

April 16, 2004

Ms. 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 on the Proposed United States-Thailand Free Trade Negotiations**

The National Pork Producers Council (NPPC) hereby submits comments concerning the proposed United States-Thailand Free Trade 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. 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 1994, the year before 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 Thailand. However, very little of this potential can be realized until high tariffs, costly livestock inspection fees, and many other cumbersome and

unpredictable import permit issues are done away with. 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 Thailand. The opportunities and barriers to pork trade with Thailand are discussed below.

### **THAILAND HAS A MODERN AND COMPETITIVE PORK INDUSTRY WHICH DOES NOT NEED OR DESERVE SPECIAL PROTECTION**

The pork industry in Thailand is efficient and export-oriented. Betagro Agro-Group Public Co., Ltd. (a Thai conglomerate of 27 group companies centered on agricultural business, with net annual sales of 20 billion Baht= 511 Million USD), recently formed a joint venture with Ajinomoto Frozen Foods Co., Inc. of Japan (a company which manufactures and sells frozen foods, with net annual sales of 105 billion yen= 982 Million USD) to import Thai pork. The announcement of this joint venture specifically stated that the target for this new company is to sell 4 billion Japanese yen (38 million USD) worth of Thai pork in Japan in 2009<sup>1</sup>.

In an effort to modernize its industry and leapfrog production systems in North America, Thailand recently announced a large-scale plan to encourage the use of cutting-edge radio frequency identification technology for hog identification and trace-back. Somsak Thepsutin, Thailand's Minister of Agriculture and Cooperatives, on March 15 of this year asked for the immediate implementation of this technology throughout Thailand's entire hog industry<sup>2</sup>. Reports indicate that Thailand obtained approximately 1,000,000 tags for this system, which would cover a substantial portion of the 7,000,000 hogs FAOSTAT estimates in Thailand's stocks in 2003<sup>3</sup>.

Considering the above arrangements and other developments in Thailand's pork industry, there is no doubt that Thailand's pork exports to Japan are increasing. This demonstrates Thailand's ability to compete with the United States and other suppliers in Japan and other markets. The Thai pork industry does not need, and should not expect, any special protection in the Thailand-U.S. FTA. Such protection would not only hurt U.S. pork producers by creating disadvantage in the domestic Thai market but would also provide additional opportunities for Thailand to use such protection to expand their exports and take more of the current U.S. market share in Japan and other markets. The Thai pork industry requested and obtained special protection in the Thailand-Australia FTA, in which there was a 15-year phase-in for duty elimination. Such a lengthy period before tariff elimination on pork and pork

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<sup>1</sup> [www.ajinomoto.com/press/g2004\\_01\\_15.html](http://www.ajinomoto.com/press/g2004_01_15.html)

<sup>2</sup> [http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news\\_view&newsId=20040324005167&newsLang=en](http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20040324005167&newsLang=en)

<sup>3</sup> <http://faostat.fao.org/faostat/servlet/XteServlet3?Areas=216&Items=1034&Elements=11&Years=2003&Years=2002&Format=Table&Xaxis=Years&Yaxis=Countries&Aggregate=&Calculate=&Domain=SUA&ItemTypes=Production.Livestock.Stocks&language=EN>

products would be entirely unacceptable to U.S. pork producers in this agreement. Tariffs should be eliminated immediately, with no tariff-rate-quotas and no phase-in period.

### **THAILAND'S IMPORT PERMIT FEES MUST NOT BE DISCRIMINATORY**

The government of Thailand imposes a Baht 5/kg (US\$114/MT) import permit fee on imported pork and offal products. This fee is supposed to simply cover the costs of meat inspection, but really acts as a strong deterrent to any pork or offal imports. While it is true that this fee was reduced significantly from Baht 20/kg to the current Baht 5/kg, that does not change the fact that this fee is unjustified and is a significant impediment to pork imports. This fee clearly violates Thailand's commitment to uphold the WTO's national treatment rule, since the fee for domestic producers to inspect their product is only \$15/MT for pork and \$0 for offal- at most, little more than a tenth of the fee charged for imported product. Even with these large fees, Thailand's system for issuing import permits is far from transparent and extremely difficult. This inspection fee, along with high tariffs and difficult licensing procedures, keep U.S. pork exporters from competing nearly as well as they otherwise would in the Thai market.

### **THAILAND MUST NOT USE UNJUSTIFIED SANITARY OR LICENSING BARRIERS TO RESTRICT U.S. PORK**

High tariffs and the import permit issues mentioned above restrict Thailand's pork imports from the United States to miniscule amounts. Once tariffs are eliminated, Thailand is likely to follow the lead of other U.S. trading partners and erect bogus sanitary barriers to thwart U.S. pork exports. In fact, since current market barriers in Thailand prevent U.S. pork producers from competing fairly in this market, it is not clear whether Thailand is willing to accept pork from all USDA-approved facilities. Thailand has had a generally un-enforced policy of requiring individual plant inspections for exporters of meat from the United States. It is imperative that Thailand agrees in writing to maintain a transparent system for issuing import permits, to recognize the U.S. meat inspection system, and to accept pork from all USDA-approved facilities to prevent any such problems from occurring in the future as market access gains are made in this FTA.

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

Upon the implementation of a United States-Thailand 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. Thailand currently maintains some of the highest tariffs on red meat in Asia: 33% in 2004. 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.-Thailand 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 US-THAILAND FREE TRADE AGREEMENT SHOULD PERMIT NO PRODUCT OR SECTOR EXCLUSIONS**

The United States and Thailand both have import-sensitive products. 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 products. 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 Thailand and thus there are sure to be calls to shield this industry from any competition. As previously mentioned, the Thai pork industry obtained an extremely prolonged 15-year phase-in period for tariff elimination on pork in their FTA with Australia.

It is important that all sectors are involved in this agreement in order for export-oriented agriculture to make significant gains. 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 U.S.-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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