



Agriculture in Pending U.S. Free Trade Agreements with Colombia, Panama, and South Korea

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Summary

The 111th Congress could consider free trade agreements (FTAs) signed by the Bush Administration with Colombia, Panama, and South Korea under trade promotion authority, or fast-track rules, designed to expedite congressional consideration of these agreements. Liberalizing trade in agricultural products, particularly the pace of expanding market access for the more sensitive agricultural commodities, was one of the more difficult areas that trade negotiators faced in concluding each of these FTAs. In each instance, issues dealing with food safety and animal/plant health matters (technically not part of the FTA negotiating agenda) were not resolved until later.

While U.S. negotiators sought to eliminate high tariffs and restrictive quotas imposed on U.S. agricultural exports to these three country markets, they also faced pressures to protect U.S. producers of import-sensitive commodities (beef, dairy products, and sugar, among others). FTA partner country negotiators faced similar pressures. One Bush Administration policy objective was for FTAs to be comprehensive (i.e., cover all products). For the more import-sensitive agricultural commodities, negotiators agreed on long transition periods, temporary additional protection in the case of import surges, or indefinite protection of a few commodities. To illustrate the latter, because of political sensitivities for the United States or its partners, negotiators agreed to retain in perpetuity quantitative import limits and prohibitively high tariffs on some of the most import-sensitive commodities. In one exception, though, the United States agreed to Korea's insistence that rice be completely excluded from their FTA.

Of these three, the FTA with South Korea would be the most commercially significant one for U.S. agriculture since the North American Free Trade Agreement (NAFTA) took effect with Mexico in 1994. Because Colombia is a large market that imposes a high level of border protection on agricultural imports, the Colombia FTA has the potential to significantly increase U.S. agricultural exports. Though Panama represents a relatively small market, U.S. exporters would have numerous opportunities for additional sales.

Conversely, each pending FTA partner would have additional access to the U.S. market for those agricultural commodities that are now protected by restrictive U.S. import quotas. Of these, the U.S. sugar sector would face some competition from increased imports of sugar from Colombia and Panama. The small increase in additional imports from South Korea would likely be in the form of primarily ethnic foods. Also, because these three countries consume most of the beef and dairy products that they produce, any additional export sales to the United States would likely be accommodated by the large U.S. market with little effect.

The Obama Administration has signaled its intent to address outstanding issues of concern to some Members of Congress before submitting these FTAs to Congress for consideration. Officials during 2009 stated their intent to work with Members of Congress to develop "benchmarks" to use to determine when these agreements might be sent to Capitol Hill for debate, but little apparent movement occurred. With the White House pursuing health care and financial sector reforms (among other issues) as its legislative priorities, indications are that these FTAs might not be submitted to Congress until after the 2010 fall elections or sometime during 2011.

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Recent Developments

In letters to the chairmen and ranking members of the House Ways and Means and Senate Finance Committees, the American Farm Bureau Federation on January 29, 2010, called upon these committees to expedite the approval of pending free trade agreements (FTAs) with Colombia, Panama, and South Korea. The Farm Bureau's president stated that passage of these agreements will help reach President Obama's goal of doubling U.S. exports in the next five years, and noted that these three FTAs combined represent markets for almost \$3 billion in additional U.S. agricultural exports.¹

On January 29, 2010, 18 Senators sent a letter to President Obama urging his Administration to submit implementing language for the three pending FTAs to Congress for approval and "to work with us to get them across the finish line." They argued that "one concrete step to actually achieving the goal of expanding exports would be to implement" these agreements, and laid out the benefits projected for U.S. total and agricultural exports once approved.²

On January 27, 2010, President Obama in his State of the Union address stated that the United States has "to seek new markets aggressively, just as our competitors are" or "we will lose the chance to create jobs." Toward this end, he said that is "why we will strengthen our trade relations in Asia and with key partners like South Korea and Panama and Colombia."

On December 14, 2009, U.S. Trade Representative Ron Kirk notified Congress of the Obama Administration's intent to enter into negotiations on the Trans-Pacific Partnership (TPP) trade agreement beginning in March 2010. Although the United States already has FTAs with four TPP participating countries (Australia, Chile, Peru, and Singapore), this new initiative will involve negotiating similar agreements with Brunei, New Zealand, and Vietnam. Some U.S. agricultural interests (particularly beef and dairy) have expressed concerns about, and opposition to, granting New Zealand exporters additional access to the U.S. market. Most, however, view Vietnam as a promising market for U.S. agricultural exports. The National Farmers Union calls for the Administration to address and not replicate the "serious problems of the previous trade agreement model" in negotiating the TPP, so that agriculture is not used "as a bargaining chip for other sectors of the U.S. economy to achieve an agreement."³

Background

The 111th Congress could consider free trade agreements (FTAs) with Colombia, Panama, and South Korea. The timing of the White House submission of each agreement will depend on when Congress completes consideration of health care reform and other high-priority legislation, and on the resolution with each country of outstanding issues (e.g., labor, tax, automobiles), some of

¹ "AFBF Urges Congressional Leaders to Expedite Passage of Trade Agreements," January 29, 2010, available at <http://www.fb.org/index.php?fuseaction=newsroom.newsfocus&year=2010&file=nr0129.html>.

² The letter is available at http://johanns.senate.gov/public/?a=Files.Serve&File_id=b5cb66b6-c52d-4e89-a556-cb38194b29ea.

³ "NFU President Roger Johnson Submits Comments on TPP to USTR Kirk," January 29, 2010, available at <http://nfu.org/news/2010/01/29/nfu-president-roger-johnson-submits-comments-on-tpp-to-ustr-kirk.html>. For background on this trade initiative, see CRS Report R40502, *The Trans-Pacific Strategic Economic Partnership Agreement*, by Ian F. Fergusson and Bruce Vaughn.

them not directly related to an FTA. While the terms of U.S. beef access to South Korea's market might receive some attention from policymakers, the agricultural provisions in each FTA largely have been received positively by most U.S. agricultural organizations and food industry associations.

U.S. farmers and ranchers, agribusiness firms, and food manufacturers view efforts to expand commodity and food exports as vital to improving farm income and business profitability. For this reason, many U.S. policymakers since the mid-1980s have viewed negotiating trade agreements as a way of creating opportunities to increase agricultural sales overseas, primarily by seeking to lower and/or eliminate other countries' trade barriers (e.g., tariffs and quotas). To accomplish this, the United States has had to reciprocate by lowering similar forms of border protection on farm and food products imported from prospective trading partners. Because of the import sensitivity of some U.S. commodity sectors (e.g., beef, dairy, and sugar, among others) to the prospect of increased competition from foreign suppliers, the executive branch has had to take the concerns of producers of these commodities into account during negotiations, in order to secure congressional approval of concluded trade agreements.

The 1994 Uruguay Round Agreement on Agriculture negotiated under the structure of the multilateral institution that preceded the World Trade Organization (WTO) created substantial export opportunities for U.S. agriculture and agribusiness by partially lowering then-existing trade barriers worldwide. However, the U.S. FTAs that took effect with Canada in 1989 and with Mexico in 1994 (when both were combined into the North American Free Trade Agreement (NAFTA)) were more ambitious than the Uruguay Round in reducing barriers to bilateral agricultural trade. With these two trade agreements setting into motion a process that removed most forms of border protection by the end of 10- or 15-year transition periods, respectively, Canada and Mexico have become two of the fastest-growing markets for U.S. agricultural exports.

The United States has also entered into FTAs with 15 other, smaller trading partners. Most of these have only taken effect in the last five years.⁴ Three FTAs negotiated and signed by the Bush Administration with Colombia, Panama, and South Korea await congressional consideration. Under the trade promotion authority (TPA) that applies, President Obama has discretion on when to submit each to Congress for a vote. TPA details the process for submitting implementing legislation to Congress for these FTAs, and the expedited legislative procedures to be followed that limit debate, prohibit amendments, and require a simple up or down vote. Before an FTA can take effect, Congress must approve the implementing bill.⁵

The timing of when each pending FTA might be submitted by the White House to Congress will depend on how issues of concern identified by the Obama Administration and Members of Congress are addressed in bilateral discussions to be held with each country. Accordingly, agriculture as covered in each pending trade agreement is examined in this report in the order that

⁴ These include, by date of entry, Israel (1985), Jordan (2001), Singapore (2004), Chile (2004), Australia (2005), Morocco (2006), El Salvador (2006), Honduras (2006), Nicaragua (2006), Guatemala (2006), Bahrain (2006), Dominican Republic (2007), Costa Rica (2009), Oman (2009), and Peru (2009). For more information on the agricultural provisions in these FTAs, see archived CRS Report RL34134, *Agriculture in U.S. Free Trade Agreements: Trade with Current and Prospective Partners, Impact, and Issues*, by Remy Jurenas.

⁵ For background, see CRS Report RL33743, *Trade Promotion Authority (TPA): Issues, Options, and Prospects for Renewal*, by J. F. Hornbeck and William H. Cooper.

Congress likely will take them up, based upon statements made by Obama Administration officials and Members of Congress.

Key Agricultural Issues in FTAs

FTAs negotiated by the United States are generally comprehensive in scope. In addition to addressing market access for agricultural and food products, they cover trade in all other goods (including textiles and apparel), improved market access commitments for services and government procurement, and protections for investment and intellectual property rights. They also include provisions on dispute settlement, labor, the environment, customs administration, among other matters.

FTAs establish a framework for liberalizing trade in agricultural commodities and food products between partners within an agreed-upon time period. The primary objective in negotiating an FTA is to achieve preferential access to each other's market, to secure a competitive edge over other countries that sell into either partner's market. Accomplishing this requires that negotiators work to reduce and eventually eliminate tariffs and quotas on most agricultural goods. Because the United States and each prospective FTA partner have some agricultural products that benefit from high levels of border protection, negotiators spend much of their time wrestling with how to reduce barriers for these import-sensitive products.⁶

The United States also has sought to address other non-tariff barriers (particularly those dealing with food safety and animal/plant health—commonly referred to as sanitary and phytosanitary [SPS] measures) on a separate, but parallel, track. Although U.S. negotiators assert that resolution of outstanding bilateral SPS disputes is not on the formal FTA negotiating agenda, the negotiating process has witnessed U.S. and partner country negotiators seeking to resolve such disputes and using them as leverage to achieve other FTA negotiating objectives. Further, resolving these disputes is viewed as essential to ensure that FTA partners do not resort to using these barriers to undercut the openings created for U.S. exporters in market access talks.

Panama

On December 19, 2006, after almost a year's hiatus, U.S. and Panamanian negotiators reached agreement on a comprehensive FTA that includes market access provisions for exports of interest to U.S. agriculture. Though separate from this trade agreement, both governments on the next day also signed an agreement detailing how SPS measures and technical standards will be applied to bilateral agricultural trade. (See "Sanitary and Phytosanitary Agreement," below.) With these near-simultaneous developments, both sides resolved outstanding differences over Panama's earlier unwillingness to accept the equivalency of the U.S. meat inspection system⁷ and achieved

⁶ A country's designation of certain agricultural commodities as "sensitive" usually reflects high levels of border protection (e.g., high tariffs, restrictive quotas, price bands) to preclude competition from lower-priced imports and/or the political strength of producers of these commodities that benefit financially from such border protection.

⁷ The FTA talks collapsed in January 2006, when Panama's Agriculture Minister resigned, stating that the U.S. Trade Representative's request that the trade agreement include a side letter accepting the U.S. Department of Agriculture's safety certification would lower the country's food and health standards and increase the risk of introducing animal diseases. Subsequently, Panama's government changed its position, and agreed to sign this separate SPS agreement.

a balance in bilateral market access for sensitive agricultural products (sugar for the United States; rice, onions, and potatoes for Panama). Panama’s legislature ratified the FTA on July 11, 2007. Action by the U.S. Congress depends on when the White House decides to submit implementing legislation, possibly later in 2009.

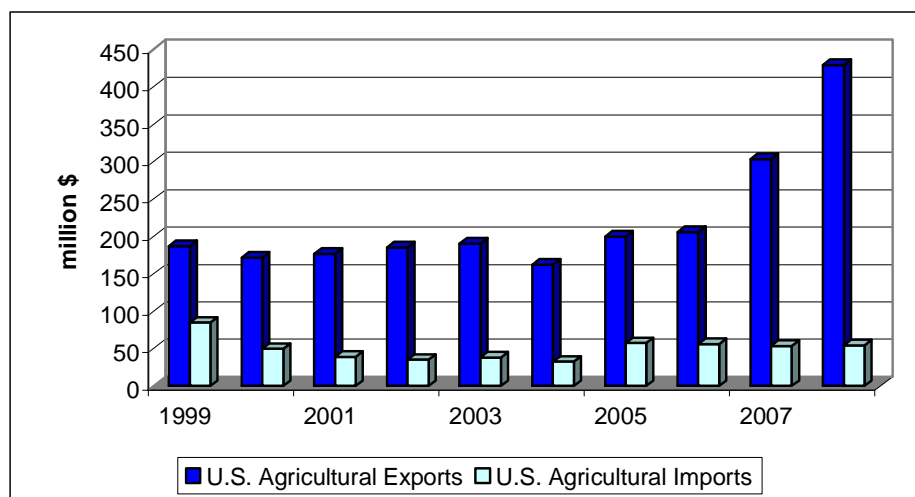
Overview of Agricultural Trade

The United States runs a strong positive agricultural trade balance with Panama (**Figure 1**). In 2008, Panama ranked 43rd as an overseas market for U.S. farm products, with U.S. agricultural exports totaling \$430 million. Leading exports were corn, soybean meal, wheat, rice, and food preparations (**Table 1**). Agriculture’s share of all U.S. merchandise exports to Panama stood at just over 9% in 2008, down from nearly 15% in 2001.

U.S. sales accounted for 51% of Panama’s nearly \$1.0 billion agricultural import market in 2008. Other major country competitors were Costa Rica and Mexico.

Imports from Panama were \$55 million, placing it 64th as a supplier of agricultural commodities to the United States. Leading imports were raw cane sugar, coffee, pineapple, bananas, and bakery products (**Table 1**). Agricultural imports accounted for 15% of total U.S. merchandise imports from Panama in 2008.

Figure 1. U.S. Agricultural Trade with Panama



Source: U.S. Department of Agriculture (USDA), Foreign Agricultural Service (FAS), U.S. Trade Internet System database

Table I. Composition of Agricultural Trade with Panama, 2008

Leading U.S. Exports			Leading U.S. Imports		
Product	Value million \$	Share of Total	Product	Value million \$	Share of Total
Corn	90.8	21.1%	Raw Cane Sugar	15.9	29.1%
Soybean Meal	59.0	13.7%	Coffee ^a	15.3	27.9%
Wheat	42.3	9.8%	Fresh Pineapple	5.8	10.6%
Rice	23.7	5.5%	Fresh Bananas	3.4	6.2%
Food Preparations	19.2	4.5%	Bakery Products	2.3	4.2%
Chocolate & Cocoa-Containing Foods	16.7	3.9%	Fresh Pumpkins & Squash	2.1	3.9%
Vegetables, Prepared, Preserved & Frozen	12.8	3.0%	Cocoa Beans	1.6	2.9%
Cheese	12.7	3.0%	Fresh Papayas	1.1	2.1%
Poultry Meat	11.8	2.7%	Beverages, Nonalcoholic	0.8	1.4%
Fresh Fruit, Deciduous ^b	9.6	2.2%	Fresh Yams & Dasheens	0.6	1.2%
Subtotal, Top 10	298.6	69.5%	Subtotal, Top 10	48.9	89.5%
All Other Agricultural Products	131.0	30.5%	All Other Agricultural Products	5.7	10.5%
Total	429.6	100.0%	Total	54.6	100.0%

Source: Derived by CRS from trade data available online at USDA's FAS U.S. Trade Internet System

- a. Primarily unroasted
- b. Primarily fresh grapes and fresh apples

Agricultural Provisions

Currently, less than 40% of U.S. agricultural exports have duty-free access to Panama's market. Other agricultural products face an average 15% tariff, but some key products are subject to much higher rates. Tariffs on meat can reach as high as 70%, and on grain up to 90%. U.S. chicken leg quarters face a 260% tariff. Under the Panama Trade Promotion Agreement (PTPA), almost two-thirds of present U.S. farm exports to Panama would receive immediate duty-free treatment, according to the U.S. Department of Agriculture (USDA).⁸ This would apply to sales of high quality beef, mechanically de-boned chicken, frozen whole turkeys and turkey breasts, pork variety meats, whey, soybeans and soybean meal, crude vegetable oils, cotton, wheat, barley, most fresh fruits (including apples, pears, and cherries), almonds, walnuts, many processed food products (including soups and chocolate confectionery), distilled spirits, wine, and pet food. Panama agreed to establish preferential tariff-rate quotas (TRQs)⁹ for U.S. pork, chicken leg

⁸ USDA, FAS, Fact Sheet summarizing the PTPA's agricultural provisions, April 2009, available at <http://www.fas.usda.gov/info/factsheets/Panama/Panama1Pager07.pdf>.

⁹ A TRQ is a two-part tool used by countries to protect their more sensitive agricultural and food products, often while transitioning over time to free trade. The quota component provides for duty-free access of a specified quantity of a commodity, which in an FTA usually expands over time. Imports above this quota are subject to a prohibitive tariff that in an FTA frequently declines over time. At the end of a product's transition period to free trade under an FTA, both (continued...)

quarters, specified dairy products, corn, rice, refined corn oil, dried beans, frozen french fries, fresh potatoes, and tomato paste. Quotas for these import-sensitive commodities would be phased out in 5 to 20 years. The longest transition period (20 years) would apply to rice, Panama's most sensitive agricultural commodity. However, Panama agreed to increase tariff-free access for U.S. rice if needed to cover a shortfall in domestic output. Border protection on U.S. chicken leg quarters would end in year 18. Quotas to be created for fresh onion and fresh potatoes would expand slowly in perpetuity; high tariffs would apply to imports that exceed quota amounts.¹⁰

Almost all of Panama's agricultural exports to the United States already enter duty free under the Caribbean Basin Initiative trade preference program. Of U.S. commodities subject to quota protection, much attention focused on the additional market access granted to sugar from Panama. Additional sugar would be allowed entry into the U.S. market under preferential quotas that would be in addition to Panama's access for sugar under an existing U.S. multilateral trade commitment. For more than 25 years, Panama has had a minimum 2.7% share (30,540 metric tons [MT]) of the U.S. raw cane TRQ under U.S. WTO commitments. Under the PTPA, three new preferential quotas for sugar and sugar-containing products would in the aggregate represent a 23% increase over Panama's current access. The largest duty-free TRQ (for raw sugar) would be set initially at 6,000 MT. It would then increase each year by 60 MT (1%) for 10 years, and then be capped at 6,600 MT indefinitely. All sugar product over-quota tariffs would indefinitely remain at high levels (e.g., at an estimated tariff equivalent of 86% for raw cane sugar, using FY2008 data). In the aggregate, these quotas represent most of the sugar surplus that Panama recently has had available to export each year.

To provide another tool to manage U.S. sugar supplies and meet sugar program objectives, negotiators also included a sugar compensation mechanism which the United States would be able to exercise at its sole discretion. If activated, the United States would commit to compensate Panama for sugar that its sugar industry would not be allowed to ship under these sugar TRQ provisions.¹¹ Other U.S. preferential TRQs would be established for cheeses, condensed and evaporated milk, and ice cream imported from Panama, to be phased out completely in 15 to 17 years.

Potential Impact on U.S. Agricultural Exports

Because Panama is a small market for U.S. agriculture, gains from additional exports under the PTPA are projected to be small relative to those projected under the FTAs with Colombia and South Korea. Two studies analyzed what these gains might be compared to the no-trade agreement scenario—one issued by the U.S. International Trade Commission (USITC) and another prepared by the American Farm Bureau Federation (AFBF). The USITC estimated that

(...continued)

the quota and tariff no longer apply (unless an exception is agreed to), allowing for its unrestricted access to the partner's market.

¹⁰ A detailed description of commodity-specific market access provisions (transition periods, TRQ amounts and growth rates, and safeguards) is found in the USDA fact sheet "U.S.-Panama Trade Promotion Agreement Benefits for Agriculture," April 2009, available at <http://www.fas.usda.gov/info/factsheets/Panama/Panamaoverall0707.pdf>. Fact sheets on the PTPA's impacts for major agricultural commodities in 45 states are available at <http://www.fas.usda.gov/info/factsheets/Panama/us-PanamaTPAfactsheets.asp>.

¹¹ It is similar to a provision found also in the Dominican Republic-Central America FTA, the Peru FTA, and the pending FTA with Colombia.

U.S. exports of agricultural commodities and processed foods to Panama would be \$46 million higher (or about 20% above the 2006 level) when the agreement is fully implemented, compared to exports under a no-agreement outlook. Exports of corn and rice would be \$27 million higher; sales of processed foods—\$10 million higher, and sales of meat—\$7 million higher.¹² The AFBF study projects that U.S. agricultural exports at the end of the transition period (2027) would be \$195 million (46%) higher under the PTPA than would be the case otherwise. Sales of corn and rice would be \$66 million higher; sales of poultry, pork and beef—\$43 million higher; sales of soybeans and products—\$29 million higher.¹³ The wide disparity in estimates presented in these two analyses reflects the use of widely different methodologies and assumptions to estimate the projected change in future U.S. agricultural exports under this trade agreement.¹⁴ Neither analysis looked at possible changes in agricultural imports under the PTPA.

Sanitary and Phytosanitary Agreement

In the separate SPS agreement, Panama agreed to accept the U.S. meat and poultry inspection system “as equivalent to its own.” This means that all Panamanian facilities that USDA certifies as meeting U.S. food safety standards are eligible to export meat products to the U.S. market, without the need for further inspection by Panama. The SPS agreement also commits Panama to provide access for all U.S. beef, poultry, and related products, on the basis of accepted international standards. It also streamlines import documentation requirements for U.S. processed foods and affirms Panama’s recognition of the U.S. beef grading system. USDA notes that this agreement eliminates “long-standing regulatory barriers faced by a variety of U.S. products” in Panama’s market.¹⁵

Outlook for Congressional Consideration

The Obama Administration has signaled its intent to resolve two outstanding issues with Panama before proceeding to a congressional vote on the PTPA. The first would involve changes to Panama’s labor laws to address concerns raised by the International Labor Organization (i.e., reducing to 20 the minimum number of workers required to form a union from the current requirement of 40 workers). The second relates to questions raised over Panama’s status as a “tax haven” through which money can be easily laundered and its refusal to enter into any tax information exchange treaty. The new government of President Ricardo Martinelli has reportedly agreed to set up a double taxation treaty commission to rectify the tax legislation problem, and to change the labor law, raising expectations that Congress may be closer to taking up implementing legislation for the FTA.

For additional information on the PTPA, see CRS Report RL32540, *The Proposed U.S.-Panama Free Trade Agreement*. For background on Panama, see CRS Report RL30981, *Panama: Political and Economic Conditions and U.S. Relations*.

¹² Derived by CRS from Table 2.4 in USITC, *U.S.-Panama Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects*, September 2007, p. 2-7.

¹³ AFBF, *Implications of a Panama Trade Promotion Agreement on U.S. Agriculture*, 2007, p. 17. The AFBF assumed the PTPA would have taken effect in 2007.

¹⁴ For an explanation of these differences, see Appendix A in CRS Report RL34134, *Agriculture in U.S. Free Trade Agreements: Trade with Current and Prospective Partners, Impact, and Issues*, by Remy Jurenas.

¹⁵ USDA, PTPA Fact Sheet, p. 1, available at <http://www.fas.usda.gov/info/factsheets/Panama/Panamaoverall0707.pdf>.

South Korea

Expanding export opportunities for U.S. agriculture to the large South Korean market was the main goal pursued by U.S. agricultural officials in negotiating the U.S.-Korea Free Trade Agreement (KORUS FTA). Their objective reflected the interests of the U.S. agricultural sector, which eyes potential for further export gains in a major food importing country with a high level of border protection. U.S. exporters in particular see opportunities for increasing sales of higher-value food products to an expanding middle class. Compromises on the final package, reached in the final hours before the April 1, 2007 deadline,¹⁶ would provide for much improved market access for all U.S. agricultural products (except for rice) to the Korean market. However, numerous Members of Congress then signaled that their support for the KORUS FTA depends on South Korea following through on its separate and subsequent commitment to fully reopen its market to U.S. beef. (see “Korea’s Rules for U.S. Beef Imports,” below). The Obama Administration recognizes the sensitivity of the beef issue but has stated its interest in reopening the trade agreement’s automobile provisions before it makes a decision on if, and when, to send the KORUS FTA to Congress. Presidents Obama and Lee Myung-bak met in Seoul in November 2009, and the two presidents agreed to “move the agreement forward.” As of late January 2010, the Obama Administration reportedly had not presented ideas for changes to the U.S. auto industry, key congressional offices, or the Korean government.¹⁷ At present, the prospect of congressional action on the KORUS FTA in 2010 appears slim. However, a key parliamentary committee in Korea’s National Assembly approved the bill to ratify the agreement in April 2009, although a final floor vote has not yet been scheduled.

Overview of Agricultural Trade

The United States runs a strong positive agricultural trade balance with South Korea (**Figure 2**). In 2008, South Korea was the 5th largest market for U.S. farm products in the world, as U.S. export sales totaled almost \$5.6 billion. Leading exports were corn, wheat, beef, cattle hides, and pork (**Table 2**). Agricultural shipments accounted for almost 17% of all U.S. merchandise exports to South Korea, up from 12% in 2001.

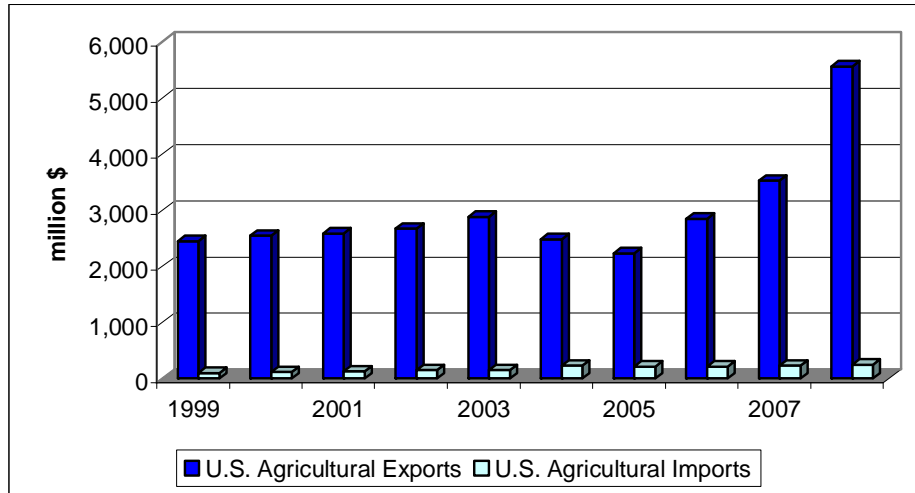
In 2008, U.S. sales accounted for 34% of South Korea’s \$19 billion agricultural import market. Major competitors in South Korea’s commodity and food import market over the last decade have been China, Australia, and Brazil.

U.S. imports from South Korea were small—\$249 million—consisting primarily of ethnic foods, and do not appear to compete directly with U.S. agricultural and manufactured-food products. Leading imports were pasta products (with ramen noodles likely accounting for a large portion), food preparations, nonalcoholic beverages, fresh pears, and various baked products (**Table 2**). In recent years, agricultural imports accounted for one-half of 1% of all U.S. merchandise imports from South Korea.

¹⁶ This was the last day that the Executive Branch could conclude a trade agreement under 2002-enacted trade promotion authority (TPA) and notify Congress of its intent to sign it.

¹⁷ *Inside US Trade*, “Lack of Movement on Korea Auto Fix May Mean No FTA Vote in Near Term,” January 15, 2010.

Figure 2. U.S. Agricultural Trade with South Korea



Source: USDA, FAS, U.S. Trade Internet System database.

Table 2. Composition of Agricultural Trade with South Korea, 2008

Leading U.S. Exports			Leading U.S. Imports		
Product	Value million \$	Share of Total	Product	Value million \$	Share of Total
Corn	2,153.5	38.7%	Pasta Products ^a	37.5	15.1%
Wheat	526.1	9.4%	Food Preparations	30.8	12.4%
Beef & Veal, Fresh-Chilled-Frozen	285.0	5.1%	Nonalcoholic Beverages	27.9	11.2%
Cattle Hides	232.8	4.2%	Fresh Pears	21.6	8.7%
Pork, Fresh-Chilled-Frozen	229.3	4.1%	Baked Products & Pastries	19.4	7.8%
Soybeans	186.7	3.4%	Vegetables & Preparations	11.0	4.4%
Hay & Other Animal Forage Products	153.9	2.8%	Sauces & Condiments	10.7	4.3%
Cotton	124.8	2.2%	Returned Meat & Poultry	5.3	2.1%
Food Preparations	116.8	2.1%	Coffee Extract	3.7	1.5%
Fresh Oranges	90.2	1.6%	Bean Cake & Stick Miso	3.6	1.5%
Subtotal, Top 10	4,099.1	73.6%	Subtotal, Top 10	171.4	68.9%
All Other Agricultural Products	1,468.7	26.4%	All Other Agricultural Products	77.4	31.1%
Total	5,567.7	100.0%	Total	248.8	100.0%

Source: Derived by CRS from trade data available online at USDA's FAS U.S. Trade Internet System

a. Large portion likely is ramen noodles.

Agricultural Provisions

In 2008, South Korea's average applied tariff on agricultural imports was almost 53%. Average tariffs are highest for vegetable products (over 100%). Tariffs on pistachios and shelled walnuts are 30%, on pork either 22.5% or 25%, on poultry and egg products from 18% to 27%, on beef 40%, on oranges 50%. Also, Korea extensively uses TRQs with prohibitive over-quota tariffs to limit imports of oranges (50%), various dairy products (89% to 176%), potatoes (304%), onions (135%), non-malting barley (300% or 324%), corn starch (226%), and numerous other agricultural products.¹⁸

The KORUS FTA would eliminate tariffs and quotas on most agricultural products traded bilaterally. The United States would receive immediate duty-free access to Korea for almost two-thirds of current U.S. agricultural exports once it takes effect. This would apply, among other products, to wheat, corn, soybeans for crushing, whey for feed use, hides and skins, cotton, cherries, pistachios, almonds, orange juice, grape juice, and wine. Tariffs and import quotas on most other U.S. agricultural goods would be phased out within 10 years. However, longer transition periods would apply to Korea's more sensitive commodities. This means tariffs, quotas, and safeguards to protect against import surges would be phased out in various stages ranging up to 23 years. Tariffs on beef and potatoes for chipping would be removed in 15 years,¹⁹ on fresh grapes in 17 years, on ginseng products and fresh pears in 20 years, and on fresh apples in 23 years. Tariff-rate quotas (TRQs) with long phase-out periods (10 to 18 years) would apply to other sensitive products as cheeses, butter, dairy-based infant foods, barley, whey for food use, animal feed supplements and hay, corn starch, and ginseng. However, seven U.S. agricultural products (skim and whole milk powders, evaporated milk, in-season oranges, potatoes for table use, honey, and identity-preserved soybeans for food use) would be subject to Korean TRQs that slowly expand in perpetuity. Shipments against these quotas would enter duty-free, but over-quota amounts would indefinitely face prohibitively-high tariffs. USDA notes that these TRQs ensure access for U.S. exporters that South Korea could have easily changed under its multilateral trade commitments. Also, because of the sensitivity of marketing during harvest, quotas and/or tariffs and phase-out schedules would vary, depending on the season of the year that U.S. oranges, table grapes, and potatoes for chipping enter Korea's market.²⁰

Unique to this FTA, South Korea secured the right to specify the state entities and trade associations that would administer each TRQ under either an auction or licensing system. Safeguards (e.g., in the form of special add-on tariffs applied in case of import surges) would be triggered if imports from the United States of some sensitive agricultural products exceed specified levels. Korea succeeded in excluding rice and rice products from the agreement—its main objective in negotiating agricultural issues. This outcome reflected the prevailing view that

¹⁸ WTO, *Trade Policy Review – Report by the Secretariat – Republic of Korea*, September 3, 2008, p. 44; and USDA, FAS, "Fact Sheet – U.S.-Korea Free Trade Agreement – Benefits for Agriculture," October 2008, available at <http://www.fas.usda.gov/info/factsheets/Korea/KORUSFactSheet-Updated10-29-08.pdf>.

¹⁹ Though South Korea would completely phase out its 40% tariff on beef muscle meats in 15 years, a separate bilateral agreement on the terms of access for U.S. beef into Korea's market that addressed Korean food safety concerns was not concluded until June 2008 (see "Korea's Rules for U.S. Beef Imports").

²⁰ A summary of commodity-specific market access provisions (tariff reduction schedules, transition periods, TRQ amounts and growth rates, and safeguards) is found in the USDA fact sheet "U.S. - Korea Free Trade Agreement Benefits for Agriculture," October 2008, available at <http://www.fas.usda.gov/info/factsheets/korea.asp>. Detailed fact sheets on the agreement's commodity provisions and impacts for agriculture in selected states are available at <http://www.fas.usda.gov/info/factsheets/Korea/us-koreaftafactsheets.asp>.

rice is vital to maintaining, and inseparable from, Korea's national identity, and the political reality that rice farming preserves the basis for economic activity in the countryside. However, the United States will continue to be able to sell rice under quotas created to meet South Korea's multilateral WTO commitments.

Because U.S. agricultural imports from South Korea are small and largely complementary, there was little controversy in negotiating Korean access to the U.S. market. The United States agreed to phase out tariffs and quotas on all agricultural imports from South Korea in stages ranging up to 15 years. This longest period would apply to imports from Korea of beef, some dairy products, rice, and malt extract.

Potential Impact on U.S. Agricultural Trade

With the immediate elimination and phase out over time of much of South Korea's relatively high agricultural trade barriers under the KORUS FTA, the U.S. agricultural and food processing sectors would noticeably benefit from additional exports. The U.S. International Trade Commission (USITC) estimated that the increase in U.S. exports of agricultural commodities and processed foods would account for up to one-third of the entire projected increase in total U.S. merchandise exports to South Korea's market once the KORUS FTA's provisions are fully implemented. U.S. sales of agricultural products would be from \$1.9 billion to \$3.8 billion (44% to 89%) higher than exports under a no-agreement scenario. Almost half of this export increase would accrue to the U.S. beef sector, based on the USITC's assumption that U.S. beef exports recover to the 2003 level before South Korea imposed for human health reasons its restrictions on U.S. beef imports. About 20% of the export increase would benefit U.S. producers and exporters of pork, poultry, and other meat products.²¹ The American Farm Bureau Federation (AFBF) projected that U.S. agricultural exports by the end of the transition period (2027) would be more than \$1.5 billion (45%) higher under the KORUS FTA than would be the case otherwise. Sales of beef, poultry, and pork would account for \$644 million (or 42%) of this increase.²²

The wide disparity in projected U.S. agricultural export estimates under the KORUS FTA presented in these two analyses reflects the use of different methodologies and assumptions.²³ One major factor that accounts for the difference is that the AFBF projects that U.S. beef sales would be much lower than the USITC-estimated level.

Only the USITC looked at the impact of the KORUS FTA on U.S. agricultural imports. It projects that U.S. imports of primarily processed food products from South Korea would be from \$52 million to \$78 million (12% to 18%) higher than such imports under a no-agreement scenario.²⁴

²¹ Derived by CRS from Table 2.2 in USITC, *U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, pp. 2-8 and 2-9.

²² Derived by CRS from American Farm Bureau Federation's (AFBF) *Implications of a South Korea-U.S. Free Trade Agreement on U.S. Agriculture*, July 2007, p. 17. To be consistent with the agricultural and food product categories used to derive the USITC's estimate, AFBF's exports of fish products are not included in the estimated increase in agricultural exports and agriculture's share stated above. The AFBF assumed the KORUS FTA would have taken effect in 2007 in developing its projections for 2027.

²³ For an explanation of these differences, see Appendix A in CRS Report RL34134, *Agriculture in U.S. Free Trade Agreements: Trade with Current and Prospective Partners, Impact, and Issues*, by Remy Jurenas.

²⁴ USITC report referenced in footnote 21, pp. 2-8 and 2-9.

Korea's Rules for U.S. Beef Imports

By the time that negotiators concluded the KORUS FTA on April 1, 2007, they had not reached a breakthrough on the separate but parallel issue of how to resolve differences on the terms of access for all U.S. beef in a way that would address Korea's human health concerns. In 2003, South Korea had been the third-largest market for U.S. beef exports. However, in late December 2003, Korea's government imposed an import ban after the first U.S. cow infected with mad cow disease, or BSE (*bovine spongiform encephalopathy*), was discovered in the U.S. cattle herd. However, then-South Korean President Roh, in a national address the same day, stated he had personally promised President Bush that his government would "uphold the [yet to-be-released] recommendations" of the World Organization for Animal Health (OIE) on the BSE risk status of the United States and "open the Korean [beef] market at a reasonable level." As soon as the OIE formally found on May 22, 2007, that the United States is a "controlled risk" country for the spread of mad cow disease, USDA immediately requested that South Korea amend its import requirements for U.S. beef within a specified time frame to reflect this determination and to reopen its market to all U.S. cattle and beef products.

Talks to resolve this outstanding issue concluded just before newly-elected South Korean President Lee met with President Bush at Camp David. On April 18, 2008, U.S. and Korean negotiators reached agreement on the sanitary rules that Korea will apply to beef imports from the United States. It allows for imports of all cuts of U.S. boneless and bone-in beef and other beef products from cattle, *irrespective of age*, as long as specified risk materials known to transmit mad cow disease are removed and other conditions are met. However, candlelight vigils held by thousands protesting this agreement, calls by opposition parties that these terms be renegotiated, and President Lee's apologies for how his government mishandled this matter, prompted the Korean government to secure additional changes to allay public concerns about the safety of U.S. beef. Subsequent difficult negotiations led to the announcement of a "voluntary private sector arrangement" on June 21, 2008, that limits sales to U.S. beef only from cattle *less than 30 months old*. Both countries view this as a transitional step intended to improve Korean consumer confidence in U.S. beef.

U.S. beef exporters have since worked to recapture this key overseas market. Exports of U.S. beef (including bone-in cuts) to South Korea resumed in mid-July 2008, and by year-end reached almost \$300 million, slightly more than one-third of the record 2003 sales level. For 2009, despite a drop-off in beef sales worldwide due to the economic recession, sales to Korea may still reach the 2008 level. Though Australia is the main competitor, U.S. beef exporters have gained noticeable market share since the Korean market reopened to U.S. beef. The U.S. share (in quantity terms) rose from 15% in 2008 to 27% in 2009. Future sales will depend on the price competitiveness of U.S. beef compared to Australian beef (largely influenced by changes in their respective exchange rates relative to the Korean *won*), and signs that Korean consumers are more willing to eat beef away from home as the country's economy begins to recover.

For additional information, see CRS Report RL34528, *U.S.-South Korea Beef Dispute: Agreement and Status*.

Outlook for Congressional Consideration

The Obama Administration has not indicated if and when it will send the draft implementing bill for the KORUS FTA to Congress. The Administration has stated that it is developing

“benchmarks for progress” on resolving “concerns” it has with this trade agreement, particularly over the terms of access for U.S. automobiles in South Korea’s market; however, no concrete proposals have yet been formally presented to key stakeholders and the Korean government.

The issue of full access for U.S. beef (i.e., securing access for beef from cattle older than 30 months) might be addressed in bilateral discussions on how to proceed with the pending agreement. U.S. Trade Representative Ron Kirk, in his confirmation hearings, stated that beef access will be an Administration priority as efforts resume to normalize beef trade with Korea and other Asian markets. Though some press accounts suggested that the beef issue may be addressed before the agreement’s auto provisions, Kirk did acknowledge that “U.S. beef from cattle under 30 months of age is selling well in Korea.”²⁵ Others have noted “diminished interest in pressing this issue because South Korea has given the U.S. more than 90 percent of its beef access by value” under the arrangement agreed to in June 2008 covering beef products from cattle younger than 30 months of age.²⁶ For this reason, U.S. beef industry sources in late 2009 and early 2010 signaled that they are not pressing for a “fix” to beef access issues, noting that the FTA would eliminate Korea’s 40% tariff on beef imports from the United States. They see approval of the agreement as a step toward the ultimate goal that Korea accept the OIE guidelines that the U.S. beef sector follows to ensure the safety of beef for human consumption.²⁷

For additional information, see CRS Report RL34330, *The Proposed U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions and Implications*.

Colombia

Although U.S.-Colombian negotiators announced on February 27, 2006, that they had concluded an FTA, remaining differences over two agricultural market access issues took another four months (until July 8, 2006) to resolve. Further, the signing ceremony for the U.S.-Colombia Free Trade Agreement (CFTA) was not scheduled until Colombia took steps to fulfill a separate commitment to allow, by no later than October 31, 2006, the entry of U.S. beef imports (see “SPS Side Letter,” below.) The CFTA was formally signed on November 22, 2006. Colombia’s legislature completed the approval process for the CFTA on October 30, 2007. Action by the U.S. Congress depends on when the White House decides to submit implementing legislation.

Overview of Agricultural Trade

Colombia is the second largest market for U.S. farm products in Latin America after Mexico, and ranked as the 15th largest market for U.S. agriculture in 2008. As U.S. agricultural exports since 2006 have increased at about a 40% annual rate, U.S.-Colombian agricultural trade has nearly come into balance (**Figure 3**). In 2008, U.S. agricultural exports totaled almost \$1.7 billion. Shipments of corn, wheat, soybean meal, soybeans, and soybean oil led the list (**Table 3**).

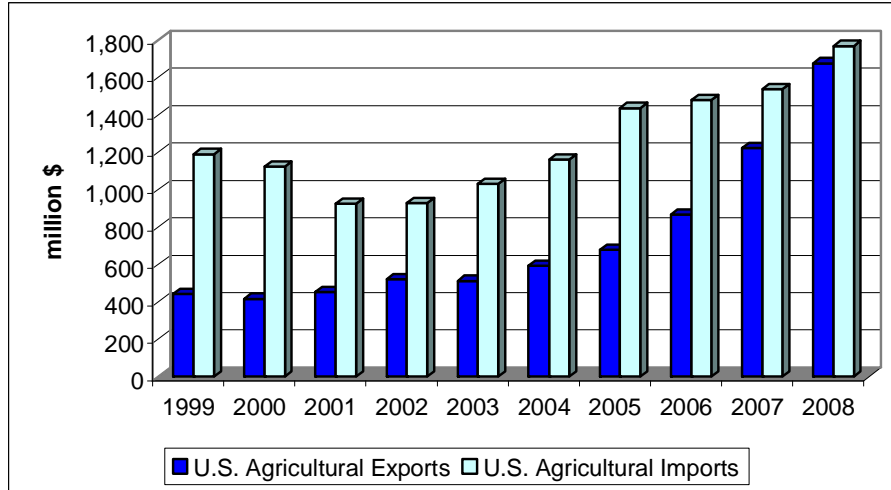
²⁵ Yonhap English News, “Kirk pledges to address beef, auto issues before Korea FTA’s ratification,” March 13, 2009; “Finance Committee Questions for the Record,” submitted by Ronald Kirk per his confirmation hearing held March 9, 2009, p. 9, available at <http://www.finance.senate.gov/hearings/testimony/2009test/031109QFRs%20for%20SubmissionRK.pdf>; USTR, *2009 National Trade Estimate Report on Foreign Trade Barriers*, March 31, 2009, p. 308.

²⁶ *Inside U.S. Trade*, “U.S., Korea to Review FTA Ahead of June Visit; NSC Seeks Passage,” April 17, 2009, p. 25.

²⁷ *Inside U.S. Trade*, “U.S., Korea to Review FTA Ahead of June Visit; NSC Seeks Passage,” April 17, 2009, p. 25; “Lack of Movement on Korea Auto Fix May Mean No FTA Vote in Near Term,” January 15, 2010, p. 5.

Agriculture’s share of all U.S. merchandise exports to Colombia stood at almost 16%, up from 13% in 2001.

Figure 3. U.S. Agricultural Trade with Colombia



Source: USDA, FAS, U.S. Trade Internet System database

Table 3. Composition of Agricultural Trade with Colombia, 2008

Leading U.S. Exports			Leading U.S. Imports		
Product	Value million \$	Share of Total	Product	Value million \$	Share of Total
Corn	625.7	37.3%	Unroasted Coffee	805.0	45.5%
Wheat	330.0	19.7%	Fresh Roses	239.9	13.6%
Soybean Meal	98.9	5.9%	Fresh Bananas	162.7	9.2%
Soybeans	95.9	5.7%	Fresh Chrysanthemums	66.4	3.8%
Soybean Oil	71.1	4.2%	Fresh Carnations	61.7	3.5%
Cotton	66.8	4.0%	Fresh Plantains	45.4	2.6%
Corn Gluten Meal	55.4	3.3%	Raw Cane Sugar & Sugar Confectionery	30.7	1.7%
Food Preparations	31.4	1.9%	Bakery Products	20.7	1.2%
Animal Feed Preparations	23.2	1.4%	Palm Oil	16.8	0.9%
Inedible Tallow	17.1	1.0%	Glue Stock from Animal Hides/Skins	14.9	0.8%
Subtotal, Top 10	1,415.6	84.4%	Subtotal, Top 10	1,464.1	82.7%
All Other Agricultural Products	261.2	15.6%	All Other Agricultural Products	305.2	17.3%
Total	1,676.8	100.0%	Total	1,769.4	100.0%

Source: Derived by CRS from trade data available online at USDA’s FAS U.S. Trade Internet System

In 2008, U.S. sales accounted for 44% of Colombia's \$4.2 billion agricultural import market, compared to a 30% share earlier in this decade. Other major competitors in this market were Argentina, Brazil, Chile, and members of the Andean Common Market (Bolivia, Ecuador, and Peru).

U.S. agricultural imports from Colombia reached nearly \$1.8 billion. Leading imports were coffee, roses, bananas, chrysanthemums, and plantains (**Table 3**). In 2008, agricultural imports accounted for almost 14% of total U.S. merchandise imports from Colombia, down from an almost 16% share in 2001.

Agricultural Provisions

Currently, no U.S. agricultural export has duty-free access to Colombia's market. Applied tariffs on agricultural imports range from 5% to 20%, but under WTO rules, Colombia could raise these to bound levels which range from 15% to 388%.²⁸ The CFTA would eliminate tariffs and quotas on all agricultural products traded bilaterally (except for sugar) and establish long transition periods for the more sensitive commodities. The United States would secure immediate duty-free access to Colombia for more than one-half of its current exports by value. This would apply to high-quality beef, bacon, cotton, wheat, soybeans, soybean meal; apples, pears, peaches, and cherries; and frozen french fries and cookies, among other food products. Also, Colombia agreed to immediately eliminate price bands for some 150 products—a mechanism that added fees onto existing tariffs which fluctuated depending upon world prices. This effectively had resulted in a higher level of border protection than would usually be the case.²⁹ Colombia's tariffs on most other farm and food products imported from the United States would be phased out in periods ranging from 3 to 15 years. For its most sensitive commodities (including those subject to price bands), Colombia would eliminate quotas and over-quota tariffs for corn and other feed grains in 12 years, for dairy products in 15 years, for chicken leg quarters in 18 years, and for rice in 19 years. Both countries would also commit to consult and review the implementation and operation of provisions on trade in chicken about midway through the long transition period.³⁰

²⁸ A bound tariff represents the maximum tariff that a country can impose on imports of a particular product, and reflects the outcome of the last set of WTO multilateral negotiations concluded in 1993. Bound rates are incorporated as an integral component of each country's schedule of concessions or commitments to other WTO country members. However, a country can decide to impose a lower, or applied, tariff rate on imports of this particular agricultural commodity (i.e., because of changing supply or demand factors). Just as easily, though, it has the right to increase an applied tariff back up to the bound rate, which could adversely affect trade flows.

²⁹ Price bands serve to insulate producers and processors from trade competition when the world price for any commodity falls below a calculated reference price (e.g., a price target comparable to a commodity support level). The domestic sector is protected by a variable fee imposed on the imported commodity, which when added to the lower world price or a selected international reference price, raises the importer's cost to this adjusted import price. This fee can fluctuate, depending on changes in the reference price (adjusted for freight, insurance, and other factors) to equal this pre-determined minimum import price. Under the CFTA, Colombia would convert the level of border protection that their price bands provide into a relatively high over-quota tariff—frequently the product's bound rate—which would then be reduced to zero during a specified transition period.

³⁰ For a detailed description of the CFTA's agricultural provisions, see USDA, Foreign Agricultural Service (FAS), "U.S.- Colombia Trade Promotion Agreement Overall Agriculture Fact Sheet," August 2008, available at <http://www.fas.usda.gov/info/factsheets/Colombia/Colombiadetailedfinal0308.pdf>. Fact sheets on the CFTA's impacts for major agricultural commodities in 45 states are available at <http://www.fas.usda.gov/info/factsheets/Colombia/us-ColombiaTPAfactsheets.asp>.

Almost all of Colombia's agricultural exports to the United States would continue to benefit from current duty free access under the Andean Trade Preferences Act,³¹ which the CFTA would make permanent. Of those commodities subject to U.S. quota protection, much attention focused on the amount of additional sugar that would be allowed access to the U.S. market. Additional sugar would be allowed entry into the United States under a preferential quota that would be in addition to Colombia's current access for sugar under an existing U.S. multilateral trade commitment. Under the CFTA, the United States would triple Colombia's access to the U.S. sugar market—from its historic 2.3% share of the U.S. raw cane sugar TRQ (25,273 MT)—by an additional 50,000 MT of sugar and specified sugar products in the first year. This new quota would expand by 750 MT (1.5%) annually starting in year 2 in perpetuity, while the current high U.S. tariff on over-quota sugar entries would be applied indefinitely.³² The CFTA also includes a sugar compensation provision designed to protect the operation of the U.S. sugar program. Crafted so that if the United States exercised its sole discretion to activate this mechanism, the U.S. Government would commit to compensate Colombia for sugar that its exporters would not be allowed to ship under the CFTA's preferential access provision. In addition, preferential TRQs would be established for imports from Colombia of beef, specified dairy products, and tobacco. These would expand slowly until phased out in 10, 11, or 15 years.

Potential Impact on U.S. Agricultural Trade

Because Colombia protects its agricultural sector with high tariffs and import quotas, two analyses project that their elimination over time under the CFTA would benefit the U.S. agricultural sector. The U.S. International Trade Commission (USITC) estimated that U.S. agricultural exports to Colombia would be \$170 million, or 24% higher, with full implementation of these provisions, compared to a baseline scenario of no policy change. Gains for U.S. agriculture would accrue primarily to the corn, wheat, rice, and soybean sectors. The USITC also projects that sales of beef, pork, and processed foods would increase. Agricultural exports alone would account for 16% of the projected increase in all U.S. merchandise exports to Colombia under this FTA.³³ Separately, the American Farm Bureau Federation (AFBF) estimated that U.S. agricultural exports to Colombia would be \$693 million higher in 2026 when the FTA is fully implemented than would occur otherwise. The AFBF study similarly expects that most of the additional exports would be of U.S. corn, wheat, and soybean products.³⁴ The wide disparity in estimates presented in these two analyses reflects the use of different methodologies and assumptions to estimate the projected change in future U.S. agricultural exports under this trade agreement.³⁵

³¹ This trade preference program extends special duty treatment to certain U.S. imports that meet domestic content and other requirements from designated countries in the Andean region. Its purpose is to promote economic growth in the Andean region and to encourage a shift away from dependence on illegal drugs by supporting legitimate economic activities. For Colombia, P.L. 110-436 extended ATPA benefits through December 31, 2009. For additional information, see CRS Report RS22548, *ATPA Renewal: Background and Issues*, by M. Angeles Villarreal.

³² Using raw cane sugar to illustrate, the tariff equivalent of protection (ad valorem) would be about 86% of the FY2008 import price.

³³ Derived by CRS from Table 2-4 in USITC, *U.S.-Colombia Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects*, Publication 3896, December 2006, p. 2-11

³⁴ AFBF, *Implications of a Colombia Trade Promotion Agreement on U.S. Agriculture*, October 2006, p. 17. The AFBF assumed the CFTA would have taken effect in 2007.

³⁵ For an explanation, see Appendix A in CRS Report RL34134, *Agriculture in U.S. Free Trade Agreements: Trade with Current and Prospective Partners, Impact, and Issues*, by Remy Jurenas.

Only the USITC study considered the CFTA's impact on U.S. agricultural imports. It estimated that such imports would be \$223 million, or 11% higher, than under the no-agreement scenario. Additional imports of sugar would account for almost half of the estimated increase in farm product imports. The increased access for Colombian sugar and sugar-containing products to the U.S. market are likely to have only a minor effect on U.S. imports and production, according to the USITC's analysis. Cut flower imports from Colombia could increase if permanent duty-free access stimulates investment in the country's flower sector and diverts trade away from other flower-exporting countries in South America.³⁶ Agricultural imports from Colombia would account for 46% of the increase in total U.S. merchandise imports from Colombia under this FTA.

SPS Side Letter

Thought to have been resolved at the time negotiators concluded the CFTA, the separate SPS issue dealing with the terms of access under which U.S. beef and beef products would be allowed to enter Colombia was not resolved until later. The Colombian government in a second exchange of letters on August 21, 2006, committed to permit such imports of cattle over 30 months old, by no later than October 31, 2006.³⁷ In turn, on August 24, President Bush notified Congress of his intent to enter into an FTA with Colombia. Once Colombia issued regulations to fulfill its beef import pledge on October 27, the White House agreed to set November 22, 2006, as a date for the FTA's formal signing.

Though an FTA normally is not used as the mechanism to address the substance of SPS issues, this timeline illustrates how U.S. negotiators exercised leverage to achieve a desired outcome for the domestic beef sector. This likely reflected the Bush Administration's recognition that such efforts were essential to gain support from an agricultural group that may be vital to secure the agreement's approval by Congress.

Outlook for Congressional Consideration

Though U.S. agriculture would gain from significant additional market access to Colombia under the CFTA, concerns expressed by some Democratic Members of Congress over violence directed at labor union officials in that country and human rights issues have affected congressional consideration of this trade agreement. Reflecting these concerns, the House on April 10, 2008, voted 224-195 to suspend fast-track rules (H.Res. 1092) in response to President Bush's decision to submit the CFTA and implementing legislation (H.R. 5724/S. 2830) to Congress for consideration. At present, it is not likely that the 111th Congress will consider implementing legislation for the CFTA, even though the Obama Administration earlier signaled that it will work with Members of Congress to develop benchmarks for use to determine when the CFTA might be submitted to Congress.

³⁶ USITC, *U.S.-Colombia Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects*, Publication 3896, December 2006, pp. 3-1 to 3-3.

³⁷ Colombia, among many other countries in late 2003, imposed a ban on the import of U.S. beef following the discovery of a cow with *bovine spongiform encephalopathy* (BSE) or mad cow disease in Washington state. To restore beef trade export flows, the U.S. government has pressed trading partners to recognize the U.S. measures taken to address the BSE measures as conforming with internationally recognized scientific guidelines governing meat trade.

For additional information, see CRS Report RL34470, *The Proposed U.S.-Colombia Free Trade Agreement: Economic and Political Implications*, and CRS Report RL34759, *Proposed Colombia Free Trade Agreement: Labor Issues*.

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