



Statement of the American Farm Bureau Federation

**TO THE
HOUSE COMMITTEE ON WAYS and MEANS
REGARDING: PERMANENT NORMAL TRADE RELATIONS WITH
RUSSIA**

**Presented By:
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Good afternoon Mr. Chairman and members of the Committee. My name is Wayne Wood. I am a dairy farmer from Marlette, Mich. and I currently serve as president of the Michigan Farm Bureau. I am also a member of the Board of Directors of the American Farm Bureau Federation and serve on their Trade Advisory Committee.

Approval of Permanent Normal Trade Relations (PNTR) with Russia is the American Farm Bureau Federation's top trade priority with Congress in 2012.

Russia was invited to become a member of the World Trade Organization (WTO) on Dec. 16, 2011. Long negotiations resulted in Russia committing to enact many trade-related domestic reforms. Russia is expected to complete the adoption of these measures and formally join the WTO in July 2012.

PNTR for Russia must be enacted by Congress in order to guarantee U.S. access to the market opening and legal commitments that are part of Russia's WTO accession agreement. In 2011, the United States was the third-largest supplier in the Russian market, where imports of U.S. food and agricultural products exceeded \$1.36 billion.

Russia PNTR is a critical step towards ensuring the United States benefits from Russia's WTO Accession and remains competitive in that market.

PNTR makes permanent the trade status the U.S. has extended to Russia on an annual basis beginning in 1992. Normal trade relations (NTR) or most-favored nation (MFN) status refers to the non-discriminatory treatment of a trading partner compared to that of other countries. Title IV of the Trade Act of 1974 applies conditions on Russia's status, including compliance with freedom of emigration criteria under Section 402 – the "Jackson-Vanik amendment." Because of this, the U.S. will not be in compliance with the WTO requirement of "unconditional MFN" without Congress lifting the applicability of the Jackson-Vanik amendment as it applies to Russia.

Due to the "Jackson-Vanik amendment," the U.S. invoked the WTO non-application provision, meaning that the WTO obligations from Russia's accession agreement to the WTO will not apply to the United States.

Russia's Membership in the WTO will provide significant commercial opportunities for U.S. agriculture.

U.S. farmers and ranchers will have more certain and predictable market access as a result of Russia's commitment not to raise tariffs on any products above the negotiated rates and to apply non-tariff measures in a uniform and transparent manner. In particular, Russia has committed to applying the WTO Agreement on Sanitary and Phytosanitary Measures, limiting its ability to impose arbitrary measures that have impeded trade in the past. Russia's compliance with its obligations, including those on tariffs and non-tariff measures, will be enforceable through use of WTO dispute settlement procedures.

Russia has a strong capacity for growth in food imports from the United States. U.S. agricultural exports to Russia were \$1.36 billion for 2011. Russia has the potential for significant increases in poultry, pork and beef consumption. In 2010, per capita consumption of poultry, pork and beef in Russia were 21.0 kg, 19.9 kg and 16.6 kg, respectively. Russia's meat consumption compared to the U.S. is low, where per capita consumption of poultry, pork and beef were 43.4 kg, 27.9 kg and 38.8 kg, respectively. With this potential for expanding meat exports, the establishment of necessary Tariff Rate Quotas (TRQ) and clear Sanitary and Phytosanitary (SPS) rules by the WTO accession agreement are important for U.S. agricultural export growth to Russia.

Congressional approval of PNTR for Russia will result in improved market access for U.S. agriculture.

Beef: The United States will have access to 11,000 tons of a global TRQ for fresh/chilled beef, and a U.S. country specific TRQ of 60,000 tons for frozen beef. Both TRQs have an in-quota tariff of 15 percent. In addition to access under these TRQs, the United States will be able to export high-quality beef outside the TRQ at a 15 percent tariff rate.

Poultry: Russia will maintain a 250,000 ton TRQ for chicken halves and leg quarters, with an in-quota tariff rate of 25 percent and separate TRQ access for commercially important turkey products.

Pork: Russia has agreed to a TRQ of 400,000 tons for fresh/chilled/frozen pork and a separate TRQ of 30,000 tons for pork trimmings. Both TRQs will have zero in-quota rates. As of Jan. 1, 2020, Russia will adopt a tariff-only regime for pork with a bound duty of 25 percent and will apply this duty to all imports, including from countries exporting under Russia's tariff preference program.

Apples: Russia will reduce its tariff rate for apples between 70 percent and 85 percent within five years, depending on the variety and season.

Cheeses: Russia is reducing its maximum tariff bindings on cheese from 25 percent to 15 percent, with most reaching the final bound rate within three years.

Soybeans, soybean meal and soybean oil: Russia will bind its tariff on soybeans at zero and cut its tariff on soybean meal from 5 percent to 2.5 percent within one year. Russia has also committed to bind its tariffs on soybean oil to 15 percent upon accession.

Passage of PNTR is also necessary to guarantee enforcement of key commitments by Russia for the agriculture sector.

Sanitary and Phytosanitary (SPS) Measures

Russia has established the legal framework necessary to comply with the WTO SPS Agreement. In addition, Russia has undertaken commitments on how it will comply with the SPS Agreement and its other commitments affecting trade in agricultural products. These commitments will provide U.S. exporters of meat, poultry and other agricultural products an enforceable set of

disciplines against trade restrictions that are not based on science and a risk assessment. Russia has also agreed to strong rules on harmonizing SPS measures applied in Russia with international standards. Russia's accession negotiations focused on ensuring that Russia would pass and implement laws and resolutions requiring its government agencies to follow international SPS standards.

In the accession agreement, Russia has committed to develop and apply international standards on SPS measures through membership in the Codex Alimentarius, the World Organization for Animal Health (OIE) and the International Plant Protection Convention.

While not all issues were covered in the accession agreement, including specific concerns for pork and dairy exports, there is continued discussion about improving the conditions of trade for these commodities. We support the continuing efforts of the Office of the U.S. Trade Representative and the U.S. Department of Agriculture to work with the Russian government to improve the conditions of trade for our agricultural exports. Russia needs to embrace economic and trade reform and the WTO is the most effective means to achieve that goal.

Domestic Support

Russia has committed to bind its aggregate measure of support (AMS) of trade-distorting agricultural subsidies at \$9 billion for 2012 and 2013, with a gradual phase down to \$4.4 billion by 2018. Russia has also agreed to eliminate the use of all agricultural export subsidies.

Conclusion

Farm Bureau supports other nations which wish to join the WTO as long as they agree to conduct themselves in accordance with WTO rules. An agricultural trading relationship based on international scientific standards and expanded opportunities will benefit the U.S. and Russia.

Our competitors for the Russian market will have the full benefit of Russia's accession agreement commitments when Russia becomes a full WTO member. American agriculture must not lose market opportunities to other countries due to inaction.

Farm Bureau urges Congress to support the granting of Permanent Normal Trade Relations with Russia.