

Congress of the United States
Washington, DC 20515

October 18, 2006

The Honorable Susan Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Schwab:

We appreciate your continued efforts to open markets to U.S. beef through bilateral and multilateral negotiations, and we commend you for the progress that has been made to date on this difficult issue. Today, U.S. cattle producers are faced with a trade deficit in cattle and beef that has exceeded \$3 billion for two years in a row. We are deeply concerned that recent free trade agreements (FTAs) with cattle- and beef-producing nations may undermine your best attempts to correct adverse trade trends in this sector if the accords do not create balanced market opportunities for U.S. producers. In particular, the recently-concluded FTA with Peru raises a number of concerns about reciprocal market access.

Since cattle is a highly perishable product with a very limited marketing window, traditional import relief mechanisms are often inadequate to address the threat that sudden import surges or price volatility can pose to the livelihoods of U.S. cattle producers. In recognition of this fact, Congress instructed USTR to improve import relief mechanisms to recognize the unique characteristics of perishable and cyclical agricultural commodities, including livestock and meat products. The Trade Act of 2002 lists this goal among the principal congressional negotiating objectives for all trade agreements.

Unfortunately, this important goal has not been met in recent trade agreements. The Peru FTA, for example, contains no safeguard mechanism for U.S. imports of cattle and beef products, despite the fact that Peru has five million head of cattle and growing beef production. As the first FTA with a South American country with significant cattle and beef production, the Peru agreement is an important model for future accords with the region. In the Peru FTA, Peru succeeded in negotiating a safeguard for its imports of standard quality U.S. beef. But the U.S. did not achieve any reciprocal safeguards on its imports of beef from Peru, despite clear instructions from Congress to improve import relief mechanisms for these products.

Though Peru does not currently export beef to the U.S., it may rapidly develop the capacity to do so once it addresses foot and mouth disease (FMD). South American countries such as Uruguay have proven their ability to ramp up beef exports to the U.S. quickly once health and safety issues are resolved – in 2005 Uruguay shipped more than eight times its quota allocation of beef to the U.S., seizing 16 percent of the U.S. import market just two years after it eradicated FMD. If Peru were to ramp up its exports to the U.S. in a similar manner, with the added incentive of preferential access to the U.S. market under an FTA, a special safeguard for cattle and beef would be the last line of defense shielding U.S. cattle producers from abrupt increases in supply and declines in prices.

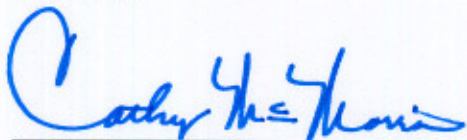
This failure to include a safeguard in the Peru FTA is particularly troubling given the weak rules of origin for beef under the agreement. The FTA will grant preferential access to Peruvian beef products even if they are derived from cattle shipped into Peru from third countries. Given the large cattle and beef producers that surround Peru, including Brazil with a herd of over 190 million cattle, this weak rule of origin greatly expands the potential supply of cattle that could be slaughtered and exported to the U.S. under the FTA. This provision also allows countries that have granted no reciprocal access to the U.S. to take advantage of benefits negotiated on a mutual basis with our FTA partner, harming cattle producers in both the U.S. and Peru.

The U.S. should include a born, raised, and slaughtered rule of origin for beef in all FTAs to ensure that third countries cannot unfairly exploit the preferential market access benefits intended for our FTA partners. A stronger rule of origin will also increase the incentive for other countries to participate in FTA negotiations and grant the U.S. reciprocal market access. The U.S. imposed a born, raised, and slaughtered rule of origin on beef products from Uruguay once the country was recognized as being FMD-free, and a similar system should be set up for beef imports under our FTAs.

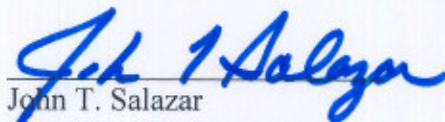
We are eager for the USTR to negotiate FTAs that provide balanced market access opportunities for cattle and beef, include safeguards against import surges and price volatility, and contain meaningful rules of origin. However, without progress on these fronts, it will be increasingly difficult for us to explain the benefits of new FTAs to cattle producers in our states.

We look forward to working with you to ensure future FTAs with significant cattle- and beef-producing nations, and the Peru FTA in particular, adhere to congressional negotiating objectives and garner widespread support.

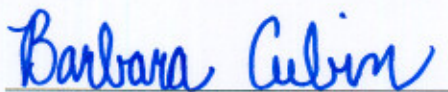
Sincerely,



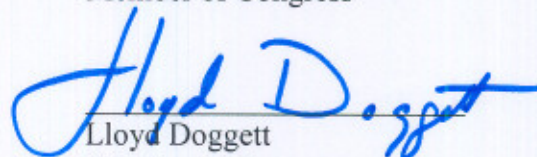
Cathy McMorris
Member of Congress



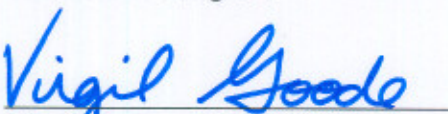
John T. Salazar
Member of Congress



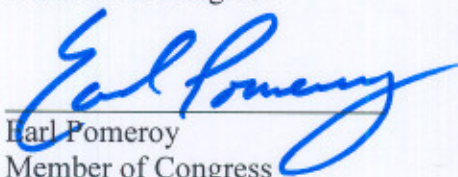
Barbara Cubin
Member of Congress



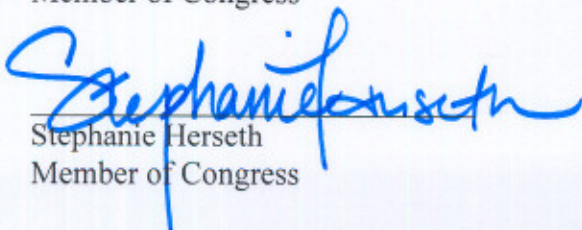
Lloyd Doggett
Member of Congress



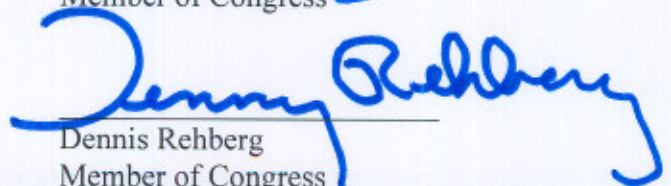
Virgil H. Goode
Member of Congress



Earl Pomeroy
Member of Congress



Stephanie Herseth
Member of Congress



Dennis Rehberg
Member of Congress