

April 5, 2004

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

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

The National Pork Producers Council (NPPC) hereby submits comments concerning the proposed United States-Panama 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 Panama. However, very little of this potential can be realized until high tariffs, unjustified plant inspection requirements, and Panama's costly quota bid

system for pork 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 Panama. The opportunities and barriers to pork trade with Panama are discussed below.

### **PANAMA MUST RECOGNIZE THE U.S. MEAT INSPECTION SYSTEM**

Unlike virtually all the countries to which the U.S. exports pork, Panama does not accept pork from all USDA-approved facilities. Rather, like the European Union, Panama insists on sending its own inspectors to U.S. pork plants. This practice is completely unacceptable. It operates as a non-tariff barrier to trade.

The United States has the most comprehensive and effective system of food safety management in the world. The wholesomeness of the U.S. food supply is second to none in the world. An integral part of the U.S. food safety system is USDA's inspection and certification of U.S. meat producing facilities. Panama must agree to accept pork from any USDA-approved facility.

At one point not long ago, China was reluctant to accept pork from all USDA-approved facilities. USTR and USDA persuaded China to change its position, which is memorialized in the Agreement on U.S.-China Agricultural Cooperation. Panama must also guarantee in writing that it will accept pork from all USDA facilities.

### **TARIFFS SHOULD IMMEDIATELY BE REDUCED TO ZERO**

Upon the implementation of a United States-Panama 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 Panama currently maintains on pork products. Current tariffs on pork products range from 15% to 79%. The complete and immediate liberalization of all trade in pork and pork products should include the following Harmonized Tariff Schedule (HTS) numbers:

<u>#</u>	<u>Description</u>	<u>U.S.-Panama FTA Rate of Duty</u>
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

### **PANAMA MUST ELIMINATE ITS COSTLY QUOTA BID SYSTEM**

Panama offers only an extremely limited quota for pork imports, and importers must bid in order to obtain part of the quota. Even if an importer goes through the process of obtaining a permit to use part of this quota, in-quota tariff rates on some pork products are a staggering 79%. This is why it is important for Panama not only to eliminate its tariffs on pork and pork products but to do away with this costly and complicated quota bid system. These complications, along with high tariffs and inspection issues, have caused U.S. exports to decrease in the past two years to miniscule levels. There is no doubt that Panama will provide a meaningful and growing market for U.S. pork once trade on pork is truly liberalized.

### **THE US-PANAMA 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.-Panama Free Trade Agreement. There is no question that the United States and Panama will both 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 in Panama and thus there are sure to be calls to shield this industry from any competition.

Just as with the Central American Free Trade Agreement, it is important that all sectors are involved in this agreement in order for export-oriented agriculture to make significant gains. 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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Contact:

Nicholas D. Giordano  
International Trade Counsel  
National Pork Producers Council  
122 C Street N.W.  
Washington D.C. 20001  
PH 202-347-3600  
FX 202-347-5265  
EM giordann@nppc.org