

**U.S.-TRANS-PACIFIC PARTNERSHIP FREE TRADE AGREEMENT:
ADVICE ON PROBABLE ECONOMIC EFFECT OF PROVIDING
DUTY-FREE TREATMENT FOR IMPORTS
INV. NOS. TA-131-034 AND TA-2104-026**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

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ON BEHALF OF THE AMERICAN SHRIMP PROCESSORS ASSOCIATION**

Good morning. As Mr. Hayes explained, the TPP negotiations present an important opportunity to address a variety of distortions to our trade relationship with the Asia-Pacific region. The United States already imposes a most-favored nation tariff rate of zero percent on its shrimp imports. Our open market leaves U.S. producers vulnerable to a variety of unfair foreign trade practices. A solid TPP Agreement that addresses these distortions head-on can help lay the foundation for a more sustainable trade relationship with the region for years to come.

We hope the Commission will examine the economic benefits of taking the following four steps in a TPP Agreement: safeguarding against currency interventions; strengthening customs measures; upwardly harmonizing health and safety standards; and eliminating other barriers to trade, particularly trade-distorting shrimp subsidies. We understand that these issues may not fit neatly within the topic of tariff elimination that is the focus of this investigation; however, we believe that a failure to address these distortions could substantially limit any potential economic benefits of tariff elimination, and that they should therefore be included in the Commission's analysis.

The first issue is currency manipulation. As the Commission is well aware, government interventions to devalue or otherwise manipulate currency values can quickly overwhelm any changes in relative tariff rates to disrupt the balance achieved in reciprocal trade negotiations. Competitive devaluations are a particular problem in the Asia-Pacific region, given the need to compete with China in important export markets. After China stepped in to stop allowing its currency to appreciate in the summer of 2008, other countries in the region intervened in their own currency markets to stay competitive. Vietnam, for example, devalued its currency repeatedly in December 2008, March 2009, and November 2009 to maintain exports during the economic crisis. These interventions put U.S. producers at a profound disadvantage, as they artificially drive up the price of our goods in foreign markets and depress the price of imported goods here in the U.S. We have therefore urged USTR to ensure any TPP Agreement prevents countries from intervening in currency markets. We hope the Commission will also analyze the potential economic impact of currency interventions in this investigation.

A second problem that should be addressed in any TPP Agreement is transshipment. Customs has discovered instances of producers shipping shrimp from Asia through third countries to evade U.S. antidumping duties, and trade statistics suggest transshipment may be a much bigger problem than Customs' enforcement activities reveal. For example, subject countries China, India, and Thailand collectively increased their exports of shrimp to Malaysia by 26 thousand tons in the five years since the antidumping petitions were brought in 2003. During the same period, Malaysia's shrimp exports to the U.S. rose by an almost identical 29 thousand tons, suggesting that subject imports were simply being shipped through Malaysia to the U.S. in order to avoid duties. ASPA has urged USTR to include enhanced customs measures

in the TPP Agreement to prevent such transshipment, and we hope the Commission will evaluate the benefits of such a step in its investigation.

A third factor that distorts trade with the Asia-Pacific region is our failure to harmonize health and safety standards for imported shrimp. Farmed shrimp from the region poses a variety of health risks, and shipments have been found to be contaminated with salmonella, banned veterinary chemicals, and antibiotics. Unfortunately, FDA only inspects about two percent of imported shrimp, and the standards that shrimp is held to are lower here than in other major consuming countries such as Europe and Japan. As a result, the U.S. has become the export market of choice for shrimp that cannot pass health and safety inspections in other countries. The best way to eliminate this distortion is for the U.S. to upwardly harmonize its health and safety standards with those of other major importers. For example, within the TPP framework we should negotiate bilateral accords with countries that have documented health and safety problems, similar to the agreements that Canada and Japan have both negotiated with Vietnam regarding banned chemicals in shrimp. We hope the Commission will include an analysis of the potential benefits of such upward harmonization in this investigation.

Finally, there are a number of other trade barriers that we hope will also be addressed in any TPP Agreement. As noted above, the U.S. already imposes zero duties on imported shrimp – our TPP partners do not uniformly do so, and we believe they should commit to provide reciprocal duty-free access to U.S. shrimp exports in any TPP Agreement. In addition, a number of countries in the region provide significant trade-distorting subsidies to shrimp production that should be eliminated in any TPP Agreement. The shrimp industries in most Asian countries are highly export-dependent, and they have been developed with large government subsidies designed to boost capacity, stimulate production, and increase exports, all at the expense of U.S.

producers. As recently as last year, Vietnam instituted interest subsidies on loans to exporters and considered other government subsidies to accelerate the recovery of export volumes during the economic crisis. Such subsidies should be expressly prohibited in any TPP Agreement, with accelerated enforcement mechanisms. We urge the Commission to evaluate the potential economic benefits of eliminating such subsidies in this investigation.

U.S. shrimp producers and processors have struggled to maintain their livelihoods amid a rising tide of low-priced and unfairly traded shrimp from the Asia-Pacific region. Effective enforcement of our trade remedy laws has been essential in mitigating the worst of the harm, but much more can be done to level the playing field. The TPP negotiations present an important opportunity to address some of the fundamental distortions that result in unfair and imbalanced trade with the region, and we hope the Commission uses this investigation to evaluate the potential benefits of such an approach.

Thank you for your attention, and we look forward to any questions the Commission may have.