



September 11, 2009

Ms. Gloria Blue  
Executive Secretary  
Trade Policy Staff Committee  
Office of the United States Trade Representative  
600 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20508

Re: Request for Comments Concerning Free Trade Agreement With the Republic of Korea ; Docket number USTR-2009-0020

Dear Ms. Blue:

The American Meat Institute (AMI) appreciates the opportunity to submit comments concerning the proposed United States-Republic of Korea Free Trade Agreement (FTA) signed on June 30, 2007. AMI is the nation's oldest and largest trade association representing packers and processors of beef, pork, lamb, veal, turkey, and processed meat products and AMI member companies account for more than 95 percent of United States output of these products.

AMI supports passage and implementation of the FTA at the earliest opportunity. The U.S. beef and pork industries stand to receive significant benefits from the phased elimination of import duties on their products by the Republic of Korea. However, we note that Korea is moving forward with initiatives to negotiate and sign free trade agreements with Australia and the European Union, countries that are important exporters of beef and pork, and that the template for the beef and pork provisions of the agreements with these countries is modeled on its agreement with the United States. For this reason, the competitive advantage to the U.S. beef and pork industries that should stem from the FTA could be lost if passage of the agreement by the legislature of either country is delayed much longer.

Comments Specific to Beef, Beef Variety Meats, and Beef Products

The Republic of Korea banned imports of all U.S. beef products in December 2003 following the discovery of the first confirmed case of BSE in the United States. Prior to

the imposition of its import ban, Korea was the third largest export market for U.S. beef and beef variety meats. In 2003, the U.S. exported 246,958 MT of beef and beef variety meats valued at \$815,757 to Korea. That year Korea accounted for 19 percent by volume and 21 percent by value of total U.S. beef and beef variety meat exports. The export performance achieved in 2003 represented a 240 percent increase over the level of U.S. exports ten years earlier in 1994.

Notwithstanding the impressive export growth that was achieved prior to Korea's imposition of its import ban, there is still significant potential for increased U.S. beef and beef variety meat exports to Korea as trade continues to normalize following the market re-opening in July of 2008. Domestic production of beef in Korea is projected to continue to decline at the same time that per capita consumption is forecast to grow and at least recover consumption levels seen prior to the BSE-related export restrictions. Korea's total beef imports from all suppliers during the first half of 2009 were 37 percent lower than during the first half of 2003. This represents large market potential to simply recover pre-BSE trade volume (export potential of an additional 130,000 MT per year), not to mention expanding exports beyond historic levels as domestic consumption grows, fueled by the economic recovery.

The elimination, over 15 years, of Korea's current *ad valorem* duties of 40% on imports of all fresh, chilled, and frozen beef will produce significant cost savings, benefiting both U.S. beef producers and Korean consumers. As Korea phases out its tariffs on beef imports from the United States, prices at all levels of the market will decline and the quantity demanded of the specific cuts preferred by Korea consumers will increase.

The U.S.-Korea Beef Agreement that was signed in June of 2008 established technical terms of trade that have permitted the United States to export beef products without the complications that existed under the previous protocol. The 2008 agreement formally opened the Korean market to exports of all beef products from cattle of all ages. However, the government-to-government agreement was supplemented by an industry-sponsored initiative that limits U.S. beef exports to products from cattle that are less than thirty months of age during a transition period of unspecified duration. The industry initiative has the backing of the USDA, which confirms that exporting companies have systems in place to limit exports to beef from cattle that are less than thirty months of age.

The U.S.-Korea Beef Agreement provides for the resumption of beef exports from cattle of all ages once the confidence of Korean consumers in the safety of U.S. beef is restored. Because most of the cattle slaughtered in the U.S. are less than 30 months of age, the fact that exports are currently limited to younger cattle does not significantly constrain our ability to rebuild exports. Together, the technical components of the U.S.-Korea Beef Agreement and the industry-sponsored initiative have created the conditions necessary to permit the U.S. industry to resume exports of most of the beef produced in this country.

Unfortunately, conditions in the Korean market since the agreement was signed have not favored the rapid restoration of U.S. beef exports. Reduced consumer confidence due to the global recession and lingering consumer concerns about the safety of U.S. beef have depressed demand and resulted in relatively low export volumes over the past twelve months.

Although the U.S. Korea Beef Agreement is not part of the FTA, adoption of the latter has been linked to the full implementation of the former. For the reasons given above, the American Meat Institute supports the rapid passage and implementation of the U.S. Korea Free Trade Agreement. The phased elimination of import tariffs on U.S. beef will yield quick and commercially meaningful benefits for the U.S. beef industry which exceed the benefits that the industry will eventually derive from being able to export beef from cattle over thirty months of age to Korea. Thus, the American Meat Institute does not support postponing the adoption of the U.S.-Korea Free Trade Agreement until exports of beef from cattle of all ages to Korea are restored, though we urge Korea to move as quickly as possible to full market access for U.S. beef.

#### Comments Specific to Pork, Pork Variety Meats, and Pork Products

In 2008 U.S. pork and pork variety meat exports to the Republic of Korea increased 34 percent to 133,532 MT valued at \$284,530 million. U.S. pork exports to Korea have shown strong and steady growth over the last ten years reaching an average level of 114,194 MT in 2006-2008 up from an average of 15,881 MT in 1999-2001. This represents more than a 7 fold increase or 619 percent during the past decade.

Building on this solid record of growth, there is considerable upside potential for U.S. pork and pork variety meat exports to Korea. Passage and implementation of the U.S.-Korea Free Trade Agreement will result in the phased elimination of tariffs on imports of all U.S. pork products by 2014. Currently, Korea maintains *ad valorem* tariffs of 22.5 percent on chilled U.S. pork imports, 25 percent on imports of frozen U.S. pork items, and duties as high as 30 percent on U.S. processed pork items. The complete liberalization of the Korean market for U.S. pork exports will significantly improve the competitive position of the United States versus other important supplying countries, including the European Union, Canada, and Chile. This will strengthen the U.S. industry's ability to supply pork products to Korea on a year-around basis and will result in an increase in the quantity of U.S. pork demanded by the market as prices at the consumer level decline.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Boyle". The signature is written in a cursive, flowing style.

J. Patrick Boyle  
President and CEO  
American Meat Institute