

# 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, China, the European Union and several other countries, as well as negotiations for World Trade Organization (WTO) accessions and current/upcoming bilateral free trade agreements (FTAs).

## Background

### *BSE export market update*

**Japan:** During a two-day teleconference held June 20 and 21, the United States and Japan agreed upon final steps for resuming U.S. beef exports to Japan. Teams of Japanese auditors completed their own review of U.S. packing facility mechanisms to assure that Japanese contract specifications are met in the future. The teams arrived in the United States during the last weekend in June and completed their audits at the end of July. The official announcement to resume trade came on July 27.

Japanese Prime Minister Koizumi visited Washington, D.C. June 29-30 and beef trade was informally discussed based upon the assumption that an agreement in principal had been reached to resume trade. NCBA members passed a resolution supporting retaliatory measures against nations who close their borders to U.S. beef due to unscientific food safety concerns, administrative errors or a single shipment of beef not meeting agreed upon requirements.

**South Korea:** The long-awaited final step in reopening the South Korean market has always been the arrival of a Korean team to audit U.S. processing facilities against U.S. Department of Agriculture (USDA) export verification requirements. This team was originally scheduled to arrive in late March, but the U.S. case of bovine spongiform encephalopathy (BSE) diagnosed in an Alabama cow on March 13 postponed their arrival. The audit team (four teams with two members each) toured the 37 plants that applied for export to South Korea between May 8 and May 19.

On May 29, leaders in the South Korean government announced their intention to lift the ban on U.S. beef imports by June 7. South Korean officials were expected to resume imports of U.S. boneless beef from cattle younger than 30 months of age, but remain closed to bone-in beef and beef

variety meats, according to the terms negotiated earlier this year. However, on June 7, official reports from the South Korean Ministry of Agriculture and Forestry indicated that the expected announcement had been delayed, due to discussions about key technical issues with their U.S. counterparts. A new timeline has not been provided and Korean reports cite a number of different technical reasons for this delay.

The resumption of beef trade with South Korea will be imperative in furthering negotiations on a U.S.-South Korea free trade agreement (see *FTA free trade agreements* table included in this article).

**China:** The United States and China held their annual Joint Commission on Commerce and Trade (JCCT) senior-level meeting April 11. Top officials from USDA, the U.S. Trade Representative (USTR) and the U.S. Department of Commerce (DoC) met with China's Vice Premier Wu Yi on pressing U.S.-China trade relations. In a joint press release, USDA, USTR and the DoC announced that the United States and China had come to a "conditional" agreement on resuming Chinese imports of U.S. beef.

The two countries agreed at the JCCT to begin discussing technical protocol requirements for opening the market. The first set of meetings was held May 13 and 14 in Beijing. USDA undersecretary for Farm and Foreign Agricultural Services Dr. J.B. Penn led the U.S. delegation. He reported that "considerable progress" was made during the discussions and additional meetings were scheduled with the objective of concluding talks and reopening the Chinese market to U.S. beef. A memorandum of cooperation was also developed that provides a basis for addressing food safety issues on an ongoing basis. Another round of discussions was held in China in early June.

On June 30, the Chinese government unilaterally announced it would open to U.S. boneless beef from cattle younger than 30 months of age. In 2003, boneless beef from cattle of all ages only made up about 30 percent of all U.S. beef products exported to China.

**Other market activity:** Several export markets have partially reopened to U.S. beef since the beginning of the year, with most of the access restricted to boneless beef from cattle younger than 30 months of age. Singapore and Taiwan both announced their opening in January; Costa Rica and Thailand in February; Malaysia in March; Peru in May and the Ukraine in June. Importantly, Costa Rica, Thailand, Malaysia, Peru and the Ukraine are in the process of either

FTA/WTO accession implementation or negotiations with the United States. Colombia has yet to reopen its market; however, the FTA process did set a specific date for beef trade with the United States to resume.

Mexico announced Feb. 1 that it would accept imports of U.S. bone-in beef from cattle younger than 30 months of age. This market is not completely normalized because live cattle trade is still restricted but resuming bone-in beef trade is an important step forward.

After Korea and Japan, two key markets remain completely closed to U.S. beef: Russia and China. The situation with Russia remains much more complex and is tied to ongoing negotiations with the United States. that would allow Russia to become a member of the World Trade Organization, which may not conclude until the end of 2006.

### ***EU market update***

Nearly one year ago, the European Union brought a new WTO case against the United States alleging that it is now in compliance on the beef hormone issue and that the \$116.4 million in U.S. retaliatory tariffs against EU products is no longer valid on procedural grounds. Most recently, the WTO panel called for a panel of scientific experts to review the science behind this claim. This scientific panel testimony will be heard this fall. The case is expected to conclude sometime in early 2007.

The U.S. beef industry continues to work aggressively to address a series of sanitary/phytosanitary (SPS) and technical issues that are affecting U.S. beef exports to the EU. At the beginning of the year, the EU implemented a new meat “hygiene directive” that has implications for U.S. operational measures such as pathogen (*E. coli* O157:H7) reduction techniques. Discussions to resolve this and other technical barriers to trade are ongoing.

On April 14, USDA revised its EU, non-hormone treated cattle (NHTC) program requirements. In place since 1989, these program requirements were prohibitive for many producers. It is likely the revisions, while still providing the same level of assurance to the EU, will allow producers a much more practical means of participating in the program.

*WTO accession agreements*

<b>Country</b>	<b>Issue</b>	<b>Status</b>	<b>Timeline</b>
<b>Vietnam</b>	Vietnam and the United States signed a WTO accession deal on May 31, 2006.	<p>On May 14, 2006, the United States and Vietnam reached an agreement “in principle” for Vietnam’s accession to WTO and signed the agreement two weeks later. Under the terms of the agreement, approximately three-fourths of U.S. agricultural exports to Vietnam, including beef, will face bound duty rates of 15 percent or less. Vietnam will not gain increased access to the U.S. market.</p> <p>The U.S. Congress now needs to vote on permanent normal trade relations status (PNTR) for Vietnam, rather than granting an annual Jackson-Vanik waiver.</p>	<p>USTR wanted it addressed before the August recess                      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 the United States signed a WTO accession deal on March 6, 2006.	<p>Among other things, Ukraine’s WTO accession deal included the resumption of beef trade with the United States.</p> <p>In early March, the U.S. Congress approved legislation authorizing an extension of PNTR status for Ukraine.</p> <p>On June 7, Ukraine announced it would be accepting imports of U.S. beef and beef products, including boneless, bone-in, variety meats and processed products from animals younger than 30 months of age.</p>	<p>The legislation was presented to President Bush for approval 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>
<b>Russia</b>	Russia is negotiating to become a WTO member.	<p>After more than a year of steady negotiations between the United States and Russia, Russia was able to reach a “Meat Agreement” on beef and other animal protein trade with its major trading partners through 2009. However, a permanent agreement regarding tariff rate quotas and access issues into the future has yet to be resolved.</p> <p>Congress must also pass PNTR for Russia before it can become a WTO member. This could become a contentious issue in Congress since Russia needs to implement new regulations for resuming U.S. beef and beef variety meat imports.</p>	<p>The United States is the only country that has not completed bilateral negotiations with Russia. Tremendous effort was made leading up to the July 15 G-8 Summit in St. Petersburg. The only outstanding issues are regarding Russian access to U.S. beef and pork. These negotiations will not conclude until this issue is resolved.</p>

*Free trade agreements*

Country	Issue	Status	Timeline
<b>Thailand FTA</b>	The United States is currently negotiating an FTA with Thailand.	<p>Negotiations ceased in February after political upheaval and a call for early elections in Thailand made the politics of the FTA untenable. After the Thai prime minister (PM) was re-elected in the April 2 election, he announced that he was stepping down due to an enraged public reaction to his re-election. The Thai Parliament will now have to choose a new leader. However, Thailand must first have another election to fill the Parliament seats left vacant by the most recent election because a PM can only be chosen by full parliament.</p> <p>The Thailand market is now officially open to U.S. beef.</p>	The goal for finishing the FTA was spring. However, negotiations seem to be on hold because of Thailand's political situation.
<b>Oman FTA</b>	The United States and Oman finalized an FTA in September 2005. USTR Portman and his counterpart signed the agreement on Jan. 19, 2006.	The agreement provides for immediate, duty-free access for U.S. beef and 87 percent of U.S. agricultural tariff lines.	The House Ways and Means Committee passed draft implementing legislation on May 10. The Senate Finance Committee approved the legislation on June 28 and the full Senate approved it on June 29.
<b>Bahrain FTA</b>	The United States and Bahrain finalized FTA negotiations earlier this year.	<p>The agreement allows immediate, duty-free access for 98 percent of U.S. agriculture exports, including beef and beef variety meats. U.S. exports of fresh and chilled beef (boneless and bone-in) already enjoyed duty-free access prior to implementation of the agreement. Five percent duties on products such as frozen beef, edible offal, prepared beef products, bovine semen and other beef products will be immediately eliminated.</p> <p>The FTA also provides for imports of Bahraini beef and beef products. While most of these imports currently have duty-free access, the tariffs on other products will be reduced on day-one, and there will be a tariff rate quota for certain products.</p>	The Bahrain FTA was ratified by the U.S. Congress and signed by President Bush, but has not yet gone into effect. The next step is for the government of Bahrain to ratify the agreement.

*Free trade agreements (cont'd.)*

<b>Country</b>	<b>Issue</b>	<b>Status</b>	<b>Timeline</b>
<b>Central American/Dominican Republic FTA</b>	U.S. Congress passed the agreement at the end of June 2005 and President Bush signed it into law on Aug. 2, 2005.	Guatemala, Honduras, Nicaragua, El Salvador and the Dominican Republic have also ratified the agreement. The only remaining country to do so is Costa Rica, which has been slow to ratify because of internal political disruption. The newly re-elected president of Costa Rica is expected to push it through their legislative process before the end of the year. This government body will likely ratify the agreement sometime in 2006.	The agreement went into effect March 1 for El Salvador, and April 1 for Honduras and Nicaragua.
<b>Andean FTA (Peru, Colombia, Ecuador)</b>	The United States and these three countries launched FTA negotiations on May 18, 2004.	<p>The United States and Peru concluded negotiations on Dec. 7, 2005. Immediate, duty-free access for high-quality beef and large duty-free, in-quota tariffs on key items are part of the agreement. Tariffs on remaining beef tariff lines will be eliminated within 15 years. Similar access was gained for U.S. beef in the U.S.-Colombia FTA negotiations completed on Feb. 27.</p> <p>On April 12, U.S. Trade Representative Rob Portman and Peruvian Minister of Foreign Trade and Tourism Alfredo Ferrero Diez Canseco signed the U.S.-Peru Trade Promotion Agreement.</p> <p>The U.S. government pronounced the negotiations dead after Ecuador ended an oil contract with U.S. company Occidental, the largest foreign investor in Ecuador, and said it would not pay retribution.</p>	<p>The U.S. Congress and the governments of Peru and Colombia now have to approve and ratify their respective agreements. USTR wants the Peru agreement voted on before the August recess, but it has not been placed on the Congressional calendar.</p> <p>In early June, Peruvian President-elect Alan Garcia publicly ensured his support for the FTA. Peru's Senate is also pushing for approval of the FTA.</p> <p>Negotiations with Ecuador are expected to begin again this Spring.</p>
<b>Malaysia</b>	USTR Portman announced on March 8, 2006, the United States' intent to negotiate an FTA with Malaysia.	<p>Malaysia's applied tariff on beef is already zero, but hopefully this FTA will remove non-tariff barriers and expand trade between the two countries.</p> <p>After the regular 90-day consultation period with the U.S. Congress, negotiations began mid-June in Malaysia.</p>	Completion of a deal with Malaysia could happen yet in 2006.

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