

March 30, 2004

Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

**RE: Public Comments Concerning the Proposed United States-
Andean Countries Free Trade Agreement**

The National Pork Producers Council (NPPC) hereby submits comments concerning the proposed United States-Andean Countries Free Trade Agreement Negotiations. NPPC is a national association representing 44 affiliated states that annually generate approximately \$11 billion in farm gate sales. The U.S. pork industry supports an estimated 600,000 domestic jobs and generates more than \$64 billion annually in total U.S. economic activity.

Pork is the world's meat of choice. Pork represents 47 percent of daily meat protein intake in the world. (Beef and poultry each represent less than 30 percent of daily global meat protein intake.) As the world moves from grain based diets to meat based diets, U.S. exports of safe, high-quality and affordable pork will increase because economic and environmental factors dictate that pork be produced largely in grain surplus areas and, for the most part, imported in grain deficit areas. However, the extent of the increase in global pork trade - and the lower consumer prices in importing nations and the higher quality products associated with such trade - will depend substantially on continued agricultural trade liberalization.

U.S. pork producers were ardent proponents of the Uruguay Round Agreement and the North American Free Trade Agreement. The industry strongly supports further trade liberalization measures such as the proposed FTA with the Andean nations. As the low-cost producers of safe, high-quality pork, these trade agreements permit U.S. pork producers to exploit their comparative advantage in international markets. Since 1995, when the Uruguay Round Agreement went into effect, U.S. pork exports to the world have increased by more than 150 percent. Even with the progress made in the Uruguay Round, much more needs to be done. The U.S. pork industry still is either locked out of many markets, or has only partial access to markets, due to high tariffs, non-tariff trade barriers, and subsidized competition.

There is significant and increasing market potential for U.S. pork exports in the Andean nations, particularly Colombia. However, very little of this potential can be realized until high and unpredictable tariffs, complicated import

licensing systems, and unjustified sanitary restrictions are abolished. Given that the United States is a mature market for meat consumption, it is important for U.S. pork producers to pursue opportunities in new markets such as the Andean nations. The opportunities and barriers to pork trade with the four nations of Bolivia, Ecuador, Colombia, and Peru are discussed below.

THE FOUR ANDEAN COUNTRIES MUST TERMINATE THE USE OF THE PRICE BAND ON U.S. PORK EXPORTS

The Andean Community’s price band would become irrelevant if these four countries immediately eliminated tariffs on all U.S. pork and pork products. Under the status quo, the price band severely limits the volume of U.S. pork exports because it is difficult, if not impossible, for Andean importers and U.S. exporters to know what the tariff will be prior to export of the pork. In particular, in Colombia and Ecuador the tariff on pork fluctuates based on a reference price for the product. The Colombian duty on pork has been known to fluctuate from the normal 20% to 60% due to the vagaries of the price band. Given that the price band can be used to change the duty on a product as often as every two weeks, it is impossible for pork importers and exporters to have any confidence in what the duty will be for any given shipment -- thus making it extraordinarily difficult to conduct business. The risk resulting from this unpredictability ensures that none but the largest importers can afford to import significant quantities of pork.

TARIFFS SHOULD IMMEDIATELY BE REDUCED TO ZERO

Upon the implementation of a United States-Andean Countries Free Trade Agreement, all tariffs on U.S. pork and pork products should immediately be zero. There should be no tariff-rate-quotas and no phase-in period for obligations. This is in stark contrast to the tariffs these countries currently maintain on pork products. Current tariffs on pork are: 20% in Colombia and Ecuador (and more when the price band causes a tariff increase), 30% in Peru, and 10% in Bolivia. The complete and immediate liberalization of all trade in pork and pork products should include the following Harmonized Tariff Schedule (HTS) numbers:

#	Description	U.S.-Andean Countries	FTA Rate of Duty
0103	Live swine		FREE
0203	Meat of swine, fresh, chilled		FREE
0206	Edible offal of swine		FREE

0209	Pig fat free of lean meat, fresh, chilled, or frozen	FREE
0210	Meat of swine, processed or cured	FREE
0504	Guts, bladders and stomachs of animals (other than fish)	FREE
1501	Lard; other pig fat, whether or not pressed or solvent-extracted	FREE
1601	Sausages of meat, swine	FREE
1602	Other preserved or prepared Meat of swine	FREE

THE ANDEAN NATIONS MUST NOT USE UNJUSTIFIED SANITARY OR LICENSING BARRIERS TO RESTRICT U.S. PORK

While there are no current reports of unjustified sanitary barriers imposed by the Andean nations on U.S. pork exports, high tariffs and price bands restrict pork exports from the United States to miniscule amounts. Once tariffs are eliminated, the Andean nations are likely to follow the lead of other U.S. trading partners and erect bogus sanitary barriers to thwart U.S. pork exports. In addition, some reports have indicated that the Colombian government tends to protect the domestic pork industry by refusing to issue import permits for pork when there is any fear that imports might be harmful to the domestic industry. Thus, to diminish the likelihood of future problems, it is imperative that the Andean nations now agree in writing to maintain a transparent system for issuing import permits, to recognize the U.S. pork inspection system, and to accept pork from all USDA-approved facilities.

THE US-ANDEAN NATIONS FREE TRADE AGREEMENT SHOULD PERMIT NO PRODUCT OR SECTOR EXCLUSIONS

Negotiators are sure to encounter numerous sensitivities and difficulties on agricultural products from each country involved in the U.S.-Andean Nations Free Trade Agreement. There is no question that the United States, along with each of the four Andean nations, will have import-sensitive products in this agreement. However, it has long been established U.S. trade policy to include every agricultural product in trade agreements. The reason for this is that our trading partners are entitled to take their sensitive products out of the agreement if the United States begins to make their own exclusions, and thus

it is clear that the United States will attain a far more ambitious overall agreement if it is acknowledged from the start that neither side will have the option of excluding sensitive commodities. This is especially important for U.S. pork producers in light of the fact that pork is a traditional product for production and consumption and thus there are sure to be calls to shield this industry from any competition. In addition, a broad cross-section of U.S. agriculture articulated support for the position of 'no exclusions' in Free Trade Agreements in the attached letter that was sent to President Bush in the context of the Australian FTA negotiations.

>>>>>>Attached letter below

February 5, 2004

President George W. Bush
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Bush:

The United States is attempting to conclude a free trade agreement with Australia. Until recently, the position of the United States in all FTAs has been that all products and sectors must be included. We have appreciated the Administration's successful efforts to gain access for our products to markets in Central America and other FTA markets.

We are troubled that now, late in the Australia negotiations, the United States has reportedly proposed to exclude one U.S. commodity, and only one. Many other commodities – including some of those represented by the organizations signing this letter – have import sensitivities. Likewise, the vast majority of U.S. agricultural producers also have export interests, and recognize that when the United States tells the world that exclusions are acceptable, this principle will undoubtedly be adopted by countries with whom we will be negotiating FTAs in the future. In many cases, these nations are major potential markets for U.S. farmers and ranchers.

Just as we would strongly oppose any Australian efforts to exclude our products, our organizations are likewise deeply troubled by the Administration's apparent change in position, and are profoundly concerned about its future implications. We respectfully ask that you reconsider the long-term trade ramifications of special exclusions for a single agricultural commodity.

Sincerely,

American Feed Industry Association
American Frozen Food Institute
American Meat Institute
American Soybean Association
Animal Health Institute
California Farm Bureau Federation
Corn Refiners Association
Fertilizer Institute
Grocery Manufacturers of America
National Association of Wheat Growers
National Confectioners Association
National Corn Growers Association
National Food Processors Association
National Grain and Feed Association
National Grain Trade Council
National Oilseed Processors Association
National Pork Producers Council
North American Export Grain Association
Pet Food Institute
Sweetener Users Association
U S Wheat Associates
US Grains Council
USA Poultry & Egg Export Council
USA Rice
Wheat Export Trade Education Committee
Altria Group, Inc.

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