

# Trade issues overview

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## Summary

This summary of trade issues with the greatest potential to influence the cattle and beef industry includes updates on trade issues dealing with Japan, South Korea and Hong Kong as well as current/upcoming bilateral free trade agreements (FTAs) and negotiations for World Trade Organization (WTO) accessions.

## Background/Key Points

### BSE export market update

**Japan:** On Dec. 12, 2005, Japan announced it would start accepting imports of U.S. beef (boneless and bone-in, excluding vertebral column) from cattle verified to be 20 months of age or younger. However, on Jan. 20, Japan announced it was re-instating its ban on U.S. beef due to an ineligible shipment of veal received with vertebral column still intact. The shipment in question posed no health or safety risk, however it did not meet the specifications described in the October 2004 U.S.-Japan beef trade agreement.

The U.S. Department of Agriculture (USDA) completed a thorough investigation of the shipment and submitted a complete report to the Japanese government in mid-February. The Japanese government reviewed the report and submitted questions to USDA that it felt the report left unanswered. USDA will submit answers to the Japanese government and then, additional teams of Japanese auditors are expected to review U.S. packing facility mechanisms for assuring that trade specifications are met in the future.

**South Korea:** Discussions with South Korean officials about reopening this market to U.S. beef ended on Jan. 13, 2006. South Korean officials announced they would accept boneless beef from cattle less than 30 months of age but the ban on bone-in beef and variety meats will continue. These products historically accounted for about half of the total value of U.S. beef and beef product exports to South Korea. In 2003, \$815 million in U.S. beef and beef products were exported to South Korea, \$449 million of which was boneless beef.

Although the South Korea announcement represented progress, additional factors introduced by the March 13 U.S. case of bovine spongiform encephalopathy (BSE) suggest the reopening of this critical market will be delayed beyond the expected timeline.

**Hong Kong:** On Dec. 29, 2005, USDA Secretary Mike Johanns announced Hong Kong would be reopening to U.S. beef. The agreement allows for importation of boneless beef from cattle less than 30 months of age. As the fifth largest market for U.S. beef products in 2003, Hong Kong imported \$90 million in beef and beef products from the United States. In March, Hong Kong received a shipment of U.S. beef that contained a small amount of bone and temporarily suspended beef imports from the company responsible for the shipment.

**Other markets:** Several countries have reopened to U.S. beef since the beginning of the year, with most of these markets restricting imports to boneless beef from animals younger than 30 months of age. The opening of Singapore and Taiwan was announced in January, Costa Rica and Thailand in February and Malaysia in March. Importantly, the United States is in the process of either implementing or negotiating free trade agreements with Costa Rica, Thailand and Malaysia. Reopening these markets is an important step toward completing fair and balanced trade negotiations and agreements. Although Peru and Colombia have not yet to reopened to U.S. beef, the FTA process did provide specific dates for beef trade with the United States to resume.

In addition, Mexico announced Feb. 1, 2006 it would resume imports of U.S. bone-in beef from cattle less than 30 months of age. The remaining restriction on live-cattle trade means this market is still not fully normalized, but bone-in beef trade is an important step forward.

Aside from Korea and Japan, two key markets remain completely closed to U.S. beef, Russia and China. An official visit to Washington by the leader of China in late April will provide a critical opportunity to reopen the Chinese market. The situation with Russia is much more complex and difficult to diagnose.

*Free trade agreements*

Country	Issue	Status	Timeline
<b>Thailand</b>	The United States is currently negotiating a free trade agreement with Thailand.	Negotiations ceased in February after political upheaval and a call for early elections in Thailand made the politics of the FTA untenable, at least until after the April 2 election. However, Thailand did officially reopen to U.S. beef and product started moving after a bureaucratic announcement in February.	Although the goal was to finish this FTA by spring, it will likely be Summer 2006 now, assuming the political crisis in Thailand doesn't continue.
<b>South Korea</b>	On Feb. 2, the United States and South Korea announced intent to launch FTA negotiations.	United States and South Korea officials met in early March to establish a timeline for negotiations and decided to begin talks in June.	If all goes well, these negotiations are expected to be complete by the end of the year.
<b>Central America/ Dominican Republic</b>	Congress passed the agreement and President Bush signed it into law this summer.	In addition to the United States, Guatemala, Honduras, Nicaragua, El Salvador and the Dominican Republic have all ratified the agreement. Costa Rica is the only remaining country, which has been slow to ratify because of internal political disruption. The newly re-elected Costa Rican president is expected to push this through their legislative process before the end of the year.	The agreement went into effect March 1 for El Salvador and was scheduled to go into effect April 1 for Honduras and Nicaragua.
<b>Andean (Peru, Colombia, Ecuador)</b>	The United States and these three countries launched FTA negotiations on May 18, 2004.	The United States and Peru concluded negotiations in December. The agreement provides for immediate, duty-free access for high quality beef, and large, duty-free in-quota tariffs on key items. Tariffs on remaining beef tariff lines will be eliminated within 15 years. Similar access for U.S. beef was agreed upon in the U.S.-Colombian FTA negotiations that were completed on March 7. However, all three of these countries still have BSE-related trade restrictions on U.S. beef.	Both the U.S. Congress and the governments of Peru and Colombia now have to ratify their respective agreements. Negotiations with Ecuador are to begin again this Spring.
<b>Malaysia</b>	U.S. Trade Representative (USTR) Robert Portman announced on March 8, 2006, the intent to negotiate an FTA with Malaysia.	Malaysia's applied tariff on beef is already zero, but this FTA may remove non-tariff barriers and expand trade between the two countries.	Negotiations are set to start after a 90-day consultation period with Congress. A deal with Malaysia could be completed yet in 2006.

*WTO accession agreements*

<b>Country</b>	<b>Issue</b>	<b>Status</b>	<b>Timeline</b>
<b>Vietnam</b>	Vietnam is negotiating with the United States to become a WTO member.	<p>The Vietnamese WTO accession negotiations have progressed, with U.S. and Vietnam negotiators meeting in January. Vietnam closed its accession deal with Australia in early March, which means the United States and Vietnam could come to an agreement in the near future.</p> <p>Congress will need to vote on permanent normal trade relations status (PNTR) for Vietnam, rather than granting an annual Jackson-Vanik waiver. At this point, it seems PNTR status for Vietnam has a good chance of getting Congressional approval.</p>	<p>The Vietnamese WTO accession talks have gained momentum in 2006.</p> <p>For more information visit: <a href="http://www.usvtc.org/trade/wto/">http://www.usvtc.org/trade/wto/</a></p>
<b>Ukraine</b>	The Ukraine and United States signed a WTO accession deal on March 6, 2006.	<p>The Ukraine WTO accession deal included resuming beef trade with the United States.</p> <p>In early March, the U.S. House and Senate approved legislation authorizing an extension of PNTR status for Ukraine.</p>	<p>President Bush was presented with the legislation on March 17.</p> <p>For more information visit: <a href="http://www.wto.org/english/thewto_e/acc_e/a1_ukraine_e.htm">http://www.wto.org/english/thewto_e/acc_e/a1_ukraine_e.htm</a></p>