BENEFITS OF TRADE TO THE MEDICAL TECHNOLOGY AND AGRICULTURE SECTORS

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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COMMITTEE ON WAYS AND MEANS

BILL THOMAS, California, *Chairman*

Subcommittee on Trade

PHILIP M. CRANE, Illinois, *Chairman*

CONTENTS

Page

Advisory of May 4, 2001, announcing the hearing 2

WITNESSES

American Medical Systems, Douglas Kohrs 37
American Soybean Association, and Minnesota Soybean Growers Association, Gary Joachim 57
Cargill, Incorporated, Scott Portnoy 48
Gutknecht, Hon. Gil, a Representative in Congress from the State of Minnesota 28
Kennedy, Hon. Mark R., a Representative in Congress from the State of Minnesota 23
Medtronic, Inc., Art Collins 32
Minnesota Corn Growers Association, Gerald Tumbleson 74
Minnesota Farm Bureau Association, Al Christopherson 43
Minnesota, State of, Hon. Jesse Ventura, Governor 9
Minnesota, Saint Paul, Hon. Norm Coleman, Mayor 17
National Association of Wheat Growers, Wheat Export Trade Education Committee, U.S. Wheat Associates, and Minnesota Wheat Research and Promotion Council, Bruce Hamnes 65
North Dakota Wheat Commission, Neal Fisher 60

SUBMISSIONS FOR THE RECORD

AdvaMed, statement 81
American Forest & Paper Association, and Webster Industries, Wayzata, MN, Paul Webster, statement 83
Boston Scientific Corporation, Natick, MA, statement 86
Minnesota Department of Agriculture, Saint Paul, MN, Gene Hugoson, statement 88
Minnesota Pork Producers Association, North Mankato, MN, Karl Johnson, statement 90
Safe Park, Inc., Wayzata, MN, William A. Sternad, letter 95

BENEFITS OF TRADE TO THE MEDICAL TECHNOLOGY AND AGRICULTURE SECTORS

MONDAY, MAY 14, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Bloomington, Minnesota.

The Subcommittee met, pursuant to notice, at 1:00 p.m., in the Grand Ballroom at the Radisson South Hotel, Bloomington, Minnesota, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE CONTACT: (202) 225–1721
May 4, 2001
No. TR–3

Crane Announces Hearing on the Benefits of Trade to the Medical Technology and Agriculture Sectors

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a field hearing on the importance of expanding trade and to identify the specific benefits free trade brings to the medical technology and agriculture industries as well as those who earn their livelihoods in these sectors. **The field hearing will take place on Monday, May 14, 2001, in the Grand Ballroom at the Radisson South Hotel in Bloomington, Minnesota, beginning at 1:00 p.m.**

Oral testimony at this field hearing will be from both invited and public witnesses. Invited witnesses will include Minnesota Governor Jesse Ventura, St. Paul Mayor Norm Coleman, Art Collins, Chief Executive Officer of Medtronic, and other government and business leaders and economists specializing in the medical technology and agriculture industries. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

BACKGROUND:

Minnesota is one of the leading exporting States in the country, and international trade is strongly supported by businesses, farmers and individuals throughout the State. Congressman Jim Ramstad's (R–MN) district contains over 300 medical technology companies and is a leader in the development and manufacture of medical technology. These companies face a vast array of non-tariff barriers overseas, which severely limit their ability to export their goods. In addition, Minnesota is the seventh largest exporting State for agriculture products and is dependent on open markets abroad.

The goals of this field hearing are to promote awareness of trade issues affecting the medical technology and agriculture industries and to examine the importance of international markets for both of these industries. Witnesses are expected to focus on significant trade issues such as challenging foreign-imposed non-tariff barriers on U.S. medical technology and agriculture products, the ongoing World Trade Organization (WTO) negotiations on services and agriculture, China's entry into the WTO, and long-standing trade dispute with the European Union over genetically modified organisms.

In announcing the hearing, Chairman Crane stated: "Expanding trade opportunities for America's exporters is one of my top priorities. Minnesota's dynamic medical technology and agriculture industries are prime examples of the benefits that expanding market opportunities can bring to U.S. businesses, workers, and their families. I look forward to hearing testimony on priorities for trade policy from the producers and government officials who work to expand U.S. presence in international markets."

FOCUS OF THE HEARING:

The focus of the hearing is to examine the unique challenges faced by the medical technology and agriculture industries in expanding their market opportunities abroad and to understand the importance international trade plays in the Minnesota economy.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Traci Altman or Pete Davila at (202) 225–1721 no later than the close of business, Tuesday, May 8, 2001. The telephone request should be followed by a formal written request to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225–6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies, along with an *IBM compatible 3.5-inch diskette in WordPerfect or MS Word format,* of their prepared statement for review by Members prior to the hearing. **Testimony should arrive at the Subcommittee on Trade, c/o Office of Congressman Jim Ramstad, 1809 Plymouth Road South, Suite 300, Minnetonka, MN 55305, no later than Thursday, May 10, 2001.** Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any person or organization wishing to submit a written statement for the printed record of the hearing should *submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label*, by the close of business, Monday, May 29, 2001, to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade, c/o Office of Congressman Jim Ramstad, 1809 Plymouth Road South, Suite 300, Minnetonka, MN 55305, by close of business on Friday, May 11, 2001.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, typed in single space and may not exceed a total of 10 pages including attachments. **Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.**

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "http://waysandmeans.house.gov."

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman CRANE. Good afternoon and welcome to this special field hearing of the Ways and Means Trade Subcommittee. As Chairman, it is my great pleasure to be here in Minnesota today, although I must confess, Jim, it would be nicer to be out on the golf course.

Before we start, I'd like to remind everyone that this is a Congressional hearing subject to the rules of the U.S. House of Representatives. Testimony will be heard from listed witnesses only. This hearing is part of a broader plan to make the legislative process more accessible to the public, and we will be holding hearings like this one across the country.

The Committee believes it is important to hear directly from local communities about their concerns on policy issues that we deal with such as trade. I also hope we can work together to educate the public on the importance of international trade to our economy and to get support for the President's ambitious trade agenda which he released last Thursday.

Today's hearing will highlight Minnesota's global export leadership and growth in medical technology and agriculture. Based on Minnesota's compelling example, I hope to launch a broader national discussion regarding the benefits of free trade and granting trade promotion authority to President Bush.

I welcome Governor Ventura and Mayor Coleman and our colleagues Mark Kennedy and Gil Gutknecht and look forward to their reports on Minnesota's great strides in the global marketplace and their comments on the dynamic economic growth Minnesotans have achieved through free trade, and I would also like to recognize a distinguished guest at our hearing, Senator David Durenberger.

Is David here yet? Greetings. Congressman Tim Penny is also here. Nice to see you both. Thank you for being here.

Governor Ventura has been one of the best advocates for free and open markets, and he appeared before our Ways and Means Committee last year, and his testimony was a huge hit with our Members. His common sense approach to trade has helped to illustrate that free commerce helps everyone from the corporate CEO to the family farmer and the stay-at-home parent.

Minnesota has thrived under Governor Ventura's leadership, and Minnesota is a winner in international business. Your State exported $17.5 billion in goods and services in the year 2000, which represents over $15,500 for the average family of four in Minnesota. Thanks in part to Minnesota's medical device industry, last year the United States ran a trade surplus in medical technology of over $7 billion.

We're going to hear testimony from several farmers later this afternoon. I know you've had a wet spring which has delayed your planting, and I appreciate your taking the time to be with us today.

Agriculture is a considerable component of Minnesota's success in exporting. Minnesota was the seventh-largest exporting State in the country in 1999. In that year, Minnesota's farmers exported nearly $689 million worth of feed grains, $681 million worth of soybeans, $64 million of wheat, and $184 million worth of live animals and meat.

These sales to foreign markets help Minnesota's farmers not only to put food on the table and turn on the lights, but to prosper. In 2000, Minnesota farms exported over $3.5 billion worth of agriculture and livestock products.

Minnesota's success story is what President Bush and I plan to showcase here and around the country. Our country needs to understand that when Minnesota, and indeed all of the United States, jumps into the game to compete against the world, we can and do win.

Now I'd like to acknowledge the man whose idea prompted us to be here today, my fellow Subcommittee Member, Congressman Jim Ramstad. Congressman Ramstad is clearly a strong advocate for his district and for Minnesota's medical device industry.

He Co-Chairs the medical technology caucus and sits on both the House Ways and Means Trade and Health Subcommittees. He has had a tremendous impact on Committee work in these areas, and I am delighted that he invited the Trade Subcommittee to his district today to hold this hearing on the benefits of international trade to the medical technology and agriculture industries.

Now I'd like to yield to Mr. Ramstad for any comments he'd like to make and to introduce our first witness.

[The opening statement of Chairman Crane follows:]

Opening Statement of the Hon. Philip M. Crane, a Representative in Congress from the State of Illinois, and Chairman, Subcommittee on Trade

Good Afternoon. Welcome to this special field hearing of the Ways and Means Trade Subcommittee of the U.S. House of Representatives. As Chairman, it is my great pleasure to be here in Minnesota today. This hearing is part of a broader plan to make the legislative process more accessible to the public, and we will be holding hearings like this one across the country. The Committee believes it is important to hear directly from local communities about their concerns on policy issues that we deal with, such as trade. I also hope we can work together to educate the public on the importance of international trade to our economy and to get support for the President's ambitious trade agenda which he released last Thursday.

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Minnesota has thrived under Governor Ventura's leadership and Minnesota is a winner in international business. Your state exported 17.5 billion dollars in goods and services in 2000—which represents over 15,500 dollars for the average family of four in Minnesota! Thanks in part to Minnesota's medical device industry, last year the United States ran a trade surplus in medical technology of over 7 billion dollars.

We're going to hear testimony from several farmers later this afternoon. I hear you've had a wet spring which has delayed your planting and I appreciate you're taking the time to be with us today. Agriculture is a considerable component of Minnesota's success in exporting. Minnesota was the seventh largest exporting State in the country in 1999. In that year, Minnesota's farmers exported nearly 689 million dollars worth of feed grains, 681 million dollars worth of soybeans, 64 million dollars of wheat, and 184 million dollars worth of live animals and meat. These sales to foreign markets helped Minnesota's farmers not only to put food on the table and turn on the lights, but to prosper. In 2000, Minnesota farms exported over 3.5 billion dollars worth of agriculture and livestock products.

Minnesota's success story is what President Bush and I plan to showcase here and around the country. Our country needs to understand that when Minnesota, and indeed all of the United States, jumps into the game to compete against the world, we can and do win.

Now I'd like to acknowledge the man whose idea prompted us to be here today—my fellow Subcommittee Member, Congressman Jim Ramstad. Congressman Ramstad is clearly a strong advocate for his district and for Minnesota's medical device industry. He co-chairs the medical technology caucus and sits on both the Ways and Means Trade and Health Subcommittees. He has had a tremendous impact on Committee work in these areas and I am delighted that he invited the Trade Subcommittee to his district today to hold this hearing on the benefits of international trade to the medical technology and agriculture industries.

Mr. RAMSTAD. Thank you, Mr. Chairman, and thank you for traveling to Minnesota at my request for this hearing to get Minnesota's perspective on international trade and specifically the importance of the medical technology and agricultural sectors of our economy.

I also want to welcome our Trade Subcommittee staff, Angela, Stephanie, and Kim. Thank you for your work in getting this hearing ready.

I also want to thank each of the witnesses. Governor Ventura, good to see you as always, and Mayor Coleman, our two colleagues, friends from industry, from the medical technology sector, Art Collins, Doug Kohrs, Scott Portnoy, as well as our friends from the agricultural part of our economy, Al Christopherson is here, and others who will testify as well.

The timing, Mr. Chairman, of this hearing cannot be better. This last Thursday President Bush released his much anticipated 2001 agenda for international trade. Certainly the President recognizes that our economy is increasingly international in focus and that expanding trade is absolutely critical to continued economic growth and prosperity for America.

Over 25 percent of the growth in our Nation's economy over the last decade is tied directly to international trade. Some 12 million Americans owe their jobs to exports.

Here in Minnesota expanding trade is critical. Last year alone, as you mentioned, we exported over 17 and a half billion dollars in goods and services, and that's an increase, by the way, of over $6 billion in the last decade, 60-percent increase in the last decade.

You mentioned that Minnesota is the seventh-largest exporting State. Our Twin Cities metropolitan area is the ninth-biggest exporter among metropolitan areas nationally. So we are a manufacturing State. We are an exporting State. We are an agricultural State. In fact, exporting manufacturers in Minnesota represent 270,000 jobs. So this is absolutely important, absolutely critical to our continued growth and prosperity here in Minnesota, to both the medical technology sector and the agricultural sector of our economy.

The President understands this. In fact, he's made trade promotion authority a cornerstone of his trade agenda, absolutely critical to expanding our economy. I think it's regrettable that the United States is falling behind in certain areas. We all know about the problem with our great deficit.

Currently, the United States is party to just 2 of the 130 free trade agreements in force around the world. Why? Because the President doesn't have fast track or, as now the vernacular goes, trade promotion authority.

Europe, which is still our main international competitor, continues to negotiate free trade agreements with the rest of the world. Meanwhile, our country is being shut out. We're outside the process, and our interests are not taken into account. So our direct competitors are at the negotiating table while we sit and watch.

In focusing, Mr. Chairman, on the medical technology and the agricultural sectors of our economy, it's important to note that the United States leads the world, leads the world in both these areas, and Minnesota farmers and Minnesota's medical alley are leaders in the United States. Our farmers and agribusiness people are the most efficient in the world, and our State, in fact, is the seventh largest agricultural exporting State in the nation.

We're going to learn today about opportunities for developing and expanding our international trade economy, and Congress has a full agenda to expand trade. Hopefully, hearings like this and similar hearings scheduled in California and other places in the United States will develop support for expanding our markets and growing our economy through expanding trade opportunities.

I just want to say in summary, Mr. Chairman, that I believe we stand at a crossroads. We can erect walls, barriers around our country and limit trade, limit the opportunities that trade represents, or we can grab the opportunity before us to grow our economy, create jobs, and continue to be the world's leader economically as well as in other ways.

International trade is a win-win for America and our trading partners. We can grow our economy, promote employment, and keep prices low here at home while promoting democracy, freedom, environmental improvements in other countries as well.

I think, Mr. Chairman, the choice is very clear, and which is a good segue into introducing our first witness today, who never is ambiguous in his policy statements, a leader who I'm proud to call my friend for over 20 years.

In fact, when our Governor testified at my request before the Ways and Means Committee in Washington, our former Chairman, Bill Archer, who's not one to handing out bouquets or accolades—believe me, anybody who knows Bill Archer knows that's true—when our Governor finished his statement, finished his testimony before the full Ways and Means Committee on the importance of permanent normal trade relations with China, Bill Archer looked at him and said, "Governor, you just hit a home run."

Well, here to hit another home run is somebody who needs no introduction to Minnesotans, who has truly been a leader in articulating the need to expand our markets for our farmers, our manufacturing sector and so forth, our Governor, my friend, Governor Ventura.

Good to have you here today, Governor.

[The opening statement of Mr. Ramstad follows:]

Opening Statement of the Hon. Jim Ramstad, a Representative in Congress from the State of Minnesota

Mr. Chairman, welcome to Minnesota! I'd like to thank the staff from the Trade Subcommittee who also traveled to Minnesota, Angela Ellard, Stephanie Lester and Kim Jaske. Many thanks for honoring my request and traveling to our great state to get the Minnesota perspective on international trade and specifically the importance of the medical technology and agricultural sectors of our economy.

I also want to thank each of the witnesses for testifying before us today. In particular, I want to thank *Governor Ventura* for being here. I'd also like to welcome each of you here today!

The timing of this hearing couldn't be better. Last Thursday, President Bush released his much-anticipated 2001 agenda for international trade.

President Bush clearly recognizes that the U.S. economy is increasingly international in focus and that expanding international trade is absolutely critical to continued economic growth in this country.

Over 25% of the growth in our economy over the last decade is tied directly to international trade. Some 12 million Americans owe their jobs to exports.

Here in Minnesota expanding trade is especially important. Last year alone, we exported over $17.5 billion in goods and services. This is an increase of over $6 billion—almost 60%—in the last decade. Minnesota is the 17th largest exporting state and the Twin Cities is the 9th biggest exporting metropolitan area. Over 270,000 jobs in Minnesota manufacturing can be attributed to trade.

The President understands this. As a result, he has made Trade Promotion Authority the cornerstone of this trade agenda. It is absolutely essential to the negotiation of trade agreements that will expand our economy.

Regrettably, the U.S. is rapidly falling behind in this area. The U.S. is currently a party to just 2 of the 130 free trade agreements in force around the world. Europe, our main international competitor, continues to negotiate free trade agreements with the rest of the world. Meanwhile, the U.S. remains outside of the process and our interests are not taken into account. In other words, our direct competitors are at the table negotiating agreements while we sit and watch.

Trade is especially important to the medical technology and agriculture sectors of our economy. The United States leads the world in both of these areas and Minnesota farmers and medical device manufacturers are leaders in the U.S. Our medical technology companies are the most advanced and sophisticated in the world and ran a $7 billion surplus last year. Our farmers and agri-businesses are the most efficient in the world—and our state, in fact, is the seventh largest agricultural exporting state in the country.

As we will learn today, opportunities abound for developing and expanding our international trade economy, and Congress has a full agenda to expand trade.

Incorporating South and Central America into NAFTA and creating the Free Trade Area of the Americas would create the largest economic zone in the world. The NAFTA agreement has been an enormous benefit to our country, and we will further benefit by expanding free trade to the rest of the hemisphere. We should also continue to push for bilateral trade agreements with countries like Chile, New Zealand, Australia and Singapore. We should also continue to work with Europe to amicably settle our differences.

There are, however, areas of concern. For example, the medical device industry, which is such a large part of the Minnesota economy, is currently facing difficulties exporting their goods to Japan. Last Friday, I sent a letter to the Administration urging them to work with the medical device industry on the issue and to bring it up in upcoming bilateral discussions with Japan and in other international meetings that will be held over the summer.

I want to sum up by noting that we stand at a crossroads. We can raise walls around our country and limit trade and the opportunities it represents. Or, we can grab the opportunity before us to grow our economy, create jobs and continue to lead the world economically. International trade is a win-win for us and our trading partners. We can grow our economy, promote employment and keep prices low here at home, while promoting democracy and freedom in other countries, too. The choice is clear.

Now, I would it is my great pleasure to introduce Governor Jesse Ventura. I've known the Governor for over 20 years. Today, we will get to hear his views on international trade and the role it plays in the U.S. economy.

I'm pleased to say this isn't the first time I've heard the Governor testify on this issue. Last year, he came before the Ways and Means Committee in Washington and made the case for Permanent Normal Trade Relations with China. The not easily impressed Chairman of the Committee at the time, Bill Archer, was so impressed that he said, "Governor, you just hit a home run." I know that the Governor is going to hit a home run again today. Thanks for being here. We all look forward to what you have to say.

Thanks again, Mr. Chairman, for holding this hearing in Minnesota, especially at this important time, and I look forward to hearing from Governor Ventura and the rest of our witnesses.

STATEMENT OF THE HON. JESSE VENTURA, GOVERNOR OF MINNESOTA

Mr. VENTURA. Thank you. Thank you, Mr. Chairman and Representative Ramstad. We do go back. It's hard to believe how time flies.

Let me first welcome you, Chairman Crane and other Members of the Trade Subcommittee, to the great State of Minnesota. If you get a chance, may I suggest you take an extra day, visit one of our beautiful lakes, or take a stroll through the Mall of America, or see the hottest team in baseball right now, the Minnesota Twins.

I think you'll find that Minnesota is truly one of the greatest States in the nation, if not in our humble opinion the greatest State.

But we are much more than a great place to visit. We are also home to leading agriculture and medical manufacturing companies that feed people and save lives throughout the world.

I'm glad to see that you've brought before you today some of these industry leaders. They are competing on the world stage while building a better Minnesota here at home. And they still have time to keep an eye on what you're up to in Washington, especially when it comes to trade.

A critical portion of my Big Plan for Minnesota is about keeping Minnesota a competitor on the world stage. I want Minnesotans to set higher goals and to expect more.

We cannot settle for being the best in the Midwest or the best in the country. We must strive to lead the world by increasing exports, creating better jobs, and building a stronger and more diverse Minnesota economy.

Last year we set a record. For the first time, Minnesota-manufactured exports surged to over $10 billion and our State's export rate grew by 11.2 percent. In case you didn't notice, we have arrived. But we're not stopping there.

I'd like to highlight some of the important trade issues facing these industries and the work left to be done, but first, let me share some of my newfound Eastern philosophy.

Last week I had the pleasure of meeting the Dalai Lama. I was impressed by his peaceful charisma and his statesmanship.

To my surprise, the Dalai Lama and I bonded. After all: We both share a hairline with Buddha. He's written 56 books; I'm getting there. And although he's not a golfer, I did interest him in renting the movie Caddyshack. After all, he does play a major role in the movie, and he's never seen it.

But above all, the Dalai Lama and I share a similar view on engaging the world in order to spread free markets and free ideals. The Dalai Lama preaches "common responsibility" when it comes to world relationships. He believes that we cannot close our doors to those around us, but we must embrace differences throughout the world and spread democracy and human kindness by forming those relationships.

He believes that we must, I repeat, we must develop relationships with the Chinese people and the Chinese government, so that our democratic ideals and free trade ideals will spread like wildfire. If we don't, we will not change minds, we will not open markets, and we will not move forward.

I took this encouragement very seriously, and I vow to spread this message when I go to China on a Minnesota-trade mission this coming fall. I'm going to China because I strongly believe that we have an opportunity, especially in Minnesota, to grow markets in China, especially in the areas of agriculture and medical technology.

The last time we met, I was asking for your support for trade with China. Thankfully, the tri-partisan effort to establish permanent normal trading relations with China was a success.

It goes to show you how good things can happen when partisanship is set aside and sound policy prevails. Thank you for your work on this issue. But don't stop there.

Minnesota's medical technology and agriculture industries need you to continue to push for a Free Trade Agreement of the Americas and for what you are now calling "trade promotion authority."

As you will learn today, Minnesota is home to a thriving international medical technology industry. We are a leader in medical manufacturing, with a total production of more than $1 billion.

Our innovative medical establishment, enterprising research institutions, educated labor force, and high-tech environment make Minnesota fertile ground for medical devices.

Overall, the industry in Minnesota employs over 20,000 people. Between 1988 and 1996, the industry added the largest number of new employees to the State, over 7,400 jobs. We like these high-wage, high-skilled jobs, and I think that free trade makes this industry stronger and more productive.

But to keep this industry and others thriving, we need Washington to implement more free trade agreements. The sad fact is that while other countries forge ahead with new trade agreements, the United States is falling far behind.

Congressman Ramstad mentioned that according to a recent study from the Business Roundtable, there are 130 free trade agreements in force throughout the world. The United States is currently part of only 2 free trade agreements, 2 out of 130. That means our farmers and our manufacturers face discrimination through higher tariffs in hundreds of markets throughout the world.

Last year our strong exports in the medical manufacturing sector were driven by exports to Japan, Germany, Ireland, Canada, and the Netherlands. Unfortunately, you don't see any Central or South American nations in the top five. It's time for a Free Trade Agreement of the Americas, so our manufacturers can improve access and increase exports to markets right here in our own hemisphere.

Agriculture producers remain the backbone of Minnesota's economy. Our dairy farms, live animal production, and commodity farmers export hundreds of millions of dollars worth of food every year, making us the seventh largest exporter of agricultural products in the United States. Minnesota's world-class agricultural producers are responsible for 10 percent of our Nation's exports of soybeans and 10 percent of America's exports of feed grains.

Because of the innovative spirit of Minnesotans, because of our strong work ethic, and because of our skilled work force, we have done a pretty darn good job with agriculture exports. But let's face it, we can do better.

Of course, if we want more free trade agreements, the President needs sufficient negotiating authority. Thank you, by the way, for changing the term from "fast track" to "trade promotion authority." No matter what you call it, we need it.

Education is the key. The three most dangerous opponents of free trade are misinformation, misunderstanding, and ignorance. In a recent New York Times column talking about the protesters in Quebec City, Minnesota native Thomas Friedman put it best when he said, "this anti-globalization movement is largely the well-intentioned but ill-informed being led around by the ill-intentioned and well-informed."

In order to pass trade promotion authority, we need to first take this case to the American people and spread the word about the benefits of free trade. Your presence here today is a very good step in that direction.

I applaud you for taking your Committee out of Washington. It's always good to get a fresh perspective. For far too long, discussions about trade have only taken place in the Committee rooms in Washington, the boardrooms of corporations, and the classrooms of economic professors. It's time to turn it up a notch and put the word on the streets.

Let's move the discussion out of the Committee rooms and boardrooms and bring it to the break rooms and the living rooms. Let's move the discussion beyond the hallowed halls of our universities and take it to the people who get up and go to work every day.

I have been around the world and back to promote Minnesota's products and workers and educate the citizens of my State about the jobs created through exports. I have been to Mexico and Japan and Canada, where I have seen firsthand that the products made in Minnesota save lives and feed people.

Mr. Chairman and Congressman Ramstad, please take a message back to Washington from the people of Minnesota. We need Congress to approve trade promotion authority for the President, and we need to participate in more trade agreements. We want more high-paying jobs. We need more pacemakers in Peru, Panama, Paraguay, Portugal, Poland, and Pongo Pongo. We need more soybeans in Senegal, Saudi Arabia, South Africa, and Singapore.

As the Dalai Lama told me, so I share it with you. "Go into the world and make friends and take your values with you."

I'm going to China, and I'm taking my values with me. And I'll also take Minnesota soybeans, Minnesota medical devices, and Minnesota's hope for prosperity in the world.

Let's engage. Let's move forward.

Thank you very much for this opportunity, Mr. Chairman and Congressman Ramstad.

[The prepared statement of Governor Ventura follows:]

Statement of the Hon. Jesse Ventura, Governor, State of Minnesota

Thank you, Mr. Chairman and Representative Ramstad.

Let me first welcome you, Chairman Crane and other members of the trade subcommittee, to the great state of Minnesota.

If you get a chance, may I suggest you take an extra day and visit one of our beautiful lakes, or take a stroll through the Mall of America or see a Twin's Game.

I think you'll find that Minnesota is truly the greatest state in the nation.

But we are much more than a great place to visit. We're also home to leading agriculture and medical manufacturing companies that feed people and save lives throughout the world.

I'm glad to see that you've brought before you today some of these industry leaders. They are competing on the world stage while building a better Minnesota here at home.

And they still have time to keep an eye on what you're up to in Washington, especially when it comes to trade.

A critical portion of my *Big Plan* for Minnesota is about keeping Minnesota a competitor on the world stage. I want Minnesotans to set higher goals and expect more.

We cannot settle for being the best in the Midwest or the best in the country. We must strive to lead the world by increasing exports, creating better jobs, and building a stronger and more diverse Minnesota economy.

Last year, we set a record. For the first time, Minnesota manufactured exports surged to over $10 billion and our State's export rate grew by 11.2 percent.

In case you didn't notice, **we have arrived**.

But we're not stopping there.

I'd like to highlight some of the important trade issues facing these industries, and the work left to be done, but first, let me share some of my newfound Eastern Philosophy.

Last week, I had the pleasure of meeting the Dalai Lama. I was impressed by his peaceful charisma and statesmanship. To my surprise, the Dalai Lama and I bonded. After all:

- We both share a hairline with Buddah.
- He's written 56 books, I'm getting there.
- And, although he's not a golfer, I did interest him in renting the movie Caddyshack. After all, he does play a major role in the movie, and he's never seen it.

Above all, the Dalai Lama and I share a similar view on engaging the world in order to spread free markets and free ideals.

The Dalai Lama preaches "common responsibility" when it comes to world relationships. He believes that we cannot close our doors to those around us, but we must embrace differences throughout the world and spread democracy and human kindness through forming relationships.

He believes that we *must* develop relationships with the Chinese people and the Chinese government so that our democratic ideals and free trade ideals spread like wildfire.

If we don't, we will not change minds. We will not open markets. We will not move forward.

I took this encouragement very seriously and I vow to spread this message when I go to China on a Minnesota trade mission this fall.

I'm going to China because I strongly believe that we have an opportunity, especially in Minnesota, to grow markets in China, especially in the areas of agriculture and medical technology.

Last time we met, I was asking for your support for trade with China. Thankfully, the tripartisan effort to establish permanent normal trading relations with China was a success.

It goes to show you how good things can happen when partisanship is set aside and sound policy prevails. Thank you for your work on this issue.

But don't stop there.

Minnesota's medical technology and agriculture industries need you to continue to push for a "Free Trade Agreement of the Americas" and for what you are now calling "Trade Negotiating Authority."

As you will learn today, Minnesota is home to a thriving international medical technology industry.

We are a leader in medical manufacturing, with total production of more than $1 billion.

Our innovative medical establishment, enterprising research institutions, educated labor force and high-tech environment make Minnesota fertile ground for medical devices.

Overall, the industry in Minnesota employs over 20,000 people. Between 1988 and 1996, the industry added the largest number of new employees to the state—over 7,400 jobs.

We like these high-wage, high-skill jobs and I think that free trade makes this industry stronger and more productive.

But to keep this industry—and others—thriving, we need Washington to implement more free trade agreements.

The sad fact is that while other countries forge ahead with new trade agreements, the United States is falling far behind.

According to a recent study from the Business Roundtable, there are 130 free trade agreements in force throughout the world. The United States is currently part of only 2 free trade agreements. That means our farmers and our manufacturers face discrimination through higher tariffs in hundreds of markets throughout the world.

Last year, our strong exports in the medical manufacturing sector were driven by exports to Japan, Germany, Ireland, Canada, and the Netherlands. Unfortunately, you don't see any Central or South American nations in the top five. It's time for a Free Trade Agreement of the Americas, so our manufacturers can improve access and increase exports to markets right here in our hemisphere.

Agriculture producers remain the backbone of Minnesota's economy. Our dairy farms, live animal production, and commodity farmers export hundreds of millions of dollars worth of food every year, making us the 7th largest exporter of agricultural products in the United States. Minnesota's world class agricultural producers are responsible for 10% of our nation's exports of soybeans and 10% of America's exports of feed grains.

Because of the innovative spirit of Minnesotans, because of our strong work ethic, and because of our skilled workforce, we have done a pretty darn good job with agriculture exports. But let's face it, we can do better.

Of course, if we want more free trade agreements, the President needs sufficient negotiating authority. Thank you, by the way, for changing the term from Fast Track to "Trade Promotion Authority."

No matter what you call it, we need it.

Education is the key. The three most dangerous opponents of free trade are **misinformation**, **misunderstanding**, and **ignorance**. In a recent New York Times column talking about the protesters in Quebec City, Minnesota native Thomas Friedman put it best, when he said, "this anti-globalization movement is largely the well-intentioned but ill-informed—being led around by the ill-intentioned and well-informed . . ."

In order to pass Trade Promotion Authority, we need to first take this case to the American people and spread the word about the benefits of free trade.

Your presence here today is a good step in that direction.

I applaud you for taking your committee out of Washington. It's always good to get a fresh perspective.

For far too long, discussions about trade have only taken place in the committee rooms of Washington, the boardrooms of corporations and the classrooms of economics professors.

It's time to turn it up a notch and put the word on the streets.

Let's move the discussion out of the committee rooms and boardrooms and bring it to the break rooms and living rooms. Let's move the discussion beyond the hallowed halls of our universities and take it to the people who get up and go to work every day.

I have been around the world and back to promote Minnesota products and workers and educate the citizens of my state about the jobs created through exports. I have been to Mexico and Japan, where I've seen firsthand that the products made in Minnesota save lives and feed people.

Mr. Chairman and Congressman Ramstad please take a message back to Washington from the people of Minnesota. We need Congress to approve Trade Promotion Authority for the President, and we need to participate in more trade agreements. We want more high-paying jobs. We need more pacemakers in Peru, Panama, Paragauy, Portugal, Poland and Pongo Pongo. We need more soybeans in Senegal, Saudi Arabia, South Africa, and Singapore.

As the Dalai Lama told me, so I share with you. "Go into the world and make friends, and take your values with you. Let's engage. Let's move forward."

Thank you.

Chairman CRANE. Thank you, Governor. We appreciate your testimony, just as we did so very much when you came to Washington and testified before our Committee.

One thing in your testimony that raised a question in my mind was you made a reference that the Minnesota Twins are the hottest team in baseball. Don't they play in that league that we used to? I think Chicago had a team called the White Sox who used to play in that league too, right?

Mr. VENTURA. Well, they're about 14 behind us right now, Mr. Chairman.

Chairman CRANE. I didn't know they were still playing. We have the Chicago Cubs now as our fallback.

But at any rate, I wanted to ask you a question based on your personal experience, and mine too. I worked for the Dredge and Dockworkers Union when I was going to college, and I understand that you're a Member of two unions and that labor unions are a key constituency in Minnesota, and yet your position on trade is at the other end of the spectrum from where the union leadership is taking positions right now.

What do you think can be done to help change the opinion of the unions on trade liberalization?

Mr. VENTURA. Education and facts and going out and explaining to them that we can't isolate our country, we have to compete, and I think to promote them, inspire them, tell them, we have the best workers in the world and the most innovative, and why should we, the United States of America, be afraid of a challenge? That's not in our history. We've accepted every challenge from the time this great country was formed till today, and rather than hide or re-treat, this country has always been known to advance forward and accept those challenges.

And I would just say this also, Mr. Chairman, as being a Member of two unions, I found it interesting when I ran that I couldn't receive one union endorsement, and yet I had letters and phone calls from the rank and file of the union who said they supported me. In fact, I was there when a vote was taken to get an endorsement from a union.

I think there's a disconnect between union leadership and rank and file today, and I think that it's up to us to ensure that rank and file is well-educated and understands that this is not going to destroy the unions, it's going to help them in the long run.

Chairman CRANE. I couldn't agree with you more. Communicating that message is so vital.

I've mentioned to folks many times that in my district it may be the biggest export district in Illinois, but Illinois, like Minnesota, is a major export State, and yet when you bring up the question of trade, people start falling asleep at town meetings, and it's disturbing.

I had a hearing about 5 years ago in my district, and at that hearing what was revealing—and I have in my district the corporate headquarters of Motorola, Sears, Kemper, Baxter, right down the line, and so forth. What was revealing was better than 90 percent of our Illinois exports come from companies employing 500 or fewer, and in your medical technology industry here in the State of Minnesota, the vast majority, better than 80 percent, I understand, employ less than 50 people.

Mr. VENTURA. That's correct.

Chairman CRANE. I mean, they're small businesses. And it is really vital for those people who own those businesses to communicate to their employees that the business's survival is dependent upon guaranteeing that we expand those markets worldwide and that their jobs are dependent upon that expansion.

So, unfortunately, we're not getting the message out as well as we should, but you're doing an outstanding job, and you probably catch some heat for it, but I commend you for all you've done.

One final question. Your testimony on China before Congress last year was so very effective that it put the benefits of China's World Trade Organization (WTO) accession into real terms for real people. Unfortunately, it looks like we're going to have another debate on that in June. It's because we have not seen China accede into the World Trade Organization yet and get permanent normal trade relations. So we have to give them their annual renewal this summer, and that's always a heated debate.

Do you believe that continued economic engagement with China will eventually weaken the military anti-reform elements of the Chinese government?

Mr. VENTURA. I believe that this is the most important economic issue of this 21st century so far, and maybe I can add to it that for those that somehow think that you can avoid a global economy or globalization or whatever term they want to give to it, I think you need only look as far, Mr. Chairman, as the Internet. You will be able to go to a computer and communicate with someone in

China in the near future, and that is going to make our world smaller and smaller and smaller, and there's no way around it.

I believe that by trading with China and our influence into China will be the most important move for democracy and good business in this century, and it will be China that will experience a change, even more so than the United States of America.

Chairman CRANE. To which I can only say amen. I have an uncle who's still alive, he's 98 years old. He was a missionary in China in the twenties. And I salute him and give him and his colleagues credit for all of their efforts, but the fact of the matter is, trade has done more to advance civilized values worldwide than anything else in the span of recorded history, and it's a win-win proposition. We benefit and those with whom we trade benefit.

Mr. VENTURA. Let me add, Mr. Chair, if I may. Why will they listen to us if we don't have a relationship with them?

Chairman CRANE. Yes, exactly. Absolutely.

Mr. VENTURA. It ends right there.

Chairman CRANE. Absolutely. Mr. Ramstad.

Mr. RAMSTAD. Thank you, Mr. Chairman. Thank you, Governor, for your excellent testimony. Once again, you put your abilities to good use in communicating and putting into real terms how it affects real jobs, real people, people on the street. And you're right, we have to take this out of the Committee rooms, out of the boardrooms, and take it to the people and explain to them the facts, because there's so much demagoguery out there, as you know.

Let me just ask you this. It's a fair summary of your statement here today or your position that you share President Bush's top priority as far as trade is concerned and that is that we pass trade promotion authority this year?

Mr. VENTURA. Yes.

Mr. RAMSTAD. That's the overriding concern that you share with Congressman Crane?

Mr. VENTURA. Absolutely. As well, again, when we're only involved in 2 trade agreements out of 130, we need more.

Mr. RAMSTAD. And I hope, at some point we'll get to this, when it comes to the fore of the Committee that you will again be able to be involved and to come out and testify, because when you speak, Members listen, and I'd appreciate that once again.

Mr. VENTURA. Just call, and I'll be happy to. I enjoy trips to Washington.

Mr. RAMSTAD. Thank you, Governor.

Also, I want to ask you as a follow-up. You said the Dalai Lama shared with you the statement, "Go into the world and make friends and take your values with you."

Mr. VENTURA. Yes.

Mr. RAMSTAD. Well, we have a problem with, first, of these trade issues, whether it's WTO bilateral trade negotiations, whether it's Free Trade of the Americas, whether it was North American Free Trade Agreement (NAFTA), General Agreement on Tariffs and Trade (GATT), whatever it might be, with some of our friends on the Committee and in Congress who insist on including labor protections and environmental protections as part of the agreements themselves.

It's difficult sometimes to explain to these people or to get them to understand at least that I believe we can be more of a force for changing human rights conditions, for changing their workers' protections, for changing their environmental standards if we're present there, if we're a force there, rather than seeing the treaty go down as we've seen in the 10 years I've been in the Congress too many times. Do you agree with that?

Mr. VENTURA. I agree fully with that. Again, I'll repeat myself. Bear with me. They're not going to listen to us unless they have a relationship with us. We can sit across the big expansion of the sea and shake our finger all we want, but unless there's some type of relationship, they're not going to listen.

And to me it's simple. When our companies go into a country like China and when they employ Chinese workers, those workers are going to go back to their neighborhoods. They're people. They're the same as we are here.

They're going to go back and talk, and they're going to say, gee, look at what this company does, look at how the working conditions are here, this is what we need to have our companies do and the conditions.

And to me that's the only way you're going to change them, is by giving them concrete examples or hands-on experience to that change, not simply by just telling them.

Mr. RAMSTAD. So you'll help us once again with permanent normal trade relations, the problems with the Navy surveillance plane notwithstanding?

Mr. VENTURA. Notwithstanding.

Mr. RAMSTAD. Well, I know you have some work to do in St. Paul to finish up the legislative session. Again, I want to thank you, Governor, for being with us today, and thank your staff. I see John Woodley here and Steven Bosacker. Thank you, and let's continue to work together on these trade issues.

Mr. VENTURA. Thank you, Congressman Ramstad, and thank you, Chairman Crane. I appreciate it very much.

Chairman CRANE. Thank you, Governor. We're very grateful for your participation and look forward to working with you.

Mr. VENTURA. Thank you.

Chairman CRANE. And now I would like to ask the mayor if he will please come forward, since one of our Congressional colleagues is not yet here, and we're going to put the mayor in ahead of him.

Now I would like to welcome Mayor Coleman and express my appreciation to you for participating in this important trade hearing today, and with that, I would yield to you and tell you that your oral testimony will, of course, be part of the record, but any written testimony you have above and beyond what you present orally will be made a part of the permanent record too. And with that, you may proceed.

STATEMENT OF THE HON. NORM COLEMAN, MAYOR, SAINT PAUL, MINNESOTA

Mr. COLEMAN. Thank you, Mr. Chairman. It's a great pleasure to be before you.

My name is Norm Coleman, mayor of the capital city of St. Paul. It's a great pleasure to be before you and the Congressman from the Third District, my good friend, Jim Ramstad, who I have had the pleasure for many, many years of working together, for this opportunity to come before you today, and thank you for coming to Minnesota to hear about our concerns and thoughts on international trade and its importance for our State.

You come today to a State and a capital city that's seen tremendous growth over the last half of the last decade. In many ways this tremendous growth is the result of the resurgence of St. Paul and other American cities.

And I would note that I have modified my written testimony before you, and the official version will be forwarded in writing, later.

In order for the American entrepreneur, the American businessperson, the American farmer to compete, they need to deliver the best product at the least cost, and they must have the opportunity to market and sell that product. Government shapes the environment by regulation and taxes, rules and requirements that impacts the ability to compete.

In St. Paul we turned around a city that was dying economically by eliminating red tape, bureaucracy, and government regulation. We kept a lid on taxes. We attracted over $1 billion in new private investment. We didn't limit access to markets, and we sought to improve the growth of capital. We promoted job growth. This year we proudly earned the first AAA bond rating in the history of the city.

It is particularly important that you are here today to talk about the importance of expanding trade to identify the specific benefits that free trade brings to the medical technology and agricultural sectors.

To be sure, it is important to know that Minnesota ranks 13th in the United States for exports to the world with a value of $14.4 billion. Today, agricultural exports still rank at the top, with food products, livestock, timber, technology, printing and metals falling closely behind.

Mr. Chairman, we are not a closed society, nor an island unto ourselves. It is for that reason that I heartily support NAFTA and other efforts that will create a global trade zone unimpeded by unfair restrictions that undermine economic growth and freedom.

In St. Paul we are home to some of the strongest medical and technology providers in the country and in the world. HealthEast, Alliant, and Regions Hospital continue to provide not only state-of-the-art medical services and innovation, but are leading the industry in new techniques to prevent heart disease, improve critical care patient services and expanded trauma-based services.

In the area of technology, Lawson Software stands in the heart of our downtown, the largest independently owned software manufacturer in Minnesota, doing business across the nation and around the world.

What all of these companies need is open markets and the ability to compete internationally without unfair trade restrictions.

Some time ago I led a Sister City delegation to Neuss, Germany. There, with our friends from 3M and Northwest Airlines, we not only learned about our common bonds as people, but also our common bonds as trading partners. We all have the same goals in that respect. We want unfettered access to new markets for our products, we want to expand economic opportunity through economic freedom and trade, and above all, we want a global economy that lifts people up.

Those who have rallied against free trade often forget that we, as the United States, can do more to enhance human rights and protect and expand freedoms by exposing societies to the promise of democracy and capitalism.

I am unabashed in my support for free enterprise, Mr. Chairman. Cities need entrepreneurs, risk takers, and job creators. I support the vision of using our strength in technology and medical devices and agriculture as a way to open doors to new markets, but to also expand the horizons of freedom and democracy throughout the world.

Our strength as a country depends on our courage to introduce our goods, our ingenuity and innovation to other countries, and the strength of a global economy depends on free trade.

In St. Paul, 18,000 new jobs have been created since 1994. A large percentage have come from technology, insurance, and medical related fields. They are also a by-product of our expansion into the world economy. The future of cities will depend on our participation in a world economy.

And, finally, although I am an urban Mayor, I have spent much time in rural Minnesota. I've heard the voices of many, many Minnesota farmers. Their message to me has been clear. They want one thing: Greater access to markets.

They want to sell their products wherever in the world a buyer exists who is willing to pay a fair price. American farmers can compete on a level playing field with anyone in the world. Give them that chance.

As you continue your deliberations today and through the weeks and months ahead, please take with you the very, very clear message that free trade not only works, it works wonders.

America's thriving economy has benefited from global markets. The 3Ms, the Honeywells, the Cargills, and the Lawsons and the Minnesota Wire and Cables, all of these companies, large and small, benefit when markets are open and free from restrictions.

I've often said that the best form of welfare reform for people is a job, and the best way to improve the lives of people is to bring them into the economic mainstream.

Today, I believe the best way to foster freedom and democracy throughout the world, the best way to open the doors of closed societies and to bring countries into the world of nations, is to expand trade and economic opportunity. The best tool in the fight for freedom and human rights is economic advancement through trade.

I wish you well in your discussions. I look forward to continuing to work with you and urge you to continue to seek ways to expand trade and economic opportunity at home for Minnesota and abroad.

Thank you, Mr. Chairman.

[The prepared statement of Mayor Coleman follows:]

Statement of the Hon. Norm Coleman, Mayor, Saint Paul, Minnesota

Chairman Crane, members of the House Ways and Means Committee, thank you for coming to Minnesota to hear our concerns and thoughts on international trade and its importance for our state.

You come today to a state with a Capital City that has seen tremendous growth over the last half of the last decade-and in many ways the principles that have resulted in the resurgence of Saint Paul and other American cities are mirrored in the effort to open up trade opportunities. In order for the American entrepreneur, American business person, or American farmer to compete, they need to deliver the best product at the least cost. And they must have the opportunity to market and sell that product.

Government shapes the environment; by regulation, and taxes, rules and requirements, that impact the ability to compete. In Saint Paul, we turned around a city that was dying economically by eliminating red tape, bureaucracy and government regulation.

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Some time ago I led a Sister City delegation to Neuss, German. There, with our friends from 3M and Northwest Airlines we not only learned about our common bonds as people—but also our common bonds as trading partners. We all have the same goals in that respect. We want unfettered access to new markets for our products—we want to expand economic opportunity through economic freedom and trade—and above all, we want a global economy that lifts people up.

Those who have railed against free trade often forget that we, as the United States, can do more to enhance human rights and protect and expand freedoms by exposing societies to the promise of democracy and capitalism.

My friends, I am an unabashed in my support of free enterprise. Cities need entrepreneurs, risk takers and job creators. I support the vision of using our strength in technology, and medical devices and agriculture as a way to open doors to new markets—but to also expand the horizons of freedom and democracy throughout the world.

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I wish you well in your discussions—I look forward to continuing to work with you—and urge you to continue to seek ways to expand trade and economic opportunity at home for Minnesota and abroad.

Chairman CRANE. Thank you, Mayor Coleman.

According to statistics compiled by the U.S. Department of Commerce, exports from the Twin Cities metro area to Mexico increased by over 340 percent since 1993. Clearly, NAFTA has had a positive impact on your city.

How have current trade liberalization efforts, such as the Free Trade Area of the Americas which would create a free trade area spanning from Canada's northernmost province to the southern tip of South America, benefit your city?

Mr. COLEMAN. Very, very simple, Mr. Chairman. We've seen a city—American cities, not just my city. I think I can speak for so many cities in this regard because the phenomenon is so clear and it's so simple. If we expand job growth and opportunities, we expand the opportunities for all businesses to grow and compete, you will strengthen American cities.

We have seen that in St. Paul, and we have seen it, I believe, in speaking with Mayors across America throughout this United States.

Chairman CRANE. Well, it has, and I commend you for your insights and your commitment on this subject. Something that a lot of folks don't realize is every billion dollar increase in U.S. exports translates into 20,000 new jobs here at home, and those jobs pay on average 17 percent more than jobs for simply the domestic economy.

Trade is a very beneficial thing to the working people of the United States and to our National economy as well and especially to your community here, and you're doing an outstanding job.

Mr. COLEMAN. The best housing program, Mr. Chairman, is a job. The best welfare program is a job. The best opportunity to provide dignity and self-worth to families is a job. And free trades means opportunities for jobs, particularly in core cities I believe throughout this country.

Chairman CRANE. Thank you. Mr. Ramstad.

Mr. RAMSTAD. Thank you, Mr. Chairman.

Thank you, Mr. Mayor, for being here today. We have worked together and been good friends for over 20 years, and I appreciate all of your good efforts and your testimony here today.

And this Mayor, Mr. Chairman, has done an incredible job of turning around a city that everybody in this room knows was dying, and St. Paul has been revitalized under Mayor Coleman's leadership, and I think when he says the future of cities will depend on our participation in world economy, certainly St. Paul's growth has been in large part due to the leadership of the Mayor and to the new jobs that he's attracted there, 18,000 new jobs since 1994.

My first question, Mr. Mayor, do you have any way of quantifying or can you quantify roughly, of the 18,000 new jobs since 1994, how many are tied directly or indirectly to trade would you say?

Mr. COLEMAN. Congressman Ramstad, without giving you the specific numbers, I can tell you that many of those jobs are tied to technology and are companies like Lawson Software. Lawson Software brought over a thousand jobs to the core downtown.

Lawson Software does business in Africa. Lawson Software does business in the Middle East. Clearly, if you speak, as I have, to Lawson Software, they will tell you that opening up free trade opportunities for them is important to their growth.

St. Paul, as you know, Congressman Ramstad, is the home of 3M, one of the great American companies, and they will tell you that their continued ability to compete grows and can be tied to opening up the global market.

We don't live in one little corner of the universe that we occupy ourselves. We live in this global environment, and we have to give our businesses the opportunity to compete, so that our folks, our moms and dads, have jobs. That's what this is about.

Mr. RAMSTAD. I'm going to ask you the same question. I'm going to ask everybody this today, because I think it's the most important question we could ask as it relates to trade.

You have heard the Governor testify to the point, you heard me make the point in my opening statement, 130 free trade agreements, and the United States is only a party to 2. I don't know what more empirical data we need to support the President's position, our position, on trade promotion authority.

And by the way, I supported what we then called "fast track" when the Democrats controlled the White House. All 8 years I worked with President Clinton on the bipartisan whip team to try to get that done, as did our Chairman. And, unfortunately, we fell short; we fell a few votes short.

Let me ask you this. Do you agree with the President, with us, that gaining trade promotion authority is the most important trade issue by far?

Mr. COLEMAN. Mr. Chairman, Congressman Ramstad, absolutely, absolutely. And, again, I bring this from the perspective of a Mayor of an American city that has seen itself prosper by expanding opportunities with competition, for job growth and job development.

If you can take a microcosm of a city, between Minneapolis and St. Paul, 15th largest metropolitan area in the country, you expand that nationwide, you'll understand that when you increase opportunities to compete, opportunities to expand business opportunity, what you do is you can make yourself strong.

So clearly, from the perspective I have being at the very local level, I have seen what happens when you increase those opportunities, that we need to move forward in that area, and I share your concern in that respect.

Mr. RAMSTAD. And that's another good and insightful commentary certainly on your part. We're the 15th largest population-wise, 15th largest metropolitan area in the country, but the 9th largest exporter as far as metropolitan areas go nationally.

So I think that speaks well to our leadership here in Minnesota in industry as well as the agricultural sector and not to mention the great political leadership that we have certainly in St. Paul.

My last question, Mr. Mayor. As long as I have known you, you've been a great advocate for human rights. Just share, if you will, briefly what your feelings are with respect to including labor protections, human rights protections, environmental protections as part of agreements, or should they be considered separately?

Mr. COLEMAN. Mr. Chairman, Congressman Ramstad, I came to Minnesota in 1976, worked for the Attorney's General Office and represented human rights. I've been involved with those issues for many, many decades.

If you want to strengthen human rights, you do what you can to make sure that mom and dad have some food in their belly. Start with that.

Uplift the standards of living, create an environment so they don't—what happens is we can move forward by creating trade economy, and as we're doing that, one of the things—and I share this with others in this respect. The world is becoming smaller. As we move economically, as we establish relations, as we establish the human ties, the wave of human rights is inescapable, is inescapable.

So I would argue that let us move forward, let us not hamper the ability to create opportunities, to lift up the standard of living, by creating barriers. And so the things that we can do, Mr. Chairman, Congressman Ramstad, to move forward, to strengthening the economic ties, put them on the front, make them happen, we will have a profound impact on the human rights situation.

You can't hide. You can't escape it. The world is becoming closer and closer. But if we cut off the opportunity to create the ties, we will hurt those with a passion about human rights.

Mr. RAMSTAD. Thank you very much, Mr. Mayor. Yield back, Mr. Chairman.

Chairman CRANE. Thank you very much, Mayor. We appreciate your testimony this morning and your willingness to be here and to present such outstanding commentary. And with that I will now let you depart, Mayor, and I will ask our Congressional panel to come forward.

I think Mark Kennedy is the only one that's still here. And, Mark, you can hold oral testimony to 5 minutes. All printed testimony will be made a part of the permanent record. And with that, you may proceed.

STATEMENT OF THE HON. MARK R. KENNEDY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. KENNEDY. Thank you, and thank you, Chairman Crane, for coming here to hear the concerns of Minnesota on this very important topic, and thank you, Congressman Ramstad, for inviting the Committee here and for your leadership on this issue.

I'm also very happy to see many Second District constituents here, and other Minnesotans whether that be Gerald Tumbleson, Al Christopherson, Mike Yost, or Duane Bakke, who will talk later. It's very appropriate that we have good Second District representation given how important trade is to our district.

We're facing tough times in agriculture today. Net cash income is at its lowest level since the Depression, and we're facing that largely because of unfair trade barriers.

We face about 62 percent in trade penalties, whereas America is only charging about 12 percent. Our tariffs are about 10 times higher in agriculture than what they are in industrial goods. In Europe, they're subsidizing their farmers at about 8 times the level that we do here in America.

So, clearly we need a new round of global trade talks focusing on agriculture. Prior rounds have focused on goods and services.

The protests in Seattle, in my view, set us back. We need to continue to push for another round of global trade talks to open up these trade barriers across the world because those barriers are really hurting our farmers.

We also need to make sure that we don't impose sanctions on a unilateral basis on other countries, because, again, that only hurts the common, everyday people of those other countries and our own farmers.

A lot has been spoken already of how important trade is to agriculture, how we're the 7th State in the country in terms of our exports, and we're top 10 in just about every commodity. And if you look at the Second District and how important agriculture is to southwest Minnesota, our rankings are even higher.

We're the number one producer of soybeans, and one out of every two rows of soybeans is exported. We're very high in corn, and approximately one out of every three rows of corn is exported. So, with 30 percent of our cash receipts in the agricultural economy dependent on exports, it's absolutely critical that we tear down these trade barriers and create a level playing field.

Value-added is also something important. This isn't just about exporting the commodities. Since we're the farthest away of just about any of our main agricultural States, we need to focus on value-added, and we've done a good job of that.

Even though our commodity exports are down somewhat, we are up in terms of things like meat and where we have converted our corn and soybeans into a higher value-added product. We have a lot of that here across the Second District.

We need to give the President trade promotion authority. And, yes, there are areas of agriculture that need to have special transition, special consideration, whether that be sugar or dairy, but that can be taken care of only when we are in the game and talking about the agreements, and that's why we need the trade promotion authority.

This isn't the silver bullet to agriculture. We need to focus on other things, such as tax relief and better risk management tools, improving our conservation programs, and providing a better safety net to our farmers.

But given that we passed crop insurance improvements last session in Congress, given that tax relief is on the way and we're working very hard on the safety net, this is absolutely critical to the success of agriculture, and not just agriculture. If you go around southwestern Minnesota or all of Minnesota, you'll see that there are a lot of businesses that are heavily dependent on exports.

I'm very pleased to have three 3M plants in my district. I have Hutchinson Technology, ADC Telecommunications' largest plant, Seagate, and a lot of other smaller business that are very dependent on foreign exports.

As we look at what we need to do about this economy, yes, we need to provide tax relief; yes, we need to make sure that we have an energy policy, to make sure that that vital input into our economy is affordable; but we need to open up trade.

Trade is good for Minnesota. It's good for America. It's good for the world. When we do what we all do best, we benefit; everyone benefits.

Trade opens up not just markets, but minds. It expands the influence of democracy, it expands our values in regards to human rights, and it improves the condition of labor, not just in other countries but in our own country.

So I encourage you to continue to push for a new round of global trade talks and giving the President trade promotion authority, and thank you for being here today.

[The prepared statement of Mr. Kennedy follows:]

Statement of the Hon. Mark R. Kennedy, a Representative in Congress from the State of Minnesota

Good afternoon Mr. Chairman. I am pleased to be here today to testify before this subcommittee on a topic so important to the Second District of Minnesota, the State of Minnesota, and our Nation as a whole. I would like to thank you and the members of the committee for holding this hearing in the great State of Minnesota, and would like to thank Congressman Ramstad for inviting you here. I also would like to thank you for inviting such a distinguished panel to testify today, including a number of my constituents including Gerald Tumbleson, Al Christopherson, Mike Yost, Duane Bakke and other distinguished guests.

Times are tough in farm country. As an example, corn prices are at a fourteen-year low and soybean prices are at a twenty-seven year low. Net cash income on the farm over the last three years has fallen in real terms to its lowest level since the Great Depression. At the same time, production costs in farming are expected to set a record high of $179.5 billion in 2001.

This whipsaw effect on farmers is due to a combination of factors, including unfair foreign trade. Unfair foreign trade comes in the form of import restrictions, non-tariff trade barriers, and outrageous foreign subsidy levels. For example, worldwide average tariff levels on U.S. agricultural products are at 62 percent and dwarf U.S. tariffs on foreign countries, which are about twelve percent. And, the European Union subsidizes its producers to the tune of $342 per acre compared to U.S. support of our producers at about $43 per acre. Unfair foreign trade practices throughout the world cannot be allowed to undermine the work of Minnesota producers—sugar and dairy for instance.

Some may wonder, why does this concern Minnesota? Because we are the *seventh largest farm state* in America in terms of overall cash receipts. We rank in the top ten states for nearly every agricultural product that can be produced in our climate. We're number four in corn; number three in soybeans, hogs, spring wheat, and flaxseed; number two in turkeys, oats, sweet corn, and wild rice; number six in barley and dry edible beans; number five in sunflowers, milk, and rye; number eight in hay; number seven in potatoes; number one in sugar beets and green peas; number nine in eggs; number ten in chickens and cattle. What does a State of our size do with all of that product? The answer, for much of it, is we export it.

Nationally, 30 percent of all cash receipts on the farm are from exports and 40 percent of all agricultural production is exported. Minnesota is ranked seventh in America in agricultural exports. Today, the production of one in every three acres of corn is exported. And, half of Minnesota's soybean production is exported. In short, Minnesota needs Minnesota farmers, and Mr. Chairman, Minnesota farmers need access to world markets.

Access to world markets depends on tearing down foreign trade barriers and creating a level playing field. And, tearing down foreign trade barriers and creating a level playing field depends on Congress granting President Bush trade promotion authority.

Granting President Bush trade promotion authority is especially important as Minnesota farmers work to add value to their crops. Here in Minnesota, value-added agriculture is critical to our future. As I mentioned, the last four years have been very challenging. Strong world production since 1997 coupled with a paltry 1.3% growth in the world economy since 1998 has caused the value of U.S. bulk exports, such as corn and soybeans, to free-fall by nearly one-third from 1996 to 2000, depressing crop prices and farm income.

However, many Minnesota farmers I have talked to point out that, at the same time, the value of value-added agricultural exports, like meats, actually increased. So, as Minnesota farmers work to add value to their corn and soybeans here at home in order to capture a higher price for the product they ultimately sell on the market, it is just as important that Congress work to ensure that there is a market for value-added agricultural products, like pork, beef, turkey, chicken, cheese, and for a multitude of other products produced in Minnesota, like Distilled Dried Grain—or DDG—that is a high protein bi-product of ethanol production used for feeding livestock.

Once again Mr. Chairman, I believe very strongly that the starting place is granting President Bush trade promotion authority.

If President Bush is denied trade promotion authority, the EU will continue to subsidize its farmers eight times greater than the U.S., trade barriers around the world will continue to deny access to U.S. agricultural products, the farmers in my district will suffer, and so will all of Minnesota.

Alternatively, if President Bush is granted trade promotion authority, the best-case scenario—and what I believe will be the outcome—he will be able to negotiate agreements that are good for farmers, good for Minnesota, and good for our national economy.

However, in the worse case scenario, if I feel that my farmers and Minnesota are not served well by a trade agreement, I will tell the President to go back to the drawing board and begin again.

Trade is not the only ingredient to a strong federal farm policy. We must also continue to advocate tax relief, improved risk management tools, conservation, and a strong safety net. But, with the crop insurance bill passed last year, tax relief on its way, and our current work on strengthening the farm safety net, new access to world markets can help ensure that America remains the world's source of the safest, most abundant, most affordable food supply in the world.

Having a dependable domestic supply of food and fiber in this country is not only an economic and national security concern to me, it is a matter that goes right to the heart of what we care about in this country. As an early American farmer once put it, "Cultivators of the Earth are the most valuable citizens. They are the most vigorous, the most independent, the most virtuous, and they are tied to their country and wedded to its liberty and interests by the most lasting bonds." It's hard to improve on Thomas Jefferson.

Trade is central to agriculture in Minnesota—especially in the Second District. However, we must not neglect the promotion of industrial trade. Companies like Hutchinson Technology, ADC Telecommunications, Seagate, 3M and others must have access to foreign markets as well in order to create and maintain jobs and grow Minnesota's economy. Access to open markets is critical to continued prosperity in a diversified economy.

Again, thank you Mr. Chairman and members of the Committee for the chance to testify today. I am happy to answer any questions you may have.

Chairman CRANE. Thank you.

One question that I have, you make a reference here to the impact on the corn and soybean industry, and I've got a farm in Indiana, and last year we took it on the shin, corn and soybeans. And, of course, I don't farm it myself. I've got a friend that was doing the farming. He packed it in this year because of last year's returns, and I've got someone doing it again.

But one of the things that is so important, and you touched upon it in your testimony, is the elimination of barriers around the world to our exports of agricultural products, and I think that a lot of people didn't fully understand that if China becomes a Member of the World Trade Organization, and that's what we had that Permanent Normal Trade Relations (PNTR) vote about, that only applies to them after they become a Member of the World Trade Organization, and they've been dragging their feet on it. It's on the agricultural issue. They're talking about subsidies for agriculture. They get about a 10-percent subsidiary, and they want to try and preserve that.

But the thing that is interesting is that the projections were if they join WTO with the elimination of their existing tariff barriers, that that would have translated in 1-year's time into literally billions, billions of dollars of increased U.S. ag exports just to China.

I mean, it is critically important, and hopefully, notwithstanding the slowness of their advancement toward joining WTO, that they will achieve membership status by this fall. I mean, they're hinting at that, but there's no guarantee.

In the interim, though, we have, as you know, coming up again the Jackson Vanek waiver in normal trade relations for China, and the President has to call for that. That's an annual thing. He has to call for that on June the 3rd, and we have to vote on it before July the 3rd, and that's always a sticky business.

And so I hope, Mark, that we can count on you to help us rally some of the troops, to get them to understand the significance of it, the importance of it, and to make sure that China is encouraged to continue down a civilized path and not play the kinds of games that were played over the downing of the airplane there in Hunan and rather concentrate on the progress in terms of economic developments and the advancement of free trade.

We're appreciative of your testimony today, and I'd like to yield now to your distinguished colleague from your home State here, Jim Ramstad.

Mr. RAMSTAD. Thanks, Mr. Chairman.

Mark, you've become a great partner in a very short time on these trade issues important to the Second District of Minnesota and indeed important to all Minnesotans, and I appreciate the good work you're doing on the AG Committee as well.

Let me just ask you the same question I've asked the previous two witnesses. In your judgment, is trade promotion authority the most important trade measure we can pass to benefit farmers?

Mr. KENNEDY. Well, I think, it's critical. You know, we have to get a new farm bill. I've spent a lot of time focusing on that. But I would say for your Committee, it is the most important.

Mr. RAMSTAD. As far as trade issues.

Mr. KENNEDY. Absolutely. And I come from a business background, and I know if you get too many cooks in the kitchen nothing gets done. And it's absolutely critical that every time we have the ability to have, a focus, say, on the energy objective, we need to have that to be able to put something before us in the House and in the Senate as it does make sense. Clearly, if it doesn't make sense for America, we'll vote against that.

But it's been spoken of repeatedly again the trade agreements that we have been outside of, and as we look around the world, we're not going to be eating a whole lot more here in America. But as the standard of living in places in Asia and others increase, their protein intake is going to significantly increase.

We need to be part of that gain. We need to be making sure that they're being fed with American corn, soybeans, livestock, and otherwise.

So, I can't think of really anything more critical than giving the President trade promotion authority so that we can be at the table and involved with all these agreements.

Mr. RAMSTAD. Thank you very much again, Mark, for being with us today and for the good job, great job you're doing in Washington. I yield back, Mr. Chairman.

Chairman CRANE. And now our belated witness, Gil Gutknecht has arrived, and perfect timing, Gil. And so if you will proceed with your testimony and try and limit your oral testimony to 5 minutes or less, and your written testimony will be made a part of the permanent record.

STATEMENT OF THE HON. GIL GUTKNECHT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. GUTKNECHT. Thank you, Mr. Chairman. I hate to waste time, and so we're not wasting any today, and I'm going to catch a plane to go back.

Principally I wanted to stop by to say thank you for having this hearing because, as you undoubtedly already heard and will continue to hear, we in Minnesota are intensely dependent upon trade for our economy, both in terms of the technology sector as well as agriculture, and I think many people are surprised in my Congressional district, in the First Congress District of Minnesota, how much in fact we ultimately export.

There is a glass company that manufactures large plate windows for skyscrapers principally down in Owatonna, Minnesota, called Viracon, and they export over 30 percent of what they produce in Owatonna, Minnesota, in large plate glass windows to markets around the world, principally to Asia.

The problem, of course, we have is what we have in the United States, and that is we produce much more efficiently than our own markets can absorb, and as a result, we need access to those markets.

In Rochester, for example, we have a very large IBM plant. Over a third of the computers that they manufacture in Rochester, Minnesota, the AS400s, are ultimately exported.

We cannot possibly use all that we can produce, and we can produce very efficiently. So we are very dependent on foreign markets, and trade is extremely important.

One of the points you need to know about Minnesota is because we are at the end of the river, if you will, in terms of exporting agricultural goods, some people are surprised at how much we ultimately export. As you may have already been told, and certainly may be told again, that over half of the soybeans that we grow in this part of the country ultimately wind up in export markets, and that comes as a surprise to an awful lot of people even here in Minnesota.

The truth of the matter is—if you look around the room, you will understand this—we simply cannot eat all that we can grow. If you look at the people behind me, you will note that we're all fully fed. Ultimately, we need access for our farmers to be able to put more of what we can produce efficiently here in the State of Minnesota in other parts of the world.

I talk a lot about some of the exports that we already have. If you came to Austin, Minnesota, for example, in my Congressional district, down in the southern part of my district, there's a little company called Hormel, and every day we turn 16,000 pigs into wonderful meat products, including the world's finest lunchmeat called Spam.

Now, I joke a lot about Spam, but it is a fabulous export product for a lot of reasons. First of all, it requires no refrigeration, and it's one way that we can convert our corn and our beans into pigs and ultimately those pigs into a very good value-added product which we can export all over the world.

And while people here in the United States sometimes joke about that product, ultimately it is a terrific export product, particularly in Asia. Asians like pork, they like salted pork, and they are particularly fond of that product.

So, we need access to those markets, and we understand probably more than almost any other State how dependent we are on trade. You're going to hear from a number of experts, who are much more adept at describing their particular circumstances, but I do want to add one more important point, and that is in the area of dairy.

There is one cheese plant in our district, right on the border of Mark's district and my self's, that every day they sell over 500,000 pounds of cheese. Now, if we had to eat all of the cheese that we produce here in southern Minnesota, well, we just simply couldn't do that. We need access to those markets.

And so not only do we need access to markets in places like South America, Central America, Asia, and around the rest of the world, but I also want to say, Mr. Chairman, with all due respect, we also need access to markets in places like Vermont.

So, as we look into opening up markets, one of the things we're going to be saying from the upper Midwest, and I hope you'll understand, is we want access to markets in Asia, and we also want access to markets in places like the Northeast where they have a dairy compact, which in a sense is a way of creating an internal cartel or an internal trade barrier, and that is one of the issues you're going to hear and learn more about, Mr. Chairman, as we go forward.

I want to thank you again for coming today. You have a great group of folks who are testifying today.

We hope that your visit to Minnesota is a pleasant one, and we look forward to working with you in terms of expanding trade and market opportunities, not only for our farmers but for our businesses here in Minnesota. So again, thank you, Mr. Chairman.

[The prepared statement of Mr. Gutknecht follows:]

Statement of the Hon. Gil Gutknecht, a Representative in Congress from the State of Minnesota

Thanks to Subcommittee Chairman Crane for holding this hearing and giving me the opportunity to testify.

Thank you for inviting such a distinguished panel, particularly my constituent Karl Johnson.

The purpose of this hearing is to discuss the importance of trade and, ultimately I suppose, underscore how important it is for Congress to grant President Bush Trade Promotion Authority. But, as I believe you've heard and will hear from your distinguished witnesses, that we must grant the President Trade Promotion Authority, is a foregone conclusion. It is not simply a desire, or a wish, it is an imperative.

Let's think about the facts, as I'm sure you've heard, the European Union subsidizes its farmers at a level eight times greater than the United States provides to our farmers. This works out to $342 per acre in the European Union and only $43 per acre in the United States. And, Europe is one of many examples of this problem.

So, how is this situation ever going to change? Do we suppose the EU and others will, out of a sudden sense of fair play, decide to just voluntarily and unilaterally level the playing field? Of course not. They are not going to change the way they do business until the United States calls them out on the rug. But, we can't do that unless we have a seat at the trade table. And, we can't do that unless we grant the President Trade Promotion Authority.

In short, Trade Promotion Authority is imperative because without it, things are not going to change. The status quo, with all its inequities, is locked in place and my farmers and Minnesota lose.

Of course, some might say there are alternatives. Some say if foreign governments want to subsidize their farmers to the point where U.S. farmers can't possibly compete, "great, consumers win." But the illogic in this argument is glaring. First, we don't accept predatory pricing from within our borders, so why should we accept predatory pricing from foreign countries waged against our own farmers? Second, the inherent danger of over-reliance on foreign supplies should be painfully obvious as we approach $2 for a gallon of gas. A safe, abundant, and affordable domestic supply of food and fiber is a matter of national security.

Still others argue that we should isolate ourselves and resurrect old protectionist policies. But before we allow Washington bureaucrats to start managing supply, or let the latter-day Elmer Gantrys to blow the dust off the Hawley–Smoot Tariff Act, we need to think about the irreparable harm this would do to our farmers, Minnesota, and all of America.

If past is prologue, mandating set-asides will have the same adverse effect on America's farmers as our failed sanctions policy, as the Soviet grain embargo has had. This policy will invite increased foreign production in places like Brazil. And, this increased foreign production will quickly offset any temporary increase in prices that a short U.S. supply might bring. Then U.S. farmers are left holding the bag of lower prices and less market share. And we all know the price of protectionism. Hawley–Smoot levied the highest tariffs ever. These tariffs, in turn, invited foreign retaliation against the United States. World trade went in the tank and America sank deeper into the Great Depression.

Minnesota farmers know that these are not the answers and that is why this distinguished group of agriculture leaders sits behind me today.

So, Minnesota farmers and Minnesota need Trade Promotion Authority. But, I want to be clear: I will not blithely support agreements at any costs. I do not support trade for trade's sake. So, these trade agreements must be negotiated with U.S. agriculture in mind. They must be enforceable. And, to keep my support, they must be enforced. I have had enough with the EU—riddled with BSE and Hoof and Mouth disease problems—rejecting U.S. beef on trumped up charges and in blatant defiance of our trade agreements. I've had enough of foreign competitors skirting our trade rules and using loopholes to ship molasses into the United States, and converting it into sugar, shipping in concentrated milk proteins, and using them in dairy products, and the ongoing problem of the Canadian Wheat Board that, with each passing day, looks more like a bunch of commissars. These shenanigans erode public trust in trade. And so, as believers in trade, we must put a stop to them.

Fortunately, I believe that President Bush, rooted in farm and ranch country, will negotiate agreements that create the kind of access to world markets that my farmers need to get a fair return on their products, and that he has the resolve to hold our trading partners proverbial feet to the fire to see to it they honor those agreements.

We've seen four very tough years in farm country. But Minnesotans, today and throughout our heritage and history, have shown that we are cut from a tougher piece of cloth. We always see the light at the end of the tunnel.

Mr. Chairman, I am optimistic that through value-added agriculture, the tax relief we are currently working on, the crop insurance bill we passed last year, the strengthened federal farm policy we are working on this year, and the increased access to the world market that we are embarking on today—the light at the end of this tunnel is going to get brighter and brighter.

Once again, thank you for allowing me to testify today.

Chairman CRANE. Thank you, Gil. Referring to your testimony, I didn't notice any overweight people in the audience. Not even you, Gil. I mean, you look fit to me.

Mr. GUTKNECHT. We're not underfed, Mr. Chairman. We're well fed here in Minnesota and throughout the country.

Chairman CRANE. Well, I want to express appreciation to you not just for your testimony but for your support on this critically important issue and getting the message out to constituents back home. It's something that requires communication and getting the folks at home to understand the importance of their component part, whether it's just working in the fields or whether it's participating in the factories or whatever.

They're an important part in the total equation to guaranteeing that the United States maintains supremacy as the world's biggest export nation on the face of this Earth and that it translates into jobs, higher-paying jobs, and a better economy not just for us, but for those people with whom we engage in trade.

You're playing a key role, and we're going to bank on you heavily as we get into some of these upcoming battles before us this year.

And with that, I'd like to yield to Jim Ramstad.

Mr. RAMSTAD. Gil, I just want to thank you for being here as well and thank you for your work. It's a pleasure to work with you on these trade issues. You've always voted in the best interests of Minnesota farmers and Minnesota manufacturers and understand free trade, and I appreciate your testimony to that effect.

You've already answered my question I've asked the previous witnesses when you say it's simply imperative, not a desire or a wish, but it's simply imperative that we grant the President trade promotion authority. So thanks for your help on that issue as well. Yield back, Mr. Chairman.

Chairman CRANE. With that, I will yield to our panelists for right now, but it is my hope that both of you might be able to stay, so that after the testimony both of you and Jim and I can participate in a press availability right here in this room. I mean, if you've got a conflict, don't feel guilty about it.

Mr. GUTKNECHT. Mr. Chairman, I am going to catch a plane to go back to Washington this afternoon.

Mr. KENNEDY. I'll stay around. That will be great.

Chairman CRANE. All right. That will be great. Gil does everything by the numbers. That's why he got here right exactly on time. Thank you both.

And with that, I would now like to call our panel, our first panel: Art Collins, chief executive officer, Medtronic; Douglas Kohrs, president and chief executive officer, American Medical Systems; Al

Christopherson, president, Minnesota Farm Bureau Federation; and Scott Portnoy, corporate vice president of Cargill.

If you gentlemen will please take seats and, in the order that I introduced you, if you will make your presentations, and again try and keep your oral testimony to 5 minutes or less, and any written testimony will be made a part of the permanent record.

And with that, we shall commence with Art Collins.

STATEMENT OF ART COLLINS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, MEDTRONIC, INC., MINNEAPOLIS, MINNESOTA

Mr. COLLINS. Chairman Crane, Members of the Committee, welcome to Minnesota, home of the Golden Gophers, the Mall of America, and Congressman Jim Ramstad. Congressman Ramstad is a tireless champion for patients throughout the United States and around the world who benefit from medical technology developed by thousands of constituents in his district.

Thank you for the opportunity to testify today on the importance of global trade to the medical technology industry.

As you indicated, my name is Art Collins. I'm president and chief executive officer of Medtronic, Incorporated, headquartered here in Minneapolis.

Medtronic is the world's leading medical technology company. With deep roots in the treatment of heart disease, Medtronic now provides a wide range of cardiovascular, neurological, and spinal therapies that help physicians solve the most challenging, life-threatening medical problems. We employ 25,000 people worldwide, some 6,000 here in Minnesota.

As Congressman Ramstad knows, Minnesota is proud of its reputation as a leader in health care. Certainly, the vast number of medical technology companies in the State, and the significant amount of money and time we spend on research and development, is part of the reason that we are so successful and healthy.

Another reason for our success involves the importance of international trade. Many Medtronic jobs, and much of all new job creation in our company, are directly related to new product development and product introductions outside the United States. Approximately one-third of our revenue comes from technology sold outside the United States, and two-thirds of our revenues come from new therapies introduced within the last 2 years.

Medtronic and other Minnesota-based medical technology companies have historically benefited from U.S. trade policy that has sought to ensure open markets around the world. Our trade agreements have helped to reduce or eliminate tariff and non-tariff trade barriers, contributed to greater transparency and predictability, helped protect our intellectual property, and most importantly, improved patient access to innovative, life-enhancing, and cost-saving medical technologies.

The dynamic pace of innovation in the U.S. medical technology industry, coupled with an effective U.S. trade policy, has created a $94 billion worldwide market and more than a $7 billion positive trade surplus.

Before I cover several specific opportunities for trade reform, let me speak more broadly. U.S. medical technology firms and patients worldwide can benefit enormously from the introduction and enforcement of new bilateral trade agreements with other countries and regions.

Medtronic, and the greater U.S. medical technology industry, supports extending trade promotion authority to the President in order to allow the Administration to aggressively pursue bilateral trade agreements in the medical technology sector.

The Global Harmonization Task Force and its regulatory harmonization process also holds potential benefit for our industry. This effort, which incorporates input from both government and industry, should be supported by the U.S. government.

Japan is a specific example of the importance of trade and U.S. trade policy. Japan is the single largest country market for medical technologies outside the United States, and it is also one of our most challenging countries in the industry.

The establishment and rigorous enforcement of medical device trade agreements has helped lead to a 500-percent increase in U.S. medical technology exports to Japan between 1987 and 2000. U.S. policy helped turn a 100 million dollar medical technology trade deficit in 1987 to a $1.1 billion trade surplus in 2000.

Continued oversight has been necessary along the way, and continued enforcement is badly needed today. Japan has failed to fulfill some important trade commitments to reform its rules for new technology reimbursement and regulation. Rather, the government of Japan has used inconsistent means to reduce technology prices and has slowed the introduction of new products as a means to contain overall expenditures.

In addition, there is an immediate, discriminatory threat in the Japanese government plan to introduce foreign reference pricing in the price-setting process. This is a particularly onerous and even dangerous attempt by the Ministry of Health, Labor, and Welfare to set prices in Japan based on prices in other markets. This would fail to capture the significant and unique costs of doing business in Japan.

Mr. Chairman, Japan's average hospital stay is 30 days compared to 6 in the United States. Japan's failure to adopt new therapies not only impacts U.S. manufacturers and our employees, it also does nothing to enhance quality of care for Japanese patients and bring about greater system-wide efficiency in the Japanese health care system. Fully utilizing new medical technology can actually improve the financial health and productivity of their system, especially given Japan's rapidly shrinking and aging population.

Let me move on to Europe. Likewise, U.S. trade policy can benefit from the industry's ability to compete in Europe, the second largest set of countries and the largest region for medical technologies. Today the industry exports some $8 billion to Europe and currently maintains a $3 billion trade surplus.

As the Member States of the European Union continue to reform their health care systems to accommodate the needs of an aging population, new health technology assessment processes, as well as new reimbursement and payment systems, must be transparent and capable of adopting new technologies in a timely manner.

If properly implemented, the U.S.-EU Mutual Recognition Agreement will help streamline regulatory inspection processes for certain technologies while protecting public health. U.S. oversight must help ensure it is fully implemented by December 2001, when the current 3-year transition period ends.

U.S. trade policy should also encourage the European Commission to continue its efforts to preserve the uniform regulatory regime for medical technologies throughout the European Union (EU). A patchwork of regulatory policies throughout Europe would not only frustrate the medical technology innovation process and extend the time it takes to bring innovative technologies to the market, but also undermine the single market concept espoused by the European Union.

In conclusion, the benefits of trade for the medical technology industry are many, and they are reflected in the thousands of jobs in Minnesota and the U.S. that we create, as well as the enormous contribution we make to the health and vitality of our State and country.

This concludes my testimony. Thank you for the opportunity to testify. I look forward to answering any questions you may have.

[The prepared statement of Mr. Collins follows:]

Statement of Art Collins, President and Chief Executive Officer, Medtronic, Inc., Minneapolis, Minnesota

Chairman Crane, Members of the Committee, welcome to Minnesota—home of the Golden Gophers, the Mall of America, and Congressman Jim Ramstad—a tireless champion for patients throughout the United States and around the world who benefit from the medical technology developed by the thousands of constituents in his district that work in the field of medical innovation.

Thank you for the opportunity to testify today on the importance of global trade to the medical technology industry.

My name is Art Collins, and I am the President and CEO of Medtronic, Inc. Headquartered here in Minneapolis, Medtronic is the world's leading medical technology company providing lifelong solutions for people with chronic disease. With deep roots in the treatment of heart disease, Medtronic now provides a wide range of cardiovascular, neurological, and spinal therapies that help physicians solve the most challenging, life-limiting medical problems and restore health, extend life, and alleviate pain.

As Congressman Ramstad knows, Minnesota is proud of its reputation as a leader in health care. Certainly, the vast number of medical technology companies in the state, and the significant amount of money and time we spend on research and development, is part of the reason we are so successful and healthy.

For example, Medtronic spends 10–15% of our yearly revenues on research and development, much of it in Minnesota. We employ 25,000 people worldwide, some 6,000 here in Minnesota.

Benefits of International Trade for the Medical Technology Industry

Another major reason we are successful is our ability to compete in international markets. Many of the aforementioned Medtronic jobs, and much of all new job creation for our company, are directly tied to new product development and product introductions outside the United States. Approximately one-third (1/3) of our revenue comes from technology sold outside the U.S., and two-thirds (2/3) of our revenues come from new therapies introduced over the last 2 years.

Medtronic and other Minnesota-based medical technology companies have historically benefited from U.S. trade policy that has sought to ensure open markets around the world. Our trade agreements have helped to reduce or eliminate tariff and non-tariff trade barriers; contributed to greater transparency and predictability; and most importantly, have improved patient access to innovative, life-enhancing and cost saving medical technologies in key markets around the globe.

The dynamic pace of innovation in the U.S. medical technology industry, coupled with an effective U.S. trade policy, has created a more than $7 billion trade surplus in our sector with our trading partners. I am not aware of data showing the precise impact expanded trade agreements on domestic job creation or of expanded trade on U.S. jobs in our industry. But the 1997 Benchmarking Study done by the U.S. Department of Commerce Bureau of Economic Analysis shows that exporting of all manufactured goods supported 7.7 million U.S. jobs. Indeed, one of every 5 manufacturing jobs in 1997 was tied directly or indirectly to exports.

These agreements and increased sales also support activities in the U.S. such as expanded R&D that could not otherwise take place. Although 80% of the medical device industry is made up of small companies with fewer than 50 employees, these companies devote increasingly large portions of their revenue to research on novel life-saving and life-enhancing therapies. A Lewin Report last year showed that at the same time that the trade surplus for this industry has increased, R&D spending by the industry doubled during the last decade and is equivalent to that of the pharmaceutical industry. As trade increases, then, R&D increases, and new therapies whose development could not otherwise be sustained reach patients in your district as well as in nations abroad.

Global Trade Reforms

Before I speak of specific opportunities for trade reform, let me speak more broadly. U.S. medical technology firms can benefit enormously from the introduction and enforcement of new bilateral trade agreements with other countries and regions, through which the U.S. government could help make regulatory regimes conform to internationally established principles and practices, and to adopt reimbursement processes that are more streamlined, transparent, and predictable.

Medtronic, and the greater U.S. medical technology industry, supports extending "trade promotion authority" (TPA) to the President to allow the Administration to aggressively pursue bilateral trade agreements in the medical technology sector with our major trading partners.

TPA could also be used to ensure further work on regional and global trade negotiations, including the Free Trade Area of the Americas (FTAA). Initiatives such as the Asia-Pacific Economic Cooperation (APEC) forum, and the Transatlantic Business Dialogue (TABD) are also important vehicles for the medical technology sector to ensure that global markets remain open to innovative medical technologies by reducing restrictive tariff and non-tariff barriers and by encouraging the adoption of sound health care policies.

The Global Harmonization Task Force (GHTF), and its regulatory harmonization process, also holds potential benefit for our industry. It should be supported by the U.S. government. The GHTF is supported by both Japan and Europe, and both have made use of the GHTF documents.

Japan

Japan is a prime, specific, example of the importance of trade—and U.S. trade policy—for the medical technology sector. Japan is the largest market for medical technologies outside the U.S. It is also one of the most challenging for our industry.

The establishment and rigorous enforcement of medical device trade agreements has lead to a 500% increase in U.S. medical technology exports to Japan between 1987 and 2000. U.S. policy helped turn a $100 million medical technology trade deficit in 1987 to a $1.1 billion trade surplus in 2000!

Continued oversight has been necessary along the way. In 1999, our industry was prepared to file a 301 against Japan, until the U.S. government was able to negotiate an agreement with Japan to allow for the more timely adoption and integration of new medical technologies into their healthcare market.

Despite success in Japan, and a good working relationship with individuals in Korosho, the Ministry of Health, Labor and Welfare, recent Japanese government policies and initiatives potentially threaten to undermine U.S. industry access to, and our presence in, the Japanese market.

The medical technology sector could greatly benefit from additional oversight and aggressive enforcement of agreements in Japan today. Japan has failed to fulfill some of these important trade agreement commitments to reform its rules for new technology reimbursement and regulation. Rather, the government of Japan has used inconsistent means to reduce technology prices and has slowed the introduction of new products as a means to contain overall expenditures.

In addition, there is an immediate, discriminatory threat in the Japanese government plan to introduce "foreign reference pricing" in the price-setting process. This is a particularly onerous and even dangerous attempt by the Ministry of Health, Labor and Welfare (MHLW) to base prices in Japan on prices in other markets. This would fail to capture the significant and unique costs of doing business in Japan.

Mr. Chairman, with Japan's average hospital length-of-stay being 30 days (compared to 6 in the U.S.), failing to adopt new technologies is not only troublesome for U.S. manufacturers, it also fails to bring about greater system-wide efficiency or enhance quality of care in the Japanese health system. Rather, fully utilizing new medical technology can actually improve the financial health and productivity of their system—especially given their rapidly aging and shrinking population.

Just as in the past, U.S. trade leadership can help address these problems. Enforcement of previous trade agreements can require Japan to take certain agreed upon steps in an expeditious manner, including:

- Reducing the two-plus year delay in access to *brand-new* technologies by establishing a process and timeframe for granting provisional coverage and pricing, as well as a method for establishing "final" reimbursement listing.
- Establishing clear-cut criteria and processes for creating new reimbursement categories and "final" pricing for *next generation* products.
- Abiding by the required government-industry consultations process established in the 1986 MOSS trade agreement when proposing major changes to either the reimbursement or regulatory processes.

Again, Japan is an example of how trade benefits the U.S. industry—and of how trade policy can continue to yield positive opportunities for U.S. medical device manufacturers.

Europe

Likewise, U.S. trade policy can benefit the industry's ability to compete in Europe—the second largest foreign market for medical technologies, where we export some $8 billion products, for a $3 billion trade surplus.

As the Member States of the European Union continue to reform their health care systems to accommodate the needs of an aging population, new health technology assessment processes, as well as new reimbursement and payment systems, must be transparent and capable of adopting new technologies in a timely manner. It is critical that the European nations adopt health care policies that ensure *adequate funding* for and *timely patient access* to new and innovative medical technologies. This will ensure U.S. medical technology firms full access to important European markets; afford patients in Europe broad access to the best available technologies; and allow Member States to reap the enormous clinical and economic benefits of innovative medical technologies.

For example, if properly implemented, the U.S.-EU Mutual Recognition Agreement (MRA) will greatly benefit both small and large U.S. medical technology firms because it will help streamline regulatory and inspection processes for certain technologies while protecting public health. U.S. oversight must help ensure it is fully implemented by December 2001, when the current three-year transitional period ends.

U.S. trade policy can also benefit the medical device industry by encouraging the European Commission to continue its efforts to preserve the uniform regulatory regime for medical technologies throughout the European Union. A patchwork of regulatory policies throughout Europe would not only frustrate the medical technology innovation process and extend the time it takes to bring innovative technologies to the market, but it would undermine the intent of the European Medical Devices Directives and the "Single Market" concept espoused by the European Union.

Conclusion

The benefits of trade for the medical technology industry are many, and they are reflected in the thousands of jobs in MN and the U.S. that we create, as well as the enormous contribution we make to the health and vitality of our state and country.

The benefits of trade policy for the industry is to knock down the complex and bureaucratic policies in international markets that serve as access barriers for patient access to U.S. medical technologies abroad.

This concludes my testimony. I look forward to any questions you may have. Thank you for this opportunity.

Chairman CRANE. Thank you, Mr. Collins. Mr. Kohrs.

STATEMENT OF DOUGLAS KOHRS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN MEDICAL SYSTEMS, MINNETONKA, MINNESOTA

Mr. KOHRS. Thank you, Chairman Crane and Congressman Ramstad, for the opportunity to testify today on the benefits of trade for the medical technology industry, the many workers in the medical technology fields, and the Minnesota economy.

My name is Doug Kohrs, and I'm the president and chief executive officer of American Medical Systems. AMS is a publicly held, NASDAQ-traded medical device company headquartered in Minnetonka, Minnesota. We are recognized as an industry and technology leader in the area of urological and surgical solutions.

Our products treat patients suffering from male and female incontinence, prostate diseases, and erectile difficulties. Last year alone we successfully treated over 40,000-patients worldwide.

Now, we employ over 500 people around the world. But, Mr. Chairman, we are one of those small companies that you referred to earlier that need your help. Our employment base is 350 people here in Minnesota, and we manufacture virtually all of our products at our facility.

The focus of today's hearing is to discuss the benefits of trade in the medical technology sector, but I would first like to comment on the benefits of the medical technology sector itself. Just as American Medical Systems is recognized as a leader for medical devices to treat urological disorders, the U.S. medical device industry is the global leader in medical device innovation.

The U.S. is the largest producer and exporter of medical devices in the world. Our industry makes substantial contributions to the nation through high-paying employment and a consistent trade surplus. As you heard Governor Ventura mention earlier, we are a high-wage, high-skill, high-productivity industry in Minnesota.

Now, as you know, 96 percent of the world's population live outside the U.S., so obviously there are many people beyond our borders that can benefit from medical innovations.

The demographics of an aging population and how this impacts the growth of a company like AMS are critical. We estimate that there are 160 million men and women around the world who are symptomatic of the diseases for which we have a solution. But of these 40,000 patients we treated in 2000, only 8,000 or 20 percent of these medical technology beneficiaries were from outside the United States.

The U.S. medical device industry looks to international trade to expand market opportunities, cultivate our businesses, increase the number of jobs we can create here in the U.S., grow our economy, and ultimately help more patients around the world.

Given Minnesota's economic specialization in medical devices and the growth in foreign markets, it is not surprising that foreign exports play an increasingly larger role for our industry and our State. We've heard a lot about that already today. In Minnesota, foreign exports of medical technologies alone account for over 21 percent of the industry's value of shipments, but this could be even higher.

Using American Medical Systems as an example, our total revenues in 2000 were just north of $100 million, but only $18 million of our sales came from outside the U.S. An important aspect of our future growth is international expansion. The impact international growth would have on our employment base in Minnetonka cannot be overemphasized.

We have a state-of-the-art facility, with world class employees, plenty of capital, and the desire to rapidly expand our business. As our industry continues to refine and improve existing products and develop new, breakthrough technologies, our reliance upon an aggressive and effective U.S. trade policy will only continue to grow.

Now, Art Collins mentioned to you the problems that the medical device industry is having with Japan. Let me relate to you first-hand specific issues that my company, American Medical Systems, has experienced in Japan.

I mentioned earlier that in 2000 our products will be used to treat over 40,000 patients around the world. Yet in Japan we treat less than 300 patients per year. Japan has roughly 50 percent of the U.S. population, and yet our products are used to treat 1 percent as many patients.

Now, we've developed, manufactured, and distributed "Gold Standard" products, as an example now, that we use to treat urinary incontinence. We estimate that in Japan more men suffer from this problem than in the U.S. Yet in Japan we treated only ten men who suffer from this disease.

The reimbursement hurdles in Japan with this product have been significant. Since the early 1990s, this life-changing product has been in the reimbursement approval process within Japan.

Now, we have been providing paperwork upon paperwork over the last 10 years, including completing a Japanese clinical study, to no avail, and amazingly we've had full Food and Drug Administration (FDA) and approval and reimbursement in the U.S. since 1983. There is no other product like this device on the market in Japan today. So therefore, until our device is approved in Japan, there are thousands of men who are needlessly suffering from this disease.

U.S. technology firms would benefit enormously from the introduction and enforcement of new bilateral and multilateral trade agreements with other countries and regions. The U.S. Government should utilize such agreements to help make regulatory regimes conform to internationally established principles and practices and to adopt reimbursement processes that are more streamlined, transparent, and predictable.

To aid in this effort, and Mr. Ramstad or Congressman Ramstad, you've asked us many times today, our industry encourages Congress to grant the President trade promotion authority, which is critical to pursuing bilateral trade agreements in the medical technology sector with our major trading partners.

The medical technology industry is a vital contributor to the Minnesota and national economy. It has benefited from, and will continue to rely upon, international markets for its continued growth and vitality. We face significant challenges in assessing these foreign markets and look to partner with the U.S. Congress and the Administration to ensure our industry remains the world leader in innovation and exports.

I greatly appreciate this opportunity that I have been given to speak before the Committee, and I look forward to any questions you may have.

[The prepared statement of Mr. Kohrs follows:]

Statement of Douglas Kohrs, President and Chief Executive Officer, American Medical Systems, Minnetonka, Minnesota

Chairman Crane, Congressman Ramstad and Members of the Committee, thank you very much for the opportunity to testify today on the benefits of trade for the medical technology industry, the many workers in the medical technology-related fields and the Minnesota economy.

My name is Douglas Kohrs and I am the President and CEO of American Medical Systems. AMS is a publicly held medical device company headquartered in Minnetonka, Minnesota. We are recognized as an industry and technology leader in the area of urology. Our products treat patients suffering from Male and Female Incontinence, Prostate Diseases and Erectile Dysfunction. In the year 2000 alone, we treated over 40,000 patients around the world.

AMS employs over 500 people around the world, with a significant employment base here in Minnesota. We manufacture virtually all our products at our facility in Minnetonka. It is at this facility that we employ approximately 350 people directly related to the development and manufacture of our products.

Importance of the Medical Technology Industry

The focus of today's hearing is to discuss the benefits of trade to the medical technology sector, but I would first like to comment on the benefits of the medical technology sector itself.

The 2000 report by the Lewin Group described our industry best when it said that,

> "the industry has great potential to synthesize advances in the sciences, bioengineering, biomaterials, genomics, computing and telecommunications to develop innovative technologies that will extend the capacity of the health care system to prevent, diagnose and treat disease, and to enhance health status and quality of life."

Just as American Medical Systems is recognized as the leader for medical devices that treat urological disorders, the U.S. medical device industry is the global leader in medical device innovation. With a technological edge over our foreign competitors, the U.S. is the largest producer and exporter of medical devices in the world. Our industry makes substantial contributions to the nation through high-paying employment and a consistent trade surplus.

We are a high-wage, high-skill, high-productivity industry in Minnesota. There are about 800 registered medical device firms in the state, according to 1997 data, we employ over 20,000 people in the manufacturing of medical technologies and supplies. Between 1988 and 1996, our industry added the largest number of new employees to the state—over 7,400 jobs. **I might add that through my last 2 publicly traded companies, I am personally responsible for adding 550 of those jobs during this time period.**

The medical technology sector attracts millions of dollars in venture capital investments to Minnesota ($34 million in 1997). Many other jobs are supported by these investment dollars in research and development—such as the scientists, physicians and medical experts at teaching hospitals and clinics (U of M and Mayo Clinic) that work with us and the NIH to help develop our innovations and conduct our clinical trials.

AMS works with many physicians within the State of Minnesota, and across the U.S. to develop and bring to market new and innovative technologies. These new technologies bring benefits to patients around the world and new jobs to our facility in Minnetonka.

Benefits of Trade for the Medical Technology Industry

Some 96% of the world's population lives outside the U.S. That means there are a lot of people beyond our borders that can benefit from medical innovations!

As well, the demographics of an aging population and how this supports the growth of AMS are enormous. We estimate that there are 160 million men and women around the world who are symptomatic of the diseases for

which American Medical Systems offers a solution. As I mentioned earlier, in 2000 we treated approximately 40,000 patients around the world. But only 8,000, or 20% of those patients were from outside the United States.

For the same reason our fifty states embraced interstate commerce long ago, the U.S. medical device industry looks to international trade to expand market opportunities, cultivate our businesses, increase the number of jobs we can create here in the U.S., grow our economy and ultimately help patients across the globe.

Given Minnesota's economic specialization in medical devices and the growth in foreign markets, it is not surprising that foreign exports play an increasingly larger role for our industry and our state. In Minnesota, foreign exports of medical technologies alone account for over 21% of the industry's value of shipments.

In 2000, AMS' total revenues were $100 million. Only $18 million of our sales came from outside the U.S. One of the most important aspects of AMS' future growth is International Expansion. It is our goal that international revenues will soon represent up to 40% of our total business. The impact that this type of international growth would have on our employment base in Minnetonka cannot be over-emphasized. We have a state-of-the-art facility, with world-class employees, in Minnetonka. It is not part of our long-term growth strategy to move our production capabilities away from our current facility. On the contrary, we are looking to continue to leverage the investment we have made in the both our facility and our employees.

The U.S. medical device industry exports life-saving and life-enhancing innovations that extend and improve the quality of life, regardless of national borders. And with the discovery of the human genome, the industry's ability to develop tests and devices that prevent, detect and treat illnesses earlier will only continue to grow exponentially.

As our industry continues to refine and improve existing products, as well as develop new, breakthrough technologies, our reliance upon an aggressive and effective U.S. trade policy will only continue to grow. **The situation with AMS is no different. We are confident that our technologies are the best in the world. In fact, in some cases, our products are so specialized that AMS is the only source for treatment anywhere in the world. We are equally confident that physicians and patients around the world will continue to look for our products.**

Current U.S. policy has yielded an over $7 billion trade surplus in the medical device sector with our trading partners. The medical device industry is one of the few industry sectors with a consistent, positive trade balance with Japan ($1.1 billion in 2000) and Europe ($3 billion in 2000)—and rigorous oversight and further trade negotiations is imperative for maintaining this positive trend.

The Role of U.S. Trade Policy for the Medical Device Industry

U.S. trade policy is a vital component of this industry's continued export growth. **At American Medical Systems, we will continue to make the best products in the world. Products that people all over the world will continue to ask for and to seek out, but without the help of our government to ensure our access to those people and those markets, it will at some point not make sense for us to continue to invest monies and continually encounter roadblocks.**

Japan, our industry's top foreign market, is a good example. Prior to the 1986 MOSS trade agreements, the U.S. had a $100 million medical technology trade deficit with Japan. Thanks to the negotiation and rigorous enforcement of trade agreements with Japan, with $2.75 billion exports to Japan, we now enjoy a $1.1 billion surplus in our sector. That's an increase of 500%, with the help of the U.S. trade team.

Let me relate to you the issues that AMS has experienced in Japan. I first want to draw some parallels between U.S. and Japan demographics. As I mentioned early in my talk, AMS' business is very closely linked to population demographics, and specifically to population aging and the diseases that come with aging.

Approximately 5% of the U.S. population are age 65 or over. In Japan, the percentage is even greater. I mentioned earlier that in 2000 AMS products were used to treat over 40,000 patients around the world. Over 30,000 of those patients were in the U.S. Yet in Japan, our estimate is that we treat less than 300 patients per year. Japan has roughly 50% of the U.S. population, and yet AMS products were used to treat 1% as many patients.

AMS developed, manufactures and distributes the "Gold Standard" for treating men with urinary incontinence. Our artificial urinary sphincter has been recognized as the Gold Standard for treatment of this disease since the early 1980's. Last year alone in the U.S., we treated 3,500 men who suffer from this disease. We estimate that in Japan more men suffer from urinary incontinence than in the U.S. Yet, in Japan last year, AMS treated fewer than 10 men who suffer from this disease. The reimbursement hurdles in Japan with this product have been significant. Since the early 1990's, the AUS has been in the reimbursement approval process within Japan. Since 1996 alone, AMS has implanted this device in over 17,000 men in the U.S. AMS has had regulatory approval and reimbursement in the U.S. for current version of the device since 1983. There is no other product like the AMS device in the market in Japan today. Therefore, until our device is approved in Japan, there are thousands of men in Japan who are needlessly suffering from this disease.

The AMS story with our erectile dysfunction device is similar. We have 65+% of the market around the world, with devices that are again the "Gold Standard" for men suffering from Erectile Dysfunction. We continue to add new technological advances to this product, and in the U.S. last year we treated over 10,000 men who suffer from ED. We estimate that over 6 million men in Japan suffer from Erectile Dysfunction, and yet we treated less than 10 patients last year in Japan.

This year alone, AMS is bringing to market 2 new products that can significantly improve the lives of women suffering from female incontinence and men suffering from BPH (non-cancerous swelling of the prostate gland). We estimate that 9 million men and over 6 million women suffer from these diseases in Japan alone. We are anxious to bring these new technologies to Japanese patients as quickly as possible, but we cannot do this alone.

Today, Japan is the largest foreign market for U.S. medical devices. To keep it that way, we have had to be steadfast in our oversight of Japan's treatment of medical technologies, and enlist the continued assistance of the U.S. government. In 1999, our industry was prepared to file a 301 against Japan, until the U.S. government was able to negotiate an agreement with Japan to allow for the more timely adoption and integration of new medical technologies into their healthcare market.

When Japan failed to meet its pledge last year, the U.S. stepped in once again and reached another agreement. Sadly, Mr. Chairman, here we are again this year asking that Japan be held accountable to its unmet promises. Japanese government policies and initiatives continue to threaten and undermine U.S. industry access to, and our presence in, the Japanese market.

Japan has failed to fulfill some of these important trade agreement commitments to reform its rules for new technology reimbursement and regulation. Rather, the government of Japan has used arbitrary means to reduce technology prices and has slowed the introduction of new products as a means to contain overall expenditures.

In addition, there is an immediate, discriminatory threat in the Japanese government plan to introduce "foreign reference pricing" in the price-setting process. This onerous plan to base prices in Japan on prices in other markets egregiously fails to capture the significant and unique costs of doing business in Japan.

Unfortunately, Japan does not realize that these policies are not only problematic for U.S. manufacturers, but also detrimental to their own health care system. Japan has an average hospital length-of-stay being 30 days (compared to 6 in the U.S.). Fully utilizing new medical technology can actually improve the financial health and productivity of their system—especially given their rapidly aging and shrinking population.

Just as in the past, U.S. trade leadership can help address these problems. Enforcement of previous trade agreements can require Japan to take certain agreed upon steps in an expeditious manner, including:

- Reducing the two-plus year delay in access to *brand-new* technologies by establishing a process and timeframe for granting provisional coverage and pricing, as well as a method for establishing "final" reimbursement listing.
- Establishing clear-cut criteria and processes for creating new reimbursement categories and "final" pricing for *next generation* products.
- Abiding by the required government-industry consultations process established in the 1986 MOSS trade agreement when proposing major changes to either the reimbursement or regulatory processes.

Our industry looks to Congress and the Administration to enforce Japanese compliance with current U.S.-Japanese trade agreements and to reduce the delays in the introduction and integration of new technologies in the Japanese health system.

Earlier I spoke about the impact international growth could have on the business and employment base of AMS. Let me emphasize that regulatory and reimbursement approvals in Japan alone that were both quicker and fairer would have a huge impact on AMS' business and employment base in Minnetonka.

Likewise, U.S. trade policy can benefit the industry's ability to compete in Europe—the second largest foreign market for medical technologies, to which our industry exports some $8 billion products, for a $3 billion trade surplus.

As the Member States of the European Union continue address the needs of an aging population and financially challenged health care programs, new health technology assessment processes, as well as new reimbursement and payment systems, must be transparent and capable of adopting new technologies in a timely manner. Adequate funding for and timely patient access to new technologies can both improve the quality of their health systems and allow them to reap the enormous clinical and economic benefits of innovative medical technologies.

The U.S.-EU Mutual Recognition Agreement (MRA), if implemented accordingly, will greatly benefit both small and large U.S. medical technology firms as it streamlines regulatory and inspection processes for certain technologies while protecting public health. U.S. oversight must help ensure it is fully implemented by December 2001, when the current three-year transitional period ends.

Europe is a critical market AMS as well. In Europe, AMS is a major player in the area of urology. We employ people all across the European continent through our wholly owned AMS subsidiaries. Europe today represents over 60% of our international business, and will continue to be a significant aspect of our business going forward.

U.S. trade policy can also benefit the medical device industry by encouraging the European Commission to continue its efforts to preserve the uniform regulatory regime for medical technologies throughout the European Union. A patchwork of regulatory policies throughout Europe would not only frustrate the medical technology innovation process and extend the time it takes to bring innovative technologies to the market, but it would undermine the intent of the European Medical Devices Directives and the "Single Market" concept espoused by the European Union.

The Importance of U.S. Leadership in Global Trade Initiatives

U.S. medical technology firms would benefit enormously from the introduction and enforcement of new bilateral and multilateral trade agreements with other countries and regions. The U.S. government should utilize such agreements to help make regulatory regimes conform to internationally established principles and practices, and to adopt reimbursement processes that are more streamlined, transparent, and predictable.

To aid in this effort, our industry encourages Congress to grant the President "trade promotion authority" (TPA), which is critical to pursuing bilateral trade agreements in the medical technology sector with our major trading partners.

TPA is also needed for further development on regional and global trade negotiations, including the Free Trade Area of the Americas (FTAA), the World Trade Organization (WTO), and the Asia-Pacific Economic Cooperation (APEC) forum. These, along with the Transatlantic Business Dialogue (TABD), are important vehicles for the medical technology sector to ensure that global markets remain open to our products by reducing restrictive tariff and non-tariff barriers and by encouraging the adoption of sound health care policies.

Significant strides have been made toward reducing tariffs for medical technologies in important developed and emerging markets through APEC. However, more progress can and should be made, and Congress and the Administration should work to ensure that APEC's tariff and non-tariff barrier reduction initiatives come to fruition within the APEC context or even more broadly within the WTO.

The U.S. medical technology sector continues to support TABD activities, through which further progress can be made on important issues related to technology assessment, reimbursement policies, and regulatory policies, particularly vis-à-vis the acceding European Union countries like Hungary, Poland, and the Czech Republic.

Conclusion

The medical technology industry is a vital contributor to the Minnesota and national economy. It has benefited from, and will continue to rely upon, international markets for its continued growth and vitality. We face significant challenges in accessing these foreign markets, and look to partner with the U.S. Congress and the

Administration to ensure our industry remains the world leader in innovation and exports.

I look forward to any questions you may have. Thank you for this opportunity to speak before the Committee.

Chairman CRANE. Thank you, Mr. Kohrs. Mr. Christopherson.

STATEMENT OF AL CHRISTOPHERSON, CORN, SOYBEAN, AND HOG PRODUCER, PENNOCK, MINNESOTA, AND PRESIDENT, MINNESOTA FARM BUREAU FEDERATION, SAINT PAUL, MINNESOTA

Mr. CHRISTOPHERSON. Thank you, Mr. Chairman and Congressman Ramstad. I am Al Christopherson, president of the Minnesota Farm Bureau, and a corn, soybean, and hog producer from Pennock, Minnesota. I might add the Minnesota Farm Bureau represents more than 32,000 member families throughout the State of Minnesota.

As you've already heard, Minnesota agriculture is highly dependent upon access to world markets with over one-third of our commodities destined for other countries. Minnesota farmers compete head to head with their competitors in their own market, but are not given equal opportunities to compete in foreign markets.

We need to secure trade promotion authority for the President in order to improve our access to world markets and correct the trade inequities now facing our sector. However, trade promotion authority should not include labor and environment provisions that use trade as a weapon.

The negotiations in agriculture in the World Trade Organization represents another important opportunity to increase America's access to international export markets. Farm Bureau-supported objectives for these trade talks include, among others, the elimination of export subsides, substantial reduction of tariffs worldwide, increased transparency of State trading enterprises, access based on scientific principles for bioengineered products, expiration of the peace clause, and elimination of the blue box category of government allowed subsides.

WTO Member countries should adopt a broad-based approach for a new round to ensure that all sectors of the global economy benefit from increased trade liberalization, including a single undertaking approach.

Another important trade issue affecting agriculture is the completion of China's accession to the WTO. We are concerned that China has not fully implemented its bilateral agreement with the United States to import our wheat and meat products. The United States should not give final authorization for China to join the WTO until it indeed lives up to its commitments.

Concerning regional agreements, the Free Trade Area of the Americas (FTAA) will create an open market to 34 countries. It is imperative that U.S. producers begin to enjoy access to the Free Trade Area of Americas' markets on equal terms.

In retrospect, NAFTA has significantly benefited the U.S. agricultural sector. When you take a closer look at specific commodities, however, there have been some winners and some losers.

While we cannot expect significant gains for all commodities and all trade agreements, we can and we must ensure that the rules that are adopted as part of the FTAA result in fair trading opportunities.

Setting aside the issue of trade negotiations for a moment, there are also a number of trade disputes that need to be resolved. We support a negotiated solution to the Mexico sugar and high fructose corn syrup issue that is equitable for our producers and helps maintain their economic viability.

We call upon the Canadian government to implement the WTO ruling on dairy in a manner that is consistent with WTO rules. We believe that the European Union should lift the ban on U.S. exports of hormone-treated beef consistent with the WTO ruling.

The U.S.-Canada Softwood Lumber Agreement expired at the end of March, and we support the pursuit of a countervailing duty case by U.S. producers, but continue to believe that a negotiated solution is preferable to litigation.

Regarding the trade title of the next farm bill, the market-oriented approach adopted in the 1996 farm bill places increased importance on an aggressive trade policy to further develop export markets. Farm Bureau supports additional funding for all export programs.

Some examples of some successful market export programs that require additional funding include the market access program, the foreign market development program, the dairy export incentives program, and the export enhancement program.

We feel Congress should support our producers in every way possible to make sure that access to foreign markets is unrestricted and the terms of trade are fair.

Mr. Chairman and Congressman Ramstad, the United States is facing an important juncture for agricultural trade. Bilateral and multilateral negotiations are underway to design the future that will govern the global movement of our commodities, and international conventions are writing new rules and standards for tomorrow.

The United States must assume a strong leadership role to ensure that these new rules and standards create a favorable trading environment for our producers. We are already the world's leader in production efficiency and product quality. We now need our government to take the necessary steps to make us a leader at the negotiating table and to once and for all open new markets for U.S. agriculture.

I thank you for this opportunity to share the Farm Bureau's views on trade issues affecting agriculture and the trade title of the farm bill.

[The prepared statement of Mr. Christopherson follows:]

Statement of Al Christopherson, Corn, Soybean, and Hog Producer, Pennock, Minnesota, and President, Minnesota Farm Bureau Federation, Saint Paul, Minnesota

Mr. Chairman, members of the Committee, I am Al Christopherson, President of the Minnesota Farm Bureau Federation and a corn, soybean and hog producer from Pennock, Minnesota. MFBF represents more than 32,000 member families throughout the state of Minnesota. Our members produce a variety of farm commodities and depend on access to foreign markets for our economic viability.

I appreciate the opportunity to speak with you today about trade issues affecting Minnesota agriculture and the trade title of the next farm bill. As you know, Minnesota agriculture is highly dependent on access to world markets with over one-third of our commodities destined for foreign shores. Our sector has long enjoyed a trade surplus, but that surplus has steadily decreased in recent years due to declining export values and barriers to trade that are erected by our trading partners.

At the same time, U.S. agricultural imports continue to rise. This is evidence that our market is among the most open in the world. Minnesota farmers compete head-to-head with their competitors in their own market, but are not given equal opportunities to compete in foreign markets.

In addition, our competitors are outspending us in their use of export subsidies and market promotion programs. We can't expect our producers to compete on the world stage when they are outgunned by foreign government spending. Congress must equip U.S. producers with adequate funding to promote their exports.

We need to secure Trade Promotion Authority for the president in order to improve our access to world markets and correct the trade inequities now facing our sector. Granting this authority will signal to the world that the United States is ready to negotiate.

However, Trade Promotion Authority should not include labor and environment provisions that use trade as a weapon. Putting labor and environment standards in trade agreements, and more troubling, imposing sanctions on countries that fail to enforce their labor and environment standards, is a recipe for ensuring that no future commercially meaningful trade deal will be struck.

Moreover, sanctioning U.S. exports historically has proven to be an ineffective policy tool that merely cuts off U.S. producers' access to vital export markets without achieving the desired policy result. Meanwhile, our competitors are all too happy to take over these sanctioned markets at our expense.

It is for this reason that Farm Bureau continues to oppose unilateral export sanctions in any form on U.S. agricultural exports. The sanctions reform legislation that passed last year as part of the agricultural appropriations bill was a good first step on the road to achieving meaningful sanctions reform.

However, the restrictions placed on the use of federal export promotion assistance, financing of sales and travel to Cuba, and licensing requirements are provisions that need to be repealed in order to allow U.S. farmers and ranchers true access to these previously sanctioned markets. We support S. 171, which will accomplish this objective.

Congress should repeal these onerous restrictions as part of its proven desire to lift unilateral economic sanctions on U.S. agricultural exports. Full sanctions reform will enable America's producers to compete in a market valued in excess of $6 billion.

The negotiations on agriculture in the World Trade Organization represents another important opportunity to increase America's access to international export markets. Farm Bureau-supported objectives for these trade talks include the elimination of export subsidies, substantial reduction of tariffs worldwide, increased transparency of state trading enterprises, access based on scientific principles for bioengineered products, expiration of the peace clause, elimination of the blue box category of government allowed subsidies, adoption of an equitable approach to domestic support spending between nations and the conclusion of negotiations on export credits in the Organization for Economic Cooperation and Development (OECD).

However, true progress in the WTO agricultural negotiations cannot be achieved unless a global trade round is launched. WTO member countries should adopt a broad-based approach for a new round to ensure that all sectors in the global economy benefit from increased trade liberalization. To accomplish this, the United States must insist that a single undertaking approach for the negotiations is adopted wherein all elements of the agreement are concluded and implemented simultaneously.

Another important trade issue affecting agriculture is the completion of China's accession to the WTO. Minnesota farmers are eagerly awaiting the opportunity to compete in the Chinese market. However, it is vitally important that all outstanding issues for China's accession package be resolved before the United States gives its final approval for China to join the WTO.

We are concerned that China has not fully implemented its bilateral agreement with the United States to import our wheat and meat products. China must fully comply with the letter of that agreement. Importation of these products into China will serve as evidence that China intends to fulfill its international obligations. The United States should not give final authorization for China to join the WTO unless it lives up to its commitments, including the bilateral promise to remove sanitary and phytosanitary (SPS) barriers on U.S. wheat and meat exports.

Additional regional and bilateral free trade agreements are now being negotiated that could significantly impact U.S. agriculture. These negotiations present an important opportunity to address specific bilateral and regional trade issues affecting our sector.

On the bilateral front, Chile, as part of the free trade area negotiations now underway, must agree to resolve all outstanding SPS measures that restrict U.S. exports to that market, including meat, poultry and dairy, and must agree to eliminate its price band system, which places imports into that market at a price disadvantage.

Recent reports indicate that the administration may be considering pursuing a free trade area with Australia. Australia is an important ally of the United States in the WTO negotiations on agriculture. However, there have been numerous bilateral SPS barriers to trade that Australia has erected to keep our exports out of its market. All outstanding SPS issues must be resolved in a scientific manner before a commitment is made to commence free trade negotiations with Australia.

Regarding the Jordan Free Trade Area, Farm Bureau opposes including labor and environment provisions in the agreement and strongly objects to the use of sanctions to enforce labor and environment provisions.

We also oppose Executive Order #13141 that mandates environmental reviews of trade agreements and believe this administration should rescind it. U.S. negotiating proposals for trade agreements should not be subjected to the faulty, non-science based process that this executive order will impose.

Concerning regional agreements, the Free Trade Area of the Americas will create an open market of 34 countries. Several of these nations produce many of the same commodities that we grow in America. Producers from these countries already enjoy significant access to our market and also compete with us in the international marketplace. It is imperative that U.S. producers begin to enjoy access to the FTAA markets on equal terms.

We also view the FTAA as an opportunity to apply the trade lessons we learned from the North American Free Trade Agreement. On average, NAFTA has significantly benefited the U.S. agricultural sector. When you take a closer look at specific commodities, however, there have been some winners and losers. While we cannot expect significant gains for all commodities in all trade agreements, we can, and must, ensure that the rules that are adopted as part of the FTAA result in fair trading opportunities. To this end, we have requested that special safeguards be implemented in the FTAA for perishable commodities that account for seasonality and regionality.

Setting aside the issue of trade negotiations for a moment, there are also a number of trade disputes that need to be resolved.

We support a negotiated solution to the Mexico sugar and high fructose corn syrup issue that is equitable for our producers and maintains their economic viability. We are also concerned that Mexico's requirements placed on the importation of dry beans are not consistent with its NAFTA obligations and should be corrected.

We call upon the Canadian government to implement the WTO ruling on dairy in a manner that is consistent with WTO rules.

We believe that the European Union should lift the ban on U.S. exports of hormone treated beef consistent with the WTO ruling. Because the EU has not complied, the list of European products subject to retaliation should be immediately rotated and continue to carousel in accordance with U.S. law until a solution to this longstanding dispute is imminent.

The U.S.-Canada Softwood Lumber Agreement expired at the end of March. U.S. timber producers will now be subjected to unfairly subsidized imports of Canadian lumber, which promise to further exacerbate the low price conditions they already face. We support the pursuit of a countervailing duty case by U.S. producers, but continue to believe that a negotiated solution is preferable to litigation.

The Andean Trade Preferences Act is set to expire at the end of this year. Renewal of this trade act should only be granted if a competitive trigger similar to that of the Generalized System of Preferences (GSP) is implemented that eliminates the tariff preference once a country becomes internationally competitive in a specific commodity and the safeguard mechanism for perishable products is improved.

Finally, the issue of biotechnology continues to be a top trade concern for U.S. agriculture. The European Union has maintained a de facto moratorium since 1998 on additional approvals for new varieties of genetically enhanced commodities. However, the European parliament recently approved a revised 90/220 directive outlining the process for GMO approvals.

Although all member states are required to conform to this revised directive, several have indicated that they will not implement it. In short, the de facto moratorium is legally over but not in practice. We believe the European Union should reinitiate its approval process based on science and should implement it without exception or delay.

In addition, international provisions and standards governing biotechnology are being discussed and adopted in a number of forums, yet the United States lacks a coordinated policy approach on trade in these products. We support the establishment of an interagency committee to address biotechnology matters in a coordinated fashion. The United States should also forge stronger alliances with its international allies on this issue, thereby depolarizing the U.S.-EU biotechnology debate.

Regarding the trade title of the next farm bill, the market-oriented approach adopted in the 1996 farm bill places increased importance on an aggressive trade policy to further develop export markets. Farm Bureau supported provisions for the trade title of the next farm bill include:

Approval for additional funding (up to the WTO allowed limits) for all export programs. We have participated with other agricultural groups to try to ascertain the necessary amounts for each of the export-related programs and are still working on those figures.

Farm Bureau supports a greater percentage of increase in funding for expansion of agricultural exports than any other recommendation in our farm program testimony—$400 million in additional funding annually. With over one-third of our production moving into the export market, expanding those markets rather than allowing them to continue to shrink is key to the recovery of the current farm economy crisis. Opening markets and leveling the playing field is more important than ever. We cannot afford to remain on the sidelines while other countries use similar export programs to capture our markets.

The GSM program is an export credit guarantee for commercial financing of U.S. agricultural exports. The programs encourage exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without such credit guarantees.

Title I of the PL 480 program is used to provide overseas food aid, also known as Food for Peace, which includes concessional sales. Food aid is vitally important to many developing countries around the world. The ability to provide this assistance should not be altered in the ongoing negotiations on agriculture in the WTO. Farm Bureau supports a 10 percent increase in food aid programs.

The Market Access Program (MAP) uses funds to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products by forming a partnership between non-profit U.S. associations, cooperatives, small businesses, and the USDA to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows, and trade servicing.

MAP, after being adjusted for inflation and exchange rate movements has declined $45 million since 1986. Using the same assumptions, the MAP program would need to be funded at a minimum of $155 million rather than the current $90 million. In order to arm U.S. agriculture with the same amount of market development funding it had in 1986, the Foreign Market Development (FMD) program would need to be authorized at a minimum of $43 million rather than the current level of $33.5 million.

We are very interested in USDA numbers for the FMD program which examine the global inflation and exchange rate changes that have reduced the "real" or "effective" levels of market development funding since 1986 (the year following the 1985 farm bill which was really the first push for expanded export programs). The numbers show that "real" FMD allocations, after being adjusted for inflation and exchange rate movements have gone down by almost $12 million since 1986.

In short, the FMD program authorization and appropriation should be increased to $43 million and the MAP program to $155 million.

The DEIP helps exporters of U.S. dairy products meet prevailing world prices for targeted dairy products and destinations. The major objective of the program is to develop export markets for dairy products where U.S. products are not competitive because of the presence of subsidized products from other countries.

The Export Enhancement Program (EEP) helps products produced by U.S. farmers meet competition from subsidizing countries, especially those of the European Union. The major objective of the program is to challenge unfair trade practices. The EEP authorization level has been at least $478 million over the past four fiscal years; however, the past administration never utilized any more than $5 million in any of those fiscal years.

The EEP and DEIP programs should be reauthorized at the maximum levels consistent with export subsidy reduction commitments made in the WTO agreement.

The total cost to increase food aid and export promotion programs by 10 percent per year and to raise EEP and DEIP to their maximum allowable WTO limits is about $120 million per year.

U.S. farmers and ranchers are the most efficient producers in the world. They produce a high quality product that can out-compete the competition if they are allowed to meet it head on without being disadvantaged by excessive export subsidies and insurmountable barriers to trade.

Congress should support our producers in every way possible to ensure that access to foreign markets is unrestricted and the terms of trade are fair. Increasing spending on MAP, FMD, EEP, DEIP and food aid, and securing trade promotion authority and full sanctions reform represents the best means in the short term for enabling U.S. producers to increase their export potential.

Mr. Chairman, the United States is facing an important juncture for agricultural trade. Bilateral and multilateral negotiations are underway to design the future that will govern the global movement of our commodities and international conventions are writing new rules and standards for tomorrow.

The United States must assume a strong leadership role to ensure that these new rules and standards create a favorable trading environment for our producers. We are already the world's leader in production efficiency and product quality. We now need our government to take the necessary steps to make us a leader at the negotiating table and to once and for all open new markets for U.S. agriculture.

Thank you for this opportunity to share Farm Bureau's views on trade issues affecting agriculture and the trade title of the farm bill.

Chairman CRANE. Thank you, Mr. Christopherson. Mr. Portnoy.

STATEMENT OF SCOTT PORTNOY, CORPORATE VICE PRESIDENT, CARGILL, INCORPORATED, MINNEAPOLIS, MINNESOTA

Mr. PORTNOY. Mr. Chairman and Congressman Ramstad, thank you for the opportunity to present this testimony. I am Scott Portnoy, a corporate vice president at Cargill, Incorporated.

Cargill is a 136-year-old firm based here in Minnesota's Third Congressional District. The company is an international marketer, processor, and distributor of agricultural food, financial and industrial products and services, with 85,000 employees in 60-different countries.

I have had the opportunity to live in Latin America and oversee Cargill's businesses in several of those nations. I have seen firsthand how international trade links farmers with consumers around the world. Trade moves commodities from regions of surplus to regions of deficit, enlarging markets for efficient farmers and expanding choices for consumers.

I have a prepared statement that I'll submit for the record, but let me summarize that statement by making a few simple points.

U.S. agriculture's future depends on getting better access to those foreign consumers who have rising incomes to spend on upgrading diets. Getting that access requires three steps.

The first is to open up foreign markets by removing barriers to imports. That is primarily a governmental task. We call it building a global open food system.

The U.S. Government needs to do the following as its part in this effort: Grant the President fast track or trade promotion authority, help launch a new multilateral trade round that is sufficiently broad to provide room to negotiate down agricultural trade barriers and that sufficiently focus to accomplish that task in years rather than decades, establish that the United States can be counted upon as a reliable supplier of basic foodstuffs by making clear that it will not impose food sanctions for economic or foreign policy reasons, and bring existing agricultural trade disputes and future agricultural negotiations to successful market-opening conclusions.

We know it won't be easy. Agricultural tariffs are on average of 15 times higher than nonagricultural tariffs. But it is important. It is the single most important economic action for raising global living standards and for creating markets for American farmers.

The other two steps that are critical to a dynamic, profitable U.S. agriculture primarily depend on the private sector. We need to get to know the needs of foreign customers better. Then we need to serve those needs better than other suppliers. Both of these steps have become more important with collapse of Communist economic systems, the growing privatization of national economies, and the spread of democratic institutions.

As we enter the 21st century, we have a unique opportunity to show that private markets and democratic institutions can serve the needs and aspirations of all people. America's free enterprise system and open political institutions give us the advantage of serving these goals, but it is not an insurmountable advantage. As a country and as an economic system, we need to provide the leadership called for or else others will seize it from us.

Thank you, and I will be happy to answer questions.

[The prepared statement of Mr. Portnoy follows:]

Statement of Scott Portnoy, Corporate Vice President, Cargill, Incorporated, Minneapolis, Minnesota

Mr. Chairman and members of the subcommittee, thank you for the opportunity to present this statement.

I am Scott Portnoy, a corporate vice president of Cargill, Incorporated. Cargill is a 136-year-old firm based here in Minnesota's Third Congressional District. The company is an international marketer, processor and distributor of agricultural, food, financial and industrial products and services with 85,000 employees in 60 countries. I have had the opportunity to live in Latin America and to oversee Cargill's businesses in several of those nations. I have seen firsthand how international trade links farmers with consumers around the world. Trade moves commodities from regions of surplus to regions of deficit, enlarging markets for efficient farmers and expanding choices for consumers.

My statement addresses three topics:

1. the potential markets liberalized trade would provide U.S. farmers;
2. the benefits that would flow from a global "open food system;" and
3. what the United States must do to move forward down these paths.

Potential of trade liberalization

Let me begin with the potential of agricultural trade liberalization.

U.S. agricultural production capacity far outstrips the ability of the American people to consume food. The United States either must export its surpluses or substantially downsize its agricultural economy. Fortunately, U.S. agriculture—from producers through processors and exporters—have demonstrated the desire and ability to compete in serving the 5.7 billion people who live outside our borders.

This is not always an easy task. Import tariffs on agricultural products average about 60 percent worldwide, more than 10 times higher than non-agricultural tariffs. In addition, some food imports are restricted by tariff-rate quotas (TRQs), sanitary or phytosanitary (SPS) restrictions and other non-tariff barriers. Some countries provide export subsidies to dump surpluses that otherwise couldn't compete with output from more efficient producers. And many countries—including the United States—have domestic support programs that distort production levels and trade flows.

The Organization for Economic Cooperation and Development (OECD) calculates that agricultural protection in developed countries imposed costs of some $327 billion on the global economy in the year 2000. That's equivalent to 1.3 percent of worldwide GDP. The U.S. Department of Agriculture has estimated that two-thirds to three-fourths of the benefits from complete trade liberalization in the APEC (Asia-Pacific Economic Cooperation) countries would come from reform of agricultural policies. Another study suggested that China's economy would grow one percent per year faster through the savings generated by agricultural reform. It's clear that the global economy as a whole, and not just exporters, would benefit greatly from further agricultural trade liberalization.

The 1994 Uruguay Round Agreement on Agriculture made a good start. It was a milestone achievement in that it established for the first time meaningful rules governing agricultural trade among nations. WTO members committed to reduce the use of agricultural export subsidies, to convert all non-tariff barriers into tariffs and reduce them modestly, to limit trade-distorting domestic support measures and to apply sound science to import regulations relating to the health and safety of imported products.

While the Uruguay Round accomplished a great deal, it also left much to be done. Recognizing that, further agricultural negotiations were "built in" to the WTO agenda. The WTO agricultural negotiations now underway present an important opportunity to broaden and deepen the Uruguay Round's reforms.

Behind all the barriers that distort and impede food trade, there is a large and growing market to be served. A growing population and rising incomes are pushing up food demand. The world's population is expected to reach about 7 billion by 2010, up about 16 percent. Over that same period, world GDP (gross domestic product) is anticipated to rise nearly $10 trillion—about 33 percent. Much of that income growth will occur in populous regions, like Asia, with limited land and water resources. It is a situation that calls for more reliance on trade to meet rising food demand.

There are today roughly 3.5 billion people who are striving to become a global middle class. Their incomes have been rising and should continue to do so in the years ahead.

One of the first things low-income people do with a little extra money is upgrade their diets with more proteins, dairy products, vegetable oils, fruits and vegetables. As just one example, Taiwan's rapid economic development between roughly 1960 and 1990 caused per-capita meat consumption to quadruple, fruit consumption jumped fivefold and fish consumption doubled.

Rising incomes and higher living standards also will place pressure on the global agricultural system to increase output in an efficient and environmentally sustainable way. This is where trade liberalization becomes important. In several regions, agricultural resources already are under severe stress. About a third of the world's forests have been cut since 1950 and not been replaced. Much of this deforestation has occurred to bring new land into production after existing agricultural land was lost to salinization, desertification, urban sprawl or other reasons.

Water also is becoming increasingly precious. Currently, some 30 countries are considered "water-stressed"—and two-thirds of them are classified as "water scarce." The water table is dropping about one and a half meters per year in the North China Plain, which produces roughly 40 percent of China's food on irrigated land. In India, groundwater is being used up faster than it can be replenished.

In some circles it's fashionable to romanticize about the life of the subsistence farmer. But there is nothing romantic about keeping people poor and undernourished, nor about the slash and burn agriculture that is claiming so many forests and other wilderness lands.

Solving the problems of global poverty and resource depletion will be a considerable challenge in the years ahead. Although not a complete answer, trade liberalization and reform of domestic agricultural policies would go a long way toward addressing those issues. That, in fact, is the vision that informs the idea of creating a global open food system.

Open Food System

A global open food system would be one where the regions that grow food best are linked through trade with the regions that need food most. The overriding objective is to ensure a secure food supply at an affordable price, improving lives while promoting sustainable development. That is not the food system we have today.

To get there, we need to do for agricultural trade in the WTO what's already been done for industrial trade under its predecessor, the General Agreement on Tariffs and Trade (GATT). Through a series of eight GATT trade negotiating rounds, industrial tariffs have been brought down from roughly 40 percent after World War II to about 4 percent on average today. That has allowed trade to grow from 10 percent to 20 percent of all usage of industrial products.

In addition, the specialization encouraged by global trade—producing what one country does best and shopping for what others do best—has enabled industrialized economies to enjoy the most dramatic period of sustained growth in human history.

An open food system would harness the same process to perform the twin tasks of accelerating economic development and feeding people sustainably. By bringing agricultural tariffs down from today's average of 60 percent to the levels enjoyed by industrial trade, the share of global food consumption met by trade could double to perhaps 20 percent.

Even then, the overwhelming majority of a country's food needs would still be met through domestic channels. But those food needs would be delivered more reliably, more efficiently and in a more sustainable manner. It's the difference between costly self-sufficiency and meaningful food security.

Self sufficiency means countries try to produce all their own food themselves, no matter what the cost to their economies or environments. Food security means that they grow what they can efficiently and import the rest, paying for those imports with earnings from activities in which they have labor or natural resource advantages.

As an example, Taiwan's food self-sufficiency level halved from 30 percent to 15 percent over the last 20 years. But its per capita GDP more than doubled during that time—from about US$5,000 to more than US$13,000.

South Korea also cut its self-sufficiency nearly in half—from about 50 to 25 percent—since 1981. Its per capita GDP nearly tripled—from about US$3,000 to US$9,000.

Both still have significant pockets of agricultural protectionism—as does Japan, where the same trend also holds true. But increased reliance on trade to feed their populations has gone hand in hand with rising living standards and sustained economic growth.

What would the world look like under a global open food system?

First, hundreds of millions of people would be better off. And I am not talking about marginally better off. Living standards would be measurably higher.

- The second World Food Summit showed that sounder agricultural and rural development policies would halve the number of hungry, and perhaps do much better.
- Farmers in virtually every country would have larger opportunities to produce for markets at home and abroad.

Very simply, an open food system based on trust, cooperation and interdependency is the single most important trade step nations can take to reduce hunger and stimulate sustainable economic development.

Second, the global environment would be more sustainable:

- Land intensive crops would be grown on the already cropped acres best suited to them, using advances in no-till cultivation techniques, precision agriculture and biotechnology to produce more with less erosion and chemical runoff.
- Labor intensive commodities would be produced in more populous regions, stemming the out-migration from rural areas to already overcrowded urban centers.
- The increasing pressures of population on water resources and fragile ecosystems would be mitigated through specialization and efficient transfer of environmentally sensitive technologies.

This concept of eco-efficiency—more output in a more sustainable way—could become a reality under a global open food system because it would harness trade and technology to the attainment of these twin goals.

Third, food security would be enhanced because trade can provide food security at a fraction of the cost of self-sufficiency.

- Local crops fluctuate eight to 10 times more than annual global output, so a trade-based food strategy makes people less vulnerable to a crop disaster at home.
- Annual food stock carrying costs are two to three times greater than interregional food transportation costs, so a trade-based food strategy also is more affordable.
- Trade also provides more choice for consumers and more reliable supplies at a lower cost, offering a more diverse, nutritious diet.

An open food system requires bringing down border barriers and curbing market-distorting domestic subsidies. It also requires an end to export subsidies and other forms of unfair competition. And it requires a commitment to end sanctions on food.

The United States could bring an open food system dramatically closer to reality by being the first to forswear food embargoes. This would create the foundation of trust needed to embrace a trade-based strategy for ensuring food security and environmental sustainability.

The logic for such a step is compelling. Trade creates prosperity. Prosperity promotes peace. Of course, these are dividends from open trade generally, making both individual families and countries more secure. But no area of commerce will do more to advance these goals than agricultural trade. That's why I hope we can all work together to take down the protectionist walls that impede sustainability, prosperity and security.

Moving forward

Let me conclude my presentation by highlighting other steps the United States should take to move agricultural trade liberalization forward.

Trade promotion authority ("fast track"). Our trading partners need to know that Congress will be prepared to vote either to accept or reject any trade package the Administration negotiates. Call it "trade promotion authority," "fast track" or whatever other term you want to use—progress toward agricultural trade liberalization will basically be on hold until this issue is resolved. The world is suffering from lack of U.S. leadership on behalf of trade liberalization. Until the Administration once again has negotiating authority, other nations will drive the global trade agenda and the United States will remain on the sidelines.

Launch a new multilateral trade round. The WTO agricultural negotiations that were mandated by the Uruguay Round began last year. Although some useful preliminary work has been done, there is little hope for substantive talks until a broader trade round is begun that puts issues of interest to other countries on the negotiating table. The United States should make every effort to launch a new round of multilateral negotiations at the November 2001 WTO ministerial meeting in Qatar.

Resolve trade disputes. The new Administration has made a good start at resolving agricultural trade disputes. This is helping to establish an atmosphere of improved cooperation between nations that should strengthen the prospects for further trade liberalization. The United States should continue seeking thoughtful approaches that lead to settlement of the remaining disputes.

Free-Trade Area of the Americas (FTAA). Frankly, the FTAA negotiations are not the highest priority for U.S. agriculture. Regional free trade areas do not attack the most significant or embedded distortions of agricultural trade, and they should not be allowed to drain negotiating energy from the primary task of opening up the global food system.

Conclusion

I'd like to conclude with some succinct thoughts on the value of trade written by someone far more eloquent than I am. A gentleman named Libanius in the fourth century B.C. wrote as follows:

"God did not bestow all products upon all parts of the earth, but distributed His gifts over different regions, to the end that men might cultivate a social relationship because one would . . . need the help of another. And so He called commerce into being, that all men might be able to have common enjoyment of the fruits of the earth, no matter where produced."

Libanius said clearly in a paragraph what I've taken pages to say: trade builds prosperity and closer human relations. Mr. Chairman, that concludes my statement.

Chairman CRANE. Thank you, Mr. Portnoy.

Let me first comment that I appreciate all of your testimony today, and President Bush has now portrayed on the top of his radar screen, and he attempted at the Summit of Americas in Quebec last month and released last week his recent trade agenda.

In his and our campaign to educate the public on the benefits of trade, there's a vital role for industry leaders such as yourselves because we've got an education problem on our hands, and it's getting the message out of the direct benefits to American businesses, and that translates into jobs, and that is a message that is not being told as well as it can be.

This question I would like to put to all of you, and we'll start with Mr. Collins. How long ago did you decide to venture into foreign markets and what has been the impact upon the size and the operations of your organization today and what percentage of jobs would you attribute to your overseas sales?

Mr. COLLINS. Medtronic actually started a little over 50 years ago, and our first forays into international markets really were in the last 35 years. Today approximately one-third of the revenues that are generated in each year for Medtronic come from sales outside the United States.

We currently employ approximately 25,000 employees worldwide. About 6,400 of those are outside the United States. But I would hasten to add that many of those U.S. jobs are dependent on our ability to sell products outside the United States.

Chairman CRANE. Thank you. Mr. Kohrs.

Mr. KOHRS. Yes. Similar to what Art had to say, is that the international business for American Medical Systems represents approximately 20 percent of everything that we sell. The company has been in business for approximately 28 years. We have been in international markets for that whole time period. We want to see that 20 percent grow to an even higher number.

The number of people employed in Minnesota that contribute to that 20 percent is probably about 150 people that are involved in the manufacturing, involved with the devices that we send overseas.

Chairman CRANE. Thank you. Mr. Christopherson.

Mr. CHRISTOPHERSON. Well, certainly trade has been around a long time in terms of agricultural commodities. For us in this part of the world, in this part of the United States, trade is extremely important by virtue of the fact that we are so far from many of the other parts of the U.S. in terms of transportation, so on a relative basis we have a greater advantage for world trade than we do sometimes for trade even within our own country.

Having said that, I think in terms of what it has meant to this area, obviously we've heard the figure that a third of what we produce has to find a home someplace other than our own soil.

To put it in context possibly, for those of you who have any kind of experience with agriculture or listen to markets, et cetera especially in July or August, if on a crop report the report comes out that there's going to be a 10-percent reduction in yields or even in acres at some point in time earlier, that can add a dollar to the price of a bushel of soybeans.

And so there's all kinds of ways to look at this, but it has a very dramatic effect on agriculture, the whole area of trade and what it means for our industry.

Chairman CRANE. Mr. Portnoy.

Mr. PORTNOY. Cargill has been around for 136 years, and I believe we began trading in foreign markets in the late twenties and early thirties. Today approximately 40 percent of our business is overseas, with 60 percent still being within the borders of the United States.

However, as Mr. Collins pointed out, for us many of the opportunities that are created in foreign markets come from our activities here in the United States. So we are very, very interested in seeing the promotion of an open food system because of the fact that we believe that markets internationally will respond to demand that comes from opening up markets and not from supply restrictions.

Chairman CRANE. Something that came to mind, Mr. Kohrs, have you seen today's USA Today business section? It deals with trade with Japan and Japan's economy and the internal elections that have people guardedly optimistic about improvements.

Let me raise a question here with our first two panelists. You've referenced how U.S. trade policy has benefited the medical technology industry and allowed it to be able to operate around the world.

Knowing the problems that you've raised with respect to Japan, how can U.S. trade policies or initiatives serve to reduce the problems and improve nations' access to your innovations overseas?

Mr. COLLINS. Let me give you three specific examples. First of all, I think it's very important that we continue not only to establish these trade agreements but also to monitor them.

First, there is a 2-plus year delay in access to current therapies that exists, and we believe that we should have a process that establishes guidelines, time frames, as well as appropriate follow-up. The time is even longer for new technologies.

We would also recommend that we have strict adherence to government industry consultations as established in the 1986 MOSS trade agreements, and we would propose that any major changes in either reimbursement or the regulatory process have open and frank discussion with the industry.

Chairman CRANE. Mr. Kohrs.

Mr. KOHRS. Yes. Specifically with respect to Japan, one of the things you have to understand about their regulatory process is that they are basically a system in place mimicking the same regulatory process that is in place with the United States with the Food and Drug Administration.

The reason there is this 2-year lag that he's talked about is that companies like Medtronic and ours go through all the trouble of complying with the Food and Drug Administration, go to Japan, and then have to comply with all the same parameters all over again.

There's an excellent opportunity for the Japanese government to save money by recognizing what's done with the Food and Drug Administration in the United States, and that would streamline the whole process, and with regard to the article that you referred to this morning, it would save them a lot of money.

Chairman CRANE. Mr. Ramstad.

Mr. RAMSTAD. Thank you, Mr. Chairman. And thank you, gentlemen, all four of you, for being here today. I know each of you well and appreciate the collaboration you've provided through the years on the support of trade issues.

I want to congratulate you, Art. Since we last saw each other, your ascension has been complete to the positions of president and CEO of Medtronic. I've been to Medtronic; and, Doug, recently the second visit to AMS. I appreciate that.

Certainly, as you know, Scott, I've been to Cargill many times. It's located in my backyard.

I guess the only place that I haven't been represented by these gentlemen here today, Mr. Chairman, is your farm, Al. I'm waiting for an invitation. You certainly have been very helpful, all four of you, and I appreciate your testimony here today.

I think it's a fair statement to say that all Minnesotans and millions of people worldwide know the Medtronic story, 25,000 employees worldwide, 6,000 here in Minnesota, certainly a leader in your field worldwide.

Let me ask you the first question, Art, that I have. When you say that—and I certainly know, obviously, that Medtronic supports trade promotion authority and realizes as well as anybody in the world the significance. You stated in your testimony to create promotion authority is essential to ensuring further work on regional and global trade negotiations.

You heard the testimony and you know that of the 130 bilateral free trade agreements in force today the United States is only a party to 2. Can you just in any way quantify or explain how that fact, the fact that we're only party to 2 of 130 bilateral free trade agreements, how that impacts Medtronic?

Mr. COLLINS. Well, I think it puts the industry and Medtronic at a disadvantage. Even though we have a $9 billion positive trade balance, compared to a number of industries, we don't necessarily get on their radar screen.

The WTO is not particularly effective in our case, and to allow the President to have the ability to negotiate these trade agreements we would see would put us on a much more equal footing with many of our competitors that are in other countries, particularly in Europe and Japan.

Mr. RAMSTAD. Thank you also, Art, for your kind words and your testimony.

I want to ask you, Doug Kohrs, representing AMS, and certainly AMS is recognized as a leader for medical devices that treat urological disorders. In fact, I said to my staff as I left AMS the last time just recently that I hope I never need your devices, but like other males throughout the world, I probably will.

Your story is a real success story. You now have 500 employees and started with a couple people. Could you just briefly, just briefly talk about, just for my benefit, the impact of trade on AMS and your rapid growth?

Mr. KOHRS. Thank you. To again expand a little bit upon what Art said, we have been able to grow our international business to the 20-percent level, as I mentioned earlier. We have the products and unique products to where that can be as much as 40 percent of the company's overall business.

What's keeping us from doing that is that the trade barriers that are in effect are in essence making it difficult for us to reach that goal and keep jobs in Minnesota. To really reach that goal and play around the edges of the rules in places like Argentina, in places like China, et cetera, you almost have to move to offshore manufacturing, and that's not something that we're going to do.

By lowering those trade restrictions, we can keep the jobs in Minnesota, grow business here, and I think really bring a lot of great surgical solutions to people around the world.

Mr. RAMSTAD. Let me ask finally, either you, Scott, can answer this, or Al. I note from your testimony, Scott, you state that frankly the Free Trade Area of the Americas negotiations are not the highest priority for U.S. agriculture.

Could you just expand briefly, either one of you? Why don't you, Scott, since those are your words, and then, Al, you can add to it.

Mr. PORTNOY. I think that if you look at interregional trade and agricultural products between the United States and South America and to some degree Central America, you will find that in the scheme of things trade promotion authority is more important than the FTAA, and that's simply because of the nature of the trade that takes place between the entities, the United States and many of the South American nations.

So presumably there will be requests from Brazil and Argentina to open up U.S. markets that might to a large degree have an offsetting benefit for U.S. production in agriculture in areas that are hard to resolve. So from the perspective of ourselves, we think that if you break down the barriers around subsidies and you work at overall trade equalization outside of the Americas, you probably will do more to create that demand that I mentioned in my remarks than you might within the hemisphere itself from an agricultural standpoint.

Mr. RAMSTAD. Did you want to comment, Al?

Mr. CHRISTOPHERSON. Yes, two things. First of all, recognizing that in the Free Trade of Americas geographic area there will be quite a potential for increase in the standard of living for a number of people, that's the plus, and I think trade is going to help address that.

The other part of that, getting to what was just said here a moment ago, certainly if we have areas in which agriculture is hesitant on trade, it's the border areas, and we see it as it relates to part of Minnesota and Canada, because we have some feelings there that we recognize, and those are hard to overcome. You see the same thing in Florida and to some extent Arizona and California as it relates to citrus products and those types of things.

Those are tough issues, we recognize that, and as I said in my testimony, there are going to be winners and losers. Overall, trade is positive, but recognizing that there will be winners and losers, and if you happen to be one of those who falls through that crack, it can be a very painful experience.

Mr. RAMSTAD. Mr. Chairman, before I yield back, let me just make one more statement. Art, this is directed at you. In addition to congratulating you on your new position, I must congratulate you on your newest hire. It's certainly my loss and your gain, and we're happy for Dave Fisher, who's joining Medtronic.

Dave has done a great job, more than anybody on my staff, my trade council on Ways and Means, in setting up this hearing today, and he's going to do a great job for you as well. Thank you all for your testimony.

Mr. COLLINS. You keep sending them our way.

Mr. RAMSTAD. We'll keep training them. Thank you very much. I yield back, Mr. Chairman.

Chairman CRANE. Thank you all. We appreciate your participation and look forward to working with you.

Now I would like to invite our final panel, Gary Joachim, soybean farmer and with the American Soybean Association; Neal Fisher, wheat and cattle farmer and administrator of the North Dakota Wheat Commission; Bruce Hamnes, wheat farmer, on behalf of the Wheat Export Trade Education Committee, U.S. Wheat Associates; and Gerald Tumbleson, farmer and director of Minnesota Corn Growers Association.

If you gentlemen would please take your seats and proceed in the order that I introduced you and try to keep your oral testimony to 5 minutes or less, and your written testimony will be made a part of the permanent record.

And with that, Mr. Joachim, you may proceed.

STATEMENT OF GARY JOACHIM, SOYBEAN, CORN, AND HOG FARMER, CLAREMONT, MINNESOTA; BOARD MEMBER, MINNESOTA SOYBEAN GROWERS ASSOCIATION; AND MEMBER, TRADE POLICY AND INTERNATIONAL AFFAIRS COMMITTEE, AND CHAIR, LATIN AMERICA SUBCOMMITTEE, AMERICAN SOYBEAN ASSOCIATION

Mr. JOACHIM. Thank you, Mr. Chairman, and thank you, Representative Ramstad, for holding this hearing here in Minnesota. I'm Gary Joachim, and I am a soybean and hog farmer from Claremont, Minnesota. Claremont is about 75 miles south of St. Paul, Minnesota, and in the Minnesota First District.

I've been on the board of the Minnesota Soybean Growers Association since 1990 and on the board of the American Soybean Association since 1999. Currently I am a member of the ASA Trade Policy and International Affairs Committee, and I am chairing currently the Latin America Subcommittee.

Once again, thank you for this opportunity to testify on the importance of trade to soybean farmers and soybean-related businesses in the United States and Minnesota.

Just a little background. In the year 2000 the U.S. grew 2.77 billion bushels of soybeans. In the Supply Demand Report that came out last week on May 10th, it estimates that for the 2000–2001 marketing year, when all is said and done, the U.S. will export 990 million bushels of whole soybeans, 1.4 billion pounds of soybean oil, 6.9 million short tons of soybean meal. In whole soybean equivalents, that amounts to 1.243 billion bushels of soybeans, and that's 45 percent of the crop we grew last year.

If you consider that the U.S. is also a net exporter of meat and other products that consume soybeans, it's no exaggeration to say, as we've heard in this room before, that every other row of soybeans is grown for export.

Just looking a little bit at the world situation on the production side, since 1990 U.S. production is up 800 million bushels, 43 percent. Brazil, which we hear so much about, is up 500 million bushels or 65 percent, and Argentina has the biggest percentage increase of 100 percent or 425 million bushels. Overall in the last 10 years, world soybean production has increased 2.2 billion bushels.

Economic growth and trade liberalization have been the keys to increasing demand for soybeans fast enough to use up this increase in world production. For instance, the North American Free Trade Agreement has allowed U.S. farmers access to the growing Mexican demand for soybean protein, and Mexico is now the equal of Japan as a market for U.S. soybeans.

The other thing we've done to grow the market has been promotion efforts paid for by U.S. soybean producers through their national check off and in cooperation with the United States Department of Agriculture's foreign market development and market access programs.

These programs have been instrumental in seeing China go from basically zero in 1990 to become our largest buyer of soybeans in this marketing year, with purchases to date of over 215 million bushels of soybeans.

The Foreign Market Development (FMD) and the Market Access Program (MAP) programs seek to build on U.S. advantages in quality, service, and technical support, to build new markets and to maintain existing markets. The American Soybean Association believes that FMD and MAP should be funded at a level fully sufficient to maintain their effectiveness.

In this time of low market prices, increases in soybean price due to increased exports save the United States Department of Agriculture and the U.S. government exactly the same amount in reduced farm program costs with load deficiency payments.

We all know that the world of trade and trade agreements is not static. The U.S. is in danger of being shut out of markets as other countries form bilateral and regional trade agreements. For instance, Columbia and Venezuela are a part of the MERCOSUR trade group. They can import soybeans from Bolivia, a fellow member of the pact, duty-free.

The situation for importation of U.S. origination soybeans is complex, but basically it's a combination of tariffs and value-added tax imposed on U.S. soybeans that amount to an effective tariff of over 50 percent, and that has shut the U.S. out of all soybean shipments to those two countries.

It is vital that the President of the United States be granted trade promotion authority in order to effectively and expeditiously secure the benefits of open markets for the United States.

President Bush recently made a big push for the Free Trade Area of the Americas, and we support that, but we think that the U.S. is suffering from a little bit of bipolar trade disorder when on the one hand we're promoting the Free Trade Area of the Americas and on the other hand we have what amounts to an embargo in place yet in Cuba.

Technically, we can sell food there, but as a matter of fact, the rules are such that we basically are still shut out of the market, which not only means the loss of the Cuban market which would naturally be ours, but this illogical flow from other countries to Cuba which we should service probably 90 percent or more means that other countries in the Caribbean basin, while the ship is underway to Cuba, they can drop off part of a load someplace else. So we think that sanctions reform is another area that really can be used to promote exports of United States soybeans and all other commodities.

Back to my prepared testimony. The American Soybean Association supports the safe and responsible use of biotechnology. The only widely planted biotech soybean has been shown to be the equivalent of soybeans produced from traditional breeding techniques. It has official acceptance by all of our major trading partners.

However, we are opposed and believe that the United States should oppose using the precautionary principle or labeling rules in the Codex Alimentarius as a means of discriminating against soybeans and soybean products that come from the U.S. On the other hand, if the customer is willing to pay for the extra costs for identity preserved shipments, the United States farmer is able to produce for this or any other specialty market segment.

Mr. Chairman, I would like to stress the importance of the completion of Chinese accession to the WTO in a timely manner. Also, I'd like to stress the importance of and the need for the start of meaningful negotiations on the next round of trade liberalization when the WTO meets this November.

Finally, I'd like to comment on the effect that the strong U.S. dollar has had on our ability to compete with our competition. In terms of Brazilian currency, the producer of Brazil is getting more for his soybeans than he was three years ago when the price in U.S. dollars was higher.

This is perhaps a simplistic way of viewing the situation, but in the short-term the effect of the strong U.S. dollar on ag exports has been real. The strength of the dollar is also working at cross-purposes with the market-oriented philosophy of the Freedom to Farm Act.

Thank you, and I'll answer any questions when the time comes.

[The prepared statement of Mr. Joachim follows:]

Statement of Gary Joachim, Soybean, Corn, and Hog Farmer, Claremont, Minnesota; Board Member, Minnesota Soybean Growers Association; and Member, Trade Policy and International Affairs Committee, and Chair, Latin America Subcommittee, American Soybean Association

Mr. Chairman I am Gary Joachim a soybean, corn, and hog farmer from Claremont Minnesota. Claremont is 70 miles South of St. Paul Minnesota.

I have been on the board of the Minnesota Soybean Growers Association since 1990 and on the board of the American Soybean Association since 1999. Currently I am a member of the ASA Trade Policy and International Affairs Committee and I chair the Latin America Subcommittee.

Thank you for this opportunity to testify on the importance of trade to the soybean farmer and soybean related businesses in the United States.

In 2000 the United States grew 2.77 billion bushels of soybeans. The May 10, 2001 Supply-Demand Report estimates that the U.S. will export 990 million bushels of whole soybeans, 1.4 billion pounds of soybean oil, and 6.9 million short tons of soybean meal. In whole soybean equivalents this is 1.243 billion bushels of exports in the 2000–2001 marketing year. This amounts to 45% of U.S. production in the 2000 crop year. If you consider that the U.S. is a net exporter of meat it is not an exaggeration to say that every other row of soybeans grown in the United States is destined for export.

World production and demand of soybeans has grown dramatically since 1990.

- U.S. production up over 800 million bushels—43%
- Brazil production up over 500 million bushels—65%
- Argentina up over 425 million bushels—100%
- Total world production up by 2.2 billion bushels since 1990

Economic growth and trade liberalization have been the keys to increasing demand for soybeans fast enough to use up this increase in world production. For instance the North American Free Trade Agreement has allowed U.S. farmers open access to the growing Mexican demand for protein and Mexico has become the equal of Japan as a market for U.S. soybeans.

Market promotion efforts paid for by U.S. soybean producers through their National Soybean Check-Off and in cooperation with the USDA Foreign Market Development Program and Market Access Program have been instrumental in seeing China go from zero in 1990 to become our largest buyer of soybeans in this marketing year with purchases to date of over 215 million bushels in the 2000–2001 marketing year. These programs seek to build on U.S. advantages in quality, service, and technical support to build new markets and to maintain existing markets. The American Soybean Association urges that FMD and MAP be funded at a level sufficient to maintain their full effectiveness. In this time of low market prices increases in soybean price due to increased exports save the USDA that same amount in reduced Load Deficiency Payments.

The world of trade and trade agreements is not static and the United States is in danger of being shut out of markets as other countries form bilateral and regional trade agreements. For instance Columbia and Venezuela are a part of the Mercusor trade group. They can import soybeans from Bolivia a fellow member of the pact duty free. The situation for importation of U.S. origination soybeans is complex. The combination of tariffs and value added tax imposed on U.S. soybeans in that market is over 50% which has shut the U.S. out of the bulk soybean market in these two countries. It is vital that the President of the United States be granted Trade Promotion Authority in order to effectively and expeditiously secure the benefits of open markets for the United States.

The American Soybean Association supports the safe and responsible use of biotechnology. The only widely planted biotech soybean has been shown to be the equivalent of soybeans produced from traditional breeding techniques. It has official acceptance by all of our major trading partners. We are opposed and believe that the United States should oppose using the Precautionary Principle or labeling rules in the Codex Alimentarius as a means of discriminating against soybeans and soybean products that come from the U.S. If the customer is willing to pay for the extra costs for Identity Preserved shipments the United States farmer is able to produce for this or any market segment.

Mr. Chairman I would stress the importance of the completion of China's accession to the World Trade Organization in a timely manner. I would also stress the importance of and the need for the start of meaningful negotiations on the next round of trade liberalization when the WTO meets in Qatar this November.

Finally I would like to comment on the effect that the strong U.S. dollar has had on our ability to compete with our competition. In terms of Brazilian currency the producer in Brazil is getting more for his soybeans than he was 3 years ago when the price in U.S. dollars was higher. This is perhaps a simplistic way of viewing the situation but in the short term the effect has been real. The strength of the dollar has worked at cross purposes with the market oriented philosophy of the Freedom to Farm Act.

Thank you and I would welcome any questions.

Chairman CRANE. Thank you. Mr. Fisher.

STATEMENT OF NEAL FISHER, WHEAT AND CATTLE FARMER, AND ADMINISTRATOR, NORTH DAKOTA WHEAT COMMISSION, BISMARK, NORTH DAKOTA

Mr. FISHER. Mr. Chairman, thank you for the opportunity to appear before you today. I'm Neal Fisher, administrator of the North Dakota Wheat Commission.

The Commission, just for reference, is a market development and promotion organization which represents 28,000 North Dakota wheat producers. We're funded by a 1-cent check off on every bushel of wheat and durham sold in North Dakota.

At her confirmation hearing earlier this year, Secretary of Agriculture Ann Veneman correctly stated that with 96 percent of the world's population living outside the country, we need to expand trade and eliminate barriers to access for our products in what is an ever-expanding global economy. We agree with the Secretary completely in this case.

U.S. wheat producers are especially export dependent. We've heard about the soybean situation and others today. Each year we export approximately 50 percent of what we produce annually. North Dakota producers are no exception, exporting 50 percent of the high quality hard red spring wheat and durum we produce each year also. U.S. wheat producers have a lot at stake therefore in expanding trade opportunities and securing those opportunities in fairly negotiated and fairly implemented trade agreements.

I'm also proud to acknowledge that the North Dakota Wheat Commission's producer board of directors has been at the forefront of the debate over every major trade issue facing U.S. agriculture since the negotiation of the Canada-U.S. Free Trade Agreement or CUSTA. Our experience dictates that farmers must remain deeply involved in the development of U.S. trade policy. Trade and trade negotiations are dynamic and essential elements of U.S. farm policy.

That said, it is imperative that we revisit and correct inequities when they occur, such as in CUSTA and NAFTA. This is important as negotiations for the Free Trade Agreement of the Americas move forward.

As many of you are probably aware, the North Dakota Wheat Commission is currently involved in a section 301 investigation into the Canadian Wheat Board. It centers primarily on their government-sponsored, monopolistic trade practices.

Many of the problems with the Canadian Wheat Board date back to the negotiations regarding CUSTA. Those negotiations did not adequately address the practices of a State-supported monopoly and its impact on U.S. producers.

North Dakota and Minnesota producers have been particularly vulnerable to these practices, not only because we live on the border, but because we produce the same classes of wheat that they do, especially unique wheats that compete in the same markets that Canada does.

As the world's largest wheat exporter, the Canadian Wheat Board's (CWB) government-mandated monopoly actions distort world grain trade and deflate world wheat prices, including those of the United States. Canada's unfair trade practices have reduced returns to U.S. producers and raised U.S. taxpayer outlays in the form of larger loan deficiency payments and emergency government assistance payments, as we have witnessed this last year.

It is obvious that the Wheat Board's actions distort trade, depress prices, and create an environment which is directly counter to what is currently being sought in the larger scope of global world trade negotiations.

To allow the Wheat Board to market wheat in the free trade zone created by the CUSTA and expanded in the NAFTA, under its current structure, is unacceptable to our producers. The world trading system also can no longer tolerate the unfair trade practices of State-trading enterprises, referred to as STEs, like the Canadian Wheat Board.

Government involvement in wheat purchasing and sales has declined rapidly worldwide. Brazil, Egypt, even Yemen and Algeria now allow some private buying. Argentina and South Africa have also dismantled their grain boards.

I find it extremely ironic that when China enters the WTO, this highly centrally planned country will have agreed to more disciplines on its STEs than Canada has ever even allowed to be discussed.

No previous case, investigation, or temporary settlement has addressed the fundamental problem of the Canadian Wheat Board; that is, the existence and operation of a full-fledged monopoly marketing board in a free trade zone. Contrary to the vigorous claims of the Wheat Board, past investigations have not vindicated the Board's activities, but rather raised a difficult question, and that is, can U.S. and Canadian wheat farmers continue to exist in an environment where one country's farmers must compete in a totally free market, while the others hide behind the veil of a government-sanctioned and financed monopoly marketing board?

The ongoing section 301 trade action specifically targets the operations of the Wheat Board in the United States but maybe more importantly in third country markets. This case and its outcome may provide our last best opportunity to negotiate a comprehensive and lasting settlement with Canada with respect to exports of Canadian wheat to the United States and third country markets. We have documented case studies of several traditional markets, such as the Philippines, Venezuela, Guatemala, and others where these violations are very glaring.

The International Trade Commission will hold a hearing, a public hearing, in connection with the investigation on June 6, 2001, at the ITC Building in Washington, D.C. ITC is assisting with the wheat investigation at the request of the Office of the U.S. Trade Representative. The ITC will submit a confidential report to the U.S. Trade Representative (USTR) by September 24, 2001.

In that effort we have recommended the following negotiating objectives: Eliminating the Wheat Board's export monopoly, eliminating the Wheat Board's supply monopoly, instituting full market access for U.S. wheat in Canada, and establish full transparency of the Wheat Board's operations.

We've also asked the Office of the U.S. Trade Representative to establish tariff rate quotas for two crop years. These tariff rate quotes are temporary measures that can be adjusted or eliminated in subsequent years as the fundamental reforms that we're discussing are implemented.

In conclusion, our producers have been unfairly disadvantaged by the continuation of monopoly marketing boards in a free trade area. The inequities contained in the CUSTA were perpetuated in the NAFTA. The Uruguay Round Agreement failed to address and discipline the unfair practices of STEs. That may be addressed in WTO this time around.

Over the last decade, the national wheat organizations have supported numerous trade and sanction agreements, including NAFTA, most-favored-nation (MFN) for China, Uruguay Round, PNTR for China, fast track, I'll refer to it as trade promotion authority, and continued negotiations for agricultural trade reform in the WTO. However, with the CWB trade dispute unresolved, it becomes increasingly difficult for our rank and file producers to envision how they can directly benefit from these expanded trade opportunities, and opportunities they really are. We respectfully request the full support of this Committee and the entire Congress in our section 301 investigation and its successful outcome.

We know that our future lies in the expansion of export market opportunities and fair competition for those opportunities. We now have an opportunity before us to make fundamental changes and improvements to the trade environment which is so critical to the success of our industry. To miss this opportunity would be a grave and critical mistake.

Thank you very much for this opportunity.

[The prepared statement of Mr. Fisher follows:]

Statement of Neal Fisher, Wheat and Cattle Farmer, and Administrator, North Dakota Wheat Commission, Bismark, North Dakota

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today. I am Neal Fisher, Administrator of the North Dakota Wheat Commission. The North Dakota Wheat Commission (NDWC) is a market development and promotion organization representing 28,000 North Dakota wheat producers and is funded by a one cent per bushel checkoff on wheat and durum sales in North Dakota. In addition to serving as Administrator of the NDWC, I operate a family wheat and cattle operation in central ND.

At her confirmation hearing before this committee, Secretary of Agriculture Ann Veneman correctly stated that "with 96 percent of the world's population living outside the United States, we need to expand trade and eliminate barriers to access for our products in what is an ever expanding global economy." We agree with the Secretary completely. U.S. wheat producers are especially export dependent. Each year we export approximately 50 percent of what we produce annually. North Dakota producers are no exception, also exporting 50 percent of the high quality hard red spring wheat produced each year and 40 percent of the state's annual durum output. As an industry, U.S. wheat producers have a lot at stake in expanding trade opportunities and securing those opportunities in fairly negotiated and fairly implemented free trade agreements.

I am proud to acknowledge that the North Dakota Wheat Commission's producer Board of Directors has been at the forefront of the debate over every major trade issue facing U.S. agriculture since the negotiation of the Canada-U.S. Free Trade Agreement or CUSTA. Our experience, awakened by the CUSTA and reinforced in the bilateral disputes with Canada since 1989, dictates that farmers must remain deeply involved in the development of U.S. trade policy. We see trade and trade negotiations as dynamic and essential elements of U.S. farm policy. We further believe that it is imperative that we revisit and correct the inequities in the CUSTA and the NAFTA as the negotiations for the Free Trade Agreement of the Americas (FTAA) move forward. Correction of these past flaws will ultimately be positive in FTAA deliberations.

Section 301 Investigation into the Canadian Wheat Board

Our problems with the Canadian Wheat Board date back to the negotiations regarding CUSTA. Unfortunately, these negotiations and the resulting agreement did not adequately address the practices of a state-supported monopoly export board and their impact on U.S. producers. We in North Dakota have been particularly vulnerable to these practices not only because we live along the border with Canada, but also because we produce unique, specialty wheats for the same export markets as does Canada.

Since the implementation of the CUSTA in 1989 and the North American Free Trade Agreement (NAFTA) in 1994, the cross border tensions over wheat trade have worsened. As the world's largest wheat exporter, the CWB's government mandated monopoly actions distort world grain trade and deflate world wheat prices. Canada's unfair trade practices have reduced returns to U.S. producers, and as a result have raised U.S. taxpayer outlays in the form of larger loan deficiency payments and emergency government assistance payments. It is obvious that the CWB's actions distort trade, depress prices and create an environment which is directly counter to what is being sought in the larger scope of global trade negotiations. To allow the CWB to market wheat in the free trade zone created by the CUSTA and expanded in the NAFTA, under its current structure, is unacceptable. As evidenced in the WTO negotiating positions tabled over the last year in Geneva, the world trading system can no longer tolerate the unfair trade practices of state-trading enterprises (STEs) like the CWB.

Prior to 1990, almost 90 percent of all international wheat purchases were made by governments. That figure is now nearer 40 percent and declining, as Brazil, Egypt, and even Yemen and Algeria allow at least some private buying. The presence of Government-sponsored export monopolies has also declined, with Argentina dismantling its grain boards and South Africa abruptly eliminating its 24 commodity boards. It is ironic that when China enters the WTO, this highly centrally-planned country will have agreed to more disciplines on its own STEs, including the introduction of private-sector imports, than Canada has ever even entertained.

Despite our best efforts, no previous case, investigation, or temporary settlement has addressed the fundamental problem of the Canadian Wheat Board. That is, the existence and operation of monopoly marketing board in a free trade zone. Contrary to the vigorous claims of the CWB, past investigations have not vindicated the Board's activities, instead they have led us inevitably to this difficult question. Can U.S. and Canadian wheat farmers continue to exist in an environment where one country's farmers must compete in a free market, while the farmers of the other country hide behind the veil of a government-sanctioned and financed monopoly marketing board?

On September 8, 2000, the NDWC filed a petition under Section 301 of the Trade Act of 1974, to seek relief for the state's wheat growers from trade distorting policies and practices of the Canadian Wheat Board and the Government of Canada. The ongoing section 301 trade action specifically targets the operations of the CWB in the United States and in third country markets. Further, the Section 301 trade action is a complement to the U.S. wheat industry's overall trade priorities for the negotiations underway in the World Trade Organization and the FTAA. This case and its outcome may provide our last best opportunity to negotiate a comprehensive and lasting settlement with Canada with respect to exports of Canadian wheat to the United States and third country markets. We have documented case studies which vividly describe the unfair trade practices of the Canadian Wheat Board, which have led to sharp reductions in U.S. market share in such key, traditional markets as the Philippines, Venezuela, Guatemala and others. A meaningful and lasting settlement in this 301 trade case can serve as a model for solution of the unfair trading practices of export state trading enterprises in the WTO.

The International Trade Commission (ITC) has formally docketed and issued official notice of the procedures it will follow in a general fact-finding investigation into conditions of competition between U.S. and Canadian wheat. The notice states that a public hearing will be held in connection with the investigation on June 6, 2001, at the ITC Building in Washington, D.C. The ITC is assisting with the wheat investigation at the request of the Office of the U.S. Trade Representative (USTR). The ITC will submit a confidential report to the USTR by Sept. 24, 2001.

We have recommended the following negotiating objectives:

(1) Eliminate the CWB's export monopoly. The Board should be compelled to export wheat on commercial terms in competition with other grain exporters.

(2) Eliminate the CWB's supply monopoly. The Board should be required to acquire its wheat in commercial competition with other exporters and processors.

(3) Institute full market access and national treatment for U.S. wheat entering Canada. Currently, Canada maintains a unique form of quality control and sanitary-phytosanitary barriers that effectively prohibit U.S. wheat from moving into Canada's domestic market. This is grossly unfair given the almost completely open access that Canadian wheats have to the U.S. market. We believe this system is designed to perpetuate the supply and export monopoly of the CWB.

(4) Establish full transparency of the CWB's operations. This transparency must include the notification of acquisition costs, disaggregated export pricing and other sales information unique to single-desk exporters. Full transparency would include the terms and conditions of long-term grain agreements, forward pricing contracts, and quality over-delivery.

(5) In the event that a transition period is required to ease the impact of the full elimination of the supply and export monopolies, the Canada-U.S. Free Trade Agreement acquisition price definition must be changed to a percentage that represents the full cost of the grain minus the percentage of the prior year's crop costs accounted for by the CWB's administrative costs. Sales below this adjusted acquisition price should lead to automatic punitive sanctions.

We have also recommended to the Bush Administration and Congress specific remedies in the event that the unreasonable, discriminatory, and burdensome practices of the CWB are not immediately resolved by this investigation. We have asked the Office of the U.S. Trade Representative to establish tariff rate quotas for two crop years. For durum wheat, we recommend no increased tariff for wheat imports up to 300,000 metric tons. Over that amount, the U.S. should levy a tariff-rate of $50.00/metric ton. For other spring wheat, we recommend no change on imports up to 500,000 metric tons. Above that amount, a tariff rate of $50.00/metric ton should be applied. These tariff rate quotas are temporary measures that can be adjusted or eliminated in subsequent years as the fundamental reforms of the CWB are implemented.

Conclusion

Our producers have been unfairly disadvantaged by the continuation of monopoly marketing boards in a free trade area. The inequities contained in the CUSTA were perpetuated in the NAFTA. Moreover, the failure of the Uruguay Round Agreement on Agriculture to adequately address and discipline the unfair pricing practices of STEs like the CWB served as an additional blow to our producers' confidence in expanding free trade agreements.

Over the last decade, the national wheat organizations have supported the NAFTA, annual MFN for China, the Uruguay Round Agreement of GATT, PNTR for China, fast-track (now-Trade Promotion Authority), and continued negotiations for agricultural trade reform in the WTO. With the CWB trade dispute unresolved, it becomes increasingly difficult for our rank and file producers to envision how they can directly benefit from these expanded trade opportunities. We respectfully request the full support of this Committee and the entire Congress in our Section 301 investigation and its successful outcome.

Our future lies in the expansion of export market opportunities and fair competition for those opportunities. Our wheat producers just want to achieve a situation that is "as good" as those that exist for other commodities or U.S. industries. A wealth of experience and disappointment has led us to this point. We now have before us an opportunity to make fundamental changes and improvements to the trade environment which is so critical to the success of our industry. To miss this opportunity would certainly be a big mistake.

I thank you for your attention to my remarks. I look forward to answering your questions at the appropriate time.

Chairman CRANE. Thank you, Mr. Fisher.

STATEMENT OF BRUCE HAMNES, WHEAT, SOYBEAN, AND CANOLA FARMER, STEPHEN, MINNESOTA; CHAIRMAN, WHEAT EXPORT TRADE EDUCATION COMMITTEE; CHAIRMAN, U.S. WHEAT ASSOCIATES; AND PAST CHAIRMAN, MINNESOTA WHEAT RESEARCH AND PROMOTION COUNCIL; ON BEHALF OF NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. HAMNES. Good afternoon, Chairman Crane. I too want to welcome you to Minnesota.

My name is Bruce Hamnes, and I produce wheat and soybeans on my 2,000-acre farm in Stephen, Minnesota, in northwest Minnesota. Thank you for allowing me the opportunity to highlight the many challenges faced by U.S. wheat producers as we compete in the world market. This hearing is an excellent opportunity for wheat producers in Minnesota and throughout the country to impress upon this Subcommittee how vital trade is to our livelihood.

My written statement contains information that time does not permit me to cover here, but I would like to highlight two points that we need to take into account.

As Neal has just told you, 96 percent of the world's consumers live beyond our borders; and, second, we export nearly half of our total production. As you can imagine, our success and failure hinges on the ability of U.S. wheat to be exported around the world.

With the challenges facing U.S. wheat producers, reform is necessary in negotiations of the World Trade Organization and the

Free Trade Area of the Americas. Trade promotion and market development are vital components of success in world wheat trade.

U.S. wheat is exported to over 130 countries around the world. In each of these markets the trend toward privatizing the milling and baking industries has dramatically increased the time and resources it takes to ensure our buyers' needs are being met. As an officer of U.S. Wheat Associates, I've had the opportunity to visit many of these overseas markets and see firsthand how important it is to have a presence in those markets.

Trade negotiations such as the multilateral efforts in the WTO and the FTAA and bilaterals with Chile and Jordan are critical means of addressing trade challenges. These negotiations have potential to build alliances, remove barriers, and allow greater access to markets and discipline unfair trade practices.

The U.S. wheat industry has been a firm supporter of trade agreements. However, there are several issues we feel need to be addressed as we proceed through the negotiating process.

First, the export State trading enterprises, such as the Canadian Wheat Board which operates as a State-mandated monopoly, must be addressed, as you have just heard from Mr. Fisher.

Second, we urge the United States to place its highest priority on complete elimination of trade export subsidies. European export subsidies represent the international trading system's single greatest market distortion.

Third, Europe continues to lavish its producers with trade distorting support, while clinging to the rationale of multifunctionality. Europe applies this term in an effort to justify exporting the cost of supporting European farmers. The U.S. should refrain from negotiating on domestic supports within the context of the FTAA. We must not unilaterally disarm within the hemisphere, leaving the EU to continue subsidizing their producers.

Fourth, the average U.S. tariff on agricultural imports is about 5 percent, while in the rest of the world it exceeds 50 percent. Until such time as significant reductions are made by others, U.S. agricultural tariffs should not be further reduced. In the WTO and the FTAA, negotiations reducing these high tariffs must be a priority.

Fifth, events over the past year have made it clear that food safety issues will continue to create challenges to international trade. Science must be the foundation for addressing these issues, not murky concepts such as the precautionary principle.

The wheat industry strongly believes that Congress should grant trade promotion authority to the President that is unencumbered by environmental or labor provisions. The importance of the environmental and labor protection is without question; however, we believe these concerns are more appropriately addressed in other forums and by other methods.

Granting this authority would send a strong signal that the U.S. is committed to maintaining its leadership role and promoting free and fair trade.

We recognize that significant work was done last year to reform U.S. sanctions policy. However, the industry supports continued efforts to ease access to formally sanctioned markets by eliminating licensing requirements, allowing access to export credit programs, and rescinding travel restrictions and the prohibition on U.S. commercial financing for Cuba trade.

Last year's historic granting of China permanent normal trade relations was a positive first step toward realizing the massive potential of this market for U.S. wheat producers. Our nation's agreement with China promises U.S. wheat producers unprecedented access to the largest market in the world. Upon China's accession to the WTO, the U.S. will have greater recourse than ever in dealing with Chinese trade problems.

Biotechnology also represents significant challenges to trade. We in the wheat industry have taken a long, hard look at what happens to our markets when wheat produced using biotechnology is commercialized. This may be as early as 2003. We believe that biotechnology holds tremendous potential for American agriculture and the wheat industry.

The needs of our customers are of utmost importance to us. However, we must not be barred from fair competition by nonscience-based approval and clearance systems like those proposed in the European Union and by activists' misinformation campaigns.

With over 50 percent of our sales overseas, we must protect the viability of U.S. markets by maintaining and requiring that all regulatory systems be based on internationally recognized scientific principles.

We thank you for your attention to our concerns and recommendations and want you to know that the entire wheat industry stands ready to work with the Congress to address these issues. I'll be happy to respond to your questions at the appropriate time.

[The prepared statement of Mr. Hamnes follows:]

Statement of Bruce Hamnes, Wheat, Soybean, and Canola Farmer, Stephen, Minnesota; Chairman, Wheat Export Trade Education Committee; Chairman, U.S. Wheat Associates; and Past Chairman, Minnesota Wheat Research and Promotion Council; on behalf of National Association of Wheat Growers

Good afternoon Chairman Crane, Congressman Levin, Congressman Ramstad and members of the Subcommittee. My name is Bruce Hamnes. I produce wheat, soybeans and canola on my 2,000-acre farm in Stephen, Minnesota. Thank you for allowing me this opportunity to highlight the many challenges faced by U.S. wheat producers as we compete in the world market. This field hearing is an excellent opportunity for wheat producers in Minnesota and throughout the country to impress upon this Subcommittee how vital trade is to our livelihood.

Let me begin by highlighting two points that wheat producers in the United States must take into account. First, 96 percent of the world's consumers live beyond our border. Second, we export nearly half of our total production. As you can imagine, our success and failure hinges on the ability of U.S. wheat to be exported around the world. The U.S. has the largest, safest and cheapest food supply in the world. Trade is a vital component for ensuring the financial viability of U.S. farmers and continuing this trend. World wheat trade is dynamic and new challenges arise with remarkable frequency.

Despite these many challenges, we are optimistic about the great potential we have to market U.S. wheat around the world. Hard Red Spring, the type of wheat I grow here in Minnesota, has seen expanded market opportunities for new and current customers. U.S. wheat producers are some of the most effective and efficient wheat producers in the world and time and again grow enough high quality wheat to service hundreds of markets.

The 1996 farm bill, the Uruguay Round Agreement on Agriculture and NAFTA gave wheat producers optimism for the future of our industry. However, unmet promises associated with the farm bill and continued inequities with our competitors from the Uruguay Round and NAFTA have soured our prospects. While the basics tenets of the 1996 farm bill, such as the freedom to make planting decisions based on market conditions, are without question, positive for our industry, it is impossible to move away from high levels of government assistance without an aggressive, well-funded trade strategy being implemented. Additionally, further reform in agriculture is necessary in negotiations of the World Trade Organization (WTO) and the Free Trade Area of the Americas (FTAA).

The challenges facing U.S. wheat producers to expand market opportunities are numerous and varied. I would like to highlight as many of them as we can reasonable accommodate in this testimony. My written statement contains information that time does not permit me to cover.

Trade Promotion and Market Development

U.S. wheat is exported to over 130 countries around the world. In each of these markets the trend towards privatizing the milling and baking industries has dramatically increased the time and resources it takes to ensure our buyers needs are being met.

As a farmer I do not have the time or resources to visit our international customers to ensure they understand how to source U.S. wheat, understand what specifications to ask for to get the product they need or what technical problems may be inhibiting the importation of U.S. wheat to a particular market. In order to service these markets I must count on U.S. Wheat Associates, our market development organization, and the USDA. As an officer of U.S. Wheat Associates, I have had the opportunity to visit overseas markets and see first hand how important it is to have a presence in the market. Our customers can turn to our overseas staff and receive the help they need and desire.

As a Minnesota producer I contribute one cent for every bushel of wheat I deliver to the local elevator, which goes to the wheat checkoff managed by the Minnesota Wheat Research and Promotion Council. The council utilizes part of this money to fund the overseas promotion activity of U.S. Wheat Associates. In addition to producer funds, U.S. Wheat Associates utilizes funding from the Foreign Market Development (FMD) program and the Market Access Program (MAP), which are administered by USDA and authorized by Congress.

Market development and promotion programs are "green box" programs not subject to limitation by the WTO. Increases in funding for these programs will enhance our negotiating leverage and ultimately return their cost to the government by increasing sales around the world and reducing producer reliance on government payments. While these programs are vitally important, to maintain competitiveness, the U.S. must maximize the use of all trade programs within the WTO's limitations.

As a producer I have been urged by the government to accept reduced commodity support payments in exchange for a "market-oriented" farm policy. It is timely and appropriate at this juncture to take steps to preserve and strengthen the trade programs administered by the USDA to fulfill the commitment made to U.S. farmers. The commitment to trade programs cannot work alone to solve the unique challenges of the agricultural industry. Substantial promises were also made during the 1996 farm bill debate with respect to easing the tax and regulatory burden placed on farmers. A commitment to expanding market opportunities coupled with tax and regulatory relief will go a long way in fulfilling the promise of the 1996 farm bill.

Support for increased access and creating greater market demand abroad is a significant part of sound federal farm trade policy.

Foreign Market Development Program

The wheat industry strongly supports one of our longest standing and most effective agricultural export programs, the Foreign Market Development (FMD) or Cooperator Program. The Cooperator Program is funded jointly by U.S. agricultural producers and the federal government. The commitment of wheat producers to this program is highlighted by the fact that for every $1.00 of government funding, producers in the U.S. gave $1.10 for market development during FY2000. The producer contribution has increased every year despite low prices and increased production costs. None of these producer-supported organizations have a business interest in or receive remuneration from specific sales of agricultural commodities.

The Cooperator program has played an important role in helping to increase U.S. agricultural exports from $3 billion at its inception in 1955 to a level of $53 billion in fiscal year 2000. It is one of the key building blocks of a sustainable, results-oriented U.S. agricultural export strategy. In order to secure the growth and health of the FMD program, the U.S. wheat industry believes that it should be funded at no less than $43.25 million now, with progressive increases throughout the life of the next farm bill.

Market Access Program

The wheat industry supports aggressive funding for the Market Access Program (MAP). USDA's Market Access Program is a cost-share program which requires that farmers and other participants contribute their own resources. It has been and continues to be an excellent example of an effective public/private partnership that works. During FY 1999 for every $1.00 spent by the government, U.S. producers funded market access activities $1.80. Since it was originally authorized, funding has been gradually reduced from a high of $200 million to its current level of $90 million—a reduction of more than 50 percent. Clearly, in the face of continued subsidized foreign competition, this needs to be reversed.

Global agricultural trade is still characterized by our competitors extensive use of export subsidies and unfair trade practices. While programs such as MAP have been reduced in recent years, our foreign competitors have continued to heavily subsidize and aggressively promote their products in an effort to capture an increasing share of the world market at the expense of U.S. producers. A recent USDA study shows our competitors outspending the U.S. by as much as 20 to 1 on market promotion and export subsidies.

Our competitors are spending over $100 million just to promote their products into the United States—more than what the U.S. currently spends under MAP to help promote exports of all American grown and produced commodities world-wide.

For these reasons, we strongly urge that funding for MAP be increased from its current $90 million level to $200 million as part of the next farm bill. This would send a strong message to our competitors and enhance the negotiating leverage of the U.S. throughout the current round of WTO negotiations.

Export Enhancement, Credits and Food Aid

In addition to FMD and MAP, U.S. wheat producers support the continued authorization of the Export Enhancement Program (EEP), aggressive use of the GSM 102/103 credit guarantee programs and a commitment to distribute a consistent level of food for assistance.

We support the reauthorization and full funding of EEP until all export subsidies have been eliminated. EEP has not been utilized in its current form since 1996 despite continued use of export subsidization by our competitors. We support the availability of EEP funds for all market promotion and development programs that may positively impact exports. The EEP structure should be flexible enough to allow for funds to be used for market development or as a direct subsidy in response to unfair competition.

USDA's export credit guarantee programs were designed to facilitate the sales of U.S. agricultural products. GSM programs have effectively assisted many countries in the purchase of U.S. wheat as part of the process from concessionary food assistance to cash customers. The industry supports the continuation of the GSM programs. Additionally, we support revising the export credit program to better meet the needs of private sector buyers.

The wheat industry supports the continued use of P.L. 480 Food for Peace program, including Section 416(b). We are prepared to consider the proposed international school lunch program as plans are developed. We urge that funding for Title I under PL 480 be restored and that less reliance be placed on Section 416(b) programs.

Food aid and other humanitarian programs are under attack by our trading partners as export subsidies. Our competitors argue that the United States only uses these programs to offset weak markets and low producer prices. We believe these programs are important resources for reaching the world's hungry and countries in crisis. To ensure the integrity and availability of these programs and remove any perceived use as market support programs, the Congress should designate a defined commodity level that will be made available for humanitarian use regardless of market conditions. Countries in crisis should be able to turn to their neighbors and know that food will be available. However, due attention must be given to ensure that humanitarian programs do not disrupt commercial markets or a recipient's ability to develop their own economy.

Each of these tools are essential to meeting the fierce competition that marks world wheat trade. These programs have consistently enabled producers to earn a better return for their wheat. However, without aggressive use and increased funding, the effectiveness of these programs will be greatly reduced.

Trade Negotiations

Multilateral negotiations such as the WTO and FTAA, and bilaterals such as Chile and Jordan are important as a means of addressing many of the trade challenges U.S. wheat producers face. These negotiations have the potential to remove barriers, allow greater access to markets and discipline unfair trade practices that are detrimental to U.S. wheat producers.

The WTO agricultural negotiations mandated by Article 20 of the Uruguay Round Agreement on Agriculture have proceeded through the "stock-taking" stage and are now proceeding with greater urgency as the expiration of the "peace clause" occurs in 2003. The "peace clause" currently prohibits WTO members from taking each other to a dispute settlement panel over their agricultural subsidies regimes. The upcoming ministerial meeting in Qatar may launch a new round of comprehensive negotiations. This is critical for the agricultural negotiations to bring about greater liberalization of world trade and eliminate problems such as the unfair and anti-competitive practices of export state trading enterprises and the market distortions of export subsidies.

Occurring simultaneously with the WTO, the FTAA negotiations recently received momentum as leaders of the 34 democracies in the Western Hemisphere signaled their commitment to negotiate an FTAA by 2005. The emphasis President Bush has placed on these negotiations clearly has elevated the FTAA process and it is our hope that an agreement can be reached and implemented that will benefit U.S. wheat producers.

The U.S. wheat industry has been a firm supporter of trade agreements, however, there are several issues we feel need to be addressed as we proceed through the negotiating process.

Export State Trading Enterprises

The Canadian Wheat Board (CWB) operates a state-mandated monopoly. It controls virtually every aspect of wheat production in Canada, including varietal control, day-to-day execution of sales contracts and long-term market development. It is the largest grain marketing board in the world, handling about 20 percent of world wheat and barley trade. To put it into perspective, recall the Cargill acquisition of Continental's grain business. Together, the two merged companies control roughly 20 percent of U.S. wheat exports, or about 228 million bushels, based on a five-year average. In contrast, the CWB controls annual average wheat exports of 680 million bushels, or about three and a half times as much as Cargill and Continental combined.

As a government-funded grain buying agency, the CWB uses discounted price offers, bonus deliveries, supplemental cleaning, delayed payments, indirect transportation subsidies, and other favorable contract terms to often undercut U.S. grain prices. None of these options can be provided without additional cost by private companies that face commercial risk. The impact of this system is particularly devastating in third country markets where the U.S. and Canada compete.

Last year the North Dakota Wheat Commission filed a Section 301 petition with the Office of the U.S. Trade Representative (USTR). USTR initiated an investigation of the CWB under section 301 at the urging of the National Association of Wheat Growers, U.S. Wheat Associates, the Wheat Export Trade Education Committee, the American Farm Bureau Federation, the National Farmers Union and every state-level wheat commission.

Under section 301, the U.S. government has twelve months to investigate the practices in question and negotiate a remedy. If a negotiated solution cannot be reached, Section 301 authorizes retaliation.

The U.S. industry has made specific, realistic suggestions for addressing the underlying problems with the CWB. Our particular focus has been breaking the state-mandated monopoly and subjecting the CWB to market discipline.

The section 301 case is intended to work in conjunction with negotiations in the WTO over export state trading entities. A solution through the section 301 process could be used as a model for disciplining these entities in the WTO.

Export Subsidies

We urge that the United States continue to press, as its highest multilateral priority, the complete elimination of direct trade distorting export subsidies. European export subsidies represent the international trading system's single greatest market distortion, and cannot be allowed to stand.

Given Europe's defiance on this issue, the United States should signal now that it will not fight with one arm tied behind its back. For example, we continue to support legislated triggers for increases in EEP expenditures. We have been disappointed that EEP has not been used since 1995 against European export subsidies, and hope that the new Administration will not hesitate to use these funds aggressively. By the same token, we hope the Administration will reject efforts to extend the Peace Clause beyond 2003.

Domestic Supports

Europe continues to lavish its producers with trade distorting support, while clinging to the rationale of "multifunctionality." Europe applies this term in an effort to justify exporting the cost of supporting European farmers via international markets. For its part, the new Administration should retain its negotiating flexibility on domestic supports until the shape of the new Farm Bill becomes more apparent. The Administration should notify to the WTO our supplemental AMTA payments as "green box."

In contrast to the Uruguay Round, the new WTO negotiation must not create a "one size fits all solution" (such as across the board, percentage reductions). This time, underlying inequities must be eliminated.

Although pressured by some Latin American countries, the U.S. should refrain from negotiating on domestic supports within the context of the FTAA. It would be unwise to unilaterally disarm within the hemisphere leaving the EU to continue subsidizing their producers at high levels.

Market Access

The average U.S. tariff on agricultural imports is about 5 percent, while in the rest of the world it exceeds 50 percent. Until such time as significant reductions are made by others, U.S. agricultural tariffs should not be further reduced. American farmers deserve and need a minimal level of protection against the trade distorting practices of competing exporters. In the previous WTO round, there were many non-tariff barriers that were converted to tariffs under 'tariffication' that resulted in very high tariff levels being established. In the new round, reducing these high tariffs must be a priority. This should also be a priority in the FTAA discussions.

Tariff levels in developing countries are frequently set at very high levels in order to protect their domestic producers. These tariffs also can be quite erratic in terms of how they are applied. The developing countries need to be brought into the WTO process and encouraged to reduce their tariffs in order to receive the benefits of a more open economy.

Those countries that administer tariff quotas (TRQ'S) do so in a variety of ways from auctioning to allocation of licenses to producer groups which clearly hinders U.S. exports. The duties outside the quota need to be targeted for reduction. Additionally, the fill-rate of tariff quotas appears to be very low among some countries, resulting in part from TRQ administration. To correct the problem, the U.S. may want to consider an incentive-based system to encourage increased imports where fill rates are low.

The FTAA must be negotiated so that we have duty-free access to Brazil, along with other growing markets in Latin America. Brazil may be the largest wheat importer in the world this year, but we face a tariff differential versus MERCOSUR member Argentina that puts U.S. wheat at an unfair disadvantage. Just as NAFTA has allowed us to double our wheat exports to Mexico, FTAA will give us access on par with Argentina and Canada to the entire hemisphere and the growing economies of 800 million people.

In the last WTO trade round, the EU refused to establish a TRQ on wheat imports as they should have done. This would have involved a wheat import level of over 2.0 million metric tons, based on requiring that, as a minimum, imports of 3 percent of domestic usage shall be allowed. In the new round, the EU should be required to establish a substantial TRQ for wheat. The EU has also utilized a reference price system in implementing its wheat import regime under the last round rather than the development of a more flexible invoice system. The current reference price system is more cumbersome and restrictive on trade, and the U.S. should urge that the invoice system be adopted.

In addition to tariffs and TRQ's, the price band system that has been utilized fairly extensively in Latin America needs to be eliminated in favor of a system of tariffs. The tariffs need to be set at reasonable levels and should not constitute a new barrier to imports.

Sanitary/Phytosanitary Issues

Events over the past year make clear that food safety issues will continue to create challenges to international trade. Science must be the foundation for addressing these issues—not murky concepts such as the "precautionary principle" as used by the EU and Japan. The United States must continue to strongly resist all efforts to reopen negotiations on the Agreement on Sanitary and Phytosanitary Measures. We support the inclusion of the WTO SPS agreement within the framework of the FTAA.

Other Issues

Trade Promotion Authority and Environment/Labor Standards

The wheat industry believes that Congress should grant trade promotion authority to the President that is unencumbered by environmental or labor provisions. This authority had been granted to every President for the 25 years prior to its expiration in 1994. Trade Promotion Authority is a tool that gives the United States the opportunity to remove foreign barriers to trade and opens markets for American exports. Since U.S. wheat producers export nearly half of what we produce, unfettered access to the worldwide market is absolutely imperative.

The importance of environmental and labor protection is without question; however, those concerns are more appropriately addressed in other forums and by other methods than through trade promotion authority. Trading partners will be reluctant to engage the U.S. in market opening negotiations if they feel that they will be held hostage to environmental and labor provisions. Developing countries, already disenchanted with the income gap between themselves and industrialized countries, have shown concern that the linkage between trade, the environment and labor standards is simply a wealthy countries form of protectionism. The U.S. must do its part to quell these concerns by promoting the idea that world economic and trade liberalization will allow developing countries to address environmental degradation and labor policy issues without the fear of trade sanctions or other retaliatory methods.

President Bush in his address to a joint session of Congress, stated that "Free trade brings greater political and personal freedom," and requested that Congress pass trade promotion authority "quickly." United States Trade Representative Robert Zoellick echoed this sentiment a week later in the release of the "2001 Trade Policy Agenda," and added that "If other countries go ahead with free trade agreements and the United States does not, we must blame ourselves. We have to get back in the game and take the lead." We fully support this and look forward to working with Congress and the Administration to ensure the passage of trade promotion authority.

Granting this authority would send a strong signal to our trading partners that the U.S. will continue its leadership role in promoting free and fair trade around the world. The potential for altering already negotiated positions due to a lack of trade promotion authority will give our trading partners great pause before they make politically difficult decisions to dismantle trade barriers and open domestic markets to U.S. products.

Sanctions

We recognize that significant work was done last year to reform U.S. sanctions policy. However, the industry supports continued efforts to ease access to formally sanctioned markets by eliminating licensing requirements, allowing access to export credit programs and domestic commercial banking for all countries without a presidential waiver, and rescind the travel restrictions and the prohibition on U.S. commercial financing for Cuba trade. It is not surprising that Cuba, whose people need our product, is not willing to make needed purchases. The Congress has continued to single Cuba out and denies even the basic humanitarian needs by the unacceptable restrictions placed on moving food into the Cuban market.

Unilateral trade sanctions do not work. A sanction imposed against our trading partners results in lost markets and the U.S. is labeled an unreliable supplier. Unilateral sanctions rarely if ever put pressure on the country intended, as there are other suppliers of almost every product produced in the United States. Our competitors stand ready to step into the market vacuum created by sanctions.

Additionally, the Export Administration Act (EAA) has been a safeguard to agricultural producers against export embargoes since 1985. It allows agricultural producers to export directly without controls. The EAA expired June 1994 and has been temporarily extended each year. Currently legislation to reauthorize the Export Administration Act is being considered (S. 149). However, all provisions to protect American agricultural producers from export embargoes have been removed from this legislation. Some believe that the sanction reform legislation passed by the 106th Congress is sufficient to address agriculture's concerns. It is not. There are a number of provisions in that legislation that restrict exports, and there are other embargo issues still outstanding. We would urge you to support inclusion of exemptions for agriculture that are at least as strong as the original EAA language, and that do not weaken the Sanctions Reform and Export Enhancement Act of 2000.

China

Last year's historic granting of China permanent normal trade relations is a positive first step towards realizing the massive potential of this market for U.S. wheat producers. The wheat industry has always supported normal trade relations with China as a necessary component of our worldwide trade strategy. The lines of communication must remain open to effectively exact change on the Chinese system that will allow for growth in trade between the two nations.

Our nation's agreement with China promises U.S. wheat producers unprecedented access to the largest market in the world. Additionally, the commitments China made during this process mark an amazing turn in the role China will play in the world market. Upon accession the U.S. will have greater recourse than ever in dealing with Chinese trade problems as well as a formal structure for recourse when trade breaks down.

Biotechnology

The wheat industry has taken a long hard look at what happens to our markets when a wheat product produced through biotechnology is commercialized, which may be as early 2003. We believe that biotechnology holds tremendous potential for American agriculture and the wheat industry.

We also recognize the legitimate concerns of our customers about biotechnology. Their needs are of the utmost importance to us. However, me must not be barred from fair competition by non-science based approval and clearance systems like other products have experienced in the European Union and by activists' misinformation campaigns. The wheat industry has developed the following position statement in an attempt to meet these concerns:

1. The U.S. wheat industry commits itself absolutely to the principle that our customers' needs and preferences are the most important consideration. We support the ability of our wheat customers to make purchases on the basis of specific traits.
2. We will work with all segments of the industry to develop and assure that a viable identity preservation system and testing program is instituted prior to commercialization of products of biotechnology. We strongly urge technology providers to obtain international regulatory approval and to ensure customer acceptance prior to commercialization.
3. We urge the adoption of a nationally and internationally accepted definition of biotechnologically-derived products. We also urge international harmonization of scientific standards and trade rules.
4. We support voluntary labeling of food products, provided it is consistent with U.S. law and international trade agreements and is truthful and not misleading. We oppose government-mandated labeling of wheat products in both the U.S. and international markets based upon the presence or absence of biotechnologically-derived traits that do not differ significantly from their conventional counterpart.
5. We support the establishment of a reasonable threshold level for adventitious or accidental inclusion of biotechnologically-derived traits in bulk wheat or wheat food products in both U.S. and international markets.
6. We invite valued and interested customers to join with us in a working partnership to explore the emerging biotechnology industry.

The wheat industry is committed to working toward a closed loop or identity preserved system from farm to consumer, to prevent commingling with non biotech or traditional wheat products—recognizing that zero tolerance is not practical or possible. With over 50 percent of our market overseas, we must insist that the U.S. government work with us to protect the viability of the U.S. food industry by maintaining and requiring that all approvals, testing, monitoring and IP systems be based on internationally recognized scientific principles.

Thank you for your attention to our comments and recommendation. Trade opportunities are vital to the success of our industry, and alleviating the many challenges associated with trade would ensure the long-term viability of U.S. agriculture. The wheat industry respectfully urges you to focus on market development funding for agriculture, trade promotion authority and further sanctions reform during the current legislative session. The entire wheat industry stands ready to work with Congress to address these critical issues. I will be happy to respond to questions at the appropriate time.

Chairman CRANE. Thank you, Mr. Hamnes. Mr. Tumbleson.

STATEMENT OF GERALD TUMBLESON, CORN, SOYBEAN, AND HOG FARMER, AND DIRECTOR, MINNESOTA CORN GROWERS ASSOCIATION, SHERBURN, MINNESOTA

Mr. TUMBLESON. Welcome, Mr. Chairman and Mr. Ramstad, and if you ask Mr. Ramstad, you'll realize that this is not one of our better weather days. Minnesota is much better than this. So come back another time.

My name is Gerald Tumbleson, and I'm a farmer from southwestern Minnesota, and I serve as a director of the Minnesota Corn Growers Association Board. I farm with my wife, two sons, and a brother.

Your roles as policy leaders and our roles as ag leaders require us to be visionary, peering into the future to see what lies ahead for those we serve. The long view of agriculture finds a world with a growing population and a growing demand for energy of all types. Agriculture will be a player in this growth.

Middle America can be a prosperous place if we can capture the full value of the raw commodities we produce. Corn, for example, is a complex package of valuable chemical building blocks, with potential to help in meeting our energy, fiber, plastic, and nutritional needs.

Depleting hydrocarbon sources, coupled with growth in demand for fuels and chemical foodstocks, indicate that to continue our strong economic growth we must begin to incorporate renewables. We refer to this as the carbohydrate economy. When we capture the sun's energy through the 400 million acre solar panel of cropland across the country, then convert it efficiently into more valuable meats, fuels, feed products, anything with a higher value, it benefits many sectors of the U.S. economy.

These renewable resources will not directly compete with petrochemical resources, but will complement them and help meet the incremental growth in demand. This carbohydrate economy is sustainable, environmentally friendly, and helps reduce our reliance on imported oil and the resulting trade imbalances.

As we process these products through our carbohydrate economy, if you take the corn kernel, for example, and break it up into starch, protein, fiber, and oil, and then export those commodities, we not only have increased the value, but we have put many job opportunities here in Minnesota, and they're high-paying jobs, and therefore our economy advances along with our exports.

As many of you know if you live in southwestern Minnesota, Mankato is a city, and it's probably the largest soybean processing city in the United States. These processing plants become very important to us in the trade negotiations and how we go about that.

So the lack of a nimble trade negotiating authority limits our ability to access foreign markets, increase exports and investment overseas, and sustain the dynamic performance of our economy. Trade promotion authority allows quick response to often fleeting opportunities, yet it gives Congress the authority to vote the negotiated agreement up or down. This is important to agriculture because negotiations that drag on lead to missed opportunities. Trade promotion authority will reinforce our commitment to the pursuit of free trade.

Agriculture makes a positive contribution to our balance of trade, and that positive value will grow in the future. The improvements in genetics and cultural practices will bring continued increases in crop yields while also protecting the environment.

This growing supply of raw commodities will enable growth in value-added processing and the sales of both processed goods and raw grains to both domestic and foreign customers. While domestic food and energy consumption provides the base demand American agriculture is built around, Minnesota farmers depend on the continued growth of trade opportunities throughout the world for future prosperity.

As we move ahead in processing these products in Minnesota, and fortunately you're in Minnesota because it's one State that processes a lot of these products, you will understand how exports can become very valuable in the future because we're going to be exporting a much higher valued product.

Thank you for coming to Minnesota.

[The prepared statement of Mr. Tumbleson follows:]

Statement of Gerald Tumbleson, Corn, Soybean, and Hog Farmer, and Director, Minnesota Corn Growers Association, Sherburn, Minnesota

Mr. Chairman, Members of the Subcommittee, good afternoon. My name is Gerald Tumbleson. I am a farmer from Southwestern Minnesota, serving as a director of the Minnesota Corn Growers Associations. I farm with my wife, two of our sons and my brother, and together we grow corn, soybeans, and hogs.

Your roles as policy leaders and our roles as ag leaders require us to be visionary, peering into the future to see what lies ahead for those we serve. The long view of agriculture finds a world with a growing population and growing demand for energy of all types. Agriculture will be a player in this growth. Middle America can be a prosperous place if we capture the full value of the raw commodities we produce. Corn, for example, is a complex package of valuable chemical building blocks, with potential to help in meeting our energy, fiber, plastic, *and* nutritional needs. Depleting hydro-carbon sources, coupled with growth in demand for fuels and chemical feedstocks, indicate that to continue our strong economic growth we must begin to incorporate renewables. We refer to this as the "carbohydrate economy." When we capture the sun's energy through the 400-million-acre solar panel of cropland across this country, then convert it efficiently into more valuable meats, fuels, feed products—anything with a higher value—it benefits many sectors of the U.S. economy. These renewable resources will not directly compete with petrochemical resources, but will complement them and help meet the incremental growth in demand. This "carbohydrate economy" is sustainable, environmentally friendly, and helps reduce our reliance on imported oil and the resulting trade imbalances.

Meeting the needs of our foreign customers will be increasingly important in the future. Trade agreements around the world are moving away from protectionism and artificial trade barriers. Trade agreements at their best allow the economies of both trading partners to grow. For example, NAFTA has increased the level of trade between the United States, Canada and Mexico, opening these markets to American goods. This in turn provides Americans with greater access to products from Mexico and Canada. As this North American economy grows, demand for more and higher valued products will grow as well.

Unfortunately, the United States has not been involved in the vast majority of free trade agreements. Of the 130 or so agreements reported to the WTO since 1990, the U.S. has been involved in only two, with a third expected to be in place soon. This hampers the efforts of our agricultural producers to access much of the world market.

The Peoples Republic of China is home to more than one-fifth of the world's population. Direct access to this large market is vitally important to agricultural producers. The U.S. has been a residual supplier to China, but to develop consistent demand we need to develop a normal trading relationship with China. The economies of both China and the U.S. will be enhanced by normalization of trade.

The reduction of trade distorting agricultural subsidies worldwide is an objective of the WTO. As farmers, we want to grow the crops that are in demand and respond to market forces. The American farmer is an efficient producer and sets the standard in the production of food, energy, and fiber. We will succeed because in the absence of artificial trade barriers, over time, resources will be allocated to their best use. However, we also recognize that a minimum level of support is required to stabilize our rural economies in times of depressed markets. This baseline of support assures that until free trade is the norm, our producers will not be forced out of business by production distorting tariffs and subsidies.

As the global economy grows, trading partners need assistance to develop their economies so that their people can afford our goods. The U.S. has the ability and responsibility to assist developing countries in improving their incomes, diets, and creating markets for our products.

This is especially important as we attempt to export higher valued products.

Trading partners also need the assurance that the availability of basic goods such as food and medicine will not be affected by sanctions. Disruptions in trade harm our reputation as a reliable supplier and represent a lost opportunity for our economy.

The lack of a nimble trade negotiating authority limits our ability to access foreign markets, increase exports and investment overseas, and sustain the dynamic performance of our economy. Trade promotion authority allows quick response to often fleeting opportunities, yet gives Congress authority to vote the negotiated agreement up or down. This is important to agriculture because negotiations that drag on can lead to missed opportunities. Trade promotion authority will reinforce our commitment to the pursuit of free trade.

Differing attitudes toward biotechnology also contribute to trade inequities. We believe that new products should be evaluated through sound science by the appropriate regulatory agencies. We must not allow the use of biotech acceptance as an artificial trade barrier. We recognize the consumer's right of choice, but expect that education and information will lead to greater acceptance of this new technology. In the meantime, international harmonization of standards for biotech-enhanced crops would provide direction for farmers around the world.

Agriculture makes a positive contribution to our balance of trade, and that positive value will grow in the future. Improvements in genetics and cultural practices will bring continued increases in crop yields while also protecting the environment. This growing supply of raw commodities will enable growth in value-added processing and the sales of both processed goods and raw grains, to both domestic and foreign customers. While domestic food and energy consumption provides the base demand American agriculture is built around, Minnesota farmers depend on the continued growth of trade opportunities throughout the world for future prosperity.

Chairman CRANE. Thank you, Mr. Tumbleson.

I read a statistic that estimates that the world's population in 2050 is expected to hit 9 billion, and that's a lot of people, and without continued advancements in land use and crop production, there may not be enough food to feed everyone.

Biotechnology attempts to solve this problem, yet it's been met with serious opposition. What is your industry doing to counter the critics of biotechnology? I don't know if you have comments.

Mr. JOACHIM. Mr. Chairman, the American Soybean Association has been very active since 1995 when we first sought the approval to plant, in our instance, Roundup 30 soybeans and educating foreign buyers, and also we've been active since then in making sure that the companies have basically used due diligence and not released any soybean for general planting that hasn't been approved.

We have full faith in the products that are being sold. Obviously, farmer acceptance of the biotech soybeans is well over half the crop, I guess somewhere around 60 percent.

We have been blessed or cursed by our competition in Argentina that run a level that's much higher than the U.S. even, 90 percent, and which basically meant that back in 1996 that the people, when soybeans were tight worldwide, basically with the circumstances they really had no choice but to take on Brazilian soybeans, and the world didn't come to an end, but that doesn't mean that there couldn't be this problem run through a variety.

And I think it's unfortunate, but looking back I really don't know how it could have happened any different that the first rights out really had economic trades that benefited the farmer and not specific output trades that benefited the consumer, but when I look at—like I say, in hindsight we might have wished that would have happened differently, but practically I don't see how it could have happened.

I think it's just a matter of education. I think Mr. Ventura used that term in his testimony earlier this afternoon.

Chairman CRANE. Any thoughts, Mr. Fisher?

Mr. FISHER. Yes, I do, and I think Mr. Hamnes as chairman of U.S. Wheat will have some additional comments on the topic.

I think our position is somewhat drafted following the soybean, corn examples, if you will, because we have yet to have a Roundup ready for biotech wheat out in the fields at this point. It's said that it will be between 2003 and 2005 before that occurs.

The wheat industry has chosen to embrace the technology, but also in developing the biotechnology committee some years ago and developing their position statement, clearly acknowledged the fact that——

Chairman CRANE. I thought we were in California.

UNIDENTIFIED SPEAKER. Ladies and gentlemen, the power went out in the whole hotel. Just hang loose. It might be coming back on here shortly.

Chairman CRANE. Well, with the lights that we have, I think we can continue.

Mr. FISHER. Mr. Chairman, the biotech committee chose to be sure to include in its position statement a rather go-slow approach, for lack of a better way to say it, because the concerns were heightened with the Starling episode and the rash of customer concerns that seemed to follow that. So the wheat industry has adopted a rather go-slow approach, in other words, to embrace the technology but to make sure that we have adequate reassurances for our customers and education, as the Governor said, to make sure that we get this done right.

We have a little time, since our first biotech wheats are not yet out there. However, they will be spring wheat, so it will affect North Dakota and Minnesota and Montana and States like that as soon as they are available. That seems to be the target.

So we have a little time yet, and I think it has great promise, and I also think that the customer benefits, the secondary benefits also hold more promise in helping that education or meeting the issue I think with the customer at this point, although it tends to benefit, as in the Roundup technology, for example, tends to benefit the producer, and so there's a little less linkage there to the ultimate consumer.

Chairman CRANE. Very good. Mr. Hamnes, any thoughts?

Mr. HAMNES. Mr. Fisher has summed it up quite well, but we do have this Committee, and in fact we just had a team that came back from Japan, which is our second-largest wheat customer, and visited very extensively with them about what we were doing here and to assure them that our customers are first and that we would take their considerations very seriously.

We are also working with industry to attempt to put together a system so that we can assure our customers that when the technology does become commercial that they can be assured that they will get the product they want, and if they don't want a genetically modified organism (GMO) wheat, they will not get that.

Also, we're trying to work in the international arena with discussions on tolerances, because there is no such thing as a zero tolerance. So we're moving on a number of different fronts to give confidence to our customers that their concerns are first, but also as we move forward on this technology which we think is going to be part of our life in the future, that we'll be ready to put it into operation and that will be acceptable by all our customers.

Chairman CRANE. Mr. Tumbleson.

Mr. TUMBLESON. Yes. Coming here from corn, it's an interesting discussion, isn't it, because you've all heard of Starling. That was not approved, and the corn growers did try to keep that controlled. As you know, corn is a pollen that fertilizes, so it's a different crop than soybeans and wheat like that.

But let it not be misunderstood, technology benefits the consumer more than the producer, and when the United States has such inexpensive food, the world can be supplied the same way. You have to understand that technology is out there. The GMO is not going to make the farmer rich, but it's going to make the consumer much happier.

When the education process is done, that will not be a problem. The problem is still going to exist in trade, and as we increase our production, which we will double probably in 20 years through technology, maybe taking hopefully not less, but maybe, the consumer will benefit from this. So how we do it, how we get the scientific information out there, is very critical.

Chairman CRANE. One final quickie question. Which markets are of a higher priority to you folks, Latin America or Europe, the EU? Mr. Joachim.

Mr. JOACHIM. Well, we have an allocation model for where we spend our money. It's interesting, 7 years ago Latin America was number one, followed by then I think Asia and Europe. The way we've got the world split up for soybeans, we're about tied. Now Asia is about 50 percent of where we're spending our market money, and Europe is roughly 28 or 29, and Latin America is the rest.

Part of that is because of the sheer number of people in Asia and the fact that our biggest competitors for soybeans are in South and Latin America, South America, and in Europe we're looking at a more mature market, so there it's more of a maintenance situation where those guys—and you can't tell a farmer in Denmark a whole lot about feeding a pig that he doesn't already know.

So you can't spend the same kind of money on that kind of program in Europe that you can, for instance, in Indonesia or Vietnam or Thailand or someplace like that. But we foresee the biggest growth is going to be in Asia.

Chairman CRANE. Mr. Fisher.

Mr. FISHER. Well, in spring wheat in particular, and that catches most of the production in North Dakota and Minnesota, there is a vast and mature market in Europe that has now begun to grow again a bit with more specialty products and more attention to quality there again. But we've always felt that Latin America held a lot of promise, and we've worked hard to open phytosanitary discussions with the Brazilians, and, of course, that goes on. Almost weekly there's a new one, it seems.

But for the very fact that there's a huge market there, we've always looked at Latin America as being a very important market as well, Mr. Chairman. I think at this time we have about a million tons of spring wheat sold to Europe and just shy of that to the Latin America markets at this point in the marketing year.

Chairman CRANE. Mr. Hamnes.

Mr. HAMNES. I think Latin America is much more important in the long-term for us. We've got a growing market in Mexico, now close to our third largest importer or user of U.S. wheat.

Brazil is also the largest buyer of wheat in the world, even though they buy most of their wheat from Argentina, but we're locked out of that wheat, not only by phytosanitary concerns that they have put up, but also by the MERCOSUR Agreement where they're able to import the wheat from Argentina with very little tariff, and so it's a growing market.

I've had occasion to spend some time in South America, and it has great potential for us, and it's also so close to us, so we have a definite freight advantage to other areas.

Chairman CRANE. Mr. Tumbleson.

Mr. TUMBLESON. It's an interesting question, because you'd think it would be Latin America looking at it, and I think Latin America is important, but I spent two trips to Europe in the last year and a half. There is a concern over there whether they have the ability to farm. As you know in England now with the foot and mouth, they are thinking of making a tourist country, and other countries over there are thinking of the same thing.

So it's an interesting thing when you look at it. You can't narrow it down to that concept, because, as I was saying before, as we break the kernel apart, the products we sell are going to be entirely different 20 years from now than they are today. So we have to look into the future and how we're going to sell them and where we're going to distribute them.

We can't compete with Brazil, Argentina, and the Ukraine in raw grain. Their land costs are less. Their living costs are down. We can't do that. We will compete, though, in processing. Now we have to look where we sell those products.

Chairman CRANE. Thank you. Mr. Ramstad.

Mr. RAMSTAD. Thank you again, Mr. Chairman. Thank you, gentlemen. All four of you represent the agricultural sector very well.

I appreciate the Chairman agreeing to our friend Earl Pomeroy's request. He regretted he couldn't be here today, Mr. Fisher, but glad that you were added to the panel. Earl was the newest Member on the other side of the aisle of our Ways and Means Committee and a valuable addition, represents agriculture well, and so we're glad to see you here today.

Let me just ask any or all of you whether you think a new round of the WTO is the best way to proceed with respect to Minnesota's position or North Dakota's in the agricultural sector. Do you think a new round of the WTO is the best way to go? Mr. Hamnes.

Mr. HAMNES. Yes, I definitely think we do need a new round, and we've got to have rules to trade by, and that's what this is all about. And so if we get some rules, we'll do well in the trade.

Mr. RAMSTAD. Anybody else?

Mr. JOACHIM. Mr. Ramstad, we definitely think we need to proceed with the WTO because, for one thing, the circumstances change, the world changes, and we all have the goal of further liberalization for one thing, and there are certain inefficiencies and things that pop up over the life of the agreement.

I guess the only concern of soybeans that we really have—I mean, we have plenty of concerns, but one concern we have is that agriculture doesn't get traded out for other issues, industrial issues or information issues or media kind of issues.

Mr. RAMSTAD. Anybody else?

Mr. FISHER. Mr. Ramstad, I would share the optimism, I guess, that Mr. Hamnes has shared with you already. U.S. Wheat Associates, which is our national organization, has spent considerable time in preparing for the WTO negotiations, actually selected what we call a WTO ambassador to carry our message there, and I think it would be tragic if we were not involved in the process.

But we also share the concerns that the gentleman from the soybeans has just raised, and I think in the testimony that I presented earlier on the part of U.S. spring wheat producers in particular in the CUSTA, we felt that maybe we were traded off a bit for some of the other industries that may have had a little higher profile at the time.

So that is a concern certainly in any of these negotiations, that we make sure that we're on solid footing and that we have a good negotiating position and then that maybe even we have a chance to correct some of the inequities that were allowed to pass in some of these earlier agreements as well. I think that's also an opportunity in the FTAA.

Mr. TUMBLESON. Yes, I think for the corn it's the same. We need the WTO. We need some form of something like that.

As you know, in the last campaign for our presidential election, the statement was made that we can import our food cheaper than we can raise it. Now, think about that.

As they move into a WTO, if you leave agriculture out of this, the only thing you have to remember: We're a renewable resource. We're a very efficient resource. We're the carbohydrate economy that's going to take over the hydrocarbon economy in time.

So how you make these WTOs today is the 20- to 50-year thing that we have to be looking at. You and I might not be living then, but that's not what we're really here for anyway.

Mr. RAMSTAD. Thank you again, gentlemen, for being here, for your excellent testimony, and I can assure you, we will share it with the rest of our Subcommittee and Committee. Thank you.

Chairman CRANE. Absolutely. Thank you all. We look forward to working with you on a continuous basis too. And with that, the hearing stands adjourned.

[Whereupon, at 3:30 p.m., the hearing was adjourned.]
[Submissions for the record follow:]

Statement of AdvaMed

AdvaMed represents over 800 of the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and medical information systems. Our members are devoted to the development of new technologies that allow patients to lead longer, healthier, and more productive lives. Together, our members manufacture nearly 90 percent of the $71 billion in life-enhancing health care technology products purchased annually in the United States, as well as 50 percent of the $165 billion in medical technology products purchased globally. Our industry currently enjoys a trade surplus of $7.1 billion vis-à-vis our trading partners.

Minnesota is home to many of the U.S. medical technology companies, and our sector is a vital employer and contributor to the state's vibrant economy. We appreciate the Committee's willingness to go out to a state with one of the largest concentrations of medical device manufacturers to hear directly from them about the importance of international trade to their overall strength and future growth as an industry.

The Benefits of International Trade

The medical technology industry relies heavily on, and benefits greatly from the ability to compete internationally. International trade opportunities allow U.S. firms to reach patients beyond our borders, where some 96% of the world's population lives. Many of the jobs at U.S. medical device manufacturers, and certainly most of the new job creation in our sector, are tied to new product development and product introductions outside the United States.

The medical technology industry has historically benefited from U.S. trade policy that strives to open markets around the world. U.S. trade agreements have helped to reduce or eliminate tariff and non-tariff trade barriers; contributed to greater transparency and predictability; and most importantly, have improved patient access to innovative, life-enhancing and cost saving medical technologies in key markets around the globe.

The dynamic pace of innovation in the U.S. medical technology industry, coupled with an effective U.S. trade policy, has created a more than $7 billion trade surplus in our sector with our trading partners.

The International Benefits of Medical Innovations

Innovative medical technologies offer an important solution for industrialized nations, including Japan and European Union members that face serious health care budget constraints and the demands of aging populations. Advanced medical technology can not only save and improve patients' lives, but also lower health care costs, improve the efficiency of the health care delivery system, and improve productivity by allowing people to return to work sooner.

However, when regulatory policies and payment systems for medical technology are complex, non-transparent, or overly burdensome, they can significantly delay or deny patient access to the latest, state-of-the-art innovations. They can also serve as non-tariff barriers, preventing U.S. products from reaching patients in need of innovative health care treatments.

AdvaMed believes the USTR, Department of Commerce (DOC) and Congress should monitor regulatory, technology assessment and reimbursement policies in foreign health care systems and push for the creation or maintenance of transparent assessment processes and the opportunity for industry participation in decision making. We look to the Administration and Congress to actively oppose excessive regulation, government price controls and arbitrary, across-the-board reimbursement cuts imposed on foreign medical devices and diagnostics.

The industry also supports additional multilateral, regional, and bilateral trade initiatives and agreements to further reduce international barriers to trade, including the World Trade Organization (WTO), Free Trade Area of the Americas (FTAA), the Asia Pacific Economic Cooperation forum (APEC) and the Transatlantic Business Dialogue (TABD). To negotiate future trade agreements, the industry also supports the extension of presidential trade promotion authority. In addition, the Enhanced Initiative with Japan, through which USTR and Commerce are able to address problems for certain industries operating in Japan, is scheduled to expire this spring. It has been an effective tool that the medical technology sector, along with other specific industries, strongly supports. We strongly encourage the U.S. Government to renew this sector specific initiative.

Multilateral Opportunities Should be Utilized to Establish Basic Principles to Expand Global Trade and Patient Access to New Technologies

A primary goal of all economies is to provide high quality, cost effective healthcare products and services to all citizens. Another mission is to ensure their citizens have timely access to state-of-the-art, life-saving equipment and that compliance procedures are efficient and effective. To further expand patient access to safe and effective medical devices and ensure cost effective regulatory compliance, USTR should seek to ensure that regulatory agencies around the world make their policies and practices conform to the relevant and appropriate international trading rules established by the WTO.

Toward that end, member economies should agree to make their medical device regulatory regimes conform to these guiding principles:

- Acceptance of International Standards;
- Conformity/Provision of Transparency and National Treatment;
- Use of Harmonized Quality or Good Manufacturing Practice Inspections;
- Recognition of Others Product Approvals (or the Data Used for Those Approvals);
- Development of Harmonized Auditing and Vigilance Reporting Rules;
- Use of Non-Governmental Accredited Expert Third Parties Bodies for Inspections and Approvals, where possible.

Similarly, many economies require purchases of medical technologies to take place through centralized and/or government-administered insurance reimbursement systems. To ensure timely patient access to advanced medical technologies supplied by foreign as well as domestic sources, member economies should agree to adopt these guiding principles regarding the reimbursement of medical technologies:

- Establish clear and transparent rules for decision-making;
- Develop reasonable time frames for decision-making;
- Data requirements should be sensitive to the medical innovation process;
- Ensure balanced opportunity for the primary suppliers and developers of technology to participate in decision-making, e.g., national treatment.
- Establish meaningful appeals processes.

Key Markets: Japan and Europe

Efforts to oversee foreign policies impacting the export and sale of U.S. medical devices abroad should primarily focus on our two largest foreign markets, Japan and the European Union (EU). After the U.S., Japan is by far the largest global market for medical technologies ($24 billion) followed by Germany ($16 billion) and France ($7 billion.) U.S. manufacturers annually export over $2 billion to Japan and manufacture another $6.5 billion in the region for the Japanese market. Our trade surplus with Japan is an impressive $1.3 billion. We believe that this statistic is a good indicator our industry's global competitiveness in the field of medical technology and it strongly underscores the importance of critical ongoing efforts with the U.S. government to open the Japanese market further to cost-saving and life-enhancing medical technologies. U.S. manufacturers also export nearly $8 billion annually to the EU and maintain a $3.6 billion trade surplus with the EU.

Japan

Japan is the largest market for medical technologies outside the U.S. It is also one of the most challenging for our industry. Access to their market is key for the medical technology industry.

The establishment and rigorous enforcement of medical device trade agreements has lead to a 500% increase in U.S. medical technology exports to Japan between 1987 and 2000. U.S. policy helped turn a $100 million medical technology trade deficit in 1987 to a $1.1 billion trade surplus in 2000!

Continued oversight has been necessary along the way. In 1999, our industry was prepared to file a 301 against Japan, until the U.S. government was able to negotiate an agreement with Japan to allow for the more timely adoption and integration of new medical technologies into their healthcare market.

Recent Japanese government policies and initiatives potentially threaten to undermine U.S. industry access to, and our presence in, the Japanese market. The medical technology sector could greatly benefit from additional oversight and aggressive enforcement of agreements in Japan today. Japan has failed to fulfill some of these important trade agreement commitments to reform its rules for new technology reimbursement and regulation. Rather, the government of Japan has used arbitrary means to reduce technology prices and has slowed the introduction of new products as a means to contain overall expenditures.

In addition, there is an immediate, discriminatory threat in the Japanese government plan to introduce "foreign reference pricing" in the price-setting process. Basing prices in Japan on prices in other markets fails to capture the significant and unique costs of doing business in Japan.

Japan's average hospital length-of-stay being 30 days (compared to 6 in the U.S.). Failing to adopt new technologies is not only troublesome for U.S. manufacturers, it also hinders greater system-wide efficiency or enhanced quality of care in the Japanese health system. Fully utilizing new medical technology can actually improve the financial health and productivity of their system—especially given their rapidly aging and shrinking population.

Just as in the past, U.S. trade leadership can help address these problems. Enforcement of previous trade agreements can require Japan to take certain agreed upon steps in an expeditious manner, including:

- Reducing the two-plus year delay in access to *brand-new* technologies by establishing a process and timeframe for granting provisional coverage and pricing, as well as a method for establishing "final" reimbursement listing.
- Establishing clear-cut criteria and processes for creating new reimbursement categories and "final" pricing for *next generation* products.
- Abiding by the required government-industry consultations process established in the 1986 MOSS trade agreement when proposing major changes to either the reimbursement or regulatory processes.

Europe: Seek Appropriate Policies That Improve Patient Access to Innovative Medical Technologies

In the EU, enforcement of current trade agreements is key. The U.S.-EU Mutual Recognition Agreement (MRA) must be fully implemented. Bringing healthcare products to the market faster is an important priority consistent with the protection of public health and the reduction of regulatory costs and redundancy. The European Commission (CEC) should be encouraged to take all proper measures to ensure that the MRA is operational by January 2002, when the current three-year transitional period is scheduled to end.

In addition, European Member States should be encouraged to adopt policies for their health technology assessment (HTA) decisions affecting medical technologies that are transparent and timely, and industry participation should be allowed. U.S. firms, as the leaders in innovative medical technologies, stand to suffer disproportionately from unnecessarily long delays in HTA decisions in Europe. The CEC should ensure that the EU Medical Devices Directives are implemented uniformly by the Member States. Uniform implementation of the Devices Directives is essential to the furtherance of the European Single Market—a concept strongly advocated by the TABD. To the extent that additional regulatory requirements are deemed necessary in Europe, Member State must be advised to consult with industry in advance and to ensure that such requirements are consistent with the objectives of global harmonization.

AdvaMed supports the Safe Harbor agreement struck between the EU and U.S.—an agreement that promises the uninterrupted data flow from the EU to the U.S. The agreement, reached in response to the 1995 EU Data Privacy Directive, provides additional flexibility (along with specific data privacy contracts or compliance with the actual directive itself) for U.S. firms to continue to receive data from EU-based companies. AdvaMed and its member companies look forward to working with both sides on implementing the agreement in such a way that supports transatlantic business and economic activities and, in particular, supports industry's efforts to research, develop, and bring to market medical technologies that offer great promise for patients on both sides of the Atlantic.

Conclusion

AdvaMed appreciates the interest of the Committee in our sector, and the many ways in which international trade can benefit it. Our industry can also benefit the international community with products that save and enhance lives, reduce overall health care costs and improve productivity in health care systems. We look forward to working with this Committee, the Congress and the Administration to further reduce barriers to patient access to technology worldwide.

Statement of Paul Webster, American Forest & Paper Association, and Webster Industries, Wayzata, Minnesota

My name is Paul Webster, President of Webster Industries located in Wayzata, Minnesota. I am submitting this testimony on behalf of Webster Industries, as well as the American Forest & Paper Association, of which my company is an active member.

The American Forest & Paper Association is the national trade association of the forest, pulp, paper, paperboard and wood products industry. This vital national industry accounts for 7% of total U.S. manufacturing output. It employs approximately 1.7 million people, with an annual estimated payroll of $51 billion, and sales in excess of $250 billion.

I am pleased to have this opportunity to submit this testimony on the benefits of trade to the agricultural sector, and in particular, to the U.S. forest products industry. For the U.S. forest products industry, the answer is simple. Exports mean jobs—and jobs that exist often in small or rural communities across the country. In Minnesota alone, the forest products industry employs over 266,000 people with an annual payroll that exceeds $8.4 billion.

For my company and others in the U.S. forest products industry, the premise that the U.S. has fallen behind in gaining market access for its manufacturers—and that U.S. exporters and their workers are facing discriminatory customs tariffs as a result—is, unfortunately, a painful fact of everyday life.

Our sector is being battered by cheap imports while at the same time the products where we have a comparative advantage—value-added wood products—are shut out of some key markets due to tariff and non-tariff barriers.

As U.S. export markets for most solid wood products have declined over the past several years, wood imports into the U.S. have surged, increasing the negative balance of trade in solid wood products to $10 billion in 1999. Between 1990 and the year 2000, the U.S. moved from being the world's largest solid wood exporter to the world's largest importer. Given the trillion-dollar U.S. housing market, the strong U.S. dollar, and the lack of barriers to import into the United States, the U.S. market has become the target of choice for overseas wood suppliers.

At the same time, we face substantial trade barriers in the export of higher value wood products produced in the U.S. These barriers are even more significant when coupled with the expansion of plantations and mill capacity in Europe, South America and Oceania. As a direct result, the U.S. share among major wood exporters has fallen from 18 percent in 1997 to 16 percent in 1999 and employment associated with the production of lumber and wood products fell from 831,000 in December 1999 to 788,000 in March 2001, a decline of 5.2%.

For the U.S. forest products industry, it is easy to see how we got here. Going into the Uruguay Round of trade negotiations, our industry was the first to propose a zero for zero tariff concept because we recognized three things about the future direction of our industry:

- Although we were then one of America's most globally competitive industries, exports would be an increasingly important component of our business.
- Although developed country producers and markets still dominated, the real growth—in terms of demand and capacity expansion—would be shifting to developing countries.
- As our industry globalized, surviving companies would be those capable of serving global markets with minimized transactions costs.

With virtually all U.S. tariffs on wood and paper products already reduced to zero, this meant that the future competitiveness of the U.S.-based forest products industry depended on the elimination of all overseas tariff barriers on our products.

Regrettably, the U.S. was not able to fully achieve this objective in the Uruguay Round. The Japanese refused to eliminate wood tariffs, so other participants in the Uruguay Round would not go beyond a one-third formula cut, and most developing countries made no tariff cutting commitments of any kind.

The result in terms of the competitive landscape for our industry has been that the tariff inequity we attempted to eliminate in the Uruguay Round has only gotten worse over time:

- With impressive new capacity now coming on line, developing country suppliers are taking full advantage of the U.S. zero tariff to cut into our domestic sales base.
- Competitors are negotiating preferential trade arrangements and cutting into our share of existing export markets.

Let me offer my own experience of what this means to Webster Industries. Our company has watched a steady decline in our export hardwood business in the Japanese market over the past 4 years, because of three specific things that we have no control over as an U.S. exporter:

1. Strong dollar—weak yen.
2. Substantial tariffs on our hardwood exports to Japan.

3. Strong hardwood shipments from the former eastern block countries to Japan that don't encounter the high trade barriers and tariffs that U.S. hardwood manufacturers do.

To take another example: In 1997, when Canada concluded its Free Trade Agreement with Chile, virtually all Canadian wood and paper products received duty free treatment immediately on implementation. The effect on U.S. wood and paper sales was immediate and devastating.

- Chilean imports of Canadian forest products increased 33% in 1998 as their FTA was implemented. U.S. exports of wood products to Chile declined by 25% over the same period. At the same time, free access to products to the U.S. from $16 million in 1988 to over $420 million in 1999.

What needs to be done?

First, we urge the Administration to move rapidly to conclude the FTA agreement with Chile and in particular, to ensure that all tariffs on U.S. wood and paper products will be reduced to zero immediately on implementation. The mandate for U.S. negotiators must make it clear that the priority objective must be to achieve immediate parity with our Canadian competitors. The U.S. cannot accept an agreement that prolongs the period during which our country's forest products are treated less favorably than those of our Canadian competitors.

Second, the Administration must work with Hemisphere trading partners to accelerate the timetable for conclusion of a Free Trade Area of the Americas (FTAA), and to advance the date when concrete results can be realized. The U.S. catch-up strategy for market access must include the concept of early deliverables in selected sectors—including forest products.

Third, the Administration must revitalize the trade liberalization dimension in our relationship with the countries of the Asia Pacific region, and especially the initiative to achieve zero tariffs in selected sectors known as Early Voluntary Sectoral Liberalization (EVSL), or Accelerated Tariff Liberalization (ATL). The U.S. must not allow Japanese obstructionism to block regional trade liberalization. We must make it clear that we will proceed with partners willing to work with us—including New Zealand, Australia, China and Singapore.

Fourth, the U.S. should look opportunistically at the FTA's concluded by our major competitors. We must identify those markets where there is a substantial competitive challenge to the U.S. and move quickly to restore the balance of competitive opportunity. The recent announcement of a possible FTA with Korea is strongly supported by our industry as value-added product exports are currently blocked by high tariffs.

Fifth, we agree that the WTO and multilateral negotiations offer the best, most direct route to achieving barrier-free market access on a global scale. So the U.S. must continue to press for the launch of industrial tariff negotiations, including early sectoral tariff liberalization, without defining a specific relationship to a possible New Round. In doing so, however, we must learn from the experience of the past four years and not allow the advent of a possible Round to exercise a chilling effect on negotiations in other fora.

Sixth, we strongly support new fast track negotiating authority for the President and *urge Congress to enact Trade Promotion Authority (TPA) legislation at the earliest possible time*. Without strong and flexible negotiating authority, U.S. negotiators do not have all the tools—or Congressional imperative—needed to address our industry's tariff disparity problems. The Administration must have the authority to conclude a range of trade negotiations (multilateral, regional and bilateral) in a way that is credible to trading partners.

Finally, Congress needs to ensure the future support for U.S. agricultural exports. The U.S. forest products industry has relied on its partnership with the U.S. Department of Agriculture's Market Access Program (MAP) and Foreign Market Development Cooperator program (FMD) to aggressively market U.S. wood products overseas for over a decade. The industry has united behind a global strategy to level the playing field for U.S. wood products internationally through a combined effort to eliminate market access barriers and promote the benefits of U.S. wood. We are not alone in this effort—many agriculture-based groups use these programs to develop new markets and to maintain and expand existing markets.

The generic, promotion-based activities associated with these programs are, and will continue to be, essential for the U.S. forest products industry to improve its market share overseas, and thus it is essential that Congress adequately authorize funding for these programs. This is particularly important as our major competitor in agricultural exports, the **European Union, is outspending the U.S. by a ratio of at least 10:1 in export promotion programs**. These programs can continue to help counteract market access problems and grow markets for the future. For example, U.S. hardwood product exports have grown from less than $500 million in 1987 to over $2 billion in 2000. This export performance is important to the industry since while exports account for roughly 7%–8% of U.S. hardwood production by volume, that figure is closer to 13% by value. The MAP and FMD programs have been instrumental in bringing many small mills, such as my own, to the export market and have grown the pie for the industry as a whole.

Looking toward the 2002 Farm Bill, our industry is supportive of seeing both the MAP and FMD programs re-authorized, *at least* at current levels—MAP—$90 million/year; FMD—at least $35 million/year. There have also been a number of discussions about increasing the budgets for these programs from the levels at which they are currently authorized, accounting for inflation and increased costs of conducting programs overseas. We support this increase.

Over the decade of the nineties, companies like Webster Industries and others in the U.S. forest products sector have made the difficult decisions necessary to ensure we can compete in the global marketplace. However, unless the U.S. can move quickly to allow us the same unfettered access to export markets that our competitors enjoy here, we as a nation will squander our remarkable competitive advantage and jeopardize our economic prosperity. We owe it to our workers and to our communities to make sure that does not happen.

Statement of the Boston Scientific Corporation, Natick, Minnesota

Introduction

Boston Scientific is a global leader in less invasive medicine. With 14,000 employees worldwide, 15 technology centers and direct marketing and sales operations in 40 countries, Boston Scientific has product offerings that span multiple clinical specialties:

- Electrophysiology
- Endoscopy
- Endourology
- Interventional Cardiology
- Interventional Neuroradiology
- Interventional Radiology
- Oncology
- Vascular Surgery

As a global competitor in healthcare markets, Boston Scientific Corporation (BSC) strongly supports basic principles of free trade in medical devices. Tariff and non-tariff barriers to medical device imports increase the cost of products that save lives. Many countries in the world are facing fiscal pressures in their health care industries. BSC believes that a reduction in barriers to trade—with the corresponding effects of increasing efficiencies, reducing costs, and increasing quality of care—is a key component of reducing overall health care costs.

BSC is greatly appreciative of the ongoing efforts of the House Ways and Means Subcommittee on Trade to support free trade principles, and to identify and rectify barriers to free trade.

BSC is therefore concerned to find that in an era of economic growth and deregulation, some countries are effectively increasing barriers to trade. These barriers may take the form of tariffs, but in the modern trade context, many of these barriers are of the non-tariff variety. BSC increasingly finds that regulatory mechanisms of government are used in a manner that creates unnecessary obstacles to trade.

Trade Concerns in Japan

BSC would like to take this opportunity to draw the Subcommittee's attention to Japan as an example of a country in which we have traditionally had significant market access problems, and where a new regulatory initiative in the healthcare system may undermine the progress that has been made by our trade negotiators in recent years.

As is the case with other countries, Japan is faced with managing the growth of their public budget for health care, a sluggish economy, an aging population, and coping with increased calls for restructuring a relatively inefficient care delivery system. The Japanese government has identified pharmaceutical and medical device components of the national health budget as significant budget growth areas that must be managed more aggressively. However, unlike the pharmaceutical industry, the medical device sector in Japan does not have a strong base of political support, making it a target for cost-cutting measures out of proportion to its share of total Japanese health care expenditures. We are especially concerned that any new regulatory pricing scheme will fail to properly distinguish between the pharmaceutical and medical device markets. The medical device market differs significantly from the pharmaceutical market, making reference pricing concepts, used occasionally for pricing pharmaceuticals, especially problematic. For instance, unlike pharmaceuticals, medical devices do not enjoy long-term patent protection, have a short product cycle marked by rapid obsolescence, and frequently target a niche market.

The United States and Japan have been discussing market access for medical equipment at a significant negotiation level since 1986, through the Market-Oriented, Sector-Selective (MOSS) Discussions. More recently, the United States and Japan have engaged in discussions on similar issues through the Enhanced Initiative on Deregulation and Competition Policy (Enhanced Initiative). While these talks have been productive in some aspects, market access in Japan remains replete with obstacles. For that reason, the U.S. industry in 1999 threatened to file for action under "Section 301" to seek a reduction of these barriers. The industry withdrew its request for the investigation when the United States and Japan reached an agreement that called for Japan to make significant changes to its approval, coverage, and payment policies for medical devices.

Regulatory Barriers for Medical Devices in Japan

Regulatory reviews: First, regulatory review and approval of medical devices in Japan remains a thorny issue, and we urge the U.S. government to continue to press Japan for improvement. While these negotiations have produced some tangible benefits, including steps to reduce redundant medical device reviews, BSC is concerned that some of these changes have not gone far enough, and others may create new problems as well. It still takes over two years for breakthrough technology (C–2) products to be eligible for reimbursement in Japan. Moreover, under the new policy, some devices that have been approved under one category subject to a four-month review may now be subject to a one-year review period.

Second, room for improvement also exists in the product safety review and classification system. Japan should clarify definitions and criteria, offer an improved "presubmission consultations" process and a submissions "checklist," use harmonized international standards, and conduct regular "real time" reviews with applicants, as set forth under the 1999 agreement.

Transparency: Third, transparency has proven to be another source of concern, particularly in the area of reimbursement. Japan has already promised to reduce the excessive time it takes to cover and reimburse new technologies. Under this agreement, Japan should adopt appropriate policies for "next generation" and brand-new-to-Japan products. For "next generation" products, Japan should articulate the criteria and process for establishing new product reimbursement categories and establish a "final" price by the next biannual price revision. For "brand-new-to-Japan" products, Japan should establish a process and timeframe for granting provisional coverage, reimbursement, and access to new medical technology, and final prices should be set in a reasonable timeframe.

Proposed Pricing Changes: Last, and of immediate concern, a potential change in the government's pricing of medical devices has become a major issue in Japan's efforts to manage health care costs. The Japanese government has identified as a key issue price differences for the same or similar products between Japanese and non-Japanese markets. The government believes that higher prices in Japan for medical devices are an important driver of overall budgetary growth. Four medical device areas have been singled out for pricing readjustment: PTA and PTCA balloon catheters; thermodilution catheters; implantable cardiac rhythm management devices; and orthopedic implants. There is increasing evidence that the Japanese government may propose to price devices sold in Japan at levels derived from prices of those devices in other countries, without regard for the economics of significant underlying differences in the healthcare sectors that lead to legitimate price differentials across countries.

BSC considers Japan's proposal to adopt "foreign reference pricing" to be a step backward. The exact methodology to be adopted is uncertain, but BSC expects that the final system will disadvantage these and potentially other product classes. Many Japanese devices are not sold in other markets, so that "foreign reference pricing" may ultimately discriminate against imports. The proposal may indeed violate the "national treatment" principle, a cornerstone of the General Agreement on Tariffs and Trade that seeks to prevent countries from discriminating against foreign products in favor of the like domestic product.

BSC also believes that the Japanese proposal should be evaluated in light of the World Trade Organization's Agreement on Technical Barriers to Trade (TBT Agreement), which establishes the procedures that must be followed when regulatory decisions affecting goods such as medical devices are adopted. For example, the TBT Agreement requires that technical regulations not be "more trade-restrictive than necessary to fulfill a legitimate objective" and urges members to use relevant international standards where they exist, as well as to give positive consideration to accepting as equivalent technical regulations of other WTO members.

Recent information suggests that final recommendations on pricing methods will be made during the July to August 2001 timeframe, with a formal announcement by October 2001. Final implementation is expected in 2002. BSC urges the U.S. government to weigh in to ensure that any pricing regime that is adopted does not discriminate against imports.

One of the main achievements of the MOSS trade agreement was the Japanese government's commitment to consult with the U.S. government and the U.S. industry whenever changes to the regulatory environment were set to have a substantial impact on U.S. industry. While Japan has generally honored this commitment, its recent policy to cut prices using arbitrary means, such as reducing the number of product reimbursement categories, and by slowing approval and reimbursement of innovative U.S.-made devices, is not consistent with its consultative commitment.

Historically, Japan has made promises during trade negotiations that have not always been implemented. Aside from petitioning for a Section 301 investigation when Japan obstructs market access for American products, the only way to ensure that Japan abides by the letter and spirit of its commitments is for the U.S. government to continue to press the government to implement its obligations.

Recommendation

BSC urges the Members of this Subcommittee, as well as key officials in the Administration, to impress upon Japan the full measure of our commitment to see to it that market access is improved in real terms in the medical device sector. This issue is an appropriate subject for discussion in all available trade fora, including the APEC Senior Officials' meeting at the end of this month, the APEC trade ministers' meeting next month, and the G–8 Summit. Further, if the Quad countries get together to discuss the next WTO round, this topic should be raised again.

In short, we must make it clear to Japan that a mere nod to deregulation and transparency is insufficient: Positive changes to create genuinely open and competitive markets must be implemented.

BSC thanks the Subcommittee again for the opportunity to present its views on trade and medical technology. We would be happy to follow-up with Subcommittee Members and staff if any further information is required: please contact Randel Richner, VP Reimbursement and Outcomes Planning, 508–647–2611

Statement of Gene Hugoson, Minnesota Department of Agriculture, Saint Paul, Minnesota

Minnesota farmers are among the world's best when it comes to producing corn, soybeans and other commodities. Our fertile soil and favorable growing conditions help us produce crops that are the envy of farmers around the world. However, Minnesota's 5 million people consume far less than our farmers grow. As a result, much of our farm production must be sold to consumers in other states and countries.

International exports are especially important for us. Each year, Minnesota farmers export a third of their corn crop, half of their soybean crop, and a third of their wheat crop. According to the U.S. Department of Agriculture, Minnesota is the seventh biggest agricultural exporter and the ninth most export-dependent among all 50 states.

The USDA also reports that Minnesota farm exports support more than 44,000 jobs both on the farm and off the farm in processing, storage and transportation businesses. Measured as a function of exports divided by total farm cash receipts, Minnesota's reliance on exports rose from 24 percent to 32 percent since 1991.

The picture is much the same for the country as a whole. Nationwide, agriculture is more than twice as export-dependent as the rest of the economy. A quick look at the numbers tells the story: U.S. farmers produce 41 percent of the world's corn, 47 percent of the world's soybeans and 12 percent of the world's wheat, but we have only 4 percent of the world's population. As tough as the current economic climate is for farmers, it would be a whole lot tougher if we couldn't export.

On a more personal level, agricultural exports play a major role in determining the price each farmer gets for his or her crops. In 1995, U.S. farmers exported $54.7 billion in farm goods. In 1996, they exported $59.9 billion. During this time of strong international trade, Minnesota corn prices rose to $3.95 per bushel and Minnesota soybean prices soared to a peak of $8.23 per bushel.

However, the picture changed dramatically when the Asian economic crisis hit in the summer of 1997. As the financial meltdown caused foreign countries to cut back on their import of American farm products, U.S. grain stockpiles rose and prices dropped. In 1998, U.S. farm exports dropped to $53.7 billion and by 1999, exports had sagged to just $49 billion. In that same time, Minnesota corn prices dropped below $2 per bushel. By August 2000, Minnesota corn prices had sunk to $1.40 per bushel—just 35 percent of what the price had been four years earlier.

Some critics dismiss the positive impact of free trade on agriculture, saying only large agribusinesses such as Cargill ever see the benefits. However, there are many examples of small to medium sized farm families and businesses that have directly benefited from expanding foreign trade opportunities.

One excellent example is Kaehler's Homedale Farms, owned and operated by Ralph and Frank Kaehler of St. Charles, Minnesota. These two brothers, along with 19 other independent cattle breeders, recently exported 150 head of beef breeding stock to the Yunnan Province of China. Kaehler says he and his partners fared very well in the deal. In addition to selling stock at a very good price, the Chinese deal helped the Minnesota and North Dakota ranchers by attracting international attention to their high-quality breeding stock.

There are other examples of Minnesota producers who have benefited from international trade. In November 1999, Ellison Meat Company of Pipestone signed a major export agreement with Nichimen Corporation, a large, diversified company that distributes pork to restaurants and retailers throughout Japan. The agreement calls for exporting nearly 100 metric tons per month of premium pork center loins and other processed pork products to Japan.

Ellison is owned by a group of nearly 80 southwest Minnesota family farm pork producers. The farmers are part of the unique Pipestone System, in which farmers jointly own and operate breeding and farrowing facilities, but raise the hogs to market weight at their own family farms.

Bob Newgord of Sleepy Eye, Minnesota, owns and operates Tri-State Seed & Ag, Inc., which primarily trades waxy corn seeds. Two years ago Chinese contacts asked him to supply seeds to Changchun, a major city in Northeast China. The city apparently had built a large specialty corn processing plant, and the Chinese wanted to supply the seed to nearby farmers so they could grow the waxy corn needed to supply the plant.

Last year, Newgord supplied Changchun with a few bags to try out. Subsequently, he sold them 4 metric tons of seed and the Chinese have expressed interest in purchasing up to 40 metric tons of seed.

To help generate more of these sorts of success stories, states and the federal government must work together. Here in Minnesota, one of Governor Jesse Ventura's top priorities is to help boost the competitive ability of our farmers by reducing their regulatory and tax burdens. We are also working hard to introduce Minnesota producers and agribusinesses to potential foreign customers, but we cannot do it alone.

We need the federal government to help us by opening new markets and leveling the playing field in existing markets. With that in mind, the new Bush Administration deserves credit for placing emphasis on developing trade ties between America and other countries. Specifically, the administration should be supported in its pursuit of Trade Promotion Authority (formerly known as "Fast-Track"), which will help us expedite new trade deals with foreign customers. I encourage Congress to take action to give President Bush this authority.

I also encourage Congress to support the Bush Administration's attempts to level the playing field between America and our top trading partners during future rounds of World Trade Organization negotiations. Right now, there is a sharp disparity in the level of our partners' trade distorting domestic support. While the U.S. currently has $19 billion in trade-distorting supports as defined by the World Trade Organization, Japan has $35 billion and the European Union has $68 billion. Those higher levels of domestic support in Japan and Europe mean that our farmers have a strike against them before they even step up to the plate. These disparities must be reduced to allow our farm exporters to enjoy the type of access America gives other nations' exporters.

There is no doubt that we live in an increasingly global economy, whether we like it or not. Given that our farmers produce much more than our citizens can consume, it is absolutely essential that Congress and the federal government do everything possible to ensure that our farmers have full and fair access to the world's markets.

After all, 96 percent of our potential customers are outside America's borders. We cannot afford to ignore them.

Statement of Karl Johnson, Minnesota Pork Producers Association, North Mankato, Minnesota

Mr. Chairman and members of the Subcommittee: I am Karl Johnson, a pork producer from Mankato, Minnesota. I am the past President of the Minnesota Pork Producers Association and the National Pork Producers Council. I have also been active for a number of years at the local, state and national level with the pork producer's organization. I very much appreciate the opportunity to appear here on behalf of U.S. pork producers to express our views on the importance of continued trade liberalization.

I. INTRODUCTION

The National Pork Producers Council is a national association representing 44 affiliated states that annually generate approximately $11 billion in farm gate sales. According to a recent Iowa State study conducted by Otto and Lawrence, the U.S. pork industry supports an estimated 600,000 domestic jobs and generates more than $64 billion annually in total economic activity. With 10,988,850 litters being fed out annually, U.S. pork producers consume 1.065 billion bushels of corn valued at $2.558 billion. Feed supplements and additives represent another $2.522 billion of purchased inputs from U.S. suppliers which help support U.S. soybean prices, the U.S. soybean processing industry, local elevators and transportation services based in rural areas.

Minnesota has an 11.5% national market share of pork production at the farm level. Approximately 60% of Minnesota farm level production is processed within the state with the remainder almost exclusively going to Iowa and South Dakota.

Minnesota pork produces are also directly impacted in a positive way by increased trade. For example, scores of small and medium size producers within the state are involved in Berkshire programs with almost 100% of their production exported directly to Japan. Our two in state packers also export around the world. 80% of the pork produced in Minnesota must leave the state to be consumed. Obviously much of it is consumed within the U.S., but exports out of the U.S. are more and more important.

Pork is the world's meat of choice. Pork represents 47 percent of daily meat protein intake in the world. (Beef and poultry each represent less than 30 percent of daily global meat protein intake.) As the world moves from grain based diets to meat based diets, U.S. exports of safe, high-quality and affordable pork will increase because economic and environmental factors dictate that pork be produced largely in grain surplus areas and, for the most part, imported in grain deficit areas. However, the extent of the increase in global pork trade—and the lower consumer prices in importing nations and the higher quality products associated with such trade—will depend substantially on continued agricultural trade liberalization.

U.S. pork producers were ardent proponents of the Uruguay Round Agreement and the North American Free Trade Agreement. The industry strongly supports further trade liberalization measures. As the low-cost producers of safe, high-quality pork, these trade agreements permit U.S. pork producers to exploit their comparative advantage in international markets. However, even with the progress made in the Uruguay Round, much more needs to be done. The U.S. pork industry still is either locked out of many markets, or has only partial access to markets, due to high tariffs, non-tariff trade barriers, and subsidized competition.

II. TRADE PROMOTION AUTHORITY SHOULD BE RENEWED

U.S. pork producers are major beneficiaries of the Uruguay Round Agreement and NAFTA. Our industry needs prompt renewal of trade promotion authority so that further trade agreements may be consummated. These trade agreements permit U.S. pork producers to exploit their comparative advantage in international markets. The future of the pork industry rests, in large part, on the ability to expand exports.

Since 1995, when the Uruguay Round Agreement went into effect, U.S. pork exports to the world have increased 100 percent in volume terms and 108 percent in value terms. In 2000 the U.S. exported a record 568,203 metric tons of pork valued at $1.31 billion. Pork exports from the U.S. to Mexico exploded in 1994 when NAFTA went into effect. Even with the devaluation of the peso U.S. pork increased market share in Mexico—this never would have happened without NAFTA. Mexico is now the pork industry's second most important market behind Japan.

Pork exports generate wealth and create good paying jobs that contribute significantly to the economic well being of rural America. According to a study by CF Industries, exports were so important to the industry in 1997 (when cash hog prices were close to current prevailing levels) that cessation of exports (due for example to an embargo or animal disease outbreak) would have caused cash hog prices to plummet by $15.73 per head. Research conducted by the Economic Research Service of the United States Department of Agriculture (ERS) indicates that for each dollar of value-added agricultural exports such as pork, $1.63 in additional U.S. economic activity is generated. Moreover, ERS calculates that every billion dollars in pork exports creates an additional 23,000 new jobs in the U.S. economy.

During the past decade the number of hogs processed in the United States increased from 85 million to 101 million while the pork derived from these hogs increased from 15.4 billion pounds to 19 billion pounds. While not all of this increase is attributable to exports, much of it is. As a consequence of this increased production, more people are employed in the supply and processing industries. This means that packers and processors will operate at higher levels of capacity and/or build new facilities. More U.S. inputs, such as corn and soybeans, and more U.S.-made machinery will be utilized. More packaging supplies are used and more shipping services are consumed. Exports contribute to the well being of rural America through such growth. Given that 96 percent of the world's population resides outside the United States, it is exports that will drive the future growth and viability of the industry. In the short term, the benefit will be higher prices. In the long run it will be a larger and growing, vibrant industry.

Indeed, the Cross-Commodity Analysis conducted by the Foreign Agricultural Service of the United States Department of Agriculture (FAS) underscores the important contribution of pork exports to the U.S. economy. The report states that:

> The shift toward greater exports of high-value foods such as meat instead of feed grain has major beneficial implications for the U.S. rural economy. First, expanding exports of red meat and poultry expands domestic demand for feed grain and oilseed meal. Second, the income multiplier effect from high-value exports is greater than from bulk commodity exports (2.88 versus 1.86). This means dollar-for-dollar, high-value exports generate more jobs than exports of bulk commodities.

Further, another study by FAS points out that if the U.S. exported meat instead of the feed grains used to produce meat in foreign markets, U.S. agricultural employment would increase by approximately 50 percent.

The United States is uniquely positioned to reap the benefits of liberalized world pork trade. U.S. pork producers are the lowest cost, large-scale commercial suppliers of the safest, highest quality pork in the world. But without the renewal of trade promotion authority for the Executive branch by Congress, U.S. pork producers and the rest of U.S. agriculture will be forced to remain on the sidelines while other countries continue to negotiate new trade agreements at a staggering pace. According to a report prepared for the Office of the U.S. Trade Representative, about one-third of total world exports are covered by EU free trade and customs agreements, compared to only 11 percent for U.S. free trade agreements. Of the approximately 130 free trade agreements in the world the United States is a party to only two, the NAFTA and the U.S.-Israel FTA.

In order to expedite the WTO agriculture negotiations, U.S. trade officials need trade promotion authority. The longer the U.S. goes without renewing trade promotion authority, the longer the WTO agricultural negotiations will drag on. Trade promotion authority is also needed so that the U.S. can pursue trade liberalization regionally with our Western Hemisphere neighbors in the Free Trade Agreement of the Americas initiative (FTAA) and regionally with the countries of the Asia Pacific Economic Cooperation forum (APEC). Finally, trade promotion authority is needed so that the U.S. can pursue bilateral free trade agreements with countries such as Chile and Singapore.

The U.S. pork industry is disadvantaged by the failure of the United States to keep up with the pace of trade agreements in the world. The rapidly expanding Brazilian pork industry—a key competitor to the U.S. industry—now has preferential access into many markets to the detriment of U.S. producers. For example, the U.S. pork industry recently obtained access to the Argentine pork market. We are disadvantaged selling into Argentina because of the preferential access that Brazilian pork exports receive by virtue of the MERCOSUR customs Union. Specifically, the U.S. faces a 34.5% duty on pork exported to Argentina while Brazil enjoys duty free access on its pork exported to Argentina. The U.S. pork industry currently is trying to obtain access to the Chilean pork market, another market in which Brazil has preferential access. Canada, which probably is our most significant competitor in pork, has gained preferential access into Chile through a free trade agreement. Mexico, which has some world-class pork operations and counts Japan among its pork export markets, has negotiated close to 30 free trade agreements. If left unchecked, Mexico will dominate a number of Western Hemisphere pork import markets to the detriment of the U.S. pork industry. The export-competitive Chilean pork industry, which like Mexico counts Japan as one of its export markets, has preferential access into many Western Hemisphere pork markets to the detriment of the U.S. pork industry. While the United States sits idly by, Mexico, Chile, and Canada have wrestled away from the United States the mantle of the Western Hemisphere's trade leader.

In Europe, the European Union continues to cut trade deals with the countries of Central and Eastern Europe (CEE). In these so-called double zero agreements, the EU and the CEE country typically agree to offer duty free quotas for a specific quantity of a given agricultural product, such as pork, while anything above the quota is subject to duty. Further the EU and the CEE country agree not to use any export subsidies for the given agricultural product. For example, in July 2000, Hungary and the EU signed a double-zero agreement. The agreement calls for reduced tariffs and an end to export subsidies for 72 percent of Hungary's exports of unprocessed agricultural products to the EU and 54 percent of the EU's agricultural exports to Hungary. The agreement established three lists of goods. For the first list, accounting for a third of Hungary's agricultural exports to the EU, all tariffs were abolished. For the second list, tariffs were abolished for exports up to a given quota, provided exports above the quota are not subsidized. This second list includes pork. The duty-free quotas on pork are to increase by 10 percent per year.

The U.S. pork industry is disadvantaged in two ways by these double zero agreements. First, the EU gets better market access in CEE countries for its pork exports. Second, the EU is able to conserve its pork export subsidies for other markets outside Europe where we have to compete with them. Even with a small CEE country such as Estonia, the EU expects to 'save' around 3,500 metric tons in pork export subsidies. Total EU shipments of pork to CEE countries are about 220,000 metric tons, an amount equal to about 40 percent of total U.S. pork exports.

The EU, Mexico, Chile, and Canada are gaining the benefits of trade for their citizens while the U.S. engages in a negotiation with itself about the benefits of trade. Our comparative advantage in pork is increasingly being offset by the failure of the U.S. to get into the free trade game.

III. THE U.S. SHOULD PURSUE A ZERO FOR ZERO ON PORK IN THE WTO AGRICULTURE NEGOTIATIONS

NPPC believes that the United States should adopt as a primary negotiating objective in the World Trade Organization agriculture negotiations the total elimination in the shortest possible time frame of all tariffs; all export subsidies and all trade-distorting domestic support for pork and pork products. The U.S. industry is ready to compete in a free and open environment; we believe that pork producers in a number of other countries are willing to do the same. Indeed, the Canadian pork industry has also asked its government to pursue a zero-for-zero initiative on pork and pork products and there is strong interest in this initiative in a number of other countries. The United States should use its negotiating leverage to push this objective with our more reluctant trading partners in order to ensure that we are afforded the opportunity to take advantage of our natural competitiveness.

NPPC Urges the Following Negotiating Objectives For Agriculture in the WTO

Fundamental liberalization in the pork industry can be most easily achieved in the context of an ambitious overall agreement in agriculture. NPPC supports an aggressive approach to this trade round which goes beyond the consensus Seattle Round Agricultural Coalition (SRAC) policy statement. Among other things, NPPC advocates the following points as general U.S. negotiating objectives for agriculture:

1. Tariff Reductions Must Be Accelerated

Notwithstanding the progress made in the Uruguay Round, tariffs on agricultural products remain very high. U.S. agricultural commodity tariffs, which according to the Economic Research Service of USDA average only about 12 percent, are dwarfed by the agricultural tariffs of other nations, which range on average from 50 to 91 percent. Foreign tariffs on pork, beef, and poultry average about 80 percent according to ERS.

The best way to achieve such comprehensive liberalization is through the use of a tariff cutting formula that is applied to every product without exception. There are an infinite number of formulas that could be devised to cut tariffs, the "best" formula obviously depending on the results desired. NPPC prefers an approach like the Swiss formula used in the Tokyo Round negotiations, which resulted in substantially larger cuts in higher tariffs and had the effect of dramatically reducing the disparities in levels of protection. In addition, countries could engage in request/offer negotiations to achieve deeper-than-formula reductions for specific products. *This segment of the negotiation would provide the opportunity to pursue the zero-for-zero objective in the pork sector.*

2. The Administration of Tariff Rate Quotas Must Be Improved

In most instances, creating a TRQ satisfied the minimum access commitment for tariffied agricultural products in the Uruguay Round.

Unfortunately, in some cases, the administration of TRQ's has been used as an instrument to thwart imports. In the upcoming trade negotiations, rules on TRQ administration must be clearly delineated. In addition, ceilings must be established for over-quota duty levels.

3. Export Subsidies Should Be Eliminated

Data compiled by USDA shows that during GATT year 1998/1999, the EU subsidized more than 750,000 metric tons of pork exports, a subsidized tonnage that exceeds our entire amount of exports. NPPC supports the complete elimination of all export subsidies and the complete elimination of all trade distorting domestic support.

4. Trade-Distorting Domestic Support Should Be Further Disciplined

The pork industry recognizes the complexities of agricultural politics and acknowledges that farm programs often are designed to meet social as well as economic objectives. Nonetheless, it is essential for the next trade round to accomplish much stricter disciplines on trade-distorting domestic support programs than was possible in the Uruguay Round. The 20 percent reduction in the Aggregate Measure of Support (AMS) achieved in the Uruguay Round did not go far enough. We need to see further significant reductions. Moreover, those reductions should be applied on a commodity-by-commodity basis, rather than a sector-wide basis, as was the case under the Uruguay Round agreement. For pork, all trade-distorting supports should be eliminated, and all tariffs and export subsidies abolished as part of the zero-for-zero initiative.

The U.S. advocated commodity-specific domestic support reduction commitments until the final stages of the Uruguay Round negotiations. The sector-wide approach was the result of a Blair House compromise with the EU. As a consequence of this change, countries such as the EU and Japan, both of whom have AMS limits over three times that of the U.S., have had significant flexibility to shift support between commodities and avoid painful reductions.

Of course, commodity-by-commodity commitments could also lead to changes in U.S. domestic programs. However, the potential gains in the world market from achieving disciplines on EU and Japanese policies justify the acceptance of more discipline on U.S. policy making. We have acknowledged this to be the case with respect to export subsidies and import barriers, and it is just as true for domestic subsidies. Without stronger disciplines and greater reduction commitments, our major trading partners will continue to be permitted to subsidize their producers at a significantly higher rate than the U.S.

5. The Peace Clause Should Not Be Extended

One of the most promising sources of meaningful leverage for the United States is Article 13 of the Uruguay Round Agreement on Agriculture—the so-called Peace Clause. Article 13, which was included in the Agreement at the insistence of the European Union, suspends until January 1, 2004, the application to agricultural products of certain WTO disciplines, the most significant of which are Articles 3, 5 and 6 of the Agreement on Subsidies and Countervailing Measures. With the expiration of Article 13, the EU would immediately be in breech of its obligations under Article 3 of the Subsidies Agreement, which prohibits export subsidies (Article 13(c)(ii)). At the same time, the U.S. would be in a position to begin dispute settlement proceedings under Article 6 against any domestic or export subsidies that are causing serious prejudice to U.S. exports in third-country markets (Article 13(b)(ii)). Obviously, these are powerful disciplines.

The Peace Clause expires automatically. The only way to extend it would be to negotiate a new agreement that includes similar protections. The EU, in particular, will have a strong incentive to achieve such an agreement and will presumably be ready to pay a high price for it. It should be much easier to achieve an agreement within three years that includes a phased elimination of export subsidies and meaningful disciplines on trade-distorting domestic subsidies if the EU is facing, in the absences of such an agreement, the immediate application of even stronger measures.

The United States should do everything possible to take advantage of the leverage offered by the Peace Clause. As a first step, the U.S. should publicly declare its willingness to allow the provision to expire. *More important, the United States should begin preparing dispute settlement cases now against the European Union. The United States should be ready to file these cases against the EU under the Subsidies Agreement on January 1, 2004.*

Of course, U.S. programs could also be challenged if the peace clause expires. However, the U.S. is much less exposed than the EU. AMTA payments, which account for a significant portion of U.S. support, would almost certainly be considered non-product-specific, and therefore non-actionable, under the Subsidies Agreement. Product-specific programs in the U.S. are much less significant than those in the EU, and it is difficult to demonstrate a link between U.S. programs and level of U.S. exports.

More importantly, using peace clause leverage could actually reduce U.S. vulnerability to an eventually challenge. Doing so increases the likelihood of achieving a good agreement on agriculture before the end of 2003. Without such an agreement, the peace clause would inevitably lapse. In the context of such an agreement, the peace clause could be extended.

6. Export Credits Should Be Disciplined in the OECD

Under the Uruguay Round Agreement the United States committed, along with other WTO members, to negotiate disciplines on export credits and credit guarantees in the OECD. Unfortunately, the OECD talks have not yet produced an agreement. Now some countries are talking of developing disciplines in the WTO rather than the OECD.

The OECD has experience in the area of export credits, having administered for many years an agreement on export credits for industrial products. It is the proper place to develop disciplines for credit programs for agricultural products. Despite the fact that the United States is currently the biggest user of such credits, we have a long-run interest in imposing disciplines to guard against future abuses by our trading partners.

7. The S&P Agreement Should Not Be Reopened

The pork industry does not support opening the SPS Agreement for further negotiation in the next trade round. It is working well.

8. The U.S. Must be a Reliable Supplier of Agricultural Products

Trade liberalization is not a one-way street. If we expect food-importing countries to open their markets to U.S. exports and rely more on world markets to provide the food they need, we should at the same time commit to being reliable suppliers. Current WTO rules permit exporting countries to tax exports whenever they choose (GATT Article XI.1), and to prohibit or otherwise restrict exports to relieve domestic shortages (GATT Articles XI.2(a) and XX(i) and (j)). These provisions should be eliminated in conjunction with the phasing out of import barriers. Such a move would not affect the ability of the United States to impose trade sanctions for reasons of national security; that right would be preserved under GATT Article XXI.

IV. THE U.S. PORK INDUSTRY STRONGLY SUPPORTS THE FTAA PROCESS AND BILATERAL INITIATIVES WITH CHILE AND SINGAPORE

Given the strong support of the U.S. and Canadian pork industries for a zero-for-zero approach on pork in the WTO agriculture negotiations and the likelihood that Brazilian producers also will embrace this initiative, the FTAA process should provide fertile ground for the thorough liberalization of the pork sector in the western hemisphere. However, if the Congress does not pass Trade Promotion Authority and the FTAA process languishes, the United States pork industry and other sectors of the U.S. economy will be forced to continue to sit on the sidelines and watch as the Mexicans, the Canadians, the Chileans and others continue to cut trade deals in what once was considered the domain of the United States.

The U.S. pork industry also supports bilateral initiatives with Chile and Singapore. Comments regarding each of these initiatives are attached as appendices to this statement.

SAFE PARK, INC.
WAYZATA, MINNESOTA 55391–0008
May 14, 2001

Honorable Jim Ramstad and
MEMBERS of the WAYS AND MEANS COMMITTEE

I served in the Navy in WW2 and have been a mechanical engineer for 52 years. I am the founder of a Minnesota corporation—SPI. I have a patented design for an AUTOMATIC MECHANICAL PARKING SYSTEM (AMPS). Similar systems are quite common in Asia and Europe. In fact, I recently attended a presentation of five foreign vendors of this class of equipment. The first was from Korea, the second from Italy and the next three were from Germany. And though my design projects superior qualities, we will have our market flooded by these people. I appreciate that we're living in one world, but if we don't get our act together TRADE IS GOING TO BE ONE-WAY.

My stomach churned when I recently received a solicitation from CHINA for the sale of large electric motors, the designs for which were sold to them by the Westinghouse corporation as they exited the business for greater profitability investments. It is this mentality of our financial community to maximize profits without regard for the welfare of our country that is challenging. Two years ago I declined an invitation to come to Beijing to build my first demonstration. I have walked away from several "Venture Capitalists" propositions because of the avarice and arrogance they expressed.

Members of this Committee, please don't tell me where to go—in the bureaucracy. My experience persuades me that their objective, by and large, is to perpetuate their jobs. The Congress regularly includes riders in Bills for tax advantages and grants to corporations. If you can't afford a grant, extend a low-interest loan to SAFE PARK, INC. and watch its value to the community as we address ENERGY CONSERVATION, MASS TRANSPORTATION & POLLUTION amelioration.

With $1 million SPI will demonstrate its value on the property of a non-profit institution and become viable.

Sincerely,

WILLIAM A. STERNAD
President

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