Statement by Dan Glickman
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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.

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