions.

Sincerely,

ROBERT CUMMINGS,
Senior Vice President,
USA Rice Federation.

SUBMITTED STATEMENT BY THOMAS C. DORR, PRESIDENT AND CHIEF EXECUTIVE OFFICER, U.S. GRAINS COUNCIL

Chairman Lucas, Ranking Member Peterson, and distinguished Members of the House Committee on Agriculture. My name is Tom Dorr. I am President and CEO of the U.S. Grains Council (USGC). Founded in 1960, The Council is a private, non-profit corporation with ten international offices and programming in more than 50 countries. Its unique membership includes barley, corn and sorghum producer organizations and agribusinesses from across the United States with a common objective in developing export markets.

The Council appreciates the efforts of the Committee in holding hearings regarding the importance of ratification of the existing free trade agreements (FTAs) with Colombia, Panama and South Korea. All are important export markets for the coarse grains and important co-products (*i.e.,* distiller dried grains, corn gluten feed, corn gluten meal) we represent and offer significant opportunities for growth and each of which the Council has had extensive involvement in capacity-building and increasing demand for these products. We offer this statement to explain the economic implications and importance of these FTAs.

Korea—Important Asian Market

The Republic of Korea has been a strong and important export market for U.S. feed grains, and is third largest market for U.S. corn. Korea is Asia's fourth largest economy with a $1 trillion gross domestic product (GDP) that is projected to grow by five percent in 2011.

Korea produces a total of only about 300,000 metric tons (tmt) of barley, corn, and sorghum a year, representing about three percent of total domestic consumption. As the world's third largest grain importer, the U.S. has been a consistent and reliable supplier providing over 65% of Korea's feed grains and substitutes market. Corn imports to Korea in 2010 totaled $1.7 billion. It has also been a growing market for DDGs with the U.S. supplying over 90% Korea's total imports. As a result, U.S. feed grains and co-products are critical in meeting their food security needs.

The U.S. feed grains industry has enjoyed the existence of low or zero tariff rates for corn imports to Korea. Under the U.S.-Korea FTA, the tariff for U.S. corn will be fixed at zero and eliminating the current ability of Korea to discontinue the zero autonomous tariff and revert back to the WTO tariff of five percent for the first 6.1 million tons, and 328 percent for any imports above this quantity. Similarly, Korea's current 6.6 percent tariff on DDGS will be provided duty free access upon implementation of the FTA.

In addition to providing coarse grains for the Korea livestock industry, the U.S. also provides corn to Korea's food and industrial sector. Currently, Korea imports practically no corn starch from the U.S. as almost all of its 6.1 million ton WTO Tariff Rate Quota is used to import feed corn and corn starch for manufacturing. Korea's over-quota tariff on corn starch is 226 percent.

With the FTA, the U.S. will have an opportunity to establish a foothold in Korea's corn starch market. During the first year of the agreement, 10,000 tons of U.S. corn starch will enter Korea duty free. The quota will grow three percent a year through the beginning of year 15, when all U.S. corn starch will enter duty free.

With respect to barley and malting barley, the FTA will provide U.S. barley a tariff advantage over its competitors. The agreement creates a 2,500 duty-free quota for U.S. unhulled and naked barley (excluding malting barley), which increases two percent a year while the tariffs are phased out over 15 years. Outside the FTA, Korea has an unhulled barley autonomous TRQ of 50,000 tons at a two percent tariff and a WTO 23,582 ton TRQ that covers both unhulled and naked barley at five percent with over-quota tariffs of 324 and 300 percent, respectively.

In addition, in the first year of the agreement, the U.S. will be able to export 9,000 tons of unroasted malt barley and malting barley, combined, into Korea duty free. The duty free quota grows two percent a year through year 15, at which time all U.S. shipments of malt and malting barley will enter duty free. This provides the U.S. a ten percent tariff advantage over our competitors for malt and 20 percent for malting barley. At a minimum, this will keep the United States on a level tariff playing field if Korea concludes similar trade agreements with Canada, the EU and Australia.

Finally, passage of the FTA will allow the Council to continue to promote the advantages of U.S. grains and their reliable supplies to meet Korea's growing feed, food and industrial demand. It will also help the Council in promoting the growing use of DDGs of Korea's poultry and livestock operations.

Panama—Gateway Corridor to Central and South America

While Panama is a small country with only 3.3 million people it is a key building block in the U.S. strategy to advance free trade within the Western hemisphere. Spearheaded by transportation, telecommunications, commercial and tourism sectors, Panama's economy is based on a well-developed services sector. GDP in 2010 was nearly $26 billion and is anticipated to grow at more nine percent in 2011.

Panama is an important market for U.S. agricultural exports. The U.S. corn industry has traditionally been the sole supplier to this market with poultry sector as the dominant end-user of feed grains. However, there has been some erosion in 2010 due to, among other reasons, a lack of progress on the U.S.-Panama FTA.

The agreement will provides for immediate duty-free treatment for over 60 percent of current U.S. exports to Panama. Current duty-free agricultural products such as wheat, barley, cotton, crude soybean oil, soybeans and soybean meal will be made permanent.

The FTA will also provide opportunities for immediate duty-free access through tariff-rate quotas (TRQs) for many of Panama's more sensitive products including corn, refined corn oil. Most remaining tariffs will be eliminated within 15 years. Upon the FTA's implementation a tariff-rate quota of 298,700 mt with zero tariffs would apply to corn. The quota would be increased annually three percent (compounded) and corn imports exceeding the quota would have a 40 percent levy. The over-quota tariff of 40 percent will be gradually eliminated between the fifth and fifteenth years of the Agreement. Sorghum will be duty-free within 5 years while barley, DDGS and crude corn oil would receive immediate duty-free treatment.

Ratification of the FTA will accelerate the ability of the Council to work with Panamanian end-users to introduce feed grain co-products and value-enhanced grains. In addition, promoting the use of corn co-products will provide cost savings to feed millers and as a result create more demand for U.S. corn.

Colombia—Key Strategic U.S. Agricultural Export Market

Colombia is a key strategic market with exceptional growth potential. Colombia has the second-largest population in South and Central America and the Caribbean, and is the third-largest economy in the region. Colombia is experiencing strong economic growth, projected to exceed four percent annually over the next 3 years. Colombia's per capita income has grown steadily over the last decade, exceeding $9,000, and is projected to increase to nearly $12,000 by 2015. As a result, its middle class continues to grow and is projected to increase to more than 25 percent of the total population by 2020.

This higher growth income has resulted in more consumption of animal proteins with an increase in pork production (32 percent), poultry (32 percent) and eggs (12 percent) in the last 5 years. While Colombia is a net exporter of agricultural commodities, it imports over 80 percent of the corn it uses domestically. Similarly, it imports over 95 percent of the wheat and soybeans products it consumes.

Colombia is an important market for America's farmers and ranchers. Total U.S. agricultural exports exceeded $1.6 billion in 2008. Colombia is the fifth-largest market for U.S. coarse grains, eclipsed only by Mexico, Japan, Taiwan and South Korea.

But it is a situation where we have experienced extraordinary challenges with an increasing loss of market share in what is one of the strongest growth markets in our own hemisphere. Until 2008, the U.S. agricultural sector had been the beneficiary of Colombia's growing need for imports of agricultural commodities. U.S. market share of Colombia's total agricultural imports grew steadily from 2005 to 2008 reaching nearly 50 percent. However, since 2008, U.S. market share has declined rapidly to only 21 percent. Conversely, Argentina's market share of Colombia's total agricultural imports rose sharply from eight percent to nearly 30 percent over the same time period.

For U.S. coarse grains, the decline has been even more dramatic. At its peak, U.S. exports of coarse grains approached $635 million and accounted for 83 percent of the total Colombian coarse grains imports. In 2010, U.S. coarse grains exports declined to $118 million and market share fell to 18 percent, a residual suppler level.

The loss of market share can be attributed to major inroads by Argentina and Brazil. In 2008, Argentina held an 11 percent share of coarse grains imports, primarily corn. By 2010, Argentina's market share was 66 percent. Over the same time period, Brazil's market share of coarse grains imports to Colombia increased from 5 to 16 percent.

Tariff Constraints Erode U.S. Competitiveness

Colombia protects its local production with a common external duty (15 percent) that includes corn (and other agricultural commodities). In addition, Colombia is a party to the MERCOSUR-Andean Community agreement, under which it has implemented bilateral agreements with Brazil, Argentina and Paraguay. Under that agreement exists a price band mechanism which levies additional duties on the 15 percent duty when international corn prices are lower than a preference and conversely reduces the basic duty when international corn prices are higher. This price band mechanism operates as a protective policy when international prices are lower by increasing the import duty, while high international prices act as natural protection for the local production.

Colombia's trade agreement with MERCOSUR allows member countries to receive a preferential duty treatment. Argentina and Brazil receive an annual duty reduction on corn imports to Colombia, which completely phases out the basic duty by 2018. Beginning in 2006, the duty preference on the basic duty (15 percent) granted for corn was 31 percent or a duty of 10.35 percent—a 4.65 percent advantage over corn import from the United States. By 2009, the duty preference reached 49 percent and then 54 percent in 2010. In 2011, the duty preference increased to 60 percent, which represents a nine percentage point advantage over corn imports from the United States. Even with the duty preferences in place, the United States remained competitive until 2008. However, the increased duty preference to corn imports from MERCOSUR has virtually eliminated that advantage.

This is despite the fact that the United States, with its close proximity to Colombia, has a freight transportation advantage over Argentina and Brazil. According to estimates provided by Colombian feed importers, the lower import tariff by itself currently provides a $20/ton advantage over U.S. shipments.

Corn makes up a larger percentage of grain imported into Colombia, which leads importers to combine it with other grain imports, such as soybeans, wheat and other grain co-products to complete their grain cargo. As U.S. corn imports have declined, the same has occurred with other bulk products. The decline of U.S. imports has lowered the incentive to import other U.S. grains as well.

Equally troubling, the shift in grain flows from the United States to Argentina and Brazil has allowed those countries to include additional quantities of corn over and above the shipments to Colombia that are later shipped to Latin American countries such as Panama and the Dominican Republic. The lower tariff rates allow Argentina and Brazil to import corn into these markets despite the transportation disadvantage. These are markets where the United States has a clear competitive advantage and yet we are seeing them be eroded because of the pernicious effects of the lower duty preferences. Once trade flows become established and relationships are formed with other trading partners, it is very difficult to win back these markets.

In addition to the MERCOSUR-Andean Community Agreement, Colombia currently has free trade agreements (FTA) in place with Chile, El Salvador, Guatemala, Honduras, Mexico and Uruguay. It is also a member of the Andean Community Customs Union (Bolivia, Ecuador and Peru). In 2010, Colombia finalized FTAs with Canada and the European Union, and is presently negotiating new FTAs with Panama, South Korea and Singapore. Without the U.S.-Colombia FTA, U.S. coarse grains producers as well as the producers of other U.S. agricultural commodities will cede this market to our competitors.

USGC Capacity-Building Efforts in Colombia

The Council works closely with the Colombian feed, livestock and poultry industries to build capacity and increase efficiency to utilize U.S. coarse grains products. Several of the numerous Council programs include: Capacity-building to the poultry and dairy sectors in disease management and training in feed formulation; training in nutritional and price benefits associated with using distiller's dried grains and an introduction of U.S. sorghum into the Colombian livestock sector; and U.S. grain trade promotion through grain marketing and risk management training for major Colombian grain importers. The resulting productivity gains have greatly enhanced Colombia's ability to meet the needs of their growing middle class and supply high-quality protein products at low cost to their consumers.

Separately, the Council and the United Soybean Board participated in a technical cooperation agreement with the Inter-American Institute for Cooperation on Agriculture on a 2004 study on the impact of the elimination of Colombian trade protection on corn, sorghum and soybeans. That study revealed that with the elimination of Colombia's tariff barriers, prices of corn and sorghum would fall by 33 percent. Imports of corn and sorghum would increase by 92 percent with a value of $192 million. The lower feed prices would increase the demand for feed and the Colombian livestock and poultry sector would benefit through projected increases in the value of production of poultry (17 percent); pork (14 percent); and eggs (11 percent).

As a result of these ongoing efforts, the Council has established a strong partnership with Colombia's livestock and poultry sectors. U.S. producers gained their trust as a long-term, reliable supplier that provides consistent, quality products. As valued customers, the Council consistently provides technical support and outreach to meet their needs.

The Colombian feed, livestock and poultry industries want to retain and build on that relationship. Representatives of the Colombian feed milling, swine and wheat industries traveled to Washington, D.C., earlier this year and provided Congressional briefings to this Committee as well as the Senate Agriculture Committee, Senate Finance Committee and House Ways and Means Committee. They explained that Colombia must import agricultural commodities at competitive prices to meet their growing demand for protein products. While the United States has been a reliable supplier, they stressed that duty preferences afforded to Argentina and Brazil has eroded the competitiveness of U.S. commodities and they have no choice but to import corn and other commodities from those markets. They stated that the U.S.-Colombia FTA would allow them the opportunity to acquire more U.S. commodities. However, price is paramount and if the United States cannot compete they will continue to source products from our competitors.

U.S.-Colombia FTA Removes Tariff Constraints—Levels Playing Field

The benefits provided under the U.S.-Colombia FTA will eliminate the tariff constraints that are eroding the competitiveness of U.S. agricultural exports. Upon implementation of the FTA, the applied tariffs are eliminated, providing immediate duty-free access to coarse grains and more than 80 percent of current U.S. agricultural exports to Colombia. Colombia will immediately eliminate its price band system, which in addition to corn, affects more than 150 agricultural products.

For yellow corn, Colombia will provide immediate duty-free access through a 2.1 million tariff rate quota (TRQ) with five percent annual growth. Colombia will phase out its out-of-quota tariff of 25 percent over 12 years. For white corn, a staple product for Colombia's consumers, the agreement will provide immediate duty-free access through a 136,500 ton TRQ with five percent annual growth. Colombia will phase out the out-of-quota tariff on 20 percent over 12 years.

The Council has worked aggressively to promote the use of grain sorghum in feed rations in Colombia. Under the agreement, Colombia will provide immediate-duty free access through a 21,000 ton TRQ with five percent annual growth. Colombia will phase out the out-of-quota tariff of 25 percent over 12 years.

Tariffs on barley and barley products, with the exception of feed barley, will be eliminated immediately. Important co-products—distiller's dried grains, corn gluten feed and corn gluten meal—will also be provided immediate duty-free access.

Concluding Remarks

In summary Mr. Chairman, Colombia is a key strategic market with exceptional growth potential right in our own hemisphere. The United States is already losing hundreds of millions of dollars in annual exports and this is compounded by the loss or non-creation of thousands of U.S. jobs. If U.S. agriculture is to remain competitive and capitalize on this significant opportunity it must also maintain its leadership role. Without removal of these trade constraints, the U.S. coarse grains producer will lose this market.

If we are to collectively meet the critical objectives of the National Export Initiative, we see great opportunity and progress if there is ratification of the Colombia, Panama and South Korea FTAs. Equally important, should Congress ratify these FTAs it will enhance the credibility of the United States with its global trading partners on the overall trade agenda and increase its ability as the world's largest trading partner to marshal completion of the Doha Development Round and the Trans-Pacific Partnership agreement.

Again, Mr. Chairman, Ranking Member Peterson, and Members of the Committee, I appreciate the opportunity to present the views of the U.S. Grains Council.

SUBMITTED STATEMENT BY AUDRAE ERICKSON, PRESIDENT, CORN REFINERS ASSOCIATION

The Corn Refiners Association (CRA) is pleased to submit the following comments for the record in response to the House of Representatives Committee on Agriculture's hearing on the pending free trade agreements with Colombia, Panama, and South Korea on May 12, 2011. The CRA strongly supports these agreements and urges swift Congressional approval of them.

CRA is the national trade association representing the corn refining (wet milling) industry of the United States. CRA and its predecessors have served this important segment of American agribusiness since 1913. Corn refiners manufacture sweeteners, ethanol, starch, bioproducts, corn oil, and feed products from corn components such as starch, oil, protein, and fiber. In 2010, our industry's exports of refined corn products were valued at $2.3 billion.

CRA favors all three agreements because of their benefits to agriculture in general and the corn refining industry in particular. The specific benefits of each agreement are outlined below.

Colombia-U.S. Trade Promotion Agreement

Even with current restrictive tariffs, Colombia has been a growing market for U.S. exports of refined corn products. Passage of this agreement would accelerate this growth, particularly for corn gluten feed and meal. Duties on these products will be eliminated immediately, which would provide an important export market for the growing supply of ethanol co-products in the United States.

In addition, duties on corn starch, crystalline fructose, dextrin, and modified corn starch will be eliminated immediately. Colombian tariffs on most processed food—a major market for U.S.-produced corn starches, sweeteners, and oil—will be reduced to zero upon enactment of the agreement. The elimination of price-band systems for vegetable oils, coupled with full duty elimination in 5 years, will restore and increase trade for U.S. corn oil that was lost in the 1990s. Duties on most glucose syrup and high fructose corn syrup will be eliminated over 10 years. In the meantime, a new tariff-rate quota for U.S. glucose syrup will expand trade by 300%.

While the CRA seeks the shortest path to duty free trade, the significant market access granted in the Colombian agreement for starches, sweeteners, oil, feed and processed food products is a major step. CRA supports passage of the Colombian Trade Promotion Agreement.

Korea-U.S. Free Trade Agreement

Currently, Korea imposes high tariffs on refined corn imports that prevent entry of many of our exports. Under the KORUS Agreement, several products of the U.S. corn refining industry would have all duties eliminated in 5 to 7 years, including corn oil, corn syrup, high fructose corn syrup, and crystalline fructose.

The most highly protected segment of the Korean market for processed corn products—corn starches and high-value modified starches—would see duties eliminated over the life of the agreement and new duty-free quotas will enable U.S. firms to enter the market during this transition period.

While the KORUS awaits U.S. ratification, Korea is actively pursuing free trade or preferential trade agreements with other nations. It has successfully concluded agreements with the European Union, the ASEAN group of countries, and India. Negotiations are ongoing with Australia, Canada, China, Mexico, New Zealand, and Peru. All of these countries are current or future competitors for the U.S. corn processing industry in the Korean market. Failure to adopt the KORUS will make the U.S. a residual supplier to the Korean market compared to these countries, or will prevent U.S. corn refiners from competing in this market altogether.

This is especially true in the case of corn starch products in the Korea-European Union Agreement, an agreement that will go into force in July 2011. The European Union secured a highly advantageous deal for their starch exports, in some cases European starches received approximately four times the market access that U.S. starches received. Moreover, tariffs on European starch products are eliminated more rapidly than tariffs on U.S. corn starch exports.

Failure to secure expeditious ratification of the KORUS will place the U.S. corn refining industry at a significant competitive disadvantage relative to its European competitors. We urge immediate Congressional approval of the KORUS to ensure that the Korean market is not handed over to the European starch industry.

Panama-U.S. Trade Promotion Agreement

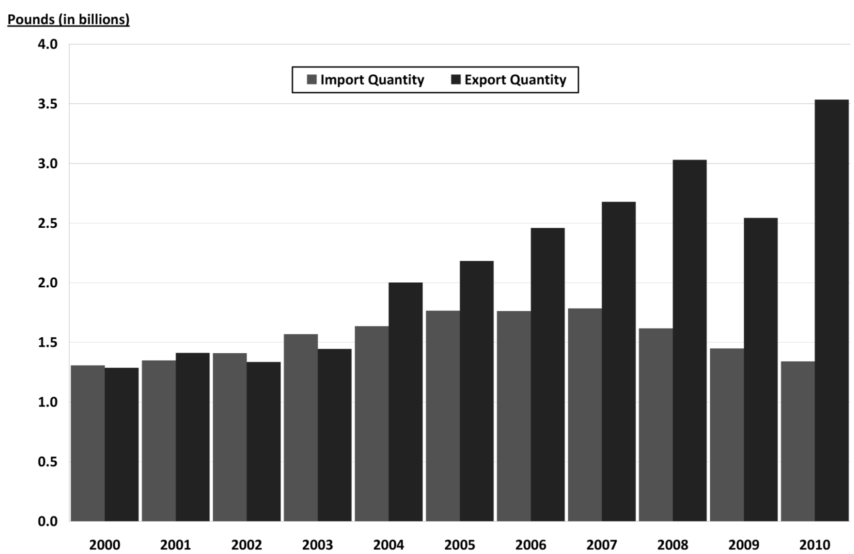
The Corn Refiners Association also supports passage of the Panama-U.S. Trade Promotion Agreement (TPA). Currently, Panama maintains restrictive duties on imports of U.S. refined corn oil, dextrose, crystalline fructose, and corn gluten feed and meal. The U.S.-Panama TPA will eliminate these duties in incremental steps, resulting in full free trade in all refined corn products in fifteen years. Immediate tariff reductions for animal feed products will provide rapid opportunities for U.S. exporters.

Thank you for the opportunity to provide these comments for the record in conjunction with the House Agriculture Committee hearing.

Submitted Statement by International Dairy Foods Association

The International Dairy Foods Association (IDFA),[1] representing the nation's dairy processing and manufacturing industry, strongly supports the pending free trade agreements (FTAs) with South Korea, Colombia, and Panama. Dairy exports have grown into a vitally important aspect of the U.S. dairy industry and continued expansion overseas is the market's logical progression. The U.S. dairy market is fairly mature, meaning that opportunities to grow domestic consumption of dairy products are limited. Demand abroad, however, is growing rapidly. In 2010, the U.S. exported over $3.7 billion worth of dairy products around the world, up 64% from 2009 and the second-highest level ever. The U.S. ran a dairy trade surplus last year of over $1.2 billion. These numbers are a clear departure from a decade ago when the U.S. dairy industry historically ran a trade deficit and many dairy product exports occurred only due to government export subsidies.

U.S. Dairy Import/Export Quantity: 2000–2010



Although job creation is difficult to quantify, it has been estimated that every $1 billion increase in exports creates nearly 5,000 new jobs here in the United States. Several new dairy processing plants have been built or expanded in recent years, resulting in more jobs in our facilities and the opportunity for dairy farm operations to grow. Much of the expansion in our industry in the past decade was dependent upon export sales.

With the right domestic and international policies, we are confident that these positive job creation and industry growth trends will continue.

In 2009, the Innovation Center for U.S. Dairy, funded by dairy producers, commissioned a study by Bain & Co. which found that international demand for dairy products will grow faster than the available world milk supply creating a latent demand gap resulting in major export growth opportunities for the U.S. dairy industry. The

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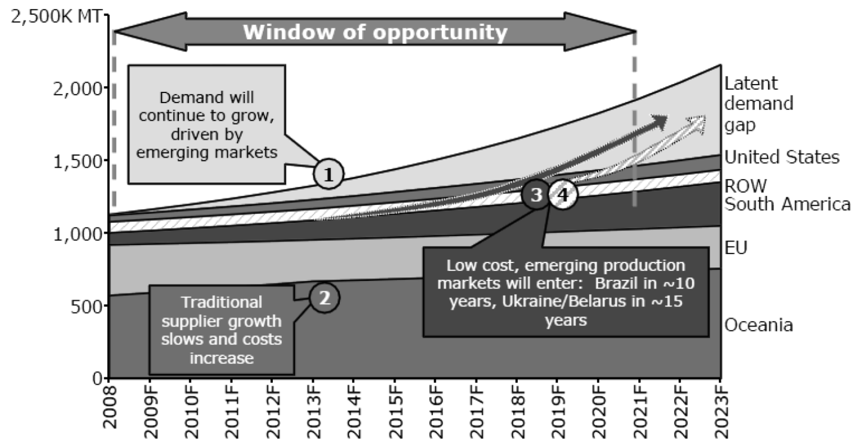
[1] The International Dairy Foods Association (IDFA) represents the nation's dairy manufacturing and marketing industries and their suppliers, with a membership of 550 companies representing a $110 billion a year industry. Our member companies manufacture more than 85% of the milk, cultured products, cheese and frozen desserts produced and marketed in the United States.

study found that our international competitors have problems that will negatively affect their ability to fill the gap, but only in the near term. Thus, the U.S. industry has a limited window of opportunity to capture this significant increase in market share.

Global Dairy Net Trade: Milk Protein



Source: "World Trade Trends 2008," USDEC; FAPRI.

The study recommended that the dairy industry focus its attention on becoming a "consistent exporter" and that we change many of our domestic and international policies in order to position our dairy industry to take advantage of this opening. IDFA agrees with this recommendation and urges you to review the full report.[2]

Concerning international policies, FTAs are an extremely important opportunity to advance dairy trade and break down barriers that obstruct the global growth of the dairy industry. The agreements currently pending before Congress, including those with Colombia, Panama, and South Korea, offer enormous potential for growth in new markets for U.S. dairy products.

In particular, quick action is needed to move the Korea-U.S. Free Trade Agreement (KORUS FTA) forward as South Korea's dairy market is particularly important to American exporters. Assuming the U.S. is able to make full use of the new market access opportunities negotiated, this agreement embodies what IDFA believes is one of the most important free trade deals for the American economy since the North American Free Trade Agreement.

U.S. dairy exports to Korea have been subject to high tariffs starting at 36 percent, while most of Korea's agricultural exports enter the U.S. market with tariffs of about ten percent. Despite these barriers, in 2010 South Korea constituted the U.S. dairy industry's sixth largest export market and imported over $115 million worth of American dairy products, which was a 72 percent increase over 2009. South Korea was the fourth largest export destination for U.S. cheeses and curds and the eighth largest export destination for ice cream and related products.

Estimates from the U.S. International Trade Commission (ITC) Report: U.S.-Korea Free Trade Agreement "Potential Economy-wide and Selected Sectoral Effects" indicate that full implementation of the KORUS agreement would increase U.S. dairy exports by $175–$336 million (249–478 percent).[3] The report notes that the domestic Korean dairy industry is currently unable to supply total Korean demand for dairy products. One-half of non-fluid dairy consumption in Korea is supplied by imports. If the market access opportunities for the U.S. dairy industry under the KORUS–FTA are fully realized, U.S. farmers, processers and their suppliers are well positioned to meet this demand.

Perhaps most importantly, the ITC report estimated that the dairy sector would be among the industries seeing the largest gains in output and employment. Based

[2] *http://www.usdairy.com/Globalization/GlobalImpactStudy/Pages/BusinessCase.aspx.*

[3] Impact relative to a 2008 base. See chap. 2 of U.S. International Trade Commission U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects report for additional information regarding the economy-wide analysis: *http://www.usitc.gov/publications/pub3949.pdf.*

on Commerce Department multipliers, such an increase in U.S. dairy exports could mean 10,000 or more additional U.S. jobs when considering the effect across the dairy industry value chain.

In addition to supporting the approval of the KORUS–FTA at the earliest opportunity, IDFA also strongly supports quick approval of the FTAs with Colombia and Panama. The estimated benefit to the U.S. dairy industry over the first several years of each of these agreements will be an additional $25 million per year, on average.

If Congress fails to act, these tremendous opportunities for market expansion and resultant job growth in the U.S. will be critically threatened, especially in light of the rapid pace at which the European Union has negotiated competing FTAs with these countries.

With regard to domestic agriculture policy, the Bain report specifically recommends against establishing policies that would create a "Fortress USA" by establishing government programs which attempt to manage dairy price volatility or control the supply of farm milk. The report warns that such policies will lead the U.S. towards being a secondary and inconsistent supplier thereby reducing opportunities for growth in export markets.

When considering the potential benefits of the pending FTAs the committee should be aware that the type of policies that would create a "Fortress USA" by establishing a new mandatory growth management program to address volatility are being considered by Congress. Studies of milk supply control programs established in other countries such as Canada and the European Union have shown that exports decline and imports increase under such programs.[4] If growth management or price stabilization programs are established here, they will work at cross purposes to undermine the market access gains of the pending FTAs for the dairy industry.

One proposal in particular, the Dairy Market Stabilization Program, that is included in a dairy reform package called the Foundation for the Future, and sponsored by the National Milk Producers Federation (NMPF), would create a new mandatory government program to limit milk supply when producers' operating margins fall. NMPF claims that this program will not have an impact on exports because it is temporary of emergency in nature. However, studies sponsored by NMPF found that the impact of the stabilization program will be to increase domestic prices for dairy products well above international levels. Logically, this will hurt U.S. dairy exports.

In fact, one of the studies prepared by FAPRI at the request of NMPF specifically details the significant negative impact that the stabilization program would have on U.S. dairy exports.[5] In addition, Informa Economics has also reviewed the FAPRI analysis of the stabilization program and found that "FAPRI's estimated average of Class III and Class IV milk prices would have averaged $1.62 per hundredweight more than the equivalent prices in Oceania, which likely would have reduced U.S. exports from 14 billion pounds of milk equivalent to just 12 billion pounds, a 14% reduction."[6]

The adoption of the NMPF stabilization program, or any other program to limit milk supply in an attempt to manipulate farm milk prices, would clearly reduce our industry's ability to compete internationally and harm our industry's ability to export dairy products. Because the NMPF stabilization program triggers off and on, U.S. dairy companies would be hard pressed to become reliable exporters; our domestic prices would at times unpredictably be manipulated by government policy to be above international competition. As such, the so-called temporary operation of the program runs counter to the importance of being a "consistent" or reliable supplier to the world dairy market.

IDFA urges members of this Committee and Congress to work diligently to approve these long-pending FTAs and to reject any effort to impose milk supply controls. These actions are viewed by IDFA as crucial to ensure the industry's continued overseas growth and logical progression towards becoming a "consistent exporter."

IDFA appreciates the opportunity to provide comments on the importance of these issues to the future of our industry. Thank you.

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[4] *http://www.keepdairystrong.com/files/Informa__International__Comparison__Supply__Control__Impacts__0910.pdf.*

[5] *http://www.fapri.missouri.edu/outreach/publications/2011/FAPRI__MU__Report__04__11__Appendix.pdf.*

[6] *http://www.keepdairystrong.com/page.php?ID=InformaReports.*

SUBMITTED QUESTIONS

Response from Hon. Thomas "Tom" J. Vilsack, Secretary, U.S. Department of Agriculture

Question Submitted by Hon. Reid J. Ribble, a Representative in Congress from Wisconsin

Question. Mr. Secretary, given your Department's role in promoting agriculture abroad and maintaining and expanding export markets for America's agricultural products, and the President's stated goal of doubling exports in the next 4 years, I would be curious to hear if your agency has undertaken a review of a proposed rule from GIPSA regarding the buying and selling of livestock. Specifically, I would like to hear if you have analyzed the potential trade impacts this rule will have on U.S. agricultural exports.

I have heard from pork and livestock producers in my district that they are concerned that this rule will result in a single pricing system and that value-based marketing programs will become a thing of the past out of fear of legal challenges to differential pricing. I know that many of our trading partners, specifically in Asian countries, demand a unique product that requires a greater degree of specialization to produce. How will the U.S. producer be able to meet this demand if they are not adequately paid for their more "high end" product?

Answer. GIPSA has received a large number of comments addressing the sections of the proposed rule regarding livestock purchasing practices. Some of the comments addressed issues similar in nature to the issue you have raised in this question. GIPSA will take the comments into consideration in preparing the rule. While it would violate the rules governing the rulemaking process to discuss the details of what revisions are being considered based on the comments, we fully recognize there are concerns with some aspects of the rule and we are working to addressing them.

Question and Letter Submitted by Hon. Joe Courtney, a Representative in Congress from Connecticut

Question. Extract from letter.

> As Chairman of the Congressional Dairy Farmers Caucus, I greatly appreciate the Administration's efforts to resolve the export issues America's dairy farmers face in accessing India's dairy market. During the hearing you had an exchange with my colleague Congressman Tim Walz of Minnesota in which you stressed the importance of respecting India's cultural sensitivities regarding dairy trade. While I appreciate those concerns, I would ask you to clearly state how USDA and USTR plan to ensure that India honor their WTO obligations by basing their requirements on scientific grounds and not on cultural concerns, or perceived Indian consumer preferences.

Answer. As indicated in recent letters from Secretary Vilsack and Ambassador Kirk to the dairy industry, USDA and USTR remain seriously concerned about the issue of dairy access to the Indian market and will accordingly continue to address our concerns, including any concerns related to India's WTO obligations, through all appropriate fora that can help lead to a resolution. This includes formal bilateral meetings, technical exchanges where relevant, agriculture-related meetings in the WTO, and informal opportunities for bilateral engagement, all of which would continue to be premised on ensuring any restrictions are applied in a non-discriminatory manner and are based on appropriate criteria justifiable under the WTO agreements.

LETTER

Hon. THOMAS J. VILSACK, *Secretary,* U.S. Department of Agriculture, Washington, D.C.;	Hon. RON KIRK, *Ambassador,* U.S. Trade Representative, Washington, D.C.

Dear Secretary Vilsack and Ambassador Kirk,

I want to thank each of you for your recent testimony before the House Agriculture Committee on pending free trade agreements with Colombia, Korea and Panama.

I want to first take a moment to express my appreciation for your efforts to increase trade and remove roadblocks that businesses face as they attempt to enter the export market. During my most recent trade mission to the United Kingdom, which I discussed at the hearing, it is clear that there is more we can do together to increase opportunities for American businesses in foreign markets.

I wanted to follow up with you regarding a matter I did not get to discuss during my limited question and answer time. As Chairman of the Congressional Dairy Farmers Caucus, I greatly appreciate the Administration's efforts to resolve the export issues America's dairy farmers face in accessing India's dairy market. During the hearing you had an exchange with my colleague Congressman Tim Walz of Minnesota in which you stressed the importance of respecting India's cultural sensitivities regarding dairy trade. While I appreciate those concerns, I would ask you to clearly state how USDA and USTR plan to ensure that India honor their WTO obligations by basing their requirements on scientific grounds and not on cultural concerns, or perceived Indian consumer preferences.

I look forward to your response and appreciate your continued efforts to increase opportunities for American businesses.

Sincerely,

Hon. JOE COURTNEY,
Member of Congress.

Response from Hon. Ron Kirk, United States Trade Representative

Question Submitted by Hon. Jim Costa, a Representative in Congress from California

Question. I appreciated Sec. Vilsack's assurances at the hearing about the need to find a fair and balanced outcome in TPP for America's dairy industry. As you know from discussions and letters over the past year, that objective and particularly the concerns about any expansion of U.S.-New Zealand dairy trade, is very important to me and many of my colleagues. How is USTR ensuring that this sensitive issue is being dealt with at the most appropriate time and in a way that will sufficiently address these concerns?

Answer. During the seventh round of TPP negotiations in Vietnam in June, the United States made progress in market access discussions with TPP partner countries with a goal of increasing U.S. food and agricultural exports. There will be further discussions on market access for agricultural products at the upcoming round in September. We recognize fully the import sensitivities related to market access for dairy products from New Zealand and continue to work closely with U.S. industry and Congress to develop our approach in the negotiations. At this stage, no decisions have been made on the issue of market access for dairy products from New Zealand.

Questions Submitted by Hon. Peter Welch, a Representative in Congress from Vermont

Question 1. The benefits to U.S. agriculture of increasing our exports is clear. Secretary Vilsack stated that no U.S. agricultural exports currently enjoy duty-free access to Colombia, but that 70 percent of current trade would be duty-free immediately when the FTA enters into force. What impact will this have on farmers in Colombia?

Answer. Colombian farmers will gain improved market access in the United States under the Agreement. In addition, and perhaps at least as important, they will enjoy the certainty of long-term access to the largest market in the world, which in turn encourages investment. Much of Colombia's access to the U.S. market to date has been under time-limited preference programs that were subject to expiration, which created uncertainty.

Question 2. According to an Oxfam commissioned study by leading Colombian economists there are 1.8 million small-scale farmers in Colombia, 89 percent of the total farming population. They contribute about half of agricultural production in Colombia, and nearly 30 percent of the area they cultivate is sown with crops that compete with U.S. exports. The vast majority of these small farmers now live in poverty. Has anyone within the USTR explored the impact on small-scale Columbian farmers?

Answer. The Agreement provides for long phase-out periods for tariffs on sensitive agricultural products, and applies other tools such as agricultural safeguards, designed to enable local populations to adjust gradually to trade liberalization. In addition, the phase-out of Colombia's barriers to agricultural imports from the United States will advance the competitiveness of Colombian agricultural interests who use U.S. inputs and contribute to lowering the cost of food for Colombian consumers.

The Agreement also constitutes an important means for fighting poverty by spurring new economic activity, creating jobs and opportunities for Colombian workers. Finally, the Agreement includes commitments to coordinate trade capacity building programs in Colombia to help promote growth and reduce poverty.

Question 3. According to Oxfam, ⅔ of rural households in Colombia live in poverty, and ⅓ of those live in extreme poverty. Rural poverty fuels both the armed conflict and the illegal economy. The U.S. has invested $8 billion over the last decade in counter-narcotics, counter-insurgency and alternative development efforts. If small-scale farmers in Colombia are negatively impacted by the FTA could this undermine our counter-narcotics and counter-insurgency efforts? What can be done to ensure that this does not occur?

Answer. The U.S. Government and the Colombian Government have a multi-part strategy to address this concern. First, as I indicated, the Agreement contains a number of mechanisms to ensure an adjustment to the new terms of competition. In addition, the U.S. Government administers an integrated set of programs in Colombia to promote alternative development as an important component of our counternarcotics efforts. Both our governments are committed to promoting development, growth and opportunity in Colombia while combating narcotics production and trafficking.

Question 4. I want to thank you for meeting with the dairy caucus during the last Congress. As you may remember from the meeting, I and many of my colleagues are concerned about any expansion of U.S.-New Zealand dairy trade as part of Trans Pacific Partnership FTA. Can you provide an update on the progress of the TPP talks and how the issue of NZ dairy is being dealt with?

Answer. During the seventh round of TPP negotiations, which were held in Vietnam in June, the United States made progress in market access discussions with TPP partner countries with a goal of increasing U.S. food and agricultural exports. There will be further discussions on market access with TPP partners at the September round. At this stage, no decisions have been made on the issue of market access for dairy products from New Zealand. USTR will continue to work closely with the U.S. dairy industry and Congress as the negotiations move forward.

Question 5. It is my understanding that sanitary and phytosanitary (SPS) problems often hinder agricultural exports. As the USTR moves forward with the Korea, Panama, and Columbia FTA's can you discuss how these issues are handled in the three agreements and how what USTR is doing to combat this problem plaguing agricultural exports with other countries?

Answer. The South Korea, Colombia, and Panama trade agreements will open markets for U.S. firms, increasing trade and exports. Increasing U.S. exports through these agreements will support additional jobs for American workers and support the Administration's goal of doubling U.S. exports by 2014. In particular, these three agreements will provide important opportunities to significantly increase economic benefits for American farmers and ranchers, as the agreements will eliminate high tariffs and restrictive tariff rate quotas and address non-tariff measures that limit market access. As to the latter, all three agreements lay out a framework to help ensure that the sanitary and phytosanitary measures of the parties to these agreements are based on science and international standards and do not unfairly block agricultural exports. These provisions will help U.S. exporters maintain and enhance their competitiveness against other suppliers in these key foreign markets.

Question and Letter Submitted by Hon. Steve Southerland II, a Representative in Congress from Florida

Question. Extract from May 12, 2011 letter.

> As you are aware, on October 12, 2006, the second U.S.-Canada Softwood Lumber Agreement (SLA) came into effect and terminated more than 20 different legal disputes surrounding Canada's softwood lumber subsidies and below cost of production sales in the U.S. market. The agreement encourages Canadian provinces to forego their long-standing practices of subsidizing Canadian lumber production.
>
> These unfair trade practices have caused hundreds of U.S. lumber mill closures, thousands of U.S. job losses, and have suppressed the market for thousands of private timberland owners.
>
> Effective enforcement of the U.S.-Canada Softwood Lumber Agreement can make the difference between survival and permanent closures for U.S. softwood lumber manufacturers.
>
> Your assistance would be appreciated in providing my office and the House Committee on Agriculture, information regarding what steps the Office of the U.S. Trade Representative has taken to resolve unfair trade practices affecting

the U.S. lumber industry and forestry producers to sustain and promote economic growth and fair trade policy. **Specifically please provide details on actions to resolve non-compliance with the U.S.-Canada Softwood Lumber Agreement and whether your agency is prepared to take appropriate enforcement steps in a timely manner should Canada further violate this trade agreement?**

Answer This Administration has made enforcement of the 2006 Softwood Lumber Agreement (SLA) a top priority and is fully committed to its swift enforcement. USTR actively manages the SLA and will continue to evaluate and act on any evidence of non-compliance to ensure that the Agreement is enforced.

The United States has pursued three arbitrations in the LCIA against Canada under the SLA within the last 4 years. In each case we have challenged what appear to be actions taken by Canadian Government, in breach of the SLA.

We prevailed in the first two arbitrations, which resulted in the imposition of additional export charges totaling over $100 million on certain softwood lumber products coming from Canada into the United States. The third arbitration, which is currently underway, concerns alleged under pricing of logs in British Columbia.

As our record demonstrates, the United States is committed to taking timely action to hold Canada accountable for circumventing the SLA.

We also would note that industry stakeholders have been satisfied with the SLA, and Canada's share of U.S. consumption has fallen from 33 percent in 2006 to 29 percent in 2010.

LETTER

May 12, 2011

The Honorable Ron Kirk, United States Trade Representative (USTR):

Thank you for your testimony before the House Agriculture Committee, *Hearing to Review Pending Trade Agreements* of May 12, 2011. I appreciate the opportunity you took to testify on behalf of the Administration's trade agenda and the promotion of economic growth for U.S. producers in the global market.

As you noted in your testimony, "*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*." Toward that end, I ask for your continued attention to the issues affecting U.S. lumber production with the goal of open competition, free of subsidies, to enhance and sustain jobs and promote fair trade among nations.

As you may agree, subsidized lumber imports are not in the best interest of forest landowners and softwood lumber manufacturing facilities in Florida and throughout the United States. Since nearly all of the Canadian timberland is owned by the government, Canadian subsidies may not only affect the commodity price for lumber, but also the value of the forest resource.

Lumber mills in Florida and the United State pay market value for timber that, on average, represents roughly 65–70 percent of a mill's variable production cost. Canadian lumber shipments to the United States beyond the market-supported level results in artificially depressed prices that affect sawmills and the value of the resource for the landowner.

With timber prices falling in Florida and throughout the U.S. and mill closings occurring almost daily, Florida landowners and lumber sawmills are facing a crisis. Lumber prices are below 1995 levels and shutdowns are spreading as import volumes increase. Free and open competition for lumber and logs is the only real long-term solution to the problem.

As you are aware, on October 12, 2006, the second U.S.-Canada Softwood Lumber Agreement (SLA) came into effect and terminated more than 20 different legal disputes surrounding Canada's softwood lumber subsidies and below cost of production sales in the U.S. market. The agreement encourages Canadian provinces to forego their long-standing practices of subsidizing Canadian lumber production.

These unfair trade practices have caused hundreds of U.S. lumber mill closures, thousands of U.S. job losses, and have suppressed the market for thousands of private timberland owners.

Effective enforcement of the U.S.-Canada Softwood Lumber Agreement can make the difference between survival and permanent closures for U.S. softwood lumber manufacturers.

Your assistance would be appreciated in providing my office and the House Committee on Agriculture, information regarding what steps the Office of the U.S. Trade Representative has taken to resolve unfair trade

practices affecting the U.S. lumber industry and forestry producers to sustain and promote economic growth and fair trade policy. Specifically please provide details on actions to resolve non-compliance with the U.S.-Canada Softwood Lumber Agreement and whether your agency is prepared to take appropriate enforcement steps in a timely manner should Canada further violate this trade agreement?

Thank you very much. These efforts will not only result in strengthening and enhancing U.S. trade policy, but are also in keeping with USTR's stated goal of, "greater prosperity for American agriculture, and for the entire American economy."

Question and Letter Submitted by Hon. Joe Courtney, a Representative in Congress from Connecticut

Question. Extract from letter.

Dear Secretary Vilsack and Ambassador Kirk,

* * * * *

> I wanted to follow up with you regarding a matter I did not get to discuss during my limited question and answer time. As Chairman of the Congressional Dairy Farmers Caucus, I greatly appreciate the Administration's efforts to resolve the export issues America's dairy farmers face in accessing India's dairy market. During the hearing you had an exchange with my colleague Congressman Tim Walz of Minnesota in which you stressed the importance of respecting India's cultural sensitivities regarding dairy trade. **While I appreciate those concerns, I would ask you to clearly state how USDA and USTR plan to ensure that India honor their WTO obligations by basing their requirements on scientific grounds and not on cultural concerns, or perceived Indian consumer preferences.**

Answer. As indicated in recent letters from Secretary Vilsack and Ambassador Kirk to the dairy industry, USDA and USTR remain seriously concerned about the issue of dairy access to the Indian market and will accordingly continue to raise our concerns, including any concerns related to India's WTO obligations, through all appropriate fora that can help lead to a resolution. This includes formal bilateral meetings, technical exchanges where relevant, agriculture-related meetings in the WTO, and informal opportunities for bilateral engagement, all of which would continue to be premised on ensuring any restrictions are applied in a non-discriminatory manner and are based on appropriate criteria justifiable under the WTO agreements.

LETTER

Hon. THOMAS J. VILSACK,
Secretary,
U.S. Department of Agriculture,
Washington, D.C.;

Hon. RON KIRK,
Ambassador,
U.S. Trade Representative,
Washington, D.C.

Dear Secretary Vilsack and Ambassador Kirk,

I want to thank each of you for your recent testimony before the House Agriculture Committee on pending free trade agreements with Colombia, Korea and Panama.

I want to first take a moment to express my appreciation for your efforts to increase trade and remove roadblocks that businesses face as they attempt to enter the export market. During my most recent trade mission to the United Kingdom, which I discussed at the hearing, it is clear that there is more we can do together to increase opportunities for American businesses in foreign markets.

I wanted to follow up with you regarding a matter I did not get to discuss during my limited question and answer time. As Chairman of the Congressional Dairy Farmers Caucus, I greatly appreciate the Administration's efforts to resolve the export issues America's dairy farmers face in accessing India's dairy market. During the hearing you had an exchange with my colleague Congressman Tim Walz of Minnesota in which you stressed the importance of respecting India's cultural sensitivities regarding dairy trade. While I appreciate those concerns, I would ask you to clearly state how USDA and USTR plan to ensure that India honor their WTO obligations by basing their requirements on scientific grounds and not on cultural concerns, or perceived Indian consumer preferences.

I look forward to your response and appreciate your continued efforts to increase opportunities for American businesses.

Sincerely,

Hon. JOE COURTNEY,
Member of Congress.

Questions and Letters Submitted by Hon. Reid J. Ribble, a Representative in Congress from Wisconsin

Question 1. Ambassador Kirk, you referenced in your testimony USTR's work on a Trans-Pacific Partnership sanitary and phytosanitary (SPS) 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." I applaud USTR's commitment to this goal, given its importance to American agriculture. Could you explain further what USTR is doing to ensure that these obligations would be genuinely effective in addressing the most common barriers our agricultural exports face, such as constantly evolving import certificate requirements and a lack of clearly mandated time-frames for commenting on and adjusting to changing SPS requirements?

Answer. The TPP Sanitary and Phytosanitary (SPS) negotiations provide the United States with a strong opportunity to resolve specific trade concerns. In addition to affirming our current WTO obligations, the United States would like to use the TPP to promote improved transparency and the need for science based SPS measures. Too often, we encounter barriers in other countries that are imposed without proper notification. And most importantly, many barriers are not based on science and sound risk assessments. In Singapore, the United States introduced a new SPS text proposal with detailed transparency and risk analysis obligations for all Parties that will ensure that stakeholders are aware of proposed regulations, have a chance to review and comment and review the underlying scientific basis for the measure prior to implementation. We will continue to focus our SPS negotiations building on WTO obligations to ensure that regulations are science based, transparent and result in meaningful market access openings for America's farmers, ranchers and workers.

Question 2. Ambassador Kirk, Thailand is the largest beneficiary of the Generalized System of Preferences program, shipping over $3 billion in products through this program to the United States last year. However, Thailand does not provide reciprocal market access; it has a *de facto* ban on U.S. pork. The country discriminates against U.S. pork by refusing any pork that was produced with the FDA-approved feed additive ractopamine, applying excessive import inspection fees, and rarely issuing pork import permits. Each of these barriers appears to violate WTO rules. What is USTR doing to open the Thai market to U.S. pork exports?

Answer. Thailand continues to maintain barriers that limit access of U.S. producers to the Thai market, including continuing to ban pork containing trace amounts of ractopamine. Such a restriction is inconsistent with recommendations of recognized international scientific bodies, and Thailand has not produced any scientific evidence to warrant this restriction. USTR, in close collaboration with USDA, continues to urge Thailand at every opportunity to resolve this issue so that we can normalize pork trade based on science and in a commercially viable manner. For example in June, USTR officials met with Thai officials to urge Thailand to lift this unwarranted restriction on U.S. pork.

Question 3. Extract from attachment 1.

> Collectively, America's packaged food and beverage industry is a job creator representing 1.7 million manufacturing jobs—14% of total U.S. manufacturing jobs. The industry produces 300,000 products and annually exports over $50 billion worth of goods to more than 200 countries. In 2010, packaged food and beverage exports of over $50 billion exceeded food imports by over $10 billion. Very simply, our industry is one of our nation's few net exporters.
>
> However, the longer it takes to implement these agreements, the more we risk losing not only future opportunities to create jobs and increase exports, but also the market share and access we currently enjoy. Already these countries either have, or are pursuing, free trade pacts with some of our biggest economic competitors. An agreement between South Korea and the European Union (EU) will take effect July 1, jeopardizing 345,000 U.S. jobs and $1.7 billion in U.S. food exports. Similarly, Colombia already has trade pacts with the EU and Canada in place, while Panama has agreements with Canada and Chile.

Each of these pending agreements provides significant new market access opportunities for the foods and beverages we produce, including immediate duty-free access for many of our products and greatly improved tariff treatment for other products. We encourage Congress and the White House to take all necessary steps to ensure each of these agreements can be approved and implemented as soon as possible.

In addition, we urge Congress to approve long-term extensions of the Andean Trade Preferences and Drug Eradication Act and the Generalized System of Preferences. These trade preference agreements enable U.S. businesses to globally source inputs and products, not readily available in the U.S., helping to reduce costs for businesses and consumers. Reauthorizing these agreements will go a long way to reducing the uncertainties many of our companies now face when attempting to engage international trade partners.

Our organizations believe we must embrace these opportunities now in order to provide America with a much needed economic boost. **We ask you to act quickly to approve and extend these trade pacts and help dramatically improve the economic outlook for U.S. businesses.** Our organizations stand ready to work with Congress and the Administration to help ensure that the promise offered by these trade agreements soon becomes a reality.

Answer. President Obama has made sure that these agreements with South Korea, Colombia, and Panama are fairer for American workers and businesses, hold our partners accountable to keep their promises, and also reflect core American values on key issues like worker rights and protections. These agreements will help to boost U.S. exports and support tens of thousands of American jobs, and we are committed to their passage. Advancing Trade Adjustment Assistance with these pending pacts is the right thing to do—because a balanced trade agenda recognizes the tough realities of trade for some Americans, even as we seize trade's opportunities to create jobs here at home. America can and must do both, and we look forward to working with Congress to secure approval of the three agreements.

We also agree that it is important to renew the Generalized System of Preferences and the Andean Trade Preference Act, which expired in December 2010 and February 2011, respectively. These programs are designed to promote economic growth in the developing world by providing preferential duty-free entry for products from designated beneficiary countries and territories; they also support American jobs and improve American competitiveness since many American businesses use imports under these programs as inputs to manufacture goods in the United States.

Question 3. Extract from attachment 2.

As we work to recover from one of the worst recessions in our nation's history, we urge you to send implementing language to Congress on the pending free trade agreements (FTAs) with South Korea, Colombia, and Panama as quickly as possible. If they are fully implemented, these FTAs will represent nearly $3 billion in new trade for American agricultural producers.

However, we are concerned that inaction on the pending FTAs will result in lost opportunities for American farmers and ranchers. Colombia will soon implement trade agreements with Canada and the European Union, while Argentina and Brazil already have critical access to the Colombian market. Similarly, South Korea is in the process of completing trade pacts with many of our agricultural competitors, including Chile, Australia, New Zealand, Canada, the European Union, and Mexico. At a time when unemployment still hovers around nine percent, we cannot afford to sacrifice significant access to these overseas markets.

Should the U.S.-Korea Free Trade Agreement (KORUS FTA) be adopted in short order, increased farm exports to South Korea will likely surpass $1.8 billion annually, a 46 percent increase over current levels. U.S. exports of wheat, corn, soybeans, cotton, fresh cherries, grape juice, and numerous other processed foods will receive immediate duty-free access under the FTA. Additionally, the U.S. dairy industry, which endured significant losses amidst the global economic downturn in 2009, will take in roughly $380 million per year during the first few years of the FTA as a result of expanded market access for cheese, whey, skim milk powder, and other products. The KORUS FTA, if realized at its full potential, would result in the creation of thousands of new jobs in the agricultural and rural sectors of our economy.

Likewise, implementation of the U.S.-Colombia Trade Promotion Agreement would enable over 80 percent of current U.S. exports to become duty-free upon enactment, including beef, cotton, wheat, soybeans, apples, and cherries. Total export gains for American agriculture would likely exceed $815 million per year upon full implementation. Similarly, the U.S.-Panama Trade Promotion Agreement would allow more than half of our current agricultural exports to become duty-free immediately upon implementation. Additional exports could total $195 million as a result of the pact's approval. The two FTAs combined would likely yield between 6,000 and 8,000 new jobs as a result of this enhanced market access.

While you are undoubtedly familiar with these figures, we believe that they bear repeated emphasis in the current economic climate. Moreover, moving forward on these FTAs would support the President's stated goal of doubling U.S. exports by 2014. We know from our experience building businesses, in some cases in agriculture, that increasing trade nets new jobs across many sectors of our economy. **We therefore support quick action on the FTAs with South Korea, Colombia, and Panama and we are hopeful that you will send us the implementing language for the pacts in very short order.**

Answer. We agree that the three pending trade agreements with South Korea, Panama, and Colombia, will support tens of thousands of American jobs—each one a lifeline to a working family in this country. The Administration has successfully addressed the concerns that had been raised with respect to each of the agreements. We are eager to work with Congress to advance these agreements along with a responsible, cost-effective Trade Adjustment Assistance package.

ATTACHMENT 1

May 5, 2011

Hon. JOHN A. BOEHNER,
Speaker,
U.S. House of Representatives,
Washington, D.C.;

Hon. NANCY PELOSI,
Democratic Leader,
U.S. House of Representatives,
Washington, D.C.;

Hon. HARRY REID,
Majority Leader,
U.S. Senate,
Washington, D.C.;

Hon. MITCH MCCONNELL,
Republican Leader,
U.S. Senate,
Washington, D.C..

Dear Speaker Boehner and Leaders Reid, Pelosi and McConnell:

Our organizations represent a diverse spectrum of food and beverage manufacturers who play a pivotal role in helping nourish our nation and the world. We have joined together to express our support for action on a variety of trade initiatives, including swift approval and implementation of free trade agreements with Colombia, Panama and South Korea.

America exports more than $2 billion worth of food and beverage products to Colombia, Panama and South Korea each year, a figure that will surely grow as a result of our pending free trade agreements with these countries—further increasing our industry's already large world-wide net export position.

Collectively, America's packaged food and beverage industry is a job creator representing 1.7 million manufacturing jobs—14% of total U.S. manufacturing jobs. The industry produces 300,000 products and annually exports over $50 billion worth of goods to more than 200 countries. In 2010, packaged food and beverage exports of over $50 billion exceeded food imports by over $10 billion. Very simply, our industry is one of our nation's few net exporters.

However, the longer it takes to implement these agreements, the more we risk losing not only future opportunities to create jobs and increase exports, but also the market share and access we currently enjoy. Already these countries either have, or are pursuing, free trade pacts with some of our biggest economic competitors. An agreement between South Korea and the European Union (EU) will take effect July 1, jeopardizing 345,000 U.S. jobs and $1.7 billion in U.S. food exports. Similarly, Colombia already has trade pacts with the EU and Canada in place, while Panama has agreements with Canada and Chile.

Each of these pending agreements provides significant new market access opportunities for the foods and beverages we produce, including immediate duty-free access for many of our products and greatly improved tariff treatment for other products. We encourage Congress and the White House to take all necessary steps to ensure each of these agreements can be approved and implemented as soon as possible.

In addition, we urge Congress to approve long-term extensions of the Andean Trade Preferences and Drug Eradication Act and the Generalized System of Preferences. These trade preference agreements enable U.S. businesses to globally source inputs and products, not readily available in the U.S., helping to reduce costs for businesses and consumers. Reauthorizing these agreements will go a long way to reducing the uncertainties many of our companies now face when attempting to engage international trade partners.

Our organizations believe we must embrace these opportunities now in order to provide America with a much needed economic boost. We ask you to act quickly to approve and extend these trade pacts and help dramatically improve the economic outlook for U.S. businesses. Our organizations stand ready to work with Congress and the Administration to help ensure that the promise offered by these trade agreements soon becomes a reality.

Sincerely,

American Bakers Association;
American Beverage Association;
American Frozen Food Institute;
American Meat Institute;
Distilled Spirits Council of the United States;
Grocery Manufacturers Association;
International Dairy Foods Association;
National Chicken Council;
National Confectioners Association;
National Fisheries Institute;
National Frozen Pizza Institute;
National Turkey Federation;
Pet Food Institute;
Snack Food Association;
Sweetener Users Association.

CC:

Senate Finance Committee;
House Ways and Means Committee;
House Agriculture Committee.

ATTACHMENT 2

April 19, 2011

Hon. RON KIRK,
U.S. Trade Representative,
Washington, D.C.

Dear Ambassador Kirk:

We write to you as new Members of the House of Representatives with proven experience creating jobs, manufacturing products, and providing services. To put our business backgrounds to use, we have recently formed a working group to propose and advance policy intended to spur job growth throughout our economy. Our experience bears out that expanding trade will support new jobs in many industries, but few sectors are as trade-dependent as agriculture, which drives commerce in many of our Congressional Districts.

As we work to recover from one of the worst recessions in our nation's history, we urge you to send implementing language to Congress on the pending free trade agreements (FTAs) with South Korea, Colombia, and Panama as quickly as possible. If they are fully implemented, these FTAs will represent nearly $3 billion in new trade for American agricultural producers.

However, we are concerned that inaction on the pending FTAs will result in lost opportunities for American farmers and ranchers. Colombia will soon implement trade agreements with Canada and the European Union, while Argentina and Brazil already have critical access to the Colombian market. Similarly, South Korea is in the process of completing trade pacts with many of our agricultural competitors, including Chile, Australia, New Zealand, Canada, the European Union, and Mexico. At a time when unemployment still hovers around nine percent, we cannot afford to sacrifice significant access to these overseas markets.

Should the U.S.-Korea Free Trade Agreement (KORUS FTA) be adopted in short order, increased farm exports to South Korea will likely surpass $1.8 billion annually, a 46 percent increase over current levels. U.S. exports of wheat, corn, soybeans, cotton, fresh cherries, grape juice, and numerous other processed foods will receive immediate duty-free access under the FTA. Additionally, the U.S. dairy industry, which endured significant losses amidst the global economic downturn in 2009, will take in roughly $380 million per year during the first few years of the FTA as a result of expanded market access for cheese, whey, skim milk powder, and other products. The KORUS FTA, if realized at its full potential, would result in the creation of thousands of new jobs in the agricultural and rural sectors of our economy.

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While you are undoubtedly familiar with these figures, we believe that they bear repeated emphasis in the current economic climate. Moreover, moving forward on these FTAs would support the President's stated goal of doubling U.S. exports by 2014. We know from our experience building businesses, in some cases in agriculture, that increasing trade nets new jobs across many sectors of our economy. We therefore support quick action on the FTAs with South Korea, Colombia, and Panama and we are hopeful that you will send us the implementing language for the pacts in very short order.

Sincerely,

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Hon. REID J. RIBBLE,
Member of Congress;

Hon. TOM REED,
Member of Congress;

Hon. BILLY LONG,
Member of Congress;

Hon. VICKY HARTZLER,
Member of Congress;

Hon. MARLIN A. STUTZMAN,
Member of Congress;

Hon. RICHARD L. HANNA,
Member of Congress;

Hon. ROBERT T. SCHILLING,
Member of Congress;

Hon. ERIC A. "RICK" CRAWFORD,
Member of Congress;

Hon. MIKE KELLY,
Member of Congress;

Hon. E. SCOTT RIGELL,
Member of Congress;

Hon. ROBERT J. DOLD,
Member of Congress;

[*]

Bill Flores

Hon. BILL FLORES,
Member of Congress;

Diane Black

Hon. DIANE BLACK,
Member of Congress.

* **Editor's note:** There was no signatory adjacent to Mr. Dold's signature.