

The United States – Peru Trade Promotion Agreement

**Report of the
Agricultural Technical Advisory Committee on Trade
In Fruits and Vegetables**

February 2, 2006

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**Advisory Committee Report to the President, the Congress and the United States
Trade Representative on the United States-Peru Trade Promotion Agreement**

I. Purpose of the Committee Report

Section 2104(e) of the Trade Act of 2002 requires that advisory committees provide the President, the Congress and the U.S. Trade Representative with reports required under Section 135(e) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into a trade 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 U.S. and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002.

The report of the appropriate sectoral or functional committee 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 ATAC on Trade in Fruits and Vegetables submits the following report.

II. Executive Summary of Committee Report

This report was drafted by the Chair and circulated to the Committee for approval on January 27, 2006. The Committee is required to submit a report, as described above, by February 5, 2006. The tariff rate reductions negotiated with Peru were not available for review on USTR's secure web site or in its reading room prior to this report being generated. Therefore, Committee members have not had an opportunity to review the various negotiated tariff rates schedules and are placed in a very difficult and unreasonable position. In order to comply with our advisory obligations the Chairman of the F&V ATAC obtained the information in this report from discussions with USDA, USTR and a review of the Harmonized Tariff Schedule of the United States (2006).

It is the opinion of the F&V ATAC that the negotiated agreement provides for equity and reciprocity in the reduction and elimination of tariff rates affecting the fruit, nut, and vegetable sectors.

III. Brief Description of the Mandate of the ATAC on Trade in Fruits and Vegetables

The ATAC on Trade in Fruits and Vegetables is chartered to advise, consult with, and make recommendations to the Secretary of Agriculture and the United States Trade Representative on matters that are of mutual concern to the United States and to its consumers, producers, processors, and traders of specialty crops in connection with the trade policy activities undertaken by the United States. The Committee provides advice and information regarding trade issues that affect both domestic and foreign production and trade of specialty crops. The Committee furnishes advisory opinions and reports and performs the functions that are appropriate or required by the Secretary and the Trade Representative or their designees.

IV. Negotiating Objectives and Priorities of the Committee

The Committee agrees with the principal negotiating objective for agriculture set down by Congress in the Trade Act of 2002. Specifically, “to obtain competitive opportunities for United States exports of agricultural commodities in foreign markets substantially equivalent to the competitive opportunities afforded foreign exports in United States markets and to achieve fairer and more open conditions of trade in bulk, specialty crop, and value-added commodities...”

V. Advisory Committee Opinion on Agreement

From 2002 through 2004 the U.S. had an average yearly trade deficit with Peru of \$168 million for fresh and processed fruits, vegetables and tree nuts. Currently, the U.S. allows 100% of Peru’s horticultural exports (of relevance to this committee) to enter the U.S. duty free. The committee does not know how many U.S. products are currently allowed duty free access into Peru but we believe that there are few if any.

According to USDA, under this agreement Peru will immediately eliminate tariffs on 97% (value basis) of U.S. products from HTS Chapters 7 & 8 on the date the agreement enters into force. This is positive for the export interests in these chapters such as nuts and tree fruit. These products are currently at a competitive disadvantage to products from the Andean Pact and Mercosur countries that benefit from duty free access to Peru. Peru’s current ad valorem tariff rates on fruits and vegetables can be as high as 25% with specific tariff rates on nuts up to 24 cents/kilogram.

Under the terms of the Andean Trade Promotion and Drug Eradication Act (ATPDEA) of 2002 and the general duty free status provided to many imported horticultural products, the U.S. currently grants Peru duty free access to its market for: 1) All but one tariff line of relevance to the committee in Chapter 7; 2) All tariff lines in Chapter 8; 3) All but 6 tariff lines of relevance to the Committee in Chapter 20; and 4) All tariff lines of

relevance to the Committee in Chapter 22. It is the Committee's understanding that all of the current trade preferences granted to Peru will be made permanent under this agreement.

We disagree that all ATPDEA and GSP trade preferences currently provided to Peru should be made permanent under the U.S. Peru TPA. The U.S. should have provided for a phase out of the tariff for fresh asparagus rather than continue to allow duty free access.

Given its geographic location and a per capita GDP of \$5,600 Peru presents limited opportunity at this time for most U.S. fruit and vegetable interests. The committee is hopeful that this agreement will assist in moving forward the negotiations that are currently underway with other Andean nations, specifically Colombia.

It is the opinion of the F&V ATAC that the negotiated agreement provides for equity and reciprocity in the reduction and elimination of tariff rates affecting the fruit, nut, and vegetable sectors.

The Committee urges the Office of the U.S. Trade Representative to continue to focus its trade liberalization efforts on India, South Korea, Taiwan, Japan and the European Union. Removing tariff and phytosanitary barriers as well as eliminating export subsidies and trade distorting domestic support in these countries will provide the specialty crop industry significant trade benefits and discipline some of the trade barriers that most affect this sector.

VI. Membership of Committee

Attached

**Agricultural Technical Advisory Committee on Trade
in Fruits and Vegetables**

Mark Powers	ATAC Chair, Northwest Horticultural Council
Julie Adams	Almond Board of California
Dennis Balint	California Walnut Commission
Tom Bellamore	California Avocado Commission
Doug Bournique	Indian River Citrus League
Susan Brauner	Blue Diamond Growers
Reggie Brown	Florida Tomato Exchange
Lauri Buckley	A. Duda & Sons, Inc.
James Christie	Bryant Christie, Inc.
Alice Dettwyler	American Agri-Women
Chris Eckert	Eckert Orchards, Inc.
Wally Ewart	California Citrus Quality Council
Malaquias Flores	Washington State University
Nancy Foster	U.S. Apple Association
Ron Gaskill	U.S. Farm Bureau
Carolyn Gleason	McDermott, Will & Emery
Robert Guenther	United Fresh Fruit & Vegetable Association
Dan Haley	Haley & Associates
Julian Heron	Tuttle, Taylor & Heron
John Himmelberg	O'Connor & Hannan, L.L.P.
Roger Knutzen	Knutzen Farms LP
Barry Kriebel	Sun-Maid Growers of California
Richard Matoian	California Fig Advisory Board
Joseph MacIlvaine	Paramount Farming Company
John McClung	Texas Produce Association
Dan Moss	Moss Farms
Joel Nelsen	California Citrus Mutual
Richard Phillips	New Mexico State University
Freddie Richards	Prairie View A&M University
Joe Rollo	Wine Institute
Robert Schramm	Schramm, Williams & Associates
Tim Smith	Smith Ranches, Wood Orchard, & Sunsweet Growers, Inc.
Mike Wootton	Sunkist Growers
Joe Zanger	Casa de Fruta Orchards