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THE ASIA PACIFIC: TRADE OPPORTUNITIES FOR AGRICULTURE AND FOOD PRODUCERS FROM THE GREAT PLAINS TO THE PACIFIC NORTHWEST

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE, CUSTOMS, AND GLOBAL COMPETITIVENESS

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

APRIL 18, 2012

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

79–852—PDF WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
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WEDNESDAY, APRIL 18, 2012

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 2:05 p.m., in room SD–215, Dirksen Senate Office Building, Hon. Ron Wyden (chairman of the subcommittee) presiding.

Present: Senators Cantwell and Thune.

Also present: Democratic Staff: Jayme White, Staff Director. Republican Staff: Paul Poteet, Senior Tax Policy Advisor.

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON, CHAIRMAN, SUBCOMMITTEE ON INTERNATIONAL TRADE, CUSTOMS, AND GLOBAL COMPETITIVENESS, COMMITTEE ON FINANCE

Senator WYDEN. Good afternoon. This Subcommittee on International Trade, Customs, and Global Competitiveness will come to order.

I want to say to all our guests, we are going to have a bit of a challenge this afternoon because the Senate Budget Committee, on which both Senator Thune and I serve, has begun to meet on the important budget questions, so we are going to be running a little bit of a shuttle this afternoon, trying to make sure we can be in two places at once. I just want to tell our guests right at the outset that we appreciate their patience, and of course being here.

Expanded international trade is a huge opportunity for American farmers and producers who can literally feed the Asia Pacific's growing appetite for high-value food products. To fully tap this growing demand, American producers are going to rely on the Federal Government to establish a level economic playing field in the Asia Pacific region.

Under the leadership of Chairman Baucus and Ranking Member Hatch, this subcommittee's mission is to identify, to understand, and to influence the changes under way in our economy. We do all this so the American trade agenda reflects our current economic interests.

Our goal is to ensure that American workers and businesses can successfully compete in the global marketplace. We need only to look at the economies of the Asia Pacific region to immediately witness rapidly changing economies and the opportunities they hold for increased U.S. exports and job creation.

In emerging markets like Russia and China, incomes are rapidly rising, and the middle class is expanding. I intend for American producers of agriculture to have the opportunity to tap that growing demand that an expanding middle class will have for high-value agriculture and food products. The number of middle-class households in China is expected to almost triple to nearly 350 million people by the next decade.

The importance of China as an export market for agriculture is going to continue to grow. That is why our trade relationship with China continues to confound so many Americans. On one hand, China routinely violates its trade obligations. On the other hand, China represents one of our most important export markets for agriculture and food.

The opportunities are similar in Vietnam, Thailand, and Indonesia, where the number of middle-class households is expected to double by 2020. In the Pacific Northwest, our farms, our factories, and our kitchens can produce more than can be consumed locally.

So the growth of the Asian Pacific economy represents a way to create, and more importantly sustain, good-paying jobs that rely on export sales. These are good-paying jobs associated with growing things, adding value to what we grow, and then shipping finished products to Asian consumers.

When it comes to agriculture and food, our domestic supply chain is fully integrated, which means that boosted agriculture and food exports hold the potential to create thousands of new jobs. But we do face significant tariff and non-tariff barriers to American agriculture and food producers in the Asia Pacific area. These are barriers that undermine our exports and limit job creation.

According to testimony provided by today's private sector panel, American wine faces a 14-percent tariff into China. Some of our competitors are not hit with such an onerous tariff. Pacific Northwest pears, apples, and cherries are burdened by tariffs that range from 10 to 50 percent in the Asia Pacific region. Some prepared organic foods are challenged by tariff rates of up to 30 percent. It is going to require some deft work by American diplomats and trade negotiators to see that these trade barriers are promptly dismantled.

But simply dismantling traditional tariff or protectionist health and safety barriers is not enough to enable American agriculture and food producers to tap growing demand in the region. When Pacific Rim economies share a natural resource like the Pacific Ocean, there must be a set of disciplines in place to ensure that the resource is protected from things such as over-fishing. Enforcement of laws to combat illegal logging among Asia Pacific countries is going to be important if American wood products are to be provided a fair chance to compete.

Sellers and buyers of agriculture and food products must be free to travel among Asia Pacific economies to meet each other and to conduct business. To facilitate online direct sales to consumers with

a taste for high-value wine, for example, the Internet must be open. For perishable exports to be competitive, Customs procedures must be efficient, they must be transparent, they must be nondiscriminatory.

The Asia Pacific Economic Counsel, what is known as APEC, serves as a valuable forum to discuss and debate these issues, and also provide an immediate opportunity to establish binding rules to address these and other issues that exist within the Trans-Pacific Partnership discussions.

The subcommittee looks forward to hearing from our witnesses today about their views about the TPP. Beyond the Trans-Pacific Partnership, for the U.S. to fully realize the economic opportunities in the Asia Pacific, shippers must be provided the freedom to navigate through secure sea lanes.

China's growing naval fleet is viewed by some as a potential threat to vital shipping concerns. Senate ratification of the Law of the Sea treaty would give the United States international legitimacy in its efforts to keep the sea lanes of the South China Sea open.

Russia's pending membership to the World Trade Organization also provides opportunities in the Pacific. It is going to provide challenges as well, complicating our producers' efforts to expand exports in the Asia Pacific, due to the vast contrasts in the region. There are emerging markets to be sure, but there are also countries that are still less developed, while there are advanced economies almost side by side.

Each of these situations presents a unique challenge to our exporters. For American producers to navigate these markets, they need the help of foreign embassies and resources and talent found at our Departments of Agriculture, State, and Commerce.

There are enormous opportunities that can be seized by the economic growth that is expected in the Asia Pacific region, and there are substantial challenges that will take American leadership to tackle. This subcommittee is going to play a role in some of these key issues. We offer to fully support our farmers and our producers, and we intend to work closely with the Obama administration.

Today's hearing will focus primarily on the efforts we can expect from the administration about the trade-specific barriers in the Asia Pacific and the means by which the administration seeks to dismantle them. We have two excellent panels of witnesses. We look forward to their testimony.

Somehow my long-time friend and the ranking member Senator Thune has managed to be in two places at once, because I already announced that you were, like myself, going to be in the Budget Committee off and on this afternoon. I thank my colleague and just welcome any comments that you would like to make, Senator Thune.

OPENING STATEMENT OF HON. JOHN THUNE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator THUNE. Thank you, Mr. Chairman. I want to start by thanking you for holding this hearing and all the witnesses we have here today for taking the time to testify. Our hearing today

is an opportunity to highlight the American success story, that is, our Nation's growing agricultural exports and the jobs that they support here at home. The nations of the Asia Pacific region are vital to this success story and will become even more important in the coming years.

I want to consider just a few statistics. Last year, American agricultural exports reached a record level of nearly $138 billion, with demand in Asia a key component of this success. China is today the largest export market for U.S. agriculture, with agricultural exports to China totaling nearly $20 billion and supporting 160,000 American jobs. Our agricultural exports to China have grown more than 10-fold over the past decade, increasing from $1.9 billion in 2001 to $19.9 billion in 2011. In 2010, the U.S. enjoyed a trade surplus in agriculture with China of over $14 billion.

However, the success story for U.S. agriculture in Asia is not just about China. America's exports of agricultural products to South Korea more than doubled in the past 10 years, reaching sales of $6.7 billion in 2011. The nations of Southeast Asia, such as Malaysia, Indonesia, and Vietnam have more than tripled their imports of U.S. agricultural products over the last 10 years. In 2011, these nations consumed $9.6 billion worth of American agricultural exports.

In South Dakota, we understand the importance of opening new markets to our home-grown products. South Dakota's agricultural exports were $2.4 billion in 2010, supporting roughly 20,000 jobs both on and off the farm. These export sales are a very meaningful part of South Dakota's farm economy, which had total cash receipts of $7.7 billion in 2010.

Later today we are going to hear from Paul Casper, president of the South Dakota Soybean Association. Soybeans and corn in particular have been drivers of South Dakota's export economy, and Asian nations such as China have been at the forefront of this growth. In 2011, over $12 billion of high-quality U.S. soybeans were shipped to China. This represented roughly 50 percent of U.S. soybean exports and 25 percent of the entire U.S. soybean harvest. Driven in large part by Chinese demands, South Dakota's exports of soybeans have grown rapidly from $340 million in 2006 to over $1 billion in 2010.

While China was the largest purchaser of U.S. soybeans, another Asian economy, Japan, was the third-largest purchaser, with imports of $1.2 billion last year. Japan remains the world's single-largest importer of feed grains and the number-one importer of U.S. corn.

Yet while U.S. agricultural trade with Asia has been a success story, we know that challenges remain. Our beef exporters, for example, still face unjustified sanitary and phytosanitary (SPS) barriers in nations such as China, Taiwan, and Japan.

While China is the top export market for U.S. soybeans, their regulatory approval process for commodities containing biotechnology traits has been slow and cumbersome, leaving room for substantial improvements. Additionally, America's poultry exports to China continue to be stymied by high tariffs imposed in 2010. Given the growing middle class in Asian nations such as China, Thailand, and Vietnam, a successful conclusion to the Trans-Pacific

Partnership agreement is incredibly important to the future of America's agricultural exports.

Yet I find it troubling that the administration has not yet requested an extension of Trade Promotion Authority, which expired in 2007. Trade Promotion Authority is essential to not only bring the TPP negotiation to a successful conclusion, but also to initiate new free trade negotiations.

While I commend the administration for its work on the TPP agreement, it is disappointing that, more than 3 years into the Obama administration, TPP is the only new trade agreement being pursued by the administration. It is unfortunate that this President has not yet seen fit to ask for the trade authority granted to Presidents of both parties since 1974.

Clearly, America cannot continue to lead the world in high-quality agricultural exports unless we continue to open new markets in Asia, a region that includes more of the world's fast-growing economies and that accounts for more than 40 percent of global trade.

I look forward to continuing to work with the administration on a successful conclusion to the Trans-Pacific Partnership, and I am hopeful that this administration will become more aggressive when it comes to opening up new markets to American exports, not just in Asia but around the globe.

I look forward to working with you, Mr. Chairman, and the members of this committee as we pursue additional market opportunities for American exporters and what that can do in terms of creating jobs here in the United States. So, thank you again for holding the hearing. Again, I want to thank our witnesses for being here today, and I look forward to hearing your testimonies.

Senator WYDEN. Thank you, Senator Thune. I think you make an important point about the need to always be on the offense in terms of trade and finding new opportunities. I think we both very much enjoyed the fact, I think because both the chairman, Senator Hatch, and others were tied up in some of the Super Committee negotiations, that you and I ended up spending a fair amount of time managing the floor when it came to those three trade agreements. They are going to make a big, big difference.

[The prepared statement of Senator Thune appears in the appendix.]

Senator THUNE. They are.

Senator WYDEN. It is a pleasure to work with you on those and the trade agenda.

Senator THUNE. Same here.

Senator WYDEN. We have three very valuable witnesses here this afternoon. We are going to start by hearing from the Honorable Robert Hormats, who is Under Secretary for Economic Growth, Energy, and the Environment at the U.S. Department of State. He is going to give us a broad view about the importance of U.S. engagement in the Asia Pacific region. Bob Hormats is Secretary Clinton's go-to person on global economics, and I can say for the record he is somebody that I go to often for his counsel and ideas with respect to global economics as well, and we are glad to have you here today, Mr. Hormats.

Then we are going to hear from Ambassador Siddiqui. He is the Chief Agriculture Negotiator for the Office of the U.S. Trade Representative. It is good to have you again, Mr. Ambassador, as you can anticipate folks at home in Oregon continue to ask questions about organics. We went through a number of those issues at your confirmation, and we know you are following up and look forward to hearing your testimony this afternoon.

Finally, we are going to have Ms. Darci Vetter. Ms. Vetter is Deputy Under Secretary for Farm and Foreign Agricultural Services at the U.S. Department of Agriculture. Prior to her service at the Department of Agriculture, we simply want to take note of the fact that she is an alum and has roots here in the Senate Finance Committee, doing very good work for Chairman Baucus on trade and agricultural kinds of questions. Ms. Vetter, we are glad to have you here today.

So we will make the remarks of all three of you a part of the hearing record. Why don't you just take as much time as you would like to outline your priorities, then I know we will have some questions. So, let us begin with you, Secretary Hormats.

STATEMENT OF HON. ROBERT HORMATS, UNDER SECRETARY FOR ECONOMIC GROWTH, ENERGY, AND THE ENVIRONMENT, DEPARTMENT OF STATE, WASHINGTON, DC

Secretary HORMATS. Thank you very much, Mr. Chairman and Ranking Member Thune. It is a real pleasure to be here today. It is also a pleasure to be here with my colleagues from two of the agencies that are very actively involved in this. Isi Siddiqui is a very good friend, as is Darci Vetter, and both of them have done a lot of very good work on all the issues we have mentioned.

I will try to confine myself to some of the issues the State Department is most directly involved in, and I know that both Darci and Isi will be providing some more details in some of these areas as well.

I am also very pleased to be on a panel that precedes the impressive private sector panel that you have here, because the private sector is really the key to the generation of exports and job creation which are so important in the agricultural sector and other sectors of our economy. So, bringing them in and giving them an important opportunity to express their views is highly important.

One of the things that makes the State Department's contribution to our goals of advancing agricultural exports particularly unique is our team of ambassadors and nearly 1,000 economic officers located in almost every country in the world. Through this presence, we work directly with host government officials to improve our bilateral and economic relations.

This is particularly important for the U.S. agricultural sector in the Asia Pacific region, where there is an enormous amount of economic growth and where there is a new generation of consumers coming of age which is dramatically increasing in size and in spending power and is ratcheting up the kind of goods they purchase.

We were talking just before in the anteroom about increasing sales of American organic products in East Asia. This is just a sign that these countries are looking for high-quality goods, and goods

and products produced in the Northwest are certainly very important in the improving of diets, both in terms of the quality and the nutrition of the foods, and the variety of the foods they want.

So it is a very important area for expansion of opportunity, and our embassies are very aware of that. I was just in Vietnam and Thailand and talked about a number of these issues with their embassy people, who are very strongly committed to boosting exports, and they are quite aware that agricultural exports are a key part of that, for two reasons.

One is, because they produce a lot of jobs and employment directly. And also, the indirect benefits are quite substantial in the areas that service agricultural exports: shipping and all the processing that goes on as well. So they see this and understand that this is an opportunity. Secretary Clinton and I constantly remind them of this priority, although they are very much aware of it themselves.

I will focus in particular on APEC and some of the things that we are doing in other areas that relate to agriculture. With respect to APEC, which the State Department is playing the leadership role in putting together—we were the hosts last time in Honolulu; the next time the Russians will be hosting it in the Russian Far East—seven of America's top 15 trading partners are APEC members, and several APEC members have key emerging agricultural markets: Indonesia, Malaysia, Vietnam, and a number of others. China is one you mentioned, and I will spend a particular amount of time on that since it does present unique and substantial problems, as you have indicated, Mr. Chairman.

The State Department led a government effort during APEC 2011. We sought to strengthen global economic integration by advancing common trade and investment practices in the region. We have had some success, although we still have challenges.

For example, after the high-level engagement with State Department officials last year, the Indonesian government—Indonesia is a very important economy in the region, large, growing, and prospering—established a science-based regulatory system and embraced the potential of agricultural biotechnology, which is progress considering that there are a number of countries that are not very far along in advancing biotechnology.

There are currently multiple crops undergoing field trials in Indonesia, with the first expected commercialization being later this year. Also, we are working with other government agencies to help Vietnam establish a biotech regulatory framework by building the capacity of Vietnamese officials to administer a science-based, rules-based system.

As I say, I was in Hanoi discussing this issue. It is a very important one for our agricultural exporters, that they use science as a basis for their decisions as opposed to responding to political pressures or charges that bear no scientific evidence at all, which is all too common in the area of biotech and agriculture.

Just last week, the State Department, in cooperation with the USDA and EPA, hosted a group of Vietnamese scientists who were preparing to issue the first environmental risk assessment for genetically engineered crops in their country's history. We hope to see the first Vietnamese crops approved for commercialization in 2012–

2013. The goal will be to facilitate market access for U.S. agricultural products, and that can help our exporters, and it improves the diet of the Vietnamese.

One of the things that you mentioned, Mr. Chairman—and I am really glad to see that you placed such emphasis on it—is the question of Russia. Russia hosts APEC this year and is expected to become a member of the WTO this summer. This could provide an enormous opportunity for American agricultural products.

But, as you have indicated, to seize on that opportunity, American farmers need the help of Congress, specifically to enact the necessary legislation to terminate the application of Jackson-Vanik with respect to Russia. If not, U.S. exporters will not get the full benefits of Russia's WTO membership, but our competitors will. Unlike other WTO members, the United States will not be able to turn to the WTO dispute settlement procedures to ensure compliance with trade rules.

One particular example is very relevant to this hearing. When Russia becomes a WTO member, it will be required to comply with the WTO's agreement on the application of sanitary and phytosanitary measures, including obligations relating to the use of science-based international standards.

However, Russia would only be required to apply these rules to U.S. exports of, say, meat, or poultry, or dairy, or other agricultural products if Congress terminates the application of Jackson-Vanik to Russia. We should be very clear about this: Russia will join the WTO, but action is required from Congress to ensure that American agriculture fully reaps the benefits of this. Therefore, it is very important.

I will leave the Korea-U.S. issues to my colleagues who have exercised enormous leadership in this area. I just would make two quick points. KORUS will directly benefit in many ways the Pacific Northwest's food producers. Korean tariffs of 24 percent on U.S. fresh cherries will be eliminated, and also tariffs on frozen potatoes from Idaho will be eliminated as well. So, there are some real benefits in this region.

We are working with our diplomats in the region, hand in hand with USTR and USDA, and the Commerce Department as well, to monitor firsthand Korea's implementation of the agreement. A key point here that all of our diplomats are now being made aware of, if they were not already—and most of them knew it already—is that it is very important that what we negotiate, we aim to enforce.

This is critical in keeping faith with the American people. Our goal is to maintain credibility with the American people and strengthen the integrity of the global trading system by ensuring that, when agreements are made, they are rigorously enforced.

The TPP is an ongoing exercise. Isi and his colleagues have worked very actively on that, so I will not take any more time on that issue, except to say that it is extremely important from an economic point of view, from a trade point of view, from a foreign policy point of view, and can have enormous benefits for agriculture.

Let me just turn to the State Department's deployment of its resources to promote agricultural trade. One of the things we can do, and are doing, is to insist that our Ambassadors themselves insist

on addressing stalled high-profile issues and using a lot of tools to resolve them.

Ambassadors host agricultural trade missions to highlight U.S. agricultural export opportunities and keep American farmers, keep American agri-business companies in touch with buyers in various parts of the world. We continue particularly to raise concerns about market access, noting that we expect countries to live up to their multilateral and their bilateral obligations.

I will just cite one example. In Russia, Mike McFaul, who was just recently confirmed, who is a particularly energetic person—those of you who know him understand this—has already met with high-level officials several times to ensure that, when Russia fully accedes to the WTO, the Russian market will be open to American chicken exports.

In China, one of the problems is that the absence of transparent science-based regulations has the potential to disrupt or limit the flow of U.S. agricultural exports. For example, differential approval rates, known as asynchronous approvals, the low-level presence of biotech products approved in the country of export but not yet in the country of import, and the lack of constant harmonized rules can potentially result in billions of dollars of losses.

The State Department works very closely with the Chinese authorities to address a number of agricultural issues. As you pointed out, Mr. Chairman, that presents a problem. We also work in a variety of forums to proactively encourage economic and regulatory systems that will address these issues.

For example, in APEC's high-level policy dialogue on agricultural biotechnology, the State Department promotes the adoption of transparent science-based regulations in Asia for the review of agricultural products produced through modern biotechnology, a major theme.

We are addressing the asynchronous approval process in a very vigorous way with the Chinese, in conjunction with our colleagues from USTR and USDA. This is something that comes up. It will come up almost certainly at the SNED meetings which we are going to have in China within a couple of weeks.

We also sponsor outreach programs in Asia and elsewhere to enable officials of other interested parties to be able to separate myth and misinformation from science and facts regarding agricultural biotechnology. We think this is a very important point.

That brings me to my final point, and that is what we are doing in multilateral forums to create the global conditions favorable to agricultural trade. Again, we work with USDA and USTR and the WTO, and in various other forums. This is a particularly important thing.

One of the things that I find particularly significant when I speak with people in this area and other parts of the world is the arbitrary application of non-science based government regulations. This is a very important item.

There is certainly a role for regulation to protect consumers and support commerce, but in order to facilitate trade it is important that we harmonize standards as much as possible to ensure sound science-based regulations that will ensure that other countries rec-

ognize our certifications and have open, transparent, rules-based tests when they make their regulatory decisions.

Multilateral diplomacy is crucial to creating these international standards and reinforcing good practices. Using international bodies such as the Codex Alimentarius, the U.N. body responsible for setting food safety standards, the U.S. is able to work to establish worldwide standards based on the recommendations of expert panels.

So, in the interest of time, let me just conclude here and just say again how important we think it is to take a very proactive view that, when agreements are made, they should be enforced, even if issues do not rise to the level where we are able to raise a challenge in the WTO, but simply are incompatible with international standards or international principles of fairness or international principles of science-based judgment.

We go after these things and raise them because they are important to jobs here, they are important to exports here, and agriculture is critical, critical to farmers, critical to ranchers, critical to people who are engaged in producing a whole range of fruits and vegetables throughout the country. It is, therefore, necessary to create good, high-quality jobs.

We can compete in all these areas if we have a fair and open opportunity to do that. The quality is good, the energy of our farmers and our ranchers and people who produce the kinds of goods we are talking about, the products we are talking about, is high.

We need to be able to support them at all levels, and our Ambassadors and our embassies are strongly committed to doing that, as is everyone at the State Department who works on these.

So, thank you very much.

Senator WYDEN. Thank you, Secretary Hormats. That was a tour de force through the region, and we will have plenty of questions. I was glad you touched on the issue of enforcement. This is something Senator Thune and I have spent a lot of time on throughout this Congress, looking at issues like merchandise laundering that largely come about because of a lack of transparency and corruption.

I am glad you made the point about Russia as well, because one of the other issues that we care a great deal about as it relates to Jackson-Vanik, human rights, and trade, is keeping the Internet open, because that is absolutely key for those activists and others who want to be in a position to communicate their concerns worldwide. So we thank you. We will have plenty of questions for you in just a moment or two.

[The prepared statement of Secretary Hormats appears in the appendix.]

Senator WYDEN. Ambassador Siddiqui, you have to try to pick up the ball after all that. You have a challenge, and you are up to it.

STATEMENT OF AMBASSADOR ISI SIDDIQUI, CHIEF AGRICULTURE NEGOTIATOR, OFFICE OF THE U.S. TRADE REPRESENTATIVE, WASHINGTON, DC

Ambassador SIDDIQUI. Thank you, Mr. Chairman and Ranking Member Thune. It is going to be a very hard act to follow Ambassador Hormats.

Mr. Chairman, I would like to request that my written testimony be submitted for the record.

Senator WYDEN. It will be done.

[The prepared statement of Ambassador Siddiqui appears in the appendix.]

Ambassador SIDDIQUI. It is indeed my pleasure to be here this afternoon with Under Secretary of State Robert Hormats and my colleague Deputy Under Secretary Darci Vetter from USDA.

I must emphasize the strong partnership we have established with, not only the USDA and the State Department, but also with other agencies like EPA, FDA, and Commerce, which are essential to deal with many of the trade barriers we face around the world. It is quite fitting that this hearing is focused on the opportunities for exporting agricultural and food products to the Asia Pacific region.

As you know, the Asia Pacific region includes some of the world's most dynamic economies. It is a key destination for agricultural products we produce in this country, with nearly 75 percent of these total products being exported to these rapidly growing economies in the Asia Pacific region.

It is, therefore, imperative that USTR prioritize the Asia Pacific region, focusing on creating new market opportunities, as well as high-quality, high-paying jobs in the U.S. Consequently, we are moving full speed forward on the Trans-Pacific Partnership negotiations, or TPP, which are essential to the administration's 2012 trade agenda as we seek to conclude the landmark TPP negotiations this year.

The TPP holds the prospect for unlocking significant new market access opportunities for U.S. exports that support high-level, high-paying jobs in the U.S. Negotiation of the TPP is an enormous undertaking, as many of us are finding out, not only for the combined size of the economies which are participating among those nine countries, but also the scope and ambition of this agreement itself.

For example, in the case of TPP negotiations on sanitary and phytosanitary issues, there is going to be a separate chapter. The part I want to emphasize, since Ambassador Hormats also mentioned this, is the difficulties we encounter in many of these countries are related to barriers related to sanitary and phytosanitary issues. So there is going to be a separate chapter in the TPP agreement which will be where we are seeking new commitments which will improve transparency around the development of SPS regulations and strengthen science and risk analysis requirements to support any SPS measures.

The Obama administration's goal is to conclude this agreement that positions U.S. farmers, ranchers, and businesses to compete successfully in the Asia Pacific region. Already, other countries in the region have publicly expressed interest in participating in this high-standard agreement, so much so that the TPP has the potential of becoming a primary platform for regional economic integration in the Asia Pacific region.

In addition to negotiating new agreements, USTR is devoting significant time and resources on the enforcement aspects of existing agreements. Trade enforcement has been a high priority for the Obama administration, and we will continue to aggressively chal-

lenge the kinds of unfair trade practices and barriers we face every day around the world.

I am also proud to say that our negotiating efforts in 2011 resulted in successful expansion of market access for our agricultural products in Korea, China, Japan, and Taiwan. This includes, for example, opening the Korean market for blueberries from Oregon starting this growing season.

Another priority of the Asia Pacific region continues to be—and Senator Thune mentioned it—market access for beef and beef products in the Asia Pacific region which is based on science consistent with international and commercially viable standards. We are encouraged by Japan's recent steps they have taken to take these issues of beef market access and risk assessment to their Food Safety Commission to reevaluate their import measures for U.S. beef. We are also working to open market access for beef and beef products in China as well.

Last month, USTR Acting Under Secretary Michael Scuse, Deputy Under Secretary Darci Vetter, and I led a team to Beijing to engage with our Chinese counterparts on beef market access. As a result of these discussions, both sides have agreed to resume technical discussions on product scope and other issues related to market access for beef.

Finally, Mr. Chairman, another issue critical to the continued growth of U.S. agricultural exports involves Russia's accession to WTO. Ambassador Hormats mentioned that, and I fully concur with him that, to fully reap the benefits of Russia's accession, Congress will need to terminate the application of the Jackson-Vanik amendment and grant Russia permanent normal trade relations status.

We look forward to working with you, Mr. Chairman and members of the committee, as well as your colleagues in Congress, to end the application of Jackson-Vanik to Russia in order to ensure that American exporters will enjoy the same benefits of Russia's WTO membership as our international competitors will.

Mr. Chairman, since you mentioned in your opening remarks the work which we are doing on organics—although it was not in my prepared remarks, so I will deviate from that—I can assure you that the administration has given a high priority to this issue of increasing market access for organic products across international borders.

One of the things which we have done in the past 3 years is the first organic equivalency arrangement, which was signed about 2 years ago with Canada. Just about 2 months ago, in February, Deputy Secretary of Agriculture Kathleen Merrigan and I, on behalf of the U.S., signed a landmark arrangement on organic equivalency with the European Union.

So what that will do is, it will allow for, starting June 1 this year, any organic product which is certified to be grown organically and meets USDA's standard for "organic," automatically will be qualified to be shipped and sold into the European Union, and the converse will also be true: any European "organic"-labeled product will be able to be sold in the U.S.

This represents, between the U.S. and the E.U., a 50-percent global market on organic trade. This is a very significant develop-

ment, and I want to assure you we will continue to look into other options in the Asia Pacific region to do the same thing as what we have done with the organic equivalency arrangements with these two countries, Canada and the European Union.

In closing, I would like to emphasize the USDR's strong commitment to ensuring that the United States plays a leading role in the economic integration of the Asia Pacific region. Our focus at USTR remains on enforcing existing trade agreements, negotiating new agreements, and leveling the playing field for our farmers, ranchers, and businesses, thus ensuring greater prosperity for American agriculture and the entire American economy.

Thank you, Mr. Chairman.

Senator WYDEN. Ambassador, thank you. Very helpful testimony on a number of key points. You just feel comfortable about deviating from your testimony whenever you come up with something like equivalency for the organic agricultural sector, because I share your view. I think that is a real opportunity for those markets, and I appreciate those comments.

Ms. Vetter, welcome. We will make your prepared remarks a part of the record. Just proceed as you would like.

STATEMENT OF DARCI VETTER, DEPUTY UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES, DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Ms. VETTER. Thank you very much. Mr. Chairman and Ranking Member Thune, again, thank you for the opportunity to testify today.

Right now there are many USDA Foreign Service Officers at posts around the world who are working with their State Department colleagues on behalf of U.S. agriculture. There is not a working hour that the Foreign Agricultural Service and USTR are not tackling an agricultural issue together.

Among the most rewarding work we do is combining forces with our government colleagues and the private sector to open and maintain foreign markets for U.S. farmers, ranchers, and producers. So it is my pleasure to be here today to discuss successes and opportunities in Asia Pacific markets. I will try to be brief, as my distinguished colleagues have covered a lot of ground here, and I will try not to repeat their examples.

But this month, visitors to the Beijie Tourism Festival in China's Guizhou Province will notice something all-American: it will be hard to miss. The new 3,300-square meter tourism festival center is China's first dome structure built of an all-American timber product.

The dome's laminated wooden beams were manufactured by Calvert Company of Vancouver, WA, and fabricated by Western Wood Structures of Tualatin, OR. How this project came to be is an example of how the Foreign Agricultural Service partners with the private sector to capitalize on foreign market opportunities.

Five years ago, our FAS officers analyzed market opportunities for wood products in China, and in 2008 FAS coordinated with the APA–Engineered Wood Association headquartered in Tacoma, WA on a seminar funded by USDA's Market Access Program (MAP) and supported by local FAS personnel. U.S. companies were intro-

duced to Chinese officials at the seminar, who then contracted to build the dome. The value of materials for the dome is over $800,000, a win for these U.S. exporters and all of their employees.

Last year, U.S. agricultural exports to China supported nearly 160,000 American jobs. Dried cranberries from Oregon, soybeans from South Dakota, salmon from the Pacific Northwest, and grains from the Great Plains are just a handful of the U.S. agricultural products we ship to China.

USDA opened its first office in Beijing in 1976. Now with seven offices in five cities, FAS is well-positioned to advance U.S. agricultural interests throughout China.

Last month, as Ambassador Siddiqui noted, he and I joined USDA's Acting Under Secretary Michael Scuse on a trade mission to China, accompanied by 40 American businesses and 6 State Departments of Agriculture. In Chengdu and Shanghai, we met with dozens of Chinese buyers and distributors. On-the-spot sales for that trip totaled more than $800,000, and numerous companies remain in contract negotiations with interested Chinese buyers.

And as you noted, Mr. Chairman, in your opening remarks, a key factor that is fueling our opportunities for agricultural exports is the growing middle class in a number of Asia Pacific developing countries. Middle-class households in Vietnam and Indonesia are projected to more than double by 2020, and in China those households are expected to almost triple to nearly 350 million in the same period. This increased purchasing power is driving greater demand for high-quality U.S. fruits, vegetables, proteins, and value-added consumer foods.

My colleagues also highlighted the importance of trade agreements, including the current TPP negotiations and the implementation of the U.S.-Korea trade agreement. In each of these cases, FAS experts are members of the USTR-led negotiating and implementation teams. Once implemented, FAS helps exporters take advantage of the market access that these agreements provide.

If you look, for example, at the website of our Agricultural Trade Office in Seoul, it lays out clearly the steps that any U.S. exporter can take to sell their products now that the KORUS has entered into force as of March 15. Likewise, USDA negotiated with Russia on WTO accession and stands ready to assist Congress in granting permanent normal trade relations to Russia.

USDA dedicates significant effort to monitoring compliance with our trade agreements and removing trade barriers. In the past year, USDA personnel have been instrumental in resolving numerous bilateral sanitary, phytosanitary, and technical barriers to trade. We have helped open the Japanese market to U.S. chipping potatoes, the Korean market to fresh Oregon blueberries—along with our colleagues at USTR—and the Chinese market to live swine.

In addition to bilateral work, we work diligently in international standard-setting bodies like the Codex, where I had the opportunity to lead the U.S. delegation to the Codex Commission last July, where we promoted international recognition of science-based standards for key products, including certain veterinary drugs.

Agricultural exports contribute to the prosperity of communities across America. Every $1 billion of agricultural exports stimulates

over $1.3 billion in additional business activity and supports 7,800 American jobs. The fiscal year 2012 forecast for U.S. agricultural exports is $131 billion, the second-highest on record.

For U.S. agriculture to continue to thrive, we must open, expand, and maintain access to markets across the Asia Pacific and throughout the globe, where 95 percent of the world's consumers live.

Thank you very much for the opportunity to be here. I look forward to your questions.

[The prepared statement of Ms. Vetter appears in the appendix.]

Senator WYDEN. Thank you. An excellent presentation. I was trying to follow how you would alternate products that came from the Pacific Northwest and South Dakota. I am sure there is something that is grown in other States, but the fact that you managed to highlight so many of those is very good.

This was an excellent panel. Let me start, in terms of trying to unpack a little bit of the perception that folks feel in our part of the world and just kind of get your reaction to it. I think there is a sense, particularly in the Pacific Northwest, that the trade barriers that agricultural products face in particular are not treated with as high a priority as other kinds of concerns. I am sure you have heard that.

You have outlined a number of areas, and I think you heard me take note of, particularly, some of the accomplishments which I think are significant. Yet, when you talk to people who grow stone fruits and fresh vegetables and value-added goods like wine and prepared meals, this is the question that they ask.

So I think for the three of you, I want to put it in the context almost of what Senator Thune and I are going to be dealing with in the Budget Committee when we have to pop up, and that is priorities. I mean, at the end of the day, these are judgments about choices.

So, when I go up to the Budget Committee in a few minutes, they are going to say, what are the couple of things that are important to you, and I am going to say, protecting the Medicare guarantee and bipartisan Medicare reform, and I am going to say, pro-growth tax reform. Those are the two things that I want to accomplish in the Budget Committee. Both of them are bipartisan concerns.

So let us go down the row and have each one of you say—starting with you, I think, Secretary Hormats—what would be the two things you would like to see accomplished in this area, in the question of the Asia Pacific region and agriculture?

You gave a very good presentation, an excellent one. This is not to suggest for any of you that your points were not well-placed, because they were. I think just in terms of the choices and the fact that this will be a challenging remainder of the Congress, election year and the like, just quickly go down the row and give me your two priorities in this particular area. Let us start with you, Secretary Hormats.

Secretary HORMATS. The two I would pick would be (1) how these countries conduct themselves with respect to the setting and implementation of regulations and standards. That would be one, because, in many cases what countries do when they do not have the

option of raising tariffs because they are limited by their WTO commitments, they use other methods within the border, methods of restricting access to their markets, and many of those are based on how they set standards.

Do they set them in a more nationalistic and discriminatory way, and how do they establish regulations? Are they transparent, nontransparent, are they designed to help domestic firms as opposed to foreign firms? So going after that issue of standards and regulations is really critical because some of them are designed in effect to discriminate in favor, in many cases, of local production as opposed to foreign production and, quite frankly, keep foreign production out. China does use this to a far greater degree than they should or we would want, and this is a major topic as well.

The second is protection of intellectual property. This is a huge issue, a huge issue. It affects everything. One of the problems is that the intellectual property that goes into producing modern agricultural products, into producing software, into producing movies, into producing you name it, is very important because, in some areas, we are not as competitive as we used to be. We are very competitive in high-end, innovative products, and those tend to incorporate and involve intellectual property, innovative capabilities.

If we find that those are lost due to cyber-thievery, piracy, forced transfer, or other kinds of things, then we as a country are going to suffer a severe decline in our ability to compete in the areas where we should be, and are—on a level playing field—the most competitive.

So we must address regulations and standards setting and make sure they are done in a fair, transparent, rules-based, science-based fashion. It affects sanitary and phytosanitary conditions, it affects a lot of things, and the intellectual property area is a broad area, but it affects every single industry and virtually every major job in the United States.

We are suffering because most countries do not have either strong rules—in some cases they may have laws that look good, but they are poorly enforced, and in some cases there is simply a national effort to pirate intellectual property, whether it is inspired by the government or countenanced by the government or not corrected by stiff government policy.

It is happening in virtually every American company you talk to—and you talk to a lot of them, and I know that Ranking Member Thune does as well—and they are very worried about losing the best technology, the best innovation to people who pirate it, and therefore they lose revenues, they lose jobs, and we as a country lose competitiveness.

Senator WYDEN. Two important issues. As those who watch this subcommittee know, it does not take a whole lot to trigger a lengthy discussion on the intellectual property front. I think I will pass on that. We have had a pretty vigorous debate in this session on it, and fortunately it protected Internet freedom. The discussion will continue. You are absolutely right, those are important issues.

Let us go to you, Ambassador Siddiqui—your two priorities.

Ambassador SIDDIQUI. Mr. Chairman, in the TPP context, negotiating a comprehensive and ambitious agreement is still the number-one priority for us. After the APEC meeting last November

in Honolulu, the leaders of the nine countries which are participating in the TPP negotiations directed the staff to complete the negotiations in 2012. So we continue to be focused on completing these negotiations. So I think that architecturally a comprehensive and ambitious agreement is number one.

I think the subset of that is, when tariffs go down in any trade agreement, then barriers—which are non-tariff barriers—become even more important. This is where our efforts in this 21st-century agreement we are negotiating among TPP countries, having a separate chapter on sanitary and phytosanitary, is really important for us, which is essentially making sure decisions—sometimes regulatory decisions—are transparent, are based on science, and also comply with international standards.

We believe the stakeholders' input, as well as consultations we have done with members of Congress—I think this seems to be one of the highest priorities. As your own remarks mentioned, the barriers we face on the sanitary and phytosanitary front, this is where we need to focus some of the longstanding—there is a perception that we are not working and prioritizing it high enough, but some of these problems by nature are such that these other countries also have issues where they want us to be working on those.

So many times it becomes one of those things where we have to move these issues very much on parallel tracks so that we are making progress on issues which are of our concern, and at the same time issues other trading partners want us to work on. Again, they have to be based on sound science and international standards and risk assessment.

Senator WYDEN. All right.

Ms. Vetter, two priorities?

Ms. VETTER. Sure. Well, following up on the comments of my colleagues, I think that we have a critical window in the next few months, both to expand beef access with Japan, China, and Korea, and also to reduce the threat of asynchronous approvals and the delays they cause in trade in products of biotechnology. I think that will require our focus, but that we have a real opportunity to make a difference in both of those areas in the next few months.

I would just note one thing in the long term, that for USDA I think is a real priority for us over the next few months, and that is to take a step back from dealing with specific sanitary and phytosanitary issues and create an environment with a number of our trading partners where we work hand-in-hand with our regulators and our regulatory agencies to start a broader conversation on their approach to regulatory regimes and how they set their sanitary and phytosanitary standards.

By doing this and by talking about how it is that we create policy, we can often prevent trade barriers before they come to light if our trading partners start by building their regulations based on science. This is one of the things we are doing with China. We are building on the Symposium on Agriculture we held when Vice President Xi visited. We are now building out a cooperative agenda on how to improve food safety, food security, and agricultural sustainability, and exactly these types of discussions will be on that agenda.

Senator WYDEN. All right.

Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

I want to follow up, if I might, on—and I mentioned this in my opening remarks, and you touched on it, Ms. Vetter—the beef export issue. Our beef exports have been subject to unwarranted restrictions in some of these important Asian markets, notably China and Japan. It is an issue I care a great deal about in South Dakota. I know the chairman of the full committee, Senator Baucus, also cares a great deal about it.

I am wondering if you might be able to comment a little bit more on the situation regarding access for U.S. beef in China, which does remain closed to our beef since the BSE incident back in 2003, as well as access for U.S. beef in Japan, which, as of right now, only allows beef in from cattle aged 20 months or younger. If you want to comment, Mr. Ambassador, as well, and whoever else wants to speak to that issue. But maybe go into a little bit more detail about where we are.

Ambassador SIDDIQUI. Senator, on the Japan beef market issue, we right now have access for beef and beef products under 30 months. Our goal has been to normalize trade on beef so that we can get that remaining part of the market share. Again, we have insisted that this be done on a basis where it is based on science and international standards and it is commercially viable.

We are making some progress. We are pleased with the way Japan submitted those questions about age, raising the age from 20 months to above, as well as on the specified risk material. This risk assessment is in progress right now. We are pleased with the action the Japanese government has taken. But I agree with you, this is a longstanding issue, and we would like to have it resolved sooner rather than later. We will continue to work on that with our Japanese counterparts.

On the issue of China's beef market access, it was closed to us, as you know, since 2003. Off and on over this period from 2003 when they shut down the market until now in 2012, there have been several times where we have been engaged more intensively. The last engagement started in 2011.

At that time, Under Secretary Jim Miller of USDA and I nearly camped out there in Beijing for 10 days, and we thought that we had some progress being made, and actually we did make progress. They had 22 conditions which they had laid down for providing market access for beef under 30 months, both bone-in and boneless.

Our teams, which were comprised of interdisciplinary teams, had people from USDA's APHIS and FSIS, as well as FDA and USTR. We were able to narrow down those conditions to eight conditions where we still disagree. So we are continuing to discuss that and hopefully we can resolve some of these issues which have to do with the product scope, which I mentioned in my remarks, as well as traceability and some other issues which are still unresolved. So we will continue to engage the Chinese on this issue, and hopefully we can make progress and find a path forward in the coming months.

Senator THUNE. Last December, the National Pork Producers Council and 63 other food and agricultural groups sent a letter to Ambassador Kirk expressing support for Japan's inclusion in the

current TPP negotiations. Japan is the United States' fourth-largest agricultural export market overall, despite maintaining some import barriers in the food and agricultural sector, some of which we have addressed.

But total agricultural exports to Japan in 2011 totaled over $14 billion, so it is a particularly important market for the U.S. pork industry. In fact, in 2011, Japan was a top-value market for U.S. pork exports, and it was worth nearly, at that time, $2 billion. Can you address how the U.S. Government is assessing the benefits of having Japan in the TPP?

Ambassador SIDDIQUI. Well, number one, Senator, we had published in the Federal Register comments of other stakeholders. I think we have gotten hundreds and hundreds of those comments, which by and large were from the agricultural community, which were very supportive of Japan joining TPP.

Our position continues to be that, since this is a very high-standard agreement, as per agreement among those nine participating countries, we expect the newly entering countries to meet that high standard. That also means, by virtue of that requirement, that this be comprehensive, and all issues, especially the high standards related to sanitary and phytosanitary standards, also be complied with.

Senator THUNE. All right.

This question has to do with TPP, of course, being an important agreement relative to our trade agenda, but it should not be the entire agenda. I would point out that, under the previous administration, we negotiated FTAs with Chile, Singapore, Australia, Morocco, Bahrain, six Central American nations including Colombia and Peru, Oman, and South Korea.

The current administration has only initiated one trade negotiation, and that is the TPP. It appears unlikely to conclude before the end of President Obama's term. So, given the need to aggressively open new markets to American goods through new trade agreements, when do you expect the administration is going to request Trade Promotion Authority? And, as a follow-up, do you believe that the President having Trade Promotion Authority is necessary to successfully concluding the TPP negotiations?

Secretary HORMATS. The Trade Promotion Authority, at this point, I think we are still considering what to do and when to do it on that. But can I address the broader point you have made, which I think is a very compelling one? That is, even though for the moment there are no active FTA negotiations under way, there is a very substantial effort under way to further open foreign markets in a variety of ways.

I would say that in virtually every conversation we have with other governments, one of the major topics in the State Department, and I know in USTR and I know in USDA as well, is identifying barriers to American exports. While we may not have formal FTA negotiations under way, we still see market opening as a very high priority and trade in general as a very high priority.

So I do take your point that the TPP is really the only major free trade area in negotiation, but, if that succeeds, it is an enormous step forward. I would say that it would be, in my judgment, after NAFTA—which was obviously very large and very comprehen-

sive—if the TPP succeeds—and enormous amounts of efforts, as Isi has been pointing out, have been going into that—that would be a game-changer for a number of reasons.

First of all, it engages countries on both sides of the Pacific and in both hemispheres, the northern hemisphere and southern hemisphere. Second, it deals with the 21st-century issues that he has talked about: state enterprise issues, intellectual property issues, sanitary and phytosanitary issues.

I would say that, if that can be done along the time frame that the President has outlined and Isi talked about—and he has been a real leader in this area with an enormous amount of energy, I can tell you—this would be a huge success, and the success would be not just the success among the nine countries, but it sets the standards. Other countries are interested, as you know, in participating and getting on the train, although the train is somewhere down the road out there.

Senator WYDEN. Somewhere out there.

Secretary HORMATS. Yes. It is somewhere between Portland and Seattle, but it has certainly left Portland. So they need to find out whether they can match the conditions that are required for them to get onto that train, and they have to make that judgment, we have to make that judgment, the eight other countries participating have to make that judgment.

But I would say if this succeeds, it changes everything because it sets (A) high standards, and (B) other countries will want to participate. Whether they will be able to do it remains to be seen, whether they can meet those conditions. But they will, and they will want to participate, not just for the trade benefits but because a really good trade agreement also enhances their prospects of attracting investment. It gives opportunities for their companies to interact more actively with American companies.

So I take the point that there are no other negotiations, but if this succeeds—and I think a lot of people have put a lot of time into it—this is the grand-slam home run for us and will change the world in a way that no other agreement for a long time has been able to do.

Senator THUNE. Mr. Chairman, in the interest of time, I have a question I will submit for the record having to do with biotechnology trades, which I think Mr. Casper will probably address in his testimony in the second panel.

Senator WYDEN. If that is your choice. We are going to have Senator Cantwell, and I am going to have another question or two. Are you sure you would like to put it in the record, or——

Senator THUNE. I can do that.

Senator WYDEN. All right. Very good.

Senator Cantwell has not had a turn. She is one of our most technology and trade-savvy legislators, and we are glad to have her.

Senator CANTWELL. Thank you, Mr. Chairman. Thanks for holding this important hearing. It is important to continue to focus on what we are doing to gain market access for products. And yes, there is a lot that goes on beyond Portland and Seattle, and we are very proud of our large export markets there.

So I wanted to ask first, Ambassador Siddiqui, about the potato market in Mexico. We have been very aggressive at trying to get Northwest product into that country. So what are we doing to make sure we are fully opening access and resolving the issues there?

Ambassador SIDDIQUI. Senator, the potato issue with Mexico is a very high-priority issue for both USTR and USDA. Both Ambassador Kirk and Secretary Vilsack of USDA have raised this issue during their meetings with their counterparts in Mexico. We have made it very clear to Mexico that we expect them to resolve this issue sooner rather than later. This 26-kilometer boundary which they have set is not based on science. There is adequate scientific justification to support our contention. So, we would like to have that issue resolved.

As you know, there was a panel, a scientific panel put together at the request of USDA, which actually agreed in principle by and large, with our contention on this issue. So we are hoping that Mexico will resolve this issue in the near future.

Senator CANTWELL. Do you think the panel of experts on——

Ambassador SIDDIQUI. This was on potatoes. It is called NAPPO, North American Plant Protection Organization. A panel was assembled after Secretary Vilsack met with his counterpart, Secretary Mayorga, about, I believe, a year and a half ago. So we are waiting for Mexico to make the move.

Senator CANTWELL. And when do you expect the finality of that report?

Ambassador SIDDIQUI. That is, Senator, hard for me to predict. But it continues to be one of the highest priorities in terms of the issues we have with Mexico in agriculture that we will expect them to resolve.

Senator CANTWELL. All right.

Then what are we doing with South Korea and the phytosanitary issue as it relates to getting apples into South Korea? What are the next steps?

Ambassador SIDDIQUI. Senator, I do not have the information, if you are talking about the pesticide issue.

Senator CANTWELL. Well, we are very excited obviously that the free trade agreement got signed, and obviously we think it represents an opportunity for a lot of Washington products—wine, probably all Northwest wine. But obviously there are lots of other products that we want to see gain access, apples being a very important Northwest product. So we just want to see what steps we need to take to make sure that they are going to gain that access.

Ambassador SIDDIQUI. I was just given a note, so I think this issue has to do—it was not pesticide, it has to do with fire blight that is a disease of apples, where many of the countries have these restrictions against apples.

But we will continue to work with our counterparts in Korea to again lift those restrictions based on science and international standards. This is not the first time it was raised. If you will remember, we had a similar issue with Japan before Japan allowed market access for U.S. apples. So, this is an old issue which comes up in many countries which either do not have the fire blight, or, if they have it, they do not want to admit it.

Ms. VETTER. Senator, if I might, it appears that Korea has indicated that they will begin the pest risk assessment process for fire blight, which is the first step in, unfortunately, a lengthy process in order to gain access. But at least that is now under way, and they will be working in concert with our regulatory officials to go through that process. So we have pushed for them to begin, and they have indicated a willingness to do so, and we will make sure that they continue along in that process.

Senator CANTWELL. I hope that we are going to be aggressive about pursuing this in a timely fashion.

Ms. VETTER. We absolutely will.

Senator CANTWELL. Thank you.

Thank you, Mr. Chairman. I know we are going to have a second panel, so I have questions for them as well.

Senator WYDEN. Very good. We are just going to wrap up with a couple of other matters.

All of you have referred to the TPP. We understand how important that is. Secretary Hormats, could you just tell us your sense of how important it is to have Japan part of a completed, ambitious agreement and how this might influence China's embrace of rules-based trade. As Senator Cantwell said, we have another panel, so, if you could just kind of capsulize this, that would be great.

Secretary HORMATS. I will try to be brief. Thank you. I think that the key point at this moment is that we and our current TPP partners—and, as you know, there are nine countries altogether—are now having conversations among ourselves, and indeed with Japan, to determine whether Japan is ready to meet the high TPP standards which would provide enormous benefits, if they were, to American farmers, ranchers, and producers. It would be a great opportunity to access one of the world's most valuable markets.

The issue relating to China is very interesting because, if Japan were prepared to do what is needed to meet these high standards and address a number of other issues that would come up in this conversation, if they were, then it would send a very positive message to non-TPP countries such as China that there are advantages in playing by the same open, transparent, and investor-friendly rules as everyone else.

TPP is open to other countries as well if—if—they can meet the very high standards of the agreement. So that is what we really are aiming at: very high standards. Anyone who wants to join has to be ready itself and satisfy other countries who are now in the process that they are ready.

If these high standards can be met by the nine countries plus other countries, it raises the bar for other countries that are not members. The key point, Mr. Chairman, is that, when we look at competition around the world today—as you know, because you have really done a lot of thinking about this and have addressed this, as have other members of the committee—we are not just competing product-by-product anymore—although we are in fierce competition on individual products as well—but our system of rules-based practices, of science-based rules, of transparency and openness, is facing competition from another system which is based on a very centralized role of the government, on practices that do not necessarily embrace transparency, that do not necessarily em-

brace rigorous scientific methods for determining standards and regulations, where these are frequently made for protectionist or mercantilistic reasons, where intellectual property is not respected.

To the extent that we can develop rules among a group of countries like these nine—and perhaps some others—that achieve these high standards and demonstrate that they increase trade and jobs in the region, that sets a very powerful example that the model that we regard as important and that has sustained us and other countries is one that other countries should embrace and is attractive, as opposed to the competing model, which we do not find attractive, first of all, and which, if more and more countries become advocates of that model, will weaken our system.

We want the model that we have been producing and developing, along with others, to be the one that is the prevalent one, and the TPP is a way of developing that. So it would be a very powerful signal to these more state-oriented economies that do not necessarily share our views on how to run a domestic economy or how the global economy should function.

Senator WYDEN. Let us do this. I am going to give you, Ambassador Siddiqui, and you, Ms. Vetter, both questions for the record. Ambassador, yours will deal with Japan and the question of phytosanitary practices and the concerns that tree fruit growers have in that area.

Ms. Vetter, for you, many of the farmers are interested in looking at the Internet as a way to find additional opportunities for their markets. I know you run a variety of programs. The Market Access Program is one where we will ask you to respond in writing on it.

But I want to move just slightly out of the region, Ambassador Siddiqui, to a question about India, because I learned something that just struck me as such a flagrant kind of abuse, I would just like to get your reaction on it. We learned recently that the Indian market—a very large and growing market—is essentially closed to Oregon wines.

Our initial research indicated that India applies tariffs between 100 and 150 percent on these kinds of wines. We are very proud of Oregon wine. Senator Cantwell is very proud of the wines of the Northwest of her State. The United States provides significant duty preferences, for example, to India under the Generalized System of Preferences. Is it right, in your view, that India in effect locks out these kinds of wines which are so important to agriculture in my State?

Ambassador SIDDIQUI. Senator, this issue is more widespread than just the State of Oregon. We are very much aware of India's high tariffs, not only on wines but many of the agricultural products, where 50-percent to 100-, or 150-percent tariffs are levied on those products.

This has been one of those continuing dialogues we have with India in terms of opening up their markets by lowering tariffs, as well as removing some of the tariff barriers they have on SPS issues like poultry and dairy. So we continue to engage them, and I will be more than happy to work with your staff to explore this and discuss the other angle you brought up on the GSP issue.

But we have gone to the Indian government, and they have a very antiquated process where, if you want to have a tariff re-

lieved, you have to go to the Indian parliament in their session, which takes place early in the year, January/February. You have to work up a list of products. We have gotten the wine subsidy—actually U.S. wines have been on that list, and we are urging the Indian government to reduce the tariffs. So far, our efforts have not succeeded. We will continue to work on this.

Senator WYDEN. Let us do this. You characterize it as engaging the Indian government. We have to up our game here. I mean, the fact of the matter is, a Subcommittee on Trade and Competitiveness cannot sit around in the face of products that are such an exciting part of American agriculture and just sit around with tariffs between 100 and 150 percent.

So why don't you plan to get back to us, if you would, within 30 days and outline for us the specific steps that we are going to take to, as I say, up our game and prosecute this cause much more vigorously, because I just think it is unacceptable to just have, again, discussions that we have about prospects of something changing in parliament. These are major benefits that are accorded the Indian government under the Generalized System of Preferences, and we have to get this changed. So, is that acceptable, to get back to us within 30 days and outline the steps there?

Ambassador SIDDIQUI. I will get back to you, Mr. Chairman.

Senator WYDEN. Very good.

Thank you all. You have been extremely patient. I know my colleagues and I have other questions, but, given the challenges of the Senate schedule, we will excuse you at this time. I want to thank all of you for coming and for the valuable input.

Secretary HORMATS. Thank you, Mr. Chairman and members of the committee.

Ambassador SIDDIQUI. Thank you, Mr. Chairman.

Senator WYDEN. Thank you.

Our next panel is going to be comprised of, first, Mark Powers. He is vice president of the Northwest Horticultural Council. He has been around a long time, working with members of Congress and their staffs to achieve open markets for Pacific Northwest tree fruit.

We have Mr. Steven Crider, who is the international sales manager of Amy's Kitchen.

I am very pleased that Mr. Steve Thomson, executive vice president for King Estate Winery, is located in Eugene, OR.

And we have Mr. Paul Casper, who is president of the South Dakota Soybean Association. There would be something wrong in the world if I did not permit Senator Thune to introduce Mr. Casper.

Senator, why don't you do that?

Senator THUNE. Well, thank you, Mr. Chairman. I do want to welcome Paul Casper to the committee today and thank him for his willingness to make some comments. He is the quintessential family farmer in South Dakota. He has a 4,800-acre corn and soybean operation near Lake Preston, which he operates with his parents, wife, and son.

Married for 32 years, he has 4 great kids and works hard out there every single day, trying to make a living on the farm. As someone who has assumed many leadership positions in agricultural organizations in South Dakota, he has really stood out as

someone whom we look to for guidance and counsel and input when we are trying to do our best to form agricultural policy that is good for South Dakota and good for America.

In that vein, he was elected as the director of the South Dakota Soybean Association back in 2009 and is currently serving as its president. So he is also on numerous other organizations, as I said, leadership positions in South Dakota, and we are just grateful to have him here and look forward to hearing from him.

Welcome, Paul.

Mr. CASPER. Thank you, Senator.

Senator WYDEN. Thank you all.

Why don't we start with Mr. Powers?

STATEMENT OF MARK POWERS, VICE PRESIDENT, NORTHWEST HORTICULTURAL COUNCIL, YAKIMA, WA

Mr. POWERS. Good afternoon, Mr. Chairman, Ranking Member Thune, and Senator Cantwell. My name is Mark Powers, and I am pleased to be here before the committee this afternoon, testifying to the wonderful export opportunities the Asia Pacific region holds for Pacific Northwest tree fruit.

I have submitted my full statement to the committee and ask that it be made a part of the record.

Senator WYDEN. Without objection, it is so ordered.

[The prepared statement of Mr. Powers appears in the appendix.]

Mr. POWERS. I will move forward with an opening statement.

I am the vice president of the Northwest Horticultural Council, a position I have held for the past 12 years. The Northwest Horticultural Council is a trade association. We are located in Yakima, WA. One of the reasons we exist, and a primary reason, is to obtain and maintain access to foreign markets for the apples, pears, and cherries that are grown in our region and exported out of Idaho, Oregon, and Washington.

The point of my testimony today is to convey the fragile nature of these export opportunities in the Asia Pacific market, just as the opportunities for trade are indeed very bountiful. So are the opportunities for trade barriers. We need the strong support of the U.S. Government to maintain and expand access in the Asia Pacific region.

The good news is that market access to the region for much of our fresh fruits is very healthy. The 3-year average value of Pacific Northwest tree fruit exports to the region has increased an estimated 50 percent, to over $300 million, since 2008.

Our growers are not the only ones who recognize that the Asia Pacific region is a growth market. Many other countries have already negotiated, or are negotiating, free trade agreements in the region. For example, fresh fruit producers in Australia, Chile, and New Zealand now have duty-free access to Thailand, as do growers from China. Apples imported from the United States are assessed a 10-percent duty; pears, 30 percent; cherries, 40 percent. Expanding TPP to include Thailand would be a great opportunity worth many millions of dollars.

During the past 12 years, I have witnessed the evolution of non-tariff barriers to trade, which we have already heard quite a bit about. A few observations. Non-tariff barriers can be exceedingly

complex and technical in nature, as we all know. Resolution of these barriers requires an in-depth knowledge of the production systems and the specific technical concerns, be they plant pest, food safety, or particular industry practices.

To address these types of barriers, expertise must be drawn from the private sector, the government, and academia. The effort to find a timely solution that is commercially viable requires close consultation and coordination between all parties, yet the mechanism for making this process occur is, at best, ad hoc. In addition, unlike tariff barriers, the resolution of technical barriers often involves regulatory agencies which can present an entirely different level of complexity to problem resolution.

As an example, only a few weeks ago there was considerable question whether cherry growers would maintain access to Australia this year. A phytosanitary concern is a fruit fly called spotted wing drosophila. It is native to Asia and a recent invasive pest in the United States. Unless a resolution could be found to a plant pest problem for a commodity of Australian producers wanting to export to the United States, we were not going to get access to the Australian market. Luckily, late last week the two governments came to an agreement that will allow our growers to export cherries to Australia this season.

Now, as we all know, under WTO rules or obligations these types of technical barriers to trade, are supposed to be resolved on their respective technical merits. In reality, the resolution of issues is much more political. It involves the U.S. providing something of benefit to a trading partner in exchange for obtaining resolution of a non-tariff barrier.

A final observation. At the end of the day, if a trading partner is unwilling to remove a barrier to trade, there is very little recourse available to small exporters such as the ones I represent. Neither dispute resolution through the WTO at one end of the spectrum, or continued technical discussions at the other end, is a rapid process or holds any guarantees of success. The example for this I would draw on is the current situation facing us in Indonesia, described further in my written testimony.

In short, the Asia Pacific region provides significant opportunities for those trading apples, pears, and cherries. The prospects look good for continued success in the future, so long as protectionist forces are kept at bay.

Thank you, Mr. Chairman and committee members for the opportunity to participate in this important public hearing. I look forward to answering any questions members of the committee may have as a result of this testimony.

Senator WYDEN. Thank you, Mr. Powers. Excellent testimony. You set the land speed record for completing it, too, today. We thank you.

Mr. Casper, welcome, from Sioux Falls, SD.

STATEMENT OF PAUL CASPER, PRESIDENT, SOUTH DAKOTA SOYBEAN ASSOCIATION, SIOUX FALLS, SD

Mr. CASPER. Thank you very much. Good afternoon, Mr. Chairman, members of the subcommittee. I am Paul Casper, a soybean grower and farmer from Lake Preston, SD. I serve as president of

the South Dakota Soybean Association, which is an affiliate of the American Soybean Association. We appreciate the opportunity to appear before you today to provide our views on agricultural trade with the Asia Pacific region.

Soybeans and soybean products are the most significant U.S. agriculture export commodity. Exports of U.S. soybean products exceeded $22 billion last year, representing over 60 percent of the U.S. soybean production. South Dakota has become a leading exporter of soybean products, with sales to foreign markets reaching a record $1.04 billion in 2010, compared to just $348 million in 2006.

The rapidly growing markets in the Asia Pacific region, led by China, are key drivers of U.S. soybean demand. In fact, 6 of the top 10 foreign markets for U.S. soybeans are in the Asia Pacific region. China is by far the largest customer of U.S. soybeans, with purchases of more than $10.6 billion last year.

Japan was the third-largest market, with the purchase of $1.2 billion. Other significant buyers of soybean products in the region include Indonesia, with its purchase of $870 million; Taiwan, with $714 million; South Korea, with $362 million; the Philippines, $353 million; and Thailand, which purchased $195 million worth of soybean products last year.

With the recent implementation of the South Korea FTA, U.S. soybeans for crushing and U.S. soybean meal now enter Korea duty-free. U.S. food-grade soybean producers will also have access for the first time outside the Korean import monopoly. The FTA creates landmark opportunities for meat and poultry exports which should further boost local consumption of soybean meal.

The Trans-Pacific Partnership, TPP, and the free trade agreement would also provide market opportunities for soybeans and other U.S. agricultural exports, especially as it established a broader Asia Pacific trade arrangement. Entry of Japan into the TPP negotiations would increase the economic significance of the agreement, and soybean farmers strongly support Japan joining the negotiations.

While soybeans and soybean meal enter Japan duty-free, Japanese barriers to livestock exports are much more restrictive. Their removal under a TPP agreement would offer substantial new opportunities to expand U.S. exports to Japan of dairy, pork, beef, and poultry products, which should boost domestic demand of soybeans and soybean meal.

Substantial potential exists for expansion of agriculture and soybean trade between the United States and the region. Vietnam, for example, is a rapidly growing market for soybean products. Since joining the WTO, Vietnam's imports of U.S. soybeans rose to $150 million last year, compared to $7.4 million in 2006.

There also remains great potential for expansion of U.S. agricultural exports to the region if non-tariff barriers restricting U.S. exports can be eliminated. A key area that affects exports of U.S. soybeans concerns the policies that regulate agricultural commodities derived through biotechnology.

As I stated earlier, China is our single-largest export customer. Soybean products purchased by China last year represented 50 percent of all U.S. soybean exports and 25 percent of U.S. soybeans

harvested. But China's slow regulatory approval process for commodities containing biotech traits causes great concern.

China is the only major importing country that requires biotech events be fully approved in the country of development before it will accept any application for its registration to export the product to China. This requirement delays commercialization of new traits in the U.S. for as much as 2 years. On this issue, we strongly support the initiative put forth by USDA to China to implement a pilot project to attempt to begin to address these issues.

In general, however, the soybean sector's impressive export growth in the region could not have been achieved without unique government/industry partnerships that characterize the Foreign Market Development program, FMD, and the Market Access Program, MAP. However, our competitors in South America also continue to increase exports to Asia Pacific markets as their production levels jump to new records.

Despite slower world growth, the outlook for agricultural trade remains promising. We strongly encourage the U.S. Government to pursue market-opening initiatives in this region, and we strongly support the inclusion of Japan in the TPP negotiations.

Thank you, Mr. Chairman, for the opportunity to present our views here today. I am happy to respond to any questions later.

Senator WYDEN. Very helpful.

[The prepared statement of Mr. Casper appears in the appendix.]

Mr. Crider?

STATEMENT OF STEVE CRIDER, INTERNATIONAL SALES MANAGER, AMY'S KITCHEN, MEDFORD, OR

Mr. CRIDER. Chairman Wyden, Ranking Member Thune, and members of subcommittee, I am Steve Crider, international sales manager for Amy's Kitchen. I am engaged in the export of high-value organic foods. In my current role with Amy's Kitchen, a manufacturer of frozen organic meals, pizza, and canned soup, I am responsible for the international market development in Canada, the Middle East, the Pacific Rim, and Asia. I also serve as Amy's liaison to the Organic Trade Association.

Thank you for this opportunity to provide testimony regarding policies to increase trade with the Pacific Rim as part of the Trans-Pacific Partnership agreement.

For those of us working on the front lines of sales in a rapidly changing business environment, it is clear that the Pacific Rim's regional economy is extremely dynamic and poised for continued growth. U.S. agricultural exports will have many opportunities and advantages in meeting the dietary demand of these markets. There remains an active and important role government can play in assisting U.S. companies to compete and succeed in these regions.

Today, U.S. organic sales are in excess of $31 billion. Despite the worst recession in modern times, the industry still grew by almost 6 percent in 2009. The most recent figures available for 2011 show we are currently growing at 9.5 percent.

We see the same general trend within our business at Amy's Kitchen. Investing in organic production is a sound business decision. Amy's Kitchen is based in California and Oregon. We are a family-owned and -operated business. Our success is founded on

producing, in our own factories, high-quality, delicious foods using organic and natural ingredients. Together, our two production facilities employ over 2,000 people, supplying over 250 organic food products to the U.S. and global markets.

We procure the majority of our organic ingredients from local sources, but, in deference to Senator Thune, Amy's also sources hundreds of tons of organic grain and soy from America's breadbasket in the Midwest. This activity, in turn, supports a large network of organic farm producers and rural communities.

Export markets play an increasingly important role in Amy's business. We have added new, well-paying jobs in our company to support this expanding growth in market demand for the container loads of our products that we ship overseas.

The same is true for our domestic business. Today, Amy's Kitchen can be found in mainstream retailers such as Wal-Mart, Kroger, Cosco, and many others. Increasing consumer demand for organic food is driving this placement in conventional retail settings, and this trend is being replicated worldwide in major cities all over the world.

Our appeal today is for Congress to continue to support key programs that nurture and promote U.S. agricultural exports, especially now when American foods have such a great opportunity to supply the Pacific Rim. Our key requests are as follows: maintain the strength of the national organic program. The U.S. "Organic" seal establishes the credibility of the Amy's product claim here at home and in global markets.

Let us build on the successful negotiations for organic equivalency we accomplished with Canada, and most recently with the E.U. This historic achievement will reap huge benefits for American food exporters for generations to come. It is crucial to note that Asia and the Pacific Rim are now poised to follow suit in eliminating this type of trade barrier, and I can elaborate further during question time. We have great confidence that the U.S. Government negotiators will continue to be smart, far-sighted, and fair in upcoming organic trade negotiations.

Second, we ask Congress, the USTR, and USDA to continue to press for the reduction of import duties and tariffs on U.S. agricultural products. Amy's Kitchen is often hit with tariffs that can be as high as 30 percent. Reducing these tariffs in trade agreements is crucial to expanding export growth and making our U.S. products more affordable to consumers in these emerging markets.

Third, expand the criteria for participation in FAS programs so that more medium- and larger-sized companies can engage. In order to meet the aggressive goals for U.S. exports in the President's National Export Initiative, we need these larger players participating in market access and export development programs.

Likewise, matching fund programs make it possible for the organic industry to participate in key trade shows. These international marketing events result in millions of dollars of new and incremental sales. Simply put, from global demand comes export sales, which in turn drive increased production, expanded organic acreage, and more jobs here at home.

We at Amy's Kitchen are seizing these opportunities as more consumers worldwide look for healthy, tasty, and convenient foods.

With your help and support, we will continue to expand into these foreign markets. Amy's growth shows no sign of slowing down, and we look forward to contributing our part in doubling U.S. exports.

Senator WYDEN. Mr. Crider, thank you. As both a consumer of the wonderful products that come from Amy's Kitchen and being able to represent you and your employees in the U.S. Senate, we are glad you are here and appreciate your testimony.

Mr. CRIDER. And we are proud to be a producer in Medford, OR.

Senator WYDEN. Very good. All right.

[The prepared statement of Mr. Crider appears in the appendix.]

Senator WYDEN. Mr. Steve Thomson, King Estate Winery. Wonderful wines that ought to be in India, by the way.

Mr. THOMSON. We are working on it.

STATEMENT OF STEVE THOMSON, EXECUTIVE VICE PRESIDENT, KING ESTATE WINERY, EUGENE, OR

Mr. THOMSON. Thank you, Mr. Chairman, Ranking Member Thune, and Senator Cantwell. It is an honor to be here today. I want to thank Senator Wyden for convening this hearing and providing an opportunity for King Estate to speak about opportunities and challenges with trade to Asia.

I have provided a full draft that I would like to submit for the record.

[The prepared statement of Mr. Thomson appears in the appendix.]

Mr. THOMSON. Pacific Northwest agriculture producers have benefitted greatly from exports to Asia. We anticipate continued growth in wine exports to Asian markets for many years to come. But this is not to suggest that trade with Asia is without significant challenges. In the remarks that follow, I intend to offer a brief summary of the present state of U.S. and Northwest wine trade to Asia and discuss the support and collaboration required to ensure that U.S. producers can compete on a level field.

Today's hearing is a great opportunity to identify and advance the linkages between the administration's National Export Initiative and the goals and objectives of the Pacific Northwest wine industry. Exports are a vital part of the U.S. economic engine, and the U.S. wine industry is poised to grow and contribute.

There are over 1,000 wineries in the Pacific Northwest, the vast majority of which are small family wineries generally supported by small family farms. Pacific Northwest wineries represent vibrant jobs creation and revenue growth. Recent economic impact studies for Oregon and Washington demonstrate that the wine industries in these two States likely deliver over $7 billion in in-State economic impact and nearly 40,000 jobs.

For many Asian consumers, wine is increasingly seen as fashionable, healthy, and a status symbol. As we see historically strong wine consumption in Europe decrease per capita, we see per capita consumption in Asia increase.

Presently, per capita consumption in France leads the world, at 50 liters per person, and is falling. Per capita consumption in the U.S. and Japan is 15 liters and 2 liters per person, respectively, and increasing. Per capita consumption in China is presently a mere 0.5 liters per person and is growing strongly.

While U.S. wine exports show strong growth, the U.S. presently exports far less wine than it imports. Given this imbalance and the opportunities abroad, it is very important for our industry to develop and grow new markets, such as Asia. Total wine trade for the Asia Pacific region was $18 billion in 2010, with U.S. exports to the region being just $243 million, still a 39-percent increase over 2009. Asia Pacific is now the second-largest export market for U.S. wine. These numbers demonstrate that Asia Pacific is a critically important market for U.S. wineries. Persistence in collaboration will be required to ensure it stays that way.

I would like to briefly outline three areas of concern and focus for our industry moving forward. First is the need for continued funding for export assistance programs and greater collective export marketing cooperation among regional industries. Second is the pursuit of more favorable trade agreements and reduction of non-tariff trade barriers. Third is the need for harmony, clarity, and ease of regulatory issues for our exporting producers.

USDA's export assistance programs, such as the Market Access Program, have become the backbone of wine exporting for most U.S. wine regions. The funding is modest but vital, and the investment is more than 50 percent matched by wineries large and small.

Dollar investments alone are not a guarantor of success, however. U.S. trade policy is lagging in terms of removal of barriers to trade in Asia. The Pacific Northwest wine industry supports free trade agreements that improve market access and competitiveness.

China represents a market of untold potential for U.S. wine marketers. Wine consumption is increasing rapidly, as is the quality of wine being consumed. However, the U.S.'s share of wine imports to China is falling. Awareness and penetration is very low for U.S. wines. In China, imports from France, Australia, and Chile are leading the growth. France now has a market share of 52 percent. All three of these competitors rely on aggressive pricing to build new markets. France is supported by subsidies in the form of the E.U. Export Rebate Program.

Chile and New Zealand have focused on pursuing trade agreements. Our industry needs to promote better coordination, perhaps with a national branding strategy that would create more of an identity for U.S. wine in export markets. This is the approach that successful countries such as France, Italy, and Spain favor with their export strategies.

Finally, the Pacific Northwest wine industry can benefit greatly from clarification and standardization of regulatory issues. Documentation can be cumbersome, costly, and with little transparency or timeliness.

The market engine for worldwide consumption is gradually shifting from Europe to Asia. The wine production engine of the world is gradually shifting from Europe to the West Coast of the Americas, from Washington in the north, through Oregon and California, to the countries of Chile and Argentina in South America.

The West Coast of the United States represents perhaps the highest volume in concentration of potential fine vineyard plantings in the world. Much of Asia is only marginally suited for fine wine production and with substantial quality limitations; there is a great supply and demand fit.

It is important that the U.S. Government continue to work to eliminate tariff and non-tariff trade barriers for U.S. wine exports. We ask Congress to pursue free trade agreements with markets that offer growth opportunity. We urge Congress to reauthorize the Market Access Program funding as part of the 2013 Farm Bill, and that it continue to be fully funded at the $200 million level.

In closing, the wine production and consumption growth engines of the future may well lie on either side of the Pacific Rim. The U.S. wine industry has unique resources and potential access to markets that will ensure that this industry is a big winner in the U.S. economy. It is vital that the U.S. wine industry have the political and economic resources to succeed.

Thank you, Mr. Chairman.

Senator WYDEN. Thank you very much, Mr. Thomson. I thought that last point was especially telling. There is no question that your products are going to be a hit in the Asia Pacific region. We just have to make sure that your government adopts policies so you can get them in. So, we appreciate it.

You now have three Senators trying to deal with the procedural rhythms of an institution that is almost incomprehensible at this time of the day, so Senator Cantwell is going to start, and then we are going to see if Senators Thune and I can juggle this.

So, Senator Cantwell, go ahead.

Senator CANTWELL. Thank you, Mr. Chairman. Thank you for that courtesy. I greatly appreciate it. Panelists, thank you so much for your testimony.

Mr. Crider, I think you actually have a facility in Skagit County as well.

Mr. CRIDER. That is where I am based, yes.

Senator CANTWELL. Great. Well, we are glad you are here. Amy's is a good product, so thank you for having facilities in our State as well. And Mr. Thomson, I am sending a letter to the Agriculture Committee this week in support of the MAP program. It is vitally important, and hopefully this proposed legislation will include that.

Mr. THOMSON. Thank you. I would also like to point out that King Estate Winery has a winery project in the Columbia Valley of Walla Walla, and we produce Washington wines as well.

Senator CANTWELL. All you have to say is, "There is good wine in the Northwest," and that is good by us.

So, Mr. Powers, I wanted to talk about apples, if we could. Thank you for representing the Northwest horticulture industry and all that you do. One of the issues that I want to talk about is China. Obviously they do allow access to two varieties, and yet, if you look at the Yakima Valley and our production in general, two-thirds of that production, we are looking at a variety of varietals that are not allowed in China.

We have had these issues and discussions. You heard what my questions were to our Trade Representative, trying to push forward on getting access to markets. So what do we need to do to make sure that we get more than two varieties and get past these issues that are not—we do not need pest assessments. That is not what the problem is. So how do we get past this?

Mr. POWERS. That is an excellent question, a longstanding one. We have been seeking access for apples to China since the mid-

1990s, or the early 1990s. We do have access for two varieties. Really, varietal issues are not at the heart of SPS questions, really. I mean, if we have access for apples we should have access for all varieties of apples.

However, China does not necessarily see it that way. While the two technical agencies have been involved in dialogues for years, at a certain point—and this happened a few years ago—there was a recognition that this was not about a technical dialogue, this was basically a political matter. I think that is, at the heart of it, what we are facing.

We are not just facing it in China, we are facing it in many countries where the technical discussions can go on and on and on, and oftentimes do. What is needed is a political solution, or a political trade-off at the end of the day, that needs to occur.

With China, I think that is the same situation, and it is a dicey one, because, as you may know, the Chinese want access into the U.S. for their apples. So the U.S. is working through the Animal, Plant, and Health Inspection Service, is working through that pest risk assessment on Chinese apples. That process is unfolding.

We have legitimate concerns about the threat of invasive pests that might be present on apples coming from China. So, until that process works through—and we want to make sure that it is thorough—we are unlikely to see much in the way of advances on our other apple varieties into China, simply because things are not necessarily resolved on the basis of their technical merits.

I do not have a solution, quite frankly. I think that it will have to continue to be part of the dialogue between the two governments, and hopefully a resolution will appear. But there is no real technical reason at this point related to fire blight that would not allow our apples to go——

Senator CANTWELL. And so, what do you think the solution is from a political perspective? How do you get the issue above the discussions that it is on the technical points and up to the political level? What do you think that takes?

Mr. POWERS. It takes more than what we have been able to do so far. I do not have a great solution to that. I think that there has to be something of value to China in order to move forward, and at this point what we know is that they have basically said, until we allow them to have access into the U.S. for their apples, they are not going to move forward on our apple access issue.

Senator CANTWELL. And where do you think we are with pears?

Mr. POWERS. Pears, I am much more optimistic. Again, it is a longstanding issue. China has access to the U.S. for two varieties of its pears, and APHIS is now working on the third variety. That process is in rulemaking at this point and appears to be moving forward. There is a clear recognition that China needs to allow us in the Northwest and in California to have access for our pears going into China.

They are working on a work plan. They, being the two plant health agencies, are involved in that. So we are hopeful that, perhaps by this next harvest season or, if not, the next one, that the technical issues will be resolved and exports will be allowed to move forward.

Senator CANTWELL. Well, I certainly hope so. I thank you for your work in this area. Having visited Chinese supermarkets and seen these products there, you want to make sure that we get access and compensation for the products that are there. So, I would hope that we could continue to make movement on these issues and find a solution that would give this wide variety of products from our State access to that market.

So, thank you, Mr. Chairman. I appreciate it.

Senator WYDEN. Thank you, Senator Cantwell.

At this point I am going to ask just a couple of questions for the record, and then see if I can get back. Also, on Senator Cantwell's point, it seems to me with these bilateral dialogues, particularly with China, apropos your point, Mr. Powers, given the fact that we have these formal talks essentially every year, we ought to get these phytosanitary issues up at the top of the priority list for these bilateral dialogues. I share Senator Cantwell's concerns. We are going to follow up with those of you who are expressing this concern about the phytosanitary practices. Thank you, Senator Cantwell.

Let me, if I might, just ask one question for now and then I am going to turn it over to Senator Thune. If I can get back, I am going to come back. Do not interpret this as an insult, it is just that the Budget Committee is about to wrap up. If I cannot get back, then Senator Thune will adjourn.

Mr. Crider, on this question of organic equivalency in the Asia Pacific area, obviously this would be a chance for us to get an exciting, high-growth product into the region. What does this really mean, in something resembling English, to have a requirement for organic equivalency?

Mr. CRIDER. Well, every nation establishes its own criteria and definition of "organic." It would be unreasonable to expect that these be perfectly in synch. Different conditions exist and different farming situations exist. However, we cannot allow those minor differences to become a reason for trade barriers to exist. We can coexist with differences. In fact, the differences between us and the E.U., we are 99 percent the same, and we allowed the 1 percent of difference to become a reason for not allowing U.S. products to be called organic in that marketplace.

So, even though Amy's was exporting to Europe for a number of years, we had to remove the "O" word from all of our packaging. We are a natural food company, so we were unable to compete on a fair level there. That has been eliminated.

So over time—and there have been many years in this process—the negotiation with Canada broke this logjam of allowing this 1 percent of difference to become an impediment to trade in mutual recognition of each other's organic processes and standards.

From the Canadian agreement, it opened up the E.U. Now we are poised in this unique situation where Korea and Japan, who have organic standards which are different from ours that fit their region, but they are not necessarily based on what our standards are, we have something that they want. We finally have some bargaining chips here. They want access to our market for their organic foods, and we want access to their market for American-produced organic foods.

So again, reaching a higher level of understanding where we respect each other's differences but do not allow those differences to become the impediment or a reason to deny a marketing claim in that marketplace for that high-valued product is kind of what we are driving at.

Senator WYDEN. Mr. Thomson, I am not going to ask you any questions right at this point. I think you could see from my discussion with Ambassador Siddiqui that I do not think wine is getting the priority that it deserves in some of these key high-growth kinds of markets. I just want you to know that, on our watch, we are going to change that.

Mr. THOMSON. Thank you.

Senator WYDEN. We are going to stay at it until it gets changed. I mean, this is too important. It is important to Oregon, but it is important to the country. This is a high-growth area of agriculture, and we are going to make a very aggressive push until it gets fixed.

With that, I think I am going to turn this over to Senator Thune. I want to thank him for his patience. I am going to try to get back, Senator Thune, but why don't you just proceed with the questions that you would like? If I cannot get back, why don't you just wrap it up? I very much, as usual, appreciate your cooperation.

Senator THUNE. All right. Thank you, Mr. Chairman.

Let me, if I might, say just as a question to Mr. Casper, in your testimony you talk about how greater market access for meat products such as beef and poultry will spur greater domestic consumption of soybeans, which is used as a feed for the animals from which these products are produced. This is in regard to the importance of the Asia Pacific market to America's soybean producers.

Could you expand upon this point and talk specifically about how greater access into markets such as Japan and Vietnam for pork, poultry, and beef will benefit soybean farmers such as yourself?

Mr. CASPER. Yes, Senator, I will. Increases in the meat and pork and poultry exports make our domestic meal markets larger for our customers here in the United States. A 1-percent increase to U.S. beef and pork exports sends more than 2 million bushels of corn and soybeans overseas. So, if we can process that protein here in the United States, rather than shipping the raw soybean and corn over, and put it through livestock production and send that over, it has a great impact on that, not only in the meal and light distillers' grain use, it also takes and puts many more employees to work, and we are increasing that opportunity to keep that value added here in the United States.

Just one more note. For every pound of U.S. pork exported, it utilizes 1.5 pounds of U.S. soybeans. So it is so important, if we can process here that soybean meal and send the ready product in animals and birds across, it is much, much more beneficial for this country.

Senator THUNE. In your testimony, you also talked about the competition that U.S. soybean growers are facing in global markets, especially from South American nations such as Brazil and Argentina. Could you discuss how U.S. soybean producers plan to stay a step ahead of your competitors? Do you believe that the quality of your product gives you an advantage over soybeans produced in other countries?

Mr. CASPER. Well, with regards to our quality, yes, I truly believe that. In fact, we have funding here, State and national funding, with regards to amino acid research. If you understand how amino acids work in livestock, it is very beneficial with regards to what the U.S. production is on the amino acid side. So that has really gotten us a competitive and quality advantage, and sustainability.

Also, we need to be more competitive, and in order to do that we need to streamline our approval process of our biotech traits with regards to APHIS, which we understand they are currently doing. Otherwise, technology providers will bring their technology to South American farmers because their process is emerging with greater efficiency.

Sometimes I think we get ourselves in positions where we are falling behind. We are the number-one soybean producer in the world, and, if South America would have had their crop like they anticipated, they may have taken over that number-one position this year. We do not want to give that up. Please do not put us in a position where we lose that. We want to be the number one. We want to stay competitive, and those markets are very, very important. Biotechnology is very important to us.

Senator THUNE. Let me expand on the biotechnology issue with regard to China. I would like to have you describe in a little bit more detail if you would the problems that China's approval process is creating for soybean farmers in the United States. Do you believe that USDA—as a follow-up question—and USTR are doing all that can be done to effectively address that issue?

Mr. CASPER. Yes, we do. We appreciate it very much, and we believe they are doing everything they can. But perhaps we need to take this a little bit further, like to the White House. I think this needs to be a priority. This is a pretty big deal for us.

Senator THUNE. All right.

Let me just, if I might—and anybody feel free to answer this question. In fact, I would like to get probably a response from all of you. You all depend on access to new markets for your products, as more than 95 percent of the world's consumers lives outside the United States.

I would be curious to know from each of you if you have a view on the renewal of Trade Promotion Authority, which I referenced earlier in my opening remarks, the process under which nearly all of our trade agreements have been approved, and if you believe that renewing the Trade Promotion Authority that expired in 2007 is important.

Mr. Powers?

Mr. POWERS. We do believe it is important to regain that authority, that the administration should have it, and we are fully supportive of providing that authority to the President.

Senator THUNE. All right.

Mr. CASPER. With our location in the very Northwest growing region of the United States, that Asia Pacific region is so beneficial to us. Rather than waiting for the river to un-thaw, because we are limited with the river market, we can load up our products right in South Dakota, down the rail, out the harbor and across the water it goes. So, it is very, very important to us.

Senator THUNE. All right.

Mr. Crider?

Mr. CRIDER. The organic industry does support that, yes.

Senator THUNE. All right.

Mr. Thomson?

Mr. THOMSON. Yes. The wine industry would support that as well. We see the Pacific Rim and the wine industry on the Pacific Rim as being just a really powerful value-added export generator in the coming few years.

Senator THUNE. All right. Well, I hope your various organizations will convey that to the administration as well. We have tried to do that, and we have had Ambassador Kirk in here, and others. For the life of me, I do not know why we have not been able to make any headway on extending TPA and moving forward with free trade agreements. We finally got the three that were negotiated under the previous administration approved and entered into force, but now we have expired TPA.

With the exception of the Trans-Pacific Partnership, nothing is really going on out there on the horizon in terms of looking at additional market opportunities. There does not seem to be a sense of urgency about it. You heard what the previous panel said in terms of, they are focusing on opening markets.

But, clearly, one of the best ways we have seen to do that in terms of the results has been negotiating free trade agreements. Without TPA, absent TPA, we are just not able to do that. So, I would hope that you would carry that message as forcefully as you possibly can to members of the administration through your various organizations and members.

Let me just ask sort of one general question. We have a challenge, I believe, in the country in helping people recognize the value of trade. I think that a lot of times Americans do not always appreciate how important export markets are to job creation here at home. They, in many cases, I think, view that as something that is happening overseas, but does create thousands of jobs here in the United States.

I am wondering if there is anything that you can do as producers who rely on foreign trade to better educate American consumers as to the benefits of trade, international trade. Any thoughts about that?

Mr. POWERS. I will take a stab at it, certainly. Even among some of our own growers, I think there is continual outreach that we do in terms of the importance of trade, how that benefits our region locally. We do get the word out through trade associations and other organizations, like the Washington International Trade Council and others, to try to have an active response either through editorials or a voice to the greater U.S. population about the importance of trade.

I mean, just in a small industry—and ours really is a small industry. We are talking about $800 million worth of exports in a year. To our region, that is direct money coming in from foreign consumers. That is an economic engine. It is rural communities. That $800 million obviously spins off into additional economic benefits. Our calculation is about $1.5 billion and 7,300 jobs come out of those dollars, et cetera. So we have a great story to tell.

We get that message out as best we can, and we will continue to do that. I think the challenge sometimes is reaching the right people. It is easier to hear about the down sides and the difficulties. I mean, even in this committee, what we are talking about are problems even though we are very successful in terms of exports. But we are focused on solving these problems, and hopefully folks realize that, and we will certainly do a better job if we can get the word out in our neck of the woods.

Senator THUNE. Yes. Thanks.

Paul?

Mr. CASPER. Senator Thune, it is kind of interesting. When I first started farming—it was quite a few years ago, actually—our job as farmers was to produce enough food to feed this country. The last few years, the meetings that I go to, with the population explosion expected, I have to double my production in 30, 35 years. I have a task every day when I wake up that I have to feed not only the country, but the world. In order to do that, science-based technology has to be provided for me to do that.

I have to have market access. And bridge-building rather than wall-building is so important here. So there are consequences for decisions made, and we need bridges, not walls. So we have a task, as producers of food in this country, that is enormous. Seriously, there is not a time in a day that I do not think about that, because that is what my job is supposed to be—looking out with regards to the future. We need your help to do that.

Senator THUNE. Thanks. Thank you.

Anybody else?

Mr. CRIDER. I would have two points. One, the quality and variety of U.S. agriculture products are competitive and respected around the world. We are second to none in what we can do in providing high-quality food to consumers all over the planet.

However, on the trade side, I was based in Japan for 9 years. I was there when the beef and orange agreement was agreed to, when the rice millers tried to bring their food in. We need to be playing chess, not checkers. We have to be sophisticated and forward-thinking in these trade agreements.

When we opened the doors in Japan, we were the bullies. We kicked down the door: we are going to open this market for beef and oranges. It was not American products that walked through that door, it was Australian products that went through that door. It is not American rice that is going into Japan, it is Thai and Vietnamese rice.

So our follow-through on creating these openings has to be long-term and well thought out and supported with the follow-through that allows the American products, once we create those openings, that we are the ones who benefit from the change. I do not think we have been as sophisticated and as proactive in that as we need to be. I will leave it at that.

Senator THUNE. Thanks.

Mr. Thomson?

Mr. THOMSON. Yes. Senator Thune, we struggle in this country to create jobs. In my testimony, I pointed out that in the Pacific Northwest—and these are very new industries in Oregon and Washington in particular—recent economic impact studies dem-

onstrated that the wine industry in those two States has delivered over $7 billion in in-State economic impact and nearly 40,000 jobs in these very new industries.

We have wineries in every State in the Union now. In fact, we have nearly 20 wineries in South Dakota. So, this is an opportunity again where we have an export value-creating model that is going to present a fantastic opportunity for the American trade balance and the American worker moving forward.

Senator THUNE. Yes. Well, I think the sky is the limit. You look at 95, 96 percent of the world's population living outside of the United States and the capacity, the technology—as long as we can continue lowering barriers in these countries, and these trade agreements have helped remarkably in doing that—I just hope that we can continue to allow American producers, who are the best in the world, to continue to help feed the world.

So we certainly welcome any additional thoughts, ideas, and input that you would have, and we appreciate your willingness to be with us today. I will conclude. I do not think the chairman is going to make it back. But, if there are any additional comments or thoughts that you have, we will keep the hearing record open for a few days. Five days. We will keep the hearing record open for 5 days. Again, we appreciate very much your being here today and your very insightful comments. Thank you.

This hearing is adjourned.

[Whereupon, at 4:10 p.m., the hearing was concluded.]

APPENDIX

Additional Material Submitted for the Record

Statement of Paul Casper, President
South Dakota Soybean Association

before the

Subcommittee on International Trade, Customs, and Global Competitiveness
Senate Committee on Finance

April 18, 2012

Good afternoon Mr. Chairman and Members of the Subcommittee. I am Paul Casper, a soybean and corn farmer from Lake Preston, South Dakota. I serve as President of the South Dakota Soybean Association, which is an affiliate of the American Soybean Association (ASA)—the advocate and representative of U.S. soybean farmers on national and international policy issues. We appreciate the opportunity to appear before you today to provide our views on agricultural trade with the Asia-Pacific region, which represents close to 60 percent of world GDP, nearly 50 percent of world trade, and is home to more than 2.7 billion people.

Soybeans and soybean products are the most significant U.S. agricultural export commodity. Exports of U.S. soybean products exceeded $22 billion last year, representing over 60 percent of U.S. soybean production. South Dakota has become a leading exporter of soybean product exports, with sales to foreign markets reaching a record $1.04 billion in 2010, compared to $340 million in 2006.

The rapidly growing markets in the Asia Pacific region, led by China, are key drivers of U.S. soybean demand. In fact, six of the top ten foreign markets for U.S. soybeans are in the Asia Pacific region. China is by far the largest customer for U.S. soybeans and products, with purchases exceeding $10.6 billion last year. Japan was the third largest market for the U.S., with purchases of $1.2 billion. Other significant buyers of soybean products in the Asia Pacific region included Indonesia with purchases of $870 million; Taiwan with $714 million; South Korea with $362 million; the Philippines with $353 million, and Thailand, which purchased $195 million worth of soybean products last year.

With the recent implementation of the South Korea trade agreement, nearly two-thirds of U.S. agricultural exports to Korea are now duty-free, including U.S. soybeans for crushing and U.S. soybean meal. U.S. food-grade soybean producers will have access to the South Korean market outside of the import monopoly that was created by the Korean State Trading Enterprise. Implementation of the agreement will also trigger the gradual elimination of tariffs on refined soybean oil over five years, and the elimination of tariffs on crude soybean oil over 10 years. This FTA also creates landmark opportunities for meat and poultry exports, which should further boost U.S. consumption of soybean meal.

A potential Trans-Pacific Partnership (TPP) free trade agreement would also provide market opportunities for soybeans and other U.S. agricultural exports, especially with its long-term objective of establishing a broader Asia-Pacific trade arrangement. Entry of Japan in the TPP trade negotiations would increase the economic significance of the agreement, and soybean farmers strongly support Japan joining the negotiations. The benefits to the U.S. soybean industry from Japan's participation in TPP negotiations will be largely indirect, but will nonetheless be significant. Japan's economy is second only to China's in the region, and it is the fourth largest agricultural export market, despite maintaining substantial import barriers in the food and agricultural sector. While soybeans and soybean meal enter Japan duty free and Japan's tariff on soybean oil is fairly low, Japanese barriers to U.S. livestock exports are much more restrictive. Their removal under a TPP agreement would offer substantial new opportunities to expand U.S. exports to Japan of dairy, pork, beef and poultry products. Since soybeans are a major component of feed rations for most of the animals from which these products are produced, demand in the U.S. for soybeans would expand accordingly. In a sense, we would be exporting more soybeans to Japan, but in the form of meats and dairy products, and those sales would benefit both soybean producers and our U.S. livestock industry customers.

Although the Asia Pacific region has been a top market for soybean producers over the past decade, substantial potential exists for expansion in agricultural and soybean trade between the United States and the region. Vietnam, for example, is a rapidly growing market for soybean products. Since joining the World Trade Organization (WTO), Vietnam's imports of U.S. soybeans rose to $150 million in 2011, compared to just $7.4 million in 2006. Vietnam represents one of fastest growing animal feed industries in the region as it seeks to support a growing livestock sector. New processing plants in Vietnam are increasing imports of soybeans for crushing. And new port facilities have been built on the northwest coast of Vietnam that can accommodate Panamax ships with increased cargo capacity. The Vietnamese market represents a significant and growing opportunity for exports of U.S. soybean products.

There also remains great potential for expansion of U.S. agricultural exports to the region if non-tariff barriers restricting U.S. exports can be eliminated. A key area that affects exports of U.S. soybeans concerns the policies that regulate agricultural commodities derived through biotechnology.

As I stated earlier, China is, by far, our single largest export customer. The $10.6 billion in soybeans purchased by China last year represent nearly 50 percent of all U.S. soybean exports and 25 percent of the U.S. soybean harvest. In other words, one of out of every four rows of soybeans grown in the United States is exported to China.

While we have a strong trade relationship with China, China's regulatory approval process for commodities containing biotech traits has been slow, causing concern in the U.S. soybean industry about obtaining trait approvals prior to commercialization. In this regard, China is the only major importing country that requires biotech events be fully approved in the country of development before it will accept an application for its registration to export the product to

China. This requirement delays commercialization of new traits in the U.S. for as much as two years after U.S. regulatory approvals are obtained. And China also requires that approved biotech traits be reregistered every three years, a process that creates uncertainty and could potentially disrupt access to this important market.

U.S soybean farmers are most appreciative of China's expanding market for soybeans, and we are pleased that there have not been any recent disruptions in the soybean trade between China and the U.S. However, like any trading relationship, issues arise from time to time that need to be addressed and we are actively supporting efforts by USDA to move forward on a pilot project with China to begin to address this issue.

In general, however, the soybean sector's impressive export growth in the Asia Pacific region could not have been achieved without the unique government-industry partnership that characterizes the market development and export promotion programs administered by USDA's Foreign Agricultural Service, carried out by organizations representing U.S. farmers and ranchers. By any measure, the Foreign Market Development (FMD Cooperator) Program and the Market Access Program (MAP) have been tremendously successful and extremely cost-effective in helping expand U.S. exports of soybeans and other agricultural commodities. Soybean farmers themselves also are making substantial investments in international market development through the soybean checkoff; these farmer checkoff investments more than match any investments made under the FMD and MAP programs.

However, our competitors in South America also continue to increase exports to the Asia Pacific markets as their production levels jump to record levels. Already, Brazil has emerged as the world's second largest supplier of soybeans, followed by Argentina.

Despite slower world growth, the outlook for agricultural trade remains promising. The emerging markets in the Asia Pacific region will continue to drive grain, protein, and dairy demand worldwide, and American agriculture is poised to continue to meet those demands. We strongly encourage the U.S. Government to aggressively pursue market-opening initiatives throughout the Asia-Pacific region, and we strongly support the inclusion of Japan in the Trans Pacific Partnership negotiations.

Thank you again, Mr. Chairman, for the opportunity to present our views on this important issue. I would be happy to respond to any questions.

Senate Finance Sub-Committee on Trade – Statement Regarding the Trans Pacific Partnership and Expanding U.S. Agricultural Trade to the Pacific Rim

Steve Crider, Amy's Kitchen **April 18, 2012**

Chairman Wyden, Ranking Member Thune, and Members of the Sub-Committee, I am Steve Crider, International Sales Manager for Amy's Kitchen. I am engaged in the export of high value, organic foods and have been employed developing this type of business for past 26 years, including nine while based in Japan. In my current role with Amy's Kitchen – a manufacturer of frozen and processed organic meals, pizza, and soup – I am responsible for international market development in Canada, the Middle East and Pacific Rim and Asian. I also actively serve as Amy's liaison to the organic industry as well as on policy and governmental affairs. Amy's Kitchen is a long standing member of the Organic Trade Association where I serve on OTA's International Committee - working on such issues as organic equivalency and reduction of technical barriers to trade.

Thank you for the opportunity to provide testimony regarding policies to increase trade with the Pacific-Rim as part of the Trans Pacific Partnership (TPP) agreement.

Being active on the front lines of sales, in a rapidly changing business environment, it is clear to most observers that the Pacific Rim regional economy is extremely dynamic and poised for growth. The region's population is increasing in sheer numbers and economic size – as well as in their citizen's expectation of a higher standard of living. In order to meet the dietary demand of these populations, US agricultural exports will have many opportunities and advantages - if we can better understand, communicate and deliver to these potential customers. There is a very important and active role government can play in assisting US companies to compete and succeed in these regions. We in the organic realm benefit from this general rising tide of consumers who demand higher quality food, avoid certain product traits such as genetically engineer ingredients, and seek out safe, delicious meals for their families.

The passage of the Organic Foods Production Act in 1990 was a seminal event, setting the organic sector on a trajectory of growth that has lasted even through this protracted recession. In 1990, U.S. organic sales were estimated to total $1 billion. Today, it is a 28 billion-dollar-a-year industry, with over 6 billion dollars a year in farm gate sales. Sales grew by 20% a year for over a decade, and, despite the worst recession in modern times, still grew by almost 6% in 2009. American families increasingly are choosing organic despite the tough economy, and latest reports monitoring the natural and organic food industry indicate sales have picked up since the down turn experienced in 2008 through 2010. We are seeing this same general trend at Amy's Kitchen, domestically AND internationally.

Amy's Kitchen is based on the US west coast, with manufacturing facilities in California and Oregon. Our success both nationally and internationally is predicated on some very basic tenets and a commitment to producing, in our own factories, the highest quality, most delicious foods using organic and natural ingredients. Together our two production facilities employ over 2000 people in the creation, sales and administration of our product line, supplying over 250 organic food products to US and global markets. Like many others in the organic food sector, our business continues to grow at pace far exceeding national averages.

Export markets play an increasingly important part of this growth at Amy's. We have added new, well paying jobs in our company to support this expanding growth and market demand including new positions in sales, customer service, logistics, purchasing, technical services & documentation fulfillment needs – not to mention the added production staff hours and employees who manufacture container loads of our frozen, valued-added meals, pizza, and other organic offerings. The same is true with our domestic growth here in the U.S.. Today, organic food products such as Amy's Kitchen can be found not only in natural food commercial settings – but in such mainstream retailers as Wal-Mart, Safeway, Costco, Kroger, and Target. This trend in organic food being able to reach a more mainstream, conventional retail setting and consumer demand is being replicated worldwide.

Our appeal today before this committee is for Congress to continue the support of key programs and components that have nurtured and helped promote all U.S agricultural exports - especially now at this critical juncture where American foods have both a great opportunity for expansion and broadened consumer appeal in the most important market at our doorstep, the Pacific Rim.

The National Organic Program (NOP) inside USDA is by far the most important and critical program for continued growth and success of the U.S. organic food industry.

The NOP, and the organic certification which carries the imprimatur of the US government via the accredited certifiers, establishes the strength and credibility of our product claim and enhances consumer confidence here at home and especially in global markets.

Here is our top request:

Maintain the strength and extended the capacity of this key USDA team at the National Organic Program. Let us build on the successful negotiations for organic equivalency we accomplished with Canada and most recently the EU. This historic achievement will reap huge benefits to American food exports for generations to come. Asia and the Pac Rim are now poised to follow suite in this trend of reduced barriers to organic market entry and expansion. We believe that the U.S. government negotiators will continue to be smart, far-sighted and fair in upcoming organic trade negotiations. Transparency and equivalency in international organic standards " 'tis an outcome devoutly to be wished".

Secondly, we ask Congress, USTR and USDA to continue to press for the reduction of import duties and tariffs on US Agricultural products, which makes them more expensive and prohibitively priced for international consumers. Amy's Kitchen is often hit with tariffs that range from 17 to 30 per cent just in import duties alone at the port of entry. Reducing these tariffs in government to government trade agreements is crucial to expanded growth of US agricultural products.

Thirdly, continue with the cross governmental collaboration and increased efficiency of the agencies and programs that support all small and medium sized businesses in their export efforts. Expand the criteria for participation so that more and larger companies can engage. If we are to meet the aggressive goals for US agricultural exports as outlined in the National Export Initiative (NEI), we need more and larger players participating in market access and export development programs. Amy's Kitchen has benefited directly from participation in the Foreign Agricultural Service Market Access Programs developed for Europe, Mexico & the Caribbean as well as South America, the Middle East and the Asia/Pacific Rim regions. Loss of funding for these programs will severely curtail our company's ability to succeed - and many others like us - who rely on the reports, contacts and introductions; market tours and overviews; and the keen independent, unbiased information the FAS provides in an extremely cost effective manner. Likewise, matching funds programs make it possible for many companies to participate in key trade shows. These marketing events showcase the diversity of American food products to international export/import traders, resulting in millions of dollars of new and incremental sales. Simply put, from global demand come export sales, which drive more production here at home.

Production in the case of Amy's Kitchen consists of the making organic foods from scratch in our two West coast facilities. We procure the majority of our organic ingredients from local sources within a 500 mile radius of these plants. Importantly, Senator Thune and other distinguished colleagues from the mid west, Amy's also sources hundreds of tons of key organic ingredients including organic soy, corn, beans and pulses, wheat flour, and other grains from America's breadbasket. This in turn supports an ever expanding network of organic farm producers in rural communities.

Organic farming is the fastest growing segment of US Agriculture. Equally important, organic farming is also attracting the highest rate of new and young farmers into agricultural production where they are sustained by the higher prices these certified agricultural products command - and the quality of life afforded on the farm by using these practices. Thus we can draw a direct link to the increased business generated by export trade in organic foods and the revitalization of our rural economy and agricultural communities.

Lastly, I want to express to the committee that OTA is proud to be the official Organic Cooperator in USDA's Market Access Program, Emerging Markets Program and Technical Assistance for Specialty Crops programs. These export promotion and trade barrier reduction

programs offer great value and are an excellent return on investment to our industry and the U.S. economy.

Amy's Kitchen organic foods are creating opportunities worldwide as more consumers look for healthy, tasty AND convenient food choices. With your help and support, Amy's will continue to expand into foreign markets. Our company's growth shows no signs of slowing down and we look forward to contributing our part in doubling US exports - further showcasing the diversity of American agriculture.

TESTIMONY OF ROBERT D. HORMATS

UNDER SECRETARY OF STATE FOR ECONOMIC GROWTH, ENERGY, AND THE ENVIRONMENT

DEPARTMENT OF STATE

BEFORE THE SENATE COMMITTEE ON FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE, CUSTOMS, AND GLOBAL COMPETITIVENESS

APRIL 18, 2012

ON TOWARDS THE ASIA PACIFIC: OPPORTUNITY FOR AGRICULTURE AND FOOD PRODUCERS FROM THE GREAT PLAINS TO THE PACIFIC NORTHWEST

Mr. Chairman, Ranking Member Thune, and Members of the Senate Finance Subcommittee on International Trade, Customs, and Global Competitiveness, thank you for inviting me to testify today.

It is my pleasure to be here with my colleagues, Deputy Under Secretary for Farm and Foreign Agricultural Service Darci Vetter, and USTR Chief Agricultural Negotiator Ambassador Isi Siddiqui. State works closely with our USDA and USTR colleagues to facilitate trade worldwide.

I'm also pleased to be here together with the very impressive private sector panel to follow. Cooperation with the U.S. agricultural community is an essential part of our efforts to serve the interests of the American people – since many millions of jobs depend directly on agriculture and many more depend on it indirectly.

The State Department aims to improve our bilateral and multilateral relationships with foreign countries. This supports foreign trade and enhances U.S. competitiveness abroad. Secretary Clinton has emphasized the importance of economic statecraft in order to further strengthen these ties. As the Secretary stated in Hong Kong last year, "economic progress depends on strong diplomatic ties and diplomatic progress depends on stronger economic ties."

Nowhere is this reality more important than in the Asia Pacific, and much of our foreign policy strategy therefore focuses on building stronger relations with the countries of the region, applying diplomacy, negotiation, and multilateral outreach to promote trade and security in the Asia Pacific. An Asia Pacific that is prosperous and integrated into the global economy is good for American growth, jobs, and competitiveness.

This is particularly true for the American agricultural sector which literally produces food for the world. While we are fortunate to live in a country that is food secure, by globalizing our agricultural sector, we are able to tap into larger markets and grow our exports. The U.S. agricultural sector will continue to benefit from Asia's economic growth, as a new generation of consumers comes of age in the region.

What makes the State Department's contribution to this goal unique is our team of ambassadors and nearly 1,000 economic officers, located in almost every country in the world. Through this presence, we work directly with host government officials to improve our bilateral and multilateral economic relationships. I'd like to take this opportunity to tell you about some of our work in the Asia Pacific region, specifically to open new markets and remove barriers to U.S. agricultural exports.

Centrality of the Asia Pacific Region

An Asia Pacific that is prosperous and integrated into the global economy – on the basis of agreed rules, norms, and values – is good for American growth, jobs, and competitiveness. This is particularly true for the U.S. agricultural sector, which will continue to benefit from Asia's economic growth, as a new generation of consumers comes of age, and dramatically grows in size, in the region.

As Secretary Clinton said during a speech at the East-West Center in Honolulu in January 2010, "America's future is linked to the future of the Asia Pacific region."

Three initiatives, the Asia Pacific Economic Cooperation (APEC), the Korea-U.S. Free Trade Agreement (KORUS), and the Trans Pacific Partnership (TPP), are critical to advancing U.S. economic interests and benefiting U.S. agricultural exporters in the region. I want to touch briefly on each one.

APEC

Seven of America's top 15 trading partners are APEC members, and several APEC members have key emerging agricultural markets, such as Indonesia, Malaysia and Vietnam. As host of APEC in 2011, the United States sought to strengthen regional economic integration by advancing common trade and investment practices in the region.

We've had considerable success. For example, after high level engagement with State Department officials last year, the Indonesian government established a science-based regulatory system and embraced the potential of agricultural biotechnology. There are currently multiple crops undergoing field trials in Indonesia, with the first expected commercialization to occur later this year.

Similarly, State is working with other government agencies to help Vietnam establish a biotech regulatory framework by building the capacity of Vietnamese authorities to administer a science-based system. Just last week, the State Department, USDA, and EPA hosted a group of Vietnamese scientists who are preparing to issue the first environmental risk assessments for

genetically engineered crops in their country's history. We hope to see the first Vietnamese crops approved for commercialization in 2012 or 2013. In addition to facilitating market access for U.S. agricultural producers, these actions will help Vietnam to increase its food security.

Russia hosts APEC this year, and is expected to become a WTO member this summer. This could provide an enormous opportunity for American agriculture. But to seize on that opportunity, American farmers need the help of Congress – specifically to enact the necessary legislation to terminate Jackson-Vanik with regard to Russia. If not, U.S. exporters will not get the full benefits of Russia's WTO membership, but our competitors will. Unlike other WTO members, the United States will not be able to turn to the WTO dispute settlement procedures to ensure compliance with trade rules.

For example, when Russia becomes a WTO Member, it will be required to comply with the WTO's Agreement on Application of Sanitary and Phytosanitary Measures, including obligations related to the use of science-based international standards. However, Russia would only be required to apply these rules to U.S. exports of meat, poultry, dairy, and other agricultural products if Congress terminates the application of Jackson-Vanik to Russia. Make no mistake, Russia will join the WTO, but action is required from Congress to ensure that American agriculture fully reaps the benefits.

KORUS

In line with the objective of opening markets in Asia, we worked with Congress and our interagency colleagues to advance the Korea-U.S. Free Trade Agreement (KORUS), which entered into force on March 15.

KORUS is a clear example of the kind of high quality FTA we want to promote. Specifically, KORUS will provide America's farmers, ranchers, and food processors with improved access to Korea's $1 trillion economy and 49 million consumers. Tariff reductions will benefit both U.S. suppliers and Korea's consumers, and will help the United States compete against other world competitors that have increased their presence in Korea's $15 billion agriculture market.

For example, KORUS will directly benefit Pacific Northwest food producers. Korean tariffs of 24 percent on U.S. fresh cherries will be eliminated immediately. Tariffs of 15% on wine also will be eliminated immediately. And with our diplomatic presence in Korea, U.S. State Department officials will monitor first hand Korea's implementation of the agreement, assuring full compliance. What we negotiate, we aim to enforce.

Trans-Pacific Partnership (TPP)

Looking ahead to the next generation of trade agreements, the United States, along with Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam, are aiming at crafting a high-standard agreement that addresses new and emerging trade issues and challenges, including those in agricultural market access and regulations affecting agriculture, such as sanitary and phytosanitary measures, transparency, and science-based risk analysis.

Our objective in the TPP is to avoid unwarranted trade barriers affecting U.S. agricultural exports by ensuring that measures to protect public, animal and plant health are transparent and science-based. Achieving this will enable U.S. companies to operate more seamlessly in TPP markets and help small- and medium-sized enterprises – a special focus of TPP – to participate more actively in international trade.

The United States also is working to ensure TPP reflects shared values, including worker rights and environmental protection. Our goal for TPP is to create not just more growth, but better growth. We believe the TPP needs to include strong protections for workers, the environment, intellectual property, and innovation. The TPP aims to ensure fair competition, including competitive neutrality among the state-owned and private enterprises.

Deploying State Department Resources

The State Department actively deploys its resources to promote U.S. agricultural trade. Our ambassadors raise stalled high-profile issues and use a variety of tools to resolve them. Ambassadors host agricultural trade missions to highlight U.S. agriculture and put exporters in touch with buyers. We also continue to raise our concerns on impediments to market access, noting that we expect countries to live up to their multilateral and bilateral trade obligations.

For example, in Russia, Ambassador McFaul has already met with high level officials several times to ensure that when Russia fully accedes to the WTO, the Russian market will be open to U.S. chicken exports. In China, the State Department raises intellectual property enforcement rights for U.S. seed companies. Unscrupulous sellers in China will bag their low-performing seeds in counterfeit bags purporting to be high-quality U.S.-developed seeds. State Department economic officers and USDA agricultural attachés regularly address issues like this – as well as issues pertaining to market access for U.S. agricultural products or the ability to build food processing and storage facilities – with their Chinese counterparts at the highest levels.

The absence of transparent, science-based regulations has the potential to halt U.S. agricultural exports. For example, differential approval rates (known as asynchronous approvals), the low-level presence (LLP) of biotech products approved in the country of export but not yet in the country of import, and the lack of consistent and harmonized rules can potentially result in billions of dollars of losses. The State Department works in a variety of fora to proactively encourage economic and regulatory systems that will address these issues. For example, in APEC's High Level Policy Dialogue on Agricultural Biotechnology, the State Department promotes the adoption of transparent, science-based regulations in Asia for the review of agricultural products produced through modern biotechnology.

Specifically, asynchronous approvals are an issue with China. The Chinese regulatory process does not allow for review of genetically engineered products developed in the United States until after they are approved by U.S. regulators. The asynchronous approval by Chinese authorities adds 18-24 months to the commercialization process, as U.S. producers are reluctant to plant crops that could be held or delayed in Chinese ports, as has happened on a few occasions in the past. The State Department, USTR, and USDA are working vigorously and regularly with our counterparts in relevant Chinese ministries to shorten and/or eliminate the approval timeframe.

The State Department also sponsors outreach programs in Asia and elsewhere to enable officials and other interested parties to be able to separate myth and misinformation from science and facts regarding agricultural biotechnology. In 2011, the State Department sponsored these programs in some 30 countries, allowing foreign audiences to hear of the contributions agricultural biotechnology can make to food security and environmental sustainability.

In addition, the State Department's International Visitor Leadership Program (IVLP) brings rising global leaders to the United States to see our agricultural systems in action. For example, in the past year a group from China met with shrimp industry representatives in Texas to learn about our seafood industry's safety techniques and regulatory compliance; a group from Japan came to Iowa to learn more about our veterinary practices and safeguards for food safety and animal health; and a group from Thailand visited New York to gain a better understanding of the effect of trade agreements on port operations. Some of our IVLP alumni already have risen to the vice minister level in their home countries, and we are seeing new agricultural policies that are consistent with international standards and U.S. policy goals, thus further opening markets to U.S. agricultural exports.

Laying Down the Framework for Global Trade in the Multilateral Context

This brings me to my final point: the State Department is active in multilateral fora in creating global conditions favorable to agricultural trade.

We work with our USDA and USTR colleagues at the World Trade Organization in Geneva in its various committees. In the most recent Committee on Agriculture meeting, for example, our joint delegation raised Egypt's ban on cotton imports and Indonesia's closure of a Jakarta port to fruits and vegetables. This is a regular part of State Department diplomacy at the bilateral level.

When I speak to people working for U.S. agriculture, many tell me that the most prevalent barrier to trade is arbitrary or non-science-based government regulations. There is a role for regulations to protect consumers and support commerce, but in order to facilitate trade, we support harmonizing our standards as much as possible and ensuring sound, science-based regulations that will ensure that other countries will recognize our certifications.

Multilateral diplomacy is crucial to creating those international standards and reinforcing good practices. Using international bodies such as the Codex Alimentarius, the UN body responsible for setting food safety standards, the United States is able to establish worldwide standards based on the recommendations of expert panels.

For example, the State Department has taken the lead internationally on the issue of Codex Alimantarius's maximum residue limits in meat for ractopamine, a veterinary drug used for more efficient production of beef and pork in the United States and other countries. Our embassy personnel have and will continue to build coalitions among like-minded countries to support the establishment of Codex standards for ractopamine that are science-based and unbiased. The United States also continues to encourage Codex to adopt pesticide standards for larger product

groupings instead of one standard for each fruit and vegetable, which would be a win for our Pacific Northwest producers of cherries, apples, and other specialty crops.

And building on work at APEC, and in cooperation with the private sector, the State Department has collaborated with USTR and USAID to support the Global Food Safety Partnership, a multi-donor trust fund managed by the World Bank. In this innovative partnership, which first was announced at APEC, a wide-range of stakeholders creates training programs designed to enhance food safety and to facilitate trade.

Conclusion

I would like to close by emphasizing that American economic leadership in Asia is critical to our overall engagement there. We must continue to deepen our political and economic ties with the region, pressing for rule of law and trade enforcement, and supporting the global economic network that underpins the world's economic recovery. Doing so is good for American agriculture and is good for America.

I appreciate the committee's interest in this important topic, I thank you for inviting me here, and I look forward to your questions.

April 18, 2012

Mark Powers, Vice President, Northwest Horticultural Council

Before the Subcommittee on International Trade, Customs, and Global Competitiveness of the Senate Committee on Finance

Hearing Title: Toward the Asia Pacific: Opportunity for Agriculture and Food Producers from the Great Plains to the Pacific Northwest

Mr. Chairman and Members of the Committee:

INTRODUCTION

Good afternoon, Mr. Chairman and Members of the Committee. I am pleased to be before the committee today, testifying to the exciting export opportunities that the Asia Pacific region holds for those involved in producing deciduous tree fruits in the Pacific Northwest.

I have served as the vice president of the Northwest Horticultural Council since 1999. The NHC is a trade association representing the national and international policy interests of growers, packers and shippers of apples, pears and sweet cherries raised in Idaho, Oregon and Washington. My primary responsibility for the NHC is international trade policy and most of what I do on a daily basis is work to eliminate the various barriers to trade facing pears, cherries and apples. I am a past chairman of the Agricultural Technical Advisory Committee (ATAC) for Trade in Fruits and Vegetables, and serve on the board of directors of the U.S. Agricultural Export Development Council, the Coalition to Promote U.S. Agricultural Exports, Washington State China Relations Council and the Washington Council on International Trade.

The Northwest Horticultural Council is located in Yakima, Washington, and its web site is www.nwhort.org.

BACKGROUND

The farm gate value of the fresh deciduous tree fruit production in the Pacific Northwest is approximately $2.5 billion and some 30% of the production volume ($800 million) of fruit is exported each year. These exports create an estimated 7,350 jobs and generate $1.5 billion of economic activity in our region.

90 percent of U.S. apple, 92 percent of U.S. pear, and 65 to 75 percent of U.S. sweet cherry exports originate from the Pacific Northwest. The table below provides a regional comparison of Pacific Northwest tree fruit exports (by volume).

Regional Exports (3 Year Average, 2008-2010)

	Mexico, Canada	Asia Pacific	South America	Middle East	Europe
Apples	44%	28%	7%	18%	3%
Pears	63%	11%	15%	8%	3%
Cherries	40%	51%	2%	0	7%

Exports play a critical role in the financial health of pear, cherry and apple growers and maintaining and improving access to overseas markets is critical.

- Using apples as the example, the U.S. domestic market is profitable and orderly when Washington state ships somewhere between 70 to 80 million cartons domestically. With a normal crop now estimated to range from 100 to 110 million cartons or higher, then at least 35 million cartons have to go to export markets. A level that industry beat for the 2010 crop, as exports then were almost 37 million cartons (34% of the apple crop).
- Mother Nature determines in large part each year what the trees produce in terms of quantity, quality and size of fruit. The variety of export markets makes it more likely that fruit that might not be sold domestically can find a home overseas. For instance, Indonesian consumers like small apples, too small for the typical U.S. consumer. The ability to market more of what each tree produces helps to lower the average unit cost and increase profitability for growers.

The Asia Pacific region is a growth market.

- 95% of the 7 billion people in this world are to be found overseas – to a large extent Asia. That is also where the emerging middle class is found. In comparison, there are about 12 million people in Idaho, Oregon and Washington (4% of the U.S. population).
- Many countries in the Asia Pacific region have tropical climates and do not produce temperate tree fruit and must import to meet demand. Some countries that do compete with us are counter seasonal producers and may allow some fruit to enter the market (e.g., New Zealand allows imports of Pacific Northwest apples, pears and cherries). Others, such as India do not yet produce the quality or variety of tree fruit or produce sufficient volumes to meet in-country demand.
- Other regions of the world have more constraints to growth than the Asia Pacific region. For example, North America is by and large a mature market as is Europe. Europe also has a large and well established domestic industry that harvests at the same time of the year as our growers.
- Annual per capita consumption in the United States for apples (16 lbs.) and pears (3 lbs.) is generally stable and expected to remain so in the foreseeable future. In large part this is due to competition for each consumer's food dollar – made fiercer by the cornucopia of food options available to consumers in the grocery stores. For example, the average U.S. supermarket carries some 350 produce items and roughly 38,000 items overall.

The good news is that market access to much of the Asian Pacific region for the apple, cherry and pear sector of the Pacific Northwest is very healthy and some countries have been importing fruit for many decades. The three year average value of Pacific Northwest commercial tree fruit

exports to Asia Pacific has increased an estimated 50% (to over $300 million) from 2008. The table below outlines the top five markets in the Asia Pacific region for the crop year 2010/2011.

Top Five Asia Pacific Export Markets

	1		2		3		4		5	
Apples	India	$63	China/H.K.	$55	Indonesia	$50	Taiwan	$43	Thailand	$17
Pears	Russian Far East	$4	India	$2.4	Hong Kong	$2	Taiwan	$1.7	New Zealand	$1.5
Cherries	China/H.K.	$50	Taiwan	$30	Korea	$16	Australia	$15	Japan	$12

(Dollar values are in millions and represent estimated FOB packing house values.)

TRADE BARRIERS

The perspective that I provide on Asia Pacific opportunities is tempered by the everyday work of the Northwest Horticultural Council to keep these markets open. Just as the opportunities for trade are bountiful, so are the opportunities for trade barriers.

Over the past decade the United States has made progress reducing or eliminating tariffs of priority to our industry. In many Asia Pacific countries, such as Australia, Singapore, Indonesia, Malaysia, New Zealand and the Philippines tariffs are at or below 5%. Unfortunately, high tariff levels (10% to 50%) in the People's Republic of China, India, Japan, Thailand and Taiwan remain. Any tariff level is increasingly problematic as other nations negotiate preferential tariffs under free trade agreements. On a positive note, Vietnam has successfully implemented its World Trade Organization tariff rate commitments and reduced its duties on apples, pears and cherries to 10%. With the March 15, 2012, implementation of the U.S.-Korea Free Trade Agreement, Korea eliminated its 24% tariff on sweet cherries – presenting a great opportunity.

Before fruit can be exported to a foreign country, the United States must address the various plant pest concerns that are raised. This category of trade barriers, termed market access barriers, tends to have a very long life. In today's global economy these barriers still exist in countries that are very protective of domestic growers. Examples in the Asia Pacific region involve apple and pear access to Australia, South Korea and the People's Republic of China (in the case of the PRC varieties other than Red and Golden Delicious apples are not allowed access). This type of barrier, while extremely frustrating, does not pose an immediate business risk as no one is planning on that market taking a portion of their inventory.

Today, the barriers that often threaten to close established markets or disrupt sales are non-tariff barriers. These barriers arise in established markets and can significantly injure pricing and movement of fruit. The number of Asia Pacific countries implementing or modifying plant health, food safety, consumer protection and other types of regulations has increased. These changes have not emerged following any direct sanitary or phytosanitary risk involving commercial shipments of tree fruit from the United States. Increasingly, broad regulatory actions involving all trading partners are taken rather than targeted enforcement against commodities from specific origins of concern. As these new laws and regulations are drafted or enacted they sometimes are used to intentionally limit trade.

I would like to make two specific observations on trade barriers: Non-tariff barriers (including Sanitary and Phytosanitary barriers) are exceedingly complex and technical in nature. Resolution of these trade barriers requires an in-depth knowledge of production systems and the specific technical concern raised (plant pest, food safety, or industry practice). Expertise must be drawn from the private sector, government and academia and inevitably involve regulatory agencies. The effort to find a timely solution that is commercially viable requires close consultation and coordination between all parties. Yet, the mechanism for making this process occur is at best ad hoc. Not all governmental entities that may be needed to address an issue are tasked with working on export issues.

The second observation is recognition that at the end of the day if a trading partner is unwilling to remove a barrier to trade there is very little recourse available to small exporters. Neither dispute resolution through the WTO, at one end of the spectrum, or continued technical discussions at the other end is a rapid process.

ASIA PACIFIC PRIORITIES

Indonesia

Beginning in early January 2012 and continuing through March the government of Indonesia announced its intention to implement various decrees regarding food safety, plant health, and import licensing for fresh food of plant origin. If implemented as announced (the deadline for one of the main decrees has been delayed until June·19) the various regulations would severely impact the ability to import apples, pears and cherries from the Pacific Northwest.

Exports to Indonesia from the Pacific Northwest 2010 apple and pear crop and the 2011 cherry crop were approximately $57 million (FOB packing house).

Unless resolved, losses next year could easily reach $40 to $50 million. This estimate assumes that the apples are not sold elsewhere. The size (more than 2 million cartons) and unique character of the Indonesian apple market make it difficult to sell that manifest to other markets. Indonesian's like small apples, something that is not true for consumers in all other markets. Ultimately the price will have to be reduced, likely by several dollars per carton, across the entire crop of Red Delicious apples and perhaps other varieties as well. The three year average Washington state Red Delicious crop volume is 34 million cartons. At a conservative $2/carton impact that would result in a $68 million reduction in the price of Red Delicious apples.

China – Market Access for Pears

The People's Republic of China currently prohibits the importation of pears from the United States due to alleged plant health quarantine concerns. China has access to our markets for its Ya pears and Fragrant pears and the U.S. Department of Agriculture is now in the process of rulemaking to allow Chinese Sand pears access.

In cooperation with the Animal and Plant Health Inspection Service and the Foreign Agricultural Service, the NHC has been actively seeking access for pears to the PRC's market since 1991 and, following bilateral technical meetings in Shanghai, China, July 14-16, 2009, the PRC finally provided its pest risk analysis on U.S. pears. Since then the traditional back and forth technical

exchanges have been underway to address the PRC's stated quarantine concerns. To date the two sides have yet to reach agreement on the work plan conditions that are technically justified due to plant health risk.

The Pear Bureau Northwest, based in Portland, Oregon, estimates that direct access to China will allow Pacific Northwest pear growers to initially export between 100,000 and 150,000 cartons of fresh pears, valued at up to $2 million, to that country per year. Growers in our region produce pear varieties not grown in China including some red varieties that should prove to be very popular in China's major cities. Red and green Anjou pears and the Starkrimson are the varieties that hold the most promise.

India – Tariff Rate Elimination

Eliminating India's 50% tariff on apples and its 30% tariff on pears and cherries is a priority for the Northwest Horticultural Council. Eliminating these tariffs would provide significant economic benefit to the Pacific Northwest tree fruit industry and would not generally adversely impact the ability of India's domestic industry to successfully market its crop. India, a country with 300 million middle class consumers, is now the third largest importer of Washington state apples with sales of the 2010 crop surpassing 3 million cartons valued at over $50 million: more than double the level of exports to India during the 2009 season. India is the seventh largest importer of USA pears with 2010 crop shipments estimated at $2.6 million. The growers, packers and shippers in the Pacific Northwest are the primary U.S. suppliers of apples and pears to India, a market that has been under development since access for imported produce from around the world was allowed beginning in 1999. Temperate fruits (e.g., apples and pears) account for roughly three percent of India's total fruit production. Currently more than 85 percent of India's fruit imports are temperate fruits; and apples account for some 75 percent of that volume.

Taiwan

Codling moth is a pest of apples in the United States and a pest of quarantine concern to Taiwan. Following a detection in Taiwan in 2002 and resulting market closure, the two countries negotiated the *Systems Approach Work Plan for the Exportation of Apples from the United States to Taiwan.* As a condition for allowing the importation of apples from our country to resume under the terms of this work plan, Taiwan is permitted to suspend the importation of all U.S. apples following three separate detections of codling moth larvae. This penalty system is not based on scientific principles and is being maintained without sufficient scientific evidence. It is an arbitrarily chosen threshold that is more trade-restrictive than required to achieve the appropriate level of phytosanitary protection. The three-strike penalty system should be eliminated.

A USDA Animal and Plant Health Protection Service technical document finished in October of 2006 supports industry's position. The results of this assessment demonstrate that based on the environmental requirements for codling moth to complete its lifecycle, the climate in Taiwan and the very low rate of codling moth infestation, apple shipments from the United States are a very low risk pathway for codling moth establishment in Taiwan. There is a 99 percent chance that it would take at least 10,091 years before a mating pair of codling moths would occur in Taiwan as a result of U.S. apple shipments. Based on this risk assessment, industry requested that USDA and USTR seek modifications to the current penalty structure that will remove the threat of market closure as part of the penalty for detection of codling moth upon arrival in Taiwan.

After more than 30 years of apple shipments (totaling over 8 billion apples), Taiwan does not have codling moth. Either our methods of shipping apples mitigate the risk to levels below quarantine concern or codling moth cannot survive in Taiwan or both.

Trans-Pacific Partnership

The Northwest Horticultural Council supports the efforts to negotiate a Trans-Pacific Partnership free trade agreement involving Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam and the United States. It is important for the U.S. to have an active trade liberalization initiative in the region and hopefully expand the agreement to include other nations such as India, Indonesia and Thailand.

Immediate duty-free access for tree fruit, of the kind obtained under the Chile, Australia, Peru and Singapore free trade agreements, should continue to be the negotiating objective for all current and future Trans-Pacific Partnership members.

TPP negotiations present an opportunity to eliminate phytosanitary barriers to trade that exist in Australia. Obtaining access to Australia for apples was a goal of our industry long before the U.S.–Australia FTA was signed in 2004. Depending on the provisions of access, sales to Australia could reach at least $5 million per year. The U.S. has requested phytosanitary access to Australia for stone fruit and access for U.S. pears is also of interest. Expanded phytosanitary access to New Zealand for Pacific Northwest sweet cherries, under a systems approach, and stone fruit is also under discussion and would benefit from the increased attention TPP negotiations might provide.

In assessing the value of Japan's potential membership in the Trans-Pacific Partnership the Northwest Horticultural Council has asked that the Trade Policy Staff Committee evaluate Japan's commitment to eliminate its tariffs on apples, pears and cherries. Japan's current tariff rate is 17 percent for apples, 9 percent for cherries, and 5 percent for pears.

Japan is a valuable and important market for Pacific Northwest cherries. During the 2011 cherry export season Pacific Northwest growers exported $12 million (FOB packing house) of fruit to Japan during the approximate three month season. Elimination of the 9% tariff would provide estimated benefits of at least $2 million.

The Pacific Northwest tree fruit industry has a long and complicated history with Japan's sanitary and phytosanitary measures. The Office of the U.S. Trade Representative has twice taken Japan to the World Trade Organization Dispute Settlement Body involving cases where Japan's overly restrictive phytosanitary measures for apples and cherries were proven to be largely unjustified. However, even after successful litigation problems remain. A case in point is Japan's continued insistence that it approve each variety of cherry for export to Japan when fumigated with methyl bromide. More than thirty years of commercial shipping history and research by the U.S. Department of Agriculture's Agricultural Research Service document that these plant health requirements are overly restrictive and unnecessary. Removing them would allow valuable governmental and industry resources to be redirected toward resolving other trade barriers. Of note, last year in response to a request by Japan, USDA readily agreed to allow all varieties of Japanese apples to enter our country based on an assessment that such access poses no increased pest risk.

Phytosanitary barriers prevent U.S. growers from exporting apples and pears to Japan. Removal of these barriers remains an important goal.

A simple litmus test to gauge Japan's ability to engage in a 21st century trade agreement would be the unilateral elimination by Japan of its varietal cherry methyl-bromide fumigation approval requirement.

U.S. GOVERNMENT

The Northwest Horticultural Council works with many United States governmental offices to remove barriers to trade. The U.S. Department of Agriculture's Foreign Agricultural Service and the Animal and Plant Health Inspection Service along with the Office of the U.S. Trade Representative are those most frequently contacted. USDA's Agriculture Research Service provides expert research to answer the technical questions that inevitably arise. The Environmental Protection Agency and now the Food and Drug Administration also have important regulatory roles that impact international trade.

I would like to acknowledge the value that these entities and their staff provide our sector. As you know, the regulation of international trade is conducted by governments. Our success as an export industry depends largely on the continued funding, authority and oversight of these institutions by Congress.

CONCLUSION

In short, the Asia Pacific region provides significant opportunities for those trading Pacific Northwest apples, pears and cherries. The prospects look good for continued success in the future, so long as protectionist forces are kept at bay.

Thank you for this opportunity to participate in this important public hearing. I look forward to answering any questions members of the committee may have as a result of this testimony.

TESTIMONY OF AMBASSADOR ISLAM SIDDIQUI
CHIEF AGRICULTURAL NEGOTIATOR
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
BEFORE THE SENATE COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE, CUSTOMS, AND GLOBAL COMPETITIVENESS
APRIL 18, 2012
ON: TOWARDS THE ASIA PACIFIC:
OPPORTUNITY FOR AGRICULTURE AND FOOD PRODUCERS FROM THE GREAT PLAINS TO THE PACIFIC NORTHWEST

Thank you, Mr. Chairman, Ranking Member Thune, and Members of the Senate Finance Subcommittee on International Trade, Customs, and Global Competitiveness, for inviting me to testify today.

It is my pleasure to be here with my colleagues, Under Secretary of State Robert Hormats and USDA Deputy Under Secretary for Farm and Foreign Agricultural Services Darci Vetter. The strong and enduring partnership that we have forged with our colleagues at USDA, State, Commerce, EPA and FDA is an essential component in effectively addressing the trade barriers we encounter.

It is quite fitting that this hearing is focused on opportunities for exporting agricultural products to the Asia Pacific. This region includes some of the world's most dynamic economies, representing more than 40% of global trade. It is a key destination for U.S. manufactured goods, agricultural products, and services – last year accounting for over 60% of total U.S. goods exports and nearly 75% of our total agricultural exports.

As you know, President Obama's National Export Initiative goal is to double U.S. exports by the end of 2014. Last year U.S. agricultural exports set a new record, reaching $137 billion. We could not have achieved this level of exports without the strong performance in key markets in the Asia Pacific region. Those positive results are the product of many years of joint efforts by the U.S. government to negotiate improved market access and by U.S. agricultural exporters taking advantage of opportunities to export additional products.

A good example of this dynamic can be seen clearly in the dramatic increase in agricultural exports to China since its accession to the WTO. Over the last 10 years, China has moved up from being the United States' sixth largest export market for agricultural products to the second largest market.

The U.S. Trade Representative's (USTR) office will continue to prioritize the Asia Pacific region as we move forward with President Obama's ambitious trade agenda. We focus both on creating new market openings for our exporters and addressing trade barriers, including numerous sanitary and phytosanitary (SPS) measures, which do not appear to be consistent with WTO rules.

As you know, our historic trade agreement with Korea entered into force on March 15. To ensure that the agreement continues to operate smoothly, we are closely monitoring implementation. This agreement has created significant opportunities for U.S. farmers and ranchers. On day-one of the agreement, two-thirds of our agricultural exports entering Korea became duty-free. It is estimated that the U.S.-Korea trade agreement will result in an additional $1.9 billion of agricultural exports annually upon full implementation.

In just these first few weeks, Korea has moved promptly to begin allocating the new tariff rate quotas (TRQs) that were established as part of the agreement, providing important new, duty-free access for a range of U.S. products including dairy, food grade soybeans, corn starch, potatoes, and honey.

In the case of several products, the full year TRQ amounts have already been put into the hands of Korean importers, with allocations for other products expected in the coming weeks.

As provided for under the agreement, we will be working with our Korean partners to set up and schedule meetings of the Committee on Agricultural Trade and the Committee on Sanitary and Phytosanitary Matters. We believe these new committees will be useful additional mechanisms for dialogue with Korea in addressing our market access priorities.

Regarding beef, the agreement will progressively reduce tariffs on our beef exports (40% before March 15, and currently at 37.3%) to zero in 15 years, enabling America's beef producers to build on the significant growth of exports to Korea – which reached $686 million in 2011, a one-year increase of 32.5% in value. Korea is our fourth largest market for beef exports and this trend of robust sales is continuing into 2012.

As Ambassador Kirk indicated last year, we will request consultations to discuss full application of the U.S.-Korea Beef Protocol. Further opening of Korea's beef market, consistent with science and international standards, remains an important priority.

The Administration is also moving full speed ahead in the Trans-Pacific Partnership (TPP) negotiations. Building on the broad outlines announced last November, we are seeking to conclude a landmark TPP agreement this year. The TPP is an historic endeavor that embodies the Obama Administration's vision for the American economy, the future of trade, and the United States' central role in the Asia-Pacific.

The TPP holds the prospect of unlocking significant new opportunities for increasing exports that support higher-paying jobs here at home. It also represents a tremendous opportunity for creating future opportunities for our agricultural exporters.

Negotiation of the TPP is an enormous undertaking, not only for the combined size of the economies participating, but also for the scope and ambition of the agreement itself. For example, in the case of the SPS chapter of the agreement we are aiming to gain new commitments that would improve transparency around the development of SPS regulations and strengthen the science and risk analysis disciplines to support a SPS measure.

The Obama Administration's goal is to conclude an agreement that positions U.S. farmers, ranchers, workers, and businesses to compete successfully in the Asia-Pacific region. The advances made in the TPP agreement can serve as a model for future trade pacts. Already, other countries have publicly expressed interest in participating in this high-standard agreement, notably Canada, Mexico, and Japan. In a short time, the TPP initiative has the potential to become the primary platform for regional economic integration in the Asia Pacific.

In addition to negotiating new agreements, USTR is devoting significant time and resources to enforcing our existing agreements—making sure other countries are upholding their WTO obligations and living up to the commitments they have made to the United States. Trade enforcement has been a priority for President Obama, and we will continue to aggressively challenge the kinds of unfair trade practices we fight fiercely every day.

Accordingly, I would like to review some of the trade issues we have resolved during the past year in the Asia Pacific region, and to also highlight some of the major issues that continue to confront us in 2012.

U.S. Pork to China

The Administration pressed China to remove the ban on U.S. swine and pork products that it put in place in 2009 based on unwarranted concerns that they could spread H1N1 influenza. In response to U.S. engagement, China agreed in October 2009 to reopen its market to pork, and in March 2011, to allow imports of all U.S. hogs certified by USDA to be free from the H1N1 virus. As a result, in 2011, exports of pork and pork products to China were a record $713 million, and U.S. live swine exports to China reached $8.5 million by the end of 2011.

Cherries, Citrus, and Blueberries to Korea

USTR, USDA, and EPA have worked to convince Korea to address unwarranted technical based restrictions on imports of on U.S. cherries, citrus, and blueberries.

USDA and EPA worked closely with Korean officials to establish maximum residue levels for pesticides that do not pose a health risk, and as a result of the Administration's efforts, in 2011, Korea agreed to open its market for U.S. cherries and citrus products that do not contain pesticides in excess of those levels. Korea also agreed to open its market for blueberries from the state of Oregon in time for the 2012 growing season.

With developments like these, combined with new agricultural market access gains secured through the recent entry-into-force of the U.S.-Korea trade agreement, we expect a meaningful increase in U.S. exports of these products to Korea in the months and years ahead.

Japan Pesticide Standards

In 2011, we also worked successfully with Japan to identify maximum residue levels (MRLs) of certain pesticides on U.S. citrus, strawberries, cherries, and celery.

The Administration's efforts included extensive coordination and data sharing between U.S. and Japanese regulatory authorities. As a result, Japan has set MRLs for these pesticides that will help increase U.S. exports of citrus, strawberries, cherries, and celery, which reached $779 million in 2011.

Poultry Market Access

During 2011, we successfully urged China and Taiwan to lift unwarranted import restrictions on U.S. poultry and poultry products. As a result of the Administration's efforts, Taiwan took significant steps to reopen its market to U.S. poultry due to earlier avian influenza concerns. China also removed restrictions on poultry imports from two U.S. states it had imposed due to concerns over avian influenza.

Beef to Japan and China

Now, let me focus on beef market access issues in Japan and China. As you are aware, our priority objective continues to be market access that is based on science, consistent with international standards, and commercially viable.

The United States is encouraged that Japan continues to move forward with its process of reassessing its BSE measures by submitting questions in December 2011 to the Food Safety Commission (FSC). This is an important step that puts Japan on a path to addressing the longstanding issue of U.S. beef trade with Japan and should provide important new access for U.S. beef exporters.

Likewise, we are working to open market access for U.S. beef and beef products in China and are doing everything we can to find common ground on product scope and other related issues. Deputy Under Secretary Darci Vetter, USDA Under Secretary Michael Scuse and I recently visited China and met with our Chinese counterparts where we jointly reaffirmed our commitment made in November 2011 to increase technical engagement on beef.

We hope that technical discussions this spring will position us for more fruitful progress on the beef issue going forward.

Russia WTO

And finally Mr. Chairman, let me turn to another key issue I feel is critical to U.S. agricultural exports. Russia's accession to the World Trade Organization has been a subject I have been particularly invested in during my time at USTR.

As many of you here today know, Russia was formally invited join the WTO during the Ministerial Conference on December 16 in Geneva, and is expected to ratify its accession package this summer.

Russia imports huge quantities of agricultural products from around the world, with U.S. agricultural exports to Russia in 2011 totaling $1.24 billion. But before the prospect of their accession to the WTO, we had very few tools in our enforcement toolbox to ensure that our domestic producers were able to compete on a level playing field in the Russian market.

Under the terms of its accession, Russia has committed to comply with the Agreement on Sanitary and Phytosanitary Measures from "day one" of its WTO Membership. Having Russia bound by these rules, and having a mechanism to enforce those rules, will allow U.S. exporters to make full use of the commitments secured by our negotiators.

However, to reap the full benefits of Russia's WTO Membership, Congress will need to terminate application of the Jackson-Vanik amendment and extend permanent normal trade relations status to Russia. We look forward to working with you, Mr. Chairmen, members of this committee, and your colleagues in the House and Senate, to end the application of Jackson-Vanik to Russia in order to ensure that American exporters will enjoy the same benefits of Russia's WTO membership as will our international competitors.

In closing, I would like to emphasize USTR's strong commitment to ensuring that the United States plays a leading role in the economic integration of the Asia Pacific region. Our focus at USTR remains on enforcing existing trade agreements, negotiating new agreements, and leveling the playing field for our farmers and ranchers, thus ensuring greater prosperity for American agriculture and for the entire American economy.

Testimony of Steve Thomson on Behalf of King Estate Winery

Before the Senate Finance Committee's Subcommittee on International Trade, Customs, and Global Competitiveness

April 18, 2012

I want to thank Senator Wyden for convening this hearing and providing an opportunity for King Estate Winery to speak about opportunities and challenges with trade to Asia.

Pacific Northwest agricultural producers, including the wine industry, have benefitted immensely from exports to Asia. I anticipate continued growth in wine exports from the Pacific Northwest to Asian markets for many years to come. But this is not to suggest that trade with Asia is without significant challenges. In the remarks that follow, I intend to offer a brief summary of the present state of U.S. and Northwest wine trade to Asia and discuss the support and collaboration required to ensure that U.S. producers can compete on a level playing field.

Today's hearing is a great opportunity to identify and advance the linkages between the administration's National Export Initiative (NEI) and the goals and objectives of the Pacific Northwest wine industries. Exports are a vital part of the U.S. economic engine and agricultural exports are the most significant component. The goal of the National Export Initiative is to double U.S. exports over five years. The U.S. wine industry is poised to grow share and contribute significantly over the next five years with the right kind of industry plan, and government-funded market access assistance and support.

There are over 1,000 wineries in the Pacific Northwest the vast majority of which are small family wineries – in fact many of them are small family farms. Pacific Northwest wineries represent a vibrant business for states in the Pacific Northwest in terms of jobs creation, tax revenue, and domestic and international trade dollar growth. In Oregon a 2010 economic impact study found that the state's wine industry provided 14,000 jobs and $2.7 billion in total economic impact within the state. A 2007 economic impact study of the Washington state wine industry found that the industry directly provided 19,000 jobs in the state with an in-state economic impact of $3.3 billion. The numbers jump significantly when we add in the jobs and revenues created by these two industries across the nation.

Asia represents great trade opportunity for the U.S. wine industry. Three leading wine-producing states, California, Washington, and Oregon, lie on the Pacific Rim and already account for robust trade and export to Asia in other product categories. For many Asian consumers wine is increasingly seen as fashionable, healthy and a status symbol. Many Asian countries have dynamic economies increasingly engaged with U.S. industrial sectors ranging from high-tech to agriculture to consumer packaged goods. A substantial part of this commerce is currently conducted through West coast, Pacific Northwest, and Great Plains products, states, and ports-of-entry. Asian markets are seeing strong urbanization trends, discretionary income increases, and socio-economic growth with very favorable medium term

demographics for the consumption of wine. Western hospitality companies from the hotel and restaurant industries are beginning to thrive throughout Asia.

As we see traditionally strong wine consumption in Europe decrease per capita we see per capita consumption in Asia increase with significant ongoing growth likely. Presently per capita consumption in France leads the world at 50L per capita and is falling. Per capita consumption in the U.S. and Japan is 15L and 2L per capita respectively, and increasing. Per capita consumption in China is presently a mere .5L per capita. A fast-growing mobile middle and upper-middle class in China leads us to be very optimistic over future wine consumption trends. While the birth rate in Western Europe, Japan and China is falling and the birth rate in the U.S. increases slightly, there are very favorable medium term birth rate trends specifically in China for the consumption of wine over the next 40-50 years. If peak wine consumption occurs between the ages of 30-69, 42% of China's 1.34 billion people are presently within that range. In 2050, even with declining population trends, 52% of China's 1.3 billion people project to be within that same key wine consumption age demographic.

In 2010 U.S. wine exports increased by 20% to an estimated $1.14 billion of winery revenue. In 2011 those exports rose to $1.4 billion, another 22% increase over 2010. US wineries produce approximately 10% of the world's wine, making it the fourth largest producer behind Italy (19%), France (15%) and Spain (12%). In the U.S. market wine imported from other countries has increased to over $4.3 billion with a market share of over 30%. The U.S. presently exports far less wine than it imports. Given this imbalance and the opportunities abroad it is very important for our industry to develop and grow new markets. The Asia Pacific region is the most attractive market for future growth for our wine industry exports.

Total wine trade for the Asia Pacific Rim region was $18 billion in 2010 with U.S. exports to the region being just $243 million, a 39% increase over 2009. The Asia Pacific Rim is now the second largest export market for U.S. wine. 33% of U.S. exports to Asia were to Hong Kong a market seeing phenomenal growth in the brief period since tariffs were eliminated in 2008, Japan accounts for 31% of exports from the U.S., and China accounts for 14% of U.S. export share to Asia.

These numbers demonstrate that Asia is a critically important market for U.S. wineries. Persistence and collaboration will be required to ensure it stays that way. With regard to the export of Pacific Northwest wines to Asia, I would like to briefly outline three areas of concern and focus for our industry moving forward: 1) The need for continued funding for export assistance programs and greater collective export marketing cooperation among regional industries, 2) the pursuit of more favorable trade agreements and reduction of non-tariff trade barriers, and 3) greater harmonization, clarity, and ease of regulatory issues and processes for our exporting producers.

USDA export assistance programs have provided badly needed financial assistance for small wineries and American regions seeking to level the field against competition from other parts of the world. The USDA Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC), the Specialty Crop Block Grant Program, and other export assistance grant programs administered by the USDA have become the backbone of wine export planning for most of the regions and wineries in the Pacific

Northwest. The funding is modest but vital, and the investment is more than 50% matched by winery constituents, large and very small across the country.

Dollar investments alone are not a guarantor of success. Relative too many other wine export marketers U.S. trade policy is lagging in terms of removal of barriers to trade in Asia. The Pacific Northwest wine industry supports free trade agreements that improve market access and a level field for our industry. The industry supports agreements such as the multilateral Trans Pacific Partnership, and the formation of Preferential Trade Agreements with high potential wine markets in Asia. High tariff rates presently constitute a significant barrier to U.S. exports in many markets. We must create a more viable environment for our new and developing agricultural growth industries to operate in and thrive internationally.

China is an example. China represents a market of untold potential for U.S. wine marketers. The market is in its most developmental stage right now even as top U.S. and international chefs open restaurants throughout the country's leading cities. Shanghai for example is quickly becoming the 'New York' of Asia with top name U.S. Chefs opening restaurants on a regular basis. The China market is growing at a rapid rate for wine imports. Domestic Chinese wine accounts for 90% of the volume consumed (a number falling) but just 60% of the dollar volume. There is a strong move to import wines of higher quality than what the domestic market can produce on its own. Wine imported into China is generally of much better quality than domestic Chinese wine and imported wine is capturing strong revenue growth for those countries taking a lead.

A study conducted in China in March of 2011, polled Chinese upper-middle class wine consumers on both awareness and penetration of imported wine from various regions. Awareness of French wine was 95% and penetration (percentage that drank wine from that region in the previous 6 months) was 83%. Awareness for California was 51% with 25% penetration. Awareness of other US wines was 34% with penetration of 11%. This study demonstrates that the U.S. wine industry, particularly the Pacific Northwest, has not been effective at making the Chinese consumer aware of our products and we are even less effective at getting our wines into their hands for consumption.

In 2004 Chile was the largest wine importer to China. Much of the wine being imported from Chile at that time was bulk wine which was often blended into lower quality Chinese domestically-produced wine. By 2009 Chile's share had fallen to just 10% with France up significantly to a 38% share while the US was just a 5.5% share of Chinese wine imports. In 2011 France had moved to a 52% share of the Chinese import market while the U.S. share had dropped from a 5.5% share in 2009 to just a 4% share in 2011. A Free Trade Agreement negotiated between China and Chile in 2004 and being phased in over ten years will reduce China's tariff on bottled Chilean wine from 14% in 2008 to 5.6% for 2010 and 0% in 2012. In the last two years China's imports from Chile have increased substantially, up 35% from 2010 to 2011. Chile is now the third largest importer to China behind France and Australia.

France, Australia, Chile, and New Zealand take the greatest opportunity with the China market. New Zealand has also just negotiated a trade agreement with China which will eliminate tariffs for New Zealand wine beginning this year. One could argue that these markets have been particularly aggressive

marketing on price to build market, not only in China but throughout the world. France must do so because of a declining birth and consumption rate and burgeoning production. E.U. countries benefit from subsidies such as the E.U. Export Rebate Program to compete aggressively on price in new markets in order to command market share. Australia and New Zealand must be aggressive trade competitors based on price and aggressive in negotiating trade agreements because of limited home markets for their industries. The governments of these three countries make exports a high priority for their support programs. The French wine industry using a combination of country focus, low price sometimes driven by subsidies, and the successful exercise of brand image has positioned their industry as the pinnacle of fine wine in the world in the mind of the Chinese consumer.

The U.S. is saddled with a tariff of 14% on exports into China and it is at a disadvantage in the China market in part because of poor tariff rates vis-à-vis many other wine exporters. There are other reasons why the U.S. wine industry is not as successful of a global competitor in Asia. We need to have better focus collectively across all regional wine groups in targeting and securing Asia wine trade. We should promote better coordination perhaps with a national branding strategy that would create more of an identity for U.S. wine in export markets. This is the approach that other successful countries such as France, Italy, Spain, Chile, Germany, and Austria take with their export strategy.

It is easy to see that the American wine industry is at a competitive disadvantage in the important future market of China for a number of reasons. Share of market will continue to slip without a more level playing field and greater collective industry focus and government sanctioned support. The U.S. home wine market is large and growing but it is critical that we be aggressive and coordinated in securing important future wine markets. Our need to compete more effectively is further reinforced by the substantial lead that the French wine industry has already gained and seems to be accelerating at our expense.

The Pacific Northwest wine industry can also benefit greatly from better clarification and standardization of regulatory issues. Many Asian countries require detailed lab analysis, certificate of origin, wine labeling regulations, port of entry customs clearances and other documentation that are often unclear, confusing, costly, and with little transparency or timeliness. Wine composition analysis is a particular problem with both Japan and China. Protection of intellectual property and protection from counterfeiting are sure to be emerging issues. Better harmonization of documentation, analysis, and labeling requirements would be a worthy goal for USDA assistance. Since wine is a highly perishable product we must also strive for greater transparency of customs and distribution processes. Unlike going to market in the U.S. exporting wine into China and other Asian countries, especially for small wineries, is often like entering a virtual black hole of distribution.

The U.S. wine industry has enjoyed dynamic growth over the last ten years. We now have wineries in every state. Our industry is heavily dominated by small family farms. U.S. wine production, substantially based in industries situated on the Pacific Rim in the states of California, Washington and Oregon, represents a vibrant growth driver for export revenue in the coming years. The market engine for world wine consumption is gradually shifting from Europe to Asia. The wine production engine of the world is gradually shifting from Europe to the west coast of the America's from Washington State in the North,

through Oregon and California to the countries of Chile and Argentina in South America. Over the last four years the center of the fine wine universe, at least in terms of luxury wines from Bordeaux, Burgundy, and Champagne from France has arguably switched from London to Hong Kong. The West coast of the United States represents perhaps the highest volume and concentration of potential fine vineyard plantings in the world. Much of Asia is only marginally suited for fine wine production and with substantial quality limitations.

It is important that the U.S. government continue to work diligently to eliminate tariff and non-tariff trade barriers to markets for U.S. wine exports, especially on the Pacific Rim. We urge Congress to pursue Free Trade Agreements with markets that will form a much more level and sustainable playing field for U.S. and Pacific Northwest produced wines. The wine industry needs continued market access assistance through a variety of Programs administered by the USDA and other organizations. We urge congress to reauthorize Market Access Program (MAP) funding as part of the 2013 Farm Bill and that it continue to be fully funded at the $200 million dollar level. Other USDA export assistance programs, while smaller in budget, are equally important.

The wine production and consumption growth engines of the future may well lie on either side of the Pacific Rim. The U.S. wine industry has unique resources and potential access to markets that will insure that this industry is a winner for the U.S. economy. It is vital that the U.S. wine industry have the political and economic resources and advantages to be ahead of this curve.

Opening Statement of Senator John Thune

Ranking Member, Senate Finance Committee Subcommittee on International Trade, Customs and Global Competitiveness

The Asia Pacific: Trade Opportunities for Agriculture and Food Producers from the Great Plains to the Pacific Northwest

April 18, 2012

I want to start by thanking Subcommittee Chairman Wyden for holding this hearing and all of the witnesses for taking the time to testify. Our hearing today is an opportunity to highlight the American success story that is our nation's growing agricultural exports and the jobs they support here at home. The nations of the Asia Pacific region are vital to this success story and will become even more important in the coming years.

Consider just a few statistics. Last year American agricultural exports reached a record level of nearly $138 billion, with demand in Asia a key component of this success. China is today the largest export market for U.S. agriculture, with agricultural exports to China totaling nearly $20 billion and supporting 160,000 American jobs. Our agricultural exports to China have grown more than tenfold over the past decade, increasing from $1.9 billion in 2001 to $19.9 billion in 2011. In 2010, the U.S. enjoyed a trade surplus in agricultural with China of over $14 billion.

However, the success story for U.S. agriculture in Asia is not just about China. America's exports of agricultural products to South Korea have more than doubled in the past ten years, reaching sales of $6.7 billion in 2011. The nations of Southeast Asia - such as Malaysia, Indonesia and Vietnam – have more than tripled their imports of U.S. agricultural products over the last ten years. In 2011 these nations consumed $9.6 billion worth of American agricultural exports.

In South Dakota we understand the importance of opening new markets to our home grown products. South Dakota's agricultural exports were $2.4 billion in 2010, supporting roughly 20,000 jobs on and off the farm. These exports sales are a very meaningful part of South Dakota's farm economy, which had total cash receipts of $7.7 billion in 2010.

Later today we will hear from Paul Casper, President of the South Dakota Soybean Association. Soybeans and corn, in particular, have been drivers of South Dakota's export economy and Asian nations such as China have been at the forefront of this growth. In 2011, over $12 billion of high-quality U.S. soybeans were shipped to China. This represented roughly 50 percent of U.S. soybean exports and 25 percent of the entire U.S. soybean harvest. Driven in large part by

Chinese demand, South Dakota's exports of soybeans have grown rapidly, from $340 million in 2006 to over $1 billion in 2010. While China was the largest purchaser of U.S. soybeans, another Asian economy – Japan – was the 3rd largest purchaser, with imports of $1.2 billion last year. And Japan remains the world's single largest importer of feed grains and the number one importer of U.S. corn.

Yet while U.S. agricultural trade with Asia has been a success story, we know that challenges remain. Our beef exporters, for example, still face unjustified sanitary and phytosanitary (SPS) barriers in nations such as China, Taiwan and Japan. And while China is the top export market for U.S. soybeans, their regulatory approval process for commodities containing biotechnology traits has been slow and cumbersome, leaving room for substantial improvements. Additionally, America's poultry exports to China continue to be stymied by high tariffs imposed in 2010.

Given the growing middle class in Asian nations such as China, Thailand and Vietnam, a successful conclusion to the Trans-Pacific Partnership Agreement is incredibly important to the future of America's agricultural exports. Yet I find it troubling that the Administration has not yet requested an extension of Trade Promotion Authority, which expired in 2007. Trade Promotion Authority is essential to not only bring the TPP negotiations to a successful conclusion, but also to initiate new free trade negotiations. While I commend the Administration for its work on the TPP agreement, it is disappointing that more than three years into the Obama Administration, TPP is the only new trade agreement being pursued by the Administration. It is unfortunate that this President has not yet seen fit to ask for the trade authority granted to Presidents of both parties since 1974.

Clearly, America cannot continue to lead the world in high-quality agricultural exports unless we continue to open new markets in Asia, a region that includes some of the world's fastest-growing economies and that accounts for more than 40 percent of global trade. I look forward to continuing to work with the Administration on a successful conclusion to the Trans-Pacific Partnership and I am hopeful that this Administration will become more aggressive when it comes to opening up new markets to American exports, not just in Asia but around the globe.

Again, thank you to all the witnesses for appearing today and I look forward to hearing your testimonies.

Statement by Darci Vetter
Deputy Under Secretary
Farm and Foreign Agricultural Services
U.S. Department of Agriculture
Before the U.S. Senate Committee on Finance
Subcommittee on International Trade, Customs, and Global Competitiveness
Washington, DC
Wednesday, April 18, 2012

Mr. Chairman, Ranking Member Thune, Members of the Subcommittee, thank you for the opportunity to testify with my colleagues, Under Secretary of State Robert Hormats and Chief Agricultural Negotiator Ambassador Isi Siddiqui of the Office of the U.S. Trade Representative (USTR). Among the most rewarding work we do is combining forces to open and maintain foreign markets for incredibly productive and innovative U.S agricultural producers, farmers, and ranchers. We are proud of our key role in assisting U.S. farm exports, which reached a record $137.4 billion in fiscal year (FY) 2011.

It is my pleasure to discuss the opportunities and successes of U.S. agricultural exporters as they look toward the Asia-Pacific. I would like to begin with a success.

PACIFIC NORTHWEST WOOD PRODUCTS SUCCEED IN CHINA

This month, visitors to the Beijie Tourism Festival in China's Guizhou Province will notice something All-American. It will be hard to miss. The new, 3,300 square meter Tourism Festival Center is China's first dome structure built of all-American timber from the Pacific Northwest. The innovative, laminated wooden beams for this structure were manufactured by Calvert Company of Vancouver, Washington and fabricated by Western Wood Structures of Tualatin, Oregon. The value of the materials for the dome is over $800,000, a win for these U.S. exporters and the employees who work for these companies.

Building this structure is a testament to American entrepreneurship and the importance of the U.S. Department of Agriculture's (USDA's) market development programs administered

through the Foreign Agricultural Service and our agricultural trade offices and personnel overseas. Back in 2008, the general contractor of the project attended a USDA technical seminar on the commercial application of timber construction in Chengdu, China. The seminar was funded by the USDA's Market Access Program (MAP) program, supported by personnel from USDA's local Agricultural Trade Office, who analyzed the opportunities in the market and coordinated with the APA - Engineered Wood Association. Through this seminar, the U.S. companies were introduced to Chinese officials who contracted to build the dome. By linking a foreign customer to our U.S. producers, USDA's market development program enabled this structure to be built with 100 percent American wood products.

PARTNERSHIP WITH STATE AND USTR

Partnership is the word that comes to mind testifying alongside my colleagues from the Department of State (State) and USTR.

Our overseas team, the foreign service officer corps of FAS, works closely with their colleagues from the State Department, USTR, Department of Commerce, and the entire country team. I know that Chiefs of Mission rely heavily on the expertise of their agricultural counselors, attaches, and trade officers to thoroughly analyze problems and provide expert advice and remedies to a wide variety of trade problems.

And I also know that our agricultural counselors highly value the expertise that Under Secretary Hormats' State economic counselors and USTR's trade officers bring to the table; often our officers must engage the various foreign ministries to exert pressure or coordinate host-country internal discussion to achieve our goals. The State Department officers provide invaluable access to their local counterparts and are a key component to resolving problems.

Likewise, in Washington, our long-standing expertise on agricultural trade issues ensures that we can quickly and expertly advise Ambassador Siddiqui's team with the in-depth analysis and in-country expertise to help move the needle on resolving trade issues related to market access, sanitary and phytosanitary (SPS), or technical barriers to trade (TBT).

Our foreign officer corps is broadly trained at our headquarters in Washington D.C. in agricultural economic analysis, trade policy, and market development. Many of our officers have advanced degrees in agricultural economics, animal or horticultural science, business, and law.

When our overseas foreign officers return to Washington D.C. after having supported their Chiefs of Mission, they typically return to positions that support the efforts of our negotiators in Geneva or they work on the bilateral trade issues in league with their counterparts at USTR. They also actively participate in USDA's "lock-up" where they provide monthly forecasts for world agricultural production and trade – information that drives the world's commodity markets. Our foreign service and civil service teams are constantly working with American farmers and ranchers to keep abreast of what their needs are vis-à-vis U.S. exporting interests.

In addition to trade policy work, FAS actively engages with our core Cooperator organizations like the Northwest Horticultural Council, or the U.S. Wheat and the U.S. Grains Council, the U.S. Meat Export Federation and the USA Poultry and Egg Export Council, to support overseas market development activities for those groups' constituents. The interaction of our personnel with these private sector organizations, the land grant universities, and the state departments of agriculture ensures that FAS's team is well informed on export interests and needs of American farmers, ranchers, and agribusinesses. In a word, Mr. Chairman, our team of

officers overseas, in league with their expert colleagues in Washington, provides the finest support for the export interests of U.S. agricultural stakeholders.

AGRICULTURAL EXPORTS TO CHINA LEAD THE WAY IN ASIA

The combined efforts of the U.S. agricultural community and the U.S. Government have been instrumental in growing the Chinese market into the largest market for U.S. agricultural exports outside of North America. In FY 2011, China was our number one market with agricultural exports of nearly $20 billion, supporting nearly 160,000 American jobs. Dried cranberries from Oregon, soybeans from South Dakota, salmon from the Pacific Northwest, and grains from across the Great Plains; these are only a handful of the bounty of U.S. agricultural products USDA is proud to assist U.S. exporters ship to China. USDA personnel in China work hand-in-hand with dozens of U.S. agricultural trade associations and exporters to maintain and expand U.S. access to this growing market. USDA's Foreign Agricultural Service opened its first office in China in Beijing in 1976. As China's demand for imported agricultural products has grown along with its economic development, USDA market development activities have evolved from organizing technical assistance and development related training opportunities to more sophisticated marketing programs promoting high quality, high-value food products. With seven offices in five cities, FAS is well positioned with seasoned diplomats to support U.S. policy and programs that advance U.S. agricultural interests and support U.S. jobs.

As USDA has built relationships in China, so has the U.S. agricultural community with whom we work so closely. For example, a participant in our Foreign Market Development program, the American Soybean Association, opened its China office back in 1982. While USDA and USTR have worked tirelessly with Chinese counterparts on soybean market access issues, the soybean industry has worked tirelessly with Asia's livestock producers, feed millers,

aquaculture industry, soybean processors, traders, and distributors. Hard work pays off. In FY 2011, over $12 billion of high quality U.S. soybeans were shipped to China. And during Chinese Vice President Xi Jinping's February visit to the United States, USDA's Export Sales Report recorded the largest daily sale of soybeans ever; over 2.9 million metric tons for delivery to China.

Just last month, Ambassador Siddiqui and I joined USDA's Acting Under Secretary Michael Scuse on a trade mission to China, accompanied by 40 American businesses and six representatives from state departments of agriculture. At stops in Chengdu and Shanghai, we met with dozens of Chinese importers, buyers, and distributors,. The mission coincided with the Food Ingredients China (FIC) trade show, China's largest international show featuring food additives and ingredients, where we opened the show's USA Pavilion. Mr. Chairman, I was pleased to get to know some great Oregon wine and fruit exporters on the trip who are looking forward to selling more of their products to China. I was also pleased that Lucas Lentsch, Director of International Marketing, from the South Dakota Department of Agriculture was able to participate in the USDA trade mission, and we also met Governor Daugaard, who was in Shanghai on a trade mission.

ASIA-PACIFIC: STRONG GROWTH MARKETS

In the past decade, China has been an explosive growth market for U.S. agricultural exports with sales increasing more than tenfold from $1.9 billion in FY 2001 to $19.9 billion in FY 2011. Additionally, looking towards the other Asian Pacific countries, U.S. agricultural exporters are capitalizing on market opportunities throughout the region. Sales to the South Korea market have more than doubled in the past ten years to over $6.7 billion in FY 2011. The

countries of Southeast Asia have more than tripled their imports of U.S. agricultural products in the same timeframe to over $9.6 billion in FY 2011.

KEY FACTOR: ASIA-PACIFIC'S GROWING MIDDLE CLASS

A key factor fueling opportunities for U.S. agricultural exports is the growing middle class in the developing countries of the Asia-Pacific, which could reach 430 million households by 2020. Middle class households in growth markets such as Vietnam, Thailand, and Indonesia, are projected to more than double by 2020. In China, middle class households are expected to almost triple to nearly 350 million by 2020. We anticipate great demand for high quality U.S. fruits, vegetables, proteins, and value-added consumer foods – and America's growers, farmers, and ranchers are well-positioned to supply these expanding markets.

OPENING MARKETS IN THE ASIA-PACIFIC THROUGH TRADE AGREEMENTS

Another key factor contributing to market opportunities is the multi-agency team effort that negotiates and implements trade agreements. FAS experts are part of the USTR-led negotiating team and FAS' economic analysis, supported by the Economic Research Service, underpins the negotiating strategy. Our agricultural counselors and foreign officers around the world are instrumental in identifying potential trade problems, intervening early-on to avoid trade disruptions, and ensuring full and fair implementation by closely monitoring our trade agreements. Our trade agreement with Korea, which entered into force last month, and our trade agreements with Colombia and Panama are expected to lead to an estimated $2.3 billion in additional agricultural trade and will support nearly 20,000 additional domestic jobs.

Today, USDA is playing an active role in negotiating the Trans-Pacific Partnership (TPP). The agreement will address new, cross-cutting issues such as increasing transparency and consistency in regulatory systems to allow U.S. companies to operate more seamlessly in TPP

countries. The TPP will help increase American agricultural exports to a region that includes some of the world's most robust economies and that represents more than 40 percent of global trade. For example, the Northwest horticultural exporters have identified Vietnam as a priority market that provides excellent growth opportunities. Representatives of apple, pear, and sweet cherry producers have informed our agricultural negotiators of the importance of lowering tariffs to compete against suppliers from New Zealand and Australia that have duty free access. Recognizing the potential for growth in TPP markets, the American soybean industry is among the many commodity sectors voicing strong support for a high-standard, 21st century TPP agreement.

RUSSIA PNTR

The most northern Asia-Pacific country, Russia, is also an important market for U.S. agricultural exports. Last December, Russia was formally invited to join the WTO and we anticipate Russia becoming a WTO member this summer. You are aware of the obstacles U.S. agricultural exporters, particularly beef, pork, and poultry exporters, have faced shipping to Russia. Russia's accession comes with a commitment to comply with the WTO Agreement on Sanitary and Phytosanitary Measures, limiting its ability to impose arbitrary measures that have impeded trade in the past. Additionally, U.S. farmers and exporters will have more certain access as a result of Russia's commitment not to raise tariffs on any products above the negotiated rates and to apply non-tariff measures in a uniform and transparent manner. Extending permanent normal trade relations to Russia so that U.S. exporters can reap the full benefits of Russia's accession commitments is an Administration priority. This will require Congress to terminate application of the Jackson-Vanik amendment to Russia and we look forward to working with you in any way

to ensure American exporters reap those benefits and are on a level playing field with their foreign competitors.

REMOVING AGRICULTURAL TRADE BARRRIERS IN THE ASIA-PACIFIC

As we work to open new and maintain existing markets overseas, we face many challenges and barriers that must be addressed. USDA dedicates significant effort to monitoring foreign compliance with trade agreements and works to remove unwarranted trade barriers. In the past year, USDA personnel have been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. Looking at the Asia-Pacific, we've recently opened Japan for U.S. chipping potatoes, the Korean market to fresh Oregon blueberries, and the Chinese market to live swine. These efforts and others around the globe contributed to the record agricultural export level achieved last year.

I would like to highlight one program in our market development toolkit, the Technical Assistance for Specialty Crops (TASC) program. The TASC program funds projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops.

In March 2012, TASC funds enabled USDA to host officials from Korea's National Plant Quarantine Service to demonstrate how cherry producers in Oregon, Washington, Idaho, and California are using a systems approach to control pests. The goal of the project is to allow the export of U.S. cherries under a systems approach protocol prior to the 2013 season. The visit was also a component of efforts to have Korea recognize Oregon's Hood River County free from cherry leaf spot and be allowed market access. In FY 2011, U.S. exports of fresh cherries to Korea were valued at over $39 million.

SEIZING EXPORT OPPORTUNITIES ABROAD

Other export successes are not the result of a single program or agreement, but occur because of the ability of USDA personnel, both domestic and overseas, and the hard work of American farmers and ranchers in seizing an opportunity when presented the chance. Here are just a few specific examples of the kind of activities undertaken every day by USDA led by our Foreign Agricultural Service that help U.S. farmers and ranchers succeed.

> FAS-Vietnam helped Concannon Lumber, an Oregon company, penetrate the emerging wood products market in Vietnam. Assistance included providing market intelligence, market briefings, lists of potential buyers of American wood products, and helping facilitate a trip for its local agent to travel to the U.S. to learn more about its business and increase lumber sales. Total forest product sales to Vietnam from the United States in FY 2011 reached $150 million.
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> FAS-Japan works regularly with farmers from the Great Plains and the Pacific Northwest states when there are findings of pesticide residue on U.S. farm products that exceed Japan's standards. In the past few years FAS has worked with growers of celery, lentils, almonds, strawberries, peanuts, pistachios, raspberries, blueberries, and broccoli, to help them regain full market access to Japan. FAS and USTR interventions on behalf of those farmers have resulted in tens of millions of dollars saved in annual exports from the United States.
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> The FAS Agricultural Trade Office (ATO) in Japan organized the 37th USA Pavilion at FOODEX Japan 2012, Asia's largest food trade show, just last month. FOODEX continues to be an essential showcase for much of the $14 billion worth of agricultural products that the U.S. shipped to Japan in FY 2011. The USA Pavilion at FOODEX featured over 70 U.S. companies and trade organizations including: the Food Export Association of the Midwest; the Western U.S. Agricultural Trade Association; the Oregon Blueberry and Oregon Raspberry Commission; Certified Onions, Inc. (Oregon), and many other small to medium sized U.S. companies. Preliminary results from this year's FOODEX indicate that U.S. exhibitors will make more than $13 million in additional sales to Japan as a result of their participation in this year's show.
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> The FAS ATO in Beijing, China worked closely with a key importer of U.S. beer to introduce craft beer into Chinese retail. One critical connection was made with high-end retailer Parkson's, with the importer crediting ATO's connection for generating $12,000 per month in sales for several brands, including Rogue Brewery (Oregon).
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> Efforts of the FAS ATO in Beijing, USDA's Animal and Plant Health Inspection Service and USTR were crucial in reopening the Chinese market for live breeding swine in mid 2011. As a direct result, U.S. exports of live hogs jumped from $1.2 million in value in

2010 to nearly $6 million in 2011, and continue to climb in 2012. Many of the hogs are sourced through the Great Plains including from farms in Illinois, Nebraska, Iowa, Missouri, North Dakota and South Dakota.

FAS/Bangkok stepped in to quickly resolve a frequently occurring export hiccup. A 4-container shipment of 1,600 pieces of U.S. cattle hides worth over $120,000 was detained by Thai authorities due to questions regarding language on a health certificate, which would have resulted in an expensive and uncertain delay for the U.S. exporter. FAS/Bangkok officers immediately engaged with Thai quarantine officials and were able to gain a speedy release of the shipment. Based on the information exchanged during this event, FAS/Bangkok has now put in place a process that should prevent future such detentions benefiting this $50 million market for U.S. cattle hides and skins.

AGRICULTURAL EXPORTS REMAIN A BRIGHT SPOT IN TRADE OUTLOOK

Agricultural trade significantly contributes to the prosperity of local and regional economies across rural America. USDA estimates that every $1 billion of agricultural exports stimulates over $1.3 billion in additional business activity and supports 7,800 American jobs throughout the economy. The FY 2012 forecast for U.S. agricultural exports is $131 billion – the second highest total on record. In FY 2012, agricultural exports are expected to contribute a positive trade balance of $24.5 billion to the Nation's economy. At USDA we take great pride in assisting U.S. exporters by providing market intelligence, removing and reducing trade barriers, operating export promotion programs, and ensuring that our exporters can capitalize on their hard-earned access to foreign markets. For U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to markets across the Asia-Pacific and throughout the globe, where 95 percent of the world's consumers live.

CONCLUSION

This concludes my statement. I look forward to working with the Subcommittee to help ensure that U.S. agriculture continues to compete successfully in the global marketplace and look forward to answering any questions you may have. Thank you.

COMMUNICATION

Statement of the American Farm Bureau Federation

TO THE

SENATE COMMITTEE ON FINANCE

SUBCOMMITTEE ON INTERNATIONAL TRADE, CUSTOMS AND GLOBAL COMPETITIVENESS

REGARDING: THE ASIA-PACIFIC: TRADE OPPORTUNITIES FOR AGRICULTURE AND FOOD PRODUCERS FROM THE GREAT PLAINS TO THE PACIFIC NORTHWEST

April 18, 2012

600 Maryland Ave. SW | Suite 1000W | Washington, DC 20024 | p. 202.406.3600 | f. 202.406.3606 | www.fb.org

Free trade is on the agenda for the Asia-Pacific region. This is of major importance to United States agriculture as more than 43 percent, $59 billion, of total U.S. agricultural exports went to this region in 2011. China was the largest agricultural importer from the U.S., with more than $19.895 billion, followed in the region by Japan at $13.9 billion. For 2012, China is forecast to import $17 billion and Japan to import $13.5 billion in agricultural products from the U.S. While prices for certain U.S. exports have shown decline from 2011, demand remains strong in the region. The recent implementation of the U.S.-South Korea Free Trade Agreement will help expand agricultural exports from $6.75 billion in 2011 to a forecast of $6.9 billion in 2012.

The major issue in trade now for the Asia-Pacific region is the progress of the Trans Pacific Partnership negotiations and the potential addition of Japan, Canada and Mexico to the talks. In November 2011, these three nations signaled interest in joining the TPP, which is hopefully accompanied by a sincere desire to achieve the aims of the negotiations to eliminate or reduce tariff and non-tariff trade barriers between the participating countries, which currently include Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam and the United States.

Farm Bureau believes the addition of Japan, Canada and Mexico to these negotiations would enhance the significance of the TPP, make the agreement much more encompassing of U.S. goals for agricultural trade, and generate greater interest and support for the TPP overall. It should also generate interest, if not desire, among other Asia-Pacific nations for similar opportunities to improve trade relations with the United States and other participating countries.

At the same time, Farm Bureau believes it is important for Japan, Canada and Mexico to agree that their participation in the TPP must be in the same manner as the current parties, and as potential new entrants to the TPP, they must show a commitment to the same ambition and standards as the current members have exhibited.

Simply put, new entrants must recognize and accept that the TPP is a comprehensive agreement, that all sectors – sensitive or not – should be included in the negotiation and that the process will not start again from the beginning. New entrants must recognize they are joining negotiations that are well underway.

Japan is our fourth-largest agricultural export destination, with more than $13 billion in sales in 2011. However, it also has many restrictive policies in place against U.S. agricultural imports. By agreeing to join the negotiations under the same conditions as other participants with no exclusions for sensitive products, Japan can demonstrate (as it has by efforts to review restrictive policies against U.S. beef imports) a strong signal of willingness to move quickly to resolve these long-standing issues.

Another Asia-Pacific nation with trade opportunities for U.S. agriculture is Russia. For U.S. agriculture to take advantage of the World Trade Organization accession agreement concluded with Russia in November 2011, we must grant Permanent Normal Trading Relations (PNTR) with Russia. The market access arrangements for beef, pork, poultry and other products, the sanitary disciplines on agricultural product imports, and access to the dispute settlement system will only be available when Congress grants PNTR to Russia.

Asynchrony in international regulatory regimes for agriculture biotechnology products creates trade risk due to the potential, unintended, low-level presence (LLP) of biotech products that do not have the same regulatory approvals in importing countries. This risk can reduce export opportunities and international competitiveness for U.S. agriculture products, and can discourage innovation and access to safe, new, agriculture technologies for farmers. The U.S. Trade Representative and Department of Agriculture have worked to engage major agriculture importers of biotech crops, particularly China, to find solutions that minimize trade risks associated with asynchrony. It is critical for the U.S. government to continue its work to mitigate LLP events and minimize asynchrony by advocating for predictable, efficient, science-based regulation in the Asia-Pacific region.

The Asia-Pacific region holds great promise for U.S. agriculture and its role as the food supplier for Americans and the world. Strong leadership by the U.S. in the current TPP negotiations and in continuing trade engagement with the nations in the region will yield positive results for American agriculture's most dynamic international marketplace.

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