

**TESTIMONY TO THE
SENATE COMMITTEE ON FINANCE
THE TRANS-PACIFIC PARTNERSHIP:
OPPORTUNITIES AND CHALLENGES**

PRESENTED BY:

**BOB HANSON
PRESIDENT, MONTANA FARM BUREAU**

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Mr. Chairman, and members of the committee, my name is Bob Hanson, President of the Montana Farm Bureau Federation, and a board member of the American Farm Bureau Federation. I would like to thank you for the opportunity to speak to you today on the ‘Trans Pacific Partnership: Opportunities and Challenges’ on behalf of both organizations. I am a 4th generation rancher from White Sulphur Springs, Montana.

Trade with Japan has been a vital part of the Montana economy for decades. We produce high quality beef and grain products that are in great demand in foreign markets. It is particularly important to our cattle producers. In fact several years ago a group of Montana Farm Bureau members made a trip to Japan to encourage them to open up their markets after they were closed due to BSE concerns.

The major issue in trade now for the Asia-Pacific region is progress on the Trans Pacific Partnership (TPP) negotiations and the addition of Japan to these talks. The aim of the negotiations is to reach a comprehensive, high-standard agreement that will improve the conditions of trade between the participating countries, which currently include Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States.

American agriculture is encouraged by the by the action of the Obama Administration and the government of Japan to reach an agreement on Japan’s participation in the Trans Pacific Partnership negotiations. Farm Bureau believes the addition of Japan to these negotiations will enhance the significance of the TPP, make the agreement much more encompassing of U.S. goals for agricultural trade, and generate greater interest in and support for the TPP overall. It will also generate fuel among other Asia-Pacific nations for similar opportunities to improve trade relations with the United States and other participating countries.

The joint statement released by the United States and Japan on Feb. 22, 2013, states: “The two Governments confirm that should Japan participate in the TPP negotiations, all goods would be subject to negotiation, and Japan would join others in achieving a comprehensive, high standard agreement, as described in the Outlines of the TPP Agreement announced by TPP Leaders on November 12, 2011.” This bolsters our belief that Japan will enter the TPP negotiations under the same conditions as all other new TPP entrants, namely the ability and desire to negotiate issues in all sectors. To be successful, the TPP must be comprehensive and inclusive of all participants in order to achieve effective results in providing commercially meaningful new market access for U.S. farmers and ranchers.

Japan is our fourth-largest agricultural export destination, with \$13.5 billion in sales in 2012. While Japan is a top market for U.S. agricultural exports of wheat, corn, soybeans, beef and pork it also has many restrictive policies in place that inhibit U.S. agricultural imports, such as substantial tariffs on dairy, horticulture, rice and other products, along with various sanitary and phytosanitary barriers. The inclusion of non-tariff barriers, specifically the Sanitary and

Phytosanitary Measures (SPS) is an essential part of the agricultural negotiations as these measures have impeded market access for many U.S. agricultural products for years. By agreeing to join the negotiations under the same conditions as other participants, Japan will demonstrate, as it has by its decision to modify restrictive policies against U.S. beef imports, a strong willingness to move quickly to resolve these long-standing tariff and non-tariff barrier issues.

Japan was the second largest export market for U.S. beef in 2012 at \$1 billion in sales. On February 1, 2013, Japan implemented new import protocols allowing U.S. beef from cattle harvested under 30 months of age. This step, from the previous limit of imports of beef from cattle under 21 months of age, will improve the opportunities for U.S. beef into Japan.

Other areas of continuing interest to U.S. agriculture in the TPP negotiations include:

SPS Provisions

The U.S. food and agriculture sector has worked extensively with this administration in pursuit of improved science-based disciplines on the application of SPS measures. This reflects the reality that SPS barriers are a significant and growing impediment to market access for a wide range of our products in foreign markets. Obligations that go beyond the WTO SPS Agreement on issues such as risk assessment, risk management, transparency, border checks/laboratory testing and facilitating trade through regulatory coherence measures are critical to increasing trade flows. In order that agricultural traders throughout the TPP region can use these commitments it is essential that the U.S. focus on finding a way to make the WTO-plus commitments in TPP enforceable.

While the Rapid Response Mechanism will help improve trade facilitation and resolve shipment specific issues, the new SPS commitments in the TPP, including the “WTO-plus “ elements, must be enforceable with penalties for noncompliance.

Safe Harbor

We support strengthening the rules for international trade in order to diminish the prospect of arbitrary, unnecessary trade-restricting regulations that impede U.S. agriculture from competing in the global marketplace. We are concerned the administration’s consideration of a “safe harbor” proposal for tobacco regulation would create a new and troubling precedent that undermines existing trade disciplines. Unlike health-related exceptions that are consistently included in previous trade agreements, the safe harbor would not require that a regulation be “necessary” to achieve a legitimate health policy objective in order to be shielded by the safe harbor. We are concerned this new safe harbor concept will be lead to additional protections and exceptions for products, and lead to regulatory experimentation without the constraints of international trade rules. We are against creating new methods for blocking the export of U.S. agricultural products.

Conclusion

The Asia-Pacific region holds great promise for U.S. agriculture and its role as the food supplier for Americans and the world. Existing barriers, such as tariffs used by Canada to restrict the import of U.S. dairy and poultry products and a variety of SPS barriers across the region, are a challenge that must be addressed in these negotiations. Strong leadership by U.S. government in the current TPP negotiations and in the ongoing trade engagement with the nations in the region will yield positive results in American agriculture's most dynamic international marketplace.