

**The U.S.-Central American Free Trade Agreement
(CAFTA)**

**Report of the
Agricultural Technical Advisory Committee on Trade
In Fruits and Vegetables**

March 19, 2004

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Agricultural Technical Advisory Committee on Trade in Fruits and Vegetables (F&V ATAC)

**Agricultural Technical Advisory Committee on Trade in Fruits and Vegetables
Report to the President, the Congress, and the U.S. Trade Representative on the
U.S.-Central American Free Trade Agreement (CAFTA).**

I. Purpose of the Committee Report

Section 2104(e) of the Trade Act of 2002 (Public Law 107-210) requires that advisory committees provide the President, the 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 a trade agreement.

Under Section 135(e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations (ACTPN) 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 U.S. 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 ATAC on Trade in Fruits and Vegetables submits the following report.

II. Executive Summary of Committee Report

It is the opinion of the F&V ATAC that the negotiated agreement provides for equity and reciprocity within the sectoral area. However, the value of the two markets is asymmetric and hence the inherent value of the agreement is likely to benefit exporters of CAFTA specialty crops to a greater extent than U.S. domestic producers. While asymmetric for the sector on the whole, CAFTA does provide valuable opportunities for some Chapter 8 products that are reliant on exports to maintain a healthy balance between supply and demand in the U.S. domestic market.

The Committee urges the Office of the U.S. Trade Representative to now focus its trade liberalization efforts on India, South Korea, Taiwan, Japan and the EU. Removing high tariff rate barriers and eliminating trade distorting domestic support policies in these countries will provide the specialty crop industry significant trade benefits and remove some of the trade barriers that most affect this sector.

III. Brief Description of the Mandate of the ATAC on Trade in Fruits and Vegetables

The ATAC on Trade in Fruits and Vegetables is chartered to advise, consult with, and make recommendations to the Secretary of Agriculture and the United States Trade Representative on matters that are of mutual concern to the United States and to its consumers, producers, processors, and traders of specialty crops in connection with the trade policy activities undertaken by the United States. The Committee provides advice and information regarding trade issues that affect both domestic and foreign production and trade of specialty crops. The Committee furnishes advisory opinions and reports and performs the functions that are appropriate or required by the Secretary and the Trade Representative or their designees.

IV. Negotiating Objectives and Priorities of the Committee

The Committee agrees with the principle negotiating objective for agriculture set down by Congress in the Trade Act of 2002. Specifically, “to obtain competitive opportunities for United States exports of agricultural commodities in foreign markets substantially equivalent to the competitive opportunities afforded foreign exports in United States markets and to achieve fairer and more open conditions of trade in bulk, specialty crop, and value-added commodities...”

V. Advisory Committee Opinion on Agreement

General:

It is the opinion of the F&V ATAC that the negotiated agreement provides for equity and reciprocity within the sectoral area. However, the value of the two markets is asymmetric and hence the inherent value of the agreement is likely to benefit exporters of CAFTA specialty crops to a greater extent than U.S. domestic producers. While asymmetric for the sector on the whole, CAFTA does provide valuable opportunities for some Chapter 8 products that are reliant on exports to maintain a healthy balance between supply and demand in the U.S. domestic market.

The U.S.-CAFTA is considered by many on the committee to be an excellent agreement that will provide immediate economic benefits to their specialty crop commodities (almonds, apples, cherries, peaches, pears, table grapes, and walnuts). For others on the Committee the agreement is unlikely to have much of an economic impact either positive or negative. There is not currently any import sensitive commodity group from the horticultural sector that has expressed concern with the agreement to the Committee.

As a sector, the Committee is sensitive to the Administration's FTA priorities. It is also mindful of a recent General Accounting Office report that acknowledges trade priorities are established in conjunction with foreign policy needs. However, in general, the slate of concluded and proposed FTAs provides limited export opportunity for Chapter 7, 8 & 20 products. Removing high tariff rate barriers in countries such as India, South Korea, Taiwan and Japan plus eliminating the trade-distorting domestic support and export subsidies that competitors receive in the European Union are the trade priorities that will provide the specialty crop industry with true trade equity and reciprocity in the global marketplace in which it competes. These trade priorities are likely to be addressed only the World Trade Organization. The Committee therefore wholeheartedly supports the Administration as it seeks to immediately resurrect the Doha Development Agenda.

Tariff Phase-Out:

Under the Caribbean Basin Initiative (CBI), enacted in 1984, CAFTA countries are granted duty-free access into the U.S. market for all their Chapter 7 & 8, and most Chapter 20 products. This duty free preference is memorialized and expanded under the CAFTA. At least fifty percent (by value) of the agricultural exports from CAFTA nations to the U.S. are fresh fruits and vegetables from Chapters 7 & 8. Pineapples and Bananas make up three quarters of this value.

The ATAC members requested that the specialty crop industry be given the same duty free preference for its exports to the CAFTA markets. Immediate access was negotiated for walnuts, table grapes, almonds, apples, pears, cherries, peaches, kiwis, canned peaches and pears in addition to other products. (See attached document for a complete list of Chapter 7, 8 and 20 products and their respective tariff rate treatment.) ATAC members representing these commodity groups are very pleased with the results of the negotiations on tariffs. Chile, Canada, and Mexico already enjoy duty-free access to many of these CAFTA countries. This tariff rate preference provides their producers a significant competitive advantage. Achieving tariff rate parity as a result of this agreement is a huge benefit that will result in increased sales for U.S. producers. In addition to leveling the playing field with our competitors, CAFTA countries are considered growth markets for almonds, apples, pears, cherries and table grapes therefore, improved access into those markets will help foster increased consumption of these healthy products.

Many Chapter 7, 8 & 20 products were not provided immediate duty-free access. This is concerning to the Committee and demonstrates the disadvantage U.S. negotiators are under in FTA negotiations when foreign nations are provided unlimited preferential access to U.S. markets under GSP or other unilateral trade agreements such as CBI, the African Growth and Opportunity Act (AGOA) and the Andean Trade Preference Act (ATPA). There is little leverage provided to U.S. negotiators in this environment and no incentive for opposing parties to open up their markets. In the case of CAFTA nations, the promise of economic benefits in these markets mutes the outcry from many of the Committee members. For instance, tariffs on U.S. oranges are to be reduced over a 5 to 10 year time frame. The U.S. industry states that this is acceptable given that this market

will not likely be significant during that period with or without tariffs. Some U.S. vegetables (peas, beans, lentils) face even longer tariff rate phase out timelines (up to 15 years) and as such will be slow to obtain access to CAFTA markets. But again, according to the U.S. bean industry, it is not an important market for them and thus the long-term phase out is not a great concern.

The Committee notes that there are no tariff-rate quota (TRQ) provisions in this agreement for specialty crop imports or exports.

The processed citrus members have reviewed the specific preferential origin rules for Articles classified in HTS Chapter 20, and agree with the terms set forth in the Agreement for conferring origin status on citrus juices.

VI. Membership of Committee

Attached

**Agricultural Technical Advisory Committee on Trade
in Fruits and Vegetables**

Mark Powers	ATAC Chair, Northwest Horticultural Council
Dennis Balint	California Walnut Commission
Gary Ball	U.S. potato industry
John Baranek	The Herzog Company
Doug Bournique	Indian River Citrus League
Susan Brauner	Blue Diamond Growers
Reggie Brown	Florida Tomato Exchange
Lauri Buckley	A. Duda & Sons, Inc.
James Christie	Bryant Christie, Inc.
Gus Collin	Sunsweet Growers, Inc.
Alice Dettwyler	American Agri-Women
Chris Eckert	Eckert Orchards, Inc.
Wally Ewart	California Citrus Quality Council
Nancy Foster	U.S. Apple Association
Carolyn Gleason	McDermott, Will & Emery
Robert Guenther	United Fresh Fruit & Vegetable Association
Dan Haley	Haley & Associates
Julian Heron	Tuttle, Taylor & Heron
John Himmelberg	O'Connor & Hannan, L.L.P.
Richard Hudgins	California Canning Peach Association
Roger Knutzen	Knutzen Farms LP
Barry Kriebel	Sun-Maid Growers of California
Andy LaVigne	Florida Citrus Mutual
Joseph MacIrvine	Paramount Farming Company
John McClung	Texas Produce Association
Kevin Moffitt	Pear Bureau Northwest
Joel Nelsen	California Citrus Mutual
James Pandol	Pandol Brothers, Inc.
Freddie Richards	Prairie View A&M University
Joe Rollo	Wine Institute
Robert Schramm	Schramm, Williams & Associates
Susan Spence	New York Wine & Grape Foundation
Mike Wootton	Sunkist Growers
Joe Zanger	Casa DeFruta

**Central America Free Trade Agreement (CAFTA)
Chapters 7, 8 & 20
Horticultural and Tropical Products**

Tariff Reduction Key

Basket	Phaseout
A	Immediate
B	5 years, linear
C	10 years, linear
D	15 years, linear
E	15 years, non-linear *(1)
F	20 years, non-linear *(2)
G	continue as duty free
H	continue to receive MFN
I	10 years, non-linear *(3)
J	Immediate, in accordance with WTO commitments
K	Immediate
L	applies to chpt 9 only
M	10 years, non-linear *(4)
N	12 years, linear
O	15 year, non-linear *(5)
P	18 years, non-linear *(6)
Q	
R	15 years, non-linear *(7)
S	15 years, non-linear *(8)
T	15 years, non-linear *(9)
U	17 years, non-linear *(10)
V	20 years, non-linear *(11)

1. Duties on goods in category **E** remain at base rates for years one through six. Beginning year seven, duties are reduced by 33 percent in four equal annual stages. Beginning year 11, duties are reduced by 67 percent in five equal annual stages, and thus will be duty free January 1 of year fifteen.
2. Duties on good in basket **F** remain at base rates for years one through ten. Beginning year eleven, duties are reduced in ten equal annual stages and thus will be duty free January 1 of year twenty.
3. Duties on goods in basket **I** shall be removed in the following manner: the base rate of duty shall reflect the HTSUS Column 1 Special Rates of Duty designated

- under the Caribbean Basin Trade Partnership Act (“R”), in effect January 1, 2005. Beginning on the date this Agreement enters into force, duties shall be reduced by two percent each year through January 1 of year two. On January 1 of year three duties shall be reduced by an additional eight percent each year through year six. On January 1 of year seven duties shall be reduced by an additional sixteen percent each year, and such goods shall be duty-free effective January 1 of year ten.
4. Duties on goods in basket **M** shall be removed in ten stages. Beginning on the date this Agreement enters into force, duties shall be reduced by two percent each year through January 1 of year two. On January 1 of year three duties shall be reduced by an additional eight percent each year through year six. On January 1 of year seven duties shall be reduced by an additional 16 percent each year, and such goods shall be duty-free effective January 1 of year ten;
 5. Duties on goods provided for in the items in staging category **O** shall remain at base rates for years one through six. Beginning January 1 of year seven, duties shall be reduced by 40 percent in five equal annual stages. Beginning on January 1 of year twelve, duties shall be reduced by 60 percent in four equal annual stages, and such goods shall be duty-free effective January 1 of year fifteen;
 6. Duties on goods provided for in the items in staging category **P** shall remain at base rates for years one through ten. Beginning January 1 of year eleven, duties shall be reduced by 33 percent in four equal annual stages. Beginning on January 1 of year fifteen, duties shall be reduced by 67 percent in four equal annual stages, and such goods shall be duty-free effective January 1 of year eighteen.
 7. Duties on goods in basket **R** shall remain at base rates for years one through six. Beginning January 1 of year seven, duties shall be reduced in nine equal annual stages, and such goods shall be duty-free effective January 1 of year fifteen;
 8. Duties on goods in basket **S** shall remain at base rates for years one through five. Beginning January 1 of year six, duties shall be reduced by 40% in five equal annual stages. Beginning on January 1 of year eleven, duties shall be reduced by 60% in five equal annual stages, and such goods shall be duty-free effective January 1 of year fifteen;
 9. Duties on goods in basket **T** shall remain at base rates for years one through four. Beginning January 1 of year five, duties shall be reduced by 40% in five equal annual stages. Beginning on January 1 of year ten, duties shall be reduced by 60% in six equal annual stages, and such goods shall be duty-free effective January 1 of year fifteen;
 10. Duties on goods in basket **U** shall remain at base rates for years one through ten. Beginning January 1 of year eleven, duties shall be reduced by 40% in three equal annual stages. Beginning on January 1 of year fourteen, duties shall be reduced

by 60% in four equal annual stages, and such goods shall be duty-free effective January 1 of year seventeen;

11. Duties on goods in basket V shall remain at base rates for years one through ten. Beginning January 1 of year eleven, duties shall be reduced by 40% in five equal annual stages. Beginning on January 1 of year sixteen, duties shall be reduced by 60% in five equal annual stages, and such goods shall be duty-free effective January 1 of year twenty.

Market Access to CAFTA Countries

HTS Code	Costa Rica		El Salvador		Guatemala		Honduras		Nicaragua	
	Basket	Tariff	Basket	Tariff	Basket	Tariff	Basket	Tariff	Basket	Tariff
07011000	A	1	G	0	G	0	G	0	G	0
07019000	H	47	N	15	D, SAE	15	D	15	D	15
07020000	D	15	N	15	C, SAE	15	D	15	D	15
07031011	H	47	N	15	C	15	D, SAE5	15	D	15
07031012	H	47	N	15	C, SAE	15	D, SAE5	15	D	15
07031013	H	47	N	15	C	15	D	15	D	15
07031019	H	47	N	15	C	15	D	15	D	15
07031020	C	36	B	15	A	15	B	15	B	15
07032000	N	15	B	15	B	15	C	15	C	15
07039000	C	15	A	15	B	15	B	15	B	15
07041000	N	15	C	15	C	15	C	15	C	15
07042000	C	15	B	15	B	15	B	15	B	15
0704900010	N	15	B	15	B	15	C	15	C	15
0704900090									C	15
07051100	A	15	B	15	B	15	C	15	B	15
07051900	C	15	B	15	B	15	C	15	B	15
07052100	B	15	A	15	A	15	A	15	A	15
07052900	C	15	A	15	B	15	B	15	B	15
0706100010	D	15	C	15	C	15	D	15	N	15
0706100020									N	15
0706900010	N	15	B	15	A	15	C	15	C	15
0706900090									C	15
0707000010	N	15	C	15	C	15	C	15	C	15
0707000020									C	15
07081000	N	15	B	15	B	15	B	15	B	15
07082000	N	15	B	15	B	15	B	15	B	15
07089000	C	15	B	15	C	15	D	15	C	15
07091000	C	15	A	15	A	15	A	15	A	15
07092000	B	15	C	15	C	15	C	15	C	15
07093000	C	15	B	15	C	15	B	15	C	15
07094000	N	15	B	15	C	15	B	15	C	15
07095100	A	6	A	5	A	5	A	5	A	5
07095200	A	6	A	5	A	5	A	5	A	5
07095900	A	6	A	5	A	5	A	5	A	5
07096010	N	15	D	15	C, SAE	15	C	15	C	15
07096020	C	15	C	15	B	15	B	15	B	15
07096090	B	15	B	15	B	15	B	15	B	15
07097000	B	15	C	15	C	15	C	15	C	15
07099010	A	15	A	15	A	15	A	15	B	15
07099020	A	15	B	15	B	15	A	15	B	15
07099030	C	15	B	15	C	15	B	15	B	15
07099040	B	15	B	15	B	15	B	15	B	15
0709909010	B	15	B	15	C	15	C	15	B	15
0709909090									B	15
07101000	D	47	C	15	D	15	D	15	D	15
07102100	B	15	B	15	B	15	B	15	B	15
07102200	N	15	B	15	B	15	C	15	C	15
07102900	C	15	C	15	C	15	C	15	C	15
07103000	B	15	B	15	C	15	C	15	C	15
07104000	A	15	B	15	A	15	B	15	A	15
07108000	<small>C. SAE</small>	15	C	15	C	15	C	15	A	15
07109000	N	15	B	15	B	15	C	15	A	15
07112000	A	1	G	0	G	0	G	0	G	0
07113000	A	1	G	0	G	0	G	0	G	0
07114000	C	15	C	15	C	15	C	15	C	15
07115100	A	1	G	0	G	0	G	0	G	0
07115900	A	1	G	0	G	0	G	0	G	0
07119020	C	15	C	15	C	15	C	15	C	15
07119090	C	15	B	15	C	15	C	15	C	15
07122010	A	6	B	5	A	5	B	5	B	5

HTS Code	Costa Rica		El Salvador		Guatemala		Honduras		Nicaragua	
	Basket	Tariff	Basket	Tariff	Basket	Tariff	Basket	Tariff	Basket	Tariff
08044000	C	15	C	15	D	15	A	15	N	15
08045010	A	15	A	15	A	15	A	15	A	15
0804502010	B	15	A	15	A	15	A	15	A	15
0804592090									A	15
0805100010	B	15	B	15	B	15	C	15	C	15
0805100090									C	15
0805200010	C	15	B	15	B	15	C	15	C	15
0805200090									C	15
0805400010	C	15	B	15	B	15	B	15	C	15
0805400090									C	15
0805500010	C	15	C	5	C	15	C	15	C	15
0805500090									C	15
08059000	C	15	C	15	C	15	C	15	C	15
08061000	A	15	A	15	A	15	A	15	A	15
08062000	A	1	G	0	G	0	G	0	G	0
08071100	A	15	A	15	A	15	A	15	A	15
08071900	A	15	A	15	A	15	A	15	A	15
08072000	A	15	A	15	A	15	A	15	A	15
08081000	A	15	A	15	A	25	A	15	A	15
08082010	A	15	A	15	A	15	A	15	A	15
08082020	B	15	A	15	A	15	A	15	A	15
08091000	C	15	A	15	C	15	A	15	A	15
08092000	A	15	A	15	A	15	A	15	A	15
08093000	A	15	A	15	A	15	A	15	A	15
08094000	C	15	A	15	A	15	A	15	A	15
08101000	C	15	B	15	B	15	A	15	C	15
08102000	C	15	B	15	B	15	A	15	C	15
0810300010	C	15	A	15	B	15	A	15	C	15
0810300090									C	15
08104000	B	15	A	15	A	15	A	15	A	15
08105000	B	15	A	15	A	15	A	15	A	15
08106000	B	15	A	15	A	15	A	15	A	15
08109010	B	15	A	15	A	15	A	15	A	15
08109020	B	15	A	15	A	15	A	15	A	15
08109030	B	15	A	15	A	15	A	15	A	15
08109040	B	15	A	15	A	15	A	15	A	15
08109051	B	15	A	15	A	15	A	15	A	15
08109052	B	15	A	15	A	15	A	15	A	15
08109053	B	15	A	15	A	15	A	15	A	15
08109054	B	15	A	15	A	15	A	15	A	15
08109090	B	15	A	15	A	15	A	15	A	15
08111000	C	15	A	15	A	15	A	15	C	15
08112000	C	15	A	15	A	15	A	15	C	15
08119000	A	15	A	15	A	15	A	15	A	15
08121010	A	1	G	0	G	0	G	0	G	0
08121090	B	10	A	10	A	10	A	10	A	10
08129010	C	15	B	15	B	15	A	15	C	15
08129090	C	15	A	15	B	15	A	15	C	15
08131000	C	15	A	15	A	15	A	15	A	15
08132000	C	15	A	15	A	15	A	15	A	15
08133000	C	15	A	15	A	15	A	15	A	15
08134000	C	15	A	15	A	15	A	15	A	15
08135000	C	15	A	15	C	15	A	15	C	15
08140000	B	15	A	15	B	15	A	15	C	5
2001100010	D	15	C	15	C	15	C	15	C	15
2001100090									C	15
20019010	D	15	C	15	C	15	C	15	D	15
20019020	D	15	C	15	C	15	C	15	D	15
20019090	D	15	C	15	C	15	C	15	C	15
20021000	D	15	C	15	C	15	C	15	C	15
20029010	A	6	A	5	C	5	A	5	A	5

HTS Code	Costa Rica		El Salvador		Guatemala		Honduras		Nicaragua	
	Basket	Tariff	Basket	Tariff	Basket	Tariff	Basket	Tariff	Basket	Tariff
20029090	D	15	C	15	C	15	C	15	C	15
20031000	C	10	A	10	C	10	B	10	C	10
20032000	D	15	A	15	C	15	B	15	C	15
20039000	C	10	A	10	C	15	B	10	C	10
20041000	B	41	A	15	A	15	A	15	A	15
20049000	C	15	B	15	B	15	C	15	C	15
20051000	D	15	C	15	C	15	C	15	C	15
20052000	D	41	C	15	C	15	B	15	A	15
20054000	C	15	C	15	C	15	C	15	C	15
20055100	D	15	C	15	C	15	C	15	C	15
20055900	D	15	C	15	C	15	C	15	C	15
20056000	B	15	A	15	B	15	B	15	C	15
20057000	C	15	B	15	A	15	C	15	C	15
20058000	A	15	A	15	A	15	A	15	A	15
20059000	B	15	B	15	C	15	B	15	B	15
20060000	D	15	C	15	A	15	C	15	C	15
20071000	D	15	B	15	B	15	C	15	C	15
20079100	D	15	C	15	C	15	C	15	C	15
20079910	A	1	G	0	G	0	G	0	G	0
20079990	D	15	B	15	B	15	C	15	C	15
20081110	A	15	A	15	A	15	A	15	C	15
20081190		15	C /2	15	A	15	A	15	D	15
20081190-B					C	15	C	15		
20081910	A	6	A	5	A	5	A	5	A	5
20081990	C	15	A	15	A	15	A	15	A	15
20082000	C	15	C	15	C	15	C	15	C	15
20083000	D	15	C	15	C	15	C	15	C	15
20084000	A	15	A	15	A	15	A	15	A	15
20085000	C	15	C	15	C	15	C	15	C	15
20086000	C	15	C	15	A	15	C	15	C	15
20087000	A	15	A	15	A	15	A	15	A	15
20088000	D	15	C	15	C	15	C	15	C	15
20089100	D	15	C	15	C	15	C	15	C	15
20089200	A	15	A	15	A	15	A	15	A	15
20089900	B	15	A	15	A	15	A	15	A	15
20091100	A	15	A	15	A	15	A	25	A	15
20091200	C	15	C	15	A	15	C	15	C	15
20091910	A	1	G	0	G	0	C	30	G	0
20091990	C	15	C	15	A	15	C	15	C	15
20092100	N	15	B	15	B	15	C	15	C	15
20092910	A	6	A	5	A	5	A	5	G	0
20092990	A	15	A	15	A	15	A	15	A	15
20093100	D	15	C	15	C	15	C	15	C	15
20093900	D	15	C	15	C	15	C	15	C	15
20094100	D	15	C	15	C	15	C	15	C	15
20094900	D	15	C	15	B	15	C	15	C	15
20095000	D	15	C	15	C	15	C	15	C	15
20096100	N	15	B	15	C	15	B	15	C	15
20096910	A	1	G	0	G	0	G	0	G	0
20096920	A	1	G	0	G	0	G	0	G	0
20096990	N	15	C	15	B	15	B	15	C	15
20097100	N	15	C	15	C	15	C	15	C	15
20097910	A	1	G	0	G	0	G	0	G	0
20097990	N	15	C	15	C	15	C	15	C	15
20098010	A	1	G	0	G	0	G	0	G	0
20098020	D	15	C	15	A	15	C	15	C	15
20098030	D	15	C	15	A	15	C	15	C	15
20098040	D	15	C	15	A	15	C	15	C	15
20098090		15	C /3	15	A	15	A	15	A	15
					C	15	B	15	C	15
20099000	B	15	B	15	C	15	A	15	A	15

