

The Honorable Susan C. Schwab
United States Trade Representative
Executive Office of the President
Washington, D.C. 20508

April 26, 2007

Dear Ambassador Schwab:

This is a revised report previously sent on April 18, 2007.

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 the report of the Animal and Animal Products Agricultural Technical Advisory Committee on the US-Korean Free Trade Agreement, reflecting consensus and additional advisory opinions on the proposed Agreement.

Sincerely,

John J. Reddington

A handwritten signature in cursive script that reads "John J. Reddington". The signature is written in black ink and is positioned below the typed name.

Chair Animal and Animal Products ATAC

The United States-Korea Free Trade Agreement (KORUS FTA)

Report of the
Animal and Animal Products Agricultural Technical Advisory Committee

April 26, 2007

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Animal and Animal Products ATAC

Animal and Animal Products Advisory Committee Report to the President, the Congress and the United States Trade Representative on US-Korean 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 Animal and Animal Products ATAC hereby submits the following report.

II. Executive Summary of Committee Report

This ATAC applauds the tremendous amount of time and degree of effort that our negotiators devoted to concluding this agreement. The beef industry recognizes the difficult task of reopening the Korean market to beef imports from the United States, but it is disappointed by the failure of the negotiations to produce agreement on a clear path to reopening the Korean market to beef imports from the United States, or to even clarify import protocols. The beef industry will withhold support for the U.S.-South Korea FTA until commercially viable beef trade is occurring based on the internationally recognized guidelines established by the World Organization for Animal Health (OIE).

The U.S. pork and chicken industries support the United States Korea Free Trade Agreement (KORUS FTA). The U.S. dairy industry is pleased to note that this FTA will help U.S. dairy producers and manufacturers become more competitive in the highly protected Korean dairy market. However, although the improved access for a variety of dairy products is appreciated,

the dairy industry must also note that it is disappointed with the outcome of this FTA for whey products. The significant phase-out periods are a marked deviation from past U.S. FTAs. This is regrettable, considering the importance of whey in Korea's dairy market and the fact that Korea does not have any significant production of whey.

While we recognize the difficulty U.S. negotiators faced in opening Korea's well-guarded agricultural sector, we greatly regret that the U.S. was unable to secure a provision entitling U.S. exporters to equivalent treatment that may be provided in later FTAs.

Korea included in the Services/Investment Non-Conforming Measures Annexes an Annex I reservation (Sector 44) related to investment caps on meat wholesaling. Based on briefings by U.S. negotiators, the Committee understands that this language only applies to wholesaling activity for meat products and not to other activities such as distribution. Wholesaling and distribution are separate and distinct activities.

We recommend that USTR ensure that this reservation only apply to meat wholesaling as intended and not in any way limit U.S.-invested companies in meat distribution as a result of the passage of the FTA.

We greatly appreciate the hard work that USTR put into this agreement and realize the difficulty of achieving successful outcomes for such a wide variety of agricultural sectors.

III. Brief Description of the Mandate of (Committee)

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. The committee provides 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. This advisory committee provides valuable private sector input.

IV. Negotiating Objectives and Priorities of (Committee)

A guiding principle for the Animals and Animal Products ATAC in bilateral, regional and multilateral trade negotiations is to improve export opportunities for U.S. dairy, livestock, meat and poultry products through the elimination of unfair tariff and nontariff trade barriers, including veterinary and sanitary restrictions on imports that are not based on sound science. Related to this is the acceptance of FSIS as the certifying authority for meat and poultry exports. With respect to this Free Trade Agreement, we want Korea to abide by OIE's risk determination of Controlled Risk for the United States and normalize beef trade before forwarding this agreement to Congress for approval.

V. Advisory Committee Opinion on Agreement

The Agricultural Technical Advisory Committee (ATAC) for Trade in Animals and Animal Products provides the following comments on the U.S. - Korean Free Trade Agreement (FTA):

This ATAC applauds the tremendous amount of time and degree of effort that our negotiators devoted to concluding this agreement.

Korea has been an important beef market for the United States in the past and is a growing market for US pork. South Korea represented the third largest market for U.S. beef and beef variety meat exports, valued at \$815 million in 2003. This trade pact will provide duty free access for US beef by 2022, but does provide for increased import quantities at reduced rates over that 15 year period. The phasing out of tariffs for pork over 7-10 years also provides for increased access. We recognize the safeguard provisions for both beef and pork and are satisfied with the negotiated quantities, though we would have liked to see this happen more quickly. The pork industry is pleased with the outcome of this FTA.

The beef industry recognizes the difficult task of reopening the Korean market to beef imports from the United States, but it is disappointed by the failure of the negotiations to produce agreement on a clear path to reopening the Korean market to beef imports from the United States, or to even clarify import protocols. We understand through comments by President Bush and President Roh that these issues will be resolved over the coming months and that Korea will abide by the OIE designation of the United States as controlled risk, thereby normalizing beef trade. The beef industry will withhold support for the U.S.-South Korea FTA until commercially viable beef trade is occurring based on the internationally recognized guidelines established by the World Organization for Animal Health (OIE).

The next two months are critical in reaching an agreement to allow US beef into the Korean market. The beef industry will continue to closely monitor the situation over this time period.

The U.S. chicken industry supports the United States Korea Free Trade Agreement (KORUS FTA). Korea has become an important poultry market for the United States in recent years. The trade pact concluded with Korea provides a good basis for enhancing poultry trade and will make Korea an even more important market.

The bilateral agreement on sanitary and phytosanitary measures that include Korea's recognition of the equivalency of the U.S. food safety inspection system for poultry is important, especially since this bilateral agreement will be concluded separately from the outcome of the KORUS FTA. Also, Korea's willingness to minimize poultry trade disruption with respect to the detection of highly pathogenic notifiable avian influenza in the United States is a positive step.

A more rapid phase-out of the tariffs on poultry would be preferred. However, the U.S. chicken industry understands the Korean chicken industry will need the 10-12 year time period for the phase-out of tariffs as a time to make their necessary adjustments in reaction to increased imports of U.S. poultry.

The U.S. dairy industry is pleased to note that this FTA will help U.S. dairy producers and manufacturers become more competitive in the highly protected Korean dairy market. The agreement will help current exporters by saving them the substantial tariffs currently paid to

import most dairy products into Korea. In addition, new entrants to the market will benefit as well, thanks to the decline and ultimate elimination of most dairy tariffs (except for tariff lines in 0402) and the creation of new TRQs totaling approximately 16,000 MTs for a variety of dairy products including cheese, milk powders, whey products, evaporated milk and butter.

However, although the improved access for a variety of dairy products is appreciated, we must also note that the dairy industry is disappointed with the outcome of this FTA for whey products. The significant phase-out periods are a marked deviation from past U.S. FTAs. This is regrettable, considering the importance of whey in Korea's dairy market and the fact that Korea does not have any significant production of whey.

If, as is expected, a calculation of this FTA's benefits is estimated to be a net gain for U.S. agriculture as a whole, the U.S. dairy industry would like to see this important benefit acknowledged by the Administration, Congress and the national farm organizations representing U.S. agriculture. Although it is regrettable that this FTA could not satisfy all the goals of every sector, the U.S. dairy industry anticipates that this agreement should be a clear win for U.S. agriculture despite certain unresolved SPS issues.

While we recognize the difficulty U.S. negotiators faced in opening Korea's well-guarded agricultural sector, we greatly regret that the U.S. was unable to secure a provision entitling U.S. exporters to equivalent treatment that may be provided in later FTAs. This provision included in past U.S. FTAs is an important principle designed to ensure that U.S. industries are not disadvantaged at a later date. We hope that its exclusion from this agreement does not ultimately prove to be harmful to U.S. agriculture's ability to compete in Korea.

We remain concerned over investment language that could limit U.S.-invested companies in the meat industry in Korea. As the current investment text reads on agriculture, Korea is able to limit U.S. investors to minority ownership in meat wholesaling companies in Korea for as long as this agreement is in place. Gaining full distribution rights for U.S. meat products is critical to the U.S. industry fully capturing the benefits of market access in the Korean market. As demand increases for meat products in Korea, it would not be prudent to limit distribution in the market to solely licensed Korean distributors. In that case, the bargaining power over import prices will remain in the hands of those that hold the rights to distribute, and not in the hands of U.S. meat exporters.

We would like to clarify that as a committee we interpret investment language in Annex I, Sector 44 related to investment caps on meat wholesaling as only applying to the wholesaling activity for meat products and not to other activities such as distribution. Wholesaling and distribution are separate and distinct activities.

We request that USTR provide assurances and clarity on the current language in the investment text that U.S.-invested companies will not be limited to minority ownership in meat distribution as a result of the passage of the FTA.

We greatly appreciate the hard work that USTR put into this agreement and realize the difficulty of achieving successful outcomes for such a wide variety of agricultural sectors.

VI. Membership of Committee (list of members)

James R. Bailey III	Wal-Mart Stores
Jaime A. Castaneda	National Milk Producers Federation
Gregory F. Doud	National Cattleman's Beef Association
Richard A. Ellinghuysen	Producers Livestock Marketing Association
Richard G. Fritz	U.S. Meat Export Federation
John D. Hardin, Jr.	John Hardin Farms
Dana R. Hauck	Pike Trail Cattle Co., Inc.
Gregory A. Ibach	Nebraska Department of Agriculture
Eric J. Joiner	AJC International
Joanne R. Kaminski	Will Poultry Co.
John W. Lincoln	Linholm Farm and New York Farm Bureau
Thomas W. May	Trugman-Nash, Inc.
Daniel P. Meyer	American Dairy Products Institute
Shawna D. Morris	American Butter Institute
Jerry B. Fickel	Select Sires, Inc.
Gary R. Reckrodt	Seaboard Farms Inc./Reckrodt Farms
Michael L. Mullins	Cargill, Inc.
Daniel Ochylski	International Composite Systems
John J. Reddington	American Meat Institute
William P. Roenigk	National Chicken Council
Donald H. Schriver	Dairy Farmers of America
Jane E. Shey	Shey & Associates
Manuel S. Souza	Mel-Delin Dairy
Thomas M. Suber	U.S. Dairy Export Council
Kent J. Swisher	National Renderers Association, Inc.
James Tillison	Alliance of Western Milk Producers
Gene Wiese	Wiese & Sons
Dennis Wolff	Pen-Col Farms
Robert Yonkers	National Cheese Institute
Paul E. Rodgers	American Sheep Industry Association, Inc.
David J. Salmonsens	American Farm Bureau Federation
James Willrett	J. Willrett Farms
Mark L. Lobstein	USA Poultry & Egg Export Council
Frank K. Leaverton	Shore Genetics, Inc