R-CALF USA Talking Points
Peru and Panama Trade Agreements
July 23, 2007

- The farmer- and rancher-members of R-CALF USA voted to require that all trade agreements incorporate the following four provisions to reflect the unique characteristics of the U.S. cattle industry:

    1. Special rules to reflect the perishable nature of cattle and beef.
    2. Safeguards based on price and quantity to protect against import surges.
    3. Rules of origin that require beef to be from cattle actually produced in the exporting country.
    4. An upward harmonization of import health and safety standards.

R-CALF USA does not support the Panama or Peru FTA's because they do not contain these essential, cattle industry provisions.

- R-CALF USA agrees that the current practice of relying on equivalency standards for meat production and meat processing, which standards may not be properly enforced and may differ significantly from U.S. standards, has recently been proven inadequate to ensure food safety for U.S. consumers.

- R-CALF USA is concerned that in the face of growing global disease problems, the U.S. is already and systematically relaxing U.S. import standards:

    - Already the U.S. has relaxed longstanding import restrictions for countries with bovine spongiform encephalopathy (BSE) (from Canada and Japan).
    - The U.S. is currently trying to carve-out a region of Argentina – a country with foot-and-mouth disease (FMD) – to allow fresh beef imports from that region despite the country's overall disease problem.
    - The U.S. knows that approximately 75 percent of all tuberculosis cases detected through slaughter surveillance in U.S. plants originate in Mexico, but the U.S. continues to allow higher-risk Mexican cattle into our country.

- An FTA with Peru and Panama present significant concerns. Peru's beef production is growing and its global beef trade is rising. It has a present herd size of about 5 million head.

- Though Peru does not currently export beef to the U.S. due to foot-and-mouth disease (FMD), it has significant export potential, particularly if the U.S. tries to carve-out a region within Peru, as it is trying to do for Argentina, to allow beef imports despite the country's overall disease problem.

- If health and safety issues are resolved, beef exports from Peru could surge.

- Uruguay, for example, ramped up exports to the U.S. dramatically after gaining FMD-free recognition in mid-2003. Uruguay exceeded its tariff rate quota many times over in the following three years, and it is now the fourth largest exporter of beef to the United States.
- While Peru's cattle herd appears too small to impact the U.S., the U.S.– Chile FTA provides another example showing that beef exports from Peru could increase significantly.   Peru's cattle herd is larger than Chile's. In 2006, the year after Chile gained full access to the U.S. market, our historic trade surplus in fresh, chilled and frozen beef actually became a deficit. From January to June of 2006, Chile had shipped 32.7 MT of fresh, chilled, and frozen beef to the U.S., nearly eight times more in just six months than it had shipped to the U.S. in any other year since 1989. Meanwhile, Chile's exports to the world have been growing rapidly as well, rising from 186 MT in 2000 to 12,328 MT in 2004. The Chilean government estimates that Chile's exports of beef to the world could grow five-fold by 2007, to $100 million.

- Because the rules of origin are inadequate in both the Peru and Panama agreement, cattle from a non-FTA country shipped to Peru or Panama for slaughter would qualify for preferential access to the United States. These rules of origin expand the countries' significant export capacity, and allow other countries to refuse to participate in FTA negotiations but reap the benefits of access to our market.

- The Peru and Panama FTAs fail to incorporate adequate import safeguards on cattle and beef, despite Congress's instruction to include such rules in new trade agreements.

  - In the Peru FTA, Peru achieved a safeguard on its imports of certain beef products from the U.S., but the U.S. did not get any reciprocal safeguard on its imports of beef from Peru.

- The Peru and Panama agreements should not be approved because they do not provide for balanced market access opportunities that will serve the interests of U.S. cattle producers. Given the countries' significant export potential, any FTAs should include import safeguards that are triggered by volume and by price, and that endure beyond tariff and quota phase-out periods. The FTAs should also include a born, raised and slaughtered rule of origin to prevent third countries from taking advantage of the access granted under the agreements.

Peru Details: Under the FTA, Peru granted imports of high quality beef cuts from the U.S. immediate duty free access, with a 12 year phase out on tariffs on most other imports and a 10,000 MT quota on offal exports that increases by 6 percent a year. The U.S. granted beef from Peru no dedicated quota, but phases out the application of the general quota over 15 years. The only beef safeguard in the agreement is one that Peru can impose on standard quality beef from the U.S., providing a tariff snap back if volumes exceed 150% of quota until the quota phases out in the twelfth year. The U.S. created no special safeguard for beef imports from Peru.