

**TESTIMONY OF CRAIG HILL,
VICE PRESIDENT, IOWA FARM BUREAU**

**BEFORE THE SENATE COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE**

**“STATUS OF THE FREE TRADE AREA OF THE AMERICAS:
NEGOTIATIONS AND PREPARATIONS FOR THE MIAMI MINISTERIAL”**

May 13, 2003

My name is Craig Hill, and I am the Vice President of the Iowa Farm Bureau. I am also a full time farmer from Warren County, Iowa, and my farm is somewhat typical of an Iowa farm with corn, soybeans, and pork production. I appreciate the opportunity to speak to you today regarding the proposed Free Trade Agreement of the Americas (FTAA) and the potential benefits for American agriculture.

Iowa farmers are among the best in the world at what we do; providing the world with food. We will continue to meet future demand, but our ability to be successful depends in large part upon the decisions made by our government in two important areas: opening doors for the profitable trade of our products, and enforcing the trade agreements we have negotiated.

Farm Bureau has a long history of supporting free trade, and the worldwide reduction of tariffs, and other barriers to trade. Iowa farmers especially understand the importance of free trade, because two out of five acres of corn, and every other acre of soybeans, and 10% of the livestock produced in Iowa are sold to the world market. Exports represent about a third of the total value of Iowa's agricultural production. One of the principal successes of an FTAA would be to eliminate agricultural tariffs affecting trade. If tariffs were eliminated in the FTAA, North and South America could become the world's largest free market, exceeding that of the European Union in terms of population.

We support elimination of nontariff barriers to trade in agricultural products, such as discriminatory licensing requirements, barring market access until the domestic supply is exhausted, and sanitary and phytosanitary measures that are not based on sound science.

US agriculture experienced strong gains with NAFTA and would like to repeat this success in the rest of the region. Producers from these countries already enjoy significant access to our market and also compete with us in the international marketplace. It is imperative that U.S. producers begin to enjoy access to the FTAA markets on equal terms.

The FTAA negotiations are important to Iowa farmers if we want to participate in this market with a combined GDP of nearly \$13 trillion and nearly 800 million consumers in 34 countries. Most of their products enter the U.S. market free or at reduced rates, and we need Central and South America to offer US producers the same access to their

markets. A Free Trade Area of the Americas agreement would build on progress made through the WTO and NAFTA. Breaking down trade barriers would give U.S. farmers a much better chance at competing with other countries who currently benefit from preferential trade agreements in the region.

Not all trade agreements are created equal, however. We must take care to ensure that as agreements are negotiated and concluded, the benefits to the American farmer are positive. This caution is especially important in the Free Trade Agreement of the Americas. Three of the major FTAA countries already have an agricultural balance of trade with the US that runs substantially in their favor. According to USDA's 2002 trade statistics, the US exports \$52 million of agricultural products to Argentina, but imports \$602 million, for a negative balance of trade of \$550 million. The same is true for Brazil, where the US exports \$329 million, but imports \$1.15 billion, leaving a negative agricultural balance of trade of \$823 million. We also have a negative agricultural trade balance of \$408 million with Colombia. Some of the negative trade balance can be attributed to agricultural products that are difficult to grow in the US, such as bananas, coffee, cocoa, rubber and spices. 12% of Argentina's imports into the US are considered "non-competitive" agricultural products, 29% for Brazil and 56% for Columbia. In addition, a USDA report has stated that under a FTAA agreement, total US agricultural exports may increase 2 percent, but that agricultural imports may increase 3 percent, adding to our negative balance of trade with South America. We recognize that other American industries have much to gain from an FTAA agreement, but we do not want those gains to come at the expense of American agriculture.

We also have concerns that the office of the US Trade Representative (USTR) may not be fully prepared to meet the challenges of hosting the November 2003 Ministerial meeting in Miami. An April 2003 GAO (General Accounting Office) Report concluded that the USTR may not be prepared to host the meeting, its staff remains too small and is stretched too thin. GAO also reports that USTR is counting on funding that had yet to be secured.

The concerns we raise today do not represent opposition to the Free Trade Agreement of the Americas. We raise these concerns to ensure that Congress is aware of the challenges to USTR, and so that Congress is aware that unless negotiated properly, US agriculture could stand to lose more than it would gain.

Negotiators need to be on their toes to ensure sanitary and phytosanitary (SPS) rules are transparent and don't unnecessarily restrict our access to foreign markets. Under NAFTA, for example, US farmers have experienced trade barriers with Mexico involving chicken and pork; and Mexico is now wanting to re-negotiate duty reductions on white corn and dry beans.

Free trade agreements are only good if all parties live up to those agreements. When one party receives the benefit of the agreement, but wants to change terms not beneficial to them, the agreement becomes irrelevant, and actually detrimental to the US. Congress

must ensure that these concerns are negotiated properly, but must also ensure that USTR has adequate staff and funding to enforce the existing agreements as written.

In conclusion, the Iowa Farm Bureau would like to reiterate its support for free trade agreements such as the FTAA, and to ask Congress for its support in opening doors for the profitable trade of our products. We also ask that the USTR carefully negotiate on agricultural issues, so that US farmers will gain, and not lose, under this very important free trade agreement.

Thank you for the opportunity to comment.