

Testimony of Cargill, Incorporated regarding
Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy
and on Specific Industry Sectors
Investigation No. TPA-105-001

Introduction

Chairman Broadbent, Vice Chairman Pinkert, Commissioners, thank you for hosting today's hearing. Cargill is delighted to come before the USITC once again to express our support for the Trans-Pacific Partnership (TPP) agreement.

Since its inception Cargill has supported three core principles that are essential to a commercially-meaningful TPP agreement: 1) TPP must include the right subset of Pacific economies (Asian, Latin American, and North American); 2) TPP must be a comprehensive undertaking, meaning all products, all sectors are included; and 3) TPP must address longstanding trade and investment barriers with new solutions.

We believe the negotiated agreement upholds these three principles.

The First Principle: Right subset of economies

The U.S. food and agriculture industry exports over 40% of our overall exports to TPP countries. Further opening of these markets will build on our pre-existing trade flows. Exports drive our industry. In essence, TPP allows the United States to export food security across the region while securing our industry's economic security here at home.

There has been a great deal of scrutiny over the choice of countries in the agreement. We submit that the agreement includes the right set of net-food exporting and net-food importing countries. It didn't start that way, but today the 12 countries included in the agreement offer some important opportunities to lower the overall cost of the TPP's food bill by allowing more food to move across oceans and borders.

Three years ago in our testimony before this Commission, Cargill was one of the first companies to publically support Japan's inclusion in the TPP negotiations as well as the inclusion of Canada and Mexico.

Adding Canada and Mexico was important because of the sheer size of our existing trade relationship. TPP takes our current trade relationship with our NAFTA partners to the next level and ensures the competitiveness of our North American supply chain across the Pacific. And with Japan, we recognized a similar opportunity to expand our existing trade relationship. We knew it would be hard fought because Japan has historically been protected. With Japan out, how do we benefit? But with Japan in, new access is better than no access, and it gives us a chance to gain new market share among Japanese consumers. Japan is engaging other trading partners, so this is our chance to lock in some preferential access.

The Second Principle: Comprehensive undertaking

The TPP agreement covers all agricultural products and all sectors, including the most sensitive ones. We provide some caution here because not everything ended at "zero," which would have been our preference, but all products were on the table. As such, the negotiations resulted in key market access gains across the food and agricultural spectrum.

For example, Vietnam eliminates tariffs on beef, currently as high as 34%, in three to eight years and tariffs on pork, currently as high as 30%, in five to ten years. In addition, a liberalized market in Vietnam also presents opportunities for U.S. coarse grains. Under the TPP, Vietnam's tariffs on corn and corn products, currently as high as 20% will be eliminated in 4-7 years. Corn for feed, which currently faces an import tariff of 5% in Vietnam becomes duty free effective January 1 of the fifth year, giving corn from the U.S. a slight advantage over imported corn from South America.

Another example: Malaysia. The U.S. is the largest supplier of soybeans to Malaysia. With nearly 39% of the market share, the value of U.S. soybeans exported to Malaysia neared \$144 million in 2014. Current tariffs of 10% on soybean products are eliminated upon the agreement's entry into force.

Again, Japan. Japan was the number one destination market for U.S. beef products in 2014 valued at \$1.6 billion despite facing a 38.5 percent import tariff on fresh and frozen cuts. Currently, U.S. beef faces a 7 to 10% disadvantage against Australian beef. TPP puts the U.S. industry on par with its Australian competitor upon entry into force.

The Third Principle: New solutions for long-standing trade barriers with

Trade agreements must include strong, enforceable SPS provisions to achieve meaningful trade liberalization. TPP accomplishes this goal, and we are particularly pleased with the outcome of the SPS chapter.

One example of a new solution in the TPP is the establishment of cooperative technical consultations (CTC), or "rapid-response mechanism,"

between countries to address SPS issues in an expedited manner. The CTC provides an additional dialogue for countries to address SPS disputes outside of WTO dispute settlements and offers a pathway to resolution that occurs in a days or months and not years.

We are also encouraged by the inclusion of provisions on agriculture biotechnology trade and the establishment of a working group to address trading of agriculture biotechnology trade. These provisions in TPP outline a process by which parties can share information on issues related to the occurrence of low-level presence (LLP) for the first time in a trade agreement. As we have witnessed firsthand, asynchronous approvals of biotechnology traits can be detrimental to trade and we believe cooperation on this issue, as outlined in TPP, can serve as a critical first step in a broader dialogue on the issue.

Conclusion

As our competitors across the globe continue to pursue trade relationships that strengthen their economies, Cargill believes it is an imperative for the United States to move on its own trade agreements. The notion of a “perfect” trade agreement does not exist. If we are to move the U.S. economy forward, we have to be willing to negotiate and pass deals that better positions the U.S. to compete globally. TPP does that.

The TPP will allow American agriculture to compete on a level playing field, enhancing food security and consumer choice for both Americans and our TPP trading partners. For 150 years, Cargill has proudly been a leader in supplying American food and agriculture products to consumers around the world, and we look forward to continuing the tradition. This is why we strongly support the TPP and hope that Congress will ratify the agreement in 2016.