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Statement of
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U.S. Trade Representative
before the
Committee on Agriculture
of the
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Chairman Goodlatte, Congressman Stenholm, Members of the Committee:

I appreciate the opportunity to be here with Secretary Veneman. She and her team at USDA have been excellent partners in our efforts to expand opportunities for America's agricultural trade and to enforce agreements vigilantly.

It is a pleasure to be with you again. I want to start by thanking all of you -- from both sides of the aisle -- for the support and advice you have provided us, not only over the last year, but for the past three years.

The leadership of this committee has been invaluable in shaping our trade agenda as well as in bolstering our capabilities in key ways that empower us to advance the interests of U.S. farmers, ranchers, and the agriculture industry overseas. Your important support has been vital to turning tough negotiations and hard compromises into the reality of new opportunities for all those involved with agriculture from our small rural communities to the nation's largest agribusinesses.

In particular, I would like to thank you for your strong support of our enforcement efforts. Strong enforcement and ground-breaking trade agreements are two sides of the same coin. Our enforcement efforts grow stronger when we negotiate world-leading agreements with solid and specific commitments by our trading partners. With clear enforceable commitments in hand, we can ensure that our trading partners live up to their promises or suffer a losing hand in litigation. Only when wielded in unison can the tools of negotiation and enforcement reach their full potential.

As we move forward in all these areas, we will continue to consult with the agricultural community as well as the members of this committee. We understand that sometimes our farmers and ranchers do not face a level playing field, and we are committed to keeping those sensitivities in mind as we have in all our recent trade agreements.

Introduction: The Challenge Ahead of Us

Together we are accomplishing some important results for America.

Yet I know the benefits of trade are a subject of debate.

Just read a week's worth of headlines and one thing is clear: Even at this stage of an economic recovery and even after good news like the 308,000 jobs created last month, Americans are concerned about how trade influences the lives of their family, friends, and neighbors. Americans are concerned about pressure on jobs, enhanced productivity, and the threat of unfairly subsidized foreign competition and trade barriers.

But we need to consider these apprehensions carefully and not take actions that will undermine American economic strength and kill jobs. Sometimes the economic isolationists who fear trade and change claim that those who advance the cause of open trade rely on blind faith in economic theories while farmers and workers must live with the hard day-to-day reality.

Only people who fail to understand the history of America's farmers and ranchers could peddle such defeatism. It is farmers' and ranchers' openness to international trade and the competition that goes with it that has made American agriculture the most productive in the world.

Consider this fact: Seventy-five years ago, Americans spent 20 percent of their incomes to put food on the dinner table. Today we spend only one out of fourteen dollars. And today's table is arrayed with vastly improved food: safer, fresher, better tasting, more nutritious, endless in variety, and freed from the harvest calendar.

Why? Because, for 200 years, the tradition of American farming has been a spirit of inquiry, improvement, and adaptation. The constant efforts to become more productive by adopting the newest methods and best technologies are not something born with the global agricultural business, but rather with Washington's and Jefferson's experiments with seeds and plantings, the cast iron plow patented in 1797, the first grain elevator built in 1842, barbed wire thirty years later, the all-purpose, rubber-tired tractor in the 1930s, and advanced hybrids and bio-tech more recently.

Two hundred years ago, U.S. farmers could do little more than feed themselves and the ten percent of the population that did not work the land. Today, every American farmer feeds more than 100 people, including vast numbers overseas. When America's domestic markets were protected by insurmountable tariffs, agricultural exports measured only a few million dollars. Today U.S. farm exports are at near record levels in the tens of billions, with a growing trade surplus. The value of U.S. soybeans surpasses airplanes as an export to China.

The forward-looking tradition of America's farmers and ranchers is not only a powerful example for the rest of the U.S. economy; agricultural productivity is part of the reason the rest of the economy exists. When industrialization was isolated and fragile, farmers' surging productivity freed workers for the mines and factories of the industrial revolution. Technology-hungry farmers were the consumers for many new industrial goods.

When a newer technological age arrived with the peeps from Sputnik's low-Earth orbit, growing productivity allowed more educated workers to populate expanding industries such as financial services and aerospace while others built new industries that would spread from behind garage doors to desktops around the globe.

Whether Americans are selling Boeing 777s or Sun Microsystems' networking products to overseas customers, they should thank farmers.

As we have learned from farmers and ranchers, isolating America from the world is not the answer to economic challenges. We need to open markets for Americans to compete in the world economy, so we can create new jobs and build economic strength at home. When we work with the world effectively, America is economically stronger and more secure.

Ninety-six percent of the world's customers live outside our borders. The fastest growing populations and economies are outside our borders. We need to open those markets. America's farmers and ranchers simply cannot afford walls that stymie global trade and development.

Opening foreign markets to U.S. products and services is vital to economic growth, and an expanding economy is the key to better-paying jobs. U.S. exports accounted for about 25 percent of U.S. economic growth during the last decade and supported an estimated 12 million American jobs.

Although we have opened many markets, too many foreign countries still will not let us compete on an equal footing. They keep our products out, they use dubious science to block food behind a façade of "safety" concerns or construct elaborate export subsidies that warp international markets. We want to make sure our agricultural products get a fair chance to compete, and to be vigilant and active in enforcing our trade agreements so that Americans have a level playing field.

Recent U.S. trade agreements have cut hidden import taxes and saved every working family in America as much as $2,000 a year, and our newest agreements could add more to these savings. Arguing for trade barriers is like arguing for a tax on single working moms, because that is who pays the highest percentage of household income for food. Our goal is to cut those hidden import taxes -- while other countries cut theirs too -- to give working families a boost. Not only do families get a tax cut through the products they buy, but they also earn better paying jobs in industries that export products and services.

Today=s economic isolationists, like those of yesteryear, want to retreat, to cut America off from the world. But we need to remember that what goes around, comes around: If we close America=s markets, others will close their markets to America. And the price of closing markets is larger than economic isolationists recognize. Over the last decade, trade helped to raise 140 million people out of poverty, spreading prosperity and peace to parts of the world that have seen too little of both. Americans will not prosper in a world where lives of destitution lead to societies without hope.

America’s farmers and ranchers know this best because they are among our most vibrant international traders. When we put up walls, the first place foreign countries retaliate is agriculture. And with a near-record $59 billion in exports, U.S. agriculture is a big target. Economic isolationists should know that every one of their proposals is aimed squarely at the wallets, jobs, and communities of farmers, ranchers, and agriculture-related industries from packaging to bio-tech.

That=s why President Bush=s vision is of Aa world that trades in freedom@ -- a world where America’s agricultural communities can prosper and thrive.

<u>Strategic Overview</u>

Three years ago, to support growth, innovation, development, and engagement with the world, the Bush Administration outlined a trade strategy for America. At the heart of our effort has been a plan to pursue reinforcing trade initiatives globally, regionally, and bilaterally while enforcing our current agreements. Through an ambitious trade agenda, the United States is working to secure the benefits of open markets for American families, farmers, ranchers and agriculture-related businesses. By pursuing multiple trade initiatives, we are creating a Acompetition for liberalization@ that provides leverage for openness in all negotiations, establishes models of success that can be used on many fronts, and develops a fresh dynamic that puts America in a leadership role.

This strategy is producing results.

With the strong support of this Committee, the President secured Congressional approval of the bi-partisan Trade Act of 2002.

The United States was instrumental in defining and launching a new round of global trade talks at the World Trade Organization (WTO) at Doha in late 2001. That same year we completed the unfinished business of China and Taiwan=s entry into the WTO, working from the bilateral trade terms established by the Clinton Administration, so as to establish a legal framework for expanding U.S. exports and integrating China=s economy into a system of global rules. Also in 2001, the Administration worked with Congress to pass a Free Trade Agreement (FTA) with Jordan and a basic trade accord with Vietnam. After the 2000 election, President Clinton had announced an interest in FTAs with Singapore and Chile, and this Administration negotiated state-of-the-art accords in 2001-02 and gained Congressional approval in 2003.

A critical aspect of the Trade Act of 2002 was the renewal of the President=s trade negotiating authority. In 2003 and early 2004, the Administration put that authority to good use, promoting global negotiations in the WTO, working toward a Free Trade Area of the Americas (FTAA), completing and winning Congressional approval of free trade agreements with Chile and Singapore, launching bilateral free trade negotiations with 15 more nations (concluding talks with eight of them), announcing its intention to begin free trade negotiations with five additional countries, and putting forward regional trade strategies to deepen U.S. trade and economic relationships in Southeast Asia and the Middle East.

These interlocking efforts have kept the pressure on WTO members to find a way forward. And, as WTO negotiations continue, the newly completed FTAs with eight more countries create the equivalent of the world's 6th largest export market for our agricultural products.

Pressing Forward in the WTO

At key points, the United States has offered crucial leadership to launch, prod, advance, and reenergize the Doha Development Agenda, the global trade negotiations at the WTO. At the same time, we have emphasized that in a negotiation with 148 economies seeking consensus, others must also work constructively with us.

After the Doha launch, the United States proposed the global elimination of tariffs on consumer and industrial goods by 2015, substantial cuts in farm tariffs and trade-distorting subsidies, and broad opening of services markets. We are the only major country to put forward ambitious proposals in all three core areas. These proposals reflect extensive consultations with Congress and the private sector.

At the Cancun WTO meeting in September, however, some wanted to pocket our offers on agriculture, goods, and services without opening their own markets, a position we will not accept. Since Cancun, I believe many countries have concluded the breakdown was a missed opportunity that serves none of our interests. That recognition is a useful starting point for getting the negotiations on track.

Only a few weeks after Cancun, more than twenty diverse APEC economies -- encouraged by the United States and joined by some of our free trade partners -- called for a resumption of WTO negotiations, using the draft Cancun text as a point of departure. In December, the WTO General Council completed its work for the year with an important report by its Chairman on the key issues that need to be addressed if the Doha Development Agenda is to move forward.

By late December, we sensed many WTO members were interested in getting back to the table, probably working from the draft text developed at Cancun, but U.S. leadership was essential. So in January, I wrote a letter to all my WTO colleagues putting forward a number of Acommon sense@ suggestions to move the Doha negotiations forward in 2004. I emphasized that the United States did not want 2004 to be a lost year. The letter suggested that progress this year will depend on the willingness of Members to focus on the core agenda of market access for agriculture, manufactured goods, and services.

In agriculture, we believe that WTO Members need to agree to eliminate agricultural export subsidies by a date certain, substantially decrease and harmonize levels of trade-distorting domestic support, and seek a substantial increase in real market access opportunities both in developed and major developing economies. We emphasized that the United States continues to stand by its 2002 proposal.

Finally, we are asking that countries not permit the so-called ASingapore Issues@ to be a distraction from our critical work on market access. We need to clear the decks. Based on extensive consultations in Africa and Asia, I believe we can move forward together on trade facilitation, which cuts needless delays and bureaucracy at borders and ports and is of vital importance to U.S. agriculture. I have urged my colleagues to drop the other topics.

The initial response to this initiative has been encouraging both from overseas and among domestic constituencies. To follow up the January letter, in February I traveled some 32,000 miles -- around and up and down the world -- to meet with representatives of over 40 countries to hear their ideas and encourage their commitment.

In March, USTR’s Chief Agricultural Negotiator, Ambassador Allen Johnson, traveled to Geneva for discussions with more than 70 countries intended to move the Doha Round forward. While no specific major breakthroughs were achieved, Ambassador Johnson was able to foster a more focused and cooperative environment with key WTO members on the core issues.

As a result, I believe we are regaining some momentum, although the road ahead is marked by risks. Our ability to make notable progress by this summer depends principally, in my view, on two steps: one, reconciling the conundrum of the ASingapore Issues@ by agreeing to focus solely on trade facilitation; and two, by concentrating on the draft agriculture text to see if we can agree on specific frameworks for reform. To secure movement on agriculture, all countries will need to agree to eliminate export subsidies, including the subsidy element of export credits, to end state trading enterprise monopolies, and discipline food aid in a way that still permits countries to meet vital humanitarian needs.

The framework will also need to show a strong basis for meaningful reductions in trade-distorting support and real improvement in market access. Such moves will create the opportunity to address our long-standing objectives of eliminating export subsidies, making substantial reductions in trade-distorting domestic support that results in greater harmonization, and gaining substantial new access to markets.

With this new momentum, and decisions by the European Union, Japan, Canada Australia and key developing nations such as Brazil, China, India, and Korea to make strong new commitments to the WTO, a completed framework for progress is possible by July. Of course, methods for addressing unique agricultural sensitivities like those in the United States as well as the needs of hundreds of millions of subsistence farmers around the world must also be found as the process moves forward.

Pushing the WTO forward with Powerful Alternatives

The American agriculture community believes that the Doha Round of WTO negotiations should be the centerpiece of our agenda. They are right.

But the surest way to let Doha falter is by negotiating in a vacuum. By moving forward regionally and bilaterally, as well as globally through the WTO, we remind the world that the United States is committed to achieving trade liberalization. If some countries stand in the way of one opportunity, we will find another. Only steady trade-opening progress can infuse momentum into Doha.

Remember that in the WTO, it takes only one member to derail the process. We do not want to be held hostage to any one of 147 economies. Farmers and ranchers know this instinctively. No businessperson wants to be selling to only one buyer. If a potential buyer makes unreasonable demands, a farmer and rancher would move on to someone more willing to work together.

Equally important, our progress outside the WTO provides important opportunities for American agriculture. Since the Doha Round was launched, we have initiated or completed negotiation on FTAs representing the fifth largest market for U.S. agricultural exports.

Consider the Central American Free Trade Agreement alone: Currently, 99 percent of food and agricultural products exported by CAFTA countries enter the U.S. duty-free – without reciprocal access. Only after Congress approves the agreement and it is implemented will U.S. farmers and ranchers have a level playing field. A broad coalition of agricultural trade groups reports that CAFTA and the DR will grow our exports of feed grains, wheat, soybeans, poultry, pork, cotton, beef, and dairy products, among others, with projected gains of almost $1 billion.

There are numerous specific benefits for U.S. farmers and ranchers in each of our most recent FTAs:

- In CAFTA, more than half of current U.S. exports will become duty-free immediately, including high-quality beef, cotton, wheat, soybeans, key fruits and vegetables, processed food, and wine. Central America will also work to resolve sanitary and phytosanitary barriers to agricultural trade.

- In the Morocco FTA, our farmers and ranchers are gaining new tools to compete with Canada and the EU, among others. Our beef and poultry producers will get new access to a market that was formerly closed. Tariff rate quotas for durum and common wheat could lead to five-fold increases in U.S. exports over recent levels. Almond exports could double under a new TRQ. Moroccan tariffs on sorghum, corn, soybeans, and corn and soybean products will be cut significantly or eliminated immediately. Morocco also will lift its duties immediately on cranberries, pistachios, pecans, whey products, processed poultry products, and pizza cheese. Tariffs on some other products will be phased out in five years, including on walnuts, grapes, pears, and cherries.

- In our Australian FTA, every American agricultural export will receive immediate duty-free access and there are new mechanisms to smooth cooperation between U.S. and Australian officials on sanitary and phytosanitary barriers.

A static analysis only captures part of the benefit. Our trading partners' economies grow faster after they have joined an FTA with the U.S. That means more export opportunities across economic sectors as their incomes rise.

Even while negotiating these strong benefits for agriculture, we keep import sensitivities foremost in mind. In the Australia agreement, for example, some U.S. tariffs remain in place or are phased out over 18 years while safeguards remain in place for sensitive horticultural products and beef.

One-on-one negotiations also provide opportunities to implement innovative solutions to old trade problems or adopt unique new disciplines that can foster trade. For example, the Chile FTA recognizes U.S. beef grading and inspection, while language in the Australia and Morocco FTAs advances our goal of global export subsidy elimination and our goals on state trading enterprises at the WTO. The Australia FTA and CAFTA provided leverage to reform sanitary and phytosanitary barriers. Once good ideas are put into practice and their success can be observed from around the world, the best ideas can be exported to other FTAs and the WTO negotiations.

As we push the WTO forward regionally and bilaterally, we are targeting markets that offer the biggest opportunities to our agricultural exporters. We chose Thailand and Colombia to be among our newest negotiating partners knowing of their commercial significance to our agricultural producers.

We would like to pursue FTAs with the largest markets around the world, including the European Union and Japan among others. But right now, those countries are unwilling to move forward. As a result, we are pushing for the liberalization of their markets through the WTO. At the same time, as another facet of competitive liberalization, we hope our progress on other FTAs will encourage these important markets to reconsider their stance.

Advancing Negotiations in the Free Trade Area of the Americas

Since taking office, the Administration has been working to transform years of general talks about a Free Trade Area of the Americas (FTAA) into a real market-opening initiative, with a focus on first removing the barriers that most affect trade. When complete, the FTAA would be the largest free trade zone in the world, covering 800 million people with a combined GDP of over $13 trillion. It would expand U.S. access to markets where tariff barriers are high and non-tariff barriers are abundant. Since many of these countries already have enhanced access to the U.S. market through our preference programs, U.S. farmers stand to gain the most since the U.S. has few trade barriers left to remove.

As we proceed in the FTAA, we will continue to take into account not only the export opportunities this Agreement offers our farmers, but also the particular sensitivities they have to certain agricultural imports from our FTAA trading partners. We will also continue to insist that the WTO, and not the FTAA, is the place to negotiate on domestic supports, export credits and guarantees, and food aid.

Spanning the Globe With Bilateral Free Trade Agreements

In 2003, the United States signed free trade agreements with Chile and Singapore, and those agreements won strong bipartisan majorities in Congress. These comprehensive, state-of-the-art FTAs set modern rules for 21st Century commerce and broke new ground in areas such as intellectual property protection, transparency and anti-corruption measures, and enforcement of environmental and labor laws to help ensure a level playing field for American workers. They also built on the experience of prior free trade agreements and will serve as useful models to advance other U.S. bilateral free trade initiatives in 2004.

In Latin America, for example, the long-sought FTA with Chile took effect on the tenth anniversary of NAFTA, and only two weeks after the Administration concluded a U.S.-Central American Free Trade Agreement with El Salvador, Guatemala, Honduras, and Nicaragua. In January, we finalized CAFTA by resolving a few remaining issues with Costa Rica, and on February 20, the President notified Congress of his intent to enter into that agreement. Last month, we completed negotiations for the Dominican Republic to join CAFTA. The expanded agreement would create the second-largest U.S. agriculture export market in Latin America, behind only Mexico.

Just this week, the U.S. launched FTA negotiations with Panama. Later this spring the United States intends to launch similar negotiations with Colombia and possibly Peru and Ecuador, while continuing preparatory work with Bolivia. Added together, the United States is on track to gain the benefits of free trade with more than two-thirds of the Western Hemisphere (not counting the United States) through state-of-the-art, comprehensive sub-regional and bilateral FTAs.

In February, we concluded a landmark free trade agreement between the United States and Australia. All U.S. farm exports -- more than $400 million per year -- will go duty-free to Australia. At the same time we have been able to ensure that our import sensitive areas of agriculture such as beef, dairy, and sugar are treated carefully.

In Southeast Asia and the Middle East, the President has announced initiatives to offer countries a step-by-step pathway to deeper trade and economic relationships with the United States. The Enterprise for ASEAN Initiative (EAI) and the blueprint for a Middle East Free Trade Area (MEFTA) both start by helping non-member countries to join the WTO, strengthening the global rules-based system. For some countries further along the path toward an open economy, the United States will negotiate Trade and Investment Framework Agreements (TIFAs) and Bilateral Investment Treaties (BITs). These customized arrangements can be employed to resolve trade and investment issues, to improve performance in areas such as intellectual property rights and customs enforcement, and to lay the groundwork for a possible FTA.

President Bush announced the Enterprise for ASEAN Initiative in October 2002. Significant progress was made in 2003, and the stage has been set for further achievements in 2004. With the newly enacted Singapore FTA to serve as a guidepost for free trade with ASEAN nations, last month we began to prepare for upcoming free trade negotiations with Thailand. At the Cancun WTO Ministerial last September, Cambodia was offered accession to the World Trade Organization, so it could take another step toward active participation in the global rules-based economy. Spurred by the progress of its neighbors, Vietnam is also working toward WTO membership, building on the foundation of a basic bilateral trade agreement with the United States that was approved by Congress in 2001. The United States signed a bilateral trade agreement with Laos in 2003. The United States is using TIFAs with the Philippines, Indonesia, and Brunei to solve practical trade problems, build closer bilateral trade ties, and work toward possible FTAs. Malaysia also now wants to proceed towards a TIFA with the United States.

The Middle East Free Trade Area initiative, announced by the President in May 2003, offers a similar pathway for the Maghreb, the Gulf states, and the Levant. In addition to helping reforming countries become WTO Members, the initiative will build on the FTAs with Jordan, Israel, and now Morocco; provide assistance to build trade capacity and expand trade so countries can benefit from integration into the global trading system; and will launch, in consultation with Congress, new bilateral free trade agreements with governments committed to high standards and comprehensive trade liberalization.

The U.S.-Jordan FTA entered into force in December 2001 after close bipartisan cooperation between the Administration and Congress.

In 2003, the Administration launched free trade negotiations with Morocco, which we are pleased we completed last month. Our terms with Morocco provide immediate cuts in Moroccan trade barriers to wheat, corn, and soybeans, and new access for U.S. beef and poultry.

In January 2004, the United States began free trade negotiations with Bahrain. Agricultural products that could benefit from the FTA include meats, grains, fruits and vegetables, and dairy products.

Morocco and Bahrain have been leaders in reforming their economies and political systems. Our market opening efforts with these two Arab states are part of the Administration's broader goal of fostering prosperity, encouraging openness, and deepening economic and political reforms throughout the region.

In 2004, the United States will continue its efforts to bring Saudi Arabia into the WTO and will expand its network of TIFAs and BITs throughout the region. The United States now has nine TIFAs in the region, most recently signing agreements with Saudi Arabia, Kuwait, Yemen, Qatar, and the United Arab Emirates. As additional countries in the Middle East pursue free trade initiatives with the United States, the Administration will work to integrate these arrangements with the goal of creating a region-wide free trade area by 2013.

In Africa, the United States launched FTA negotiations with the five countries of the Southern African Customs Union (SACU): Botswana, Lesotho, Namibia, South Africa, and Swaziland. The U.S.-SACU FTA will be a first-of-its-kind agreement with sub-Saharan Africa, building U.S. ties with the region even as it strengthens regional integration among the SACU nations. Farmers would gain expanded opportunities in wheat, rice, and poultry.

The bilateral FTAs we have concluded or are pursuing constitute significant markets for the United States. U.S. goods exports to these countries were $66.6 billion in 2003. This would have made them the third largest U.S. export market behind only Canada and Mexico, and ahead of Japan. Our $4.2 billion in agriculture exports in 2003 made them our fifth largest market. The economies of these countries totaled $2.5 trillion in 2002 at purchasing power parity exchange rates, which would rank them as the world's sixth largest economy. And most are developing countries that offer significant growth opportunities in years to come. We are laying free trade foundations for win-win economic ties between America and these partners.

Enforcement: A Continuing Task

The vigilant enforcement of existing trade agreements is no less important than producing new ones. Indeed, enforcement is inherently connected to the process of negotiating new agreements. Without determined enforcement, new agreements will serve as a source of disappointment and frustration instead of an opportunity to create new jobs for workers and new opportunities for business. We need to assure the American public, and forewarn our trading partners, that we are determined to use all available resources and remedies to combat unfair trade practices and secure a level playing field for American workers, farmers and businesses.

Over the past three years, we have been aggressive in ensuring that the interests of U.S. farmers and ranchers are vigorously protected.

Some of our efforts on behalf of farmers and ranchers include:

- **Reopening the Japanese apple market.** We won a case against Japan in which the WTO overruled unscientific claims that U.S. apples could carry fire blight and damage Japanese agriculture. As a result, Japan has agreed to reissue import rules for U.S. apples by June 30th

- **Winning a WTO case against Canada's discriminatory grain handling practices.** Canada must now reform extra hurdles placed in the way of U.S. wheat exports including rules against mixing U.S. and Canadian grain as well as preferential pricing rules for transportation. We intend to appeal the remaining issues.

- **Filing a WTO case against Mexico's illegal high fructose corn syrup taxes.** We attempted to settle this dispute through negotiations, in close consultation with our industry. Unfortunately, the negotiations did not resolve the matter, so now we will enforce our rights under the WTO.

- **Reopening the Indian market for American almonds.** With a dubious scientific basis, in January, India instituted fumigation rules that blocked our almond exports. Before the regulations could stifle $70 million of U.S. exports, we convinced India to hold off until June to allow time to work out a long-term solution that will not undermine U.S. farmers' 2nd most important export to India.

- **Reopening the Mexican market to American beef.** Mexico has lifted restrictions on 91 percent of U.S. beef products, a $935 million market in 2003. In another Mexican beef issue, a NAFTA dispute panel recently handed down a ruling that should pave the way for the reconsideration of some anti-dumping duties on U.S. beef exports to Mexico.

- **Pressing our geographical indicators case against the EU.** In February, the WTO created the dispute panel to address the fact that the EU's regulations do not provide national treatment for agricultural products and foodstuffs GIs and fail to protect pre-existing trademarks. We expect a decision this fall.

- **Convincing China to certify biotech foods, including soybeans.** In March, after two years of working together, China issued permanent safety certificates for biotech soybeans, corn, canola, and cotton assuring that the quick-growing multi-billion dollar market will remain open to our farmers. Soybeans reached a record last year and so did our agriculture trade surplus with China. China has said decisions on other products' safety certificates will follow.

- **Winning a WTO case against Canadian dairy export subsidies.** In May 2003, USTR followed up the WTO victory by signing an agreement between the United States and Canada that Canada would not export subsidized dairy products to the U.S. We are carefully monitoring Canada's compliance with the WTO ruling and its NAFTA obligations.

- **Continuing to push our WTO challenge to the EU's biotech moratorium.** On March 4th, the WTO dispute panel was created and we expect a final report by October. USTR is also working with industry to evaluate whether filing another WTO objection to the EU's new biotech traceability and labeling regulations is the best course to address the issues.

There are many other examples because our day-to-day, bread-and-butter work at USTR is to work with American agriculture -- and other U.S. exporters -- to solve problems. We have worked to ensure exports of beef, pork, and poultry to Russia and Mexico. We have protected dry bean growers from Mexican restrictions, rice farmers from Taiwan's unjustified trade barriers, and kept EU markets open for our wheat farmers.

These efforts will continue. For example, we are working closely right now with Secretary Veneman to remove new barriers against U.S. beef, related to BSE, and restrictions on U.S. poultry exports caused by recent outbreaks of avian influenza.

Ensuring a Level Playing Field with China

In the future, few relationships will be as important to U.S. farmers and ranchers as our trade ties with China. Since China joined the WTO, it has become America's 5th largest agricultural export market. Total U.S. exports to China grew 75 percent over the last three years, even as U.S. exports to the rest of the world declined because of slow global growth.

In 2003, senior Administration officials met frequently with Chinese counterparts to address shortcomings in China's WTO compliance. We delivered a clear message: China must increase the openness of its market and treat U.S. goods and services -- including agricultural products -- fairly if support in the United States for an open market with China is to be sustained.

As a result, China has taken steps to correct systemic problems in its administration of the tariff-rate quota (TRQ) system for bulk agricultural commodities, and relaxed certain market constraints in the soybean and cotton trade, enabling U.S. exporters to achieve record prices and sales. Approval of biotech soybeans, cotton, canola, and corn earlier this year -- and promised additional approvals -- has created greater certainty for U.S. exporters.

Nevertheless, China must do more. We continue to stress the need for structural change that ensures ongoing, open, and fair access -- not reliance on one-off sales and market access granted only after high-level political intervention.

U.S. farmers and ranchers are already benefiting from trade with China. Growth in exports to China of agricultural products has been robust; for example, U.S. exports of soybeans reached an all-time high in 2003 of $2.9 billion and cotton exports were $737 million, up almost 430 percent over 2002. Exports of hides and skins were $460 million in 2003. In addition, China has committed to buy $500 million of wheat. After growth of 140 percent between 2002 and 2003, China is the destination for 8 percent of all U.S. agricultural exports.

Since China is a growth market, particularly as the nation’s middle class grows into the hundreds of millions, we are working to ensure that China becomes an integral part of the international trading system. China must not only import from the rest of the world, but also accept the practices and rules that create a level playing field.

Earlier this month, Commerce Secretary Don Evans, Secretary Veneman and I met with Chinese Vice Premier Wu Yi as part of the U.S.-China Joint Commission on Commerce and Trade (JCCT). The JCCT focused on many issues. In the area of agriculture, China agreed to implement new transparency procedures, announce approvals for several new biotech canola and corn products, ease the way for agriculture exports into China by providing the names of domestic quota holders and lift some of the BSE-related restrictions on U.S. beef exports.

Our attention remains focused on China to resolve new issues as they come up. With the help of new appropriations from Congress we have established a new office and added new staff to deal more specifically with China. At the same time, we reorganized our North Asia office to focus on Japan and South Korea, two critical agricultural markets.

In 2004, the Administration will concentrate on ensuring that: U.S. firms are not subject to discriminatory taxation; market access commitments in areas such as agriculture and financial services are fully met; standards are not used -- whether for technology or farm products -- to unfairly impede U.S. exports; China=s trading regime operates transparently; and promises to grant trading and distribution rights are implemented fully and on time. The Administration will consult closely with Congress and interested U.S. stakeholders in continuing to press China for full WTO compliance, and will not hesitate to take further action to enforce trade rules.

Conclusion

During 2004, we will continue to push forward, step-by-step, toward the vision set out by President Bush of Aa world that trades in freedom.@ It is a vision of a world in which a Virginia turkey farmer, a Texas rancher, a Minnesota corn farmer, a Washington State apple grower, and a North Carolina poultry farmer can sell his or her products or services in Costa Rica or Australia or Thailand or Morocco as well as across America. It is a vision of a world in which free trade opens minds as it opens markets, supporting democracy and encouraging tolerance, thereby making Americans more secure. It is a vision of a world in which a working family can save money at the grocery store because trade agreements have cut hidden import taxes. And it is a vision of a world in which hundreds of millions of people are lifted from poverty through economic growth fueled by trade. It is the vision that builds a future for America's farmers and ranchers.