

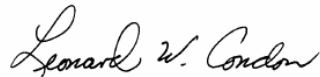
March 19, 2004

The Honorable Robert B. Zoellick  
United States Trade Representative  
600 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20508

Dear Ambassador Zoellick:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I hereby transmit the report of the Agricultural Technical Advisory Committee for Trade in Processed Foods on the U.S.-Central America Free Trade Agreement. This report reflects the Committee's consensus opinion on the proposed Agreement.

Sincerely,

A handwritten signature in cursive script that reads "Leonard W. Condon".

Chairman

Enclosures

# **The U.S.-Central America Free Trade Agreement**

**Report of the  
Agricultural Technical Advisory Committee for Trade in Processed  
Foods**

**March 19, 2004**

# AGRICULTURAL TECHNICAL ADVISORY COMMITTEE FOR TRADE IN PROCESSED FOODS

March 19, 2004

## **Report of the Agricultural Technical Advisory Committee on Trade in Processed Foods to the President, the Congress and the United States Trade Representative on the U.S.-Central America Free Trade Agreement (CAFTA)**

### **I. Purpose of the Committee Report**

On February 20, 2004, the President notified Congress that he intends to enter into a free trade agreement with the governments of the “CAFTA” countries – Costa Rica, El Salvador, Honduras, Guatemala, and Nicaragua. 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)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002. The report 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 Agricultural Technical Advisory Committee for Trade in Processed Foods hereby submits the following report:

### **II. Executive Summary of Committee Report**

The Processed Foods ATAC supports this agreement and urges quick Congressional approval. The Committee strongly endorses the fundamental objective of opening markets, promoting trade and investment, and expanding economic growth and opportunity throughout the North American continent. This proposed Agreement will encourage economic and political stability and foster inter-regional cooperation on a broad range of issues, including mutual security. The Committee is especially pleased that the Agreement covers all agricultural products, and notes that more than half of current U.S. agricultural exports to Central America will become duty-free when the Agreement takes effect, including a number of processed food items. The ATAC is also pleased that the Agreement includes provisions on that encourage adherence to the *Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures* and the *Agreement on Technical Barriers to Trade* and establish dedicated committees to promote inter-regional cooperation on SPS and TBT matters and facilitate resolution of lingering SPS and TBT disputes.

The ATAC, however, is disappointed that the U.S. refused to eliminate its over-quota duty on sugar. In response, Central American countries imposed a 15-year tariff phase out on U.S. confectionary and certain other processed foods. Thus, the U.S. confectionary industry, already seriously impacted by U.S. policies that artificially inflate sugar prices, is paying again for U.S. protection of sugar through lost or delayed export market opportunities.

### **III. Brief Description of the Mandate of The Agricultural Technical Advisory Committee on Trade in Processed Products**

The Processed Foods Agricultural Technical 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 ensure that representatives of the private sector have an opportunity to provide input to U.S. Government negotiators regarding all tariff and trade matters. The committee provides a formal mechanism through which the U.S. Government may seek advice and information. It is part of network of statutorily established committees that provide advice on trade negotiations to the President, the Office of the U.S. Trade Representative, the U.S. Department of Agriculture and the U.S. Department of Commerce. The newly created Processed Foods ATAC provides advice and information regarding trade in processed foods, one of the fastest growing segments of U.S. agricultural trade. The Committee furnishes advisory opinions and reports and performs other technical functions that are appropriate or are requested by the U.S. Trade Representative and/or the Secretary of Agriculture. In carrying out its functions, the Committee draws upon the technical competence and experience of its members who represent a broad cross-section of the U.S. processed food industry.

### **IV. Negotiating Objectives and Priorities of The Agricultural Technical Advisory Committee on Trade in Processed Products**

On November 21, 2003, following the third meeting of this newly-charted advisory Committee, I was directed by the Committee to write to the U.S. Secretary of Agriculture and the U.S. Trade Representative outlining the group's trade policy priorities (Enclosure A). This communication expressed the ATAC's opposition to "...any product exclusions from the U.S.-Central American Free Trade Agreement (CAFTA) and other evolving FTAs." The letter also reflects ATAC concern about the creation of special rules of origin and stresses the importance of resolving existing sanitary, phytosanitary, and technical barriers to trade in the CAFTA and other pending FTAs. Finally the letter urged a proactive strategy for reinvigorating the Doha Development Agenda. In that regard, we highly commend Ambassador Zoellick for his recent and ongoing efforts to re-start the WTO negotiating process.

### **V. Advisory Committee Opinion on Agreement**

The Agricultural Technical Advisory Committee on Processed Products supports the U.S.- Central America Free Trade Agreement. The ATAC urges Congress to quickly approve the implementing legislation so that U.S. companies, farmers, and workers can

start benefiting from the agreement as soon as possible. As USTR has pointed out, the CAFTA countries already enjoy duty-free access to the U.S. market for the majority of their exports under existing U.S. trade preference programs designed to enhance economic development in the region. Yet, CAFTA countries have maintained high tariff barriers and other non-tariff restrictions that impede U.S. exports. The Committee is very pleased that more than half of current U.S. agricultural exports to Central America will become free of duty when the Agreement takes effect and that tariffs on most other food products will be phased out within 15 years. The ATAC is also gratified that the Agreement establishes committees tasked with promoting adherence to the *Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures* and the *Agreement on Technical Barriers to Trade*, enhancing inter-regional cooperation, and resolving SPS and TBT disputes. Processed foods are especially vulnerable to sanitary, phytosanitary and technical barriers. Clearly, more inter-regional cooperation and harmonization are needed to overcome existing SPS and TBT impediments to inter-regional trade. The Committee has continued serious concerns about import procedures for food products entering the CAFTA countries, including product licensing and registration. The ATAC urges further effort to remove these and other technical trade barriers.

The Committee notes that the Agreement does not call for the elimination of all tariffs on all products, and is especially disappointed that the U.S. over-quota duty on sugar is not eliminated or phased out along with all other U.S. tariffs. As a consequence, Central American countries are phasing out tariffs on some processed foods, including confectionary, over a 15-year period -- one of the longest phase-out periods provided for in the Agreement. Thus, the U.S. confectionary industry, already reeling from plant closures and job losses, receives only limited additional access to world-priced sugar and at the same time is denied the benefit of immediate tariff reductions.

The Committee also wishes to reiterate its concern about special rules of origin and the vetting process for proposed special rules of origin. The Committee continues to believe it is not being adequately consulted on special rules of origin for processed foods. U.S. efforts in this regard are too often biased towards protecting against imports, rather than facilitating exports. While supportive of the overall agreement, the Committee does not support numerous special rules of origin for processed agricultural products, including meats, dairy-, and sugar-containing products.

Finally, the ATAC thanks the interagency team that negotiated this agreement for their hard work and congratulates the team on this historic achievement. The Committee is convinced that this Agreement will yield significant long-term benefits to all parties. Accordingly, our members and their affiliated companies and organizations will strongly support enactment of the appropriate implementing legislation as rapidly as possible

## **VI. Membership of Committee**

Enclosure B is a list of members of the Agricultural Technical Advisory Committee on Processed Food with their respective affiliations.

Enclosure A

November 22, 2003

The Honorable Ann M. Veneman  
Secretary of Agriculture  
U.S. Department of Agriculture  
Washington, D.C 20250

The Honorable Robert B. Zoellick  
United States Trade Representative  
Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street, N.W.  
Washington, DC 20508

Dear Secretary Veneman and Ambassador Zoellick:

The newly established Agricultural Technical Advisory Committee (ATAC) for Processed Foods held its third meeting on November 12-13. We received excellent briefings from a number of USDA and USTR officials concerning the status of the ongoing WTO and FTA negotiations as well as other pending trade matters.

Committee members also shared information with each other as well as with USDA/USTR negotiators, identified topics for discussion at future meetings and established trade policy priorities. In that regard, it was the unanimous decision of those attending that I should advise both of you of the Committee's views on the following key issues:

- A. **No Exclusions**: The Processed Foods ATAC opposes any product exclusions from the U.S.- Central American Free Trade Agreement (CAFTA) and other evolving FTAs. We accept that longer tariff phase-outs, tariff-rate quotas and other temporary measures may be necessary to ease the adjustment for a very limited number of sensitive commodity interests in all six countries, but it is critical that all tariffs be eliminated for all products within reasonable time frames.
- B. **Rules of Origin**:
  - (a) In establishing rules of origin in the CAFTA and other pending FTAs, the general rule that a change in HTS chapters confers origin should be respected to the maximum extent. If exceptions are absolutely necessary, they should not go beyond those incorporated in the North American Free Trade Agreement.
  - (b) It is Committee's sense that even though special rules of origin have the greatest impact on food processors, they have been designed primarily with producer interests in mind. The U.S. processed foods industry is a major contributor to agricultural exports and a key factor in the welfare of the U.S. agricultural producing sector. There is insufficient regard for the overall economic

effect of these special rules. The ATAC urges USTR/USDA to recognize the overall negative impact of special rules of origin on the food processing industry and consult more closely with food processors on proposed special rules.

- C. **SPS/TBT Barriers**: Effectively addressing existing sanitary, phytosanitary, and technical barriers to trade is a critical component of every trade agreement. The Processed Foods ATAC is eager to work with USDA/USTR/FDA specialists to identify and eliminate all illegitimate SPS measures and all unjustifiable/unnecessary technical barriers to trade.
  
- D. **Doha Round Talks**: We regret that the WTO talks broke down at the Cancun WTO Ministerial Meeting. Further progress in liberalizing global agricultural trade and a strong, viable WTO are essential to U.S. and global economic growth. Accordingly, we urge a proactive U.S. strategy to reinvigorate the Doha Round negotiations.

All on our Committee are excited about the prospects of working with you to bring to fruition comprehensive trade agreements that will open markets and yield commercially significant market access. We are prepared to work hard to encourage Congressional approval of such agreements.

Please consider these points outlined above. The Processed Foods ATAC will continue to stress these key themes in all contacts with your respective staffs. Finally, we invite you to attend our next meeting in December 2003 so that we can provide further insight to the special challenges and opportunities facing processed food exporters.

Sincerely,



Leonard W. Condon  
Chairman

Enclosure

cc: Under Secretary J.B. Penn  
Ms. Ellen Terpstra  
Mr. Philip Shull  
Mr. Chris Church

Ambassador Alan Johnson  
AUSTR Chris Padilla  
Mr. Jason Hafemeister

**Enclosure B****Agricultural Technical Advisory Committee for Trade in Processed Foods**

<b>NAME</b>	<b>COMPANY</b>
Robert B. Anderson	Sustainable Strategies
Marietta E. Bernot	Mars, Inc.
David J. Bliss	Private Label Manufacturers Association
Alison R. Bodor	National Confectioners Association
Lynn M. Bragg	Chocolate Manufacturers Association
Karl B. Brown	SB Global Foods
Catherine A. Caponi	H.J. Heinz Company
Leonard W. Condon	Altria Corporate Services, Inc.
Nancy K. Cook	Pet Food Institute
Donna J. Denison	Cassidy & Associates
Mark A. Dunn	J.R. Simplot Company
James P. Finkle	Constellation Brands, Inc.
George A. Franklin	Kellogg Company
Ronald P. Graf	Hershey Foods Corporation
Steven F. Grover	National Restaurant Association
Timothy F. Hamilton	Miatco, Inc.
Gary J. Johnson	McDonald's Corporation
Kelly D. Johnston	Campbell Soup Company
Rodney C. Jones	ConAgra Foods
Robert J. Kapuscinski	Global Export Marketing Co., Ltd.
Kenneth L. Klippen	United Egg Association
Steven P. Krikava	Land O'Lakes
Deborah A. Lamb	Distilled Spirits Council of the U.S., Inc.
Emily B. Lane	Portland Processing
Eric A. Larson	Sunkist Growers, Inc.
John F. McDermid	International Business-Govt. Counsellors, Inc
Miriam S. Perry	Processed Food Institute
Lisa Y. Rath	Florida Citrus Processors Association
John P. Roberts	National Association for the Specialty Food Trade
Peggy S. Rochette	National Food Processors Association
Leslie G. Sarasin	American Frozen Food Institute
Sarah F. Thorn	Grocery Manufacturers of America
Charles K. Witzleben	Supervalu International