



R-CALF
USA

R-CALF United Stockgrowers of America

P.O. Box 30715
Billings, MT 59107
Phone: 406-252-2516
Fax: 406-252-3176

2100 M Street NW, #170-200
Washington D.C. 20037
Phone: 202-785-1700
Fax: 202-785-1701

E-mail: r-calfusa@r-calfusa.com • Website: www.r-calfusa.com

DIRECTORS

President/ Region V

Chuck Kiker
Beaumont, Texas

Vice President/ Region VI

Max
Thornsberry, DVM
Richland, Mo.

Region I

Dennis McDonald
Melville, Mont.

Region II

Randy Stevenson
Wheatland, Wyo.

Region III

Johnny Smith
Ft. Pierre, S.D.

Region IV

Jon Wooster
San Lucas, Calif.

Region VII

Eric Nelson
Merville, Iowa

Region VIII

Gene Barber
Winchester, Ky.

Region IX

James Fudge
Colquitt, Ga.

Region X

James McCuen
Okanogan, Wash.

Past President

Leo McDonnell, Jr.
Columbus, Mont.

C.E.O.

Bill Bullard
Billings, Mont.

October 16, 2006

PUBLIC DOCUMENT

Ms. Marilyn Abbott
Secretary
United States International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

**Re: R-CALF USA Posthearing Brief Regarding the Colombia Trade
Promotion Agreement: Potential Economy-Wide and Selected Sectoral
Effects (Inv. No. TA-2104-023)**

Dear Ms. Abbott:

The Ranchers-Cattlemen Action Legal Fund – United Stockgrowers of America (R-CALF USA) appreciates this opportunity to submit additional views regarding the Commission's investigation on the potential economic effects of the Colombia Trade Promotion Agreement (TPA). R-CALF USA is a non-profit association that represents over 18,000 U.S. cattle producers in 47 states across the nation. R-CALF USA's mission is to represent the U.S. cattle industry in trade and marketing issues to ensure the continued profitability and viability of independent U.S. cattle producers. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and feedlot owners. Various main street businesses are associate members of R-CALF USA.

As discussed in R-CALF USA's prehearing brief in this matter and in testimony provided before the Commission on October 5, 2006 by Doug Zalesky, Chairman of the R-CALF USA International Trade Committee, R-CALF USA believes that the Colombia TPA will do little to promote exports of U.S. beef, while subjecting domestic producers to substantial risks of increased beef imports. Significant increases of U.S. beef exports to Colombia are unlikely, given the country's sizable domestic herd, excess domestic production, and relatively low per-capita GDP. In addition, the likelihood of increased beef imports from Colombia is substantial due to the country's growing beef production, the proven ability of other South American countries to ramp up beef exports quickly once health and safety problems are addressed, the agreement's lax rules of origin regarding beef imports, and the failure to include a lasting price safeguard mechanism in the agreement.

Below, we address a number of questions from the Commission regarding these issues.

I. Responses to Questions from Vice Chairman Aranoff

Vice Chairman Aranoff asked if the rule of origin for beef in the Colombia TPA is different from the rule of origin that currently applies to imports of beef from Colombia under the Generalized System of Preferences (GSP), and whether it is known if Chile currently ships beef to the U.S. derived from cattle imported from Argentina under the U.S. – Chile Free Trade Agreement (FTA).

The GSP program contains no specific rule of origin for beef imports benefiting from preferential treatment under the program. Thus, beef imports under GSP are treated as all other U.S. imports of beef, and beef products are deemed to originate in the last country in which they were substantially transformed. Since the slaughter of an animal to produce beef is generally considered such a substantial transformation, beef is considered to originate in a GSP beneficiary country, and thus to qualify for preferential treatment under the GSP program, as long as it was subject to substantial transformation in a GSP beneficiary country, regardless of whether or not it is derived from an animal that was born and raised in that nation. Thus, the rules of origin for beef in the Colombia TPA do not constitute a significant departure from the rules of origin that currently apply to beef imports from the country.

However, it is important to note that bilateral trade agreements often contain product-specific rules of origin that are stricter than general import rules to account for the fact that the agreement accords permanent preferential treatment to such products. In the case of beef under the Colombia FTA, the failure to include stronger rules of origin than those that currently apply under the GSP program, coupled with the substantial additional – and eventually unlimited – market access granted under the agreement, creates the potential for significant volumes of exports of beef from Colombia to the U.S.

Finally, it is not known definitively whether any of the beef that Chile has begun to export to the U.S. under the U.S. – Chile FTA is derived from animals that have been imported into Chile from Argentina or elsewhere. It is certainly the case that it would be possible for Chile to export beef from third-country animals to the U.S. under the FTA. But, because there is no system in place to monitor or document the origin of the animals from which such beef is derived, there does not appear to be any official information on this subject.

II. Responses to Questions from Commissioner Koplan

Commissioner Koplan asked whether the price band being abolished in the U.S. – Colombia TPA would benefit U.S. cow/calf producers. It is not apparent that the price band system applies to Colombia's imports of beef. The U.S. Department of Agriculture

reports that the price band system applies to Colombia's imports of white rice, malting barley, yellow corn, white corn, sorghum, soybeans, wheat, crude palm oil, crude soybean oil, sugar, powdered milk, chicken pieces, pork, and additional commodities considered to be substitutes for, or derived products from, the above.¹ Rather than use the price band system to protect its domestic beef market, it appears that Colombia simply applies restrictive tariffs to beef imports, as evidenced by the fact that the Colombia's base tariff on many categories of beef imports under the FTA is as high as 80 percent.²

Thus, the agreement grants additional access for U.S. beef exports by phasing out Colombia's tariffs on beef – the abolition of the price band system does not appear to accord any direct benefits to U.S. beef exports.

III. Responses to Questions from Commissioner Hillman

Commissioner Hillman requested information regarding Colombia's progress in curing foot-and-mouth disease (FMD) and how long it has taken other countries in South America to eradicate FMD.

Colombia has achieved FMD-free status for a growing zone that began along the Atlantic coast of the country.³ In the mid-1970's the Colombian government began working to create an FMD-free zone along its Atlantic coast, with assistance from the U.S. Department of Agriculture. In 1995, the Colombian government and the Colombian national cattlemen's federation (FEDEGAN), established the Colombian FMD-free campaign. Under the plan, the Atlantic coast was the top priority for FMD eradication. Within two years, in 1997, the World Animal Health Organization (OIE) certified the department of Chocó, in the northwest corner of Colombia along the border of Panama, as FMD-free without vaccination. In 2001, the OIE recognized the large part of Colombia's Atlantic coast, and part of the department of Antioquia, as FMD-free with vaccination. Two years later, in 2003, the OIE granted the same status to an adjacent zone. In 2005, the OIE recognized two additional zones as FMD free.⁴ Together, these FMD-free zones contain 65 percent of Colombia's cattle herd.⁵

¹ U. S. Department of Agriculture, Foreign Agricultural Service, *Colombia Trade Policy Monitoring Annual 2006*, GAIN Report No. CO6008 (June 22, 2006) at 15.

² U.S. – Colombia TPA, Annex 2.3 – Tariff Schedule of the Republic of Colombia.

³ See generally *Seminario Internacional: La Regionalización en Los Programas de Erradicación de Enfermedades y en La Facilitación del Comercio Internacional*, PANAFTOSA, Pan-American Health Organization (March 2004); *List of Foot and Mouth Disease Free Countries*, World Organization for Animal Health (OIE) available on-line at http://www.oie.int/eng/info/en_fmd.htm.

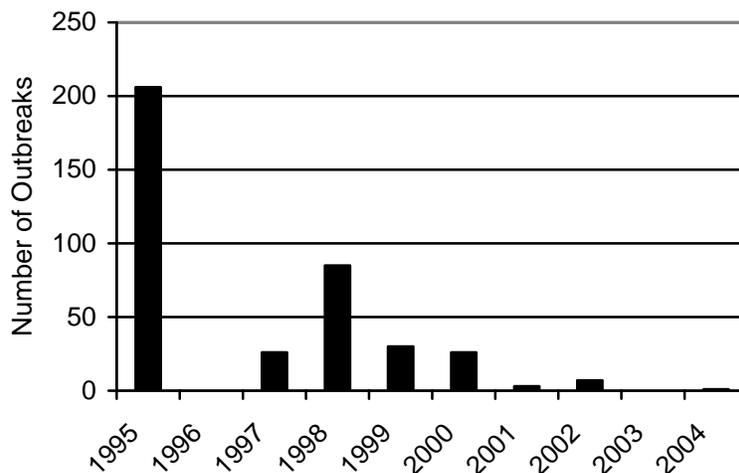
⁴ 65% *Del Hato Ganadero Esta Libre de Aftosa*, Colombia State News Service Press Release (Jan. 24, 2005) available on-line at http://www.presidencia.gov.co/prensa_new/sne/2005/enero/25/11252005.htm.

⁵ *Id.*

This year, the Colombian government is working to secure OIE recognition of a zone in the southwest of the country as FMD-free by May of 2007.⁶ Achievement of this goal would place 80 percent of the Colombian cattle herd within FMD-free zones.⁷ Ultimately, the goal of the Colombian government is to achieve recognition for the entire country as FMD-free with vaccination in 2008.⁸

The existence of internationally-recognized FMD-free zones within Colombia, and recent progress in getting more zones declared FMD-free, is significant for two reasons. First, it indicates that the Colombian government has developed a successful FMD eradication program and is making significant strides in ridding its domestic herd of the disease. A full 65 percent of the country's domestic herd resides in zones that are internationally-recognized as FMD free, and that number could reach 80 percent if new regions are recognized as FMD-free in 2007 as the Colombian government plans. Colombia's latest reports of FMD outbreaks to the OIE indicate that outbreaks have generally been on the decline even in those zones that are not FMD-free. Colombia only reported one outbreak in 2004, affecting 107 animals who were all destroyed.⁹

FMD Outbreaks in Colombia, 1995 – 2004¹⁰



Second, even before Colombia achieves recognition as an FMD-free country, as it hopes to do in 2008, it is possible that the recognition of FMD-free zones within the

⁶ *Gobierno Inicia Nuevos Estudios para Certificación de Zonas Libres de Fiebre Aftosa*, Colombia Agriculture Ministry Press Release (Aug. 11, 2006) available on-line at <http://www.minagricultura.gov.co/noticias/noticia.php?id=497>.

⁷ *Id.*

⁸ *Id.*

⁹ *Global Livestock Production and Health Atlas*, United Nations Food and Agriculture Organization, available on-line at <http://www.fao.org/ag/aga/glipha/index.jsp>.

¹⁰ *Id.*

country could also affect trade in beef between the U.S. and Colombia. The OIE's guidelines regarding imports direct countries to treat imports from countries and zones with the same FMD status equally.¹¹ Similarly, while U.S. import regulations related to FMD currently only recognize entire countries, and no regions or zones within countries, as FMD-free,¹² U.S. import regulations do contemplate that such recognition could occur on a regional basis. In particular, the regulations explicitly define "region" to include not only an entire country, but also "[p]art of a national entity (zone, county, department, municipality, parish, Province, State, etc.)."¹³ Thus, it is contemplated both in OIE guidelines and U.S. regulations that regions which have been recognized as FMD-free, such as the regions in which 65 percent of Colombian cattle are currently located, could be separately certified to export beef before the entire country is recognized as FMD-free.

Finally, it is important to note how quickly the U.S. border may open to a country once it has addressed its FMD problems. Uruguay, for example, had a major outbreak of FMD in April of 2001, which affected 32,686 cattle.¹⁴ After addressing the outbreak, Uruguay gained access to foreign export markets for its beef rather quickly, and Uruguayan beef began to enter the U.S. in May of 2003.¹⁵ Thus, even after a major outbreak, market access was granted just over two years later.

The significant progress Colombia has already made in eradicating FMD from the majority of its herd and gaining international recognition of the FMD-free status of zones within the country, the Colombian government's plans to secure FMD-free status for the entire country by 2008, the ability to grant import certification by sub-national regions as well as on a nation-wide basis, and the speed with which the U.S. has granted market access to other countries shortly after resolving major outbreaks of FMD all indicate that there is a very high likelihood that Colombia will be able to begin shipping beef to the U.S. within the near future.

IV. Responses to Questions from Commissioner Okun

Commissioner Okun asked whether or not it would be economical for third countries to ship cattle to Colombia for slaughter and export to the United States. At the present time, it is difficult to determine the extent of transshipment that may occur under the agreement. Colombia's neighboring countries will all face import quotas and tariffs for beef exports to the U.S. while Colombia will face no such barriers to market access in year ten of the TPA. While infrastructure along the Colombia – Brazil border is certainly lacking, there appear to be viable transportation routes between Colombia and Venezuela

¹¹ OIE Terrestrial Animal Health Code, Arts. 2.2.10.9 and 2.2.10.10, available on-line at http://www.oie.int/eng/normes/mcode/en_chapitre_2.2.10.htm.

¹² See 9 C.F.R. § 94.1(a)(2).

¹³ 9 C.F.R. §94.0.

¹⁴ Global Livestock Production and Health Atlas, United Nations Food and Agriculture Organization, available on-line at <http://www.fao.org/ag/aga/glipha/index.jsp>.

¹⁵ See 68 Fed. Reg. 31,940 (May 29, 2003).

and Colombia and Ecuador, increasing the likelihood of transshipment from these countries. In fact, due to concerns about the entry of cattle and beef from Ecuador and its FMD problems, in April of this year the Colombian government banned the import of cattle and beef from Ecuador.¹⁶ The order specifically asked Colombian ranchers along the border with Ecuador to watch for the irregular entry of animals and to report violations to the border authorities.¹⁷ Thus, though infrastructure may be lacking along some of Colombia's borders, there is certainly animal movement across at least some of the country's border regions, and the attractiveness of moving cattle into Colombia will only increase once the TPA is in effect.

V. Conclusion

R-CALF USA appreciates the opportunity to present our views to the Commission in this important matter.

Sincerely,

A handwritten signature in black ink that reads "Chuck Kiker". The signature is written in a cursive, slightly slanted style.

Chuck Kiker
President, R-CALF USA

¹⁶ *Por Seis Meses Prohiben Importacion de Carne y Ganado en Pie de Ecuador*, Colombia State News Service Press Release (Apr. 18, 2006) available on-line at http://www.presidencia.gov.co/prensa_new/sne/2006/abril/18/22182006.htm.

¹⁷ *Id.*