



**Position on:
The U.S.-Andean Free Trade Agreement
September 30, 2005**

General Trade Principles

- **Reduce Tariffs.** R-CALF USA has long advocated, and continues to support, efforts to open up U.S. cattle and beef export markets by reducing global tariffs to U.S. levels. The U.S. Department of Agriculture (USDA) reports that the average allowed tariff on beef around the world is 85%, while the U.S. in-quota tariff rate is near 0% and out-of-quota tariff rate is 26.4%.
- **Eliminate Subsidies.** R-CALF USA supports the attempts of USTR to reform agricultural subsidies around the world that artificially distort market conditions, especially since U.S. producers receive no support outside of disaster assistance.
- **Remove Non-Scientific Trade Barriers to Exports.** While the United States imposes scientifically supported measures to ensure the safety of the food supply, many other nations use sanitary and phytosanitary measures in the cattle and beef sector to unjustifiably restrict trade. Most notable of these is the EU's longstanding non-tariff trade barrier against U.S. beef related to the use of beef hormones. Furthermore, export of U.S. beef is banned to more than 40 nations because of BSE concerns. Regaining access to large markets that are closed such as Japan and Korea is far more important to U.S. beef producers than getting new market access to small markets like the Andean nations of Bolivia, Columbia, Ecuador, and Peru.
- **Address Global Distortions Simultaneously with Bilateral and Regional Free Trade Agreement Negotiations.** These distortions create the operating background against which free trade agreements must be examined to understand the consequences of liberalization. R-CALF USA believes that negotiating regional FTAs with agricultural producing countries with smaller internal markets is less important than reducing the major global distortions caused by tariffs, non-tariff barriers, and subsidies at the WTO. If markets are liberalized where the U.S. cattle industry is likely going to fare poorly, and the U.S. is unable to simultaneously open the major consuming markets where the U.S. cattle industry will do reasonably well, then the U.S. cattle industry will be placed in the position to lose market share globally, not because we are uncompetitive, but because we expand market access in the U.S. far ahead of equitable access abroad.

Factors Eliciting Concern Regarding Andean Nations

- **Andean Market Initially is Small; Per capita Income is Low in the Four Nations.** The region's ability to absorb significant U.S. beef exports is also constrained by its relatively low per capita GDP. Bolivia's per capita GDP in 2004 was \$944, Colombia's per capita GDP in 2003 was \$1,844, Ecuador's was \$2,304 in 2004, and Peru's was \$2305 in 2004. By comparison, Mexico's per capita GDP was at least double that of any of the Andean countries, at \$5,945, in 2003.
- **Andean Nations Represent a Potentially Large Source of New Imports.** The Andean nations have a combined herd of more than 44 million head of cattle and are a potentially significant source of cattle and beef imports for the United States. Canada, which has been our largest foreign supplier, by comparison, has 13,454,000 head. One of the U.S.-Andean pact's purposes is to increase investment in the region. If applied to the cattle and beef sector, this could include expanding herd size, improving genetics, and modernizing/expanding the slaughtering facilities, all of which would increase the volume of beef being produced in the Andean nations, with the most likely export destination for this product being the United States.

Specific Goals in the U.S.-Andean Free Trade Agreement Negotiations

- **Achieve Beef Safeguard in U.S.-Andean FTA Negotiations.** The Trade Act of 2002 (P.L. 107-210) provides clear principal negotiating objectives for USTR to obtain special rules on perishable, seasonal, and cyclical agricultural products in trade agreement negotiations. One way to achieve this objective is to obtain special safeguards against import surges or falling prices in these sensitive sectors. So far, the U.S.-Andean pact has no safeguards that acknowledge the sensitive position of the cattle industry. We hope that U.S. negotiators will achieve a substantive safeguard for both the cattle sector and beef sector, building upon the beef sector safeguard obtained in the U.S.-Australia Free Trade Agreement.
- **Resume Imports of US Beef.** Currently, the nations of Bolivia, Columbia, Ecuador and Peru all have their markets closed to U.S. exports because of concerns about BSE. These market closures appear to be neither fully transparent nor scientifically based. All four nations must resume imports of U.S. beef before the overall FTA provisions on beef go into effect. Furthermore similar to the U.S.-Australian FTA, U.S. beef export markets must be restored before the U.S.-Andean FTA goes into effect.
- **Gain Broadest Possible Market Access in All Four Nations.** It is important that our negotiators gain market access for all grades of beef in the Andean

nations with the shortest possible phase-in period. Market access for middle and lower grades is as important as high-end access. American beef producers certainly want the opportunity to export beef to the elite and to resorts in these nations, but it is also important to gain access to the broad range of 93 million consumers in the Andean nations. One of R-CALF USA's concerns with the CAFTA is that the high-end cuts achieved market access quickly, while longer phase-ins were allowed for the cuts that are popular with local consumers.

- **Eliminate Foot and Mouth Disease.** One significant problem for cattle producers in all four Andean nations is the presence of foot and mouth disease. Foot and mouth disease (FMD) is one of the most contagious diseases of mammals and has a great potential for causing severe economic loss. We appreciate the efforts of USDA and USTR to highlight the need to eliminate this disease during FTA negotiations. However, U.S. import restrictions applicable to FMD-affected countries should not be subject to revision within the U.S.-Andean FTA.
- **Prevent Transshipment of Cattle from other South American Nations with Strong Rules of Origin.** One way to make transshipment more difficult is to adopt a born and raised standard for country of origin. To receive trade benefits an Andean or U.S. producer would have to demonstrate that the cattle or beef being exported was born and raised in the one of the five nations participating in the FTA. We had endeavored to get a similar provision in the CAFTA. However, the final Rule of Origin gives preferential treatment to beef based on country of slaughter. It is important that USTR try to obtain stronger rules of origin in the U.S. Andean FTA because of the potential for transshipment from nations like Argentina and Brazil.