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SUBMITTED TO THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS

REGARDING EXPANDING AMERICAN TRADE WITH ACCOUNTABILITY AND TRANSPARENCY

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Introduction

On behalf of family farmers, ranchers, and rural members of National Farmers Union (NFU), thank you for the opportunity to submit testimony regarding U.S. trade policy and Trade Promotion Authority. NFU was organized in Point, Texas in 1902 with the mission of improving the wellbeing and economic opportunity for family farmers, ranchers, and rural communities through grassroots-driven advocacy. That mission still drives NFU's work today. As a general farm organization, NFU represents agricultural producers across the country and in all segments of agriculture.

NFU, as directed by its policy adopted by delegates to its annual convention, advocates for fair trade. NFU recognizes that international trade is an important part of successful family farming in the U.S., but increasing trade is not an end unto itself. NFU policy states, "Every future trade agreement must address differences in labor standards, environmental standards, health standards, and the trade-distorting effect of currency manipulation and cartelization of agriculture markets."[1]

The original intent of Trade Promotion Authority (TPA) was to lay out the procedures for notification between the executive and legislative branch and the expedited legislative process for approval. Beyond the procedural components of Trade Promotion Authority, and most importantly, the legislation sets forth the objectives for any president for negotiating trade agreements. The Trans-Pacific Partnership negotiations are largely completed, so there is no need for Congressionally-assigned, unenforceable objectives. Objective-setting should occur prior to the start of negotiations, not near the end.

Balancing trade

For years, trade agreements have been touted for their ability to open up markets for agricultural exports. Agriculture has had the good fortune to fair relatively well in trade. Since 1960, U.S. agricultural exports have been larger than agricultural imports, creating a surplus in agricultural trade.[2] This surplus is important for the overall economy because it helps offset the massive overall trade deficit, which totaled over $505 billion in 2014, a six percent increase from 2013. The overall trade deficit represents roughly three percent of the U.S. Gross Domestic Product (GDP). The trade deficit causes a drag on overall growth of the economy. With a strengthening U.S. dollar, the deficit is likely to grow in 2015, as a strong U.S. dollar will encourage imports and reduce exports.

In the first three years of the Korea-U.S. Free Trade Agreement, remarkably and unfortunately, U.S. agricultural exports have stagnated at zero percent, and the overall trade deficit with Korea has increased to $12.7 billion, an estimated 84 percent increase. After implementation of the free trade

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[1] Nat'l Farmers Union, 2015 Policy of the National Farmers Union (2015) available at http://www.nfu.org/nfu-2015-policy/2066.

[2] USDA Economic Research Service available at http://www.ers.usda.gov/topics/international-markets-trade/us-agricultural-trade.aspx.

agreement, agricultural exports have failed to increase to Korea, despite increasing six percent overall. When even agriculture fails to grow as a result of trade agreements, the overall trade policy must be reevaluated. The U.S. reduced tariffs with Korea, and as a result, more Korean products are in the U.S. than the U.S. has shipped to Korea. The deficit has negative impacts on jobs and rural communities.

The massive overall trade deficit exists despite the U.S. having free trade agreements with 20 countries, including major trading partners like Canada and Mexico. Because of the significant impact the trade deficit has on the U.S. economy, all future trade agreements, such as TPP and the Transatlantic Trade and Investment Partnership (T-TIP), must have the explicit objective of balancing trade. NFU is disappointed this objective was not included in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015.

Currency manipulation

One of the major contributing factors to the massive trade deficit is currency manipulation. Currency manipulation occurs when other countries deliberately lower the value of their currencies relative to the U.S. dollar to gain an unfair advantage. This uniquely American issue, due to the role of the U.S. dollar in the global economy, effectively acts as a subsidy on that country's exports and a tax on U.S. exports.

One of the members of the TPP negotiations, Japan, is a major currency manipulator. In a report by the Economic Policy Institute (EPI) evaluating the impact of trade with Japan, EPI found that 896,600 U.S. jobs have been lost due to the U.S. –Japan trade deficit.[3] Currency manipulation is the single most significant cause of the trade deficit with Japan, which totaled $78.3 billion in 2013 for goods.

The issue of currency manipulation is not exclusive to countries with which the U.S. does not have trade agreements. In fact, the latest free trade agreement the U.S. entered into with South Korea suffers the same issues with currency manipulation as Japan. Earlier this month, the U.S. Treasury Department issued its semiannual report on international economic and exchange rate policies. In its report, its harshest criticism of currency manipulation was reserved for South Korea, not China. The report stated, "Korean authorities appear to intervene on both sides of the market but, on net, they have intervened more aggressively to resist won appreciation."[4] The U.S. entered into a free trade agreement with Korea in March of 2012. The U.S.-Korea Free Trade Agreement (KORUS) used the same failed blueprints of previous trade agreements and failed to include provisions to address currency manipulation. South Korea has, and continues to be, one of the world's major currency manipulators. Currency manipulation has the capacity to eliminate any gains in tariff reductions that may be made in free trade agreements. Without measures to enforce restrictions on currency manipulation, free trade agreements fail to live up to the promises made by their supporters.

[3] Economic Policy Institute, Currency Manipulation and the 896,600 U.S. Jobs Lost Due to the U.S.-Japan Trade Deficit (2015) available at http://www.epi.org/publication/currency-manipulation-and-the-896600-u-s-jobs-lost-due-to-the-u-s-japan-trade-deficit/

[4] U.S. Department of the Treasury, Report to Congress on International Economic and Exchange Rate Policies (2015) available at http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2014-4-15_FX%20REPORT%20FINAL.pdf

Currency manipulation remains a top concern of NFU, particularly in the context of TPP. Members of the TPP negotiations are well known currency manipulators, including Malaysia, Singapore, and Japan. With passage of Trade Promotion Authority, Congress eliminates its capacity to ensure that this significant trade agreement contains enforceable measures to address currency manipulation.

Conclusion

NFU's policy book states, "The measure of the success of a trade agreement has to be its benefit to U.S. agriculture and specifically of its producers' net income. Vague promises of 'market access' to foreign markets do not offset opening our border for even larger amounts of foreign-produced goods to enter our markets. Market access does not equal market share."

Since TPP almost certainly contains no measures to address the trade deficit or currency manipulation and TPA fails to address these major concerns, NFU opposes TPA. Congress should maintain its Constitutional authority and review the trade agreements in a transparent manner.