

Statement of Ambassador Gregory F. Doud

Before the U.S. Senate Committee on Agriculture, Nutrition and Forestry
September 13, 2018

Chairman Roberts, Ranking Member Stabenow, and all Members of the Committee. Thank you for the opportunity to join my colleagues from the Department of Agriculture in testifying on the Administration's agricultural trade policy agenda on behalf of President Trump and Ambassador Lighthizer.

It is impossible to testify today without first mentioning the renegotiation of the North American Free Trade Agreement (NAFTA) and the benefits for U.S. agriculture. We are working diligently to bring a successful closure to NAFTA that fulfills our Trade Promotion Authority (TPA) requirements. We have recently reached an agreement with Mexico that improves on NAFTA in almost every way. On agriculture, it maintains our farmers' and ranchers' tariff-free access to the Mexican market and modernizes the agreement in important ways that will cut red tape on our southern border. Currently, Ambassador Lighthizer and my colleagues at USTR are working to improve our agricultural situation with Canada, particularly in the areas of dairy, poultry, eggs, grain, wine, and other products. Completing these negotiations will bring enormous benefits to our farmers, ranchers, food manufacturers and workers.

To elaborate further on our agreement with Mexico, we negotiated many positive things that build upon the original NAFTA agreement. For the first time, the agreement specifically addresses agricultural biotechnology to support 21st century innovations in agriculture. The text covers all biotechnologies, including new technologies such as gene editing. Specifically, the United States and Mexico have agreed to provisions to enhance information exchange and cooperation on agricultural biotechnology trade-related matters.

In the Sanitary and Phytosanitary (SPS) Measures chapter, the United States and Mexico have agreed to strengthen disciplines for science-based SPS measures, while ensuring Parties maintain their sovereign right to protect human, animal, and plant life or health. Provisions include increasing transparency on the development and implementation of SPS measures; advancing science-based decision making; improving processes for certification, regionalization and equivalency determinations; conducting systems-based audits; improving transparency for import checks; and working together to enhance compatibility of measures. The new agreement would establish a new mechanism for technical consultations to resolve issues between the Parties.

When I first testified to the Senate Finance committee during my confirmation process, I discussed how, in terms of U.S. agricultural trade, we play offense. Since the confirmation of my fellow Deputies and myself, we are undergoing thorough analyses of future Free Trade Agreement (FTA) partners.

We are looking into the benefits of potential partners in Southeast Asia and Africa. I am positive about the potential to enter into negotiations in the near future, and I look forward to working with Congress through the TPA process as these considerations evolve.

Increasing our dialogue with Japan continues to be a priority for us at USTR. A high-level delegation of Japanese officials came to USTR in August to discuss ways to expand and improve our bilateral trade.

These discussions are continuing, and we fully recognize the importance to U.S. agriculture of expanding market access into Japan. We are determined to put our producers and agribusinesses on a level playing field with other countries, such as Australia, Canada, the European Union and many others.

In July, President Trump and European Commission President Juncker launched an initiative to promote more free, fair, and reciprocal trade. We understand that there are many sensitivities surrounding agricultural trade, but including agriculture in any negotiations with the EU remains a priority for the Administration. Currently, the United States runs an agricultural trade deficit of over \$15 billion with the EU; which is partly indicative of the scope of market access issues and non-tariff barriers for U.S. agriculture into the EU.

In May, I traveled to Geneva to deliver the United States' first ever counter notification to the WTO's Committee on Agriculture concerning India's market price support for rice and wheat. The United States estimates that India supports its rice producers ranging from 74 to 84.2 percent of the value of production and wheat producers ranging between 60.1 to 68.5 percent of the value of production between 2010 and 2014 when India is only allowed to provide up to 10 percent of the value of production of a particular commodity. Over the last five years, India has exported between \$5.3 billion and \$8 billion of rice, which is more rice than any other country in the world. India's global wheat exports ranged between \$70 million to \$1.9 billion during the same time period. Every rice- or wheat-producing country around the world should be concerned about the trade effects of India's trade distorting domestic support.

At the WTO, we are pushing forward the largest agricultural disputes in history against China for its market price support policies and unfair administration of its tariff rate quotas (TRQs). We presented a strong case that China should be held accountable to the same rules as other WTO Members, and on that basis we estimate that China has exceeded its *de minimis* levels of domestic support for rice, wheat and corn by \$100 billion. We also estimate that if China had administered its TRQs for rice, wheat and corn according to its WTO commitments (such as transparency and predictability), they would have imported billions more in rice, wheat, and corn from all sources. Both of these disputes are about China's failure to follow basic WTO rules. We currently have seven offensive WTO disputes exclusively for U.S. agriculture and six more on retaliatory duties by our trading partners on agriculture and other products.

Under Section 301 of the Trade Act of 1974, USTR launched an investigation into China's unfair technology transfer regime. In response, USTR implemented tariffs on \$50 billion of Chinese imports, while another \$200 billion is under active consideration. These tariffs are intended to address longstanding unfair and discriminatory Chinese trade and investment practices with respect to IP and to encourage China to eliminate its harmful behavior and adopt policies that will lead to fairer markets for all citizens.

The correct response would be for China to change its unfair and discriminatory IP practices and until then, the President is committed to having the backs of our farmers and ranchers by working to address the damage inflicted by China's unjustified retaliatory actions.

Finally, I am disappointed that in recent months our trading partners have decided to retaliate against nearly \$30 billion of our \$143 billion in agricultural exports following necessary actions taken under our

trade laws to defend our national security or to respond to unfair trade practices. During my first six months in this role, I have had over 150 meetings with stakeholders and have met hundreds of farmers, ranchers and agribusiness representatives – all of them have communicated to me the impact of the tariffs and the role of trade for all commodities including row crops, livestock, horticulture, and processed products. We are taking action at the WTO to counter this unjustified retaliation. And as previously discussed, the Trump Administration is working to expand market opportunities for U.S. producers.

I often tell people that the easy issues in agricultural trade were resolved a long time ago. For example, earlier this year USTR and USDA announced market access to Argentina for U.S. pork for the first time since 1992. We also announced poultry access to Morocco even though the Moroccan FTA went into effect in January 2006. The United States reached agreement to expand U.S. beef exports to Thailand. The United States and Colombia reached an agreement to expand access and reduce costs for U.S. rough rice exports to Colombia. Under Secretary McKinney and I work closely to coordinate our efforts to expand upon our \$143 billion in agricultural exports in 2017.

I thank the Members of the Committee for their time today and look forward to answering your questions.