



June 18, 2009

The Honorable Ron Kirk
United States Trade Representative
Executive Office of the President
The Winder Building
600 17th Street, N.W.
Washington, D.C. 20508

AMERICAN SOYBEAN
ASSOCIATION
NATIONAL COTTONSEED
PRODUCTS ASSOCIATION
NATIONAL OILSEED
PROCESSORS ASSOCIATION
NATIONAL SUNFLOWER
ASSOCIATION
U.S. CANOLA
ASSOCIATION

Dear Ambassador Kirk:

As you proceed with the development and implementation of President Obama's trade objectives, the American Oilseed Coalition (AOC) would like to share with you its perspectives on candidate countries for future free trade agreements. The AOC is comprised of the American Soybean Association, the National Cottonseed Products Association, the National Oilseed Processors Association, the National Sunflower Association, and the U.S. Canola Association. Our goal is to provide policymakers in Congress and the Administration with a unified voice on policy matters affecting the U.S. oilseed industry, particularly with respect to matters related to bilateral and multilateral trade negotiations.

The AOC has supported all recent U.S. trade agreements and strongly supports implementation of the three FTAs that are awaiting approval by Congress. We also support the resumption of the Doha Round of multilateral trade talks in the World Trade Organization. Our longstanding policy has been that the Doha Round should be the highest trade policy priority for our industry and for our country. It is only through the multilateral process that market access gains can be achieved on a global basis and disciplines can be introduced on subsidies and such trade-distorting measures as differential export taxes (DETs).

However, there are two critical factors that have now led us to urge you to give serious consideration to pressing forward rapidly with new bilateral or regional free trade agreements. The first is the lack of progress or even a clear direction in the Doha talks in nearly a year. Although most WTO member countries say that they want an early conclusion to the round, there appears to be little agreement on an approach to accomplish that. Secondly, while the multilateral talks have foundered, many other countries have been negotiating free trade deals that will result in preferential access in the markets of the partner countries and discrimination against U.S. goods and services.

Some 421 bilateral and regional trade agreements have been notified to the World Trade Organization (WTO) through the end of 2008. Another 400 or so are

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scheduled to be notified and implemented by 2010, according to that organization. By our count, the U.S. is a party to just 18 of those 800-plus deals. Fifteen of our agreements are in force and three, as you know, are awaiting congressional approval. In the Asia-Pacific area, by itself, there are 152 agreements in force, 21 are completed and awaiting implementation, 72 are being negotiated and 81 are in an exploratory phase.

While the U.S. debates whether to approve its FTA with South Korea, that country has in place or is working on FTAs with: Chile, Singapore, Indonesia, Malaysia, the Philippines, Thailand, Brunei Darussalam, Vietnam, Lao PDR, Cambodia, Australia, New Zealand, Canada, China, the European Union (27 countries), India, Japan, Mexico, Brazil, Argentina, Uruguay, Paraguay, Peru, Pakistan and Russia. Some of these countries are our competitors in oilseeds trade and some are competitors in meat trade. The AOC recognizes that U.S. livestock exports are as important to the health of our industries as exports of our products, themselves. We cannot afford to relinquish our markets to countries that are more actively engaged in trade agreements.

So, in addition to urging you to push for solutions to the stalemates in Geneva on the Doha round and in Congress on the three pending FTAs, we urge you to move ahead aggressively with several new free trade agreements. For our industry, and for much of U.S. agriculture, the highest priority is the Asian region. We also see India as offering us enormous benefits from reduced import barriers, both those that are WTO-legal and those of doubtful WTO-consistency. However, we recognize the difficulty of convincing India to negotiate an FTA with the United States that would cover the agricultural sector.

Below is a short list of our highest priorities for new FTAs. As you will see, these include only one of the countries involved in the Trans-Pacific Partnership (TPP) talks, which we know you are giving active consideration to pursuing. Our preference would be to engage directly and immediately with our higher priority countries in the region, but if the TPP is ultimately judged to be the best vehicle for advancing trade liberalization and can expand membership by nations across the Trans-Pacific region, we will support that effort, as well.

- ASEAN countries, individually or collectively – Each of these countries is either a high priority market or, at a minimum, a moderate priority market for members of the AOC. If an FTA with the trading bloc proves unworkable, our priority list for bilateral agreements with individual members would start with Indonesia, Thailand, and Malaysia, followed by the Philippines and Vietnam. Most of these countries have large and growing populations, and in virtually all of them, the U.S. has lost market share in one oilseed product or another to foreign competition. The National Pork Producers Council also places a priority on the Philippines as well as on Taiwan and Thailand.
- Turkey – Turkey has a large population exceeding 69 million with a 5.8% GDP growth rate and a per capita income of \$6,690 per year. Turkey is also a large and growing market for soybeans and soybean products and the U.S. soy sector stands to gain a sizable increase in market share if it gains preferential access to the

market under a Free Trade Agreement. Because of ASA's Istanbul market development office, the U.S. soybean industry is well positioned to capitalize on preferential access to Turkey. Turkey is also the second largest market for U.S. in-shell confection sunflower seeds, and traders indicate that imports could increase significantly if its prohibitive import tariff is reduced.

- Egypt – U.S. market share for soybeans has dropped from 70% in 2000 to 50% in 2004 and the market continues to grow. For soybean meal, the U.S. has been able to increase its market share over the same time frame from 20% to 38%, but that isn't sustainable with increased foreign competition.
- India – India's population of more than 1 billion will demand enormous amounts of food in the future and an FTA could give the U.S. a comparative advantage in supplying it. Despite very high tariffs, India's soybean oil consumption has doubled over the last five years to over two million metric tons and more than one-half of this amount must be imported, making India the world's largest importer of soyoil. Currently most of that comes from South America. ASA has a market development office in New Delhi and is well situated to capitalize on any new demand in India. The U.S. canola industry is also interested in future market opportunities in India. The National Chicken Council estimates that India could be a \$150 to \$200 million annual market for U.S. poultry exports under an FTA. India would have a higher priority for us if not for the fact that it has traditionally been exceedingly protectionist and therefore a very hard market to penetrate. We judge it unlikely that India would agree to a comprehensive FTA of the sort the U.S. demands and would seek numerous exceptions. Still, if a comprehensive deal could be struck with India in which tariffs and other market access measures were removed on U.S. products, it would be of significant benefit to the U.S. oilseed industry.

We would be pleased to share with your staff any additional information USTR might require to assist in your efforts to prioritize U.S. objectives for future free trade agreements.

We greatly appreciate your attention to these important issues for our industry, for the U.S. agricultural sector, and for our nation.

Sincerely,

The American Soybean Association
The National Cottonseed Products Association
The National Oilseed Processors Association
The National Sunflower Association
The U.S. Canola Association