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DEPARTMENT OF STATE

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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 Alimentarius'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.