

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

April 20, 2004

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Zoellick:

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 U.S.-Dominican Republic Free Trade Agreement. This report reflects the Committee's consensus opinion on the proposed Agreement. We understand that this proposed Agreement would be integrated into the earlier-completed U.S.-Central America Free Trade Agreement.

Sincerely,



Chairman

Enclosure

The U.S.-Dominican Republic Free Trade Agreement

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

April 20, 2004

AGRICULTURAL TECHNICAL ADVISORY COMMITTEE FOR TRADE IN PROCESSED FOODS

April 6, 2004

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

I. Purpose of the Committee Report

On March 25, 2004, President Bush notified Congress that he intends to enter into a free trade agreement with Government of the Dominican Republic. 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 these requirements, 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 supports this agreement, fully agrees with the Administration's plan to integrate the FTA with the Dominican Republic into the earlier-concluded U.S-Central American Free Trade Agreement, and urges Congress to approve appropriate implementing legislation as soon as possible. The Dominican Republic, like other countries in the Central American and Caribbean regions is a strong and growing market for U.S. processed foods, with the potential to even further increase imports of U.S. foods if existing tariff and non-tariff barriers were to be removed. According to a recent USDA report, the Dominican Republic is one of the main tourist destinations in the Caribbean, with over 2.7 million tourist arrivals last year, 20 percent more than during 2002. The value of total food consumption in the hotel, restaurant, and institutional sector is over \$1 billion. About 45 percent of the country's total food and beverage consumption is imported, with 50-55 percent of that coming from the U.S. The U.S. share of foods and beverages used in the HRI sector would be even higher, given the need for higher and more consistent quality.

The Committee strongly endorses the Administration's strategy to create a Free Trade Agreement that will eliminate most barriers and facilitate trade between the United States and the Dominican Republic and Central America. The Committee endorses the fundamental goal of opening markets, promoting trade and investment, expanding economic growth and opportunity, and encouraging economic and political stability throughout the region.

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. The newly created 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-charted 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 stresses 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 Zoellick for his recent and ongoing efforts to re-start the WTO negotiating process.

V. Advisory Committee Opinion on Agreement

The Agricultural Technical Advisory Committee on Processed Products supports the U.S.- Dominican Republic Free Trade Agreement. We are aware that in August 2003,

President Bush advised the Congress of his intent to integrate this agreement into the U.S.-Central America Free Trade Agreement. In our March 19 report, this ATAC expressed its support for the U.S-Central America Free Trade Agreement and urged Congress to approve the agreement as quickly as possible so that U.S. farmers and businessmen could begin accruing the expected benefits as soon as possible.

While expressing its overall support for the proposed Agreement, the Committee notes its deep disappointment that the proposed Agreement provides very limited access for Dominican sugar to the U.S. market in the short and intermediate terms, preserves U.S. over-quota duties on sugar, subjects the Dominican Republic's access to the U.S. sugar market to a determination that the D.R. is in a surplus production status, and allows the U.S. to opt out of its obligations to provide access for sugar solely at its discretion. No other product – agricultural or non-agricultural – benefits from a similar array of protective mechanisms, all of which are designed to maintain the U.S. price of sugar at grossly inflated levels, not just during the FTA transition period, but permanently. The ATAC continues to emphasize that the cost of these unsuccessful efforts to placate U.S. sugar growers is reduced global competitiveness for U.S. processed food products, delayed access for other U.S. commodities that must also pay the price for the U.S.' unwillingness to open its market for sugar, and severe damage to the credibility of Administration officials who advocate the need for worldwide agricultural policy reform.

VI. Membership of Committee

Enclosed is a list of members of the Agricultural Technical Advisory Committee on Processed Food with their respective affiliations.