

VIETNAM PNTR: A BIG WINNER FOR U.S. AGRICULTURE

- The National Pork Producers Council strongly supports Vietnam's accession to the WTO and we intend to work hard to gain congressional approval of Permanent Normal Trade Relations, or PNTR, for Vietnam. PNTR is an essential element of the bilateral trade deal with Vietnam, which includes substantial trade benefits for U.S. agriculture.
- In 2005, the U.S. exported over \$192 million in agricultural goods to Vietnam. As a sector, agriculture was exceeded only by aircraft, and represented 17 percent of total U.S. exports to the country. Even so, Vietnam currently has a trade surplus in agricultural products, with U.S. imports valued at \$376 million, the bulk of which is accounted for by cashews and coffee. With reduced tariffs and the elimination of other impediments to trade with Vietnam, U.S. agricultural exports can be expected to grow rapidly in the years to come and to remove the gap in our agriculture trade balance.
- The reasons for the pork industry's support for the arrangement are clear:
 - U.S. pork exports have benefited from virtually all recent trade agreements, and the agreement with Vietnam will be no different.
 - Tariffs on key pork and pork products will be reduced by 50 percent over five years, including tariffs on hams and carcasses, which will fall from 30 percent to 15 percent in that timeframe. Tariffs on pork offals will be immediately cut from the MFN level of 20 percent to 15 percent, with further reductions to 8 percent over four years. Rates on processed pork products will be reduced from 20 percent to 10 percent over five years.
 - Additionally, Vietnam will recognize the U.S. meat inspection system as equivalent to its own meat inspection system. This is critically important to us because non-scientific barriers are used in many other countries to prevent meat and poultry imports from the U.S., even after tariffs on our products have been reduced in trade deals.
 - According to Iowa State University Economist Dermot Hayes, U.S. live hog prices will increase by \$0.39 per hog when the agreement is fully implemented. That increase in sales equates to a 3 percent increase in pork producer profits based on 2005 data.
- Other sectors of U.S. agriculture will also benefit from Vietnam's WTO accession.
 - On June 12, 2006, NPPC was joined by 30 other U.S. agriculture organizations in expressing strong support for the U.S. market access deal with Vietnam and for PNTR.
 - Overall, more than three fourths of U.S. agricultural products exported to Vietnam will see their tariffs reduced and bound in the WTO at 15 percent or less. This is a substantial reduction from the current average tariff on agricultural products of 27 percent.

- Examples of products that will gain – in addition to pork -- include cotton, beef and beef products, dairy products, almonds, grapes, apples, pears, raisins, cherries, and frozen fries.
 - And, in addition to its commitment to recognize the U.S. meat inspection system as equivalent, Vietnam has also agreed to implement the WTO Agreement on Sanitary and Phytosanitary Measures upon accession. As a result, Vietnam will apply science-based sanitary and phytosanitary standards to all agricultural goods.
 - Also, Vietnam will implement its regulations governing shelf-life and biotechnology in a non-trade disruptive manner, and has committed to consult with the United States before implementing any changes to its current practices.
 - Finally, Vietnam has agreed to allow bone-in beef and beef offal trade to resume upon signing of the bilateral agreement. This means Vietnam now will accept all U.S. beef and beef products from animals under 30 months of age.
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- So, what does the U.S. have to do for Vietnam to reciprocate for these benefits? Nothing -- other than to grant the same normal trade rights to Vietnam on a permanent basis that the U.S. grants to virtually all of its trading partners and to all 150 WTO member countries. It is the same status Vietnam already enjoys from us, but which now has to be periodically renewed. Providing Vietnam normal trading status requires no tariff concessions on our part; no new access for products of Vietnam; and no commitments on non-tariff measures.
 - Normal trade status for Vietnam has never been a big issue and it should not be now. Congress has consistently authorized continuing that status by overwhelming majorities.
 - For all of these reasons, we strongly support WTO membership for Vietnam, and we urge Congress to approve Permanent Normal Trading Relations (PNTR) status for Vietnam as a necessary step in the membership process.