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CHINA ACCESSION TO THE WORLD TRADE ORGANIZATION

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

ON

CHINA ACCESSION TO THE WORLD TRADE ORGANIZATION

MARCH 1, 2000

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CHINA ACCESSION TO THE WORLD TRADE ORGANIZATION

WEDNESDAY, MARCH 1, 2000

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The Committee met, pursuant to notice, at 9:02 a.m., in room 192, Dirksen Senate Office Building, Hon. Richard G. Lugar, (Chairman of the Committee), presiding.

Present or submitting a statement: Senators Lugar, Cochran, McConnell, Roberts, Fitzgerald, Grassley, Craig, Conrad, Baucus, Johnson, and Lincoln.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. This hearing of the Senate Agriculture Committee is called to order.

In recent months we have heard much about China and, in particular, about the proposed terms of China's accession to membership in the World Trade Organization. The press accounts of the bilateral agreement reached between the United States and China, as well as the summary sheets issued by the administration, suggest this could be one of the most important international agreements ever for United States agriculture, especially now that American farmers have been hit for several year with slack demand and falling prices.

China's proposed accession agreement is also a watershed agreement for the world trading system. The World Trade Organization [WTO] and its predecessor institution, the General Agreement on Tariffs and Trade, GATT, have provided the framework for world trade since 1947. Over the past 50-years, the initial GATT of about 40-countries has grown into the WTO of nearly 140-nations. In all that time, however, China, the most populous Nation in the world, has been neither a GATT contracting party nor a WTO member. Ironically, the World Trade Organization does not yet include the country with one-quarter of the world's population.

There is, of course, good reason why China has historically not been a part of the multilateral trading system. The GATT and the WTO agreements were developed as rules for trade among market economies. GATT/WTO rules, to as great an extent as possible, attempt to ensure that trade is governed by competition and market forces. China's centrally planned and controlled economy operates on a different and incompatible set of principles. As a result, since

1949 China has been sitting on the sidelines of a multilateral trading system.

Over the past decade, as other centrally planned economies have collapsed, Chinese leadership noted the tremendous inefficiencies of the system and, however modestly, began to liberalize the Chinese economy. And since the World Trade Organization came into formal existence with the conclusion of the Uruguay Round, the Chinese have been attempting to negotiate their accession to the multilateral trade system.

Although China has not been a member of the GATT or WTO up to now, it has benefitted from the multilateral trade regime in a number of ways. Most importantly, the United States and a number of other countries have extended to China "most favored nation" status, meaning that China has access to our market on the same terms we extend to other WTO nations. This is a considerable privilege and one that China knows has great value. The United States now extends Most-favored-nation [MFN] status to China on a year-to-year basis. China seeks, as a part of its WTO accession, permanent MFN status, or as it has come to be known, a permanent normal trading relation [PNTR], the PNTR relationship.

Any country that enters the WTO and obtains MFN status automatically secures the market access benefits that have been so arduously negotiated by the GATT and the WTO members in the previous eight negotiating rounds over more than 50-years. It has been asserted, inaccurately, in my view, that in the bilateral deal negotiated between the United States and China, the United States gains everything and gives nothing. This is more than a little misleading. What the United States gives and, more importantly, what China gains is permanent MFN access to our market and to those of other WTO trading partners. And to gain this privilege, China should be willing to give value in return.

The good news is that China appears to have done so in a bilateral agreement that was struck last spring and finally affirmed between the Governments last fall prior to the Seattle Ministerial. The agreement appears to offer significant market access opportunity for the United States and has widespread support in our business community in general and the agriculture community in particular. The package includes significant tariff reductions on a number of agricultural products in which the United States is highly competitive, such as citrus fruits, stone fruits, raisins, shell nuts, canned sweet corn, soups, barley malt, beef, pork, chicken and turkey. And China also commits to creating significant tariff rate quotas in the major grain and oilseed sectors—eventually, 9.6-million metric tons of wheat, 7.2-million metric tons of corn and 5.3-million metric tons of rice. These Tariff-rate quota [TRQ] amounts are many times the level of China's current imports of these commodities. China has also agreed to forego the use of export subsidies, to discipline the use of domestic support, and to abide by international rules on sanitary and phytosanitary regulations.

On paper, this agreement looks very promising and the Office of the Trade Representative and the Department of Agriculture are to be commended for their work in achieving these impressive results. Senators will, of course, want to learn more about the specifics of the agreement. For example, the large tariff cuts and the very generous tariff rate quota levels specified in the agreement would be particularly significant for trade if China were a market economy with a vibrant and competitive private sector. The question is how significant for trade these will be in a situation in which access to the Chinese market is dominated by a state importing agency.

Apparently, China has agreed to liberalize its import regime, to begin to develop a system of private trading rights, and to reallocate unused TRQ amounts to ensure full access. The specifics of these arrangements remain somewhat sketchy and we will be interested to hear more detail on these types of implementations and issues from administration witnesses.

Today we will be privileged to hear from the Secretary of Agriculture Dan Glickman and from Ambassador Peter Scher. I welcome both of these gentlemen back to the Committee and thank them for being with us today and for being so forthcoming on all of these trade negotiations in the past. We look forward to their testimony.

I would note that the Committee also invited the Secretary of Commerce, Mr. Daley, or a senior policy official of his choice to testify at the hearing. We thought this would be appropriate since the President has indicated that the issue of China WTO accession is the priority trade issue for his administration this year and because the President has designated Secretary Daley as the lead spokesperson on this issue. Secretary Daley's office indicated he had other more pressing, business today and his office also declined to designate a substitute witness. And thus we are sorry the Commerce Department will not be represented at the hearing, in light of the importance that the President has placed upon the issue.

Nonetheless, we are delighted to have the witnesses that I have mentioned and we will ask them and a panel of witnesses representing a broad array of interests in the farming and agribusiness communities to testify as a second panel. We will have testimony from the American Farm Bureau Federation, as well as representatives of the grain, meat, dairy and citrus sectors.

I have noted on numerous occasions in this committee the vital role that exports play today in the economic well-being of American farmers. Nearly one-third of all American farm acres are planted for the export market and when export opportunities decline, as they have in the recent several years because of the Asian financial crisis, farm prices and farm income suffer.

I continuously urge the administration to assist our farmers in opening and competing for export markets. It is undeniable that the prosperity of the American farm sector depends upon it. China, a market with a quarter of the world's population, holds unparalleled promise as an export market for high-quality U.S. food, feed and fiber. We look forward to learning today more about China's proposed terms of accession to the WTO and about what it will mean for America's farmers.

[The prepared statement of Senator Lugar can be found in the appendix on page 48.]

At this juncture I would like to recognize my colleague, Senator Roberts, if he has an opening comment.

STATEMENT OF HON. PAT ROBERTS, A U.S. SENATOR FROM KANSAS

Senator ROBERTS. Thank you, Mr. Chairman.

First I would like to associate myself with your remarks and let the record show that the Chairman has long been a champion and an eloquent spokesman and a common sense spokesman, as well, for a consistent and aggressive trade and export policy. I might add that the Chairman also has a great deal of expertise and also recognition in foreign affairs and national security.

And the one element of this that I would like to stress prior to getting into my opening remarks is that in 1996 there was a commission formed on what America's vital national interests were. And interestingly enough, a bipartisan group and a very heavyweight group indicated the number one issue of concern was China's entree onto the world stage.

And not only is this a trade matter; not only is this a matter in regard to our export policy and the WTO and China; it's a matter of national security. As the distinguished chairman has pointed out, our choice is whether or not the remain engaged with China, despite all of the challenges we have with that country or not.

So consequently, I think it is very important and I credit the Chairman for his leadership on both accounts.

I am delighted to see my colleague and friend, Senator Baucus, here. We wrote a letter recently to the Chinese urging them to go ahead with the previous agreement in regard to the purchase of U.S. wheat. And as of Monday, there was an announcement in that regard, Max, and I think we both would like to take a little pride in that effort, although 53 other Senators signed the letter. And I think it is 50,000-tons, as I recall, not enough hard red winter but some soft wheat and we will quarrel about that on down the road.

Mr. Chairman, the Marines have landed in Hart 216 and as a member of the Senate Armed Services Committee, I am going to have to leave about 9:30 or 9:40. I do not want to be late for the Commandant. But having said that, I am going to just basically try to highlight here the statement that I have.

I want to welcome my old friend and my fellow Kansan back to Capitol Hill. Dan, I appreciate all the hard work you do in behalf of our farmers and particularly in respect to today's subject matter, and that is in regard to international trade in China. I also want to welcome our ambassador, as well.

And I want to thank you and express my sincere appreciation for your recent comments. You said this: "Winning congressional approval of PNTR"—that is the acronym—"for China will be the number one issue for agriculture in the year 2000."

You are on point. You are mounting the parapets. You are waving the flag. And I guess in Marine language it is two up, one back and feed them hot chow.

However, let me point out that 3-months ago you said a very similar thing in Seattle. And I credit you and the ambassador and also our trade ambassador, and I sat in the Seattle hotel ballroom—we did not have much alternative; we were locked in—and I listened as the Secretary posed a similar question to the one we are discussing today. Secretary Glickman said, "What would be the consequences if, after all this preparation, hard work and negotiations, we made no progress and we failed?"

What if I had to say that? What if Senator Harkin, who had just introduced our Secretary, had to go back to Iowa or, for that matter, Pat Roberts back to Kansas or Senator Baucus back to Montana? What if we had to go back and say that? I can tell you that is not an option. And Dan worked overtime; so did Charlene; so did everybody that was there at Seattle. Unfortunately, despite the untiring efforts on the part of our negotiators, the Seattle Round turned into a teargas round, Mr. Chairman, and little progress and sent a signal, I think, around the world that was most unfortunate.

I am not trying to assess any kind of responsibility for that. I could but I will not. I just think that was most unfortunate.

Well, now we have another shot. Now we have another chance, it seems to me, Mr. Chairman. We have leadership and commitment from most people in this room—a lot of witnesses, other members—Senator Baucus and I have been working on this for over 18-months—all the companies and the businesses and the constituencies.

The question that I have to raise is the similar question raised by Senator Moynihan last week when he said, and I am quoting here, "This is a very worrisome moment. It is a moment of peril. We had reason to believe that normal trade relations with China would be agreed to in this Congress." They were going to report that bill in regard to the Committee on Finance and he was worried in regard to leadership from the administration and worried about some slippage in the Congress.

I just spent the morning earlier today over in the House trying to assess this situation with the staff of the House Ag Committee and members over there. I would report to you, Mr. Chairman, I think it is a little iffy and I am very worried about this. In the Senate we had all thought that we had the votes. We have not had a whip check.

And I will tell you that some of the Senators that I know and I trust and whose advice and counsel I trust, who are free-traders, they are worried about all the challenges we have with China. I am not going to go into the litany of them. I know that. But I am concerned about this. And unless we have a full and concerted, full-court press led by the Secretary and certainly those of us that are involved and the President and, more particularly, the Vice President of the United States, I think we are in trouble. And I sure do not want to bring this up and have it lost. And I am just on the cusp now.

I think this is so terribly important for us. We have a lot of discussion about agriculture program policy. We must have the freedom to market. This is a crossroads issue. So it seems to me that with a lot of frustration and concern, I want to thank the Secretary for leading point and I am going to be riding with him. It is just like when I used to take him to Dodge City. I would stand there right beside him as his shotgun rider. Well, we are going to have to get the stage working, Dan.

I would suggest to you, after March 7, we can get the Vice President on the White House lawn with the President and you and the Vice President and Max and me and we will do just like we did in the House, Jim, when I used to play basketball with the Vice President. He would shoot those threes and he would make a couple but he would not go underneath the backboard, would not do the rebounding, would not do the elbow work. He has to come down and do that, Dan. Otherwise, I think we are going to be in a world of trouble.

I am not trying to put you on the spot. I am just trying to tell you this thing is an iffy situation right now and it should not be. Seattle should not have been and this should not be.

So I welcome your support. Let's see. You ride point, I will ride drag, and we will get the job done.

The CHAIRMAN. Thank you very much, Senator Roberts. You have already made a substantial contribution to the hearing. Let me say that Senator Harkin would like to have made one but he is involved in the education bill mark-up at this moment and is likely to be there for quite a while, I am advised.

I would like to call now upon Senator Baucus, who has been commended, and correctly so, for his leadership.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. Thank you, Mr. Chairman. Do I have to follow Senator Roberts?

Mr. Chairman, Mr. Secretary, Mr. Ambassador, I think we all know the main point that Senator Roberts said is pretty accurate; namely, time is running out. This is so important, this agreement, that we all of us have to burn some more midnight oil and go the extra mile if we are going to pass it this year.

My view is that we have several months yet. Once we get into June, close to the presidential conventions and elections, it is going to be more difficult. I also believe that the Chinese white paper complicated matters somewhat significantly, but that is just a complication. It is not a huge hurdle. There have been other developments across the Pacific between Taiwan and China—across the straits—that have been more significant by far than this.

So I urge all of us to put all this in perspective, just keep calm and keep our eye on the ball, which is getting PNTR passed.

Whatever you can do, I urge you also to talk to the Europeans in whatever channels are most appropriate because clearly the bilateral that China agrees to with the European Union [EU] is a precursor. It is a precondition probably to a PNTR vote. My guess is it is going to be difficult for the House to vote on PNTR before China and EU reach an agreement.

In any event, the agreement would make it easier, and I know those talks have broken down temporarily and it is important we try to kick-start those and get them back on track.

I also have urged Chinese representatives to take more concrete actions, not just the abstraction of the benefits of trade but concrete actions to show the benefits and to show that this is a commercial agreement and both sides benefit.

As Senator Roberts mentioned, he and I and other Senators wrote a letter to President Jiang Zemin urging them to buy American products, particularly wheat, and they did send over their citrus team, and that is good and they did buy 50,000-tons. The thought was once the Chinese show a specific action of buying wheat pursuant to the cooperative agreement, which is independent of the regular bilateral agreement, that shows good faith. It shows that China will live to its end of the agreement and it is helpful.

I have also encouraged the Chinese to do whatever they can to show more transparency on their own in the interim, to show that they are down-sizing their state enterprises or reforming the banking system, just doing whatever they can to show that China is even more and more entering the free market arena. I think that will help give some confidence to some members of the House and Senate.

With respect to the white paper and all the issues surrounding that, I just strongly urge those who are concerned about that issue to recognize that Taiwan and China and the one–China policy is going to be our policy for a long time and those are issues we can deal with, and will be much more easily dealt with once PNTR is adopted and we have the bilateral agreement consummated and China is a member of WTO. Those political issues will be much more easily dealt with.

Conversely, it is much more difficult to deal with those issues if, by chance—certainly if we were to vote down PNTR but even if we were to delay a vote and not take up the issue this year.

Agriculture is one of the main drivers here, clearly—you know that better than I—in all the terms of the bilateral. I think it is also important for the American people to understand that this is not a gift, this agreement with China. It is not a gift at all. I think some people across the country think it is a gift, that we are kind of doing something for China. We are granting PNTR. We are giving them something.

Really this agreement is not a gift. It is a negotiated agreement which in many ways is a no-brainer in that it is almost one-sided for the United States in that our country is already open. We do not have trade barriers. They are very minimal compared with those in China. The tariffs will be reduced in China; the distribution system will be dismantled in the sense that American companies can use their own distribution systems, and all the other provisions of this agreement.

So I just urge all of us. Senator Roberts made a good point about the President. I personally have spoken with the Vice President since this issue flared up. He is fully behind this agreement. In fact, I will not go into all the details but there are some misquotes in the press that got all this out of proportion. But he is fully behind the agreement totally, so that is not an issue.

But the administration, all the administration, business community—I strongly encourage the business community to do more than just have their CEOs stop by and see members of Congress. They have to get their employees in their companies visiting the district offices of key House members a couple, three or four times, explaining in good, polite terms why this is such a good agreement for America, let alone the countries.

I believe very firmly that the relationship between the United States and China if probably one of the most crucial relationships for the United States, for China and for the world. We are on the cusp right now of taking the right step, being on the right track with a good, solid relationship. We have it within our grasp to begin to put this together in a pretty good way.

We only have a couple or 3-months and it is such an important opportunity, such an important opportunity, it behooves all of us to put partisanship aside, put some of the collateral peripheral issues aside and let's just keep our eye on the ball and get this commercial agreement put together. Then we can more easily deal with some of the other issues that we always will deal with.

China is a separate country; United States is a separate country. They have their interests; we have our interests. But we have a mutual interest in getting this agreement together.

I compliment all the work you have both done, Ambassador Scher. And as well as I know you, Mr. Secretary, I know how hard you have been working—very, very hard. You are to be complimented and credited for the terrific agricultural provisions of this agreement. We just have to get that word out better. Thank you.

The CHAIRMAN. Thank you, Senator Baucus.

Senator LINCOLN.

STATEMENT OF HON. BLANCHE LINCOLN, A U.S. SENATOR FROM ARKANSAS

Senator LINCOLN. Thank you, Mr. Chairman. As always, thank you for your leadership in bringing about this hearing to discuss what is a vital issue to us in Arkansas. I appreciate the hard work that my colleagues Senator Roberts and Senator Baucus have done on this issue.

It seems like oftentimes, Mr. Secretary, every time we visit with you it is a really timely thing. It is timely when it is emergency disaster, getting it out, getting it to our agricultural producers and other things. And I do agree with my colleagues that this is an enormously important, timely issue, something that we do not have a great deal of time to do.

I appreciate very much the two of you all in your positive attitudes towards PNTR for china but I will also echo my colleagues' words, that we have to be as proactive and as aggressive as we possibly can in moving this issue forward.

In reading the testimony of Ambassador Scher, he is right on target—that China's WTO accession is a clear economic win for the United States. And together with PNTR, it will definitely open up markets that especially vital to agriculture.

As Senator Baucus mentioned, we are talking about opening up markets while U.S. markets are already open to that country. I am sorry that Senator Roberts is gone but if it takes all of us going down to the House gym to play basketball to get it done, in his analogy—I have only been down there once but I am willing to go back if that is what it takes.

Senator BAUCUS. Show them the cast on your leg. You mean business.

Senator LINCOLN. That is true. I mean business.

But I do think it is important and I will just ask unanimous consent from the Chairman to put my entire opening statement in the record. I would like to conclude by saying that, in the overall debate of what we have started this year, talking about surpluses and then talking about the strength of the economy in this country and how important it is going to be to the multitude of other issues that we are discussing, whether it is the solvency of Social Security, maintaining Medicare or other things, those are all absolutely essential—educating our children, these are all dependent on the strength of the economy.

If the economy in this country should take just a small turn, those issues that in the everyday lives of our constituents are so important are going to suffer a great deal. And certainly in my opinion, this is probably one of the single most important questions we will be asked as the Government that could help us to sustain this country's economy in a strong way.

So I certainly find granting PNTR to China to be one of the most important things that we are doing and I encourage you all to continue not only in your positive attitude but turn up the heat, increase the progress and the aggressive with which we are tackling this and let us move forward. And thank you very much for being here.

Thanks

Senator BAUCUS. Mr. Chairman, if I might just very briefly, I forgot to mention. Yesterday I introduced legislation which I call the China WTO Compliance Act. The point of it is to give the administration, the executive branch, a little more authority to monitor compliance with the terms of the agreement. It is my thought that, that will help the American people, reassure the American people a little more that the terms of the agreement will be lived up to.

Often we sign agreements and we tend to not forget about them but we do not worry as much about enforcement and execution. The point of this legislation is to help give us a little more reassurance that once the agreement is signed, execution and compliance will be followed. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Baucus.

The Chair would like to make two announcements, one of which is that we will have a vote at 10 a.m. So at that point we will take about a 15-minute recess. I wanted the witnesses to know that, as well as all who are observing our hearing.

The second is there will be a mark-up in the Committee tomorrow at 10:30 on crop insurance risk management and other issues that are before the Committee in the Committee spaces. So for the benefit of all members and staff, we want to make certain we are all present for that.

Secretary Glickman, our purpose in having this hearing today is really to accelerate consideration of the issue. We thought it was important to have a high-profile hearing at which you and Ambassador Scher could testify and make the very best case and likewise, elicit comments from the Senators, which you have heard and which I think are important in showing their individual leadership.

It is a privilege, as always, to have you. I ask you to proceed. I will ask both of you to try to come within, say, a 10-minute framework if that is possible. If it is not, there will be some leeway granted, as you know.

Secretary GLICKMAN.

STATEMENT OF HON. DAN GLICKMAN, SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC.

Secretary GLICKMAN. Thank you very much. Senator Lugar, Senator Baucus, Senator Lincoln, it is an honor to be here.

First I would like to give credit to Ambassador Barshefsky and Ambassador Scher. Together with some help from our USDA team, they negotiated an extraordinary bilateral agricultural agreement, which I would echo what Senator Baucus says. Not only is it a no-brainer but in the area of agriculture, it is really a one-way street in favor of the interests of the United States of America.

Recently I spoke at the National Farmer Union convention in Salt Lake City and there was a lot of deep concern about this agreement and a lot of the questions were asked about previous trade agreements and we gave away the store and there were import surges here and there and some of the issues, I think, the facts were wrong, but I understood what their concerns are.

But then I said to them, I said this is not the same as those previous trade agreements. This is not North American Free Trade Agreement [NAFTA]. This is not other agreements. This is not an agreement whereby the United States is going to increase the access to our markets of another country or region's products. This is an agreement whereby another country agrees to increase the access of our products to their markets, period, with respect to agriculture.

Now, Ambassador Scher and Ambassador Barshefsky may talk about the total effect, which I think is also very positive, but this is truly an agreement that is a one-way street in terms of how it affects agriculture. And it concerned me that, that message was not out there in the countryside, that there was a whole lot of collateral issues regarding exports, imports and trade policy that is kind of infecting this discussion here.

And it is really important for me and I know the President feels this very strongly, to send a clear message as it relates to agriculture: this is a 100-percent positive in the interest of United States farmers agreement. It concerns me that we could miss this opportunity, and that would be very, very serious for America and for our farmers.

The other thing is when I put my hat on, I had the privilege of, as you know, serving as a member and chairman of the House Intelligence Committee in the early 1990s and this agreement is also critically important to the national security of the United States. I mean why walk away from our leadership role, to try to influence other countries in the world? If we do not do this, our ability to influence their human rights, their environment, their labor policies will be dramatically reduced. I mean it will be extraordinary, the effect on our inability to influence that part of the world. And I think that is another point that Senator Baucus has made over and over again. I notice you, Senator Lugar, made the same point.

So I just think for double purposes, it is a one-way win for American agriculture and it is critically important to the United States of America that we proceed with this. And the President feels this so strongly that he has sent his entire cabinet out to really focus on this as certainly the primary trade issue this year and one of the highest priority issues of anything that this administration is fighting for.

And I want to also leave that as a clear message here. This is a very high priority issue and there is unanimous agreement within the administration that we should pursue this with full vigor, and that is a tribute to the leadership of our United States Trade Reoresebtatuve [USTR] in negotiating a good agreement that we can be proud of, and I think that is going to make a lot of difference.

Now, I think we have sent these little cards up. You all may have these little cards. It is kind of a summary. I do not know if you have one. I want to make sure everybody has one. OK, they do.

It is kind of my whole statement. On one page there is a——

Senator BAUCUS. We appreciate it. We will hear from Mr. Scher now.

[Laughter.]

Secretary GLICKMAN. Well, on one side it is all the tariff cuts, which are dramatic—meats, beef, pork, poultry, dairy, and all the other items. On the other side are the TRQ changes, which are dramatically increased. And there are obviously the key provisions for U.S. agriculture, which is significant, as well.

I would say that we expect conservatively U.S. export gains to approach $2 billion a year, an increase as the Chinese reduce their tariffs, which should happen by the year 2005. And we see this agreement with China eliminating export subsidies, reducing trade-distorting domestic supports, establishing TRQs, and the other things and, as both Senator Lugar and Senator Baucus talked about, providing the right to import and distribute without going through state trading enterprises.

I would also say, you know, this is not the easiest thing for China to do. Recently there was a story in the Wall Street Journal. This is a predominantly agrarian society, China. Its entire political system has been based upon the history of the nature of peasants and the agrarian population and the control of the central government over their people.

Now, I am not a great historian or political scientist but it does not take a rocket scientist to know that the Chinese themselves, in moving into the 21st century and dramatically reducing their tariffs on all their agriculture products and the other items that are here, are also taking a fairly significant risk in terms of their political system. They are moving from an agrarian society to one that is more modern, urbanized, technologically advanced, and I am sure that causes some nervousness within the halls of power in Beijing.

But the fact of the matter is that they are doing this, which means that their markets will become dramatically more open to our products in agriculture, which affects the heart of their last couple of thousand years of history. And you talk about an influencing factor to help change their ways. This probably would have more impact on their political system ultimately than anything else I can imagine, as well as helping America's farmers.

Now, I would make a couple of comments. We do need to be vigilant to ensure that China lives up to its WTO commitments and also fully implements last year's agricultural agreement that reduces phytosanitary barriers for citrus, wheat and meats. That means we need China's leadership to make the changes necessary to ensure that trade in these products can begin without delay. Prompt purchase of these products, including wheat, citrus and meats, will be the clearest indication that China intends to honor its commitments.

And I am fully cognizant of the letter that Senator Baucus and Senator Roberts wrote. As it was referred just this week, China purchased 50,000 tons of U.S. wheat. This will be the first significant shipment of wheat originating from the Pacific Northwest in over two decades and the first purchase under our Agricultural Cooperation Agreement, which Ambassador Barshefsky and her team negotiated, along with our help. This is encouraging news and we hope that there will be many more such purchases to come.

While this is not a major purchase, it does break what I call the Tilletia controversa kuhn [TCK] Chinese embargo on U.S. wheat and recognizes that the agreement provides for a modern view of sanitary and phytosanitary measures and we are watching to make sure that this initial purchase is followed by additional purchases of wheat, as well as honoring the commitments the Chinese made on citrus and on meats. Those things are very important and I am sure to you all they are very important, to make sure that the Chinese know that we expect them to honor their commitments that they have made before.

We are in an era in which American agriculture has been suffering and it is linked to the global economy and increasingly dependent on trade. As I have said before, we have nothing to gain and a great deal to lose by walking away from our agreement with China. The only winners would be the EU, would be Australia, would be Canada, would be Argentina and would be every exporter in the world, who will see us as engaging in a disarmament in world trade and will move in to suck up those markets from us. And once they are in, they will be in for good and we will be out for a very long time.

So the fact is that it is a dog-eat-dog world out there. I cannot remember who on some TV show said that but I will repeat it and I am sure if they did not say it, they will after I have said it today. If we are out of these markets, we are lost for a very long period of time, and that hurts American agriculture, which is increasingly dependent on these foreign markets, as well.

I believe that the WTO accession agreement with the U.S. is a bold statement that China intends to be a major player on the world stage. The Chinese have shown in these agreements they understand that they must commit to long-standing principles governing world trade—transparency, fair trade practices, peaceful settlement of disputes and, most importantly, the rule of law. The agreement that we negotiated is strong evidence of China's willingness to move beyond the stagnant, protectionist policies of the past and embrace economic and trade principles that will have a ripple effect on their economic, social and political institutions, as well.

In fact, changes in Chinese agricultural policies are a good indication that China is beginning to see the advantages of stronger ties to the global economy. Now China's leaders, after years of increasing its grain production to meet the growing needs of its population, they are talking about the need for food self-sufficiency rather than food security, and pointing out that China might be able to raise farm incomes by diverting resources away from areas where they do not have a comparative advantage, like grain production, and into areas that would take advantage of the large Chinese labor pool, like horticulture products.

In fact, Chinese policy-makers are now saying that China could live with a self-sufficiency rate of 95-percent, rather than 100-percent. And that may not sound like a lot but when you look at the history of China, that is a dramatic acceptance of economic reality. If China imported just 5-percent of its grain needs, that would equal 20-million-tons of grain a year, making China the world's second largest market for imported grain after Japan. That is why approving NTR for China is so important for America's farmers.

This is an historic opportunity because what it can achieve in opening Chinese society goes way beyond the economic underpinnings of improved trade with China. In granting permanent NTR, we are not abandoning the principles we as a Nation have always valued but instead, we are providing tangible economic benefits to the American people.

Mr. Chairman, that completes my statement and I thank you very much.

[The prepared statement of Secretary Glickman can be found in the appendix on page 54.]

The CHAIRMAN. Thank you very much, Secretary Glickman.

Senator McConnell, I would like to recognize you for a moment.

STATEMENT OF HON. MITCH MCCONNELL, A U.S. SENATOR FROM KENTUCKY

Senator MCCONNELL. Thank you, Mr. Chairman, for accommodating me. I just wanted to introduce one of your subsequent witnesses briefly, an old and dear friend of mine who happens to be president of the Kentucky Farm Bureau, Sam Moore, who will be testifying on the second panel.

Sam and the 250-members of the Kentucky Farm Bureau are actually in town this week. We just had a meeting with them earlier. I wanted to welcome him to our committee on behalf of everyone in Kentucky who is so proud of his leadership of the Kentucky Farm Bureau.

Sam is an active farmer himself, raising beef cattle, corn, soybeans, feed grains and, of course, tobacco, which is so important to our state. He is from Morgantown, Kentucky in West Kentucky and has spent almost 50-years really around farms. He started very early.

Sam has been extremely busy this last year trying to secure a substantial amount of Kentucky's phase 1 tobacco company for agricultural development in our state. He has done a remarkable job on that.

And Mr. Chairman, I just wanted to thank you for the opportunity to interject here and introduce Sam, from whom all of you will be hearing a little bit later. Thank you.

The CHAIRMAN. Thank you very much, Senator McConnell.

Senator Johnson, do you likewise have a short introduction? We are delighted to hear from you.

STATEMENT OF HON. TIM JOHNSON, A U.S. SENATOR FROM SOUTH DAKOTA

Senator JOHNSON. I will help expedite the process here and submit a statement, Mr. Chairman.

I appreciate your holding this hearing. I think that expanded agricultural trade with China is a very key issue, both in terms of our economy and in terms of democratization and the other values that we hold, as well.

So I am pleased to have this hearing today.

[The prepared statement of Senator Johnson can be found in the appendix on page 50.]

The CHAIRMAN. Thank you very much.

Ambassador Scher.

STATEMENT OF PETER SCHER, SPECIAL AMBASSADOR FOR AGRICULTURE, OFFICE OF THE U.S. TRADE REPRESENTATIVE, WASHINGTON, DC.

Mr. SCHER. Mr. Chairman, thank you. I would ask that my full statement be included in the record and I will make brief remarks.

The CHAIRMAN. It will be included in full.

Mr. SCHER. I am very pleased and honored to be here with Secretary Glickman because I do believe that the effort we have made with China has really been a team effort, in particular between USTR and USDA under the leadership of Secretary Glickman and Ambassador Barshefsky.

If I might just take a minute, I would like to recognize three of the career people who have been part of this team and who normally do not get recognized but I think really deserve it here. Three people are here—Teresa Howes and Jason Hafmeister from my staff and Lynn Alfala from USDA's Foreign Agricultural Service.

The CHAIRMAN. Please stand so we can identify you.

Senator BAUCUS. That would be a good idea.

Secretary GLICKMAN. May I just interject? We have our Ag attache from Beijing who is here, Suzanne Hale. I would like to recognize her, as well.

The CHAIRMAN. Suzanne is there; great.

Mr. SCHER. I have to say, Mr. Chairman and members of the Committee, these are people who very rarely get recognized but whose expertise and tireless work and very long nights really resulted in this agreement and I think they deserve the Committee's recognition and all of our recognition, as well.

Senator BAUCUS. Mr. Chairman, if I might interject, I agree. I know Suzanne Hale. I was over in December to China. I know she represents everybody else. She is aces. She works hard and does a great job and I am glad, Ambassador, that you have recognized everybody because it is very true.

The CHAIRMAN. I agree. Thank you for giving that recognition.

Mr. SCHER. Mr. Chairman, let me just say briefly I think, as Secretary Glickman and many of the members of the Committee have said, China's accession to the WTO is a clear economic win for the

United States. Together with permanent normal trade relations, it will, for the first time, open the world's largest Nation to our goods, to our farm products, and to our services. Without permanent NTR, as Secretary Glickman said, our competitors in Asia and Latin America and Canada and Europe will reap those benefits and this, I believe, is the critical question facing Congress.

Before I update you on the status of the negotiations on China's accession, I would like to just give a brief overview of the specific agriculture commitments because these commitments reflect every commodity of interest to the United States. They are comprehensive. They will be phased in over a very short period of time. They hold China to the same standard we would expect of all new WTO members. And, most important, in each case they reflect very specific enforceable commitments.

We will be opening China's market for all commodities of significant interest to the United States and moreover, we will be addressing a broad range of policy issues of concern to American producers. China will make significant cuts in tariffs and will complete them by January of 2004. This is one of the shortest phase-ins for any accession in the WTO. And these will be in the commodities of top concern to the United States, everything from beef and pork to citrus, processed foods, wine and dairy. Tariffs will be reduced from an average of 31-percent to an average of 14-percent for our priorities. China will establish a generous tariff rate quota system for bulk commodities, like wheat, corn, cotton, and rice.

This will result, for the first time, in decisions on the imports of these products being made based on the market and not based on government edict.

China will guarantee the right to import and distribute products without having to go through state trading enterprises or middlemen.

China has agreed to cap and to reduce trade-distorting domestic support and it has agreed to eliminate the use of export subsidies. If we can get Europe to make the same commitment, we would be in pretty good shape in world agricultural trade.

And, as somebody referred to, China agreed last year, even before entry into the WTO, to eliminate Sanitary and phytosanitary [SPS] barriers on meat, on citrus and on wheat, which resulted earlier this week in the purchase of 50,000-tons of wheat, the first such purchase from the Pacific Northwest in 25-years.

Let me say I think it is important to note, and I think both Secretary Glickman and Senator Baucus referred to this, while we are pleased that China has taken these steps under the bilateral agreement—they have sent the citrus team; they sent the wheat team; they purchased wheat—we are very concerned about how quickly they are implementing this agreement, particularly as regards to meat and poultry. And I think we have been clear to the Chinese, and I want to be clear to this committee, that we will not be satisfied until all of the necessary changes have been made by China to implement the agreement and exports of all three commodities have occurred. That is our bottom line.

Overall, Mr. Chairman, the WTO agreement that we have negotiated addresses the full web of trade barriers in this market—barriers at the border, unfair restrictions on marketing within China, and unscientific inspection standards. But the work is not yet done. China must now complete bilateral market access agreements with a number of WTO members, including the European Union, and it must also complete a multilateral negotiation at the WTO, particularly covering commitments on rules, and these steps are proceeding. And we are encouraging countries to move as quickly as possible, including the European Union, including Mexico and some of the Latin American, countries, as well as China itself, to move this as quickly as possible.

Mr. Chairman, let me conclude. I believe that the case for China's entry into the WTO and therefore for Congress's granting China permanent normal trade relations is very, very compelling. As Secretary Glickman said in his remarks, no changes to U.S. laws or import policies need to be made for China to become a WTO member, unlike any of the trade agreements we have ever brought before Congress. We change none of our market access policies. We lower no tariffs. We change none of our laws controlling the export of sensitive technologies. And we amend none of our own trade laws.

We do risk losing the benefits of this agreement if we fail to grant China permanent normal trade relations. So we would obviously encourage—we are doing everything we can and would encourage Congress to do everything it can to consider this matter expeditiously. Thank you, Mr. Chairman.

[The prepared statement of Mr. Scher can be found in the appendix on page 58.]

The CHAIRMAN. Thank you very much, Ambassador Scher.

The columnist Tom Friedman in the New York Times yesterday in a column called "Eyes on the Prize" said, and I quote, "It is now going to be very tempting for Congress, caught between the right-wingers, who have been energized by the threats from Beijing against Taiwan, and the left-wingers, who have been energized by Mr. Gore's ambivalent support for his own trade negotiators, to walk away from the Clinton deal for bringing China into the WTO. Nothing could be more reckless. This is the time to keep our eyes on the prize and the prize remains the stable, steady transformation of China into a responsible member of the world trading system, into a more free and open society. Few things are more important for world stability than that."

This is preface for my general line of questions today. Obviously we are interested, as an Agriculture Committee, in the very remarkable details that you have negotiated and recognition has been given to that and you are, in your testimony, illustrating that. Secretary Glickman, on his blue cards, has really given us all the facts.

The problem that I foresee, however, is that a major reason and maybe the major reason for this agreement is the national security of the United States of America. It is not an original thought but many have suggested that our ability to work with Russia, to work with China so that these countries in due course move into a situation of democracy, human rights, market economic principles, freedom of the press, freedom of religion, is terribly important for the generation of our children to come and that if we fail in this respect over the details, then the consequences are likely to be great, given the proximity of weapons of mass destruction and the ability of nations to use these with awesome results.

So we are talking about something that is very grave, and I would hope and I presume the President will make this case and the Vice President and each one of you on a number of occasions. This is a trade agreement and it is an extremely important one, but we are really talking about consolidation of China with the rest of the world and the globalization of that enormous population and that economy at a time in which apparently the Chinese are willing and perhaps at least portions of their society are eager to come into this. I stress this because I fear we could lose the argument if it is strictly a trade issue.

I ask you, Secretary Glickman, from your experience in the House, to analyze once again the fact that there have been fast track authority votes in the House of Representatives, at least two of them fairly recently, in which House members, by sizable majorities, have rejected giving our President fast track authority.

It seems to me to be unlikely that members who have voted against fast track authority, which clearly were trade votes, are likely to change their minds without an enormous effort and probably argumentation that goes well beyond the normal business of jobs and parochialism and protectionism and all the rest of the things that encumber our society even as we talk about trade.

How can these people change their minds? What is the administration's strategy? Or is there is not a very good one, is there any very good reason to have the vote at all? That is a question being raised increasingly.

Secretary GLICKMAN. Well, I think that the administration has a clear strategy to try to sell this agreement, both to the American people and then, of course, the people would sell it to Congress. Let me make a couple of points here.

One is the President himself agrees with you that this is a national security vote as much as it is a trade vote, and if it is focussed strictly on the dollars and cents of how much X we are going to sell over there, that, in and of itself, may not be enough to cut the deal and get it passed.

The CHAIRMAN. That is my impression.

Secretary GLICKMAN. But I also think that in addition to that, it is important to recognize that this is not the same boat as fast track and this is not the same boat as NAFTA. This is a focussed vote on a trade relationship with one country, China, and it contains in most areas and particularly in agriculture, substance which is 100-percent in the favor of the United States of America. As Mr. Scher said, as others have said, we give up nothing, zero, nothing in the agriculture area. We do not allow access, for all purposes in the production agriculture area, to anything that is not already there. And, of course, our markets are open to the world.

Now look at this. We sell China $14 billion worth of things a year—things, everything you can think of—a little agriculture, airplanes, some other things. They sell us $70 billion worth of material. They have a 5-to-one advantage over the United States of America.

What we are saying in this agreement is we would like to equalize that advantage just a little bit. And what Mr. Scher and Ms.

Barshefsky has done is negotiated an agreement where it can only go in our favor. It cannot go the other way.

That message is not yet out there in the countryside. There is the belief out there that this is just one more trade agreement, like every other trade agreement. And by and large, NAFTA, I think, has been positive for the United States. There have been some people who have probably not been helped as much as others, and the negatives and the horror stories have dominated the public debate.

I could see that at a recent farm convention I was at where some people have talked about all these possible negative things that have happened on other trade agreements and they are putting them all on China now, when they have nothing to do with China at all. We just have to do a better job of selling that and getting the information out there.

But let me just finally say the President—he has talked with many members of Congress; he has had them up to the White House. He intends to continue to do that. He agrees with you absolutely about the importance of this to our national security. Sorry for the long-winded answer.

The CHAIRMAN. I think it was a very important answer. Even after you were with the National Farmers Union, as you know, the vote was still 64 to 62 against it. This is a farm group.

Now apparently the word was there, I suppose——

Secretary GLICKMAN. Before I got there it would have been much more overwhelmingly negative.

Senator ROBERTS. Yes, but which way?

[Laughter.]

The CHAIRMAN. Well, this is a significant agricultural group in our community and it is important that those of us in agriculture at least have as much enthusiasm and understanding; others in our society may not. So my plea would be that you go back to the group with some of the arguments that we are talking about today that are national security, in addition to the esoterics of trade.

Now just one final question, and that is what if we do not have a vote this year? I have heard predictions that in due course, the Chinese will work out their problems with the EU and they will work out their rule-making situations with the WTO organization and that their accession to WTO might not occur in calendar 2000 but it might occur in the first quarter of 2001, with or without a vote of the United States.

Is this true? And what are the implications if that format were to happen?

Mr. SCHER. The dangers for us I think is that we lose the benefits. I mean the WTO rules require that all countries, all members of the WTO be granted "immediate and unconditional MFN." So if China becomes a member of the WTO which, as you know, the actual accession of China does not require a vote but the granting of permanent NTR does, then the risk if we do not provide PNTR is that China would have the right to say we do not need to provide the benefits to the United States because the United States is not providing us with the benefits that we are entitled to.

So Europe, which will have provided permanent NTR, you know, all these Latin American countries, Canada, they will get the benefits. And even if it is just a short period of time, the leg up that our competitors—I mean, our wheat growers believe they have an opportunity to really compete effectively in this market. We do not want Canada and Australia and other countries getting in there before us and having better opportunities than us.

So I think the dangers are very real and the risk is very significant that we would lose those benefits.

The CHAIRMAN. Thank you very much.

Senator Baucus, we will try to have a 5-minute limit so we can all ask questions.

Senator BAUCUS. First, Mr. Chairman, I very much compliment you for holding this hearing as a forum to get the word out just how beneficial this agreement is.

I have the same concerns that Secretary Glickman has. People in the country just think trade deals are not good and what are we giving up here? China is China; they do all those things over there and why are we doing this? And it could not be further from the facts and the truth.

I urge, too, both of you to get around the country a lot, in addition to going to members of Congress. And use the bully pulpit of the White House to the degree the President gets around the country because he gets public attention when he goes around the country and he speaks. I know you guys do, too, but he gets a little more. It may take that to get people to understand just how important this is.

Stating it even more directly, if by chance there is an unfavorable PNTR vote, my understanding is that we revert to Smoot-Hawley-era tariffs on Chinese products coming into the United States, up to 70-percent. It is very, very high. If MFN or PNTR is not granted, automatically we go to Smoot-Hawley-era tariffs, which is obviously just disastrous. All the main points have already been said but I just encourage us to keep working.

One question I do have, let's say we get the agreement. How are we going to compete with Europe's export subsidies and other aggressive marketing tools, even though under the agreement, China has agreed to TRQ of roughly 7-million tons?

Mr. SCHER. 7.3 on wheat.

Senator BAUCUS. 7.3 and then up to 9-million after a couple of years. Last year they bought about a million?

Mr. SCHER. Right.

Senator BAUCUS. A little over a million. Of course, that was because of the Asian financial crisis.

OK, we get a higher TRQ, 7- to 9-million metric tons. What assurance do we have that we are going to be able to take advantage of that in the face of European export subsidies?

Mr. SCHER. Let me say two things. Obviously we face European export subsidies around the world and that is a reality that we are trying to change in the next negotiations, which begin this month in Geneva.

I think the view that we have taken, and we have worked very closely with the wheat industry on this, is that the TRQs for the first time give us an opportunity to compete. I mean before now, we have not even been able to compete for the market share because all the decisions in China are made by central planners. I mean now, under this new system, you are going to have the decisions shifted to the end users, to the millers, to the people in China producing animal feed.

So our view is that we can compete in that market. Obviously it creates a disadvantage that we are all aware of, having to face European export subsidies, and we need to bring those down and we need to address those. And frankly, China's commitment not to use export subsidies is a fairly powerful message to the EU. But I think that the TRQ system does give us, for the first time, an opportunity to compete for the business. And I think our view and I think the wheat growers' view is that we can produce a quality product at reasonable prices and that opportunity will make the difference in China's market.

Senator BAUCUS. You made a very good point with respect to the market mechanisms here. When President Jiang Zemin, who is head of COFCO, was in Montana a few days ago, I was struck with how often he would say, you know, we will buy if the price is right and the quality is right and the terms are right. Over and over and over, it was on a commercial basis, which I thought was a big change, a very important change, almost a profound change—that is, not political but on commercial terms, which means that we have a good opportunity because we believe we have high quality, good wheat, but it means even more that we have to work hard to compete.

Mr. SCHER. Right.

Senator BAUCUS. We have to have the product. We have to have the price and clearly find some way to get the Europeans to back off a bit. But China does want, it seems, to negotiate on a commercial basis, which gives us a real opportunity, particularly since the mind set in China seems to be more commercial than it has been.

Secretary GLICKMAN. I met with him yesterday. In addition to saying what he said, he kept saying, "Do not think of me as a government person; I am not. I am a businessman."

Senator BAUCUS. Yes, he made that same point to me over and over again.

Mr. SCHER. If I might add, I think it is an indication of the movement in China because I think people like President Zhou COFCO are being forced to be more efficient and they want to have the opportunity to buy wheat, particularly from the Pacific Northwest that they can get it at better prices.

Senator BAUCUS. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Roberts.

Senator ROBERTS. Thank you, Mr. Chairman.

Tim Galvin, a former staffer of the sometimes powerful House Ag Committee, doing an outstanding job trying to get our exports cracking, I am quoting: The U.S. market share of global agriculture trade has eroded so much, "this could culminate in the United States losing out to the European Union as the world's top Ag exporter in 2000."

In fiscal year 1981 and 1998, Tim said, "World trade in agriculture doubled but U.S. exports lagged behind major competitors and overall U.S. market share fell from 24-percent in 1981" when both the Secretary and I were serving on the Ag Committee, "to 18-percent today."

"Galvin and Agriculture Under Secretary Gus Shumacher," and Gus is in the room and I cannot think of anybody who has worked harder and persevered tirelessly in behalf of our exports, doing great battle in a very positive way with the European Union, and thank you, Gus, for your efforts, "urged the panel to increase the budget for Foreign Agricultural Service [FAS] and said approving permanent normal trading relations with China and China's accession to the World Trade Organization would produce great gains."

When Dan and I were out at the convention, not at the same time but at the convention of the National Wheat Growers, this was the number one issue. When 105 presidents came in from all the counties of Kansas this week and they wore big buttons and they had this as the number one issue. I can say the livestock sector would do the same thing. I do not know about the National Farmers Union [NFU]. You always have folks, the exception to the rule or people who go upstream with high waders on. I think the water is a little high in that respect.

Let me just say that this is a tremendous issue. I think it is a crossroads issue. I have already made my speech on that.

Dan, at the last minute in the November negotiations, trading rights for fertilizer were apparently at the highest levels removed from the agreement, but both sides made a commitment, as you are aware, to address the issue in the coming months. We were able to get over 70 Senators—as a matter of fact, I think it was exactly 70, Mr. Chairman, in a letter and personal conversations with the Chinese ambassador.

We met just this past week—Secretary Daley, you, others—in regard to this subject. I was happy to learn the administration considers trading rights for the United States' fourth largest export to China top priority. Can you give me any update on these efforts?

Secretary GLICKMAN. I think Peter probably could.

The CHAIRMAN. Mr. Ambassador, if I could just interject for a moment, to conserve both of your time, I am going to leave to vote. Senator Roberts I will leave in control of the Committees while he is questioning. Then Senator Craig and Senator Grassley will be back. In that way we will utilize this time.

I apologize for interjecting.

Mr. SCHER. Senator, on the issue of fertilizers, as you know, we were able to reduce tariffs and eliminate quotas and get distribution rights, but the issue of trading rights was pulled back in November, essentially the right to export freely in China.

We have been clear to the Chinese. In fact, Ambassador Barshefsky and I met with Vice Minister Sung from the Trade Ministry 2-days ago, I believe it was, and were clear to him that this issue had to be resolved and we have made a proposal to China on how to resolve it. We have done that in conjunction with our industry, with the fertilizer industry. And the plan right now is for Don Phillips, who is our senior China negotiator at USTR, to go to China next week to sit down with the Chinese and to work this out.

But I will tell you that Ambassador Barshefsky, in every conversation she has with the Chinese, makes clear that this has to be resolved, and I think the letter from the 70 Senators weighed heavily with the Chinese on that.

Senator ROBERTS. So you can take the letter of the 70 and, at the appropriate time—I know they are very interested in this whole trade agreement, in some kind of a whip check. You could say well, on one hand; then, on the other, here are 70-votes that are very crucial.

Monday China, as I have said, announced a purchase of 50,000-tons of American wheat. One of the prospects for future purchases in relation to the PNTR—I do not want to put that thought in their mind but it is on everybody's minds in regard to future sales. If we do not do the right thing in regard to this trade agreement, it worries me in regard to future sales. And the ambassador has already indicated every one of our competitors is going to have a leg up. Would you care to comment on that?

Secretary GLICKMAN. Well, one is I told the President of COFCO and made the public statement that this was a good first step but this was not everything that we expected them to do in honor of their agreement under the bilateral arrangements, and 50,000-tons is nice, a good step, but in the big scheme of things, it is a drop in the bucket.

They also agreed, as part of this bilateral agreement, to implement it, would be to purchase wheat, citrus and meat products. We are going to follow this shipment of 50,000-tons to make sure that it gets into the ports, that the ports have been adequately instructed that the phytosanitary measures have been taken care of.

I mean they still have work to do to ensure that they intend to implement the agreement that they have agreed to, but part of that implementation is purchase of additional commodities. We have made that message clear. I cannot tell you what is going to come between now and April and May of additional commodities but we would hope that more would come and we have relayed that to them.

Senator ROBERTS. Thank you.

Senator Craig.

Senator CRAIG. Thank you, Mr. Chairman.

Senator ROBERTS. Did you want to mark up crop insurance right now?

Senator CRAIG. Done.

[Laughter.]

Senator ROBERTS. Just a thought.

Senator CRAIG. We will let that one hang.

Mr. Secretary, Mr. Ambassador, thank you very much. I will ask the unanimous consent that my full statement be a part of the record.

Senator ROBERTS. Without objection, it is so ordered.

STATEMENT OF HON. LARRY E. CRAIG, A U.S. SENATOR FROM IDAHO

Senator CRAIG. I may not be here for the full hearing but I also want to recognize in the audience Jerry Kress from American Falls, who is here representing the National Association of Wheat Growers and the Idaho Wheat Commission.

Mr. Secretary, I had the unique opportunity while you folks were duking it out in Seattle to take a trade mission to China. We were the first trade mission on the mainland following Ambassador

Barshefsky's bringing together this agreement to bring China into the WTO with the normal trade relations.

I must tell you that I was impressed with what I sensed was a very real commitment on the part of the Chinese. In fact, it was a bit unique, I am told by our shop over there, that President Jiang Zemin gave us nearly 2-hours of conversation—not just me but literally sat down with all of those businessmen and women, wanted to know what they were doing and why they were there and what their interests were and talked passionately about his working with the ambassador to put the agreement together, spoke personally of his involvement.

Now, I must tell you that was impressive to me because I think he recognizes how this agreement and ultimately our acceptance of it and work here with it brings them in and brings them down a road toward the rule of law, and it is something that we cannot miss and I hope we do not miss, that they are really opening the door not for us but for them to begin to participate in a set of rules and laws that we are all agreeing to as a part of the WTO that heretofore they have not. That is of significant importance and it has not missed them in any sense of the word.

So I would hope and the reason I say this is I like to hear people like you say we are committed to getting this; we will come to the Hill and work in the trenches here to make it happen. Can I expect that?

Secretary GLICKMAN. You bet.

Secretary CRAIG. Good, because that is what it is going to take. You and I both know the politics of this issue and the timing of this issue and the frustrations on all sides with different pieces of the puzzle. And I would also say that sometimes and right now the Chinese are sending signals that are frustrating as it relates to other issues that go on in that area and the ability to polarize a vote here or there against that, looking at the immediate versus the broader picture of the future and the relationship that future can bring us.

So I think it is important that we move sooner than later and it will be especially true in the House, but we will make every effort to make it happen here in the Senate, and I think that we can do that.

I must tell you that I agree with you that the 50,000-metric-tons I hope is a beginning. We hosted the trade delegations in our office yesterday and they worked out of our office and we have met with them and we spent a good deal of time with them on the issue. I think it is important that we stay on top of it and you have already outlined your intent to stay on top of it as it relates to timing and movement and a clear show of good faith as it relates to this, to make sure that we can move expeditiously and in a timely manner. I am certainly going to encourage that on the Pacific side of this issue, at our ports, and would hope that we could get that done.

But I stopped by this morning not only because we are all very, very interested in this but the timing is important and I think we miss an opportunity here if we stumble now at a time when the politics of this may at times be frustrating. But I will tell you that when you decide on an orchard, an apple orchard, that you are going to start pulling trees out and that orchard, under a normal market scenario, would have three to 5-years of life left but you are pulling them out because a Nation decided they would go out and capture a market, and in the last decade, that is exactly what the Chinese have done and they are dumping in this market a concentrated apple juice that has taken, if you will, the safety net out from individual orchard operators' margins, and that is happening across the sunny slopes of Idaho today and the Yakima Valley of the State of Washington and it has put that industry in turmoil.

It is critical, and I use this as an example that our trading partner China come inside and begin to play by the rules. They will grow by it and we will gain by it. And any failure on our part to miss this opportunity is a tremendous opportunity lost.

Thank you both very much for being here. I caught the gist of your response to the questions of the Senator from Kansas and I think those were adequate for responding to the questions I had. I thank you very much.

[The prepared statement of Senator Craig can be found in the appendix on page 52.]

Senator ROBERTS. The Chair is delighted to recognize the distinguished Senator from Iowa, Senator Grassley, for any questions he might like to pose to the distinguished panel.

Senator GRASSLEY. Well, I thank the really junior Senator from Kansas.

Senator ROBERTS. The Chair might welcome the second panel under the circumstances.

[Laughter.]

Senator ROBERTS. The Senator is recognized.

STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S SENATOR FROM IOWA

Senator GRASSLEY. I do have respect for you.

First of all, I was here, Secretary Glickman, when you gave a very enthusiastic endorsement of why we need to proceed and also that it is a win-win situation for us, and I think that enthusiasm is very well and the extent to which it is duplicated and repeated by everybody in the administration as enthusiastically as you have said it will help us very much with the process of getting it through the Congress. So I thank you for that.

I am going to focus on the Agricultural Access Agreement, as opposed to the market access portion of it, if I could, because China's implementation of this and what they demonstrate about adhering to past agreements and the enthusiasm with which they do it I think is going to set a stage over the next couple of months for how easy or how hard it is to get a normal trade relations with China bill passed, and obviously I am enthusiastic for the reasons you gave for that, our doing the normal trade relations with China.

I am disturbed by reports that I have heard about China's lack of cooperation in implementing the portion of the agreement, particularly that covering meats, beef, pork and poultry. I understand that China is apparently saying that the Chinese language version of the agreement dealing with acceptance of United States meat is conditional, in a sense saying that the agreement allows meat to be shipped to China if China decides to accept our products.

Is this, in fact, what China is saying? And in the process of answering that, could you tell us what I believe, that the English language version of the agreement is controlling?

Mr. SCHER. The short answer is yes to the last question. The agreement that was negotiated by our team and translated by our team is the same agreement. And frankly, we are very concerned— is probably an understatement—that China has taken no action to implement the agreement on meat, unlike citrus, which they have sent inspectors and wheat, as well.

We have been very focussed on this issue. As I indicated, I think, when you were out of the room, Senator Grassley, Ambassador Barshefsky raised this issue earlier this week with China's Vice Minister for Trade, Mr. Sung, and she indicated to him that this was a top priority and frankly, this was about the credibility of the Chinese with our Congress.

China committed to immediately begin accepting imports of U.S. meat and poultry that have been certified by USDA as wholesome. No other technical work needs to be done, and we expect China to begin doing that immediately. And we have been very clear with them in the starkest of terms that their failure to do that would be very unhelpful.

Senator GRASSLEY. Are they, in fact, saying it is conditional?

Mr. SCHER. I am sorry.

Senator GRASSLEY. Are they, in fact, saying it is conditional in regard to meat shipments?

Mr. SCHER. Well, there are a lot of different people saying a lot of different things, so I do not want to pretend to speak on behalf of the Government of China. The bottom line for us is they have not taken the steps they need to take and we have told them that they have to take the steps they need to take, that the support of many of the agricultural groups and many members of Congress— from the pork producers to the cattlemen and the poultry producers—frankly is contingent on their implementing this agreement.

Secretary GLICKMAN. If I just might add, the agreement language says—it is interesting—it says that China accepts the USDA Food Safety Inspection Service meat and poultry export certificate of wholesomeness as proof that FSIS-certified meat and poultry complies with U.S. inspection standards and therefore any meat accompanied by the certificate is eligible for import into China. So that is good.

But on meats, there is still some insistence on their part, and again as Peter says, it kind of depends on perhaps who you are talking to there, that this allows them to postpone the implementation until they are satisfied with our meat inspection system and it is possible that they might request that we allow quarantine officials to inspect our system as a prerequisite for implementation. I do not know; perhaps that is for optical reasons within China. And if we open this Pandora's box, they will never implement the agreement.

So I think your point is a good point. It is one that Ambassador Barshefsky is working on. I think we can work it out but it is not one that is resolved completely yet.

Senator GRASSLEY. I hope so because I had a chance while I was in Seattle to have a meeting with some of my colleagues with the trade minister for China and there was nothing about that meeting that was in any way negative about China's acceptance, not only the wording but the spirit of it, as well.

In fact, I came away so enthused that, you know, there is no problem. Well, maybe if you look at citrus, you would say there are no problems, but in the segments of agriculture that come from the Midwest, it seems to me that we are being hurt because it is not being accepted and it seems to me that China then makes it a little more difficult for some Senators to vote for normal trade relations and I hope they realize that.

Has China published its version of the Agriculture Cooperative Agreement? And if not, what is the delay?

Mr. SCHER. No, they have not published it. We can find out why. We have certainly published our version of the agreement and we also have—as you know, Ambassador Barshefsky in Seattle signed the Chinese version.

Obviously they have communicated to some of the key ministries aspects of the agreement, which is why I think you saw the citrus-inspecting team here and why you saw the wheat team here last week. So there are steps being taken. Why they have not published, I just do not know.

Senator GRASSLEY. Mr. Secretary, I understand that you did a very good job of explaining to the Chinese in a seminar last year how our meat inspection system worked and particularly the certification process. When the Chinese attended this seminar last year, did you get a sense that they did not understand how our meat inspection system operates or that they needed more information? Because I am told that we keep hearing from them that they need more information about meat inspection before they can implement this.

Secretary GLICKMAN. It was last June, I think, when our Food Safety Inspection Service gave the training and no, I was not under the impression that at the time there were any additional difficulties—whether they wanted plant by plant inspection or other kinds of things, which would make it impossible for us to practically sell meat products over there.

This is something that still has to be worked out. It is not yet totally resolved and I hope they are listening to this exchange.

Senator GRASSLEY. I have also heard that the Chinese, and at what level I do not know but they have told President Clinton that they do not want to implement the meat portion of the Agriculture Cooperation Agreement before they get into the WTO. Have you heard anything of that nature?

Secretary GLICKMAN. No, have not.

Senator GRASSLEY. Well, I guess maybe the last point I would make to the Chinese leaders is that I hope they do not try to link the two. Now, you have not heard of that. Maybe my information is wrong. But if there is any attempt to do that, that is going to be——

Secretary GLICKMAN. If they had said something to the President on this, I am sure it would have been passed down to us. I do not believe that is accurate.

Mr. SCHER. In fact, I think to the contrary, the President has made clear to the Chinese that this needs to be done and that the agreement and the commitment was that this would be done independent of the WTO.

Secretary GLICKMAN. Senator, I would just tell you quickly, you know, they have put together a team of senior officials within the departments in the White House full-time to manage this China WTO. Patrick Steele, who is the number two person at the Foreign Agricultural Service, is a senior member of that team full-time in the White House working on WTO. And David Lane, who is Secretary Daley's chief of staff, is kind of heading the team up. He is a pretty good conduit of information and if you or anybody else need to know if something like this is happening, you should feel free to contact him directly.

Senator GRASSLEY. OK. Maybe we can go beyond that and them I am done. And that is just the point that if you hear that, would you let us know?

Secretary GLICKMAN. Yes.

Senator GRASSLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Grassley.

I have just two more questions. The agreement we are talking about today has the tariff reductions that you have illustrated in your testimony. But in the past we have noted tariff reductions are of limited value where there is no competition among importers and where the tariff is being paid by our government agency.

Now, you have touched upon this but can you explain in greater detail how the Chinese might go about liberalizing their import regime to make our tariff reductions meaningful?

Mr. SCHER. I think there are a couple of points to make. First of all, and I think you are right; obviously the tariff portion of this is an important portion but it is not the only portion, which is why trading rights for U.S. companies and for other foreign companies, distribution rights, and frankly, if I could just spend a minute on the tariff rate quota system is, I think, a perfect example of how Chinese is liberalizing its import regime.

Right now decisions on imports of bulk commodities like wheat and corn and cotton are made by the Government. If the Government decides they want to import it, they imported it. Under the system, the new TRQ system, China will be required to issue import licenses—for example, in the wheat area, we are about 7.3-million metric tons of import licenses—to end users, to millers, to other producers. Those end users will then have the right to import. In some cases it is through the state trading enterprises but in many cases it is through private companies.

So you are now shifting the burden of that decision-making away from the central planners, away from the Government to the market, and I think that is a perfect example of how China has recognized that the Government cannot continue to make these decisions.

Secretary GLICKMAN. There are also use-or-lose provisions in these proposals which say that if the public sector does not import, then those amounts can go into the private sector, additional amounts, which is, I think, a very positive step.

The CHAIRMAN. China has committed to cap and reduce trade-distorting domestic subsidies. However, the United States and other WTO countries are already bound by specific domestic subsidy reduction commitments. As I understand the agreement that China will have a determination of this through multilateral negotiations.

Does this mean that China might be granted WTO membership before it makes a specific commitment on domestic support and if not, when will these multilateral negotiations commence?

Mr. SCHER. That will be done, Mr. Chairman, as part of what we call the protocol negotiations. Once the bilateral negotiations are finished, then we negotiate multilateral and what we call the rules. So China, in that context—we have had extension discussions with China looking at and frankly, the Economic Research Service at USDA has been critical in this, looking at the time period that China wants to use. And if you look at any of the time periods that China is talking about, you are talking about very limited use of domestic supports, frankly, less than a billion dollars where U.S. has $19 billion and EU has $60 some billion.

So we are very confident that China will be bound to limit their domestic supports to a very small amount.

The CHAIRMAN. Senator Fitzgerald, do you have questions?

STATEMENT OF HON. PETER G. FITZGERALD, A U.S. SENATOR FROM ILLINOIS

Senator FITZGERALD. Thank you, Mr. Chairman. Yes, I have a couple.

I understand that Senator Roberts earlier brought up the issue of the fertilizers and their access to Chinese markets. I just want to echo his concerns about that. I agree with him and I hope we can work on that.

I did want to ask you—some of the popular press accounts have connected the upcoming vote on normal trading relations, permanent normal trading relations with China, with China's accession to the WTO. Can you clarify the connection between permanent normal trading relations and China's membership in the WTO?

Mr. SCHER. Senator, there are two issues. China's actual accession does not congressional approval. The President has the right to make the decisions, as we have done in other cases. In order for the United States to get the full benefits of this agreement, Congress must grant permanent normal trade relations, and that is a requirement of the WTO. The WTO rules essentially say that all members are entitled to immediate and unconditional MFN or NTR. So that piece of it requires Congress to approve permanent NTR.

So the result is if China enters the WTO but the United States has not granted permanent NTR to China, we risk losing the benefits of this agreement. And in that case, our competitors in the world market will have benefits in this market that we will not.

Senator FITZGERALD. I am wondering and maybe you could elaborate a little bit on the upcoming amendments to the China permanent normal trading relations bill. Given the Vice President's remarks to labor leaders last week with respect to the agreement, I am wondering how committed is the administration to getting China permanent normal trading relations through the Congress?

Secretary GLICKMAN. The administration is not only absolutely committed; it is, at least in my judgment, the highest priority that we have on any kind of domestic policy agenda and that is everybody within the administration, including the Vice President. So I would not be concerned that the administration is not involved in a full court press on this issue.

Senator FITZGERALD. Now, there is a potential for many amendments, I would imagine, to that bill. Were you hoping to keep it a clean bill?

Secretary GLICKMAN. We are hoping to keep it clean. We recognize that, for example, Senator Baucus has dropped in a bill which deals with the issue of monitoring. We think that there are a lot of things that are actually pretty good in his proposal. We obviously want to work with you but we would hate to see this become a receptacle for all sorts of amendments which would be counterproductive to what we are trying to do with China.

Mr. SCHER. I think one other point I would add, Senator, is the agreement cannot be changed. The agreement is what the agreement is. If there are amendments that do not seek to alter the terms of the agreement, then obviously I think, as Secretary Glickman said, we are open to look at those, but the agreement itself is the agreement.

Senator FITZGERALD. And cannot be altered.

Mr. SCHER. Cannot be altered. No, it cannot be altered by amendment.

Senator FITZGERALD. Well, I look forward to working with the administration and I applaud your commitment to trade. There is no question that opening up the Chinese market to our American agricultural sector, I think would be a great boon for our agricultural economy and certainly would benefit many states, especially my home state of Illinois, and I look forward to working with you gentlemen toward the success of our initiatives here.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Fitzgerald.

Senator Conrad, do you have questions for the witnesses?

Senator CONRAD. Thank you. Thank you, Mr. Chairman. And thanks to Secretary of Agriculture Glickman and Ambassador Scher.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

I think the greatest concern that I have is that China has a bit of history here of making agreements and then not keeping them. There are a lot of things that I could reference. You know them better than I do. I think of where we were back last year where they signed an agreement and said they were going to drop their closing off shipments of U.S. wheat out of the Northwest. They were going to stop these spurious claims on TCK smut that were blocking our wheat shipments out of the Northwest. And they said when they signed that agreement that it would be effective upon signature. That did not happen.

The meat agreement. I understand—I was not here. I apologize. We had a vote over on the floor. Senator Grassley apparently was making the point with respect to that.

China has now made a purchase of wheat, a very modest purchase, but nonetheless a purchase that shows some good faith. Why is this agreement and how is this agreement going to be different? And how can we be certain that there will be compliance?

Mr. SCHER. Senator, I think this is a very important area and I know this is something that you have been focussed on and we in the administration have. I think we have taken steps in this agreement, frankly, well beyond what we have done in any other agreement, to give us as many enforcement tools as possible.

For example, the commitments in the WTO agreement, for example on the administration of TRQs, are very specific, frankly, more specific than in any other agreement we have had with any other country. So, for example, China fails to distribute import licenses for the 7.3-million-tons of wheat under that TRQ; that will be a violation and we would have the right to go to the WTO to enforce that violation and if they found in our favor, we would have the right to retaliate against them.

We have preserved all of our rights under our own trade laws, including our dumping, Countervailing duty [CVD] laws, and we have particularly guaranteed the right to use nonmarket economy anti-dumping methodologies.

We have also created in this agreement, which is not the case in any other agreement with any other WTO member, a product-specific safeguard for import surges, which would only have to meet the standard of market disruption. You and I have talked a lot about the 201 law in relation to other countries, which has a standard of injury or threat of serious injury. In this case it would be a lower standard.

So if there was an import surge from China, we would only have to meet the standard of market disruption. We can move much quicker than the normal 201 process and we can impose import restraints on China under that agreement.

We are also going to create within the WTO a multilateral review mechanism. So it is not just the United States trying to beat up on China to enforce, but it is the other 134 countries that would have regular review of this agreement.

I am not going to suggest to you it is going to be easy, but I think we have taken steps to really enhance our opportunity to enforce this agreement in a way that will benefit U.S. farmers.

Senator CONRAD. Let me ask the Secretary if I could, fertilizer is left out of this deal. It is a bit of a mystery to me as to why that is the case. Why have we wound up with this result, that fertilizer just seems to have been shunted off to the side?

Secretary GLICKMAN. Well, we have spoken about this before. Ambassador Scher talked about this with Senator Roberts. Maybe you want to repeat that, basically.

Mr. SCHER. Senator, we were able to reduce tariffs. We were able to create distribution rights and eliminate quotas on fertilizer. The sticking point in November became the issue of trading rights, essentially the right to export freely, an issue that Ambassador Barshefsky raised directly with Premier Zhu Rongji, and we have been very clear to China that this was an issue that needed to be resolved. We need to get trading rights for U.S. and foreign fertilizer producers.

China has committed to us to work out a solution. We have worked with our fertilizer industry to develop a proposal, which has been presented to the Chinese. Our senior China negotiator at USTR, Don Phillips, plans to go to China next week specifically on this issue because obviously we recognize the importance of this issue and the number of Senators and House members who have written to us on it. So it remains a very high priority.

Senator CONRAD. Secretary, you have indicated we would see a very dramatic increase in our exports to China. What is the basis of those estimates and how confident are you in them?

Secretary GLICKMAN. They are Economic Research Service estimates. Part of that is based upon the TRQs, which will affect oilseeds and oilseed products. Cotton and grains bulk we estimate about $1.6 billion and that is a fairly conservative estimate. That is an annual increase by the year 2005. We also estimate an additional $350- to 400-million in citrus, meats, pork, poultry and fruits, vegetables in reduced tariffs, and most of this is due to the fact that if you have this little blue card that I have put out—I do not know if you have one or not but I put it out at every table—it is an estimate based upon the tariff cuts, along with the TRQ increases. The tariff cuts are very dramatic in the meats area and some of the dairy products area, in the citrus area, so that is the basis upon which the estimates are made.

Now, I would also point out interestingly, and Peter, you could probably verify this; I understand that assuming this agreement is implemented, and we hope it will be, that the tariffs that the Chinese will have will be lower than the average tariffs, way below the world average tariffs and below what a lot of European countries have as tariffs.

Mr. SCHER. Right now, as you know, Senator, and you have raised this constantly, the average agricultural tariffs for WTO members range from the 40- to 50-percent range. For our priorities the average in China will be about 14-percent and overall they will be about 17-percent in agriculture, so I think we are making great strides on tariffs.

Secretary GLICKMAN. And then there was some elimination of export subsidies, as well, by China, which we put into that $2 billion figure.

Senator CONRAD. And will they support the elimination of export subsidies for everyone? WTO round?

Mr. SCHER. The interesting thing frankly, Senator, we have not had a specific conversation about the next round with China. We have been focussed on getting this done. But I think one of the things we have seen is that the developing countries in the WTO have been some of the greatest advocates for the elimination of export subsidies. And frankly, China—I should correct this—China, which is actually a member of APEC—the APEC leaders last year put out a statement, and this included China, calling for the elimination of export subsidies.

So I think we can be very optimistic that with China's entry, Europe will be even more isolated on the issue of export subsidies.

Senator CONRAD. All right.

The CHAIRMAN. Thank you very much, Senator Conrad.

Gentlemen, we thank you very much. You have been with us well over 2-hours of excellent testimony. It has been very, very helpful. We thank you for coming, as always.

The Chair would like to recognize now a panel composed of Mr. Sam Moore, president of the Kentucky Farm Bureau; Mr. Jerry Kress, American Falls, Idaho, on behalf of the National Association of Wheat Growers; Mr. John Hardin, Jr. of Danville, Indiana on behalf of the National Pork Producers Council; Tom Suber, Arlington, Virginia on behalf of the Dairy Export Council; Mr. Michael Wootton, Washington, DC., on behalf of Sunkist Growers; and Mr. Tim Burrack, Arlington, Iowa, on behalf of the National Corn Growers Association.

Gentlemen, we appreciate very much your coming to be a part of this hearing this morning. I will ask, if you can, to summarize your remarks within a five-minute time period. Without asking permission, let me just grant permission for all statements to be published in the record in full, and they will be.

Mr. Moore, I will ask you to testify first and then each of the witnesses in the order that you were introduced and are seated at the table. You received a wonderful introduction from your Senator, Mitch McConnell, and we appreciated that and I am delighted that you are here. Would you please proceed?

STATEMENT OF SAM MOORE, PRESIDENT, KENTUCKY FARM BUREAU, LOUISVILLE, KENTUCKY, ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION

Mr. MOORE. Well, I do thank Senator McConnell for the generous introduction that he gave me.

I am Sam Moore. I am president of the Kentucky Farm Bureau. I raise corn, soybeans, wheat, cattle and tobacco in south central Kentucky, Morgantown.

I am here today on behalf of the American Farm Bureau, which represents more than 4.9-million member families in all 50 States and Puerto Rico. Our members produce every type of farm commodity grown in America and depend on access to customers around the world for the sale of over one-third of our production.

I appreciate the opportunity to speak before you today on the very important issue of the U.S. and China bilateral trade agreement and China's accession into the World Trade Organization. Farm Bureau has long supported China's entry into the WTO on a commercially meaningful basis. This agreement is good for the American farmer. Having China in the WTO will expand trade among all members, leading to increased global economic prosperity.

Having China in the WTO will bind it to the rules of commercial law represented by the WTO and for China, this agreement will undoubtedly lead to increased economic and political freedom.

This agreement is also good for American farmers and ranchers. China is broadly recognized as the most important growth market for U.S. agricultural exports. The Department of Agriculture estimates that China's admission into the WTO would lead to an increase of $1.7 billion in sales of agriculture products within 1-year, just about doubling our current exports to that large country.

In addition, U.S. exports to the Asian region as a whole are expected to increase in the next few years as a result of China's accession into the WTO. This is likely to occur as Chinese consumption levels increase and China ceases to employ export subsidies.

This agreement may be with China but it would have impacts far beyond Chinese borders.

You know, it is no coincidence that the American farm economy started a decline at just about the same time that the Asian financial crisis took hold. Since 1997 we have lost nearly $10 billion in annual farm exports, with much of that loss to the nations in the Pacific Rim. To me there is no doubt that increased exports are the key to combatting our current farm situation. The agreement with China could spark that turnaround.

In Kentucky, the Nation's leader in the number of small family farms, farmers are in great need of some new marketing opportunities. I know all of you are aware of the current problems facing tobacco, Kentucky's leading cash crop. In just 3-years, our 45,000-tobacco-farmers have lost over 65-percent of their production quotas set by the price support program. That translates into more than a half a billion dollars in lost farm income in Kentucky alone in a very short time. Needless to say, we are faced with a very serious economic problem in rural Kentucky.

Our governor and our state legislature currently are addressing this problem with legislation that would appropriate 50-percent of the funds that Kentucky is to receive from the phase one of the master settlement agreement on tobacco. However, any expansion or diversification of our farm economy will hinge on finding buyers for the commodities we produce to replace lost tobacco income. Simply put, Kentucky farmers need marketing opportunities at home and abroad.

I would like to also mention the commitment that the U.S. has retained or strengthened as a result of this agreement to protect the U.S. market from unfair dumping of products by the Chinese. The U.S. will retain our current anti-dumping methodology, which treats China as a nonmarket economy in the future without the risk of a WTO challenge. This provision will remain in force for 15-years after China's accession into the WTO. It is important that we were able to retain this provision, given the production characteristics of an economy dominated by state-and quasi-state-run operations.

This agreement also ensures that American farmers and ranchers will have substantial protection against import surges of Chinese products. This mechanism, labeled the product-specific safeguard, will address increased imports that cause or threaten to cause market disruption to any U.S. industry or sector.

The Chinese have offered American agriculture a historic opportunity which would greatly enhance our export potential at a time when it is drastically needed. If this agreement is enacted, farm income in the United States will be positively impacted.

China has also offered the equivalent of this bilateral negotiation to many of our competitors. China will join the WTO and our competitors will have the market to themselves unless Congress acts quickly to grant China permanent normal trading relations. Permanent normal trade relations would help provide for the continuance of the U.S. economic expansion and hopefully that expansion would flow into the U.S. agriculture sector.

Farmers and ranchers are already hampered in developing export markets by our own unilateral sanctions and the unfair trading practices of other competing nations. We must ensure that we do not unilaterally disengage from this historic opportunity for American farmers and ranchers.

We urge Congress to grant permanent normal trading relations with China as soon as the vote can be scheduled. There are a host of reasons to do so but none better than improving the daily life of the American people or American farmers and the Chinese people. Thank you very much.

[The prepared statement of Mr. Moore can be found in the appendix on page 62.]

The CHAIRMAN. Thank you very much, Mr. Moore.

Mr. Kress.

STATEMENT OF JERRY KRESS, ON BEHALF OF THE NATIONAL ASSOCIATION OF WHEAT GROWERS, IDAHO WHEAT COMMISSION, AND THE WHEAT EXPORT TRADE EDUCATION COMMITTEE AMERICAN FALLS, IDAHO

Mr. KRESS. Good morning, Chairman Lugar, members of the Committee. My name is Jerry Kress. I am a wheat producers from Idaho. I am pleased to be invited to speak today on behalf of the entire United States wheat industry.

The Chinese market is critically important, not only to me but to the entire wheat industry. I want to make absolutely clear at the outset that wheat producers across the United States strongly support China's entry into the WTO and we urge in the strongest possible terms the immediate approval of permanent normal trade relations for China.

I have been in China three times. Each time I was there, millers and end users emphasized the desire to have access to United States wheat, especially wheat from the Pacific Northwest part of this country. Unfortunately, China has maintained a nontariff trade barrier on U.S. wheat from the Pacific Northwest ports since 1972 and has also maintained that barrier from Gulf ports since 1996 due to the perceived threat of TCK, a wheat fungus. This barrier to the Chinese market has had a very negative economic impact on all U.S. wheat producers.

In April of this last year, Prime Minister Zhu Rongji announced China's intention to lift its longstanding restriction on the import of U.S. wheat from areas where TCK is known to occur. This agreement allows U.S. wheat to move from any state or any U.S. port to any Chinese port so long as the tolerance level of 30,000 TCK spores per 50-gram sample is not exceeded. This level can be easily met by U.S. wheat exporters while acknowledging China's concerns about the disease.

The TCK announcement followed more than 20-years of extensive and at times frustrating discussions between the United States and China, and I personally participated in some of those discussions and I know how frustrating they have been.

But finally, the United States and China agreed to let science rather than political or other considerations determine the terms of trade between our two countries. This is in accord with the principles of the Uruguay Round agreement on SPS issues.

In November of this last year, the U.S. and China completed negotiations on China's entry into the WTO. The WTO agreement was formalized when the Chinese language version was signed in Seattle in December.

In accordance with this agreement, you have heard that we will be able to export more wheat because of the TRQ levels to China, and I will not go into the details of those because they have been presented several times to the Committee already.

China has just demonstrated its sincerity about these agreements where it counts most—in the marketplace. Taking a major step toward implementation of its agricultural agreements with the United States, the People's Republic of China this week purchased 50,000 metric tons of United States wheat from the Pacific Northwest. The purchase is significant in that it is a reliable indication that the Chinese are establishing a sound basis for future trade with the United States.

China is the world's largest wheat-producing country, the largest wheat-consuming country, and many years it is the largest wheat-importing country. The United States is the largest wheat exporter in the world. U.S. wheat exports to China have varied over the years, contingent upon Chinese needs. But through the early 1990s, China imported between 1-million metric tons and 5.6-million-metric-tons of United States wheat each year. In recent marketing years, China's needs have declined and the market has declined significantly, due not only to decreases in China's needs but in their stringent enforcement of the zero tolerance policy on TCK.

But we expect China in the future to once again become a major importer of United States wheat. We base our expectations on economic developments and production constraints in China. China has a huge and growing population, burgeoning coastal cities, growing demand, declining stocks, stagnant acreage and reduced domestic price supports. We anticipate that over a period of a few years, increased China trade will have a significant impact on the world's supply and demand situation for wheat, and that should be very positive for prices.

To put it plainly, nothing else on the horizon could have such a big impact in the short term on U.S. wheat exports and the economic stability of the wheat industry or hold such potential for expanded growth in the future. In order for U.S. wheat producers to realize this potential, it is absolutely critical that Congress approves PNTR for China as soon as possible.

By granting PNTR for China, Congress will be giving nothing away to China, the point that was made earlier. Our market is already open to them. However, you will be fulfilling one of the unmet promises of the 1996 Freedom to Farm Bill—that of continuing to provide export markets for United States farmers and ranchers. I believe that every farmer would rather have open and fair markets. Every farmer would rather receive a fair price for his product than to receive payments from the Government. Farmers want to add to the balance of payments by exporting our product. This point is especially timely now that the U.S. trade deficit has reached its all-time high.

Various people, including Ambassador Barshefsky, have stated that it would indeed be ironic if the United States, after 14-years of negotiations, failed to grant China PNTR. By doing so, we would allow our competitors to have the benefits of opening the China market. This would amount to another self-imposed sanction on the agriculture community, sanctioning us out of a major world market.

I believe I speak for the entire United States wheat industry in saying we look forward to working with you and others in Congress to make PNTR for China happen this year. The wheat industry will do everything it can to mobilize grassroots support and you will see our members in the halls of Congress.

It is necessary, however, for supporters in Congress and for the administration to exhibit strong leadership and cooperation in order to deliver a positive vote. The administration must make this an absolutely top priority and not be deterred from the right course of action by the difficulties of the primary and general election campaigns.

We have heard this week the disturbing opinion expressed around Washington that it does not really matter whether PNTR is passed this year, that you can go ahead and pass it next year. We believe this is absolute folly. If you want to slap the Chinese in the face—they have come and they have demonstrated their sincerity and they bought U.S. wheat—if you want to slap China in the face, if you want to precipitate the potential fall of Zhu Rongji in China and the possible fall of the Government of Jiang Zemin, if you want to pave the way for the hardliners to regain sway in China and stifle Chinese reforms and give those who rattle the sabre against Taiwan the lead role and the sway in China, then fail to pass PNTR this year.

The time is now. The opportunity is at hand. Do not be lulled by any temporary political advantage into believing that you can always set right next year what you fail to do right today. This is an opportunity that we cannot let slip away.

Thank you again for the chance to appear today and I look forward to responding to your questions.

[The prepared statement of Mr. Kress can be found in the appendix on page 67.]

The CHAIRMAN. Thank you, Mr. Kress. As you have noted already, there is some urgency with this committee with this item and, of course, that is why we are having the hearing today and we appreciate so much your participation.

The next witness is the distinguished Hoosier farmer. John Hardin and his family have been involved in international work, in addition to the specific work they have done, international trade for agriculture. It is a real privilege to have you before the Committee today, John. Would you please participate and testify?

STATEMENT OF JOHN HARDIN, JR., ON BEHALF OF THE NATIONAL PORK PRODUCERS COUNCIL, DANVILLE, INDIANA

Mr. HARDIN. Thank you very much, Mr. Chairman. I appreciate your remarks. I am a pork producer from Central Indiana and also run a grain farm.

As of today, China's de facto ban on pork imports remains in effect, making it virtually impossible to export pork directly to China. There are two agreements that impact the future of U.S. pork exports to China. The first is the Bilateral Agreement on U.S.–China Agricultural Cooperation, in which China committed to accept beef, pork and poultry from any USDA-approved plant. In other words, China agreed to accept products from the same inspection system that assures the safety of the meat and poultry that Americans eat every day.

The second agreement is the U.S.–China WTO Agreement that covers many issues and sectors, including pork. Unfortunately, the Bilateral Agricultural Cooperation Agreement, which both sides agreed became effective in Seattle in December, is not being implemented by the Chinese. China now argues that the Chinese language version of the agreement signed in Seattle does not obligate China to accept meat from all USDA-approved facilities.

Now, I am not a linguistic scholar but I can tell you this: the English language version of the agreement, which was signed by both sides last April and which I understand is legally binding, requires China to accept pork, beef and poultry from all USDA-approved facilities. Moreover, China's recent request for further information concerning our meat inspection system underscores China's intention to disregard the agreement.

Between late 1996 and early 1999, Chinese government officials made five trips to U.S. meat and poultry facilities. During this time, U.S. government officials and U.S. private sector representatives provided Chinese officials with exhaustive information on our meat inspection system. These visits and exchanges of information culminated in the signing of the Bilateral Agricultural Cooperation Agreement in April of 1999. As a followup to the April agreement, last summer USDA hosted meat industry officials from every province in China for a training seminar based on the April 1999 agreement. Thus, there is absolutely no need to host another Chinese delegation or otherwise provide information to the Chinese concerning our meat inspection system. These delaying tactics by the Government of China must not be accepted by the U.S. government. We have an agreement and the Chinese must honor that agreement.

I want to be clear that China's failure to implement the Bilateral Agricultural Cooperation Agreement is not the fault of our trade negotiators. They have been steadfast in pushing China to honor its commitment and to implement the bilateral agricultural accord. The failure to implement this agreement rests squarely on the shoulders of the Government of China.

We have raised this issue privately with the Chinese to no avail. We are now compelled to speak publicly on this most important issue, as the time necessary to fully implement the Bilateral Agricultural Agreement is short. We are not alone. Our friends in the beef and poultry industries share these very serious concerns.

To add insult to injury, the Chinese recently struck a deal on sanitary measures with the Canadians. According to reports from both the press and our Canadian counterparts, Canadian meat exports to China will soon begin.

Mr. Chairman, I cannot overstate the level of concern in our industry regarding this issue. Our trade officials repeatedly have asked the Chinese to publish and publicize the bilateral accord in China. To date, the Chinese have not done so. At a minimum, China must publish regulations which explicitly provide that any importer in China can bring in meat and poultry from any USDA-approved plant.

Having said all this, I want to make it clear that we continue to support permanent normal trade relations for China. In spite of the current serious problems, we remain optimistic that China will fully implement the Bilateral Agricultural Cooperation Agreement.

Mr. Chairman, we appreciate your support and the support of the members of this committee and we look forward to working with you to make the bilateral agreement work and to get permanent normal trade relations for China passed. Thank you.

[The prepared statement of Mr. Hardin can be found in the appendix on page 72.]

The CHAIRMAN. Thank you very much, Mr. Hardin.

Mr. Suber.

STATEMENT OF THOMAS M. SUBER, EXECUTIVE DIRECTOR, U.S. DAIRY EXPORT COUNCIL

Mr. SUBER. Good morning, Mr. Chairman and members of the Committee. I am Tom Suber, executive director of the U.S. Dairy Export Council and I am very pleased to appear before you today to testify in favor of the U.S.–China trade agricultural agreement and, in particular, its impact on the dairy sector.

The U.S. Dairy Export Council is a nonprofit, independent membership organization representing the trade interests of U.S. milk producers, proprietary processors, dairy cooperatives, and export traders. We maintain offices in eight countries, including two in China, to pursue our mission of increasing exports of U.S. dairy products worldwide. The council works closely with and coordinates with other dairy groups on activities of like interest and today the National Milk Producers Federation shares the views I am presenting to the Committee.

With more than $24 billion in farm cash receipts, the U.S. dairy industry is the second largest agricultural commodity sector in the U.S. Beyond farm receipts, dairy processors add considerable value to milk as it becomes exportable products, such as cheese, butter, milk powder and specialty proteins.

Most importantly for the subject at hand, however, U.S. ability to increase milk production is virtually unconstrained. In fact, U.S. milk supply grew a remarkable 3-percent plus last year, to reach a new record high.

This makes our efforts to market U.S. dairy products for export all the more important to the industry and to the national economy, but the U.S. dairy industry is at a disadvantage in compared to the large export subsidies and high tariffs used by Europe, Canada, Japan and other members of the WTO. Precisely because of these trade distortions, the China agreement is extremely important. It provides for both greater sales into China, as well as providing a push for greater overall dairy exports by achieving greater reform and global trade. Thus, the U.S. dairy industry strongly supports the WTO U.S.–China Agreement and consequently calls for Congress to grant China permanent normal trade relations.

One of the primary points I would like to make is that China, in joining the WTO, is granting all the concessions. No additional access to U.S. markets is provided to China beyond that which it currently enjoys. Once implemented, Chinese tariffs for key dairy products will be cut as much as fivefold, making imported dairy products less expensive to Chinese consumers.

U.S. negotiators were remarkably successful in obtaining tariff concessions for dairy products in which the U.S. has either competitive parity or an advantage. In cheese, lactose, ice cream and infant formula, the declines are quite substantial and will increase our opportunities significantly.

Because of China's existing import barriers and relatively low per capita income, dairy consumption is currently relatively low. However, as a market in transition, it offers tremendous potential to expand dairy product consumption. As their economy changes, per capita dairy consumption has increased. Urbanization, nutritional awareness, Westernization of their diets, income growth and availability have all had a positive effect on imports.

Specifically, the fast food industry and other markets have had a profound effect on the consumption of dairy products. As a member of the WTO, China would be able to experience similar growth in a sector currently not as developed, where it uses cheese on pizza, hamburgers, yogurt and ice cream to drive sales of U.S. dairy products.

Whey and lactose also constitute some of our largest exports to China. In fact, U.S. is the largest single supplier of both these products to China. Though considered a cheese by-product, whey and lactose sales can increase plant productivity and profitability while also increasing the pressure on prices paid to farmers for milk made into cheese.

The tariffs described above will apply to all the WTO countries, yet the agreement puts the U.S. in a greater position to compete for the Chinese market. Consequently, a second key point I would like to make is that if other nations ratify China's accession to the WTO and the U.S. does not, then the U.S. would likely forego any WTO tariff concessions while only our competitors would benefit.

Therefore, permanent normal trade relations are critical to achieving what we estimate would be at least $135 million more sales after tariffs have been fully phased down for U.S. dairy products. We believe this is a conservative estimate based upon the potential of the market and the relative lack of capability of the Chinese to expand their own domestic milk production.

In addition, the China agreement offers invaluable opportunity to continue the reform of worldwide dairy trade in the WTO due to China's promise to eliminate export subsidies for agricultural products. This will provide significant momentum to our effort to seek the elimination of all export subsidies during the current WTO talks.

Like all WTO members, upon joining, China will be subject to binding resolution of trade disputes. In light of the recent favorable ruling of a WTO panel against Canada for its practice of circumventing its dairy product export subsidies, the U.S. industry is confident of the WTO's ability to eventually enforce fair and equitable trading practices.

Of course, we know that not everyone share's agriculture's enthusiasm for granting PNTR to China. We believe some of these concerns are legitimate, of course, dealing with Chinese labor and human rights practices. However, we believe that bringing China to WTO as a full-fledged member is the best way to address these concerns.

Beyond all the rhetoric and predictions however, what we believe is the simple truth is that China is on track to join the WTO whether the U.S. approves PNTR or not. If we deny permanent normal trade relations, our dairy competitors from Europe, Australia, New Zealand and Argentina will enjoy the benefits of the lower tariffs and we will not. We will put ourselves at a competitive disadvantage at the precise instant the world's largest market is opening itself up to the world. There will be a missed opportunity from which the U.S. would have a hard time recovering.

On behalf of the U.S. dairy industry, I urge Congress to grant China permanent normal trade relations this year and we welcome this committee's interest in ensuring that benefits for dairy and agriculture in general are carried out. Thank you.

[The prepared statement of Mr. Suber can be found in the appendix on page 79.]

The CHAIRMAN. Thank you very much, Mr. Suber.

Mr. Wootton.

STATEMENT OF MICHAEL WOOTTON, DIRECTOR OF FEDERAL GOVERNMENT AFFAIRS, SUNKIST GROWERS, WASHINGTON, DC.

Mr. WOOTTON. Thank you, Mr. Chairman, Senator Cochran. I am Michael Wootton, director of Federal Government Affairs for Sunkist Growers.

As you may know, Sunkist Growers is a 107-year-old nonprofit farmer-owned marketing cooperative comprised of 6,500 citrus farmers in California and Arizona. Today our growers produce about 65-percent of the oranges, lemons, grapefruit and tangerines grown in Western United States. And we have enjoyed at Sunkist a long and successful history of developing and expanding foreign markets, to the point where today about 33-percent of our fresh fruit is sold in overseas markets, and that accounts for about 45-percent of our farmers' fresh fruit revenue.

I would like to first commend the Committee for holding this hearing today on the subject of the U.S. China agricultural trading relationship and examining whether the recently concluded U.S. China trade agreement enhances that relationship.

Market access for U.S. citrus fruit exports to the huge and potentially profitable consumer markets of China has long been a goal and an objective both for the U.S. citrus industry and for our government. With growing intensity and determination since signatures were first affixed to the 1992 Bilateral Memorandum of Understanding entered into between the two countries, negotiators from the Office of the U.S. Trade Representative and from the U.S. Department of Agriculture have pursued this objective.

Last spring these efforts finally reached fruition with the achievement of a citrus market access agreement which included acceptance by China of specific work plans and phytosanitary protocols for each of the U.S. citrus production states—Arizona, California, Florida and Texas. This phytosanitary agreement and the implementing work plans and protocols constitute, in our view, a model for commodity trade agreements, negotiated by USDA and USTR in close coordination with the U.S. citrus industry.

By accepting these terms, China has joined with the United States in adhering to sound science and pragmatism in its application to trade policy. China is committed to fully abide by the terms of the WTO SPS agreement requiring that all animal, plant and human health import requirements be based on sound science, not political or protectionist concerns.

In keeping with the obligations of that agreement, as Secretary Glickman and Ambassador Scher noted, last month Chinese phytosanitary inspectors conducted a two-week inspection tour of Florida, Texas, Arizona and California and they concluded that all of the phytosanitary requirements incumbent upon the U.S. producers in that agreement had indeed been met.

We are now awaiting an announcement by the Chinese government officially opening their markets to U.S. citrus for the first time since 1980. And as the Secretary earlier noted, certainly that market opening will certainly demonstrate to all concerned that they do indeed fulfill their commitments.

So we are very eager to enter into that market. In fact, Mr. Chairman, I have a sample of one of our cartons ready-made for the China market, celebrating the Year of the Dragon, which we hope to fill with fruit soon and be able to ship.

Under the terms of that U.S.–China trade agreement, benefits, in our view, accrue exclusively to U.S. interests, including the interests of our industry. China has agreed to dramatically reduce its tariffs on citrus imports from the current level of 40-percent to 12-percent by 2004. They have imposed no quota or volume limits, so we are eligible to ship whatever the market will demand.

But in order to be able to benefit from these hard-fought trade concessions, China clearly must gain membership in the WTO and the Congress must extend PNTR to China.

I should also note that ultimately when their tariff reductions take place, even including the fact that they have a value-added tax, that the burden on our imports into the China market will be still significantly less than the current tariff burden that we face in a mature market like Japan, which is our biggest market in Asia.

In our view therefore, it is not an overstatement to say that China will in the course of the next several years become the single most important U.S. agricultural export market. Studies have indicated there is a consumer market with disposable income of upwards of 200-million people in China today. The middle class in China is projected to grow by 170-million over the next 5-years.

We urge the Congress therefore to extend to China the same normal trade relations policy granted on a permanent basis to 133 WTO country trading partners. To our advantage, that membership will furthermore obligate China to adhere to the same rules of international trade and commerce as subscribed to by all other WTO member countries, including the United States.

Thank you, Mr. Chairman. I appreciate the opportunity to present our views.

[The prepared statement of Mr. Wootton can be found in the appendix on page 86.]

The CHAIRMAN. Thank you very much, Mr. Wootton.
Mr. Burrack.

STATEMENT OF TIM BURRACK, ON BEHALF OF THE NATIONAL CORN GROWERS ASSOCIATION AND AMERICAN SOYBEAN ASSOCIATION, ARLINGTON, IA

Mr. BURRACK. Thank you, Chairman Lugar, Senator Cochran. I, too, have an information-packed testimony this morning, so I will follow the example set by Henry VIII when he told his wives, "I will not keep you long but it will be intense."

My name is Tim Burrack and I produce corn and soybeans in Northeast Iowa and I am here today representing the National Corn Growers and the American Soybean Associations. Both of these organizations see tremendous potential in the expanding Chinese market. The People's Republic of China, with a population estimated at 1.25-billion, is considered the most important growth market for U.S. agriculture.

Economic expansion in China will contribute to increased consumption of food and fiber. It will also create export opportunities for U.S. farmers, but only if Congress eliminates the sanctions that treat China differently than any other trading partner.

Last November, China and the United States completed bilateral negotiations for China's admission to the WTO. China agreed to one-way trade concessions, creating new market opportunities for corn and soybeans. In return, the United States agreed to grant China permanent normal trade relations.

As a farmer from the Midwest, it is hard for me to see how Congress can say no to a deal like this. The agreement with China will significantly reduce the border restrictions that have kept U.S. farmers from fully benefitting from our comparative advantage in agricultural production. China agreed to rapidly cut tariffs by more than half on priority agricultural products and to end its system of discriminatory licensing and import bans for bulk commodities.

As a corn and soybean farmer, I expect to benefit from the entire trade agreement. Increased exports of meat, poultry and dairy products will translate into increased domestic demand for grains and oilseeds, specifically corn.

China has been a sporadic customer for U.S. corn farmers. Our exports spiked during the 1994 marketing year at 130-million bushels. Two-years later, China did not buy a single bushel. Under the WTO accession agreement, China has committed to establish a tariff rate quota for corn. This will give us the opportunity to build markets rather than wait for China to let corn come in. The TRQ will apply to 177-million-bushels in the first year and increase to 283-million-bushels in the fourth year. With the TRQ, we can easily exceed the export levels of 1994.

The state-run grain trading enterprise and private sector will share the quota. The private sector share will increase from 25- to 40-percent during the 4-year implementation. Additionally, any quota not used by the end of October will be released for private sector use. The introduction of private trade will ensure increased opportunities for U.S. corn exports.

Perhaps the most exciting provision for U.S. corn farmers in China's commitment to eliminate export subsidies. China is the second largest producer of corn in the world, producing over 5-billion bushels last year. Over the last several years, China has aggressively exported surplus corn at the expense of U.S. corn farmers. In February the USDA increased its projection for Chinese corn exports by 120-million bushels to 315-million bushels. When China eliminates export subsidies, U.S. corn will be very competitive in markets that have been buying subsidized Chinese corn.

On soybeans, for the U.S. soybean industry, China represents the largest potential market for the 21st century. When the Uruguay Round agreement was concluded, the American Soybean Association conditioned its support on a commitment by the administration to make oilseeds and oilseed products a key priority. American Soybean Association [ASA] and the National Oilseed Process Association have met regularly with the USTR and the USDA over the past 5-years to emphasize the importance of obtaining a significant increase in access for soybeans, soybean meal and soybean oil into the Chinese market.

The China WTO accession agreement negotiated last November is particularly beneficial to the U.S. soybean producers and the soybean industry. It will lock in currently applied tariffs on soybeans and soybean meal at 3-percent and 5-percent respectively. For soybean oil it will reduce and bind the current tariff from 13-percent to 9-percent and increase the amount of soyoil imports at this duty from 1.7- to 3.2-million tons over the 6-year period.

The tariff on over-quota soyoil will be reduced to 9-percent in 2006, after which the TRQ will be eliminated.

U.S. soybean producers strongly support the China WTO accession agreement and urge Congress to approve PNTR relations for China as quickly as possible. We already have too many restrictions on U.S. farm exports in the form of unilateral economic sanctions. To turn access to the Chinese market over to our competitors after negotiating this agreement would deal a terrible blow to efforts to restore profitability to the U.S. farm economy.

Conclusion. Quite simply, this is a one-way deal for U.S. agriculture. We gain access to the largest market in the world and we give up nothing in return. We may not know the magnitude of this market-opening opportunity for several years but what is abundantly clear is that U.S. farmers will only benefit from this trade agreement if Congress approves permanent normal trade relations for China.

On behalf of the National Corn and Soybean Associations, we will be working diligently for passage of this agreement. Thank you.

[The prepared statement of Mr. Burrack can be found in the appendix on page 89.]

The CHAIRMAN. Thank you very much, Mr. Burrack.

Senator Cochran, do you have comments or questions?

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. Mr. Chairman, thank you very much. I came over to thank you for having this hearing and letting us have the opportunity to receive comments and statements from Secretary Glickman the U.S. Trade Representative's Office about the agreement that has been reached with China. And this panel has a particularly important role, I think, at our hearing today to tell us what the practical consequences are for a number of commodity groups and agricultural interests in the United States if we approve permanent normal trade relations with China and try to implement this agreement that has been reached.

I support our approval of normal trade relations with China. I think it is in our best interest. I think it is clear that it will improve our opportunities to sell more of what we produce in that market and the potential for growth there is enormous, and you have all eloquently talked to that point.

There have been some problems because of failure to reach agreement on some items, such as the export of fertilizer to China. We had hoped that, that agreement would include some language relating to the state-owned agriculture fertilizer enterprises in China and the monopoly that it now enjoys in that market. And unless some change is made in policy, it may very well continue as a government-owned monopoly in the future, or at least government-sanctioned monopoly in the future.

I have had an opportunity to talk this week with both Ambassador Li of China and the Vice Minister of Trade and Economic Development, Minister Sung, who has been here in Washington. I hope that we have been able to impress upon the Chinese the importance of making this change and recognizing the importance of an opportunity for Americans and others to be able to sell chemical fertilizers in China.

The European Union, as some of you have pointed out and observed, are continuing their round of discussions on an agreement. It may be that, that will offer an opportunity for the Chinese to make some commitment in this regard. We hope that they do.

It may be difficult to pass legislation in the Congress right now on normal trade relations because of the white paper that has been written with respect to Taiwan and whether or not that is a new and different kind of impression that China has of their relationship with Taiwan needs to be explored.

And there are other problems. I am not saying that everything is perfect and that we are going to have no complaints about policies in China. We will have, I think, more opportunities to have access to discuss these problems and to work out and resolve differences for our mutual interests, best interests, and in the cause of stability of the relationship and ultimately peace in the world.

So I am hopeful that this is a step that the Congress will agree to take and I intend to do everything I can here in the Senate to push the process forward and see that we approve normal trade relations as soon as possible.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Cochran.

Senator Cochran has mentioned the fertilizer issue, as have several Senators today to specifically get a response from the administration on this issue. This is still unsettled business but I appreciate at least that the issue has been raised, and that was one purpose of our situation today.

Three of you have mentioned unilateral economic sanctions imposed by our own government. This has been a subject of intense advocacy by this committee to remove them and we have passed legislation from the Committee that is agriculture-specific. We have also tried various other committees in terms of more general policy changes, not without some success; namely, our own government has been imposing these fewer and fewer times and there is a more rational argument now in terms of the threshold of what ought to occur. But nevertheless, this still remains unfinished business and we appreciate your underlining it in your testimony.

Mr. Hardin, you have heard earlier the discussion with reference to pork, I think Senator Grassley and Senator Fitzgerald and others have raised this issue on inspection, because it is a very serious one. You have gone into greater detail about the numbers of Chinese delegations and the degree of scrutiny with which all of this has occurred.

What was your reaction to the administration witnesses as they tried to respond to this issue, as they did earlier on today? Do you feel any sense of hope, optimism, or what would you advise, having heard them?

Mr. HARDIN. Well, the purpose in my going into such detail was obviously to go beyond this room as to how very important this is to the pork industry for our final support. I remain hopeful, but the Chinese must fulfill their commitments.

The CHAIRMAN. And it is apparent that they have not done so and they have bought pork apparently from Canada. With all these contacts you have had with the Chinese, do you have any inkling as to what is going on here?

Mr. HARDIN. I guess I will engage in some uninformed speculation. There are obviously many levels that need to make a change in Chinese society and I think we have to get down below the Chairman's level to confront that and move them along, but it is absolutely essential that we settle this now.

I remember 9-years ago this spring Ambassador Hills told me, "Withdraw your suit and I will get you access to the European Community." Kevin sitting behind you has worked innumerable hours on these types of issues with Europe and it is absolutely important that we settle this now and move on.

The CHAIRMAN. Let me ask you, Mr. Suber, about the dairy situation. You have what I thought was an optimistic forecast of $135 million of sales. How would that be broken down? In your testimony you mentioned several types of products the Chinese might want to purchase but the logistics factors would seem to be considerable, except maybe for a solid product of some sort, and the distribution process. How did you come up with the sales forecast?

Mr. SUBER. The bulk of it, on a volume basis, we would say is in the ingredient sector, such as whey and lactose, which does not have a logistical issue because it moves unrefrigerated, much of which goes to animal feed for their burgeoning pork industry, in fact, but also into food processing that is gaining greater and greater sophistication in China.

But on a value basis, a good chunk of that would be represented by cheese and ice cream. Cheese, the big driver, as I mentioned, for cheese consumption around the world has been pizza. The tariff on cheese has made pizza generally an uncompetitive menu item for most fast food chains. This will make it a competitive food item and the success that the company Tricon has had in its Kentucky Fried Chicken chain will be able to transfer to its Pizza Hut chain and to its competitors to drive more pizza consumption and we expect that it will be a player, not the only player but a player in providing cheese to that market.

The CHAIRMAN. It was mentioned by you, Mr. Hardin, and maybe earlier by the administration witnesses in response to questions, that the agreement has not yet been published in China, which is a curious situation and, of course, difficult as you try to resolve the pork situation, but that could be true of others.

Do you have any idea as to why? What have the Chinese people you have talked to had to say about that?

Mr. HARDIN. Well again, I believe there is resistance below the highest levels and the highest levels must dictate to those below what has been agreed on. And obviously China today is not a country of law, and this is part of the very essential transition to that, to make things move forward, and we must be firm.

The CHAIRMAN. Senator Cochran, do you have additional questions?

Senator COCHRAN. No, thank you, Mr. Chairman. We appreciate very much the assistance of this panel though, to our understanding of the practical consequences of this agreement.

The CHAIRMAN. We do indeed. Many of you have had from your testimony extensive contact with Chinese citizens and government officials. As you heard from Senators today, who were not merely name-dropping, this has been a committee that has been internationally involved with a good number of members having visited China and had specific interest in this treaty, as well as in specific commodities, and that will continue to be the case. We are grateful for these contacts but they probably are very important.

To pick up the point Mr. Hardin has made, the Chinese debates internally would appear to be very substantial. We have talked today about our debates and it is substantial and we admit this, but nevertheless, in China it is apparent that there are very diverse views as to whether this is a good thing or not for a society that might go forward or might not.

So it is a critical moment for us to understand the politics of each other and to some extent through our dialogue perhaps to enhance the possibilities.

We thank all of you for coming. We thank everyone who has participated in the hearing and the hearing is adjourned.

[Whereupon, at 11:34 a.m., the Committee was adjourned.]

A P P E N D I X

March 1, 2000

OPENING STATEMENT OF HON. RICHARD G. LUGAR

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

MARCH 1, 2000

CHINA ACCESSION TO THE WORLD TRADE ORGANIZATION

In recent months, we have heard much about China and, in particular, about the proposed terms for China's accession to membership in the World Trade Organization. The press accounts of the bilateral agreement reached between the United States and China, as well as the summary sheets issued by the Administration, suggest that this could be one of the most important international agreements ever for U.S. agriculture, especially, now, after American farmers have been hit for several years with slack demand and falling prices.

China's proposed accession agreement is also a watershed agreement for the world trading system. The WTO and its predecessor institution, the General Agreement on Tariffs and Trade (GATT), have provided the framework for world trade since 1947. Over the past fifty years, the initial GATT of about forty countries has grown into the WTO of nearly 140 nations. In all that time, however, China, the most populous nation in the world, has been neither a GATT contracting party nor a WTO member. Ironically, the "World" Trade Organization does not yet include the country with one quarter of the world's population.

There is, of course, good reason why China has historically not been part of the multilateral trading system. The GATT and WTO agreements were developed as rules for trade among market economies. GATT/WTO rules, to as great an extent as possible, attempt to ensure that trade is governed by competition and market forces. China's centrally-planned and controlled economy operates on a different and incompatible set of principles. As a result, since 1949, China has been sitting on the sidelines of a multilateral trading system. Over the past decade, as other centrally-planned economies have collapsed, Chinese leadership noted the tremendous inefficiencies of their system and, however modestly, began to liberalize the Chinese economy. Since the World Trade Organization came into formal existence with the conclusion of the Uruguay Round, the Chinese have been attempting to negotiate their accession to the multilateral trade system.

Although China has not been a member of the GATT or WTO up to now, it has benefitted from the multilateral trade regime in a number of ways. Most importantly, the United States and a number of other countries have extended to China "most favored nation" status, meaning that China has access to our market on the same terms that we extend to other WTO nations. This is a considerable privilege and one that China knows has great value. The United States now extends MFN status to China on a year-to-year basis. China seeks, as part of its WTO accession, permanent MFN status, or as it has come to be known, "Permanent Normal Trading Relations" (PNTR).

Any country that enters the WTO and obtains MFN status automatically secures the market access benefits that have been so arduously negotiated by the GATT and WTO members in the previous eight negotiating rounds over more than fifty years. It has been asserted, inaccurately in my view, that in the bilateral deal negotiated between the United States and China, the United States gains everything and gives nothing. This is more than a little misleading. What the United States gives - and more importantly, what China gains - is permanent MFN access to our market and to those of other WTO trading partners. And to gain this privilege, China should be willing to give value in return.

The good news is that China appears to have done so in a bilateral agreement that was struck last Spring and finally affirmed between the governments last Fall prior to the Seattle Ministerial. The agreement appears to offer significant market access opportunity for the United States and has widespread support in our business community in general, and in our agricultural community in particular. The package includes significant tariff reductions on a number of agricultural products in which the United States is highly competitive such as citrus fruits, stone fruits, raisins, shell nuts, canned sweet corn, soups, barley malt, beef, pork, chicken and turkey. China also commits to creating significant tariff rate quotas in the major grain and oilseed sectors - eventually, 9.6 million MT of wheat, 7.2 million MT of corn and 5.3 million MT of rice. These TRQ amounts are many times the level of China's current imports of these commodities. China also has agreed to forego the use of export subsidies, to discipline its use of domestic support, and to abide by international rules on sanitary and phytosanitary regulation.

On paper, this agreement looks very promising and the Office of the Trade Representative and the Department of Agriculture are to be commended for their work in achieving these impressive results. Senators will, of course, want to learn more about the specifics of the agreement. For example, the large tariff cuts and the very generous tariff rate quota levels specified in the agreement would be particularly significant for trade if China were a market economy with a vibrant and competitive private sector. The question is how significant for trade these will be in a situation in which access to the Chinese market is dominated by a state importing agency. Apparently, China has agreed to liberalize its import regime, to begin to develop a system of private trading rights, and to reallocate unused TRQ amounts to ensure full access. The specifics of these arrangements remain somewhat sketchy, and we will be interested to hear more detail on these types of implementation issues from the Administration witnesses.

Today we will hear from Secretary of Agriculture Dan Glickman and from Ambassador Peter Scher. I want to welcome both of these gentlemen back to the Committee and to thank them for being with us today. We look forward to their testimony. I would note that the Committee also invited Secretary of Commerce Daley, or a senior policy official of his choice, to testify at this hearing. We thought that this would be appropriate since the President has indicated that the issue of China WTO accession is the priority trade issue for his Administration this year, and because the President has designated Secretary Daley as the lead spokesperson on this issue. Secretary Daley's office indicated he had other more pressing business today, and his office also declined to designate a substitute witness. We are sorry that the Commerce Department will not be represented at this hearing and, in light of the importance that the President apparently attaches to this issue, we find Commerce Department's absence disappointing and perplexing.

Nonetheless, we will proceed initially with Secretary Glickman and Ambassador Scher. Later this morning we will hear from a panel of witnesses representing a broad array of interests in the farming and agribusiness communities. We will have testimony from the American Farm Bureau Federation and the National Farmers Union, as well from representatives of the grain, meat, dairy and citrus sectors.

I have noted, on numerous occasions in this Committee, the vital role that exports play today in the economic well-being of American farmers. Nearly one-third of all American farm acres are planted for the export market. When export opportunities decline, as they have in the recent several years because of the Asian financial crisis, farm prices and farm income suffers. I have continuously urged the Administration to assist our farmers in opening and competing for export markets because it is undeniable that the prosperity of America's farm sector depends upon it. China, a market with a quarter of the world's population, holds unparalleled promise as an export market for high quality U.S. food, feed and fiber. We look forward to learning more today about China's proposed terms of accession to the WTO and about what it will mean for American farmers.

STATEMENT OF THE HONORABLE SENATOR TIM JOHNSON

HEARING BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

CHINA'S ACCESSION TO THE WORLD TRADE ORGANIZATION

MARCH 1, 2000

Mr. Chairman, thank you for holding this hearing today. As a member of the President's Export Council, the WTO Trade Caucus for Farmers and Ranchers, and as the ranking member of the Senate's Banking Subcommittee on International Trade and Finance, I understand the importance of opening and maintaining international trade markets for the future of agriculture in my home state of South Dakota and the entire United States.

Key trading opportunities for United States farmers and ranchers lie ahead if we can foster relationships and trust with the People's Republic of China. China boasts a population of over 1.2 billion people, an economy growing at about 10 percent each year, and a land mass of which only 7 percent is arable. This overwhelming population yearns for our food and fiber products. While those in farming and ranching are barely surviving with unacceptably low prices, it simply makes good sense to seek out marketing opportunities for our agricultural products.

America's farmers and ranchers need and deserve fair access to Chinese markets, particularly in light of the agriculture crisis that continues to threaten the livelihood of independent producers. The significant reduction of tariffs, which was negotiated in the trade agreement reached between China and the United States in November of 1999, will provide a chance for our producers to market their products.

In order for China's accession into the WTO to move forward, Congress must extend it's support by granting permanent normal trade relations (PNTR) to China. It is my hope that we quickly move towards a vote in the Senate while the House of Representatives proceeds to a vote on PNTR as well.

I understand some in the United States oppose PNTR for China, and I believe these interests have every right to express their concern. But, for our nation to unilaterally ignore China while all our trading partners throughout world are doing business there would be a huge mistake. The presence of Western consumer products, political ideas, missionaries, tourists, and the free flow of ideas will do more to undermine authoritarian aspects of their government than any kind of United States isolation could possibly accomplish. We need to build more bridges of understanding and cooperation between western democracies and China, rather than work for the contrary. In the meantime, the biggest winners of all in establishing the same normalized trading relationships with China that we have with almost every other nation on the planet, will be American farmers and ranchers.

Now, I realize, that I am preaching to the choir. The groups represented here today and the majority of my colleagues on the Senate Agriculture Committee understand the benefits and opportunities of trade with China for the farmers and ranchers who we represent. Secretary Glickman has estimated that China's participation in the WTO could result in at least $2 billion per year in additional United States agricultural exports by 2005.

There is support for PNTR from throughout the agriculture industry including the American Farm Bureau, the National Corn Growers, the National Cattlemen's Beef Association, the National Pork Producers Council, the United States Grains Council, the National Grain Sorghum Producers, and the National Milk Producers Federation.

I am especially pleased that China has begun to make good on our trade agreement. Recently, a delegation from China traveled to the United States and visited Oregon, Montana, and Colorado. Their purpose, and, in the end, their accomplishment was a purchase agreement between China and the United States of 50,000 metric tons of wheat. Specifically this purchase was broken down to 10,000 metric tons (approximately 367,000 bushels) of hard, red winter wheat from South Dakota, Minnesota, Montana, and North Dakota, 10,000 metric tons of red, hard spring wheat from South Dakota and Kansas and 30,000 metric tons of soft, white wheat from Idaho, Oregon, and Washington.

To put these numbers in perspective, in my home state of South Dakota we produce 60 million bushels of spring wheat and 60 million bushels of winter wheat each year. China, in the cooperative agreement reached in November, which is self-executing and independent from WTO accession, agreed to purchase up to 7.3 million metric tons of American wheat. So, the 50,000 metric ton purchase is small in the overall picture, yet an important first step.

This wheat purchase is just the beginning. In addition to the wheat purchases included the bi-lateral agreement were promises between the United States and China for beef and pork purchases as well. At this point, this portion of the agreement is not being implemented. I have concerns with the possible erosion of support from within our own Congress if China fails to publish the bi-lateral agreement in China. Through publishing the agreement some uncertainty over the Chinese government's intentions could be eliminated.

However, in order to maximize the trading opportunities for American farmers and ranchers in Congress we must grant PNTR to China. The People's Republic of China has made dramatic concessions to earn the right to trade with the United States in terms of opening its market to more American products, reducing trade barriers, and lowering tariffs. It is my hope that this most recent trade arrangement will lead to future purchases by China from the United States and eventually their accession into the WTO.

Through a series of trade missions with Chinese officials, I have tried to facilitate trust and trade relationships between South Dakota's farmers and ranchers and China. In May of 1999 a 29 member delegation of Chinese trade officials traveled to South Dakota to explore agricultural trade opportunities. While on the trade mission the Chinese officials toured farming and ranching operations and visited the South Dakota Soybean Processors plant near Volga. In December 1998, I traveled to Beijing, China with a South Dakota delegation to foster cooperation and trade between South Dakota and the PRC.

In closing, I would like to reemphasize my support for both PNTR privileges to be granted to China as well as their eventual accession into the WTO. I urge the Majority Leader to quickly bring this pressing issue to the floor of the Senate so that we, as Senators, may go on record with our support for the emerging market and trade opportunities presented to our farmers and ranchers with the People's Republic of China.

Committee on Agriculture, Nutrition, and Forestry
March 1, 2000
China Accession to the World Trade Organization

Statement by Senator Larry E. Craig

Mr. Chairman, thank you for holding this very important hearing on China's Accession to the World Trade Organization (WTO). China's entry on commercially satisfactory terms is of paramount importance to the U.S. agriculture and business community. China is the world's most populous country, one of the largest future markets and fastest growing economies. Providing American farmers, ranchers, and businesses access to this market is crucial.

I am pleased we have the opportunity to examine this agreement with Jerry Kress from American Falls, Idaho. He is a wheat producer, and is here to represent the National Association of Wheat Growers, the Idaho Wheat Commission, and the Wheat Export Trade Education Committee. Mr. Chairman, thank you for allowing Idaho's interests to be well represented on the Committee.

Last December, I had the opportunity to lead an Idaho trade mission to China. The group represented both agriculture and business interests from the state. Although the group represented the diverse economy of Idaho with participants from the agriculture, building materials, and high tech communities, they were united in their support for China's entry into the World Trade Organization (WTO). For too long, Idaho has been effectively shut out of the China market. Wheat is the classic example of this shut out.

Idaho is the nation's seventh largest wheat producer. In 1998, export of Idaho wheat and its products were estimate at $179 million. However, Idaho, like most other Pacific Northwest states has effectively been banned from selling soft, white wheat to China. Yesterday, I had the opportunity to meet with officials from the Chinese wheat-buying mission. I was pleased by their announcement to purchase 50,000 metric tons of wheat from the US. 30,000 of those metric tons will be soft, white wheat from Idaho, Oregon, and Washington. This is the first purchase under the Agriculture Cooperation Agreement initialed on December 2, 1999. I hope that this purchase will be the first shipment of a new agriculture trade relationship between the United States and China. Opening up real and long term opportunities for the United States will be significant in this realm. Per the U.S.- China agreement, the tariff-rate quota (TRQ) will initially be set at 7.3 million metric tons, and will increase to 9.6 million metric tons by 2004. To put these TRQs in perspective, China allowed imports less than 2 million metric tons of wheat from all countries in 1998. That is significant.

In closing let me thank Chairman Lugar for holding this very important hearing. I would like to see the Committee hold more hearings on this topic. It is clearly an important one. China's rulers are eager to gain the economic benefits and the political prestige of WTO membership, and likewise, we are eager to liberalize their tremendous market. This is an opportunity that the U.S. agriculture and business community cannot afford to miss.

I look forward to working with the Chairman on this issue.

Statement by Dan Glickman
Secretary of Agriculture
Before the Senate Committee on Agriculture, Nutrition, and Forestry
Washington, DC
March 1, 2000

Mr. Chairman, members of the Committee, it is a pleasure to appear before you to discuss US-China agricultural trade.

As the President has stated, Congressional approval of permanent Normal Trade Relationship (NTR) status for China tops our agenda this year. PNTR is necessary to ensure that US agriculture has access to a market that accounts for one-fifth of the world's population.

China's WTO accession will strengthen the global trading system, slash barriers to US agriculture, give US farmers and agribusinesses stronger protection against unfair trade practices and import surges, and create a more level and consistent playing field in this market.

We estimate that the US-China WTO accession agreement could add an estimated $1.6 billion annually to US exports of grains, oilseeds and products, and cotton by 2005. US export gains could approach $2 billion as the Chinese reduce their tariffs on other products, such as poultry, pork, beef, citrus and other fruits, vegetables, tree nuts, and forest and fish products. Growth in China's economy, increased investment, and market development should make the gains even greater. All these gains will mean higher prices for farmers, and ultimately, higher US farm income, as these charts show.

Under its agreement, China will eliminate export subsidies; reduce trade-distorting domestic supports; improve market access by significantly cutting tariffs and establishing a tariff-rate quota system for imports of bulk commodities; provide the right to import and distribute products without going through state-trading enterprises; and eliminate sanitary and phytosanitary barriers not based on sound science.

To realize these gains, we will be vigilant to ensure that China lives up to its WTO commitments and also fully implements last April's Agricultural Cooperation Agreement that reduces phytosanitary barriers for citrus, wheat, and meat. That means we need China's leadership to make the changes necessary to ensure that trade in these products can begin without delay. Prompt purchase of these products will be the clearest indication that China intends to honor its commitments.

In fact, just this week China purchased 50,000 tons of US wheat. This will be the first significant shipment of wheat originating from the Pacific Northwest in over two decades and the first purchase under our Agricultural Cooperation Agreement with China. This is encouraging news and we hope that there will be many more such purchases to come.

Like millions of other Americans, those who produce, process, and market our nation's food and fiber have a major stake in the debate over permanent NTR status for China. For American farmers the question is simple: Will they be able to reap the benefits of the agreement our negotiators reached with China or will they be shut out of the huge Chinese market? Right now, with normal trade relations, American farmers, food processors, and other US firms can do limited business with China. However, if Congress fails to approve permanent NTR status for China, it would have serious consequences for US-China trade because our competitors would have greater access to the Chinese market as they will have the right to all the benefits of the WTO. PNTR gives us far greater ability to enforce Chinese trade commitments.

We are in an era in which American agriculture, like most other industries, is linked to the global economy and increasingly dependent on trade. In my judgment, we have nothing to gain and a great deal to lose by walking away from our agreement with China. The only winners would be our competitors, who are aggressively pursuing new trade deals and would welcome the chance to pick up business that would otherwise now go to US farmers and ranchers.

Furthermore, extending permanent NTR status to China is a win-win for American agriculture. There is no argument against it economically. As President Clinton said in his State of the Union address, "...Our markets are already open to China; this agreement will open China's market to us."

Trade alone should not – and does not – dictate US policy with regard to China or any other country. We will continue to use the full array of our foreign policy tools to promote human rights and the democratization process. But let's not confuse apples and oranges. This is not a vote pitting the pursuit of commerce against core American values. It is simply a vote on our China trade policy. By and large, our trade laws should be used as intended – to challenge and roll back trade barriers in China and elsewhere.

Beyond agriculture, I believe that China's WTO accession agreement with the United States is a bold statement that China intends to be a major player on the world stage. The Chinese have shown they understand that they must commit to longstanding principles governing world trade – transparency, fair trade practices, peaceful settlement of disputes and, most importantly, the rule of law.

The agreement is strong evidence of China's willingness to move beyond the stagnant, protectionist policies of the past and embrace economic and trade principles that will have a ripple effect on their economic, social and political institutions.

In fact, changes in Chinese agricultural policies are a good indication that China is beginning to see the advantages of stronger ties to the global economy. Over the past 50 years, China has struggled to increase its grain production to meet the needs of its growing population. But now China's leaders are talking about the need for food self-sufficiency rather than food security, and pointing out that China might be able to raise farm incomes by diverting resources away from areas where it does not have a comparative advantage – like grain production – and into areas that would take advantage of the large Chinese labor pool – like horticultural products.

In fact, Chinese policy makers are now saying that China could live with a self-sufficiency rate of 95 percent rather than 100 percent. That 5 percent may not sound like much, but if China imported just 5 percent of its grain needs, that would equal 20 million tons of grain a year – making China the world's second large market for imported grain after Japan.

That is why approving permanent NTR for China is so important for American farmers. This is a historic opportunity because what it can achieve in opening Chinese society goes way beyond the economic underpinnings of improved trade with China. In granting permanent NTR, we are not abandoning the principles we as a nation have always valued, instead we provide tangible economic benefits to the American people.

Mr. Chairman, that completes my statement. I would be happy to answer any questions.

2/28/00

Testimony by Ambassador Peter L. Scher
U.S. Special Trade Negotiator
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Washington, D.C.
March 1, 2000

Thank you Mr. Chairman and members of the committee for this opportunity to testify on one of the most important trade agreements for American agriculture in many years.

Last November, after years of negotiation, the United States reached a bilateral agreement with China on WTO accession. It secures broad-ranging, comprehensive, one-way trade concessions on China's part, granting the United States substantially greater market access across the spectrum of industrial goods, services and agriculture. This agreement strengthens our guarantees of fair trade. And it gives us far greater ability to enforce Chinese trade commitments. By contract, we agree only to maintain the market access policies we already apply to China, and have for over twenty years, by making China's current Normal Trade Relations (NTR) status permanent.

China's WTO accession is a clear economic win for the United States. Together with permanent NTR, it will open the world's largest nation to our goods, farm products and services in a way we have not seen in the modern era. Without permanent NTR, our competitors in Asia, Latin America, Canada and Europe will reap these benefits but American farmers and businesses may well be left behind. This is the fundamental choice before us as Congress debates permanent NTR.

But China's WTO accession also has deeper implications. Our relationship with China, given China's size and economic weight, affects all of America's foreign policy and security goals in Asia: from broad strategic interests to regional issues in Korea, Southeast Asia and elsewhere; human rights and religious freedom; weapons proliferation; environmental issues; labor rights; crime and narcotics trafficking; and many others. We have serious differences with China in a number of these issues, and have found areas of common ground as well. And we have a fundamental responsibility to develop a stable, mutually beneficial relationship in which we act upon areas of shared benefit and mutual interest. WTO accession will allow us to do so, as it complements and supports long-standing American goals in China policy:

- By helping to open and liberalize China's economy, WTO accession will create new economic freedoms for Chinese citizens and promote the rule of law in many fields now dominated by state power and control. A number of leading Chinese and Hong Kong advocates of democracy thus endorse WTO membership not only for its economic value, but as a foundation for broader future reforms.

- By integrating China more firmly into the Pacific and world economies, WTO accession will give China a greater stake in regional stability and prosperity. It will thus, together with our military presence in the Asia-Pacific and our regional alliances, be a factor in favor of long-term regional peace.

Overview of the Agreement

Before I update you on the status of negotiations on China's accession, let me give you a brief overview of the specific agriculture and food commitments we secured in our bilateral agreement last November. China's commitments on agriculture reflect every commodity of interest to us, and every trade policy issue affecting the prospects of American producers in the China market. They are comprehensive; they will be fully phased-in over a short period of time; they hold China to the same standard we would expect of all new WTO members; and in each case, they reflect specific and enforceable commitments.

Let me begin, by putting the technical issues in some broader context.

Overall, this agreement represents a comprehensive set of trade commitments. It covers food and agriculture, manufacturing, and services industries such as telecommunications, finance, the professions and others. It includes a product-specific safeguard in the event of import surges, an agreement to continue using "non-market economy" dumping methodologies for fifteen years, and much more. In every case, the commitments are specific and enforceable; will be fully phased-in over a short period of time; and hold China to the same standard we expect of all new WTO members, if we provide China with permanent NTR.

With respect to agriculture in particular, we will open China's market for all commodities of significant export interest to us, and address a range of broader policy issues of concern to American producers. To review the results briefly:

- China will make significant cuts in tariffs, and complete them by January 2004. In the commodities of top concern to the United States – everything from beef and pork to citrus, processed foods, wine and dairy – tariffs will fall from an average of thirty-one percent to fourteen percent.

- China will set up a tariff-rate quota (TRQ) system for bulk commodities like wheat, corn, cotton, barley, and rice. To give you just one example, China imported less than two million tons of wheat in 1998 and less than half a million tons in 1999. Under this agreement, China will set up a TRQ for wheat of 7.3 million tons immediately on entering the WTO. This will ultimately rise to over 9.6 million tons. The agreement gives a share of the TRQ to private traders, and has specific rules for TRQ operations and transparency.

- China will guarantee the right to import and distribute products without going through a state-trading enterprise or middle-man. Thus we can sell fresh fruit directly to retailers on the coast, or wheat to Chinese mills.

- China has agreed to cap and reduce trade-distorting domestic support, and to provide greater transparency to make its domestic support measures more predictable. And it will eliminate export subsidies, thereby reducing competition for U.S. rice, wheat, corn and cotton in third-country markets.

- And China agreed last year to eliminate sanitary and phyto-sanitary (SPS) barriers that are not based on scientific evidence even before full WTO membership. A team of Chinese citrus inspectors visited Arizona, California, Florida, and Texas last January, and a Chinese wheat team concluded a visit of the Pacific Northwest on Monday. As you know, the delegation signed contracts for fifty thousand metric tons of wheat from the Pacific Northwest earlier this week, the first shipment of wheat from this region of the United States in nearly twenty-five years. This shipment should allow us to test the new system to ensure that it really works.

- While we are pleased that China has taken these steps, implementation is not moving as quickly as we would like, particularly with regards to meat and poultry. We won't be satisfied until China has made the necessary administrative changes to implement the agreement and exports of meat, wheat and citrus have occurred.

Overall, bilateral agreement addresses the full web of trade barriers in the China market: barriers at the border, unfair restrictions on marketing within China, and unscientific inspection standards. As it goes into effect, a fifth of the world population – now largely blocked from buying our agricultural goods – will become a new market for farmers, ranchers and food companies all over the United States.

Work Remaining

But the work is not yet done. China must complete bilateral market access agreements with a number of other WTO Members. It must also complete a multilateral negotiation at the WTO, principally covering commitments on rules. These steps are proceeding.

Obviously we cannot offer a precise date for the completion of this work. The EU made some progress during discussions last week in Beijing, but were unable to finalize an agreement. The other Members have far fewer issues to resolve with China, and may be able to act relatively rapidly.

Permanent NTR

Mr. Chairman, I believe the case for Congress to grant China Permanent Normal Trade Relations is quite compelling. No changes to U.S. law or import policies need to be made for China to become a WTO Member: we change none of our market access policies, lower no tariffs, change none of our laws controlling the export of sensitive technologies, and amend none of our fair trade laws. But we do risk losing the full benefits of the agreement we negotiated if we fail to grant China permanent Normal Trade Relations.

If this occurs – our Asian, Latin and European competitors will reap these benefits but American farmers, ranchers and food producers may well be left behind. And it is unacceptable for American producers to face a situation in which competitors from dozens of other countries – from Argentina and Canada to Europe and Australia – have a built-in advantage in the world's largest market. The short-term cost to farm incomes could be substantial, and the implications for long-term sales relationships still more profound.

Having China in the WTO will be good for U.S. agriculture. China has already begun adjusting its domestic agricultural policies in preparation for joining the WTO, with impressive results. Over the past year, the Chinese government has given up its very costly price supports. Cotton prices have been allowed to fall by forty percent, and wheat and corn prices are down twenty percent. Lower prices are already resulting in lower production.

Having China in the WTO will also enhance the world's ability to enforce China's obligations - granting China permanent normal trade relations will preserve our rights to enjoy the benefits of China's accession. China's WTO accession is, therefore, a critical issue of incomes and livelihoods for America's farm families. That is reason enough to support it.

But in a larger sense, it is also a test of statesmanship for our country. This agreement offers us the prospect for a relationship with the world's largest nation which may certainly have moments of tension and volatility, but in which we also act to find common ground and strengthen hopes for peace.

This is the opportunity before us; and it is one our country must not miss.

Thank you, Mr. Chairman and members of the Committee.

Statement of the American Farm Bureau Federation

TO THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
REGARDING
PERMANENT NORMAL TRADE RELATIONS FOR CHINA

Presented by:

Sam Moore
President
Kentucky Farm Bureau

March 1, 2000

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As the national voice of agriculture, AFBF's mission is to work cooperatively with the member state Farm Bureaus to promote the image, political influence, quality of life and profitability of the nation's farm and ranch families.

FARM BUREAU represents more than 4,800,000 member families in 50 states and Puerto Rico with organizations in approximately 2,800 counties.

FARM BUREAU is an independent, non-governmental, voluntary organization of families united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity and social advancement and, thereby, to promote the national well-being.

FARM BUREAU is local, county, state, national and international in its scope and influence and works with both major political parties to achieve the policy objectives outlined by its members.

FARM BUREAU is people in action. Its activities are based on policies decided by voting delegates at the county, state and national levels. The American Farm Bureau Federation policies are decided each year by voting delegates at an annual meeting in January.

**STATEMENT OF
THE AMERICAN FARM BUREAU FEDERATION
TO THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
REGARDING
PERMANENT NORMAL TRADE RELATIONS FOR CHINA**

Presented by:

**Sam Moore
President
Kentucky Farm Bureau**

March 1, 2000

Good morning, Mr. Chairman. I am Sam Moore, President of the Kentucky Farm Bureau and I raise corn, soybeans, wheat, and cattle in Morgantown, Kentucky. I am here today on behalf of the American Farm Bureau. AFBF represents more than 4.9 million member families in all 50 states and Puerto Rico. Our members produce every type of farm commodity grown in America and depend on access to customers around the world for the sale of over one-third of our production.

I appreciate the opportunity to speak before you today on the important subject of the recently signed U.S. – China bilateral trade agreement and China's accession into the World Trade Organization (WTO). Farm Bureau has long supported China's entry into the WTO on a commercially meaningful basis. There has been a long-standing concern that the U.S. and other trading partners would consider China's entry into the WTO for geopolitical reasons. Since we now have an accession package which is indeed commercially meaningful for both the U.S. and Chinese economies, we should accelerate this accession protocol for precisely those geopolitical considerations.

This agreement is good for the American people. Having China -- the largest emerging economy in the world -- in the WTO will expand trade among all members leading to increased global economic prosperity, the very foundation of trade liberalization efforts. Having China in the WTO will advance the rule of law within China, and more importantly, will bind China to the rules of commercial law represented by the WTO. For China, this agreement will undoubtedly lead to increased economic and political freedoms. The promise, and premise, of trade liberalization is more than just that. It is the exchange of ideas and values that can lead to more fulfilling civic institutions and citizens.

We urge Congress to grant permanent normal trading relations for China as soon as the vote can be scheduled. There are a host of reasons to do so, but none better than improving the daily lives of the American and Chinese people.

This agreement is good for American farmers and ranchers. China is broadly recognized as the most important growth market for U.S. agricultural exports. The Department of Agriculture estimates that China's admission into the WTO could lead to an increase of $1.7 billion in sales of agricultural products within one year, just about doubling our current exports to that large country.

In addition, U.S. exports to the Asian region as a whole are expected to increase in the next few years as a result of China's accession into the WTO. This is likely to occur as Chinese consumption levels increase, domestic production patterns skew more to global prices, China ceases to employ export subsidies, and there is a commensurate decline in Chinese agricultural exports to the Asian region. This agreement may be with China, but it will have impacts far beyond Chinese borders.

China has agreed to several major concessions regarding agriculture. Many of the commitments go beyond what is currently mandated by the WTO.

1) China will begin to reduce tariffs immediately (upon accession), from an average of over 31% to an average of 15%. All tariff reductions are bound and will be fully implemented by 2004.

2) China has agreed to establish tariff rate quotas for bulk commodities such as wheat, corn, rice and cotton, which will give U.S producers a chance to compete for that market, without import licensing schemes or quantitative restrictions.

3) China has agreed that sanitary and phytosanitary disputes should, and will, be settled on a scientific basis.

    --U.S. citrus exports to China will be phased in over a period of two years. After that, citrus exports would be permitted based on U.S. export standards.
    --China will lift the ban on wheat and other grain exports from the northwestern U.S. by raising the tolerance level on TCK smut in bulk shipments.
    --China has agreed to recognize the U.S. certification system for meat and poultry which will allow these products access to all segments of Chinese markets.

4) China has committed to eliminate use of export subsidies. This will be especially beneficial to U.S. producers as we export to third-country markets.

5) China has agreed to increase trading rights for the private sector and will phase out the state trading of soy oil. The right for importers to act on their own, without going through a state agent or middleman, could lead to a sizeable increase in imports.

China has signed a bilateral agreement in which they have agreed to solid market access commitments for American food and fiber products. In some instances, they have gone beyond what their minimum commitments would be under current WTO rules. Even the more conservatives estimates point to these commitments as placing China in the "top five" of U.S. agricultural export markets by the close of the decade.

I'd like to also mention the commitments that the U.S. has retained, or strengthened, as a result of this agreement to protect the U.S. market from unfair dumping of products by the Chinese.

This agreement ensures that American farmers and ranchers will have strong protections against unfair trading practices, including dumping. The U.S. will retain our current antidumping methodology, which treats China as a "non-market economy" in the future, without the risk of a WTO challenge. This provision will remain in force for 15 years after China's accession into the WTO. Its important that we were able to retain this provision given the production characteristics of an economy dominated by state or quasi-state run operations.

This agreement also ensures that American farmers and ranchers will have substantial protection against import surges of Chinese products. This mechanism, labeled the Product - Specific Safeguard, will address increased imports that cause, or threaten, to cause market disruption to any U.S. industry or sector. China is an agricultural exporter, and we have had instances of Chinese agricultural exports disrupting the U.S. internal market (e.g. apple juice concentrate, crawfish). While the U.S. has had success through its own domestic dumping laws in the past to address these issues, this new provision will accelerate the review and adjudication process. This Product-Specific Safeguard provision can be applied unilaterally by the U.S. under legal standards that are lower than those of the WTO. However, having a tool and using a tool are two different matters. We urge the administration to continue to use all tools available to combat the results of unfair production, marketing, and trade practices used by any exporting country.

The Chinese have offered American agriculture an historic opportunity which could greatly enhance our export potential at a time when it is drastically needed. It can positively impact farm income in the U.S. when the agreement goes into effect.

China has also offered the equivalent of this bilateral negotiation to many of our competitors. China will join the WTO, and our competitors will have the market to themselves unless Congress acts quickly to grant China permanent normal trading relations.

The vote for permanent normal trade relations is about trade. It's a vote for continuing the U.S. economic expansion and hopefully having that expansion flow into the U.S. agricultural sector. Farmers and ranchers are already hampered in developing export markets by our own unilateral sanctions and the unfair trading practices of other competing nations. We must ensure that we do not unilaterally disengage from this historic opportunity for American farmers and ranchers.

WETEC
Wheat Export Trade Education Committee

National Association
of Wheat Growers

U.S. WHEAT
ASSOCIATES

TESTIMONY OF

Dr. JERRY KRESS
PAST CHAIRMAN, U.S. WHEAT ASSOCIATES AND
THE WHEAT EXPORT TRADE EDUCATION COMMITTEE

ON

THE CHINA/US TRADE AGREEMENT

BEFORE

THE UNITED STATES SENATE
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

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MARCH 1, 2000

Good morning Chairman Lugar, Senator Harkin, Senator Craig and members of the Committee. My name is Jerry Kress. I am a wheat producer from America Falls, Idaho. I am extremely pleased to be invited to speak today on behalf of a unified United States wheat industry by representing the U.S. Wheat Associates, the National Association of Wheat Growers and the Wheat Export Trade Education Committee. By speaking for a unified industry, I hope to impress upon you right at the beginning how important the Chinese market is not only to me personally but to the entire U.S. wheat industry.

I came to Washington earlier this week to participate in several events with the Chinese delegations which have been visiting the United States. I hope you were able to take advantage of their visit to meet with them as well. These teams traveled here as a result of the finalized negotiations that permit the export of U.S. wheat through Pacific Northwest ports and to review the developments of China - US trade relations over the past year.

The potential Chinese market will effect me directly as most of my wheat is exported through the Port of Portland. There are four classes of wheat grown in Idaho – soft white winter (SWW), hard red winter (HRW), hard red spring (HRS) and hard white winter (HW). With these varieties Idaho is positioned to meet many of China's needs as the market there develops. The Chinese market holds great potential for Idaho and all U.S. wheat producers. We have transportation, quality and variety advantages over many of our foreign competitors.

However, I do not expect to be able to see a long term advantage in this market unless China is granted permanent normal trade relations status by the United States as it comes under the WTO rules based system.

Wheat producers across the United States strongly support China's entry into the World Trade Organization (WTO) and the immediate approval of permanent normal trade relations status for China.

As you are aware, China is potentially the world's largest wheat market. Unfortunately, it has maintained a non-tariff trade barrier on U.S. wheat exported from Pacific Northwest ports since 1972, and from Gulf ports since June of 1996, due to the perceived threat of Tilletia Controvera Kuhn (TCK), a wheat fungus known as TCK smut. This barrier to the Chinese market continues to have a very negative economic impact on all U.S. wheat producers.

In April of 1999, Prime Minister Zhu Rongji announced China's intention to lift its long-standing restrictions on the export of U.S. wheat from areas where TCK is known to occur. This agreement allows U.S. wheat to be exported from any state or any U.S. port to any Chinese port as long as these imports do not exceed a tolerance level of 30,000 TCK spores per 50-gram sample. This level can easily be met by U.S. wheat exporters while acknowledging China's concerns about this disease.

While the market access agreement is not tied to China's entry into the World Trade Organization, the Chinese unilaterally decided to link it to U.S. support for their WTO entry that has now been agreed upon. We had expected China to implement the TCK agreement immediately upon signing. We have strongly encouraged the Chinese to implement this agreement as a sign of good faith towards their WTO commitments.

The TCK announcement followed more than 20 years of extensive - at times frustrating - discussions between the U.S. and China to resolve this issue. TCK restrictions were instituted due to China's concerns that its own wheat crop could become infected with TCK. It is significant that this longstanding dispute over TCK smut was resolved based on a framework that is consistent with the objectives of the Uruguay Round Agreement on Sanitary/Phytosanitary Measures (SPS). The SPS agreement is the heart of settling disputes of this type in the WTO as it requires that sound science, not political or other issues, determine whether products are safe to trade. Together, the U. S. and China agreed to let science, rather than political or other considerations, determine the terms of trade between our two countries.

Likewise in November of 1999, the U. S. and China completed negotiations on China's entry into the WTO. The WTO commitment agreement was formalized when the Chinese language version of the agreement was signed in Seattle last December.

In accordance with this agreement, China will liberalize its purchase of bulk agricultural commodities like wheat, corn, soybeans, rice and cotton. China will adopt tariff-rate quotas - that is, very low tariffs on a set volume of these bulk commodities. The wheat TRQ, for example, begins at 7.3 million tons and rises to 9.3 million tons by 2004. (Present import levels are below 2 million metric tons.) In all commodity TRQs, private traders will be guaranteed a share of the TRQ and a right to import using the portions of the share given to state trading companies that are not used by the state agencies. This will help establish legitimate private-sector trade in China. Taken together, the TCK resolution and the U.S.-Chinese trade agreement, represent an important new commercial opportunity for U.S. wheat producers at a critical time in the economic health of the industry.

China is the world's largest wheat producing and largest wheat consuming nation. The U.S. is the world's largest wheat exporter. U.S. wheat exports to China have varied over the years, contingent upon Chinese wheat production levels and those of other wheat suppliers. Throughout the early 1990s, China imported from one million metric tons to 5.6 million metric tons of U.S. wheat each year. In recent marketing years, Chinese imports of U.S. wheat have declined significantly due to major increases in China's own production and the stringent enforcement of the TCK zero tolerance restriction.

Nevertheless, we expect China to once again become a major importer of U.S. wheat. We base our expectations on economic developments and production constraints in China. China has a huge and growing population, burgeoning coastal cities, growing demand, declining stocks, stagnant acreage and reduced domestic price supports. We anticipate that over a period of a few years, increased China trade would have a significant impact on the world supply and demand situation that should be positive for prices.

To put it plainly, nothing else on the horizon could have such a big impact in the short term on U.S. wheat exports and the economic stability of wheat producers or hold such potential for expanded growth in the future.

USDA's baseline projection puts China's wheat imports at 4.2 mmt in five years. By U.S. Wheat Associates estimates, the U.S. market share could be one third to one half of total Chinese imports.

The U.S. now holds very high market shares in a number of neighboring countries and we believe that our market share with China has greater potential than most estimates. This is based on work by U.S. Wheat Associates personnel located in China who believes that China's wheat imports have focused on the need for "quality" wheat. The import demand is projected to focus on wheat with qualities needed for better consumer products that are not produced in large quantities in China.

In order for U.S. wheat producers to realize the full potential of the Chinese market, it is absolutely critical that Congress approves legislation to grant China Permanent (Most-Favored Nation) Normal Trading Status (PNTR) as soon as possible.

As Ambassador Barshefsky said in her testimony before the House Ways and Means Committee there is "no option" to addressing PNTR now. There is no option for U. S. wheat producers but to have the opportunity to participate in the Chinese market. If we are to achieve the benefits of this long sought agreement and give producers the opportunity to market into this huge economy, China must be brought under the rules based system of the WTO. We have that opportunity with the agreements delivered in April.

By granting permanent normal trade relations for China Congress will be giving nothing away to China, our market is already open. However, you will be fulfilling one of the "unmet promises" of the 1996 Freedom To Farm Bill, that of continuing to provide export markets for U.S. farmers and ranchers. I believe that every farmer would rather have open fair markets than receive payments from the government. Farmers want to add to the balance of payments by exporting our products.

This point is especially timely and crucial as the U.S. trade deficit reaches its all-time high. Our trade deficit with China has ballooned to $68.67 billion in 1999 as reported by the U.S. Department of Commerce. The only way to counter this trend is to open markets throughout the world and facilitate the exportation of U.S. products. Bulk commodities such as wheat can have a substantial positive impact on the trade balance as demand for high quality foods continues to rise. The Chinese economy is poised to reach new heights and as their middle class swells it is imperative for U.S. producers to have fair and unfettered access to this market.

Various people, including Ambassador Barshefsky, have stated that it would indeed be ironic if the United States after over 14 years of negotiations to include China in a rules based world trading system would decide not to grant them PNTR. By doing so we would be allowing our competitors to have the benefits of China opening its market---the most dynamic and rapidly growing in the world. The U.S. leverage and any means of influencing China under the WTO rules system would be lost and the United States would yield its leadership in the trade arena.

I believe I can speak for the entire U.S. wheat industry in saying we look forward to working with you and others in the Congress to make permanent normal trade relations for China happen this year. The wheat industry will do everything it can to mobilize grassroots support, but it is necessary for supporters in Congress and the Administration to exhibit strong leadership and cooperation in order to deliver a positive vote for America's farmers, laborers and industries. This is an opportunity that we can not afford to let slip away.

Thank you again for the chance to appear today.

I look forward to responding to your questions at the appropriate time.

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Testimony of John Hardin, Jr.
On Behalf of the National Pork Producers Council

Before

The Senate Agriculture Committee

On

U.S. – CHINA FARM TRADE

March 1, 2000
Washington, DC

National Headquarters
P.O. Box 10383 • Des Moines, Iowa 50306 USA • (515) 223-2600 • FAX (515) 223-2646

Mr. Chairman and Members of the Subcommittee:

I am John Hardin, Jr., a pork producer from Danville, Indiana. I am a past President of the National Pork Producers Council (NPPC) and a past chairman of the United States Meat Export Federation. I currently serve on NPPC's Trade Committee and am a representative on the Agricultural Policy Advisory Committee (APAC) to the United States Trade Representative and the Secretary of Agriculture. I very much appreciate the opportunity to appear here on behalf of U.S. pork producers to express our views on farm trade with China.

The National Pork Producers Council is a national association representing 44 affiliated states that annually generate approximately $11 billion in farm gate sales. According to a recent Iowa State study conducted by Otto and Lawrence, the U.S. pork industry supports an estimated 600,000 domestic jobs and generates more than $64 billion annually in total economic activity. With 10,988,850 litters being fed out annually, U.S. pork producers consume 1.065 billion bushels of corn valued at $2.558 billion. Feed supplements and additives represent another $2.522 billion of purchased inputs from U.S. suppliers which help support U.S. soybean prices, the U.S. soybean processing industry, local elevators and transportation services based in rural areas.

U.S. Agriculture Benefits From Expanded Trade

International trade is vital to the future of American agriculture. As the world's biggest exporter of agricultural products we have a critical interest in the development and maintenance of strong and effective rules for international trade. This is especially true for pork, the world's meat of choice, which represents 44 percent of daily meat protein intake in the world. Notwithstanding the huge global market for pork and pork products, efficient U.S. producers were precluded from exporting significant volumes of pork in the pre-Uruguay Round Agreement, pre-NAFTA era. A combination of foreign market trade barriers and highly subsidized competitors effectively limited U.S. pork exports.

While our recent export performance is impressive, it nevertheless remains severely limited by factors such as the lack of access to many of the world's pork markets, including China, which is the largest pork consuming market in the world.

China's De Facto Ban on Pork Imports Remains in Effect

High tariff rates and a discriminatory value added tax put imported pork at a sharp competitive disadvantage to domestic pork. Moreover, complicated and non-transparent restrictions on imported pork, administered by China's State Administration of Inspection and Quarantine (SAIQ) make it virtually impossible to import pork. SAIQ contends that Chinese restaurants and hotels can obtain licenses to import pork. Unlike beef, for which licenses are available through regional SAIQ offices, SAIQ says that it disseminates pork import licenses solely through SAIQ headquarters. In reality, very few licenses have been granted by SAIQ to hotel and restaurant importers.

In 1997, SAIQ provided quotas to 11 establishments in Australia, Canada, and the United States as eligible to export meat and poultry to China for general consumption under a one year "pilot program." While in one sense this was a positive development because, as a matter of law, these imports were not limited to the hotel and restaurant sector, as a matter of fact, high tariffs and other restrictive measures kept a tight lid on imports. The pilot program was a complete failure. The prospect of failure was virtually assured by the requirements of the program.

Under the pilot program, the qualified establishments included a pork facility in Australia that received a quota of 2,000 MT, three pork facilities in Canada that received a total quota of 68,000 MT, and one pork facility in the U.S. that received a quota of 5,500 MT. The Australian and U.S. exports had to be imported exclusively by Nanjing Five-Star Hotel Corporation Ltd. and the Canadian product had to be imported exclusively by Chaoying Foodstuff Ltd. While pork is not on the formal list of state traded products in China, the appointment of these exclusive importers was troubling. Indeed, the U.S. pork industry understands that SAIQ officials were involved with the ownership/management of each of these importers. Again, the pilot program was a failure due to high duties and taxes, unfair sanitary barriers, restrictions on the number of importers, and competition from smuggled pork imports.

Despite official import restrictions, demand from the population for pork, particularly high-quality variety meats (e.g. hearts, stomachs, intestines), is so high that sizeable quantities of imported pork are being smuggled into China principally through Hong Kong. The pork is distributed to the general population mostly through local wholesale markets with a small amount distributed through supermarkets. Technically the importation and distribution of this product is illegal, a fact which is generally acknowledged by the Hong Kong importers and Chinese distributors. We believe that Chinese imports of U.S. pork would increase dramatically if China lifted its de facto ban on U.S. pork imports.

China Has Not Implemented the Bilateral Agriculture Cooperation Agreement

There are two agreements that impact U.S. pork exports to China. The first is the bilateral Agreement on U.S.-China Agricultural Cooperation, which was signed on April 10, 1999. This agreement covers citrus, meat, and wheat and concerns sanitary and phytosanitary matters. Specifically, with respect to meat, under the terms of the bilateral Agricultural Cooperation Agreement China must accept pork, beef, and poultry from any USDA-approved plant. The second is the U.S. – China WTO Agreement that was finalized in late 1999. This agreement covers many issues and sectors, including pork. For pork, tariffs on frozen pork variety meats (such as stomachs, intestines, and hearts --the predominant product currently demanded by Chinese importers) and frozen pork muscle meats, will be phased down to 12 percent. Tariffs on frozen pork carcasses and fresh and processed pork products will be set at 20 percent. Tariffs will be lowered from 20 percent to 12 percent in equal increments on the frozen products over a four-year period from the time China becomes a WTO member. Previously, in the course of negotiations with the U.S., China had agreed to lower all pork tariffs to 20 percent from rates as high as 43 percent. In order for the WTO agreement to have any effect, the bilateral agriculture cooperation agreement on meat must be implemented.

Recently, a bipartisan group of 53 Senators sent a letter to Chinese President Jiang Zemin urging "full implementation of the bilateral Agricultural Cooperation Agreement that Ambassador Barshefsky and Trade Minister Shi signed in April." The letter, which was originated by Senators Max Baucus and Pat Roberts of this Committee, properly pointed out that both sides agreed implementation would begin immediately when the Chinese language version of the agreement was signed last December in Seattle. Unfortunately, the agreement has not been implemented. Moreover, the Chinese are backing away from the agreement.

China now argues that the Chinese language version of the agreement signed in Seattle does not obligate China to accept meat from all USDA approved facilities. Now I'm not a linguistic scholar but I can tell you this, the English language version of the agreement, which was signed by both sides last April and which I understand is legally controlling, unambiguously requires China to accept pork, beef, and poultry from all USDA approved facilities. Moreover, China's recent request for further information concerning our meat inspection system underscores China's intention to disregard the agreement. Between late 1996 and early 1999, Chinese government officials made five trips to U.S. meat and poultry facilities. During this time, U.S. government officials and U.S. private sector representatives provided Chinese officials with exhaustive information on our meat inspection system. These visits and exchanges of information culminated in the signing of the bilateral Agriculture Cooperation Agreement in April 1999. As a follow-up to the April agreement, last summer USDA hosted meat industry officials from every province in China for a training seminar based on the April 1999 bilateral Agriculture Cooperation Agreement. Thus, there is absolutely no need to host another Chinese delegation or otherwise provide information to the Chinese concerning our meat inspection system. These are delaying tactics by the government of China that must not be countenanced by the U.S. government. We have an agreement and the Chinese must honor that agreement.

I want to be clear in stating that China's failure to implement the bilateral Agriculture Cooperation Agreement is through no fault of our trade negotiators. Like the overall WTO agreement, our trade officials did an excellent job in negotiating a strong bilateral agriculture deal with China. Moreover, I know that our trade negotiators have been vigilant in confronting China in recent months with its failure to implement the bilateral agriculture accord. The failure to implement this agreement rests squarely on the shoulders of the government of China.

We have raised this issue privately with the Chinese to no avail. We are now compelled to publicly speak out on this important issue as the time necessary to fully implement the bilateral agriculture agreement is rapidly slipping away. We are not alone. Our friends in the beef and poultry industries share these very serious concerns. To add insult to injury, the Chinese recently struck a deal on sanitary measures with the Canadians. According to reports we have received from our Canadian counterparts as well as from press reports, Canadian meat exports to China will soon commence.

Mr. Chairman, I can not overstate the level of concern in our industry regarding this issue. Our trade officials repeatedly have asked the Chinese to publish and publicize the bilateral accord in China. To date, the Chinese have not done so. At a minimum, China must publish regulations which explicitly provide that any importer in China can bring in meat and poultry from any USDA approved plant.

China is a Vast Pork Consuming Market

The pork package negotiated by the United States with China has the potential, if fully and fairly implemented, to transform China into the single greatest export opportunity for U.S. pork producers. In China, pork is by far the predominant source of meat protein consumed. China consumes more pork per capita than the amount consumed per capita in the United States making it a vast pork consuming market. Indeed, China consumes approximately 50 percent of the total pork annually consumed in the world. While current annual pork consumption increases in China have slowed due to the economic slump, most analysts project pork demand in China to rebound in the next few years to a growth rate of 6 to 7 percent per year. Even if pork consumption in China stagnates at the depressed, current growth rate of three percent in coming years, the annual incremental increase in demand would be 2 times greater than the total amount of current U.S. pork exports. Thus, China is not a potential market; it is a huge and growing immediate pork consumption market.

While China is the world's largest producer of pork, 85 percent of its pork comes from backyard producers. As incomes continue to rise and consumers demand higher quality pork and more of it, as well as more beef, poultry, dairy and alcohol products, commercial production of pork in China will become increasingly costly. This is because China must achieve this growth in consumption with only 9 percent of the world's arable land. According to FAO data, China must feed 13.0 people for each hectare of arable land, whereas Europe must feed 4.1 people, and the United States must feed only 1.4 people.

China is moving from having midwestern U.S. type corn prices to having Taiwanese and Japanese type corn prices. An important choice must be made, China must either import feed grains or livestock products to achieve consumer diets similar to those of the developed world. China is making the right choice in opening its market to meat imports. Meat should be produced in grain surplus countries not in grain deficit countries. Countries that import feed grains must pay a premium over world market prices and feed grains constitute over 60 percent of the cost of raising hogs. Pork producers in Japan and Taiwan pay approximately double the amount paid for feed by a midwestern pork producer. Thus, China apparently wants to avoid the mistakes made by Japan, South Korea, and Taiwan.

The cost of producing pork in China currently is higher than the cost of producing pork in the United States. By virtue of the subsidies provided to its pork industry, China has been able to suppress the demand for imported pork smuggled into the country and maintain its ability to export pork. If China were to continue to block pork imports and, instead tried to keep pace with expanding domestic demand through domestic production, Chinese pork prices would be much higher than would otherwise be the case. Further, Chinese subsidies and investment in agriculture would keep capital from flowing to more efficient and remunerative uses. The costs of this misallocation would increase over time as China tried to extract more and more pork from a limited source of supply. In time, China, like Japan and Korea, would be forced to import pork to reduce prices.

Pork Producers Continue to Support Permanent Normal Trade Relations For China

I want to make it clear that we continue to support permanent normal trade relations for China. In spite of the current serious problems, we remain optimistic that China will fully implement the bilateral Agriculture Cooperation Agreement. Mr. Chairman, we appreciate your support and the support of the members of this Committee and we look forward to working with you to make the bilateral agreement work and to get permanent normal trade relations for China passed.

U.S. DAIRY EXPORT COUNCIL®

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Thomas M. Suber
Executive Director
U.S. Dairy Export Council

Written Testimony
Before the Senate Committee on Agriculture, Nutrition, and Forestry
Hearing on U.S.-China Trade Agreement
Washington, DC
March 1, 2000

Mr. Chairman and members of the Committee, I am Tom Suber, Executive Director of the U.S. Dairy Export Council (USDEC). I am very pleased to appear before you today to testify on the topic of the U.S./China trade agricultural agreement, in particular its impact on the dairy sector.

The U.S. Dairy Export Council is a non-profit, independent membership organization that represents the export trade interests of U.S. milk producers, dairy cooperatives, proprietary processors, export traders and industry suppliers. Its mission is to increase the volume and value of U.S. dairy product exports. USDEC maintains offices in **Hong Kong, Shanghai,** Mexico City, Tokyo, Seoul, London, Bangkok, Beirut and Sao Paulo to assist in the export of U.S. dairy products worldwide.

The Council works closely and coordinates with other dairy groups on activities of like interest. The National Milk Producers Federation (NMPF), a national farm commodity organization representing dairy farmers, shares the views I am presenting to this committee.

With more than $24 billion in farm cash receipts in 1998, the U.S. dairy industry is the second largest agricultural commodity sector in the United States. The industry is not only large, in an economic sense, but also geographically extensive. Dairy is one of the top three agricultural sectors in fully half the states, and almost two-thirds of the members of the Senate hail from one of these "dairy" states. Internationally, in 1998 the U.S. was the world's largest single country producer of cow's milk with 157 billion pounds, followed by India with 78 billion pounds.

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Impressive as those numbers are, they represent only the milk producer side of the industry. Dairy processors add considerable value to milk after it leaves the farm. Processors turn milk into cheese, butter, ice cream, yogurt, milk powders and designer milk proteins that meet the needs of customers abroad. They put it in the forms and the packages that overseas buyers demand. This further processing adds overall strength to the industry and adds jobs to the nation's economy. In addition, we know that our ability to increase production is virtually unconstrained. This makes our efforts to market U.S. dairy products for export all the more important to the industry and to the economy.

China Accession to the WTO

The U.S. dairy industry strongly supports the WTO U.S.-China agreement and subsequently calls for Congress to grant China Permanent Normal Trade Relations (PNTR) this year. If we are expected to grow in export markets and support further reform in global trade, China's accession to the WTO is certainly a necessary step toward that end.

As outlined below, China's accession to the WTO obliges it to reform its trading practices in numerous ways that benefit immediate and future U.S. dairy exports. In joining the WTO, **China is granting all the concessions**. No additional access to U.S. markets is provided to China beyond that which it currently enjoys. Consequently, China's PNTR vote is critical because if other nations ratify China's accession to the WTO and the U.S. does not, then U.S. would forego any tariff concessions, while our competitors would benefit from the hard-fought U.S.-China agreement.

The U.S. dairy industry has never benefited from huge export subsidies such as those in the EU. In fact, our dairy industry is relatively new to international trade, and such trade is still modest in comparison to the size of the domestic market. We export between four and five percent of our domestic milk production. This share has been growing in recent years, but dairy export market development is a long-term process. This reflects dairy's slow and difficult emergence internationally, as one of the most protected and subsidized industries around the world.

Precisely because world trade is so distorted, the China agreement is extremely important. It provides the opportunity for greater market access into China, but it also provides a precedent for further reform in global trade. The U.S. dairy industry is at a disadvantage when compared to the subsidies and tariffs of the European Union (EU), Canada, Japan and other members of the WTO. For instance, the EU, the world's largest dairy market, is able under its WTO commitments to impose tariffs and cumbersome allocation procedures for import licenses that limit U.S. dairy exports. Canada, our largest trading partner just to the north, and with whom the U.S. has concluded three major trade agreements in the recent past, is similarly able to impose tariffs on U.S. dairy products between 200 and 300 percent.

Export subsidies are still very common in world dairy trade. The WTO agriculture agreement will still permit almost 60 percent of projected dairy world trade to be subsidized when the agreement is fully phased in later this year. The distribution of these subsidy allowances is highly skewed. On a milk equivalent basis, the EU accounts for fully 72 percent of these subsidy allowances; the U.S., which produces more than half as much milk as the fifteen nations of the EU, accounts for just three percent of them.

The China agreement offers an invaluable opportunity to continue the reform in the WTO. By entering the WTO, China is making significant concessions, in particular export subsidies and tariffs. Ideally, China would like to see the elimination of export subsidies and the reduction of tariffs within the WTO negotiations. Therefore, having China in the WTO will likely help the U.S. in pressuring countries like the EU and others to eliminate export subsidies and increase market access. China's integration to the WTO would also obligate China to play by the rules or be subject to the WTO's dispute settlement process. The U.S. will no longer be alone in combating and preventing unfair practices by China. Having China in a system of rules and disciplines is to the short and long-term benefit of the United States.

The U.S.-China Agreement

Once China's accession to the WTO is fully implemented, tariffs for key dairy products will be cut as much as five-fold, making imported dairy products less expensive to Chinese consumers.

Key elements of U.S. - China bilateral agreement to join the WTO

General

- China, not the U.S., is granting tariff concessions.
- Existing Chinese exports to the U.S., agricultural or otherwise, do not benefit from this agreement.
- Without U.S. action, other countries will gain these tariff concessions, not the U.S.

Tariffs*

	Current Tariff (%)	Tariff after five years (%)
Fresh cheese	50	12
Grated/Powdered Cheese	50	12
Processed Cheese	50	12
Yogurt	50	10
Lactose	35	10
Ice Cream	45	19
Other Food Preparation (e.g. infant formula)	25	10

**Tariffs reduced to this level over five years in equal increments, upon China's entry into the WTO.*

Unlike other commodities, dairy products are not subject to Tariff Rate Quotas (TRQ) under this agreement. In addition, other commodities remain subject to certain State Trading import controls or sanitary issues. In the case of dairy, neither Chinese State enterprises nor sanitary issues have prevented sales of dairy products in their market. Therefore, this agreement ensures that the only obstacle to trade in dairy products between China and the U.S. will remain solely tariffs.

Export Subsidies
China will eliminate export subsidies for agricultural products once it joins the WTO. This will provide significant momentum to our effort to seek the elimination of all export subsidies during the current WTO talks. In fact, China can become a vital partner in the U.S. efforts to eliminate export subsidies.

Dispute Settlement
Like all WTO members, upon joining China will be subject to binding resolution of trade disputes.

Distribution Rights
Current Chinese practices often limit the number of companies permitted to import dairy and other food products. This agreement will permit **any entity** to import dairy products. In addition, over a three-year transition period, non-Chinese companies will be permitted to engage in full distribution services, which will likely accelerate this sector's efficiency and lower consumer costs.

Market Potential & Competitiveness

Because of China's isolation and import barriers, and because large sectors of the population are relatively poor, dairy consumption in China is among the lowest in the world. However, this is a market in transition, and as such, offers tremendous potential to expand dairy consumption.

Currently, our largest dairy market is for feed ingredients, not for human use. China is the world's largest importer of whey products, which it uses primarily for pig feed. Though considered a cheese by-product, whey sales increase plant productivity and profitability, while also increasing the pressure on prices paid for milk made into cheese. The United States is the largest single country supplier of whey to China, with a market share of about 30 percent.

Since the United States exports more than 40 percent of the whey it produces, it is essential that we continue to build on the market share we have already won. Since 1995, U.S. exports of whey proteins to China have grown by 32 percent.

Likewise, China is currently the largest importer of lactose products. The U.S. is the second largest supplier with a share of 18 percent, closely behind the EU's 22 percent share. Since 1995, U.S. exports of lactose to China have grown by 86 percent, despite an excessively high tariff of 35 percent. The United States exports more than 50 percent of the lactose it produces.

Cheese production in the United States has shown a remarkable growth in the last decade and will continue to expand rapidly. With the increased production of cheese, manufacturing of by-products like whey and lactose will become even more prominent.

Meanwhile, as socio-economic changes take place in China, per capita dairy consumption is increasing. Urbanization, nutritional awareness, Westernization of diets, income growth, and product availability all have an affect on imports. Although the consumption of conventional dairy products such as cheese and ice cream is limited to several concentrated regions, the proliferation of fast-food chains is changing the consumption patterns of a nation.

The fast-food industry in China is poised for tremendous growth. Pizza, cheese singles, yogurts and ice cream have been driving forces behind China's increase sales of dairy products. We have confidence that the prospective new lower tariffs will make these dairy products more affordable to Chinese consumers, opening the door for U.S. exporters to supply the world's most populous market.

The tariffs described earlier will apply to all WTO countries, yet the agreement puts the U.S. in a great position to compete for the Chinese market.

- The cheese categories mentioned earlier all are areas where we are competitive.

- Shipments of lactose - another by-product of cheesemaking - have recently grown considerably and would only accelerate with a tariff reduction. In addition, through our office in China, USDEC is working with the Chinese feed industry to obtain a faster phase-in period than 2004. However, that has no chance of success **unless this agreement is ratified.**

- Ice cream, frozen yogurt (included under the yogurt category) and infant formula all have competitive capabilities in the market.

- In addition, the calcium-deficient diet in China has resulted in additional opportunities for high-value dairy ingredients such as milk minerals. Exports of U.S. milk minerals to China, almost non-existent two years ago are estimated at $300,000 today.

USDEC in-country activities since 1996 have focused on providing ingredient buyers and researchers with education through newsletters, seminars and individual consultations with food manufacturers and research centers in China. These efforts have resulted in numerous new product introductions in the ice cream, infant formula and nutritional products sectors.

If fully and fairly implemented, USDEC estimates that this agreement will lead to U.S. dairy exports of at least $135 million annually in the short-term after tariffs have been fully phased-down. We believe that this is a conservative number given the enormous potential of the Chinese market, and its relative lack of capability to expand milk production.

China WTO Agreement: Don't over sell it - don't under sell it

Of course, we are aware that not everyone shares Agriculture's enthusiasm for granting PNTR to China. Most critics of the agreement are concerned about Chinese labor and human rights practices. Moreover, reason for caution on the expectations for U.S. trade potential also exists when considering that expectations have exceeded reality ever since the West began to trade with China in 1840. Those are all legitimate concerns.

But bringing China into the WTO as a full-fledged member is the best way to address these concerns. As a member of the international trading community, China has agreed to honor the rules by which the other 135 members of the WTO abide. And if regressions occur, we will have the full weight and force of the WTO to impose whatever enforcement mechanism is necessary. Further, we are convinced that the increased economic stimulus that trade brings will push reform on China's economic and labor practices as it has done in the recent past.

Beyond all the rhetoric and predictions about what will or will not occur as a result of this agreement, the simple truth is this: China is on track to join the WTO, whether we approve permanent NTR or not. If we deny permanent NTR to China, our dairy competitors from the EU, Australia, New Zealand and Argentina will enjoy the benefits of lower tariffs, and we won't. We will put ourselves at a competitive disadvantage at the precise instant that the world's largest market is opening itself up to the world.

It will be a missed opportunity from which the United States would have a hard time recovering.

On behalf of the U.S. dairy industry, I urge Congress to grant China Permanent Normal Trade Relations this year.

We welcome this Committee's interest in ensuring that the benefits for agriculture are carried out in connection with this request.

Thank you

Sunkist

STATEMENT OF
MICHAEL WOOTTON
DIRECTOR OF FEDERAL GOVERNMENT AFFAIRS
SUNKIST GROWERS

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PRESENTED TO
COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY
U.S. SENATE
MARCH 1, 2000

Chairman Lugar, Senator Harkin, Members of the Committee, I am Michael Wootton, Director of Federal Government Affairs for Sunkist Growers, which is headquartered in Sherman Oaks, California.

As you may know, Sunkist Growers is a non-profit, farmer-owned marketing cooperative serving 6,500 citrus farmers in California and Arizona. For nearly 107 years, Sunkist has successfully marketed fresh citrus fruit grown by its farmer-members. Today, Sunkist Growers produce approximately 65 percent of the oranges, lemons, tangerines and grapefruit grown in Arizona and California. Our cooperative enjoys a long and successful history of developing and expanding markets around the world for our U.S.-grown fresh citrus fruit. Today, nearly 33 percent of our fresh fruit is marketed in foreign country markets, accounting for nearly 45 percent of our farmers' fresh fruit revenue.

I'd like to begin by first commending the Committee for holding this hearing on the subject of agricultural trade between the United States and the People's Republic of China and whether that trading relationship will be enhanced by the recently concluded U.S.-China Trade Agreement.

Market access for U.S. citrus fruit exports to the huge and potentially profitable consumer markets of China has long been a policy goal for both the U.S. citrus industry and our government. With growing intensity and determination since signatures were affixed to the 1992 Bilateral Memorandum of Understanding between the two countries, negotiators for the Office of the U.S. Trade Representative and the U.S. Department of Agriculture have pursued this objective. Last Spring, those efforts finally reached fruition with the achievement of a citrus market access agreement including acceptance by China of specific work plans and phytosanitary protocols for each of the four U.S. citrus production states, Arizona, California, Florida and Texas.

This phytosanitary agreement and the implementing work plans and protocols constitute, in our view, a model for commodity trade agreements. They were negotiated by USDA and USTR in coordination with the U.S. citrus industry. By accepting these terms, China has joined with the U.S. in adhering to sound science and pragmatism in its application of trade policy. China has committed to fully abide by the terms of the WTO Agreement on SPS measures which requires that all animal, plant and human health import requirements be based on sound science, not political or protectionist concerns.

In keeping with the obligations of that agreement, last month Chinese phytosanitary inspectors conducted a two week inspection tour of U.S. citrus production, packing and shipping facilities and concluded that all phytosanitary requirements needed for U.S. producers to export to China indeed have been met. We are now awaiting an announcement by the Chinese government officially opening their markets to U.S. citrus for the first time since 1980.

Under the terms of the U.S.-China Trade Agreement incident to China's accession to the WTO, the benefits accrue exclusively to U.S. interest, including the interests of the U.S. citrus industry. China has agreed to dramatically reduce its tariff on citrus imports from the U.S. from the current 40% to 12% by 2004. No quota or volume limits were imposed by China and we will be able to export as much fruit as the market will accommodate. This will further enhance the competitiveness and affordability of our exports to the China market. However, for us to be able to benefit from these hard fought trade concessions, China must successfully gain membership in the WTO and the Congress must extend permanent normal trade relations (PNTR) to China.

When the tariff reductions to 12% are implemented, the total burden of the import duty and the VAT (13%) on citrus imports into China will be less than the duty currently imposed on our citrus exports into Japan, which is now our largest and oldest market in Asia.

In our view, it is not an overstatement to say China will in the course of the next several years become the single most important U.S. agricultural export market. Demographic studies have identified a consumer market with disposable income of over 200 million people in China today with the middle class projected to grow by an additional 170 million over the next five years. But those opportunities and all the advantages to U.S. interest achieved in recent trade negotiations will be precluded for U.S. exporters if China is denied WTO membership or permanent NTR in its trading relationship with the United States. The establishment of permanent normal trade relations with China maximizes the opportunity for expanding commercial and cultural relationships between America and the PRC. The dramatic changes witnessed in China over the past twenty years demonstrate how this approach optimizes progressive western influence over China's evolving public policies and political character.

We urge the Congress to extend to China the same normal trade relations policy granted on a permanent basis to 133 WTO country trading partners. To our advantage, WTO membership will, furthermore, obligate China to adhere to the same rules of international trade and commerce as subscribed to by all WTO member countries, including the United States.

Thank you for the opportunity to present our views on this matter of great interest and concern to Sunkist Growers and our 6,500 citrus farmers in Arizona and California.

Statement on behalf of
National Corn Growers Association
and American Soybean Association
before the
Committee on Agriculture, Nutrition, & Forestry
U.S. Senate
March 1, 2000

Mr. Chairman and members of the committee, my name is Tim Burrack. I raise corn and soybeans on my farm near Arlington, Iowa. I serve on the board of the National Corn Growers Association and am a member of the American Soybean Association. I am happy to be here today on behalf of both organizations to discuss the tremendous potential of the emerging Chinese market.

The Peoples Republic of China, with a population estimated at over 1.25 billion, is considered the most important growth market for U.S. agriculture in the 21st century. Although it has more than 20 percent of the world's population, China has only seven percent of the arable land. Over the next ten years, per capita gross domestic product is expected to grow at an impressive 6.7 percent annually. This economic expansion will contribute to increased consumption of food and fiber. It will also create export opportunities for U.S. farmers, if, when China completes negotiations to join the World Trade Organization, the U.S. Congress has eliminated the sanctions that treat China differently than other trading partners.

Last November, China and the United States completed bilateral negotiations for China's admission to the World Trade Organization. China agreed to one-way trade concessions – new market opportunities for corn and soybean exports. In return, the United States agreed to exempt China from restrictions that limit our trade relations with communist countries. As a farmer from the Midwest, it is hard for me to see how Congress can say no to a deal like this.

Under current law, goods from China can only receive normal trade status by presidential waiver. The law provides for an annual extension unless a joint resolution denying the waiver is enacted into law within 60 days after expiration of the previous waiver authority. Since 1980, China and the United States have treated imports from the other country to the same tariffs and border measures which apply to goods from the rest of the world. Because China limits market access for most products, this trade relationship has greatly benefited China, which has consistently exported more goods to the United States than it has imported from us.

The agreement with China will significantly reduce the border restrictions that have kept U.S. farmers from fully benefiting from our comparative advantage in agricultural production. China agreed to cut tariffs by more than half on priority agricultural products and to end its system of discriminatory licensing and import bans for bulk commodities. The commitment to rely on imports for a small portion of the country's food security signals real reform in the Chinese grain sector.

As a corn and soybean farmer, I expect to benefit from the entire trade agreement - increased exports of meat, poultry, and dairy products will translate into increased domestic demand for grains and oilseeds. Since other witnesses can better describe the opportunities for their sectors, I will focus on the implications for corn and soybeans.

Corn

For China, corn is a sensitive commodity with trade and marketing controlled by the state-run COFCO. China allows corn imports when supplies are short, but at other times China blocks corn imports. Consequently, China is a very sporadic customer. U.S corn exports to China spiked during the 1994 marketing year at 130 million bushels. During the 1996 marketing year China did not import any U.S. corn. Over the last five years, China has imported an average of less than 50 million bushels of U.S. corn.

Under the WTO accession agreement, China has committed to establish a tariff rate quota (TRQ) for corn. Imports within the quota will be subject to a minimal one percent duty. In the first year, the TRQ will apply to 4.5 million metric tons (177 million bushels) of corn. By the fourth year, China has agreed to allow imports of 7.2 million metric tons (283 million bushels) of corn at the nominal tariff. If U.S. farmers capture a significant share of the corn TRQ, we can easily exceed the export levels of 1994.

To assure that the quota is used, a portion will be available to the private sector. In the first year of the agreement, the private sector share will equal 25 percent of the corn TRQ. This share will increase to 40 percent by the fourth year of the agreement. Additionally, any quota not used by the end of October, will be released for use by the private sector. The introduction of private trade will ensure increased opportunities for U.S. corn exports.

China has agreed to lift the ban on imports of wheat from the Pacific Northwest and to allow grain shipments from all U.S. locations, provided the presence of TCK spores are below agreed levels. This provision will enable corn exports to move through the Pacific Northwest when that is the most competitive export location.

Perhaps the most important and exciting provision for U.S. corn farmers is China's commitment to eliminate export subsidies. China is the second largest producer of corn in the world, producing over 5 billion bushels last year. Over the past several years China has exported surplus corn at the expense of U.S. corn farmers. In late 1994, China instituted a grain policy designed to boost grain production to assure food self-sufficiency. The policy generated surpluses of corn, wheat and rice, as well as unexpected government expenses. In an attempt to reduce storage costs, China has aggressively exported surplus corn. In February, the USDA World Agricultural Outlook Board increased its projection for corn exports by China to 315 million bushels from the earlier estimate of 197 million bushels. When China eliminates export subsidies, U.S. corn will be very competitive in markets that have been buying subsidized Chinese corn.

Soybeans

For the U.S. soybean industry, China represents the largest potential market for the 21st century. When the Uruguay Round Agreement was concluded, the American Soybean Association conditioned its support on a commitment by the Administration to make oilseeds and oilseed products a key priority in negotiations on China's accession to the WTO. ASA and the National Oilseed Processors Association have met regularly with USTR, USDA and other Administration officials over the past five years to emphasize the importance of obtaining a significant increase in access for soybeans, soybean meal, and soybean oil to the Chinese market.

The China WTO accession agreement negotiated last November is particularly beneficial to U.S. soybean producers and the soybean industry. It will lock in currently applied tariffs on soybeans and soybean meal at 3% and 5%, respectively. For soybean oil, it will reduce and bind the current tariff from 13% to 9%, and increase the amount of soyoil imports at this duty from 1.7 to 3.2 million tons over the six-year implementation period. The tariff on over quota soyoil will be reduced to 9% in 2006, after which the TRQ will be eliminated.

U.S. soybean producers strongly support the China WTO accession agreement, and urge Congress to approve Permanent Normal Trade Relations for China as quickly as possible. We already have too many restrictions on U.S. farm exports in the form of unilateral economic sanctions. To turn access to the Chinese market over to our competitors after negotiating this agreement would deal a terrible blow to efforts to restore profitability to the U.S. farm economy.

Conclusion

Quite simply this is a one-way deal for U.S. agriculture. We gain access to the largest market in the world, and we give up nothing in return. We may not know the magnitude of this market-opening opportunity for several years, but what is abundantly clear is that U.S. farmers will only benefit from this trade agreement, if Congress approves Permanent Normal Trade Relations for China.

I appreciate the opportunity to present the views of the National Corn Growers Association and the American Soybean Association.

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 1, 2000

U.S.-China World Trade Organization (WTO)
Accession Agreement

"...Our markets are already open to China; this agreement will open China's market to us."–President Clinton in his January 27, 2000, State of the Union Address.

Benefits for U.S. Agriculture

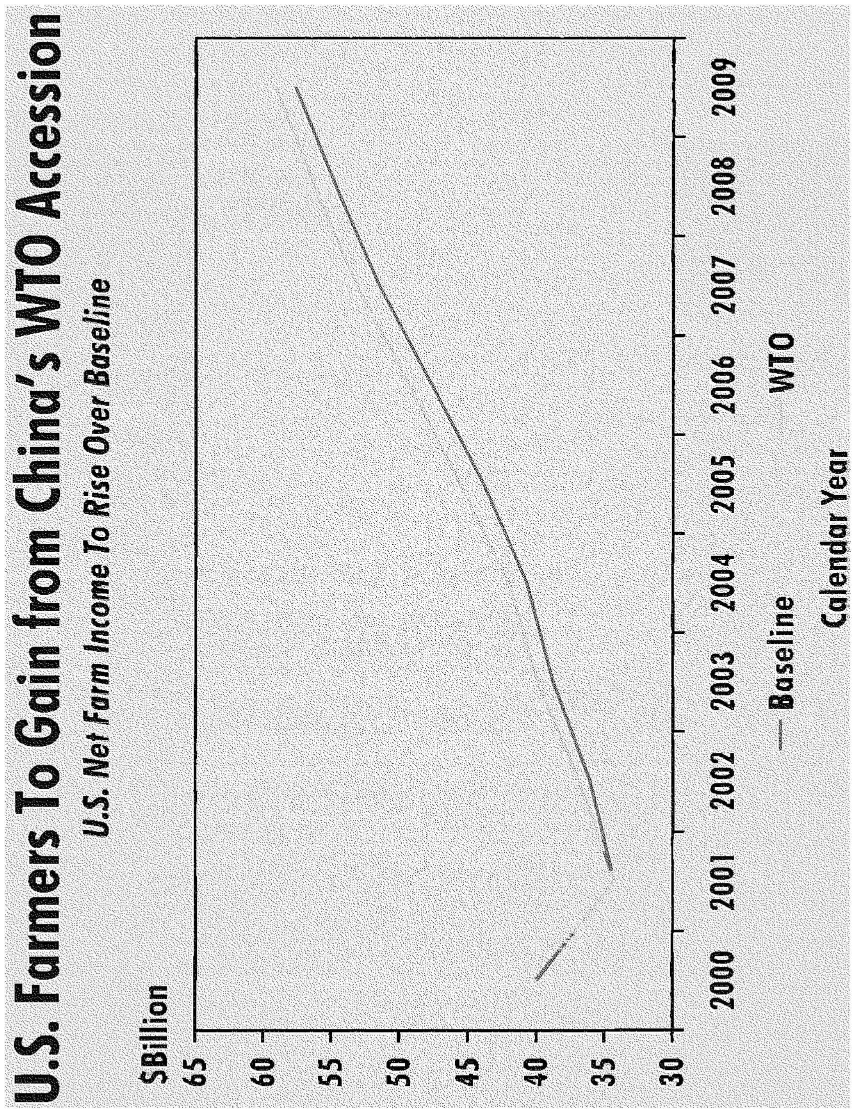
1. With 1.3 billion people or one-fifth of the world's population, China's accession to the WTO will give U.S. agriculture access to one of the world's largest and fastest growing economies.
2. China's gross domestic product is projected to grow 7 percent annually, creating significant opportunities for expanding U.S. agricultural, fish, and forestry exports beyond the fiscal 1999 level of $1.1 billion.
3. USDA estimates that by 2005 this agreement could add $1.6 billion annually to U.S. exports of grains, oilseeds and products, and cotton, some of which will be governed by a tariff-rate quota system. U.S. exports could grow further to nearly $2 billion annually by 2005 due to tariff reductions in other products, such as poultry, pork, beef, citrus, other fruits, vegetables, tree nuts, and forest and fish products. Growth in China's economy, increased investment, and market development should make the gains even greater.
4. China's WTO accession will strengthen the global trading system, slash barriers to U.S. agriculture, give U.S. farmers and agribusinesses stronger protection against unfair trade practices and import surges, and create a more level and consistent playing field in this market.

Item	Current	2004	Item	Current	2004
Other: Cherries & peaches	30	10	Cigarettes	65	25
Yellow grease	40	10	Tobacco	40	10
Soup	45	15	Mink furskins	30	15
Pet food	30	15			

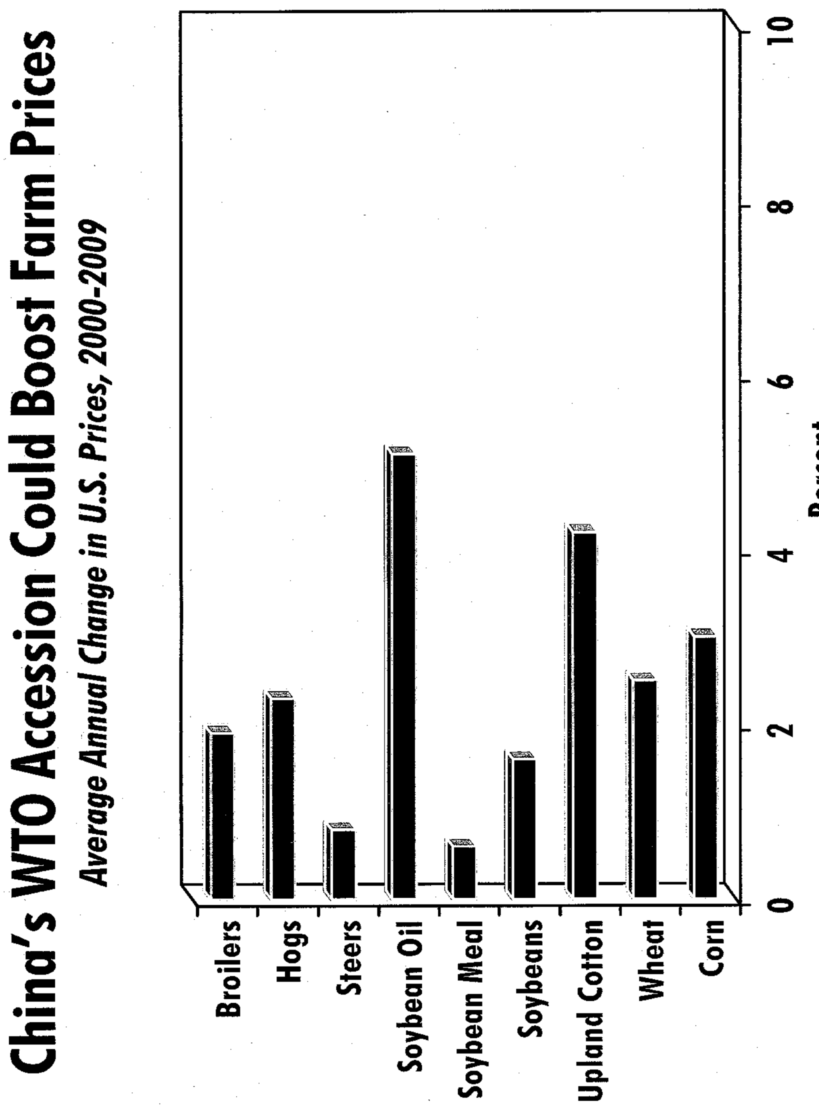
Item	Initial TRQ	2004 TRQ	Private Share
Wheat	7.3 million metric tons	9.6 million metric tons	10%
Corn	4.5 million metric tons	7.2 million metric tons	25%, growing to 40%
Rice	2.6 million metric tons	5.3 million metric tons	50% for short/medium grain
Cotton	743,000 metric tons	894,000 metric tons	67%
Item	**Initial TRQ**	**2005 TRQ**	**Private Share**
Soybean oil	1.71 million metric tons	3.2 million metric tons	50%, growing incrementally until 2006, when it will be completely liberalized

Barley: Tariff binding at 9 percent (malt reduced from 30 percent to 10 percent).
Minor vegetable oils (peanut oil, cottonseed oil, sunflower oil, safflower oil, and corn oil): Bound at 10 percent immediately, no tariff-rate quota.

February 2000



U.S. Farmers To Gain from China's WTO Accession
U.S. Net Farm Income To Rise Over Baseline
$Billion
65
60
55
50
45
40
35
30
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Baseline
WTO
Calendar Year


China's WTO Accession Could Boost Farm Prices
Average Annual Change in U.S. Prices, 2000-2009
Broilers
Hogs
Steers
Soybean Oil
Soybean Meal
Soybeans
Upland Cotton
Wheat
Corn
0
2
4
6
8
10
Percent

USDA

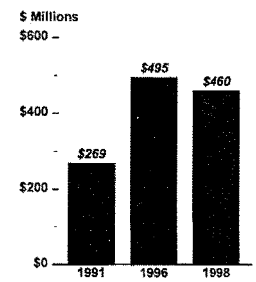
Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China
What's at Stake for Alabama?

Alabama is an important producer of agricultural and wood products exported worldwide. The state's farm cash receipts totaled $3.4 billion in 1998, and its forest product shipments totaled $3.5 billion in 1996. As for exports, the value of agricultural products leaving the state was estimated at $460 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Alabama's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Alabama, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Poultry Meat**--As one of the top 10 states for poultry production, Alabama poultry and product exports worldwide were estimated at $270 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Cotton**--Alabama is also a cotton-growing state, with cotton exports worldwide estimated at $75 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Soybeans and Products**--Alabama's exports of soybeans and products worldwide were estimated at $29 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Solid Wood Products**--Alabama has the sixth largest lumber industry in the nation. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

USDA

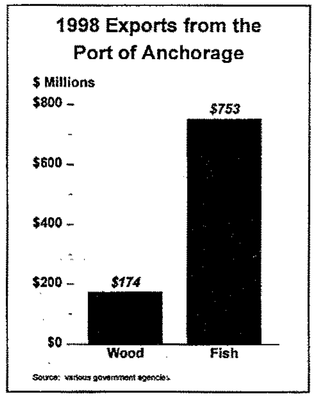
Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China

What's at Stake for Alaska?

Alaska produces fish and solid wood products that are exported worldwide. In 1998, the state's commercial fish landings totaled $951 million, and wood product shipments were $504 million in 1996. As for exports, these two industries are more reliant on overseas markets than the fish and wood industries of any other state. The value of fish and wood products leaving the port of Anchorage in 1998 was $753 million and $174 million, respectively. Alaskan products are shipped from Seattle as well. These industries are important to Alaska's economy. They create jobs in mills and at ports, and also support jobs in related sectors, such as food processing, storage, and transportation.



Trade Benefits

The following key products are important to Alaska, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Fishery Products**--Alaska boasts the nation's largest fishing industry. China is a leading producer of fishery products and the world's largest inland aquaculture producer. Nevertheless, increased consumption has led to rising imports. Under its WTO accession agreement, China will cut its existing tariffs by up to 66 percent on fishery products by 2004. Now set at 20 percent, tariffs on frozen pacific salmon, sole, and herring will drop to 10 percent or 12 percent. Existing tariffs of 30 percent on frozen crab will fall to 15 percent and 10 percent, respectively. The 25-percent tariff on cuttle fish and squid will drop to 17 percent.

- **Solid Wood Products**--Alaska's lumber industry is important to its economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

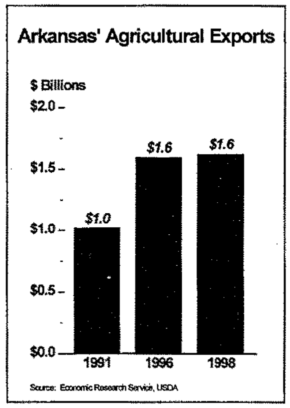
USDA

Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China
What's at Stake for Arkansas?

Arkansas is an important producer of agricultural, solid wood, and aquaculture products and a major agricultural exporter. In 1998, the state's cash farm receipts totaled $5.4 billion, and wood product shipments were $2.5 billion in 1996. State aquaculturalists earned $86 million from catfish in 1998. As for exports, Arkansas ranked ninth among all 50 states, with the value of agricultural products leaving the state estimated at $1.6 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to Arkansas, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Rice**–As the nation's top rice grower, Arkansas' rice exports worldwide were estimated at $493 million in 1998. China is the world's largest and one of the lowest cost rice producers. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process thereby opening up opportunities for U.S. exporters. China's commitment to end export subsidies will reduce its price competitiveness in other Asian markets, such as Japan and Korea. With respect to its own market, China committed to a nominal 1-percent tariff on all rice imported within a tariff-rate quota (TRQ). The TRQ on rice will be initially set at 2.66 million metric tons and grow to 5.32 million metric tons by 2004. Half the TRQ will be for short- and medium-grain rice, with the share for private traders set at 50 percent, and half the TRQ will be for long-grain rice, with the share for private traders set at 10 percent. In 1998, China imported around 250,000 metric tons of rice from all countries.

- **Poultry Meat**–Arkansas is a large poultry-producing state, with poultry and product exports worldwide estimated at $374 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Soybeans and Products**–As one of the top 10 soybean-growing states, Arkansas' soybean and product exports worldwide were estimated at $368 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Cotton**–Arkansas is the nation's fifth largest cotton producer. Its cotton exports worldwide were estimated at $229 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

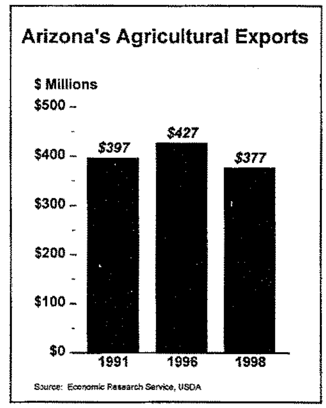
USDA

Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China
What's at Stake for Arizona?

Arizona produces agricultural and some wood products that are exported worldwide. In 1998, the state's cash receipts from farming totaled $2.4 billion, and wood product shipments were $708 million in 1996. As for exports, the value of agricultural products leaving the state was estimated at $380 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to Arizona, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Cotton**--As the eighth largest cotton-growing state, Arizona's cotton exports worldwide were estimated at $123 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Vegetables**--Arizona is the second largest grower of lettuce, broccoli, and cauliflower, with vegetable exports worldwide estimated at $68 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Beef**--Arizona has a large number of cattle on feed, and its live animal and red meat exports worldwide were estimated at $46 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Fruit**--Arizona is among the top five citrus-growing states and is a major grape producer. Fresh and processed fruit exports worldwide in 1998 were estimated at $34 million. Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. In addition, as a result of the 1999 U.S.-China bilateral agreement, China committed to lifting its import ban on citrus from this state. Tariff reductions of up to 57 percent are scheduled for key citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent.

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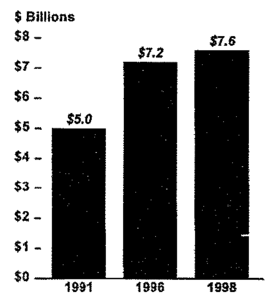
Permanent Normal Trade Relations with China
What's at Stake for California?

California is the largest producer of agricultural products and the top exporter. It also boasts the second largest timber industry. Farm cash receipts totaled $24.6 billion in 1998, and state forest industry shipments were $6.6 billion in 1996. As for exports, the value of agricultural products leaving the state was estimated at $7.6 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

California's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to California, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Vegetables**--As the leading vegetable-producing state, California vegetable exports worldwide were estimated at $1.9 billion in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Fruit**--California is also the leading fruit-producing and exporting state, with worldwide exports estimated at $1.7 billion in 1998. Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. In addition, as a result of the 1999 U.S.-China bilateral agreement, China committed to lifting its import ban on California citrus. Tariff reductions of up to 57 percent are scheduled for citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent; tariffs on plums, raisins, and grapes will fall from 40 percent to 10-13 percent; and the tariff on wine will fall from 65 percent to 20 percent.

- **Tree Nuts**--California is also the leading exporter of tree nuts, with worldwide exports estimates at $1.1 billion in 1998. Under its WTO accession agreement, China's tariffs on key tree nuts will drop by 33-71 percent by 2004. Specific reductions include: shelled almonds and hazelnuts (30 percent to 10 percent); pistachios (35 percent to 10 percent); shelled and canned walnuts (30 percent to 20 percent); and other canned nuts (30 percent to 13 percent).

- **Cotton**--California ranks as the second leading cotton-exporting state, with worldwide exports estimated at $376 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

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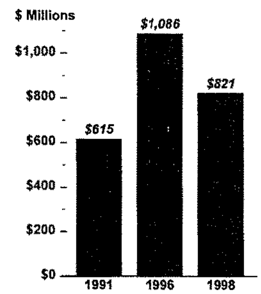
Permanent Normal Trade Relations with China
What's at Stake for Colorado?

Colorado is an important producer of agricultural products and exports products worldwide. In 1998, the state's total farm cash receipts totaled $4.3 billion. As for exports, the value of agricultural products leaving the state was estimated at $821 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Colorado's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Colorado, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Beef**–Colorado has a large cattle industry, and its live animal and red meat exports worldwide were estimated at $272 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Wheat**–As one of the top 10 wheat-growing states, Colorado's wheat and product exports were estimated at $111 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Corn**–Colorado is a large producer of corn for feed, with feed grain and product exports estimated at $103 million in 1998. As mentioned above, China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Vegetables**–Colorado's fresh and processed vegetable exports were estimated at $89 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

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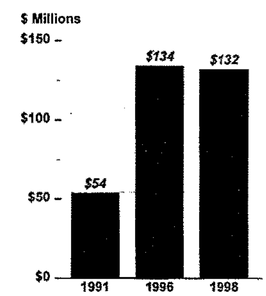
Permanent Normal Trade Relations with China
What's at Stake for Delaware?

Delaware produces agricultural and forest products that are exported worldwide. In 1998, the state's total cash receipts from farming reached $774 million, and forest product shipments totaled $85 million in 1996. As for exports, the value of agricultural products leaving the state was estimated at $132 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Delaware's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Delaware, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Poultry Meat**--Most of Delaware's farm receipts come from the poultry industry. In 1998, Delaware's poultry and product exports worldwide were estimated at $83 million. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Soybeans and Products**--Delaware's soybean and product exports worldwide were estimated at $22 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Vegetables**--Delaware's fresh and processed vegetable exports were estimated at $14 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Solid Wood Products**--Delaware's lumber industry contributes to the state's economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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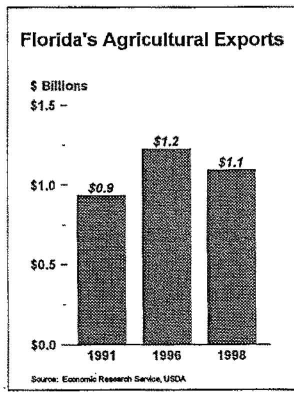
Permanent Normal Trade Relations with China
What's at Stake for Florida?



Florida produces and exports agricultural, wood, and fishery products. In 1998, Florida's farm cash receipts and commercial fish landings totaled $6.2 billion and $189 million, respectively. Forest industry shipments were $2.1 billion in 1996. As for exports, Florida ranked 17th among all 50 states, with the value of agricultural products leaving the state estimated at $1.1 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Trade Benefits

The following key products are important to Florida, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Fruits**--As the leading citrus-growing state, Florida's fresh and processed fruit exports worldwide were estimated at $559 million in 1998. Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. In addition, as a result of the 1999 U.S.-China bilateral agreement, China committed to lifting its import ban on citrus from this state. Tariff reductions of up to 57 percent are scheduled for key citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent.

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- **Vegetables**–Florida is a leading grower of many vegetables, with fresh and processed vegetable exports worldwide estimated at $112 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Poultry Meat**–As an important poultry-producing state, Florida's poultry and product exports worldwide were estimated at $47 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Solid Wood Products**--Florida's lumber industry is important to its economy. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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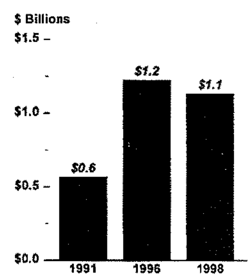
Permanent Normal Trade Relations with China
What's at Stake for Georgia?

Georgia is an important producer of agricultural and forestry products and a large exporter. The state's farm cash receipts and forest industry shipments totaled $5.5 billion in 1998 and $3.7 billion in 1996, respectively. As for exports, Georgia ranked 15th among all 50 states, with the value of agricultural products leaving the state estimated at $1.1 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Georgia's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Georgia, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Poultry Meat**--As a top poultry producer, Georgia's poultry and product exports worldwide were estimated at $375 mil-lion in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Cotton**--Georgia is the third largest cotton-producing state, with exports worldwide estimated at $261 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Beef and Pork**--Georgia's hog and cattle industry is important to its economy. The state's livestock and red meat exports worldwide were estimated at $42 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

- **Solid Wood Products**--Georgia boasts the fifth largest lumber industry. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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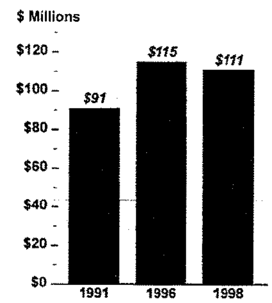
Permanent Normal Trade Relations with China
What's at Stake for Hawaii?

Hawaii produces agricultural and fish products that are exported worldwide. In 1998, Hawaii's total farm cash receipts reached $510 million. Commercial fish landings totaled $62 million and fish exports were valued at $2.8 million. As for other exports, the value of agricultural products leaving the state was estimated at $111 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Hawaii's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Hawaii, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Fruit**–Hawaii's fresh and processed fruit exports worldwide were estimated at $55 million in 1998. Under its WTO accession agreement, China will significantly reduce tariffs on a wide range of fresh fruit and processed fruit products by 2004. Of special interest to Hawaii, China will cut tariffs up to 57 percent on citrus fruit juices and up to 43 percent on other juices.
- **Tree Nuts**–Hawaii's tree nut exports worldwide were estimated at $7 million in 1998. Under its WTO accession agreement, China's tariffs on key tree nuts will drop by 33-71 percent by 2004. Specific reductions include: shelled almonds and hazelnuts (30 percent to 10 percent); pistachios (35 percent to 10 percent); shelled and canned walnuts (30 percent to 20 percent); and other canned nuts (30 percent to 13 percent).
- **Fishery Products**–Hawaii's fishing fleet will benefit from China's accession to the WTO. China is a leading producer of fishery products and the world's largest inland aquaculture producer. Nevertheless, increased consumption has led to rising imports. Under its WTO accession agreement, China will cut its existing tariffs by up to 66 percent on fishery products by 2004. Now set at 20 percent, tariffs on frozen pacific salmon, sole, and herring will drop to 10 percent or 12 percent. Existing tariffs of 30 percent on frozen crab will fall to 15 percent and 10 percent, respectively. The 25-percent tariff on cuttle fish and squid will drop to 17 percent.

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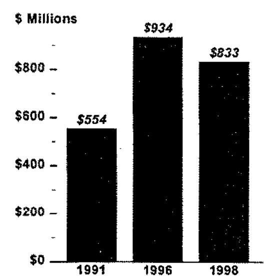
Permanent Normal Trade Relations with China
What's at Stake for Idaho?

Idaho is an important producer of agricultural and forest products that are exported worldwide. The state's farm cash receipts and forest industry shipments totaled $3.3 billion in 1998 and $2 billion in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $833 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Idaho's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Idaho, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Vegetables**--Idaho is the top potato-growing state and a major producer of beans, onions, and sweet corn. Idaho's fresh and processed vegetable exports worldwide were estimated at $310 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, the existing tariff on frozen french fries will drop from 25 percent to 13 percent, and tariffs on potato chips, flakes, flour and starch will drop up to 50 percent from current levels. Frozen and canned sweet corn, tomato and tomato paste are among other products earmarked for tariff reductions.

- **Wheat**–Idaho is the nation's seventh largest wheat producer. Its exports of wheat and products were estimated at $179 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Beef**–Idaho's livestock and product exports were estimated at $77 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Solid Wood Products**–Idaho's lumber industry is important to its economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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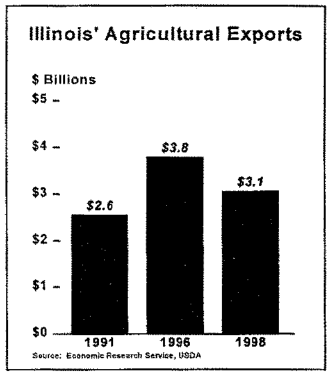
Permanent Normal Trade Relations with China
What's at Stake for Illinois?

Illinois is a leading producer of agricultural products and a major exporter. Forest products are also important. The state's farm cash receipts and solid wood industry shipments totaled $7.7 billion in 1998 and $1.1 billion in 1996, respectively. As for exports, Illinois ranked third among all 50 states, with the value of agricultural products leaving the state estimated at $3.1 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to Illinois, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**--As the nation's second largest soybean producer, Illinois' soybean and product exports worldwide were estimated at $1.4 billion in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Corn**–As the nation's second largest feed corn producer, Illinois' feed grains and product exports worldwide were estimated at $916 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Pork and Beef**–With the fourth largest hog inventory and the 12th largest cattle on feed inventory, Illinois' live animal and red meat exports were estimated at $241 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

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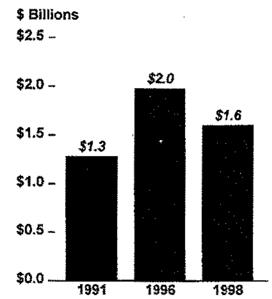
Permanent Normal Trade Relations with China
What's at Stake for Indiana?

Indiana is a major producer and exporter of agricultural products. Forest products are also important. The state's farm cash receipts and solid wood industry shipments totaled $4.9 billion in 1998 and $2.3 billion in 1996, respectively. As for exports, Indiana ranked 10th among all 50 states, with the value of agricultural products leaving the state estimated at $1.6 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Indiana's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Indiana, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**--As the nation's fourth largest soybean producer, Indiana's soybeans and product exports worldwide were estimated at $774 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Corn for Feed**--As the nation's fifth largest feed corn producer, Indiana's feed grains and product exports worldwide were estimated at $446 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Pork**--One of the nation's largest hog raising states, Indiana's live animal and red meat exports worldwide were estimated at $85 million in 1998. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will cut its tariff on frozen pork cuts and offal from 20 percent to 12 percent by 2004. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all pork from the United States that is certified wholesome by USDA.

- **Solid Wood Products**--The lumber industry is important to Indiana. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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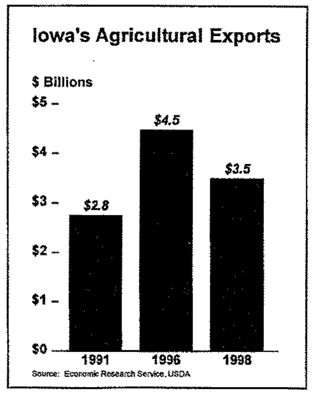
Permanent Normal Trade Relations with China
What's at Stake for Iowa?

Iowa is a leading producer of agricultural products and a major exporter. In 1998, the state's cash farm receipts totaled $11 billion. As for exports, Iowa ranked second among all 50 states, with the value of agricultural products leaving the state estimated at $3.5 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to Iowa, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**–As the nation's largest soybean producer, Iowa's soybeans and product exports worldwide were estimated at $1.6 billion in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Corn for Feed**–Iowa is the nation's largest feed corn producer, with feed grains and product exports worldwide estimated at $1 billion in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Beef and Pork**–Iowa is also the nation's largest hog-raising state, with large cattle inventories. Live animal and red meat exports worldwide were estimated at $522 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

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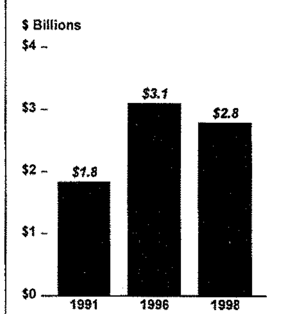
What's at Stake for Kansas?

Kansas is an important producer of agricultural products and a major exporter. In 1998, the state's cash farm receipts totaled $7.8 billion. As for exports, Kansas ranked sixth among all 50 states, with the value of agricultural products leaving the state estimated at $2.8 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Kansas' Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Kansas, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Wheat**--As the nation's largest wheat producer, Kansas' wheat and wheat product exports worldwide were estimated at $703 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Beef and Pork**--With one of the nation's largest inventories of cattle and hogs, Kansas' live animal and red meat exports worldwide were estimated at $714 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

- **Feed Grains**--As one of the nation's top feed grain producers, Kansas' feed grains and product exports worldwide were estimated at $486 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

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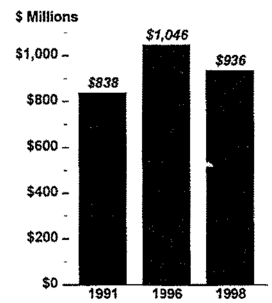
What's at Stake for Kentucky?

Kentucky is an important producer and exporter of agricultural products. In 1998, the state's cash farm receipts totaled $3.9 billion. As for exports, Kentucky ranked 19th among all 50 states, with the value of agricultural products leaving the state estimated at $936 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Kentucky's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Kentucky, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Beef**–With a large portion of its farm receipts coming from the cattle industry, Kentucky's live animal and red meat exports worldwide were estimated at $204 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Soybeans and Products**–Soybeans are an important crop in Kentucky, and its soybeans and product exports were estimated at $141 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Feed Grains**–Corn and sorghum are also important crops in Kentucky. Feed grains and product exports were estimated at $76 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

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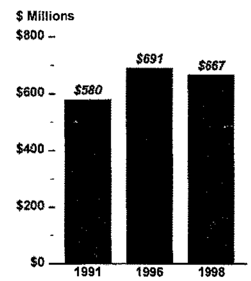
What's at Stake for Louisiana?

Louisiana produces agricultural, solid wood, and fishery products that are exported worldwide. In 1998, its farm cash receipts and commercial fish landings/aquaculture production totaled $1.9 billion and $344 million, respectively. Forest industry shipments were $1.8 billion in 1996. As for exports, the value of agricultural products leaving the state was estimated at $667 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Louisiana's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Louisiana, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Rice**–As the nation's 3rd largest rice grower, Louisiana's rice exports worldwide were estimated at $169 million in 1998. China is the world's largest and one of the lowest cost rice producers. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process thereby opening up opportunities for U.S. exporters. China's commitment to end export subsidies will reduce its price competitiveness in other Asian markets, such as Japan and Korea. With respect to its own market, China committed to a nominal 1-percent tariff on all rice imported within a tariff-rate quota (TRQ). The TRQ on rice will be initially set at 2.66 million metric tons and grow to 5.32 million metric tons by 2004. Half the TRQ will be for short- and medium-grain rice, with the share for private traders set at 50 percent, and half the TRQ will be for long-grain rice, with the share for private traders set at 10 percent. In 1998, China imported around 250,000 metric tons of rice from all countries.

- **Cotton**–As one of the top ten cotton-producing states, Louisiana's cotton exports worldwide were estimated at $134 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Soybeans and Products**–As an important soybean-growing state, Louisiana's soybeans and product exports worldwide were estimated at $131 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Solid Wood Products**–Louisiana's lumber industry is important to its economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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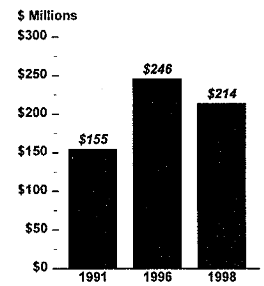
What's at Stake for Maryland?

Maryland's agricultural goods are exported worldwide. In 1998, the state's farm cash receipts totaled $1.5 billion. As for exports, the value of agricultural products leaving the state was estimated at $214 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Maryland's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Maryland, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Poultry Meat**--With a large portion of its farm receipts coming from broiler production, Maryland's poultry and product exports worldwide were estimated at $83 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Soybeans and Products**–Maryland's soybean exports worldwide were estimated at $52 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Corn for Feed**–Maryland grows corn for feed, with exports worldwide estimated at $26 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Vegetables**–Maryland also grows vegetables, and its exports worldwide were estimated at $15 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

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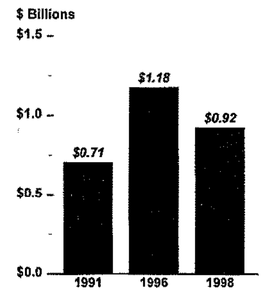
What's at Stake for Michigan?

Michigan is an important producer and exporter of agricultural products. Forest products are also important. The state's farm cash receipts and forest product shipments totaled $3.5 billion in 1998 and $1.7 billion in 1996, respectively. As for exports, Michigan ranked 20th among all 50 states, with the value of agricultural products leaving the state estimated at $924 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Michigan's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Michigan, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**–Michigan's soybeans and product exports worldwide were estimated at $240 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Feed Grains**–Michigan is a large feed grains and product producer, with exports worldwide estimated at $163 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Vegetables**–Michigan is also a vegetable-growing state, with fresh and processed vegetables exports worldwide estimated at $147 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Fruit**–Michigan's fresh and processed fruit exports worldwide were estimated at $84 million in 1998. Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. Tariff reductions of up to 57 percent are scheduled for citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent, while tariffs on plums, raisins, and grapes will fall from 40 percent to 10-13 percent.

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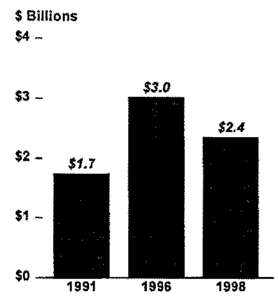
What's at Stake for Minnesota?

Minnesota is one of the leading producers of agricultural products and a major exporter. Forest products are also important. The state's farm cash receipts and forest product shipments totaled $7.7 billion in 1998 and $2.6 billion in 1996, respectively. As for exports, Minnesota ranked seventh among all 50 states, with the value of agricultural products leaving the state estimated at $2.4 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Minnesota's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Minnesota, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**–As the nation's third largest soybean producer, Minnesota's soybeans and product exports worldwide were estimated at $857 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Feed Corn**–As the nation's fourth largest feed corn producer, Minnesota's coarse grain exports worldwide were estimated at $557 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Beef and Pork**–Minnesota has some of the largest hog and cattle inventories in the nation. Its live animal and red meat exports worldwide were estimated at $231 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

- **Vegetables**–Minnesota also has a large vegetable industry, and is the top grower of sweet corn and peas and a large carrot producer. Its fresh and processed vegetable and product exports worldwide were estimated at $192 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

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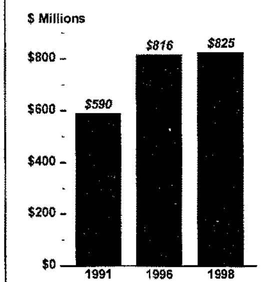
Permanent Normal Trade Relations with China
What's at Stake for Mississippi?

Mississippi is an important producer of agricultural, forest, and aquaculture products and exports worldwide. The state's farm cash receipts and forest product shipments totaled $3.5 billion in 1998 and $2.9 billion in 1996, respectively. Aquaculture production reached $294 million in 1998. As for exports, the value of agricultural products leaving the state was estimated at $825 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Mississippi's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Mississippi, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Cotton**–As the nation's fourth largest cotton grower, Mississippi's cotton exports worldwide were estimated at $247 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Soybeans and Products**–Mississippi's soybeans and product exports worldwide were estimated at $215 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Poultry Meat**–Mississippi's poultry and product exports worldwide were estimated at $203 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Rice**–Mississippi's rice exports worldwide were estimated at $87 million in 1998. China is the world's largest and one of the lowest cost rice producers. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process thereby opening up opportunities for U.S. exporters. China's commitment to end export subsidies will reduce its price competitiveness in other Asian markets, such as Japan and Korea. With respect to its own market, China committed to a nominal 1-percent tariff on all rice imported within a tariff-rate quota (TRQ). The TRQ on rice will be initially set at 2.66 million metric tons and grow to 5.32 million metric tons by 2004. Half the TRQ will be for short- and medium-grain rice, with the share for private traders set at 50 percent, and half the TRQ will be for long-grain rice, with the share for private traders set at 10 percent. In 1998, China imported around 250,000 metric tons of rice from all countries.

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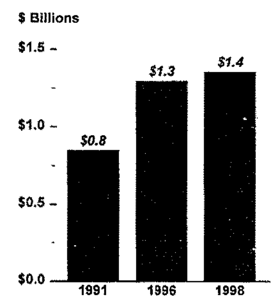
Permanent Normal Trade Relations with China
What's at Stake for Missouri?

Missouri is an important producer of agricultural products and a major exporter. As for exports, Missouri ranked 13th among all 50 states, with the value of agricultural products leaving the state estimated at $1.4 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Missouri's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Missouri, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**–As the nation's sixth largest soybean producer, Missouri's soybeans and product exports worldwide were estimated at $586 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Feed Corn**–Missouri is a large producer of feed grains, with feed grain and product exports worldwide estimated at $225 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Wheat**–Missouri's wheat and product exports worldwide were estimated at $142 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Poultry Meat**–Missouri's poultry and product exports worldwide were estimated at $101 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

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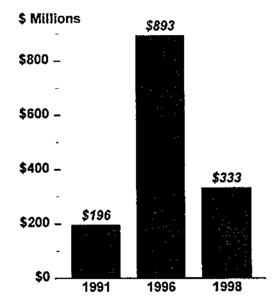
What's at Stake for Montana?

Montana produces and exports agricultural and forest products worldwide. The state's farm cash receipts and forest product shipments totaled $1.8 billion in 1998 and $1.1 billion in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $333 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Montana's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Montana, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Wheat**–As the nation's third largest wheat grower, Montana's wheat and product exports worldwide were estimated at $247 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Feed Grains**–Montana's feed grain and product exports worldwide were estimated at $39 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Beef**–A large portion of Montana's farm receipts come from the cattle industry. Its live animal and red meat exports were estimated at $17 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Solid Wood Products**–The lumber industry is also important to Montana. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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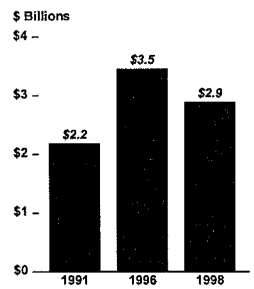
What's at Stake for Nebraska?

Nebraska is one of the leading producers of agricultural products and a major exporter. The state's farm cash receipts totaled $8.8 billion in 1998. As for exports, Nebraska ranked fifth among all 50 states, with the value of agricultural products leaving the state estimated at $2.9 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on and off the farm in food processing, storage, and transportation.

Nebraska's Agricultural Exports



Estimates from USDA's Economic Research Service

Trade Benefits

The following key products are important to Nebraska, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Beef**–With the nation's second largest cattle industry, Nebraska's live animal and red meat exports worldwide were estimated at $828 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Feed Grains**–As the nation's third largest feed grains producer, Nebraska's feed grains and product exports worldwide were estimated at $779 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Soybeans and Products**–Nebraska's soybeans and product exports worldwide were estimated at $482 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Pork**--China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will cut its tariff on frozen pork cuts and offal from 20 percent to 12 percent by 2004. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all pork from the United States that is certified wholesome by USDA.

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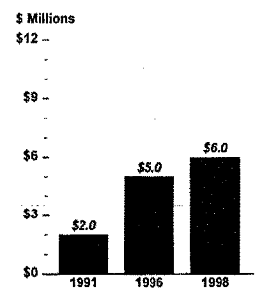
What's at Stake for Nevada?

Nevada produces and exports agricultural and wood products. The state's farm cash receipts and forest product shipments totaled $337 million in 1998 and $108 million in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $6 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Nevada's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Nevada, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Beef**–A large portion of Nevada's farm receipts come from the cattle industry. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Wheat**–Nevada's wheat and product exports worldwide were estimated at $3 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

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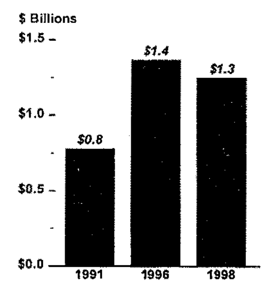
What's at Stake for Wisconsin?

Wisconsin is a major producer and exporter of agricultural and forest products. The state's farm cash receipts and forest product shipments totaled $6.2 billion in 1998 and $2.8 billion in 1996, respectively. As for exports, Wisconsin ranked 14th among all 50 states, with the value of agricultural products leaving the state estimated at $1.3 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Wisconsin's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Wisconsin, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Feed Grains**– As a large feed grain producer, Wisconsin's feed grain and product exports worldwide were estimated at $260 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Vegetables**–Wisconsin is an important producer of sweet corn, green peas, snap beans, and other vegetables, with fresh and processed vegetable exports worldwide estimated at $227 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Dairy Products**–As a major dairy state, Wisconsin's dairy product exports worldwide were estimated at $220 million in 1998. China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

- **Beef and Pork**–Wisconsin's live animal and red meat exports worldwide were estimated at $173 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

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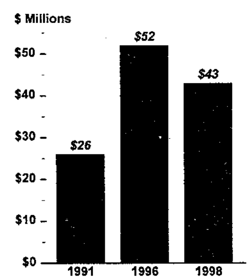
What's at Stake for Wyoming?

Wyoming produces agricultural and wood products, some of which are exported worldwide. In 1998, the state's total cash receipts from farming reached $850 million, and wood product shipments totaled $142 million in 1996. As for exports, the value of agricultural products leaving the state was estimated at $43 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Wyoming's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Wyoming, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Beef**–With most of its farm receipts coming from the cattle industry, Wyoming's live animal and red meat exports worldwide were estimated at $20 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Feed Grains**–Wyoming's feed grain and product exports worldwide were estimated at $10 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Wheat**–Wyoming's wheat and product exports worldwide were estimated at $9 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Solid Wood Products**–The lumber industry is important to the state's economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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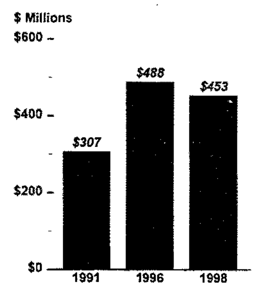
What's at Stake for Virginia?

Virginia produces agricultural, forest, and fishery products that are exported worldwide. In 1998, the state's farm cash receipts reached $2.3 billion. Wood product shipments totaled $2.4 billion in 1996, and commercial fish landings were $113 million in 1998. As for exports, the value of agricultural products leaving the state was estimated at $453 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Virginia's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Virginia, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Poultry Meat**–Virginia's poultry and product exports worldwide were estimated at $101 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Beef and Pork**–Virginia's live animal and red meat exports worldwide were estimated at $87 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

- **Wheat**–Virginia's wheat and product exports worldwide were estimated at $43 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Solid Wood Products**–Virginia's lumber industry is the 13th largest in the nation. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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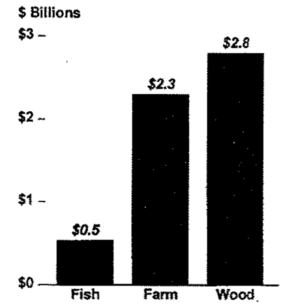
What's at Stake for New England?

From Connecticut to Maine, New England produces solid wood, fish, and some agricultural products that are exported worldwide. In 1998, the region's total cash receipts from farming reached $2.3 billion. Wood product shipments totaled $2.8 billion in 1996, and commercial fish landings were $537 million in 1998. These industries are important to New England's economy. They create jobs on farms, in mills, and at ports, and also support jobs in related sectors, such as food processing, storage, and transportation.

The Value of New Englands' Fish, Farm, and Solid Wood Industries



Source: various federal and state agencies

Trade Benefits

The following key products are important to the New England states, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Agricultural Products**–The region's agricultural exports were estimated at $203 million in 1998. The top five are tobacco leaf, apples, vegetables, dairy products, and processed foods. China has committed to significant and broad-based tariff reductions over the next four years for nearly all the products New England exports.

- **Solid Wood Products**–Solid wood exports directly departing New England ports totaled $282 million in 1998. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

- **Fishery Products**–Fishery products directly departing New England ports totaled $183 million in 1998. China is a leading producer of fishery products and the world's largest inland aquaculture producer. Nevertheless, increased consumption has led to rising imports. Under its WTO accession agreement, China will cut its existing tariffs by up to 66 percent on fishery products by 2004. Now set at 20 percent, sole and herring will drop to 12 percent. Existing tariffs of 30 percent on frozen lobster and crab will fall to 15 percent and 10 percent, respectively. The 25-percent tariff on cuttle fish and squid will drop to 17 percent.

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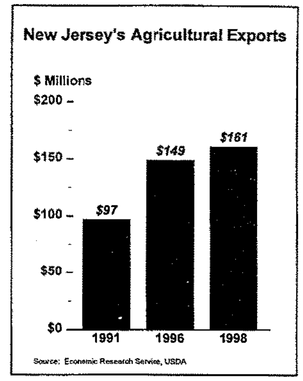
What's at Stake for New Jersey?

New Jersey produces and exports agricultural, fish, and wood products. The state's farm cash receipts and forest product shipments totaled $828 million in 1998 and $369 million in 1996, respectively. Commercial fish landings were $91 million in 1998. As for exports, the value of agricultural products leaving the state was estimated at $161 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to New Jersey, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Vegetables**–With a large portion of its farm cash receipts coming from vegetables like fresh tomatoes and sweet corn, New Jersey's fresh and processed vegetable exports worldwide were estimated at $19 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Solid Wood Products**–New Jersey's lumber industry is important to its economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

- **Fishery Products**–New Jersey also harvests seafood products. China is a leading producer of fishery products and the world's largest inland aquaculture producer. Nevertheless, increased consumption has led to rising imports. Under its WTO accession agreement, China will cut its existing tariffs by up to 66 percent on fishery products by 2004. Now set at 20 percent, tariffs on frozen Atlantic salmon, sole, and herring will drop to 10 percent or 12 percent. Existing tariffs of 30 percent on frozen crab will fall to 15 percent and 10 percent, respectively. The 25-percent tariff on cuttle fish and squid will drop to 17 percent.

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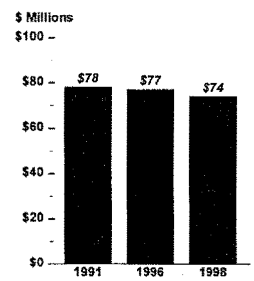
Permanent Normal Trade Relations with China
What's at Stake for New Mexico?

New Mexico produces and exports agricultural and wood products. The state's farm cash receipts and forest product shipments totaled $2 billion in 1998 and $276 million in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $74 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

New Mexico's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to New Mexico, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Feed Grains**–New Mexico's coarse grain and product exports worldwide were estimated at $19 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Cotton**–New Mexico's cotton exports worldwide were estimated at $15 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries.

- **Beef**–With a large portion of its farm receipts coming from the cattle industry, New Mexico's live animal and meat exports were estimated at $13 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Solid Wood Products**–The lumber industry is also important to the state's economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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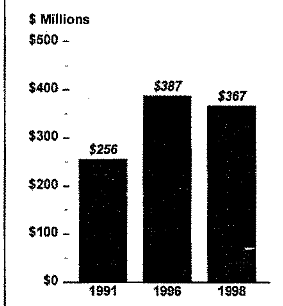
Permanent Normal Trade Relations with China
What's at Stake for New York?

New York produces and exports agricultural and forest products worldwide. The state's farm cash receipts and forest product shipments totaled $3.1 billion in 1998 and $1.3 billion in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $367 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

New York's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to New York, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Fruit**–New York is the nation's second largest commercial apple producer, with fresh and processed fruit exports worldwide estimated at $60 million in 1998. Under its WTO accession agreement, China will reduce tariffs by up to 75 percent for fresh and processed deciduous fruit. Tariffs on apples, pears, cherries, and jams and jellies will fall from 30 percent to 10 percent; tariffs on plums will fall from 40 percent to 10 percent; and the tariff on wine will fall from 65 percent to 20 percent.

- **Dairy**–New York's dairy product exports worldwide were estimated at $51 million in 1998. China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

- **Feed Grains**–New York's feed grain and product exports worldwide were estimated at $43 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Solid Wood Products**–The lumber industry is also important to the state. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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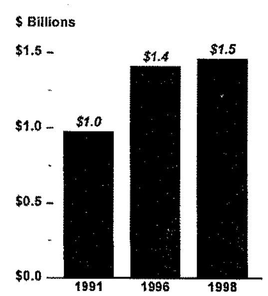
Permanent Normal Trade Relations with China
What's at Stake for North Carolina?

North Carolina is an important producer of agricultural and forest products and a large exporter. Fishery products are also important. In 1998, the state's total cash receipts from farming reached $7.2 billion. Forest product shipments totaled $3.9 billion in 1996, and commercial fish landings were $105 million in 1998. As for exports, North Carolina ranked 11th among all 50 states, with the value of agricultural products leaving the state estimated at $1.5 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

North Carolina's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to North Carolina, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Poultry Meat**–As one of the nation's top 10 poultry producers, North Carolina's poultry and product exports worldwide were estimated at $303 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Pork**–With the nation's third largest hog inventory, North Carolina's live animal and red meat exports worldwide were estimated at $149 million in 1998. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will cut its tariff on frozen pork cuts and offal from 20 percent to 12 percent by 2004. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all pork from the United States that is certified wholesome by USDA.

- **Soybeans and Products**–North Carolina's exports of soybeans and products worldwide were estimated at $126 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Cotton**–North Carolina's cotton exports worldwide were estimated at $126 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Solid Wood Products**–The lumber industry is also important to North Carolina. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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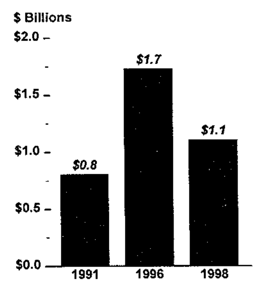
Permanent Normal Trade Relations with China
What's at Stake for North Dakota?

North Dakota is an important producer of agricultural products and a major exporter. As for exports, North Dakota ranked 16th among all 50 states, with the value of agricultural products leaving the state estimated at $1.1 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

North Dakota's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to North Dakota, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Wheat**– As the nation's second largest wheat grower, North Dakota's wheat and product exports worldwide were estimated at $483 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Soybeans**–North Dakota's soybeans and product exports were estimated at $113 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Vegetables**–North Dakota's fresh and processed vegetable exports were estimated at $109 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Feed Grains**–North Dakota's feed grain and product exports were estimated at $100 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

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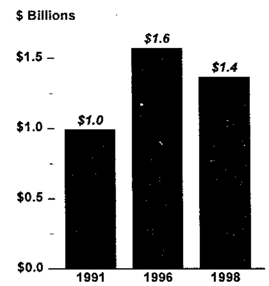
Permanent Normal Trade Relations with China
What's at Stake for Ohio?

Ohio is an important producer of agricultural products and a major exporter. Forest products are also important. The state's farm cash receipts and forest product shipments totaled $5 billion in 1998 and $2 billion in 1996, respectively. As for exports, Ohio ranked 12th among all 50 states, with the value of agricultural products leaving the state estimated at $1.4 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on and off the farm in food processing, storage, and transportation.

Ohio's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Ohio, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**–As the nation's fifth largest soybean producer, Ohio's soybeans and product exports worldwide were estimated at $641 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Feed Grains**–As the nation's sixth largest corn producer, Ohio's coarse grain and product exports worldwide were estimated at $303 million in 1998.China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Wheat**–Ohio is an important wheat producer, with wheat and product exports worldwide estimated at $172 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Vegetables**–Ohio's fresh and processed vegetable exports worldwide were estimated at $50 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

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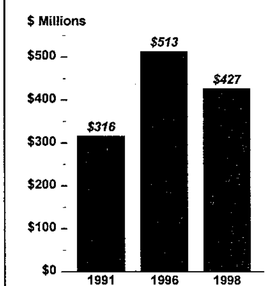
What's at Stake for Oklahoma?

Oklahoma produces agricultural goods that are exported worldwide. In 1998, the state's farm cash receipts totaled $3.9 billion. As for exports, the value of agricultural products leaving the state was estimated at $427 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Oklahoma's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Oklahoma, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Wheat**–As an important wheat grower, Oklahoma's wheat and product exports worldwide were estimated at $212 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Poultry Meat**–Oklahoma's poultry and product exports worldwide were estimated at $51 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Beef**–A large portion of Oklahoma's farm cash receipts come from the cattle industry. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

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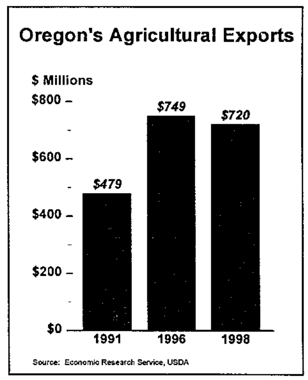
Permanent Normal Trade Relations with China
What's at Stake for Oregon?

Oregon is the nation's largest producer of solid wood products and an important producer of agricultural goods that are exported worldwide. The state's forest product shipments and farm cash receipts totaled $9.5 billion in 1996 and $3.1 billion in 1998, respectively. As for exports, the value of agricultural products leaving the state was estimated at $720 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to Oregon, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Wheat**–As a large wheat-growing state, Oregon's wheat and product exports worldwide were estimated at $103 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Vegetables**–Oregon is a major producer of beans, sweet corn, and onions. Its fresh and processed vegetable exports worldwide were estimated at $165 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Fruits**–Oregon is also a major grower of berries, pears, cherries, and plums, with fresh and processed fruit exports worldwide estimated at $92 million in 1998. Under its WTO accession agreement, China will reduce tariffs by up to 75 percent for fresh and processed deciduous fruit. Tariffs on apples, pears, cherries, and jams and jellies will fall from 30 percent to 10 percent; tariffs on plums will fall from 40 percent to 10 percent; and the tariff on wine will fall from 65 percent to 20 percent.

- **Solid Wood Products**–Oregon's lumber industry is the largest in the nation by a wide margin and very important to the state's economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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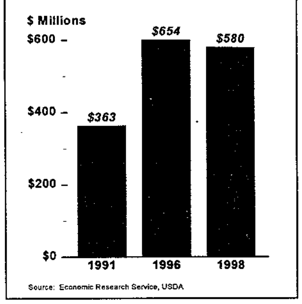
Permanent Normal Trade Relations with China
What's at Stake for Pennsylvania?

Pennsylvania produces and exports agricultural products. Forest products are also important. The state's farm cash receipts and forest product shipments totaled $4.2 billion in 1998 and $2.8 billion in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $580 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Pennsylvania's Agricultural Exports



Trade Benefits

The following key products are important to Pennsylvania, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Beef and Pork**–As a major supplier of processed meats, Pennsylvania's live animal and red meat exports worldwide were estimated at $154 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

- **Poultry Meat**–Pennsylvania's poultry and product exports were estimated at $72 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Feed Grains**–Pennsylvania's feed grain and product exports worldwide were estimated at $63 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Dairy**–Pennsylvania's dairy product exports worldwide were estimated at $47 million in 1998. China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

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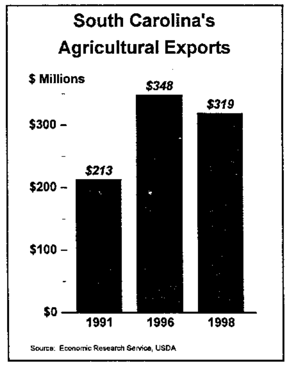
What's at Stake for South Carolina?

South Carolina produces and exports agricultural and forestry products worldwide. The state's farm cash receipts and forest product shipments totaled $7.2 billion in 1998 and $1.8 billion in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $319 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to South Carolina, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Cotton**–As the nation's 12th largest cotton producer, South Carolina's cotton exports worldwide were estimated at $56 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Poultry Meat**–South Carolina's poultry and product exports worldwide were estimated at $53 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Soybeans and Products**–South Carolina's soybeans and product exports worldwide were estimated at $43 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Solid Wood Products**–The lumber industry is important to South Carolina's economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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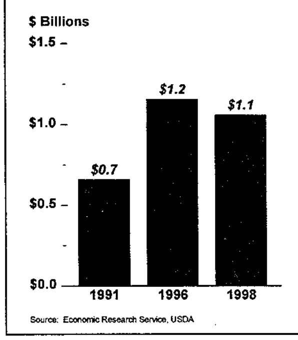
What's at Stake for South Dakota?

South Dakota is an important producer of agricultural products and a major exporter. As for exports, South Dakota ranked 18th among all 50 states, with the value of agricultural products leaving the state estimated at $1.1 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to South Dakota, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**–As a large soybean producer, South Dakota's soybeans and product exports worldwide were estimated at $382 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Feed Grains**–South Dakota is also a large feed corn producer, with feed grain and product exports worldwide estimated at $222 million in 1998.China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Wheat**–As a large wheat grower, South Dakota's wheat and product exports worldwide were estimated at $119 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Beef**–South Dakota has a large cattle industry, and live animal and red meat exports worldwide were estimated at $122 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

USDA

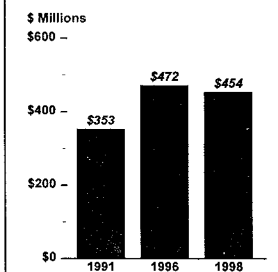
Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China
What's at Stake for Tennessee?

Tennessee produces agricultural and forest products and exports them worldwide. The state's farm cash receipts and forest product shipments totaled $2.2 billion in 1998 and $1.1 billion in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $454 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Tennessee's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Tennessee, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Soybeans and Products**–Tennessee's soybeans and product exports worldwide were estimated at $137 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.

- **Cotton**–As the nation's ninth largest cotton producer, Tennessee's cotton exports worldwide were estimated at $90 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Poultry Meat**–Tennessee's poultry and product exports worldwide were estimated at $37 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Solid Wood Products**–The lumber industry is important to Tennessee. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

USDA

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U.S. Department of Agriculture
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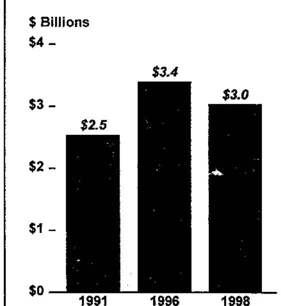
Permanent Normal Trade Relations with China
What's at Stake for Texas?

Texas is a leading producer of agricultural and forest products and a major exporter. Fisheries are also important. In 1998, the state's total cash receipts from farming reached $13.2 billion. Wood product shipments totaled $3.2 billion in 1996, and commercial fish landings were $183 million in 1998. As for exports, Texas ranked fourth among all 50 states, with the value of agricultural products leaving the state estimated at $3 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Texas' Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Texas, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Cotton**–As the nation's largest cotton producer, Texas' cotton exports worldwide were estimated at $708 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

- **Beef**–With the nation's largest cattle industry, Texas' live animal and red meat exports worldwide were estimated at $693 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Feed Grains**–Texas' feed grain and product exports worldwide were estimated at $329 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

- **Solid Wood Products**–Texas has the seventh largest lumber industry in the nation. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

USDA

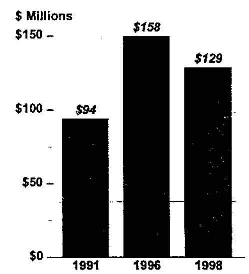
Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China
What's at Stake for Utah?

Utah produces agricultural and wood products that are exported worldwide. The state's farm cash receipts and forest product shipments totaled $981 million in 1998 and $248 million in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at $129 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Utah's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Utah, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Beef**–A large portion of Utah's farm cash receipts come from the cattle industry. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

- **Solid Wood Products**–The lumber industry is important to the state's economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

- **Dairy**–China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

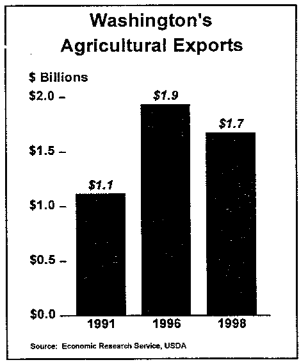
USDA

Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China
What's at Stake for Washington?

Washington is a major producer and exporter of agricultural, forest, and fishery products. In 1998, the state's total cash receipts from farming reached $5.2 billion. Wood product shipments totaled $6 billion in 1996, and commercial fish landings were $123 million in 1998. As for exports, Washington ranked eighth among all 50 states, with the value of agricultural products leaving the state estimated at $1.7 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.



Trade Benefits

The following key products are important to Washington, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Fruits**–In addition to apples and wine, Washington is a major producer of many cool climate fruits, and its fresh and processed fruit exports worldwide were estimated at $469 million in 1998. Under its WTO accession agreement, China will reduce tariffs by up to 75 percent for fresh and processed deciduous fruit. Tariffs on apples, pears, cherries, and jams and jellies will fall from 30 percent to 10 percent; tariffs on plums will fall from 40 percent to 10 percent; and the tariff on wine will fall from 65 percent to 20 percent.

- **Vegetables**–As an important grower of many vegetables including potatoes, Washington's fresh and processed vegetable exports worldwide were estimated at $457 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.

- **Wheat**–As a major wheat grower, Washington's wheat and product exports worldwide were estimated at $275 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on wheat will be initially set at 7.3 million metric tons and grow to 9.6 million metric tons by 2004. As a result of the 1999 U.S.-China bilateral agreement, China also agreed to import wheat and other grains from the Pacific Northwest. In 1998, China imported less than 2 million metric tons of wheat from all countries.

- **Solid Wood Products**–Washington has the third largest lumber industry in the nation. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

USDA

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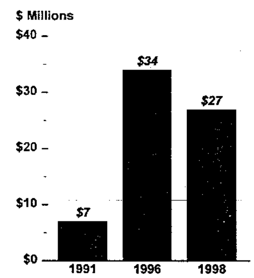
U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China
What's at Stake for West Virginia?

West Virginia produces agricultural and wood products, some of which are exported worldwide. In 1998, the state's total cash receipts from farming reached $405 million, and wood product shipments totaled $652 million in 1996. As for exports, the value of agricultural products leaving the state was estimated at $27 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

West Viginia's Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to West Virginia, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- **Poultry Meat**–With a large portion of its farm receipts coming from the poultry industry, West Virginia's poultry and product exports worldwide were estimated at $22 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

- **Solid Wood Products**–The wood products industry is important to West Virginia's economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

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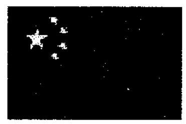
U.S.-China WTO Accession Agreement



China's entry to the World Trade Organization will slash barriers to the sale of U.S. agricultural products. This agreement locks in and expands our access to a market of over one billion people.

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THE U.S. – CHINA WTO ACCESSION DEAL:
WHY PERMANENT NORMAL TRADE RELATIONS IS ESSENTIAL

February 10, 2000

America Must Grant Permanent Normal Trade Relations To China To Obtain The Full Market Opening Benefits We Negotiated. Without PNTR, American Farmers, Workers, And Businesses May Be Left Behind.

- Without the passage of permanent NTR, the United States could forfeit the large bulk of the benefits of China's WTO accession. We cannot guarantee critical benefits negotiated in November – including WTO dispute settlement, the strong provisions against import surges, and the right to provide key services such as distribution and telecommunications – without PNTR.

- To compete effectively, American companies, farmers and workers need the ability to import, export and distribute goods in China -- rights currently denied but which will be permitted under the agreement. These rights will allow our businesses to export to China from here at home, and to have their own distribution networks in China, rather than being forced to set up factories there to sell products through Chinese partners. Our firms also need access to China's fast-growing services market in sectors like telecommunications.

- If Congress were to refuse to grant permanent NTR, our Asian, Latin American, Canadian and European competitors will reap these benefits but American farmers, workers, and businesses may well be left behind.

WTO Rules Require That We Grant Permanent Normal Trade Relations To China.

- A fundamental principle of the WTO is that you treat imports from all WTO members the same. You cannot give special advantages or impose special disadvantages or hardships on some countries' products and not others.

- GATT Article I requires that all WTO members grant each other "any advantage, favor, privilege or immunity" provided to other countries "*immediately and unconditionally.*"

- The United States grants NTR/MFN treatment to *all* countries with whom we share and enjoy all the benefits of the WTO *without* the condition of an annual review.

- Receiving NTR tariff treatment is clearly an "advantage" or "privilege" under the WTO, and obtaining that treatment *without going through an annual review* is likewise an advantage or privilege.

- Subjecting one WTO member to an annual review of its NTR status -- whether tied to Jackson-Vanik's specific emigration-related conditions or not -- is a clear and discriminatory *condition* that *disadvantages* imports from that country.

- A mandatory annual or periodic review of whether products from China will be treated the same or differently than products from all other WTO members will inject uncertainty and unpredictability into business decisions affecting imports from China. NTR/MFN status provides non-discriminatory treatment of products both at the U.S. border and after the products enter into commerce within the United States.

- A mandatory review of NTR/MFN status is discriminatory and disadvantageous and violates the fundamental WTO principle that all WTO members must be treated the same, and that all "advantages" and "privileges" must be granted "immediately and unconditionally".

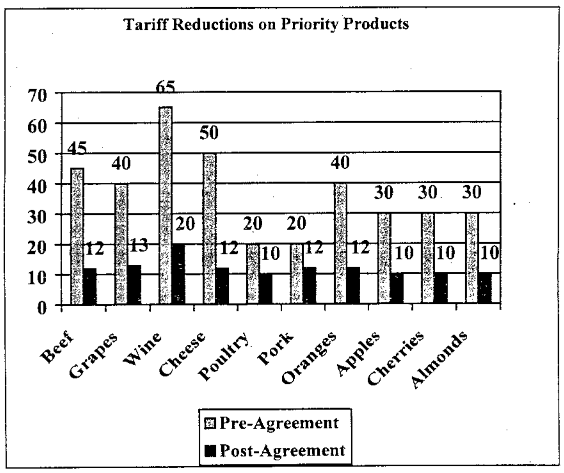
- If we do not grant China PNTR and continue to condition NTR/MFN status upon mandatory periodic reviews, we risk losing the full benefits -- to our farmers, workers, and companies -- of the strong, rules-based and enforceable market opening agreement we just negotiated.

THE U.S. – CHINA WTO ACCESSION DEAL:
A STRONG DEAL IN THE BEST INTERESTS OF U.S. AGRICULTURE
February 9, 2000

China's Entry To The World Trade Organization Will Slash Barriers To The Sale Of American Agricultural Products In The World's Most Populous Country. China's entry into the WTO will dramatically cut import barriers currently imposed on American agricultural products. This agreement locks in and expands our access to a market of over one billion people. China's economy is already among the world's largest and over the past 20 years has expanded at a phenomenal rate of nearly 10 percent per year. During this period, U.S. total exports to China have grown from negligible levels to about $14 billion a year. Agricultural exports in fiscal year 1999 were $1.1 billion and should increase dramatically as a result of this Agreement.

China Made One-Way, Market-Opening Concessions. For The United States, Granting Permanent Normal Trade Relations Would Simply Maintain The Market Access We Currently Apply To China. China made significant, one-way market-opening concessions across the board in agriculture.

- **China Will Cut Agriculture Tariffs By More Than Half On Priority Products.** The overall average duty for agricultural products will fall from 22% to 17.5%. On U.S. priority agricultural products, tariffs will drop from an average of 31% to 14% by January 2004, with even sharper drops for beef, poultry, pork, cheese, and other commodities.



- **China Will End Its System Of Discriminatory Licensing And Import Bans For Bulk Commodities, And Will Create Market Access Opportunities By Establishing A WTO-Consistent Tariff-Rate Quota System.** China will establish significant and growing TRQs for state-traded commodities such as wheat, corn, cotton, rice, and soybean oil. China has also committed to low, within-quota tariffs of 1-3 percent, which will help American farmers take full advantage of the TRQs. In addition, China committed to allow a share of the TRQs for each commodity to be imported by entities other than state-trading entities and agreed to specific rules for the administration of these TRQs. The introduction of private trade -- combined with increased transparency in the process -- will ensure increased opportunities for American agricultural exports.

- **China Will Eliminate Export Subsidies.** China has committed not to use export subsidies for agricultural products when it joins the WTO. This commitment would level the playing field in third-country markets for U.S. exports of corn, rice, and cotton -- which in the past have been displaced by unfairly traded Chinese exports.

- **China Will Cap And Then Reduce Domestic Support.** China committed first to cap and then to reduce trade-distorting domestic subsidies. The specific levels will be determined through multilateral negotiations in Geneva on the protocol and working party report. China also committed to provide greater transparency to make its domestic support measures more predictable.

- **China Will Eliminate Scientifically Unjustified Restrictions On U.S. Agricultural Products.** China has committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science -- not political agendas or protectionist concerns. Additionally, China and the United States agreed bilaterally on the terms for the removal of scientifically unjustified restrictions on imports of U.S. wheat, citrus, and meat.

- **The Agreement Contains Strong Provisions Against Unfair Trade And Import Surges.** The Agreement explicitly permits the U.S. to continue to use its anti-dumping methodology for 15 years after China's accession to the WTO. China also has committed to a strong product-specific safeguard that allows the United States for 12 years after accession to restrain increasing imports from China that cause or threaten market disruption. After that, current U.S. safeguard provisions -- Section 201 -- will remain available to address increasing imports.

- **American Farmers Will Benefit From Expanded Trading Rights.** Currently, only companies that receive specific authorization from the Chinese government are allowed to import into China. Under the Agreement, China has committed to allow any entity to import most products into any part of the country within three years of accession. A select list of products will be partially exempt from this rule and some trade will be channeled through China's state-trading enterprises (including wheat, corn, rice, and cotton; state trading will be phased out for soybean oil). However, specific commitments to end monopoly import status have also been established. Additionally, China has committed to liberalize distribution services for all agricultural products, except tobacco, allowing U.S. companies to distribute and market their products in China.

American Farmers Will Benefit From Dramatically Expanded Market Access Opportunities. American farmers will realize enormous benefits in virtually every agricultural sector, including:

- **Grains.** China's offer for corn, wheat, and rice will lock in important and long-term market access opportunities for American farmers. China has also agreed to remove its import ban on wheat and other grains from the Pacific Northwest.

- **Oilseeds.** The WTO Agreement promises to bind tariffs at a low rate for soybeans (3%) and soybean meal (5%), and to eliminate quota limits, which will significantly increase future opportunities for U.S. producers. Export prospects for soybean oil are also bright, as China phases out quantitative restrictions and liberalizes trade completely by 2006.

- **Pork.** China is the world's largest consumer of pork, but import barriers have effectively denied access to American pork products. Under the Agreement, China will reduce its tariffs on frozen pork and offal from 20% to 12% by 2004. This reduction in tariffs, along with China's agreement to eliminate unscientific barriers, will result in substantial marketing opportunities for high-quality and competitively priced U.S. pork.

- **Beef.** By 2004, China will reduce its tariffs from 45% to 12% on frozen beef, and from 45% to 25% on fresh/chilled beef. While China currently imports a small quantity of beef, income growth and increased consumption among the urban populations should significantly increase demand for U.S. beef.

- **Poultry.** China is already the second-leading market for U.S. poultry exports. Under the Agreement, China will reduce tariffs from 20% to 10% -- which should create a significant, immediate impact on U.S. exports.

- **Cotton.** China is the world's largest producer and consumer of cotton, accounting for 20-25% percent of the world's total in both categories. Under the Agreement, China will establish a large, low-duty TRQ for cotton with a substantial share reserved for private importers, which should lead to expanded U.S. cotton sales.

- **Fruits.** China will cut tariffs on a number of fruits and fruit products exported by the United States, including citrus, apples, and grapes, and will be obliged to remove unjustified import bans. While China is a major producer of citrus and other fruits, U.S. producers will benefit from access to major markets that are not adequately served by China's producers. China also made a bilateral commitment to lift its ban on imports of citrus fruit from California, Arizona, Texas, and Florida.

- **Others.** Agricultural commodities as diverse as wine, solid wood products, fishery products, tree nuts (including almonds), dairy items (especially cheese), snack foods, and other consumer-ready items, can all expect to benefit from China's WTO accession.

FAS Online

U.S.- CHINA AGRICULTURAL COOPERATION AGREEMENT

Removal of Sanitary/Phytosanitary Barriers to U.S. Exports of Citrus, Meat and Grains

February 9, 2000

On April 10, 1999 the U.S. and China signed an *Agreement on U.S. - China Agricultural Cooperation*, which resolves sanitary and phytosanitary trade disputes on citrus, meat, Pacific-northwest wheat, and other grains.

Resolution of Trade Disputes

China agreed to the immediate removal of longstanding barriers to U.S. citrus, meat, and wheat and other grains. In addition, China agreed to accelerate the removal of all other non-tariff measures restricting trade in agricultural products that cannot be justified under WTO rules.

Citrus

- Under the Agreement, China will lift bans on imports of U.S. citrus. For the first two harvest seasons Arizona, Texas and approved counties in Florida and California will be permitted to export citrus produced in areas free of fruit flies and from areas outside of a 20-kilometer zone around fruit fly outbreaks.
- During the interim period, the U.S. and China also agreed to study the size of the quarantine zone. If agreement cannot be reached, then the 20-kilometer zone will be eliminated (i.e., the much less restrictive U.S. standard will apply).
- On January 28, Chinese officials completed the pre-program initiation inspection tour of U.S. citrus producing regions, as stipulated in the agreement. Based on this visit, the officials indicated that they anticipated being able to approve U.S. citrus exports to China soon.

Wheat and other Grains

- Under the Agreement, China will lift the ban on imports of wheat from 7 states in the Pacific Northwest (the ban was due to the presence of TCK spores in shipments).
- China will import all types of U.S. wheat from all regions of the United States to all ports in China provided it is at or below a tolerance level of 30,000 TCK spores per 50 gram sample.
- Equivalent tolerance levels will be applied to other grains possibly contaminated with TCK.
- For one year, the U.S. and China will undertake a joint project on the TCK tolerance level for exports to China. If agreement cannot be reached, 30,000 TCK spores per 50-gram sample will continue to be applied.
- China agreed not to apply any other restrictions, including measures that would require a change of destination for any shipment.
- China also agrees that there is no other outstanding phytosanitary issue to prohibit exports of U.S. wheat.

Meat

- Under the Agreement, China will lift the ban on U.S. exports of all meat and poultry accompanied by a USDA/FSIS certificate of wholesomeness.
- China will still have the right to randomly audit the U.S. certification system through plant

inspections and through inspection of imported U.S. product at the Chinese port of entry.

Technical Cooperation and Scientific Exchanges

The U.S. and China agreed to increase mutual cooperation in the field of high technology and encourage research institutes and agricultural enterprises to collaborate in high-tech research and development. The specific project areas include:

-- field and horticultural products
-- biotechnology
-- meat, poultry, and livestock
-- aquaculture
-- natural resources and the environment

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FAS Online

Agriculture -- General

February 9, 2000

Tariff Bindings

- By joining the WTO, China is committing to establish a "tariff-only" import regime; all non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes must be applied in a manner that is consistent with WTO rules requiring a transparent and non-discriminatory system and all health measures must be based on sound science. The tariff on agricultural products will decline from an overall average of 22% to 17.5%, while the average duty on agricultural products of U.S. priority interest will fall from 31% to 14%. Specific commitments to lower tariffs, to be phased-in by the year 2004 in equal annual installments, are elaborated in the specific fact sheets.

Tariff-Rate Quota Administration

- China, like many WTO Members, including the United States, will use a tariff-rate quota (TRQ) system and state trading for certain sensitive commodities (including wheat, corn, rice, cotton, and soybean oil). Under this system, a specific quantity of imports will be allowed in at a low duty (10 percent or less) while imports above that level will face a higher duty. China made specific commitments to administer these TRQs based on economic rather than political criteria. These commitments are designed to ensure a transparent and consistent system for allocating shares of the TRQ to end users and creating provisions to ensure that quota-holders are not impeded in utilizing their quotas. If TRQs are not utilized they are redistributed to other end users who have an interest in importing. Moreover, a specific share of the TRQ will be reserved for importation through state trading enterprises (such as COFCO and Chinatex) and a specific share will be reserved for importation by non-state trading entities. Finally, if a TRQ share that was reserved to be imported by a state trader is not contracted for by October for any given year, it will be reallocated to non-state trading entities.

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products into any part of China. This commitment is phased in over the three-year period with all entities being permitted to import and export at the end of the period. A select list of products will be partially exempt from this rule and some trade will continue to be channeled through China's state trading enterprises (including wheat, corn, rice, and cotton; state trading will be phased out for soybean oil). However, specific commitments to end monopoly import status have also been established. Trading rights for these products will be phased in, gradually increasing the number of entities allowed to import.
- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products, including grains. (See separate papers on distribution services and related services.)

Export Subsidies

- China has committed not to use export subsidies for agricultural products when it joins the WTO. This commitment is particularly useful for addressing potential exports of corn, rice, and cotton, which in the past have displaced U.S. product from third-country markets.

Domestic Support

- China committed to cap and reduce trade-distorting domestic subsidies. The specific level will be determined through multilateral negotiations in Geneva on the protocol and working party report. China also committed to provide greater transparency to make its domestic support measures more predictable.

Sanitary and Phytosanitary Measures

- China has committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science, not political agendas or protectionist concerns. Additionally, China and the United States agreed bilaterally the terms for the removal of scientifically unjustified restrictions on importation of U.S. wheat, citrus, and meat. Discussions continue on removing SPS barriers to for other U.S. products, such as tobacco, plums and potatoes.

Anti-dumping

- The Agreement explicitly permits the United States to continue to use its current non-market economy methodology for 15 years after China's accession to the WTO. (See specific paper on this protocol issue.)

Safeguards

- China has committed to a strong product-specific safeguard that allows the United States to address import surges. Specifically, the safeguard allows the United States to restrain increasing imports from China that cause or threaten to cause market disruption for 12 years after accession. After that, current U.S. safeguard provisions -- Section 201 -- remain available to address increasing imports. (See specific paper on this protocol issue.)

FAS Online

Cotton

February 9, 2000

Tariff-Rate Quota Administration

- China, like many WTO-Members, including the United States, will use a tariff-rate quota (TRQ) system and state trading for certain sensitive commodities. Under the agreement, China will permit imports of 743 thousand metric tons of cotton at a duty of 1% (1998 imports equaled 200 thousand metric tons). This volume will grow to 894 thousand metric tons by 2004. Imports above these levels will face a higher duty of 76%, which will be reduced to 40% by the year 2004. China made specific commitments to administer these TRQs so as to maximize the potential that they will be filled. Specifically, if TRQs are not utilized they will be redistributed to other end users who have an interest in importing. Moreover, 33% of the TRQ will be reserved for importation through state trading enterprises (such as Chinatex) and 67% will be reserved for non-state trading entities. Finally, if a TRQ share that was reserved to be imported by a state trader is not contracted for by October for any given year, it will be reallocated to non-state trading entities.

- In summary, China has committed to establish a TRQ on the following terms:

Initial TRQ	2004 TRQ	In-quota Duty	Private Share	1998 Total Imports
743,000 mt	894,000 mt	1%	67%	200,000 mt

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, including cotton, into any part of China. This commitment is phased in over the three-year period with all entities being permitted to import and export at the end of the period. Under the cotton TRQ, China has reserved a percentage of trade in cotton for importation through state trading enterprises, but China will also permit other enterprises to import under the TRQ.

- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products, including cotton. (See separate papers on distribution services and related services.)

Export Subsidies

- China will eliminate export subsidies for agricultural products when it joins the WTO, benefiting U.S. agricultural products competing in third-country markets.

Domestic Support

- China committed to cap and reduce trade-distorting domestic subsidies; specific levels will be determined through multilateral negotiations.

Sanitary and Phytosanitary Measures

- China committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science.

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FAS Online

Dairy

February 9, 2000

Tariffs

China is committing to establish a "tariff-only" import regime; all WTO-inconsistent non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes must be applied in a manner that is consistent with WTO rules requiring a transparent and non-discriminatory system.

Tariff concessions on key dairy products that China will phase in by 2004 include the following:

	Current Tariff (%)	Tariff in 2004 (%)
Fresh cheese	50	12
Grated/powdered cheese\	50	12
Processed cheese	50	12
Yogurt	50	10
Lactose	35	10
Ice cream	45	19
Other food preparations	25	1

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, including dairy products, into any part of China. This commitment is phased in over the three-year period with all entities being permitted to import and export at the end of the period.

- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products. (See separate papers on distribution services and related services.)

Export Subsidies

- China will eliminate export subsidies for agricultural products when it joins the WTO, benefiting U.S. agricultural products competing in third-country markets.

Domestic Support

- China committed to cap and reduce trade-distorting domestic subsidies; specific levels will be determined through multilateral negotiations.

Sanitary and Phytosanitary Measures

- China committed to fully abide by the terms of the WTO Agreement on Sanitary and

Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science.

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Distilled Spirits, Beer and Wine

February 9, 2000

Tariffs

- Tariffs on beer, currently at 70%, will be eliminated by 2005.
- Tariffs on U.S. priority exports of distilled spirits (whiskies, rum, vodka, and liqueurs), currently at 65%, will be reduced to 10% by 2005.
- Tariffs on wine, currently at 65%, will be reduced to 20% by 2004.

Quotas

- Quotas and licenses will be eliminated upon accession.

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is reserved for companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, including distilled spirits and beer, into any part of China. This commitment is phased-in over the three- year period with full trading rights at the end of the period.
- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products, including distilled spirits and beer. (See separate papers on distribution services and related services.)

Other Commitments

- China has agreed not to apply or enforce export performance, local content, and similar requirements as a condition on importation or investment approval.
- To alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17% VAT tax, China has agreed to apply all taxes and tariffs uniformly to both domestic and foreign businesses.

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Distribution Services

February 9, 2000

- China agreed to liberalize its distribution system, one of the primary commitments sought by U.S. manufacturers and agricultural exporters. (*China now generally prohibits companies from distributing imported products or providing related distribution services such as repair and maintenance services.*)
- China's distribution commitment is comprehensive, covering commission agents services, wholesaling, retailing, franchising, sales away from a fixed location, as well as related subordinated activities, such as inventory management or repair and maintenance services.
- China also made specific commitments related to distribution, such as rental and leasing services, air courier services, freight forwarding, and packing services. These commitments are found elsewhere in China's schedule under the relevant services categories. (*For more information, see resource paper on Services Related to Distribution.*)
- Current restrictions for all products are phased-out within three years from the date of accession, unless specifically noted below. This tracks with China's commitment to phase-in trading rights within three years.

Wholesale and Commission Agents Services

- Within one year of accession, foreign service suppliers will be permitted to establish joint ventures.
- Within two years from the date of accession, foreign majority equity share is allowed and all geographic and quantitative restrictions are eliminated.
- Within three years from the date of accession, foreign service suppliers may establish wholly owned subsidiaries.

Retailing Services

- Upon accession, foreign service suppliers will be permitted to establish as a joint venture in Zhengzhou and Wuhan.
- Within one year of accession, foreign service suppliers will be permitted to establish no more than two joint ventures in the five Special Economic Zones (Shenzhen, Zhuhai, Shantou, Xiamen, and Hainan) and four cities (Tianjin, Guangzhou, Dalian and Qingdao). Four joint ventures are permitted in Beijing and Shanghai. Two among the four joint ventures established in Beijing may set up branches in Beijing.
- Within two years from the date of accession, foreign majority equity share is allowed in these joint ventures, and geographic restrictions will be further liberalized to include all provincial capitals and Chongqing and Ningbo.
- Within three years from the date of accession, there will be no restrictions on equity, geographic

areas, or on the number of service suppliers.

Franchising and Sales Away From a Fixed Location

- Franchising, sales away from a fixed location (both wholesale and retail) and related subordinated activities are permitted without restrictions in three years.

Exceptions

- For retail department stores over 20,000 square meters and chain stores with more than 30 stores, China will only permit minority equity participation in joint ventures.

- Excluded from China's commitments are wholesaling for salt, and wholesaling and retailing for tobacco.

- China specified different end-points for liberalization for the product categories identified below. China is still obligated to provide market access and national treatment without restrictions, but there are no interim "benchmark" commitments as provided for other products.

  -- For *chemical fertilizers*, China will allow foreigners to provide wholesale and retail services within five years from the date of accession.

  -- For *books, magazines and newspapers,* China will allow foreigners to provide wholesale services within three years from the date of accession and retail services within five years.

  -- For *pharmaceutical products and pesticides*, China will allow foreigners to provide wholesale and retail services within three years from the date of accession.

  -- For *mulching film*, China will allow foreigners to provide wholesale services within three years from the date of accession, and retail services within one year.

  -- For *crude oil and processed petroleum products*, China will allow foreigners to provide wholesale services within five years from the date of accession. For *processed petroleum products*, retail services will be permitted within three years from the date of accession. (Note: Crude oil is not excepted from China's retail commitment, so it will be treated as any other product.)

Other Commitments

- Upon accession, foreign companies may distribute all products manufactured in China, *including those excepted products noted above*. They may also provide the related subordinate services, as defined in Annex 1 of China's services schedule.

- Within one year from the date of accession, foreign-invested companies may distribute both products made in China as well as imported products.

ANNEX 1

DISTRIBUTION SERVICES

Distribution trade services are comprised of four main sub-sectors:

1) commission agents services,
2) wholesaling,
3) retailing,
4) franchising.

The principal services rendered in each subsector can be characterized as reselling merchandise, accompanied by a variety of related subordinated services, including inventory management; assembly, sorting and grading of bulk lots; breaking bulk lots and redistributing into smaller lots; delivery services; refrigeration, storage, warehousing and garage services; sales promotion, marketing and advertising, installation and after sales services including maintenance and repair and training services. Distribution services are generally covered by CPC 61, 62, 63 and 8929.

COMMISSION AGENTS' SERVICES consist of sales on a fee or contract basis by an agent, broker or auctioneer or other wholesalers of goods/merchandise and related subordinated services;

WHOLESALING consist of the sale of goods/merchandise to retailers to industrial, commercial, institutional, or other professional business users, or to other wholesalers and related subordinated services;

RETAILING SERVICES consist of the sale of goods/merchandise for personal or household consumption either from a fixed location (e.g., store, kiosk, etc.) or away from a fixed location and related subordinated services;

FRANCHISING SERVICES consist of the sale of the use of a product, trade name or particular business format system in exchange for fees or royalties. Product and trade name franchising involves the use of a trade name in exchange for fees or royalties and may include an obligation for exclusive sale of trade name products. Business format franchising involves the use of an entire business concept in exchange for fees and royalties, and may include the use of a trade name, business plan, and training materials and related subordinated services.

Services Related to Distribution

Maintenance and Repair Services

- Foreign service suppliers will be able to provide repair and maintenance services for household consumers goods, motorcycle, auto, and office machinery, including computers. *(For repair services affiliated with a manufacturer, see resource paper on Distribution Services.)*
- Foreign service suppliers may establish as joint ventures upon accession, hold a majority equity share in one year, and be free of restrictions within three years.

Rental and Leasing Services

- China's commitment covers rental and leasing services for machinery and equipment without operators, and personal and household goods, except for videotapes.
- Foreign service suppliers must hold global assets of $5 million in order to operate in China.
- Foreign service suppliers may establish as joint ventures upon accession, hold a majority equity share in one year, and be free of restrictions within three years.

Advertising Services

- Foreign service suppliers may establish in China as a joint venture upon accession, hold a majority equity share within two years, and set up as a wholly owned subsidiary within four years.
- In order to provide cross-border services, however, foreign service suppliers must go through authorized advertising agents in China.

Technical Testing and Analysis, Freight Inspection Services

- Foreign service suppliers which have been engaged in inspection services in their home countries for more than three years and hold $500,000 in registered capital are permitted to establish joint ventures upon accession, hold majority equity share within two years, and be free of restrictions within four years.
- "Statutory inspection" services are excluded from freight inspection services commitments.

Packaging Services

- Foreign service suppliers may establish as joint ventures upon accession, hold a majority equity share within one year, and be free of restrictions within three years.

Courier Services

- China's commitments covers land-based international courier services and all services related to an international shipment handled by an express carrier.
- Foreign service suppliers are permitted to establish as a joint venture upon accession, hold a majority equity share within one year, and be free of restrictions within four years.

Storage and Warehousing Services

- Foreign service suppliers are permitted to establish as joint ventures upon accession, hold a majority equity share within one year, and will be free of restrictions within three years.

Freight Transportation by Rail, and by Road in Trucks or Cars

- Road transport: Foreign service suppliers will be able to establish as joint ventures upon accession, hold a majority equity share within one year, and be free of restrictions within three years.
- Rail transport: Foreign service suppliers will be able to establish as joint ventures upon accession, hold a majority equity share within three years, and be free of all restrictions within six years.

Freight Forwarding Agency Services

- In order to establish in China, foreign service suppliers should have at least three consecutive years experience. The minimum registered capital of a joint venture shall be no less than $1 million and the length of operation shall not exceed 20 years.
- Foreign service suppliers are permitted to establish a joint venture upon accession, and hold a majority equity share within one year.
- After one year of operation in China, a joint venture may set up a branch if it adds $120,000 to the original registered capital for each branch established.
- All restrictions are eliminated within four years.

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Fish

February 9, 2000

Tariffs

- China will reduce its tariffs from a current average of 25.3% to a final average of 10.6% by January 1, 2005.

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, including fish, into any part of China. This commitment is phased-in over the three-year period with all entities being permitted to import and export at the end of the period.
- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products, including fish. (See separate papers on distribution services and related services.)

Safeguards

- China has committed to a strong product-specific safeguard that allows the United States to address import surges. Specifically, the safeguard allows the United States to restrain increasing imports from China that cause or threaten to cause market disruption for 12 years after accession. After that, current U.S. safeguard provisions -- Section 201 -- remain available to address increasing imports.

Antidumping

- The Agreement explicitly permits the United States to continue to use its current non-market economy methodology for 15 years after China's accession to the WTO.

Other Commitments

- China has agreed not to apply or enforce export performance, local content, and similar requirements as a condition on importation or investment approval.
- To alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17% VAT tax, China has agreed to apply all taxes and tariffs uniformly to both domestic and foreign businesses.

FAS Online

Grains

February 9, 2000

Tariffs

China is committing to establish a "tariff-only" import regime; all WTO-inconsistent non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes must be applied in a manner that is consistent with WTO rules requiring a transparent and non-discriminatory system.

Tariff concessions on grains that will be phased in by 2004 include the following grain products:

	Current Tariff (%)	Tariff in 2004 (%)
Sorghum	3	2
Barley malt	30	10

China also will remove the quota on barley, replacing it with a 9 percent tariff.

Tariff-Rate Quota Administration

China, like many WTO-Members, including the United States, will use a tariff-rate quota (TRQ) system and state trading for certain sensitive commodities. Under the agreement, China will permit imports of levels of each commodity at a low duty of (1% for the grain, no more than 10% for partially processed grain products). This volume will expand significantly by 2004. Imports above the quota levels will face a higher duty of 76%, which will be reduced to 65% by the year 2004. China made specific commitments to administer these TRQs so as to maximize the potential that they will be filled. Specifically, if TRQs are not utilized they will be redistributed to other end users who have an interest in importing. Moreover, part of the TRQ for each grain will be reserved for importation through state trading enterprises (such as COFCO) and the rest will be reserved for non-state trading entities. Finally, if a TRQ share that was reserved to be imported by a state trader is not contracted for by October for any given year, it will be reallocated to non-state trading entities.

In summary, China has committed to establish TRQs on the following terms:

Wheat	Initial TRQ	2004 TRQ	Private Share	1998 Total Imports
	7,300,000 mt	9,636,000 mt	10%	2,000,000 mt
Corn	Initial TRQ	2004 TRQ	Private Share	1998 Total Imports
	4,500,000 mt	7,200,000 mt	25%, grows to 40%	250,000 mt
Rice	Initial TRQ	2004 TRQ	Private Share	1998 Total Imports
total	2,660,000 mt	5,320,000 mt		250,000 mt
short/med grain	1,330,000 mt	2,660,000 mt	50%	
long grain	1,330,000 mt	2,660,000 mt	10%	

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, including grain, into any part of China. This commitment is phased-in over the three-year period with all entities being permitted to import and export at the end of the period. Under the grain TRQs, China has reserved a percentage of trade for importation through state trading enterprises, but China will also permit other enterprises to import under the TRQ.
- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products, including grains. (See separate papers on distribution services and related services.)

Export Subsidies

- China will eliminate export subsidies for agricultural products when it joins the WTO, benefiting U.S. agricultural products competing in third-country markets.

Domestic Support

- China committed to cap and reduce trade-distorting domestic subsidies; specific levels will be determined through multilateral negotiations.

Sanitary and Phytosanitary Measures

- China committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science.

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FAS Online

Meats

February 9, 2000

Tariffs

China is committing to establish a "tariff-only" import regime; all WTO-inconsistent non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes must be applied in a manner that is consistent with WTO rules requiring a transparent and non-discriminatory system.

Tariff concessions on key meat products that China will phase in by 2004 include the following:

	Current Tariff (%)	Tariff in 2004 (%)
Frozen beef cuts	45	12
Frozen beef tongue and offal	20	12
Frozen pork cuts and offal	20	12
Frozen chicken and turkey parts	20	10

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, including meat and meat products, into any part of China. This commitment is phased in over the three-year period with all entities being permitted to import and export at the end of the period.
- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products. (See separate papers on distribution services and related services.)

Export Subsidies

- China will eliminate export subsidies for agricultural products when it joins the WTO, benefiting U.S. agricultural products competing in third-country markets.

Domestic Support

- China committed to cap and reduce trade-distorting domestic subsidies; specific levels will be determined through multilateral negotiations.

Sanitary and Phytosanitary Measures

- China made a bilateral commitment to lift its ban and accept meat from all U.S. plants certified by U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service (FSIS). China committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science.

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Oilseeds

February 9, 2000

Tariffs

China is committing to establish a "tariff-only" import regime; all WTO-inconsistent non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes must be applied in a manner that is consistent with WTO rules requiring a transparent and non-discriminatory system.

Quota Administration

While trade in soybean oil will be completely liberalized by 2006, China will use a tariff-rate quota (TRQ) system and state trading during the interim. Under this system, China will permit imports of approximately1.7 million metric tons at a duty of 9%, with the quantity growing to nearly 3.3 million metric tons by 2005. Imports over this quota will face a higher duty of 74% falling to 20% by the year 2005. In 2006, the TRQ and state-trading will be eliminated, with nothing remaining but a 9% duty for all imports of soybean oil. China made specific commitments to administer these TRQs based on economic rather than political criteria. These commitments are designed to ensure a transparent and consistent system for allocating shares of the TRQ to end-users and creating provisions to ensure that quota-holders are not impeded in utilizing their quotas. If TRQs are not utilized, they are redistributed to other non-state-trading end-users who have an interest in importing. If a TRQ share that was reserved to be imported by a state trader is not contracted for by October for any given year, it will be reallocated to non-state trading entities.

For oilseeds, China's commitments include:

Soybeans and Meal

- China will bind its tariff for soybeans at the current applied rate of 3%, foreclosing its ability to establish a quota in the future. China's imports of soybeans exceeded 3,000,000 metric tons in 1998. China will bind its tariff for soybean meal at 5%.

Soybean Oil

- China will phase out the TRQ for soybean oil by the year 2006. During implementation, the TRQ will grow from 1,718,000 metric tons to 3,261,000 metric tons, with the share reserved for importation through entities other than state trading enterprises growing from 50 percent to 90 percent before the TRQ is eliminated. The in-quota duty during that period will be 9%, while the over-quota duty will fall from 74% in the year 2000 to 9% in the year 2006.

Vegetable Oil

- China will immediately eliminate quotas on cottonseed, sunflower, safflower, peanut and corn oil and replace them with a 10 percent tariff. China agreed not to charge a higher duty for any of these oils, and for soybean oil, than is charged for other vegetable oils.

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, including oilseeds and oilseed products, into any part of China. This commitment is phased in over the three-year period with all entities being permitted to import and export at the end of the period. Under the soybean oil TRQ, 50 percent of the TRQ will be reserved for entities other than state trading enterprises initially, with this share growing to 90 percent by 2005.
- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products. (See separate papers on distribution services and related services.)

Export Subsidies

China will eliminate export subsidies for agricultural products when it joins the WTO, benefiting U.S. agricultural products competing in third-country markets.

Domestic Support

- China committed to cap and reduce trade-distorting domestic subsidies; specific levels will be determined through multilateral negotiations.

Sanitary and Phytosanitary Measures

- China committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science.

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Specialty Crops

February 9, 2000

Tariffs

China is committing to establish a "tariff-only" import regime; all non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes must be applied in a manner that is consistent with WTO rules requiring a transparent and non-discriminatory system.

Tariff concessions on some key commodities that China will phase in by 2004 include the following:

Vegetables

	Current Tariff (%)	Tariff in 2004 (%)
Lettuce	16	10
Cauliflower	13	10
Broccoli	13	10
Celery	13	10
Frozen sweet corn	13	10
Frozen vegetable mixtures	13	10
Canned sweet corn	25	10
Canned tomato paste	25	20
Tomato ketchup	30	15

Nuts

	Current Tariff (%)	*Tariff in 2004 (%)*
Shelled almonds and hazelnuts	30	10
Pistachios	35	10
Shelled and canned walnuts	30	20
Other canned nuts	30	13

specialty crops

Citrus

	Current Tariff (%)	*Tariff in 2004 (%)*
Oranges	40	12
Lemons	40	12
Grapefruit	40	12
Frozen orange juice concentrate	35	15
Grapefruit juice	35	15

Other Fruits

	Current Tariff (%)	Tariff in 2004 (%)
Apples	30	10
Pears	30	10
Cherries	30	10
Fresh peaches	30	10
Canned peaches	30	10
Other jams and jellies	30	10
Plums	40	10
Raisins	40	10
Grapes	40	13
Wine	65	20
Other fruits and nuts	30	20
Grape juice	35	20
Fruit juice mixtures	35	20
Water-based drinks with sugar	65	20
Other water-based drinks	50	35

Other Products

	Current Tariff (%)	*Tariff in 2004 (%)*
Hop cone pellets	30	10
Hop extracts	20	10
Ginseng	40	10
Yellow grease	40	10
Sweet biscuits	25	15
Soup	45	15
Cigarettes	65	25
Tobacco	40	10

Trading Rights and Distribution

Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, excluding tobacco, into any part of China. This commitment is phased in over the three-year period with all entities being permitted to import and export at the end of the period.

China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products, excluding tobacco. (See separate papers on distribution services and related services.)

Export Subsidies

- China will eliminate export subsidies for agricultural products when it joins the WTO, benefiting U.S. agricultural products competing in third-country markets.

Anti-dumping

- The Agreement explicitly permits the United States to continue to use its current non-market economy methodology for 15 years after China's accession to the WTO. (See specific paper on this protocol issue.)

Safeguards

- China has committed to a strong product-specific safeguard that allows the United States to address import surges. Specifically, the safeguard allows the United States to restrain increasing imports from China that cause or threaten to cause market disruption for 12 years after accession. After that, current U.S. safeguard provisions–Section 201–remain available to address increasing imports. (See specific paper on this protocol issue.)

Domestic Support

- China committed to cap and reduce trade-distorting domestic subsidies; specific levels will be determined through multilateral negotiations.

Sanitary and Phytosanitary Measures

- China committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science.

FAS Online

State-Owned and State-Invested Enterprises

February 9, 2000

- China has confirmed the application of WTO rules to state-owned enterprises and extended those disciplines to state-invested enterprises, e.g., companies in which the government has an equity interest. Under these commitments, China's state-owned and state-invested enterprises are required to buy and sell based on commercial considerations, such as quality and price.
- China must also provide U.S. companies opportunities to sell products to state-owned and state-invested enterprises.
- Purchases and sales of goods and services by state-owned enterprises, for commercial resale, or for use in the production of goods for commercial sale are not considered to be government procurement and are subject to WTO rules.
- Application of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement) to state-owned enterprises has been clarified. The agreement establishes that the United States can use alternative benchmarks in determining whether China's government has provided a benefit to an industry, such as equity infusions or soft loans. We have also clarified that we can take action against certain subsidies given to state-owned enterprises.

FAS Home | Index | Search | E-Mail | Other Links | USDA

Last modified: Thursday, February 10, 2000

FAS Online

Textiles: Special Safeguard

February 9, 2000

Quotas

- China has agreed to incorporate the textile-specific safeguard provided for in the U.S.-China Bilateral Textile Agreement. Accordingly:

  -- Quotas will remain in place under the WTO Agreement on Textiles and Clothing (ATC) until the end of 2004, when the ATC expires.

  -- A textile-specific safeguard will be available until the end of 2008.

Scope and Standard for Textile Safeguard

- Covers all textile and apparel products under the WTO Agreement on Textiles and Clothing (ATC) as of January 1, 1995.
- Permits restraints on imports that are "due to market disruption, threatening to impede the orderly development of trade in these [textile and apparel] products."

Remedy

- Restraints on imports become effective on receipt of a request for consultations
- Restraints may remain in place for up to a year unless we go through procedures to reapply the safeguard.
- China has no right to retaliate against a restraint.

Enforcement

- The terms and procedures of the textile safeguard are enforceable through dispute settlement in the WTO.

FAS Home | Index | Search | E-Mail | Other Links | USDA

Last modified: Thursday, February 10, 2000

Textiles and Apparel

February 9, 2000

Tariffs

- China will reduce its tariffs on textiles and apparel products from its current average tariff of 25.4% to 11.7% -- essentially implementing the textile harmonization formula. Reductions will commence upon accession and will be completed by January 1, 2005.
- Tariff rates agreed to in the 1997 U.S-China Bilateral Textile Agreement will be implemented and bound in the WTO by 2001. Further tariff reductions will be implemented by 2005.

Trading Rights and Distribution

- Currently in China, the right to engage in trade (importing and exporting) is strictly limited; only companies that receive specific authorization or who import goods to be used in production have such rights. This limits the ability of U.S. companies to do business in China, and has limited U.S. exports. China has agreed that companies in China and U.S. companies will be able to import most products, including textile and apparel products, into any part of China three years after accession. This commitment is phased in over the three-year period.
- China also generally prohibits companies from distributing imported products or providing related distribution services such as repair and maintenance services. China will permit foreign enterprises to engage in the full range of distribution services over a three-year phase-in period for almost all products, including textile and apparel products. (See separate papers on distribution services and related services.)

Quotas

- Most Chinese quotas on priority U.S. exports will be eliminated upon accession, except that quotas on thirty yarn, synthetic filament tow, and fiber products will be eliminated after one year.
- The United States will apply the WTO Agreement on Textiles and Clothing to China with a phase-out of our quotas under that Agreement.

Safeguards

- China has committed to two strong provisions to address concerns regarding import surges of textile and apparel products:

  -- A textile safeguard provides a mechanism to address market disruption in this sector based on provisions in 1997 U.S.-China Bilateral Textiles Agreement. The mechanism allows the imposition of quotas if market disruption occurs. This provision covers all products under the WTO Agreement on Textiles and Clothing as of 1 January 1995. The mechanism remains in effect until 31 December 2008.

  -- China has also agreed to a product-specific safeguard that addresses rapidly increasing imports from China that cause or threaten to cause market disruption on a product-specific basis. This provision remains in effect for 12 years after accession.

Anti-dumping

- The U.S. and China agreed that we will be able to maintain our current anti-dumping methodology, which treats China as a non-market economy. This provision will remain in effect for 15 years.

Subsidies

- The United States will be able to take the special characteristics of China's economy into account when identifying and measuring any subsidy benefits that may exist, when we begin to apply our countervailing duty law to China.
- The status of state-owned enterprises under the WTO Subsidies Agreement was also clarified. This will help to ensure that the United States can effectively apply our trade law to the state-owned enterprises when it is appropriate to do so.

Other Commitments

- To alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17% VAT tax, China has agreed to apply all taxes and tariffs uniformly to both domestic and foreign businesses.
- Additional subsidies issues will be addressed multilaterally in China's Protocol and Working Party Report.

Last modified: Thursday, February 10, 2000

FAS Online

Wood

February 9, 2000

Tariffs

- China will reduce its tariffs on wood and wood products from its current average tariff of 10.6% to 3.8%. Reductions will begin on accession and will be fully implemented by January 1, 2004.
- If WTO Members agree to and adopt the forest products sectoral initiative that originated in APEC, China will join this initiative and eliminate its tariffs on these products.

Trading Rights and Distribution

- Currently, U.S. companies' ability to do business in China is strictly limited because the right to engage in trade (importing and exporting) is restricted to a small number of companies that receive specific authorization or who import goods to be used in production. This limits U.S. exports. China has agreed that any entity will be able to import most products, including wood products, into any part of China. This commitment is phased in over the three-year period with all entities being permitted to import and export at the end of the period.
- China -- which generally prohibits companies from distributing imported products or providing related distribution services -- will permit foreign enterprises to engage in the full range of distribution services. These rights will be phased in over a three-year period for almost all products, including wood products. (See separate papers on distribution services and related services.)

Other Commitments

- China has agreed to provide treatment to the United States on par with China's preferential programs. For example, if China grants a lower tariff rate to Malaysia than is applied in China's tariff schedule due to a WTO-consistent preferential program, that rate must also be provided to the United States for wood products.
- To alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17% VAT tax, China has agreed to apply all taxes and tariffs uniformly to both domestic and foreign businesses.
- China has agreed not to apply or enforce export performance, local content, and similar requirements as a condition on importation or investment approval.

01/24/00 MON 13:03 FAX

002

TIM JOHNSON
SOUTH DAKOTA

COMMITTEES:
AGRICULTURE, NUTRITION AND FORESTRY
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United States Senate

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TOLL FREE
1-800-537-0025

January 24, 2000

The President
The White House
Washington, DC 20500

Dear Mr. President:

As I have indicated to you in previous correspondence, the opportunity available to United States agriculture, should the People's Republic of China (PRC) join the World Trade Organization, (WTO) is potentially tremendous. While the ongoing economic crisis gripping rural America will require us to most importantly bolster a very weak safety net within the farm bill, China represents a huge trading opportunity to America's family farmers and ranchers.

In December, I wrote to thank you for your personal involvement to insure the November, 1999 bilateral agreement was reached between the U.S. and PRC. I also stated my strong support for granting permanent normal trade relations (NTR) to China.

Today, I write to request that you insure access to China's fertilizer market within the context of a final WTO accession agreement for China. I understand the November, 1999 agreement with the PRC omitted fertilizer trading rights, which many in Congress feel is important in order to reach a final agreement. The omission of fertilizer trading rights came as a surprise to several members of Congress as the April, 1999 discussions contained this important access. Enclosed is a copy of a letter from November 19, 1999 signed by myself and 69 other Senators to the Chinese Ambassador expressing our concern that our U.S. fertilizer industry must have access to China's fertilizer market.

It is my hope that prior to Senate consideration of normal trade relations for China, this omission is corrected. I look forward to working with you on this issue and learning of the status of this provision for U.S. access to China's fertilizer market in the final accession agreement.

Sincerely,

Tim Johnson
United States Senator

Enclosures

KENT CONRAD
NORTH DAKOTA
202-224-2043

United States Senate
WASHINGTON, DC 20510-3403

January 14, 2000

The Honorable William J. Clinton
The White House
1600 Pennsylvania Ave NW
Washington, DC 20500-0005

Dear Mr. President:

It is critically important that U.S. access to China's fertilizer market (including full trading rights) be included in the final World Trade Organization accession agreement. I understand that our U.S. negotiators are currently working with the Chinese on appropriate market access language.

Fertilizer trading rights were a part of the April 1999 tentative agreement between the U.S. and China, but they were subsequently omitted from the November 1999 Memorandum of Understanding reached between the U.S. and China in Beijing. Enclosed is a Senate letter of November 19, 1999, that I and 69 other senators signed. This letter expresses our serious conviction that our U.S. fertilizer industry must have access to China's fertilizer market.

On behalf of my constituents with an interest in fertilizer trade issues, I request that, prior to Senate consideration of permanent normal trade relations with China, you advise me of the status of provisions for U.S. access to China's fertilizer market in the final accession agreement.

Thank you for your attention to this matter.

Sincerely,

KENT CONRAD
United States Senate

KC:wtom
Enclosure

RICHARD J. DURBIN
ILLINOIS

COMMITTEE ON APPROPRIATIONS

COMMITTEE ON
GOVERNMENTAL AFFAIRS

COMMITTEE ON THE BUDGET

SELECT COMMITTEE ON ETHICS

ASSISTANT DEMOCRATIC
FLOOR LEADER

United States Senate

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SPRINGFIELD, IL 62703
(217) 492–4062

701 NORTH COURT STREET
MARION, IL 62959
(618) 998–8812

January 18, 2000

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

It is critically important that U.S. access to China's fertilizer market (trading rights) be included in the final WTO accession agreement. I understand that our U.S. negotiators are currently working with the Chinese on appropriate market access language.

Fertilizer trading rights were originally included in the April 1999 agreement, but were subsequently omitted in the November 1999 Memorandum of Understanding reached between the U.S. and China in Beijing. Enclosed is a Senate letter of November 19, 1999, signed by myself and 69 of my colleagues to the Chinese Ambassador, expressing our serious concern that our U.S. fertilizer industry must have access to China's fertilizer market. As a result of China's continued unwillingness to open its market to U.S.-produced fertilizers, the current WTO accession agreement lacks any value to a large segment of my constituents.

Prior to Senate consideration of permanent normal trade relations legislation, please advise me of the status of provisions for U.S. access to China's fertilizer market in the final accession agreement.

Sincerely,

Dick Durbin

Richard J. Durbin
United States Senate

RJD/jfmw

BOB GRAHAM
FLORIDA

United States Senate
WASHINGTON, DC 20510-0903

January 6, 2000

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N. W.
Washington, D. C. 20500

Dear Mr. President:

It is critically important that U.S. access to China's fertilizer market be included in the final agreement on China's accession into the World Trading Organization (WTO). We understand that our negotiators are currently working with the Chinese on appropriate market access language. It is important that this issue be resolved before Congress considers permanent normal trade relations legislation for China.

Fertilizer trading rights were part of the April 1999 agreement, and were subsequently omitted in the November 1999 Memorandum of Understanding reached between the U.S. and China in Beijing. Enclosed is a letter of November 19, 1999, signed by myself and 69 other Senators, to the Chinese Ambassador expressing our concern that the U.S. fertilizer industry must have access to China's fertilizer market. As a result of China's continued unwillingness to open its market to U.S.-produced fertilizers, the current WTO accession agreement is unacceptable to a valuable segment of my constituents.

Prior to Senate consideration of permanent normal trade relations legislation, please advise us of the status of provisions for U.S. access to China's fertilizer market in the final accession agreement. Thank you for your attention to this very important matter.

Sincerely,

Bob Graham
United States Senator

Connie Mack
United States Senator

Enclosure

DON NICKLES
OKLAHOMA

United States Senate
WASHINGTON, DC 20510–3602

COMMITTEES
FINANCE
ENERGY AND NATURAL RESOURCES
BUDGET
RULES AND ADMINISTRATION

January 24, 2000

The Honorable William J. Clinton
President of the United Sates
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Mr. President:

It is critically important that U.S. access to China's fertilizer market (trading rights) be included in the final WTO accession agreement. I understand that our U.S. negotiators are currently working with the Chinese on appropriate market access language.

Fertilizer trading rights was a part of the April 1999 agreement, and was subsequently omitted in the November 1999 Memorandum of Understanding reached between the U.S. and China in Beijing. Enclosed is a Senate letter of November 19, 1999 signed by myself and 69 other Senators, to the Chinese Ambassador expressing our serious concern that our fertilizer industry must have access to China's fertilizer market. As a result of China's continued unwillingness to open its market to U.S. produced fertilizers, the current WTO accession agreement is unacceptable to this segment of U.S. industry.

Prior to Senate consideration of permanent normal trade relations legislation, please advise me of the status of provisions for U.S. access to China's fertilizer market in the final accession agreement.

Sincerely,

DON NICKLES
U.S. Senator

Enclosure

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GREG GANSKE
4TH DISTRICT, IOWA

COMMERCE COMMITTEE
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HEALTH AND ENVIRONMENT
FINANCE AND HAZARDOUS MATERIALS
OVERSIGHT AND INVESTIGATIONS

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES

Ganske's letter to constituents on his decision to vote for Permanent Normal Trade Relations (PNTR) with China. Letters were individually addressed and mailed the week of March 1, 2000.

March 2000

Dear

We are in a global economy. It is a reality. And the shape this global economy takes will have a direct impact on Iowa.

From 1993 to 1998, Iowa's exports increased nearly 75 percent. Export sales from Des Moines alone totaled nearly half a billion dollars in 1998. And this growth is a two way street—Iowa has attracted more than $5 billion in foreign investment. International trade supports thousands of jobs in Iowa.

In the past 30 years, we have made significant progress in breaking down barriers to our products overseas. However, we must do more. The U.S. Trade Representative details current barriers to our products in a book that is 400 pages long!

How can we increase our exports?

First, Congress can reform its policy regarding "sanctions." The United States uses "sanctions" to apply economic pressure against countries to force them to modify specific policies. Often, these unilateral sanctions prohibit the export of food and medical products. These sanctioned countries currently buy $7 billion of agricultural commodities each year from the international community. That is $7 billion in agricultural commodities that they are not buying from U.S. producers. The Department of Agriculture estimates that America's rural communities lose $1.2 billion in economic activity each year as a result of these unilateral sanctions imposed by our own government!

We must stop using "sanctions" of food and medicine...**except** in cases of national security. These unilateral sanctions punish America's farmers and further depress commodity prices by denying them access to significant international markets. Our competitors end up supplying these "sanctioned" countries and capture our markets.

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Another way to promote free trade is "fast track" negotiating authority. Fast track gives the president the authority to negotiate international trade agreements and then bring the agreements to Congress for an up or down vote. Fast track expired in 1994.

Fast track has led to multilateral trade agreements such as the Uruguay Round negotiations which produced the World Trade Organization (WTO) and great dividends for U.S. interests. Fast track also helped America reach free trade agreements with Israel in 1985 and Canada in 1988, as well as the North American Free Trade Agreement, or NAFTA, in 1993.

I believe we must reauthorize fast track negotiating authority. I hope the President and Vice President put full White House support behind an effort to reauthorize fast track and I hope Congress can pass it before we adjourn this fall.

We also must engage other nations in multilateral agreements. This can be done most effectively through international trade organizations. The system that has received the most attention lately is the WTO. Despite some of the concerns being expressed, I fully support U.S. membership in the WTO and other international trade organizations.

Opponents of trade organizations have argued that international agreements weaken some segments of our economy. Others argue that these agreements threaten our national sovereignty. Well, we must never relinquish control over our own destiny. **But these opponents fail to consider that these agreements were reached with our input.** They also fail to realize that the U.S. is the most competitive economy in the world. These organizations exist to ensure fair treatment from market to market and to reduce tariffs and restrictions...concepts that have greatly benefited America and Iowa.

One of the most effective agreements America has brokered is NAFTA. The agreement set a schedule for the reduction and eventual elimination of tariffs between the United States and our neighbors, Canada and Mexico. **This resulted in terrific growth for North American trade, greatly increasing Iowa's export market. Iowa's exports to Canada and Mexico nearly doubled in NAFTA's first four years.** In 1998 alone, Canada and Mexico imported \$2.3 billion of Iowa products, more than 44% of Iowa's export total! This growth supports thousands of jobs in Iowa and has brought substantial economic benefits to our business and agricultural communities.

The WTO has established a system of rules for member nations to ensure fair market treatment. It established a process by which member nations could seek redress for their grievances without resorting to immediate trade retaliation, an action which disrupts the international market. The result has been a global lowering of tariffs, an easing and elimination of import quotas, and an overall more free system of trade. These are essential components to future prosperity for America and our trading partners.

One of the World Trade Organization rules is the Sanitary and Phytosanitary Agreement which is very important to Iowa's agricultural trade. This agreement requires that another nation cannot impose restrictions on the import of agricultural or food products based upon a health concern **unless that concern can be supported by scientific evidence.** Many nations have erected barriers to prevent the import of American products and the SPS Agreement opens markets that have traditionally been closed to Iowa farmers.

What about our sovereignty? The WTO rules by which member nations must abide were agreed to by all members. However, nations sometimes violate these rules despite their commitments. When this happens, the WTO dispute settlement process offers a forum through which nations can seek solutions to their differences. When a member files a complaint, a WTO appointed commission reviews the case and issues an opinion. Countries have the ability to appeal the findings. After the appeals process is exhausted, the loser of the case must modify its policies to comply with the rules to which it originally agreed. **The WTO does not have enforcement authority, but it does have international opinion and the collective will of the members of the organization to encourage nations to comply with WTO rules.**

The WTO has already ruled in our favor on many trade agreements!

The future of the WTO will be determined in the next couple years. This new round of negotiations will determine the future effectiveness of the WTO and the United States must use it to make significant advances in the reduction of barriers to American products.

The future of the WTO will also be determined by the potential membership of China. The United States and China last fall reached a bilateral agreement on China's admission to the WTO. **This agreement looks very good for the U.S.**

Overall, China agreed to cut tariffs on American goods from an average of 24.6% in 1997 to an average of 9.4% by 2005. For U.S. priority products, like wood, paper, chemicals and medical equipment, tariffs will be cut to 7.1%. This is a 62-71% drop in tariff rates on most imported goods. In addition, China agreed to phase out most import quotas by 2005, making these new tariff rates applicable to most products regardless of quantity.

China also agreed to give American companies more control of the distribution of their products, at both wholesale and retail levels. American suppliers will no longer have to go through state-trading enterprises or Chinese middle-men and American companies will be allowed to provide maintenance and services for their products.

The provisions dealing with agriculture are very important to Iowa. China agreed to lower the average tariff on American agricultural products from nearly 40 percent to 17 percent. In addition, it will lower tariffs on U.S. priority products, such as pork, beef, and cheese, to 14.5 percent. The agreement also moves to eliminate Chinese quotas. For example, China agreed to eliminate oilseed quotas by 2006 and increase the quota for corn to 7.2 million metric tons by 2004. By comparison, China imported a total of only 6 million metric tons of American corn in the past 10 years. These are significant concessions.

China also agreed to abide by the SPS agreement and to accept the U.S. Department of Agriculture's certification that American meat and poultry are safe. What this means is that China will now open its markets to U.S. pork, beef, and poultry, access which has been denied because of China's claim that American meat was not safe enough for consumption. In addition, China pledged not to provide export subsidies for its own agricultural products.

In sum, the Chinese are opening up their market, they are easing their quota restrictions, they are reducing their tariffs, and they are agreeing not to subsidize their own producers. **These agriculture provisions hold the promise of significant growth for Iowa's farmers.**

Another treaty component important to Iowa is financial services. Iowa is a leader in insurance. Currently, foreign insurance companies are allowed to operate in only two cities in China. The bilateral agreement will remove all geographic limitations for insurance companies within three years. Within five years, American insurers will be able to offer group, health, and pension insurance, which represent 85 percent of all premiums paid. American firms will be allowed 50 percent ownership for life insurance and will be allowed to choose their own joint venture partners. Non-life insurance companies will be allowed to establish local branches, hold 51 percent ownership upon accession and form wholly-owned subsidiaries within two years.

I opposed the one year extension of NTR to China last year for several reasons, such as the current unfair balance of our trade relationship. However, this new trade agreement with China promises a tremendous market for American and Iowan products. And the unprecedented access to international businesses will expose Chinese society to democratic influences like never before.

This year, I will vote for Permanent Normal Trade Relations with China.

Our national interest lies with free trade. We should reform our sanctions policies to provide American food and medicine to needy civilians, grant the President fast track negotiating authority to ensure our place in global trade negotiations, participate in international trade organizations to open new and expand existing markets, and reduce trade barriers to spur further economic growth for America's economy. I will work to make sure that the U.S. is treated fairly in this global economy.

Sincerely,

Greg Ganske

Greg Ganske
Member of Congress

JGG:je/rm

United States Senate

WASHINGTON, DC 20510

November 19, 1999

His Excellency Li Zhao Xing
Ambassador
Embassy of the People's Republic of China
2300 Connecticut Avenue, N. W.
Washington, D. C. 20008

Dear Ambassador Li:

We write to express our serious concern with respect to an important omission from the Memorandum of Understanding recently reached between the U.S. and China in connection with China's possible accession to the World Trade Organization ("WTO"). We understand that, at the very last moment during the recent negotiations in Beijing, China withdrew important elements of its April offer to provide trading rights and to remove trade restrictions with respect to fertilizer imports. In our view, the absence of a workable and meaningful commitment to open China's important fertilizer market to international trade raises serious questions about China's willingness to take the steps necessary to integrate itself into the WTO trading community.

As you know, China is one of the world's most important consumers of fertilizers. Indeed, China is the principal export market for certain U.S.-produced fertilizer. Unfortunately, in recent years, China has summarily ceased importation of certain fertilizer products and curtailed others. This type of restrictive and arbitrary policy is entirely at odds with the free trade principles followed by the United States and other members of the WTO.

We understand that, when China withdrew its April offer in Beijing, there was an understanding at the highest levels of our governments to continue bilateral discussions to find a mutually acceptable means to ensure access to China's important fertilizer market. We are pleased that efforts in this regard will continue. We urge your Government, in the strongest possible terms, to demonstrate the seriousness of China's commitment to WTO free trade principles by joining the United States and other WTO members that permit open access to their fertilizer markets.

Sincerely,

PAT ROBERTS
U. S. Senator

TOM HARKIN
U. S. Senator

CHUCK HAGEL
U. S. Senator

KENT CONRAD
U. S. Senator

Ambassador Li Zhao Xing
Page Two

WAYNE ALLARD	RICHARD DURBIN
PAUL WELLSTONE	~~ROD~~ GRAMS
RICK SANTORUM	PETE DOMENICI
JAMES JEFFORDS	BOB GRAHAM
PHIL GRAMM	JEFF SESSIONS
LARRY CRAIG	TRENT LOTT
CRAIG THOMAS	BILL ROTH
TOM DASCHLE	STROM THURMOND
	ARLEN SPECTER

Ambassador Li Zhao Xing
Page Three

Burns

CONRAD BURNS

BEN NIGHTHORSE CAMPBELL

HERB KOHL

MITCH McCONNELL

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MIKE DeWINE

TED STEVENS

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Ambassador Li Zhao Xing
Page Four

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CHUCK GRASSLEY	JOHN ASHCROFT
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SPENCER ABRAHAM	DON NICKLES
BOB SMITH	JOHN KERRY
MAX BAUCUS	CONNIE MACK

Ambassador Li Zhao Xing
Page Five

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Ambassador Li Zhao Xing
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U.S. DAIRY EXPORT COUNCIL®

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U.S. courts 'missed opportunity' on China, warns Suber

ARLINGTON, Va. – Failing to grant China permanent Normal Trade Relations (NTR) status would be "a missed opportunity from which the United States would have a hard time recovering," Tom Suber, executive director of the U.S. Dairy Export Council (USDEC), told the Senate Agriculture Committee today.

In advance of China joining the World Trade Organization (WTO), the Committee heard testimony to review the impact of the China-U.S. trade agreement on the agricultural sector. Suber praised the tariff reductions secured in the pact, but warned that unless the U.S. Congress votes to approve permanent NTR for China, the U.S. dairy industry is unlikely to benefit from these market-opening concessions.

"China is on track to join the WTO, whether the United States approves permanent NTR or not," Suber said. "If we deny permanent NTR to China, our dairy competitors from the EU, Australia, New Zealand and Argentina will enjoy the benefits of lower tariffs, and we won't.

"We'll put ourselves at a competitive disadvantage at the precise instant that the world's largest market is opening itself up to the world," he concluded.

Congress is expected to vote on permanent NTR for China in June or July. Some critics have suggested that denying NTR would give the United States better leverage in addressing

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Chinese labor and human rights practices. Suber noted, however, that "bringing China into the WTO as a full-fledged member is the best way to address these concerns."

Upon joining the WTO, China will drop import tariffs on key dairy products as much as five-fold, making imported dairy products less expensive to Chinese consumers. For instance, tariffs on cheese, currently at 50%, will fall to 12% over a five-year phase-in period. Tariffs on lactose, a high-value by-product of cheesemaking, will decline from 35% to 10%.

China's transition into a market-driven economy is expected to fuel dairy consumption in the world's most populous nation. Urbanization, nutritional awareness, Westernization of diets, income growth and product availability all will have a positive effect on imports, Suber predicted. Lower cheese tariffs will significantly expand fast-food consumption, particularly pizza and cheeseburgers. Slashing tariffs on lactose will make it more competitive compared with alternative carbohydrates, boosting usage among China's confectioners, bakers and infant formula manufacturers.

USDEC forecasts that annual dairy trade with China would quadruple to at least $135 million after tariffs are fully ratcheted down.

Suber told the committee there was no downside for the United States in the deal it cut with China in November. "China is granting all the concessions. No additional access to U.S. markets is provided to China beyond that which it already enjoys," he told the committee.

The U.S. Dairy Export Council® was formed in 1995 by Dairy Management Inc.™ to enhance the U.S. dairy industry's ability to serve international markets. USDEC is an independent membership organization that leverages the investments of dairy processors, exporters, dairy farmers and industry suppliers, and funding from the U.S. Department of Agriculture's Foreign Agricultural Service. USDEC currently has 71 members.

# # #

Congress of the United States
House of Representatives
Washington, DC 20515

January 18, 2000

His Excellency Li Zhao Xing
Ambassador
Embassy of the People's Republic of China
2300 Connecticut Avenue, N.W.
Washington, D.C. 20008

Dear Ambassador Li:

We are writing to express our very serious concern with respect to China's failure to agree to liberalize trade in certain manufactured fertilizers as part of the bilateral agreement recently concluded by your government and the United States.

Unfortunately, omission of fertilizer concessions is a critical shortcoming in the agreement that must be rectified. China's fertilizer market is the largest in the world; it accounts for 30% of the world's consumption of nitrogen fertilizers, 28% of phosphate fertilizers, and 15% of potassium fertilizers. Moreover, fertilizers are the fourth largest category of products exported from the United States to China. China's refusal to ensure access to its fertilizer market through meaningful market access commitments in the WTO adversely affects an important U.S. industry. Other WTO members, including the United States, maintain open access to their fertilizer markets. Free and fair trade in fertilizer, and in other agricultural commodities, must be a hallmark of the WTO.

We have communicated our concern to Ambassador Barshefsky and her negotiating team and have asked them to address this issue as a priority matter.

We have been advised that China has committed to the United States to find a mutually acceptable resolution to the issue of market access for fertilizers. Furthermore, we understand that U.S. and Chinese negotiators will meet in January to resolve this issue. We urge you to communicate to your government how critical it is to the U.S. Congress that this issue be promptly resolved, before Congress begins its consideration of permanent Normal Trade Relations for China.

We appreciate the hard work you have done on behalf of improving bilateral trade relations between our two countries and would be most grateful for your assistance on this important issue as well.

Sincerely,

Dennis J. Hastert
Speaker, U.S House of Representatives

Philip M. Crane, M.C.

Sander M. Levin, M.C.

Permanent MFN for China Will Do *Nothing* for America's Farmers

The corporate lobby and the White House are trying to sell American farmers a bill of goods – claiming that if Congress will just grant permanent Most Favored Nation (PMFN) trading status to the Chinese dictatorship, US farm exports to China will surge. This claim is highly dubious, for the following reasons:

- **Past experience and recent statements from Chinese officials make it clear that there will be few, if any, actual increases in opportunities for US exporters as a result of the Clinton Administration's trade deal with China.**

- **Any market access benefits the Chinese government *does* provide will be fully available to American farmers *regardless* of whether Congress grants PMFN to China.**

- **Each of the major trade liberalization agreements negotiated by the Clinton Administration has been preceded by a claim that passage of the agreements would allow expansion of U.S. agricultural exports, guaranteeing decent incomes for American farmers. Yet, while Congress passed NAFTA and GATT, for example, farm prices remain low. The Administration and the Republican leadership have attempted to deflect demands by farmers for reform of U.S. farm policy and for relief by saying that the answer to the farm crisis in the U.S. lies in opening new markets for U.S. exports. This approach has failed.[1]**

- **With the U.S. consuming 41% of China's exports, U.S. leverage over the Chinese government is *greater* under existing U.S. law and bilateral agreements than it would be if our trading relationship were governed by the WTO.**

The hype promoted by the Administration and the corporate lobby about an explosion of agricultural exports to China is diverting attention from real solutions to the nation's farm crisis. The China trade deal is simply another NAFTA-style agreement that will hurt, not help, the majority of American workers and farmers. We need a new farm policy, not a "NAFTA for China."

The following facts should be considered in assessing the corporate lobby's claims about the trade deal with China and the "need" for PMFN:

China has a consistent record of violating, ignoring and unilaterally reinterpreting its international commitments. China's record of noncompliance with its international commitments makes it unlikely that US exporters will see any benefits from the US-China agreement. In agriculture, the prospects are particularly slim – because of structural impediments to imports in the Chinese economy and because of China's long-standing policy of food self-sufficiency and its resulting reluctance to import food unless absolutely necessary due to drought or other domestic production problems.

In recent public statements, Chinese government officials have made it clear that they do not consider themselves bound by the commitments to import US farm products that they made in their WTO deal with the US. For example, China's chief trade negotiators have stated that the terms of the US-China deal are not binding concessions but only "expressions" and "theories." They have also

[1] For example, Daryll Ray, Director of the University of Tennessee's Agricultural Policy Analysis Center, notes, "Since the mid-eighties, grain demand has been driven by domestic demand, not exports." "Agricultural Policy Questions: How Have Crop Exports Performed With the Price and Income Farm Policy Changes of the Last Two Decades?" *Policy Matters*, Newsletter of the Agricultural Policy Analysis Center, November 1999.

stated that the much-touted wheat TRQ only sets the cap on how much wheat *could* come into China – but is not an actual agreement to import any particular quantity of wheat.

To the extent that China does fulfill commitments to expand market access, US farmers would have the same access rights to China's market as farmers from any other WTO country – ***whether or not Congress gives China PMFN.*** The corporate lobby argues that if Congress doesn't give China PMFN, our exporters will be denied new market access to China while other WTO countries will get this access. But with or without PMFN, whatever new market access – if any – China grants will be available to US exporters.

This is because the US and China have an existing trade agreement which *requires* China to give the US any market access benefits it gives to other countries.[2] If Congress does not grant China permanent MFN and if, as a result, the WTO does not gain jurisdiction over US-China trade, then the 1979 bilateral agreement will remain in effect. When China joins the WTO, its commitments to expand market access to WTO countries will apply to the US as well.

The only possible difference of interest to US exporters is that the US might not be able to use the WTO's enforcement mechanisms against China -- which is fine, because we will instead retain our right to enforce China's commitments directly through one-on-one pressure. The WTO enforcement system depends on the involved country's respect for the rule of law. Given the Bejing regime's long track record of disdain for the rule of law, there is no reason to have any confidence in the effectiveness of WTO enforcement. Bilateral, one-on-one enforcement, on the other hand, relies on one country's economic leverage over another – and the US has enormous economic leverage over Bejing. By refusing PMFN and leaving the 1979 agreement in effect, Congress can ensure that we get any benefits of the WTO deal with China without giving up the power of bilateral enforcement.

The annual Congressional review of China's trade privileges is the primary tool the US has to pressure the Chinese government – not just on trade but on human rights, religious freedom, and other issues. If we give up this tool by granting permanent MFN to China, we can expect an increase in repression by the dictatorship – which is why the exiled leaders of the Chinese democracy movement strongly oppose PMFN.

The real beneficiaries of PMFN are not farmers and other US exporters, but corporations moving jobs to China to exploit cheap labor. PMFN is not about exports to China, it's about imports *from* China. The multinational corporate trade lobby wants to end the annual reviews of China's trade status so that nothing will interfere with their ability to make products in China – where workers have no rights and environmental regulations are nonexistent – and send these products back to the US. PMFN will do nothing for US exporters, but it will lock in access to the US market for firms operating sweatshops in China. The corporate lobby is using the issue of farm exports to distract us from the real question: Do we want to end annual MFN review, and strip Congress of its main tool to promote change in China, when neither American workers nor American farmers will benefit?

Prepared by: Citizens Trade Campaign (202) 546-4611

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[2]July 7, 1979 bilateral "Agreement Between the United States and China." Article II of the bilateral provides reciprocal MFN in "trade relations." Article III provides "the contracting parties agree to accord firms, companies and corporations, and trading organizations of the other Party treatment no less favorable that is afforded to any third country." in "economic and trade relations." Article III specifically contains a reciprocal commitment to provide MFN treatment for all "firms, companies and corporations, and trading organizations." It also specifies other reciprocal commitments such as to "permit and facilitate the establishment of business offices□in [US or Chinese] territory" explicitly including (but not limited to) "telecommunications" services, internal regulatory treatment and domestic enforcement of contracts. Article V, further, requires China to grant all U.S. firms "most-favored-nation treatment" in the area of "financial, currency, and banking transactions."

The Fertilizer Institute

TESTIMONY OF

THE FERTILIZER INSTITUTE

BEFORE A HEARING OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
U.S. SENATE
328A RUSSELL SENATE OFFICE BUILDING
WASHINGTON, D.C.

ON

U.S.-CHINA BILATERAL TRADE AGREEMENT
AND THE ACCESSION OF CHINA TO THE WTO

MARCH 1, 2000

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Introduction

The Fertilizer Institute is a voluntary, non-profit trade association of fertilizer industry participants. TFI's nearly 250 member companies manufacture more than 90 percent of domestically produced fertilizer. TFI's membership includes producers, manufactures, distributors, transporters, and retail dealers of fertilizer and fertilizer materials.

TFI appreciates the opportunity to submit written testimony on the importance of China's WTO accession to the U.S. fertilizer industry. This testimony expresses both a concern and a hope with respect to China's accession. While the November bilateral agreement included several positive commitments that could help open China's fertilizer market, including lower tariffs, elimination of quotas and distribution rights, our concern is that the Agreement did not contain the critical element for meaningful market access for fertilizer – trading rights. Trading rights are the rights of private parties to import and export fertilizer outside the control of China's state trading enterprises. The lack of trading rights for private parties to import fertilizer undermines the commercial value of all of China's commitments on fertilizer. It means that the Agreement provides no assured access to China's enormous fertilizer market. Our hope is that, based on recent developments, this situation will be corrected in the near future.

The Need for International Access to China's Fertilizer Market

First, it is essential to understand the importance of fertilizers in feeding the world's expanding population. There are three primary plant nutrients – nitrogen, phosphate and potash. While all three occur naturally, they are not supplied in sufficient quantity to support today's high yielding crop production. It is conservatively estimated that, without fertilizers, production of essential crops such as corn, wheat, and rice would decline by as much as twenty-five percent.

China's fertilizer market is the largest in the world. China accounts for almost 30 percent of the world's annual consumption of nitrogen and phosphate fertilizers and approximately 14% of the world's annual consumption of potassium fertilizers (Exhibit 1 – Chinese Fertilizer Demand). Furthermore, China is the largest importer of U.S. phosphate fertilizers. In fact, fertilizers are the fourth largest U.S. export to China with sales of approximately a billion dollars annually (Exhibit 2 – Top U.S. Exports to China).

The bilateral accession agreement that was reached in Beijing last November included some potentially meaningful commitments on fertilizer, including the reduction of tariffs, the elimination of certain quotas, and certain distribution rights. Unfortunately, the Agreement contained nothing on trading rights for fertilizer. Without having at least some form of trading rights for fertilizer, U.S. and other countries effectively have no guaranteed access to the Chinese fertilizer market at any level. This renders meaningless the other potentially market opening provisions on fertilizer that the Chinese have agreed to.

We are pleased to say that the Clinton Administration is sympathetic with our concerns and is working hard with China to rectify this situation. We are grateful to them for their efforts. We are also grateful for the support we have received from the Congress on this matter, including Members of this Committee, particularly Congressman Crane and Congressman Levin.

At this point, We would like to describe for the Committee in greater detail the importance of China's fertilizer market, the content of November's bilateral agreement as it affects fertilizer, and the current state of play.

The Importance of China's Fertilizer Market

China is the world's largest importer of diammonium phosphate (DAP). DAP is the world's most widely used and traded phosphate fertilizer product. China accounts for more than one-third of total world trade in DAP, with almost all of the imports purchased from U.S. producers. Each year the U.S. exports approximately 5.5 million tons of DAP to China worth almost $1 billion, which represents nearly half of total U.S. DAP exports and more than one-third of total U.S. DAP production.

The outlook for China's phosphate use remains strong. Chinese phosphate consumption is expected to grow from approximately 8 million metric tons today to 11 or 12 million metric tons by the year 2005. The outlook for increased U.S. DAP exports to China also looks positive, but any Chinese trade restrictions on DAP imports would have a devastating impact on these prospects and on the entire U.S. fertilizer industry.

China is also the world's largest consumer of urea. Urea is a dry, solid product and is by far the world's most important and widely used nitrogen fertilizer product. To put the role of China's urea market into perspective, China accounts for one-fourth of total world urea fertilizer demand and, up until 1997, China was the world's dominant importer of urea accounting for as much as 40 percent of total world trade. Furthermore, urea is the largest and one of the fastest growing nitrogen fertilizer products used in China. From 1981 to 1996, urea demand in China grew at an average annual rate of 7.0

percent, with the total volume increasing from 9.6 million metric tons in 1981 to 26.5 million in 1996.

The Closing of China's Urea Market in 1997

In mid-1997, the Chinese government made a decision to bolster the domestic Chinese urea industry and completely closed its borders to urea imports by refusing to issue new import licenses for urea. Imports immediately dropped from 6.4 million metric tons in 1996 to virtually zero in 1998. Given the importance of China's demand, China's complete and sudden withdrawal from the world urea market had and continues to have an immediate and immense impact on world urea prices and on the U.S. market. In the U.S., prices for granular urea at the Gulf Coast (the key pricing point in the U.S.) dropped from $180 per short ton at the beginning of 1997, to $100 in January 1998, to $82 in January 1999. This is a price at which efficient U.S. producers cannot return a profit. In addition to the drastic drop in urea prices, the U.S. market has experienced an influx of substantial quantities of urea displaced from the Chinese market. U.S. imports of urea increased by approximately 30 percent in 1998, primarily due to an increase in volume from Middle East production diverted from the Chinese market. U.S. import statistics for 1999 are expected to approximate 1998's record levels.

November 1999 Memorandum of Understanding and Fertilizer Trade

As this Committee is aware, after months and indeed years of negotiations, the United States and China reached a bilateral agreement in Beijing in November of 1999 with respect to China's accession to the WTO. As we understand it, this Agreement contains a number of potentially useful provisions with respect to fertilizer. According to information provided to us by USTR, these provisions include the following:

- Tariffs – China will reduce tariffs on fertilizer imports from a current average of 6% to an average of 4% upon accession.
- Quotas – China will eliminate quotas upon accession for priority fertilizers and by January 1, 2002, for all other fertilizers.
- Distribution – China will permit foreign enterprises to engage in the full range of distribution services for chemical fertilizers after a 5-year transition period.
- Other commitments – China will apply all taxes and tariffs uniformly to both domestic and foreign businesses to eliminate uncertainty associated particularly with application of the 17% VAT tax.

Unfortunately, the November Agreement did not include any Chinese commitments to provide trading rights for fertilizer. Without such trading rights, which would give privately owned companies (both domestic and foreign) the right to import fertilizer into China, the importation of fertilizer into the Chinese market will remain entirely within the hands of state enterprises or the state itself. Without trading rights, there is no effective market access for fertilizer based on China's accession to the WTO. As previously noted, the lack of trading rights totally undercuts the value of China's other commitments relating to fertilizer.

Current Efforts to Obtain Trading Rights for Fertilizer

The industry has been told that, when China failed to provide trading rights for fertilizer in the November bilateral agreement, there was an understanding at the highest levels of the U.S. and Chinese governments that work would continue on this important issue. Although the bilateral agreement would be signed in Beijing, bilateral discussions would still continue in an effort to find mutually acceptable means of ensuring meaningful access to China's important fertilizer market. We would like to believe that China understands that market access for our fourth largest export must be assured. The effort to come to an agreement on effective market access and trading rights for fertilizer is underway. After an initial meeting in Seattle on the margins of the WTO ministerial in December to discuss the issue, U.S. and Chinese negotiators met again on January 20 in Geneva where a U.S. proposal was presented to the Chinese side. We understand that this U.S. proposal is currently under consideration by the Chinese, but that at this point this important issue remains unresolved.

We are, however, very hopeful that an agreement will be reached in the near future. In a November 19, 1999 letter to Chinese Ambassador Li Zhao Xing signed by 70 U.S. Senators, 15 members of the Senate Agriculture, Nutrition, and Forestry Committee including Chairman Lugar and Ranking Member Harkin, wrote to insist that fertilizer market access be included in the final WTO accession agreement. In similar letters, many of those same U.S. Senators relayed the same message to President Clinton. The Fertilizer Institute thanks the 70 U.S. Senators who have given their strong support on this important issue. Furthermore, House Speaker Hastert, Chairman of the House Subcommittee on Trade, Representative Crane, and the ranking member Representative Levin have strongly communicated their concern to both the Administration and Chinese Ambassador Li. USTR Ambassador Barshefsky and her negotiators are working tirelessly with the U.S. fertilizer industry and with the Chinese to resolve this remaining issue in an acceptable manner and we remain hopeful that they will do so.

Conclusion

The U.S. fertilizer industry strongly urges this Committee to ensure that there is assured access to China's important fertilizer market within the context of a final WTO accession agreement. Because of the importance of China's market to our industry, we have consistently been a strong and vocal advocate for normal trade relations with China and for China's accession to the WTO. We continue to believe that China's entry into the WTO is the best possible way to encourage bilateral trade and investment and to open China's borders and its culture to the world. However, we must ensure that effective market access for fertilizer is among the commitments that China ultimately makes as part of its WTO accession package in exchange for the many benefits of WTO membership. We trust that an agreement on fertilizer can be reached, and we will continue to seek your help in obtaining a swift and favorable resolution of this critical issue.

(exhibits attached)

Exhibit 1
Chinese Fertilizer Demand 000 Metric Tons of Nutrients

	1994	1995	1996	1997	1998
Nitrogen					
China	19,529	22,264	24,123	23,493	22,933
% of World Total	26%	28%	29%	28%	27%
Phosphate					
China	7,311	8,776	8,835	9,034	9,049
% of World Total	25%	28%	28%	27%	27%
Potassium					
China	2,129	3,017	2,224	3,202	3,127
% of World Total	11%	14%	11%	14%	14%

Exhibit 1

Exhibit 2
Top U.S. Exports to China

($ Million)

Harmonized Tariff Schedule (HTS) #	HTS Commodity	1997	1998
88	Aircraft & Spacecraft	2,122.6	3,585.2
84	Power Generation Equipment	2,477.0	2,718.5
85	Electrical Machinery & Equipment	1,520.0	1,754.2
31	Fertilizer	1,049.8	1,064.1
90	Medical Equipment	627.4	679.6
39	Plastics & Articles	432.3	432.0
48	Paper & Paperboard	260.1	335.8
15	Animal, Vegetable Fats & Oils	168.4	319.4
12	Oilseeds	428.6	303.7
29	Organic Chemicals	215.6	223.0

Source: U.S. International Trade Commission, U.S. Department of Commerce, and U.S. Bureau of the Census

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