



WRITTEN TESTIMONY

OF

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BEFORE THE

COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

DECEMBER 14, 2011

Embargoed until December 14th at 10am

Good morning, Chairman Brady, Ranking Member McDermott and members of the Subcommittee. My name is Angela Marshall Hofmann and I am Vice President for Global Integrated Sourcing and Trade at Wal-Mart Stores, Inc. (Walmart). It is a pleasure to be here today to discuss Walmart's views on the Trans-Pacific Partnership (TPP) negotiations. Walmart strongly supports these negotiations, and I am pleased to outline below both our objectives for the negotiations as well as our views on the new applicants to the trade pact.

Company Overview

By way of background, Walmart serves customers and members more than 200 million times per week at over 9,800 retail units under 69 different banners in 28 countries. With fiscal year 2011 sales of \$419 billion, Walmart employs 2.1 million associates worldwide. Walmart continues to be a leader in sustainability, corporate philanthropy and employment opportunity around the globe.

In every country where Walmart operates, we have made a commitment to our customers to help them save money and live better. We understand the critical role that efficient global trade networks play in ensuring value for consumers. In addition, trade agreements offer exciting opportunities for our suppliers to reach new markets on our store shelves. Thanks to these agreements, cranberry growers in Massachusetts are selling juices at our stores in Mexico, Californian farmers are sending fruits and vegetables to Japan and China, and one of our suppliers is even manufacturing diapers in Texas for sale to our customers in Chile.

Walmart's Goals for the TPP

Walmart supports a high-standard, 21st Century TPP agreement that will foster new trade and investment and create a potential platform for economic integration across the Asia-Pacific region. We support a TPP agreement that includes robust and reciprocal market access for goods and services, strong protections for intellectual property rights and investment, solid disciplines on technical barriers to trade, and innovative provisions on supply chains and regulatory harmonization. Walmart a co-chair of the Business Coalition for TPP and has participated in the civil society dialogues during the Chicago and Lima negotiating rounds.

Our overall goals for the TPP include:

- A comprehensive agreement with no product or sector exclusions.
- A common set of rules of origin that allows for trade between and among all TPP partners.
- High-standards services and investment agreements that provides market access and protection for retail and distribution rights.
- Expansion of the TPP to include new partners in the region.

We are particularly enthusiastic about the TPP as a vehicle to address emerging trade challenges through new disciplines on issues such as global supply chains and regulatory convergence.

Retail/Distribution Opportunities

Robust commitments in retail and distribution services are an essential element for securing market access for retail investment overseas. For example, several TPP partners currently maintain barriers to retail trade such as economic needs tests that constrain investment and

performance requirements around the types of products a retailer can sell and the people it employs.

Removing barriers to trade for retail not only allows Walmart to compete effectively against our major global competitors, but it also helps our suppliers' secure new markets abroad. In addition, services exports support jobs here in the United States. Recently, the United States International Trade Commission reported that that services activities abroad support nearly 700,000 U.S. jobs.¹

Walmart encourages negotiators to secure liberal rules for retail and distribution rights with no limits on size, geographic location or merchandise assortment. Further, we encourage the United States to make progress in distribution to ensure that all forms of distribution are granted national and most favored nation treatment, that there are no performance requirements or requirements for foreign ownership.

Global Supply Chains

One of the areas where we see great promise in the TPP is the new, horizontal focus on supply chains. At Walmart, we have built our business by developing state of the art supply chains that maximize efficiency and lower costs for our customers. In the past, though, our logistics and supply chain efforts were primarily focused on domestic operations. Although we traded billions of dollars of goods annually, we largely regarded trade barriers as an unavoidable cost of doing business. Over the last several years, however, we have realized that gaps and complications in the supply chain unnecessarily hinder our ability to deliver the right product at the right price to our customers around the world.

For these reasons, Walmart is committed to enhancing the efficiency of global supply chains. Efficient supply chains drive down cost. The World Bank has estimated that reducing transit times for goods by just one day equates to a 0.5 percent tariff cut. But, until recently, trade agreements have not looked at supply chains in a holistic way. Rather, commitments have been made sector by sector, without full consideration for how each sector, (for example, express delivery, maritime or trucking services) can impact the operation the whole supply chain from the point of production to distribution. We think a new approach that focuses on addressing choke points throughout the supply chain is warranted.

We are therefore, pleased that negotiators have proposed to establish a committee to review and address supply chain issues within the TPP. As we wrote in a multi-industry letter to USTR earlier this year, we believe that negotiators should work to secure ambitious commitments in this area including:

A comprehensive, inter-disciplinary approach. There should be a clear recognition of the responsibility of multiple authorities including transport, border administration, and "behind-the-border" regulatory agencies in supporting supply chains. To give legal effect to this approach, the TPP could require signatories to identify a single entity responsible for coordinating all national agencies and regulators that impact the supply chain.

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http://www.usitc.gov/publications/332/working_papers/ServicesEmploymentWorkingPaperNEWFINAL8.23.11.pdf

A mechanism for trouble-shooting and addressing problems. Obstacles can appear unexpectedly across global supply chains resulting from transport gateway restrictions, hold-ups at the border, or regulatory approvals. Such chokepoints result in additional costs for traders and goods by prolonging time-to-market. We believe a trouble-shooting mechanism in the TPP to secure quick and expedited corrective actions could be an innovative and impactful approach to resolving connectivity issues.

An action-oriented work program including clear targets. A continuing, targeted work program will demonstrate strong commitment to progress in all relevant areas. Some examples worth considering include time-to-release commitments, a harmonized list of common data elements, paperwork reduction goals, and benchmarks for expedited regulatory approvals.

Future oriented provisions. Twenty-first century supply chains are nimble, responsive to demand, involve collaborative decision making, and require maximum flexibility. To be responsive to the evolving global environment, we feel provisions on supply chains must leave room for incorporating new solutions

We hope that the agreement will build in formal consultations between key regulators in the TPP countries on a regular basis. Under this structure each TPP Member can exchange best practices and ensure that regulatory policies and procedures are enhancing, rather than constraining, supply chain efficiency throughout the region. These meetings should include a private sector component that allows key industries to share with regulators how new technologies and business models can strengthen supply chains, and identify what policy adjustments will enable such growth. These consultations will also help developing country TPP members adopt best practices and improve their policies to maximize the development benefits from the agreement.

We believe that focusing the negotiations on how global and regional supply chains actually operate is critical not just for retailers and logistics providers, but for manufacturers as well. Put simply, if you can't get your goods from point to point efficiently, you really can't take part in global trade. Efficient supply chains help smaller manufacturers to access global markets with less risk and cost.

The Importance of a High Standards Agreement

The promise of the TPP will only be realized if negotiators are steadfast in their commitment to a "21st Century" agreement. For Walmart, this means ensuring that there are no product or policy exclusions in the agreement, and that the agreement truly fosters trade among all TPP partners through workable rules of origin for all products. We note, for example, that sugar was excluded from the U.S.-Australia agreement, and as a result, the U.S. was not able to achieve all its goals in the area of investment (investor-state) or pharmaceuticals. We believe that the TPP represents a good opportunity to correct this deviation from the "no-exclusions" policy to which the United States had previously adhered.

In addition, to maximize benefits to consumers, companies, and workers, TPP negotiators should embrace a policy on textiles and apparel that facilitates today's global value chains and the millions of American jobs that depend on them.

As it stands today, textiles and apparel are treated differently than other products. U.S. negotiators have insisted on restrictive "yarn-forward" rules of origin, which require that all the

materials in a garment originate and are assembled in a TPP country in order to receive tariff-free treatment. Past FTAs with TPP countries have shown that such an “all or nothing” approach does not spur new U.S. exports or new apparel trade. These rules are truly unworkable as they do not take into consideration how garment production has shifted to adjust to global, post-Multi Fiber Arrangement production processes.

Today’s fashion industry is fast-paced and dynamic, with consumers expecting a wide variety of apparel and trends. Flexibility in sourcing inputs is vital to meet design specifications and consumer demands. While scrutiny in very specific cases may be warranted, applying a blanket approach to all textiles and apparel goes beyond supporting the domestic industry and reduces export opportunities in the region, artificially increasing prices for consumers during a time of global economic distress.

Nearly 70 percent of all duties collected by the United States from TPP nations come from apparel imports. As such, more liberal rules will not only correspond to operational necessities, but will also ensure that our trade partners will offer new market access to U.S. exporters of industrial goods, services and agricultural products, and will be more amenable to accepting strong intellectual property rights and investor protections.

Walmart believes it is time to update our approach to rules of origin for textiles and apparel in order to bring apparel into conformity with every other industrial product. USTR should consider alternative approaches to “yarn-forward” such as a change in tariff heading (CTH) or regional value content (RVC) requirement. Additionally, we believe that negotiators should guarantee the ability to cumulate among all TPP countries and FTA partners to facilitate trade among all apparel producing trade partners

American retailers employ millions of workers throughout the supply chain whose jobs depend on our ability to source product and be globally competitive. Trade restraints such as restrictive rules of origin and long duty-phase outs undermine our ability to compete, grow, and provide value to our customers.

New Members

We strongly believe that there should be an efficient and transparent mechanism for new countries to accede to the TPP. The true potential of the TPP will only be realized if membership can be expanded beyond the current parties to create a comprehensive trans-Pacific agreement

Walmart supports the proposed inclusion of Japan, Mexico and Canada into the TPP. Refreshed agreements with Mexico and Canada represents a tremendous opportunity to break down persistent barriers to trade (such as supply managed commodities) that have not to date been addressed under the NAFTA agreement. And, a new agreement with Japan, our fourth largest trading partner, is an opportunity not to be missed.

Walmart operates stores in each of the potential new TPP partners. In Japan, for example, we operate 415 stores under the Seiyu brand and have more than 35,892 associates. We believe that including Japan in the TPP is an excellent opportunity to address the trade and competition barriers that hinder our business operations in the country. For example, exorbitant tariffs on staple goods such as rice, dairy and other food products severely limits choice and increases the cost of many grocery items in our stores. In addition, inefficient and collusive distribution

networks create price disparities among retailers that also hinder our ability to serve our customers.

We agree with many in the business community and the administration that all new partners must agree to a comprehensive, high standard TPP with across the board liberalization in all product sectors. In addition, new members must accede in a way that contributes to, and does not diminish the momentum towards a timely conclusion of the negotiation. We believe, however, that the Administration should not be so cautious and deliberative about new members as to undermine the desire and will of acceding countries to join the TPP. A TPP that is too difficult to join (either by demanding pre-negotiation of issue or limited participation in the negotiations process) will not deliver on the full promise of the pact.

Conclusion

Thank you for the opportunity to testify today. Walmart strongly supports the TPP negotiations and is looking forward to a timely conclusion of a high-standards innovative agreement. We look forward to working with the Congress and the Administration during the course of the negotiations.

Embargoed until December 14th at 11:00 AM