

Statement of Mr. Bill Donald, President, National Cattlemen's Beef Association
Submission for the record to the
House Ways and Means Committee, Subcommittee on Trade
Hearing on the Korea-United States Free Trade Agreement
April 7, 2011

The National Cattlemen's Beef Association (NCBA) considers the pending free trade agreements with Korea, Colombia and Panama a top priority Congress and the Obama Administration need to pass and implement all three agreements immediately. Ninety-six percent of the world's consumers live outside of the United States, and future growth of the U.S. economy depends upon our ability to produce and sell products competitively in a global marketplace. Economic globalization is not simply a matter of ideological or political preference, but rather a fundamental reality that will determine whether America remains an economic superpower or a secondary economic force.

NCBA urges Congress and the Obama Administration to take immediate action on these free trade agreements because the rest of the world is taking a very aggressive approach in securing access to the same markets. The European Union, Australia, Canada, Argentina and Brazil are all competing with the United States for access and market share in foreign markets. Continued delay of these free trade agreements keeps outrageously high tariff rates in place that put American cattlemen at a competitive disadvantage. If other countries secure agreements that eliminate or reduce these tariff rates before we do, we will in essence have exported our jobs. Also, failure to implement the pending free trade agreements sends the wrong message to major export markets like China and Russia; markets with tremendous potential consumer demand but limited or nonexistent access. That demand will be met, why not with American beef?

Much attention has been placed on the pending free trade agreement with Korea (KORUS FTA), and much of that attention has been directed at beef. Make no mistake, NCBA's membership fully supports immediate implementation of the KORUS FTA. Korea is one the largest export markets for American beef, purchasing nearly \$518 million of American beef in 2010, a 140 percent increase in sales from 2009. American beef exports to South Korea added \$25 in value to each of the 26.7 million head of steers and heifers produced in the United States in 2010. Unfortunately, American beef faces a 40 percent tariff on all cuts, resulting in over \$200 million in tariffs in 2010. That is \$200 million that could have been invested in the United States instead of Korea. Implementation of the KORUS FTA would phase out South Korea's 40 percent tariff on beef imports with \$15 million in tariff benefits for beef in the first year of the agreement alone and about \$325 million in tariff reductions annually once fully implemented.

As previously mentioned, other countries are aggressively pursuing free trade agreements, especially with Korea. For example, Australia is currently negotiating an FTA with South Korea. If Australia successfully ratifies a similar bilateral trade agreement with South Korea a year before the United States, it would give them a 2.67 percent tariff advantage over American beef for the next 15 years. Australia is one of the biggest competitors of U.S. beef for sales in Korea, and they have a greater share of the Korean beef market than the United States. Also, South Korea and the European Union signed an FTA in October 2010 that will take effect in July 2011. Korea is actively pursuing FTAs with several other countries and the United States cannot afford to lose market share by delaying implementation. Other key Asian trading partners are watching this agreement closely as the KORUS FTA will likely set the benchmark for American beef trade with Japan, China and Hong Kong.

The United States is also competing with other countries for market share in Central and South America. Most recently, Canada and Mexico have aggressively pursued free trade agreements with Colombia and have been successful in securing those agreements. NCBA supports immediate passage of the U.S.-Colombia Trade Promotion Agreement (CTPA) and urges Congress and the Obama Administration to immediately pass and implement the revised agreement with Colombia. The United States cannot afford to lose Colombian market share to our neighbors.

The CTPA not only provides an opportunity to level the playing field for U.S. beef but it also provides a significant opportunity to expand sales to the Colombian market. Colombia is an important market for U.S. beef and beef variety meat exports. Unfortunately, Colombia places an 80 percent tariff on U.S. beef imports today, making it one of the highest tariffs U.S. beef faces anywhere in the world. Once the CTPA is implemented, this agreement immediately provides duty free access for high quality U.S. beef, reduces tariffs on all other beef and beef products over 15 years, and for the first time ever, puts American beef on a competitive footing with beef imports from Brazil and Argentina. In 2009, the United States exported approximately \$436,000 of beef and beef products to Colombia, a paltry sum considering the 80 percent duties imposed. Another important part of the CTPA is this agreement provides assurances for a stable export market through plant inspection equivalency. It also fully reopens the Colombian market to U.S. beef by assuring that Colombia adheres to the World Organization for Animal Health (OIE) guidelines related to BSE.

Another important lynch pin for U.S. beef trade is the Panama Free Trade Agreement. Like the Korean and Colombian agreements, the Panamanian agreement has been stalled for far too long. It's time to ratify them and start shipping U.S. beef to these markets. If Congress approves these agreements, the U.S. will ultimately have free trade for U.S. beef with approximately two-thirds of the population in the Western Hemisphere.

The United States and Panama concluded negotiations on a free trade agreement on Dec. 19, 2006. Panama agreed to accept imports of all U.S. beef and beef products. Additionally, the 30-percent tariff on prime and choice cuts would be immediately eliminated and the duties on all other cuts would be phased out over 15 years. Like the CTPA, the agreement with Panama provides assurances for a stable export market through plant inspection equivalency and Panama also modified its import requirements related to BSE to be consistent with international standards.

All three of these free trade agreements are an economic boon for American beef producers. We strongly encourage Congress and the Obama Administration to put aside partisan differences and focus on creating job opportunities for our cattle producers.

Thank you.

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