

**AGRICULTURAL TECHNICAL ADVISORY
COMMITTEE FOR TRADE IN PROCESSED FOODS**

April 27, 2007

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

Dear Ambassador Schwab:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I hereby transmit the report of the Agricultural Technical Advisory Committee for Trade in Processed Foods on the proposed U.S.- Republic of Korea Free Trade Agreement.

I would be grateful if you would share this report with the President and the Congress.

Sincerely,

A handwritten signature in cursive script that reads "Leonard W. Condon".

Chairman

Enclosure

The U.S.- Republic of Korea Free Trade Agreement

**Report of The
Agricultural Technical Advisory Committee for Trade in Processed Foods**

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AGRICULTURAL TECHNICAL ADVISORY COMMITTEE FOR TRADE IN PROCESSED FOODS

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Report of the Agricultural Technical Advisory Committee for Trade in Processed Foods to the President, the Congress, and the United States Trade Representative on the U.S.-Republic of Korea Free Trade Agreement

I. Purpose of the Committee Report

On April 1, 2007, President Bush notified the Speaker of the House of Representatives and the President of the Senate that he intends to enter into a free trade agreement with the Republic of Korea. 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)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to sign 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 must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to the statutory requirements referenced above, the Agricultural Technical Advisory Committee for Trade in Processed Foods hereby submits the following report:

II. Executive Summary of Committee Report

The Processed Foods ATAC takes no position on this agreement.

The Committee strongly endorses the fundamental U.S. goal of opening markets; promoting trade, investment, and tourism; expanding economic opportunity, and strengthening political stability and security throughout the world. Since this ATAC was conceived in 2003, it has firmly supported all comprehensive free trade agreements and trade promotion agreements.

Because it has been widely publicized that there are ongoing discussions between the Administration and Congressional trade committees which could produce new commitments that would be memorialized in amendments to the Agreement or in a side letter, or letters, the Committee emphasizes that this report addresses the Agreement as it stood on April 27. Any subsequent amendments, side letters, or other modifications cannot be anticipated, nor addressed, in this report.

On another fundamental pending matter, the Committee believes that current Korean restrictions on U.S. beef imports cannot be scientifically justified and that this Agreement should not – and undoubtedly will not -- receive Congressional approval until those restrictions are rescinded.

III. Brief Description of the Mandate of The Agricultural Technical Advisory Committee on Trade in Processed Products

The Processed Foods Agricultural Technical Advisory Committee is authorized by Sections 135 (c) (1) and (2) of the Trade Act of 1974 (Pub. L. No. 93-618), as amended, and is intended to ensure that representatives of the private sector have an opportunity to provide input to U.S. Government negotiators regarding all tariff and trade matters. The committee provides a formal mechanism through which the U.S. Government may seek advice and information. It is part of network of statutorily established committees that provide advice on trade negotiations to the President, the Office of the U.S. Trade Representative, the U.S. Department of Agriculture and the U.S. Department of Commerce. Established in 2003, the Processed Foods ATAC provides advice and information regarding trade in processed foods, one of the fastest growing segments of U.S. agricultural trade. The Committee furnishes advisory opinions and reports and performs other technical functions that are appropriate or are requested by the U.S. Trade Representative and/or the Secretary of Agriculture. In carrying out its functions, the Committee draws upon the technical competence and experience of its members who represent a broad cross-section of the U.S. processed food industry.

IV. Negotiating Objectives and Priorities of The Agricultural Technical Advisory Committee on Trade in Processed Products

On November 21, 2003, following the third meeting of this newly-chartered advisory Committee, I was directed by the Committee to write to the U.S. Secretary of Agriculture and the U.S. Trade Representative outlining the group's trade policy priorities. This communication expressed the ATAC's opposition to "...any product exclusions from the U.S.-Central American Free Trade Agreement (CAFTA) and other evolving FTAs." The letter also reflected ATAC concern about the creation of special rules of origin and stressed the importance of resolving existing sanitary, phytosanitary, and technical barriers to trade in the CAFTA and other pending FTAs. Finally the letter urged a proactive strategy for reinvigorating the Doha Development Agenda. In that regard, we highly commend Ambassador Schwab for her continuing efforts to salvage the WTO negotiating process.

V. Advisory Committee Opinion on Agreement

The Agricultural Technical Advisory Committee on Processed Products takes no position on the proposed U.S.-Korea Free Trade Agreement.

South Korea is our seventh largest trading partner. In 2006, the U.S. exported \$32.5 billion worth of goods to the market, a 17 percent increase from the previous year. The

U.S. takes 17 percent of the value of Korea's exported goods. The Republic of Korea has a population of about 49 million with a median age and population growth rate similar to those of the U.S.

Members appreciate that more than one half of all current food and agriculture exports to Korea will become tariff-free as soon as the Agreement takes effect, including a wide assortment of processed products – like raisins, grape juice, orange juice, fresh cherries, pet foods, and frozen french fries, frozen orange juice concentrate, bourbon whiskey, and wine . Other processed foods benefiting from expanded market opportunities with five-year tariff phase-outs include food preparations, chocolate and chocolate confectionary, sweet corn, sauces and preparations, breads and pastry, grapefruit, dried mushrooms, vegetable soups, vegetable juices, cookies and crackers. And, finally, significant U.S. exports are expected as a result of the elimination in seven years of Korea's 40 percent tariff on herbal teas.

However, comprehensiveness is -- and has been -- a threshold issue for this Committee. The ATAC is deeply concerned that rice was exempted from this Agreement. As noted in our report of March 12, 2004, a majority of this ATAC did not support the U.S.-Australia FTA because of the exclusion of sugar. In expressing our concern about that omission, our report of approximately three years ago stated, "The proposed Agreement would establish an undesirable precedent for future FTAs...", and "The proposed Agreement implies to every future FTA partner that the principle of commodity exclusions is acceptable to the United States." Clearly, South Korean negotiators took note of the U.S. exemption for sugar from the Australian FTA and used it as leverage in excluding rice from the U.S.-Korea pact. Not only does this second exclusion further weaken the U.S. position in any future FTA negotiation and endanger other commodity interests, it undermines efforts to achieve fundamental agricultural policy reform on a multilateral basis. The message being communicated is that if liberalization of a particular commodity is politically painful, exclude it.

Moreover, with specific reference to many processed food items, benefits on the tariff side could be nullified by continuing technical barriers to trade not addressed in the negotiations. Korea does not permit the use of a number of food additives that are approved by the U.S. Food and Drug Administration and commonly used in U.S. manufactured processed food products. Despite the elimination of tariffs, these products containing such additives would continue to be denied entry to the Korean market. For certain major U.S. food processors, addressing this technical barrier is of greater importance than removing the tariffs

Finally, the ATAC is disappointed that cheeses and processed dairy products are subject to some of the longest tariff phase-out schedules in the entire agreement. As we have suggested in previous reports, the U.S. tendency to insist on parallel market access terms for dairy consistently produces the worst market access terms for these products.

VI. Membership of Committee

Attached is a list of members of the Agricultural Technical Advisory Committee on

Processed Foods along with their respective affiliations.

Agricultural Technical Advisory Committee for Trade

Processed Foods

NAME	COMPANY
Robert B. Anderson	Sustainable Strategies
Elizabeth H. Avery	PepsiCo, Inc.
Robert P. Bauer	Association of Food Industries
Marietta E. Bernot	Mars, Inc.
Alison R. Bodor	National Confectioners Association
Karl B. Brown	SB Global Foods, Inc.
Catherine A. Caponi	H.J. Heinz Company (Representing)
Leonard W. Condon	Altria Corporate Services, Inc.
Nancy K. Cook	Pet Food Institute
Donna J. Denison	Cassidy & Associates
Mark A. Dunn	J.R. Simplot Company
Elizabeth C. Fay	Cargill, Inc.
James P. Finkle	Constellation Brands, Inc.
M. Troy Flanagan	International Franchise Association
Robert L. Garfield	American Frozen Food Institute
Ronald P. Graf	The Hershey Company
Ann M. Grappin	Yum! Restaurants International
Steven F. Grover	Burger King Corporation
Vijai P. Gupta	Jyoti Cuisine India
Timothy F. Hamilton	Food Export Association of the Midwest USA

Gary J. Johnson	McDonald's Corporation
Kelly D. Johnston	Campbell Soup Company
Robert J. Kapuscinski	Global Export Marketing Co., Ltd.
Steven P. Krikava	Land O'Lakes
Deborah A. Lamb	Distilled Spirits Council of the U.S., Inc.
John F. McDermid	International Business-Government Counsellors, Inc.
Joseph T. Plesha, III	Trident Seafoods Corporation
John B. Reynolds	The IAMS Company
Peggy S. Rochette	Food Products Association
Jeffrey A. Shapiro	Office of Congressman Adrian Smith
Ronald W. Tanner	National Association for the Specialty Food Trade, Inc.
Sarah F. Thorn	Wal-Mart Stores, Inc.