Testimony of Ambassador Gregory F. Doud
Office of the United States Trade Representative
Before the United States House Committee on Agriculture
Subcommittee on Livestock and Foreign Agriculture
June 11, 2019

Chairman Costa, Ranking Member Rouzer and other distinguished committee members:

I want to thank you for the opportunity to testify today on President Trump's agriculture trade policy agenda. Ambassador Lighthizer and my colleagues in the Office of the U.S. Trade Representative (USTR) and U.S. Department of Agriculture (USDA) have been working around the clock to address agricultural trade issues with our trading partners and increase export opportunities for farmers, ranchers, workers and agribusinesses. I look forward to highlighting our efforts in multiple areas.

The United States is the world's largest exporter and importer of food and agricultural products. U.S. agriculture has posted an annual trade surplus for well over 50 years. Agricultural exports support more than one million American jobs, with roughly 70 percent of these jobs in the non-farm sector, such as in processing and agricultural manufacturing. Overall, U.S. farmers and ranchers export more than 20 percent of what they produce. In 2018, agricultural domestic exports reached nearly $145 billion, an increase of 1.4 percent over 2017.

Every day this Administration, and the men and women at USTR and USDA, works to expand export markets for American agriculture. Whether it's poultry and beef to North Africa, pork to South America, grains and horticulture to Asia, dairy to Chile, and the list goes on, the Administration is focused on opening markets for America's farmers and ranchers.

Let me focus my remarks, however, on major trade initiatives of this Administration.

First, passage of the United States – Mexico – Canada Agreement (USMCA) is an absolute necessity for U.S. agriculture. Since the implementation of the North American Free Trade Agreement (NAFTA) in 1994, our agricultural exports to Canada have increased 289% and our agricultural exports to Mexico have increased by 311% - creating our first and second largest export markets in 2018 worth a combined $41 billion out of $145 billion in total agricultural exports last year. In accordance with our TPA requirements, USMCA creates new market access for U.S. dairy, poultry, and eggs into Canada above and beyond existing access under NAFTA and what was negotiated in the Trans-Pacific Partnership (TPP). USMCA maintains duty free access to Mexico, allowing U.S. producers to build upon the $19 billion in agricultural exports to Mexico in 2018.

In addition to the current exports of dairy products from the United States, Canada will provide new tariff rate quotas (TRQs) exclusively for the United States. This agreement provides new TRQ access for over ninety-nine thousand additional metric tons, after six years, of dairy products, including: fluid milk, cream, butter, skim milk powder, cheese, and many others. And that number will grow for another 13 years after that. Additionally, Canada will eliminate its Class 6 and 7 milk class pricing policies. This is critical as we work to prevent Canada from externalizing the cost of its quota-based dairy program by undercutting U.S. skim milk powder prices in third country markets.

USMCA also guarantees market access for poultry and eggs under new TRQs exclusively for U.S. producers. The need for this market access has never been more urgent as more countries fill Canada's WTO chicken TRQ, resulting in a decrease of U.S. market share in Canada from 75 percent in 2014 to 66 percent market share in 2018 of Canadian chicken imports. USMCA includes a TRQ for chicken of 57,000 metric tons and for eggs of 10 million dozen in year 6 of the Agreement – both just for U.S. producers. Similar to dairy, these U.S.-only quotas will increase for an additional ten years. The United States will also maintain the ability to export chicken to Canada under its WTO TRQ of nearly 40,000 metric tons.

For the first time in a U.S. trade agreement, USMCA specifically addresses agricultural biotechnology to support 21st century innovations in agriculture. The text covers all biotechnologies, including new technologies such as gene editing. In contrast, the TPP text covered only traditional rDNA technology. Specifically, we included provisions to enhance information exchange and cooperation on agricultural biotechnology trade-related matters.

In the Sanitary and Phytosanitary (SPS) Measures chapter, we have agreed to strengthen disciplines for science-based SPS measures, while ensuring Parties maintain their sovereign right to protect human, animal, and plant life or health. Provisions include increasing transparency in the development and implementation of SPS measures; advancing science-based decision making; improving regulatory processes for certification, regionalization and equivalency determinations; conducting systems-based audits; improving transparency for import checks; and working together to enhance compatibility of measures. The USMCA also establishes a new mechanism for technical consultations to resolve issues between the Parties.

For decades, U.S. wheat growers have raised concerns that U.S. wheat shipped to Canada must be graded as feed wheat, even though it may be high quality. Canada agreed to grade imports of U.S. wheat in a manner no less favorable than it accords to Canadian wheat, and to not require a country of origin statement on its quality grade certificate.

There are many additional improvements of USMCA over NAFTA, including procedural safeguards for recognition of new geographical indications and Canada's commitment to ensure that British Columbia eliminates its discriminatory treatment of U.S. wine in grocery stores. The urgency to pass USMCA cannot be overstated for U.S. agriculture, due to the size of the Canadian and Mexican markets for U.S. agricultural exports.

The President has a robust trade agenda that includes many potential economic opportunities for farmers, ranchers, workers, and agribusinesses, including negotiations for trade agreements with

Japan, the European Union, and the United Kingdom upon its exit from the European Union. To advance the rest of the trade agenda, however, passage of USMCA is critical.

Regarding the rest of the President's trade policy agenda, we have been very active in addressing trade policy concerns and creating new export opportunities for U.S. agriculture. In addition to USMCA, a tremendous amount of work has gone into negotiations with China since President Trump and President Xi met in Buenos Aires on November 30, 2018. The Administration has negotiated in good faith since then, twice delaying the scheduled increase in tariff rates due to progress in the trade talks.

However, because China backtracked on significant commitments it had made during the course of negotiations, including on agricultural issues, President Trump directed USTR Lighthizer to increase the rate of duty on $200 billion of Chinese imports from 10 percent to 25 percent on May 10, 2019. USTR is currently establishing a process by which interested persons may request that specific covered products be excluded from the duties. Additionally, President Trump directed Ambassador Lighthizer to begin the process of raising tariffs on essentially all remaining imports from China, which are valued at approximately $300 billion.

The U.S.-China economic relationship is very important, and the Trump Administration is committed to reaching meaningful, fully-enforceable commitments to resolve structural issues and improving trade between our countries. I can say an important element of our negotiations has been to resolve a large number of unwarranted and longstanding trade barriers to U.S. agricultural exports. I hope that China will make real structural changes across the range of unfair policies and practices that yield actual, verifiable, and enforceable results. If we are able to have an acceptable agreement, President Trump expects substantial and immediate purchases of U.S. agricultural products, as well as the removal of technical and regulatory barriers that impede such purchases.

With respect to Japan, in 2018, the United States exported over $13 billion in agricultural goods to Japan. The President, Ambassador Lighthizer, and I all understand the urgency to advance these negotiations as soon as possible for U.S. agriculture.

We have also published our negotiating objectives for trade agreements with the European Union (EU) and the United Kingdom (UK) upon its exit from the EU. Both of these sets of objectives include comprehensive market access for agricultural goods into the EU and UK. We will continue to consult closely with Congress regarding negotiations with the EU and UK.

The World Trade Organization (WTO) provides multiple tools for the United States to build coalitions or act alone to aggressively counteract trade concerns that negatively impact U.S. production and jobs. That said, the WTO that we intended to create, and the WTO we seek, is in key respects not the WTO we have today. This is not a new or sudden development. For years, the United States and many other Members have voiced concerns with the WTO system and the direction in which it has been headed.

For example, the WTO's negotiating arm has been unable to reach agreements that are of critical importance in the modern economy. Previous negotiations were undermined by some Members' repeated unwillingness to make contributions proportionate to their role in the global economy, and by these Members' success in leveraging the WTO's flawed approach to developing-Member status.

In addition, certain Members' persistent lack of transparency, including their unwillingness to meet their notification obligations, have undermined Members' work in WTO committees to monitor compliance with WTO obligations. Their lack of transparency has also damaged Members' ability to identify opportunities to negotiate new rules aimed at raising market efficiency, generating reciprocal benefits, and increasing wealth.

The United States is at the forefront of the reform effort in Geneva. In February, we submitted a proposal to the General Council to promote differentiation of development status in the WTO to reflect today's realities. We are also working with a diverse group of Members to advance a proposal aimed at improving Members' transparency and compliance with their notification obligations.

In the case of agriculture domestic support, we have major concerns that countries are failing to properly notify their domestic support. We therefore have started submitting our own counter-notifications of other countries' excessive domestic support, and we are holding countries accountable for their excessive trade-distorting farm subsidies. We litigated a major dispute to a WTO panel on China's excessive farm support for grains, and we won. But we recognize that, in many respects, the WTO dispute settlement system has strayed far from the system agreed to by the United States. In particular, the Appellate Body has appropriated to itself powers that WTO Members never intended to give it and does not follow the rules set by WTO Members. Previous administrations have worked to address this issue, and this is something that the Trump Administration continues to address head-on.

Finally, U.S. agricultural productivity and efficiency, as measured by agricultural total factor productivity, is among the highest in the world. This productivity is, in large part, determined by how well producers manage current technology. Continued adoption of technological progress by U.S. agricultural producers is, therefore, a vital element to maintain U.S. global competitiveness. Accordingly, a cornerstone of U.S. trade policy is to promote the adoption by our trading partners of transparent, predictable and risk appropriate regulatory methods that are based on science. We are working in the WTO, Codex, and with several like-minded countries to advance this objective.

Thank you. I look forward to working with the Committee to implement the President's trade policy agenda. I am happy to answer any questions.

Gregg Doud serves as the Chief Agricultural Negotiator, with the Rank of Ambassador, in the Office of the United States Trade Representative. He was confirmed by the U.S. Senate on March 1, 2018.

Prior to Ambassador Doud's nomination, he was the President of the Commodity Markets Council, where he had served since 2013. Previously, Ambassador Doud was a Senior Professional Staff member of the Senate Agriculture Committee for Senator Pat Roberts and Senator Thad Cochran. He was part of the team that crafted the 2012 Senate Farm Bill, and his portfolio of issues included international trade, food aid, livestock and oversight of the Commodity Futures Trading Commission (CFTC).

Before joining the Senate Agriculture Committee staff, Ambassador Doud spent eight years as the Chief Economist for the National Cattlemen's Beef Association in Washington, DC. During the past 25 years in Washington DC, he also worked for the U.S. Wheat Associates and the agricultural commodity consulting firm World Perspectives.

Ambassador Doud was raised on a dry-land wheat, grain sorghum, soybean, swine and cow-calf operation near Mankato in North-Central Kansas. He also owns part of the more than 100-year-old family farming operation that his parents continue to operate, and he is a partner in a commercial cow-calf operation.

Ambassador Doud was a 4-H member and a Kansas State FFA officer. He received a B.S. in agriculture (animal science) in 1989 and a M.S. in Agricultural Economics in 1991 from Kansas State University, and he was a member of Alpha Gamma Rho fraternity. In 2012, he was named the Outstanding Young Alumnus of the Kansas State University Agriculture Alumni Association, and in 2017, he received the Outstanding Alumnus award from the Department of Agricultural Economics.

Ambassador Doud and his family live on their horse farm in Lothian, Maryland.