



**Submitted testimony of Cargill, Incorporated to the U.S. Senate Committee on Finance
“S. 3495-A bill to authorize the extension of nondiscriminatory treatment (normal
trade relations treatment) to the products of Vietnam”**

Wednesday, July 12, 2006

Cargill, Incorporated, extends its thanks to the leadership of the U.S. Senate Committee on Finance and to all the members of the Committee for holding this important and historic hearing on the matter of granting Permanent Normal Trade Relations (PNTR) status to Vietnam.

Cargill applauds the sponsors of the pending PNTR legislation for their leadership. We lend our support to the legislation and we encourage all members of Congress to work for swift passage of the bill.

Ambassador Susan Schwab and her team at the Office of the U.S. Trade Representative (USTR) negotiated a strong bilateral agreement that will further open the food system in Vietnam.

Cargill is an international provider of food, agricultural and risk management products and services. Cargill employs approximately 57,000 employees in the United States and a total of 142,000 employees worldwide, in 61 countries, including Vietnam.

Cargill has had a positive experience in Vietnam since 1995 when relations between the two countries were normalized. This agreement demonstrates Vietnam’s willingness to continue down the path of economic liberalization, opening its market to competition for the betterment of its society and its citizens.

Cargill’s history is founded on a deep seeded philosophy of free trade and open markets. As a leading member of the agri-food sector, we believe that trade policies should not hinder an individual’s ability to gain access to safe and affordable food.

Open markets and free trade are engines for economic growth, and economic opportunity is what leads people out of poverty. Vietnam’s entry into the World Trade Organization (WTO) will provide that opportunity for growth. The facts surrounding Vietnam’s growth since relations were normalized in 1995 are undeniable. Between 1995 and 2005, Vietnam’s GDP grew from \$16.3 billion to \$45.2 billion, and during that time of income growth, U.S. agricultural exports to Vietnam increased 619%, from \$26 million to \$192 million.

With the further opening of its markets through Vietnam's entry into the WTO, the potential for U.S. agricultural export growth to the country's 85 million consumers is great. The passage of PNTR for Vietnam is necessary to capture that potential and to continue that cycle of growth.

The bilateral agreement that USTR negotiated with Vietnam creates new market access opportunities for U.S. agricultural exports for commodities such as:

- *soybeans* where tariffs will fall from 15% to 5% over three years;
- *soybean oil* where tariffs will drop from 50% to 30% upon accession, to 20% over five years;
- *corn* and *wheat* where tariffs will be bound at 5%; and
- *beef* where Vietnam has agreed to resume imports of U.S. beef and cut tariffs almost in half from existing levels.

In addition to the tariff-liberalizing component of the agreement, and above and beyond what has been achieved upfront in other WTO accession negotiations, Vietnam has agreed to eliminate a significant non-tariff barrier to trade through opening its trading and distribution system for agricultural products to U.S.-owned and other foreign-owned companies upon accession.

Gaining access to the trading and distribution system in Vietnam is important for U.S. agriculture and will create a stronger demand-pull for U.S. agricultural products. When restrictions on trading and distribution are eliminated, trade is more easily facilitated between the supplier and the customer. No longer will U.S. exporters be required to line up numerous Vietnamese-owned companies that are licensed importers and distributors to conduct trade. Instead, U.S. exporters will have the option to conduct business with the most competitive importer and distributor, creating increased competition for business.

While it is expected that Vietnam will become a member of the WTO in just a few short months (October 2006), none of the aforementioned benefits will begin accruing for U.S. interests until Congress passes PNTR for Vietnam. Under WTO rules, however, the other WTO-member nations will immediately benefit from Vietnam's entry. Thus, timely passage of Vietnam PNTR legislation is critical so that U.S. farm and commercial interests will not be disadvantaged in the increasingly important Vietnamese market vis-à-vis our global competitors.

We look forward to Congress' passage of PNTR and to Vietnam's entry into the rules-based trading system of the WTO.

Thank you for the opportunity to register our support, and Cargill looks forward to the moment when the United States and Vietnam's economic relations are further enhanced and solidified through the granting of PNTR to Vietnam.