

NCBA Speech
Ambassador Richard T. Crowder
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*** AS PREPARED FOR DELIVERY ***

Thank you for that kind introduction. I appreciate the opportunity to be with you today and to talk about beef trade issues. This is the second time I have had the privilege of speaking to this group. I should also note that during my first hours on the job at USTR I was working on beef trade issues.

Following Ambassador Portman's staff meeting on my first day, I participated in a conference call with the beef industry to discuss the launch of the Korea FTA. It was during that call that I first heard your expectations with respect to beef in the Korea FTA. Your U.S. Government negotiators were faithful to these expectations during the negotiations of the Korea FTA, and continue to use them as guidelines as they negotiate the protocol and export certificate for a commercially viable and OIE-consistent market opening.

You as an industry have been very supportive of the U.S. trade agenda, not only in broad policy terms, but also in providing input and assistance during the negotiations. Your representatives have always been available – night or day – to

provide counsel to the U.S. negotiators. Better trade agreements were achieved because of this input. Your support has been and continues to be appreciated.

In economic terms, trade is always important to the beef industry. However, in an environment like that we face today, where the economics of the industry from rancher to the packer are difficult, it is easy to understand the angst and anxiety that you feel about the loss of markets, and what you may well perceive as slow progress in trade negotiations relative to beef issues.

I want you to know that we share your sense of the importance and urgency of opening up key markets for U.S. beef. The President has been personally engaged on this issue and has repeatedly raised it with his counterparts from around the world. Resolving the “beef issue” is a top priority, if not the top priority, for Ambassador Schwab. She has spent countless days traveling and engaging trade ministers from around the world on the issue and will continue to personally do so. You heard from Secretary Schafer this morning on how he has become immediately engaged and immersed in our effort to open beef markets fully.

From my own experience in managing cattle feeding programs, working in the meat packing industry and as a major buyer of products from your industry, and

from observing the decline in the value of the cows and calves that graze within a few feet of my bedroom at my farm, I can certainly relate to your concerns.

However, as I will discuss later, I am equally confident that we will conclude negotiations successfully, in terms of time and substance. By substance, I mean the negotiation of commercially viable protocols that will result in sustained market openings.

I have been told that my speaking time should be brief; so in the short time that I have I want to discuss

- The importance of trade;
- Progress that has been made; and
- A quick look ahead.

I also want to leave time to answer some of your questions

The Importance of Trade

It is easy to understand why you care so much about what is happening on trade.

For you, ensuring that overseas markets are open to U.S. beef exports is critical.

Trade in beef and beef variety meats is big business, and has a huge, in fact

disproportionately large, impact on the profitability of all segments of the industry – ranchers, feeders and packers.

From January through November of 2007, U.S. exports to the world of beef and beef variety meats were \$2.4 billion – a 30 percent increase over 2006. In spite of unjustified restrictions on the export of beef, exports account for close to 10 percent of U.S. production.

These numbers are large, but you and I both know that they mask the disruptions, challenges and lost opportunities you face in international markets. Your challenges fall into several categories of issues – tariffs, quantitative restrictions, administrative procedures and non-science based regulatory barriers.

But, by far the greatest impact on the livestock industry in general, and beef in particular, has been the disruptions brought about as the result of overseas restrictions related to BSE. These disruptions – while originally due in part to concerns about food safety – have now in many cases moved, in my opinion, to the areas of protectionism and unnecessary impediments to commerce.

The consequences to our beef market have been huge. In both tonnage and value terms, beef and beef offal exports dropped about 80 percent from 2003 to 2004. In 2006, the dollar value and tonnage of beef exports were still nearly 50 percent below the level of 2003. And, as noted earlier, while in 2007 there was more recovery in our beef exports, last year's export value is still expected to be more than a billion dollars below the 2003 level.

This decline in beef and beef offal exports is the result of two factors: first, age and product restrictions on beef in major consuming markets, such as Korea and Japan; and second, protocols and enforcement of protocols that have unnecessarily disrupted trade in beef and beef products.

With this reference to protocols, let me digress slightly here to make what I think is an important point. In our trade negotiations, it is in the terms of the protocols and export certificates where commercial viability and sustainability of trade flows reside. In the past, we have seen trade flows disrupted, and in some cases, halted as a result of the terms in and enforcement of protocols. We have been and are continuing to work with your representatives to ensure that the terms of future

protocols will result in a commercially viable opening of markets and sustained trade flows.

Since the United States' receipt of controlled risk status from the OIE in May 2007, the grounds on which certain trading partners were denying entry of U.S. beef have fallen away. We are, with justification, looking to them to follow the OIE guidelines for a controlled risk country in trading with the United States – to accept all beef products from animals of all ages, as long as the appropriate SRMs are removed. Countries should respect international guidelines and standards. This has been the principle we have followed in our negotiations and will continue to follow as we move ahead.

Looking Ahead

On any given day in trade negotiations, it could be very easy to become concerned – even pessimistic – about the progress and status of the negotiations, and be tempted to “throw in the towel” or to “cut a deal.” While that may be the nature of trade negotiations, persistence, patience and optimism result in better outcomes. Experience repeatedly proves that the principle of negotiating rules-based, commercially viable agreements is the best course. The benefits of expedient

solutions are too often short-lived, and at times, result in locking in problems that could have been avoided.

While there are obviously key markets yet to be fully opened, we have had a number of successes on beef trade issues – many of these coming in the face of difficult odds.

We have negotiated OIE-consistent import rules in Peru, Colombia and Panama. These were negotiated prior to our receiving our Controlled Risk classification from the OIE.

The Philippines and Indonesia have recently opened their markets on an OIE-consistent basis.

We have made progress with the EU on the resolution of the beef hormone issue.

We have secured formal recognition of the equivalence of our meat and poultry inspection systems from Peru, Panama, Colombia and Central American countries. Recognition of equivalency ended plant-by-plant inspections. These also are important precedents for other markets.

We negotiated away tariff barriers to exports of U.S. beef in the FTAs we concluded with Peru, Panama, Colombia and Korea. There were real doubters about whether Korea would ever agree to a phase-out of its beef tariff, or for that matter, whether we could conclude a free trade agreement with Korea. Both were done. The tariff reduction in Korea represents huge monetary value. Assuming that Korea will be a billion dollar beef market, the tariff phase-out will mean \$400 million annually upon full implementation.

It is now important that Congress approve the remaining FTA's so you can start realizing the benefits of what has been negotiated.

Russia is another market where times of serious doubt turned into agreements of opportunity. Press in the United States and Russia painted little hope of an agricultural agreement in the negotiations associated with Russia's efforts to join the WTO when such an agreement was not reached in St. Petersburg in July 2006. However, an agreement was reached that not only reopened the Russia market to U.S. beef, but also set up a process of dealing with audits of beef, pork and poultry plants. U.S. exports of beef to

Russia are increasing; and having trade take place on a predictable and transparent basis, in conformity with WTO obligations, is critical to our trade relations with Russia and our other trading partners.

I cite these examples not to suggest that the job is done, nor to suggest that there is not a sense of urgency about moving forward in opening other key markets. Instead, I cite them to point out that even from the most difficult phases in negotiations, commercially viable and sustainable agreements emerge.

So you may ask, “What about the ones that are not fixed, such as Korea, Taiwan, Japan, China and Russia?” Obviously, in fairness to our trading partners and to the negotiating process, I cannot provide details of our negotiations. However, I will say that I believe we have never been closer on substance.

On Korea, I would make three points. First, we are encouraged by recent statements by the transition team of the incoming Korean President, Lee Myung Bak, indicating that the new team understands the importance of fully reopening the Korean beef market with a view to the success of our shared goal of FTA passage. We look forward to working with the incoming Administration to achieve a full reopening of this important market quickly. Second, public opinion

in Korea appears increasingly favorable. We are seeing an increasing number of editorials in Korea supporting the full opening of the beef market, underscoring that U.S. beef is safe, and that consumers will benefit once the market is reopened. Third, we have been meeting regularly with your representatives to keep them apprised of the status of the negotiations and to seek their input on important elements of the protocol and export certificate. We will continue to do this. We have had discussions and are in regular contact with Taiwan. Taiwan is now conducting a risk assessment consistent with its internal requirements. This risk assessment is a necessary step in Taiwan before it can open its market to U.S. beef on an OIE-consistent basis.

Japan knows of our expectation for beef trade, and we continue negotiations with the Japanese. Japan's position on the import of U.S. beef is not defensible from the standpoint of trade or science. When Japan insisted that it only open its market to beef from cattle 20 months and younger, it was supposedly for health reasons, but given Japan's refusal to respect OIE findings, we are forced to conclude that its aim is to protect its domestic industry, not to promote legitimate health or science concerns. We now are in the third year of a one-year "phase I." Japan is applying a different standard to U.S. beef than it is to domestically slaughtered beef. Pithing is still used in the domestic market. This practice is not allowed by the OIE for

controlled risk countries. Japan's position is grounded in politics, not in science, and does not respect the international rules-based trading system. We remain determined to work with Japan not only to get this important market fully reopened, but also to remove this unwarranted and unnecessary friction from the U.S.-Japan relationship.

We still have a couple of issues with Russia; but we are working with them on these, and I foresee no reason why they will not be solved.

As we move together through the period ahead, it is important that there be clear communications between your government negotiators and your representatives. It also is important that we both send consistent messages to our trading partners. You, through your input to your government negotiators and through the messages you send publicly and privately, are all a part of the negotiating process. There is no better way of achieving an objective than to speak with one voice.

Summary:

Let me quickly summarize and leave some time for your questions.

Your negotiators understand the importance of opening markets for U.S. beef.

They also appreciate your sense of urgency in opening/reopening markets.

It is important that markets be reopened on terms that are commercially viable and that will provide consistent and sustained trade flows.

You, through your public and private messages and input to your negotiators, are an important part of the process.

While not always visible, progress is being made in the negotiations, and we expect to complete the negotiations on commercially viable terms and in an acceptable time frame. Both Ambassador Schwab and Secretary Schafer are committed to this.

Thank you again for having me. It has been a pleasure to have worked with you over the past two years.