

# Trade issues overview

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## Summary

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

## Background

### *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 as 20 months of age or younger. The first shipment of U.S. beef to Japan arrived at a Japanese airport on Friday, Dec. 16 and Japan's quarantine office declared that the beef met import requirements. The shipment included 4.3 tons of chilled beef and 300 kg of tongue and diaphragm produced by Harris Ranch Beef Co. of California. The first ocean freight containers of U.S. beef arrived in Japan on Dec. 29 from Swift. Then on Friday, Jan. 20 The U.S. Department of Agriculture (USDA) announced U.S. beef exports to Japan would temporarily stop because vertebral column was found in a shipment.

**South Korea:** Discussions with South Korean officials about reopening its market to U.S. beef came to an end on Jan. 13. South Korean officials announced they would accept boneless beef from cattle less than 30 months of age, but will continue the ban on bone-in beef and variety meats – which previously accounted for roughly half of the total value of U.S. beef and beef product exports to South Korea. In 2003, the United States exported \$815 million in beef and beef products to South Korea, with boneless beef representing \$449 million of the total. This announcement marks progress

in the situation but, bottom-line, an indefinite ban on the top-selling U.S. products remains.

**Hong Kong:** On Dec. 29, 2005, USDA Secretary Mike Johanns announced that Hong Kong was resuming U.S. beef imports. The agreement allows importation of boneless beef from cattle less than 30 months of age. In 2003, Hong Kong imported \$90 million in U.S. beef and beef products, making it the fifth largest market for U.S. beef products that year.

### *EU market update*

Nearly one year ago, the European Union brought a new World Trade Organization (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 group of experts to review the science behind the claim. This step indicates panel concern that the EU has no new scientific justification for its claim.

The U.S. beef industry has also been working aggressively in recent months to address a series of sanitary/phytosanitary (SPS) and technical issues that continue to affect U.S. beef exports to the EU. At the beginning of the year, the EU implemented a new meat hygiene directive that could affect U.S. operational measures such as pathogen (*E. coli* O157:H7) reduction techniques.

### *U.S. Trade Representative*

The United States Senate confirmed Richard Crowder as the new United States Trade Representative Chief Agricultural Negotiator on Dec. 20, 2005 and he was sworn in on Jan. 5, 2006. In this position, Crowder is responsible for leading all U.S. agricultural trade negotiations, both in multilateral negotiations through the WTO and in regional and bilateral free trade agreements. Crowder replaces Ambassador Allen Johnson following Johnson's resignation last summer.

*WTO accession agreements*

Country	Issue	Status	Timeline
Vietnam	Vietnam is negotiating with the United States to become a WTO member.	Another round of negotiations was scheduled for January 2006. At some point in this process, Congress will need to vote on permanent normal trade relations status (PNTR) for Vietnam, rather than granting an annual Jackson-Vanik waiver.	Vietnamese WTO accession talks have progressed very slowly for years but are now gaining momentum.  For more information visit: <a href="http://www.usvtc.org/trade/wto/">http://www.usvtc.org/trade/wto/</a> .
Ukraine	The Ukraine is negotiating with the United States to become a WTO member.	The Ukrainian Prime Minister was in Washington, D.C. in early November to discuss this and other issues. The Ukraine needs to get its domestic policy in compliance with WTO requirements to complete negotiations; and in mid-December, its legislature twice failed to accomplish this.  The Ukraine still has a BSE-related ban on U.S. beef and this must be resolved along with several other SPS issues related to beef trade. The Ukraine also wants to adopt the EU's hormone-free requirements. The Ukraine is already thinking about becoming an EU member but its government also thought this ban was an international standard.	There is still a long way to go but considerable progress will be made on both the Ukraine and Russian Accession negotiations in 2006.  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> .
Russia	Russia is negotiating to become a WTO member.	After more than a year of steady negotiating 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.  A permanent agreement for tariff rate quotas (TRQs) and future access issues are not yet resolved. In addition, congress must pass PNTR for Russia and Russia must implement new regulations to allow for U.S. beef and beef variety meat imports to resume.	Russia has recently worked out a timeline for resolving its outstanding accessions issues, but this probably will not be accomplished until at least late-2006.
Saudi Arabia	After 10 years of negotiations, Saudi Arabia is now officially a member of the WTO which opens a brand new market for U.S. beef.	Saudi Arabia has committed to removing its unusual sanitary and phytosanitary (SPS) restrictions and applying science-based SPS standards to all agricultural goods, including meats. Saudi Arabia eliminated its hormone-free ban and also agreed that any maximum residue requirements for synthetic hormones in animal products would be consistent with international standards. The country will recognize U.S. Food Safety and Inspection Service (FSIS) export certificates assuring that meat is safe and will accept internationally recognized manufacturer-determined use-by dates, with only a few exceptions. Its prohibition on importing food products with less than half of the shelf-life remaining has been eliminated.	The United States was the final country to conclude accession talks with Saudi Arabia, which were officially finalized on Nov. 11, 2005. Saudi Arabia became the 149 <sup>th</sup> member of the WTO on Dec. 11, 2005.  For more information: <a href="http://www.wto.org/english/thewto_e/acc_e/a1_arabie_saoudite_e.htm">http://www.wto.org/english/thewto_e/acc_e/a1_arabie_saoudite_e.htm</a> .

*Free trade agreements*

Country	Issue	Status	Timeline
Thailand	The United States is currently negotiating a free trade agreement with Thailand.	These negotiations are taking longer than expected. Thailand announced it was resuming U.S. beef imports in late October, but product movement has yet to occur. A technical team visited the United States the week of Nov. 7, 2005 and in January 2006, high-level Thai government officials further committed to opening the market.	Additional negotiations occurred in mid-January with the goal of completing the FTA by spring. However, summer 2006 is a more realistic timeline.
Oman	The United States and Oman finalized an FTA in September 2005.	The agreement provides for immediate, duty-free access for U.S. beef and 87 percent of U.S. agricultural tariff lines.	This agreement will go to Congress for ratification this spring.
United Arab Emirates	The UAE is comprised of seven Emirates that all have independent governments within the kingdom.	Although the UAE structure has made negotiations more difficult, none of the seven Emirates are interested in agriculture. In fact, less than 4 percent of the UAE's economy is agriculture.	The timeline for this FTA remains uncertain.
Bahrain	The United States and Bahrain finalized FTA negotiations in 2005.	This agreement provides for 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) were already duty-free but the 5 percent duty on products such as frozen beef, edible offal, prepared beef products, bovine semen and others will immediately be eliminated.  The FTA also provides for U.S. imports of Bahraini beef and beef products. While most of these imports are currently duty-free, the tariffs on other products will be reduced on day-one, and a tariff rate quota (TRQ) implemented for certain products.	The U.S. House and Senate both approved this FTA in early December 2005. Next, President Bush needs to sign the agreement into law and the Bahrain government ratify the agreement.
South Korea	The United States and South Korea have expressed interest in an FTA.	Negotiations were originally expected to start in November 2005. Talks have been delayed because of BSE and three other outstanding concerns. South Korea is very interested in this FTA.	Negotiations were expected to start in January 2006.
Central America/ Dominican Republic	Congress passed the agreement and President Bush signed it into law summer 2005.	Guatemala, Honduras, Nicaragua, El Salvador and the Dominican Republic have also ratified the agreement. Costa Rica is the only remaining country. Costa Rica's President is submitting the agreement to his country's legislature and this body will likely ratify the agreement sometime in early 2006.	The agreement did not go into effect on Jan. 1 because the countries involved had not implemented the regulatory requirements. There is no timeline for when the agreement will be initiated now.
Panama	The United States and Panama started FTA negotiations on April 26, 2004.	Negotiations with Panama have not gone smoothly. Panama is also still restricting U.S. beef because of BSE and it has asked for a new tracing requirement for beef, similar to what is required for live animals by the World Organization for Animal Health (OIE). There are also remaining unresolved SPS issues that threaten to derail these negotiations. President Bush traveled to Panama on Nov. 7, 2005 to discuss these issues.	This FTA is supposed to be complete in early 2006, but many outstanding issues remain and progress has been minimal. As a result, the timeline on this FTA could slip.
Peru, Colombia, Ecuador	The United States started FTA negotiations with these three countries on May 18, 2004.	Ideally these three agreements would be completed together, but Peru is much further along in the process. The United States and Peru concluded negotiations on Dec. 7, 2005 – reaching an agreement for immediate, duty-free access for high-quality beef, and significant duty-free, in-quota tariffs on key items. Tariffs on remaining beef tariff lines will be eliminated within 15 years. All three countries still have BSE-related trade restrictions on U.S. beef.	Both the U.S. Congress and government of Peru now have to approve the agreement. Negotiations with Colombia and Ecuador are supposed to start again in early 2006.
Morocco	FTA negotiations started in March 2004. Both the House and Senate ratified the FTA in July and President Bush signed it in August 2004.	The United States has been waiting for the Moroccan government to ratify this agreement. The Moroccan government recently completed its domestic process. Historically, Morocco's agriculture sector has been highly protected and beef imports were not permitted. This FTA is unprecedented in providing substantial TRQ access for U.S. beef.	The FTA was implemented in both countries on Jan. 1, 2006.