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USTR Supply Chain Resiliency Federal Register Notice
Docket Number USTR-2024-0002
April 22, 2024

Office of the United States Trade Representative
600 17th St NW
Washington, DC 20006

TO: Special Counsel Victor Ban, Office of the United States Trade Representative

The National Pork Producers Council (NPPC) welcomes the opportunity to provide comments to the Office of the United States Trade Representative (USTR) in response to the Federal Register Notice (Document No. USTR-2024-0002) requesting comments to inform objectives and strategies that advance U.S. supply chain resilience in trade negotiations, enforcement, and other initiatives.

NPPC represents 43 state producer organizations and the domestic and global interests of more than 60,000 U.S. pork operations. The U.S. pork industry is a major value-added enterprise in the U.S. agricultural economy and a significant contributor to the overall U.S. economy, producing high-quality, safe, and affordable pork. More than 500,000 American jobs are supported by U.S. pork production. U.S. pork exports sustain more than 70,000 of these jobs. In any given year, the U.S. pork industry ships product to more than 100 countries. Exports contribute significantly to the bottom line of all U.S. pork producers, accounting for more than $64 – about a quarter – of value for each hog marketed in 2023. In 2023, the U.S. pork industry exported 2.9 million metric tons of pork and pork products valued at over $8.2 billion.

General Comments

NPPC respectfully disagrees with much of the language in the Federal Register Notice (FRN) relating to U.S. agricultural trade. The background section of the FRN states that U.S. trade and investment policy over the last several decades has been "designed to incentivize short-term cost-efficiency and drive tariff liberalization with the goal of creating an unfettered global marketplace."

It goes on to blame the policy for issues related to supply chain vulnerabilities and the movement of global production to countries with weaker rules and standards related to labor, environment, transparency, and governance issues. The FRN describes this as a "race to the bottom." While NPPC recognizes there are trade issues related to supply chain resilience, environmental protection, and other legitimate concerns, it also recognizes that certain U.S. industries face challenges that may call for adjustments to U.S. policy. However, NPPC believes a wholesale turning away from the successful

U.S. trade policy of recent decades will cause long-term damage to economic prospects of U.S. agricultural producers, and NPPC strongly urges USTR to rethink its approach.

NPPC believes U.S. trade and investment policy over the last several decades has been immensely beneficial for the U.S. pork industry, the U.S. agricultural sector, and the broader U.S. economy. Free trade agreements (FTAs), in their many forms, have provided expanded market access for U.S. pork products and have been a key driver of returns to U.S. pork producers, processors, and other businesses associated with the sector. FTAs are an indispensable tool to enhance U.S. agricultural competitiveness, as well as supply chain resiliency.

An increased focus on supply chain resilience should seek to use all available tools – including proven tools, such as FTAs and other market liberalization and standards harmonization mechanisms – to shore up trade with regional partners, geopolitical "friends," and those countries that share U.S. values. Many friendly partner countries are in a strong position to help protect U.S. consumers and businesses from future supply shocks in key industries, but those relationships need to be formalized and enshrined via robust, long-term, forward-facing economic integration initiatives, including FTAs. Indeed, it is the certainty of long-term market access opportunities afforded by preferential trade agreements that ultimately provides the economic incentives needed to invest in resilient, diversified supply chains by the private sector. Those proven tools should be liberally utilized to enhance supply chain resiliency and sourcing diversification efforts with like-minded neighbors and "friends."

The North American Free Trade Agreement (NAFTA) and its successor, the United States-Mexico-Canada Agreement (USMCA), have played an indispensable role in the integration of pork production and marketing in North America, creating important and stable supply chain relationships among the partner countries. The agreement has provided expanded opportunities for swine producers in all three countries. Mexico and Canada are the number one and number four export markets, respectively, for U.S. pork producers. U.S. swine finishing operations depend on a steady supply of weaning pigs imported from Canada. Mexican swine producers have relied on imports of cost-efficient corn and soybean meal from the U.S. to support their pork production. Some U.S. pork products, such as hams, move to Mexico for further processing operations before being marketed back in the U.S.

Responses to Specific Questions:

1. **How can U.S. trade and investment policy, in conjunction with relevant domestic incentive measures, better support growth and investment in domestic manufacturing and services?**

The U.S. pork industry relies on a significant number of critical ingredients, inputs, manufacturing equipment, and other products from both domestic and foreign sources. Some important feed inputs, such as vitamins, minerals, and amino acids, are often imported from foreign suppliers, including China. Over-reliance on any single trading partner for those critical inputs, is certainly a threat to future supply chain resilience.

Diversity of supply is a key element of supply chain resilience, and onshoring and reshoring in certain instances may play a role in de-risking certain, specific supply chains. However, if not implemented carefully and strategically, it can also lead to an equally undesirable over-reliance on domestic supply limits and available options in the event of a domestic unforeseen event. Increased resilience in supply chains and diversity of sourcing require both strong domestic production capacity as well as strategic international imports from geopolitically friendly nations. U.S. trade and investment policy can serve to enhance these efforts by providing economic certainty and opportunity for both domestic and foreign businesses to secure U.S. supply chains in key products.

4. **What are examples of trade and investment policy tools that potentially could be deployed in the following sectors to enhance supply chain resilience? In these sectors, what features of the current policy landscape are working well, or less well, to advance resilience?**
   - **Aerospace and aerospace components**
   - **Agriculture, forestry, and fisheries**
   - **Automobiles and automotive parts**
   - **Call centers, business processing operations, and related services**
   - **Critical minerals, including for electric vehicle and large-scale energy storage batteries, and related recycling. Metals**
   - **Pharmaceutical and medical goods**
   - **Semiconductors, microelectronics, and inputs thereto**
   - **Renewable energy generation, transmission, and storage, including solar and wind technology and inputs thereto**
   - **Textiles, such as yarns, fabrics, apparel, and other finished goods**

As the FRN rightly notes, enduring resilience will require new investments in infrastructure, new incentives to increase the supply of key inputs, and new forms of cooperation with allies and trusted trading partners – all to prevent and withstand supply chain disruptions and mitigate risks of price spikes and volatility that could contribute to inflationary dynamics. There are many examples of similar efforts in the past that have led to these same desirable outcomes in U.S. food and agricultural trade, such as regional free trade agreements like NAFTA/USMCA and the Dominican Republic-Central America FTA (CAFTA-DR), as well as bilateral agreements such as the U.S.-Australia Free Trade Agreement (AUSFTA).

All these mechanisms have liberalized sources of key inputs for U.S. businesses and consumers, enhanced U.S. exports, and deeply integrated U.S. supply chains with geopolitical “friends” to the benefit of all in the agreement. Those same tools and the beneficial outcomes that have resulted from these agreements should be duplicated and replicated with other strategic partners in agricultural trade.

FTAs encourage diversification and redundancy in supply chains by providing access to multiple markets with preferential trade terms. Diversified supply chains are less vulnerable to disruptions caused by geopolitical tensions, natural disasters, or other unforeseen events. By spreading risks across different regions and suppliers, businesses can minimize the impact of localized disruptions and maintain continuity in operations.

FTAs foster collaboration and cooperation among participating countries, encouraging the sharing of best practices, information, and resources related to supply chain management. Collaborative initiatives – such as joint research and development projects, capacity-building programs, and information-sharing mechanisms – can enhance the resilience of supply chains by improving risk management capabilities and promoting innovation.

An example of such collaboration is the ongoing discussions between the U.S. government and pork industry and their Canadian and Mexican counterparts on a possible foreign disease outbreak in the North American region. This dialogue has improved the understanding and trust among producers and regulators in Canada, Mexico, and the United States around the feasibility and acceptability of a regionalization approach to be taken in the event of a future foreign animal disease outbreak. Employing regionalization in such a situation would help minimize the potential disruption of pork trade and supply availability.

7. **How can the development of technical standards and regulations support supply chain resilience?**

The U.S. should intensify its work in multilateral and regional forums with like-minded “friends” for stronger international rules, technical standards, and approaches to regulation. A strong strategy of engagement on international and multilateral technical standards will help to serve U.S. commercial interests and supply chain resiliency in the future.

Harmonization and alignment of food safety standards, product quality standards, and other technical requirements between partner countries play a pivotal role in fortifying the resilience of supply chains. When nations converge their standards, they effectively reduce barriers to trade by streamlining processes and minimizing the need for duplicative testing and certification procedures. This alignment fosters a more conducive environment for businesses to operate in both markets, as it reduces the complexity and costs associated with navigating varying regulatory frameworks. It also serves to increase sourcing options in a market, diversifying supply chains and increasing resiliency.

In addition to facilitating trade, harmonization and alignment contribute significantly to bolstering supply chain resilience. By establishing common technical requirements, countries create a more resilient and adaptable framework that can withstand disruptions and unforeseen challenges. Standardized processes enable businesses to swiftly adapt to changes in sourcing, production, and distribution – thereby reducing vulnerabilities associated with localized disruptions or geopolitical uncertainties. Moreover, a harmonized approach allows for greater transparency and traceability throughout the supply chain, enabling stakeholders to identify and address risks more effectively, whether they stem from quality control issues, supply shortages, or regulatory changes.

Regulations or standards that impose additional and unnecessary costs on producers can reduce supply chain resiliency. For example, NPPC believes that the U.S. Department of Agriculture’s recently finalized voluntary “Product of USA” or “Made in USA” rule for label claims on meat, poultry, and egg products will have a negative impact on supply resiliency in the North American pork market, because it will force producers to segregate animals and increase the cost of production for producers who wish to use the label. NPPC believes the new rule has the potential to reduce trade of swine and pork products within the North American market and lower the economic benefits of the USMCA for U.S. pork producers and consumers.

Thank you for the opportunity to comment. Please do not hesitate to contact NPPC with any questions regarding this submission.

Sincerely,

Maria Zieba
Vice President of Government Affairs