

**MARKET ACCESS ISSUES FOR  
U.S. AGRICULTURAL EXPORTS**

---

---

**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON INTERNATIONAL TRADE  
OF THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

MAY 15, 1997



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1997

48-478-CC

---

For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402  
ISBN 0-16-056595-2

5361-22.

## COMMITTEE ON FINANCE

WILLIAM V. ROTH, JR., Delaware, *Chairman*

JOHN H. CHAFEE, Rhode Island  
CHARLES E. GRASSLEY, Iowa  
ORRIN G. HATCH, Utah  
ALFONSE M. D'AMATO, New York  
FRANK H. MURKOWSKI, Alaska  
DON NICKLES, Oklahoma  
PHIL GRAMM, Texas  
TRENT LOTT, Mississippi  
JAMES M. JEFFORDS, Vermont  
CONNIE MACK, Florida

DANIEL PATRICK MOYNIHAN, New York  
MAX BAUCUS, Montana  
JOHN D. ROCKEFELLER IV, West Virginia  
JOHN BREAUX, Louisiana  
KENT CONRAD, North Dakota  
BOB GRAHAM, Florida  
CAROL MOSELEY-BRAUN, Illinois  
RICHARD H. BRYAN, Nevada  
J. ROBERT KERREY, Nebraska

LINDY L. PAULL, *Staff Director and Chief Counsel*  
MARK A. PATTERSON, *Minority Staff Director and Chief Counsel*

## SUBCOMMITTEE ON INTERNATIONAL TRADE

CHARLES E. GRASSLEY, Iowa, *Chairman*

WILLIAM V. ROTH, JR., Delaware  
JOHN H. CHAFEE, Rhode Island  
ORRIN G. HATCH, Utah  
ALFONSE M. D'AMATO, New York  
FRANK H. MURKOWSKI, Alaska  
PHIL GRAMM, Texas  
TRENT LOTT, Mississippi  
CONNIE MACK, Florida

DANIEL PATRICK MOYNIHAN, New York  
MAX BAUCUS, Montana  
JOHN D. ROCKEFELLER IV, West Virginia  
JOHN BREAUX, Louisiana  
KENT CONRAD, North Dakota  
BOB GRAHAM, Florida  
CAROL MOSELEY-BRAUN, Illinois  
J. ROBERT KERREY, Nebraska

# CONTENTS

## OPENING STATEMENT

	Page
Grassley, Hon. Charles E., a U.S. Senator from Iowa, chairman, Subcommittee on International Trade .....	1
Murkowski, Hon. Frank H., a U.S. Senator from Alaska .....	8

## ADMINISTRATION WITNESSES

Lang, Hon. Jeffrey M., Deputy U.S. Trade Representative, Washington, DC ....	4
Drazek, Paul, Special Assistant to the Secretary, U.S. Department of Agriculture, Washington, DC, accompanied by Chris Goldthwaite, General Manager .....	6

## PUBLIC WITNESSES

Condon, Leonard W., vice president for international trade, American Meat Institute, Arlington, VA .....	23
Fisher, Linda, vice president for Federal Government affairs, Monsanto Company, Washington, DC .....	25
Hardin, John, hog producer, Danville, IN, on behalf of the National Pork Producers Council .....	27
Peterson, Carl, chairman, Agri-Mark, Incorporated, Lawrence, MA .....	29
Laurie, Jack, president, Michigan Farm Bureau, on behalf of the American Farm Bureau Federation .....	31

## ALPHABETICAL LISTING AND APPENDIX MATERIAL

Berg, Mark:	
Prepared statement .....	43
Condon, Leonard W.:	
Testimony .....	23
Prepared statement .....	46
Drazek, Paul:	
Testimony .....	6
Prepared statement .....	52
Fisher, Linda:	
Prepared statement .....	57
Grassley, Hon. Charles E.:	
Opening statement .....	1
Hardin, John:	
Testimony .....	27
Prepared statement .....	62
Hatch, Hon. Orrin G.:	
Prepared statement .....	71
Lang, Hon. Jeffrey M.:	
Testimony .....	4
Prepared statement .....	73
Responses to questions from committee members .....	77
Laurie, Jack:	
Testimony .....	31
Prepared statement .....	34
Moseley-Braun, Hon. Carol:	
Prepared statement .....	88
Murkowski, Hon. Frank H.:	
Opening statement .....	8

IV

	Page
Peterson, Carl:	
Testimony .....	29
Prepared statement .....	90

COMMUNICATIONS

American Frozen Food Institute .....	95
Hanlin, Russell L., president, Sunkist Growers .....	98

# MARKET ACCESS ISSUES FOR U.S. AGRICULTURAL EXPORTS

THURSDAY, MAY 15, 1997

U.S. SENATE,  
SUBCOMMITTEE ON INTERNATIONAL TRADE,  
COMMITTEE ON FINANCE,  
Washington, DC.

The hearing was convened, pursuant to notice, at 2:30 p.m., in room SD-215, Dirksen Senate Office Building, Hon. Charles E. Grassley, (chairman of the subcommittee) presiding.

Also present: Senators Murkowski, Baucus, Graham, and Kerrey.

## OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA, CHAIRMAN, SUBCOMMITTEE ON INTERNATIONAL TRADE

Senator GRASSLEY. Good afternoon, everyone. We are just completing a vote on the floor of the Senate, so I assume that that is going to delay some of my colleagues getting here. Also, afternoon sessions do not always get as many members participating as in the morning.

So we do not know what the conflicts are, but at least I am happy that we are able to meet this afternoon to discuss this very important subject that is before us.

This is the first meeting of the International Trade Subcommittee for 1997. Today the subcommittee will hear testimony on market access issues for U.S. agricultural exports.

Of course, everybody knows, I am sure, that agriculture is a shining star of our trade relationship with the rest of the world. While the United States ran a deficit of \$114 billion in goods and services in 1996, trade in agriculture enjoyed a rather healthy surplus, and another surplus year.

In fiscal year 1996, the U.S. exported just under \$60 billion of agricultural products, and the surplus in agriculture trade was about \$27 billion. Both of these figures are records. But we are poised, I think, to do even better.

Obviously, I hope we are poised and will actually do better. Farmers are currently in the second year of the new 7-year farm program. This new program has freed American farmers to produce for the global marketplace.

We eliminated the tight planning restrictions that Washington has placed on farmers for the past 60 years, and we removed outdated supply management provisions that required farmers to idle productive farmland.

Our foreign competitors loved, of course, these old provisions of our farm law because whenever we took land out of production, they would respond by planting more and supplying the global demand, of course, at the expense of our farmers.

But our new farm bill and program sends a very clear message to our competitors, and that is that the American farmers are ready to fight for every sale in any market anywhere in the world, and that we are prepared to meet that demand as well.

Now that our domestic farm policy is designed to promote exports, we need to focus our attention then on foreign barriers to trade. I know that we have had good people focused on this even while we were developing our farm bill.

But it is even more important now, because here we have an opportunity to take off with a farm program that meshes well with our trade program, because American farmers can continue to produce the highest quality products at competitive prices, and that puts us in a good position.

So if, in this situation, we have obstacles raised by foreign governments and if these obstacles persist, farmers then, as a practical matter, will not have meaningful market access. Both the North American Free Trade Agreement and the Uruguay Round Agreement under GATT have helped reduce barriers to U.S. agricultural exports.

Not a studied statement, but my recollection of all of these, is that there was more progress made in agriculture in this latest round than any other like agreement in the history of GATT. At least, it is a very tremendous advancement.

But I still say, even with this, we have a lot of work that needs to be done. This should be in terms of implementing and expanding our existing agreements, as well as reaching new free trade agreements.

The witnesses that join us today will tell the committee what work still needs to be done. I think we're going to hear testimony about the unique trade barriers erected against genetically-modified crops, and we will also hear about two recent actions that may open European markets to U.S. meat, the Veterinary Equivalency Agreement, and the WTO panel decision on beef hormone.

Finally, the third panel will focus on how future negotiations and agreements could affect agricultural exports. Future negotiations may include NAFTA expansion, China's accession to the World Trade Organization, and the 1999 agriculture talks at the WTO.

So, now I want to call my first panel. If other colleagues come and want to speak, I'll let them do that as part of their questioning period, so we can proceed.

Our first panel is Ambassador Jeff Lang, Deputy U.S. Trade Representative, and Mr. Paul Drazek, Special Assistant to the Secretary of Agriculture.

I thank you.

Ambassador LANG. I understand, Mr. Chairman, that Mr. Drazek is on his way, but stuck in traffic.

Senator GRASSLEY. Yes. Let me compliment you, Mr. Ambassador. I have seen you operate in the world community at meetings, I have seen you very busy here on the Hill. There are a lot

of accusations that are sometimes made against public servants and civil servants as well.

I know you are an appointed person, but you are a person that puts in long hours, here or around the world. You are on the road all the time. You just ought to be complimented for the hard work you put in to the job you do, and we ought to remember your family, that sacrifices in the process as well.

Ambassador LANG. Well, I appreciate that, and so does my wife.

I should say, by the way, before beginning, how important our cooperation with this committee has been in this period of implementing these Uruguay Round agreements. Your staff has always been available to us, you have always been available, and that is enormously important.

Assuming my colleague Paul Drazek shows up here, our cooperation with USDA is a critical element of moving forward on trade. They are with us every step of the way. The relationship begins with Secretary Glickman and Ambassador Barshefsky, and works right down through the staff and I think that is helpful to the people of this country because we should not be working at cross purposes, and we are not.

While we are complimenting people, I also ought to compliment the industry. Agriculture people are there when we need them in these negotiations. They actually travel with us to the foreign sites, they are creative, they give us a real measure of what is going on in the marketplace. We would be blind hogs looking for an acorn if we did not have those folks along.

Senator GRASSLEY. Yes. On the point you just made, an example of what you just said of agriculture as an industry or agri-business, both farming and the production of input as well as output, is kind of quantitatively stated as a large percentage of the Americans that were at the Singapore World Trade ministerial, where agriculture was very well represented there.

Ambassador LANG. Yes, sir, they sure were. It does make a difference. I mean, our trading partners know how this political system works. When members of Congress like you are there, and when our business people are there, they know we are serious about a subject.

I think that helped us achieve an important advance at Singapore, which was to be able to get agreement that we would begin exchanging data and analysis essentially now so that when negotiations begin, as they are scheduled to in 1999, no one will have an excuse for not beginning those negotiations. That was an important accomplishment in Singapore, although it will not pay a dividend for a while yet.

Senator GRASSLEY. I would like to have you start. Maybe before you should, I should take care of a little administrative stuff. Number one, for all of the witnesses, including Ambassador Lang, we will have your statement in total printed in the record. We would ask you to summarize.

We would also want to suggest that, since some members have conflicts, both from me as well as other members of the committee there may be some questions that will have to be submitted for answer in writing, and we would appreciate your accepting those, responding to them as quickly as possible. And I do not say that just

to you, Mr. Lang, I say that to all of the people who will be testifying today, and I will not have to repeat it again. Thank you.

**STATEMENT OF HON. JEFFREY M. LANG, DEPUTY U.S. TRADE REPRESENTATIVE, WASHINGTON, DC**

Ambassador LANG. Thank you, sir. We will be happy to do that. It is particularly easy for me to shorten my statement, because it sounds a lot like your statement. It is clearly the case that we have some terrific agricultural success statistics. They are laid out in my testimony.

But when we are talking about every other row of wheat, every third row of soybeans, 57 percent of rice acres, one-quarter of corn acres being exported, those kind of data, we know we are having a successful period. You are absolutely correct that we are running a trade surplus in agriculture, \$26-\$27 billion last year, something on that order.

Our consumer-oriented agricultural exports are reaching new highs. Our fresh, frozen, and chilled red meat exports are reaching new highs, even poultry is. That is \$2.25 billion, maybe a little more than that. There is, I think, a relationship, as you suggested, between these increased exports and our use of the WTO agreements.

And I would just like to give you a couple of examples. One I think that is pretty clear is pork in Japan. We had a very difficult negotiation there at the end of the Uruguay Round, and today our pork exports in Japan are up about 60 percent, as opposed to the end of the round.

Another good example is oranges and grapes in Korea. Our grape exports to Korea quadrupled as a result of this agreement; orange exports went from \$1.7 million to about \$14 million today. There are lots of success stories like that. Many of the success stories are in markets where we never had any sales at all in Asia, even in Latin America, and increasingly so in Europe.

I think one of the most important agreements which we might want to talk about in the questions and answers a little bit is this sanitary and phytosanitary agreement, because it has such an impact on a growing and disturbing trend today to use these health restrictions in a protectionist manner. We think that agreement deals with that constructively, and I would be glad to discuss it in more detail in the questions and answers.

I also think an important aspect of the WTO which is not often recognized outside of the agricultural community is the committee system. We are using the WTO Committee on Agriculture to pursue member country practices where they are not fully living up to Uruguay Round obligations. That gives us an opportunity to bring the peer pressure of the WTO on countries that need to move to open their agricultural markets.

It is quite an effective forum, particularly where things like tariff rate quotas have not been opened up, or they are administered in such a way as to deny the real benefit of the agreement. Committee pressure can be very effective, and often faster than using dispute settlement.



Of course, we have not hesitated to use dispute settlement in agriculture, often on our own initiative, without requiring a 301 petition. We have often settled these cases on a favorable basis.

To me, there is at least an early indication—we are very early in the process—that the dispute settlement system does have a significantly greater amount of pressure on our trading partners compared to the old GATT system, mainly because it cannot be stalled.

Now, finally, as you said, we are not nearly done. We have at least three broad areas of current and future work on agricultural market access.

First, on that Committee on Agriculture, we have to continue to put pressure on our trading partners to fully implement their commitments and to address some of these emerging issues: state trading is one of them; domestic support, which can be abused in such a way as to distort trade; I mentioned tariff rate quota administration. So, the committees are an important thing.

Second, we have to look at the WTO accessions. We have about 30 accessions pending to the WTO. There are now 123 or 124 members. Agriculture has to be an essential element of all of those accessions. It has to be resolved or the United States will not be able to support an accession.

Third, we have to think in terms of that new negotiation on agriculture that begins in 1999, and that means that the process of reform has to accelerate. The faster we can get that moving, the more data that is exchanged, the more analysis, the greater the foundation that is laid for that negotiation, the more likely we are to be able to have an early success.

I should mention our regional initiatives, because they can be an important incentive to opening markets. Charlene Barshefsky is, today, in Brazil, working on the FTAA with our trading partners down there.

Three hemispheric working groups have been created that will focus directly on agricultural interests, one on market access, another on sanitary and phytosanitary issues, and a third on anti-dumping and countervailing duty issues and subsidies.

We will ensure that the work done by these working groups reflects the strong support for agricultural trade interests that you have seen throughout the administration. We think moving forward with them in this FTAA is a very important part of the process.

We also had good meetings last week in Montreal, with the 18 trading partners in APEC. There are opportunities to move forward there. About 43 percent of our agricultural exports go to Pacific Rim countries, so meeting that goal of 2010 for industrialized countries and 2020 for developing countries is very important.

So I think we have a good story to tell both the committee and the administration on agriculture, but a great deal of work to do and we will need your help and support in accomplishing those objections.

I will be glad to answer any questions you have.

Senator GRASSLEY. Thank you, Ambassador Lang.

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

Senator GRASSLEY. We will now go to Paul Drazek. I have introduced you already to the audience.

Mr. DRAZEK. Thank you.

Senator GRASSLEY. So I will not have to go through your position and all the things like that. Please proceed.

**STATEMENT OF PAUL DRAZEK, SPECIAL ASSISTANT TO THE SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC, ACCOMPANIED BY CHRIS GOLDTHWAITE, GENERAL MANAGER**

Mr. DRAZEK. Thank you, Senator Grassley. I appreciate that very much.

I, first, want to apologize for being late. I was quite incensed by having to be stuck in a motorcade blockade, until I realized it was the President that I was waiting for. [Laughter.]

Mr. DRAZEK. I cannot be incensed over that.

But it is a pleasure to be here with you today to talk about access issues in agricultural trade. I am not going to spend a lot of time going through my presentation. You have my prepared remarks, and Ambassador Lang has already mentioned a number of things that I would raise anyway.

But just a few observations about where we are on some of the issues that we have been dealing with. First, it is important for everybody, I think, to realize that \$60 billion worth of trade in agricultural exports and agricultural products is an all-time record.

I think that is attributable to the trade agreements we have entered into in recent years, tearing down government-imposed market access barriers. The \$27 billion in trade surplus that has been generated by that makes the agricultural sector the largest contributor to our U.S. trade balance.

Having said that, a lot of that is due to the work of the NAFTA and the Uruguay Round. Both of those agreements, I feel, are just a first step. We still have a long way to go in a lot of different areas.

I guess what I would say is, since the end of those two negotiations our focus at the Department of Agriculture has been on three issues, three things. One, is ensuring that our trading partners live up to their commitments in those agreements.

The second one, is removing burdensome regulatory restrictions on trade which frequently take the form of unjustifiable sanitary and phytosanitary requirements. The third issue, is negotiating acceptable terms of accession with countries such as China, Taiwan, and Russia, those countries who wish to join the World Trade Organization.

I mentioned the aggregate numbers, exports \$60 billion, they testify to the success of our farmers, our ranchers, and our agribusinesses in taking advantage of the new markets open to them by the previous trade agreements.

But they are really a compilation of many, many individual success stories. I would like to take just a minute here to go through a few examples of some recent agreements that we have managed to negotiate, which I believe will result in success stories in the future. These are things that are not being reflected yet in \$60 worth of trade, but should expand exports in the future.

I really get the feeling sometimes that the mood in the countryside is that the trade agreements have not been effective and we have not been doing as good a job as we could in trying to open up markets around the world and ensure that countries fulfill their commitments once we have reached agreements.

We were successful earlier this year in convincing Korea to change its import clearance system and laboratory approval requirements for table grapes. I think this success can be attributed to the dispute settlement consultations we requested in the WTO. We did not actually have to go to dispute settlement, we simply had to request the consultations and have a series of consultations, and we were successful in that matter.

Japan, as you may remember, opened its market to tomatoes earlier this year. In February, Mexico agreed to open its market for cherries from California, Oregon, and Washington. That was followed by an agreement with Mexico in a pilot work plan for peaches and nectarines that may eliminate the need for fumigation in the future.

During the recent U.S.-Mexico Binational Commission meeting in Mexico, we were able to obtain approval by Mexico of a work plan to open the Mexican market to citrus from Arizona and Florida for the upcoming crop. It is important to recognize that both Texas and California had already been opened in Mexico.

This week we announced new market access agreement with Chile for several fruits, and another agreement with China for grapes. Last month we negotiated an agreement with the European Union to implement a cumulative recovery system for rice tariffs, and a special tariff arrangement for malting barley.

Finally, two weeks ago we reached an agreement with the EU on veterinary equivalency. That agreement, we believe, will be an opportunity to eliminate a number of unnecessary inspection requirements that have restricted trade in meat products for many, many years.

I would like to say one or two additional things about that particular agreement. I was directly and heavily involved in that for many months. We think that that agreement will open opportunities for red meat and preserve most preexisting trade in products such as pet food, dairy, and egg products. We think in the short term the U.S. pork industry will be the biggest beneficiary.

Unfortunately, we were unable to resolve all the issues in the poultry sector. As a result, we could lose as much as \$50 million worth of annual exports of poultry meat to the EU. We see this as completely unacceptable and we will continue to pursue a solution to the problem under the overall framework agreement.

Our poultry products are required to meet strict U.S. standards for cleanliness, even if exported to countries that have lower standards. It is ironic that the reason our exports are blocked is that U.S. processors who might be able to produce a product that would comply with EU requirements probably cannot meet higher U.S. standards and, therefore, they cannot export.

Ambassador LANG DID NOT SAY ANYTHING ABOUT THE HORMONE ISSUE, AND MAYBE THAT WAS INTENTIONAL. But maybe I will just say a word or two about it, since it has appeared in the press.

We did receive a preliminary report from the dispute settlement panel looking at the hormone ban, and it is a preliminary, confidential report. We are not supposed to talk about it publicly.

In this public forum it makes it a little difficult, but I think it is fair to say that we continue to believe, even after we get the final report from the panel, that it will show that the European ban is inconsistent with its obligations in the WTO.

There are a number of other issues that we are working on. Biotechnology is one that we might want to ask some questions about.

The last thing I would just mention, and Ambassador Lang did mention it as well, the importance to us of the next round of negotiations. You may remember, in the Uruguay Round Agreement there was commitment by all countries to undertake new negotiation starting in 1999 in agriculture, and we see this as an opportunity to continue the process of reducing, and even eliminating, barriers to our exports around the world.

Once again, I thank you for the opportunity to be here today, and I am sorry again for being a little late.

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

Senator GRASSLEY. I am going to accommodate my friend from Alaska before I ask questions. I will also accommodate you, if you want me to, before I ask questions.

Senator BAUCUS. Yes.

Senator GRASSLEY. All right. I know that maybe my colleagues are under a tight schedule, and I appreciate their coming. To the extent to which I can do that, I want to.

Would you go ahead?

#### OPENING STATEMENT OF HON. FRANK H. MURKOWSKI, A U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Thank you very much, Senator Grassley.

Let me commend you. I think this is the first trade hearing by the subcommittee in the 105th Congress, and I appreciate your initiative because I think it is very important that members of the Finance Committee express their views relative to trade and restrictions on trade.

I am told that roughly half of the foreign trade barriers are in the agriculture area. Seafood exports, as you know, Mr. Chairman, are covered by the FDA and not the Department of Agriculture, but I still think they are appropriate to raise at this hearing because a lot of the issues cover the same health standards, and so forth.

I noted in your panel you have got expertise in meat, pork, soybean, et cetera, so I thought maybe I would give you a little surf and turf, if that is permissible.

Senator GRASSLEY. And remind me of shortcomings in the process.

Senator MURKOWSKI. I just wanted to make sure that some of the issues of note were brought out, and particularly I was interested in what the status of the World Trade Organization's accession negotiations between the United States and the PRC are on the issue of seafood. I am interested in the tariff on salmon exports, which I understand are currently subject to tariffs of 30 percent or higher.

I have got a resolution from the city of Ketchikan relative to, Pacific canned salmon sold to China is not only subject to a 30 percent import tax, but a 17 percent value added tax, which makes an effective tax rate of about 52 percent. The Chinese tariff exceeds Japan by about 47 percent. I would encourage, in your negotiations and as we reflect on our relationship with China, to recognize that that is unreasonable.

I would also like to remind the witnesses, Mr. Chairman, that many of the issues discussed today apply equally, if you will, to fish and conventional agricultural exports as we know them.

I commend you again for your aggressive pursuit in condemning practices in countries which block imports using, in many cases, bad science to justify excluding a product for so-called health reasons, when, in fact, they are protecting their domestic industry.

We exported about \$1.5 billion worth of seafood in 1995 and it is higher than that in 1996, primarily in Japan, South Korea, China, and Taiwan. These markets have been very receptive.

But I want to mention one issue in particular, again, the imports of fish to China and the potential that we have there and the fact that China still maintains those unfavorable tariffs on seafood products.

I wanted to raise this issue here because I think it is appropriate to talk about seafood as we address agricultural exports because they play a very important role in our foreign trade, and particularly as those of us who are on the coastal areas and are suppliers of seafood products have a tremendous stake in this effort as well.

So is there any reason that the Chinese give you for that exorbitant tariff?

Ambassador LANG. We have a team in China this week, Senator, and I think China may very well be the next major market in Asia for, particularly, salmon. But the duty of 30 percent which you mentioned is extraordinary, and it has obviously got to be one of our major priorities. The Chinese have shown a willingness to reduce the tariff on salmon. Our objective is 10. I will get a report from the team early next week on how far they have moved on that.

I agree about the related issues on China as well. They need greater transparency in their application of the duties so that exporters know what they are dealing with. They have a lot of cumbersome and unnecessary tariffs. They have value added taxes. They also have provincial taxes, which get in the way of things moving around within their economy. Those kinds of things will have to be eliminated or reduced in order for them to get in.

Senator MURKOWSKI. I appreciate those assurances.

Ambassador LANG. We will be glad to work on it.

Senator GRASSLEY. Thank you. If my colleagues are under time constraint, I want to accommodate you too. Otherwise, I would like to start the questioning. But, if you are under time constraints, go ahead.

Senator BAUCUS. That is very generous of you, Mr. Chairman. In fact, I do have a constraint which begins in about one minute.

Senator GRASSLEY. You go ahead.

Senator BAUCUS. Thank you very much.

Senator GRASSLEY. Senator Graham, the same thing for you.

Senator BAUCUS. Gentlemen, as you well know, agriculture is a positive side of our trade balance because we export about \$59 billion and import about \$35 billion roughly, with a \$120 billion overall trade imbalance.

The questions I have are several. One, is will the government, particularly USDA, really put the European's feet to the fire in the wake of the WTO decision on the beef growth hormones?

Can I get some assurance that we are going to make the Europeans follow through very quickly on the results of that WTO decision, which now finally confirms an allegation that we Americans were making for years upon years, that there is no health problem with growth hormones in American beef?

Ambassador LANG. Yes, Senator. I do not think you will have a problem with any of us on it. We were enthusiastically pushing them all along.

This is an interim report, as Mr. Drazek said before you came in the room. That means we have to wait until it is finalized; there is a period for us and the EU to comment.

Normally this would not have become public, and it is unfortunate for the process that it did. But now that it has become public, we need to work to assure that the substance of the decision remains the same on final, and then to push the Europeans to implement it. I think your question is well taken, because that will not be easy. But you will not have any problems with us.

Senator BAUCUS. With respect to Canada, I must say that a lot of us in our part of the country feel that it is a one-way street. That is, we accept a lot of live cattle, in particular, from Canada. Canada has sanitary and phytosanitary restrictions on American cattle, particularly live cattle, going up into Canada.

As you well know, there is this Northwest pilot project which I think was contained in NAFTA. If you could just briefly comment on what progress we are making to address the imbalance in live cattle trade between the United States and Canada, and second, the degree to which the Northwest pilot project is a potential solution to particularly the health provisions.

Mr. DRAZEK. I will make a comment or two. Yes, we are well aware of that. We have been talking to the livestock industry here in the United States, cattlemen in particular, for some time about that pilot project. It is of keen interest to us. We keep pushing the Canadians at every opportunity. I think the feedback we are getting from them is that they are intending to implement that, in fact, a recent meeting.

I apologize. I should have introduced Chris Goldthwaite, the general sales manager. He came with me. Some of these questions might be somewhat technical and he is an expert in most of them. He may want to add comments as well.

But in recent meetings with the Canadians we have been given indications that they are prepared to move that issue forward.

Senator BAUCUS. If you could push quickly. I think that is a potential solution because it is solution where groups are finding an agreed-upon solution themselves rather than a top-down imposed solution and, therefore, has a lot of, I think, promise.

Third, very briefly—Mr. Chairman, I appreciate your indulgence here—with respect to China and China's potential and eventual ac-

cession to the WTO, I am just quite concerned that our negotiators are not going to push as hard as they should on agricultural provisions. For example, the Chinese may reduce or eliminate tariffs, but continue to block exports, for example, from the United States by approving a few shipments.

Also, as you know, they are causing tremendous problems for northwest wheat with respect to fungus. What assurances can you give us that we are going to be tough and we are not going to let the Chinese get away with things that they otherwise might get away with?

Ambassador LANG. Well, let me say two things about that. One, is in order to have U.S. support for joining the WTO, China is going to have to do two basic things. First, they are going to have to agree to obey the rules, and second, they are going to have to give us an attractive market access package.

Now, above and beyond the difficulties of market access are a lot of barriers in China. Senator Murkowski mentioned some of them. But we have a lot of sanitary and phytosanitary problems there in lemons, table grapes, kiwis, wheat, you mentioned the northwest wheat problem. In those areas we have what we think are good WTO agreements, and we need to get China to agree to come into line with those agreements.

In some cases, we have been able to negotiate temporary agreements where we have teams at the ready, and USDA will put a group of people together who are familiar with a product, familiar with a region, whether it is Southern California, the northwest, the central States, or something like that, who will get in and see the Chinese quickly when a problem arises and try and resolve it quickly.

That has been helpful as a temporary matter, and Paul or John may want to talk about that in a little more detail. But it is only a temporary solution. They are going to have to come into compliance with these basic rules in order to come into the system. That is not just the U.S. position, that is the position of all of our trading partners.

Senator BAUCUS. I do not want to extend the indulgence of the Chairman and other members, but just to say that I can speak, I think, not only for myself but for many others in the Congress, that we are going to be watching this very closely. I, for one, am going to raise a ruckus with respect to any potential United States agreement to Chinese accession until these problems are solved.

Mr. DRAZEK. Senator, if I could just make one observation. I know you have to leave. But we do have a team in China, as Ambassador Lang indicated. It is an agricultural team, including people from the private sector, that were invited to come by USTR and the department.

One of the reasons is to try to impress upon the Chinese how interested the agriculture community is in China's accession to the WTO and how important it is that we reach an acceptable agreement in agriculture, otherwise it is not going to happen.

Senator BAUCUS. And just one final point here. A third of the world is not a member of the WTO.

Mr. DRAZEK. That is right.

Senator BAUCUS. And so the Chinese accession is going to be tremendous precedent for other countries' eventual access to WTO. I am talking about the former Soviet Republics, in particular. So, it is very important that this be done right at this time.

Senator GRASSLEY. Let me support Senator Baucus on that point, because every issue he just brought up was a major victory for agriculture during the 1993 GATT agreement.

If we lose with one country, particular one country with as big of a market—it is 13th largest trading economy in the world and in agriculture they are 2nd and 5th in corn and soybeans from time to time—then we are just kind of wiping out every gain that agriculture made under the 1993 agreement.

And you might as well not have had the 1993 agreement if we are going to let China ignore all of these major issues that we fought so hard to get with every other country that we are presently dealing with through the WTO.

Senator BAUCUS. Thank you, Mr. Chairman.

Senator GRASSLEY. Yes. I am willing to go to my two colleagues, even though I have not questioned yet because I appreciate people coming to these meetings. If I can accommodate and encourage people coming by waiting my turn, I am willing to do it.

Do you want to go ahead, Senator Graham?

Senator GRAHAM. Mr. Chairman, I am going to be here until 4:00, so I do not want to impinge on your time.

Senator GRASSLEY. All right.

How about Senator Kerrey?

Senator KERREY. Mr. Chairman, I expect to be here a while as well. But, in case this drags on, I only have one thing that I want to make absolute certain I get out there.

Senator GRASSLEY. Do that, then.

Senator KERREY. The President, on a number of occasions, has said he hopes that the Congress will approve fast track, or actually has gone so far as to imply that it is already up here.

Now, opposition is organizing against fast track, and we still do not have the document. When are you going to send it up?

Ambassador LANG. Well, we are working with a lot of members of Congress, trying to find some basis on which we can send it out that will draw, magnetize, bipartisan support for both parties.

Senator KERREY. Now, you are working with a lot of members. Are you working with the Finance Committee, the Ways and Means Committee, or is this—

Ambassador LANG. Well, this will have to be an HR measure, because of the revenue measure.

Senator KERREY. So you are talking to the House about it.

Ambassador LANG. It has been concentrated in the House.

Senator KERREY. Well, when the President makes his statement will you make sure that he understands and does not leave the impression out there that we already have it, because I am getting people calling up and organizing meetings with me, wanting to tell me why they are against something that is not even up here yet.

Ambassador LANG. Yes, sir. I understand.

Senator KERREY. I cannot be for or against something I have not seen. I am inclined to favor it. But I am telling you, I do not know whether other members are feeling the same sort of heat, but I do



not appreciate the President saying publicly, until he sends something up here, he cannot chastise Congress for not taking action.

Ambassador LANG. I understand. I will be at the White House in an hour and a half. I will take the message.

Senator KERREY. Say it nicer than I did, I hope. [Laughter.]

Senator GRASSLEY. Also, in regard to what Senator Kerrey just said, the debate this year has got some unusual coalitions that have never been out there before, and I am sure the White House is cognizant of it. But so far their responses or acknowledgement of it has not been public enough that they recognize it.

Senator GRAHAM?

Senator GRAHAM. If I could just add to the comment of yourself and Senator Kerrey. I analogize this to a closing window. There will be a less expansive fast track bill passable by the Congress today than there would have been in the spring.

There will be even a smaller fast track bill passable in the summer than there is today. In my own judgment, by Labor Day the window will be completely closed. So there is a real cost that has already been suffered by this delay. That cost will continue to mount and it will become fatal in early September.

So those are the realities. If the administration is serious about fast track, frankly this statement about support for fast track has been going on not just since the first of January, but throughout most of 1996 as well, and we still do not have an administration proposal. I think the credibility of the administration is at stake and gets thinner every week that passes.

Senator BAUCUS. And if I might add, Mr. Chairman, it is not only the provisions in the potential fast-track authority, it is also that the administration is going to have to convince this Congress that it is going to consult much more than it has in the past, in an ongoing basis, after fast track is passed, if it is passed, when it is negotiating agreements with other countries. I do not think you are going to find very many members of Congress agreeing to trade agreements unless there has been a lot more and better consultation than there has been in the past. And ongoing and meaningful consultation, not just words, but with action.

Senator GRASSLEY. And even more important than the economic benefits of free trade that are stake here if we do not have another fast track, there is the whole issue of the moral authority of the United States that we have been a world leader since the 1930's and the reciprocity agreements and everything, and breaking down the barriers to world trade and showing the rest of the world that we recognize the mistakes of Smoot-Holly and all those things. We are going to lose that moral authority if we do not have fast track out there as a symbol of what we believe in.

We have talked about the phytosanitary provisions of GATT in discussions with Senator Baucus, but maybe if I could just ask you in kind of a summation sort of response, to how you would evaluate the effectiveness of these provisions under GATT to this point. Maybe I should, for the purposes of this meeting, also ask you to say to what extent that they benefitted agriculture.

Ambassador LANG. Well, I think that the thing to compare the current situation to is the situation without the sanitary and phytosanitary agreement. It has given us a basis for making an ar-

gument that we were not able to make before. Health is obviously a very sensitive issue, sort of like environment.

And what the sanitary and phytosanitary agreement does is preserve our right to choose our own risk level from a health perspective without any interference with international rules, but to insist that when other societies do that they have some scientific basis for doing it and they apply it in a reasonable way.

Now, that has given us an argument that we did not have before, and in that sense we are in a much stronger position. Nonetheless, these issues remain very difficult to resolve.

I think the beef hormones case that Paul mentioned, as well as the efforts to move forward, for example, with genetically-modified organisms, have been important examples of how we are trying to use this agreement to assure that we get the market access we are entitled to under these agreements.

In the case of those genetically-modified organisms, without the sanitary and phytosanitary agreement, I think it would be much more difficult to argue to the Europeans that they should open their market to these biotechnological products. There are going to be other areas where these issues come up. They already have in Asia. We have some very difficult sanitary and phytosanitary problems out there.

So I think it is a great advantage to us, but it requires constant dedication and constant pushing. It is a slow kind of process. There is not a magic wand we can wave and make these concerns go away because they are so deeply rooted in these societies.

They get very excited about these health concerns. To make them rationalize the process is very, very difficult. But it is moving forward and I think we are getting market access we would not otherwise get because of this agreement.

Mr. DRAZEK. Just a comment or two. Jeff is absolutely right about the need to compare where we are today with where we would be without the sanitary and phytosanitary agreement.

I think it is also important to realize that many of the SPS type problems that we are facing around the world are not new. They were there. They have been there for a long time. Not all of them, but most of them.

The reason that we are paying attention to them now, the reason that we are going after them, and the reason that we may in the future use the agreement, the dispute settlement process to go after them, is because now they are what are preventing us from exporting instead of tariffs, variable levies, quotas, outright prohibitions, and things like that, which were all eliminated or brought down to manageable levels in the negotiation. So we now have a tool that we will use.

I would say on the hormone issue, I really think that a positive outcome there, as positive as it will be for the beef industry in the United States, especially since it is going to send a message all over the world for countries not to follow the European lead, follow our lead, use science.

It is also going to benefit us because of the strengthening it did for the agreement in dealing with all the other sanitary and phytosanitary issues that we are facing on fruits and vegetables, grains, and everything else.

Senator GRASSLEY. On another point, you reach an agreement with Europe on the veterinary equivalency issue, or the BT corn issue. Then we have, in the case of BT corn, Austria said, we are not going to let that corn in; in the case of France and the UK, on our beef.

So you have got some countries out there within the EU saying they are not going to do it. What sort of problem is that, can we do anything about it, and is that a threat to the agreement?

Ambassador LANG. Well, certainly keeping the EU member states doing what Europe as a whole has committed itself to is a continuing problem of the ways in which the EU is organized. Both the EU and its member states, however, are signatories to these agreements.

Partly in response to the problem you are identifying, we have begun joining the member states in our dispute settlement cases in the WTO so that it is clear that we are concerned about the member state practice, as well as the obligation of the EU as a whole.

Now, in some cases the things you are talking about are threats that EU politicians have made, and they have not actually ripened into action by those countries, so it is very difficult to respond to those here.

But where they have taken actions that limit our imports, for example, restricting imports into France of BT corn, we have aggressively gone out and raised those issues with them and generally have been able to resolve the issues pretty quickly, sometimes within a week or two.

But we remain concerned about this problem in Europe, and particularly about some of the proposals that are being made, these days, for example, about labeling genetically modified organizations. We do not think that has any scientific basis.

We think it is largely discriminatory in nature. We are very concerned about it, and we have let the Europeans know that we are concerned, and hopefully will be able to persuade them not to go ahead with those kinds of proposals.

Senator GRASSLEY. Now, we have had the Commissioner of Agriculture, Franz Fischler, saying that we are going to have to segregate our corn, even after the agreement was made on December the 18th, although I do not know whether that is in regard to just seed or the entire product. But it seems to me, as a matter of principle, it is a violation either way. And he is not any small-time European politician, obviously.

Ambassador LANG. Well, I am not suggesting any of them are small time. He has proposed this compulsory labeling requirement for products that are pending approval, but not to products that have already been approved. It is a serious concern.

I mean, obviously the expense of segregating these products—I do not know how it is in Iowa, but where I live on the Eastern Shore of Maryland we grow genetically-modified corn in the field next to the corn that is not genetically modified, and I do not know what he is going to do about American bees, if he thinks he is going to prevent that kind of natural activity from occurring. It presents a real serious problem and we just cannot tolerate this segregation, and that will be our message to him.

I do not think you would disagree.

Mr. DRAZEK. No, I would not. I would just say that there are a number of proposals, and Commissioner Fischler's has made one. There are others that are floating around.

I do not think they are imminent to being implemented, but I guess they were working very closely with our people in the embassies and in Brussels to ensure that they know what the difficulty will be for both of us if they go down the wrong path.

Senator GRASSLEY. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

I have a few questions that I would like to ask, starting with a very specific one. In Mexico City, earlier this month during the visit of the President, there was an announcement made relative to access to the Mexican market by citrus products in both Florida and Arizona.

I wonder if you could tell me when that agreement will be implemented, when will product be legal to be shipped, and what are the extent of the products—particularly citrus products—that will be covered?

Mr. DRAZEK. I was in Mexico with the Secretary and sat in on the meetings. There was an agreement that will allow for citrus from Arizona and Florida to move into Mexico for the next crop season. That is the intention.

Now, there has to be some work done between now and then which will be done in conjunction with the Mexico Senate Dalfajital and our AFIS people in the course of the next weeks and months to ensure that that is done. But we are convinced that there is a good faith effort on both sides to ensure that citrus will be shipped by the beginning of our next season.

In terms of the details on the area of coverage and all of that, I think I will have to try and get that to you.

Senator GRAHAM. And also the product coverage.

Mr. DRAZEK. The product coverage.

Senator GRAHAM. One of the concerns that has been expressed to me is the importance of getting an early signal as to what the date of shippage will be so that the preliminary steps of setting up the transportation, distribution, and other systems can be done in advance.

It has been indicated to me that notice date needs to be by the middle of the summer, no later than August 1, in order to be able to have a smooth implementation of this plan. I would hope that your schedule would be such that such an early indication could be given.

Mr. DRAZEK. Right. I believe we already have someone in Mexico City working with the officials from Senate Dalfajital to develop the plan.

I can understand why the producers in Florida would be interested in precisely that information, and we will try to get that to them as quickly as we can. The language of the agreement itself appeared to say that we agreed to agree on it, without giving a whole lot of detail. But we will get that detail to you.

Of course, it is better to agree to agree. In most trade agreements that I have been involved with, we tend to agree to disagree. So there is no question in our minds that the will is there for this to happen for the next season.

Senator GRAHAM. A second issue that relates to our relationship with Mexico. Last year, the Department of Commerce had before it a dumping dispute relative to Mexican tomatoes.

That was resolved in a suspension agreement in which there were certain understandings, specifically a floor price based at the Mexican cost of production. There has been some concern as to the degree to which that suspension agreement is being enforced.

I know that agreement was negotiated by the Department of Commerce. Could you inform me as to who has the enforcement responsibility for that agreement, and any assessment of how well that enforcement is being carried out?

Ambassador LANG. Well, the enforcement responsibility is in the Commerce Department. I am aware of the settlement and of the general tenor of it. I would have to take back the question of how it has been going.

I am aware that there are some technical issues out there about how the seasonality is counted and some things like that, but I was not aware of a specific enforcement problem.

So, I will just have to go back to the Commerce Department and ask them what is going on there. But, clearly, the data suggest that there is much more stability in our winter tomato trade than there was before the agreement.

Senator GRAHAM. Mr. Chairman, will we have an opportunity to submit written questions at the conclusion?

Senator GRASSLEY. Yes. I have already announced that, yes.

Senator GRAHAM. The last question I have goes back to the issue of fast track. What do you anticipate will be the specific issues in the fast-track legislation itself and in the subsequent negotiations that your two departments will be particularly concerned about as it relates to American agricultural exports and imports into the United States from foreign countries?

Ambassador LANG. Well, I think a major issue in agriculture in terms of trade negotiations will clearly be implementing this decision to go ahead with agricultural negotiations on a worldwide basis in 1999. The world is just acrawl with agricultural barriers and we have a lot of work to do to get rid of those.

Now, as we and the Chairman both said at the beginning of the hearing, a lot of success has been achieved and we are exporting at record levels, nearly \$60 billion a year, in many markets where we have never been before. But that does not mean our problems are over, and we need the mandate of Congress to move forward with those negotiations.

We have succeeded in the last several months in getting our trading partners to agree to begin the process of data exchange and analysis that will be critical to lay the foundation for those negotiations, because these will be very technical negotiations.

Choosing baseline years and things like that will be essential to making progress for these countries that still have subsidies that are way out of line and protectionist barriers.

But I think that is a principle issue. There is a lot we can do at the regional level, and there is a need to continue to pursue barriers bilaterally on a product-by-product basis. But, as you can see, that is very slow work. The more we can do multilaterally to get these barriers down, the better off we are.

Mr. DRAZEK. I would like to add a couple of things. When I was in Singapore, and Ambassador Lang was there as well, for the WTO ministerial in December, we had a huge contingent of representatives from the agriculture community. It made news among all the countries. We had 30, 40 people representing agriculture.

The reason is, the agriculture community is anxious to move forward with another round of negotiations in this sector. They realize that things like State trading enterprises, we do not have good rules in the WTO on that. We have not resolved all the problems of export subsidies; they are still there. The message that we heard loud and clear is, let us get on with it.

So I think that the agriculture community, by and large, is anxious to move forward with it and will support fast track. I take both of your points, that we need to get on with it, too. I think when we have a bill, then the agriculture community will, in large part, support it.

The other thing is, with respect to regional trade agreements, what we are seeing more and more is groups like the European Community, Canada, reaching agreements with other countries in Latin America, and we are unable to negotiate with those countries.

I think that has risks and it has benefits to us in agriculture, because Latin America can be a competitor as well. But, overall, it is in our interest. I think, again, the agricultural community realizes it is in our interests to move forward with agreements and not be left aside by other countries.

Senator GRASSLEY. Senator Kerrey.

Senator KERREY. Thank you, Mr. Chairman. For either one of you, just kind of continuing on that line. I hear as well people wanting to get on with it and take the next steps at the WTO with negotiations in multilateral ways and dealing with an agenda of agriculture issues.

Can you talk to me, either one of you, first of all, about the capacity of the WTO? I mean, it's a fairly new organization. I have never been to Geneva, I have never met the General Secretary Ruggierro. Did I say it right?

Ambassador LANG. Ruggierro.

Senator KERREY. Ruggierro. I know that we tried to get Mickey Kantor, and failed. So I am just trying to get a general sense of their capacity. I mean, I have got a limited number of hours in the day and a limited number of things I can get done. We are talking about a lot of things that they have got to do. How many people do they have over there to do the work?

Ambassador LANG. They have a very small staff.

Senator KERREY. Define small.

Ambassador LANG. Sir?

Senator KERREY. Small, means what?

Ambassador LANG. It is 300-400. It is very small.

Senator KERREY. Drawn from where?

Ambassador LANG. Drawn from all over the world. But I must say—

Senator KERREY. Competent?

Ambassador LANG. Yes, they are very competent people. But you have to remember that the WTO is a unique international organi-

zation. It is a consensus organization, meaning everything happens sort of the way things on the Senate floor happens.

Senator KERREY. No, no, no. We are not consensus on the Senate floor. It is all in favor, say aye, and sometimes it is a very narrow majority.

Ambassador LANG. I mean, on procedural matters.

Senator KERREY. Especially procedural matters.

Ambassador LANG. It is the only international organization that I know where you have real, enforceable legal obligations.

Senator KERREY. I am impressed by that, but I am trying to get to the capacity. Should we be aware that there is a limited ability to carry out an agenda and that we are going to need to do such things as was done with the Telecommunications Agreement? I mean, that was a special mission, was it not?

Ambassador LANG. Yes. Yes, it was. But what I am trying to say is, the staff of the WTO is not going to drive these negotiations, we are.

Senator KERREY. I understand that. I understand that. But I also understand that I am the one that has to vote, and I am the one that makes the decision. But you note probably that every now and then I turn around and ask Teresa what is going on here. So, there is a need to have a professional staff that has the capacity, when we are not around, making all the waves and trying to keep things moving, to do the work.

I appreciate very much your honest assessment of our need. Do we need to consider that there is a limited capacity of WTO to handle an aggressive agenda, or do we just basically presume they are big enough and broad enough and competent enough to handle almost anything we shove their way?

Ambassador LANG. I think it is the second, remembering, however, that we have to produce most of the information and work that goes on in these negotiations.

Senator KERREY. We, being the United States.

Ambassador LANG. We, being the United States.

Senator KERREY. All right. So do we need to prioritize an agenda? Do we need to set an agenda in place and say, okay, here is item number one that needs to be addressed and here is who is in charge of it? We are going to put somebody in there that has got the talent, credibility, or whatever it takes to move representatives to consensus. That is not easy, getting a group of people to agree.

Ambassador LANG. That is right.

Senator KERREY. How many people have you got to get to consensus, 140 some?

Ambassador LANG. It is 123 now.

Senator KERREY. 123 is more than is in this room.

Ambassador LANG. That is right.

Senator KERREY. That is a big challenge. I would not want to have the challenge of trying to get this room to agree on what time we are all going to walk out of here.

Ambassador LANG. It is like herding cats most of the time.

Senator KERREY. All right. So we recognize that that is a tough challenge. I mean, do we need to develop an agenda that says, here is the most important piece of the work? I presume China, having 2.2 billion people, has got to be up there in the top 3 or 4, right?

Ambassador LANG. It certainly is.

Senator KERREY. So do we have somebody designated to handle that?

Ambassador LANG. Yes. You have created by statute—

Senator KERREY. Oh, we did?

Ambassador LANG [continuing]. A Trade Policy Committee, chaired by USTR, which is supposed to assess these priorities as they come up and work with other agencies. We work with—

Senator KERREY. And you have assessed those priorities?

Ambassador LANG. We are working on it all the time; it is a constant process. It requires two other circles of consultation in our system. One, is with the private sector, for which we have a formal private sector advisory committee system that works pretty well, but we reach outside it occasionally. In agriculture, for example, we frequently confer directly with the interested groups. And we also have to be in close consultation with the committees of Congress that are interested in these matters.

Senator KERREY. I mean, has the President thought about calling up Mickey Kantor and saying, I have got an assignment for you here, a big-time assignment, China's accession to the WTO, or some other particularly difficult thing that is going to require somebody that has got a lot of peripheral vision, a lot of patience, and a lot of ability to stay up late at night? I mean, is that the sort of thing that is under consideration?

Ambassador LANG. Well, I do not know about Ambassador Kantor. He seems to be happily ensconced in private life.

Senator KERREY. We are all, at one point in our life, happily ensconced in private life.

Ambassador LANG. I used to be myself. But I think we will draw on whatever resources we can to try and identify these priorities and move forward with them. You are right, it is a very big assignment.

Senator KERREY. It is a very diplomatic answer, but it did not inform me, you are going to draw on whatever resources. I mean, you take the point?

Ambassador LANG. Yes.

Senator KERREY. Am I making a point that means anything to you all?

Ambassador LANG. Yes, absolutely. It is what we do all day.

Senator KERREY. I know it is what you do all day, but if you are trying to get 120-odd people to reach consensus on things that are terribly important for the United States of America, and particularly since the WTO is an infant organization and by no means is secure in perpetuity—

Ambassador LANG. That is for sure.

Senator KERREY. I mean, it may not survive.

Ambassador LANG. That is true.

Senator KERREY. So if we want to make it a success, and I am impressed, frankly, with what WTO can do. I would like to see it successful. I mean, does it not call then for particular attention in those areas, especially in agriculture, where you have got very difficult issues.

I mean, you talk about a cultural attitude. It is far more than just food safety. I mean, it is far more than just my attitude to-



wards hormones. I mean, it has to do with deep, imbedded cultural attitudes.

The Chinese, for God's sake, will have the largest migration from rural to urban in the history of the planet. They have got 300 million people moving from a rural environment to an urban environment in the span of 10 years.

If they move from 25-30 percent of people on farms to 3-4 percent, which is about what you need in order to be productive, that is a substantial shift. So you are talking about difficult projects.

I hope that in the calculus of getting the work done, whether it is getting the fast track bill done so they can get it up to us and quit telling us that we are not doing our work, or setting an agenda and then getting this agenda developed, we move ahead quickly, because I think we have a lot at stake with WTO.

And I am very impressed with what the administration has done, particularly in telecommunications. I just would very much hate to see us lose ground as a consequence of not putting somebody in charge that can negotiate these really tough things.

Ambassador LANG. I appreciate that. I think we need to stay in touch on that. But let me say that it is—

Senator KERREY. I am in 141 Hart.

Ambassador LANG. All right. I will be there.

This is one of the most important responsibilities of the United States, is to make this WTO successful. The only way we can do it, is by actively leading the system at every stage of the way. That means we have to bring in a lot of interagency cooperation and a lot of private sector cooperation. Telecommunications was a perfect example.

Senator KERREY. If you are going to lead, you have got to have a leader. The most important thing if you are going to lead somebody, is you have to have somebody who really can lead. I am impressed with what Ambassador Barshefsky can do. My red light is on, which means I have to turn it back over to the Chairman, who is the leader of this organization. So, I appreciate your patience.

Ambassador LANG. Thank you.

Senator GRASSLEY. Thank you. I think I am about done questioning you. I would ask a very specific question with regard to the beef hormone thing. The preliminary decision is out. Do you have any idea when we can expect a final decision?

Ambassador LANG. If I remember the schedule, it is something like early July. I think it is late June, early July, is when the panel's final decision is due. Then we will have to see whether the Community decides to appeal. That may delay things a little bit further.

Senator GRASSLEY. All right.

Then the last thing would be just kind of a statement of my own as a follow-up to a couple of other things that have been said by almost every member about China getting in. That would be that we ought to learn from President Eisenhower's haste in getting Japan into the GATT to begin with without getting concessions ahead of time. Obviously, we are still trying to work all those details out now over the last 40 years.

I would hope that we would not make the same mistake with China, that we know exactly what the conditions are under which

China is coming, how it is coming in. And it ought to be a shorter leash than a longer leash, and a shorter lead time rather than a longer lead time on meeting certain commitments.

But we have got to have this all ironed out ahead of time, particularly for agriculture, particularly as it relates to something as basic as scientific evidence for nontariff trade barriers, and those things. So I just leave that with you, you do not even have to comment. It is just a personal feeling that I wanted to express to you. I will listen to you.

Mr. DRAZEK. I appreciate that. Obviously, we will take that under very good advisement.

I would like to say one thing, coming back to a comment that Senator Kerrey made, and since you mentioned the beef hormone case. I think it is important for all of us to realize that the WTO relies very heavily on the member countries based in Geneva for a lot of the work that they do. The panel that was established was brought in. It is not people who work for the WTO and people who are from other countries who sit and listen to the arguments on both sides.

They went to the Codex Alimentarius for expert opinion on this issue. We will win cases in the future or lose cases in the future on the sanitary and phytosanitary agreement on the basis of whether panels decide our science is correct.

That depends on having international organizations like the Codex Alimentarius, which is jointly operated by WHO and FAO, to be in the position to have standards in place, which they have in place on hormones. That is why we won. I should not have said that, but that is why we reportedly won.

The concern that I think some of us have, is we are talking about funding WTO and making sure that there are adequate resources for WTO. It is equally important that there be adequate resources made available for these other organizations.

Senator GRASSLEY. Each of you contributed very much to this discussion. We appreciate your time and appreciate your participation, your knowledge, and your hard work. So, thank you very much.

Ambassador LANC. Thank you, Mr. Chairman.

Mr. DRAZEK. Thank you.

Senator GRASSLEY. The second panel and the third panel will be combined. The reason we are combining these, is one of my constituents, Mark Berg, the American Soybean Association vice president, could not come because of plane problems in Sioux City, Iowa. So that is why I am going to ask Mr. Laurie, president of the Michigan Farm Bureau, on behalf of the American Farm Bureau Federation, to join this panel.

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

Senator GRASSLEY. So this panel will be made up of Leonard W. Condon, vice president for International Trade of the American Meat Institute; Linda Fisher, vice president for Federal Governmental Affairs, Monsanto; and John Hardin, who is a pork producer from Danville, Indiana, and he is speaking on behalf of the National Pork Producers Council; and then we have Carl Peterson, chairman of Agri-Mark, Incorporated, of Lawrence, Massachusetts.

I think we will go with Mr. Condon, Ms. Fisher, Mr. Hardin, Mr. Peterson, and then Mr. Laurie.

So I forget who I called on, but Mr. Condon, go ahead.

**STATEMENT OF LEONARD W. CONDON, VICE PRESIDENT FOR INTERNATIONAL TRADE, AMERICAN MEAT INSTITUTE, ARLINGTON, VA**

Mr. CONDON. Thank you very much, Mr. Chairman. I will just submit my entire testimony for the record and try to summarize it.

Senator GRASSLEY. Yes. Just in case some of you did not hear, all of your testimony will be printed in the record, so your summarization would be appreciated.

Mr. CONDON. I appreciate the opportunity to be here today to share AMI's views. I will be speaking primarily on our trade relations with the European Community, and specifically about meat, of course.

Regrettably, the current status of and prospects for trade in livestock, and poultry products between the United States and the European Union are not very bright. EU producers are generally very well-protected compared with their U.S. counterparts. They enjoy generous price support systems and benefit from significant subsidies to encourage export of their over-production.

Notwithstanding these basic facts, EU export subsidy reduction commitments made in the Uruguay Round, along with the eastward expansion of the European Union, will require significant reductions over time in the amount of support and protection provided to EU livestock and poultry producers.

However, it appears that the EU is committed to supporting livestock and meat prices at levels which exceed world prices, thereby continuing a need for protection from import competition.

In the short and intermediate term, underlying farm policy factors will continue to discourage EU policy makers from implementing actions to facilitate meat imports.

Lagging beef demand and swelling intervention stocks, a direct result of widespread concern regarding the safety of European beef, currently exacerbate the situation.

Against this backdrop, EU and U.S. veterinary officials have been attempting to conclude a veterinary equivalence agreement. AMI supports the broad objective of full equivalence between the veterinary inspection systems of the United States and the European Union.

We look forward to the day when meat and poultry products inspected by USDA will be automatically eligible for export to Europe, and items produced in approved EU establishments will be eligible for import into the U.S. market with no special additional assurances required.

The United States and many of the EU member states operate meat inspection systems considered to be among the best in the world. Our respective programs are administered by professional veterinarians, generally regarded as the most competent in the international food safety field.

In short, there are far more similarities in our meat and poultry inspection policies and programs than there are differences. Given that fact, it is unfortunate that we have had great difficulty in re-

solving narrow, but deeply held, differences on a relatively limited set of technical issues.

In fact, the merits of the draft framework agreement, the virtually completed focal point of the recent negotiation, have been largely overshadowed by the controversy created by differences over significant, but narrow, technical issues.

The draft framework represents an excellent system of rules and procedures designed to establish guidelines for establishing equivalence between the United States and the EU in veterinary inspection matters. Moreover, it could serve as a model for other agreements between the United States, or the EU, and other countries. We appreciate the hard work that was done by a number of inter-agency personnel in reaching the recent agreement.

Despite our disappointment that that agreement does not immediately resolve to our complete satisfaction all of the issues, we believe it represents progress towards resolving U.S.-EU differences and will result in increase export opportunities for red meat processors.

Accordingly, AMI endorses the administration's decision to enter into the recent agreement. AMI is disappointed that the agreement announced April 30 will not result in a resumption of poultry shipments to the EU, which were halted April 1.

We find it incomprehensible that processing techniques widely used in the United States and required by export customers throughout the world to ensure the production of safe and wholesome poultry are incompatible with current EU standards.

Therefore, the provision in the agreement requiring a scientific study to assess various food safety processing techniques is critical. We believe that the study should be carried out on an expedited basis and we look forward to the results of that study.

As I noted earlier in my testimony, the long-term goal of the U.S. meat-packing industry has been, and still is, a U.S.-EU agreement which provides for full mutual recognition of each other's meat and poultry inspection systems. Until that goal can be achieved, the basis upon which meat and poultry packers and processors and their EU counterparts are evaluated should be the same.

Finally, Mr. Chairman, we cannot help but note the irony of us complaining about the various devices the EU uses to limit its meat imports, while some members of Congress are at the same time supporting a measure which would be very similar in nature.

The Meat Import Labeling Act of 1997 would require country-of-origin labeling for imported meats and meat products, as well as meat food products containing imported meat ingredients. The clear objective of this proposed legislation is to restrain U.S. imports of livestock and meat products, particularly from Canada.

In that regard, it is important to point out that the United States exported \$3 billion worth of beef and beef variety meats during 1996, and over \$1 billion in pork and pork variety meats. Canada is our second-largest export market for beef and pork, accounting for about 10 percent of our total exports.

Our Nation now earns more dollars exporting meat than we spend importing it, and our trade surplus in red meat is expected to continue to grow. With the cattle and hog industry becoming increasingly dependent on export markets, it would be exceedingly

shortsighted for the United States to embrace a poorly-disguised nontariff trade barrier designed to inhibit U.S. meat imports that could serve as an attractive model for foreign interest groups committed to reducing U.S. meat exports to their markets.

That concludes my statement, Mr. Chairman. I would be pleased to answer questions later.

Senator GRASSLEY. Thank you.

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

Senator GRASSLEY. Ms. Fisher.

**STATEMENT OF LINDA FISHER, VICE PRESIDENT FOR FEDERAL GOVERNMENT AFFAIRS, MONSANTO CO., WASHINGTON, DC**

Ms. FISHER. Thank you, Mr. Chairman. I appreciate the opportunity to be here today and testify before your committee on agricultural biotechnology.

I have three main points I would like to leave with the committee. First of all, agricultural biotechnology is important to the American farmer because of its impact on their productivity and on their costs.

Second, our farmers are already growing these products and the produce is being exported around the world. Third, it is critical to avoid trade barriers that would limit or prevent our farmers from taking advantage of these products.

American farmers are the most productive food and fiber producers in the world. Our farmers are always on the lookout for new methods to improve yields, to fight insects, diseases, weeds, or other pests. Biotechnology gives U.S. farmers one more tool, new varieties of crops that improve farm economies and increase output in ways that are much more beneficial to the environment.

Last year was the first year of large-scale commercial production of crops developed using biotechnology. Approximately 5 million acres of new varieties derived from biotech were harvested, and the results were impressive.

For example, in the midwest, yields of Monsanto's Roundup Ready soybeans outproduced traditional varieties by more than 2 bushels per acre, and reduced herbicide use by up to as much as 39 percent.

Users of our Bollgard cotton—cotton with built-in protection from insects—also reported yield improvements and reduced pesticide use. They saw an economic advantage of approximately \$33 per acre from this product.

Grower surveys indicate that farmers see a lot of value in these products, and we expect several-fold increases in the acreage of biotechnology varieties this year.

In the United States, agricultural biotechnology is a mainstream part of farming. This fall, we believe farmers will harvest about 30 million acres of crops that were developed through biotechnology. The largest acreage will be in corn and soybeans. Any given shipment of corn or soybeans could contain as much as 10 percent or more of a new bio-engineered variety.

But this is just the tip of the iceberg. In the next 5 years, additional varieties of these crops and many others will be hitting the markets.

But I am not here to tell you just about how great this new technology is. I want to alert you to the potential implications that discriminatory trade barriers could have on U.S. crops and products developed through biotechnology.

The most serious situation today is in the European Union. The EU has a process to approve imports of new agricultural biotechnology products. Last year, for the 1996 harvest, two U.S.-produced crops were approved, but since then the EU process has virtually halted.

No products have been approved this year, including long-pending applications for several varieties of corn that U.S. farmers are planting this spring. In the United States, over 20 products have been approved, soon Japan will have approved that many as well.

This is a potentially serious situation. It gives the perception that there are acceptance difficulties with these products, even though no safety or nutritional problems have been raised. If the EU approval process does not function, it will, in effect, become a barrier to market access.

I am bringing this to your attention now so that all possible steps can be taken to avoid problems when the United States grain is harvested later this year. The EU must get on with its regulatory process.

There are some other troubling signs. First, many countries are still establishing the regulatory regimes for approving these products. There has been very good progress, but there still remains much to be done. Our major trading partners have systems in place, and several others have started the process.

An issue that warrants careful attention is product labeling. USDA and USTR have been very helpful, in that they have urged that any new labeling schemes be science-based and only required to provide consumers meaningful nutrition, safety, or compositional information.

Labeling or segregation requirements for any other reason other than those clearly defined by safety or nutritional purposes have enormous potential to discriminate against food and agricultural products derived from biotechnology.

USDA and USTR have been very vocal in their opposition of proposals to label products to indicate how they were produced and have argued strongly against suggestions that biotechnology-derived products be segregated from traditional grains.

I encourage the Congress, together with USDA, USTR, and the other executive departments, to do everything it can to make sure that our agricultural biotechnology products do not incur barriers overseas.

Specifically, we have three recommendations. First of all, keep the pressure on to get the European regulatory process moving again. Your letter that was signed recently by you and several other Senators is very helpful.

Second, continue to advocate rational, science-based labeling policies and oppose any proposal that would arbitrarily segregate biotechnology-derived food products.

Third, produce reasonable harmonization of regulatory procedures and data requirements. Efforts such as the work of the Transatlantic Business Dialogue can help facilitate trade in these products. Trade is the future for agriculture.

Barriers blocking the export of agricultural biotechnology products could have a significant effect on our commodity exports and deny the benefits of this important new technology to our farmers.

This concludes my remarks, Mr. Chairman. I would welcome any questions that you might have.

Senator GRASSLEY. Thank you.

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

Senator GRASSLEY. Mr. Hardin?

**STATEMENT OF JOHN HARDIN, HOG PRODUCER, DANVILLE, IN, ON BEHALF OF THE NATIONAL PORK PRODUCERS COUNCIL**

Mr. HARDIN. Mr. Chairman, my name, again, is John Hardin. I am a past president of the National Pork Producers Council, a former chairman of the United States Meat Export Federation, and a member of the Agricultural Policy Advisory Committee for Trade to USTR and USDA.

On behalf of the National Pork Producers Council, I want to thank you, Mr. Chairman and the subcommittee, for holding this hearing.

I want to briefly highlight four issues: the recent veterinary framework equivalence agreement with the European Union, and market access issues with China, Taiwan, and the Philippines.

With respect to the April 30 European Union agreement, I want to commend Ambassador Barshefsky, Secretary Glickman, and their staffs, particularly Paul Drazek, for their very hard work in reaching a veterinary equivalent agreement with the European Union.

Make no mistake about it, our problem exporting meat to the European Union has always been a trade barrier issue, not a food safety matter. The United States has the most comprehensive and effective system of food safety management in the world. The wholesomeness of the U.S. food supply is second to none.

Without question, the U.S. producers are better off with the April 30 agreement than they were beforehand. The framework equivalent strips away much of the non-scientific trade-impeding aspects of the Third Country Meat Directive. We expect significant volumes of U.S. pork to be exported to the European Union by the end of this year.

In China, pork is by far the predominant source of meat protein. China has nearly the same amount of per capita pork consumption as the United States. Indeed, China is responsible for approximately 50 percent of total world pork consumption.

China does not permit the importation of fresh, chilled, and frozen pork and most pork products. Ostensibly, imports are restricted to hotels and restaurants due to sanitary concerns that sale through retail markets would put domestic livestock at risk of disease.

In reality, only a handful of licenses have been granted. Moreover, there is no scientific basis to limit U.S. pork to the hotel and restaurant sector.

The U.S. pork industry urges the following conditions for Chinese accession to the WTO: (1) The abolition of the de facto ban on pork importation; (2) the establishment of transparent import regulations and licensing requirements; (3) the repeal of the discriminatory value added tax, which is applied to meat imports; (4) the reduction of import duties to low levels with no tariff rate quotas; (5) unrestricted entry and participation of non-government import entities; (6) a protocol governing sanitary issues which, among other things, recognizes the U.S. safety and inspection system as equivalent and permits the export of pork from any FSIS-approved facility; (7) the termination of subsidies to the Chinese pork industry.

The United States is uniquely positioned to reap benefits from a liberalized Chinese pork sector. The United States exported over \$1 billion of pork products in 1996 and exports continue to grow. Chinese pork consumption is forecasted to increase by approximately 8 million metric tons in the next 10 years.

To put this number in perspective, during 1996 U.S. pork exports were less than one-half million tons. Meaningful pork trade liberalization with China will be difficult. The continued support of your subcommittee will be of paramount importance to the pork industry.

Taiwan is also a very significant pork-consuming nation. Taiwan's pork consumption is the highest in Asia. Variety meats, that is to say, things like stomachs, feet, and tongues, represent the largest part of Taiwan's pork consumption.

The government of Taiwan is wrongfully denying U.S. producers the opportunity to export significant quantities of pork to that country. Taiwan has an absolute ban on pork variety meats, and selectively restricts other cuts of pork.

Taiwan's current WTO offer on pork is unacceptable because it will give us insignificant additional access for imports. In order to gain meaningful access to Taiwan's pork market, the United States must persuade Taiwan to place flat tariff on variety meats without tariff rate quotas of not greater than 25 percent, and on muscle meats of no more than 15 percent.

Because Taiwan is predominantly a variety meat-consuming country, the U.S. pork industry can export large amounts of variety meats to Taiwan without impacting U.S. consumer pork prices, while at the same time increasing total receipts to the U.S. pork industry.

In the Philippines, we were meant to have a 32,500 ton quota. To summarize my last comments and stay on time, they have gone through a number of exercises to deny us that access, the last being, they want the producers to be the importers of pork, the hog raisers themselves.

Naturally, the hog farmers of the Philippines do not have much interest in importing meat to compete with their own. So on February 24 of this year, the United States has announced its intention to request WTO consultations with the Philippines, and we have been joined in that by both the European Union and Canada.



If the matter is not resolved through WTO consultations, we can ask for a dispute panel. We estimate that this one trade barrier is currently costing us between \$40-80 million of lost exports per year.

Thank you again for the opportunity to be here.

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

Senator GRASSLEY. Yes. On that last point you just raised, you asked our support for our government's position in regard to the Philippines. I suppose now that is 2 months ago, and we were able to respond to that.

Second, I had an opportunity just this week to have a meeting with the economic planning minister for Taiwan to bring up this issue of their not letting our pork in there. In the latter case, we did not get so far.

I mean, I felt like there was an appreciation of our position, but the explanation we generally got was, well, they have got a lot of small pork producers and it is going to take time to transition in a greater amount of meat than we are now sending there. But at least, because of your organization's leadership, we are continuing to bring these things up on a regular basis.

Mr. HARDIN. Well, we very much appreciate that. I will tell you that our teams have found significant demand for our products amongst the importing sector, particularly for processed products. Thank you.

Senator GRASSLEY. Yes.

Mr. Peterson?

**STATEMENT OF CARL PETERSON, CHAIRMAN, AGRI-MARK,  
INCORPORATED, LAWRENCE, MA**

Mr. PETERSON. Mr. Chairman, I appreciate the opportunity to testify today before the Senate Finance International Trade Committee.

I am a dairy farmer from Delanson, New York and I serve as chairman of the board of Agri-Mark, Incorporated, a dairy cooperative which represents 1,700 dairy farmers in New York and New England.

Agri-Mark is also a member of the Council of Northeast Farmer Cooperatives, a voluntary association of four dairy cooperatives that represent more than 12,000 dairy producers in the Northeast.

I am pleased to be participating in this hearing on market access issues for the U.S. agricultural exports. I would like to thank, particularly, the invitation came from Senator Moynihan, who passed it along for me to join this panel.

I will confine my comments primarily to export issues for the dairy products.

Few dispute that the United States today is part of a dynamic global economy where potential new markets offer greater opportunities for exports. This expansion of the global economy will no doubt play a significant role in the U.S. dairy industry in the future. In fact, it must with the passage of the 1996 Farm Bill.

The role of the Federal Government is rapidly changing. We have increased market orientation, phase-out of government surplus purchases, DEIP subsidies have been helpful in facilitating both product exports. But this program is being phased down gradually

under GATT, and I am a little disappointed that at the present time we are not keeping up with what has been authorized under the DEIP program.

Analysis has shown that the increasing dairy exports have a direct positive impact on the dairy prices received by our farmers for their milk. Consistent export markets will be important to the dairy industry in the future to effectively manage its milk supply.

We must be a steady supplier. It will help to stabilize our prices domestically and to achieve significant market expansion. Currently, dairy exports average about \$750 million per year. This represents only 3.5 percent of our annual production, a very small portion.

Agri-Mark recognized these conditions and has made a number of strides to develop exports. We have completed a sale of one million pounds of our Cabot Cheddar Cheese to England. This is without subsidy. We have participated in milk powder sales to Egypt.

In addition, in conjunction with the three other members of the Council of Northeast Cooperatives, we have worked to set up an export trading company called Export Dairy, Incorporated to further research and coordinate dairy product sales for our member cooperatives in the future.

The GATT and NAFTA free trade agreements have slowly started to help open markets for U.S. dairy products around the world, reducing tariffs and lowering levels of agricultural export subsidies.

Having shown strong support for NAFTA and GATT agreements, we in the dairy industry were somewhat displeased, however, to see Canada dramatically increase its tariffs on U.S. dairy, egg, and poultry products.

I would like to thank our Senators for their work in the Canadian access issue earlier this year, bringing the issue up to U.S. Trade Representative Charlene Barshefsky during her confirmation hearing before this committee, and further elevating this matter within the office of the U.S. Trade Representative.

As you know, in 1995 Canada imposed over-quota tariffs of 250 to 300 percent on U.S. dairy, poultry and egg products, effectively shutting our products of their the markets to the north. Although the United States challenged the Canadian action before a NAFTA dispute panel, the panel voted unanimously to uphold Canada's imposition of the over-quota tariffs. That decision clearly seems to run counter to the increased market access provided by the Free Trade Agreements.

In short, the Canadian market access would provide significant and needed opportunities for our dairy industry in both the short and the long term. As a dairy producer in New York State, I cannot help but feel that our industry in the northeast is well positioned to capitalize on market opportunities to export fluid milk and value added dairy products to the eastern population centers of Canada.

New York and New England produce over 16 billion pounds of milk annually, accounting for 11 percent of the national milk production; \$1 billion is an estimate from Penn State University of the potential sales to Canada with increased access. As you know, Canada has a rigid supply management system that includes production quotas as opposed to the United States, which is a much more market-oriented system.

Canada's supply management system maintains prices to their producers that are significantly higher than domestic prices here in the United States. The current support price for manufacturing milk in Canada is 52 percent higher than the current U.S. basic formula price, minimum order, of \$11.44 per hundredweight.

At the same time, Canada's supply management system carries out pooling practices, which gives its producers significant price advantages in world markets for bulk dairy products.

One of the things that we noticed happening in the northeast is that, as Canada adjusts its supply, its quotas, as we see excess dairy cows moving across the border. We also see it come down in times when they have excess feed. In times when they need it, we do not see it.

So, I would make a very good point here, that the Canadian system could not work if it were not for the ability to balance it on the much larger U.S. system.

I would like to wrap this up. As the United States and trade representatives are pursuing negotiation with Canada on the pricing of pooling programs that appear to be contrary to NAFTA and WTO guidelines, we would like to recognize that these need to be formally addressed again in the next World Trade Organization, however the disappointments do point out to important considerations for future trade.

We have been supportive of the country's pursuit of free trade opportunities, recognize that agriculture is difficult for negotiators to be firm on. We would have some difficulty with fast track if we did not see that there was going to be better opportunities for us to open up these foreign markets.

With that, I will wrap it up and be ready for questions.

Senator GRASSLEY. Thank you very much.

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

Senator GRASSLEY. Our last witness is Mr. Laurie, from the Michigan Farm Bureau.

**STATEMENT OF JACK LAURIE, PRESIDENT, MICHIGAN FARM BUREAU, ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION**

Mr. LAURIE. Thank you, Mr. Chairman.

On behalf of the 4.7 million members of the American Farm Bureau Federation, I am pleased to have this opportunity to present some of our concerns and hopes for the future using the trade efforts that have been established for us up to this point.

The American Farm Bureau Federation is a strong supporter of freer and more open trade. We worked hard to secure passage of the Uruguay Round of the General Agreement on Tariffs and Trade, as well as the North American Free Trade Agreement.

We also strongly support Most-Favored Nation status for China as a protection against unreasonable tariffs for U.S. products. In addition, we support fast-track authority for the negotiation of future treaties.

Fast track is critical to future negotiations, especially in the 1999 re-negotiation of the agricultural agreement of the Uruguay Round, and for adding other nations to NAFTA. There will be no reason

for other countries to take us seriously in these negotiations if we do not have fast track in place.

American farmers can compete in any market in the world if they are given the tools and free market access. We know that we face very strong competitors around the world, but U.S. agriculture and food products have always enjoyed an enviable reputation with international consumers.

U.S. farmers as a whole are satisfied with the Freedom to Farm Act of 1996. With the expectation of freer markets for our products, our farmers are looking toward various risk management tools and freer trade. While having just experienced a year of generally better prices and growth in export sales, farmers are still questioning if our trade agreements are really working.

Many farmers do believe the export numbers which tell us these agreements are working. However, there are concerns at the grass-roots level about either certain commodities or specific issues, like the European Union-United States hormone case we appear to have won.

To find support for future trade legislation, producers must see more positive actions. It is critical that the President come forward with a fast-track negotiating authority proposal that can be passed by Congress.

We believe a clean fast track free of labor, environmental, and social issues is critical to future negotiations. Re-negotiation of the Uruguay Round is due to begin in 1999, and preparatory work is needed now. Why would any trading partner want to negotiate with the United States without fast track? Indeed, some have already indicated they will not waste their time.

If we are going to be in a position to trade competitively with our neighbors in the Americas, we need to be negotiating now. We are going to find that our neighbors may have negotiated some agreements not to our liking if we are not soon in a position to join in the process.

We believe Canada has reached an agreement with Chile that would continue to protect its dairy, poultry, and other supply managed sectors in much the same way that resulted in our disastrous loss in the recent ITC ruling on dairy and poultry.

Most-Favored Nation status for China must move through Congress without being encumbered by human rights issues. We are all concerned about the people of Hong Kong and its future as a major trading center. However, structuring trade policy based on what might happen there will not move us any closer to resolving our trade issues with China.

We are currently considering the ground rules for accession of China and Russia into the World Trade Organization. These negotiations must result in their entering as developed markets, and only on a commercially viable basis.

We must also have strong and fully-funded trade promotion and market development programs such as the Market Access program, the Foreign Market Development program, the Dairy Export Incentive program, and the Export Enhancement program to compete with the Europeans and other global competitors.

We are also extremely concerned whether genetically-modified organisms will be received or denied entry into the EU. The Euro-

pean Union continues to ignore sound science when considering approval of these commodities.

Last year, the United States exported \$60 billion of agricultural goods to our trading partners, and we imported \$30 billion from them, leaving us a trade surplus of \$30 billion. To continue this excellent record, the United States needs to remain involved in lowering barriers and creating more open trading systems in all countries.

It is important that our industry have a position in the negotiations and agriculture must remain on the full agenda of all trade negotiations, including the General Agreement on Tariffs and Trade 1999, the Asian-Pacific Economic Cooperation, Free Trade Act of the Americas, Organization for Economic Cooperation and Development, and future EU North American discussions.

To keep our agricultural industry competitive, we must continue to challenge the European Union and our other trading partners who do not live up to their commitments. The U.S. Department of Agriculture and the U.S. Trade Representative must have adequate financial resources to carry on the fight for opening and expanding markets.

We heartily applaud Ambassador Charlene Barshefsky in her move to designate a Deputy Ambassador for Agriculture. We believe that the position of Deputy Trade Ambassador for Agriculture should be established by statute. A Deputy Ambassador for Agriculture at USTR, and continued close coordination with USDA, are critical for successful long-term agricultural trade and expanding market access.

We must look at the overall picture of what it will take for the industry to meet future market needs. These needs go beyond international agreements and treaties. A great number of issues must be faced up to and resolved right here at home if our producers are to compete successfully.

Issues such as regulatory reform, research and education, transportation issues, and a global climate change treaty, only to mention a few, are on the list of issues that need to be dealt with here at home. These are just a few of the issues that we face while trying to produce a cost-competitive product for the international market.

Thank you for this opportunity to present some of our thoughts. [The prepared statement of Mr. Laurie appears in the appendix.]

Senator GRASSLEY. Yes. I want to thank each on the panel, because very rarely do we get a panel that uniformly finishes on time. It makes it much more interesting and convenient when you are prepared to summarize and do it within the time. So, I will see if I can keep my questioning as uniformly short as well.

Let's see. I think I will start with you, Mr. Condon. This is something I spoke to with the previous panel, and that is in regard to the beef hormone case that was brought by the United States against the European Union. Your members and my constituents have a lot to gain or lose from that.

I know you might be limited on what you can comment on on a decision that still is not final, but what are your impressions of the decision, and what could it mean to your membership and the rest of agriculture?

Mr. CONDON. Well, I think it is a very highly significant finding, if what we read in the press is correct. This was the first test of the sanitary/ phytosanitary agreement that was negotiated during the Uruguay Round, and this was the very first case that was pursued under that.

So I think it has very important meaning, not only for livestock and meat producers, but for the whole agricultural community, and not only for the United States, but for all agriculture exporting countries, even including the European Community, who participated very constructively in developing the rules of the SPS agreement.

Senator GRASSLEY. Did you hear the testimony by the previous panel in response to questions, and would you generally say that you are in agreement with their analysis of that and that they were probably a little more restricted on what they could say because of the pending agreement?

Mr. CONDON. Under the rules of the WTO, when the preliminary report is put out it is confidential.

Senator GRASSLEY. Yes.

Mr. CONDON. But what we are seeing more recently, especially in these high profile cases, is that the press gets ahold of them immediately.

Senator GRASSLEY. Yes.

Mr. CONDON. The press got ahold of this one immediately. They reported the finding within 24 hours of when it came out. I understand the press now has the confidential report and probably will be reporting that within 24 hours. But my understanding is, what I am hearing, is it was a very convincing win on virtually all of the points, and I think that is very good for us. But it has very, very widespread implications.

Senator GRASSLEY. All right.

On another point, I would like to ask about what I understand is your organization's opposition to S. 617, the Meat Labeling bill. You recently had a career in the U.S. Trade Representative's office. Do you recall any situations where the United States fought against similar requirements imposed by our trading partners?

And a second question is, the sponsors of the bill contend that they are merely giving consumer information so that they can make an educational choice on what they are buying. And then, because of your opposition, I would like to know how you respond to that.

Mr. CONDON. All right. I will answer the first question. I recall about a year ago when similar legislation, but applying more broadly, I think basically aimed at fruits and vegetables, was introduced in the House by Congressman Bono.

At the same time, coincidentally, in Japan one of the Japanese ministries was considering some labeling requirements on fruits and vegetables being imported into Japan. I know our embassy complained to the Japanese about that, because we were concerned of the impact it would have on our exports of fruits and vegetables into Japan.

Generally, whenever any country is looking at or considering labeling requirements—we have had difficulties with the Canadians, not in the meat areas, but in other areas—we have complained

about those because we felt it is basically a disguised nontariff trade barrier.

Your second question, I have forgotten now

Senator GRASSLEY. All right. It is in regard to the point about your opposition to the legislation, and the proponents say that the purpose of the legislation is nothing more than giving consumers an education choice about what they are buying, and your response to that argument.

Mr. CONDON. Well, the difficulty is, a lot of livestock nowadays—this bill would require labeling with regard to the animal the meat was obtained from, where it was raised, where it was slaughtered.

What we are seeing now, is a lot of animals are crossing the border back and forth. We buy, of course, a lot of feeder cattle from Mexico, then we have got cattle moving both ways across our northern border. So, it would be very difficult to keep track of that.

There is a real question about how meaningful it will be if an animal spends 1 year in the United States and 1 year in Canada, and I suppose some of them could even slip into Mexico for a few months. I mean, what would the meaning be of labeling that meat as coming from an animal that was raised partly in the United States, partly in Canada, partly in Mexico?

Senator GRASSLEY. Ms. Fisher, your testimony indicated that a potential trade barrier may be created due to the difference between the United States and EU regulatory standards. What is your company, and the private sector as a whole, doing to achieve harmonization of these regulatory schemes?

Ms. FISHER. Mr. Chairman, we have been participating in a group called the Transatlantic Business Dialogue that was created between the EU and the United States. It is a government-industry cooperative effort to identify, what are the most significant regulatory barriers to trade, and to see what can be done about improving the harmonization of those regulatory areas.

Senator GRASSLEY. So right now at this point, it is in very much the formative stage.

Ms. FISHER. That particular dialogue is, that is correct.

Senator GRASSLEY. Yes. That would be the limit to what your company might be doing in that area.

Ms. FISHER. That is where we have put most of our emphasis. Prior to the establishment of that group, we have been actively working with the regulatory agencies in the United States—EPA, USDA, and FDA—to encourage them to be moving on the harmonization front as well.

Senator GRASSLEY. And so obviously you hope that the dialogue that is going on between the United States and the EU then finds itself into the liberalization of public policy in the United States as well as the European Union, as far as harmonization is concerned.

Ms. FISHER. That is correct.

Senator GRASSLEY. All right.

A second question. This comes from the fact that I have had an opportunity to have several meetings over the last several months, both in the United States as well as in Europe and Asia, with people from Europe, their parliamentarians and their ministers.

They tell me that their consumers are not accepting biotech products, and this has created a political problem that makes it difficult

for officials in those countries to agree with the United States to in any way advocate allowing these products to be imported.

First, is that your impression of the European market? In other words, you see it as a company from the market forces, I presume, as much as from government, whereas I am just having dialogue with public officials and they may not be interpreting their constituents' opinions accurately, as they report them to us.

Second, what is the private sector doing in Europe to ease consumer concerns on biotech products? I presume that the people that would want to ease those concerns in Europe would be companies even in Europe, as well as the United States, that have biotech products now on the market.

Ms. FISHER. A couple of points, Mr. Chairman. First of all, there is unquestionably a political issue in Europe about bio-engineered products. We have, as a company working with industry, done some surveying to find out what the customers are really thinking.

Most of the data comes back to show that the general public in Europe has not made up its mind on biotechnology yet and, therefore, are not strongly opposed to it. That gives industry an opportunity and a responsibility, and we have taken steps, to join together and educate the European public about biotechnology.

We have created an industry coalition with not only companies such as ours that do the bio-engineering and produce products, but also others in the food chain, including some of the food processors, and we are working more with the retailers, the grocery outlets, to bring to them information that will be valuable to the public, information on the safety of the products, information about the benefits that we enjoy from them, the fact that bio-engineering will lead to improved nutritional value, that we will be able to increase the yields of our farmers while producing less environmental impact, and really to explain to them, in ways that perhaps industry has not done in the past, why this technology is safe and is good. Those steps are under way.

Last, we are also working, again, with others in industry to identify leading scientists and people in the medical community or nutrition community that will speak out on behalf of biotechnology and its safety. Again, sometimes they have a more credible voice with the public than perhaps companies like ours that have an interest.

So, we are taking our responsibility to educate people about biotechnology very seriously.

Senator GRASSLEY. On the first point I asked—and you probably hit on it, so it is a matter of emphasis—in your opinion then, as these Europeans are expressing the view of their consumers, and that is as I have related it to you, they always say they are having a problem, do you think that that is a true assessment of how the European consumer is feeling about these products, or do you kind of feel that the politician may be misinterpreting their consumers?

Ms. FISHER. I think it would be a little presumptuous of me to tell the politicians in Europe that they are not reading some of their constituents correctly. There is—

Senator GRASSLEY. No. But, see, you have got to weigh what they are saying versus how you find acceptability of your product.



Ms. FISHER. That is correct. The soybean products enter the European market already, and that is good news to us. Again, our survey information that we have taken in various countries in Europe has indicated more of an open mind to the technology than an opposition to it.

Senator GRASSLEY. I think that is a significant statement right there. That answers my question. All right. I will move on.

Mr. Hardin, your testimony makes a strong case for expanding free trade agreements. Your industry has had a remarkable success under both GATT, as well as NAFTA. Given this past success, where does your organization stand on the issue of fast track?

Mr. HARDIN. Obviously, we have not seen the administration's proposal and we would like to look at it. But we will be generally supportive. I think one of the key issues for us is we still have a number of access issues that are outstanding, some of which I discussed today, some of which I did not, that the administration could continue to be working on. I think it is very important.

You understand your State as well as any of us do, that there are some feelings of deep suspicion about trade agreements. I think the more positive messages we can bring our producers and our members, the greater likelihood that we can generate really strong support for fast track.

Senator GRASSLEY. Yes.

Mr. HARDIN. But, obviously, as an unprotected industry we have an awful lot to gain as we move forward.

Senator GRASSLEY. Are there any regions of the world or specific countries that you think that the administration should place its priority on in expanding trade?

Mr. HARDIN. Well, believe it or not, I would go to our biggest customer, and that is Japan. Last year, we had a 22 percent share of the exports. But the barriers that are in place allow many countries that cannot begin to compete with us significant access to that market. We were unable to get that done in the last GATT round, and I think that is one of the key issues long term.

Obviously, for immediate gains, and obviously what I talked about with China today, could be incredibly important as that economy opens and expands, all of the issues with straight trading, and everything else that is wrapped up in that that we just sort of glossed over today are incredibly important.

Senator GRASSLEY. The National Pork Producers Council has been one of the leaders among the farm groups in calling for this administration to pay more attention to agricultural trade issues, so this may be an uncomfortable question for you to deal with. But what is your opinion of how the USDA and the USTR have addressed your concerns?

Mr. HARDIN. Well, I would have to say that in this current administration I have had opportunities to ask some particularly difficult questions of Ambassador Barshefsky and Secretary Glickman, and they have followed through.

They have looked me right in the eye and said, for instance, on this EU agreement, we are going to back it to the limit; we are going to get an agreement. After chasing this thing for the last 10 years, we got that this time.

I think they are beginning to understand across all of the administration that in a changing farm bill environment, expanded agricultural trade is the one way we are going to increase returns for agricultural producers and all of those up the chain from us. Strategically, it is the place where we have to do everything in our power to move forward.

Senator GRASSLEY. Mr. Peterson, obviously you have expressed in your testimony some problems, particularly with the Canadian market, that you have frustration. I share that frustration. I have had even dairy people in my part of the country bring that up.

They have also, as a result of these Canadian problems, expressed some reluctance to support fast-track authority for the President to negotiate further, or even doing within existing free trade agreements what some things are calendarized to do. But I also think that the dairy industry has as much to gain as any other sector of agriculture by new free trade agreements.

So my question is, what types of assurances would be necessary for us and the President to give you, or what specific issues need to be resolved to make the dairy industry more comfortable with fast track and negotiating future trade agreements?

Mr. PETERSON. Well, if I might comment, perhaps some of the blame for our disappointment is, in the dairy industry we have never been a big exporter. So we are in an area where many of the commodities in this country have been into for a long time.

We felt that in the last trade negotiations that we had some assurances that the Canadian market was going to be opened up to some extent. When that did not happen, then obviously the World Trade Organization, in ruling unanimously, we felt that we did not have that assurance there. So we will look next time.

Perhaps what we need is a better involvement from our industry. I think the realization is in our dairy industry now that exports are our future. That is being driven by the price support phase-out that will happen at the end of 1999.

It is also being driven by the fact, I think, that we as dairy producers are purchasers of other agricultural commodities that do trade in the world market. I have to compete with the Japanese for soybean meal. I am paying \$340 a ton for soybean meal right now. I am waiting for dairy to get into that same kind of a dynamic market.

I think we have to have a world market in order for it to get there, but I think we as producers have got to have better relationships with the department. I guess I would only be guessing if I said that because we had not been a big trader in dairy, that it did not have the highest priority in the last round, and recognizing our future we need to change that. That did not answer your question, I do not think.

Senator GRASSLEY. Well, I think you have pointed out a very important aspect of self-examination, and your own participation, that maybe just changes in laws are not the total solution to your problem.

I think your answer to my question is, maybe there is not a specific thing within fast track that you have to have to satisfy you, that you are just expressing some frustration with losing a particular case with Canada, as that was interacting between the Cana-

dian Free Trade Agreement, and the GATT agreement, and the WTO.

But let me suggest to you, I think it was Senator Baucus who made the point to the first panel that when we administer fast track, if we do it again, that Congress is going to keep some control.

One of those controls that we had under the last authorization, which was under Bush when we had a Republican President and a Democratic Congress, so it seemed to me like it ought to work this way if we have a Republican Congress and a Democratic President.

That is, that we are going to have consultation on a regular basis with this committee. So through a procedural process, not so much a substantive change in the law, but the dairy industry can come to us and have us bring your points of view up on a fairly regular basis to our trade representative.

Mr. PETERSON. That is what we are asking for, is we are asking for an open avenue to get to you, recognizing that world trade is very important to the dairy industry's future with the new legislation we are under. We realize that and that will be an indicator of our support of fast track, if we feel confident that we have that.

Senator GRASSLEY. Well, that is a very forward-looking comment that you make. I think it infers to me that you intend to be very successful and very competitive, just like every other segment of agriculture is trying to be.

Mr. PETERSON. We must.

Senator GRASSLEY. I have a couple of questions, Mr. Laurie, then I will finish.

One of the most important issues Congress debates this year, of course, as you heard at this meeting, are our trading relationships, and that future one with China. Also, we are going to have the annual MFN debate within a few weeks. The administration is currently negotiating with China on WTO.

In your opinion, what potential does China hold for the American farmer? Maybe I also ought to ask not just what potential, but what particular harm if thing are not negotiated right?

Mr. LAURIE. Well, Mr. Chairman, I think it would be against all of the rules of good trade to leave the largest potential trading partner out of the arena during the discussions, and that is essentially what we would be talking about if we did not favor bringing China to the table. The mass of people and the explosion of their economy that we all believe is imminent is an opportunity for American agriculture that we should not ignore.

As I and others have said this afternoon, certainly the future of our entire industry—and we have talked about specific commodities within the agricultural industry—a good deal of it lies with what we can do to trade on an international basis, and to not have the Chinese at the trading table, we believe, would be a gross mistake.

The second part of your question, what harm could it do, we do not see that it can do any harm to the opportunity certainly to move our products. We believe the challenges are perhaps more social and political in nature than they are economic. As we indicated, we need to focus from the trading perspective on those issues

that are economic and let the human rights issues be resolved in other manners.

Senator GRASSLEY. I would like to finish with a question similar to what I asked Mr. Hardin, whether or not—and this is under the assumption that we grant this fast-track authority, and it is also assuming that the President is going to ask for it, because unless he asks for it and does it pretty quickly, as Senator Graham said, regardless of our good intentions, it may not be advanced because of the lateness of it and the politics that come up later in this biennial session. I mean, the 2-year round of elections we have.

Anyway, what countries or regions of the world hold the potential for U.S. agricultural products that you would think that our President should concentrate on in negotiating? Or there may not be a specific one.

Mr. LAURIE. Well, I am sure, Mr. Chairman, you could prioritize the areas of potential. I believe it would go without saying that, given their current economies and the current population growths, that the Pacific Rim nations would be one of the very highest priorities.

The whole business of developing a trading prospectus for U.S. agriculture is really somewhat multifaceted. It includes developing nations who need a different type of trading relationship than do the developed nations who have built their economies and have a greater opportunity and greater economic ability to be our trading partner.

When I look back at history in regard to this particular question, I always look at the PL-480 plan as sort of a role model for what can happen. Those countries that were initially PL-480 recipients of U.S. agricultural products, many of those countries have now turned into our best trading partners, not only our best from the standpoint of the quantity that they trade with us, but also best from the standpoint of their economy viability to be a successful trading partner.

So we have to focus on those that have the greatest potential for people, the greatest potential economically, and certainly the greatest potential to develop into future trading partners.

Senator GRASSLEY. You know what frustrates me most about not having this fast track process under way already, is the fact that I am a conservative and support fast track and support freeing up trade, and now liberals within the Congress, particularly in the other body, tend to be the ones that are holding up the process.

We have liberalization of trade because liberals in our political system 60 years ago led the way, people like President Roosevelt and Cordell Hull, when he was Secretary of State, for opening up the trade and for the expanding of investment around the world.

We had John F. Kennedy and we had Lyndon Johnson lead the way in the Trade Expansion Act and the GATT agreements of the 1960's. People of my political philosophy in those days that were opposing that process at that time were labeled by the press and political opponents as isolationists, as protectionists, as reactionaries.

Now we have conservatives supporting the free trade movement and liberals in Congress objecting to it. But the frustration is, I do not see them labeled as isolationists, and as protectionists, and as

reactionaries, which obviously they are if they think they are going to be able to turn the world back to where we can build a wall around the United States, that is not going to be possible.

But that is just my frustration from being a public official that wants this process to move, and not seeing it moved, knowing why it is not moving, and seeing the same labels that ought to apply to them not being applied to them, because I do not think you can defend, today, being a protectionist. I do not think you can defend, today, being an isolationist. Nobody is going to say they are a reactionary.

So, I adjourn the meeting. I thank you very much for your contribution to the process.

[Whereupon at 4:42 p.m., the hearing was concluded.]



# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

---

### PREPARED STATEMENT OF MARK BERG

Good morning, Mr. Chairman, and Members of the Subcommittee. I am Mark Berg, a soybean and corn farmer from Tripp, South Dakota. I currently serve as First Vice President of the American Soybean Association. ASA is a national trade association with 30,000 producer members which represents the interests of all U.S. soybean farmers.

We appreciate the invitation to appear before you today to discuss market access issues for U.S. agricultural imports. With Congress soon to consider extending fast track authority to the Administration to negotiate new trade agreements, how agriculture issues are addressed will be critical to both U.S. competitiveness and to how we meet future world food needs.

Market access was one of the key negotiating objectives for the U.S. in the Uruguay Round negotiations. Through tariffication and minimum access commitments, we established a basis for achieving greater trade liberalization in future rounds. Whether we are able to continue toward this goal will depend on several factors, including compliance with existing commitments and concerns over greater dependence on imports. Nowhere is this concern stronger than in agricultural trade.

In identifying priorities for increasing market access for U.S. agricultural exports, it is helpful to look at the broader context in which this trade occurs. The most compelling facts of the past 50 years are that the world's population has roughly doubled, from 2.2 to 4.2 billion since World War II, while the land area producing food for this growing population has remained constant. The main factor driving the first trend is the sharp decline in mortality rates due to improved medical practices. The key to increased per acre yields has been introduction of new technologies, including hybrid seeds, more effective chemical pesticides and fertilizers, and improved crop management practices.

Looking forward, the most compelling fact of the next 50 years is that global population will double again, from 4.2 billion to at least 8.5 billion before 2050. Projections indicate this trend will level off before the end of the next century at between 10 and 12 billion people as the growth rate in developing countries declines toward the level in developed countries of about 1.7%.

As world population doubles during the next five decades, demand in developing countries for diets with higher protein content will increase consumption of grains and oilseeds by at least 250% over current levels. How the U.S. can play a lead role in helping meet this demand is a key issue for U.S. farmers and policymakers.

There are two basic alternatives for increasing world food production: Continuing the trend toward higher-yield production on existing cultivated acreage; or breaking additional arable land into production. The latter approach would focus on over 250 million productive acres currently in rain forest and other wildlands in Brazil, Argentina, and Bolivia. We are already familiar with reports of Brazilian farmers burning forests and clearing land. Neither U.S. producers nor environmentalists want to encourage this practice.

The alternative is to continue the current course toward sustainable higher-yield production agriculture in the U.S. and other countries with suitable climates and growing areas. In meeting world food needs, the greatest promise for improving yields and reducing costs is through the introduction of new seed varieties developed through biotechnology.

U.S. farmers planted the first commercial crop of herbicide-tolerant soybeans in 1996. Initial results show yields up an average of 5% and production costs, including the reduced use of herbicide, down another 5-10%. These numbers may appear small, but they are quite significant when average annual yield improvement over the past 30 years has been in the 2-3% range. Similar benefits have been noted from introduction of the first biotech corn variety last year. Acceptance of these new crops by producers is demonstrated by the fact that suppliers are sold out for 1997.

While farmers are quickly accepting biotechnology as a key factor in meeting world food demand, acceptance by consumers in some countries is not yet assured. Misrepresentations by activist groups in several countries in Europe have raised consumer concerns, resulting in proposals to restrict imports, label products that may contain biotech ingredients, or require segregation of biotech crops from conventional varieties.

At best, these initiatives would only further confuse consumers, implying differences when all competent scientific authorities have determined that none exist. At worst, they could create illegal non-tariff barriers to access by U.S. farmers to European markets.

ASA believes concerns over introduction of biotech crops must be addressed through negotiations between the U.S. and the EU. Once agreement is reached on how to harmonize regulatory systems, the U.S. should take the lead in urging broader acceptance by the OECD and, ultimately, adoption of uniform standards for biotech trade in the next round of GATT negotiations.

This process will require a coordinated effort by major stakeholders, including biotech companies, growers, processors, and end-product manufacturers to educate consumers in Europe and other countries. The Administration should identify adopting harmonized regulations for approving biotech crops and including uniform standards for biotech trade in the next negotiations as a top priority.



A second major trade policy priority to ensure U.S. access to world agricultural markets is to offer meaningful supply assurances to foreign buyers. U.S. soybean producers will remember the impact of export restrictions imposed by the Nixon Administration in 1973 due to temporary shortages and high prices for soybeans and soybean meal. Key importers, particularly Japan, decided the U.S. could no longer be counted on as a reliable supplier. Japan proceeded to make a major investment in soybean production in Brazil, which has become one of our largest competitors.

The history of U.S. trade policy includes other examples of willingness by various Administrations to consider restricting agricultural exports for foreign policy or national security reasons. The Soviet grain embargo imposed by President Carter in 1980 turned U.S. customers to other suppliers, including Argentina and the EU. We currently maintain trade embargoes on several countries, including Iran, Libya and Cuba, that buy substantial quantities of agricultural products from Europe, South America, and Canada.

As global population growth continues to press on food supplies, variations in yield and production due to weather and other factors are certain to create periodic shortages. How U.S. policymakers handle these situations will have a critical effect on whether importing countries allow themselves to become more dependent on the U.S. as a major supplier. Some countries may be unwilling to grant greater market access and accept a greater degree of dependency and risk, without some form of binding supply assurances.

The U.S. should consider the idea of offering supply assurances in exchange for greater market access commitments in the next WTO negotiations. Such assurances would not include supply or price guarantees, only the same access to purchase U.S. supplies as provided to domestic buyers. Importing countries would be able to impose trade sanctions against countries that restrict agricultural exports, including the export taxes currently being used by the EU to keep its wheat stocks off the market.

In addition to these trade priorities for the next WTO round, two other factors are critical to maintaining the role of the U.S. as a major supplier of food to the world. Agricultural research is emphasized at nearly every conference or hearing as an essential investment in ensuring future food supplies. Yet successive Administrations and Congresses have collaborated in reducing Federal funding for basic and applied research by the Agricultural Research Service and by extension and cooperative research institutions. The President's budget proposal for FY-98 includes a cut of 6.8% in constant dollars for agricultural research. Some of the work supported by Federal dollars is vital to increasing yields for basic crops, and will not be done by the private sector. Agricultural research funding must be protected from the budget process.

The second critical area is our declining commitment to international food assistance programs. P.L. 480 has become an annual target for both the Executive Branch and the Congress to avoid making "tough cuts" in other programs. However, increasing food security by improving the diets of the hungry and the undernourished helps bring down the population growth rate in developing countries. So by cutting P.L. 480 each year, we only make this problem tougher down the road.

In conclusion, Mr. Chairman, U.S. policymakers should consider the role we need to play in meeting global food needs before defining priorities for future trade negotiations. We believe a long-term approach would reflect the importance of trade in biotech crops and of providing assurances of supply in exchange for commitments on market access. Federal funding of agricultural research and foreign food assistance programs are important to achieving our goal of meeting world food demand in the 21st century.

Thank you again, Mr. Chairman, for the opportunity to appear before the Subcommittee today. I will be happy to respond to any questions you may have.

## PREPARED STATEMENT OF LEONARD W. CONDON

THANK YOU, MR. CHAIRMAN.

I AM LEONARD CONDON, VICE PRÉSIDENT FOR INTERNATIONAL TRADE, AMERICAN MEAT INSTITUTE (AMI). I APPRECIATE THE OPPORTUNITY TO BE HERE TODAY TO SHARE AMI'S VIEWS ON THE CURRENT STATUS AND FUTURE PROSPECTS FOR TRADE BETWEEN THE UNITED STATES AND THE EUROPEAN UNION IN LIVESTOCK AND POULTRY PRODUCTS. AMI IS A NATIONAL TRADE ASSOCIATION REPRESENTING PACKERS AND PROCESSORS OF 70% OF THE NATION'S BEEF, PORK, LAMB, VEAL AND TURKEY PRODUCTION, AND THEIR SUPPLIERS.

REGRETTABLY, THE CURRENT STATUS AND PROSPECTS FOR TRADE IN LIVESTOCK AND POULTRY PRODUCTS BETWEEN THE UNITED STATES AND THE EUROPEAN UNION ARE NOT BRIGHT. EU PRODUCERS ARE GENERALLY VERY WELL PROTECTED, COMPARED WITH THEIR U.S. COUNTERPARTS. THEY ENJOY GENEROUS PRICE SUPPORT SYSTEMS WHICH ENCOURAGE OVER-PRODUCTION. THEN, THEY BENEFIT FROM SIGNIFICANT EXPORT SUBSIDIES WHICH FUND THE DUMPING OF EXCESS PRODUCTION ON THE WORLD MARKET.

THE "PRODUCER SUBSIDY EQUIVALENT" IS A YARDSTICK FOR COMPARING THE VALUE OF SUPPORT AND PROTECTION INDIVIDUAL GOVERNMENTS PROVIDE TO AGRICULTURAL PRODUCERS. THIS TOOL WAS CREATED, AND IS CALCULATED ANNUALLY, BY THE PARIS-BASED ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD). THE OECD ESTIMATES THAT IN 1995, 64 CENTS OF EVERY DOLLAR RECEIVED BY EU BEEF AND VEAL PRODUCERS WAS A DIRECT RESULT OF GOVERNMENT SUPPORT AND PROTECTION. FOR U.S. CATTLEMEN, GOVERNMENT SUPPORT/PROTECTION ACCOUNTED FOR ABOUT 5 CENTS OF EVERY REVENUE DOLLAR RECEIVED IN 1995. FOR POULTRY SIMILAR COMPARISONS ARE 28 PERCENT FOR EU AND 5 PERCENT FOR U.S. GROWERS. FOR PORK, THE GAP IS LESS PRONOUNCED -- 9 PERCENT FOR EU HOGMEN, VS. 5 PERCENT FOR THEIR U.S. COUNTERPARTS.

NOTWITHSTANDING THESE BASIC FACTS, EU EXPORT SUBSIDY REDUCTION COMMITMENTS MADE IN THE URUGUAY ROUND, ALONG WITH THE EASTWARD EXPANSION OF THE EUROPEAN UNION, WILL REQUIRE SIGNIFICANT REDUCTIONS OVER TIME IN THE AMOUNT OF SUPPORT AND PROTECTION PROVIDED TO EU LIVESTOCK AND POULTRY PRODUCERS. HOWEVER, IT APPEARS THAT THE EU IS COMMITTED TO SUPPORTING DOMESTIC LIVESTOCK AND MEAT PRICES AT LEVELS WHICH EXCEED WORLD PRICES -- THEREBY CONTINUING A NEED FOR PROTECTION FROM IMPORTED COMPETITION.

IN THE SHORT AND INTERMEDIATE TERM, UNDERLYING FARM POLICY FACTORS WILL CONTINUE TO DISCOURAGE EU POLICY MAKERS FROM IMPLEMENTING ACTIONS TO FACILITATE MEAT IMPORTS. LAGGING BEEF DEMAND AND SWELLING INTERVENTION STOCKS -- A DIRECT RESULT OF WIDESPREAD CONCERN REGARDING THE SAFETY OF EUROPEAN BEEF -- CURRENTLY EXACERBATE THIS SITUATION.

EU INTERVENTION STOCKS OF BEEF AT THE BEGINNING OF 1996 TOTALED 8,810 TONS. LARGELY DUE TO THE ANNOUNCEMENT LAST MARCH REGARDING BOVINE SPONGIFORM ENCEPHALOPATHY, INTERVENTION STOCKS BY THE END OF LAST YEAR HAD CLIMBED TO 417,932 TONS. THESE LARGE FREEZER STOCKS OF BEEF HAVE NEGATIVE PRICE IMPLICATIONS FOR ALL EU LIVESTOCK AND POULTRY PRODUCERS. AND FINDING MARKETS FOR THESE HUGE INTERVENTION STOCKS OF BEEF PRESENT A FORMIDABLE CHALLENGE TO EU OFFICIALS.

AGAINST THIS BACKDROP, EU AND U.S. VETERINARY OFFICIALS HAVE BEEN ATTEMPTING TO CONCLUDE A VETERINARY EQUIVALENCE AGREEMENT. AMI SUPPORTS THE BROAD OBJECTIVE OF FULL EQUIVALENCE BETWEEN THE VETERINARY INSPECTION PROGRAMS OF THE UNITED STATES AND THE EUROPEAN UNION. WE LOOK FORWARD TO THE DAY WHEN MEAT AND POULTRY PRODUCTS INSPECTED AND PASSED BY USDA WILL BE AUTOMATICALLY ELIGIBLE FOR EXPORT TO EUROPE, AND ITEMS PRODUCED IN APPROVED EU ESTABLISHMENTS WILL BE

ELIGIBLE FOR IMPORT INTO THE U.S. MARKET, WITH NO SPECIAL ADDITIONAL ASSURANCES REQUIRED. WE RECOGNIZE THAT THE FREE MOVEMENT WE ENVISION WILL REQUIRE A HIGHER DEGREE OF MUTUAL CONFIDENCE, COOPERATION AND COMMUNICATION BETWEEN OUR VETERINARY INSPECTION OFFICIALS.

THE UNITED STATES AND MANY OF THE EU MEMBER STATES OPERATE MEAT INSPECTION SYSTEMS CONSIDERED TO BE AMONG THE BEST IN THE WORLD. OUR RESPECTIVE PROGRAMS ARE ADMINISTERED BY PROFESSIONAL VETERINARIANS, GENERALLY REGARDED AS THE MOST COMPETENT IN THE INTERNATIONAL FOOD SAFETY FIELD. IN SHORT, THERE ARE FAR MORE SIMILARITIES IN OUR MEAT AND POULTRY INSPECTION POLICIES AND PROGRAMS THAN THERE ARE DIFFERENCES. GIVEN THAT FACT, IT IS UNFORTUNATE THAT WE HAVE HAD GREAT DIFFICULTY IN RESOLVING NARROW, BUT DEEPLY-HELD, DIFFERENCES ON A RELATIVELY LIMITED SET OF TECHNICAL ISSUES

IN FACT, THE MERITS OF THE "DRAFT FRAMEWORK AGREEMENT" -- THE VIRTUALLY COMPLETED FOCAL POINT OF THIS NEGOTIATION-- HAVE BEEN LARGELY OVERSHADOWED BY THE CONTROVERSY CREATED BY DIFFERENCES OVER SIGNIFICANT, BUT NARROW, TECHNICAL ISSUES. THE DRAFT FRAMEWORK REPRESENTS AN EXCELLENT SYSTEM OF RULES AND PROCEDURES DESIGNED TO ESTABLISH GUIDELINES FOR ESTABLISHING EQUIVALENCE BETWEEN THE U.S. AND THE EU IN VETERINARY INSPECTION MATTERS. MOREOVER, IT COULD SERVE AS A MODEL FOR OTHER AGREEMENTS BETWEEN THE U.S. OR THE EU AND OTHER PARTNERS. WE APPRECIATE THE PATIENCE AND PERSEVERANCE OF THE MANY U.S. GOVERNMENT OFFICIALS WHO HAVE BEEN INVOLVED IN THIS LONG AND DIFFICULT ENDEAVOR.

MORE GENERALLY, WE COMMEND THE ADMINISTRATION FOR ITS UNTIRING EFFORTS TO REACH AN EQUITABLE, TRADE FACILITATING EQUIVALENCE AGREEMENT. HOWEVER, THE ULTIMATE SUCCESS OF ANY BILATERAL NEGOTIATION DEPENDS ON THE WILLINGNESS

OF BOTH SIDES TO COMPROMISE. WHILE THE EU'S INTEREST IN AN EQUIVALENCE AGREEMENT MAY HAVE BEEN HIGH WHEN IT ORIGINALLY PROPOSED THIS INITIATIVE, IT IS CLEAR THAT THE EU COMMISSION'S FLEXIBILITY TO NEGOTIATE SUCH AN AGREEMENT BECAME MORE LIMITED AS CONCERNS WITHIN EUROPE ABOUT THE SAFETY OF THEIR DOMESTIC MEAT SUPPLY INCREASED. THIS SHIFTING EU ATTITUDE CONTRIBUTED TO THE DIFFICULTY OF SATISFACTORILY RESOLVING ALL OF THE TECHNICAL ISSUES.

DESPITE OUR DISAPPOINTMENT THAT THE AGREEMENT DOES NOT IMMEDIATELY RESOLVE TO OUR COMPLETE SATISFACTION ISSUES LIKE THE NEED FOR INCISING PIG HEARTS, THE NEED FOR A VETERINARIAN TO CONDUCT ANTE-MORTEM INSPECTION, AND THE ACCEPTABILITY OF WOODEN PALLETS, WE BELIEVE THAT AGREEMENT REPRESENTS PROGRESS TOWARD RESOLVING U.S.-EU DIFFERENCES AND WILL RESULT IN INCREASED EXPORT OPPORTUNITIES FOR RED MEAT PROCESSORS. ACCORDINGLY, AMI ENDORSES THE ADMINISTRATION'S DECISION TO ENTER INTO THE AGREEMENT.

AMI IS DISAPPOINTED THAT THE AGREEMENT ANNOUNCED APRIL 30, 1997, WILL NOT RESULT IN THE RESUMPTION OF POULTRY SHIPMENTS TO THE EU WHICH WERE HALTED ON APRIL 1. WE FIND IT INCOMPREHENSIBLE THAT PROCESSING TECHNIQUES WIDELY USED IN THE UNITED STATES, AND REQUIRED BY EXPORT CUSTOMERS THROUGHOUT THE WORLD TO ENSURE THE PRODUCTION OF SAFE AND WHOLESOME POULTRY ARE INCOMPATIBLE WITH CURRENT EU STANDARDS. THEREFORE, THE PROVISION IN THE AGREEMENT REQUIRING A SCIENTIFIC STUDY TO ASSESS VARIOUS FOOD SAFETY PROCESSING TECHNIQUES IS CRITICAL. WE BELIEVE THAT STUDY SHOULD BE CARRIED OUT ON AN EXPEDITED BASIS, AND WE LOOK FORWARD TO THE RESULTS OF THAT STUDY. AMERICAN POULTRY, LIKE AMERICAN RED MEAT, COMPLIES WITH THE STRICTEST FOOD SAFETY STANDARDS.

AS I NOTED EARLY IN MY TESTIMONY, THE LONG-TERM GOAL OF THE U.S. MEAT PACKING INDUSTRY HAS BEEN, AND STILL IS, A U.S.-EU AGREEMENT WHICH PROVIDES FOR FULL MUTUAL RECOGNITION OF EACH OTHER'S MEAT AND POULTRY INSPECTION SYSTEMS. UNTIL THAT GOAL CAN BE ACHIEVED, THE BASIS UPON WHICH U.S. MEAT AND POULTRY PACKERS AND PROCESSORS AND THEIR EU COUNTERPARTS ARE EVALUATED SHOULD BE THE SAME.

FOR MORE THAN TWO DECADES, USDA HAS APPLIED THE CONCEPT OF "EQUIVALENCE" IN DETERMINING COMPLIANCE BY EU MEAT PACKING PLANTS WITH U.S. MEAT INSPECTION REQUIREMENTS. THE EU HAS YET TO ADOPT THIS PRINCIPLE IN EVALUATING U.S. PLANTS. THE RESULT IS THAT EU PLANTS HAVE A GREATER CHANCE OF MEETING OUR MORE FLEXIBLE STANDARDS THAN U.S. PLANTS HAVE OF MEETING THE VERY PRECISE EU STANDARDS. INDICATIVE OF THIS INEQUITY, MORE THAN 150 EU BEEF AND PORK SLAUGHTERING PLANTS MAY SHIP TO THE UNITED STATES. ONLY 8 U.S. BEEF AND PORK SLAUGHTERING ESTABLISHMENTS ARE ELIGIBLE TO SHIP PRODUCT TO THE EU. WE STRONGLY URGE THE EU TO ADOPT THE MORE CONSTRUCTIVE U.S. APPROACH. IF THE EU WILL NOT OR CAN NOT FULFILL ITS OBLIGATIONS IN THIS REGARD, WE SHOULD ADOPT THE EU APPROACH.

FINALLY, MR. CHAIRMAN, WE CAN NOT HELP BUT NOTE THE IRONY OF US COMPLAINING ABOUT THE VARIOUS DEVICES THE EU USES TO LIMIT ITS MEAT IMPORTS WHILE SOME MEMBERS OF CONGRESS ARE AT THE SAME TIME SUPPORTING A MEASURE WHICH WOULD BE VERY SIMILAR IN NATURE. THE "MEAT IMPORT LABELING ACT OF 1997" (S.617 AND H.R. 1371) WOULD REQUIRE COUNTRY-OF-ORIGIN LABELING FOR IMPORTED MEATS AND MEAT PRODUCTS, AS WELL AS MEAT FOOD PRODUCTS CONTAINING IMPORTED MEAT INGREDIENTS. THE CLEAR OBJECTIVE OF THIS PROPOSED LEGISLATION IS TO RESTRAIN U.S. IMPORTS OF LIVESTOCK AND MEAT, PARTICULARLY FROM CANADA. IN THAT REGARD, IT IS IMPORTANT TO POINT OUT THAT THE U.S. EXPORTED \$3 BILLION WORTH OF BEEF AND BEEF VARIETY MEATS DURING 1996, AND OVER \$1 BILLION IN PORK AND PORK VARIETY MEATS. CANADA IS OUR SECOND

LARGEST EXPORT MARKET FOR BEEF AND PORK,  
ACCOUNTING FOR ABOUT 10 PERCENT OF OUR TOTAL  
EXPORTS.

OUR NATION NOW EARNS MORE DOLLARS EXPORTING  
MEAT THAN WE SPEND IMPORTING IT, AND OUR TRADE  
SURPLUS IN RED MEAT IS EXPECTED TO CONTINUE TO  
GROW. WITH THE U.S. CATTLE AND HOG INDUSTRY  
BECOMING INCREASINGLY DEPENDENT ON EXPORT  
MARKETS, IT WOULD BE EXCEEDINGLY SHORT-SIGHTED FOR  
THE U.S. TO EMBRACE A POORLY DISGUISED NON-TARIFF  
TRADE BARRIER DESIGNED TO INHIBIT U.S. MEAT IMPORTS  
THAT COULD SERVE AS AN ATTRACTIVE MODEL FOR  
FOREIGN INTEREST GROUPS COMMITTED TO REDUCING U.S.  
MEAT EXPORTS TO THEIR MARKETS.

THAT CONCLUDES MY STATEMENT, MR. CHAIRMAN. I  
WOULD BE PLEASED TO ANSWER ANY QUESTIONS.

**Statement by Paul Drazek  
Special Assistant to the Secretary for Trade  
U.S. Department of Agriculture  
Before the  
Senate Committee on Finance  
Subcommittee on International Trade  
May-15, 1997**

Mr. Chairman, members of the Committee, it is a pleasure to appear before you to discuss market access barriers facing U.S. agriculture.

**Past Cooperation Leads to Today's Trade Success**

Before I address the subject of today's hearing, I'd like to report briefly on U.S. agriculture's export performance. There's no question that U.S. agricultural exports are a bright spot in our nation's trade picture. Fiscal 1996 was another record year for U.S. agricultural exports, with exports reaching \$59.8 billion -- the second consecutive year of record export growth.

Today we are the world's leading exporter of agricultural products, commanding a 21 percent share of world agricultural trade. The U.S. agricultural trade surplus was \$27 billion in 1996--the largest farm-trade surplus in history--making the agricultural sector the largest positive contributor to the U.S. balance of trade.

The success of U.S. agriculture in the international marketplace reflects a decade of bipartisan efforts to put American agriculture on a level playing field in the global arena. Recent trade agreements such as the North American Free Trade Agreement (NAFTA) and the Uruguay Round Agreements are landmark accomplishments. The continuing profitability and viability of U.S. agriculture depends on the ability of U.S. producers to be competitive in a world market.

**Barriers Continue to Hinder Exports**

Few dispute the claim that the United States is the world's most competitive producer of food and agricultural products in the world. While the United States has done well in world trade, our competitive edge has not reached its full potential due largely to the high levels of import protection and export assistance that other nations offer their producers.

On the positive side, we have had success working with Korea to change that country's import clearance system and laboratory approval requirements. And just this week we announced new market access for U.S. fruits and vegetables in Chile and China.



But many challenges remain. For example, we continue to work on a whole range of trade issues with the European Union (EU), particularly in the livestock sector.

Just two weeks ago, we reached agreement with the EU on veterinary equivalency, an agreement that we believe is an important first step toward resolving some of the remaining key issues.

This is a good agreement, although not perfect. On the positive side, this agreement should open new trade opportunities for red meat, and preserve most pre-existing trade in products such as petfood, dairy and egg products. In the short-term, we expect the U.S. pork industry to be the biggest beneficiary. As a result of the agreement, U.S. exporters can pursue sales under the EU's 38,000-ton tariff-rate quota (TRQ) for pork loins that was negotiated as part of the Uruguay Round Agreement.

On the negative side, we were unable to resolve all the poultry issues. As a result, the United States could lose up to \$50 million in annual poultry meat exports. This is completely unacceptable. As Secretary Glickmar has said, the EU's insistence that U.S. poultry comply with every prescriptive EU poultry regulation is out-of-step with the EU's trade obligations.

The United States will continue to pursue a resolution to these issues under the framework agreement. In the meantime, the United States will begin a thorough examination of the EU's poultry inspection system and its ability to meet tough U.S. inspection rules. As of May 1, EU poultry plants are not eligible to ship product to the United States until we are able to conduct appropriate inspections and confirm that the appropriate level of protection is achieved.

So where do we go from here? Even as we begin plant-by-plant inspections for poultry in Europe, we intend to continue to work to reach an acceptable resolution in the coming months, working through the framework agreement.

We're also working with the U.S. poultry industry to use the full resources of USDA to target opportunities in other markets to make up for sales lost as a result of the EU's actions. In addition, there is nothing in the agreement that prevents us from challenging the EU in the World Trade Organization (WTO). I want to assure the Committee that we are taking and will continue to take strong actions to protect U.S. interests in this area.

The EU hormone ban is one issue that we have already taken to the WTO. We have received the interim report, which is confidential, so I cannot comment on it. However, the United States remains confident that the WTO will conclude that the EU ban is inconsistent with international trade rules.

The European Union has also proven difficult on the important issue of biotechnology. Despite the EU approval of two biotech products (Roundup Ready soybeans and BT-resistant corn), actions of various EU member states are jeopardizing implementation of these approvals

and thus U.S. exports of soybeans and corn. USDA will continue to work with other agencies and with U.S. industry to ensure that EU governments use sound science in making decisions, and to address the concerns on the part of uninformed EU consumers.

The United States views biotechnology not as a threat, but as an opportunity. It is an opportunity to improve the environment by lowering inputs use, and an opportunity to raise productivity while reducing the costs of production. The United States has a long history of using technological advances to enhance its international competitiveness. Biotechnology is the next logical step in that process. In fact, productivity gains are not only welcome, they are essential to meet the long-term food security needs of the world's population.

We are working to resolve bilateral issues with other partners as well, such as Indonesia's proposed import requirements for fresh fruits and vegetables and Japan's restrictions on imports of U.S. apples. We are also holding discussions with China, Taiwan, and Russia over their accession to the WTO. These are three of the most important markets for U.S. agriculture. The accession negotiations provide an excellent opportunity for the United States to address specific trade barriers and unfair trade practices while also working with the potential members to bring their trade regimes into conformity with WTO rules. We must ensure that China, in particular, agrees to liberalize its market further as a condition for full membership in the WTO.

### Meeting the Competition

In addition to market access barriers, one of our biggest challenges is the stiff competition we continue to face in the export market. Clearly, competitor governments will continue to support their agricultural sectors, and a number of countries have proposed increased funding for their "green box" (or permitted) market development activities. Last year, governments of the EU and 22 other major exporting countries spent an estimated \$265 million for non-price promotion activities, activities similar to those under USDA's Market Access Program (MAP) and the Foreign Market Development Program (FMD). Producers in those countries provided an additional \$485 million for promotion activities. Recently, for example, Danish hog producers and processors sought increased EU support for market development activities in high-value, third-country markets (Japan and the United States) as compensation for Uruguay Round reductions in export subsidies.

Some exporters, most notably the EU, will continue to use export subsidies at Uruguay Round-disciplined levels and will conduct allowed activities such as credit and credit guarantee programs and non-price export promotion programs. EU export subsidies in 1997 are expected to exceed \$7 billion, over \$1 billion of which is estimated for grains alone. But what is less widely known is that the EU will spend more to subsidize its fresh fruit and vegetable exports this year -- \$115 million -- than USDA will spend on the entire MAP. U.S. exporters also must compete against the monopolistic marketing boards of Australia, Canada, and New Zealand.

To help American farmers compete against subsidized foreign competition, government and the private sector must continue our export expansion and market development efforts. It is imperative that the United States retain its capability to respond to the practices of our competitors to ensure our competitiveness in international markets.

### **Monitoring Implementation of Trade Agreements**

To break down the barriers facing U.S. farm exports, our focus is on ensuring all countries understand and implement their WTO obligations, defending U.S. rights when necessary, and preparing for and negotiating new accords (on bilateral, regional, and multilateral bases). We place special emphasis on identifying and combating other countries' use of non-scientific based sanitary and phytosanitary standards (SPS) that unfairly restrict U.S. access to their markets.

Monitoring other countries' compliance with the terms of the Uruguay Round Agreements and the terms of other agreements (NAFTA and numerous bilateral agreements) is vital if the United States is to realize the full benefits of these agreements. Even with full compliance, global agricultural trade barriers and trade distorting export practices by competitors (including monopolistic marketing boards) are high relative to other industries. Addressing these issues will require new negotiations including WTO accessions for countries that have not brought their trade regimes under the disciplines of the WTO, new regional trade pacts, and new global trade negotiations to build on the successes of the Uruguay Round.

In the wake of Uruguay Round successes in addressing issues such as de facto import bans and discretionary import licensing, some countries are turning to pseudoscientific and other unfair SPS measures to restrict market access. American agriculture continues to lose export opportunities because of these barriers. USDA has made a substantial effort to deal with these issues and to catalogue foreign import restrictions, so that we can get a better handle on them and work more effectively to resolve them. In addition, the United States is playing a leading role in the WTO Committee on SPS issues, which is to be chaired by an American this year. Estimates of global trade restricted by questionable SPS barriers range as high as nearly \$5 billion annually.

More traditional types of trade barriers, such as import bans and export subsidies, were addressed in the Uruguay Round Agreement on Agriculture, and substantial progress was made in opening markets and cutting tariffs. USDA is monitoring compliance with the Uruguay Round Agricultural commitments, both through the formal process of the WTO Committee on Agriculture, and through our network of private sector advisors and attaches overseas. For the most part, countries are living up to their commitments to eliminate non-tariff barriers, lower duties, open tariff-rate quotas, and reduce subsidies. However, there are some instances where these commitments have not been kept. For example, Hungary is providing export subsidies on a substantially broader group of products than is included in its schedule and the Philippines has not provided the access it committed to for pork and poultry meat. In cases such as these, the United States and other concerned countries have first raised the issue as part of the monitoring process

in the WTO Committee on Agriculture. Often, this is followed by informal consultations under the auspices of the Agriculture Committee's Chairman. If the problem cannot be resolved at that level, then the formal WTO dispute settlement process can be used. This is currently the situation on Hungary's export subsidies, where a dispute settlement panel is being formed to determine if commitments are being violated. We are hopeful that the formation of this panel will provide the impetus for Hungary to make the changes necessary to reach a settlement of this issue.

### **Preparing for the Future**

Despite the accomplishments of the Uruguay Round, many barriers to U.S. agricultural exports remain. The Agreement on Agriculture includes a provision to begin negotiations on continuation of the reform process by December 31, 1999, which is one year before the end of the implementation period. While this date is still more than two years away, we have begun preparing for these negotiations. At the Singapore Ministerial meeting, we were successful in getting a mandate to begin this process as part of the ongoing work of the WTO Committee on Agriculture. The Committee has agreed that informal meetings will be called, as needed, to allow discussion and presentation of papers on topics related to the continuation of the reform process. These informal discussions will be reported back periodically to the Committee.

USDA has established an internal task force to begin developing strategies and positions for our participation in these discussions. While the group is just beginning its work, there are a few key issues we know we will be focusing on. First and foremost is to identify problems in the implementation of what has already been agreed. For example, the establishment of a TRQ will not result in new access opportunities if it is implemented in a restrictive manner. Therefore, TRQ administration is one of the topics already identified by the Committee on Agriculture as a topic for further discussion.

Similarly, state trading enterprises should not be allowed to circumvent the export subsidy limits. We are seeking greater transparency in the operation of these organizations through more rigorous reporting requirements in the WTO Working Party on State Trading Enterprises. We believe this new information will help to identify practices that may need to be disciplined in future negotiations, both for export and import monopolies.

Then, of course, we will need to decide how to pursue further liberalization and disciplines in export subsidies, domestic support and market access. By 1999, the world will be a very different place than it was when we began the Uruguay Round negotiations in 1986. While the significance of subsidies may have diminished as production policies become more market-oriented around the world, we know that market access restrictions will remain substantial for many of the products we export. The USDA task force will be exploring these issues to determine what they mean for future negotiations. We will also seek input from our private sector advisors and the general public.

### **Conclusion**

As you can see, Mr. Chairman, much work lies ahead, but we are optimistic about the future for U.S. agricultural exports. I look forward to continuing our bipartisan efforts to help American agriculture make the most out of our trade opportunities both now and in the future.

# Monsanto

---

LINDA J. FISHER  
Vice President  
Federal Government Affairs

Monsanto Company  
Suite 1100  
700 14th Street, N.W.  
Washington, D.C. 20005

International Trade Subcommittee  
of the  
Senate Finance Committee  
Hearing on Agricultural Trade Issues  
May 15, 1997  
Statement of Monsanto Company

American farmers are the most productive food and fiber producers in the world. To retain their position as the lowest cost, most efficient producers, they continually bring new technologies to farming. US farmers are constantly on the lookout for new tools to improve yield or fight insects, disease, weeds and other pests. Biotechnology is another tool that is now available to American farmers – providing new varieties of crops that can help improve farm economics and increase output in ways more beneficial to the environment.

For centuries, farmers have identified new ways to grow more high-quality food and fiber. Agricultural advances, such as irrigation, plant breeding and pesticides, all have contributed to today's stable, diverse and abundant food supply in the developed world. The next step in agriculture requires that we produce more food *and* protect our shrinking agricultural land base, leading to the inevitable conclusion that we must develop a way to promote more sustainable agricultural practices. Plant biotechnology, an extension of traditional plant breeding, offers one way to boost food production and help preserve the environment for future generations. Like plant breeding, biotechnology introduces new traits with specific benefits into plants, and does so in a selective, precise and controlled manner.

The development of new biotechnology food crops presents great opportunities to solve a number of environmental, food safety and economic problems in the coming decades. Through the careful and prudent use of biotechnology, we have been able to develop safe and nutritious new crop varieties which possess enormous potential benefits for the world's growing population. Because of their unique features, these new crops give farmers new tools to combat a number of problems that conventional crops cannot address. For example:

**BEST AVAILABLE COPY**

- New insect resistant crops provide an effective alternative that can reduce the use of pesticides.
- New herbicide resistant crops often allow farmers to use only a single, broad-spectrum herbicide for weed control rather than several more specialized herbicides, thereby reducing the number of herbicide applications.
- In addition to reducing the use of pesticides, new pest-resistant and disease-resistant crops are expected to produce higher crop yields at lower costs.
- Because they will expand farmers' capacity to produce, biotech crops will be an important tool that can help to efficiently and safely expand the world's food output in an era when population growth and increased affluence will demand it.

Last year was the first year of large scale commercial production of crops developed using biotechnology. Approximately 5 million acres of the new varieties derived from biotechnology were harvested and the results were impressive. Grower surveys report that yields of Monsanto's Roundup Ready soybeans out-produced traditional varieties and reduced herbicide use from 9 to as much as 39%. Roundup Ready soybeans is a herbicide-tolerant crop, modified to withstand the application of Roundup herbicide. The ability to use Roundup during the growing season is compatible with all tillage methods, including conservation tillage (direct seed) methods that help prevent soil erosion.

Users of Bollgard cotton -- cotton with built-in protection from insects -- also reported yield improvement, reduced pesticide use. Cotton growers using Bollgard saw an economic advantage of approximately \$33 per acre from using Bollgard cotton. Similarly, potatoes modified to be protected from the Colorado potato beetle can be grown with fewer pesticides, less energy and less waste. Grower surveys clearly indicate that farmers see the value in these products, and we expect a several fold increase in the acreage of biotech varieties this year. Farmers want these products because they are effective, they can help reduce costs, they are good for the environment and they can improve yield -- all important factors to modern farmers.

Agricultural biotechnology is already mainstream farming in the United States. Today, there are several varieties of soybeans, corn, cotton, potatoes and canola. It is estimated that in 1997, American farmers will harvest about 30 million acres of varieties of food and fiber crops that were developed through biotechnology. The largest acreage will be in soybeans and corn. The result will be that any given shipment of corn or soybeans could contain as much as 10% or more of the new biotech varieties. While these first crops offer primarily agronomic improvements for growers, they also lay the groundwork for food quality improvements that will become available in the future. Quality traits, such as higher protein content in grains and oilseeds, vegetable oils with lower saturated fat, and better-tasting fruits and vegetables, will provide even more direct benefits to consumers and be available as we enter the next decade.

Given the importance of these new food crops to our future well-being, it is critical that countries around the world have regulatory systems that allow this technology to prosper

while at the same time ensuring that all applicable health and safety standards are being observed. The regulatory procedures to approve the use of biotech crops and their resulting products should be securely grounded in sound principles of science. For agricultural biotechnology, as with any new technology, regulators must prevent decision from turning on uninformed biases and misunderstandings. The following guidelines need to be followed under regulatory procedures:

- Safety assessments and regulatory approvals for marketing of biotech products must be free of political or social judgments about the appropriateness of this technology, and instead must be based on solid, medical and scientific facts.
- Regulators should establish clear, predictable and scientifically sound procedures for assessing new products, granting market approval and determining whether labeling is appropriate.
- International guidelines should be carefully observed. In particular, the WTO agreement on Sanitary and Phytosanitary Measures requires that restrictions on agriculture products because of health or safety concerns be based on scientific principles and not be imposed without an adequate scientific justification. The WTO Agreement on Technical Barriers to Trade imposes additional requirements that the regulations setting conformity standards for products be no more trade restrictive than necessary to accomplish a legitimate objective, and that the procedures for setting and applying these standards be non-discriminatory, predictable and transparent.
- Regulatory procedures need to ensure against undue delays in marketing biotech products, giving all interested parties an opportunity to be heard but establishing reliable deadlines.
- Where possible, countries should strive to harmonize their regulatory standards to ensure that vastly differing procedures and substantive rules do not create a burden on transatlantic trade in these products

The United States has established procedures for approving agricultural biotechnology. Three agencies, USDA, FDA and EPA, administer the procedures, with individual roles dependent on the characteristics of the product. The US system for review of agricultural biotechnology products is science-based, transparent and predictable. Around the world, many countries are still establishing their regulatory regimes for these products. Several of our major agriculture trading partners have systems in place – the EU, Japan, and Canada, for example, and several others, such as Brazil have started the process. The US agencies have been effective ambassadors in explaining the US regulatory procedures to our trading partners.

While there has been progress in many countries, this is still much to be done and developments in some countries deserve close attention. In each case, it is in the interest of US agriculture for the regulatory systems for agricultural biotechnology products to be science-based, transparent and predictable.

Among our major trading partners, we see a potential trouble spot in the evolution of the European Union regulatory system. The regulatory regimes developing in the United States and Europe are roughly similar in terms of regulatory philosophies and data requirements. However, there are marked differences emerging with regard to such questions as the interpretation of basic standards (such as equivalency), the application of labeling requirements and the establishment of transparent, predictable and scientifically sound regulatory procedures. These differences have the potential to cause serious trade conflicts for commodity crop products.

Both the U.S. and European systems rely on the concept of "substantial equivalence" to determine the appropriateness of new biotechnology crops. If the genetically modified crop is "substantially equivalent" to the traditional counterpart in the key aspects that are deemed important from a food, feed or environmental perspective, then the product is generally regarded as safe under both systems. This concept is important and is basically accepted by international bodies such as WHO, FAO and OECD. However, there are now concerns that in applying this concept there may be significant differences emerging between U.S. and E.U. regulators.

Another emerging area of potential trade friction is the question of labeling of biotechnology products. U.S. labeling requirements are imposed where necessary to impart information to consumers about safety, nutrition and health characteristics of the product. Absent a safety or compositional rationale, there is no justification for labeling biotechnology crops simply because they are biotechnology crops - this is the US position and the US agencies have been consistent and steadfast in applying this to agricultural biotechnology products. In the E.U., however, there is confusion about how their evolving criteria for labeling will be imposed and what burdens it will place on food companies.

Labeling policies should be science-based and only required to provide consumers meaningful safety, nutrition or compositional information. Labeling or segregation requirements for any reasons other than clearly defined safety or nutritional purposes has enormous potential to discriminate against food and agricultural products derived from biotechnology. USDA and USTR have been vocal opponents of proposals to label varieties to indicate how they were produced, and they have argued strongly against suggestions that biotechnology derived produce be segregated from traditional grains. They have done a good job and they need to continue advocating these positions.

However, there is another immediate and potentially serious situation that has developed in the European Union. As noted, the EU has in place a process to approve imports of new agricultural biotechnology products - last year, for the '96 harvest, two US produced crops were approved. But since then the EU process has stalled. No products have been approved this year, including long pending applications for several varieties of corn that US farmers are planting this Spring. This is potentially a serious situation - it gives the perception that there are acceptance difficulties even though no significant safety or nutritional issues have been raised. We urge that all possible steps be taken to



encourage the EU to get their regulatory apparatus back on track, so as to avoid any import problems for US grain that will be harvested later this year. The EU must get its regulatory review and process working again, and soon.

The U.S. and E.U. need to work together in order to bring back a relative degree of predictability and integrity to the regulatory process. An encouraging development has been the creation of a work group under the Transatlantic Business Dialogue (TABD) to focus on facilitating trade in biotechnology-derived food products. The TABD is an avenue to developing common approaches by U.S. and E.U., and to advancing and promoting sound regulatory processes. This effort should analyze the decisions already made under EU and U.S. regulatory rulings and the planned implementation of new rules. It should then seek to ensure that laws and regulations relating to biotechnology foods be based on sound principles of science and be administered in a manner that does not create new trade barriers.

Monsanto encourages the Congress, together with USDA, USTR and other executive departments, to do everything it can to make sure our agricultural biotechnology products won't encounter barriers overseas. Specifically, we have three recommendations:

- Continue to advocate rational science-based labeling policies and oppose proposals that would arbitrarily segregate biotechnology derived crops or food products. This is the position today and should continue to be the US position in future trade talks;
- Keep the pressure on to get the European regulatory process moving again – to prevent European regulatory delay from becoming a barrier to our agricultural exports;
- Pursue reasonable harmonization of regulatory procedures and data requirements. Efforts such as the work in the Transatlantic Business Dialogue can help facilitate trade in these products.

Trade is the future for agriculture so anything that impedes freer trade is troublesome. Barriers blocking the export of agricultural biotechnology products could have a significant effect on our commodity exports and deny the benefits of this important new technology to our farmers. And finally, if agricultural biotechnology is somehow stymied, it reduces the likelihood that we can meet global food demands without significant environmental damage. All countries should work together to address the growing need for global food supplies.

Statement of the  
John Hardin, Past President  
National Pork Producers Council

Mr. Chairman and Members of the Subcommittee:

I am John Hardin, Jr., a pork producer from Danville, Indiana. I am a past President of the National Pork Producers Council (NPPC) and a past chairman of the United States Meat Export Federation. I currently serve on NPPC's Trade Committee and am a representative on the Agricultural Policy Advisory Committee to the United States Trade Representative and the Secretary of Agriculture. I very much appreciate the opportunity to appear here on behalf of U.S. pork producers to express our views on agricultural trade issues.

The National Pork Producers Council is a national association representing 44 affiliated states who annually generate approximately \$11 billion in farm gate sales. According to a recent Iowa State study conducted by Otto and Lawrence, the U.S. pork industry supports an estimated 600,000 domestic jobs and generates more than \$64 billion annually in total economic activity. With 10,988,850 litters being fed out annually, 1.065 billion bushels of corn valued at \$2.558 billion are consumed by U.S. pork producers. Feed supplements and additives represent another \$2.522 billion of purchased inputs from U.S. suppliers which help support U.S. soybean prices, the U.S. soybean processing industry, local elevators and transportation services based in rural areas.

Pork is the world's meat of choice. Pork represents 44 percent of daily meat protein intake in the world. Notwithstanding the huge global market for pork and pork products, efficient U.S. producers were precluded from exporting significant volumes of pork in the pre-Uruguay Round Agreement, pre-NAFTA era. A combination of foreign market trade barriers and highly subsidized competitors kept a lid on U.S. pork exports. U.S. pork producers were ardent proponents of the Uruguay Round Agreement and NAFTA. The industry strongly supports further trade liberalization measures. These trade agreements permit U.S. pork producers to exploit their comparative advantage in international markets.

Since 1995, when the Uruguay Round Agreement went into effect, U.S. pork exports to the world have increased by approximately 45 percent in volume terms and 75 percent in value terms from 1994 levels. Indeed, the U.S. pork industry exported over one billion dollars of pork for the first time in 1996. Explosive export growth will continue in 1997.

As a result of NAFTA, U.S. pork exports to Mexico increased by 74 percent in 1994 compared to 1993 levels. Even with the devaluation of the peso, U.S. exports to Mexico remain significant. Moreover, the U.S. pork industry will gain further market share in Mexico as the NAFTA phase-in period proceeds.

The United States is uniquely positioned to reap the benefits of liberalized world pork trade. While the U.S. currently is the world's second largest exporter of pork behind Denmark, the overwhelming consensus within the industry and among analysts is that the U.S. will soon be the number one exporter in the world. U.S. pork producers are the lowest cost producers in the world. The U.S. cost advantage over Denmark is increasing.

If the U.S. Government is (1) aggressive in holding its trading partners to their commitments under trade agreements; and (2) does not exempt pork as a "sensitive" agricultural sector in WTO accession negotiations and/or in new trade agreements, the growth potential of U.S. pork exports is virtually unlimited.

**NFFPC STRONGLY SUPPORTS THE FRAMEWORK AGREEMENT ON  
VETERINARY EQUIVALENCE WITH THE EUROPEAN UNION THAT WAS  
REACHED ON APRIL 30, 1997**

On April 30, 1997, the U.S. and the European Union (EU) executed a framework equivalence agreement which becomes effective on October 1, 1997. U.S. pork producers support this agreement. In the past, the EU's Third Country Meat Directive (TCMD) served as one of the most egregious examples of a non-tariff trade barrier that masquerades as a sanitary measure. Fortunately, the framework equivalence agreement executed between the U.S. and the EU on April 30 strips away much of the non-scientific, trade impeding aspects of the TCMD. We expect significant volumes of U.S. pork to be exported to the EU by the end of 1997.

**Section 301 Filed Against The Third Country Meat Directive**

The TCMD, which was fully implemented against the United States in April 1988, significantly reduced the number of U.S. meat packing plants certified to export pork to the EU. Prior to 1988, over 400 U.S. beef and pork facilities were certified to export to the EU. The EU subsequently de-listed virtually all U.S. facilities under the pretense that U.S. facilities do not meet EU health and safety standards. In response, the U.S. meat industry filed a petition pursuant to Section 301 on November 28, 1990. In 1992, the U.S. terminated the 301 case, over the objections of the industry, upon negotiating an agreement with the European Union (the so-called 1992 Meat Settlement Agreement) intended to result in the recommencement of pork exports. In the Agreement the EU stated "that both regulatory systems basically provide equivalent safeguards against public health risks." (emphasis added.) Notwithstanding the 1992 Meat Settlement Agreement or the Agreement on Sanitary and Phytosanitary Measures executed in the Uruguay Round, the EU did not implement equivalence. As a consequence,

U.S. pork exports have remained almost completely locked out of the EU. The table attached to my statement details the one way nature of pork trade between the U.S. and the EU during the past ten years.

### **The April 30th Agreement**

As previously indicated, pork producers support the April 30th agreement. The industry expects U.S. pork exports to resume after the agreement enters into force on October 1, 1997. The EU will no longer be inspecting U.S. plants based on the TCMD. Rather, the Food Safety and Inspection Service (FSIS) will approve U.S. meat facilities for export to the EU. The role of the EU inspectors will be to "spot check" the FSIS system. In some instances the EU spot check or audit may entail a review of a U.S. meat facility which FSIS has approved for export to the EU. USDA has assured us that the approval process applied by FSIS to EU establishments will be equivalent to the process applied by the EU to U.S. establishments.

Under the agreement, the U.S. reserves its ability to de-list EU meat plants and halt imports of meat from the EU until a final, comprehensive equivalence agreement is executed. In the past, the U.S. has unilaterally extended recognition to EU products while attempting to negotiate equivalence agreements. The pork industry urges the U.S. to monitor closely the compliance of the EU with the terms of the agreement. The U.S. should not grant equivalency to the EU until USDA has completed verification of veterinary delivery systems in the EU, a process which will take approximately one year from date of entry of the agreement.

While on balance the agreement is good, the industry does have a number of concerns which are detailed below. Ideally, any USDA approved pork or beef (non-hormone) establishment should be eligible to export to the EU. The EU remains unwilling, however, to agree to a comprehensive equivalence agreement at the current time. Therefore, with respect to red meat, the industry views the April 30th agreement as an "equivalence plus" agreement. That is, the EU insists that U.S. meat exporters satisfy certain requirements specified in the TCMD, in addition to the requirements of the Food Safety and Inspection Service (FSIS). These additional EU demands are not supported by science and will not result in a safer product. Indeed, with respect to at least one requirement, organic acid rinses, the EU demands may result in a less wholesome product.

Scientific evidence demonstrates that the use of organic acid washes, such as lactic acid or acetic acid, is a highly effective means of pathogen reduction that carries no risk of harmful contamination by chemical residues. In spite of the scientific evidence, the EU insists that organic acid rinses, can not be used. The EU has pledged that it will quickly conduct a study to determine the utility of organic acid rinses. The U.S. pork industry

expects that the EU will approve this practice within the next year. At any rate, this EU restriction would not withstand the scrutiny of a WTO challenge.

**Second, swine heart incisions.** The U.S. conducted a study, according to a protocol that was approved by the EU, of the presence of erysipelas in the U.S. swine herd. After incising the hearts of 51,457 pigs, the study conclusively demonstrated the absence of erysipelas in the U.S. slaughter pig herd. The European Commission has taken nearly two years to review the results of this study and still has not modified the requirement. USDA does not require the incision of pig hearts. There simply is no scientific basis for the EU's requirement. Nevertheless, under the April 30 agreement, the EU is requiring the U.S. industry to incise the hearts of a statistically valid sample of market hogs intended for slaughter and export to the EU. While the U.S. industry will abide by this requirement, we note that this requirement would not withstand the scrutiny of a WTO challenge.

**Third, wooden pallets.** There is no scientific evidence to justify the EU's insistence that plastic pallets result in a safer product than wooden pallets. The U.S. industry will comply with the EU's requirement that plastic slipsheets be used over wooden pallets. Again, this EU restriction would not withstand the scrutiny of a WTO challenge.

#### **Conclusion**

We support the April 30th veterinary equivalence framework agreement. The industry expects U.S. pork exports to resume after the agreement enters into force on October 1, 1997. Perhaps more important, the U.S. has sent a clear message to our trading partners that it insists on a rules-based, science-supported approach to agricultural trade.

#### **CHINA SHOULD PROVIDE MARKET ACCESS FOR IMPORTED PORK AS A CONDITION OF ENTRY INTO THE WORLD TRADE ORGANIZATION**

In China, pork is by far the predominant source of meat protein consumed. China consumes nearly the same amount of pork per capita as consumed in the United States making it a vast pork consuming market. Indeed, China consumes approximately 50 percent of the total pork annually consumed in the world.

China does not permit the importation of fresh/chilled and frozen pork and most pork products. The restrictions on imported pork fall under the authority of China's quarantine administration ("CAPO"). While CAPO officials acknowledge the existence of the restrictions, they have been

unwilling to date to supply copies of the restrictions to U.S. Trade negotiators stating that the law is confidential. CAPO contends that Chinese restaurants and hotels can obtain licenses to import pork. Unlike beef, for which licenses are available through regional CAPO offices, CAPO says that it disseminates pork import licenses solely through CAPO headquarters. Purportedly, imports are restricted to hotels and restaurants due to sanitary concerns that sale through retail will put domestic livestock at risk to disease. In reality, only a handful of licenses have been granted by CAPO. Moreover, there is no scientific basis to limit U.S. pork to the hotel and restaurant sector.

Moderate quantities of pork are flowing indirectly to China through Hong Kong importers. The pork, almost all variety meats (e.g. hearts, stomachs, intestines), is distributed to the general population mostly through local wholesale markets with a small amount distributed through supermarkets. Technically the importation and distribution of this product is illegal, a fact which is generally acknowledged by the Hong Kong importers.

The U.S. pork industry urges the following changes in China:

- (1) the abolition of the de facto ban on pork importation;
- (2) the establishment of transparent import regulations and licensing requirements;
- (3) repeal of the discriminatory value-added tax which is applied to meat imports;
- (4) reduction of import duties to low levels with no TRQs;
- (5) unrestricted entry and participation of non-government import entities;
- (6) a protocol governing sanitary issues, which, among other things, recognizes the U.S. safety and inspection system as equivalent and permits the export of pork from any FSIS approved facility;
- (7) the termination of subsidies to the Chinese pork industry.

The United States is uniquely positioned to reap the benefits of a liberalized Chinese pork sector. The U.S. exported over \$1 billion in pork in 1996 and exports continue to sky-rocket. While the U.S. currently is the world's second largest exporter of pork behind Denmark, the overwhelming consensus within the industry and among industry analysts is that the U.S. will soon be the number one exporter in the world. A new Food and Agricultural Policy Research Institute (FAPRI) report states: "The U.S. becomes the number one pork exporter because it is able to expand production without placing strong pressure on domestic prices." Danish producers currently have higher costs than U.S. producers and the gap is increasing. There is virtually no room for the expansion of the Danish pork industry. FAPRI projects that Chinese pork consumption will increase by over 23 percent, approximately 8 million metric tons, in the next ten years.

To put this number in perspective, during 1996, U.S. pork exports were less than 500,000 metric tons.

Because of the potential of China as a huge market for U.S. pork exports, there has been an outpouring of support in both the Senate and the House for meaningful pork market liberalization in that country. Mr. Chairman, we deeply appreciate the tremendous support our industry has received from this subcommittee and other members of both the Senate and the House.

As you know, it will be difficult to persuade China to provide meaningful pork trade liberalization. Therefore, we respectfully request the continued support of this subcommittee in this matter which is of paramount importance to the U.S. pork industry.

### **TAIWAN SHOULD PROVIDE MARKET ACCESS FOR IMPORTED PORK AS A CONDITION OF ENTRY INTO THE WORLD TRADE ORGANIZATION**

Taiwan is a very significant pork consuming nation. Taiwan's per capita consumption of pork, which is higher than per capita consumption in the U.S., is the highest in Asia. Variety meats (e.g. stomachs, feet, and tongues) represent the largest part of Taiwan's pork consumption.

#### **Taiwan Has A Ban On Certain Pork Imports**

The Government of Taiwan is wrongfully denying U.S. producers the opportunity to export significant quantities of pork to that country. Taiwan has a ban on pork variety meats and selectively restricts other cuts of pork.

Taiwan has applied for membership in the World Trade Organization (WTO). Taiwan's current offer on pork is unacceptable because each and every component of Taiwan's offer will result in insignificant additional access for imports. For variety meats, HS code 0206, the restrictive tariff rate quota (TRQ) proposed by Taiwan must be rejected. The U.S. should negotiate an ad valorem duty of 25% or lower for all variety meats. With respect to cuts of muscle meat, the U.S. government should negotiate a unified ad valorem duty for all HS code 0203 items, including the now banned items of belly, spareribs, hocks and trimmings/ground pork. The current duty on the majority of 0203 items is 15% which should be the maximum duty accepted in the first year. The duty should be reduced in each successive year thereafter. Obtaining one unified duty for all 0203 items will minimize the importance of the manner in which Taiwan defines and categorizes pork trimmings.

U.S. producers are deprived of pork exports to a market, absent the unfair barriers, in which they would otherwise hold a very significant share. Indeed, in assessing the Taiwan market during March 1995, the Pig Research Institute Taiwan, the most authoritative source for pork market research in Taiwan, concludes that Taiwanese pork producers "can by no means compete" with U.S. producers in an open market.

#### **Foot and Mouth Disease**

On about March 20 Taiwan reported an outbreak of foot and mouth (FMD) disease. Shortly thereafter, Japan announced that it would no longer accept pork exports from Taiwan. The Japanese restriction on Taiwanese exports is expected to remain in place for at least two years. Japan had previously announced that it would restrict exports from Taiwan if hog cholera was not eradicated in Taiwan by 1999.

Japan is the largest pork import market in the world. In the past, in large part due to circumvention of the Japanese pork import regime through the so-called "Nagoya connection," Taiwan has had the largest share of the Japanese pork import market. In 1996, Taiwan had approximately 41% of the Japanese pork import market while the U.S. was the second largest supplier at approximately 22%. Pork exports from the U.S. to Japan will increase significantly in 1997, perhaps by over 50%.

During the week of April 21, NPPC obtained a copy of a letter from Taiwan's Ministry of Economic Affairs to Ambassador Barshefsky which stated that Taiwan would be flexible with the U.S. in some areas but not pork because the country's pork industry has been ravaged by the FMD outbreak. NPPC submitted a letter to USTR on April 28 in which it strongly objected to Taiwan's use of the recent FMD outbreak as a shield to meaningful market liberalization. FMD is no excuse! In order to gain meaningful access to Taiwan's pork market, the U.S. must persuade Taiwan to place flat tariffs on variety meats of not greater than 25% and on muscle meats of no greater than 15%.

During the first week of May 1997, Taiwan's Council of Agriculture announced that pork prices are recovering to levels seen before the outbreak of FMD. Further, a COA official stated that the disease would be eradicated within four to six months.

Taiwan is predominantly a variety meat consuming country so that the U.S. pork industry can export large amounts of variety meats without impacting U.S. pork prices. Access to Taiwan will also assure that the Nagoya connection does not resume in full force when Taiwan gets its animal disease problems under control.



### **THE PHILIPPINES IS BREACHING ITS URUGUAY ROUND COMMITMENTS ON PORK**

In the Uruguay Round the Philippines agreed to a tariff rate quota (TRQ) on pork of 32,520 metric tons (MT) beginning July 1, 1995, increasing to 54,210 MT by the end of the implementation period (2004/5). The Philippines is violating its commitment to implement this pork TRQ.

After a delay of over one year, the Philippines appeared to be ready to implement its trade commitments during the summer of 1996. Unfortunately, the perception of progress was illusory. Rather than allocating the tariff-rate quota (TRQ) to Philippine processors or other parties that have demand for imported pork, over 80 percent of the TRQ was allocated to Philippine hog producers. Further, onerous requirements, such as the posting of 100 percent of the value of the shipment, compromised the participation of other importers. Not surprising, the result was a minimal level of pork imports in 1996. In spite of allocating quota late in 1996 that was deficient in various ways, the Philippine government did not permit the carry-over into 1997 of unused quota from 1996.

As a result of intense pressure from the United States in late 1996, the Philippine government increased slightly the share of quota allocated to bona fide importers. This paltry response ignores the compelling reality of the Philippine pork market: processors have very high demand for imported pork and, to a lesser extent, restaurant chains and international hotels demand imported pork. Philippine hog producers have virtually no demand for imported pork.

Representatives of the Philippine hog producers have unambiguously stated that there is little interest in pork importation among members of the hog producing associations. Based upon extensive and detailed discussions with Philippine producers, the U.S. pork industry estimates that the maximum quantity of pork which could be imported and distributed by producers is less than 3,000 tons per year. Indeed, the Philippine producers admit that imported pork demand is limited to the processing and restaurant sectors.

The Philippines has attempted to sidestep its Uruguay Round commitments on pork in a variety of ways. First, the Philippines simply tried to cut back its obligations. On October 24, 1994, the U.S. Government properly notified the GATT Secretariat and the Government of the Philippines that it was unable to accept the Philippine proposal to reduce its Uruguay Round access commitments for pork from 54,210 MT to 8,003 MT. Next, the Philippines threatened to restrict utilization of the TRQ by modifying the TRQ to limit access to 2,000 - 3,000 MT of pork cuts with the balance of approximately 30,000 MT designated for "chilled pork heads and feet." Then, there was discussion about allocating 90% of the 32,000 MT quota to fresh/chilled

pork. This would have restricted imports because the distribution infrastructure in the Philippines at the present time can handle only very limited volumes of fresh/chilled pork imports. Next, the Philippines decided on the aforementioned trade restricting scheme which allocates most of the quota to producers. Then, Philippine producers demonstrated their clear intention -- to restrict imports -- by obtaining a temporary restraining order, in effect from late December 1996 through mid-January 1997, which prohibited the Philippine Secretary of Agriculture from implementing the quota allocations. Most recently, the Philippines, as of April 28, 1997, had not yet announced the distribution of quota allocations among the four quota holding groups (producers, processors, traders, hotels/restaurants). This failure to announce quota allocations has a chilling effect on imports.

On February 24, 1997, the U.S. announced its intention to request WTO consultations with the Philippines given the failure of that country to honor its Uruguay Round pork market access commitments. The first round of consultations were held on April 30th in Geneva. The European Union and Canada have joined the U.S. in the WTO consultations with the Philippines. If the matter is not resolved through consultations, the U.S. can ask for the formation of a WTO dispute settlement panel.

In the meantime, the U.S. Meat Industry Trade Policy Council, which includes the American Farm Bureau Federation, the American Meat Institute, the American Sheep Industry Association, the National Cattlemen's Beef Association, the National Pork Producers Council, and the U.S. Meat Export Federation, have requested USTR to review the eligibility of the Philippines under the U.S. Generalized System of Preferences program. The GSP program provides certain beneficiary developing countries such as the Philippines with duty free status for certain exports. The U.S. is under no national or international obligation to provide GSP benefits. One of the factors that the U.S. must consider in determining whether to extend GSP eligibility to a country is the market access provided by such country to U.S. products.

The GSP review provides the U.S. with significant additional leverage in its efforts to have the Philippines comply with its WTO obligations on pork. The U.S. can exclude all Philippine products from GSP benefits or the U.S. can limit the exclusion to a select group of products.

If the Philippines properly opened its pork market, the U.S. pork industry would capture at least one-third of the 32,520 TRQ. More likely, the U.S. would capture two-thirds of the TRQ. Consequently, the Philippine violation currently is costing the U.S. pork industry at least \$40 million and up to \$80 million in forgone export revenues annually.

#### **NFFC SUPPORTS THE VALUE-ADDED AGRICULTURAL PRODUCTS MARKET ACCESS ACT OF 1997 (S.219)**

The purpose of S.219, introduced by Senator Daschle and co-sponsored by Chairman Grassley, is to secure the highest level of market access for U.S. value-added agricultural products. The bill operates like the current "Special 301" provision for intellectual property, which authorizes USTR to single out "priority foreign countries" that engage in practices that adversely affect trade in U.S. intellectual property products. NFFC supports this legislation which will insure that important agricultural trade matters receive high priority from the U.S. government.

Statement by  
 Senator Orrin G. Hatch  
 before the  
 Subcommittee on International Trade  
 Committee on Finance  
 United States Senate  
 May 15, 1997

Hearing on U.S. Agricultural Exports  
 and Foreign Market Access

---

Mr. Chairman, I commend you for calling this timely and important meeting on agricultural trade, and welcome our many witnesses. All members of the Senate have an agricultural interest. And, we all seek to preserve and promote it, even though the size of this sector relative to other business activities obviously varies from state to state.

**Cultural Value of US Agriculture**

U.S. agricultural exports are running a \$30 billion surplus, and have increased by more than 40 percent since 1992. Along with technology, and food, feed and beverage exports, agriculture plays a pivotal, and I would add, legacy role in foreign trade. Agriculture is, after all, the most traditional of all American exports, dating back to our colonial period.

I hasten to add, parenthetically, that it is for this reason that I have always rejected the arguments made by our European Union friends that their agricultural base is worthy of protection. Family farms and, now, the other elements of the agricultural sector, have no less a major cultural significance in our much younger society.

**Obstacles to Fair Trade in Agriculture**

The competitiveness of our farms, in terms of both price and quality, is the framework objective that numerous rounds of GATT have tried to employ in overcoming subsidies and other protectionist and anti-competitive practices. It is because of the difficulties in achieving a commonly acceptable, universal agricultural competition standard, that the U.S. must insist on unilateral defenses against dumping and other foreign unfair trade practices. We cannot forget the generous overtures to eliminate U.S. agriculture subsidies that we made to the EU during the Bush and Clinton Administrations.

Regrettably, we have not made much progress, despite the very best efforts of our successive U.S. Trade Representatives. Today, the U.S. Department of Agriculture estimates that \$5 billion of our farm exports are blocked by phytosanitary barriers, other than tariffs. These barriers are boldly real, in

some cases, existing in the form of frivolous demands, like EU genetic-labeling; this particular ban on genetically modified organisms - or "GMOs" - in feed and seed imports has absolutely no scientific basis. But there are also "phantom" barriers, and even insidious cultural barriers that are unwritten, such as the longtime Japanese resistance to American-grown rice, an area where there has been progress, I'm pleased to report.

#### Good Negotiation Skills Make A Difference

Mr. Chairman, I, for one, welcome the quality of our trade negotiators at USTR, and in particular Carla Hills, Mickey Kantor and, now, Charlene Barshefsky. In the specific case of Japan, which I mentioned moments ago, they are building on the rice success. More recently, the USTR has raised the ante for Japan - the U.S. negotiators abandoned futile informal agricultural talks and moved for formal action at the WTO level, beginning with consultations. The talks have focused on apples, and other orchard fruits of concern to my state of Utah, as well as to many other coastal and intermountain states. After years of providing documentation on the health benefits and sanitary safety of these products, seemingly endless Japanese demands for still more evidence continue, despite a total absence of science in the formulas for excluding US products.

#### The Special Case of China

Mr. Chairman, I also commend the USTR negotiators on their aggressive pursuit of reforms in China's agricultural import policies. My particular concern resides with China's use of State Trading Enterprises (STE). These entities, in my judgment, pose potential barriers to the operation of trade as envisioned and agreed upon by WTO members. I commend my colleagues who have introduced bills seeking closer US scrutiny of STE operations in China as well as other countries, such as Russia and Ukraine. The STE must be brought into compliance with WTO before the U.S. closes with China's WTO accession demand.

China's agricultural markets are important to us, and I understand - and even share - the Administration's enthusiasm for a deal with China. However, for my part, there is much spadework to be done beforehand. It includes the elimination of agricultural tariffs in China, the maintenance of certain zero-tariffs in Hong Kong, and the erasure of non-tariff barriers for US agricultural products.

The details remain to be hammered out in any U.S. support agreement for Chinese accession. I must caution my friends at USTR that the Senate cannot endorse something it has not seen. Minimally, I would like to see China take the same type of bilateral approach with the US that was accomplished in executing the protocols for US apple and cherry exports. In my state, Utah, where eight percent of cherry production goes to the export market, cherries have been closed out of China - as well as Japan - for too long. The bilateral protocol proved to be a skillful negotiation tool for changing that situation, and much credit ought to go to the USTR.

Again, Mr. Chairman, I commend your foresight and thank the chair for this opportunity to comment.

**Statement by Ambassador Lang  
Deputy US Trade Representative  
Before the Senate Finance Trade Subcommittee  
May 15, 1997**

Mr. Chairman, members of the Committee, it is a pleasure to be here today to talk to you about US agricultural trade issues.

Today, I would like to touch briefly on recent successes in U.S. agricultural exports and discuss how we have used the GATT Uruguay Round and NAFTA agreements to improve agricultural market access. I will also outline our plans to open new markets in the future.

### **GATT Uruguay Round and NAFTA**

#### **Agricultural Success Statistics**

Three years ago, we concluded the NAFTA negotiations and two years ago, we finalized the GATT Uruguay Round agreement. We have witnessed remarkable growth in our agricultural exports in recent years, in part as a result of the new markets we opened during these negotiations.

For example, in 1995, the U.S. set a historical record by exporting \$54.6 billion worth of agricultural goods. In 1996, U.S. agricultural exports did even better by climbing to \$59.8 billion, another new record. Incidentally, this represents a 40.4% increase in agricultural exports since 1992 when this Administration took office. Also since 1992, US agriculture has become the single largest net exporter of goods.

Already today -- one out of every three farm acres in America is dedicated to exports. 50% of our wheat acres, 57% of our rice acres, 37% of our soybean acres, 24% of our corn acres, 35% of our fruit and vegetable acres and 42% of our cotton acres are dedicated to producing product for export. In fiscal year 1996, new highs were reached in fresh, frozen and chilled red meat exports, \$4.3 billion, and in poultry meat exports, over \$2.4 billion. Also in 1996, "Consumer-oriented" agricultural exports reached a new high of \$20 billion. This is a 32% increase over 1992.

In 1990, before NAFTA and our bilateral agreements with East Asia, we exported \$1.6 billion in beef every year. 5 years later -- after we opened the doors -- we exported \$1.7 billion to Japan alone. Last year beef and veal exports to Mexico alone jumped nearly 80%.

#### **How we are using the WTO to benefit U.S. agriculture**

These days, we hear a lot about US trade deficits. I'm happy to report that US farmers and agribusiness this last year created an estimated \$27.4 billion trade surplus -- the largest ever.

These statistics are very encouraging and they reflect in part an already aggressive campaign by this Administration to open agriculture markets around the world. Let me cite a few examples of how we are using the GATT 1994 Agreement on Agriculture and both the NAFTA and WTO Agreements on Sanitary and Phytosanitary measures to further open export markets for U.S. agriculture.

During the Uruguay Round, we negotiated new access to Japan for U.S. pork. As a result of these negotiations, U.S. pork exports increased 60%. During the Uruguay Round we also secured market access for U.S. orange and grape exports to Korea. Our grape exports to Korea quadrupled as a result of this agreement and our orange exports jumped from \$1.7 million in 1994 to \$14 million in 1996. We've used the sanitary and phytosanitary principles in the NAFTA and the Uruguay Round of the GATT to open markets for cherries, citrus, apples and meat. U.S. citrus exports are now entering Thailand, Brazil and Mexico, and U.S. apples are being sold in Japan as a result of reduced sanitary and phytosanitary barriers.

We are using the WTO Committee on Agriculture to aggressively pursue member countries that are not fully living up to their Uruguay Round commitments on agriculture. The Committee on Agriculture is an effective forum for applying multilateral pressure in cases where tariff-rate quotas have not been opened or are being administered in such a way as to deny market access and in instances where export subsidy and domestic support commitments are being circumvented.

We have also used the Committee on Agriculture as the first point of pressure in pursuing cases which ultimately lead to dispute settlement, for example, the Philippines pork and poultry consultations and the Hungary export subsidy case. The Philippines continues to place barriers in the path of U.S. exports of pork and poultry. Consultations were held with the Philippines on April 30. We are considering our next steps on this case.

Hungary violated its WTO export subsidy commitments in both 1995 and 1996. Despite protracted consultations to get them to comply, they have not. Four countries (Australia, New Zealand, Argentina and the United States) requested the formation of a dispute panel. We are currently in the process of selecting panelists.

As you know, some of our fruit and vegetable exports face unjustified sanitary and phytosanitary barriers. For example, Japan continues to require lengthy variety-by-variety testing before it will grant export approval for additional U.S. fruit varieties. We believe Japan is stalling because of domestic political considerations. We've had enough. We requested consultations with Japan and will hold these consultations on June 5.

#### **WTO Dispute Settlement Successes**

As a result of our WTO case, Korea has converted to a manufacturer's shelf-life system which will significantly open the Korean market to US agricultural products. We requested a

WTO panel which resulted in the EU agreeing to implement the cumulative recovery program for brown rice and certain duty reductions for malting barley.

U.S. exports of beef produced with growth promotents are banned by the European Union. We took this case to the WTO, arguing that the ban is a violation of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures of the GATT 1994. The interim report affirmed our position that such measures should be based on scientific principles. We expect the final report to be issued in mid-June.

### Current efforts and future plans

We have fought and successfully ensured that bio-engineered products are getting access to the EU. As part of this effort, the US has urged the EU to begin streamlining its approval process so that GMOs are treated fairly and are consistently, and reviewed on a scientific basis in a timely and transparent manner. I should mention however, that the EU has recently proposed labeling and/or segregation of bio-engineered products. We find these developments very troubling and you can be assured we are watching the EU closely.

We see three broad areas of current and future work on agricultural market access issues:

First, we will continue to use the WTO Committee on Agriculture to put pressure on member countries to fully implement their Uruguay Round commitments and to address emerging agricultural trade problems like tariff rate quota administration, state trading enterprises, domestic support and export subsidies. We will also back up our efforts with WTO dispute settlement and aggressive use of US trade laws where necessary.

Second, all WTO accessions must proceed on a commercial basis. In all cases, agricultural issues must be appropriately resolved or there will be no entry into the WTO.

Third, we are beginning to prepare for the next round of negotiations so that the process of reform can pick up where the Uruguay Round left off.

The bottom line is that U.S. agriculture needs to remain committed to the goal of more open world markets, and we need to keep other countries moving in that direction. This Administration is very committed to that task.

### Regional Initiatives

We are also committed to using regional strategies to continue to grow U.S. agricultural exports.

Under the umbrella of the Free Trade Area of the Americas (FTAA), three hemispheric working groups have been created that will focus directly on agricultural interests. One group

will address market access, another sanitary and phyto-sanitary issues, and a third will address anti-dumping and countervailing duty issues and subsidies. We will ensure that the work done by these working groups reflects this administration's strong support for US agricultural trade interests.

The immediate objective of the Administration is to ensure that the Trade Ministers decide on how and when to launch these negotiations. This hemisphere is our single largest and fastest growing market. We must compete in it head-on.

We believe that it is critical that the United States help shape the free trade agenda in the Americas by working with Chile to lay the cornerstone to the Free Trade Area of the Americas.

We also hope to use the Asia-Pacific Economic Cooperation Forum (APEC) to shape the free trade agenda in the Pacific Rim. APEC economies account for over half of the world's GDP. Nearly 43 percent of our agricultural exports go to Pacific Rim countries. Last year, the APEC member countries laid the foundation to achieve free and open trade and investment by the year 2010 for industrialized economies and 2020 for developing ones. APEC's commitment to comprehensiveness means that no APEC economy can exclude agriculture from the goal of free and open trade. This year, an APEC task force will complete the analytical work that will help determine how best to move forward toward this goal.

### Conclusion

The Clinton Administration has fought hard to expand free and fair trade. Market opening initiatives have been and will continue to be the driving force of international trade policy. Future prosperity on the farm, in the countryside and in our nation's cities depends on our continued success in opening up new markets and tearing down trade barriers. Failure to do otherwise would hurt farmers, city dwellers and our nation as a whole.

As you know, the Administration plans to seek fast track negotiating authority. In order to expand markets for agriculture and other U.S. industries, it is necessary that we have fast track negotiating authority. I hope we can count on your support as we move forward in this dynamic process.

Thank you.



**Question Submitted by Senator Moseley-Braun  
Senate Finance Subcommittee on Trade  
Hearing on Market Access for U.S. Agriculture Exports  
May 15, 1997**

**Question:** I would like to direct this question to Ambassador Lang. As I mentioned in my opening statement, pork exports are very important to my home state of Illinois. Unfortunately, American pork products are routinely discriminated against by many of our important trading partners, including China, Taiwan, Japan, the Philippines, South Korea, Australia, South Africa and Argentina. Can you tell me what efforts USTR and other interested government agencies are taking to ensure that the Uruguay Round commitments on pork are being adhered to and barriers to U.S. pork exports are being dismantled?

**Answer:** The American pork industry exported a record 413,166 metric tons of pork and pork variety meats in 1996, valued at \$1.1 billion. This is a 577 percent increase in export volume since 1986. According to an independent research firm in Denver, Colorado, CF Resources, the export sales were responsible for 8.8 percent of the wholesale value of total U.S. pork production last year and added \$14.78 per head to the value of slaughter hogs. Japan, Canada, Russia, Mexico, Korea, Hong Kong and Taiwan are our largest markets.

Our pork exports to Japan set a new record in 1996. U.S. exports of fresh, chilled and frozen pork to Japan totaled 170,000 tons compared with 1994 exports of 81,000 tons. The concessions we obtained from Japan in the Uruguay Round played a large role in expanding our exports to our largest market. During the Uruguay Round negotiations, the Japanese agreed to bring their gate price (minimum import price) on pork imports down to a level which more closely approximated the free market system. This made us more competitive with imports from Taiwan and Denmark. A recent outbreak of foot and mouth disease in Taiwan, Japan's largest supplier of pork, should ensure that U.S. exports to Japan continue to set a new record in 1997.

Combined with the commitment to reduce the gate price came a negotiated safeguard for the Japanese to prevent sudden surges in imports. When the safeguard is triggered, the gate price rises by 24 percent. Imports of fresh and chilled, high valued pork into Japan are less affected by the increase in the gate price. Almost 45 percent of our pork exports to Japan in 1996 were of fresh product. Unfortunately, low valued, frozen pork is unattractive to import when the safeguard is triggered. We have told the U.S. pork industry we would certainly be receptive to suggestions from them for improvements to the system, which could serve as the basis for new discussions with Japan on this matter.

Market access for meat products is a critical part of our WTO accession discussions with China. In the May session of the WTO working party, China indicated it will be presenting revised market access offers in late July. U.S. negotiators will press hard in bilateral access talks for market access commitments for U.S. meat exports.

Until June 1, the only pork legally allowed into China was for hotel and restaurant use. China recently began a one-year "trial" of retail importation of pork, beef and poultry. The trial program allows imports of pork, beef and poultry for China's retail market, but only from two U.S. packing plants. While the new regulations are a step in the right direction, we are seeking access for all our Federally inspected production plants.

Market access for U.S. agricultural products is also a critical part of our negotiations with Taiwan on its accession to the World Trade Organization. Taiwan's market is virtually closed to some U.S. agricultural products, especially pork and poultry byproducts. Our agricultural community believes that Taiwan is a potentially large market for them. In the pork sector alone, they believe that sales could reach many times the current level of about \$20 million a year. As noted above, Taiwan is currently experiencing an outbreak of foot and mouth disease affecting its hog population. As a result, the Japanese have banned imports of Taiwan pork for the moment. Over the long term, however, U.S. and Taiwan pork will compete in the Japanese market. High levels of protection of pork products in Taiwan act as a subsidy to Taiwan's pork exports. So, Taiwan's trade barriers in pork affect U.S. pork exports not only to Taiwan but to Japan as well. We will not conclude our negotiations with Taiwan on WTO accession without receiving commitments that result in genuine market access for pork and other agricultural products.

On July 1, 1997, Korea eliminated their quota on imports of frozen pork and switch to a tariff-only regime. While the tariff increased from 25 percent ad valorem to 35 percent ad valorem, we expect to see a substantial increase in U.S. pork exports to Korea as result of the import quota liberalization.

In the Uruguay Round of multilateral trade negotiations, the Philippines committed to establish a tariff-rate (TRQ) quota for pork. However, the Philippines' implementation of the tariff-rate quota, in particular the delays in permitting access for the in-quota quantities and the licensing system used to administer access to the in-quota quantities, appears to be inconsistent with the WTO obligations of the Philippines. Therefore, on April 30, the U.S. (joined by Canada and the EU) held WTO dispute settlement consultations with the Philippines. Unfortunately, the Philippines provided no concrete assurances that its market access commitments would be honored. In June 1997, the Government of the Philippines initiated a review of its system of TRQ administration intended to implement changes to bring its TRQ administration policies into conformation with WTO obligations. We will vigorously pursue dispute settlement procedures if our concerns are not satisfactorily addressed. We will keep you informed of our efforts on this important issue.

Sanitary requirements affect our pork exports to Australia, South Africa and Argentina. South Africa is concerned about three diseases: Transmissible Gastroenteritis (TGE), Porcine Respiratory Syndrome (PRRS) and Pseudorabies. USDA's Food Safety Inspection Service (FSIS) is working with the South Africans to convince them that the possibility of transmitting TGE and PRRS in frozen pork is negligible and that Pseudorabies is not transmitted in raw pork. Argentina restricts

**Questions Submitted by Senator Charles E. Grassley  
Senate Finance Subcommittee on Trade  
Hearing on Market Access for U.S. Agriculture Exports  
May 15, 1997**

**Question 1:** The Mexican government recently began an anti-dumping investigation of U.S. corn sweetener imports. What is the status of that investigation? What will the administration do to prevent imposition of duties or quotas on high fructose corn syrup shipments to Mexico?

**Answer 1:** In a June 4 letter to Mexico's SECOFI, we expressed our concern with the antidumping investigation being conducted by Mexico on imports of high fructose corn syrup (HFCS) from the United States.

On June 25, Mexico's SECOFI issued a preliminary finding of dumping in its investigation of alleged dumping of HFCS from the United States. The decree imposed compensatory duties ranging from 61-102% on four U.S. companies and 102% on all other companies. Mexico's National Sugar Chamber brought the original complaint.

We are very concerned about the impact these provisional duties may have on our domestic production of HFCS and are currently consulting with industry to determine our next steps on this matter.

**Question 2:** What is the status of our negotiations with China on their accession to the WTO as it relates specifically to market access for U.S. pork imports?

**Answer 2:** In the March session of the WTO working party, China agreed to "trading rights" language that would allow foreign enterprises and individuals to trade most products, including pork, within 3 years upon accession. Currently, only Chinese companies are licensed to import pork.

In the May session of the WTO working party, China indicated it will be presenting revised market access offers in late July. U.S. negotiators will press hard in bilateral access talks for market access commitments for U.S. meat exports.

Until June 1, the only pork legally allowed into China was for hotel and restaurant use. China recently began a one year "trial" of retail importation of pork, beef and poultry. The trial program allows imports of pork, beef and poultry for China's retail market, but only from two U.S. packing plants. While the new regulations are a step in the right direction, we are seeking access for all our Federally inspected production plants.

**Question 3:** The U.S. Customs Service last year published a proposal that would require that the country of origin marking for frozen produce with imported content appear on the front panel of the product, instead of the back or side where it has been required for sixty years.

I am concerned about the retaliatory effects U.S. food producers may experience when exporting product abroad should these proposal become a reality. I am interested in your thoughts regarding the potential for retaliation by our trading partners to these new U.S. country of origin marking requirements, and in learning whether USDA or USTR have expressed a position on the Customs proposal.

In addition, some of our trading partners have stated that the front panel country of origin marking proposal for frozen produce violates Annex 311 of the North American Free Trade Agreement. If the U.S. promulgates country of origin marking requirements which are perceived to be in violation of the spirit of NAFTA, is it reasonable to assume our NAFTA trading partners would promulgate similar rules or take the U.S. to a NAFTA dispute settlement panel?

**Answer 3:** It is our understanding that the U.S. Customs Service proposal with regard to country of origin marking for frozen produce with imported content is the subject of ongoing rule-making procedures. The Treasury Department informs us that the matter is still under evaluation in light of the public comments that were received as part of these procedures. Accordingly it is not appropriate to speculate on the outcome of that process or on whether there would be any reactions from U.S. trading partners. USTR has not conveyed a position on this matter to the Treasury Department. If U.S. food producers or others have any views or concerns regarding the proposal, we would encourage them to ensure that they have been brought to the attention of the regulatory authorities at the Customs Service and Treasury Department so that those authorities may take those comments into account in deciding on any final rule.

When foreign governments have instituted country of origin labeling on imported products, as in the case of Japanese and Korean labeling requirements on fruits and vegetables, we have expressed our concern that such measures can adversely affect our exports by raising costs and have the potential to be used as unjustified barriers to trade. These concerns have been voiced by many U.S. industry representatives in response to foreign labeling requirements, and could similarly be raised by our trading partners in opposition to the proposed legislation.

Questions Submitted by Senator Bob Graham  
Senate Finance Committee  
Hearing on Fast Track Trade Negotiating Authority  
June 3, 1997

**Question 1:** Do you agree that specific rules relating to perishable agricultural commodities are lacking in the NAFTA and the GATT? Would you agree that these rules are of critical importance to the next round of talks on the FTAA? What are you doing to address this need for specific rules and would you support a measure to establish these rules?

**Answer 1:** Noting the special concerns of producers of perishable agricultural commodities, we negotiated a 15 year phase-out for a number of perishable commodities and special safeguard provisions for agricultural goods in the NAFTA. In addition, the dispute settlement procedures in both the NAFTA and the GATT 1994 provide for expedited treatment of perishable agricultural commodities. We will keep the concerns of producers of perishable agricultural commodities in mind as we develop positions for future negotiations, including those under the FTAA and WTO.

**Question 2:** We feel that the safeguards designed to protect our domestic industry from serious injury have been ineffective. Would you support amendments to these safeguards that would protect the perishable agriculture industry?

**Answer 2:** A special mechanism exists in the current U.S. safeguard law (section 201 *et seq.* of the Trade Act of 1974) for perishable agricultural products. Under this mechanism an entity representing a domestic industry that produces a perishable agricultural product or citrus product may petition the U.S. Trade Representative for monitoring of imports by the U.S. International Trade Commission (ITC). Where ITC monitoring has taken place for at least 90 days, an entity representing the industry may request an expedited ITC injury determination for purposes of applying provisional relief. We would be happy to discuss your specific concerns over whether current law is adequate with respect to perishable agricultural products.

**Question 3:** Previous trade petition decisions, as well as current negotiated language in the Uruguay Round of the GATT, set the tariff and scheduled tariff phase out for orange juice, a highly sensitive agricultural product. Will this continue to be the U.S. position in upcoming trade negotiations?

**Answer 3:** Recognizing the sensitivity of orange juice imports to our domestic industry, the United States agreed to a 15 percent tariff reduction on citrus, the minimum tariff reduction allowable in the Uruguay Round. There is no phase-out of U.S. tariffs on citrus under this agreement. In addition to the minimum tariff cut on citrus, it should be noted that we were very successful in negotiating significant tariff cuts in other markets and in opening new markets for U.S. citrus exports. For example, the EU cut export subsidies for citrus, Japan and Thailand agreed to lower tariffs for oranges and grapefruit, and Switzerland eliminated its grapefruit juice tariff.

Market access was also secured during the Uruguay Round for U.S. orange and grape exports to Korea. U.S. orange exports filled Korea's entire quota of 15,000 tons in 1995 and 20,000 tons in 1996. U.S. orange exports to Korea are expected to further increase this year, as a consequence of Korea's Uruguay Round commitment to liberalize orange imports, effective July 1, 1997.

Regarding upcoming trade negotiations, we are just beginning to prepare for the mandated restarting of 1999 negotiations in agriculture in the WTO. We will keep your concerns in mind as we develop positions for these negotiations.

**Question 4: What are the details of the agreement that you have worked out with the Congressional leadership regarding action on the Administration's Fast Track proposal? Exactly what commitments do you have from Senator Lott? What commitments do you have from Speaker Gingrich, Chairman Archer, and Chairman Crane?**

**Answer 4:** The Administration intends to forward a fast track proposal to the Congress in September. This intention was discussed with Congressional leadership before being announced this summer. Congressional leadership indicated they would look forward to receiving the proposal in September and would attempt to move it as expeditiously as possible.

**Question 5: In a November 16, 1993, letter (attached) to my former colleague Representative Tom Lewis, President Clinton stated, "I am committed to take the necessary steps to ensure that the USTR and the ITC take prompt and effective action to protect the U.S. vegetable industry against price based import surges from Mexico." What actions has the USTR embarked upon to keep this commitment?**

**Answer 5:** During the 1995-96 winter vegetable season, USTR along with other Departments in Administration, undertook the most comprehensive approach ever taken to assist U.S. vegetable producers affected by import surges from Mexico. As a part of this approach, USTR held a number of meetings with representatives from the U.S. tomato industry to seek their input on the appropriate steps to address the increased volume of tomato imports from Mexico. One idea that was generated in these meetings was to modify the tariff-rate quota (TRQ) period for tomato imports. Accordingly, USTR published an Advance Notice of Public Rulemaking to implement weekly TRQs on December 14, 1995. In addition, USTR supported legislation introduced by Senator Graham to amend U.S. safeguard law specifically for cases involving seasonal products.

The Administration also modified U.S. Customs Service procedures to begin collecting the over-quota duties on the tariff-rate quotas (TRQ) on tomatoes and other vegetable imports from Mexico once TRQ is 85 percent filled, and took steps to ensure that all Mexican produce was fully inspected to compiled compliance with U.S. heal, quality and grading standards. The Administration also compiled daily price and shipment data on Florida and Mexico and published a special daily report for the Florida industry from February 22 through May 10 on Mexican tomato import prices and volumes. During this period, the industry filed an antidumping case which resulted in the suspension agreement now in effect.

**Question 6: Are mechanisms provided for in the U.S. Trade Law (Section 201) adequate to address the concerns of perishable agricultural products? Should the issue of perishable agricultural products be taken into account when negotiating future trade agreements?**

**Answer 6:** With regard to the first part of the question, see the response to question 2. With regard to the second part of this question, yes, we believe the issue of perishable agricultural products should be taken into account in the negotiation of future trade agreements.

**Question 7: Can U.S. Trade Law recognize the seasonality of an industry? What can Congress do to assure that U.S. Trade Laws respond to seasonal nature of industries?**

**Answer 7:** While seasonality is not explicitly mentioned in the U.S. safeguard law, the law does provide that, in its injury determinations, the ITC is to take account of all economic factors which it considers relevant. We would be happy to discuss your specific issues with regard to the seasonal nature of industries that would be of concern to Congress.

**Question 8: Is the filing of a dumping suit the only avenue for domestic industry to negotiate with other countries? Should U.S. Trade Laws provide other avenues through which domestic industries can negotiate with foreign industries?**

**Answer 8:** Antidumping and countervailing duty investigations are administrative proceedings that can result in the imposition of additional duties to offset the extent to which dumping or subsidization is determined to exist. While there are provisions in the antidumping law for the Commerce Department to suspend an antidumping investigation, this process does not involve industry-to-industry or industry-to-foreign government negotiations. In considering whether to suspend an antidumping investigation, the Commerce Department is required to consult to the extent practicable *inter alia* with potentially affected producers in the domestic industry. There are additional provisions of U.S. trade laws that address unfairly traded imports and increases in imports such as Section 201, Section 301, and Section 337. These trade laws also do not provide for the domestic industry to negotiate with foreign industries. Industry to industry negotiations could raise serious antitrust concerns, for example, if discussions involved issues relating to market share, pricing, and levels of shipments.

**Question 9: Can we look to the current suspension agreement between the Department of Commerce and the Mexican tomato industry as a model by which other disputes can be solved?**

**Answer 9:** The Commerce Department and Mexican tomato growers finalized an agreement on October 28, 1996 to suspend the antidumping investigation on tomatoes. We believe this agreement is a very workable solution in that it provides added stability and transparency for our tomato industry and suppliers and does so without detectable effects on consumers.

Antidumping investigations are rarely resolved through a suspension agreement. The antidumping law provides for different types of suspension agreements. The suspension agreement on tomatoes is an agreement to eliminate the injurious effects of exports to the United States under section 734(c) of the antidumping law. Section 734(c) requires the Commerce Department to determine that "extraordinary circumstances" are present in order to consider a suspension agreement of this sort. It would therefore only be in those circumstances that extraordinary circumstances are determined to be present that a suspension agreement might be appropriate.

**STATEMENT OF  
THE AMERICAN FARM BUREAU FEDERATION  
TO THE  
SENATE FINANCE COMMITTEE  
INTERNATIONAL TRADE SUBCOMMITTEE  
REGARDING  
MARKET ACCESS ISSUES FOR U.S. AGRICULTURAL EXPORTERS**

**Presented by  
Jack Laurie, President  
Michigan Farm Bureau**

**May 15, 1997**

Thank you, Mr. Chairman, for the opportunity to provide testimony for this important hearing. I am Jack Laurie, president of the Michigan Farm Bureau, and a member of the board of directors of the American Farm Bureau Federation, the nation's largest general farm organization representing more than 4.7 million member families. I am pleased to have this opportunity to discuss with you our concerns and hopes for future world trade growth.

The American Farm Bureau Federation is a strong supporter of freer and more open trade. We worked hard to secure passage of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) as well as the North American Free Trade Agreement (NAFTA). We also strongly support Most Favored Nation (MFN) status for China as a protection against unreasonable tariffs for U.S. products. In addition, we support fast track authority for the negotiation of future treaties. Fast track is critical to future negotiations, especially in the 1999 renegotiation of the agriculture agreement of the Uruguay Round and for adding other nations to NAFTA. There will be no reason for other countries to take us seriously in these negotiations if we do not have fast track in place.

American farmers can compete in any market in the world if they are given the tools and free market access. We know that we face very strong competitors around the world, but U.S. agricultural and food products have always enjoyed an enviable reputation with international consumers.

U.S. farmers, as a whole, are satisfied with the Freedom to Farm Act of 1996. With the expectation of freer markets for our products, our farmers are looking toward various risk management tools and freer trade. While having just experienced a year of generally better prices and growth in export sales, farmers are still questioning if our trade agreements are really working. Many farmers do believe the export numbers, which tell us these agreements are working. However, there are concerns at the grassroots level about either certain commodities or specific issues like the European Union-United States hormone case we appear to have won. To find support for future trade legislation, producers must see more positive actions.

It is critical that the President comes forward with a fast track negotiating authority proposal that



can be passed by Congress. We believe a clean fast track -- free of labor, environmental and social issues is critical to future negotiations. Renegotiation of the Uruguay Round is due to begin in 1999 and preparatory work is needed now. Why would any trading partner want to negotiate with the US without fast track? Indeed, some have already said they will not waste their time.

If we are going to be in a position to trade competitively with our neighbors in the Americas we need to be negotiating now. We are going to find that our neighbors may have negotiated some agreements not to our liking if we are not soon in a position to join in the process. We believe Canada has reached an agreement with Chile that would continue to protect its dairy, poultry and other supply-managed sectors in much the same way that resulted in our disastrous loss in the recent International Trade Commission (ITC) on dairy and poultry.

MFN for China must move through Congress without being encumbered by human rights issues. We are all concerned about the people of Hong Kong and its future as a major trading center. However, structuring trade policy based on what "might" happen there will not move us any closer to resolving our trade issues with China.

We are currently considering the ground rules for accession of China and Russia into the World Trade Organization. These negotiations must result in their entering as "developed markets" and only on a "commercially viable basis."

We must also have strong and fully funded trade promotion and market development programs such as the Market Access Program, the Foreign Market Development Program, the Dairy Export Incentive Program and the Export Enhancement Program to compete with the Europeans and other global competitors.

We are also extremely concerned whether genetically modified organisms (GMO's) will be received or denied entry into the EU. The EU continues to ignore sound science when considering approval of these commodities.

Last year, the United States exported \$60 billion of agricultural goods to our trading partners. We also imported \$30 billion worth of agricultural goods, giving us a solid trade surplus of \$30 billion. To continue this excellent record, the United States needs to remain involved in lowering barriers and creating more open trading systems in all countries. It is important that our industry have a position in the negotiations and agriculture must remain on the full agenda of all trade negotiations including, the General Agreement on Tariffs and Trade 1999, the Asian-Pacific Economic Cooperation (APEC), Free Trade Act of the Americas (FTAA), Organization for Economic Cooperation and Development (OECD)/CODEX and future EU-North America discussions.

To keep our agricultural industry competitive we must continue to challenge the EU and our other trading partners who do not live up to their commitments. The U.S. Department of

Agriculture (USDA) and the U.S. Trade Representative (USTR) must have adequate financial resources to carry on the fight for opening and expanding markets.

I heartily applaud Ambassador Charlene Barshefsky in her move to designate a deputy ambassador for agriculture. We believe that the position of deputy trade ambassador for agriculture should be established by statute. A deputy ambassador for agriculture at USTR and continued close coordination with USDA are critical for successful long-term agricultural trade and expanding market access.

We must look at the overall picture of what it will take for the industry to meet future market needs. These needs go beyond international agreements and treaties. A great number of issues must be faced up to and resolved right here at home, if our producers are to compete successfully.

#### **Regulatory Reform:**

Regulations define trade practices and set minimum standards for a wide range of agricultural production and marketing practices including meat inspection, phytosanitary standards, payment terms for agricultural commodities and many others.

Since regulatory costs are incorporated into the prices of everything we buy and sell. Higher regulatory costs jeopardize the competitive edge that we have in the international marketplace.

#### **Research and Education:**

Funding to continue both public and private research is critical to our future ability to lead the world in production, processing, marketing. Farm Bureau policy states that it is critically important for the United States to have an effective leading-edge national food and agricultural research and education system to support scientific, technological and economic advancements in an increasingly competitive global economy.

#### **Transportation Issues**

We must have adequate transportation infrastructure of roads, bridges, rail and trucking that provides safe, competitive, efficient and economic means of moving inputs and products to farms and to markets.

Many of our own transportation laws are working against us. Laws such as Cargo Preference and the Jones Act, designed to protect the maritime industry has created artificially high costs and noncompetitive captive shippers situations.

#### **Global Climate Change Treaty:**

The proposals to put greater defined limits on production agriculture in developed countries will result in major costs and a loss of competitiveness. At the same time, this proposal fails to address the developing areas of the world where little or no efforts are made to control air pollution.

These are just a few of the issues we face from within while trying to produce a cost competitive product for the international market.

Thank you for this opportunity to present some of our thoughts.

## MICHIGAN FARM BUREAU FAMILY OF COMPANIES

## BIOGRAPHY

## JACK LAURIE, PRESIDENT

Jack Laurie, Tuscola County dairy and cash crop farmer, was elected President of the Michigan Farm Bureau in 1986. He has been a member of the organization's Board of Directors since 1966 and served as that Board's Vice President from 1977 until 1986.

The Laurie Family operates a 1600-acre farm near Cass City. They produce feed grains, wheat, alfalfa, and soybean. They also have a 550 cow dairy herd. His sons are the third generation to operate the family-owned and managed farm.

Laurie graduated from Michigan State University in 1962 with a Bachelor's degree in Agricultural Economics. He was a member of the first class of the Kellogg Farmers Study Program in 1966.

He has served as a member of various industry organizations and associations including the Michigan Milk Producers Association, the Michigan Livestock Exchange, the Michigan Dairy Herd Improvement Association, and his local farmers' cooperative elevator.

He currently serves as a member of the MSU Development Fund Committee, and is a FFA Foundation Director.

He was appointed by Governor Engler in 1991 as Chairman of the State Fair Council; in 1993 as a member of the Michigan International Trade Coalition; and in 1994 as a member of the Task Force on Michigan Farmland and Agriculture Development.

On the National level, he has served as a member of the 7th District Federal Reserve Agricultural Advisory Council, and was appointed by the Secretary of Agriculture to serve on the National Commission on Dairy Policy and the Commission for the Improvement of Federal Crop Insurance Program.

In 1989, he was elected to the Board of Directors of the American Farm Bureau Federation representing the Midwest Region on the 26 member Board, and has currently been appointed by AFBF President Klockner to serve as a member of the AFBF Executive Committee representative for the Midwest Regional States.

He and his wife, Betty, have three children, Doug, David and Dana, seven grandchildren, and are active in local church and community affairs.

Prepared Statement of Hon. Carol Moseley-Braun

Mr. Chairman, I salute you on your decision to convene this hearing on market access barriers facing U.S. agriculture. With the president poised to present legislation seeking Congressional support for fast-track authority to negotiate new trade agreements, this hearing could not have come at a more propitious time.

The U.S. is the world's most competitive producer of food and agricultural products in the world. Last year, U.S. agricultural exports were almost \$60 billion, a new record. American agriculture's \$28.5 billion surplus makes it the largest positive export product industry in the United States. Similarly, U.S. meat and poultry exports exceeded imports last year. These facts conclusively show the importance of agricultural exports to the U.S. economy generally and the farm economy specifically.

The success of U.S. agriculture in the global marketplace is not by accident or happenstance. It reflects the hard work of American farmers, the affordability and quality of U.S. agricultural products, and the tenacity of U.S. trade negotiators and trade agencies who ensure that U.S. agriculture competes in a marketplace that is fair, non discriminatory and receptive to American products.

With all this good news, you would think that U.S. agriculture and meat producers would be universally successful in world markets. The truth of the matter, Mr. Chairman, is that many foreign markets remain closed to American farm products. Many countries engage in an array of unfair trade practices to protect their domestic agricultural, meat, and poultry industries from foreign competition. Unfair trade practices not only impede U.S. competitiveness and prevent American agriculture exports from reaching their full potential, they also take money out of the pockets of our farmers and deprive our nation of much needed tax revenue. Absent non-tariff and other barriers, U.S. agriculture would be even more successful in the global marketplace.

Motivated by my concern over market access problems and non tariff barriers facing U.S. agriculture, I co-sponsored S. 219, the "Value Added Agricultural Products Market Access Act of 1997" and S. 220, the "Fair Trade in Meat and Meat Products Act of 1997.

S. 219 would help USTR set priorities among the many foreign agricultural trade barriers facing U.S. products and create a "Special

301" procedure for value-added agricultural products that is virtually identical to that which exists for intellectual property products. S. 220 requires the USTR to determine whether the EU has failed to implement its obligations under certain trade agreements related to U.S. meat and pork exporting facilities. The bill also prescribes retaliatory measures. Two weeks ago, the United States and the European Union concluded negotiations on the Veterinary Equivalency Agreement. I support the broad objectives of this agreement and am eager to hear the views of industry representatives on how this agreement will affect U.S. meat and poultry imports and exports.

As you know Mr. Chairman, market access was one of the key U.S. negotiating objectives in the Uruguay Round negotiations. I would therefore, also be interested in hearing the views of the distinguished panelists on what measures they believe the government needs to take to increase market access and eliminate non-tariff barriers.

In addition to questions of market access, unfair trade practices and non-tariff barriers, one of our biggest challenges is ensuring that signatories to our international trade agreements honor their commitments under the terms of the agreements, fully implement the provisions of the agreements and abide by the spirit as well as the letter of the agreements. Hopefully Ambassador Lang and Mr. Drazek will be able to apprise the members of this subcommittee on what efforts our government is taking towards these ends.

Thank you again Mr. Chairman for your leadership on this important issue. As you know, soybeans, corn and pork are important to the economies of both my home state of Illinois and your home state of Iowa. Regrettably, each of these products faces restrictions and limits in foreign markets. Given the centrality and importance of these products to our states and agricultural exports to the U.S. economy, we, along with American farmers, agribusiness and meat producers, must do all we can to ensure that U.S. agriculture reaches its full potential and benefits from its comparative advantage in the international marketplace.

I look forward to working with you, the members of this subcommittee, my colleagues in the Senate and the Administration to bring down trade barriers to and expand export markets for U.S. agriculture.

**Testimony of  
Carl Peterson**

Mr. Chairman, members of the Senate Finance International Trade Subcommittee, I appreciate the opportunity to testify today. I am Carl Peterson, a dairy farmer from Delanson, New York. I serve as Chairman of the Board of Agri-Mark Inc., a dairy cooperative which represents 1,700 dairy farmers in New York and New England. Agri-Mark is a member of the Council of Northeast Farmer Cooperatives, a voluntary association of four dairy cooperatives representing more than 12,000 dairy producers throughout the Northeast.

I am pleased to be participating in this hearing on Market Access Issues for U.S. Agricultural Exports and I would like to thank Senator Moynihan for asking me to testify today. I will confine my comments primarily to export issues for U.S. dairy products.

Few dispute that the United States today is part of a dynamic global economy where potential new markets offer greater opportunities for exports. Exports of U.S. agricultural products in general have increased rapidly in the last few years. However, dairy exports remain small in comparison with total U.S. annual milk production. Currently, the U.S. exports about 3.5% of its annual milk production. This represents 5.5 billion pounds milk equivalent, total solids basis. Total sales of dairy products in the export market averaged about \$750 million in each of 1994 and 1995. Export sales for 1996 were \$710 million.

It is important to note that value-added products, such as specialty cheeses, have made significant advances in the export market in the last few years. At Agri-Mark we are in the process of selling one million pounds of Cabot Cheddar Cheese to England. We have also exported nonfat dry milk to Egypt and to a number of other countries. In addition, Agri-Mark, in conjunction with the three other member cooperatives of the Council of Northeast Farmer Cooperatives, has worked to set up an export trading company, called Export Dairy Inc., to further research and coordinate dairy product sales for our member cooperatives in the future.

I believe opportunities for increasing exports of dairy products look more promising over the next five to ten years. Analysis has shown that increasing dairy exports have a direct positive impact on the prices dairy farmers receive for their milk. Therefore, expanding exports will clearly benefit U.S. dairy farmers both in the short and long run.

The GATT and NAFTA free trade agreements have slowly started to help open markets for U.S. dairy products around the world. Tariffs in many countries will be steadily reduced over the next several years, which will offer the U.S. the opportunity to effectively develop new

export markets. At the same time, agricultural export subsidies from the European Union will be reduced, thereby allowing U.S. dairy products to compete more favorably in international markets. Other trade agreements in both South America and the Pacific Rim are under discussion and promise to further expand markets for all agricultural products, including dairy.

Our dairy cooperatives in the Northeast strongly supported the GATT and NAFTA free trade agreements and we expressed this support to the members of our Congressional delegations. I will address the market access issue with respect to Canada specifically in just a moment.

The passage of the Federal Agriculture Improvement and Reform Act of 1996 (FAIR) points the dairy industry in a much more "market-oriented direction." Although the federal dairy price support program was reauthorized by FAIR, giving USDA continued authority to purchase surplus cheese, butter and nonfat dry milk powder, the level of support will be reduced progressively and will terminate on December 31, 1999. The federal government will no longer purchase excess manufactured dairy products from the domestic market, and the U.S. dairy industry will need to increase sales in export markets to help maintain domestic price stability and provide for any significant expansion in U.S. dairy production.

The 1996 Farm Bill also requires the Secretary of Agriculture to maximize the volume of dairy products sold under the Dairy Export Incentive Program (DEIP), consistent with the U.S. obligations under GATT. It also allows USDA to "carry over" any unused allocations of dairy product subsidies under DEIP as long as they do not exceed the maximum value and volume limitations authorized by the Uruguay Round. Congress, through FAIR, intends that the use of DEIP be maximized during the five years governed by the current GATT agreement. In the past six years, DEIP sales have been instrumental in helping to bolster the U.S. presences in world export markets for cheese, milk powder and butter products. From 1991 to 1994, exports of bulk dairy products rose significantly, from 37,373 metric tons in 1991 to 174,179 metric tons in 1994. Due to higher domestic prices during 1996, DEIP sales have been somewhat lower in the last year. DEIP sales made through May 9 for this year's DEIP calendar, which ends June 30, totaled 53,521 metric tons, just 35% of the export subsidy volume allowed under the GATT agreement.

Having supported the NAFTA and GATT agreements, we in the dairy industry were displeased to see Canada dramatically increase its tariffs on U.S. dairy, egg and poultry products. As you know, in 1995 Canada imposed over quota tariffs of 250 to 350 percent on U.S. dairy, poultry and egg products. U.S. dairy products were effectively shut out of our neighbor's market to the north despite provisions for increased market access under the GATT agreement. Although the U.S. challenged the Canadian action before a NAFTA dispute panel, that panel voted unanimously to uphold Canada's imposition of the over-quota tariffs. That decision clearly seems to run counter to the increased market access provided by the free trade agreements.

At this time I would like to thank Senator D'Amato for his work on the Canadian access issue earlier this year, bringing the issue up to U.S. Trade Representative Charlene Barshefsky during her confirmation hearing before this committee and further elevating this matter within the Office of the U.S.T.R..

In short, Canadian market access would provide significant and needed opportunities to the dairy industry, both short and long term. As a dairy producer in New York State, I can't help but feel our industry in the Northeast is well positioned to capitalize on market opportunities to export fluid milk and value-added dairy products to the eastern population centers of Canada. New York and New England produce over 16 billion pounds of milk annually, accounting for approximately 11 percent of national milk production. An independent study by Penn State University estimated that potential sales for U.S. dairy products could reach up to \$1 billion annually -- if access to the Canadian market became a reality. Although this figure may be disputed as too high, there is no question that there are many opportunities for U.S. dairy products with improved access to the Canadian market.

As you know, Canada has a rigid supply management system that includes production quotas, as opposed to the U.S. which is a much more market oriented system. Canada's supply management system maintains prices to their producers that are significantly higher than domestic prices here in the U.S.. The current support price for manufacturing milk in Canada is 52% higher than the current U.S. federal marketing order minimum of \$11.44 per hundredweight. At the same time, Canada's supply management system carries out pooling practices which give its producers significant price advantages in world markets for bulk dairy



products. Both USDA and the U.S. Trade Representative are now pursuing negotiations with Canada over these pricing and pooling programs that appear to be contrary to NAFTA and WTO guidelines.

Unfortunately, it is apparent that the dispute on the Canadian tariffs on dairy will probably not be addressed again formally until the next World Trade Organization negotiation in 1999. However, the disappointments in the Canadian situation do serve to point out important considerations for future trade agreements. The dairy industry in the past has always been extremely supportive of our country's pursuit of free trade opportunities. Agriculture is the most difficult area for negotiators to be firm on in trade negotiations. Despite the many difficulties, our industry continued show our support, through multiple Administrations, for the further development of free trade agreements. However, as the recent experiences with the Canadian market access indicate, it is clear that the dairy industry is not receiving any of the benefits promised by these trade accords. I would have to say that given this turn of events, the dairy industry would be very reluctant to support "fast track" legislation for other free trade agreements in the future. Trade provisions for U.S. dairy products, and agricultural products as a whole, must be given high priority in future trade negotiations so that similar shortcomings are not again experienced in the future. Such trade matters need to be fully resolved in a way that will provide us with a level playing field with respect to foreign markets.

Again, I fully recognize the important role that emerging world markets will play in the U.S. dairy industry in the future. It is clear to me, however, that for any future trade agreements to be effective in providing significant opportunities to U.S. agriculture, and the U.S. dairy industry in particular, correction for these shortcomings must be given high priority in negotiations conducted by this Administration.

I would like to thank you for the opportunity to testify and I would be pleased to answer any questions.



## COMMUNICATIONS

---

### STATEMENT OF THE AMERICAN FROZEN FOOD INSTITUTE (SUBMITTED BY STEVEN C. ANDERSON, PRESIDENT AND CEO)

On behalf of the members of the American Frozen Food Institute (AFFI), I appreciate the opportunity to submit comments for the record regarding the Senate Subcommittee on International Trade's May 15, 1997, hearing on U.S. Customs Service oversight issues. In that regard, AFFI would like to express its opposition to a U.S. Customs Service (Customs) proposal to require front panel country of origin marking for frozen produce with imported content. The Customs proposal arbitrarily singles out the frozen produce industry for regulation that does not apply, nor has it been proposed to apply, to any other category of imported products, thereby overturning more than 60 years of Customs Service statutory interpretation. More importantly, the Customs proposal will have significant ramifications on the international trade of frozen fruits and vegetables.

As you may know, AFFI is the national trade association representing manufacturers and processors of frozen food products, as well as their marketers and suppliers. AFFI's 550 member companies account for more than 90 percent of the total annual production of frozen food in the United States, valued at approximately \$60 billion.

AFFI's membership includes small and large U.S. frozen food manufacturers and exporters that use imported ingredients in their products. AFFI members are directly affected by country of origin marking requirements and have an interest in ensuring that any changes in these rules do not have disruptive effects on the marketing of their products, either internationally or domestically, or impose unnecessary compliance costs and burdens on the U.S. frozen food industry.

On July 23, 1996, the U.S. Customs Service published a proposed rule to require front panel country of origin marking for frozen fruits and vegetables with imported content. The comment period closed on September 23, 1996. More than 400 comments were submitted to Customs during the comment period, only one of which supported the Customs proposal. Despite the overwhelming opposition to the proposed rule, Customs has yet to withdraw it. AFFI is strongly opposed to the proposal and believes it should be withdrawn immediately.

At issue in this rulemaking proceeding is whether Section 304 of the Tariff Act is fulfilled only if the country of origin marking is located on the front, or principal display, panel of frozen produce packages. AFFI does not believe the front panel is the only "conspicuous" place on packages of imported frozen produce for country of origin marking purposes. AFFI believes the plain meaning of the relevant language in Section 304 illustrates this. Section 304 does *not* require that the country of origin must appear in the *most* conspicuous place, nor does it require that the marking be as conspicuous as the article or container will permit. Congress chose different, and less restrictive, words to express the conspicuous place requirement than it chose to express the other three requirements, *i.e.*, the requirements that the marking be as legible,

indelible, and permanent as the nature of the article or container will permit in such manner as to indicate the country of origin to the ultimate purchaser.

AFFI is concerned about the international trade ramifications of the Customs proposal. The United States must ensure that country of origin marking requirements are not allowed to be misused as non-tariff barriers to trade or as anti-competitive measures. Discriminatory and unduly burdensome marking requirements, such as those contemplated by Customs, are a well-recognized non-tariff trade barrier and must be avoided.

Our North American Free Trade Agreement (NAFTA) partners have objected to the Customs proposal on the grounds that it violates Annex 311 of NAFTA. The objections raised by representatives of Canada and Mexico include the fact that Annex 311 provides that the NAFTA Parties "shall accept any reasonable method of marking" for a good of another party; requires that each Party accept a country of origin marking that is "conspicuous, legible and sufficiently permanent"; defines the term "conspicuous" as "capable of being easily seen with normal handling of the good or container"; and requires that the Parties minimize the difficulties, costs and inconveniences that the adoption or application of marking measures may cause to the commerce and industry of the other parties. Clearly, the pending Customs proposal does not satisfy these requirements.

In addition, the Uruguay Round of the General Agreement on Tariffs and Trade prohibits use of country of origin marking requirements as non-tariff barriers to trade. Imposition of the marking requirements contemplated in the Customs proposal could trigger retaliatory actions by U.S. trading partners and impede exports of U.S. agricultural products generally, including frozen foods.

Moreover, the Customs proposal is inconsistent with the Clinton Administration's established regulatory policies because it is unjustified by either a compelling public need or an appropriate cost-benefit analysis. As you know, an agency is obligated to regulate only when necessary and to the extent necessary to effectuate the intent of Congress. Consistent with established Administration policy and sound regulatory practice, AFFI believes this rulemaking procedure should be terminated immediately.

Customs states in its notice that the proposed regulatory action is necessary to address that which Customs alleges constitute instances in which markings on frozen produce packages are not sufficiently conspicuous. It is important to note, however, that Customs has made no effort to address the alleged problem through non-regulatory alternatives. Customs also fails to establish that its existing regulatory, enforcement and administrative authority is insufficient to address any compliance problems which may exist. Customs should be encouraged to enforce the current regulation on a case-by-case basis, if necessary, instead of promulgating a new layer of federal regulation.

The Customs proposal cites a proceeding under Section 516 of the Tariff Act of 1930, as amended, as the justification for proceeding with a proposed rule. However, no Section 516 petition currently is pending before the Customs Service; therefore, there no longer is a basis for considering the action proposed by Customs. In light of this fact, AFFI questions whether pursuing such a rulemaking procedure is the most effective use of Customs' limited resources.

The proposed rule is unnecessary, discriminatory, arbitrary and capricious. It would impose needless and substantial relabeling costs on the frozen produce industry without providing a corresponding benefit to consumers. Frozen fruits and vegetables with imported content already are required to be marked with their country of origin; this marking typically is located near the information consumers want most, the nutrition and ingredient information, which Congress determined several years ago, in the context of the Nutrition Labeling and Education Act (NLEA), to be of vital importance, yet it is required by law to appear on the back panel of packages of these products.

As you know, as a result of the NLEA, food companies recently completed a total redesign of their packaging. A survey of AFFI member companies revealed that companies estimate compliance costs could range from \$15,000 to more than \$1 million per company for a one-year period for yet another change in labeling requirements.

AFFI also commissioned a telephone survey by Opinion Research Corporation (ORC) which involved a national probability sample of 1014 adults 18 years of age or older, all of whom were living in private U.S. households. Of the total sample, 656 indicated they had purchased frozen fruits and/or vegetables in the previous three months. The latter group of respondents were asked a variety of questions, including the following: "What are the main things that influence which frozen fruits or frozen vegetables you purchase?" Only one respondent out of the 656 -- less than one percent -- cited the country where a product is from as an important factor in his or her purchasing decision.

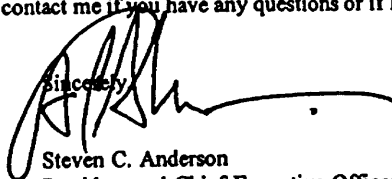
The ORC survey results reaffirm the results of a previous U.S. Food and Drug Administration survey with regard to the importance of country of origin information to consumers. In 1978, FDA sponsored a Consumer Food Labeling Survey. Respondents were asked, "What information, if any, printed on food packages and cans do you pay particular attention to or find helpful in any way?" Forty one percent of the respondents named ingredient information, 22 percent named nutritional information, and 18 percent named size/quantity information. Less than one percent named country of origin information.

The frozen produce industry should not be singled out for onerous marking requirements not applied to any other product category either within or outside the food industry. The Customs proposal arbitrarily and capriciously discriminates against the frozen produce industry by imposing a new "most conspicuous place" requirement and a new "consistent place" requirement, neither of which is provided for by statute, and neither of which Customs has ever imposed on any other class of products. The proposal would require virtually every producer and packer of foreign-origin produce to redesign its labels, regardless of the degree of conspicuousness of the country of origin marking that already appears on such labels.

AFFI does not believe there are legitimate reasons to single out frozen produce products for additional country of origin marking requirements. Any such regulation would be arbitrary and capricious and could raise the expectation that Customs would promulgate similar regulations for other classes of imported goods, particularly other products packaged and offered to the ultimate purchaser in cardboard boxes and plastic bags.

Thank you for this opportunity to express the concerns of the members of the American Frozen Food Institute. Please do not hesitate to contact me if you have any questions or if I may provide you with additional information.

Sincerely,



Steven C. Anderson  
President and Chief Executive Officer

**Statement of Russell L. Hanlin  
President  
Sunkist Growers**

**International Trade Subcommittee  
Senate Finance Committee**

**May 15, 1997**

Chairman Grassley, Members of the Committee, I am Russ Hanlin, President of Sunkist Growers, a non-profit farmer-owned marketing cooperative for 6,500 citrus farmers in California and Arizona.

I would like to begin by thanking the Committee for holding this hearing on the subject of market access issues for American agricultural exports. This is a critically important matter that greatly affects our industry both today and, perhaps more importantly, in the future.

As a non-profit, grower-owned cooperative, Sunkist Growers is 104 years old and has been exporting fresh citrus fruit - notably oranges, lemons and grapefruit - grown by its farmer-members into foreign markets since 1893. I think you can conclude, therefore, that we have some experience in foreign market access and the many difficulties of competing in export markets around the world. Today, Sunkist Growers produce approximately 65 percent of the citrus grown in California and Arizona. Our cooperative enjoys a long history of dedicated effort to create and expand markets around the world for our U.S.-grown fruit. Sunkist exports today account for 45 percent of our growers' annual fresh fruit sales.

International trade is extremely difficult. For example, eighteen (18) countries export fresh citrus. There exists in the world marketplace *intense* competition.

EUROPE - Some countries establish GATT illegal preferential trade arrangements with others. Europe was a major export market for California-Arizona citrus fruit through the 1960s. In those days, the European Economic Community, as it was then-identified, received about one-third of our exports, upwards of 8 million cartons of fresh citrus fruit per year. Then the EEC initiated a discriminatory tariff preference scheme under which they gave preferred Mediterranean basin countries, notably Morocco and Israel, up to an 80 percent discount from the common external tariff applied to citrus, all the while imposing a 20 percent duty on our U.S.-grown fruit. Spain and Portugal, both major citrus producers, then gained entry into the European Common Market and were given the competitive advantage of zero tariff on their citrus products. Despite a successful ruling in our favor by the GATT and unanimous support in a Sense of the Senate Resolution calling

for intervention to demand equitable treatment of our products in Europe, no relief was forthcoming. Ultimately the combination of increased competitive volumes of now stimulated Mediterranean production and the discriminatory tariff burden forced our products out of Europe.

Recognizing its inability or unwillingness to press the case of our unfair treatment to the point of a trade war with European allies, our government instead offered to provide some limited help to us to compete in very difficult markets. This help came in the form of a program managed by the USDA called Targeted Export Assistance (TEA). This was the precursor to what is today called the Market Access Program (MAP) an extremely helpful and effective program enabling agricultural exporters, like Sunkist, to compete in very inequitable and difficult foreign markets. Because of this help, we have been able to successfully redirect our export marketing efforts to the Pacific Rim.

CHINA - The U.S. citrus industry has been seeking market access to China for a considerable period of time. Under a 1992 US-PRC Market Access Memorandum of Understanding, China agreed to resolve problems related to citrus trade within one year. Now five years later, officials of the U.S. Department of Agriculture and the Office of the U.S. Trade Representative have been meeting with counterparts from the government of the People's Republic of China to discuss and negotiate terms and conditions of agricultural trade, including citrus, compatible with obligations of country membership in the World Trade Organization (WTO). In short, we expect China, as a prospective WTO member, to fully adhere to the norms, standards and protocols internationally recognized by the world's trading nations including deference to sound science in all sanitary and phytosanitary requirements.

Of primary concern to the U.S. citrus industry, including Sunkist Growers, in these accession negotiations is full acceptance and implementation by China of the WTO Agreements on the Application of Sanitary and Phytosanitary Measures, on Technical Barriers to Trade and on Import Licensing Measures.

The PRC has maintained a quarantine against the importation of fresh oranges, lemons and grapefruit from the U.S. under auspices of concern about Mediterranean fruit fly. This prohibition continues despite the successful isolation of and eradication of the pest in California following an outbreak in the early 1980s, some seventeen years ago. Other trading partners, notably Japan, Korea, Australia and New Zealand - all citrus producing countries themselves - recognize and subscribe to the success of our eradication program and readily accept importation of our fresh citrus into their markets. The standards adhered to by the WTO and other international organizations demand sound scientific evidence as a foundation for sanitary and phytosanitary policies, including quarantines. To date, that evidence demonstrates the U.S. is free of Mediterranean fruit fly.

In December 1995, China sent phytosanitary inspectors to conduct on-site evaluation of U.S. citrus-production areas in four states - California, Arizona, Texas and Florida.

Following further discussions in 1996, the U.S. addressed all of China's phytosanitary concerns with detailed scientific data and presented a proposed export protocol.

Despite this exhaustive effort, the Chinese continue to resist market opening agreements. They continue to hide behind alleged phytosanitary concerns that have now become simply trade barriers. In addition to these phytosanitary barriers that deny market access to American citrus fruit, the Chinese are likely to impose onerous tariffs and taxes that will burden our products with additional cost to market of nearly 70 percent! Such a tariff (52%) and a Value Added Tax (17%) is clearly punitive and designed to preclude competition. The help of our government in addressing this problem is needed and should be raised at every opportunity given the \$39 billion trade deficit we currently suffer with China.

Other countries have similar, sometimes unexplainable restrictions. Both Mexico and Thailand have for some years approved entry for California citrus fruit, where Med fly outbreaks have occurred periodically, but have quarantined citrus fruit from Arizona where there has never been a Med fly incident.

With the exception of Canada, all of the countries to which we export California-Arizona citrus fruit are themselves citrus producers. Their citrus farmers do not want U.S. citrus fruit competing in their local markets. Market access is gained only after intense efforts by U.S. government negotiators.

Most markets once gained carry heavy tariff burdens which act as trade restraints. For example, Japan taxes our navel oranges 40 percent of the landed value. Last year, Sunkist alone paid the Japanese government over 30 million in tariffs on oranges. Taiwan's tariff on oranges is 40 percent ad valorem; Korea's is 50 percent under a strict quota for imports and 89 percent outside the quota; Thailand's is 51 percent ad valorem tariff. If access to China were available to us today, it would be at a tariff level of 52 percent plus a Value Added Tax (VAT) of 17 percent. Contrast this with a U.S. tariff of \$0.01 per pound, or less than 5 percent on an ad valorem equivalency basis. Despite these adverse conditions, and thanks in part to the help provided by USDA's export promotion programs, Sunkist has, nevertheless, successfully pushed export sales continually higher over the past nine years from \$240 million in 1986/87 to over \$340 million this year. The assistance provided by federal export programs combined with Sunkist's own matching funds, has made it possible for us to develop and implement innovative and effective marketing support programs in foreign markets. We concentrated this effort in four major target markets - Japan, Hong Kong, Singapore and Malaysia. These markets represent nearly 90 percent of our export sales.

Consistently enforced by advertising, consumers in these markets have adopted the notion that Sunkist oranges from Arizona and California have a unique and preferred taste unmatched by oranges from other citrus producing countries. In Hong Kong, 90 percent of consumers prefer Sunkist oranges over any other oranges. In Singapore, 89 percent and in Malaysia, 92 percent express this preference for Sunkist brand oranges. These



extremely high brand awareness and preference levels were built over the years with the help of these federal programs.

Ten years ago, importers in Singapore and Malaysia traditionally switched in July from Sunkist to Australian oranges because of cheaper prices. But Sunkist's long term consumer advertising generated such strong preference for Sunkist by consumers that both importers and retailers have had to carry Sunkist oranges all year round.

JAPAN has become Sunkist's largest export market. With USDA help, matched by Sunkist funds, we have been able to build strong consumer and trade franchises for Sunkist citrus by supporting consistent, aggressive media advertising, implementing innovative promotion programs with hundreds of individual supermarket organizations representing over 2,000 retail stores. Not only do these programs educate Japanese consumers about the safe, healthful, high quality and good taste of Sunkist citrus but stimulate purchase at point of sale - in the supermarket - where most consumers decide what they are going to buy.

Sunkist brings to market approximately 65 percent of the citrus produced in California and Arizona. Capitalizing upon the connotation of quality defined by the Sunkist brand, we have successfully created demand in foreign markets for California and Arizona citrus fruit, enabling the entire California and Arizona citrus industry to benefit.

Today, 72 percent of Japanese consumers prefer U.S. lemons and 68 percent prefer California/Arizona oranges. But our success has not come easily. In 1990, despite supply exceeding demand in the Japanese marketplace, constricted domestic spending, and burdened with a 40 percent import duty imposed by Japanese government policymakers on our American citrus products, we were, nevertheless, able to increase our sales from 4 million cartons to 6 million cartons in a two year period.

Why were we successful despite these adverse export conditions? Because Sunkist had the funding necessary to execute strong consumer promotion programs. A major contributing component in this formula for success is the USDA help provided by the Market Access Program (MAP) and its predecessors, TEA and MPP.

However, successful penetration of the Japanese market is no assurance of future market share. Protectionist forces in Japan - both in the private agricultural sector and within the Japanese government - constantly strive to prevent imports like Sunkist citrus from finding a place in the Japanese market. An environmental group called the Japan Offspring Fund recently initiated a nationwide advertising effort to dissuade Japanese consumers from buying American produce. They depicted American farmers as heavy users of pesticides and American produce as unhealthy and dangerous. They even ran television commercials using old military film footage of U.S. warplanes spraying agent orange on jungles in Vietnam during the Vietnam War as evidence of American farmers use of pesticides.

Naturally, Japanese consumers were alarmed by such "information." Rather than suffer plummeting sales and a lost market, Sunkist, with the help of MAP, was able to counter this effort with consumer education programs about the safe and healthful quality of American citrus available from Sunkist Growers. We maintained our market in Japan.

Sunkist Growers is proud to have played a pioneering role in trailblazing new export markets that benefit not only the grower-members of our non-profit cooperative but the entire U.S. citrus industry. Japan, Hong Kong, Malaysia and Singapore are mature markets wherein we have enjoyed success. Korea, Indonesia and Thailand are present and promising markets still under development. China, India and Vietnam are markets of the future for Sunkist and for American agricultural exports.

To meet the challenges and overcome the myriad of protectionist obstacles confronting us in the days ahead - onerous tariffs, restrictive quotas, value added taxes, phytosanitary restrictions, prohibitions and quarantines that are not scientifically founded, impossible import licensing requirements - all demand the help and partnership of our government if we are to succeed. Only the U.S. government can secure trade agreements that afford American products access to foreign markets under fair, competitive conditions, reciprocal tariff schedules, and sound, scientifically-based phytosanitary standards. With this support, we will seize the opportunities and through our hard work continue to export American products not American jobs, do our part to enrich our nation's economy, and make a positive contribution to America's balance of trade. Without the help and partnership of our government in international trade, we face a very uncertain future.

