

The United States-Korea Free Trade Agreement

Report of the
Agricultural Technical Advisory Committee on Trade in Fruits and Vegetables

April 2007

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Advisory Committee Report to the President, the Congress and the United States Trade Representative on the United States-Korea Free Trade Agreement

I. Purpose of the Committee Report

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002.

The report of the appropriate sectoral or functional committee must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to these requirements, the Agricultural Technical Advisory Committee on Trade in Fruits and Vegetables hereby submits the following report.

II. Executive Summary of Committee Report

It is the opinion of the F&V ATAC that the negotiated agreement is on the whole a positive agreement for the wine, nut, fresh fruit and vegetable sector. This ATAC has long called for an FTA with Korea. Korea is a net food importer and will likely grow even more dependent on imported food products in the future. This FTA will make it more likely that U.S. producers will be in a position to benefit from this trend.

III. Brief Description of the Mandate of the Committee

The ATAC on Trade in Fruits and Vegetables is chartered to advise, consult with, and make recommendations to the Secretary of Agriculture and the United States Trade

Representative on matters that are of mutual concern to the United States and to its consumers, producers, processors, and traders of specialty crops in connection with the trade policy activities undertaken by the United States. The Committee provides advice and information regarding trade issues that affect both domestic and foreign production and trade of specialty crops. The Committee furnishes advisory opinions and reports and performs the functions that are appropriate or required by the Secretary and the Trade Representative or their designees.

IV. Negotiating Objectives and Priorities of the Committee

The Committee agrees with the principal negotiating objective for agriculture set down by Congress in the Trade Act of 2002. Specifically, “to obtain competitive opportunities for United States exports of agricultural commodities in foreign markets substantially equivalent to the competitive opportunities afforded foreign exports in United States markets and to achieve fairer and more open conditions of trade in bulk, specialty crop, and value-added commodities...”

V. Advisory Committee Opinion on Agreement

The committee is generally very positive regarding the outcome of the negotiations. This ATAC has long called for an FTA with Korea. The agreed upon tariff concessions were hard to obtain and should result in growing benefits to many fruit, nut, vegetable and wine export interests.

U.S. negotiators were able to obtain immediate duty free market access for almonds, fresh cherries, pistachios, wine and raisins. Current tariff rates on these products are 8 percent for almonds, 24 percent for cherries, 30 percent for pistachios and 15 percent for wine.

The 30 percent tariff on lemons and avocados will be phased out over two years, as will the tariff on prunes. The phase out for the 30 percent tariff on grape fruit is over a five year period. The Walnut tariff is eliminated in 6 years the fig tariff goes to zero in seven years and the strawberry tariff is cut to zero by year 9.

U.S. table grape producers will see a new in-season tariff from May 1-October 15. This in-season tariff, currently a 45 percent tariff, will be reduced in equal annual installments over 17 years. The out-of-season tariff (October 16 through April 30), also at 45 percent, will be reduced to 24 percent immediately and then eliminated in equal annual installments over 5 years.

Korea agreed to a seven year phase out of the current 50 percent duty on U.S. oranges imported into Korea between March 1 and August 31, with immediate 20 percent reduction of the 50 percent tariff in the first year of implementation to 30 percent as valorem, followed by a 5 percent reduction each year thereafter to zero duty in year seven.

Korea will continue to permanently maintain its 50% tariff on orange imports from the U.S. for the period September 1 to March 1 (subject to any WTO mandated reduction), but agreed during that protected period to a duty free tariff rate quota starting at 2,500 metric tons and increasing annually by 3% in perpetuity. This increasing quota will, in time, supersede the protective tariff and eventually result in a year-round duty free market for fresh oranges. However, we would urge U.S. negotiators to continue to work to either phase out, within a reasonable period of time, the “ permanent ” 50% duty on U.S. oranges (September 1 – March 1) or substantially increase the annual quota allowed by the tariff rate quota beyond the limited 3% increase to a very small base quota allowed. (Fresh potatoes also face tariff rate quota’s increasing annually at 3%. We likewise urge U.S. negotiators to take the same action on fresh potatoes as requested for oranges and phase out the duty or substantially increase the annual quota beyond the 3% increase.)

For apples, except the Fuji variety, and for European pear varieties the 45 percent import tariffs are phased down in a linear manner and eliminated in ten years. The 45 percent tariff on Fuji apples will be eliminated as well, but over a twenty year period.

The 144 percent tariff on U.S. origin Mandarins will be phased out over 15 years.

U.S. vegetable exports to Korea are limited, however, with the reduction of tariffs U.S. producers could very well have a new found opportunity to compete. The 45 percent tariffs for lettuce and fresh tomatoes will be phased out over 10 and 7 years respectfully. The 27% tariff on broccoli and cauliflower will be phased out over 5 years and mushrooms at 30% over ten years. Processed tomatoes will see the 8% tariff go to zero immediately. Frozen sweetcorn will see its 30% tariff phased out over 5 years and fresh asparagus will go from 27% to zero immediately.

The sanitary and phytosanitary chapter of the agreement reconfirms the commitment of both parties to use sound science in the application of sanitary and phytosanitary measures and generally confers to the WTO Sanitary and Phytosanitary (SPS) Agreement the means by which such measures will be applied. While such a commitment is now standard practice in U.S. FTAs, we are very concerned with the manner in which Korea has historically used sanitary and phytosanitary measures to protect its domestic producers from competition with imports.

Preferential tariff treatment is of little value if unjustified SPS barriers are erected at a later date. The Committee strongly urges the USDA and USTR to remain vigilant and aggressively use every available means to resolve existing and possible future SPS conflicts as soon as they are identified.

The Committee recommends that in future free trade agreements, U.S. negotiators seek to include language that would enable either trading partner to seek trade concessions, for Chapters 7 and 8 and wine, no less favorable than those accorded in FTAs either country later reaches with third countries.

The Committee urges the Office of the U.S. Trade Representative to continue to focus its trade liberalization efforts on the World Trade Organization and other FTAs with India, Taiwan, Japan and the European Union. Removing tariff barriers as well as eliminating export subsidies and trade distorting domestic support in these countries will provide the specialty crop industry significant trade benefits and discipline some of the trade barriers that most affect this sector.

VI. Membership of Committee (list of members)

Mark Powers	ATAC Chair, Northwest Horticultural Council
Julie Adams	Almond Board of California
Dennis Balint	California Walnut Commission
Tom Bellamore	California Avocado Commission
Doug Bournique	Indian River Citrus League
Susan Brauner	Blue Diamond Growers
Reggie Brown	Florida Tomato Exchange
Lauri Buckley	A. Duda & Sons, Inc.
James Christie	Bryant Christie, Inc.
Alice Dettwyler	American Agri-Women
Chris Eckert	Eckert Orchards, Inc.
Wally Ewart	California Citrus Quality Council
Malaquias Flores	Washington State University
Nancy Foster	U.S. Apple Association
Ron Gaskill	American Farm Bureau
Carolyn Gleason	McDermott, Will & Emery
Robert Guenther	United Fresh Fruit & Vegetable Association
Dan Haley	Haley & Associates
Julian Heron	Tuttle, Taylor & Heron
John Himmelberg	O'Connor & Hannan, L.L.P.
Roger Knutzen	Knutzen Farms LP
Barry Kriebel	Sun-Maid Growers of California
Richard Matoian	California Fig Advisory Board
Joseph MacIlvaine	Paramount Farming Company
John McClung	Texas Produce Association
Dan Moss	Moss Farms
Joel Nelsen	California Citrus Mutual
Richard Phillips	New Mexico State University
Freddie Richards	Prairie View A&M University
Joe Rollo	Wine Institute
Robert Schramm	Schramm, Williams & Associates
Tim Smith	Smith Ranches, Wood Orchard, & Sunsweet Growers, Inc.
Mike Wootton	Sunkist Growers
Joe Zanger	Casa de Fruta Orchards