

**North American Market Working Group &  
Asia-Pacific Market Working Group**  
*of the U.S. Food and Agriculture Dialogue for Trade*

July 31, 2017

Edward Gresser  
Chair of the Trade Policy Staff Committee  
Office of the United States Trade Representative  
600 17th Street, NW  
Washington, DC 20006

Submitted Electronically via Federal eRulemaking Portal (<http://www.regulations.gov>)

**Re: Docket No. USTR-2017-0010- Comments in Response to Executive Order Regarding Trade Agreements Violations and Abuses**

Dear Mr. Gresser:

The North American Market Working Group and the Asia-Pacific Market Working Group of the U.S. Food and Agriculture Dialogue for Trade appreciate this opportunity to provide our views in response to the request of the Office of the U.S. Trade Representative (USTR) and the U.S. Department of Commerce, in consultation with other Cabinet offices, for public comments regarding trade agreements violations and abuses. These comments address multilateral trade agreements to which the United States is a party and trade relations with countries that are members of the World Trade Organization (WTO) with which the United States does not have free trade agreements.

The U.S. Food and Agriculture Dialogue for Trade is a broad based and inclusive forum in which stakeholders collaborate and engage in constructive and proactive efforts to support the expansion of U.S. food and agriculture trade around the globe. We are over 100 companies and associations representing America's farmers, ranchers, processors, and agri-businesses who regularly convene in Washington D.C. to lead and guide the work of the Dialogue and its Working Groups.

The North American and Asia-Pacific Market Working Groups provide participants of the U.S. Food and Agriculture Dialogue for Trade a venue for stakeholders to share views, learn about, and address food and agriculture trade policy challenges and opportunities. Engagement on the North American Free Trade Agreement and with established and potential Asia-Pacific markets are the highest priorities of the working groups.

Since January 2017, the Dialogue has been unified on the critical importance of the North American Free Trade Agreement (NAFTA) to U.S. food and agriculture exports and to the broader economy. This submission will primarily focus on this market, highlighting the role that the free trade agreement has played over the past 23 years. In addition, our industry would like to emphasize the need to look towards markets with real growth potential, specifically within the Asia-Pacific region. As the Administration evaluates existing trade agreements, we urge

leadership to concurrently and actively pursue new trade agreements and ensure we do not lose access to new markets to our global competitors.

We look forward to working with the Administration as you seek to identify ways to strengthen U.S. competitiveness within the global marketplace.

Sincerely,

*North American Market Working Group*

*Asia-Pacific Market Working Group*

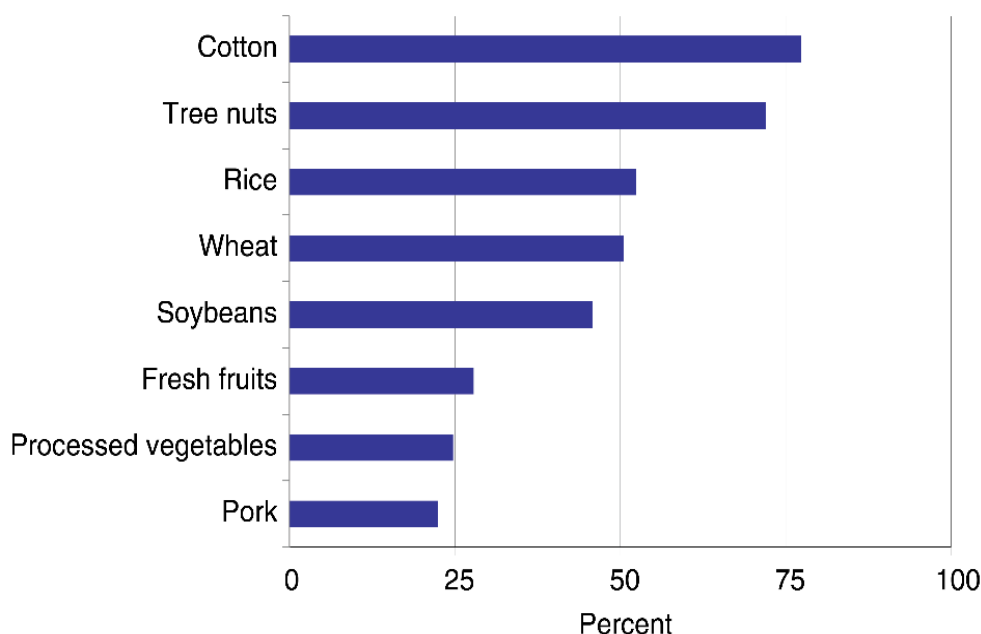
## Importance of Trade to the U.S. Food & Agriculture Industry

The United States is a global leader in food and agriculture production. Over the past 150 years, advances in technology and innovations in the production, processing, transportation, and retailing of food have created unprecedented economic growth at home and provided safe, affordable food to billions of people worldwide.

In 2015, U.S. food, agriculture, and related industries contributed \$992 billion to U.S. gross domestic product (GDP). The industry is also a leading employer, supporting 21 million full- and part-time jobs, constituting 11.1 percent of the U.S. workforce.<sup>1</sup> This contribution to the U.S. economy is supported and enhanced by the access that U.S. companies have to the global marketplace through trade agreements and as a member of the World Trade Organization (WTO).

Over the past 25 years the share of U.S. production that is exported around the globe has steadily risen in terms of both value and volume. Overall, the export share of U.S. agricultural production averaged 20 percent from 2011 to 2013 based on volume, proving that food and agricultural exports are a successful and valuable part of the U.S. economy.

### Export share of U.S. farm production, 2011-13



Source: USDA, Economic Research Service calculations based on data from U.S. Department of Commerce, U.S. Census Bureau, Foreign Trade Database; and USDA, National Agricultural Statistics Service, various reports.

Thanks in large part to implementation of new trade agreements and the industry's efficient and innovative nature, U.S. food and agricultural exports have produced a trade surplus for nearly fifty years. Consistent growth over this period has resulted in over \$152 billion worth of exports and, in 2016,

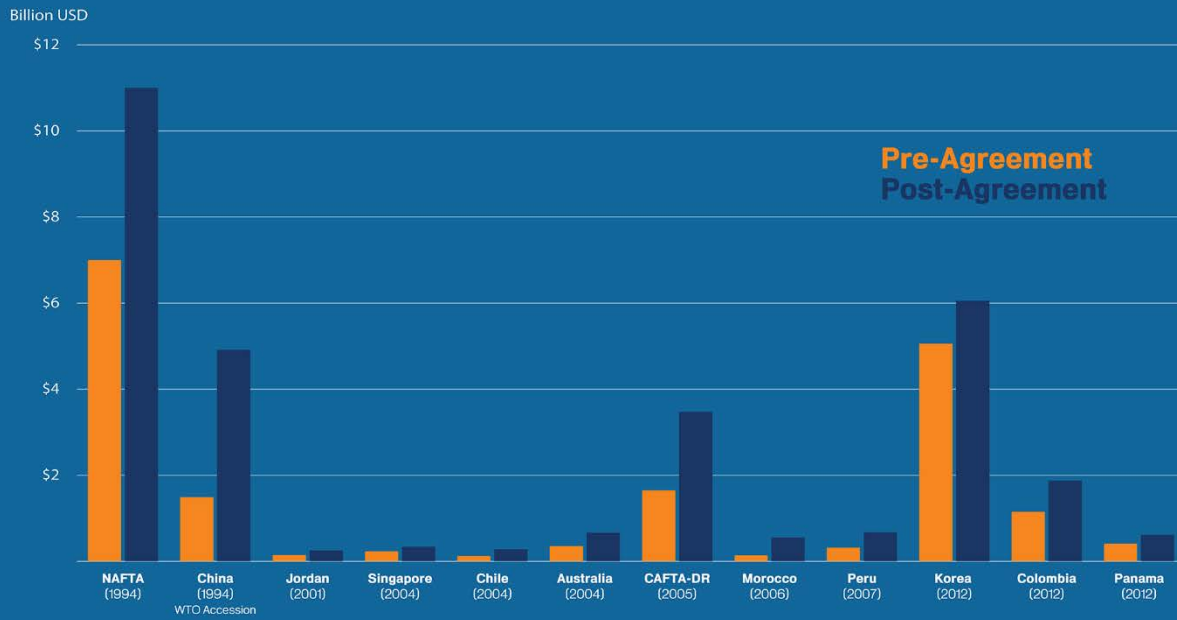
created \$193 billion in additional U.S. economic activity. These growing exports have become a vital share and important source of value to U.S. production.

A key part of this success comes from the United States engaging in free trade agreements with

<sup>1</sup> United States Department of Agriculture, Ag and Food Sectors and the Economy, accessed at: <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy.aspx>.

our closest neighbors, Mexico and Canada, via NAFTA and in reaching out to markets with significant growth potential, in particular the Asia-Pacific Region.

## U.S. Agricultural Exports Pre- & Post-Trade Agreements

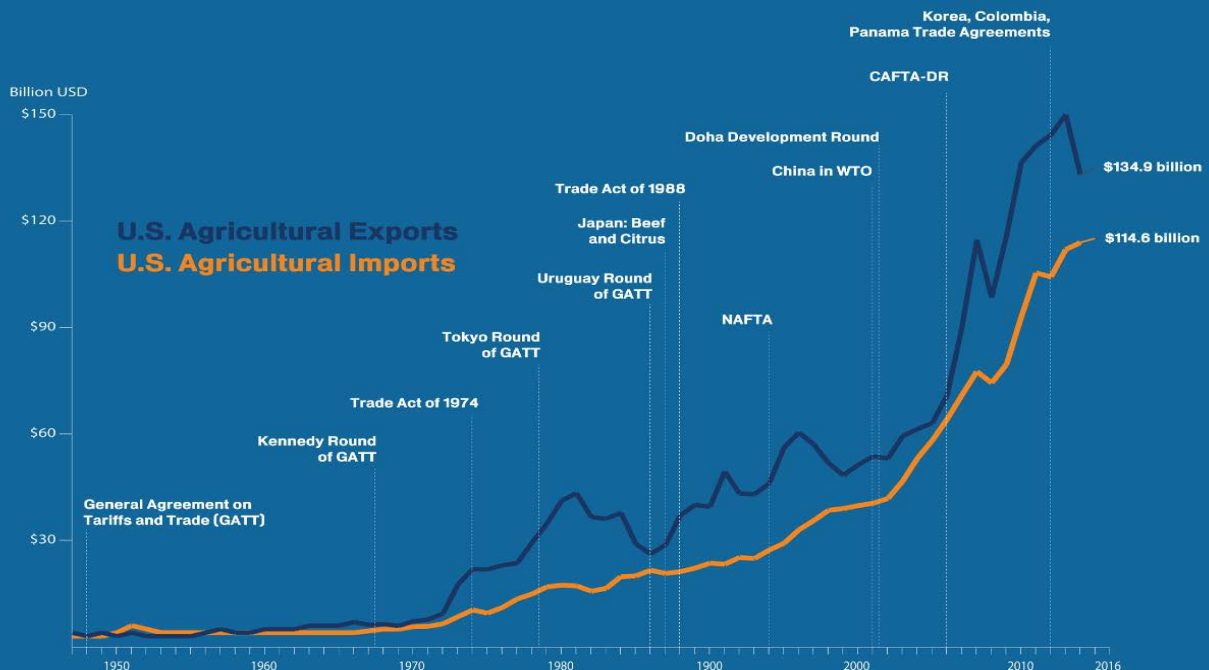


Twitter: @USDAForeignAg Website: www.fas.usda.gov  
Source: USDA-FAS Global Agricultural Trade System (GATS)

United States Department of Agriculture  
Foreign Agricultural Service



## Trade Agreements Create Opportunities for U.S. Agriculture



Twitter: @USDAForeignAg Website: www.fas.usda.gov  
Source: USDA-FAS Global Agricultural Trade System (GATS)

United States Department of Agriculture  
Foreign Agricultural Service

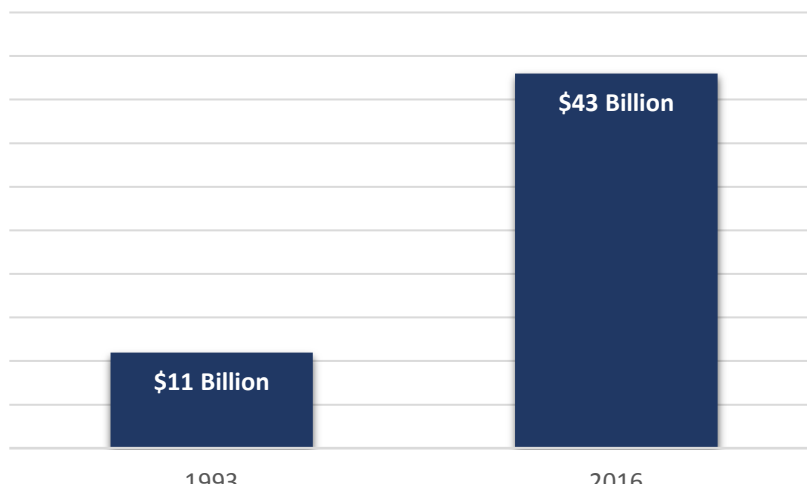


## The North American Market: NAFTA

The North American market has been a major success for U.S. farmers, ranchers and food processors. Since the NAFTA was implemented in 1994, U.S. food and agricultural exports to Canada and Mexico have quadrupled. In 2015 the U.S. enjoyed a 65% market share for agriculture products in the NAFTA region, and in 2016 the U.S. exported nearly \$43 billion worth of food and agriculture goods to its NAFTA partners.

With a few exceptions, intraregional food and agricultural trade is completely free of tariff and quota restrictions thanks to provisions in NAFTA. Rising trade in a wider range of agricultural products, substantial levels of cross-border investment, and important changes in consumption and production are proof that the U.S., Canadian and Mexican food and agricultural sectors are far more integrated and productive thanks to NAFTA.

**U.S. Food & Agriculture Exports to Canada & Mexico**

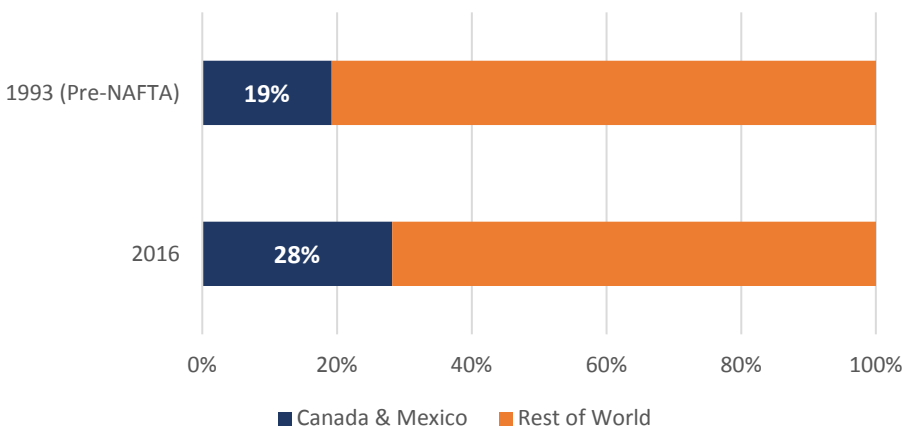


Data Source: U.S. Census Bureau 2

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In addition, the share of U.S. food and agricultural exports destined for Canada and Mexico grew from 19% in 1993 to 28% in 2016, according to the U.S. Census Bureau.

**Share of U.S. Food & Agriculture Exports**



Data Source: U.S. Census Bureau 1

In Canada, NAFTA has created an integrated and inter-dependent market place for U.S. food

manufacturers, farmers and ranchers. According to the U.S. Department of Agriculture, “U.S.-Canada agricultural trade is marked by a substantial amount of intra-industry trade, particularly in value-added products.”<sup>2</sup> This includes co-production of processed foods such as pet foods, bakery products, breakfast cereal, and pastas. In addition, there is significant intra-industry trade in wheat and beef products.

In Mexico, NAFTA has opened protected Mexican markets and secured U.S. industry enhanced market access by reducing Mexican tariffs and quotas. Prior to NAFTA, Mexican tariffs for agriculture products were highly prohibitive. NAFTA allowed U.S. farmers and ranchers to reap the benefits of more open trade, and thus, U.S. agricultural exports to Mexico have quintupled since NAFTA entered into force. Today, the United States supplies three-quarters of Mexico’s agri-food imports.

Tariff reduction and removal of quotas in the Mexican corn market has led to increased market share for U.S. producers. For example, because of NAFTA, the U.S. holds a dominant 52 percent share of the Mexican corn market, and 97% of Mexican corn imports come from the United States. Mexico does not produce enough grains and oilseeds to meet internal demand; therefore, the country’s food and livestock producers depend on the U.S. to supply sizable volumes of these commodities to make value-added products, primarily for the domestic market. A similar dynamic exists in other sectors such as meats and dairy products wherein Mexico satisfies a large portion of its import needs with products from the U.S.

The U.S. benefits from this relationship in turn by importing some types of fruits and vegetables from Mexico due to Mexico’s expertise in producing a wide range of produce with a favorable climate and a growing season that largely complements the U.S. growing season, with Mexican production generally falling in the summer as U.S. production rises.<sup>3</sup>

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<sup>2</sup> Reference: Steven Zahniser and Zachary Crago, U.S. Department of Agriculture, Economic Research Service, “NAFTA at 15: Building on Free Trade,” March 2009, accessed at: <http://www.ers.usda.gov/media/160163/wrs0903.pdf>.

<sup>3</sup> United States Department of Agriculture, Economic Research Service, Vegetable & Pulses accessed at: <https://www.ers.usda.gov/topics/crops/vegetables-pulses/> and Fruit and Tree Nuts access at: <https://www.ers.usda.gov/topics/crops/fruit-tree-nuts/>

## **What Happens to Tariffs on Trade between U.S. and its NAFTA Partners without NAFTA?**

If NAFTA (and the underlying Canada-U.S. Trade Agreement) were to be dissolved, Canada and Mexico would have the right to re-impose tariffs on U.S. goods up to the WTO most favored nation level – levels that would destroy the markets U.S. food and agriculture producers and exporters have worked so hard to establish. These tariff levels would make U.S. products highly uncompetitive (see chart below).

	Percent					
	Agriculture		Non-Agriculture		All Products	
	NAFTA	No NAFTA	NAFTA	No NAFTA	NAFTA	No NAFTA
U.S. Tariffs on Mexican & Canadian Goods	0 <sup>4</sup>	4.8 (Bound) 5.2 (Applied MFN)	0	3.3 (Bound) 3.2 (Applied MFN)	0	3.5 (Bound) 3.5 (Applied MFN)
Mexican Tariffs on U.S. Goods	0	45 (Bound) 15.6 (Applied MFN)	0	34.8 (Bound) 5.7 (Applied MFN)	0	36.2 (Bound) 7.1 (Applied MFN)
Canadian Tariffs on U.S. Goods	0 <sup>5</sup>	16.6 (Bound) 16.7 (Applied MFN)	0	5.3 (Bound) 2.2 (Applied MFN)	0	6.8 (Bound) 4.2 (Applied MFN)

Source: WTO World Tariff Profiles, 2016 [https://wto.org/english/res\\_e/tariff\\_profiles\\_e.pdf](https://wto.org/english/res_e/tariff_profiles_e.pdf)

### **The Future of NAFTA**

The U.S. food and agriculture sector relies on its close commercial ties with Mexico and Canada to support millions of U.S. jobs and enhance the U.S. trade position. NAFTA has played a central role in boosting incomes for millions of U.S. farmers, ranchers, processors, agri-businesses and retailers – and continues to provide important and profitable markets for our nation’s rural agriculture and agriculture processor-based communities. However, we also recognize that NAFTA is a 23-year-old agreement that can be modernized to the standards that enhance our market access and promote transparency and efficient trade. Therefore, we support maintaining all existing commitments in a “do no harm” manner while expanding upon current market access, including tariff concessions, and other provisions that enhance U.S. market access and market share in both the Canadian and Mexican markets.

<sup>4</sup> Does not include special import relief measures on tomatoes and sugar.

<sup>5</sup> The agricultural provisions of the U.S.-Canada Free Trade Agreement (CFTA), in effect since 1989, were incorporated into the NAFTA. Under these provisions, all tariffs affecting agricultural trade between the United States and Canada, with a few exceptions for items covered by tariff-rate quotas (TRQ's), were removed before January 1, 1998.

## Asia-Pacific

The Asia-Pacific Market Working Group of the U.S. Food and Agriculture Dialogue for Trade recognizes the value in strengthening and modernizing existing U.S. trade relationships, provided existing market gains are not unintentionally compromised. However, it is critical that the U.S. government continue to aggressively pursue additional trade agreements to secure our global economic competitiveness.

U.S. food and agriculture, along with other sectors of the economy whose success relies on demand from the 95% of customers who live outside U.S. borders, are concerned that we are falling behind competitors moving quickly to secure trade pacts in countries and regions of growing economic significance. Major competitors often impose a trade philosophy that is in direct conflict with U.S. objectives and international standards, and when they formalize their trade agreements first, we lose the opportunity to influence the trade rules and regulatory approaches that take root in these regions. Key Asian markets represent huge potential for U.S. trade exports but we are at risk and the U.S. currently faces the prospect of failing to capture market development and growth opportunities in this critical region.

The Asia-Pacific region is the world's largest market for food and agriculture and is expected to grow rapidly in the years ahead. From 2001-2014 Asia grew 261% and by nearly \$4 trillion in value as an import market<sup>6</sup>. Reducing and eliminating tariffs and other restrictive agricultural policies in this region will help American workers in our sector compete, creating an opportunity to supply Asian markets with high-quality food and agricultural goods. Increased access to this market would result in GDP growth and job creation, particularly in rural America.

With just two free trade agreements with Asian countries, Singapore and South Korea, the United States is lagging behind in our economic influence in the region. Many of our competitors, including the European Union (EU), Australia and Canada are benefitting from preferential trade agreements in Asia (especially the EU agreements with large markets such as Japan and Vietnam), at our expense. Finally, the absence of formalized U.S. trade pacts in Asia leaves an opening that China is rapidly moving to fill, one that extends even beyond merely economic influence.

## Conclusion

With the productivity of the U.S. food and agricultural sector growing faster than domestic demand, the U.S. food and agriculture industry—and the rural communities they support—rely heavily on export markets to sustain prices and revenues. The North American and Asia-Pacific Market Working Groups of the U.S. Food and Agriculture Dialogue for Trade look forward to working with the Administration in preserving and enhancing the gains our industry has achieved in the North American market and opening new access in Asia-Pacific.

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<sup>6</sup> Third Way <http://www.thirdway.org/report/boatloads-of-growth-recapturing-americas-share-of-asia-pacific-trade>