

**Written Testimony of Devry S. Boughner
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**United States House of Representatives
Committee on Ways and Means
Trade Subcommittee**

**Trans-Pacific Partnership
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Chairman Brady, Ranking Member McDermott, Members of the Trade Subcommittee, thank you for the opportunity to testify on the importance of the Trans-Pacific Partnership (TPP) to the American economy.

I am testifying today on behalf of Cargill, Incorporated, and as co-chair of the U.S. Business Coalition for TPP, which is a multi-sector coalition of U.S. businesses supporting the negotiation and ultimate passage of a comprehensive, high-quality, commercially-meaningful trade agreement with key economies of the Asia-Pacific region.

Cargill is an international provider of food, agricultural and risk management products and services. Cargill employs more than 55,000 employees in the United States, and 138,000 employees in total in 63 countries. We provide food, food products, ingredients and services to well over 130 countries. Among TPP countries, Cargill has existing investments in Australia, New Zealand, Peru, Singapore, Vietnam, Malaysia, and the United States. Cargill is also invested in Japan, Mexico and Canada.

Cargill has been a supporter of liberalized trade since our beginnings as a single grain elevator operator in Iowa in 1865. Trade liberalization — first across U.S. states and then in foreign markets — has allowed Cargill to grow and multiply the size of our employee base over the years. At Cargill we know that trade works. Approximately 40 to 50 percent of our global revenue is directly generated by international trade. Through trade agreements, Cargill can reduce costs incurred through the supply chain, thereby enabling the company to deploy capital saved toward investments in activities such as employee training and benefits, new businesses, marketing and research and development.

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And we know that trade works for the United States. Take the North American Free Trade Agreement (NAFTA), for example. Since its enactment, bilateral trade has grown exponentially, reaching a record high of nearly \$400 billion in 2010. Mexico has become the United States' third-ranked commercial partner and the second most important market for U.S. exports. Overall, U.S. exports to Mexico have increased 220 percent.

Cargill is in full support of TPP negotiations. In these difficult economic times, we believe the United States needs to move on trade agreements more than ever. Every \$1 billion in agricultural exports supports 9,000 jobs, for transportation workers, food processors, packers, longshoremen, and sales and marketing representatives. A study commissioned by the U.S. Chamber of Commerce released on May 14, 2010 found that nearly 18 million U.S. jobs depend on trade with America's free trade agreement (FTA) partners — 5.4 million of which were created by the enactment of these agreements.

The TPP negotiations present an opportunity for greater economic growth in the U.S. through trade and investment liberalization with Asia Pacific countries. The negotiations create the opportunity to simplify trade in the region, to unravel the complexities of each country's standards and regulations, while

setting in place a higher standard of trade and investment provisions and protocols. This will mean job growth and economic opportunity for U.S. workers and companies.

A comprehensive, high-standard and commercially strong TPP will provide an important platform for U.S. farmers, manufacturers, workers, and businesses to gain a stronger foothold vis-à-vis competitors in the Asia Pacific region. In the context of Cargill's purpose of nourishing people, we see a strong TPP agreement as important to the increase of global food security because it reduces barriers to moving food from places of surplus to places of deficit.

A comprehensive and strong TPP can ensure reliable access to food for consumers in the Asia Pacific region. At the same time, TPP is in the long-term interest of the U.S. food and agricultural sector. Ninety-five percent of the world's consumers live outside the borders of the United States, and 60 percent of those consumers reside in Asia. The U.S. food and agriculture sector, therefore, cannot afford to be left out of trade liberalization, especially at a time when our competitors are beginning to build relationships and market share in Asia through agreements such as the EU-Korea Free Trade Agreement, the ASEAN-Australia-New Zealand FTA, and the ASEAN-China FTA, to name a few of the nearly 200 FTAs in the region.

In addition, China is negotiating agreements with Australia, the Southern African Customs Union, and is considering agreements with India, Korea, and Japan, to highlight a few.

Given the race to lock in trade agreements across the globe, the United States must work to conclude a commercially meaningful agreement as soon as reasonably possible, and hopefully no later than mid-2012.

There are three key elements that would make the TPP a "commercially meaningful" agreement:

- 1) Make the TPP a comprehensive undertaking. The agreement must be comprehensive, including all products and all sectors in all TPP economies. This means that, for example, Australia must agree to investor-state dispute settlement, Malaysia must open their government procurement market, Singapore and Vietnam must open its financial markets and the United States must not exclude any agricultural products or seek to effectively exclude textiles or apparel products. Of course, the agreement must provide adequate time for import-sensitive products and promote mechanisms for adjustment.

Even though TPP may need to provide flexibility on phase-outs where needed, TPP should result in commercially meaningful liberalization, which means that all tariffs should be phased to zero and quotas eliminated over the implementation period among all countries.

- 2) TPP must address and provide new solutions to longstanding trade and investment barriers. TPP must incorporate high standards for intellectual property and investment protection, transparency, competition policy, and science- and risk-based sanitary and phytosanitary (SPS) measures.

TPP provides an opportunity to address longstanding barriers concerning SPS issues. Cargill supports the inclusion of an innovative technologies working group (ITWP) in the TPP, which would establish a forum to address trade issues related to technology and agriculture as they arise and to develop work plans to resolve issues, such as low-level presence (LLP) of biotech products and labeling issues.

It is critical to promote the establishment of a science-based regulatory framework that would affirm the WTO SPS Agreement. Addressing agricultural biotechnology regulation should be a

top priority, particularly with respect to the challenges facing global agriculture and energy supplies in the 21st century and beyond.

TPP must require standards based on sound science and in line with international standards for food and agricultural products. When food producers are required to meet a different set of arbitrary standards for each country, trade in food can stop outright, or trade frictions can delay transportation, affect quality, or create unnecessary costs, all of which raise food prices and undermine food security. If global food supply chains are to operate efficiently, regulatory harmonization and increased efficiencies in trade facilitation are critical.

Where there are disagreements on standards and regulations, the TPP negotiators should include innovative and rapid, unbiased mechanisms for resolving disagreements so that trade disputes can be resolved almost immediately.

- 3) TPP must include the right subset of Asia-Pacific economies. The vision of a successful TPP agreement includes providing a pathway to include other Asia-Pacific economies. The interest shown by Japan, Mexico and Canada in joining the TPP demonstrates the momentum of this trade initiative. It is important that new entrants be welcomed that can commit to the comprehensive and high standards set by the current nine negotiating partners, subscribe to the measures already agreed to by them in the talks, and support the expeditious conclusion of the talks.

For U.S. agriculture, the inclusion of Japan in TPP is critical in defining this agreement as commercially-meaningful. On December 5, 2011, 63 U.S. food and agriculture organizations sent a letter of support to Secretary Vilsack and Ambassador Kirk urging the Obama Administration "...to work quickly and closely with Japan to smooth the way for Japan's full participation in TPP."

The Asia-Pacific region represents more than 40 percent of global trade. U.S. agricultural exports to the region totaled \$83 billion in 2010 and accounted for 72 percent of total U.S. agricultural exports to the world. Cargill's U.S. businesses export a variety of meat and grain products to the growing Asia Pacific export market. This trade reflects jobs and investment in communities across the United States. For instance:

- In Ottumwa, Iowa, Cargill Pork operates an industry-leading Special Export program that customizes the cut of up to 4,000 head per day specifically for Asian customer requests.
- In Bloomington, Illinois, Cargill processes raw soy protein materials for manufacture into value added soy food ingredients specific to Japanese customers.
- Cargill processes and exports soybeans grown across the Midwest through Louisiana ports, bound for Asian markets.
- Asia represents annual revenue of \$700 million to Cargill's U.S. meat businesses today, supporting nearly 30,000 employees in communities in Texas, Illinois, Kansas, Colorado, California, and Pennsylvania, to name a few.

Asia Pacific countries are major growing export markets for agricultural products. Harmonizing food safety standards and reducing duties through trade agreements will bolster U.S. exports, and create jobs in the food, feed and livestock industries.

In summary, Cargill is strongly supportive of the Administration's efforts to move forward on TPP negotiations. We subscribe to the timeframe which calls for an agreement by mid-2012. Meeting the President's goal of doubling exports by 2015 means locking in commercially meaningful trade agreements that allow U.S. producers and manufacturers to compete on a level playing field in the global marketplace. We look forward to a comprehensive undertaking that ensures reliable access to food in the region and promotes U.S. competitiveness and new economic opportunities for the United States.

Thank you again for the opportunity to share Cargill's views with you today. I am willing to answer questions and respond to specific inquiries going forward.