United States Department of Agriculture

Foreign Agricultural Service

# FACT SHEET

## *TROUBLESHOOTING AROUND THE GLOBE*

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**Negotiating skills and trade expertise smooth bumps for exporters, saving U.S. agriculture millions.**

One of the primary responsibilities of USDA's Foreign Agricultural Service (FAS) is to expand export opportunities for the U.S. agricultural industry. Agency programs are designed to build new markets and improve the competitive position of U.S. agriculture in the global marketplace.

Staff at FAS who work on foreign market access issues monitor and develop overseas programs that include gathering market intelligence, expanding and negotiating international trade agreements, and collecting and analyzing statistics. These services will gain in importance in the years ahead as U.S. agricultural exporters work to overcome international trade barriers and succeed in world markets.

### FAS Resolves Trade Problems

Inherent in the FAS mission is the need to anticipate and prevent disruptions to trade imposed by new market barriers. Staff in U.S. embassies and Washington, DC, work as a team on market access, first to prevent crises from developing and then to resolve thorny issues should they arise. They coordinate efforts with a number of USDA agencies, as well as with private sector companies and associations.

The effectiveness of this effort can be measured in the dollars saved or created for the agricultural industry. During FY 2001 FAS market access activities resulted in the preservation or expansion of $5 billion of U.S. agricultural exports. This figure does not include $2 billion in new opportunities created by major negotiations, such as the World Trade Organization (WTO) accession agreements for China and Taiwan.

FAS market access staff provide day-to-day, practical help to the individual exporter, besides their more visible role in developing and negotiating U.S. trade policy. A day's work could include:

- Helping exporters resolve problems with individual shipments, including assistance on determining what documentation must accompany a shipment.
- Intervening with foreign government officials to smooth out problems.
- Communicating with U.S. companies and organizations to provide solutions to problems and prevent reoccurrences.
- Anticipating potential policy barriers through market intelligence-gathering activities and minimizing their impact on U.S. exports.
- Reviewing country notifications on market access, tariffs, import licensing, subsidies, and Sanitary and Phytosanitary (SPS) requirements.

- Maintaining information on systemic issues, such as biotech labeling or organic equivalency.
- Negotiating with individual governments for changes in policies that impede U.S. exports.
- Developing and negotiating policy for broad trade agreements, such as WTO or European Union (EU) accessions. Within the WTO committees, FAS challenges policies that prevent U.S. exporters from taking advantage of WTO commitments.

The following examples show how skilled negotiators and coordinators can avert crises and effectively create, increase, or save export markets.

- **Multilateral trade talks launched.** On Nov. 14, 2001, WTO members successfully launched multilateral trade negotiations that include an ambitious agenda and calendar for agricultural trade reform. The launch of a full agenda of trade negotiations is critical to U.S. efforts to achieve agricultural trade policy goals that include opening markets, eliminating export subsidies, and substantially reducing trade-distorting domestic support around the world.

- **China WTO accession.** WTO members completed the negotiations on the terms for China's accession to the WTO in September 2001, and China joined the WTO in December. With WTO membership, USDA expects potential trade gains of up to nearly $2 billion annually by 2005. Of that nearly $2 billion in potential trade, USDA estimates $1.6 billion annually in additional U.S. exports of grains, oilseeds and related products, and cotton. An additional $350-$450 million is attributed to export gains from reduced tariffs for other products, such as poultry, pork, beef, citrus, other fruits, vegetables, tree nuts, and fish and forestry products.

- **Taiwan WTO accession.** With Taiwan's accession to the WTO in January 2002, U.S. pork, beef, and poultry products will gain greater market access at commercially reasonable tariff levels. U.S. rice products will have access to Taiwan's market for the first time. Most tariffs on agricultural products will be reduced in 2002. Based on USDA analysis, tariffs fell an average of 45 percent as of January 2002 for 300 items of key interest to the United States.

- **Free Trade Area of the Americas (FTAA) negotiations.** FAS continues to be an active participant in the ongoing FTAA negotiations. Trade ministers and heads of state met in April 2001 and agreed that the negotiations will be concluded by the beginning of 2005 and implemented by the end of 2005. A deadline of April 1, 2002, was established for agreement on the methods and procedures to be used for market access negotiations. This should allow actual detail-oriented negotiations to begin by May 15, 2002.

- **Mexican border delays.** An FAS representative in Mexico City warned U.S. exporters that Mexican customs would no longer allow a 20-day extension on import licenses for products imported under tariff-rate quotas (TRQs). This timely warning allowed U.S. exporters to cancel shipments that would not meet the new deadline. FAS also successfully facilitated export of a 30,000-metric ton shipment of U.S. grains that had not cleared the border by that deadline.

- **Mexico's TRQ for U.S. dry beans.** In June 2001, following North America Free Trade Agreement (NAFTA) consultations requested by the United States, an agreement was reached with

Mexico regarding the administration of Mexico’s TRQ for U.S. dry beans. According to the agreement, Mexico will hold two auctions each year to allocate dry bean import licenses under the NAFTA TRQ. Mexico will hold additional auctions should it face shortages and need to import additional beans. Mexico was the United States’ largest bean export market in 2000, and the United States accounted for 80 percent of Mexico’s total dry bean imports.

- **<u>EU restrictions on wood pallets posed a big risk to U.S. exporters.</u>** On Oct.1, 2001, the EU implemented a measure on untreated softwood lumber, which is widely used for shipping pallets, to prevent the introduction of pinewood nematode into Europe. As a result of coordinated efforts with the Animal and Plant Health Inspection Service (APHIS), FAS negotiated an 8-month delay (from February to September 2001) in implementation, allowing pallet producers to start treatment programs and allowing manufacturers to identify alternate sources for pallets. This measure could have affected total U.S. exports shipped to the EU with non-manufactured wood packing material valued at nearly $28.2 billion and approximately $1.73 billion in U.S. agricultural exports in 2001. The industry and traders have adapted the new regulations, and U.S. exports continue to flow smoothly without delays and added expense.

- **<u>Renewed agreements expand opportunities for U.S. wine in the EU and other nations.</u>** In 2001, FAS continued to negotiate with the EU to renew a bilateral wine agreement that would increase market access and lessen EU administrative requirements. FAS was instrumental in the negotiation of the Mutual Acceptance Agreement with other New World Wine Producers, including Canada, New Zealand, and Australia. This agreement will ensure access to these growing markets and provide a counterbalance to the EU’s attempts to impose restrictive international standards for wine.

- **<u>Poland’s tariff reductions open a new market for horticultural products.</u>** USTR and FAS negotiated a comprehensive trade package that includes significant reductions in Polish duties applied to U.S. grapefruit, wine, and almonds. The reductions were implemented in January 2002. The two sides also agreed to regularly review tariff differentials that penalize U.S. exporters as Poland implements tariff reductions consistent with its continuing efforts to join the EU. In 2000, the U.S. supplied less than $5.9 million of these products of a total $51.9 million imported. These tariff changes should enable the United States to substantially enlarge its market share.

- **<u>Fresh fruit exports to Taiwan.</u>** FAS’ office in Taipei worked closely with the U.S. fresh fruit industry and the ACPA to submit more than 500 applications to Taiwanese authorities to establish minimum residue limits on individual fruit crops. As a result of this cooperative effort, U.S. fruit exports to Taiwan, a $200-million market, were not disrupted.

- **<u>USDA work with Brazilian officials clears barrier to U.S. wheat exports.</u>** In March 2001, Brazil lifted its multi-year ban on imports of U.S. hard red winter, soft red winter, and hard red spring wheat from Gulf and eastern U.S. ports. This breakthrough followed intensive efforts by FAS, APHIS, and industry representatives to facilitate Brazilian officials’ understanding of U.S. phytosanitary policies related to wheat. Access to the Brazilian market is important to U.S. farmers, given that Brazil was the world’s largest importer of wheat in FY 2001.

- **Canada=s anti-dumping and countervailing duty case against U.S. corn.** FAS worked closely with other U.S. Government agencies to defend U.S. corn growers against charges of dumping and subsidization brought by the Manitoba Corn Growers Association in Canada. As a result of coordinated U.S. efforts, the Canada International Trade Tribunal found in March 2001 that no injury had been caused to the producers in Canada. This work protected $30-$35 million of U.S. corn trade into Canada.

- **Rebate of outstanding EU rice duties.** FAS is working to assure that the EU operates its rice import regime in a fashion that meets its WTO commitments. As a result of direct FAS involvement in formulating and implementing a WTO dispute settlement case, Belgium and the EU refunded over $10 million in excess import duties to U.S. exporters.

- **Saudi ban on meat imports.** In May 2001, a USDA technical team resolved Saudi import concerns with U.S. meat, particularly Saudi Arabia=s prohibition on feeding animal protein to poultry, beef, and sheep. USDA representatives explained U.S. animal health and food safety assurances, which in addition to the USDA meat export certificate of wholesomeness, met new Saudi requirements and restored U.S. access to the Saudi market for meat and poultry.

- **South Korea WTO beef case.** Following a January 2001 victory in the U.S. WTO challenge to Korean limits on market access for beef imports, FAS fended off several attempts by Korea to introduce amended market restrictions. In September 2001, Korea fully complied with the WTO ruling, allowing imported beef full access, and for the first time permitting its sale side-by-side with domestic beef. The move augurs particularly well for future beef exports, since even in 2000, when imports were prohibited from sale in stores that sold domestic beef, U.S. sales grew to $500 million.

- **Labeling requirements on U.S. meat to Taiwan.** In November, Taiwan began implementing new labeling requirements on imported meat, frozen potatoes, and other packaged products. When several Taiwan port authorities began applying these stringent requirements on U.S. products, FAS' office in Taipei stepped in to ensure enforcement of a 1995 bilateral agreement between the United States and Taiwan that exempted products intended for hotel and restaurant use and for processing.

- **Livestock product exports to the EU.** FAS has coordinated U.S. Government efforts to implement the U.S.-EU Veterinary Equivalency Agreement (VEA). Covering more than 40 product categories worth more than $1 billion in U.S. exports, the agreement establishes a process for determining equivalence of U.S. and EU inspection and health requirements for livestock and livestock products. Technical working groups on audits and foot and mouth disease have led to improved communication with the EU. Gaining market access for U.S. gelatin and poultry exports remains a priority issue. During FY 2001, FAS assisted exporters in obtaining release of almost $200,000 in animal products held by Customs authorities in various EU member states due to certification issues.

- **Romanian meat and poultry market opened for U.S. exporters.** FAS' office in Sofia worked with the Romanian Government to eliminate the reference price system on poultry. The change in Romanian policy is expected to increase U.S. poultry exports to Romania. A ban on imports of U.S. beef and beef products, cattle embryos, and pet food was also lifted as a result of U.S. pressures.

- **Indonesia poultry part ban.** USDA and USTR officials worked with Indonesian officials to get Indonesia to lift a ban on poultry parts related to concerns about halal standards and practices in October 2001. In the 3 years leading to the ban in the fall of 2000, the U.S. poultry market in Indonesia grew from $1.2 million in 1997 to $6.6 million in 1999. In the first three quarters of 2000, over $8 million in poultry was exported to Indonesia with further market growth anticipated.

- **Access for salmonid eggs to Chile.** FAS' office in Santiago, working closely with APHIS, was successful in reversing restrictive Chilean requirements for salmonid eggs. An understanding signed in February 2001 gave the United States sole access to Chile=s $9-million market for salmonid eggs.

- **Unapproved biotech varieties.** FAS played a key role in U.S. Government efforts to contain any damage in corn trade to three important corn markets--Japan, Taiwan, and Korea--due to the presence of StarLink corn in food corn. FAS, in coordination with the Grain Inspection, Packers and Stockyard Administration (GIPSA), negotiated protocols with Japan and Korea, and provided assurances in Taiwan that allowed corn trade worth more than $2 billion to continue. Similarly, FAS maintained access to a $20-million corn and cotton seed market in Greece when concerns arose about the inclusion ofunapproved biotech varieties in U.S. shipments to that country.

- **Restrictive regulations for products of biotechnology.** FAS played a key role in U.S. Government efforts to get the EU biotech product approval process started and to minimize the impact that the EU's proposed regulations on traceability and labeling could have on trade to the EU, ensuring that our soybean market of over $1 billion was not disrupted. Similarly, FAS worked to help U.S. exporters comply with new rules in Korea and to prevent implementation of unnecessarily restrictive requirements for trade in biotech products in China, Taiwan, Saudi Arabia, and Sri Lanka that could have halted U.S. exports valued at nearly $2 billion. FAS' office in Seoul helped U.S. exporters clarify the application of Korean genetically modified organism labeling requirements to preserve a $13-million market for U.S. corn.

- **Technical Issues Resolution Fund addresses key technical trade barriers.** The Technical Issues Resolution Fund has been used to address significant regulatory barriers to trade. Funds are used for both quick-response intervention and to support important bilateral negotiations, such as the successful completion of a series of procedures that allow U.S. exports of breeding sheep, sheep semen, embryos, bovine semen, frozen and chilled swine semen, and live cattle to China. The U.S. wheat industry used funds to resolve technical issues for wheat and wheat flour exports to key markets such as China. The fund is also used to address biotechnology concerns.

General information about FAS programs, resources, and services is available on the Internet at the FAS home page: http://www.fas.usda.gov.