



NATIONAL CATTLEMEN'S BEEF ASSOCIATION

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United States-Republic of Korea

Free Trade Agreement

Oral Testimony

of the

National Cattlemen's Beef Association

to the

Office of the U.S. Trade Representative

Trade Policy Staff Committee

Presented by

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AMERICA'S CATTLE INDUSTRY

Denver

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Members of the Trade Policy Staff Committee: the National Cattlemen's Beef Association (NCBA) appreciates the opportunity to present our thoughts and priorities for furthering free trade agreement (FTA) negotiations with South Korea. I am Jay Truitt, Vice President of Government Affairs, and I have the privilege of leading NCBA's public policy team here in Washington. NCBA has and always will be dedicated to influencing public policy, including international trade issues, to improve producer profitability and preserve the industry's heritage and future.

With ninety-six percent of the world's population living outside the United States, our members recognize that international trade is a key to economic growth that creates opportunities for U.S. cattle producers to grow demand for our product and enhance our profitability. We support international trade policies that aggressively pursue expanded market access for U.S. beef, enforce trade agreements that are based on internationally recognized standards and guidelines, and hold our trading partners accountable for their international trade commitments

We support the Administration's competitive liberalization strategy in concurrently pursuing multilateral and bilateral agreements. NCBA supported the passage of such agreements, not just because they opened considerable new markets on behalf of U.S. beef producers, but because they set an outstanding precedent for a specific future bilateral trade agreement that would, in fact, represent a nearly unprecedented opportunity.

That important FTA, for which we strived to set such precedents, is with South Korea. Not since the U.S.-Japan beef-citrus agreement of 1988 have U.S. beef producers had within their grasp an opportunity to expand demand for our product as we have with a successfully negotiated U.S.-South Korea FTA.

Historically, South Korea represents the third largest market for U.S. beef and beef variety meat exports behind Japan and Mexico. What is even more remarkable about this market is how rapidly it has grown in recent years. From 1996 to 1999, U.S. beef exports to South Korea averaged less than 90,000 metric tons (mt), worth roughly \$260 million. And they grew from 159,000 mt, worth \$512 million, in 2000 to a high of 247,000 mt, worth \$815 million, in 2003. Considering the fact that a forty percent tariff is assessed on this trade, the prospects for future growth of U.S. beef and beef variety meats into South Korea are tremendous as we reduce this tariff to zero.

For U.S. beef producers, a U.S.-South Korea FTA is certainly the most significant bilateral trade agreement to date for our industry; and a Japanese FTA notwithstanding, it will probably always be one of our most significant FTAs. That is saying something considering that U.S. beef producers probably benefited more from the North American Free Trade Agreement than any other industry or sector of the U.S. economy. Our duty-free access into Mexico took our sales from less than \$200 million to nearly \$900 million in just 10 years.

While we do not expect this kind of performance on a percentage basis with a Korean FTA, we fully anticipate that in the coming years, both South Korea and Mexico will rival Japan as our number one market, and a big reason for this will be the differences in the tariff rate. That is because U.S. beef, and particularly bone-in short ribs, is a core feature for many South Korean restaurants.

Historically, South Korea depended on the U.S. for approximately fifty percent of its total beef supply. In 2003, about nineteen percent of U.S. beef export volume and twenty-two percent of our value went to South Korea. There remains a strong sentiment among South Korean restaurateurs and retail chains that there is no substitute for the quality of U.S. beef, and the ban on our products for the last two years has only reinforced this belief. It should also be noted that confidence in U.S. beef is higher than year-ago levels.

NCBA's Priorities for the Negotiations:

NCBA's initial priority with these negotiations will be to completely normalize beef trade with South Korea. To date, South Korea's ban on U.S. bone-in beef (including bone-in short ribs) and variety meats remains. These categories historically accounted for roughly half of the total value of U.S. beef exports to South Korea. We are mystified as to why \$47 million in beef variety meats were excluded from this initial trade resumption package. Based on World Organization for Animal Health (OIE), there is no legitimate reason for South Korea to sustain a ban on these safe U.S. beef products.

All bans on our beef products **must be lifted by the time this agreement is sent to Congress for approval. NCBA expects nothing short of a full re-opening of this market to all U.S. beef.**

We also seek significant initial reductions of South Korea's tariffs on beef and beef products as well as their full elimination. Cattlemen are also adamant that the SPS precedents firmly established in recent FTAs be retained and continually improved upon in a South Korean FTA and all subsequent FTAs. These precedents now firmly established in recently negotiated FTAs are the only way to assure real and unfettered access for U.S. beef producers into the South Korean market.

Our recently completed U.S. beef industry long-range plan clearly indicates that we must find international markets for an additional one billion pounds of beef in just the next few years. A U.S.-South Korea FTA is a critical component of the U.S. beef industry's formula for this future success.

In summary, NCBA members have been leaders in the promotion of reliable, free and fair trade across the globe. We support the launch of these negotiations and look forward to negotiating this agreement with the South Koreans. Again, we expect the full reopening of this market, the elimination of tariffs, as well as resolution to SPS and plant equivalency issues as part of the final agreement. We urge our negotiators to press our trading partners to follow OIE guidelines in the negotiation of this and every agreement. We look forward to working with the entire U.S. government, lead by the U.S. Trade Representative, to negotiate a comprehensive, commercially viable U.S.-South Korea FTA.