

# IMPORTANCE OF FTAs TO TRADE IN ANIMAL PRODUCTS

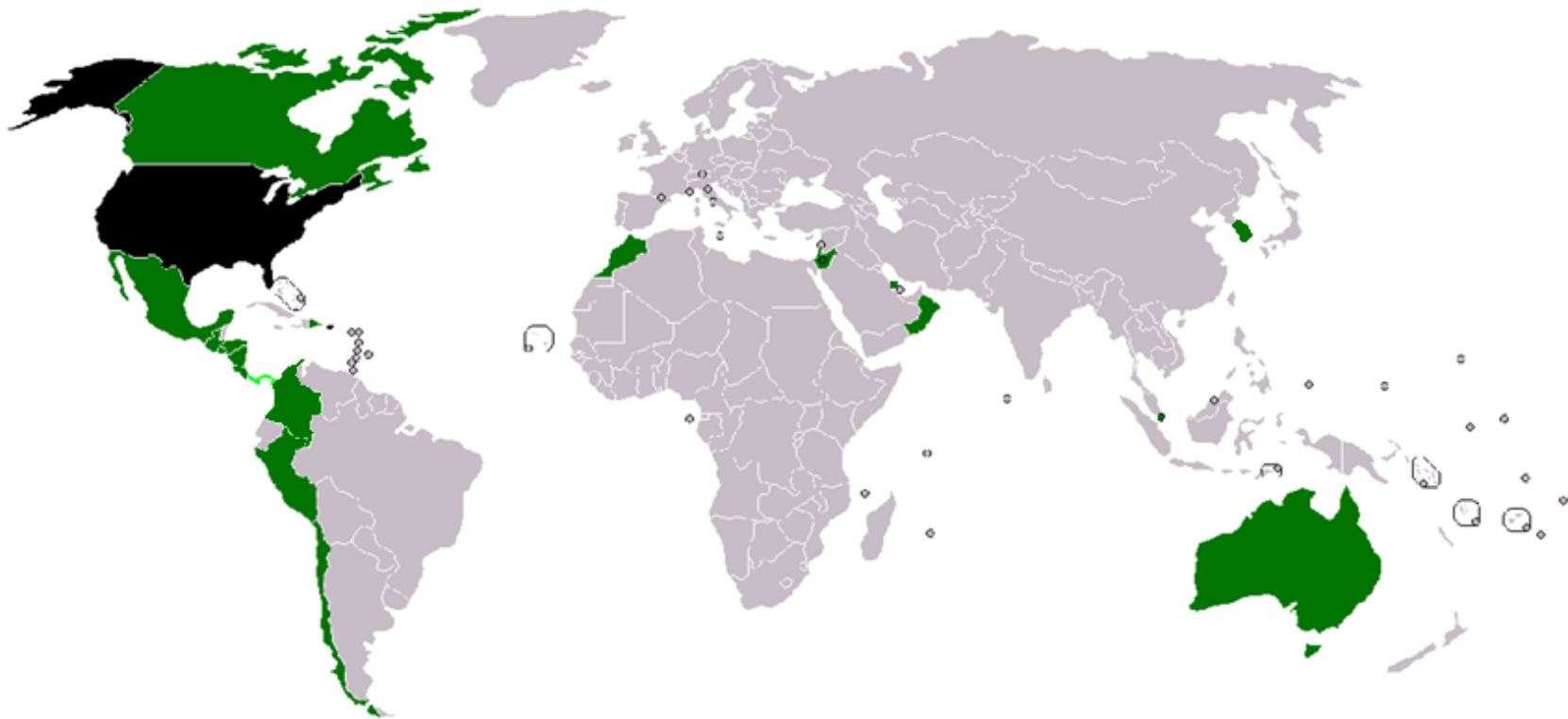
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# What is a U.S. Trade Agreement?

- A trade agreement is an agreement between two or more countries where the countries agree on certain behaviors that affect trade in goods and services.
- U.S. trade agreements generally focus on reducing/eliminating tariffs and harmonizing technical standards (e.g., SPS).

# 19 U.S. Trade agreements



Dark Green: U.S. Trade Agreements Currently in force

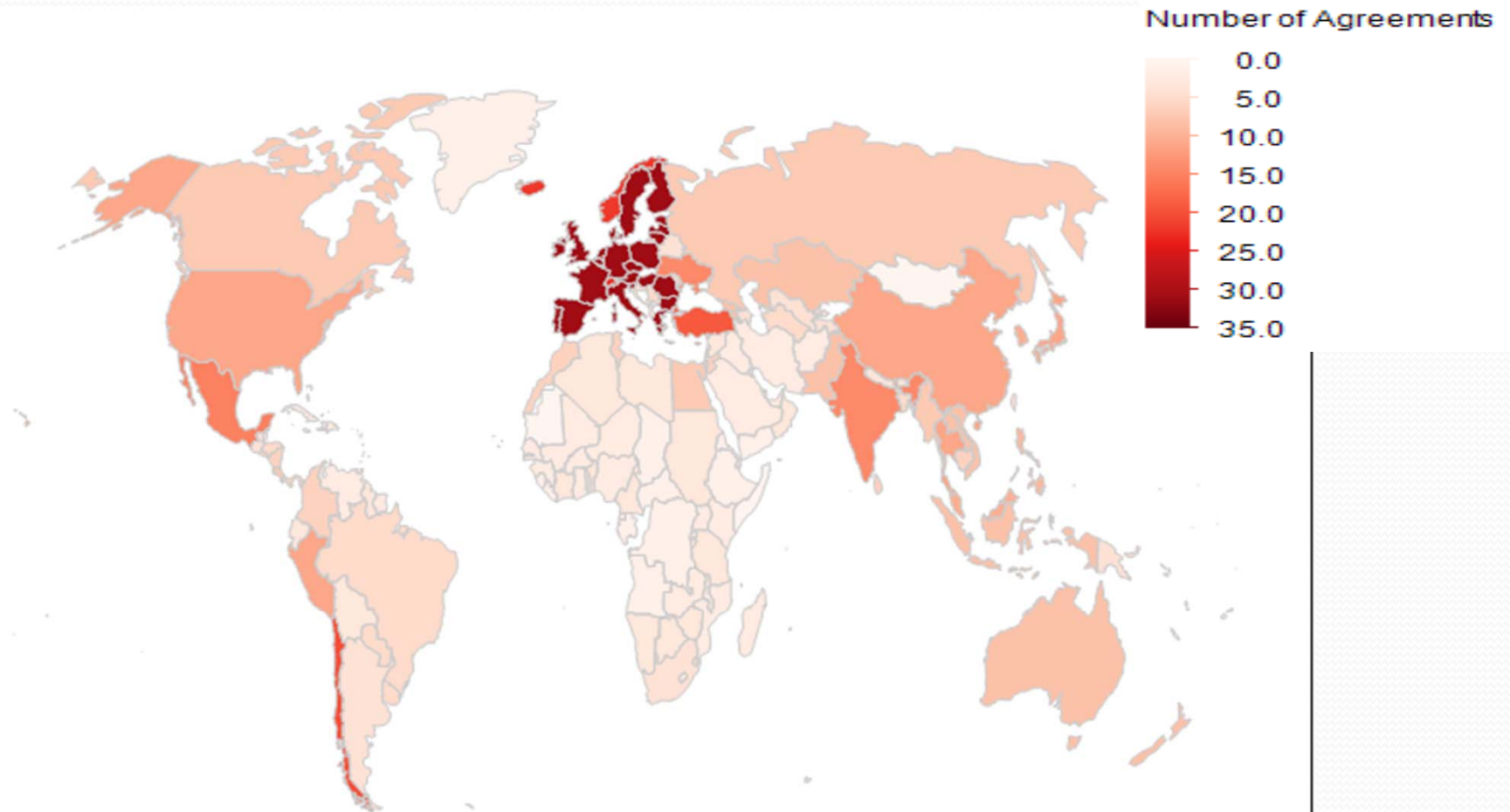
Light Green: Pending U.S. Trade Agreements



# Timeline of FTAs Entry into Force

- 19 Aug 1985 Israel
- 1 Jan 1989 Canada
- 1 Jan 1994 Canada & Mexico (NAFTA)
- 17 Dec 2001 Jordan
- 1 Jan 2004 Chile, Singapore
- 1 Jan 2005 Australia
- 1 Jan 2006 Morocco
- 11 Jan 2006 Bahrain
- 1 March 2006 El Salvador & Honduras (CAFTA-DR)
- 1 Apr 2006 Nicaragua (CAFTA-DR)
- 1 Jul 2006 Guatemala (CAFTA-DR)
- 1 March 2007 Dominican Republic (CAFTA-DR)
- 1 Jan 2009 Oman
- 1 Jan 2009 Costa Rica (CAFTA-DR)
- 1 Feb 2009 Peru
- 15 Mar 2012 Korea
- 15 May 2012 Colombia

# FTA Users Around the World





# Why are Trade Agreements important to American Agriculture?

- GREATER ACCESS!!!
- Enforcement of Trade Agreements is accomplished by committees
- Preferential tariff treatment





# FTA Committees

- **Sanitary Phytosanitary (SPS) Committee**
  - The objectives of this Committee is to
    - help each Party implement the SPS Agreement,
    - assist each Party to protect human, animal, or plant life or health,
    - enhance consultation and cooperation between the Parties on sanitary and phytosanitary matters, and
    - facilitate trade between the Parties.
- **Technical Barriers to Trade (TBT) Committee**
  - This Committee is responsible for
    - addressing issues relating to the development, adoption, application, or enforcement of standards, technical regulations, or conformity assessment procedures.



# Preferential Tariff Treatment

- The WTO Bound Rates are no longer relevant.
- The countries' applied rates in most cases no longer apply
- In almost all cases the negotiated tariff rate results in a zero percent tariff or a staged tariff that reduces to zero .



# Commodity Details

- DAIRY
- POULTRY
- BEEF
- PORK



# Korea

- **Poultry and Eggs**

- Korea's tariffs of 18-27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number two market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

- **Beef**

- For beef muscle meats, the KORUS agreement provides a 15-year, straight-line phase out of the 40-percent tariff.
- For beef offal and variety meats, the KORUS agreement provides a 15-year, straight-line phase out of the 18-percent tariff.

- **Dairy Products**

- Duty-free tariff-rate quotas (TRQ) have been established for cheese, skim/whole milk powder, food whey, and butter

- **Pork**

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen pork products as well as some fresh and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.



# Colombia

- **Pork**

- Within 5 years, Colombia will phase out all duties, which are currently as high as 30 percent, on fresh, chilled, and frozen pork, as well as smoked and dried pork.
- Colombia will immediately eliminate duties on bacon and pork skin.

- **Beef**

- Colombia has eliminated its 80-percent duty on the products most important to the U.S. beef industry – prime and choice cuts.
- U.S. exporters of standard-quality beef cuts enjoy immediate duty-free access through a 2,100-metric ton TRQ, which will increase 5 percent annually. After the initial 37.5-percent cut, Colombia will phase out the 80-percent out-of-quota tariff over 10 years.

- **Poultry and Eggs**

- For chicken leg quarters, Colombia has provided immediate duty-free access through a 27,040-metric ton tariff-rate quota (TRQ) that increases 4 percent annually.
- Colombia has phased out duties on poultry products such as wings and breast meat and will phase out tariffs on turkey products over 5 years.
- Colombia has eliminated duties on live chicks and hatching eggs and will phase out duties on eggs for consumption over 10 years.

- **Dairy Products**

- Colombia has eliminated tariffs on whey.
- Both Colombia and the United States have established duty-free tariff-rate quotas (TRQs) for certain dairy products totaling 9,900 tons, with the TRQs increasing 10 percent annually.



# Panama

- **Dairy Products**

- U.S. exporters will have immediate duty-free access to nine preferential dairy tariff-rate quotas (TRQ), totaling 3,986 tons. These include 2,625 tons of **skim milk powder**, 728 tons of **cheese**, 263 tons of **ice cream**, and 370 tons of **other dairy products**.

- **Beef**

- Panama will immediately eliminate its 30-percent duty on prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariff on other edible offal will be eliminated immediately.

- **Poultry and Eggs**

- The 260-percent tariff currently applied to chicken cuts will be eliminated immediately for mechanically de-boned chicken, within 5 years for wings, and within 10 years for other chicken cuts except leg quarters.
- For chicken leg quarters, Panama will provide immediate duty-free access within a preferential TRQ that starts at 660 metric tons. The 260-percent over-quota tariff will be eliminated in 18 years.

- **Pork**

- Panama will provide immediate duty-free access, within preferential TRQs, for 2,554 metric tons of U.S. pork products, including 1,600 tons of fresh and frozen pork cuts, 636 tons of pork fat and bacon, and 318 tons of processed pork. Most of these products currently face tariffs of 70 percent. The TRQ quantities will expand and over-quota tariffs will be eliminated in 15 years.
- Panama will immediately eliminate its 10-percent tariff on pork variety meats.

# What's Next?

## Trans Pacific Partnership

- The TPP is a potential platform for economic integration across the Asia-Pacific Region that will advance U.S. agricultural interests with the fastest growing economies in the world.
- Stakeholders will have an opportunity to voice opinions on Mexico's and Canada's membership during the Congressional review period. Federal Register comments were due on September 4.
- The United States and other TPP members are continuing bilateral consultations with Japan. We have made progress and are continuing our dialogue. In order to join the TPP, countries like Japan must be prepared to negotiate market access for all products and to address specific issues of concern to the United States, including those related to agriculture.
- The next (15<sup>th</sup>) round of negotiations is scheduled for December 3-12 in Auckland, New Zealand.





# Resources Available to Understand Trade Agreements

- FAS Web Site: [www.fas.usda.gov/trade.asp](http://www.fas.usda.gov/trade.asp)
- Trade Data, FTA Fact Sheets, Tariff Schedules
- Market Research from FAS Overseas Posts
  - Exporter Guides
  - Retail & Sector Guides
  - Food and Agricultural Import Regulations (FAIRS)
- USTR Web Site: [www.ustr.gov](http://www.ustr.gov)
  - Agreement text
- Commerce Web Site: [www.export.gov](http://www.export.gov)