

June 3, 2010

Ambassador Islam Siddiqui
Chief Agricultural Negotiator
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Under Secretary Jim Miller
Farm and Foreign Agricultural Services
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Ambassador Siddiqui and Under Secretary Miller:

The undersigned companies and associations join in calling for the Obama Administration to take a comprehensive approach to the Trans-Pacific Partnership (TPP) Free Trade Agreement (FTA) negotiations and to explore all opportunities for expanding market access. Contrary to some views previously expressed, it is our strong recommendation that certain import-sensitive products should not continue to be fully exempted from TPP discussions. Rather, the TPP FTA agreement should be comprehensive in nature, including all products and all sectors in all TPP economies.

We fully embrace Ambassador Ron Kirk's message that the TPP agreement should "serve as a model for the future of American trade," creating a "high-standard agreement" that will be a "true 21st century trade agreement." A 21st century agreement is one that:

- (1) builds upon and expands existing FTAs, recognizing that the status quo does not generate new export opportunities for U.S. businesses and workers;
- (2) from its inception, strives to achieve the highest levels of market access for U.S. exports; and
- (3) does not preemptively limit the scope of the agreement to placate special interests.

We recognize that certain sensitive agricultural products require different, even exceptional, treatment in FTAs. In comprehensive U.S. trade agreements, such as NAFTA, certain products were excluded from the standard tariff phase-out periods provided for in the agreement. This exceptional treatment did not mean, however, that these products were exempted completely from coverage under the FTA. The TPP negotiating structure for specific products should permit appropriate time frames to phase out duties and quotas for products where producers demonstrate, through a fair and open procedure, that they need extra time to adapt. Even so, the TPP FTA should follow the model of the U.S. commitments in NAFTA and require that all products are subject to eventual tariff elimination. We cannot afford an agreement containing exemptions that allow our trading partners to retain barriers to competitive, U.S.-produced goods.

We urge that the existing bilateral market access agreements with current U.S. FTA partners such as Australia, Chile and Peru be revisited in the context of the TPP FTA negotiations to explore possible improvements and accelerations in the tariff and quota eliminations contained therein. Failing to address agricultural market access schedules with existing FTA partners would mean that United States would have no possibility to expand goods trade with four out of the seven TPP countries. This would hardly be a framework for a 21st century agreement.

It is important to note that such market access explorations would not “reopen” existing FTAs to allow back-tracking or lengthier tariff and quota phase-outs than is already provided in those agreements. Other important provisions of the FTAs would also not be diminished, such as rules of origin or TBT or SPS rules. Rather, negotiating market access provisions in the TPP would provide a chance to consider any changed circumstances that would allow for more open trade. For instance, the competitive marketplace dynamics that led Australia to demand a ten-year phase-out of a tariff on a particular processed food product in 2004 may no longer exist in 2010, creating the opportunity for the U.S. to seek an immediate elimination of that tariff under the TPP FTA.

Accelerated tariff eliminations improving upon existing FTAs were in fact envisioned and encouraged by Congress when it approved U.S. FTAs with Australia, Chile, Peru, and Singapore, as these agreements each included provisions establishing mechanisms by which the countries would negotiate tariff acceleration agreements, for example through Joint or Free Trade Commissions. Nothing in these FTAs precludes the United States or its trading partners from seeking to improve upon the market access provisions in the context of regional trade negotiations such as the TPP FTA. Rather, such market access acceleration negotiations are explicitly provided for in the terms of these FTAs. To rule out the possibility for such negotiations in the TPP FTA is contrary to the spirit of existing FTAs.

The U.S. Government should be focused on bolstering exports of highly competitive, value-added sectors of the U.S. economy, including processed food manufacturers. Consumer-oriented food products exceeded 40 percent of total U.S. agricultural exports in 2009, and have great potential for continued growth. In fact, during the recent economic recession, as total U.S. agricultural exports fell 14 percent overall, consumer-oriented processed food exports fell only 7 percent, demonstrating the competitive strength of this sector of the U.S. economy. Exports of U.S. processed food companies contribute to over 360,000 American jobs.

The United States cannot claim leadership in global trade negotiations if we wall off our economy and exempt products completely from trade liberalization in FTAs. Such a strategy will only encourage an ever-expanding number of special interests to seek similar exemptions in future FTAs, further reinforcing negative stereotypes about international trade among legislators, and contributing to a self-defeating cycle of diminishing returns in trade agreements. We fear many participants in the WTO Doha Round negotiations have already succumbed to this protectionist logic and are unwilling to make the decisions necessary to allow for a commercially meaningful, market access-expanding agreement.

For the U.S. food and agriculture sector to gain critical market access to TPP economies, the TPP FTA must liberalize trade for even the most sensitive agricultural products. The only way to achieve greater market access is to explore the possibilities through a negotiation. It would set a poor precedent to limit entire categories of products from the talks. U.S. refusal to talk about agricultural market access with existing FTA partners could prompt them to limit discussions in other areas such as intellectual property rights or even technical barriers to trade. Fundamentally these issues are no different than agricultural market access, as each has already been addressed in existing U.S. FTAs.

A comprehensive FTA would in fact be easier to negotiate, as political pressure to protect certain special interests will be more intense if certain sectors are left out of the negotiation. The TPP FTA should be a “WTO-plus” negotiation in terms of addressing issues such as TBT and SPS barriers, and a “FTA-plus” negotiation in terms of increasing market access beyond existing agreements. The TPP FTA should allow for cross-sectoral discussions on all aspects of trade. It should be a bold, trade-facilitating agreement, building on past FTAs, but not limited to what was done in the past. We call for a comprehensive FTA negotiation that sets the standard for future U.S. trade negotiations in every respect.

We appreciate your consideration and offer our support going forward on the TPP FTA.

Sincerely,

American Frozen Food Institute
American Meat Institute
Association of Food Industries
Campbell Soup
Cargill, Incorporated
Corn Refiners Association
Distilled Spirits Council of the United States, Inc.
Emergency Committee for American Trade
Grocery Manufacturers Association
The J.M. Smucker Company
J.R. Simplot Company
Kraft Foods
Mars Incorporated
National Association for the Specialty Food Trade
National Association of Manufacturers
National Confectioners Association
National Foreign Trade Council
National Meat Association
National Oilseed Processors Association
Nestlé
Ocean Spray
Organic Trade Association
Pet Food Institute
Sweetener Users Association
United States Chamber of Commerce
Walmart

cc: House Agriculture Committee
House Ways and Means Committee
Senate Agriculture, Nutrition and Forestry Committee
Senate Finance Committee
Deputy U. S. Trade Representative Demetrios Marantis
Assistant U.S. Trade Representative for Southeast Asia & the Pacific, Barbara Weisel