

**AGRICULTURAL TECHNICAL ADVISORY
COMMITTEE FOR TRADE IN PROCESSED FOODS**

April 25, 2007

The Honorable Susan C. Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Schwab:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I hereby transmit the report of the Agricultural Technical Advisory Committee for Trade in Processed Foods on the proposed U.S.-Panama Trade Promotion Agreement. This report reflects the Committee's consensus opinion on the Agreement.

I would be grateful if you would share this report with the President and the Congress.

Sincerely,



Chairman

Enclosure

The U.S.-Panama Trade Promotion Agreement

**Report of The
Agricultural Technical Advisory Committee for Trade in Processed Foods**

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Report of the Agricultural Technical Advisory Committee for Trade in Processed Foods to the President, the Congress, and the United States Trade Representative on the U.S.-Panama Trade Promotion Agreement

I. Purpose of the Committee Report

On March 30, 2007, President Bush notified the Speaker of the House of Representatives and the President of the Senate that he intends to enter into a free trade agreement with the Republic of Panama. Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to sign an 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 United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002. The report must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to the statutory requirements referenced above, the Agricultural Technical Advisory Committee for Trade in Processed Foods hereby submits the following report:

II. Executive Summary of Committee Report

The Processed Foods ATAC supports this agreement and urges Congress to approve appropriate implementing legislation as soon as possible. The Committee strongly endorses the Administration's strategy to generally enhance opportunities for freer trade throughout Central America and the entire Western Hemisphere. The Agreement with Panama represents an important milestone toward achieving that overall objective, building on agreements already concluded, but not implemented, with Colombia, Costa Rica and Peru; and those already in effect with Canada, Chile, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, and Nicaragua.

The Committee endorses the fundamental goals of opening markets; promoting trade, investment, and tourism; expanding economic opportunity, and strengthening political stability and security throughout our hemisphere.

Since it has been widely publicized that there are ongoing discussions between the Administration and Congressional trade committees which could produce new commitments that would be memorialized in amendments to the Agreement or in a side letter, or letters, the Committee emphasizes that this opinion relates to the Agreement as it stood on April 25. Any subsequent amendments, side letters, or other modifications cannot be anticipated, nor addressed, in this report.

The Committee is pleased that the Agreement covers all agricultural products. Members appreciate that more than half of current food and agriculture exports to Panama will become tariff-free as soon as the Agreement takes effect, encompassing a wide assortment of processed products – including pork and beans, wet soups, chocolate confectionary, and distilled spirits. We understand that other items identified as product priorities by U.S. processors, but considered by Panama to be more import sensitive -- like dairy products, frozen french fries, corn, rice, and tomato products -- will benefit from expanded market access through tariff-rate quotas. Tariffs on most remaining foods will be phased out within 15 years. The Committee also acknowledges, with gratitude, provisions in the Agreement which will streamline import documentation requirements for U.S. processed foods and significantly expedite access for U.S. food products. And, under a far-reaching bilateral agreement on sanitary and phytosanitary measures, Panama will provide access for all U.S. beef and beef products -- including pet foods -- and poultry and poultry products, consistent with international standards. The ATAC is pleased to support this comprehensive Agreement with a key partner in a strategically important location.

III. Brief Description of the Mandate of The Agricultural Technical Advisory Committee on Trade in Processed Products

The Processed Foods Agricultural Technical Advisory Committee is authorized by Sections 135 (c) (1) and (2) of the Trade Act of 1974 (Pub. L. No. 93-618), as amended, and is intended to ensure that representatives of the private sector have an opportunity to provide input to U.S. Government negotiators regarding all tariff and trade matters. The committee provides a formal mechanism through which the U.S. Government may seek advice and information. It is part of network of statutorily established committees that provide advice on trade negotiations to the President, the Office of the U.S. Trade Representative, the U.S. Department of Agriculture and the U.S. Department of Commerce. Established in 2003, the Processed Foods ATAC provides advice and information regarding trade in processed foods, one of the fastest growing segments of U.S. agricultural trade. The Committee furnishes advisory opinions and reports and performs other technical functions that are appropriate or are requested by the U.S. Trade Representative and/or the Secretary of Agriculture. In carrying out its functions, the Committee draws upon the technical competence and experience of its members who represent a broad cross-section of the U.S. processed food industry.

IV. Negotiating Objectives and Priorities of The Agricultural Technical Advisory Committee on Trade in Processed Products

On November 21, 2003, following the third meeting of this newly-charted advisory Committee, I was directed by the Committee to write to the U.S. Secretary of Agriculture and the U.S. Trade Representative outlining the group's trade policy priorities. This communication expressed the ATAC's opposition to "...any product exclusions from the U.S.-Central American Free Trade Agreement (CAFTA) and other evolving FTAs." The letter also reflected ATAC concern about the creation of special rules of origin and stressed the importance of resolving existing sanitary, phytosanitary, and technical barriers to trade in the CAFTA and other pending FTAs. Finally the letter urged a proactive strategy for reinvigorating the Doha Development Agenda. In that regard, we highly commend Ambassador Schwab for her continuing efforts to salvage the WTO negotiating process.

V. Advisory Committee Opinion on Agreement

The Agricultural Technical Advisory Committee on Processed Products supports the U.S. – Panama Trade Promotion Agreement. On balance, it is a sound Agreement that will provide significant benefits to both parties. The ATAC urges Congress to quickly approve the implementing legislation so that U.S. companies, farmers, and workers can begin accruing benefits from the Agreement as soon as possible.

Panama is a significant market for U.S. products. In 2005, \$2.2 billion in U.S. goods went to Panama, an increase of 22 percent from the previous year. Bilateral trade totaled \$2.5 billion. Panama has a population of about 3.2 million people with a median age of 26 years of age and a population growth rate of 1.6 percent (compared with 36 years and .91 percent for the U.S.). Nearly half of Panama's total imports come from the U.S., and U.S. investment in Panama totals about \$5.2 billion.

Panamanian goods currently enjoy broad access to the U.S. market through tariff preference programs, like the Caribbean Basin Initiative and the Generalized System of Preferences. In 2005, more than 95 percent of Panama's goods exported to the United States entered tariff-free. The Agreement will make tariff-free treatment for Panamanian exports to the U. S. absolute and permanent. When the Agreement is fully phased in, U.S. exporters to Panama will finally benefit from reciprocal treatment.

We are very gratified that no products were exempted from this Agreement, as comprehensiveness is a critical threshold matter for the Processed Products ATAC. ATAC members also are pleased that the Agreement reaffirms each party's rights and obligations under the *Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures* and the *Technical Barriers to Trade Agreement*. The Agreement also establishes a Committee on Sanitary and Phytosanitary Matters and a Committee on Technical Barriers to Trade as forums for resolving issues affecting trade between the

two parties. Processed foods are especially vulnerable to sanitary, phytosanitary, and technical barriers.

While the ATAC supports the Agreement, it is concerned the pact perpetuates the most undesirable features of the U.S.- Dominican Republic- Central America Free Trade Agreement (U.S.-DR-CAFTA) and the subsequent U.S-Peru and Colombia Trade Promotion Agreements – provisions included in those agreement in an effort to placate sugar growers and their elected representatives. As in the U.S.-DR-CAFTA and the Peru and Colombia TPAs, the Panama TPA does not provide for the elimination of the higher tier duty for sugar. This glaring omission is inconsistent with the principles of a free trade agreement. It also conditions Panama’s new access to the U.S. sugar market on Panama achieving net surplus producer status. No other product in the entire Agreement is subject to such a requirement. And finally, the Agreement duplicates the “Sugar Compensation Mechanism” clause from the US-DR-CAFTA and U.S.-Peru and U.S.-Colombia TPAs, a provision which has been criticized by both sugar growers and users. As this ATAC has clearly suggested in previous reports on Agreements containing similar language, a provision that commits U.S taxpayers to essentially pay various countries to refrain from shipping sugar to the U.S. market because it could lower inflated prices to U.S. sugar consumers is an outrageous affront to U.S. consumers/taxpayers and a glaring example of Government waste. The non-partisan Congressional Budget Office has reported that the operation of the existing sugar program will cost U.S. taxpayers \$1.3 billion over the next ten years. This atrocious provision – if it is ever triggered – would add even further unconscionable taxpayer costs to the U.S. sugar program.

The ATAC is disappointed that cheeses and processed dairy products are subject to some of the longest tariff phase-out schedules in the entire agreement. (For example, Panama’s tariff on cheddar cheese is phased out over 16 years, while tariffs on other cheeses are eliminated over 17 years.) The Committee is concerned that the U.S. may be overly and unnecessarily preoccupied with protecting the U.S. dairy market. As we have previously noted, insistence on parallel market access terms for dairy consistently produces the worst market access terms for dairy products. With the global competitiveness of the U.S. dairy sector steadily improving, unnecessary focus on protection of the domestic market compromises our ability to grow export markets and clearly does not serve the best interests of the U.S. dairy industry.

VI. Membership of Committee

Attached is a list of members of the Agricultural Technical Advisory Committee on Processed Foods along with their respective affiliations.

Agricultural Technical Advisory Committee for Trade

Processed Foods

NAME	COMPANY
Robert B. Anderson	Sustainable Strategies
Elizabeth H. Avery	PepsiCo, Inc.
Robert P. Bauer	Association of Food Industries
Marietta E. Bernot	Mars, Inc.
Alison R. Bodor	National Confectioners Association
Karl B. Brown	SB Global Foods, Inc.
Catherine A. Caponi	H.J. Heinz Company (Representing)
Leonard W. Condon	Altria Corporate Services, Inc.
Nancy K. Cook	Pet Food Institute
Donna J. Denison	Cassidy & Associates
Mark A. Dunn	J.R. Simplot Company
Elizabeth C. Fay	Cargill, Inc.
James P. Finkle	Constellation Brands, Inc.
M. Troy Flanagan	International Franchise Association
Robert L. Garfield	American Frozen Food Institute
Ronald P. Graf	The Hershey Company
Ann M. Grappin	Yum! Restaurants International
Steven F. Grover	Burger King Corporation
Vijai P. Gupta	Jyoti Cuisine India
Timothy F. Hamilton	Food Export Association of the Midwest USA
Gary J. Johnson	McDonald's Corporation
Kelly D. Johnston	Campbell Soup Company
Robert J. Kapuscinski	Global Export Marketing Co., Ltd.
Steven P. Krikava	Land O'Lakes
Deborah A. Lamb	Distilled Spirits Council of the U.S., Inc.
John F. McDermid	International Business-Government Counsellors, Inc.

Joseph T. Plesha, III	Trident Seafoods Corporation
John B. Reynolds	The IAMS Company
Peggy S. Rochette	Food Products Association
Jeffrey A. Shapiro	Office of Congressman Adrian Smith
Ronald W. Tanner	National Association for the Specialty Food Trade, Inc.
Sarah F. Thorn	Grocery Manufacturers of America