

February 15, 2006

The Honorable Rob Portman
United States Trade Representative
Executive Office of the President
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Portman:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit a supplementary report of the Agricultural Policy Advisory Committee on the U.S.- Peru Trade Promotion Agreement, reflecting consensus on the proposed Agreement.

Sincerely,

Charles J. O'Mara
Chairman
Agricultural Policy Advisory Committee for
Trade

THE U.S.-PERU TRADE AGREEMENT

**Supplementary Report of the
Agricultural Policy Advisory Committee for Trade**

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Agricultural Policy Advisory Committee for Trade (APAC)

Agricultural Policy Advisory Committee for Trade Report to the President, the Congress, and the United States Trade Representative on the U.S.-Peru Trade Promotion Agreement.

I. Purpose of the Committee Report

Section 2104(e) of the Trade Act of 2002 requires that advisory committees provide the President, Congress, and the U.S. Trade Representative 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 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 principal 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 APAC hereby submits the following report.

II. Executive Summary of Committee Report

It is the opinion of the APAC that the U.S.-Peru Trade Promotion Agreement (PTPA) will clearly benefit U.S. farmers and ranchers by increasing export opportunities through the elimination of tariff and non-tariff barriers.

The APAC continues to believe that highest priority must be given to comprehensive agricultural trade reform in the Doha Development Agenda round of negotiations

III. Brief Description of the Mandate of the APAC

The 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 assure that representative elements of the private sector have an opportunity to make known their views to the U.S. Government on trade and trade policy matters. They provide a formal mechanism through which the U.S. Government may seek advice and information. The continuance of the committee is in the public interest in connection with the work of the U.S.

Department of Agriculture (USDA) and the Office of the U.S. Trade Representative. There are no other agencies or existing advisory committees, which could supply this private sector input.

IV. Negotiating Objectives and Priorities of the APAC

The highest priority of the APAC is to improve the market opportunities for U.S. agricultural products by obtaining fairer and more open conditions of trade. The ultimate objective is the elimination of agricultural trade barriers through negotiations at the multilateral, regional, and bilateral levels.

V. Advisory Committee Opinion on Agreement

It is the opinion of the APAC that the U.S.-Peru Trade Promotion Agreement (PTPA) will clearly benefit U.S. farmers and ranchers by increasing export opportunities through the elimination of tariff and non-tariff barriers.

This agreement covers all agricultural products and will provide immediate duty-free access for almost 90% of current U.S. exports to Peru (currently only a little over 1.5% of U.S. exports enjoy duty-free access), including for wheat, soybeans, soybean meal, crude soybean oil, high quality beef, most deciduous fruits, most tree nuts, and many processed products. The agreement will also provide opportunities through zero-duty quotas for U.S. feed grains, dairy, and poultry products. Most remaining tariffs will be eliminated within 15 years, including many in 5 years or less (e.g., many pork tariffs). All Peruvian tariffs will be eliminated within 17 years.

In addition, Peru has agreed to address many long-standing sanitary and phytosanitary concerns that the United States has had including fully complying with the WTO regarding importing beef and poultry products, recognizing the U.S. meat inspection system as equivalent to Peru's, modifying import permit requirements for the import of pork and poultry, and agreeing to apply fair standards for the import of rice. The recognition of the U.S. meat inspection system is a very significant precedent for other free trade agreement (FTA) negotiations. The APAC notes with concern the 17-year phase out of rice tariffs after a four-year grace period. Such a phase out schedule reduces considerably the commercial benefits of the agreement to our domestic rice industry.

It is imperative that the rules of origin contained in the agreement are strongly enforced in order to ensure that no transshipments, in particular from Peru's preferential agreement partners, benefit from the terms of this FTA. Such enforcement is essential in order to ensure that American industries receive the net benefits of this agreement.

The PTPA assures that the U.S. is offered the best rate available under agreements entered into by Peru after December 7, 2005. The APAC encourages U.S. negotiators to

always pursue agreements that would also cover the best rate available under a trade agreement party's existing agreements.

The APAC members believe that this agreement achieves U.S. negotiating objectives of eliminating tariffs and securing market opportunities for U.S. agricultural products.

The APAC takes this opportunity to reiterate its belief that highest priority must be given to comprehensive agricultural trade reform in the Doha Development Agenda round of negotiations. Only a WTO agreement can deliver full and equitable reforms in market access, domestic support, and export subsidies. Some APAC members are concerned that a proliferation of FTAs, which only address market access, may have a negative impact on negotiating equitable reform across the three pillars identified in the Doha negotiations. Members are also concerned that Congressional support for trade liberalization could erode through fatigue from constant trade debates over individual FTAs.

V. **Membership of Committee**

Agricultural Policy Advisory Committee for Trade

NAME	COMPANY
Charles J. "Joe" O'Mara (Chairman)	O'Mara and Associates
Roger J. Baccigaluppi	RB International
Brent A. Baglien	ConAgra Foods
James P. "Patrick" Boyle	American Meat Institute
Carl W. Brothers	Riceland Foods, Inc.
James P. Camerlo	Dairy Farmers of America
Jon D. Caspers	Self-employed pork producer
Stephen L. Censky	American Soybean Association
Thomas M. Cook	National Renderers Association
Leon C. Corzine	LPC Farms, Inc.
Paul A. Drazek	DTB Associates, LLP
Michael D. Dykes	Monsanto Company
Audrae Erickson	Corn Refiners Association, Inc.
Thomas A. Hammer	National Oilseed Processors Association
Lucian J. "Jack" Hunt, III	King Ranch, Inc.
Kenneth R. Johannes	Hill's Pet Nutrition, Inc.
Robbin S. Johnson	Cargill, Inc.
John R. Keeling	National Potato Council
Alan R. Kemper	Kemper Farms
Will C. Kinzel	Case New Holland, Inc.
Robert P. Koch	Wine Institute
Mark D. Lange	National Cotton Council of America
Andy LaVigne	American Seed Trade Association
Gary C. Martin	North American Export Grain Association
Thomas A. Nassif	Western Growers

Jean-Mari Peltier	National Council of Farmer Coops
Karen B. Ross	California Association of Winegrape Growers
Christian E. Schlect	Northwest Horticultural Council
Christopher E. Schaffer	S. Lightning Farms
Thomas H. (Hunt) Shipman	Food Products Association
Mary C. Sophos	Grocery Manufacturers of America
Roy R. "Bob" Stallman, Jr.	American Farm Bureau Federation
Michael J. Stuart	Florida Fruit & Vegetable Association
James H. Sumner	USA Poultry & Egg Export Council
Robert L. Thompson	University of Illinois
Constance E. Tipton	International Dairy Foods Association
Ann B. Wrobleski	International Paper