Oral Testimony on the Section 301 Vietnam Currency Hearing

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I appreciate the opportunity to represent the National Pork Producers Council at today's hearing. NPPC is a national association representing 42 state producer organizations and the federal and global interests of 60,000 U.S. pork producers. The United States is the top pork-exporting nation in the world, shipping product to more than 100 countries each year. Exports contribute significantly to the bottom line of all U.S. pork producers, with 2019 exports exceeding $6.9 billion. Gaining and expanding access to markets around the world is essential to the continued success of U.S. pork producers.

Through no fault of their own – in fact because they are so competitive in markets worldwide – hog farmers were at the tip of the trade retaliation spear for three years, causing severe losses and considerable stress across rural America.

However, by late 2019, pork producers had reason to be optimistic. The administration had negotiated a critically important trade deal with Japan. The metal dispute in North America was resolved and the 20 percent punitive tariff applied by Mexico on U.S. pork was terminated. While tariff and non-tariff barriers remained in China, U.S. pork exports to the world's largest pork-consuming nation were expected to be brisk because of a domestic supply shortage.

Then, just as U.S. pork producers were looking to 2020 with optimism, the COVID-19 pandemic hit, causing a domestic and foreign market catastrophe. The COVID pandemic was a black swan event for the entire economy and introduced unique and unprecedented challenges to hog farmers and the pork industry. As COVID spread, harvest facilities closed or dramatically reduced capacity, which created a back-up of millions of hogs on farms. Farmers were resourceful and innovative to minimize the need to euthanize – including adjusting animals' diets and making housing adjustments – but these were short-term solutions. Unfortunately, some farmers were forced to euthanize pigs meant for the food supply, going against every farming instinct. It took a severe emotional and financial toll on producers who are expected to lose billions this year.

U.S. pork producers have worked very hard over the past decade to develop foreign markets around the world, including the Vietnamese market. After three painful years, U.S. hog farmers simply cannot withstand more punitive tariffs, whether imposed by Vietnam or other countries around the world. From 2015-2019, U.S. pork exports to Vietnam increased 370 percent, and in the first ten months of 2020, exports increased 246 percent to $50 million from the same period a year ago. Although there are barriers that suppress U.S. pork exports to Vietnam, an undervalued Vietnamese currency has not been one of them. Rather, U.S. pork exports to Vietnam are negatively impacted because we have neither a free trade agreement nor a preferential trade deal with Vietnam, putting U.S. pork is at a tariff disadvantage.

In July 2020, we received good news when Vietnam announced it was reducing its Most Favored Nation (MFN) tariff rates from 15 percent to 10 percent for frozen pork products. The tariff reduction is scheduled to expire at the end of 2020 and appears to be a response to decreased pork production in Vietnam due to local outbreaks of African Swine Fever (ASF) on domestic production,. These developments notwithstanding, we know from first-hand experience in China that, even when a large pork-consuming nation is afflicted with ASF, U.S. pork remains an attractive candidate for retaliation.

The December 2020 U.S. Department of Treasury's report to Congress, "Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States," found that Vietnam met all three criteria used to assess whether a country is engaging in unfair currency practices. In the agency's January 2020 report, Vietnam only exceeded the threshold for the first criteria, the bilateral trade deficit, an improvement from May 2019 when Vietnam was found to exceed the threshold in the first two criteria. Past performance demonstrates to us that Vietnam is prepared to work with the United States to address its concerns.

Vietnam can and should take steps to lower its bilateral trade deficit. In 2020, Vietnam has attempted to do just that through purchases of U.S. pork. The reduction of the pork MFN rate primarily benefits U.S. pork producers, since the world's other major pork exporting nations (e.g., Canada, Denmark, Germany) already have free trade agreements with Vietnam.

In closing, the current 301 investigation not only leaves U.S. hog farmers vulnerable to more retaliation, but also makes it less likely that the Vietnamese will extend the reduction of their MFN duties past 2020. We strongly urge USTR to fully consider U.S. hog farmers and other U.S. economic sectors that could be negatively affected by this trade action.