



**THE WASHINGTON STATE
REPORT ON FOREIGN TRADE BARRIERS TO
FOOD AND AGRICULTURAL EXPORTS**



March 2010

**Dan Newhouse
Director of Agriculture
and
Robert Hamilton
Governor's Trade Policy Advisor**



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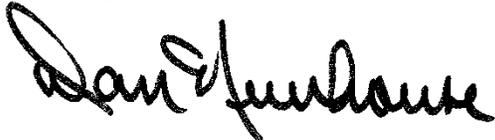
Dear Reader,

Washington's food and agriculture industry is a critical part of Washington State, representing an estimated 13 percent of the state's economy. About one-third of Washington's food & agricultural production is exported, so access to overseas markets is essential for the vitality of the agricultural and processed food industry.

In 2009, food and agricultural exports originating from Washington State exceeded an estimated \$5.4 billion. Our export potential, however, continues to be limited by the numerous trade barriers maintained by our trading partners. The health of the Washington agricultural sector would be much improved through increased exports made possible by the elimination of these barriers. The enclosed report, "The Washington State Report on Foreign Trade Barriers to Agricultural Exports," provides a summary of 350 measures maintained by 52 countries to prevent or limit the import of agricultural products.

The report has been sent to the Office of the United States Trade Representative and the United States Department of Agriculture to ensure that these issues are taken into consideration in the ongoing multilateral and bilateral negotiations covering trade in agricultural products. We hope that it will assist in removing these barriers and benefiting the long-term competitiveness of our industry.

Sincerely,

A handwritten signature in black ink that reads "Dan Newhouse". The signature is written in a cursive, flowing style.

Dan Newhouse
Director of Agriculture

A handwritten signature in black ink that reads "Robert C. Hamilton". The signature is written in a cursive, flowing style.

Robert Hamilton
Governor's Trade Policy Advisor

TABLE OF CONTENTS

PART I. ALPHABETICAL LISTING BY COUNTRY

PART I - Alphabetical Listing by Country

ALGERIA – Page 18

Apples: Tariff
Cherries: Tariff
Pears: Tariff
Dairy: Health Certificate

ARGENTINA – Page 19

Apples: Tariff and Statistical Tax
Cherries: Tariff and Statistical Tax
Flour: Tariff
Pears: Tariff and Statistical Tax
Processed Potatoes: Tariffs
Wheat: Tariff
Wheat Flour: Tariff
Wine: Tariff
Apples: Phytosanitary Import Prohibition
Cherries: Phytosanitary Import Prohibition
Pears: Phytosanitary Import Prohibition
Seed Potatoes: Phytosanitary Import
--- Prohibition
Apples: Export Rebate Subsidy
Pears: Export Rebate Subsidy
Wine: Export Rebate Subsidy

ARMENIA – Page 23

Apples: Tariff
Cherries: Tariff
Pears: Tariff

AUSTRALIA – Page 24

Apples: Phytosanitary Import Prohibition
Cherries: Regional Phytosanitary
--- Import Prohibition
Fresh Onions: Phytosanitary Restrictions
Pears: Phytosanitary Import Prohibition

BAHRAIN – Page 27

Wine: Tariff

BANGLADESH – Page 28

Apples: Tariff
Cherries: Tariff
Pears: Tariff

BARBADOS – Page 29

Wine: Tariff

BOLIVIA – Page 30

Apples: Tariff
Cherries: Tariff
Pears: Tariff

BRAZIL – Page 31

Apples: Tariff
Cherries: Tariff
Dairy Products: Tariff
Flour: Tariff
Fresh Potatoes: Tariff
Pears: Tariff
Wheat: Tariff
Whey Powder: Tariff
Wheat Flour: Tariff
Wine: Tariff
Dehydrated Potatoes: Sulfite Tolerance
Wheat: SPS Restrictions
Wine: Certification

CANADA – Page 34

Dairy Products: TRQs
Fresh Potatoes: Antidumping Duties
Dairy Products: Cheese Standards
Fresh Potatoes: Pesticide MRLs
Fresh Potatoes: Potato Cyst Nematode
Red Raspberries: Bifenthrin MRL
Red Raspberries: Hexythiazox MRL
Red Raspberries: Thiamethoxam MRL
Fresh Potatoes: Restrictions on Bulk
--- Shipments
Wheat: Canadian Wheat Board
Wine: Cost of Service Mark-up

CAYMAN ISLANDS – Page 40

Wine: Tariff

CHILE – Page 41

Wheat: Tariff
Wine: Tariff
Cherries: Phytosanitary Import Prohibition
Pulses: Phytosanitary
--- Import Restriction

CHINA – Page 42

Alfalfa: Tariff
Apples: Tariff, Reference Price and VAT
Beef: Tariff
Cherries: Tariff and VAT
Dairy Products: Tariff on Cheese
Dairy Products: Tariff on Ice Cream
Dairy Products: Tariff on Skim Milk Powder
Fresh Potatoes: Tariff
Malt Barley: Tariff
Peaches: Tariff
Pears: Tariff
Plums: Tariff
Potato Products: Tariff
Pulses: Tariff on Chickpeas, Lentils and
--- Peas
Wheat: TRQ
Wine: Tariff
Apples: Phytosanitary Varietal Import
--- Prohibition
Apples: Post-Harvest Decay
---Organisms/Shipper Suspensions
Apricots: Phytosanitary Import
--- Prohibition

Beef: Sanitary Import Prohibition
Dairy Products: Sorbic Acid Standards for
--- Cheese
Frozen French Fries and Dehydrated Potato
---Products: Certificate of Quality/Condition
GMO: Import Prohibition
Nectarines: Phytosanitary Import
---Prohibition
Peaches: Phytosanitary Import
---Prohibition
Pears: Phytosanitary Import Prohibition
Potato Products: Import Regulations
Potatoes: Phytosanitary Import
-- Prohibition
Wheat: TCK Restrictions
Whey: Revised Benzoyl Peroxide and
--- Benzoic Acid Standards
Whey/Milk Powder: Nitrate Standards
Whey/Milk Powder: Arsenic Testing
Wheat: Domestic Supports
Nursery Products: Poor Intellectual
--- Property Rights Protection
All Products: Lack of Regulatory
--- Transparency
Wheat: VAT Treatment

COLOMBIA – Page 58

Apple: Tariff
Beef: Tariff
Cherries: Tariff
Dehydrated Potato Flakes/Granules
--- Tariff
Fresh Potatoes: Tariff
Frozen French Fries: Tariff
Pears: Tariff
Pulses: Tariffs
Wine: Tariff
Seed Potatoes: Phytosanitary Import
--- Prohibition

DOMINICAN REPUBLIC – Page 61

Seed Potatoes: Import Permits

ECUADOR – Page 62

Apples: Tariff
Cherries: Tariff
Fresh Potatoes: Tariff
Frozen French Fries: Tariff
Pears: Tariff
Seed Potatoes: Tariff
Wheat: Tariff

EGYPT – Page 64

Apples: Tariff
Cherries: Tariff
Pears: Tariff
Seed Potatoes: Phytosanitary Import
---Prohibition

EUROPEAN UNION – Page 66

Apples: Tariff and TRQ
Apples: Entry Price System
Apples: Import Licensing System
Beef: Tariff
Cherries: Tariff/TRQ
Cherries: Entry Price System
Cod: Tariff
Frozen French Fries: Tariff
Pears: Tariff
Pears: Entry Price System
Wine: Tariff
Beef: Sanitary Restrictions
Cherries: Phytosanitary Restrictions
Beef: Domestic Supports
Wheat: Export Subsidies
Wine: Domestic Supports
Wine: Export Subsidies

GENERAL – Page 72

Wheat: State Trading Enterprises

GUATEMALA – Page 73

Apples: Domestic Support
Fresh and Seed Potatoes:
--- Phytosanitary Import Prohibition

HONG KONG – Page 74

Food Products: Nutrition Labeling

INDIA – Page 76

Apples: Tariff
Apricots: Tariff
Cherries: Tariff
Coffee: Tariff
Dairy Products: Tariff on Cheese
Dehydrated Potato Products: Tariff
Fresh Potatoes: Tariff
Frozen French Fries: Tariff and Taxes
Peaches: Tariff
Nectarines: Tariff
Pears: Tariff
Whey: Tariff
Wine: Tariff
Dairy Products: Import Prohibition
Wheat: SPS Restrictions
Wheat: Export Subsidies

INDONESIA – Page 80

Apples: Tariff
Cherries: Tariff
Fresh Potatoes: Tariff
Frozen French Fries: Tariff
Pears: Tariff
Wine: Tariff
Apples: Phytosanitary Import Restriction
--- Decree #27
Apples: Phytosanitary Import Restriction
--- Decree #37
Cherries: Phytosanitary Import Restriction
Dairy Products: Documentation
--- Requirements
Pears: Phytosanitary Import Restriction
Processed Food: Documentation
--- Requirements
Processed Potatoes: Documentation
--- Requirements

ISRAEL – Page 87

Apples: Tariff Rate Quota
Cherries: Tariff
Dairy Products: Tariff Rate Quotas
Pears: Tariff Rate Quota
Wine: Tariff
Apples: Phytosanitary Restriction
Cherries: Phytosanitary Import Prohibition
Pears: Phytosanitary Restriction

JAPAN – Page 90

Apples: Tariff
Beef: Tariff
Cherries: Tariff
Cod: Tariff
Dehy. Potato Flakes: Tariff
Fresh Potatoes: Tariff
Frozen French Fries: Tariff
Nectarines: Tariff
Pears: Tariff
Wheat: Tariff
Whey: TRQs
Wine: Tariff
Apples: Varietal Prohibition
Apples: Phytosanitary Import Restriction
Beef: Sanitary Import Restriction
Cherries: Pesticide MRLs
Cherries: Phytosanitary Requirements
Cherries: Phytosanitary Varietal Import
--- Prohibition
Pears: Phytosanitary Import Prohibition
Processed Potatoes: Pesticide MRLs
Potatoes: Phytosanitary Import
Restriction
Processed Potatoes: Coliforms
Raspberries: Pesticide MRLs
Wheat: Pesticide MRLs

KENYA – Page 100

Wheat: Tariff
Wheat: Phytosanitary Restriction

LIBYA – Page 101

Apples: Tariff
Cherries: Tariff
Pears: Tariff

MALAYSIA – Page 102

Apples: Tariff
Cherries: Tariff
Pears: Tariff
Wine: Tariff

MEXICO – Page 103

Apples: Antidumping Duties
Cherries: Trucking Retaliatory Tariffs
Frozen French Fries: Trucking Retaliatory

--- Tariffs
Pears: Trucking Retaliatory Tariffs
Cherries: Phytosanitary Export Work plan
Dairy Products and Milk: Vitamin D Limits
Fresh Potatoes: Phytosanitary Import
--- Restrictions
Nectarines: Phytosanitary
--- Import Restrictions
Peaches: Phytosanitary
--- Import Restrictions
Beef: Domestic Supports

MOROCCO – Page 109

Apples: Tariff

NEW ZEALAND – Page 110

Wine: Tariff

NORWAY – Page 111

Apples: Tariff
Cherries: Tariff
Pears: Tariff

PAKISTAN – Page 112

Flour: Tariff
Fruits and Vegetables: Tariffs
Wheat: Tariff
Wheat Flour: Tariff
Wheat: Phytosanitary Import Restrictions
Wheat: Export Subsidies

PANAMA – Page 113

Apples: Tariff
Cherries: Tariff
Dehydrated Potato Flakes: Tariff
Fresh Potatoes: TRQ
Frozen French Fries: Tariff
Pears: Tariff
Potato Chips: Tariff

PARAGUAY – Page 115

Flour: Tariff
Wheat: Tariff

PERU – Page 116

Processed Dehy. Potato Products: Tariff
Pulses: Phytosanitary Restrictions

THE PHILIPPINES – Page 117

Apples: Tariff
Cherries: Tariff
Fresh Potatoes: TRQ
Frozen French Fries: Tariff
Pears: Tariff
Wine: Tariff
Fresh Potatoes: Phytosanitary Import
--- Restrictions

RUSSIA – Page 119

Apples: Tariff
Beef: Tariff
Cherries: Tariff
Fruit Exports: Customs Barriers
Pears: Tariff
Wine: Tariff
Dairy Products: Certificate
Dairy Products: Individual Plant
--- Plant Inspections

SAUDI ARABIA – Page 121

Frozen French Fries: Tariff
Processed Potato Products: Tariff
Seed Potatoes: Tariff

SOUTH AFRICA – Page 122

Apples: Tariff
Cherries: Tariff
Pears: Tariff
Cherries: Phytosanitary Import Prohibition
Pears: Phytosanitary Import Prohibition

SOUTH KOREA – Page 123

Apples: Tariff
Asparagus: Tariff
Barley: TRQ
Beef: Tariff
Canned Cherries: Tariff
Canned Corn: Tariff
Cherries: Tariff

Coffee: Tariff
Dairy Products: Tariff on Cheese
Dairy Products: TRQ for Whole Milk
--- Powder/Condensed Milk
Dehydrated Potato Flakes: TRQ
Fresh Potatoes: TRQ
Frozen Corn: Tariff
Frozen French Fries & Dehydrated Potato
--- Products: Tariff
Grape Juice: Tariff
Hay: Tariff
Onions: Tariff Rate Quota
Pears: Tariff
Pork: Tariff
Wheat: Tariff and TRQ
Whey: Tariff and TRQ
Wine: Tariff
Apples: Phytosanitary Import Prohibition
Beef: Sanitary Import Restrictions
Cherries: Phytosanitary Import Restrictions
Pears: Phytosanitary Prohibition
Processed Potatoes: GMO Regulation
Wheat: MRL for Mycotoxin/DON
Coffee: Rules of Origin

SRI LANKA – Page 136

Apples: Tariff
Cherries: Tariff
Pears: Tariff
Seed Potatoes: Phytosanitary Import
---Prohibition

SWITZERLAND – Page 138

Wine: TRQ

TAIWAN – Page 139

Apples: Tariff
Cherries: Tariff
Fresh Potatoes: Tariff
Frozen French Fries and Other Potato
--- Products: Tariffs
Pears: Tariff
Wine: Tariff
Apples: Phytosanitary Work Plan
Apples: Pesticide MRLs
Beef: Sanitary Restrictions
Cherries: Pesticide MRLs
Fresh Potatoes: Phytosanitary Restrictions
Pears: Pesticide MRLs
Potato Products: Pesticides Standards
Wheat: MRL for Malathion

THAILAND – Page 147

Apples: Tariff
Beef: Tariff
Cherries: Tariff
Coffee: Tariff
Dairy Products: TRQs
Fresh and Seed Potatoes: TRQ
Frozen French Fries: Tariff
Nectarines: Tariff
Peaches: Tariff
Pears: Tariff
Wheat: Tariff
Wine: Tariff
Processed Potato Products: Pesticide
--- MRLs

TUNISIA – Page 151

Apple: Tariff

TURKEY – Page 152

Apples: Tariff
Pears: Tariff
Wheat: Tariff
Wheat: Import Permits

UKRAINE – Page 153

Apples: Tariff
Cherries: Tariff
Pears: Tariff

UNITED ARAB EMIRATES – Page 154

Wine: Tariff

URUGUAY – Page 155

Flour: Tariff
Wheat: Tariff
Seed Potatoes: Phytosanitary Import
--- Prohibition

VENEZUELA – Page 156

Apples: Tariff
Apples: Import Permits
Cherries: Tariff
Cherries: Import Permits
Pears: Tariff
Pears: Import Permits

VIETNAM – Page 158

Apples: Tariff
Cherries: Tariff
Frozen Potato Products: Tariff
Pears: Tariff
Potato Chips: Tariff
Wine: Tariff
Apples: Transparency/Standards
Cherries: Transparency/Standards
Fresh Potatoes: Phytosanitary Import
--- Prohibition
Pears: Transparency/Standards
Potato Products: Transparency/Standards

TABLE OF CONTENTS

PART II. ALPHABETICAL LISTING BY COMMODITY

ALFALA – Page 164

China: Tariff

APPLES AND APPLE JUICE – Page 165

Algeria: Tariff
Argentina: Tariff and Statistical Tax
Argentina: Phytosanitary Import
---Prohibition
Argentina: Export Rebates
Armenia: Tariff
Australia: Phyto. Import Prohibition
Bangladesh: Tariff
Bolivia: Tariff
Brazil: Tariff
China: Tariff & VAT
China: SPS Varietal Import Prohibition
China: Post Harvest Decay
Colombia: Tariff
Ecuador: Tariff
Egypt: Tariff
EU: Tariff and TRQ
EU: Entry Price System
EU: Import Licensing System
Guatemala: Domestic Supports
India: Tariff
Indonesia: Tariff
Indonesia: Phytosanitary Import Restriction
--- Decree #27
Indonesia: Phytosanitary Import Restriction
--- Decree #37
Israel: TRQ
Israel: Phytosanitary Restriction
Japan: Tariff
Japan: Varietal Prohibition
Japan: Phytosanitary Restriction
Libya: Tariff
Malaysia: Tariff
Mexico: Antidumping Duties
Morocco: Tariff
Norway: Tariff
Panama: Tariff
Philippines: Tariff

Russia: Tariff
South Africa: Tariff
South Korea: Tariff
South Korea: Phyto. Prohibition
Sri Lanka: Tariff
Taiwan: Tariff
Taiwan: Work Plan
Taiwan: Pesticide MRLs
Thailand: Tariff
Tunisia: Tariff
Turkey: Tariff
Ukraine: Tariff
Venezuela: Tariff
Venezuela: Import Permits
Vietnam: Tariff
Vietnam: Transparency/Standards

APRICOTS – Page 184

China: Tariff
India: Tariff

ASPARAGUS – Page 185

South Korea: Tariff

BARLEY – Page 186

China: Tariff on Malt Barley
South Korea: Tariff

BEEF – Page 187

China: Tariff
China: Sanitary Import Prohibition
Colombia: Tariff
EU: Tariff
EU: Sanitary Import Restrictions
EU: Domestic Supports
Japan: Tariff
Japan: Sanitary Import Restriction
Mexico: Domestic Supports
Russia: Tariff
South Korea: Tariff
South Korea: Sanitary Import Restrictions
Taiwan: Sanitary Restrictions
Thailand: Tariff

CHERRIES – Page 193

Algeria: Tariff
Argentina: Tariff and Statistical tax
Argentina: Phyto. Prohibition
Armenia: Tariff
Australia: Phyto. Restriction
Bangladesh: Tariff
Bolivia: Tariff
Brazil: Tariff
Chile: Phytosanitary Import
--- Prohibition
China: Tariff and VAT
Colombia: Tariff
Ecuador: Tariff
Egypt: Tariff
EU: Tariff and TRQ
EU: Entry Price System
EU: SPS Restrictions
India: Tariff
Indonesia: Tariff
Indonesia: Phytosanitary Import Restriction
Israel: Tariff
Israel: Phytosanitary Import Prohibition
Japan: Tariff
Japan: Pesticide MRLs
Japan: Phyto. Requirements
Japan: Phytosanitary Varietal Import
--- Prohibition
Libya: Tariff
Malaysia: Tariff
Mexico: Trucking Retaliatory Tariffs
Mexico: Phytosanitary Export Work Plan
Norway: Tariff
Panama: Tariff
Philippines: Tariff
Russia: Tariff
South Africa: Tariff
South Africa: Phyto. Prohibition
South Korea: Tariff
South Korea: Tariff on Canned Cherries
South Korea: Phytosanitary Import
--- Restrictions
Sri Lanka: Tariff
Taiwan: Tariff
Taiwan: Pesticide MRLs
Thailand: Tariff
Ukraine: Tariff
Venezuela: Tariff
Venezuela: Import Permits
Vietnam: Tariff
Vietnam: Transparency/Standards

COFFEE – Page 208

India: Tariff
South Korea: Tariff
South Korea: Rules of Origin
Thailand: Tariff

CORN – Page 209

South Korea: Tariff on Frozen Corn

DAIRY PRODUCTS – Page 210

Algeria: Health Certificate
Brazil: Tariffs
Canada: TRQs
Canada: Cheese Standards
China: Cheese Tariff
China: Ice Cream Tariff
China: Skim Milk Powder Tariff
China: Sorbic Acid Standards for Cheese
India: Tariff on Cheese
India: Import Prohibition
Indonesia: Documentation Requirements
Israel: TRQs
Mexico: Vitamin D Limits
Russia: Certificate
Russia: Individual Plant Inspections
South Korea: Tariff on Cheese
South Korea: Skim/Whole Milk
--- Powder and Condensed TRQ
Thailand: TRQs

FISH PRODUCTS – Page 218

EU: Tariff on Cod
Japan: Tariff on Cod

FLOUR – Page 215

Argentina: Tariff
Brazil: Tariff
Pakistan: Tariff
Paraguay: Tariff
Uruguay: Tariff

GENERAL – Page 220

China: Regulatory Transparency
Hong Kong: Nutrition Labeling
Indonesia: Documentation Requirements
--- for Processed Food
Pakistan: Fruit & Vegetables Duty
Russia: Customs Barriers

GENETICALLY MODIFIED
PRODUCTS – Page 224

China: Import Prohibition

GRAPE JUICE – Page 225

South Korea: Tariff

HAY – Page 226

South Korea: Tariff

NECTARINES – Page 225

China: Phytosanitary Import Prohibition

Japan: Tariff

India: Tariff

Mexico: Phytosanitary Import Restrictions

Thailand: Tariff

NURSERY PRODUCTS – Page 227

China: Poor Intellectual Property Rights

ONIONS – Page 230

Australia: SPS Restrictions

South Korea: TRQ

PEACHES – Page 231

China: Tariff

China: Phytosanitary Import Prohib.

India: Tariff

Mexico: Phytosanitary Import Restrictions

Thailand: Tariff

PEARS – Page 233

Algeria: Tariff

Argentina: Tariff & Statistical Tax

Argentina: Phytosanitary Import Prohibition

Argentina: Export Rebate Subsidy

Armenia: Tariff

Australia: Phyto. Prohibition

Bangladesh: Tariff

Bolivia: Tariff

Brazil: Tariff

China: Tariff

China: Phyto. Prohibition

Colombia: Tariff

Ecuador: Tariff

Egypt: Tariff

EU: Tariff

EU: Entry Price System

India: Tariff

Indonesia: Tariff

Indonesia: Phytosanitary Import Restriction

Israel: TRQ

Israel: Phytosanitary Restriction

Japan: Tariff

Japan: Phyto. Prohibition

Libya: Tariff

Malaysia: Tariff

Mexico: Trucking Retaliatory Tariff

Norway: Tariff

Panama: Tariff

Philippines: Tariff

Russia: Tariff

South Africa: Tariff

South Africa: Phyto. Prohib.

South Korea: Tariff

South Korea: Phyto. Prohib.

Sri Lanka: Tariff

Taiwan: Tariff

Taiwan: Pesticide MRLs

Thailand: Tariff

Turkey: Tariff

Ukraine: Tariff

Venezuela: Tariff

Venezuela: Import Permits

Vietnam: Tariff

Vietnam: Transparency/Standards

PLUMS – Page 247

China: Tariff

PORK – Page 248

South Korea: Tariff

POTATO PRODS. – Page 249

Argentina: Tariff-Processed Potatoes

Argentina: Phyto. Prohib. - Seed

Brazil: Tariff-Fresh Potatoes

Brazil: Dehydrated Potatoes – Sulfite

---Tolerance

Canada: Antidumping Duties on Fresh

--- Potatoes

Canada: Pesticide MRLs

Canada: Potato Cyst Nematode

Canada: -Bulk Shipments Restrictions
 China: Tariff – Fresh Potatoes
 China: Tariffs-Potato Products
 China: Certificate of Quality – Frozen
 ---French Fries and Dehy. Potatoes
 China: Import Regs. -Frozen Potatoes
 China: Phyto. Prohibition-Fresh
 Colombia: Tariff on Dehy. Flakes-Granules
 Colombia: Tariff-Fresh
 Colombia: Tariff-French Fries
 Colombia: Phyto. Prohibition- Seed
 Dominican Republic: Import Permits for
 --- Seed Potatoes
 Ecuador: Tariff – Fresh Potatoes
 Ecuador: Tariff – Frozen French Fries
 Ecuador: Tariff – Seed Potatoes
 Egypt: Seed Potatoes Phytosanitary Import
 --- Prohibition
 EU: Tariff-French Fries
 Guatemala: Fresh and Seed Phytosanitary
 --- Import Prohibition
 India: Tariff on Dehydrated Potato Products
 India: Tariff on Fresh Potatoes
 India: Tariff/Taxes-French Fries
 India: Processed Potatoes Documentation
 --- Requirements
 Indonesia: Tariff on Fresh Potatoes
 Indonesia: Tariff-French Fries
 Japan: Tariff-Dehy. Potato Flakes
 Japan: Tariff on Fresh Potatoes
 Japan: Tariff – Frozen French Fries
 Japan: Pesticide MRLs
 Japan: Phyto. Restrictions-Fresh
 Japan: Processed Potato Products
 --- Coliforms
 Mexico: Trucking Retaliatory Tariffs on
 --- Frozen French Fries
 Mexico: Phyto. Restriction-Fresh
 Panama: Tariff - Dehydrated Potato Flakes
 Panama: TRQ-Fresh Potatoes
 Panama: Tariff-French Fries
 Panama: Tariff on Potato Chips
 Peru: Tariff – Processed Dehy. Products
 Philippines: TRQ-Fresh
 Philippines: Tariff-French Fries
 Philippines: Phyto. Import Restriction
 Saudi Arabia: Tariff on Frozen French Fries
 Saudi Arabia: Tariff on Processed Potato
 ---- Products
 Saudi Arabia: Tariff on Seed Potatoes
 South Korea: Dehy. Potato Flakes TRQ

South Korea: TRQ-Fresh
 South Korea: Tariff-French Fries/Dehy.
 South Korea: GMO Regulations
 Sri Lanka: Phyto Import Prohibition on
 --- Seed Potatoes
 Taiwan: Tariff-Fresh
 Taiwan: Tariff-French Fries/Other
 Taiwan: Phytosanitary Restrictions
 --- Fresh Potatoes
 Taiwan: Pesticides MRLs
 Thailand: Fresh and Seed TRQ
 Thailand: Tariff-French Fries
 Thailand: Processed Potatoes Pesticide
 --- MRLs
 Uruguay: Seed Potatoes Phytosanitary
 --- Import Prohibition
 Vietnam: Tariff on Frozen Potato Products
 Vietnam: Tariff on Potato Chips
 Vietnam: Phytosanitary Import Prohibition
 Vietnam: Transparency/Standards

PULSES – Page 275

Chile: Phytosanitary Import Restrictions
 China: Tariffs
 Colombia: Tariffs
 Peru: Phytosanitary Restrictions

RASPBERRIES – Page 280

Canada: Bifenthrin MRL
 Canada: Hexythiazox MRL
 Canada: Thiamethozam MRL
 Japan: Pesticide MRLs

WHEAT/WHEAT FLOUR – Page 282

Argentina: Tariff
 Argentina: Wheat Flour Tariff
 Brazil: Tariff on Wheat
 Brazil: Tariff on Wheat Flour
 Brazil: SPS Restrictions
 Canada: Wheat Board
 Chile: Tariff
 China: TRQ
 China: TCK Restrictions
 China: Domestic Supports
 China: VAT Treatment
 Ecuador: Tariff

EU: Export Subsidies
General: State Trading Enterprises
India: SPS Restrictions
India: Export Subsidies
Japan: Tariff
Japan: Pesticide MRLs
Kenya: Tariff
Kenya: Phyto. Restrictions
Pakistan: Tariff
Pakistan: Tariff on Wheat Flour
Pakistan: Phytosanitary Import Restrictions
Pakistan: Export Subsidies
Paraguay: Tariff
South Korea: Tariff/TRQ
South Korea: MRL for Mycotoxin/DON
Taiwan: MRL for Malathion
Thailand: Tariff
Turkey: Tariff
Turkey: Import Permits
Uruguay: Tariff

Israel: Tariff
Japan: Tariff
Malaysia: Tariff
New Zealand: Tariff
Philippines: Tariff
Russia: Tariff
South Korea: Tariff
Switzerland: TRQ
Taiwan: Tariff
Thailand: Tariff
United Arab Emirates: Tariff
Vietnam: Tariff

WHEY – Page 290

Brazil: Tariff on Whey Powder
China: Benzoyl Peroxide and Benzoic
--- Standards for Whey
China: Nitrate Standards for Whey/Milk
--- Powder
China: Arsenic Testing for Whey/Milk
--- Powder
India: Tariff
Japan: TRQs
South Korea: TRQ

WINE – Page 293

Argentina: Tariff
Bahrain: Tariff
Barbados: Tariff
Brazil: Tariff
Brazil: Certification
Canada: Cost of Service Mark-up
Cayman Islands: Tariff
Chile: Tariff
China: Tariff
Colombia: Tariff
EU: Tariff
EU: Domestic Supports
EU: Export Subsidies
India: Tariff
Indonesia: Tariff

PART I

LISTING BY COUNTRY

ALGERIA

Apples: Tariff (Import Policies)

The Government of Algeria currently imposes a 30% tariff on U.S. apple exports.

Cherries: Tariff (Import Policies)

The Government of Algeria currently imposes a 30% tariff on U.S. cherry exports.

Pears: Tariff (Import Policies)

Pear exports to Algeria are restricted by a 30% tariff.

Dairy: Health Certificate Testing Requirements (Standards, Testing, Labeling & Certification)

In 2006 the Government of Algeria revised its dairy products health certificate requirements to include several unnecessary testing requirements. For example, Algeria requires dairy products to be tested and certified as being below very specific levels of radiation. This requirement only serves as a barrier to trade as it does not address any legitimate consumer health and safety concern given the lack of any radiation risk posed by U.S. dairy products.

The Algerian health certificate issue is significant for Washington dairy exporters because the country is one of the world's largest buyers of skim milk powder and the largest importer of whole milk powder in the world. Moreover, Algeria is the second most populous country in Africa with an economy that has performed relatively well over the last several years. This economic expansion has led to greater demand for imported dairy products as Algeria has limited domestic milk production.

Currently, U.S. dairy imports can still be imported into Algeria under standard-issue U.S. health certificates, but the industry is concerned that the Government of Algeria will discontinue this practice. Alternatively, the Government of Algeria could accept the recently approved CODEX Model Dairy Certificate. This proposal has been put forward to Algeria, which participated in CODEX discussions that led to the development of the model certificate that can be used in many countries to address significant health and safety issues typically related to dairy products.

The dairy industry urges USTR and USDA to increase their efforts to resolve the Algerian health certificate issue so that U.S. exporters will be assured that this important market will remain open.

ARGENTINA

Apples: Tariff and Statistical Tax (Import Policies)

Argentina imposes a 10% import duty and a 0.5% statistical tax on imported U.S. apples. By comparison, imports of apples from Argentina's MERCOSUR partners (Brazil, Paraguay and Uruguay) are exempt from the tariff and statistical tax. This tariff and tax discrepancy places U.S. apple exporters at a competitive disadvantage.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that apple exports would increase by less than \$5 million per year if Argentina eliminated the tariff and subsidy program. This estimate is based on current market conditions.

Cherries: Tariff and Statistical Tax (Import Policies)

Argentina imposes a 10% import duty and a 0.5% statistical tax on cherries from the United States. By comparison, imports of cherries from Argentina's MERCOSUR partners (Brazil, Paraguay and Uruguay) are exempt from the tariff and statistical tax. This tariff and tax discrepancy places U.S. cherry exporters at a competitive disadvantage.

Flour: Tariff (Import Policies)

The Government of Argentina imposes a 12% tariff on imported flour. By comparison, flour imports from the other MERCOSUR countries (Brazil, Paraguay and Uruguay) receive duty-free treatment.

Pears: Tariff and Statistical Tax (Import Policies)

The Government of Argentina collects a 10% tariff and a 0.5% statistical tax on pear imports from the United States. By contrast, imports of pears from Argentina's MERCOSUR partners (Brazil, Paraguay and Uruguay) are exempt from the tariff and statistical tax. This tariff and tax discrepancy places U.S. pear exporters at a competitive disadvantage.

Estimated Potential Increase in Exports from Removal of Barrier

Argentina exports a significant quantity of pears to the U.S. market. As a result, the elimination of Argentina's tariff on pears would help level the playing field for the U.S. pear industry, which estimates that pear exports would increase by less than \$5 million per year if the tariff and subsidy programs were eliminated. This estimate is based on current market conditions.

Processed Potatoes: Tariff (Import Policies)

The Government of Argentina imposes 10% to 14% tariffs on potato products from non-MERCOSUR countries. The current tariff on frozen French fries is 14%. Moreover, U.S. exporters are placed at a competitive disadvantage due to the preferential tariffs provided to regional producers. The industry urges Argentina to significantly reduce its tariffs on processed potatoes as part of the ongoing WTO round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

Quick Service Restaurants are making inroads into the Argentine market, increasing the demand for frozen French fries. If U.S. frozen fry exporters were provided with the same level of market access enjoyed by regional competitors, the industry estimates that exports would increase by several million dollars per year.

Wheat: Tariff (Import Policies)

As a member of MERCOSUR, Argentina imposes a 10% tariff on U.S. wheat. By comparison, the tariff rate for wheat trade between MERCOSUR countries is zero.

Wheat Flour: Tariff (Import Policies)

As a member of MERCOSUR, Argentina imposes a 12% tariff on U.S. wheat flour. By comparison, the tariff rate for wheat flour trade between MERCOSUR countries is zero.

Wine: Tariff (Import Policies)

Imported wine from non-MERCOSUR countries faces a 20% tariff and a 0.5% statistical tax.

Apples: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Argentine apple importers are unable to obtain import permits from the Government of Argentina, which apparently suspended imports due to concerns over the transmission of *Erwinia amylovora*, the bacteria that causes fire blight. USDA/APHIS has submitted technical information to the Government of Argentina that documents that the risk of transmitting the bacteria on mature symptomless apples is very low.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that the lifting of the apple import prohibition would lead to less than \$5 million in exports per year.

Cherries: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Argentina prohibits the importation of Pacific Northwest cherries due to concerns about cherry fruit fly and other insect pests. As of this time, the governments of the United States and Argentina have not reached an agreement on a protocol that would cover the procedures for exporting American cherries to Argentina. In 2002 the U.S. government proposed an intensive inspection protocol to verify that cherry shipments are free of known quarantine pests but, as of this time, the Government of Argentina has not reviewed the proposed export protocol.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of the cherry import prohibition would lead to less than \$5 million in exports per year. This estimate is based on sales of cherries to similar markets.

Pears: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Argentine pear importers are unable to obtain import permits from the Government of Argentina, which apparently suspended imports due to concerns over the transmission of *Erwinia amylovora*, the bacteria that causes fire blight. USDA/APHIS has submitted technical information to the Government of Argentina that documents that the risk of transmitting the bacteria on mature symptomless pears is very low.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of the pear import prohibition would lead to less than \$5 million in exports per year.

Seed Potatoes: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The Government of Argentina currently prohibits the importation of U.S. seed potatoes based on unjustified and unscientific reasons. The industry urges the U.S. government to make the lifting of this ban a priority.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of the import prohibition would immediately lead to \$3 million in seed potato exports due to Argentina's large processing industry.

Apples: Export Rebate Subsidy (Export Subsidy)

The Government of Argentina subsidizes fruit exports by means of a rebate program. The rebate is based on the FOB price per MT as declared by the exporter. Exporters of apples in boxes containing 2.5 kilos or less (net weight) receive a 6% rebate. Apple exports in boxes above 2.5 kilos and less or equal to 20 kilos (net weight) are subsidized by a 5% rebate.

Estimated Potential Increase in Exports from Removal of Barrier

Argentina is a significant exporter of fresh apples to the United States and they do not need subsidies when they already enjoy cost of production advantages over U.S. producers. The U.S. industry estimates exports of apples would increase by less than \$5 million per year if Argentina's tariff and subsidy program were eliminated. This estimate is based on current market conditions.

Pears: Export Rebate Subsidy (Export Subsidy)

Argentina subsidizes pear exports by means of an export rebate program. The rebate is based on the FOB price per MT as declared by the exporter. Pear exports in boxes containing 2.5 kilos or less (net weight) receive a 6% rebate. Exports of pears in boxes above 2.5 kilos and less or equal to 20 kilos (net weight) are subsidized by a 5% rebate.

Estimated Potential Increase in Exports from Removal of Barrier

Argentina is a significant exporter of pears to the United States and the country's growers do not need subsidies because they already enjoy cost of production advantages over U.S. producers. The U.S. pear industry estimates that pear exports would increase by less than \$5 million per year if the tariff and subsidy programs were eliminated. This estimate is based on current market conditions.

Wine: Export Rebate Subsidy (Export Subsidy)

The Government of Argentina grants wine exporters a 6% export rebate.

ARMENIA

Apples: Tariff (Import Policies)

The Government of Armenia imposes a 15% tariff on American apples.

Cherries: Tariff (Import Policies)

U.S. cherry exports currently face a 15% Armenian tariff.

Pears: Tariff (Import Policies)

U.S. pear exports currently face a 15% Armenian tariff.

AUSTRALIA

Apples: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Although Australia does not impose tariffs on apple imports, it prohibits their importation from the United States and other trading partners based on plant quarantine concerns. By contrast, Australian apples have access to the U.S. market.

Pacific Northwest growers, packers and shippers have sought market access for over 15 years without success. The main issue is the bacterial disease fire blight. Australia fears that fire blight could be transmitted to the country's domestic crops. However, the United States Agricultural Research Service, in coordination with plant scientists from New Zealand, published research that documents that there is negligible risk of mature, symptomless apples produced under commercial conditions of being a vector for the disease. The findings of this study have been confirmed through the World Trade Organization Dispute Panel proceedings that the United States brought against Japan concerning Tokyo's treatment of American apples. (In the wake of the WTO ruling, Japan removed its fire blight restrictions on U.S. apples.)

In response to a U.S. request that Australia begin an import risk assessment (IRA) for U.S. apples, Biosecurity Australia stated that it would first issue an IRA for New Zealand apples because that country's request preceded that of the United States. Australia, however, committed to modifying any agreement with New Zealand to encompass apple imports from the Pacific Northwest. As a result, the United States has been actively involved in the process for establishing the Australian import requirements for New Zealand apples.

In December 2005, Biosecurity Australia issued a draft pest risk assessment (PRA) for the importation of apples from New Zealand, a country that also has fire blight. In comments submitted to Biosecurity Australia on March 30, 2006, USDA's Animal Plant Health Inspection Service (APHIS) urged Australia to revise the PRA and highlighted numerous instances where it diverged from internationally affirmed science. The proposed quarantine measures would also make it economically unfeasible to export U.S. apples to Australia.

In November 2006, Australia issued its final risk assessment, which ignored most of the concerns of New Zealand and the United States while allowing the importation of New Zealand under the following conditions.

- mandatory pre-clearance and auditing arrangements in New Zealand involving Australian Quarantine and Inspection Service (AQIS) officers;
- freedom from fire blight symptoms - inspection of orchards for any visible fire blight symptoms;
- use of disinfection treatment (e.g. chlorine) in packing houses to prevent contamination of apples with fire blight bacteria;
- freedom from European canker disease - inspection of orchards during autumn or winter after leaf fall;
- freedom from apple leaf curling midge - inspection in New Zealand of a random sample of 3,000 fruit in each export lot; and
- inspection for all other quarantine pests, with remedial action.

As a result of these excessive requirements, in August 2007, New Zealand initiated a WTO case against Australia. As of this time, the WTO dispute panel has not issued an interim ruling.

In October 2009, Biosecurity Australia finally published its pest risk assessment covering Pacific Northwest apples. The PRA contains the same overly restrictive mitigation measures that Australia requires for New Zealand apples. In its present form, the PRA will prevent U.S. apple exports to Australia.

The Washington apple industry believes that Australia's demands are inconsistent with Article II of the SPS Agreement which requires countries to "ensure that any sanitary or phytosanitary measure is applied only to the extent necessary to protect human, animal or plant life or health, is based on scientific principles..."

Estimated Potential Increase in Exports from Removal of Barrier

If Australia lifted the import prohibition, the industry estimates that exports would reach \$5 to \$25 million per year.

Cherries: Regional Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Due to concerns about brown rot and other issues, the Government of Australia prohibits the importation of Pacific Northwest cherries into Western Australia, while allowing importation into the rest of the country.

Fresh Onions: SPS Restriction: (Standards, Testing, Labeling & Certification)

Although Australian importers have shown interest in importing onions, Washington state producers must demonstrate that the product is free of onion smut as a condition for importation.

Pears: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

With the exception of Ya pears and Fragrant Pears from China and Nashi pears from Japan, China and South Korea, the Government of Australia prohibits the importation of pears due to a variety of phytosanitary issues. (The country does not impose a tariff on pear imports.) By contrast Australian pears have access to the U.S. market.

As with apples, the main phytosanitary issue is the bacterial disease fire blight, which Australian officials fear could be transmitted to their own crop. The U.S. position is that mature, symptomless fruit that were produced under commercial conditions have not been shown to transmit the disease. Research supporting this position was published in 2007.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of this import prohibition would lead to less than \$5 million in U.S. pear exports per year based on sales to similar markets.

BAHRAIN

Wine: Tariff (Import Policies)

Despite the implementation of the U.S.-Bahrain Free Trade Agreement on January 1, 2006, U.S. wine exports to Bahrain currently face a 125% tariff.

BANGLADESH

Apples: Tariff (Import Policies)

The Government of Bangladesh applies a 37.5% tariff on imports of U.S. apples. After other taxes are imposed, the actual tax is over 57%.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the elimination of the tariff would lead to an increase of less than \$5 million in additional apple exports. This estimate is based on current market conditions.

Cherries: Tariff (Import Policies)

The Government of Bangladesh imposes a 37.5% tariff on U.S. cherry imports.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the elimination of the tariff would lead to an increase of less than \$5 million in additional cherry exports. This estimate is based on current market conditions.

Pears: Tariff (Import Policies)

Bangladesh collects a 37.5% tariff on U.S. pear imports.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the elimination of the tariff would lead to an increase of less than \$5 million in additional pear exports. This estimate is based on current market conditions.

BARBADOS

Wine: Tariff (Import Policies)

The Government of Barbados applies a \$1.33 per liter customs duty on U.S. table wine and a \$1.43 per liter tariff on sparkling wine. In addition, the Government of Barbados imposes a 20% surcharge on all wine products and a 10% stamp duty on table wines and sparkling wines. As a result of these fees, imported wines have a difficult time competing with domestically produced wines.

BOLIVIA

Apples: Tariff (Import Policies)

The Government of Bolivia imposes a 15% tariff on apple imports. U.S. exports are at a competitive disadvantage because apple imports from the other Andean Community countries (Colombia, Ecuador, and Peru) and MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay and Venezuela) are not assessed any tariff by the Bolivian government. Furthermore, Chilean apple imports enter the country duty-free under a bilateral trade agreement with Bolivia. As a result of these duty-free arrangements, U.S. apples are in effect excluded from the Bolivian market for most of the year.

Estimated Potential Increase in Exports from Removal of Barrier

In the event that the tariff is eliminated, the industry estimates that U.S. exports would increase by less than \$5 million a year based on current market conditions in the country.

Cherries: Tariff (Import Policies)

The Government of Bolivia collects a 15% tariff on cherry imports from the United States. Imports of fruit from the other members of the Andean Community (Colombia, Ecuador, and Peru) and MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay and Venezuela), as well as fruit from Chile, enter Bolivia duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

In the event that the tariff is eliminated, the industry estimates that U.S. cherry exports would increase by less than \$5 million a year based on current market conditions in the country.

Pears: Tariff (Import Policies)

U.S. pear exports to Bolivia face a 15% tariff. Exports of fruit from other Andean Community countries (Colombia, Ecuador, and Peru) and MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay, and Venezuela), enter Bolivia duty-free. Chilean pears also receive duty-free treatment under a bilateral trade agreement.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Bolivia, the industry estimates that U.S. pear exports would increase by less than \$5 million a year if Bolivia eliminated the tariff.

BRAZIL

Apples: Tariff (Import Policies)

Brazil imposes a 10% duty (CIF) on imports of apples from the United States. Imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) have a competitive advantage because tariffs on their apples were eliminated on January 1, 1995. Furthermore, apple imports from the countries of the Latin American Integration Association (ALADI), Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela receive preferential tariff rates.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Brazil, the industry estimates that U.S. apple exports would increase by less than \$5 million a year if Brazil removed the tariff.

Cherries: Tariff (Import Policies)

The Government of Brazil assesses a 10% duty (CIF) on imports of U.S. fresh sweet cherries. Imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) have a competitive advantage because tariffs on these products were eliminated on January 1, 1995. Furthermore, fruit imports from the countries of the Latin American Integration Association (ALADI), Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela receive preferential tariff rates.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Brazil, the industry estimates that U.S. cherry exports would increase by under \$5 million a year if the country eliminated the tariff.

Dairy Products: Tariff (Import Policies)

Brazil maintains high tariffs (14% to 30%) on dairy products. It appears that the high tariffs are due to political pressure from Brazilian dairy producers who believe that domestic processors import whey to blend with Ultra High Temperature milk.

Flour: Tariff (Import Policies)

The Government of Brazil imposes a 12% tariff on imported flour. By comparison, flour imports from the other MERCOSUR countries (Argentina, Paraguay and Uruguay) receive duty-free treatment.

Fresh Potatoes: Tariff (Import Policies)

As a member of MERCOSUR, Brazil maintains a Common External Tariff (CET) of 10% on imports of fresh potatoes from the United States.

Pears: Tariff (Import Policies)

Brazil imposes a 10% duty (CIF) on imports of pears from the United States. Imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) have a competitive advantage because tariffs on pears were eliminated on January 1, 1995. Furthermore, pear imports from the countries of the Latin American Integration Association (ALADI), Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela receive preferential tariff rates.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Brazil, the industry estimates that U.S. pear exports would increase by under \$5 million a year if the country removed the tariff.

Wheat: Tariff (Import Policies)

As a member of MERCOSUR, Brazil imposes a 10% tariff on U.S. wheat, which places our wheat growers at a competitive disadvantage as the tariff level for trade between MERCOSUR countries is zero. As a result, Argentina typically provides Brazil with 90% of the country's wheat import needs. On occasion, the Government of Brazil suspends the tariff on U.S. wheat, usually when Argentina is not able to meet Brazil's demand.

Whey Powder: Tariff (Import Policies)

The Government of Brazil imposes a 14% tariff on U.S. whey powder (HTS 0404.10).

Wheat Flour: Tariff (Import Policies)

As a member of MERCOSUR, Brazil imposes a 12% tariff on U.S. wheat flour. By comparison, the tariff rate for wheat flour trade between MERCOSUR countries is zero. The tariff is a significant barrier for U.S. wheat exporters as Brazil is the largest wheat importer in the world, but imports 90% of its wheat from Argentina at a zero tariff.

Wine: Tariff (Import Policies)

The Government of Brazil imposes a 27% ad valorem tariff on imported wine for bottles that contain two liters or less. Regional wine producers have a competitive advantage as wine imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) enter Brazil duty-free.

Dehydrated Potatoes: Sulfite Tolerance (Standards, Testing, Labeling & Certification)

Brazil has not established a sulfite food additive tolerance for dehydrated potatoes. As a result, the American dehydrated potato products industry cannot use sulfites in products exported to Brazil. The industry is hoping that Brazil will establish a sulfite tolerance at the internationally-accepted standard of approximately 500 ppm.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year the U.S. industry exported \$3.2 million in dehydrated potato products to Brazil. If Brazil establishes a sulfite tolerance, the industry expects a significant increase in exports.

Wheat: SPS Restrictions (Standards, Testing, Labeling & Certification)

At the present time, Brazil only allows the importation of certain classes of wheat and excludes shipments from West Coast ports mainly due to concern over flag smut (*urocystis agropyri*) and *cephalosporium stripe*. Brazil maintains this import ban even though it allows the importation of wheat from Argentina where flag smut is present. In addition, *cephalosporium stripe* requires the repeated freezing and thawing of the ground in the spring to cause root damage, which is unlikely to occur in Brazil and is very unlikely to be conveyed in grain shipments.

These restrictions are counter to the non-discriminatory and scientific principles of the WTO SPS Agreement. When APHIS has tried to negotiate the removal of these phytosanitary restrictions, Brazil's response has been to raise a whole host of new potential phytosanitary requirements which have no history of being a problem in the United States. This impasse has lasted for over ten years with little sign of progress.

Wine: Certification (Standards, Testing, Labeling and Certification)

The Government of Brazil imposes onerous and costly certification requirements for wine. In addition, as of 2007, the Government of Brazil requires certificates of analysis to accompany wine imports. These certificates are to include analyses of ten different compounds. The U.S. wine industry believes this requirement is superfluous and not in keeping with international standards.

CANADA

Dairy Products: Tariff Rate Quotas (Import Policies)

Although NAFTA has been fully implemented some U.S. dairy products still face restrictive Canadian TRQs. They are as follows:

Dairy Product	Access in tons	Tariff Item Number (to 6-digit)
Milk Protein Substitutes	10,000	0350.40
Fluid Milk*	0	0401.10, 0401.20
Cream, not concentrated, no sugar, (heavy cream)	394	0401.30
Skim Milk Powder	0	0402.10.10
Whole Milk Powder whether sweetened or not	0	0402.21, 0402.29
Concentrated and Evaporated milk	12	0402.91, 0402.99
Yogurt	332	0403.10
Powdered Buttermilk	908	0403.90
Liquid Buttermilk, Sour Cream	0	0403.90
Dry Whey	3,198	0404.10
Products consisting of natural milk	4,345	0404.90
Butter, fats and oil from milk	3,274	0405.10, 0405.90
Dairy Spreads	0	0405.20
Cheese	20,412	0406
Ice Cream Mixes	0	1806.20, 1806.90
Food Prep. With Milk Solids	70	1901.90
Food prep. with \geq 25% ms; not for retail sale	0	1901.20
Ice Cream and other edible ice	484	2105.00
Milk cream and butter subs.	0	2106.90
Non-alcoholic beverages containing milk	0	2202.90
Complete feeds and feed supplements	0	2309.90

*There is no commercial TRQ for fluid milk. However, access of 64,500 tons is allowed for cross-border consumer imports.

Fresh Potatoes: Antidumping Duties (Import Policies)

The Canadian government has imposed antidumping duties on fresh potato imports from Washington, Oregon, California, and Idaho into British Columbia since 1984. The Pacific Northwest (PNW) industry has unsuccessfully contested these dumping allegations and the Canadian methodology for calculating dumping duties in dumping reviews, which take place every five years (1984, 1986, 1990, 1995, 2000 and 2005.)

Under the most recent ruling (September 2005) by the Canadian International Trade Tribunal, (CITT,) antidumping duties must be paid on U.S. potatoes entering British Columbia when the price is below a threshold called the “normal value.” However, the revised ruling now includes three exemptions for fresh potatoes. First, tariffs are not imposed during the May 1 through July 31 time period when British Columbia growers have few potatoes to sell. Second, the CITT excluded fresh potatoes with red skin or yellow skin as well as those considered exotic potato varieties. Third, the CITT excluded most fresh russet potatoes packaged in 50-pound count cartons (40, 50, 60, 70 and 80).

Fresh potatoes that still face antidumping duties are white-skinned potatoes and russet-skinned potatoes sold in: (1) some count carton sizes and (2) non-size A packs also known as ‘consumer packs’ or ‘strippers.’ Russet consumer packs have made up a large portion of Washington potato exports to British Columbia.

In December 2009, the CITT initiated an Expiry Review Investigation to determine whether antidumping duties should remain in place. In preparation for the next 5-year determination, the Canadian Border Service Agency (CBSA) has begun its review of normal values that established the value of potatoes for the 2007/2008 marketing year. This calculation will be used as a benchmark to determine if future potato exports are being dumped in British Columbia. Once established, CBSA has used this value for a period of five years.

Dairy Products: Cheese Standards (Standards, Testing, Labeling and Certification)

Canada is the U.S. dairy industry’s second largest foreign market and Canadian food processors have become increasingly interested in purchasing competitively priced U.S. dairy ingredients in recent years. Although Canadian demand has increased and NAFTA and the WTO Uruguay Round Agreement on Agriculture have been fully implemented, significant dairy trade barriers remain in place.

In response to complaints from domestic dairy producers, the Government of Canada adopted revised standards for cheese, which set a minimum level of raw milk to be used to produce various cheeses and introduced specific compositional standards by type of cheese. As a result, dried ingredients are only allowed after the minimum casein content established by the new regulations has been met by fluid milk products. These new standards have lowered Canadian dairy producer demand for dried dairy ingredients, particularly whey products and milk protein concentrates. In addition, in many cases, U.S. cheese producers have had to undertake costly and difficult product

reformation processes specifically to meet the new Canadian standards in order to continue to export to that country.

Fresh Potatoes: Pesticide MRLs (Standards, Testing, Labeling and Certification)

The Government of Canada is preparing to replace its general 0.1 ppm (default) pesticide tolerance and replace it with new pesticide maximum residue levels (MRLs). As a sovereign country, Canada is within its right to undertake such an action. Given the amount of trade between the United States and Canada, however, the U.S. potato industry urges Health Canada's Pest Management Regulatory Agency (PMRA) to implement the policy in manner that avoids trade disruptions. The U.S. industry was pleased when in 2009, the PMRA announced that it would retain the default tolerance while additional MRLs were being established. The U.S. fresh potato industry is hopeful that Canada's approach could involve the adoption of U.S. MRLs at or under 0.1 ppm or establishing a multi-year transition period to allow for establishment of new MRLs.

Estimated Potential Increase in Exports from Removal of Barrier

Canada is the largest foreign market for U.S. fresh potatoes, with exports reaching \$96.8 million during the 2008-2009 marketing year. In the event that either the Potato Cyst Nematode or MRL issues are not resolved, a significant portion of this market will be lost.

Fresh Potatoes: Potato Cyst Nematode (Standards, Testing, Labeling and Certification)

U.S. and Canadian officials are working to reach an agreement that addresses finds of Potato Cyst Nematode (PCN) that have occurred on both sides of the border. The biggest concern is the need to establish a scientifically-based protocol that mitigates the risk of the movement of seed potatoes because their planting represents one of the primary routes for transmission of PCN. After reviewing the scientific literature, the industry believes that testing at the 5 pound or 2,000 cc level offers the best option for facilitating trade in seed potatoes consistent with the proper phytosanitary protections.

Estimated Potential Increase in Exports from Removal of Barrier

Canada is the largest foreign market for U.S. fresh potatoes. During the 2008-2009 marketing year, U.S. fresh potato exports to Canada reached \$96.8 million. In the event that either the PCN or MRL issue is not resolved, a significant portion of this market will be lost.

Red Raspberries: Bifenthrin MRL (Standards, Testing, Labeling and Certification)

The Washington state red raspberry industry is concerned that Canada's pesticide tolerance policy for bifenthrin could block exports. The U.S. pesticide maximum residue level (MRL) tolerance is 1.0 ppm and residuals are typically in the 0.04 to 0.20 range. Although Canada has not established a specific MRL for bifenthrin, the default tolerance of 0.10 ppm could present an obstacle to trade.

Red Raspberries: Hexythiazox MRL (Standards, Testing, Labeling and Certification)

The Washington state red raspberry industry is concerned that Canada's pesticide tolerance policy for hexythiazox could block exports. The U.S. pesticide maximum residue level (MRL) is 1.0 ppm. Although Canada has not established a specific MRL for bifenthrin, the default tolerance of 0.10 ppm could present an obstacle to trade.

Red Raspberries: Thiamethoxam MRL (Standards, Testing, Labeling and Certification)

Canada has established a pesticide maximum residue level (MRL) for thiamethoxam of 0.02, which is well above the U.S. standard of 0.35 ppm. This MRL could present an obstacle to trade. Variance in national MRL forces Washington raspberry growers to isolate crop destined for the Canadian market through the picking, processing, and cold storage phases of production.

Wine: Domestic Supports (Subsidies)

Alcohol sales in Canada are governed by a system of government controlled monopolies (liquor control boards), which often provide direct and indirect subsidies to Canadian producers. In 2007 for example, the Liquor Control Board of Ontario (LCBO) started a 3-year, \$10 million support program that subsidizes 30% of the cost of wine made from Ontario-grown grapes and sold in LCBO stores. In addition, the LCBO subsidizes the province's wine producers in other ways including waiving the retail sales markups and freight costs for its producers and providing store support such as preferential shelf space.

Fresh Potatoes: Restrictions on Bulk Shipments (Other)

Canada has heavily regulated the importation and inter-provincial shipment of agricultural products. Specifically, Canada's Standard Container Law, which is part of the Fresh Fruits and Vegetable Regulations of the Canadian Agricultural Products Act, prohibited the importation of U.S. fresh potatoes into Canada for processing or consumption in bulk quantities (over 50 kilograms) unless a special "Ministerial Exemption" was granted by the Canadian Food Inspection Agency (CFIA).

Ministerial Exemptions have been granted on a shipment-by-shipment basis and only if equivalent product was not available in Canada. In practice, Ministerial Exemptions have been used to discriminate against U.S. suppliers by allowing domestic suppliers to block exemption requests if they could demonstrate that local supplies in the receiving province or "neighboring provinces" were adequate to meet the demand. The CFIA interpreted the term "neighboring province" to be regional in scope. For example, although they do not border one another, Manitoba was considered a neighboring province of Alberta. In several instances potato growers in Manitoba used this provision to block shipments of U.S. potatoes to two processors in Alberta even though Alberta potato growers supported the request for a Ministerial Exemption.

U.S. exporters also face different rules than Canadian potato producers with respect to Ministerial Exemptions. The bulk shipment prohibition did not apply to Canadian potatoes shipped within a province. Moreover, only the receiving province had to approve a shipment of potatoes from another province in order to receive a Ministerial Exemption. By contrast, all provinces had to approve a Ministerial Exemption for an import of U.S. potatoes to be approved, allowing one province to veto any import of U.S. bulk potatoes. The restrictions appeared to be inconsistent with the WTO "national treatment" provisions (GATT Article III) and NAFTA Article 301 because they treated U.S. potatoes less favorably than they do Canadian potatoes.

At the end of October 2007, the United States and Canada announced an agreement that should provide U.S. potato growers with predictable access to Canadian Ministerial exemptions to allow the importation of potatoes. Under this agreement, in year three, 60-day forward contracts between Canadian processors and U.S. growers will be allowed as a demonstration of sufficient evidence of a shortage of Canadian potatoes. If properly and fully implemented, the agreement will open trade for U.S. potato exports in a fairer and less-trade restrictive manner. Although the last stage was due to be implemented on November 1, 2009, not enough time has passed to evaluate the success of the agreement.

Estimated Potential Increase in Exports from Removal of Barrier

The bulk exemption requirement has restricted U.S. growers' access to the large potato processing market in Canada, while low-priced potatoes from Canada have entered the U.S. market with no similar restriction. The U.S. industry estimates that the prohibition on bulk shipments and the onerous exemption requirements for a Ministerial Exemptions has cost U.S. potato growers \$25 to \$30 million a year in lost sales.

Wheat: Canadian Wheat Board: (Other)

The Canadian Wheat Board (CWB), a government backed state trading enterprise (STE), has exclusive control over the purchase of wheat in western Canada destined for domestic consumption and is also the sole exporter of grain. The pricing policies of the CWB are not transparent. In addition, the CWB sets transportation and marketing costs, which are frequently supported by the Government of Canada. The activities of the CWB distort wheat markets and injure U.S. wheat producers by reducing the price and increasing the volume of Canadian wheat exports to third countries.

Wine: Cost of Service Mark-up (Other)

Provincial Liquor Control Boards (LCBs) are responsible for the administration of alcohol sales in Canada and impose a "cost of service" mark-up. They often waive the retail sales mark-up for local producers.

CAYMAN ISLANDS

Wine: Tariff (Import Policies)

The Cayman Islands currently imposes a \$3.00 per liter duty on all imported wine. Despite this tariff, U.S. wine exports to the Cayman Islands reached \$3.3 million in 2008.

CHILE

Wheat: Tariff (Import Policies)

Under the U.S.-Chile Free Trade Agreement, U.S. wheat exports still face a 6% tariff, which is the same duty faced by other countries with bilateral agreements with Chile. The tariff on U.S. wheat, however, is scheduled to be eliminated by 2012 under the bilateral agreement.

Wine: Tariff (Import Policies)

Under the U.S.-Chile FTA, signed in 2003, U.S. wines faced a 6% ad valorem duty in 2008. Starting in 2011, the Chilean tariff on U.S. wine will be reduced to 3.3% under a tariff phase-out provision of the bilateral trade agreement. Under the tariff schedule, the tariff will be completely eliminated in 2016. Although the tariff is scheduled to be phased out, the delay still presents an obstacle to exporting wines to Chile.

Cherries: Phytosanitary Import Prohibition (Standards, Testing, Labeling and Certification)

Chile prohibits the importation of cherries due to alleged phytosanitary reasons.

Pulses: Phytosanitary Import Restriction on Chickpeas, Lentils and Peas (Standards, Testing, Labeling and Certification)

Chile requires imports of U.S. peas, lentils and chickpeas to be fumigated as a condition of entry into the country. U.S. researchers have determined that the United States does not have significant numbers of insects of concern to necessitate fumigation. The Bruchidae family, commonly referred to as storage weevils, is the main insect group of concern to Chile. Pulse imports from Canada, the U.S. industry's main competitor, are not subject to the fumigation requirement.

CHINA

Alfalfa: Tariff (Import Policies)

China currently imposes a 9% tariff on imports of U.S. alfalfa bales and cubes on top of a 13% value-added-tax. Dairy farmers in southern China, in particular, have displayed increasing interest in purchasing U.S. alfalfa but the tariff is a deterrent.

Apples: Tariff and VAT (Import Policies)

Under China's WTO accession agreement, the country agreed to reduce the tariff on U.S. apple imports from 30% to 10% in 2004. Although the tariff has been reduced, it still is a barrier to exports to China. In addition, China collects a 13% value added tax (VAT) on imported apples which the U.S. industry believes is likely not collected on Chinese apples. Discriminatory treatment between the collection of the VAT on imported and domestic apples places U.S. apples at a distinct pricing disadvantage. Failure to ensure equal tax treatment would be a violation of the WTO's national treatment provision.

In addition, under the China-New Zealand Free Trade Agreement, which took effect on October 1, 2008, China's import duties on New Zealand apples will be reduced by two percent each year over the following four years until they are eliminated in 2012. This disparity in tariff treatment between New Zealand and U.S. apples, puts Washington growers at a distinct disadvantage.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions, the industry estimates that apple exports would increase by \$5 million to \$25 million a year if the tariff and the phytosanitary prohibition on certain apple varieties were eliminated.

Beef: Tariff (Import Policies)

Prior to China's accession to the WTO, the country imposed a 45% duty on beef imports. Under the accession agreement the tariff was reduced to 12% in 2004. Although the tariff issue is still significant, the sanitary import prohibition following the BSE finding in the United States makes the tariff issue moot. The USITC estimates that the tariff on beef led to a loss of \$19 million in US exports during the 2004-2007 time period.

Cherries: Tariff and VAT (Import Policies)

As part of its WTO accession commitments, China agreed to reduce the tariff on U.S. cherry imports from 30% to 10% in 2004, which is still high enough to restrict U.S. exports. In addition, China collects a 13% value added tax (VAT) on imported cherries, which the U.S. industry suspects is probably not collected on Chinese cherries. Failure, to ensure equal tax treatment would be a violation of the WTO's national treatment provision.

U.S. cherries are also at a competitive disadvantage because under free trade agreements Chilean cherries will enter China duty-free in 2010, while New Zealand cherries will not face duties starting in 2012.

Estimated Potential Increase in Exports from Removal of Barrier

Based on an assessment of current market conditions in China, the cherry industry estimates that annual exports would increase by less than \$5 million per year if China eliminated the tariff.

Dairy: Tariff and VAT on Cheese (Import Policies)

The Government of China imposes a 12% tariff on imported cheese.

Dairy: Tariff and VAT on Ice Cream (Import Policies)

The Government of China imposes a 19% tariff on imported ice cream.

Dairy: Tariff and VAT on Skim Milk Powder (Import Policies)

The Government of China imposes a 10% tariff on imported skim milk powder.

Fresh Potatoes: Tariff (Import Policies)

Under China's WTO accession agreement, the tariff on fresh potatoes was bound at 13% on July 1, 2004. The tariff issue, however, is moot until the phytosanitary ban on U.S. fresh potatoes is lifted.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. potato industry estimates that opening of the market to fresh potatoes would lead to less than \$5 million in exports in the short-term.

Malt Barley: Tariff (Import Policies)

U.S. malt barley exports to China currently face a 10% tariff.

Peaches: Tariff (Import Policies)

China currently imposes a 10% tariff on U.S. peaches, which is down from the 30% tariff imposed prior to the country's accession to the WTO. In 2009, Chilean peaches faced a 2% tariff and New Zealand cherries faced a 6% tariff under bilateral trade agreements. The tariff issue, however, is moot since the PRC currently prohibits the importation of U.S. peaches.

Pears: Tariff (Import Policies)

Under the WTO accession agreement, China reduced the tariff on U.S. pears to 10% in 2004. (Fresh fruit imports also are subject to a 13% value-added tax, which the U.S. industry suspects is probably not collected on much of China's domestic crop.) At the present time, however, the tariff issue is moot because Beijing maintains a phytosanitary import ban against U.S. pears.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the U.S. pear exports would increase by less than \$5 million per year if China eliminated the tariff and phytosanitary import prohibition.

Plums: Tariff (Import Policies)

Although Beijing prohibits the importation of peaches, nectarines and apricots, it does allow the importation of U.S. plums. U.S. plum exports, however, face a 10% tariff. By contrast, in 2009, Chilean plums faced a 2% tariff and New Zealand plums faced a 6% tariff under bilateral trade agreements. In 2008, U.S. plum exports to China reached \$2.9 million, while those from Chile have grown from zero in 2006 to \$9.2 million in 2007 before dropping to \$8.4 million in 2008. The success of Chilean plum exports to China can be at least partially attributable to the competitive advantage gained by the lower tariff.

Pulses: Tariff and VAT on Chickpeas, Lentils and Peas (Import Policies)

China maintains a 5% tariff on imported peas (HTS 0713.1090) and a 7% tariff on Chickpeas (HTS 0713.2090) and lentils (HTS 0713.4090). The tariff on these products is compounded by a 13% VAT.

Potato Products: Tariff (Import Policies)

Despite the tariff concessions contained in China's WTO accession agreement, significant tariff obstacles to exporting potato products remain. Most significantly, the current tariff on U.S. frozen French fries is 13% while the tariff on dehydrated potato products is 15%. The Chinese tariffs on these and other potato products are reflected in the following table:

Product	Pre-accession Duty	Current 2004
Dehydrated potato flakes and granules (HS 1105.20)	30%	15%
Potato flour, meal and powder (HS 1105.10)	27%	15%
Fresh or chilled potatoes (HS 0701.90)	13%	13%
Frozen potatoes (HS 0710.10)	13%	13%
Non-Frozen, prepared/preserved potatoes including chips (HS 2005.20)	25%	15%
Frozen Fries (HS 2004.10)	25%	13%
Potato Starch (HS 1108.13)		15%

The U.S. industry urges that the tariffs on potato products be eliminated as part of the ongoing round of WTO negotiations. Moreover, the United States government should also ensure that China's 17% VAT is being applied equally to domestic potato products as well as to imported products. Moreover, it has been reported that China has levied the VAT twice, once on the CIF value of the imported product and a second time on the combined value of the CIF of the goods plus the 17% VAT and the applicable tariff.

In addition, U.S. potato product exports have been placed at a competitive disadvantage due to the terms of a free trade agreement signed between New Zealand and China on April 7, 2008. Under this agreement, Beijing agreed to reduce its tariff on New Zealand potato products according to the following schedule.

Year	China tariff on NZ Fries (HS 2004.1)
Base Rate (MFN Rate applied to US)	13%
2008	10.4%
2009	7.8%
2010	5.2%
2011	2.6%
2012	0%

Year	China tariff on NZ potato flakes, granules, and pellets (HS 1105.2)
Base Rate (MFN Rate applied to US)	15%
2008	12%
2009	9%
2010	6%
2011	3%
2012	0%

Year	China Tariff on NZ potatoes, preserved o/t by vinegar or acetic acid, not frozen (HS 20005.2)
Base Rate (MFN Rate applied to US)	15%
2008	12%
2009	9%
2010	6%
2011	3%
2012	0%

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008 – 2009 marketing year, U.S. frozen potato product exports to China reached \$34.9 million, while U.S. dehydrated potato products exports reached \$1.2 million. As a result, China is now the industry’s fourth largest and one of the fastest growing overseas markets. If China eliminated tariffs on U.S. frozen potato products and maintained WTO-consistent import standards, the industry estimates that annual exports could reach \$75 million within five years.

Wheat: TRQ (Import Policies)

U.S. wheat exports are currently restricted by a 9.6 million MT TRQ. The above-quota tariff is 65%, which prohibits any exports above the tariff level. In addition, the process of determining which applicants receive part of the TRQ, whether state trading enterprises (STEs) or non-STEs, remains non-transparent. No Chinese STE TRQs go to non-national trading corporations, private mills or non-state controlled entities. Under China's WTO accession agreement and the accession working party, while STE-TRQs must use a state-designated buying agent to purchase the commodity, there is no limit place on the recipients (state or non-state).

As a result of these policies, the U.S. wheat industry has been disappointed by the fill rate of the TRQ.

Wine: Tariff (Import Policies)

Under China's WTO accession agreement, the tariff on bottled wine fell from 24.2% in 2003 to 14% in 2004, while the tariff on bulk wine is 20%. Despite the reduction, the tariff still presents a barrier to U.S. wine exports. In addition, imported wines face a 17% VAT and 10% consumption tax. The total import tax on wine totals 48.2%. This tax burden makes it difficult to compete with heavily subsidized European wines. Frequently, the tariff rate actually assessed varies from the official rate published by Chinese Customs. Taxes are imposed extremely arbitrarily, depending on the industry involved and the port of entry.

Apples: Phytosanitary Varietal Import Prohibition (Standards, Testing, Labeling & Certification)

Although Washington state first began exporting apples to China in 1994, it is still only allowed to ship Red and Golden Delicious apples. The United States has been seeking market access for all apple varieties since the early 1990s but the negotiations have stalled due to China's concerns about fire blight. With the 2005 World Trade Organization ruling against Japan's fire blight restrictions on U.S. apple imports, China should permit the entry of all apple varieties. Further delay is unjustified.

In addition, China allows market access for all apple varieties from other countries, including New Zealand, even though such countries have fire blight.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, the Pacific Northwest directly exported 658,000 forty-two pound apple cartons, worth \$11 billion (FOB) directly to China. The industry estimates that exports would increase by \$5 million to \$25 million in the near term once the apple varieties and fungal quarantine issues are resolved.

Apples: Post-Harvest Decay Organisms/Shipper Suspensions (Standards, Testing, Labeling & Certification)

From 2008 to 2009, Beijing suspended several Pacific Northwest apple shippers due to alleged Chinese detections of a post-harvest fungus. These shipper suspensions are inconsistent with the terms of an earlier agreement with China which stipulates that only orchards, not shippers, will be suspended for quarantine issues. The U.S. apple industry also has numerous questions regarding the veracity of the reported pest interceptions.

Although during the 2009 USDA-AQSIQ plant health negotiation, China committed to only suspend orchards and not shippers, it has subsequently sent notifications suspending shippers. USDA's Animal and Plant Health Inspection Service (APHIS) has petitioned the Chinese government to reinstate the suspended packing houses, citing insufficient evidence of pest presence, possible confusion over what was actually detected, and APHIS' failure to detect the disease/pest in orchards in which the shipments originated.

The Washington apple industry urges China to adhere to its commitments to the United States by immediately reinstating the suspended shippers and by only taking action against orchards when there is concrete evidence of a pest find. Furthermore, China should not use suspensions as a political tool to extract quarantine market access concessions from the United States, as it had done in the past..

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, the Pacific Northwest directly exported 658,000 forty-two pound apple cartons, worth \$11 billion (FOB) to China. The industry estimates that exports would increase by \$5 million to \$25 million in the near term once the apple varieties and fungal quarantine issues are resolved.

Apricots: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

U.S. apricots do not have market access to China due to alleged phytosanitary concerns.

Beef: Sanitary Import Prohibition (Standards, Testing, Labeling & Certification)

In December 2003, after the bovine spongiform encephalopathy (BSE) detection in a cow imported into the United States from Canada, China banned the importation of American beef. The import prohibition not only covered beef but also low-risk bovine products such as bovine semen and embryos, protein-free tallow, and non-ruminant origin feeds and fats, which should pose no risk for BSE under international standards.

In August 2007, Beijing proposed lifting the ban on U.S. bone-in beef and deboned beef from cattle less than 30 months of age. The offer also included offals (heart, liver, lung, kidney and sinew.) Although China became a member of World Organization for Animal Health (OIE) in May 2007, it has not followed OIE guidelines regarding beef trade and BSE. For this reason, the United States did not accept China's offer because the continued BSE-related restrictions on animal age and other products are not based on science and international standards.

Beijing's offer also was made after the OIE designated the United States as a "BSE controlled" country in May 2007. OIE's new guidelines also indicate that the full range of beef and beef products are tradable regardless of the BSE status of a country, so long as specified risk materials (SRM), appropriate to the risk category of the country, are hygienically removed. Depending upon the BSE category of a country ("undetermined risk," "controlled risk," and "negligible risk", and the age of the animal, varying amounts of SRMs must be removed. U.S. processing plants have followed OIE guidelines for SRM removal and the United States has presented evidence to China that it follows other OIE guidelines such as the ruminant feed ban. As of this time, however, the issue remains unresolved.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that annual direct beef exports to China would reach \$200 million if the PRC lifted the ban.

Dairy: Sorbic Acid Standards for Cheese (Standards, Testing, Labeling & Certification)

China's sorbic acid standard of 1.0 ppm presents a considerable barrier to U.S. cheese exports and Chinese officials have rejected several cheese shipments. Sorbic acid is used in processed cheese to inhibit mold and yeast production to extend the shelf life.

China's standard is much stricter than that of Codex Alimentarius, the internationally recognized standards setting agency for food, which allows sorbic acid to be present at 3.0 ppm for processed cheese. The WTO Sanitary and Phytosanitary Agreement allows countries to establish standards that are stricter than those established by international standard setting bodies, but these tougher standards must have a scientific justification. The Government of China has not lived up to the SPS Agreement scientific justification requirement.

Frozen French Fries and Dehydrated Potato Products: Certificate of Quality and Condition (Standards, Testing, Labeling & Certification)

Starting in 2002, the Government of China began to require frozen French fry and dehydrated potato product shipments be accompanied by a USDA Agricultural Marketing Service (AMS) Certificate of Quality and Condition. This document requirement was in lieu of China's earlier inappropriate demand for a phytosanitary certificate for processed potatoes. The Certificate of Quality and Condition is unnecessary as it serves no purpose while becoming increasingly expensive to obtain. No other foreign market has the same requirement. The U.S. processed potato industry seeks the immediate elimination of this requirement.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008 – 2009 marketing year, U.S. frozen potato product exports to China reached \$38 million, making it the fourth largest overseas market. During this same time period U.S. dehydrated potato product exports reached \$1.2 million. If China maintained WTO-consistent and transparent import regulations, the industry estimates that annual exports could reach \$75 million.

Genetically Modified Products: Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, China bans the import of GMO products. As a result, one large Washington wholesaler/consolidator does not export any products containing tomatoes or corn. This greatly limits the export of cereals, popcorn and chips. Corn flakes, for example, are considered a GMO product and enter China only through the "gray market." For the same reason, Kraft food products are not exported to China. The only products the company sells in China are those that it manufactures in China.

Nectarines: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

U.S. nectarines are prohibited from being imported into China because of phytosanitary concerns.

Peaches: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

U.S. peaches do not have market access to China due to alleged phytosanitary concerns.

Pears: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, China prohibits the importation of pears due to alleged concerns that it could lead to the transmission of the bacterial disease fire blight to the country’s domestic crop. Research published by Oregon State University in 2007 demonstrates that mature, symptomless fruit do not transmit the disease.

The U.S. pear industry, in cooperation with APHIS, has been seeking market access to China since 1991. In 1995 the United States requested a pest risk assessment (PRA) from China. China indicated that it started work on the PRA in March 1997 and requested additional data on U.S. pear production areas. During the bilateral negotiations in July 2000, China stated that it had never received a PRA request from the United States. Following the meeting, the United States supplied China with a copy of the 1995 PRA request.

In July 2009, the PRC finally provided its PRA on U.S. pears and the two governments are now involved in technical exchanges to address PRC’s stated quarantine concerns. In the meantime, much to the frustration of the U.S. pear industry, China has obtained access to the U.S. market for the country’s Ya and Fragrant pears. Since the opening of the U.S. market, Chinese pear exports to the United States have expanded rapidly as shown in the following table.

	Cartons in Thousands (44 lb. Equivalents)	Value in Millions USD
1998	16.4	\$0.328
1999	104.9	\$2.01
2000	263.2	\$3.75
2001	328.6	\$3.56
2002	289.3	\$3.29
2003	356.4	\$4.39
2004	5.4	\$0.069
2005	1.5	\$0.090
2006	391.1	\$8.25
2007	752.8	\$18.2
2008	597.7	\$12.3

Estimated Potential Increase in Exports from Removal of Barrier

The Pear Bureau of the Northwest estimates that direct access to the Chinese market will lead to initial exports ranging from 100,000 to 150,000 cartons, valued at up to two million per year. Washington pear growers produce pear varieties that are not grown in China, including some red varieties that should be very popular in China’s major cities. The industry believes that red and green Anjou pears, as well as the Starkrimonson variety, should do particularly well in China.

Potato Products: Import Regulations (Standards, Testing, Labeling & Certification)

In recent years China has detained and destroyed loads of processed potatoes for highly questionable reasons, misapplying a Chinese snack regulation to U.S. processed potatoes and making highly questionable claims that the product did not meet these standards. Moreover, the Government of China rushed to destroy the product before allowing the situations to be reviewed and resolved.

The U.S. processed potato industry believes their sales to China should continue to rapidly expand if China complies with its WTO commitments but it is concerned that the country's food import regulations might imperil this trend. The U.S. potato products industry urges the U.S. government to work with their counterparts in China to ensure that food import regulations are based on international standards.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008 – 2009 marketing year, U.S. frozen potato product exports to China reached \$34.9 million, making it the fifth largest overseas market. During this same time period U.S. dehydrated potato product exports reached \$1.2 million. If China maintained WTO-consistent and transparent import regulations, the industry estimates that annual exports could reach \$75 million.

Potatoes: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

China currently prohibits the importation of U.S. fresh potatoes based on uncertain and unsubstantiated phytosanitary concerns. Following bilateral meetings in the summer of 2000, China agreed to conduct a pest risk assessment (PRA).

In November 2000, Governors Locke and Kitzhaber sent a letter to Ambassador Li Zhaoxing, urging China to send scientists to the PNW to jumpstart the PRA. In July 2001, an official delegation of Chinese scientists visited Idaho, Washington and Oregon to observe potato growing, harvesting, storage, shipping, and export certification techniques. (The trip was paid for by the U.S. potato industry.) Although the Chinese scientists finished their trip report that fall, China did not complete the PRA.

In early May 2002, Governors Kempthorne, Kitzhaber and Locke wrote the new Chinese Ambassador, Yang Jiechi, urging the resolution of the issue. At the mid-May 2002 bilateral meetings, however, Chinese officials stated that they were understaffed and had not begun the PRA.

During the October 2003 trade mission to China, Governor Locke raised the issue with Li Chang Jiang, Minister of the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). Mr. Li promised Governor Locke that he would “speed up” the PRA. In the summer of 2004, Governor Locke again stressed the importance of this trade issue in meetings with AQSIQ officials during another trade mission. Governor Locke's successor, Governor Gregoire also made this issue the focus of her meeting with Minister Li during a 2005 trade mission.

The Chinese government has been more receptive towards opening the market for seed potatoes. In December 2003, the United States and China signed an agreement which opened the Chinese market to imports of Alaskan seed potatoes. In return the United States agreed to open its market to Chinese longans. The U.S. potato industry was hopeful that this limited market opening would lay the groundwork for full market access.

At the bilateral talks in September 2006, China provided a potato pest list for USDA to review and provide information to the PRC authorities. The United States provided the requested information in December 2006. In May 2008, APHIS provided China with additional information on potato pests present in the United States. The letter also included information that many of the pests of concern cited by China appear to be present in China. Since that time, China has not responded to the information.

Although the United States requested market access in 2000, after nine years, China has not completed the PRA. In addition, China informed USDA that although the PRA was almost completed, it would not provide the PRA or grant market access to U.S. fresh potatoes until the United States provided a PRA and granted market access for specific Chinese agricultural products.

The U.S. potato industry is very frustrated because USDA conducts PRAs on Chinese agricultural products in a transparent manner and based on sound science. China's opaque policy and lack of progress are inconsistent with WTO rules. Moreover, China politicizes scientific reviews by directly linking progress on U.S. market access requests to progress on Chinese requests. China merely delays completion of the PRA in an attempt to seek additional market access for its products.

Estimated Potential Increase in Exports from Removal of Barrier

Although China is the biggest producer of potatoes in the world, its crop is destined for domestic consumption, primarily as fresh potatoes. The industry estimates that annual fresh potato exports would reach \$5 million a year in the near-term and \$10 to \$20 million within five years if China lifted the import prohibition.

Wheat: TCK (Standards, Testing, Labeling & Certification)

In 1999, the United States and China signed an agreement which allows *Tilletia controversa Kuhn* (TCK) at levels of 30,000 spores per 50 grams in a composite sample collected and inspected by USDA's Federal Grain Inspection Service or its officially certified inspection agent. In practice, however, Chinese officials have disregarded the bilateral agreement.

The bilateral agreement permits US wheat to be discharged at any Chinese port with expeditious delivery to processors and buyers without any additional treatment. Buyers in some regions, however, have been threatened with action by local quarantine officials if they import U.S. winter wheat that may have originated from areas where TCK has been previously found. In Southern Chinese ports, winter wheat potentially containing TCK spores must be unloaded at one designated port and a cleaning fee of about \$10 to \$13/MT is assessed. As a result of these fees and harassment by local officials, even though U.S. winter wheat is competitive with domestic wheat and imported wheat from other countries, no purchases of wheat occurred in 2009.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. wheat industry estimates that they lost 500,000 MTs worth \$125 million in exports to China in 2009 due to the TCK issue.

Whey: Revised Standards for Benzoyl Peroxide and Benzoic Acid (Standards, Testing, Labeling & Certification)

The Washington dairy industry is concerned about the Chinese Ministry of Health's ongoing process of developing new standards for whey permeate, whey protein concentrate and whey protein isolate. The recent announcement by the Government of China of new of mandatory testing and certification of imported whey for benzoyl peroxide and benzoic acid is the most pressing of the new standards given their potential to negatively impact U.S. whey exports.

Benzoic acid is a by-product of the treatment of whey with benzoyl peroxide (BP). The Food and Drug Administration classifies Benzoic Acid (BA) as a "Generally Recognized as Safe" (GRAS) substance, but the Government of China has only approved its use for a small number of products. The contribution of BA from whey to the dietary intake is considered "minor" and therefore does not have to be monitored. Moreover, the Food Agriculture Organization/World Health Organization/Joint Expert Committee on Food Additives (JECFA) has ruled that "treatment of whey with benzoyl peroxide (BP) at a maximum concentration of 100 mg/kg does not pose a safety concern." Based on these scientific studies, the U.S. whey industry bleaches a large percentage of its product with this processing aid. After bleaching, 91% of the BP is converted to benzoic acid (BA). Typical usage level of BP in whey processing is much less than the 100 mg/kg JECFA maximum.

In view of the JEFCA's standards and the underlying science, there do not appear to be any justified human health concerns to warrant a blanket rejection of all whey products containing any level of BA. Despite this, in September 2009, China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) began to require its branch Inspection and Quarantine (CIQ) local port officials to inspect all imported whey powders for the presence of BP and BA, and to reject or destroy products found to contain such substances. In addition, companies must provide a certification that neither substance was used in the production process of the relevant product.

There is an urgent need to address this issue since the U.S. industry commonly bleaches whey derived from colored cheese with BP. Without the use of BP, the whey remains an orange color as a result of coloring the cheese – hindering the sensory characteristics of the final whey product and reducing the likelihood that the end user would find the product acceptable. It is also important to recognize that BA is a naturally present compound found in various products.

FAS provided a scientific monograph containing assessment materials for permitting the usage of BP as a processing aid in the manufacturing of whey products to China's Ministry of health in mid-October 2009. The scientific monograph provides information indicating that BP after bleaching decomposes to BA. Any whey products bleached with BP will therefore have a residue of BA. As of this time, however, China will reject any U.S. whey products for human consumption bleached with BP and it is unknown how long the Ministry of Health will take in reviewing the material provided by the U.S. government. In the meantime, China's new standards, which are not based on sound science, have led to lower U.S. whey exports.

Whey/Milk Powder: Nitrate Standard (Standards, Testing, Labeling & Certification)

The Government of China has established a maximum nitrate level for milk powder at 2 ppm. As of this time, a nitrate standard has not been established for whey powder, but the U.S. industry is concerned about future action in this area. Nitrates are present in whey powder as a result of drying powder in direct-flame driers, which is a practice used by almost all dairy manufacturers.

Currently, neither CODEX nor the United States has established a standard for nitrates. In fact, after reviewing the published standards of 70 trading countries, the U.S. industry determined that none of them regulates nitrite levels in dairy products. Consequently, the industry urges China to eliminate its current nitrite standard for milk powder and refrain from creating one for whey products as the substance does not pose a threat to consumers. In addition, as of this time, the Government of China has not provided a scientific risk assessment for its nitrate standard for milk powder, as it is required to do under WTO rules.

Whey/Milk Powder: Arsenic Testing Requirements (Standards, Testing, Labeling & Certification)

Chinese arsenic standards currently stand at 0.5 ppm. Although arsenic is a heavy metal and can be present in drinking water and is normally present in most foods at minute level, milk contains very little arsenic – typically much less than 0.01ppm and therefore non-detectable. Preliminary USDA testing of various U.S. dry dairy ingredients, indicate that U.S. arsenic levels are extremely low – much below the 0.5 ppm level.

The U.S. dairy industry urges the Government of China to not require the testing of imported products for arsenic as it is very rarely present in milk at levels approaching any degree of risk to consumers. Testing for arsenic in dairy products would be an unnecessary burden on imports, which impose additional costs while not adding to the safety of Chinese consumers.

Wheat: Domestic Supports (Subsidies)

The Government of China is increasing subsidies to the country's grain producers, including subsidies on inputs such as seed, fertilizer, equipment and fuel. Rail transport subsidies provide domestic producers with distinct advantages, including service as an indirect export subsidy.

Nursery Products: Poor Intellectual Property Rights Protection (Lack of Intellectual Property Protection)

China's failure to protect the intellectual property rights for nursery products is an ongoing problem. Chinese buyers have been forthcoming in stating they want to purchase proprietary nursery products so they can produce the finished products themselves in China under more favorable economic standards. Canada continues to be the biggest conduit into China for proprietary plants originating from the United States.

Estimated Potential Increase in Exports from Removal of Barrier

One Washington company estimates that the resolution of this issue would lead to an increase of \$5 million to \$25 million in exports of nursery products to China per year.

All Products: Lack of Regulatory Transparency (Other)

The absence of regulatory transparency in China greatly increases the difficulty in exporting agricultural and processed food products to China. In terms of processed food products, there is no complete list of what is acceptable or not acceptable as a food ingredient. Some products have been rejected without explanation as to the problem ingredient, even though the Washington company had been successfully exporting them for years to China.

Wheat: VAT Treatment (Other)

Wheat imports face a 13% VAT upon arrival in China. By contrast, domestically grown wheat does not incur a VAT at the first point of sale to trading companies or grain storages. China's VAT policy favors domestic wheat growers as some handlers of the commodity never pay a full VAT or may not have the VAT levied at all points in the marketing chain in China.

COLOMBIA

Apples: Tariff (Import Policies)

The Government of Colombia currently imposes a 15% ad valorem tariff on U.S. apple imports. Under the proposed bilateral trade agreement with Colombia, the duty on U.S. apples would be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Colombia, the industry anticipates that apple exports would increase by \$5 million per year after the elimination of the tariff.

Beef: Tariff (Import Policies)

Colombia's WTO bound tariffs on imported beef range from 70% to 108% with applied tariffs ranging from 5% to 80%. Under the pending FTA, U.S. beef producers would gain immediate duty-free treatment for the most important products for our beef industry. All other beef tariffs would be phased-out within 15 years at the latest. For standard quality beef cuts, the FTA provides for immediate duty-free access through a 2,100-ton TRQ with a 5% annual growth. The 80% above-quota tariff will be phased out over 10 years after a 37.5% decrease at the start of the first year of implementation.

In addition, the FTA establishes a 4,642-ton duty-free TRQ for beef variety meats (offals) with 5.5% annual growth. The above-quota tariff of 80% will phase-out over 10 years with a 37.5% decrease immediately upon implementation of the agreement.

Cherries: Tariff (Import Policies)

U.S. cherry exports to Colombia currently face a 15% ad valorem tariff. Under the proposed bilateral trade agreement with Colombia, the duty on U.S. cherries would be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Colombia, the U.S. cherry industry estimates that the elimination of the 15% duty would lead to less than \$5 million additional exports to Colombia.

Dehydrated Potato Flakes/Granules: Tariff (Import Policies)

The Government of Colombia imposes a 20% duty on imports of U.S. dehydrated potato flakes/granules (HS 1105.2) and dehydrated granules and potato chips (2005.2). By comparison, under the Treaty on Free Trade between Colombia, Mexico and Venezuela, which went into effect on January 1, 1995, Colombia agreed to eliminate the tariff on processed potato products in stages from these countries until they reached zero in 2004.

Under the negotiated trade agreement between the United States and Colombia the tariff would be eliminated immediately. The agreement awaits consideration by Congress.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year U.S. processed potato exports to Colombia reached \$1.6 million. The U.S. industry estimates that the elimination of the duty would lead to approximately \$5 million in additional exports of processed potato products per year.

Fresh Potatoes: Tariff (Import Policies)

The Government of Colombia imposes a 15% tariff on fresh potatoes from the United States. U.S. exporters are also at a competitive disadvantage compared to regional exporters who benefit from preferential access under other trade agreements. Under the recently negotiated trade agreement with Colombia the tariff would be eliminated immediately, but the agreement is awaiting Congressional consideration.

Frozen French Fries: Tariff (Import Policies)

At the present time, Colombia imposes a 20% tariff on imported frozen French fries from the United States, which is well below the country's 70% bound commitment under the Uruguay Round. However, by comparison, under the Treaty on Free Trade between Colombia, Mexico and Venezuela, which went into effect in 1995, Colombia agreed to reduce its tariffs on processed potato products from these countries in stages until they reached zero in 2004.

Under the negotiated trade agreement between the United States and Colombia, the tariff would be eliminated immediately. As of this time, however, Congress has not voted on the agreement.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that the elimination of the duty would lead to approximately \$5 million in additional exports of processed potato products per year. This would be a significant increase over the current \$1.6 million in processed potato exports to Colombia during the 2008-2009 marketing year.

Pears: Tariff (Import Policies)

U.S. pear exports to Colombia currently face a 15% ad valorem tariff. Under the proposed bilateral trade agreement with Colombia, the duty on U.S. pears would be

immediately eliminated. The bilateral trade agreement, however, still awaits Congressional consideration.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that exports would increase by \$5 million to \$25 million per year after the tariff is eliminated. This estimate is based on current market conditions in Colombia.

Pulses: Tariff (Import Policies)

Colombia's bound tariff rates on imports of dry peas, beans and lentils range from 15% to 178%, but the country currently applies tariffs on pulses ranging from 5% to 60%. Under the pending bilateral trade agreement Colombia will immediately eliminate tariffs on dried peas and dried lentils and provide immediate duty-free access for dried beans under a 15,750-ton TRQ, which will expand by 5% each year. The above-quota tariff of 60% for dried beans will be phased-out over 10 years under a non-linear staging formula that includes a 33 percent cut at the beginning of the first year.

Wine: Tariff (Import Policies)

Colombia imposes a 20% tariff on U.S. wine. Imports of wine from other Andean Pact countries (Bolivia, Ecuador, Peru and Venezuela) enter duty-free. Colombia also provides regional preferences to other members of the Association of Latin America Integration (Argentina, Bolivia, Brazil, Chile, Ecuador, Mexico, Paraguay and Peru.) The Government of Colombia also imposes a VAT and sales tax and a consumption tax on imported wine that varies according to alcohol content.

Seed Potatoes: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The Government of Colombia prohibits imports of U.S. seed potatoes based on unjustified phytosanitary concerns. The industry urges that the lifting of this ban be made a priority and should be attained prior to the finalization of the free trade agreement.

Estimated Potential Increase in Exports from Removal of Barrier

If Colombia removed the ban, the U.S. industry estimates that it would achieve \$2 million a year in seed potato exports to meet the need of Colombia's growing processing industry.

DOMINICAN REPUBLIC

Seed Potatoes: Import Permits (Import Policies)

The Dominican Republic allows the importation of U.S. seed potatoes based on obtaining an import permit. Exporting seed potatoes to the Dominican Republic is difficult because the phytosanitary requirements for receiving a permit constantly change. As a result, the U.S. industry has sought a signed seed potato market access agreement for all U.S. potato states to establish a predictable and transparent trading scheme.

In late 2006, USDA provided the Government of the Dominican Republic with a draft agreement for review. To move the process forward, the U.S. potato industry paid for Dominican Republic officials to visit the U.S. seed producing areas in June 2007. Subsequently, in September 2007, the Dominican Republic provided a revised seed potato agreement that limited access to one state. The U.S. industry is completely opposed to this limitation.

The Government of the Dominican Republic is currently considering a U.S. proposal that its quarantine officials return to the United States to visit four representative states, with the expectation that this visit would lead to the opening of the market for potatoes from all states.

Estimated Potential Increase in Exports from Removal of Barrier

Once stable market access has been achieved, the U.S. industry estimates that annual seed exports to the Dominican Republic could reach \$2 million per year.

ECUADOR

Apples: Tariff (Import Policies)

Ecuador imposes a 15% ad valorem tariff on U.S. apple imports. This tariff places U.S. apples exporters at a competitive disadvantage due to the tariff concessions provided to other apple exporting countries. Fruit imports from the other Andean Community countries (Bolivia, Colombia, and Peru) and MERCOSUR (Argentina, Brazil, Paraguay, Uruguay and Venezuela) enter Ecuador duty-free. Apple imports from Chile also face no tariff under a bilateral free trade agreement. The net result is that U.S. apple exports are effectively excluded from the market.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Ecuador, the U.S. apple industry forecasts that annual apple exports would increase by less than \$5 million if the country eliminated the tariff.

Cherries: Tariff (Import Policies)

Ecuador imposes a 15% ad valorem tariff on cherry imports. By contrast, cherry imports from other countries receive tariff preferences. Fruit imports from the other Andean Pact countries (Bolivia, Colombia, and Peru) and MERCOSUR (Argentina, Brazil, Paraguay, Uruguay and Venezuela) enter Ecuador duty-free. Cherry imports from Chile receive duty-free treatment under a bilateral free trade agreement with Ecuador.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Ecuador, the U.S. cherry industry estimates that the elimination of the tariff would lead to less than \$5 million in additional exports per year.

Fresh Potatoes: Tariff (Import Policies)

The Government of Ecuador imposes a 15% tariff on imports of fresh potatoes and a 5% tariff on seed potatoes from the United States.

Frozen French Fries: Tariff (Import Policies)

U.S. frozen French fry exports to Ecuador face a 20% tariff. U.S. exporters are placed at a competitive disadvantage by tariff preferences granted to their competitors under regional trade agreements.

Estimated Potential Increase in Exports from Removal of Barrier

If Ecuador eliminated tariffs on potato products, the U.S. processed potato industry estimates that annual exports would increase by several million dollars per year.

Pears: Tariff (Import Policies)

Ecuador collects a 15% ad valorem tariff on pear imports from the United States. Pear imports from the other Andean Pact countries (Bolivia, Colombia, and Peru) enter Ecuador duty-free. Chilean pears also receive duty-free treatment under a bilateral free trade agreement with Ecuador.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Ecuador, the U.S. pear industry forecasts that annual exports would increase by less than \$5 million if Ecuador eliminated the tariff.

Seed Potatoes: Tariff (Import Policies)

The Government of Ecuador imposes a 5% tariff on imports of seed potatoes from the United States.

Wheat: Tariff (Import Policies)

U.S. wheat exports to Ecuador currently face a 10% tariff. By comparison, imported wheat from some other countries, including Argentina and Brazil, are assessed a lower tariff. Additionally, all tariffs applied to wheat imports from MERCOSUR countries are scheduled to be phased out by 2012.

EGYPT

Apples: Tariff (Import Policies)

The Government of Egypt imposes a 20% tariff on the CIF value of apple imports as a result of a February 2007 unilateral decision to lower the rate from 40%. At least partially as a result of this decision, Washington apple exports to Egypt have grown from \$4.1 million in 2006 to \$8.5 million in 2007 and over \$14 million in 2008.

Egypt also assesses a 3% administration fee and a 1% tax on apple imports. Shipments over 500 tons are granted a 7% reduction in the customs tariff.

Estimated Potential Increase in Exports from Removal of Barrier

If Egypt eliminated the tariff, the industry estimates that apple exports would increase by \$5 million per year based on current market conditions.

Cherries: Tariff (Import Policies)

Sweet cherry exports to Egypt are limited by a 5% tariff on the CIF value of the shipment. Egypt also assesses another 3% administration fee and a 1% tax. Shipments over 500 tons are granted a 7% reduction in the customs tariff.

Estimated Potential Increase in Exports from Removal of Barrier

In the event that Egypt eliminated the tariff, the industry estimates that cherry exports would increase by under \$5 million per year based on current market conditions.

Pears: Tariff (Import Policies)

U.S. pear exports to Egypt face a 20% ad valorem tariff on the CIF value of the shipment. Egypt also assesses another 3% administration fee and a 1% tax. Shipments over 500 tons are granted a 7% reduction in the customs tariff.

Estimated Potential Increase in Exports from Removal of Barrier

In the event that Egypt eliminated the tariff, the U.S. pear industry estimates that exports would rise by less than \$5 million per annum based on current market conditions.

Seed Potatoes: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Although Egypt is a major importer of seed potatoes from such countries as Syria, Turkey and the Netherlands, the market is currently closed to U.S. seed potatoes. In 2009, however, the Government of Egypt and Egyptian growers expressed an interest in importing U.S. seed potatoes. In response, APHIS, working with the U.S. potato industry, provided a draft market access protocol for consideration by the Government of Egypt. The U.S. industry urges USDA to work closely with their Egyptian counterparts to open up this market as quickly as possible.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. potato industry anticipates that seed potato exports to Egypt would immediately reach \$1 million per year but could reach \$10 million in a few years. This estimate is partially based on the fact that Egypt imports 70,000 MTs of seed potatoes valued at \$45 million annually from the EU.

EUROPEAN UNION

Apple: Tariff and TRQ (Import Policies)

The European Union's tariff on apple imports varies from month-to-month. By contrast, the U.S. does not place a tariff on apple imports. The current EU tariff schedule is as follows:

Arrival Date	Tariff
1/1 – 2/14	4.0%
2/15 – 3/31	4.0%
4/1 – 7/31	0% in-quota tariff for 600 MTs (HS codes 0808 10 20, 0808 10 50 and 0808 10 90)
4/1 – 6/30	0%
7/1 – 7/31	0%
8/1 – 12/31	9.0%

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade distorting barriers, the U.S. apple industry estimates that apple exports would increase by less than \$5 million per year based on current market conditions in the region.

Apples: Entry Price System (Import Policies)

U.S. apple exports to the EU are negatively impacted by the custom union's entry price system, which exposes importers to financial uncertainty and acts as a disincentive to the importation of fresh fruit.

Under the EU entry price system, apple imports that are valued over the entry price are only charged the fixed tariff. However, fruit imports that enter the EU under the entry price system are charged a tariff equivalent on top of the fixed tariff. The tariff equivalent is graduated for products valued between 92% and 100% of the entry price. The fixed tariff and full tariff equivalent are levied on imports valued at less than 92% of the entry price, making imports of lower-priced products unfeasible.

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade distorting barriers, the U.S. apple industry estimates that apple exports would increase by less than \$5 million per year based on current market conditions in the region.

Apples: Import Licensing System (Import Policies)

The EU introduced an import licensing system for apples in 2006. The U.S. apple industry does not believe there is any commercial justification for such a system.

Beef: Tariff and TRQ (Import Policies)

The EU limits the importation of U.S. beef by means of high tariffs and small TRQs. U.S. beef has a small country-specific quota with an in-quota tariff of 20%.

Cherries: Tariff/TRQ (Import Policies)

U.S. sweet cherry exports face a 4% in-quota tariff early in the season. After the in-quota is exceeded, sweet cherries face a tariff that varies from 6% to 12%. The in-quota amount and above-quota tariff level severely limits cherry exports. The EU tariff schedule is as follows:

Arrival Date	Tariff (ad valorem)
1/1 – 4/30	12.0%
5/1 – 5/20	12.0% subject to a minimum 2.4 euro/100 kg/net
5/21 – 7/15	4.0% in-quota tariff up to 800 MTs (HS code 08092095)
5/21 – 6/15	12.0%
6/15 – 7/15	6.0%
7/16 – 12/31	12.0%

Estimated Potential Increase in Exports from Removal of Barrier

Based on current EU market conditions, the U.S. cherry industry estimates that sweet cherry exports would increase by less than \$5 million per year if the EU eliminated the tariff, TRQ, entry price system and subsidies, as well as other trade-distorting measures.

Cherries: Entry Price System (Import Policies)

U.S. cherry exports to the EU are negatively impacted by the custom union’s entry price system, which exposes importers to financial uncertainty and acts as a disincentive to the importation of fresh fruit. Under the EU entry price system, cherry imports that are valued over the entry price are only charged the fixed tariff. However, fruit imports that enter the EU under the entry price system are charged a tariff equivalent on top of the fixed tariff. The tariff equivalent is graduated for products valued between 92 and 100% of the entry price. The fixed tariff and the full tariff equivalent are levied on imports valued at less than 92% of the entry price, making imports of lower-priced product unfeasible.

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade-distorting barriers, the U.S. cherry industry estimates that exports would increase by less than \$5 million per year.

Cod: Tariff (Import Policies)

The EU imposes a 3% tariff on imports of Pacific Cod if the fish is to be processed in approved facilities. The duty is 12% if the fish is not destined for approved facilities.

Frozen French Fries HS 2004.1: Tariff (Import Policies)

The EU imposes a 14.4% tariff on imports of frozen French fries.

Pears: Tariff (Import Policies)

The European Union tariff on pear imports varies from month-to-month. The European quota and tariff on U.S pear exports are too restrictive. By comparison, foreign pears enter the U.S. market duty-free from April 1 to June 30 and are assessed only a 0.3 cents/kilogram duty at any other time. The current EU tariff schedule is as follows:

Arrival Date	Tariff (Ad valorem)
1/1 – 1/31	8.0%
2/1 – 3/31	5.0%
4/1 – 4/30	0.0%
5/1 – 6/30	2.5%, subject to a minimum of 1 euro.100kg/net
7/1 – 7/15	0.0%
7/16 – 7/31	5.0%
8/1 – 12/31	5.0% in-quota tariff for 1,000 MTs
8/1 – 10/31	10.4%
11/1 – 12/31	10.4%

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade-distorting barriers, the U.S. pear industry estimates an increase of less than \$5 million in exports per year. This estimate is based on current market conditions in the region.

Pears: Entry Price System (Import Policies)

U.S. pear exports to the EU are limited by the custom union's entry price system, which acts as a disincentive to the importation of fresh fruit by exposing importers to financial uncertainty. Under the EU entry price system, pear imports that are valued over the entry price are only charged the fixed tariff. However, fruit imports that enter the EU under the entry price system are charged a tariff equivalent on top of the fixed tariff. The tariff equivalent is graduated for products valued between 92% and 100% of the entry price. The fixed tariff and the full tariff equivalent are levied on imports valued at less than 92% of the entry price, making imports of lower-priced product unfeasible.

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade-distorting barriers, the U.S. pear industry estimates that exports would increase by less than \$5 million per year, based on current market conditions in the region.

Wine: Tariff (Import Policies)

The average EU tariff on wine ranges from 0.13 Euros to .32 Euros per liter, which is equivalent to about a 6.1% to 15% ad valorem tariff equivalent. By comparison, the U.S. tariff on EU wine is significantly lower. This tariff differential is a factor in the bilateral wine trade imbalance. In addition to the duty on imported wine, each member country of the EU is allowed to impose its own VAT and excise tax on wine imports, while waiving the VAT on wine exports.

Beef: Sanitary Import Restriction (Standards, Testing, Labeling & Certification)

The European Union continues to prohibit the importation of beef unless it is certified as hormone free, despite the WTO ruling that the ban was inconsistent with international trade rules. (The WTO ruled that the EU had failed to produce any scientific evidence that the hormones presented a health risk.) As a result of this ruling, the United States has imposed retaliatory tariffs on some EU products.

In order to enter the EU, all U.S. bovine meat must originate from animals that have never been treated with hormonal growth promoters and each phase of the production process, from birth through slaughter, must receive third party verification. Moreover, a copy of a signed producer affidavit certifying that the animals have never been treated with hormonal growth promoters must accompany each lot of cattle presented to the slaughter establishment. Although many cattle in the United States are grown without the use of growth hormones, the cost and burden involved in certifying cattle and beef produced from such cattle as hormone-free limits U.S. beef exports to the EU market.

All cattle must be slaughtered and processed in a federally inspected establishment approved for production of products destined for the EU. There are currently only three U.S. plants approved for export to the EU because of the costs of receiving certification.

Cherries: SPS Restrictions (Standards, Testing, Labeling & Certification)

As a condition for entry into the market, the EU requires cherries to be free from *Monilinia fructicola* (brown rot) and requires documentation that controls have been applied in the field. These import requirements limit the supply of U.S. cherries that can qualify for importation into the EU.

Reportedly, brown rot, exists in Europe but there are no known internal EU controls on the disease or on the movement of fruit within the EU from those countries where positive detections have been made. The Washington cherry industry urges the U.S. government to obtain an official report from the EU on the presence of brown rot and supporting technical documentation justifying its quarantine requirements.

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade-distorting barriers, the U.S. cherry industry estimates that exports would increase by less than \$5 million per year, based on current market conditions in the region.

Beef: Domestic Supports (Subsidies)

European beef producers receive a significant amount of government support. Using data from the 2002-2006 time period the OECD estimates that the average beef price paid by EU consumers was 79% to 157% higher than the border price. Although average domestic support declined during this time period, the OECD estimated that commodity specific support was 48.8% of farm receipts for beef in 2006.

Wheat: Export Subsidies (Subsidies)

The EU uses export subsidies to gain market share for its wheat growers, sometimes switching subsidies between wheat and flour in a manner that disrupts trade in both commodities. The EU continues to provide \$6 billion a year in export subsidies, a majority of which goes to support wheat exports. The U.S. wheat industry supports the elimination of all export subsidies as part of the WTO Doha Round of negotiations.

Wine: Domestic Supports (Subsidies)

In 2006, the European Commission provided \$1.8 billion in domestic supports to its wine industry. The level of subsidization encourages EC wine producers to overproduce. If the product is not sold in the market, grapes and wine are sold to the government which distills them into ethanol. In addition, the governments of the three largest wine producers in the world, France, Spain and Italy, continue to provide their own wine industries with millions more in subsidies. For example, in 2006 the Government of France provided more than \$100 million in subsidies to its wine industry. While the EU has classified these subsidies as non-trade distorting (Green Box), the United States Trade Representative has consistently objected to this classification because these subsidies allow EU wine makers to lower their retail prices in foreign markets by absorbing taxes and tariffs, thereby undercutting the price of U.S. wine.

Wine: Export Subsidies (Subsidies)

According to the Common Market Organization Report, the EU's export subsidy program accounts for 20% of wine exports. These subsidies have placed EU wine producers at a competitive advantage as it allows them to absorb high tariffs and excise taxes.

GENERAL

Wheat: State Trading Enterprises: (Other)

One of the most important objectives for the U.S. wheat industry in the ongoing round of WTO negotiations is the elimination of State Trading Enterprises (STEs as they distort trade.

GUATEMALA

Apples: Domestic Support (Subsidies)

The Government of Guatemala collects a \$0.07 Quetzal/pound (about \$.40 cents of a dollar per carton) fee on apple imports. This money is transferred to domestic apple producers.

Fresh and Seed Potatoes: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

In August 2009, the Government of Guatemala established new requirements for import permits for U.S. fresh and seed potatoes that included a revised pest quarantine list that prevented market access. At the request of APHIS, Guatemala agreed to maintain the old standards until a new market access agreement could be reached.

At a November 2009, bilateral meeting, the Guatemalan Ministry of Agriculture (MAGA) stated that it would need to conduct a pest risk assessment on U.S. potatoes, which would take approximately eight months. During the intervening months, the requirements for potato import from currently approved states will not be changed. The U.S. industry hopes that a new, transparent seed and fresh potato market access agreement can be reached as soon as possible.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that seed and fresh potato exports would surpass \$5 million per year once a new market access agreement is established.

HONG KONG

Food Products: Nutrition Labeling (Standards, Testing, Labeling & Certification)

Hong Kong is in the process of passing a new labeling law that is unique to Hong Kong and is not consistent with any international standard, including CODEX. Among other things, the new standards vary tremendously from those found in the United States.

Although this law is set to take effect on July 1, 2010, major retailers have notified their suppliers that they will only accept products with labels in compliance with the new law beginning July 1, 2009, one year earlier than enforcement.

Hong Kong is currently the 9th largest market for U.S. grocery exports with sales near \$1 billion and strong annual growth trends. The legislation will affect hundreds of millions of dollars worth of pre-packaged U.S. exports. There is one exemption that was amended into the law. It allows products selling less than 30,000 units per year to obtain a fee-based small volume exemption provided the products do not carry any nutritional claims.

Virtually all U.S. and competitor products will have to be re-labeled to continue in the market. This is because the definitions for nutrient measurements and recommended daily allowance will be completely different from U.S. standards. This is most problematic with the absolute value measure of nutrients and vitamins. Hong Kong law will require comparison to 100 gram servings rather than as a percentage of a “minimum daily requirement” used in the U.S. Where standards are similar, they are stricter. For example, the U.S. labeling standard for trans fats is 0.5 grams. Any amount of trans fat below that level does not need to appear on a label in the United States. By comparison, Hong Kong’s new labeling law would set the standard at 0.3 grams per 100 grams of food. This requires a U.S. label change. Also, the U.S. standard to claim “low fat” is 3 grams per serving or lower. In Hong Kong the claim of “low fat” cannot be made because it is not compared to 100 grams. In addition, under the new law, Hong Kong would require that all serving sizes be listed in millimeters, which is inconsistent with U.S. practice.

Hong Kong’s new law also does not allow for any unsubstantiated claims of nutritional value. For example, if a product claims to be healthy for the heart or states that blueberries contain antioxidants, the manufacturer is required to scientifically prove these claims. It is also doubtful that the 5 accredited laboratories in Hong Kong for nutrient testing will be able to verify claims when they are made, due to the volume of demand. Supplying companies will rather reduce risk of refusal by placing stickers over such claims. An example is a Washington Organic cereal company that must now place six stickers on each box destined for Hong Kong in order to cover over “prohibited” claims.

Estimated Potential Increase in Exports from Removal of Barrier

Hong Kong's new requirement will cause significant problems for small- and medium-sized manufacturers. As a result, one major Washington consolidator/wholesaler predicts that it will lose 50% of its market in Hong Kong worth \$5 million to \$10 million in the 2010 when the law goes into effect. This loss is due to the cost of compliance (third party re-handling, cost/creation of stickers and the reduction in the number of products currently sold in the market. It is simply not feasible for this company, or other exporters in our industry, to create Hong Kong-specific labels for many individual items in these quantities in order for our retailers to be compliant. This is a significant loss to the company as Hong Kong is their third largest market.

The company, however, is hopeful that the implementation of the small volume would grant them a reprieve, as this would allow the export trade of U.S. food products to continue with minimal loss of product

A final point is that the introduction of any new products to this market is a lost opportunity for market growth because new products will not be accepted by importers. Importers are spending their efforts to salvage and reorganize their established inventories.

INDIA

Apples: Tariff (Import Policies)

The Government of India imposes a 50% duty on the CIF value of imported apples from the United States. In general, U.S. apple imports do not compete directly with Indian apples because most imports arrive after the peak fall and early winter domestic apple marketing season is over. According to USDA Economic Research Service research, this high tariff provides little or no protection to domestic apple producers, partially because domestic and imported apples are not considered close substitutes given the high price and quality of imported versus Indian apples. Moreover, the average return for Indian apple growers has doubled since imported apples were allowed entry to the country, as imported apple prices have pulled domestic apple prices higher. This trend should continue even under a lower tariff rate environment.

Finally, given the country's love of fruit, lowering the apple tariff will increase consumer purchasing power and could create a much larger apple and pear market. As it stands now, India's current annual per capita apple consumption is below two kilograms, which is very low by global standards. The potential to increase per capita consumption to five kilograms or roughly a five million ton apple market would provide opportunities for both domestic growers and importers. Such growth could well increase domestic production from current levels of less than two million tons to three million tons.

Estimated Potential Increase in Exports from Removal of Barrier

If the tariff were reduced to 30% imports might well increase from the current 4 million carton level to 10 million cartons, increasing sales values by \$50 million to \$100 million/year. Much of that increase would benefit U.S. growers. Complete elimination of the tariff is the goal of U.S. growers and if that is accomplished, the benefits would be even greater.

Apricots: Tariff (Import Policies)

India currently imposes a 30% tariff on imported apricots.

Cherries: Tariff (Import Policies)

The Government of India currently imposes a 30.6% duty on cherry imports.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. cherry industry estimates that their exports to India would increase by less than \$5 million in the first year after the tariff is eliminated. This estimate is based on current market conditions in India.

Coffee: Tariff (Import Policies)

The Government of India's bound tariff level on roasted coffee is 150%.

Dairy Products: Tariff on Cheese (Import Policies)

The Government of India currently imposes a 30% tariff on imported cheese.

Dehydrated Potato Products: Tariff (Import Policies)

India currently imposes a 30% tariff on imported dehydrated potato products (HS 1105.2/HS 2005.2) This applied rate is lower than India's bound rate but this reduction has been nullified to some degree by the addition and occasional repeal of various taxes on top of the ad valorem tariff. For example, in 2007, India again changed its tax policy to apply a 12.36% service tax. The ultimate impact is to increase the effective duties paid on imported frozen French fries and dehydrated potato products. The U.S. industry believes that only the ad valorem tariff should be applied to imports and urges India to eliminate its tariff on these products to no more than 10% during the current WTO negotiations.

Fresh Potatoes: Tariff and Taxes (Import Policies)

The Government of India currently imposes a 30% tariff on fresh potato imports.

Frozen French Fries: Tariff and Taxes (Import Policies)

India currently imposes a 30% tariff on imported frozen French fries. This applied rate is lower than India's bound rate but this reduction has been nullified to some degree by the addition and occasional repeal of various taxes on top of the ad valorem tariff. For example, in 2007, India again changed its tax policy to apply a 12.36% service tax. Due to a variety of taxes on top of the tariff, the current effective duty paid on frozen French fry imports is 40%. It is unclear if the taxes are applied equally to domestic product in keeping with WTO rules.

The industry believes that only the ad valorem tariff should be applied to imports and urges India to eliminate the tariff as part of the current WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

U.S. frozen fry exports to India reached \$1.8 million during the 2008-2009 marketing year. The amount of sales, however, is tiny relative to the potential size of the Indian market, which many U.S.-based restaurant companies are interested in developing more aggressively. The industry estimates that clarifying and lowering the tariff on fries to less than 10% would accelerate the development of the market. Should these barriers be removed, the industry estimates that annual exports could reach \$5 million in the near-term and \$30 million in the longer-term.

Nectarines: Tariff (Import Policies)

India currently imposes a 30% tariff on imported peaches and nectarines.

Peaches: Tariff (Import Policies)

India currently imposes a 30% tariff on imported peaches and nectarines.

Pears: Tariff (Import Policies)

India currently applies a 30.6% tariff on the CIF value on pear imports.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that exports to India would increase by less than \$5 million in the first year after the removal of the tariff but could reach \$5 million to \$25 million over a five-year period. These estimates are based on current market conditions.

Whey: Tariff: (Import Policies)

The Government of India currently imposes a 30% tariff on imported whey.

Wine: Tariff (Import Policies)

India imposes high tariffs and other duties on wine imports. As a result, the effective tax rate on imported wine ranges from about 150% to 550%.

Dairy Products: Sanitary Import Prohibitions: Nutrition Labeling (Standards, Testing, Labeling & Certification)

U.S. exports of dairy products to India are effectively prohibited under India's current dairy sanitary import protocol.

Wheat: SPS Restrictions (Standards, Testing, Labeling & Certification)

U.S. wheat is excluded from the potentially large Indian wheat market because of unreasonable and unevenly enforced quarantined weed seed requirements. India's wheat tender terms have included SPS requirements on prohibitive weed seeds that cannot be certified. Although the U.S. regulatory system is highly developed and transparent, it does not allow for the attainment of these standards. In addition, APHIS cannot certify freedom from these weed seeds in US wheat shipments.

Many of the weed seeds in question are common to most wheat exporting countries and only a couple exporters, mainly Canada and Australia, clean sufficiently to reduce weed seed presence. India has imported from other producers including the EU, Russia and Ukraine. Some of these countries have been certifying to India's requirements, but they have questionable inspection and certification practices.

Despite several rounds of negotiations during 2007, the Government of India refused to amend their tender, thereby completely shutting U.S. wheat out of the market in a year where India could have been a top wheat export market for the US industry.

Estimated Potential Increase in Exports from Removal of Barrier

Depending on domestic production levels, India can be a large wheat buyer in certain years but U.S. wheat growers remain completely shut out of this market based on SPS requirements. In 2005/06, imports totaled 6.7 MMT and in 2007/08 wheat imports reached 1.8 MMT. Access to this market in those years could have easily resulted in an economic gain of over \$100 million to the U.S. wheat industry.

Wheat: Export Subsidies (Subsidies)

When domestic wheat stocks become excessive the Government of India uses export subsidies which allow the Food Corporation of India to sell government-owned wheat to exporters for less than 50% of the acquisition costs, making India one of the biggest providers of wheat export subsidies in the world.

INDONESIA

Apples: Tariff (Import Policies)

The Indonesian tariff on U.S. apple imports currently stands at 5%. On June 1, 2001, the Government of Indonesia introduced a 10% value added tax (VAT) on apples and other agricultural products.

Cherries: Tariff (Import Policies)

U.S. cherry exports to Indonesia currently face a 5% tariff. On June 1, 2001, the Government of Indonesia introduced a 10% value added tax (VAT) on cherries and other agricultural products.

Fresh Potatoes: Tariff (Import Policies)

In 2005, the Government of Indonesia increased its applied tariff on fresh table stock potatoes from 5% to 25% in an effort to protect domestic growers. The U.S. potato industry believes that Indonesia's current bound tariff level of 50% and its applied tariff rate of 25% are excessive and should be reduced as part of the ongoing WTO negotiations

Frozen French Fries: Tariff (Import Policies)

The Government of Indonesia currently applies a 5% tariff on imports of frozen French fries, well below the 50% bound rate negotiated under the Uruguay Round. The industry urges Indonesia to accept a 5% bound tariff during the current WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

During the past year, U.S. frozen potato exports to Indonesia more than doubled to \$8.4 million. The industry estimates that Indonesia's binding of the tariff at 5% would lead to an increase of approximately \$7 million in annual frozen potato exports.

Pears: Tariff (Import Policies)

The Government of Indonesia currently assesses a 5% tariff on pear imports from the United States. On June 1, 2001, the Government of Indonesia introduced a 10% value added tax (VAT) on pears and other agricultural products.

Wine: Tariff (Import Policies)

Indonesia's tariff on wine ranges from 90% to 150%. In addition, wine is subject to a 10% VAT, a 40% luxury tax and an excise duty of IDR 20,000 per liter.

Apples: Phytosanitary Import Restriction – Decree # 27 (Standards, Testing, Labeling & Certification)

The original implementation date for Indonesia's Decree 27, "Regarding Food Safety Control over the Import and Export of Fresh Food of Plant Origin," was August 19, 2009. After protests from trading partners, including the United States, the Government of Indonesia postponed the implementation date until November 19, 2009.

The main issue of concern is pesticide residues. The U.S. government has submitted significant amounts of information to the Government of Indonesia in an effort to obtain recognition of the U.S. food safety system. If this recognition is granted, industry may be able to export to Indonesia in much the same manner as it has in the past, not withstanding periodic testing of product on arrival. If Indonesia does not recognize the U.S. food safety regime, the Washington apple industry is concerned that the implementation of the decree will significantly impair exports to Indonesia.

Apples: Phytosanitary Import Restriction – Decree # 37 (Standards, Testing, Labeling & Certification)

On March 27, 2006, Indonesia implemented Ministry of Agriculture Decree Number 37/Kpts.60/1/2006, which requires various mitigation treatments for imported apples to control for fruit flies. These newly imposed regulations were not preceded by any formal pest risk analysis, pest interceptions on imports or immediate (perhaps any) evidence of risk to domestic production from U.S. apples.

The regulation disregards important technical facts and international standards by requiring treatment of apples even though some of the pests do not attack apples or the apples come from production areas that are free from the pests of concern. It also requires treatment of apples even though Indonesia does not have host material for some of the fruit flies and lacks a climate suitable for establishment and spread of fruit flies occurring in the Pacific Northwest.

The U.S. government has provided detailed technical information to support its request for revisions to the regulation, beginning with comments that were submitted to Indonesia through the World Trade Organization in August of 2005.

In August 2007, after intensive work by USDA/APHIS and USTR, Indonesia officials agree to an in-transit cold treatment process that allows trade to continue. However, if this cold treatment option were to be modified, it could easily result in the closure of the market for several months, leading to significant losses for U.S. apple exporters. As a result, the Washington apple industry urges the continuation of the technical dialogue in order for scientific information and international standards to be incorporated into decree 37 thereby reducing the risk of market closure.

Estimated Potential Increase in Exports from Removal of Barrier

Once the regulation is amended to reflect internationally accepted plant health standards and risk, the U.S. apple industry would expect an increase of less than \$5 million in exports per year. Indonesia has consistently been either the Pacific Northwest apple industry's fourth or fifth largest export market with annual sales generally reaching between \$20 million and \$30 million.

Cherries: Phytosanitary Import Restriction - Decree # 37 (Standards, Testing, Labeling & Certification)

On March 27, 2006, Indonesia implemented Ministry of Agriculture Decree Number 37/Kpts.60/1/2006, which requires various mitigation treatments for imported cherries to control for fruit flies. These newly imposed regulations were not preceded by any formal pest risk analysis, pest interceptions on imports or immediate (perhaps any) evidence of risk to domestic production from U.S. cherries.

The regulation disregards important technical facts and international standards by requiring treatment of cherries for pests that do not attack cherries. It also requires treatment even though Indonesia does not grow cherries and therefore the various cherry fruit flies that are in the Pacific Northwest will not survive in Indonesia.

The U.S. government has provided detailed technical information to support its request for revisions to the regulation, beginning with comments that were submitted to Indonesia through the World Trade Organization in August of 2005. As of this time, the Government of Indonesia has refused to resolve the problems impacting the importation of cherries.

Estimated Potential Increase in Exports from Removal of Barrier

At the present time, few cherries are exported to Indonesia but the industry hopes to resolve this barrier to allow for future growth in exports. Based on current market conditions in Indonesia, the U.S. cherry industry expects an increase of less than \$5 million in exports per year once the barrier is eliminated.

Dairy Products: Documentation Requirements (Standards, Testing, Labeling & Certification)

In June 2009, Indonesia's Ministry of Agriculture enacted new requirements which have the potential to block U.S. access to the dairy market. Specifically, Law 118/2009 requires that within one year, all companies exporting animal derived products to submit an application and to allow Indonesian official to inspect their plants. In addition, national veterinary authorities must submit an application for the country to be approved for export. It is particularly troubling that this law was not notified to the WTO. As a result, foreign governments did not have the opportunity to provide comments prior the finalization of these extensive regulatory changes.

As part of the licensing process, the Government of Indonesia requires exporters to provide extensive information including significant proprietary information that has absolutely no bearing on the safety of the products or the hygiene of the manufacturing facility. For example, dairy exporters must provide the export history of the products manufactured, including a list in tabulated form of the name of importing countries, date of approval, types of milk products approved, year of first export and date of most recent export. In addition, exporters are required to provide the veterinary certificate that accompanied the latest shipment to each country. Since veterinary certificates normally contain the importer's name and contact information, exporters are being required to disclose their full international business operations, including all their foreign customers, as part of the process for applying to export to Indonesia.

Other information required also has no bearing on the safety of the product, including information on the company, such as an organizational chart and the total number of workers employed in the establishment. Dairy exporters must also disclose whether the company has medical records of each employee and whether these records are available. This last requirement is a clear breach of privacy, and U.S. manufacturers risk rejection if they state that they do not maintain each employee's private medical records.

Indonesia also requires the veterinary authorities of the exporting country to endorse the form after the manufacturer signs the completed application. This requirement presents another significant hurdle as APHIS has no jurisdiction over the majority of the questions on the application and would therefore have no authority to sign the form. In addition, the USDA and the FDA cannot act as the certifying body since their plant inspections do not cover much of the proprietary information requested. The bottom line is that U.S. companies are unable to complete the required application, and thus would be ineligible to export dairy products to Indonesia.

Moreover, Law 118/2009 also requires the U.S. government to complete a questionnaire on our domestic veterinary system in order to obtain the approval of the Indonesian government as an acceptable trading partner. Many of the questions on this application are also unrelated to safety including the request for the number of imported and exported animal and animal products during the last three years. The Government of Indonesia has also requested the number of veterinarians, technical assistance diagnostic and research laboratories in the country. There are many questions that government authorities may resist answering because they have no bearing on veterinary controls, which could jeopardize the ability of the U.S. to become an approved exporter.

The final requirement is for Indonesian authorities to conduct plant inspections of U.S. manufacturers. The inclusion of this requirement is in essence Indonesia's decision not to recognize the domestic monitoring programs already in place in the United States and other countries. The United States has a comprehensive monitoring system for farms and dairy processing establishments, and no further duplicate inspections should be required. The U.S. dairy industry is also concerned that these inspections would allow a foreign government the opportunity to "black-list" manufacturers for unscientific reasons, as the industry has witnessed when foreign countries conduct similar inspections of other commodities' facilities.

Although not fully implemented at this time, Indonesia's new approval process of foreign countries and manufacturing facilities clearly has the potential to close the market entirely to U.S. exporters of dairy products. Urgent action is needed to resolve these matters before the one year implementation deadline arrives in June 2010. The stakes are high because in 2008, Indonesia was the fourth largest export market for the U.S. dairy industry with exports totaling more than \$200 million. If implemented, these new requirements will severely restrict U.S. dairy exports.

Pears: Phytosanitary Import Restriction – Decree 37 (Standards, Testing, Labeling & Certification)

On March 27, 2006, Indonesia implemented Ministry of Agriculture Decree Number 37/Kpts.60/1/2006, which requires various mitigation treatments for imported pears to control for fruit flies. These newly imposed regulations were not preceded by any formal pest risk analysis, pest interceptions on imports or immediate (perhaps any) evidence of risk to domestic production from U.S. pears.

The regulation disregards important technical facts and international standards by requiring treatment of pears for pests that do not attack this fruit. It also requires treatment even though Indonesia does not have host material for some of these fruit flies and lacks a climate suitable for establishing and spreading fruit flies occurring in the Pacific Northwest.

The U.S. government has provided detailed technical information to support its request for revisions to the regulation, beginning with comments that were submitted to Indonesia through the World Trade Organization in August of 2005. The U.S. pear industry argues that pears should be removed from Decree 37 as a commodity of concern to Indonesia.

Estimated Potential Increase in Exports from Removal of Barrier

Once the regulation is amended to reflect internationally accepted plant health standards and risk, the U.S. pear industry anticipates that exports will increase by less than \$5 million per year.

Processed Food: Documentation Requirements (Standards, Testing, Labeling & Certification)

Indonesia recently implemented far-reaching document requirements for imports of all consumable products, including food and non-food requirements. Under these new requirements, Indonesia will require a Certificate of Free Sale, Certificate of Origin, Good Manufacturing Process Certificate, as well as technical data, such as quantitative and qualitative formula data, the manufacturing process, product specification, packaging specification, final product inspection procedures and laboratory test data. In essence, the Indonesian government is requiring very sensitive business proprietary information such as product ingredients and formulations.

Both the Certificate of Free Sale and the Certificate of Origin are only valid for 6 months from the date of issue. Since it typically takes four to eight weeks to obtain the originals of these documents and up to two more months for the legalization of the documents by the Indonesian embassy, the practical lifespan of these documents is an extremely short two-month period. As a result the exporter will have to require new documentation almost every two weeks. This is an unnecessary barrier to trade.

Estimated Potential Increase in Exports from Removal of Barrier

One Washington food products consolidator and wholesaler predicts that it will lose \$2 million in sales in 2009 based on the complete loss of its current exporting business to Indonesia combined with an earlier forecast of \$500,000 to \$750,000 in new sales for 2009, as a result of the company's participation in the Food & Hotel Indonesia trade show in April 2009.

The company is also very concerned about reported ongoing discussions to implement an ASEAN-wide standard of documentation and regulation for imported products that would be similar to the Indonesian law. If such an ASEAN-wide law were implemented, the company projects more than \$30 million in lost annual exports.

Processed Potato Products: Documentation Requirements (Standards, Testing, Labeling & Certification)

Like the Washington food products consolidator and wholesaler, the Washington processed potato industry is also concerned with Indonesia's recently implemented far-reaching document requirements for imports on all consumable products, including food. Under these new requirements, Indonesia will require a Certificate of Free Sale, Certificate of Origin, Good Manufacturing Process Certificate, as well as technical data, such as quantitative and qualitative formula data, the manufacturing process, product specification, packaging specification, final product inspection procedures and laboratory test data. In essence, the Indonesian government is requiring very sensitive business proprietary information such as the product's ingredients and formulations.

The U.S. potato industry urges Indonesia to review the U.S. food safety system and deem it equivalent to Indonesia's system. Such a classification would exempt U.S. products from several of Indonesia's more onerous requirements.

Estimated Potential Increase in Exports from Removal of Barrier

U.S. frozen potato exports to Indonesia reached \$7.7 million during the 2008-09 marketing year. The industry anticipates market growth if Indonesia maintains transparent and food safety laws that are consistent with international standards.

ISRAEL

Apples: Tariff Rate Quota (Import Policies)

The United States and Israel signed a free trade agreement in 1985 but Israel argued that the agreement did not cover agricultural products. As a result, in 1996 the United States and Israel signed the Agreement on Trade in Agricultural Products (ATAP), which does not consist of any text, but rather a schedule of tariff rates, reference prices and quotas that were negotiated by the two countries. In 2004 the U.S. and Israel renegotiated the 1996 ATAP, which had expired in 2001). The new ATAP remains in effect until December 31, 2009.

The vast majority of Israel's agricultural products have duty-free access to the U.S. market. U.S. apple exports to Israel, by comparison, are constrained by a TRQ, which was set at 4,000 MTs in 2009. In quota apple imports receive duty-free treatment but Israel imposes a specific over-quota duty of 1.65 New Shekel (NS).

The Washington apple industry urges that apples receive duty-free treatment under a new ATAP. Duty-free treatment would be consistent with the provisions of the U.S. bilateral trade agreements with Jordan and Morocco.

Estimated Potential Increase in Exports from Removal of Barrier

Once duty-free access is acquired the industry would expect exports to increase by less than \$5 million per year.

Cherries: Tariff (Import Policies)

Israel's bound tariff rate for sweet cherries is roughly 83% ad valorem. The industry requests that the tariff be eliminated under the revised ATAP.

Estimated Potential Increase in Exports from Removal of Barrier

Once the tariff is eliminated and the SPS barrier is eliminated, the industry would expect exports to increase by less than \$5 million per year.

Dairy Products: Tariff Rate Quotas (Import Policies)

U.S. exports of dairy products to Israel are limited by many TRQs.

Pears: Tariff Rate Quota (Import Policies)

The United States and Israel signed a free trade agreement in 1985 but Israel argued that the agreement did not cover agricultural products. As a result, in 1996 the United States and Israel signed the Agreement on Trade in Agricultural Products (ATAP), which does not consist of any text, but rather a schedule of tariff rates, reference prices and quotas that were negotiated by the two countries. The new agreement is scheduled to expire at the end of 2009.

The vast majority of Israel's agricultural products have duty-free access to the U.S. market. Israel's bound tariff rate on pears is approximately 446%. Under the ATAP TRQ, however, U.S. in-quota pear imports can enter Israel duty-free. The pear quota was set at 1,364 MTs in 2009. Israel imposes a specific over-quota duty of 1.85 New Shekel (NS). The U.S. pear industry would like unrestricted access under any new agreement.

Estimated Potential Increase in Exports from Removal of Barrier

Once the TRQ is eliminated, the industry would expect exports to increase by less than \$5 million per year.

Wine: Tariff (Import Policies)

The Government of Israel currently imposes a 40% tariff on wine. At least partially as a result of this high tariff, the United States only exported \$1.4 million worth of wine to Israel in 2008.

Apples: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

On March 18, 2009 Israel's Plant Protection and Inspection Service notified USDA/APHIS of forthcoming changes to the cold treatment requirement for the importation of U.S. apples. U.S. apples have been exported to Israel for many years without any detection of live apple maggot or plum curculio (*Rhagoletis pomonella* and *Conotrachelus nenuphar*), two primary pests of concern to Israel. During the bilateral meeting October 13-15, 2009 progress was made as Israel agreed to recognize pest free production areas.

As of this time, it is unclear the extent of the unresolved plant pest concerns and the impact mitigation measures may have on apple exports to Israel. However, the U.S. apple industry believes that cold treatment as a mitigation measure for apple maggot is unnecessary and overly restrictive. Under the U.S. Apple Export Act, commercial apple shipments from the United States are already required to be inspected and found free of apple maggot. U.S. apple exporters have shipped billion of apples under this Export Act to markets around the world. Apple maggot has never been found on apples exported from the United States.

Estimated Potential Increase in Exports from Removal of Barrier

If the issue is resolved, the U.S apple industry would maintain a market that supports approximately \$5 million in yearly sales of Pacific Northwest apples and pears.

Cherries: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, the Government of Israel prohibits imports of U.S. cherries due to alleged concerns about plant pests and diseases. In June 2002, APHIS requested Israel to undertake a pest risk assessment (PRA) on Pacific Northwest cherries, but the study has not been completed. In view of the lack of transparency, it is not clear how long it will take before the industry obtains market access.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of the import prohibition would lead to less than \$5 million in annual cherry exports to Israel.

Pears: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

On March 18, 2009 Israel's Plant Protection and Inspection Service notified USDA/APHIS of forthcoming changes to the cold treatment requirement for the importation of pears. U.S. pears have been exported to Israel from many years with no reports of any detection of live apple maggot or plum curculio (*Rhagoletis pomonella* and *Conotrachelus nenuphar*), two primary pests of concern to Israel. During the bilateral meeting October 13-15, 2009 progress was made as Israel agreed to recognize pest free production areas.

As of this time, it is unclear the extent of the unresolved plant pest concerns and the impact mitigation measures may have on pear exports to Israel.

Estimated Potential Increase in Exports from Removal of Barrier

If the issue is resolved, the U.S industry would maintain a market that supports approximately \$5 million in yearly sales of Pacific Northwest apples and pears.

JAPAN

Apples: Tariff (Import Policies)

Japan imposes a 17% ad valorem tariff on imported apples. This tariff is one of the highest, if not the highest, rate applied by a WTO designated “developed” country.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Japan, the industry estimates that apple exports would increase by less than \$5 million per year if Japan eliminated the tariff. However, if both the SPS restrictions and the tariff are eliminated, the Washington apple industry anticipates that exports could increase by \$5 million to \$20 million per year.

Beef: Tariff (Import Policies)

The Government of Japan imposes a 38.5% tariff on imported beef. In addition, the Japanese tariff on U.S beef exports can increase to 50% under a snapback tariff mechanism. Initially, Japan planned to impose the “snapback” tariff if cumulative beef imports on a quarterly basis exceeded the imports of the prior corresponding period by 17%. Since the shutting of the market due to the BSE findings significantly limited beef imports, it was easy to trigger the snapback tariff. After heavy lobby by the U.S. government, the snapback tariff is now being based on the level of imports in the Japanese 2002 and 2003 fiscal years, which took place before the BSE finding. In December 2008, the Government of Japan confirmed that it would use this same method for the following fiscal year (April 01 – March 31).

Cherries: Tariff (Import Policies)

Washington cherry exports to Japan face an 8.5% ad valorem duty.

Estimated Potential Increase in Exports from Removal of Barrier

Since Japan opened its market in 1978, the Pacific Northwest has exported over 9 million cartons of fresh cherries to Japan, led by Washington State. Japan and Taiwan alternate as the largest foreign market for fresh Washington cherries. The industry estimates that annual cherry exports to Japan would increase by less than \$5 million per year if the tariff were eliminated.

Cod: Tariff (Import Policies)

Japan imposes a 6%t tariff on the CIF value of frozen Pacific cod (HS 0303.52) and a 10% tariff on the CIF value for fresh or chilled cod.

Estimated Potential Increase in Exports from Removal of Barrier

The Washington cod industry estimates that the elimination of the tariff would increase cod exports to Japan from \$5 million to \$10 million per year.

Dehydrated Potato Flakes: Tariff (Import Policies)

Japan currently imposes an excessive 20% tariff on U.S. exports of dehydrated potato flakes (HS 1105.20). In the ongoing round of WTO negotiations, the U.S. industry urges Japan to eliminate this tariff.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is by far the largest export market for U.S. frozen French fries, importing \$261 million worth of the product in marketing year 2008-2009. The United States also exported \$52.3 million worth of dehydrated potato products to Japan during that time period. Japanese tariffs and pesticide policies hinder U.S. potato exports. In order to sustain 2% to 3% export growth, the U.S. industry urges Japan to eliminate the tariff on potato products, pursue the least trade restrictive action with respect to pesticide residue practices and coliforms and to make their food regulations more transparent.

Fresh Potatoes: Tariff (Import Policies)

Japan's tariff on fresh potatoes is 8.5%.

Frozen French Fries: Tariff (Import Policies)

The Government of Japan currently imposes an 8.5% tariff on U.S. frozen French fries. Japanese importers pay a large amount of duties each year due to the high volume of U.S. fry exports to Japan. As part of the Doha Round of WTO negotiations, the U.S. industry urges Japan to eliminate its tariff on frozen French fry imports.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is by far the largest export market for U.S. frozen French fries, importing \$261 million worth of the product in marketing year 2008-2009. The United States also exported \$52.3 million worth of dehydrated potato products to Japan during that time period. Japanese tariffs and pesticide policies hinder U.S. potato exports. In order to sustain 2% to 3% export growth, the U.S. industry urges Japan to eliminate the tariff on potato products, pursue the least trade restrictive action with respect to pesticide residue practices and coliforms and to make their food regulations more transparent.

Nectarines: Tariff (Import Policies)

The Japanese government collects a 6.0% ad valorem duty on imports of nectarines. Japan allows all varieties of nectarines to be imported provided they are treated with methyl bromide.

Pears: Tariff (Import Policies)

The Government of Japan imposes a 6% tariff on pear imports. The tariff issue, however, is moot because the country prohibits the importation of pears for alleged phytosanitary reasons.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. pear industry estimates that annual pear exports to Japan would reach approximately \$5 million if the phytosanitary and tariff issues were resolved.

Wheat: Tariff (Import Policies)

U.S. wheat exports are limited by a TRQ. While the in-quota rate is zero, the above quota tariff rate is 55 yen/kg (\$620/MT).

Whey: TRQs (Import Policies)

Japan limits whey imports through a series of small TRQs with high in-quota tariffs. Details are provided below.

HS Code	Product	Quota	In-Quota Tariff
0404.10.1110	Whey added sugar (6.48)	137,202 MT	35%
0404.10.1191	Whey without added sugar (6.48)	Part of above TRQ	25%
0404.10.121	Whey, mineral concentrated with added sugar	14,000 MT	35%
0404.10.122	Whey, mineral concentrated without added sugar	14,000 MT	25%
0404.10.131	Mineral concentrated whey outside quota		29.8%+ 425 Y/kg
0404.10.131 0404.10.141	Whey for animal feed	45,000 MT	0

Wine: Tariff (Import Policies)

The Government of Japan imposes a 15% ad valorem tariff or a 125-yen per liter tariff, whichever is less, on imported wine. In addition, Japan imposes a 5% import tax, a 5% consumption tax on the retail price, as well as a liquor consumption tax that varies according to the type of wine. The consumption tax is 60 yen per bottle of unsweetened wine and 90 yen per bottle for sweetened wine. These tariffs and taxes significantly impinge Washington wine exports to Japan.

Apples: Phytosanitary Varietal Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, Japan only allows the importation of certain varieties of U.S. apples: Red Delicious, Golden Delicious, Gala, Jonagold, Fuji, Granny Smith and Braeburn.

Apples: Phytosanitary Import Restriction (Standards, Testing, Labeling & Certification)

Japan requires apple exports to be fumigated as a condition of import. This requirement increases the cost and reduces the quality of apples shipped to Japan. During the 2008-09 marketing year, no Pacific Northwest apples were shipped to Japan.

Estimated Potential Increase in Exports from Removal of Barrier

If the tariff and fumigation requirement were eliminated, the U.S. apple industry estimates that exports could reach \$10 million in the near term and grow much larger in the future.

Beef: Sanitary Import Restriction (Standards, Testing, Labeling & Certification)

In December 2003, after the finding of imported cow with BSE in the United States, the Government of Japan banned the import of most American products derived from cattle, sheep and goats.

In October 2004, Japan and the United States agreed on a framework that specified the conditions under which beef trade would resume. The framework included the establishment of a special marketing program, the Beef Export Verification Program (BEV), for sales of beef from animals 20 months old or younger. In addition, all specified risk materials (brain and spinal cord tissues) from all ages had to be removed.

In February 2005, a panel of Japanese experts accepted the U.S. study demonstrating that the A40 Maturity grading will effectively eliminate meat from animal 21 months of age and older from being exported to Japan. As a result, in March 2005, Japan approved regulations allowing an exemption for cattle 20 months of age or younger from 100% testing at slaughter. In December 2005 the Japanese Food Safety Commission issued a final report, formalizing its finding that U.S. measures under the proposed export program were effectively equivalent to those measures in place in Japan. Based on this determination, Japan lifted the ban on U.S. beef on December 12, 2005.

Japan's age restriction is not consistent with sound science or international standards because in May 2007, the OIE (the World Organization for Animal Health) classified the United States as "controlled risk" for BSE. Under the OIE classification, U.S. beef can be safely traded without age restrictions. Despite this OIE determination, Japan still maintains the 20 month age limit on imported beef.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that the lost value of beef exports to Japan, due to BSE-related market access restrictions is approximately \$1 billion per year.

Cherries: Pesticide MRLs (Standards, Testing, Labeling & Certification)

The U.S. cherry industry is very concerned with Japan's penalty structure for pesticide maximum residue level (MRL) violations. Penalties for violations can initially include increased inspection rates for shippers but these rates can increase to 100% if a second violation occurs. USTR reached a written agreement with Japan that provides substantial relief. However, following recent MRL violations, Japanese officials ignored the agreement with USTR.

Estimated Potential Increase in Exports from Removal of Barrier

An agreement with Japan over the country's MRL sanctions policy might not necessarily lead to an increase in exports. However, an agreement will help to reduce risk exposure and maintain access to this \$55 million to \$82 million annual export market for the U.S. cherry industry.

Cherries: Phytosanitary Requirements (Standards, Testing, Labeling & Certification)

For decades, the Government of Japan required the fumigation of cherry exports with methyl bromide due to codling moth concerns. Based on new USDA research that demonstrates that cherries are not a suitable host for codling moth, the U.S. government submitted a proposed systems approach to the Japanese government for their consideration to take the place of the fumigation requirement. The industry has been concerned with the expense of the fumigation, the impact on the quality of the fruit and the potential harm to the environment.

The systems approach combines good orchard pest management practices with post harvest commodity inspections. The industry supplied documentation that the systems approach provides quarantine security which is equivalent or better than that provided by methyl bromide fumigation. The U.S. cherry industry also conducted pilot programs in the Pacific Northwest and California at the request of MAFF to demonstrate the efficacy of a systems approach.

After many years of study, MAFF finally accepted the program to the point of formally notifying the World Trade Organization. In June 2009, however, MAFF delayed the implementation of the systems approach, thereby putting at risk the tens of thousands of dollar in investments made by hundreds of growers and dozens of packing facilities to meet the requirements of the systems approach. After some delay, the Japanese market was opened to systems approach cherries, but not until it was too late for early season growers to ship to Japan. As a result, the volume of exports under this approach was relatively small due to the delay. The industry hopes that the systems approach is smoothly implemented next season.

The Washington cherry industry is also concerned with the treatment of shipments under the systems approach export work plan in the unlikely event that Western cherry fruit fly, (*Rhagoletis indifferens*), is detected upon arrival at a Japanese port. The current systems export work plan calls for the shipment to either be destroyed or re-exported. Even though U.S. cherries have been exported to Japan for more than 30 years after treatment with methyl bromide, Japan will not allow fumigation for Western cherry fruit fly upon arrival at their port. Last season the United States presented MAFF with the efficacy data on methyl bromide fumigation for Western cherry fruit fly even though the information was submitted to the agency many years ago. The Washington cherry industry requests USTR to urge Japan to accept methyl bromide fumigation treatment of cherries in Japan as a quarantine measure.

Estimated Potential Increase in Exports from Removal of Barrier

Since Japan opened its market in 1978, the Pacific Northwest, led by Washington State, has exported over 9 million cartons of fresh cherries to Japan. Japan and Taiwan alternate as the largest foreign market for fresh Washington cherries.

The industry estimates that annual cherry exports to Japan would increase by \$5 million to \$25 million per year if the country eliminated the tariff and smoothly implemented the new systems export protocol. This calculation is based on current market conditions in Japan.

Cherries: Phytosanitary Varietal import Prohibition (Standards, Testing, Labeling & Certification)

The Government of Japan insists on individually approving each new variety of fresh cherries after fumigation trials. Although the government of Japan has approved 16 cherry varieties, the U.S. cherry industry is seeking the approval of additional varieties. USDA has submitted research to Japanese officials that demonstrates that the efficacy of methyl bromide does not differ between varieties. The Washington cherry industry urges Japan to accept that cherries are a single commodity and approve all varieties for market entry, as there is no scientific basis for Japan's current approach.

Estimated Potential Increase in Exports from Removal of Barrier

The value of Pacific Northwest cherry exports to Japan would increase by up to \$5 million annually if all varieties of fresh sweet cherries were approved under the current fumigation work plan for U.S. cherries.

Pears: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Japan prohibits the importation of U.S. pears because of plant quarantine concerns related to the bacterial disease, fire blight. The position of the United States is that mature, symptomless fruit produced under commercial conditions have not been shown to transmit the disease. In 2007, research substantiated the U.S. position.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that U.S. pear exports to Japan would reach less than \$5 million per year if Japan lifted the import ban. This estimate is based on sales to similar markets.

Processed Potatoes: Pesticide MRLs (Standards, Testing, Labeling & Certification)

In May 2006, the Government of Japan (GOJ) implemented a “positive” pesticide maximum residue level (MRL) list, which prohibits exports to Japan that exceed the new levels. Fortunately, during a three-year transition period, the U.S. potato industry was able to obtain virtually all the pesticide MRLs it needed to continue exporting to Japan.

The U.S. potato industry, however, is very concerned regarding Japan’s very stringent sanctions policy for MRL violations. Instead of taking action against an individual violator, Japan’s new policy allows the government to sanction entire industries after just one MRL violation. A second violation can lead the GOJ to hold similar products at ports for five to seven days awaiting test results. Although Japanese officials assure their American counterparts that this policy was aimed at other countries, not the United States, in the months following implementation, many U.S. commodities including potatoes, have been subject to Japan’s punitive sanctions policy.

Contrary to WTO rules, Japan’s sanctions policy for MRL violations is not the least trade restrictive” and has the possibility of severely disrupting trade. In 2008, for example, as a result of a MRL violation on a shipment of fresh potatoes, Japan increased residue testing on several potato products and threatened to test the entire industry should a second violation occur. Other U.S. commodity groups have had more than one violation and have suffered through Japan’s “test-and-hold” policy.

After months of testing samples from over 60 shipments that demonstrated that residues were under Japanese MRLs, Japan restored standard testing levels for U.S. potato products. In July 2009 the Japanese Ministry of Health, Labor and Welfare (MHLW) and USTR reached an agreement that limited the situations in which Japan will impose industry-wide sanctions. Although the U.S. potato industry is pleased with the agreement, they are still concerned that the GOJ may ignore the agreement and continue to impose restrictive MRL sanctions.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is the largest foreign market for U.S. frozen French fries. During the 2008-09 marketing year, U.S. exports of frozen potatoes to Japan were \$261.0 million, and exports of dehydrated potatoes reached \$22.7 million. The industry estimates that the approval of

additional chipping plant facilities, could result in an increase of \$5 million in fresh potato exports. Opening of the market to fresh potatoes could increase sales by \$10 million the first year and \$50 million in three years. A MRL violation, however, could severely affect U.S. potato exports to Japan.

Potatoes: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

The Government of Japan (GOJ) prohibited the importation of fresh U.S. potatoes based on plant quarantine concerns for over 23 years. As a result, Japanese processing plants have been forced to remain idle for part of the year because Japanese growers do not produce enough potatoes for their snack food and chip companies to operate at full capacity on a year-round basis. Japanese processors have also been concerned about the poor quality of domestic potatoes.

In November 2000, the U.S. potato industry provided the GOJ with a potato protocol proposal designed to address Japanese concerns. The proposed procedures included: 1) visually inspecting to ensure that potatoes were free of visible signs of disease of concern to Japan; 2) storing of chipping potatoes cultivated from approved fields in separate facilities; 3) brushing of the potatoes to ensure that no soil adhered to the potatoes; and 4) applying a sprout inhibitor. In addition, the potatoes would be shipped to Japan in a sealed container and opened in Japan only in the presence of Japanese officials or at the processing facility with Japanese authorization.

In February 2006, Japan opened up its market to U.S. potatoes, which had to be processed immediately after arrival in Japan. The protocol only covered 14 states (Arizona, California, Colorado, Florida, Idaho, Maine, Michigan, Minnesota, New Mexico, North Dakota, Oregon, Texas, Washington and Wisconsin) and required the chipping potatoes to arrive in Japan between February 1 and June 30. In addition, the product had to go to approved processing plants in Japan which had to have an extensive waste management system.

At the present time, the United States is still able to ship chipping potatoes to only one plant in Japan but the industry is hopeful that the Government of Japan will approve another processing facility in 2010.

Estimated Potential Increase in Exports from the Removal of Barrier

The potato industry estimates that the further opening of the market could lead to \$10 million in exports in the first year and \$50 million in three years.

Processed Potato Products: Coliforms (Standards, Testing, Labeling & Certification)

On occasion, Japan has rejected shipments of French fries due to the presence of coliforms. Japan has maintained zero tolerance policy on coliforms on fries because it is classified as a finished product. Any coliforms that have been detected, however, are minimal and within industry specified limits. In addition, any coliforms would be eliminated when they are processed by cooking oil.

In 2008, in response to a request from the U.S. potato industry, USTR, USDA and the U.S. Embassy in Tokyo, Japan's Ministry of Health, Labor, and Welfare (MHLW) reviewed its coliform standard for frozen potatoes. As a result of this review, in February 2009, MHLW agreed to place frozen potatoes into Category C, which had an acceptable coliform standard that more accurately reflects the industry's processing system.

Initially, there were issues with the MHLW over the transition period, as the frozen French fry industry needed time to amend their packaging to reflect the new food category. The industry is hopeful that discussions with the MHLW in the fall of 2009 have resolved these issues. As it stands now, completion of the transition should occur by December 31, 2010.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is the largest export market for U.S. frozen French fries, with exports reaching \$232 million during the 2008-09 marketing year. In addition, the U.S. industry exported \$15 million worth of dehydrated potato products to Japan during that time period. In order for the industry to maintain an annual market growth of 2% to 3%, the industry seeks the least trade-restrictive sanctions policy for coliform and pesticide residue regulations, as well as transparency in food regulations.

Raspberries: Pesticide MRLs (Standards, Testing, Labeling & Certification)

The Washington raspberry industry is concerned with Japan's strict pesticide residue policy, as the GOJ has not established pesticide maximum residue levels (MRL) for many recently-released chemicals used in the United States for minor crops. Japan's policy is to deny entry to a product if the country if the country has not established a MRL for the product.

The industry is particularly concerned with the Japan's overly punitive sanctions policy for imports in the event of a MRL violation. In July 2009, the Japanese Ministry of Health, Labor and Welfare (MHLW) and USTR reached an agreement that limited the situations in which Japan will impose industry-wide sanctions. Although this is a step in the right direction, the testing policy is over strict. Moreover, it does not appear that increased testing for MRL violations is applied equally to domestic and imported products.

Estimated Potential Increase in Exports from Removal of Barrier

The Washington Red Raspberry Commission estimates that the financial impact on industry is \$2 million to \$4 million per year. However, the inability to spray crops with Acramite can cause damage to plants that is difficult to calculate and can affect plant production for many years. Due to the zero tolerance, Washington growers have to isolate crop destined for Japan through the picking, processing and cold storage phases of production.

Wheat: Pesticide MRLs (Standards, Testing, Labeling & Certification)

In 2008, the Government of Japan began to require that any wheat found with pesticide residues or other contamination exceeding Japanese standards be shipped back to the point of origin or disposed of at the importer's cost. Past detections, which are not known to have occurred with U.S. wheat, were dealt with by selling the grain in Japan for industrial or feed use. This requirement was added after it was discovered that some contaminated rice sold for industrial use in the country had been illegally resold for food use. Since importers cannot adequately estimate the potential cost/risk of the new pesticide residue requirements, U.S. exporters refused for a time to make offers to Japanese importers.

In addition, Japan's new system of regulating pesticide residues is discouraging the use of new and improved pesticides in the United States. In general, the provisional maximum residue levels (MRLs) established by the Government of Japan are consistent with U.S. pesticide tolerances. The Japanese system, however, does not provide for the timely approval or temporary accommodation of new pesticide uses approved by the EPA.

At the present time, there are at least two potentially very useful chemicals approved by the EPA for use on wheat that are awaiting Japanese regulatory review and approval. These two chemicals are spinosad (a stored grain protectant) and paraquat, which is used to help prepare wheat for harvest. Spinosad, in particular, is considered to be safer than existing stored grain protectants but the U.S. wheat industry is deferring the use of these products pending regulatory action in Japan. Both of these pesticides can be expected to leave residues that will exceed current Japan tolerances.

Estimated Potential Increase in Exports from the Removal of Barrier

Japan is commonly the top export market for U.S. wheat producers, with exports exceeding over 3.0 MMT each year, which represents a 50% market share. Japan's revised MRL policy, however, threatens to disrupt trade.

KENYA

Wheat: Tariff (Import Policies)

U.S. wheat exports to Kenya are limited by a 10% ad valorem duty or a \$50/MT tariff, whichever is higher. These charges encourage unfair trade practices, such as under-invoicing by smaller exports.

Wheat: Phytosanitary Restriction (Standards, Testing, Labeling & Certification)

In 2006, the Government of Kenya imposed restrictions on U.S. wheat exports due to concerns over flag smut. APHIS was able to partially open the market by certifying that shipments from ports other than those located on the West Coast were free of flag smut. It is not clear whether flag smut should be an issue of quarantine concern and it should be explored at a technical level to see if wheat exports from the West Coast could be resumed.

Estimated Potential Increase in Exports from the Removal of Barrier

Kenya's phytosanitary restriction also impact U.S. wheat exports to Uganda, as all such trade must use the port facilities in Kenya. In some years, exports to these two countries can reach up to 1.0 MMT. Currently, U.S. wheat retains a market share of under 10% but even a 5% increase in market share could lead to an additional \$10 million in annual wheat exports.

LIBYA

Apples: Tariff (Import Policies)

The Government of Libya currently imposes a 40% tariff on U.S. apple imports.

Estimated Potential Increase in Exports from the Removal of Barrier

The U.S. apple industry estimates that exports to Libya would reach less than \$5 million per year if the tariff were eliminated.

Cherries: Tariff (Import Policies)

The Government of Libya currently imposes a 30% tariff on U.S. cherry imports.

Estimated Potential Increase in Exports from the Removal of Barrier

The U.S. cherry industry estimates that exports to Libya would reach less than \$5 million per year if the tariff were eliminated.

Pears: Tariff (Import Policies)

The Government of Libya currently imposes a 40% tariff on U.S. pear imports.

Estimated Potential Increase in Exports from the Removal of Barrier

The U.S. pear industry estimates that exports to Libya would reach less than \$5 million per year if the tariff were eliminated.

MALAYSIA

Apples: Tariff (Import Policies)

Effective October 29, 1999, the Government of Malaysia reduced the tariff on apple imports to 5% ad valorem. However, the government collects an additional 5% sales tax on fresh fruit imports.

Cherries: Tariff (Import Policies)

Effective October 29, 1999, Malaysia lowered the tariff on imported cherries to 5% ad valorem. The government collects an additional 5% sales tax on fresh fruit imports.

Pears: Tariff (Import Policies)

Effective October 29, 1999, Malaysia lowered the tariff on imported pears to 5% ad valorem. The government collects an additional 5% sales tax on fresh fruit imports.

Wine: Tariff (Import Policies)

U.S. wine exports to Malaysia face a variety of high tariffs and other taxes. Because some of these taxes, such as the excise tax, are frequently changed every year, it makes it difficult for the U.S. wine industry to develop long-term marketing plans for Malaysia.

MEXICO

Apples: Antidumping Duties (Import Policies)

Since 1997 most Washington Red and Golden Delicious apple exports to Mexico have been consistently limited by antidumping duties or a price floor under the terms of a suspension agreement. Washington apple exports are currently limited to the November 2006 final antidumping rates issued by the Government of Mexico. The rates are as follows:

COMPANY	DUTY %
Borton & Sons, Inc.	46.58
Broetje Orchards	8.04
C.M. Holtzinger Fruit Co., Inc.	0
Northern Fruit Company, Inc.	47.05
Dovex Fruit Co.	31.19
Evans Fruit Co., Inc.	46.58
Price Cold Storage and Packing Co., Inc.	6.40
Stadelman Fruit LLC	30.79
Washington Export, LLC.	0
Washington Fruit & Produce Co.	0
All other exporting companies affiliated with the Northwest Fruit Exporters	47.05

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that apple exports to Mexico would increase by \$20 million per year if all restrictions were removed.

Cherries: Trucking Retaliatory Tariff (Import Policies)

On March 16, 2009, the Government of Mexico announced that it was imposing retaliatory tariffs on a variety of U.S. products in keeping with a NAFTA panel ruling that the United States had not complied with NAFTA's trucking provisions. The value of Washington exports to Mexico in 2008 for those products facing retaliatory duties was \$86 million. The Washington cherry industry exported \$3.5 million of its product to Mexico during the 2009 season. It is unlikely that the industry will reach this mark in the 2010 season because cherries now face 20% retaliatory duties.

The Washington cherry industry urges the Obama Administration to resolve this issue as quickly as possible.

Frozen French Fries: Trucking Retaliatory Tariff (Import Policies)

On March 16, 2009, the Government of Mexico announced that it was imposing retaliatory tariffs on a variety of U.S. products in keeping with a NAFTA panel ruling that the United States had not complied with NAFTA's trucking provisions. The value of Washington exports to Mexico in 2008 for those products facing retaliatory duties was \$86 million. With 2008 exports reaching over \$40 million, frozen French fries are the most valuable export facing retaliatory duties.

Since the imposition of 20% tariffs, Washington frozen French fry exporters have lost a very significant amount of market share in Mexico. Data for the most recent month (October 2008) indicates that the U.S. frozen potato product industry has lost 54% of its market share. Since the imposition of retaliatory duties, the cumulative loss to the industry is over 20,900 MTs worth over \$21 million dollars. Even when the issue is resolved, it is far from certain that the U.S. industry will regain its previous market share.

The Washington frozen French fry industry urges the Obama Administration to resolve this issue as quickly as possible.

Pears: Trucking Retaliatory Tariff (Import Policies)

On March 16, 2009, the Government of Mexico announced that it was imposing retaliatory tariffs on a variety of U.S. products in keeping with a NAFTA panel ruling that the United States had not complied with NAFTA's trucking provisions. The value of Washington exports to Mexico in 2008 for those products facing retaliatory duties was \$86 million. With 2008 exports reaching over \$33 million, the pear industry accounts for the second most valuable export facing retaliatory duties. Since the imposition of these duties, Washington pear exports to Mexico have declined by 56%.

The Washington pear industry urges the Obama Administration to resolve this issue as quickly as possible.

Cherries: Phytosanitary Export Work Plan (Standards, Testing, Labeling & Certification)

The Government of Mexico recently proposed additional monitoring (trapping) requirements for western cherry fruit fly (*Rhagoletis indifferens*). In response, USDA/APHIS provided information to the Government of Mexico that a 1995 NAFTA Technical Working Group noted that western cherry fruit fly was not of economic importance to Mexico because the limited scope of cherry production in the country.

APHIS has also pointed out that, given the distribution of the pest in California, *Rhagoletis indifferens* was not ecologically adapted to the climate of northern Mexico's fruit growing areas. Apparently, Mexico is concerned about a native species, capulin cherry (*prunus serotina subsp. Salicifolia*), that is used as an indigenous food. In response, USDA APHIS has proposed an existing fruit sampling protocol for *R. indifferens* in lieu of trapping. The U.S. cherry industry is concerned that if this issue is not resolved prior to the spring of 2010, it will not be able to export cherries to Mexico this season. Already, the Washington State cherry industry is facing 20% retaliatory duties as a result of the trucking dispute.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2009 cherry season, Pacific Northwest cherry exports to Mexico reached \$3.5 million. The industry sees growth potential in the Mexican market with the expansion of U.S. cherry production and resulting in lower prices.

Dairy Products and Milk: Vitamin D Limits (Standards, Testing, Labeling & Certification)

In 2007 the Government of Mexico (GOM) established a maximum level of vitamin D in milk and dairy products between 200-300 IU/liter. In response, the U.S. Dairy Export Council, in conjunction with FAS, provided supporting science for a higher permitted Vitamin D level including the following conclusions:

1. Vitamin D is safe to consume at the levels present in U.S. milk even at relatively high levels of milk intake.
2. Growing scientific evidence demonstrates that higher vitamin D intake is essential to maintaining good health and preventing chronic diseases such as prostate cancer, multiple sclerosis, osteoporosis and tuberculosis.
3. Prospective clinical studies giving more than 400 IU of vitamin D/day (800-1000 IU) demonstrate clear health benefits and no evidence of toxicity.

The U.S. industry urges the GOM to increase the allowable amount of vitamin D in milk to 423 International Units (IU)/liter, which is equal to the U.S. fortification level of 400 IU/quart. The U.S. level would not put Mexican consumers at any risk for overexposure. It is also notable that the Government of Canada requires vitamin D fortification at 300 – 400/852 ML, which is equal to 350-470 IU/liter. An extraordinary amount of milk would need to be consumed at this fortification level in order to reach the upper intake level (UL), or the level at which humans may experience adverse health effects.

In the United States, the currently accepted upper intake limit for vitamin D is 2000 IU/day. The National Institutes of Health, however, reports that there is a strong consensus among scientists that this level is too low. A person would have to consume 5 quarts of milk fortified at that level in order to reach the current UL of 2000 IU/day.

The GOM has argued against this sound science by stating that its citizens obtain greater levels of Vitamin D naturally through higher levels of sun exposure. Although vitamin D is generated in the body from sun exposure, the mere existence of sunlight itself does not guarantee that the increasingly urbanized Mexican population receives enough sunlight to generate sufficient levels of this important vitamin. Moreover, in view of the predominant racial make-up of Mexico, it is worth noting that darker-skinned individuals have difficulty receiving sufficient sunlight to produce vitamin D from the sun, since the melanin (dark pigment) acts as a sunscreen. As a result, dark-skinned people require at least five times as much sun exposure to form a given amount of vitamin D, compared to a very light-skinned person. In fact, the 2005 U.S. Dietary Guidelines for Americans recommend that the dark-skinned individuals substantially increase their intake of vitamin D to 1,000 IU of vitamin D per day.

There is a strong consensus among those researching vitamin D that vitamin D is crucial to maintaining good health, preventing chronic diseases, and supporting strong bones and that) sunlight does not provide adequate vitamin D, especially as people spend more time indoors and are exposed to more pollution. Consequently, Vitamin D supplementation through foods is essential in ensuring that people receive enough of the vitamin.

The U.S industry maintains that Mexico's Vitamin D standard is not based on sound science. Instead, it is an unwarranted trade barrier that necessitates the special formulation of milk destined to be sold into the Mexican market.

Fresh Potatoes: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

In March 2003 the United States and Mexico signed an export protocol, which opened up the market to potatoes from all U.S. states based on a "shipment freedom" system whereby individual shipments were required to be inspected. Under this agreement, U.S. potato exporters have to use certified seed potatoes, apply sprout inhibitor, inspect for viruses and diseases and supply Mexican officials with appropriate documentation. The agreement limited shipments in the first year to the border zone (26 kilometers) but provided for the extension of market access to the seven northern states in the second year and the negotiation of market access to the rest of the country in the third year. The initial 26 kilometer limit reflects a political compromise as there is no phytosanitary justification for the border region restriction.

Under the original agreement, discussions to further open the seven northern Mexican states were to occur but the nematode finds and subsequent revised export protocol have pushed back the timetable. Since the signing of the agreement little progress has been made toward opening the Mexican market to the seven northern states, let alone the entire country, even though the number of pest finds has declined over time to about 1% to 2% of shipments. There is no scientific reason for the market to remain limited to the 26km border region. Expanding access to the Mexican fresh potato market is one of the U.S. potato industry's highest priorities.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 market year, U.S. fresh potato exports to the border region reached \$26.1 million. The industry estimates that annual exports to Mexico could reach \$50 million with the removal of all phytosanitary restrictions.

Nectarines: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

In July 2004 APHIS submitted a work plan to Mexico for peaches and nectarines, primarily to address Mexican concerns about Oriental Fruit Moth (OFM). Washington, Oregon and Idaho are seeking market access based on a systems approach that does not require the presence of Mexican inspectors.

The same Pacific Northwest growers currently export apricots to Mexico and peaches and nectarines to British Columbia, Canada under the OFM systems approach proposed to Mexico. OFM has never been detected in stone fruit shipments to British Columbia or in apricot shipments to Mexico. The industry seeks the same treatment for nectarine and peach exports, but the GOM continues to insist on oversight by Mexican inspectors on the ground in the PNW despite receiving the trapping data from this season, which underscores the low prevalence of OFM.

The Washington stone fruit industry urges USTR and USDA/APHIS to work with the Mexican government to change the regulation that currently requires on-site verification.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that annual stone fruit exports to Mexico would be less than \$5 million per year.

Peaches: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

In July 2004 APHIS submitted a work plan to Mexico for peaches and nectarines, primarily to address Mexican concerns about Oriental Fruit Moth (OFM). Washington, Oregon and Idaho are seeking market access based on a systems approach that does not require the presence of Mexican inspectors.

The same Pacific Northwest growers currently export apricots to Mexico and peaches and nectarines to British Columbia, Canada under the OFM systems approach proposed to Mexico. OFM has never been detected in stone fruit shipments to British Columbia or in apricot shipments to Mexico. The industry seeks the same treatment for nectarine and peach exports, but the GOM continues to insist on oversight by Mexican inspectors on the ground in the PNW despite receiving the trapping data from this season, which underscores the low prevalence of OFM.

The Washington stone fruit industry urges USTR and USDA/APHIS to work with the Mexican government to change the regulation that currently requires on-site verification.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that annual stone fruit exports to Mexico would be less than \$5 million per year.

Beef: Domestic Supports (Export Subsidy)

According to the OECD, in 2006 the value of commodity specific support provided by the Government of Mexico (GOM) to beef and veal producers was equivalent to 6.3% of farm gate receipts. The Government of Mexico limits support to the beef industry to producers that send their cattle to be slaughtered at federally inspected plant and support for herd and genetic improvements. The government provides 110 pesos (U.S. \$10) per head of cattle slaughtered at these federally inspected plants.

MOROCCO

Apples: Tariff (Import Policies)

Under the U.S.- Morocco Free Trade Agreement, U.S. apple exports are governed by a tariff schedule and a tariff rate quota (TRQ), which is in effect between February 1 and May 31 of each year. During the time that the TRQ is in effect, in-quota apple imports receive duty-free treatment. The TRQ schedule is as follows:

YEAR	Quantity (MTs)
2006	2,000
2007	2,080
2008	2,163
2009	2,250
2010	2,340
2011	2,433
2012	2,531
2013	2,632
2014	2,737
2015 and beyond	Unlimited

During the rest of the year, U.S. apple imports are governed by a tariff, which is being phased out until it is eliminated in 2014. The tariff rate for 2010 is 26%.

NEW ZEALAND

Wine: Tariff (Import Policies)

The Government of New Zealand imposes a 5% tariff on imported wine. Wine sales are also subject to alcohol and excise taxes which vary according to the type of wine. New Zealand charges a NZ\$ 2.332 per liter tax and an alcohol tax of NZ\$ 4.98 per liter on non-fortified wine. Fortified wine is subject to an excise tax of NZ\$ 42.472 per liter and an alcohol tax of NZ\$ 8.09 per liter. An additional 12.5% goods and services tax is imposed on both types of wine.

NORWAY

Apples: Tariff (Import Policies)

The Government of Norway imposes a 4.83 Norwegian kroner (NOK) per kilo tariff on imported apples between May 1 and November 30. Imported apples face a 0.03 NOK per kilo duty during the rest of the year.

Cherries: Tariff (Import Policies)

The Government of Norway imposes a 5.57 Norwegian kroner (NOK) per kilo tariff on imported cherries all year round.

Pears: Tariff (Import Policies)

The Government of Norway imposes a 4.41 NOK per kilo tariff on imported pears between August 11 and November 30. The rate falls to 0.02 NOK per kilo during the rest of the year.

PAKISTAN

Flour: Tariff (Import Policies)

U.S. flour exports currently face a 10% tariff.

Fruits and Vegetables: Tariffs (Import Policies)

The Government of Pakistan imposes tariffs that range from 10% to 30% on imported vegetables and fruits.

Wheat: Tariff (Import Policies)

U.S. wheat exports to the private sector currently face a 35% tariff and a 15% sales tax.

Wheat Flour: Tariff (Import Policies)

U.S. wheat flour exports currently face a 10% tariff and a 15% sales tax.

Wheat: Phytosanitary Restrictions (Standards, Testing, Labeling and Certification)

In 2008, U.S. wheat growers exported very little wheat to Pakistan due to ambiguous tender terms, uncertain import permit requirements and phytosanitary requirements. For example, the Government of Pakistan required lab testing as a basis for certifying freedom from a disease of rye, *Tilletia Walkeri*, which is usually not recognized as a quarantine pest for either wheat or rye and for which there is no reliable lab test. Although the Government of Pakistan agreed to accept a phytosanitary certificate that does not include a *Tilletia Walkeri* requirement, the industry is still concerned that shipments may be held on arrival if Pakistani officials believe the disease is present. Due to this uncertainty, U.S. wheat exporters do not have confidence that their product will be successfully imported into Pakistan.

Wheat: Export Subsidies (Subsidies)

Pakistan continues to export wheat despite quality problems, drought and large subsidy costs. All Pakistani wheat exports require a significant amount of export subsidy because the cost of Pakistani wheat at the port of Karachi is estimated to be near \$260/MT, which is based on the \$180/MT official minimum purchase price that was established in 2006. This subsidy program is inconsistent with Pakistan's WTO requirements as the country did not include a wheat subsidy program in its list of commitments under the Uruguay Round Agricultural Agreement.

PANAMA

Apples: Tariff (Import Policies)

The Government of Panama imposes only a 2% tariff on imported U.S. apples. Under the U.S.-Panama Free Trade Agreement the tariff will be eliminated. Although the negotiations concluded on December 19, 2006, Congress has yet to take action on the agreement.

Cherries: Tariff (Import Policies)

The Government of Panama imposes only a 1% tariff on imported U.S. cherries, which will be immediately eliminated under the U.S.-Panama Free Trade Agreement. Although the negotiations concluded on December 19, 2006, it is still pending consideration by Congress.

Dehydrated Potato Flakes: Tariff (Import Policies)

Under the U.S.-Panamanian FTA, the 15% tariff on dehydrated potato flakes, pellets and granules (HS 1105.2) will be phased out in equal installments over 5 years.

Fresh Potatoes: TRQ (Import Policies)

At the present time, U.S. fresh potato exports to Panama are subject to a restrictive 453-ton TRQ. The in-quota tariff is 15%, while the above-quota is a prohibitive 83%.

Under the U.S.-Panama FTA, American fresh potato exports will be governed by a 750-MT TRQ in the first year after that agreement is implemented. The in-quota tariff rate is 0% while the above-quota tariff rate is 83%. The quota amount will grow by a compounded 2% rate in perpetuity.

Frozen French Fries: Tariff (Import Policies)

In the summer of 2003 the Government of Panama raised the tariff on frozen French fries from the United States from 15% to 20%. According to the U.S. embassy in Panama City, the tariff was increased due to pressure from domestic potato farmers who argued that imported frozen French fries were hurting their industry.

Although USTR and USDA urged the immediate elimination of the tariff on frozen French fries under the U.S.-Panama FTA, the Government of Panama argued that U.S. processed potatoes compete directly with Panamanian fresh potatoes and placed potato products in the sensitive category during the negotiations.

In the end, under the U.S.-Panama FTA, American French fry exports will be governed by a 3,500 MT quota in the first year after that agreement is implemented. The in-quota will be 0% while the above-quota is initially 20%. The quota amount will grow by a compounded 4% rate for five years, while the above-quota tariff is gradually eliminated. The quota will be eliminated after 5 years.

Year	Quota (MT)	In-Quota Tariff	Above-Quota Tariff
Year One	3,640	0%	16%
Year Two	3,786	0%	12%
Year Three	3,937	0%	8%
Year Four	4,095	0%	4%
Year Five	n/a	0%	0%

Estimated Potential Increase in Exports from Removal of Barrier

With its close historical and military ties to the United States, Panama has a large number of quick service restaurants, which generate demand for frozen French fries. Given market access equal to regional competitors, U.S. frozen French fry exports could dominate the market. U.S. fry exports to Panama reached \$2.8 million during the 2008-2009 marketing year. The U.S. industry estimates that exports to Panama would double in the near term if the tariff were eliminated.

Pears: Tariff (Import Policies)

The Government of Panama imposes a 5% tariff on imported U.S. pears. Under the U.S.-Panama Free Trade Agreement the tariff will be eliminated. Although the negotiations concluded on December 19, 2006, the agreement is still awaiting Congressional consideration.

Potato Chips: Tariff (Import Policies)

The Government of Panama imposes only a 15% tariff on imported U.S. potato chips. Under the U.S.-Panama Free Trade Agreement the tariff will be immediately eliminated. Although the negotiations concluded on December 19, 2006, Congress has not taken action on the agreement.

PARAGUAY

Flour: Tariff (Import Policies)

The Government of Paraguay imposes a 12% tariff on imported American flour. By comparison, flour imports from the other MERCOSUR countries (Argentina, Brazil and Uruguay) receive duty-free treatment.

Wheat: Tariff (Import Policies)

As a member of MERCOSUR, Paraguay imposes a 10% tariff on U.S. wheat. The tariff level for trade between MERCOSUR countries is zero.

PERU

Processed Dehydrated Potato Products/Potato Chips: Tariff (Import Policies)

Prior to the implementation of the U.S.-Peru Trade Promotion Agreement on January 1, 2009, American exports of potato chips and granules (HS 2005.2) faced a 20% tariff. By comparison, imports of such products from Chile entered Peru duty-free. Under the bilateral agreement, Peru will phase out the 20% tariff over a 5-year period.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2007-2008 marketing year, U.S. processed potato exports to Peru reached \$1.6 million, a 23% increase over the preceding year.

Pulses: Phytosanitary Restrictions (Standards, Testing, Labeling and Certification)

The Government of Peru currently requires fumigation as a precondition of imports of chickpeas, lentils and pea.

PHILIPPINES

Apples: Tariff (Import Policies)

The Government of the Philippines imposes a 5% tariff on U.S. apple imports.

Cherries: Tariff (Import Policies)

The Government of the Philippines currently imposes a 5% import duty on cherries.

Fresh Potatoes: TRQ (Import Policies)

The Philippines opened up its market to imports of fresh potatoes from the United States in 2000 after the completion of a phytosanitary work plan. Despite the lifting of the ban, market access is limited by a TRQ under the Uruguay Round Agreement on Agriculture. The TRQ is roughly 1,500 MTs with a high in-quota tariff of 40% and an over-quota duty of 50%. The industry urges U.S. trade officials to seek the elimination or substantial liberalization of the TRQ as part of the WTO Doha negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

During the July 2008 to June 2009 marketing year, U.S. fresh potato exports to the Philippines reached \$745,000. The industry believes that the elimination of the TRQ would create an annual market for chipping and table stock potatoes valued at \$5 million or higher.

Frozen French Fries: Tariff (Import Policies)

The Government of the Philippines applies a 10% tariff on imports of frozen French fries and other processed potato products, significantly below the WTO bound rate of 35%.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, U.S. frozen French fry exports to the Philippines reached \$29.4 million dollars. During that same time period the U.S. industry also exported \$915,000 worth of dehydrated potato products to the country.

Pears: Tariff (Import Policies)

U.S. pear exports to the Philippines currently face a 5% import duty.

Wine: Tariff (Import Policies)

The Government of the Philippines currently imposes a 7% tariff, as well as a 12% VAT and an excise tax (P 18.87) on imported wine.

Fresh Potatoes: Phytosanitary Import Restriction (Standards, Testing, Labeling & Certification)

In March 2009 APHIS requested market access for U.S. fresh potatoes. The Government of the Philippines responded that a pest risk assessment on table stock potatoes would have to be carried out for potatoes not destined for processing.

Late in 2009 the U.S. potato industry learned that U.S. fresh potatoes could enter the Philippine market provided they were destined for upscale retail outlets. While the industry welcomes such access, the Philippine policy is not based on sound science or consistent with WTO principles. There is no scientific reason for limiting market access only to upscale markets.

Estimated Potential Increase in Exports from Removal of Barrier

Market access for fresh potatoes could lead to more than \$10 million in annual fresh potato exports to the Philippines.

RUSSIA

Apples: Tariff (Import Policies)

Russia imposes a 0.2 Euro per kilogram tariff on apple imports from August 1 through December 1. The rate falls to 0.1 Euro per kilogram during the rest of the year.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Russia, the industry estimates that the elimination of the tariff on apples would lead to under \$5 million a year in additional exports.

Beef: Tariff (Import Policies)

The Russia tariff on U.S. beef products is typically about 15%.

Cherries: Tariff (Import Policies)

U.S. cherry exports to Russia are subject to a 5% duty.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in the country, the industry estimates that the elimination of the tariff on cherries would lead to under \$5 million a year in additional exports to Russia.

Fruit Exports: Customs Barriers (Import Policies)

The enforcement of customs procedures varies by region and port of entry in Russia. Frequent changes in the country's regulations add costs and delays at the border.

Pears: Tariff (Import Policies)

U.S. pear exports to Russia are subject to a 5% duty.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in the country, the industry estimates that Russia's elimination of the tariff would lead to under \$5 million a year in additional pear exports.

Wine: Tariff (Import Policies)

The Government of Russia imposes a 20% tariff on U.S. wine. Other wine exporting countries have been pressing Russia to lower the tariff as part of the country's accession agreement to the World Trade Organization.

Imported wine is also subject to 163 Russian ruble (RUR) per liter excise tax which is scheduled to increase to RUR per liter in 2010. Moreover, the Government of Russia requires an excise payment guarantee of 100% on wines declared by the Russian Customs authorities to be “not natural,” which is a poorly defined term. “Natural wines are taxed at the rate of 2 Russia rubles per bottle, while “non natural” wines face a 16 ruble per bottle tax. Moreover, wine imports must provide four bottles of each kind of wine each year to Russian customs authorizes in order to facilitate the testing of the product for “naturalness.” The tariff and various tariffs are a significant obstacle to exporting wine to Russia.

Dairy Products: Certificate (Standards, Testing, Labeling & Certification)

U.S. exporters of dairy products face a lot of uncertainty because the two countries have not been able to agree upon an appropriate dairy certificate. The Government of Russia continues to insist on the inclusion of statements that cannot be fully verified and/or are not based on science.

Dairy Products: Individual Plant Inspections (Standards, Testing, Labeling & Certification)

In 2008 the Government of Russia implemented new regulations requiring Russian inspectors to inspect every single U.S. dairy exporting facility. The U.S. industry believes that this requirement is not practical, desirable or necessary in view of the extensive inspection/oversight system already in place in the United States. The U.S. dairy industry is very wary of this requirement as they have seen the extremely disruptive impact that such individual plant approval and inspections have had on the U.S. meat industry.

SAUDI ARABIA

Frozen French Fries: Tariff (Import Policies)

The Government of Saudi Arabia currently imposes a 5% tariff on imported frozen French fries.

Processed Potato Products: Tariff (Import Policies)

In March 2008, the Government of Saudi Arabia lowered the tariff on processed potato products (HS 2005.2) from 12% to 5%.

Seed Potatoes: Tariff (Import Policies)

In March 2008, the Government of Saudi Arabia lowered the tariff on seed potatoes (HS 07101.1) from 12% to 5%.

SOUTH AFRICA

Apples: Tariff (Import Policies)

The Government of South Africa assesses a 4% ad valorem duty on U.S. exports of fresh apples.

Cherries: Tariff (Import Policies)

U.S. cherry exports to South Africa face a 4% ad valorem tariff. Note that the Government of South Africa currently prohibits the importation of U.S. cherries for phytosanitary reasons.

Pears: Tariff (Import Policies)

South Africa collects a 5% ad valorem tariff on imports of U.S. pears. The industry's main concern is not the tariff, but rather the phytosanitary importation prohibition maintained by the Government of South Africa over concerns about the bacterial disease fire blight.

Cherries: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The Government of South Africa prohibits the importation of U.S. cherries due to a number of phytosanitary issues being discussed by the South African and U.S. governments. The United States has submitted a pest risk assessment for sweet cherries to the South African government and awaits a response.

Estimated Potential Increase in Exports from Removal of Barrier

Based on exports to similar markets, the industry estimates that the lifting of the import prohibition would lead to less than \$5 million in annual cherry exports to South Africa.

Pears: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The U.S. pear industry cannot export its product to South Africa due to a phytosanitary import prohibition. The two governments have held discussions but have not been able to resolve the issues.

Estimated Potential Increase in Exports from Removal of Barrier

Based on exports to similar markets, the lifting of the import prohibition would lead to less than \$5 million in annual pear exports to South Africa.

SOUTH KOREA

Apples: Tariff (Import Policies)

South Korea currently imposes a 45% tariff on apples. Under the U.S.-South Korean FTA, tariffs on all U.S. apples other than Fujis will be phased out over a 10-year period, while the tariff on Fujis will meet the same fate over a 20-year period. The agreement also contains a safeguard mechanism. The initial quantity is 9,000 tons which increases in year 5 to 12,000 tons and subsequently grows 3% a year to 20,429 tons in year 23. After that year, the safeguard no longer applies. The safeguard only applies to Fuji apples starting in year 11.

The tariff issue, however, is moot because U.S. apple exports to South Korea are prohibited for phytosanitary reasons.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the removal of the phytosanitary import prohibition and the tariff/TRQ would lead to \$5 million to \$25 million in apple exports each year.

Asparagus: Tariff (Import Policies)

Seoul currently imposes a 30% tariff on U.S. asparagus exports.

Barley: Tariff Rate Quota (Import Policies)

South Korea maintains a TRQ on barley in order to encourage the use of domestic barley, which may cost as much as four times more than imported barley. The 2007 TRQ was 30,000 MTs with an in-quota tariff rate of 30% and an above-quota tariff rate of 513%. Under the proposed U.S.-South Korean FTA, in the first year of the agreement, 9,000 MTs of unroasted malt and unmalted barley could enter South Korea duty-free. This 9,000 MT quota would grow 2% a year for 15 years, at which time all U.S. malt and malting barley would enter South Korea duty-free.

Beef: Tariff (Import Policies)

In 2006 U.S. beef exports to South Korea faced tariffs that ranged from 18% to 72%. Under the pending U.S.- South Korea FTA, the 40% tariff on beef muscle meats will be phased-out over a 15 year period in equal installments, while the 18% tariff on American beef offals (feet, livers, tails and tongues) and the tariffs on other beef products, which range from 22.5% to 72%, will also be eliminated in equal installments over 15 years. The FTA also contains a South Korean “safeguard” of 270,000 tons for beef muscle meats, growing at a compound 2-percent annual rate to a final safeguard level of 354,000 tons in 15 years. The safeguard will be eliminated in year 16.

Canned Cherries: Tariff (Import Policies)

U.S. canned cherry exports currently face a 45% South Korean tariff. Under the KORUS-FTA this tariff would be phased out over a decade.

Canned Corn (Sweet) : Tariff (Import Policies)

Under the U.S.-Korea FTA the current 30% tariff on imported frozen corn and the 15% tariff on canned corned will be phased-out over five years after the implementation of the agreement.

Cherries: Tariff (Import Policies)

U.S. cherry exports to South Korea face a 24% tariff. Under the U.S.-South Korean FTA, the tariff on cherries will be eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the elimination of the tariff would lead to \$5 million to \$25 million in exports each year. The estimate is based on current market conditions in South Korea.

Coffee: Tariff (Import Policies)

South Korea's tariff on roasted coffee is "bound" at 29.5%. As a result, South Korea can charge a tariff up to 29.5% even though it currently applies a tariff of 8%.

Dairy Products: Tariff on Cheese (Import Policies)

South Korea currently imposes a 36% tariff on imported cheese. Under the U.S.-Korea FTA, Seoul provides U.S. cheese exports with a new duty-free TRQ of 7,000 MTs, which will grow at a compound 3% annual rate from year 2 through year 14 after the implementation of the agreement. Starting in year 15, all non-cheddar U.S. cheese can enter South Korea duty-free. Starting in year 10, all U.S. cheddar imports can enter South Korea duty-free.

Dairy Products: TRQs for Skim/Whole Milk Powder and Condensed/Evaporated Milk (Import Policies)

Currently, U.S. exporters of skim and whole milk powder, condensed and evaporated milk are subject to small global WTO quotas ranging from 130 MTS for evaporated milk to 1,034 MTs for skim milk. In-quota tariffs range from 20% to 40%, while above-quota tariffs are very high.

Dehydrated Potato Flakes: Tariff Rate Quota (Import Policies)

While frozen French fries and processed dehydrated potato products face high tariffs, other potato products face very restrictive TRQs. For example, exports of dehydrated potato flakes (HS 1105.2) face a 60 MT TRQ, which can be filled in one shipment. The extremely high over-quota tariff of 304% has forced exporters to alter their products to less user-friendly blends to have the product fall under the lower tariff rate for processed dehydrated products (HS 2005.2).

Under the U.S.- South Korean FTA, U.S. dehydrated potato flakes exports will be governed by a TRQ. In the first year after the agreement goes into effect, U.S. exports under 5,000 MTS will enter duty-free, with above-quota exports facing a 294.3% duty. The TRQ schedule is provided below.

Year	Safeguard Trigger Level (Metric Tons)	Over Quota Duty
Year 1	5,000	294.3%
Year 2	5,150	284.5%
Year 3	5,305	274.8%
Year 4	5,464	265.1%
Year 5	5,628	255.4%
Year 6	5,796	214.6%
Year 7	5,970	199.7%
Year 8	6,149	184.8%
Year 9	6,334	169.9%
Year 10	6,524	155%
Year 11	N/A	0%

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, U.S. dehydrated potato exports reached \$18.9 million. The U.S. industry estimates that the annual export of U.S. potato products could reach \$50 million if all potato tariffs were eliminated.

Fresh Potatoes: TRQ (Import Policies)

Under the Uruguay Round Agricultural Agreement, fresh potato imports (H.S. 0701.90) are governed by a restrictive TRQ, which increased over the years to 18,810 MTs in 2007. This quota is shared among several countries. The in-quota tariff is a high 30% while the over-quota tariff is 304%, down from 338% over ten years ago.

The TRQ is revised annually based on the domestic market situation. The Ministry of Finance and Economy sets the quota, while the Korea Agro-Fishery Trade Corporation, a quasi-governmental organization administers the import allocations. When issuing allocations the organization gives priority to chipping potato imports.

Under the U.S.-South Korean FTA, tariffs on chipping potatoes will be immediately eliminated during the December 1 to April 30 time period. During the rest of the year, the tariff will remain at 304% for the first seven years, before being phased out in equal installments over the next eight years according to the following schedule.

Year	Duty May 1-Nov. 30
Year 1	304%
Year 2	304%
Year 3	304%
Year 4	304%
Year 5	304%
Year 6	304%
Year 7	304%
Year 8	266%
Year 9	228%
Year 10	190%
Year 11	152%
Year 12	114%
Year 13	76%
Year 14	34%
Year 15	0%

In addition, the U.S.-South Korean FTA establishes a 3,000 MT TRQ for U.S. fresh potatoes (non-chipping) that grows incrementally. In-quota imports enter South Korea duty-free while above-quota exports face a snap-back tariff of 304%. The TRQ schedule is provided below.

Year	Duty Free Quota (Metric Tons)
Year 1	3,000
Year 2	3,090
Year 3	3,183
Year 4	3,278
Year 5	3,377
Year 6	3,478
Year 7	3,583
Year 8	3,690
Year 9	3,800
Year 10	3,914
Continues	Continues to grow 3% annually

Estimated Potential Increase from Removal of Barrier

U.S. fresh potato exports to South Korea reached \$3 million during the 2008-09 marketing year. The U.S. industry estimates that annual fresh potato exports to South Korea could reach \$20 million if the restrictions were eliminated.

Frozen Corn: Tariff (Import Policies)

South Korea currently imposes a 30% tariff on imports of frozen corn, which is above its bound rate of 54%. The 30% tariff on imported frozen corn will be phased out over five years after the implementation of the bilateral free trade between South Korea and the United States which is still awaiting congressional consideration.

Estimated Potential Increase from Removal of Barrier

Despite the 30% tariff, South Korea is the fourth largest overseas market for U.S. frozen sweet corn. Between 2005 and 2007, U.S. exports of frozen corn to South Korea averaged 1,500 tons worth \$565,000 per year. During this time period, the United States held a 28% market share but is facing strong competition from Chinese suppliers. This issue is significant for Washington as most of the state's corn crop goes to the production of frozen corn.

Frozen French Fries & Dehydrated Potato Products: Tariff (Import Policies)

South Korea currently imposes an 18% tariff on U.S. frozen French fries (HS 2004.1) and a 20% tariff on processed dehydrated potato products (HS 2005.2). Under the US-South Korean FTA, the tariff on frozen French fries is scheduled to be immediately eliminated once the agreement goes into effect. The 20% tariff on processed dehydrated potato products will be phased out over 7 years in keeping with the following schedule:

Year	Tariff
Year 1	17.1%
Year 2	14.3%
Year 3	11.4%
Year 4	8.6%
Year 5	5.7%
Year 6	2.9%
Year 7	0

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is currently the sixth largest export market for U.S. frozen French fries, with exports reaching \$31 million in marketing year 2008-09, an increase of 30% over the previous year. During that marketing year U.S. dehydrated potato exports to South Korea reached \$18.9. The U.S. industry estimates that the annual export of U.S. potato products could reach \$50 million if all potato tariffs were eliminated.

Grape Juice: Tariff (Import Policies)

South Korea currently imposes a 45% tariff on imported grape juice. The U.S.-South Korean FTA provides immediate duty-free treatment to imports of American grape juice.

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is currently the third largest market for U.S. grape juice, but sales have been volatile in recent years. Between 2005 and 2007, the United States exported an average of 5 million liters of grape juice valued at \$6.7 million each year. Although U.S. grape juice producers currently hold a 38% import market share their percentage of the market has declined as competition from Chile and Argentina has grown in recent years, while Spanish and Italian suppliers are still competitive. The implementing of the U.S.-South Korean FTA would significantly improve the competitive position of the American grape juice producers, allowing them to increase their market share.

Hay: Tariff (Import Policies)

South Korea currently imposes a 100.5% tariff on imported hay. Under the KORUS-FTA, however, 200,000 tons of U.S. hay (excluding alfalfa) can enter Korea duty free annually through year 15, when the current tariff of 100.5 percent phases out.

Estimated Potential Increase in Exports from Removal of Barrier

Despite the high tariff, annual U.S. hay exports to South Korea averaged \$140.5 million between 2006 and 2008. Washington hay exports to South Korea almost accounted for half of the country's exports to South Korea, averaging \$62.2 million per year between 2006 and 2008. The phasing out of the tariff/TRQ should significantly increase hay exports to South Korea.

Onions: Tariff Rate Quota (Import Policies)

The Government of South Korea limits the importation of onions through a restrictive TRQ that has been very slowly liberalized over the last few years. The TRQ is as follows:

Year	Quota	In-Quota Tariff	Over-Quota Tariff
2002	18,805.9 MT	50%	The higher of 138.0% or 184 won per kilogram
2003	19,725.5 MT	50%	The higher of 136.5% or 182 won per kilogram
2007	20,645 MT	50%	The higher of 135.0% or 180 won per kilogram

The KORUS FTA also establishes a 2,904-ton safeguard quota for onions in year one that gradually increases to 5,808 tons in year 16. In-quota shipments continue to face a 50% duty. Above-quota imports are initially subject to an over-safeguard duty of 135%. All duties expire in year 19.

Estimated Potential Increase in Exports from Removal of Barrier

Between 2005 and 2007, U.S. onion producers exported an average of 1,183 tons a year to Korea valued at \$650,000, making it the industry's seventh largest foreign market. The liberalization of the TRQ will increase the export opportunities for U.S. onion growers.

Pears: Tariff (Import Policies)

U.S. pear exports to South Korea currently face a 45% tariff. (South Korea prohibits the importation of U.S. pears due to plant quarantine concerns.) Under the U.S.-South Korean FTA, the tariff on non-Asian pear varieties will be phased out over 10 years, while the tariff on Asian pear varieties is eliminated over 20 years.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the removal of the phytosanitary restriction and tariff would lead to less than \$5 million in pear exports each year.

Pork: Tariff (Import Policies)

At the present time, U.S. pork exports to South Korea face applied tariffs of 25% for frozen products and 22.5% for fresh or chilled products. Under the U.S. –Korean FTA, however, Korean tariffs on 90% of U.S. pork imports, including all frozen and process pork imports, will be phased-out within several years after implementation of the agreement.

Estimated Potential Increase in Exports from Removal of Barrier

Between 2005 and 2007, U.S. pork producers annually exported an average of 78,000 tons of fresh, chilled, or frozen pork, valued at \$179 million to South Korea. Although U.S. pork exporters held an average market share of 25% during that three year time-period, they face strong competition from the European Union and Canada, which held 42% and 20% percent market shares, respectively. Chile has also become a strongly competitor in the market, partially due to the provisions of the Chile-Korea Free Trade Agreement. It should also be noted that the EU and Canada are both close to concluding free trade agreements with South Korea. Failure to approve and implement the U.S.-Korean FTA, could mean that U.S. pork producers will be placed at a competitive disadvantage.

Wheat: Tariff and TRQ (Import Policies) U.S. wheat exports face a South Korean TRQ of 2,400,000 tons for milling-quality wheat with an applied in-quota tariff rate of 1%. South Korea imposes a 1.8% tariff on non-durum wheat.

Under the U.S-Korean FTA, pending consideration by Congress, an unlimited amount of U.S. wheat for milling will be able to enter Korea duty free while Korean imports of U.S. wheat will no longer be subject to Korea's 1.8% tariff or its autonomous tariff-rate quota (TRQ) of 1%.

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is the American wheat industry's seventh largest overseas market, with shipments averaging 1.2 million MTs per year valued at \$235 million between 2005 and 2007. U.S. wheat exporters accounted for 38% of the imported wheat market during that three year time-period. The small tariff break under the FTA will help U.S. wheat exporters which face strong competition from Australia and Canada.

Whey: Tariffs and Tariff Rate Quota (Import Policies)

U.S. food whey exports are currently limited by a 54,233 MT quota. The in-quota tariff is 20% while the above-quota is 49.5%. At the present time U.S. whey feed exports enter the Korean market under tariff rates of 4, 20, or 49.5 percent, depending upon the type of product and the volume that has already been imported in a particular year.

US whey feed exports will receive immediate duty-free access under the KORUS-FTA. U.S. food whey exports will receive a new 3,000 ton TRQ with in-quota imports facing zero tariffs. The TRQ will grow at a compound annual rate of 3% from year 2 through year 9 with the above-quota tariff rate declining each year until year ten. Starting in year ten, all U.S. food whey imports will receive duty-free treatment.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2006-2008 time period South Korea imported an average of 24,000 tons of American whey per year valued at \$23 million. (Washington State whey exports averaged \$2,466,614 during that three year period.) Whey for feed accounts for 75% of whey imports from the U.S. The American share of Korea's whey market for feed and food is 44 percent. The KORUS agreement should help U.S. whey producers increase their exports.

Wine: Tariff (Import Policies)

U.S. wine exports to South Korea face a 15% tariff. In addition, wine imports are assessed a 30% liquor tax, a 10% education tax, and a 7% to 8% tax from various handling and transport fees. Under the pending U.S.-South Korean Free Trade Agreement, the tariff on wine would be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

U.S. wine exports to South Korea have increased dramatically over the last decade, averaging \$13.5 million per year between 2006 and 2008, despite stiff competition from France, Chile and Italy. The implementation of the U.S.-Korean FTA should help the U.S. wine industry increase their exports, as Chilean wine exports have increased dramatically in recent years following the implementation of the South Korean-Chilean FTA, which provided for the gradually phase out of the wine tariff until it was completely eliminated in 2010.

Apples: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The U.S. apple industry has been trying to open the South Korean market for over a decade but Seoul continues to ban the importation of fresh apples for phytosanitary reasons. This ban continues despite the pledge made by South Korea during the Uruguay Round to open its markets to U.S. fresh apples in 1995. The United States has provided the Government of South Korea with tons of information on the issue but Seoul has little interest in opening its market. Currently, the technical discussions are dormant.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the removal of the phytosanitary import prohibition and tariff would lead to less than \$5 million in apple exports each year.

Beef: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

In 2003 U.S. beef exports to South Korea reached \$814 million, accounting for 68% of total beef imports into South Korea, which was the third largest foreign market for U.S. beef. South Korea, however, banned all U.S. beef imports at the end of 2003 after the finding of bovine spongiform encephalopathy (BSE) in the United States.

In May 2007, the World Organization for Animal Health (OIE), which is in the international scientific body recognized by the WTO for issues related to animal disease and health, determined that the United States is a “controlled risk” country for the spread of BSE. This classification means that the United States maintains the OIE’s recommended science-based measures to manage any risk of BSE in the U.S. cattle population.

In April, 2008, just before, the newly elected Korean President Lee met President Bush at Camp David, U.S. and South Korean negotiator’s reached an agreement on the sanitary rules governing U.S. beef exports to South Korea. The agreement allowed for the import of all cuts of U.S. boneless and bone-in beef and other beef products from the other edible parts of cattle, regardless of the age, provided that all specified risk materials (SRM) known to transmit BSE had been removed and other conditions were met. Faced with a public backlash in South Korea, however, a “voluntary private sector arrangement” was reached in June 2008, which provides that only sales of U.S. beef, both boneless and bone-in, can be imported into South Korea if it comes from cattle that is under 30 months old when slaughtered and from which certain SRMS are removed. The voluntary agreement is only “a transition measure” but no timeline was established for further market opening.

Cherries: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

South Korea currently allows the importation of all sweet cherry varieties from specific counties in California, Idaho, Oregon and Washington on condition that they are fumigated with methyl bromide to control various pests, including codling moth. Research indicates that codling moth is an unlikely pest of fresh cherries.

Methyl bromide fumigation is expensive, harms the quality of the fruit and reduces shelf-life. The U.S. cherry industry is interested in eliminating the fumigation requirement and replacing it with an inspection- only requirement for other species of quarantine concern. In June 2008 a systems work plan was submitted to the Korean National Plant Quarantine Service. Additional information was provided to South Korean officials in December 2008.

Estimated Potential Increase in Exports from Removal of Barrier

The elimination of the fumigation requirement will increase shelf life and allow for fruit to be shipped via ocean vessel rather than air freight, thus reducing costs. Lower cost combined with an improved eating quality of fruit should grow sales. During the 2009 marketing year, PNW cherry exports to South Korea reached approximately \$7.4 million (FOB). The industry estimates that the replacement of the methyl bromide fumigation requirement with a systems export protocol would result in an initial increase of approximately \$5 million in sales, with further expansion of the market occurring over time.

Pears: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Currently, South Korea prohibits the importation of U.S. pears due to a number of alleged plant quarantine concerns under discussion. Currently, the technical discussions are dormant.

Estimated Potential Increase in Exports from Removal of Barrier:

The industry estimates the removal of the phytosanitary restriction and 45% tariff would lead to less than \$5 million in pear exports each year.

Processed Potatoes: Newly Proposed GMO Regulation (Standards, Testing, Labeling & Certification)

The U.S. processed potato industry is concerned that the newly proposed South Korean GMO labeling regulation could seriously disrupt trade. The U.S. embassy in Seoul has reported that the proposal would require all food products to require labeling to explicitly state whether the product contains GMOs or declare the product GMO-free. In order for the label to make a non-GMO claim, an indentify preservation (IP) system would have to be established in the exporting country. This system would entail extensive record keeping and cost, particularly since the IP system would have to cover any ingredient as well as the primary product (potatoes). Since the U.S. industry has already had to establish an IP system for the Japanese market, the U.S. industry would likely be able to recreate the system for exports to the Japanese market.

U.S. officials in Seoul have expressed concerns with the extensiveness of this proposed policy to their Korean counterparts as it covers all products, not just potato products. The South Korean response has been that its consumers are demanding GMO labeling.

The U.S. industry is uncertain as to when the Government of South Korea plans to implement the new GMO labeling system. South Korean officials original proposed a one-year transition period for ingredients such as corn and flour in products that have already been imported and a three-year transition period for other ingredients such as oil. Any new products are immediately subject to South Korea's new labeling scheme.

Estimated Potential Increase in Exports from Removal of Barrier:

South Korea is the sixth largest foreign market for U.S. frozen French fries with exports reaching \$31 million during the 2008-09 marketing year. In addition, during that time period, the United States exported a \$1 million in dehydrated potato product to South Korea. The industry estimates that the GMO labeling regulations would add \$10 million in annual expenses for the industry.

Wheat: MRL for Mycotoxin/DON (Standards, Testing, Labeling & Certification)

The U.S. wheat industry is pleased that South Korea has reduced the number of pesticides it will test for from a total of 124 to 100. The industry, however, is concerned with the Government of South Korea's plan to test for Mycotoxin, particularly DON, which is also known as vomitoxin. South Korea's MRL for DON of 1 ppm on wheat is stricter than the standard of 2 ppm set by most importing countries. South Korea should base it stricter standard on sound science.

Estimated Potential Increase in Exports from Removal of Barrier:

Annual U.S. wheat exports to South Korea exceed 1.0 MMTs. South Korea's excessively strict standard for DON could lead to an increase in market share for Australian and Canadian growers at the expense of U.S. wheat growers.

Coffee: Rules of Origin (Other)

South Korea's tariff on roasted coffee is "bound" at 29.5%. This means South Korea can charge a tariff up to 29.5% even though it currently applies a tariff of 8%. Starbucks seeks the elimination of this bound tariff under the U.S.-South Korean Free Trade Agreement (FTA). The tariff elimination, however, is meaningless unless the FTA contains a favorable "rule of origin" relating to coffee which would treat coffee roasted in the United States from green coffee sourced from other countries as a U.S.-origin product.

In order for Starbucks to benefit from any tariff reduction under the FTA negotiations, Seoul must agree that the roasting process changes the country of origin of the final coffee product to the United States (from the country where the green coffee is from). Otherwise, even if the FTA eliminates the 29.5% bound tariff, Starbucks coffee exports to South Korea will continue to face up to a 29.5% tariff based on the country of origin of the green bean.

SRI LANKA

Apples: Tariff (Import Policies)

Sri Lanka imposes a 28% tariff on U.S. apple exports, which is below the country's 50% bound rate.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the elimination of the tariff would lead to under \$5 million in annual apple exports.

Cherries: Tariff (Import Policies)

U.S. cherry exports to Sri Lanka face a 28% tariff, which is below the country's 50% bound rate.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the elimination of the tariff would lead to under \$5 million in annual cherry exports.

Pears: Tariff (Import Policies)

U.S. pear exports to Sri Lanka face a 28% tariff, which is below the country's bound rate of 50%.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the elimination of the tariff would lead to under \$5 million in annual pear exports.

Seed Potatoes: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The U.S. industry is interested in exporting seed potatoes to Sri Lanka, which has been importing a significant amount of the product from Europe. Sri Lanka, however, has expressed concerns about U.S. pests that are not in the export pathway. In July 2008, the U.S. industry hosted a delegation of Sri Lankan officials to discuss market access and to explain the nature and life cycle of the Colorado Potato Beetle.

In October 2009, after three years of intense market access negotiations, the Government of Sri Lanka announced that it would conduct a pest risk assessment (PRA). It is unclear to the U.S. industry whether Sri Lanka performed a PRA on EU seed potatoes.

Over the past year, the United States has been able to export some potatoes through an import permit system, but is unclear whether a significant amount of potatoes will be allowed entry into Sri Lanka in the future.

Estimated Potential Increase in Exports from Removal of Barrier:

The industry estimates that the market could reach \$5 million in a matter of years, if the import system is altered to increase transparency and create predictable market access.

SWITZERLAND

Wine: Tariff Rate Quota (Import Policies)

At the present time, U.S. wine exports to Switzerland are limited by a tariff-rate quota (TRQ) of 1,700,000 hectoliters per year for red and white wine with HTS codes 2204.2121, 2131,214, 2921, 2922, 2931, and 2932. The in-quota tariff for both red and white wine is 50 Swiss francs per 100 kilograms gross. The above-quota tariff is 3 Swiss francs per liter for white wine in glass bottles of less than 2 liters while it is 2.45 francs per liter for red wine. In addition, wine imports face a 7.6% VAT, a charge of 14.5 Swiss francs per liter of 100 percent alcohol and an additional tariff of 10% of net weight.

TAIWAN

Apples: Tariff (Import Policies)

As of January 1, 2002, the Taiwanese tariff on U.S. apple exports was reduced to 20%. Taiwan imports 96% of the apples consumed on the island because it has a very small number of apple growers which have been facing an uphill battle to produce apples as a result of poor growing conditions and rising costs. For these reasons, the U.S. apple industry urges the elimination of the tariff as part of the Doha Round of WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Taiwan, the industry expects that the elimination of the tariff would lead to an increase of \$5 million to \$20 million in annual apple exports to Taiwan.

Cherries: Tariff (Import Policies)

As of January 1, 2002, the Taiwanese tariff on U.S. sweet cherry exports fell to 7.5% under the country's WTO accession agreement. The U.S. cherry industry urges the elimination of the tariff as part of the current round of WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that Taiwan's elimination of the tariff would lead to under \$5 million in additional exports per year. This calculation is based on current market conditions in Taiwan.

Fresh Potatoes: Tariff (Import Policies)

U.S. fresh potato exports to Taiwan currently face a 20% tariff. The industry urges that Taiwan bind its tariff on fresh potato imports to less than 10% as part of the ongoing round of WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry believes that fresh potato exports to Taiwan could increase from the current level, \$4 million for the 2006-2007 marketing year, to \$10 to \$15 million per year in a few years if Taiwan improved market access.

Frozen French Fries and Other Potato Products: Tariff (Import Policies)

Based on Taiwan's WTO accession commitments, the bound tariff rate for frozen French fry imports is 12.5%. A more complete guide to Taiwan's current tariffs on potato products follows:

H.S. Number	Product	Current Taiwanese Tariff Based on WTO Accession
0701.90	Fresh potatoes (table stock)	20%
0710.10.00	Frozen potatoes	15%
1105.20.00	Potato flakes	10%
2004.10.11(a)	Potato sticks, frozen (frozen fries) >1.5kg.	12.5%
2004.10.90(b)	Potato sticks, frozen (frozen fries) < 1.5kg.	18%
2004.10.90	Other potatoes, prepared or preserved, frozen	18%
2005.20.10(a)	Potato chips and sticks >1.5kg.	12.5%
2005.20.10(b)	Potato chips and sticks < 1.5 kg.	15%
2005.20.90	Other potatoes, preserved	18%

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-09 marketing year, the United States exported \$26.7 million in frozen French fries and \$10.2 million in dehydrated potato products to Taiwan. The industry urges that Taiwan immediately eliminate all of its tariffs on potato products as part of the ongoing WTO negotiations. The industry estimates that such a commitment would lead to \$10 million per year in additional exports in the near term with a larger increase over the longer term.

Pears: Tariff (Import Policies)

Effective January 1, 2002, the Taiwanese tariff on U.S. pears declined to 10% under the country's WTO accession agreement. The U.S. pear industry urges the elimination of the duty as part of the WTO Doha Round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Based on current market conditions in Taiwan, the industry estimates that sales would increase by under \$5 million per year if the country eliminated the tariff.

Wine: Tariff (Import Policies)

Taiwan imposes a 10% tariff on U.S. grape wines and a 20% tariff on sparkling wine.

Apples: Phytosanitary Work Plan (Standards, Testing, Labeling & Certification)

The Government of Taiwan is concerned about the possible presence of codling moth on U.S. apples. Following a codling moth detection in 2002, Taiwan closed the market to U.S. apple exports. The market was later reopened after the two countries negotiated a systems work plan.

Under the terms of the systems work plan, Taiwan is permitted to suspend the importation of all U.S. apples following three separate detections of codling moth larvae. The U.S. apple industry believes that the penalty system is not based on scientific principles and is being maintained without sufficient scientific evidence. The “three strikes” system is an arbitrarily chosen threshold that is more trade-restrictive than required to achieve the appropriate level of phytosanitary protection, which is contrary to the terms of the WTO SPS Agreement. As a result, the three-strike penalty system should be eliminated.

A USDA Animal and Plant Health Protection Service (APHIS) technical document, which was finalized in October, 2006, supports the apple industry’s position. The APHIS assessment demonstrates that apple shipments from the United States are a very low risk pathway for codling moth establishment in Taiwan. The study concludes that there is a 99% chance that it would take at least 10,091 years before a mating pair of codling moths would occur in Taiwan as a result of U.S. apple shipments. Based on this risk assessment, the apple industry has request that the USDA and USTR seek modification to the current three strikes system that will remove the threat of closure of this important market due to codling moth detections.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Historically, Taiwan has been the apple industry’s second or third most important foreign market, with exports averaging approximately 200 million apples per year. After 25 years of apple shipments, totaling about 7 billion apples, Taiwan does not have codling moth. The U.S. apple industry believes that either U.S. apple export procedures mitigate the risk to levels below quarantine concern or codling moth cannot survive in Taiwan, or both. The U.S. apple industry urges our trade negotiators to take a firm position to correct this trade barrier.

The elimination of the three-strike penalty could save the industry \$30 million or more if the market is again closed.

Apples: Pesticide MRLS (Standards, Testing, Labeling & Certification)

Imports of fruit and vegetables into Taiwan are subject to inspection for maximum pesticide residues (MRLs) by Taiwan's Bureau of Standards, Metrology & Inspection (BSMI). Each shipment has a 2.5% chance of being sampled and tested upon arrival by the BSMI for MRLS. If a violation is detected, Taiwanese authorities recall the unconsumed shipment product and the chance of the importer's next shipment being inspected increases to 20%. In the event a third shipment fails inspection, all of a company's shipments are subject to testing. Release of these shipments is not permitted until testing is completed.

In March 2009, Taiwan officials denied entry to seven apple containers, each worth \$30,000. Even though the apples met the US MRL for endosulfan, officials rejected the shipments because Taiwan had not established a MRL for that substance. The issue is particularly troubling because Taiwan currently has not established many MRLs for imported fruits and other specialty crops and does not have an adequate system to keep up with ongoing changes in U.S. pest management practices. The U.S. fruit and vegetable industry urges the Taiwanese Department of Health (DOH) to overcome a lack of resources as well as the legal inability or resistance to considering alternatives to establishing its own MRLs, such as deferring to Codex MRLs, or the MRLs established by its trading partners.

Although DOH has agreed to establish MRLs for a priority list of 248 products, this list is not exhaustive, as it does not contain a number of MRLs of importance to U.S. apple, pear and cherry growers. As a result, the U.S. industry urges American officials to continue to work with the government of Taiwan so that it will agree to defer to Codex MRLs or trading partner MRLs in the event that an import tolerance has not yet been established in Taiwan.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Establishing pesticide MRL tolerances in Taiwan will not necessarily increase the amount of apple exports from the U.S. but it will help to maintain access to this \$60 million to \$70 million annual export market for U.S. apples, pears and cherries.

Beef: Sanitary Restriction (Standards, Testing, Labeling & Certification)

In October 2009, the United States and Taiwan reached a science-based bilateral agreement under which Taiwan agreed to harmonize its regulations with the standard of the World Animal Health Organization (OIE). These guidelines state that beef from cattle of all ages from “controlled” BSE risk countries, such as the United States, is safe for human consumption, provided certain specified risk materials (SRMs) are removed. Under the agreement, T-bone steak, ribs, ground beef, intestines and processed beef that have not been contaminated with SRMs would be allowed entry. In addition, the agreement requires US exporters to follow a quality system assessment (QSA) program of USDA to ensure that beef exported to Taiwan comes from cattle under 30 months of age.

The agreement also contains a U.S. and Taiwan industry agreement sanctioned by the governments that would initially limit trade to beef from cattle 30 months of age or younger. The industry agreement is very similar to an agreement for the South Korean market.

The October 2009 bilateral agreement, however, was undercut on January 5, 2010, when Taiwan’s Legislative Yuan (LY) passed an amendment to the Act Governing Food Sanitation that appears to prevent some beef imports (ground beef, beef offal, and other parts) from the United States. The legislature also passed a non-binding resolution call for a ban on U.S. beef from cattle 30 months or older.

The recent action undertaken by legislature of Taiwan is not based on science or the recently finalized bilateral on trade in beef.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Taiwan banned U.S. beef after the December 2003 BSE finding in the United States. The market was partially reopened in April 2005 to deboned beef from cattle under 30 months of age. The ban, however, was re-imposed in June 2005 after a second BSE finding in the United States. Since January 25, 2006, however, Taiwan has permitted imports of U.S. boneless beef from animals under 30 months of age. Despite the restrictions, U.S. beef exports have been increasing and reached 22,572 MTS worth \$136 million in 2008. The recent action by the legislature in Taiwan imperils a bilateral agreement that would have allowed American beef exporters to expand their import market share at the expense of their main competitors, New Zealand and Australia

Cherries: Pesticide MRLS (Standards, Testing, Labeling & Certification)

Imports of fruit and vegetables into Taiwan are subject to inspection for maximum pesticide residues (MRLs) by Taiwan's Bureau of Standards, Metrology & Inspection (BSMI). Each shipment has a 2.5% chance of being sampled and tested upon arrival by the BSMI for MRLS. If a violation is detected, Taiwanese authorities recall the unconsumed shipment product and the chance of the importer's next shipment being inspected increases to 20%. In the event a third shipment fails inspection, all of a company's shipments are subject to testing. Release of these shipments is not permitted until testing is completed.

The issue is particularly troubling because Taiwan currently has not established many MRLs for imported fruits and other specialty crops and does not have an adequate system to keep up with ongoing changes in U.S. pest management practices. The U.S. fruit and vegetable industry urges the Taiwanese Department of Health (DOH) to overcome a lack of resources as well as the legal inability or resistance to considering alternatives to establishing its own MRLs, such as deferring to Codex MRLs, or the MRLs established by its trading partners.

Although DOH has agreed to establish MRLs for a priority list of 248 products, this list is not exhaustive, as it does not contain a number of MRLs of importance to U.S. apple, pear and cherry growers. As a result, the U.S. industry urges American officials to continue to work with the government of Taiwan so that it will agree to defer to Codex MRLs or trading partner MRLs in the event that an import tolerance has not yet been established in Taiwan.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Establishing pesticide MRL tolerances in Taiwan will not necessarily increase the amount of exports from the U.S. but it will help to maintain access to this \$60 million to \$70 million annual export market for U.S. apples, pears and cherries.

Fresh Potatoes: Phytosanitary Restriction – Late Blight (Standards, Testing, Labeling & Certification)

Taiwan requires the inspection and certification that potato fields that are a source of fresh potato exports to Taiwan are free of late blight. After the potatoes have been inspected, they have to be segregated from other potatoes as "approved" for export to Taiwan. Taiwan maintains these requirements even though academic articles indicate that late blight already exists in Taiwan. Consequently, these requirements are not based on sound science and are inconsistent with WTO rules, while adding to the cost of exporting fresh potatoes to Taiwan.

When the export protocol was signed in the late 1990s, late blight was a concern to the industry. Since that time, however, the industry has developed a significant and effective pest management program to address the disease. Although small outbreaks of late blight occur on occasion, they are immediately addressed. No U.S. fresh potato exports to any country have ever been rejected for late blight.

Pears: Pesticide MRLs (Standards, Testing, Labeling & Certification)

Imports of fruit and vegetables into Taiwan are subject to inspection for maximum pesticide residues (MRLs) by Taiwan's Bureau of Standards, Metrology & Inspection (BSMI). Each shipment has a 2.5% chance of being sampled and tested upon arrival by the BSMI for MRLS. If a violation is detected, Taiwanese authorities recall the unconsumed shipment product and the chance of the importer's next shipment being inspected increases to 20%. In the event a third shipment fails inspection, all of a company's shipments are subject to testing. Release of these shipments is not permitted until testing is completed.

The issue is particularly troubling because Taiwan currently has not established many MRLs for imported fruits and other specialty crops and does not have an adequate system to keep up with ongoing changes in U.S. pest management practices. The U.S. fruit and vegetable industry urges the Taiwanese Department of Health (DOH) to overcome a lack of resources as well as the legal inability or resistance to considering alternatives to establishing its own MRLs, such as deferring to Codex MRLs, or the MRLs established by its trading partners.

Although DOH has agreed to establish MRLs for a priority list of 248 products, this list is not exhaustive, as it does not contain a number of MRLs of importance to U.S. apple, pear and cherry growers. As a result, the U.S. industry urges American officials to continue to work with the government of Taiwan so that it will agree to defer to Codex MRLs or trading partner MRLs in the event that an import tolerance has not yet been established in Taiwan.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Establishing pesticide MRL tolerances in Taiwan will not necessarily increase the amount of exports from the U.S. but it will help to maintain access to this \$60 million to \$70 million annual export market for U.S. apples, pears and cherries.

Potato Products: Pesticide MRLs (Standards, Testing, Labeling & Certification)

In the spring of 2007 Taiwan began to test and reject U.S. agricultural shipments for pesticide residue violations. Taiwan's actions are problematic for several reasons. First, Taiwan only has a limited list of maximum residue levels (MRLs), as the United States currently has established 104 potato-related MRLs while Taiwan has only established about 35.

Secondly, in 2000, U.S. commodity and chemical companies submitted hundreds of data packages to Taiwan in order to assist Taiwan in establishing its MRLs. Taiwan, however, has not established these tolerances and the U.S. industry urges Taiwan not to reject imports until it has reviewed the submitted information and established tolerances.

Thirdly, in 2008 Taiwan established a list of more than 200 priorities for future MRL reviews, including 11 priorities of the U.S. potato industry. Although the U.S. potato industry appreciates this prioritization and the establishment of several important MRLs in 2009, there remain scores of MRLs that will not be covered under this review, leaving U.S. shipments vulnerable to delay or rejection.

Fourth, Taiwan has refused to defer to any international MRL standard, whether Codex or an exporting country's standard during the time it develops its own MRLs. This unwillingness to adopt some sort of safety net is a great cause of concern among commodity groups, especially as Taiwan detained a number of products in 2009.

As of this time, Taiwan has not held any potato shipments for pesticide residue violations. However, the U.S. industry urges U.S. officials to raise the MRL issue with Taiwan and seek Taiwan's deferral to Codex in instance where Taiwan has not established an MRL. This is part of Taiwan's commitment as a member of the WTO. Moreover, until permanent pesticide tolerances are established, the U.S. industry urges Taiwan from detaining any shipments.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-09 marketing year, the United States exported \$26.7 million in frozen French fries and \$2 million in dehydrated potato products to Taiwan. Resolving the pesticide residue issue would save the U.S. industry millions of dollars each year.

Wheat: MRL for Malathion (Standards, Testing, Labeling & Certification)

U.S. wheat exports to Taiwan were disrupted in 2007 after Taiwan established a new pesticide monitoring system without first establishing tolerances for common post-harvest pesticides including malathion and chlorpyrifos-methyl. A new MRL was established for chlorpyrifos-methyl after a few containers were detained that spring but the malathion situation is complicated by the difference between the U.S. EPA tolerance of 8 ppm and the Codex tolerance of 0.5 ppm. In July 2009, this inconsistency was resolved after Codex adopted a new malathion MRL of 10 ppm, which is above the EPA tolerance.

However, since Taiwan has not automatically adopted Codex MRLs, this issue has not been resolved. The U.S. wheat industry urges Taiwan to use Codex MRLs where it has not yet conducted its own scientific evaluation to establish a science-based MRL of its own.

Estimated Potential Increase in Exports from Removal of Barrier

Historically, Taiwan has purchased about 1.0 MMT tons of wheat each year from the United States. The U.S. wheat industry urges USTR to resolve the MRL issue so that trade is not disrupted.

THAILAND

Apples: Tariff (Import Policies)

Thailand imposes a 10% ad valorem tariff on imported U.S. apples. The tariff is particularly problematic for U.S. exporters because Chinese apples enter Thailand duty-free. U.S. apple exporters are also being placed at a competitive disadvantage due to Thailand's other economic agreements. For example, pursuant to the Thailand-Australian Free Trade Agreement, which entered into force on January 1, 2005, Australian apple exports enter Thailand duty-free. Moreover, under the Thailand-New Zealand Closer Economic Partnership, which entered into force on July 1, 2005, Thai duties on New Zealand apples were eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the removal of the tariff would lead to less than \$5 million in increased U.S. apple exports per year.

Beef: Tariff (Import Policies)

Thailand currently imposes a 50% tariff on U.S. beef. Australian and New Zealand beef face lower tariff rates under trade agreements with Thailand.

Cherries: Tariff (Import Policies)

The Government of Thailand imposes a 40% ad valorem tariff on imported cherries, which poses a significant hurdle for Washington cherry exporters. Moreover, Washington cherries are at a competitive disadvantage because Thai duties on New Zealand cherries were eliminated under the Thailand-New Zealand Closer Economic Partnership, which entered into force on July 1, 2005. The Washington cherry industry urges the elimination of the Thai cherry duty as part of the WTO Doha Round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Thailand, the industry estimates that the elimination of the tariff would lead to less than \$5 million in additional exports each year.

Coffee: Tariff (Import Policies)

The Government of Thailand imposes a 90% tariff on imported roasted coffee from the United States.

Dairy Products: Tariff Rate Quotas (Import Policies)

U.S. exports of dairy products to Thailand are limited by restrictive tariff rate quotas (TRQs). The U.S. dairy industry is hopeful that these TRQs will be eliminated as part of the WTO Doha Round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

One Washington dairy company estimates that their annual exports to Thailand would increase by \$10 million to \$20 million if the TRQ are eliminated.

Fresh and Seed Potatoes: TRQ (Import Policies)

Fresh and seed potato imports into Thailand are limited by a TRQ as established during the Uruguay Round. Although the motive for the TRQ appears to be the encouragement of domestic production of potatoes, it is unable to meet the needs of processing facilities, retailers and the hotel/restaurant industry.

The bulk of Thailand's potato production for the chipping industry occurs in the northern part of the country. However, excessive moisture in the higher elevations of Chiang Ria causes uncontrollable nematode problems and early blight. Other potato production problems include viral diseases from chili peppers and other crops grown in the region. Unfavorable weather conditions and disease problems are the major reasons why large-sized potatoes are not grown in the country.

Thailand also does not produce a domestic supply of quality seed potatoes that can be used to produce the type of potato used for chipping or other snack foods. As a result, Thai manufacturers import and distribute seed potatoes from foreign suppliers, mainly from Canada and the United Kingdom.

Frozen French Fries: Tariff (Import Policies)

The biggest obstacle to exporting frozen French fries to Thailand is the high tariff. At 30% or 25 baht/kg, Thailand's tariff on frozen French fries is among the highest in the world. The U.S. industry has urged Thailand to eliminate the tariff as part of the ongoing WTO negotiations. This issue is one of the U.S. frozen French fry industry's highest priorities. The issue has increased in importance in recent years because Thailand has signed trade agreements with Australia, New Zealand and China, providing those countries with a competitive advantage.

Frozen French fries must be imported into Thailand since they cannot be sourced domestically. The high tariff increases the cost of the product to quick service restaurants, hurting their expansion and employment. U.S. restaurant chains and their suppliers currently employ over 10,000 people in the country and purchase a large portion of their supplies within Thailand. A report by the American Potato Trade Alliance, which was released in 2001, demonstrated that U.S. quick service restaurants purchase more than \$30 million worth of Thai agricultural products each year and exported an additional \$30 million. This study was provided to the Government of Thailand.

Estimated Potential Increase in Exports from Removal of Barrier

In marketing year, 2008-09, Thailand imported \$8.8 million worth of U.S. fries. However, the U.S. industry fears it will lose the entire market if the United States does not obtain the tariff concessions that match those provided to Australia, New Zealand and China. The industry estimates that U.S. exports of frozen French fries to Thailand could reach \$20 million, if Thailand eliminated the tariff.

Nectarines: Tariff (Import Policies)

U.S. nectarine exports currently face a 40% tariff, while the Thai duty on New Zealand and Australian nectarines was eliminated under trade agreements with those countries.

Peaches: Tariff (Import Policies)

U.S. peach exports currently face a 40% tariff, while the Thai duty on New Zealand and Australian peaches was eliminated under trade agreements with those countries.

Pears: Tariff (Import Policies)

The Government of Thailand imposes a 30% tariff on U.S. pears, which is a significant barrier to Washington pear exports, particularly since other countries enjoy duty-free market access under other trade agreements.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Thailand, the industry estimates that the elimination of the 30% tariff would lead to less than \$5 million in additional pear exports per year.

Wheat: Tariff (Import Policies)

U.S. wheat exports currently face a \$2.85/ton tariff, while wheat imports from Australia and New Zealand enter Thailand duty-free.

Wine: Tariff (Import Policies)

The Government of Thailand imposes a 54% ad valorem tariff on imports of wine. Moreover, wine imports face a 60% excise tax, a 7% VAT, 2% health tax, and a 10% municipal tax. The government's intent is to raise revenue and discourage the importation of luxury goods. By comparison, the wine tariff on Australian wine is being phased-out under the Thailand-Australian free trade agreement.

Processed Potato Products: Pesticide Residue Testing (Standards, Testing, Labeling & Certification)

In April 2009, the Government of Thailand announced its intent to require pesticide residue testing on all imported food products unless the shipment was accompanied by an official certificate of analysis. This is particularly problematic as the U.S. government does not issue such certificates. The Thai government is planning to conduct a "quick test" at the port and, if a MRL violation is detected, the shipment will be held until further testing can be performed in a lab. The shipment will be rejected if a violation is found by the lab.

On June 30, 2009, the Government of Thailand postponed the implementation of the new MRL policy, but it is unclear how long this postponement will last. The U.S. industry requests USDA to continue to urge the Government of Thailand to exempt U.S. products from this policy.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, the United States exported \$8.8 million worth of frozen French fries to Thailand. Although the tariff issue is the biggest concern to the U.S. industry, the residue testing issue could be a significant barrier to continued U.S. exports.

TUNISIA

Apples: Tariff (Import Policies)

At the present time, Tunisia imposes a 150% tariff on imported apples.

TURKEY

Apples: Tariff (Import Policies)

At the present time, Turkey imposes a 60.3% tariff on imported apples.

Pears: Tariff (Import Policies)

The Turkish tariff on imported pears is currently 60.3%.

Wheat: Tariff (Import Policies)

The Government of Turkey currently imposes a 130% import tax on all wheat. The tax level varies each year depending on the size of the Turkish wheat crop.

Wheat: Import Permits (Import Policies)

In addition to the high import tax, the Government of Turkey often refuses to grant wheat import permits.

UKRAINE

Apples: Tariff (Import Policies)

The Government of Ukraine currently allows U.S. apples duty-free access from December 1 to March 31 every year. From April 1 to November 30, U.S. apples face a 10% tariff.

Cherries: Tariff (Import Policies)

The Government of Ukraine currently imposes a 5% tariff on U.S. cherry imports.

Pears: Tariff (Import Policies)

The Government of Ukraine currently imposes a 5% tariff on imported U.S. pears between December 1 to March 31 every year. From April 1 to November 30, U.S. pears face a 10% tariff.

UNITED ARAB EMIRATES

Wine: Tariff (Import Policies)

The UAE currently imposes 50% tariffs on imported wine and sales taxes of 30%. The U.S. wine industry hopes that the tariff will be reduced under a bilateral trade agreement between the United States and the UAE, but negotiations have been dormant.

URUGUAY

Flour: Tariff (Import Policies)

The Government of Uruguay imposes a 12% tariff on imported flour. By comparison, flour imports from the other MERCOSUR countries (Argentina, Brazil, and Paraguay) receive duty-free treatment, leaving U.S. flour exporters at a competitive disadvantage.

Wheat: Tariff (Import Policies)

As a member of MERCOSUR, Uruguay imposes a 10% tariff on U.S. wheat. The tariff level for trade between MERCOSUR countries is zero.

Seed Potatoes:: Phytosanitary Import Prohibition (Import Policies)

In January 2009, the Government of Uruguay rejected numerous containers of U.S. seed potatoes because of the presence of powdery scab, which is listed as a quarantine pest even though there is a tolerance for the pest. Ultimately, some of the loads were reconditioned and salvaged, but many were lost.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that annual seed potato exports could reach \$5 million in a matter of years if the Government of Uruguay adopted a more realistic powdery scab tolerance.

VENEZUELA

Apples: Tariff (Import Policies)

Currently, the Government of Venezuela collects a 15% ad valorem tariff on imports of U.S. apples. U.S. exporters are placed at a competitive disadvantage by the duty-free treatment provided to imported apples from other Andean Pact countries (Bolivia, Colombia, Ecuador and Peru). Apples from Chile and MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) also enter the country duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

Based on market conditions in Venezuela, the industry estimates that the removal of the tariff would lead to less than \$5 million in additional apple exports per year.

Apples: Import Permits (Import Policies)

Periodically, Venezuela stops issuing import permits in order to protect domestic fruit producers and conserve foreign exchange. The effect of this policy is to close the Venezuelan market to apple imports from the U.S. and other origins.

Cherries: Tariff (Import Policies)

Venezuela assesses a 15% tariff on the ad valorem value of U.S. sweet cherry imports. U.S. cherry exporters are placed at a competitive disadvantage by the duty-free treatment provided to cherry imports from other Andean Pact countries (Bolivia, Colombia, Ecuador and Peru). Cherry imports from Chile and MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) also enter Venezuela duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Venezuela, the industry estimates that the elimination of the 15% tariff would lead to less than \$5 million in additional cherry exports per year.

Cherries: Import Permits (Import Policies)

Periodically, the Government of Venezuela stops issuing import permits in order to protect domestic fruit producers and conserve foreign exchange. The effect of this policy is to close the Venezuelan market to cherry imports from the U.S. and other origins.

Pears: Tariff (Import Policies)

Venezuela imposes a 15% tariff on the ad valorem value of pear exports from the United States. U.S. pear exporters are placed at a competitive disadvantage by the duty-free treatment provided to pear imports from other Andean Pact countries (Bolivia, Colombia, Ecuador and Peru). Pear imports from Chile and MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) also enter Venezuela duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Venezuela, the industry estimates that the elimination of the 15% tariff would lead to less than \$5 million in additional pear exports per year.

Pears: Import Permits (Import Policies)

Periodically, the Government of Venezuela stops issuing import permits in order to protect domestic fruit producers and conserve foreign exchange. The effect of this policy is to close the Venezuelan market to pear imports from the U.S. and other origins.

VIETNAM

Apples: Tariff (Import Policies)

Under Vietnam's WTO accession agreement, the tariff on apples will drop to 10% in stages as outlined in the following chart:

01/01/09	01/01/10	01/01/11	01/01/12
18.4%	15.6%	12.8%	10%

The industry urges that the tariff be eliminated as part of the ongoing round of WTO negotiations or Trans Pacific Partnership negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-09 marketing year, the Pacific Northwest exported \$4.1 million worth of apples to Vietnam. With a population of 84 million, and with 60% of that population under the age of 25, Vietnam is considered a growth market. The industry estimates that annual apple exports to Vietnam would increase by \$15 million in the short-term after the tariff has been eliminated. Over the long-term, Washington apples exports should increase well beyond that figure.

Cherries: Tariff (Import Policies)

In 2010, Vietnam will impose a 20% tariff on U.S. cherry imports. Under Vietnam's WTO accession agreement, the tariff will drop to 10% in stages as shown in the following table.

01/01/09	01/01/10	01/01/11	01/01/12
25%	20%	15%	10%

The industry urges that the tariff be eliminated as part of the ongoing round of WTO negotiations or Trans Pacific Partnership negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that cherry exports to Vietnam will increase by less than \$5 million per year after the tariff has been eliminated.

Frozen Potato Products: Tariff (Import Policies)

Under Vietnam's WTO accession agreement, signed on May 31, 2006, Vietnam agreed to gradually lower the current 40% tariff on frozen French fries to 13% over a six-year period. The Vietnamese tariff on frozen French fries will be 22% in 2010. In addition, Hanoi agreed to lower the tariff on dehydrated potatoes from its current 40% rate to 18% over a five-year period, with the 2010 rate reaching 22.4%. The U.S. industry seeks the immediate elimination of these tariffs as part of the ongoing round of WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

At the present time, Vietnam is a small market for U.S. frozen French fries. During the 2008-09 marketing year, U.S. frozen French fry exports to Vietnam totaled \$841,041. With a population of 84 million, 60% of which are under the age of 25, Vietnam is seen by the U.S. industry as having tremendous potential as a market for frozen French fries, especially in Ho Chi Minh City and Hanoi. Further tariff reductions will lead to a significant increase in U.S. exports with sales reaching \$10 million in the short-term and significantly greater in the long-term.

Pears: Tariff (Import Policies)

In 2010, the Government of Vietnam will impose a 16% tariff on U.S. pear imports. The high tariff and excessive government red tape significantly increase the cost of exporting pears to Vietnam. Under Vietnam’s WTO accession agreement, the tariff will drop to 10% in stages as displayed below.

01/01/09	01/01/10	01/01/11	01/01/12
19%	16%	13%	10%

The industry urges that the tariff be eliminated as part of the ongoing round of WTO negotiations or Trans Pacific Partnership negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The pear industry estimates that exports to Vietnam will increase by under \$5 million after Vietnam eliminates the tariff.

Potato Chips: Tariff (Import Policies)

Pursuant to the bilateral WTO accession agreement, Vietnam agreed to reduce the tariff on potato chips from 50% to 40% immediately upon accession to the WTO. The agreement called for the further reduction of the tariff to 18% over the subsequent five years.

Wine: Tariff (Import Policies)

Currently, U.S. wine faces a 62% Vietnamese tariff. Under Vietnam’s WTO accession agreement this tariff is scheduled to be phased-down to 50% by 2012.

Apples: Transparency/Standards (Other)

Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Apples, for instance, have been exported to Vietnam for over a decade without incident. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier

Vietnam is a growing market for Pacific Northwest apple exports. In the 2008-09 marketing year, Pacific Northwest apple shipments were valued at \$4.1 million.

The U.S. apple industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, with the Vietnam's WTO tariff rate commitments the industry estimates that Pacific Northwest fruit sales should reach the upper end of the \$5 million to \$25 million range.

Cherries: Transparency/Standards (Other)

Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. cherry industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, with the Vietnam's WTO tariff rate commitments the industry estimates that Pacific Northwest fruit sales should reach the upper end of the \$5 million to \$25 million range.

Fresh Potatoes: Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, the Vietnamese market is closed to U.S. fresh potatoes due to phytosanitary concerns. During a June 2009 bilateral meeting some progress was made in reaching an agreement that would open the Vietnamese market to U.S. table stock and processing potatoes.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. potato industry estimates that annual fresh potato exports could reach \$10 million or more once the import prohibition is eliminated.

Pears: Transparency/Standards (Other)

Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. pear industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, with the Vietnam's WTO tariff rate commitments the industry estimates that Pacific Northwest fruit sales should reach the upper end of the \$5 million to \$25 million range.

Potato Products: Transparency/Standards (Standards, Testing, Labeling & Certification)

The U.S. potato industry views Vietnam as a growth market for both processed and eventually fresh potatoes. The U.S. potato industry urges Vietnam to adopt transparent and international accepted standards as part of its ongoing initiative to revise the country's food safety laws.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-09 marketing year, U.S. exports of frozen potatoes to Vietnam reached \$841,041. Given the expansion of Quick Service Restaurants in Vietnam, the U.S. industry believes that annual frozen French fry exports could reach \$10 million or more, if the country's food safety laws are based on sound science and international standards.

PART II

ALPHABETICAL LISTING BY COMMODITY

ALFALFA

China: Tariff (Import Policies)

China currently imposes a 9% tariff on imports of U.S. alfalfa bales and cubes on top of a 13% value-added tax. Dairy farmers in southern China, in particular, have displayed increasing interest in purchasing U.S. alfalfa but the tariff is a deterrent.

APPLES

Algeria: Tariff (Import Policies)

The Government of Algeria currently imposes a 30% tariff on U.S. apple exports.

Argentina: Tariff and Statistical Tax (Import Policies)

Argentina imposes a 10% import duty and a 0.5% statistical tax on imported U.S. apples. By comparison, imports of apples from Argentina's MERCOSUR partners (Brazil, Paraguay and Uruguay) are exempt from the tariff and statistical tax. This tariff and tax discrepancy places U.S. apple exporters at a competitive disadvantage.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that apple exports would increase by less than \$5 million per year if Argentina eliminated the tariff and subsidy program. This estimate is based on current market conditions.

Argentina: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Argentine apple importers are unable to obtain import permits from the Government of Argentina, which apparently suspended imports due to concerns over the transmission of *Erwinia amylovora*, the bacteria that causes fire blight. USDA/APHIS has submitted technical information to the Government of Argentina that documents that the risk of transmitting the bacteria on mature symptomless apples is very low.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that the lifting of the apple import prohibition would lead to less than \$5 million in exports per year.

Argentina: Export Rebate Subsidy (Export Subsidy)

The Government of Argentina subsidizes fruit exports by means of a rebate program. The rebate is based on the FOB price per MT as declared by the exporter. Exporters of apples in boxes containing 2.5 kilos or less (net weight) receive a 6% rebate. Apple exports in boxes above 2.5 kilos and less or equal to 20 kilos (net weight) are subsidized by a 5% rebate.

Estimated Potential Increase in Exports from Removal of Barrier

Argentina is a significant exporter of fresh apples to the United States and they do not need subsidies when they already enjoy cost of production advantages over U.S. producers. The U.S. industry estimates exports of apples would increase by less than \$5 million per year if Argentina's tariff and subsidy program were eliminated. This estimate is based on current market conditions.

Armenia: Tariff (Import Policies)

The Government of Armenia imposes a 15% tariff on American apples.

Australia: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Although Australia does not impose tariffs on apple imports, it prohibits their importation from the United States and other trading partners based on plant quarantine concerns. By contrast, Australian apples have access to the U.S. market.

Pacific Northwest growers, packers and shippers have sought market access for over 15 years without success. The main issue is the bacterial disease fire blight. Australia fears that fire blight could be transmitted to the country's domestic crops. However, the United States Agricultural Research Service, in coordination with plant scientists from New Zealand, published research documents that there is negligible risk of mature, symptomless apples produced under commercial conditions of being a vector for the disease. The findings of this study have been confirmed through the World Trade Organization Dispute Panel proceedings that the United States brought against Japan concerning Tokyo's treatment of American apples. (In the wake of the WTO ruling, Japan removed its fire blight restrictions on U.S. apples.)

In response to a U.S. request that Australia begin an import risk assessment (IRA) for U.S. apples, Biosecurity Australia stated that it would first issue an IRA for New Zealand apples because that country's request preceded that of the United States. Australia, however, committed to modifying any agreement with New Zealand to encompass apple imports from the Pacific Northwest. As a result, the United States has been actively involved in the process for establishing the Australian import requirements for New Zealand apples.

In December 2005, Biosecurity Australia issued a draft pest risk assessment (PRA) for the importation of apples from New Zealand, a country that also has fire blight. In comments submitted to Biosecurity Australia on March 30, 2006, USDA's Animal Plant Health Inspection Service (APHIS) urged Australia to revise the PRA and highlighted numerous instances where it diverged from internationally affirmed science. The proposed quarantine measures would also make it economically unfeasible to export U.S. apples to Australia.

In November 2006, Australia issued its final risk assessment, which ignored most of the concerns of New Zealand and the United States while allowing the importation of New Zealand under the following conditions.

- mandatory pre-clearance and auditing arrangements in New Zealand involving Australian Quarantine and Inspection Service (AQIS) officers;
- freedom from fire blight symptoms - inspection of orchards for any visible fire blight symptoms;
- use of disinfection treatment (e.g. chlorine) in packing houses to prevent contamination of apples with fire blight bacteria;
- freedom from European canker disease - inspection of orchards during autumn or winter after leaf fall;
- freedom from apple leaf curling midge - inspection in New Zealand of a random sample of 3,000 fruit in each export lot; and
- inspection for all other quarantine pests, with remedial action.

As a result of these excessive requirements, in August 2007, New Zealand initiated a WTO case against Australia. As of this time, the WTO dispute panel has not issued an interim ruling.

In October 2009, Biosecurity Australia finally published its pest risk assessment covering Pacific Northwest apples. The PRA contains the same overly restrictive mitigation measures that Australia requires for New Zealand apples. In its present form, the PRA will prevent U.S. apple exports to Australia.

The Washington apple industry believes that Australia's demands are inconsistent with Article II of the SPS Agreement which requires countries to "ensure that any sanitary or phytosanitary measure is applied only to the extent necessary to protect human, animal or plant life or health, is based on scientific principles..."

Estimated Potential Increase in Exports from Removal of Barrier

If Australia lifted the import prohibition, the industry estimates that exports would reach \$5 to \$25 million per year.

Bangladesh: Tariff (Import Policies)

The Government of Bangladesh applies a 37.5% tariff on imports of U.S. apples. After other taxes are imposed, the actual tax is over 57%.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the elimination of the tariff would lead to an increase of less than \$5 million in additional apple exports. This estimate is based on current market conditions.

Bolivia: Tariff (Import Policies)

The Government of Bolivia imposes a 15% tariff on apple imports. U.S. exports are at a competitive disadvantage because apple imports from the other Andean Community countries (Colombia, Ecuador, and Peru) and MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay and Venezuela) are not assessed any tariff by the Bolivian government. Furthermore, Chilean apple imports enter the country duty-free under a bilateral trade agreement with Bolivia. As a result of these duty-free arrangements, U.S. apples are in effect excluded from the Bolivian market for most of the year.

Estimated Potential Increase in Exports from Removal of Barrier

In the event that the tariff is eliminated, the industry estimates that U.S. exports would increase by less than \$5 million a year based on current market conditions in the country.

Brazil: Tariff (Import Policies)

Brazil imposes a 10% duty (CIF) on imports of apples from the United States. Imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) have a competitive advantage because tariffs on their apples were eliminated on January 1, 1995. Furthermore, apple imports from the countries of the Latin American Integration Association (ALADI), Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela receive preferential tariff rates.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Brazil, the industry estimates that U.S. apple exports would increase by less than \$5 million a year if Brazil removed the tariff.

China: Tariff and VAT (Import Policies)

Under China's WTO accession agreement, the country agreed to reduce the tariff on U.S. apple imports from 30% to 10% in 2004. Although the tariff has been reduced, it still is a barrier to exports to China. In addition, China collects a 13% value added tax (VAT) on imported apples which the U.S. industry believes is likely not collected on Chinese apples. Discriminatory treatment between the collection of the VAT on imported and domestic apples places U.S. apples at a distinct pricing disadvantage. Failure to ensure equal tax treatment would be a violation of the WTO's national treatment provision.

In addition, under the China-New Zealand Free Trade Agreement, which took effect on October 1, 2008, China's import duties on New Zealand apples will be reduced by two percent each year over the following four years until they are eliminated in 2012. This disparity in tariff treatment between New Zealand and U.S. apples, puts Washington growers at a distinct disadvantage.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions, the industry estimates that apple exports would increase by \$5 million to \$25 million a year if the tariff and the phytosanitary prohibition on certain apple varieties were eliminated.

China: Phytosanitary Varietal Import Prohibition (Standards, Testing, Labeling & Certification)

Although Washington State first began exporting apples to China in 1994, it is still only allowed to ship Red and Golden Delicious apples. The United States has been seeking market access for all apple varieties since the early 1990s but the negotiations have stalled due to China's concerns about fire blight. With the 2005 World Trade Organization ruling against Japan's fire blight restrictions on U.S. apple imports, China should permit the entry of all apple varieties. Further delay is unjustified.

In addition, China allows market access for all apple varieties from other countries, including New Zealand, even though such countries have fire blight.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, the Pacific Northwest directly exported 658,000 forty-two pound apple cartons, worth \$11 billion (FOB) directly to China. The industry estimates that exports would increase by \$5 million to \$25 million in the near term once the apple varieties and fungal quarantine issues are resolved.

China: Post-Harvest Decay Organisms/Shipper Suspensions (Standards, Testing, Labeling & Certification)

From 2008 to 2009, Beijing suspended several Pacific Northwest apple shippers due to alleged Chinese detections of a post-harvest fungus. These shipper suspensions are inconsistent with the terms of an earlier agreement with China which stipulates that only orchards, not shippers, will be suspended for quarantine issues. The U.S. apple industry also has numerous questions regarding the veracity of the reported pest interceptions.

Although during the 2009 USDA-AQSIQ plant health negotiation, China committed to only suspend orchards and not shippers, it has subsequently sent notifications suspending shippers. USDA's Animal and Plant Health Inspection Service (APHIS) has petitioned the Chinese government to reinstate the suspended packing houses, citing insufficient evidence of pest presence, possible confusion over what was actually detected, and APHIS' failure to detect the disease/pest in orchards in which the shipments originated.

The Washington apple industry urges China to adhere to its commitments to the United States by immediately reinstating the suspended shippers and by only taking action against orchards when there is concrete evidence of a pest find. Furthermore, China should not use suspensions as a political tool to extract quarantine market access concessions from the United States, as it had done in the past..

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, the Pacific Northwest directly exported 658,000 forty-two pound apple cartons, worth \$11 billion (FOB) to China. The industry estimates that exports would increase by \$5 million to \$25 million in the near term once the apple varieties and fungal quarantine issues are resolved.

Colombia: Tariff (Import Policies)

The Government of Colombia currently imposes a 15% ad valorem tariff on U.S. apple imports. Under the proposed bilateral trade agreement with Colombia, the duty on U.S. apples would be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Colombia, the industry anticipates that apple exports would increase by \$5 million per year after the elimination of the tariff.

Ecuador: Tariff (Import Policies)

Ecuador imposes a 15% ad valorem tariff on U.S. apple imports. This tariff places U.S. apples exporters at a competitive disadvantage due to the tariff concessions provided to other apple exporting countries. Fruit imports from the other Andean Community countries (Bolivia, Colombia, and Peru) and MERCOSUR (Argentina, Brazil, Paraguay, Uruguay and Venezuela) enter Ecuador duty-free. Apple imports from Chile also face no tariff under a bilateral free trade agreement. The net result is that U.S. apple exports are effectively excluded from the market.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Ecuador, the U.S. apple industry forecasts that annual apple exports would increase by less than \$5 million if the country eliminated the tariff.

Egypt: Tariff (Import Policies)

The Government of Egypt imposes a 20% tariff on the CIF value of apple imports as a result of a February 2007 unilateral decision to lower the rate from 40%. At least partially as a result of this decision, Washington apple exports to Egypt have grown from \$4.1 million in 2006 to \$8.5 million in 2007 and over \$14 million in 2008.

Egypt also assesses a 3% administration fee and a 1% tax on apple imports. Shipments over 500 tons are granted a 7% reduction in the customs tariff.

Estimated Potential Increase in Exports from Removal of Barrier

If Egypt eliminated the tariff, the industry estimates that apple exports would increase by \$5 million per year based on current market conditions.

EU: Tariff and TRQ (Import Policies)

The European Union’s tariff on apple imports varies from month-to-month. By contrast, the U.S. does not place a tariff on apple imports. The current EU tariff schedule is as follows:

Arrival Date	Tariff
1/1 – 2/14	4.0%
2/15 – 3/31	4.0%
4/1 – 7/31	0% in-quota tariff for 600 MTs (HS codes 0808 10 20, 0808 10 50 and 0808 10 90)
4/1 – 6/30	0%
7/1 – 7/31	0%
8/1 – 12/31	9.0%

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade distorting barriers, the U.S. apple industry estimates that apple exports would increase by less than \$5 million per year based on current market conditions in the region.

EU: Entry Price System (Import Policies)

U.S. apple exports to the EU are negatively impacted by the custom union’s entry price system, which exposes importers to financial uncertainty and acts as a disincentive to the importation of fresh fruit.

Under the EU entry price system, apple imports that are valued over the entry price are only charged the fixed tariff. However, fruit imports that enter the EU under the entry price system are charged a tariff equivalent on top of the fixed tariff. The tariff equivalent is graduated for products valued between 92% and 100% of the entry price. The fixed tariff and full tariff equivalent are levied on imports valued at less than 92% of the entry price, making imports of lower-priced products unfeasible.

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade distorting barriers, the U.S. apple industry estimates that apple exports would increase by less than \$5 million per year based on current market conditions in the region.

EU: Import Licensing System (Import Policies)

The EU introduced an import licensing system for apples in 2006. The U.S. apple industry does not believe there is any commercial justification for such a system.

Guatemala: Domestic Support (Subsidies)

The Government of Guatemala collects a \$0.07 Quetzal/pound (about \$.40 cents of a dollar per carton) fee on apple imports. This money is transferred to domestic apple producers.

India: Tariff (Import Policies)

The Government of India imposes a 50% duty on the CIF value of imported apples from the United States. In general, U.S. apple imports do not compete directly with Indian apples because most imports arrive after the peak fall and early winter domestic apple marketing season is over. According to USDA Economic Research Service, this high tariff provides little or no protection to domestic apple producers, partially because domestic and imported apples are not considered close substitutes given the high price and quality of imported versus Indian apples. Moreover, the average return for Indian apple growers has doubled since imported apples were allowed entry to the country, as imported apple prices have pulled domestic apple prices higher. This trend should continue even under a lower tariff rate environment.

Finally, given the country's love of fruit, lowering the apple tariff will increase consumer purchasing power and could create a much larger apple and pear market. As it stands now, India's current annual per capita apple consumption is below two kilograms, which is very low by global standards. The potential to increase per capita consumption to five kilograms or roughly a five million ton apple market would provide opportunities for both domestic growers and importers. Such growth could well increase domestic production from current levels of less than two million tons to three million tons.

Estimated Potential Increase in Exports from Removal of Barrier

If the tariff were reduced to 30% imports might well increase from the current 4 million carton level to 10 million cartons, increasing sales values by \$50 million to \$100 million/year. Much of that increase would benefit U.S. growers. Complete elimination of the tariff is the goal of U.S. growers and if that is accomplished, the benefits would be even greater.

Indonesia: Tariff (Import Policies)

The Indonesian tariff on U.S. apple imports currently stands at 5%. On June 1, 2001, the Government of Indonesia introduced a 10% value added tax (VAT) on apples and other agricultural products.

Indonesia: Phytosanitary Import Restriction – Decree # 27 (Standards, Testing, Labeling & Certification)

The original implementation date for Indonesia's Decree 27, "Regarding Food Safety Control over the Import and Export of Fresh Food of Plant Origin," was August 19, 2009. After protests from trading partners, including the United States, the Government of Indonesia postponed the implementation date until November 19, 2009.

The main issue of concern is pesticide residues. The U.S. government has submitted significant amounts of information to the Government of Indonesia in an effort to obtain recognition of the U.S. food safety system. If this recognition is granted, industry may be able to export to Indonesia in much the same manner as it has in the past, not withstanding periodic testing of product on arrival. If Indonesia does not recognize the U.S. food safety regime, the Washington apple industry is concerned that the implementation of the decree will significantly impair exports to Indonesia.

Indonesia: Phytosanitary Import Restriction – Decree # 37 (Standards, Testing, Labeling & Certification)

On March 27, 2006, Indonesia implemented Ministry of Agriculture Decree Number 37/Kpts.60/1/2006, which requires various mitigation treatments for imported apples to control for fruit flies. These newly imposed regulations were not preceded by any formal pest risk analysis, pest interceptions on imports or immediate (perhaps any) evidence of risk to domestic production from U.S. apples.

The regulation disregards important technical facts and international standards by requiring treatment of apples even though some of the pests do not attack apples or the apples come from production areas that are free from the pests of concern. It also requires treatment of apples even though Indonesia does not have host material for some of the fruit flies and lacks a climate suitable for establishment and spread of fruit flies occurring in the Pacific Northwest.

The U.S. government has provided detailed technical information to support its request for revisions to the regulation, beginning with comments that were submitted to Indonesia through the World Trade Organization in August of 2005.

In August 2007, after intensive work by USDA/APHIS and USTR, Indonesia officials agree to an in-transit cold treatment process that allows trade to continue. However, if this cold treatment option were to be modified, it could easily result in the closure of the market for several months, leading to significant losses for U.S. apple exporters. As a result, the Washington apple industry urges the continuation of the technical dialogue in order for scientific information and international standards to be incorporated into decree 37 thereby reducing the risk of market closure.

Estimated Potential Increase in Exports from Removal of Barrier

Once the regulation is amended to reflect internationally accepted plant health standards and risk, the U.S. apple industry would expect an increase of less than \$5 million in exports per year. Indonesia has consistently been either the Pacific Northwest apple industry's fourth or fifth largest export market with annual sales generally reaching between \$20 million and \$30 million.

Israel: Tariff Rate Quota (Import Policies)

The United States and Israel signed a free trade agreement in 1985 but Israel argued that the agreement did not cover agricultural products. As a result, in 1996 the United States and Israel signed the Agreement on Trade in Agricultural Products (ATAP), which does not consist of any text, but rather a schedule of tariff rates, reference prices and quotas that were negotiated by the two countries. In 2004 the U.S. and Israel renegotiated the 1996 ATAP, which had expired in 2001. The new ATAP remains in effect until December 31, 2009.

The vast majority of Israel's agricultural products have duty-free access to the U.S. market. U.S. apple exports to Israel, by comparison, are constrained by a TRQ, which was set at 4,000 MTs in 2009. In quota apple imports receive duty-free treatment but Israel imposes a specific over-quota duty of 1.65 New Shekel (NS).

The Washington apple industry urges that apples receive duty-free treatment under a new ATAP. Duty-free treatment would be consistent with the provisions of the U.S. bilateral trade agreements with Jordan and Morocco.

Estimated Potential Increase in Exports from Removal of Barrier

Once duty-free access is acquired the industry would expect exports to increase by less than \$5 million per year.

Israel: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

On March 18, 2009 Israel's Plant Protection and Inspection Service notified USDA/APHIS of forthcoming changes to the cold treatment requirement for the importation of U.S. apples. U.S. apples have been exported to Israel for many years without any detection of live apple maggot or plum curculio (*Rhagoletis pomonella* and *Conotrachelus nenuphar*), two primary pests of concern to Israel. During the bilateral meeting October 13-15, 2009 progress was made as Israel agreed to recognize pest free production areas.

As of this time, it is unclear the extent of the unresolved plant pest concerns and the impact mitigation measures may have on apple exports to Israel. However, the U.S. apple industry believes that cold treatment as a mitigation measure for apple maggot is unnecessary and overly restrictive. Under the U.S. Apple Export Act, commercial apple shipments from the United States are already required to be inspected and found free of apple maggot. U.S. apple exporters have shipped billions of apples under this Export Act to markets around the world. Apple maggot has never been found on apples exported from the United States.

Estimated Potential Increase in Exports from Removal of Barrier

If the issue is resolved, the U.S. apple industry would maintain a market that supports approximately \$5 million in yearly sales of Pacific Northwest apples and pears.

Japan: Tariff (Import Policies)

Japan imposes a 17% ad valorem tariff on imported apples. This tariff is one of the highest, if not the highest, rate applied by a WTO designated “developed” country.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Japan, the industry estimates that apple exports would increase by less than \$5 million per year if Japan eliminated the tariff. However, if both the SPS restrictions and the tariff are eliminated, the Washington apple industry anticipates that exports could increase by \$5 million to \$20 million per year.

Japan: Phytosanitary Varietal Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, Japan only allows the importation of certain varieties of U.S. apples: Red Delicious, Golden Delicious, Gala, Jonagold, Fuji, Granny Smith and Braeburn.

Japan: Phytosanitary Import Restriction (Standards, Testing, Labeling & Certification)

Japan requires apple exports to be fumigated as a condition of import. This requirement increases the cost and reduces the quality of apples shipped to Japan. During the 2008-09 marketing year, no Pacific Northwest apples were shipped to Japan.

Estimated Potential Increase in Exports from Removal of Barrier

If the tariff and fumigation requirement were eliminated, the U.S. apple industry estimates that exports could reach \$10 million in the near term and grow much larger in the future.

Libya: Tariff (Import Policies)

The Government of Libya currently imposes a 40% tariff on U.S. apple imports.

Estimated Potential Increase in Exports from the Removal of Barrier

The U.S. apple industry estimates that exports to Libya would reach less than \$5 million per year if the tariff were eliminated.

Malaysia: Tariff (Import Policies)

Effective October 29, 1999, the Government of Malaysia reduced the tariff on apple imports to 5% ad valorem. However, the government collects an additional 5% sales tax on fresh fruit imports.

Mexico: Antidumping Duties (Import Policies)

Since 1997 most Washington Red and Golden Delicious apple exports to Mexico have been consistently limited by antidumping duties or a price floor under the terms of a suspension agreement. Washington apple exports are currently limited to the November 2006 final antidumping rates issued by the Government of Mexico. The rates are as follows:

COMPANY	DUTY %
Borton & Sons, Inc.	46.58
Broetje Orchards	8.04
C.M. Holtzinger Fruit Co., Inc.	0
Northern Fruit Company, Inc.	47.05
Dovex Fruit Co.	31.19
Evans Fruit Co., Inc.	46.58
Price Cold Storage and Packing Co., Inc.	6.40
Stadelman Fruit LLC	30.79
Washington Export, LLC.	0
Washington Fruit & Produce Co.	0
All other exporting companies affiliated with the Northwest Fruit Exporters	47.05

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that apple exports to Mexico would increase by \$20 million per year if all restrictions were removed.

Morocco: Tariff (Import Policies)

Under the U.S.- Morocco Free Trade Agreement, U.S. apple exports are governed by a tariff schedule and a tariff rate quota (TRQ), which is in effect between February 1 and May 31 of each year. During the time that the TRQ is in effect, in-quota apple imports receive duty-free treatment. The TRQ schedule is as follows:

YEAR	Quantity (MTs)
2006	2,000
2007	2,080
2008	2,163
2009	2,250
2010	2,340
2011	2,433
2012	2,531
2013	2,632
2014	2,737
2015 and beyond	Unlimited

During the rest of the year, U.S. apple imports are governed by a tariff, which is being phased out until it is eliminated in 2014. The tariff rate for 2010 is 26%.

Norway: Tariff (Import Policies)

The Government of Norway imposes a 4.83 Norwegian kroner (NOK) per kilo tariff on imported apples between May 1 and November 30. Imported apples face a 0.03 NOK per kilo duty during the rest of the year.

Panama: Tariff (Import Policies)

The Government of Panama imposes only a 2% tariff on imported U.S. apples. Under the U.S.-Panama Free Trade Agreement the tariff will be eliminated. Although the negotiations concluded on December 19, 2006, Congress has yet to take action on the agreement.

Philippines: Tariff (Import Policies)

The Government of the Philippines imposes a 5% tariff on U.S. apple imports.

Russia: Tariff (Import Policies)

Russia imposes a 0.2 Euro per kilogram tariff on apple imports from August 1 through December 1. The rate falls to 0.1 Euro per kilogram during the rest of the year.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Russia, the industry estimates that the elimination of the tariff on apples would lead to under \$5 million a year in additional exports.

South Africa: Tariff (Import Policies)

The Government of South Africa assesses a 4% ad valorem duty on U.S. exports of fresh apples.

South Korea: Tariff (Import Policies)

South Korea currently imposes a 45% tariff on apples. Under the U.S.-South Korean FTA, tariffs on all U.S. apples other than Fujis will be phased out over a 10-year period, while the tariff on Fujis will meet the same fate over a 20-year period. The agreement also contains a safeguard mechanism. The initial quantity is 9,000 tons which increases in year 5 to 12,000 tons and subsequently grows 3% a year to 20,429 tons in year 23. After that year, the safeguard no longer applies. The safeguard only applies to Fuji apples starting in year 11.

The tariff issue, however, is moot because U.S. apple exports to South Korea are prohibited for phytosanitary reasons.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the removal of the phytosanitary import prohibition and the tariff/TRQ would lead to \$5 million to \$25 million in apple exports each year.

South Korea: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The U.S. apple industry has been trying to open the South Korean market for over a decade but Seoul continues to ban the importation of fresh apples for phytosanitary reasons. This ban continues despite the pledge made by South Korea during the Uruguay Round to open its markets to U.S. fresh apples in 1995. The United States has provided the Government of South Korea with tons of information on the issue but Seoul has little interest in opening its market. Currently, the technical discussions are dormant.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the removal of the phytosanitary import prohibition and tariff would lead to less than \$5 million in apple exports each year.

Sri Lanka: Tariff (Import Policies)

Sri Lanka imposes a 28% tariff on U.S. apple exports, which is below the country's 50% bound rate.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the elimination of the tariff would lead to under \$5 million in annual apple exports.

Taiwan: Tariff (Import Policies)

As of January 1, 2002, the Taiwanese tariff on U.S. apple exports was reduced to 20%. Taiwan imports 96% of the apples consumed on the island because it has a very small number of apple growers which have been facing an uphill battle to produce apples as a result of poor growing conditions and rising costs. For these reasons, the U.S. apple industry urges the elimination of the tariff as part of the Doha Round of WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Taiwan, the industry expects that the elimination of the tariff would lead to an increase of \$5 million to \$20 million in annual apple exports to Taiwan.

Taiwan: Phytosanitary Work Plan (Standards, Testing, Labeling & Certification)

The Government of Taiwan is concerned about the possible presence of codling moth on U.S. apples. Following a codling moth detection in 2002, Taiwan closed the market to U.S. apple exports. The market was later reopened after the two countries negotiated a systems work plan.

Under the terms of the systems work plan, Taiwan is permitted to suspend the importation of all U.S. apples following three separate detections of codling moth larvae. The U.S. apple industry believes that the penalty system is not based on scientific principles and is being maintained without sufficient scientific evidence. The "three strikes" system is an arbitrarily chosen threshold that is more trade-restrictive than required to achieve the appropriate level of phytosanitary protection, which is contrary to the terms of the WTO SPS Agreement. As a result, the three-strike penalty system should be eliminated.

A USDA Animal and Plant Health Protection Service (APHIS) technical document, which was finalized in October, 2006, supports the apple industry's position. The APHIS assessment demonstrates that apple shipments from the United States are a very low risk pathway for codling moth establishment in Taiwan. The study concludes that there is a 99% chance that it would take at least 10,091 years before a mating pair of codling moths would occur in Taiwan as a result of U.S. apple shipments. Based on this risk assessment, the apple industry has requested that the USDA and USTR seek modification to the current three strikes system that will remove the threat of closure of this important market due to codling moth detections.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Historically, Taiwan has been the apple industry's second or third most important foreign market, with exports averaging approximately 200 million apples per year. After 25 years of apple shipments, totaling about 7 billion apples, Taiwan does not have codling moth. The U.S. apple industry believes that either U.S. apple export procedures mitigate the risk to levels below quarantine concern or codling moth cannot survive in Taiwan, or both. The U.S. apple industry urges our trade negotiators to take a firm position to correct this trade barrier.

The elimination of the three-strike penalty could save the industry \$30 million or more if the market is again closed.

Taiwan: Pesticide MRLS (Standards, Testing, Labeling & Certification)

Imports of fruit and vegetables into Taiwan are subject to inspection for maximum pesticide residues (MRLs) by Taiwan's Bureau of Standards, Metrology & Inspection (BSMI). Each shipment has a 2.5% chance of being sampled and tested upon arrival by the BSMI for MRLS. If a violation is detected, Taiwanese authorities recall the unconsumed shipment product and the chance of the importer's next shipment being inspected increases to 20%. In the event a third shipment fails inspection, all of a company's shipments are subject to testing. Release of these shipments is not permitted until testing is completed.

In March 2009, Taiwan officials denied entry to seven apple containers, each worth \$30,000. Even though the apples met the US MRL for endosulfan, officials rejected the shipments because Taiwan had not established a MRL for that substance.

The issue is particularly troubling because Taiwan currently has not established many MRLs for imported fruits and other specialty crops and does not have an adequate system to keep up with ongoing changes in U.S. pest management practices. The U.S. fruit and vegetable industry urges the Taiwanese Department of Health (DOH) to overcome a lack of resources as well as the legal inability or resistance to considering alternatives to establishing its own MRLs, such as deferring to Codex MRLs, or the MRLs established by its trading partners.

Although DOH has agreed to establish MRLs for a priority list of 248 products, this list is not exhaustive, as it does not contain a number of MRLs of importance to U.S. apple, pear and cherry growers. As a result, the U.S. industry urges American officials to continue to work with the government of Taiwan so that it will agree to defer to Codex MRLs or trading partner MRLs in the event that an import tolerance has not yet been established in Taiwan.

Estimated Potential Increase in Exports from Removal of Barrier were Removed
Establishing pesticide MRL tolerances in Taiwan will not necessarily increase the amount of apple exports from the U.S. but it will help to maintain access to this \$60 million to \$70 million annual export market for U.S. apples, pears and cherries.

Thailand: Tariff (Import Policies)

Thailand imposes a 10% ad valorem tariff on imported U.S. apples. The tariff is particularly problematic for U.S. exporters because Chinese apples enter Thailand duty-free. U.S. apple exporters are also being placed at a competitive disadvantage due to Thailand's other economic agreements. For example, pursuant to the Thailand-Australian Free Trade Agreement, which entered into force on January 1, 2005, Australian apple exports enter Thailand duty-free. Moreover, under the Thailand-New Zealand Closer Economic Partnership, which entered into force on July 1, 2005, Thai duties on New Zealand apples were eliminated.

Estimated Potential Increase in Exports from Removal of Barrier
The industry estimates that the removal of the tariff would lead to less than \$5 million in increased U.S. apple exports per year.

Tunisia: Tariff (Import Policies)

At the present time, Tunisia imposes a 150% tariff on imported apples.

Turkey: Tariff (Import Policies)

At the present time, Turkey imposes a 60.3% tariff on imported apples.

Ukraine: Tariff (Import Policies)

The Government of Ukraine currently allows U.S. apples duty-free access from December 1 to March 31 every year. From April 1 to November 30, U.S. apples face a 10% tariff.

Venezuela: Tariff (Import Policies)

Currently, the Government of Venezuela collects a 15% ad valorem tariff on imports of U.S. apples. U.S. exporters are placed at a competitive disadvantage by the duty-free treatment provided to imported apples from other Andean Pact countries (Bolivia, Colombia, Ecuador and Peru). Apples from Chile and MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) also enter the country duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

Based on market conditions in Venezuela, the industry estimates that the removal of the tariff would lead to less than \$5 million in additional apple exports per year.

Venezuela: Import Permits (Import Policies)

Periodically, Venezuela stops issuing import permits in order to protect domestic fruit producers and conserve foreign exchange. The effect of this policy is to close the Venezuelan market to apple imports from the U.S. and other origins.

Vietnam: Tariff (Import Policies)

Under Vietnam’s WTO accession agreement, the tariff on apples will drop to 10% in stages as outlined in the following chart:

01/01/09	01/01/10	01/01/11	01/01/12
18.4%	15.6%	12.8%	10%

The industry urges that the tariff be eliminated as part of the ongoing round of WTO negotiations or Trans Pacific Partnership negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-09 marketing year, the Pacific Northwest exported \$4.1 million worth of apples to Vietnam. With a population of 84 million, and with 60% of that population under the age of 25, Vietnam is considered a growth market. The industry estimates that annual apple exports to Vietnam would increase by \$15 million in the short-term after the tariff has been eliminated. Over the long-term, Washington apples exports should increase well beyond that figure.

Vietnam: Transparency/Standards (Other)

Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Apples, for instance, have been exported to Vietnam for over a decade without incident. Although it is within Vietnam’s right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier

Vietnam is a growing market for Pacific Northwest apple exports. In the 2008-09 marketing year, Pacific Northwest apple shipments were valued at \$4.1 million.

The U.S. apple industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, with Vietnam's WTO tariff rate commitments the industry estimates that Pacific Northwest fruit sales should reach the upper end of the \$5 million to \$25 million range.

APRICOTS

China: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

U.S. apricots do not have market access to China due to alleged phytosanitary concerns.

India: Tariff (Import Policies)

India currently imposes a 30% tariff on imported apricots.

ASPARAGUS

South Korea: Tariff (Import Policies)

Seoul currently imposes a 30% tariff on U.S. asparagus exports.

BARLEY

China: Tariff on Malt Barley (Import Policies)

U.S. malt barley exports to China currently face a 10% tariff.

South Korea: Tariff Rate Quota (Import Policies)

South Korea maintains a TRQ on barley in order to encourage the use of domestic barley, which may cost as much as four times more than imported barley. The 2007 TRQ was 30,000 MTs with an in-quota tariff rate of 30% and an above-quota tariff rate of 513%. Under the proposed U.S-South Korean FTA, in the first year of the agreement, 9,000 MTs of unroasted malt and unmalted barley could enter South Korea duty-free. This 9,000 MT quota would grow 2% a year for 15 years, at which time all U.S. malt and malting barley would enter South Korea duty-free.

BEEF

China: Tariff (Import Policies)

Prior to China's accession to the WTO, the country imposed a 45% duty on beef imports. Under the accession agreement the tariff was reduced to 12% in 2004. Although the tariff issue is still significant, the sanitary import prohibition following the BSE finding in the United States makes the tariff issue moot. The USITC estimates that the tariff on beef led to a loss of \$19 million in U.S. exports during the 2004-2007 time period.

China: Sanitary Import Prohibition (Standards, Testing, Labeling & Certification)

In December 2003, after the bovine spongiform encephalopathy (BSE) detection in a cow imported into the United States from Canada, China banned the importation of American beef. The import prohibition not only covered beef but also low-risk bovine products such as bovine semen and embryos, protein-free tallow, and non-ruminant origin feeds and fats, which should pose no risk for BSE under international standards.

In August 2007, Beijing proposed lifting the ban on U.S. bone-in beef and deboned beef from cattle less than 30 months of age. The offer also included offals (heart, liver, lung, kidney and sinew.) Although China became a member of the World Organization for Animal Health (OIE) in May 2007, it has not followed OIE guidelines regarding beef trade and BSE. For this reason, the United States did not accept China's offer because the continued BSE-related restrictions on animal age and other products are not based on science and international standards.

Beijing's offer also was made after the OIE designated the United States as a "BSE controlled" country in May 2007. OIE's new guidelines also indicate that the full range of beef and beef products are tradable regardless of the BSE status of a country, so long as specified risk materials (SRM), appropriate to the risk category of the country, are hygienically removed. Depending upon the BSE category of a country ("undetermined risk," "controlled risk," and "negligible risk", and the age of the animal, varying amounts of SRMs must be removed. U.S. processing plants have followed OIE guidelines for SRM removal and the United States has presented evidence to China that it follows other OIE guidelines such as the ruminant feed ban. As of this time, however, the issue remains unresolved.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that annual direct beef exports to China would reach \$200 million if the PRC lifted the ban.

Colombia: Tariff (Import Policies)

Colombia's WTO bound tariffs on imported beef range from 70% to 108% with applied tariffs ranging from 5% to 80%. Under the pending FTA, U.S. beef producers would gain immediate duty-free treatment for the most important products for our beef industry. All other beef tariffs would be phased-out within 15 years at the latest. For standard quality beef cuts, the FTA provides for immediate duty-free access through a 2,100-ton TRQ with a 5% annual growth. The 80% above-quota tariff will be phased out over 10 years after a 37.5% decrease at the start of the first year of implementation.

In addition, the FTA establishes a 4,642-ton duty-free TRQ for beef variety meats (offals) with 5.5% annual growth. The above-quota tariff of 80% will be phase-out over 10 years with a 37.5% decrease immediately upon implementation of the agreement.

EU: Tariff and TRQ (Import Policies)

The EU limits the importation of U.S. beef by means of high tariffs and small TRQs. U.S. beef has a small country-specific quota with an in-quota tariff of 20%.

EU: Sanitary Import Restriction (Standards, Testing, Labeling & Certification)

The European Union continues to prohibit the importation of beef unless it is certified as hormone free, despite the WTO ruling that the ban was inconsistent with international trade rules. (The WTO ruled that the EU had failed to produce any scientific evidence that the hormones presented a health risk.) As a result of this ruling, the United States has imposed retaliatory tariffs on some EU products.

In order to enter the EU, all U.S. bovine meat must originate from animals that have never been treated with hormonal growth promoters and each phase of the production process, from birth through slaughter, must receive third party verification. Moreover, a copy of a signed producer affidavit certifying that the animals have never been treated with hormonal growth promoters must accompany each lot of cattle presented to the slaughter establishment. Although many cattle in the United States are grown without the use of growth hormones, the cost and burden involved in certifying cattle and beef produced from such cattle as hormone-free limits U.S. beef exports to the EU market.

All cattle must be slaughtered and processed in a federally inspected establishment approved for production of products destined for the EU. There are currently only three U.S. plants approved for export to the EU because of the costs of receiving certification.

EU: Domestic Supports (Subsidies)

European beef producers receive a significant amount of government support. Using data from the 2002-2006 time period the OECD estimates that the average beef price paid by EU consumers was 79% to 157% higher than the border price. Although average domestic support declined during this time period, the OECD estimated that commodity specific support was 48.8% of farm receipts for beef in 2006.

Japan: Tariff (Import Policies)

The Government of Japan imposes a 38.5% tariff on imported beef. In addition, the Japanese tariff on U.S. beef exports can increase to 50% under a snapback tariff mechanism. Initially, Japan planned to impose the “snapback” tariff if cumulative beef imports on a quarterly basis exceeded the imports of the prior corresponding period by 17%. Since the shutting of the market due to the BSE findings significantly limited beef imports, it was easy to trigger the snapback tariff. After heavy lobby by the U.S. government, the snapback tariff is now being based on the level of imports in the Japanese 2002 and 2003 fiscal years, which took place before the BSE finding. In December 2008, the Government of Japan confirmed that it would use this same method for the following fiscal year (April 01 – March 31).

Japan: Sanitary Import Restriction (Standards, Testing, Labeling & Certification)

In December 2003, after the finding of imported cow with BSE in the United States, the Government of Japan banned the import of most American products derived from cattle, sheep and goats.

In October 2004, Japan and the United States agreed on a framework that specified the conditions under which beef trade would resume. The framework included the establishment of a special marketing program, the Beef Export Verification Program (BEV), for sales of beef and products from animals 20 months old or younger. In addition, all specified risk materials (brain and spinal cord tissues) from all ages had to be removed.

In February 2005, a panel of Japanese experts accepted the U.S. study demonstrating that the A40 Maturity grading will effectively eliminate meat from animals 21 months of age and older from being exported to Japan. As a result, in March 2005, Japan approved regulations allowing an exemption for cattle 20 months of age or younger from 100% testing at slaughter.

In December 2005 the Japanese Food Safety Commission issued a final report, formalizing its finding that U.S. measures under the proposed export program were effectively equivalent to those measures in place in Japan. Based on this determination, Japan lifted the ban on U.S. beef on December 12, 2005.

Japan's age restriction is not consistent with sound science or international standards because in May 2007, the OIE (the World Organization for Animal Health) classified the United States as "controlled risk" for BSE. Under the OIE classification, U.S. beef can be safely traded without age restrictions. Despite this OIE determination, Japan still maintains the 20 month age limit on imported beef.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that the lost value of beef exports to Japan, due to BSE-related market access restrictions is approximately \$1 billion per year.

Mexico: Domestic Supports (Export Subsidy)

According to the OECD, in 2006 the value of commodity specific support provided by the Government of Mexico (GOM) to beef and veal producers was equivalent to 6.3% of farm gate receipts. The Government of Mexico limits support to the beef industry to producers that send their cattle to be slaughtered at federally inspected plants and support for herd and genetic improvements. The government provides 110 pesos (U.S. \$10) per head of cattle slaughtered at these federally inspected plants.

Russia: Tariff (Import Policies)

The Russia tariff on U.S. beef products is typically about 15%.

South Korea: Tariff (Import Policies)

In 2006 U.S. beef exports to South Korea faced tariffs that ranged from 18% to 72%. Under the pending U.S- South Korea FTA, the 40% tariff on beef muscle meats will be phased-out over a 15 year period in equal installments, while the 18% tariff on American beef offals (feet, livers, tails and tongues) and the tariffs on other beef products, which range from 22.5% to 72%, will also be eliminated in equal installments over 15 years. The FTA also contains a South Korean "safeguard" of 270,000 tons for beef muscle meats, growing at a compound 2-percent annual rate to a final safeguard level of 354,000 tons in 15 years. The safeguard will be eliminated in year 16.

South Korea: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

In 2003 U.S. beef exports to South Korea reached \$814 million, accounting for 68% of total beef imports into South Korea, which was the third largest foreign market for U.S. beef. South Korea, however, banned all U.S. beef imports at the end of 2003 after the finding of bovine spongiform encephalopathy (BSE) in the United States.

In May 2007, the World Organization for Animal Health (OIE), which is in the international scientific body recognized by the WTO for issues related to animal disease and health, determined that the United States is a “controlled risk” country for the spread of BSE. This classification means that the United States maintains the OIE’s recommended science-based measures to manage any risk of BSE in the U.S. cattle population.

In April, 2008, just before, the newly elected Korean President Lee met President Bush at Camp David, U.S. and South Korean negotiator’s reached an agreement on the sanitary rules governing U.S. beef exports to South Korea. The agreement allowed for the import of all cuts of U.S. boneless and bone-in beef and other beef products from the other edible parts of cattle, regardless of the age, provided that all specified risk materials (SRM) known to transmit BSE had been removed and other conditions were met. Faced with a public backlash in South Korea, however, a “voluntary private sector arrangement” was reached in June 2008, which provides that only sales of U.S. beef, both boneless and bone-in, can be imported into South Korea if it comes from cattle that is under 30 months old when slaughtered and from which certain SRMS are removed. The voluntary agreement is only “a transition measure” but no timeline was established for further market opening.

Taiwan: Sanitary Restriction (Standards, Testing, Labeling & Certification)

In October 2009, the United States and Taiwan reached a science-based bilateral agreement under which Taiwan agreed to harmonize its regulations with the standard of the World Animal Health Organization (OIE). These guidelines state that beef from cattle of all ages from “controlled” BSE risk countries, such as the United States, is safe for human consumption, provided certain specified risk materials (SRMs) are removed. Under the agreement, T-bone steak, ribs, ground beef, intestines and processed beef that have not been contaminated with SRMSs would be allowed entry. In addition, the agreement requires US exporters to follow a quality system assessment (QSA) program of USDA to ensure that beef exported to Taiwan comes from cattle under 30 months of age.

The agreement also contains a U.S. and Taiwan industry agreement sanctioned by the governments that would initially limit trade to beef from cattle 30 months of age or younger. The industry agreement is very similar to an agreement for the South Korean market.

The October 2009 bilateral agreement, however, was undercut on January 5, 2010, when Taiwan’s Legislative Yuan (LY) passed an amendment to the Act Governing Food Sanitation that appears to prevent some beef imports (ground beef, beef offal, and other parts) from the United States. The legislature also passed a non-binding resolution call for a ban on U.S. beef from cattle 30 months or older.

The recent action undertaken by the legislature of Taiwan is not based on science or the recently finalized bilateral on trade in beef.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Taiwan banned U.S. beef after the December 2003 BSE finding in the United States. The market was partially reopened in April 2005 to deboned beef from cattle under 30 months of age. The ban, however, was re-imposed in June 2005 after a second BSE finding in the United States. Since January 25, 2006, however, Taiwan has permitted imports of U.S. boneless beef from animals under 30 months of age. Despite the restrictions, U.S. beef exports have been increasing and reached 22,572 MTS worth \$136 million in 2008.

Thailand: Tariff (Import Policies)

Thailand currently imposes a 50% tariff on U.S. beef. Australian and New Zealand beef face lower tariff rates under trade agreements with Thailand. The recent action by the legislature in Taiwan imperils a bilateral agreement that would have allowed American beef exporters to expand their import market share at the expense of their main competitors, New Zealand and Australia

CHERRIES

Algeria: Tariff (Import Policies)

The Government of Algeria currently imposes a 30% tariff on U.S. cherry exports.

Argentina: Tariff and Statistical Tax (Import Policies)

Argentina imposes a 10% import duty and a 0.5% statistical tax on cherries from the United States. By comparison, imports of cherries from Argentina's MERCOSUR partners (Brazil, Paraguay and Uruguay) are exempt from the tariff and statistical tax. This tariff and tax discrepancy places U.S. cherry exporters at a competitive disadvantage.

Argentina: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Argentina prohibits the importation of Pacific Northwest cherries due to concerns about cherry fruit fly and other insect pests. As of this time, the governments of the United States and Argentina have not reached an agreement on a protocol that would cover the procedures for exporting American cherries to Argentina. In 2002 the U.S. government proposed an intensive inspection protocol to verify that cherry shipments are free of known quarantine pests but, as of this time, the Government of Argentina has not reviewed the proposed export protocol.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of the cherry import prohibition would lead to less than \$5 million in exports per year. This estimate is based on sales of cherries to similar markets.

Armenia: Tariff (Import Policies)

U.S. cherry exports currently face a 15% Armenian tariff.

Australia: Regional Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Due to concerns about brown rot and other issues, the Government of Australia prohibits the importation of Pacific Northwest cherries into Western Australia, while allowing importation into the rest of the country.

Bangladesh: Tariff (Import Policies)

The Government of Bangladesh imposes a 37.5% tariff on U.S. cherry imports.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the elimination of the tariff would lead to an increase of less than \$5 million in additional cherry exports. This estimate is based on current market conditions.

Bolivia: Tariff (Import Policies)

The Government of Bolivia collects a 15% tariff on cherry imports from the United States. Imports of fruit from the other members of the Andean Community (Colombia, Ecuador, and Peru) and MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay and Venezuela), as well as fruit from Chile, enter Bolivia duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

In the event that the tariff is eliminated, the industry estimates that U.S. cherry exports would increase by less than \$5 million a year based on current market conditions in the country.

Brazil: Tariff (Import Policies)

The Government of Brazil assesses a 10% duty (CIF) on imports of U.S. fresh sweet cherries. Imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) have a competitive advantage because tariffs on these products were eliminated on January 1, 1995. Furthermore, fruit imports from the countries of the Latin American Integration Association (ALADI), Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela receive preferential tariff rates.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Brazil, the industry estimates that U.S. cherry exports would increase by under \$5 million a year if the country eliminated the tariff.

Chile: Phytosanitary Import Prohibition (Standards, Testing, Labeling and Certification)

Chile prohibits the importation of cherries due to alleged phytosanitary reasons.

China: Tariff and VAT (Import Policies)

As part of its WTO accession commitments, China agreed to reduce the tariff on U.S. cherry imports from 30% to 10% in 2004, which is still high enough to restrict U.S. exports. In addition, China collects a 13% value added tax (VAT) on imported cherries, which the U.S. industry suspects is probably not collected on Chinese cherries. Failure, to ensure equal tax treatment would be a violation of the WTO's national treatment provision.

U.S. cherries are also at a competitive disadvantage because under free trade agreements Chilean cherries will enter China duty-free in 2010, while New Zealand cherries will not face duties starting in 2012.

Estimated Potential Increase in Exports from Removal of Barrier

Based on an assessment of current market conditions in China, the cherry industry estimates that annual exports would increase by less than \$5 million per year if China eliminated the tariff.

Colombia: Tariff (Import Policies)

U.S. cherry exports to Colombia currently face a 15% ad valorem tariff. Under the proposed bilateral trade agreement with Colombia, the duty on U.S. cherries would be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Colombia, the U.S. cherry industry estimates that the elimination of the 15% duty would lead to less than \$5 million additional exports to Colombia.

Ecuador: Tariff (Import Policies)

Ecuador imposes a 15% ad valorem tariff on cherry imports. By contrast, cherry imports from other countries receive tariff preferences. Fruit imports from the other Andean Pact countries (Bolivia, Colombia, and Peru) and MERCOSUR (Argentina, Brazil, Paraguay, Uruguay and Venezuela) enter Ecuador duty-free. Cherry imports from Chile receive duty-free treatment under a bilateral free trade agreement with Ecuador.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Ecuador, the U.S. cherry industry estimates that the elimination of the tariff would lead to less than \$5 million in additional exports per year.

Egypt: Tariff (Import Policies)

Sweet cherry exports to Egypt are limited by a 5% tariff on the CIF value of the shipment. Egypt also assesses another 3% administration fee and a 1% tax. Shipments over 500 tons are granted a 7% reduction in the customs tariff.

Estimated Potential Increase in Exports from Removal of Barrier

In the event that Egypt eliminated the tariff, the industry estimates that cherry exports would increase by under \$5 million per year based on current market conditions.

EU: Tariff/TRQ (Import Policies)

U.S. sweet cherry exports face a 4% in-quota tariff early in the season. After the in-quota is exceeded, sweet cherries face a tariff that varies from 6% to 12%. The in-quota amount and above-quota tariff level severely limits cherry exports. The EU tariff schedule is as follows:

Arrival Date	Tariff (ad valorem)
1/1 – 4/30	12.0%
5/1 – 5/20	12.0% subject to a minimum 2.4 euro/100 kg/net
5/21 – 7/15	4.0% in-quota tariff up to 800 MTs (HS code 08092095)
5/21 – 6/15	12.0%
6/15 – 7/15	6.0%
7/16 – 12/31	12.0%

Estimated Potential Increase in Exports from Removal of Barrier

Based on current EU market conditions, the U.S. cherry industry estimates that sweet cherry exports would increase by less than \$5 million per year if the EU eliminated the tariff, TRQ, entry price system and subsidies, as well as other trade-distorting measures.

EU: Entry Price System (Import Policies)

U.S. cherry exports to the EU are negatively impacted by the custom union’s entry price system, which exposes importers to financial uncertainty and acts as a disincentive to the importation of fresh fruit. Under the EU entry price system, cherry imports that are valued over the entry price are only charged the fixed tariff. However, fruit imports that enter the EU under the entry price system are charged a tariff equivalent on top of the fixed tariff. The tariff equivalent is graduated for products valued between 92 and 100% of the entry price. The fixed tariff and the full tariff equivalent are levied on imports valued at less than 92% of the entry price, making imports of lower-priced product unfeasible.

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade-distorting barriers, the U.S. cherry industry estimates that exports would increase by less than \$5 million per year, based on current market conditions in the region.

EU: SPS Restrictions (Standards, Testing, Labeling & Certification)

As a condition for entry into the market, the EU requires cherries to be free from *Monilinia fructicola* (brown rot) and requires documentation that controls have been applied in the field. These import requirements limit the supply of U.S. cherries that can qualify for importation into the EU.

Reportedly, brown rot, exists in Europe but there are no known internal EU controls on the disease or on the movement of fruit within the EU from those countries where positive detections have been made. The Washington cherry industry urges the U.S. government to obtain an official report from the EU on the presence of brown rot and supporting technical documentation justifying its quarantine requirements.

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade-distorting barriers, the U.S. cherry industry estimates that exports would increase by less than \$5 million per year, based on current market conditions in the region.

India: Tariff (Import Policies)

The Government of India currently imposes a 30.6% duty on cherry imports.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. cherry industry estimates that their exports to India would increase by less than \$5 million in the first year after the tariff is eliminated. This estimate is based on current market conditions in India.

Indonesia: Tariff (Import Policies)

U.S. cherry exports to Indonesia currently face a 5% tariff. On June 1, 2001, the Government of Indonesia introduced a 10% value added tax (VAT) on cherries and other agricultural products.

Indonesia: Phytosanitary Import Restriction - Decree # 37 (Standards, Testing, Labeling & Certification)

On March 27, 2006, Indonesia implemented Ministry of Agriculture Decree Number 37/Kpts.60/1/2006, which requires various mitigation treatments for imported cherries to control for fruit flies. These newly imposed regulations were not preceded by any formal pest risk analysis, pest interceptions on imports or immediate (perhaps any) evidence of risk to domestic production from U.S. cherries.

The regulation disregards important technical facts and international standards by requiring treatment of cherries for pests that do not attack cherries. It also requires treatment even though Indonesia does not grow cherries and therefore the various cherry fruit flies that are in the Pacific Northwest will not survive in Indonesia.

The U.S. government has provided detailed technical information to support its request for revisions to the regulation, beginning with comments that were submitted to Indonesia through the World Trade Organization in August of 2005. As of this time, the Government of Indonesia has refused to resolve the problems impacting the importation of cherries.

Estimated Potential Increase in Exports from Removal of Barrier

At the present time, few cherries are exported to Indonesia but the industry hopes to resolve this barrier to allow for future growth in exports. Based on current market conditions in Indonesia, the U.S. cherry industry expects an increase of less than \$5 million in exports per year once the barrier is eliminated.

Israel: Tariff (Import Policies)

Israel's bound tariff rate for sweet cherries is roughly 83% ad valorem. The industry requests that the tariff be eliminated under the revised ATAP.

Estimated Potential Increase in Exports from Removal of Barrier

Once the tariff is eliminated and the SPS barrier is eliminated, the industry would expect exports to increase by less than \$5 million per year.

Israel: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, the Government of Israel prohibits imports of U.S. cherries due to alleged concerns about plant pests and diseases. In June 2002, APHIS requested Israel to undertake a pest risk assessment (PRA) on Pacific Northwest cherries, but the study has not been completed. In view of the lack of transparency, it is not clear how long it will take before the industry obtains market access.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of the import prohibition would lead to less than \$5 million in annual cherry exports to Israel.

Japan: Tariff (Import Policies)

Washington cherry exports to Japan face an 8.5% ad valorem duty.

Estimated Potential Increase in Exports from Removal of Barrier

Since Japan opened its market in 1978, the Pacific Northwest has exported over 9 million cartons of fresh cherries to Japan, led by Washington State. Japan and Taiwan alternate as the largest foreign market for fresh Washington cherries. The industry estimates that annual cherry exports to Japan would increase by less than \$5 million per year if the tariff were eliminated.

Japan: Pesticide MRLs (Standards, Testing, Labeling & Certification)

The U.S. cherry industry is very concerned with Japan's penalty structure for pesticide maximum residue level (MRL) violations. Penalties for violations can initially include increased inspection rates for shippers but these rates can increase to 100% if a second violation occurs. USTR reached a written agreement with Japan that provides substantial relief. However, following recent MRL violations, Japanese officials ignored the agreement with USTR.

Estimated Potential Increase in Exports from Removal of Barrier

An agreement with Japan over the country's MRL sanctions policy might not necessarily lead to an increase in exports. However, an agreement will help to reduce risk exposure and maintain access to this \$55 million to \$82 million annual export market for the U.S. cherry industry.

Japan: Phytosanitary Requirements (Standards, Testing, Labeling & Certification)

For decades, the Government of Japan required the fumigation of cherry exports with methyl bromide due to codling moth concerns. Based on new USDA research that demonstrates that cherries are not a suitable host for codling moth, the U.S. government submitted a proposed systems approach to the Japanese government for their consideration to take the place of the fumigation requirement. The industry has been concerned with the expense of the fumigation, the impact on the quality of the fruit and the potential harm to the environment.

The systems approach combines good orchard pest management practices with post harvest commodity inspections. The industry supplied documentation that the systems approach provides quarantine security which is equivalent or better than that provided by methyl bromide fumigation. The U.S. cherry industry also conducted pilot programs in the Pacific Northwest and California at the request of MAFF to demonstrate the efficacy of a systems approach.

After many years of study, MAFF finally accepted the program to the point of formally notifying the World Trade Organization. In June 2009, however, MAFF delayed the implementation of the systems approach, thereby putting at risk the tens of thousands of dollars in investments made by hundreds of growers and dozens of packing facilities to meet the requirements of the systems approach. After some delay, the Japanese market was opened to systems approach cherries, but not until it was too late for early season growers to ship to Japan. As a result, the volume of exports under this approach was relatively small due to the delay. The industry hopes that the systems approach is smoothly implemented next season.

The Washington cherry industry is also concerned with the treatment of shipments under the systems approach export work plan in the unlikely event that Western cherry fruit fly, (*Rhagoletis indifferens*), is detected upon arrival at a Japanese port. The current systems export work plan calls for the shipment to either be destroyed or re-exported. Even though U.S. cherries have been exported to Japan for more than 30 years after treatment with methyl bromide, Japan will not allow fumigation for Western cherry fruit fly upon arrival at their port. Last season the United States presented MAFF with the efficacy data on methyl bromide fumigation for Western cherry fruit fly even though the information was submitted to the agency many years ago. The Washington cherry industry requests USTR to urge Japan to accept the methyl bromide fumigation treatment of cherries in Japan as a quarantine measure.

Estimated Potential Increase in Exports from Removal of Barrier

Since Japan opened its market in 1978, the Pacific Northwest, led by Washington State, has exported over 9 million cartons of fresh cherries to Japan. Japan and Taiwan alternate as the largest foreign market for fresh Washington cherries.

The industry estimates that annual cherry exports to Japan would increase by \$5 million to \$25 million per year if the country eliminated the tariff and smoothly implemented the new systems export protocol. This calculation is based on current market conditions in Japan.

Japan: Phytosanitary Varietal import Prohibition (Standards, Testing, Labeling & Certification)

The Government of Japan insists on individually approving each new variety of fresh cherry after fumigation trials. Although the government of Japan has approved 16 cherry varieties, the U.S. cherry industry is seeking the approval of additional varieties. USDA has submitted research to Japanese officials that demonstrate the efficacy of methyl bromide does not differ between varieties. The Washington cherry industry urges Japan to accept that cherries as a single commodity and approve all varieties for market entry, as there is no scientific basis for Japan's current approach.

Estimated Potential Increase in Exports from Removal of Barrier

The value of Pacific Northwest cherry exports to Japan would increase by up to \$5 million annually if all varieties of fresh sweet cherries were approved under the current fumigation work plan for U.S. cherries.

Libya: Tariff (Import Policies)

The Government of Libya currently imposes a 30% tariff on U.S. cherry imports.

Estimated Potential Increase in Exports from the Removal of Barrier

The U.S. cherry industry estimates that exports to Libya would reach less than \$5 million per year if the tariff were eliminated.

Malaysia: Tariff (Import Policies)

Effective October 29, 1999, Malaysia lowered the tariff on imported cherries to 5% ad valorem. The government collects an additional 5% sales tax on fresh fruit imports.

Mexico: Trucking Retaliatory Tariff (Import Policies)

On March 16, 2009, the Government of Mexico announced that it was imposing retaliatory tariffs on a variety of U.S. products in keeping with a NAFTA panel ruling that the United States had not complied with NAFTA's trucking provisions. The value of Washington exports to Mexico in 2008 for those products facing retaliatory duties was \$86 million. The Washington cherry industry exported \$3.5 million of its product to Mexico during the 2009 season. It is unlikely that the industry will reach this mark in the 2010 season because cherries now face 20% retaliatory duties.

The Washington cherry industry urges the Obama Administration to resolve this issue as quickly as possible.

Mexico: Phytosanitary Export Work Plan (Standards, Testing, Labeling & Certification)

The Government of Mexico recently proposed additional monitoring (trapping) requirements for western cherry fruit fly (*Rhagoletis indifferens*). In response, USDA/APHIS provided information to the Government of Mexico that a 1995 NAFTA Technical Working Group noted that western cherry fruit fly was not of economic importance to Mexico because the limited scope of cherry production in the country.

APHIS has also pointed out that, given the distribution of the pest in California, *Rhagoletis indifferens* was not ecologically adapted to the climate of northern Mexico's fruit growing areas. Apparently, Mexico is concerned about a native species, capulin cherry (*prunus serotina subsp. Salicifolia*), that is used as an indigenous food. In response, USDA APHIS has proposed an existing fruit sampling protocol for *R. indifferens* in lieu of trapping. The U.S. cherry industry is concerned that if this issue is not resolved prior to the spring of 2010, it will not be able to export cherries to Mexico this season. Already, the Washington State cherry industry is facing 20% retaliatory duties as a result of the trucking dispute.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2009 cherry season, Pacific Northwest cherry exports to Mexico reached \$3.5 million. The industry sees growth potential in the Mexican market with the expansion of U.S. cherry production and resulting in lower prices.

Panama: Tariff (Import Policies)

The Government of Panama imposes only a 1% tariff on imported U.S. cherries, which will be immediately eliminated under the U.S.-Panama Free Trade Agreement. Although the negotiations concluded on December 19, 2006, it is still pending consideration by Congress.

Norway: Tariff (Import Policies)

The Government of Norway imposes a 5.57 Norwegian kroner (NOK) per kilo tariff on imported cherries all year round.

Philippines: Tariff (Import Policies)

The Government of the Philippines currently imposes a 5% import duty on cherries.

Russia: Tariff (Import Policies)

U.S. cherry exports to Russia are subject to a 5% duty.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in the country, the industry estimates that the elimination of the tariff on cherries would lead to under \$5 million a year in additional exports to Russia.

South Africa: Tariff (Import Policies)

U.S. cherry exports to South Africa face a 4% ad valorem tariff. Note that the Government of South Africa currently prohibits the importation of U.S. cherries for phytosanitary reasons.

South Africa: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The Government of South Africa prohibits the importation of U.S. cherries due to a number of phytosanitary issues being discussed by the South African and U.S. governments. The United States has submitted a pest risk assessment for sweet cherries to the South African government and awaits a response.

Estimated Potential Increase in Exports from Removal of Barrier

Based on exports to similar markets, the industry estimates that the lifting of the import prohibition would lead to less than \$5 million in annual cherry exports to South Africa.

South Korea: Tariff (Import Policies)

U.S. cherry exports to South Korea face a 24% tariff. Under the U.S.-South Korean FTA, the tariff on cherries will be eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the elimination of the tariff would lead to \$5 million to \$25 million in exports each year. The estimate is based on current market conditions in South Korea.

South Korea: Tariff on Canned Cherries (Import Policies)

U.S. canned cherry exports currently face a 45% South Korean tariff. Under the KORUS-FTA this tariff would be phased out over a decade.

South Korea: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

South Korea currently allows the importation of all sweet cherry varieties from specific counties in California, Idaho, Oregon and Washington on condition that they are fumigated with methyl bromide to control various pests, including codling moth. Research indicates that codling moth is an unlikely pest of fresh cherries.

Methyl bromide fumigation is expensive, harms the quality of the fruit and reduces shelf-life. The U.S. cherry industry is interested in eliminating the fumigation requirement and replacing it with an inspection- only requirement for other species of quarantine concern. In June 2008 a systems work plan was submitted to the Korean National Plant Quarantine Service. Additional information was provided to South Korean officials in December 2008.

Estimated Potential Increase in Exports from Removal of Barrier

The elimination of the fumigation requirement will increase shelf life and allow for fruit to be shipped via ocean vessel rather than air freight, thus reducing costs. Lower cost combined with an improved eating quality of fruit should grow sales. During the 2009 marketing year, PNW cherry exports to South Korea reached approximately \$7.4 million (FOB). The industry estimates that the replacement of the methyl bromide fumigation requirement with a systems export protocol would result in an initial increase of approximately \$5 million in sales, with further expansion of the market occurring over time.

Sri Lanka: Tariff (Import Policies)

U.S. cherry exports to Sri Lanka face a 28% tariff, which is below the country's 50% bound rate.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the elimination of the tariff would lead to under \$5 million in annual cherry exports.

Taiwan: Tariff (Import Policies)

As of January 1, 2002, the Taiwanese tariff on U.S. sweet cherry exports fell to 7.5% under the country's WTO accession agreement. The U.S. cherry industry urges the elimination of the tariff as part of the current round of WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that Taiwan's elimination of the tariff would lead to under \$5 million in additional exports per year. This calculation is based on current market conditions in Taiwan.

Taiwan: Pesticide MRLS (Standards, Testing, Labeling & Certification)

Imports of fruit and vegetables into Taiwan are subject to inspection for maximum pesticide residues (MRLs) by Taiwan's Bureau of Standards, Metrology & Inspection (BSMI). Each shipment has a 2.5% chance of being sampled and tested upon arrival by the BSMI for MRLS. If a violation is detected, Taiwanese authorities recall the unconsumed shipment product and the chance of the importer's next shipment being inspected increases to 20%. In the event a third shipment fails inspection, all of a company's shipments are subject to testing. Release of these shipments is not permitted until testing is completed.

The issue is particularly troubling because Taiwan currently has not established many MRLs for imported fruits and other specialty crops and does not have an adequate system to keep up with ongoing changes in U.S. pest management practices. The U.S. fruit and vegetable industry urges the Taiwanese Department of Health (DOH) to overcome a lack of resources as well as the legal inability or resistance to considering alternatives to establishing its own MRLs, such as deferring to Codex MRLs, or the MRLs established by its trading partners.

Although DOH has agreed to establish MRLs for a priority list of 248 products, this list is not exhaustive, as it does not contain a number of MRLs of importance to U.S. apple, pear and cherry growers. As a result, the U.S. industry urges American officials to continue to work with the government of Taiwan so that it will agree to defer to Codex MRLs or trading partner MRLs in the event that an import tolerance has not yet been established in Taiwan.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Establishing pesticide MRL tolerances in Taiwan will not necessarily increase the amount of exports from the U.S. but it will help to maintain access to this \$60 million to \$70 million annual export market for U.S. apples, pears and cherries.

Thailand: Tariff (Import Policies)

The Government of Thailand imposes a 40% ad valorem tariff on imported cherries, which poses a significant hurdle for Washington cherry exporters. Moreover, Washington cherries are at a competitive disadvantage because Thai duties on New Zealand cherries were eliminated under the Thailand-New Zealand Closer Economic Partnership, which entered into force on July 1, 2005. The Washington cherry industry urges the elimination of the Thai cherry duty as part of the WTO Doha Round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Thailand, the industry estimates that the elimination of the tariff would lead to less than \$5 million in additional exports each year.

Ukraine: Tariff (Import Policies)

The Government of Ukraine currently imposes a 5% tariff on U.S. cherry imports.

Venezuela: Tariff (Import Policies)

Venezuela assesses a 15% tariff on the ad valorem value of U.S. sweet cherry imports. U.S. cherry exporters are placed at a competitive disadvantage by the duty-free treatment provided to cherry imports from other Andean Pact countries (Bolivia, Colombia, Ecuador and Peru). Cherry imports from Chile and MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) also enter Venezuela duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Venezuela, the industry estimates that the elimination of the 15% tariff would lead to less than \$5 million in additional cherry exports per year.

Venezuela: Import Permits (Import Policies)

Periodically, the Government of Venezuela stops issuing import permits in order to protect domestic fruit producers and conserve foreign exchange. The effect of this policy is to close the Venezuelan market to cherry imports from the U.S. and other origins.

Vietnam: Tariff (Import Policies)

In 2010, Vietnam will impose a 20% tariff on U.S. cherry imports. Under Vietnam's WTO accession agreement, the tariff will drop to 10% in stages as shown in the following table.

01/01/09	01/01/10	01/01/11	01/01/12
25%	20%	15%	10%

The industry urges that the tariff be eliminated as part of the ongoing round of WTO negotiations or Trans Pacific Partnership negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that cherry exports to Vietnam will increase by less than \$5 million per year after the tariff has been eliminated.

Vietnam: Transparency/Standards (Other)

Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. cherry industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, with the Vietnam's WTO tariff rate commitments the industry estimates that Pacific Northwest fruit sales should reach the upper end of the \$5 million to \$25 million range.

COFFEE

India: Tariff (Import Policies)

The Government of India's bound tariff level on roasted coffee is 150%.

South Korea: Tariff (Import Policies)

South Korea's tariff on roasted coffee is "bound" at 29.5%. As a result, South Korea can charge a tariff up to 29.5% even though it currently applies a tariff of 8%.

South Korea: Rules of Origin (Other)

South Korea's tariff on roasted coffee is "bound" at 29.5%. This means South Korea can charge a tariff up to 29.5% even though it currently applies a tariff of 8%. Starbucks seeks the elimination of this bound tariff under the U.S.-South Korean Free Trade Agreement (FTA). The tariff elimination, however, is meaningless unless the FTA contains a favorable "rule of origin" relating to coffee which would treat coffee roasted in the United States from green coffee sourced from other countries as a U.S.-origin product.

In order for Starbucks to benefit from any tariff reduction under the FTA negotiations, Seoul must agree that the roasting process changes the country of origin of the final coffee product to the United States (from the country where the green coffee is from). Otherwise, even if the FTA eliminates the 29.5% bound tariff, Starbucks coffee exports to South Korea will continue to face up to a 29.5% tariff based on the country of origin of the green bean.

Thailand: Tariff (Import Policies)

The Government of Thailand imposes a 90% tariff on imported roasted coffee from the United States.

CORN

South Korea: Tariff on Canned Corn (Sweet) (Import Policies)

Under the U.S.-Korea FTA the current 30% tariff on imported frozen corn and the 15% tariff on canned corn will be phased-out over five years after the implementation of the agreement.

South Korea: Tariff on Frozen Corn (Import Policies)

South Korea currently imposes a 30% tariff on imports of frozen corn, which is above its bound rate of 54%. The 30% tariff on imported frozen corn will be phased out over five years after the implementation of the bilateral free trade between South Korea and the United States which is still awaiting congressional consideration.

Estimated Potential Increase from Removal of Barrier

Despite the 30% tariff, South Korea is the fourth largest overseas market for U.S. frozen sweet corn. Between 2005 and 2007, U.S. exports of frozen corn to South Korea averaged 1,500 tons worth \$565,000 per year. During this time period, the United States held a 28% market share but is facing strong competition from Chinese suppliers. This issue is significant for Washington as most of the state's corn crop goes to the production of frozen corn.

DAIRY PRODUCTS

Algeria: Dairy: Health Certificate Testing Requirements (Standards, Testing, Labeling & Certification)

In 2006 the Government of Algeria revised its dairy products health certificate requirements to include several unnecessary testing requirements. For example, Algeria requires dairy products to be tested and certified as being below very specific levels of radiation. This requirement only serves as a barrier to trade as it does not address any legitimate consumer health and safety concern given the lack of any radiation risk posed by U.S. dairy products.

The Algerian health certificate issue is significant for Washington dairy exporters because the country is one of the world's largest buyers of skim milk powder and the largest importer of whole milk powder in the world. Moreover, Algeria is the second most populous country in Africa with an economy that has performed relatively well over the last several years. This economic expansion has led to greater demand for imported dairy products as Algeria has limited domestic milk production.

Currently, U.S. dairy imports can still be imported into Algeria under standard-issue U.S. health certificates, but the industry is concerned that the Government of Algeria will discontinue this practice. Alternatively, the Government of Algeria could accept the recently approved CODEX Model Dairy Certificate. This proposal has been put forward to Algeria, which participated in CODEX discussions that led to the development of the model certificate that can be used in many countries to address significant health and safety issues typically related to dairy products.

The dairy industry urges USTR and USDA to increase their efforts to resolve the Algerian health certificate issue so that U.S. exporters will be assured that this important market will remain open.

Brazil: Tariffs (Import Policies)

Brazil maintains high tariffs (14% to 30%) on dairy products. It appears that the high tariffs are due to political pressure from Brazilian dairy producers who believe that domestic processors import whey to blend with Ultra High Temperature milk.

Canada: Tariff Rate Quotas (Import Policies)

Although NAFTA has been fully implemented some U.S. dairy products still face restrictive Canadian TRQs. They are as follows:

Dairy Product	Access in tons	Tariff Item Number (to 6-digit)
Milk Protein Substitutes	10,000	0350.40
Fluid Milk*	0	0401.10, 0401.20
Cream, not concentrated, no sugar, (heavy cream)	394	0401.30
Skim Milk Powder	0	0402.10.10
Whole Milk Powder whether or not sweetened	0	0402.21, 0402.29
Concentrated and Evaporated milk	12	0402.91, 0402.99
Yogurt	332	0403.10
Powdered Buttermilk	908	0403.90
Liquid Buttermilk, Sour Cream	0	0403.90
Dry Whey	3,198	0404.10
Products consisting of natural milk	4,345	0404.90
Butter, fats and oil from milk	3,274	0405.10, 0405.90
Dairy Spreads	0	0405.20
Cheese	20,412	0406
Ice Cream Mixes	0	1806.20, 1806.90
Food prep. With Milk Solids	70	1901.90
Food prep. with \geq 25% ms; not for retail sale	0	1901.20
Ice Cream and other edible ice	484	2105.00
Milk cream and butter subs.	0	2106.90
Non-alcoholic beverages containing milk	0	2202.90
Complete feeds and feed supplements	0	2309.90

*There is no commercial TRQ for fluid milk. However, access of 64,500 tons is allowed for cross-border consumer imports.

Canada: Cheese Standards (Standards, Testing, Labeling and Certification)

Canada is the U.S. dairy industry's second largest foreign market and Canadian food processors have become increasingly interested in purchasing competitively priced U.S. dairy ingredients in recent years. Although Canadian demand has increased and NAFTA and the WTO Uruguay Round Agreement on Agriculture have been fully implemented, significant dairy trade barriers remain in place.

In response to complaints from domestic dairy producers, the Government of Canada adopted revised standards for cheese, which set a minimum level of raw milk to be used to produce various cheeses and introduced specific compositional standards by type of cheese. As a result, dried ingredients are only allowed after the minimum casein content established by the new regulations has been met by fluid milk products. These new standards have lowered Canadian dairy producer demand for dried dairy ingredients, particularly whey products and milk protein concentrates. In addition, in many cases, U.S. cheese producers have had to undertake costly and difficult product reformation processes specifically to meet the new Canadian standards in order to continue to export to that country.

China: Tariff and VAT on Cheese (Import Policies)

The Government of China imposes a 12% tariff on imported cheese.

China: Tariff and VAT on Ice Cream (Import Policies)

The Government of China imposes a 19% tariff on imported ice cream.

China: Tariff and VAT on Skim Milk Powder (Import Policies)

The Government of China imposes a 10% tariff on imported skim milk powder.

China: Sorbic Acid Standards for Cheese (Standards, Testing, Labeling & Certification)

China's sorbic acid standard of 1.0 ppm presents a considerable barrier to U.S. cheese exports and Chinese officials have rejected several cheese shipments. Sorbic acid is used in processed cheese to inhibit mold and yeast production to extend the shelf life.

China's standard is much stricter than that of Codex Alimentarius, the internationally recognized standards setting agency for food, which allows sorbic acid to be present at 3.0 ppm for processed cheese. The WTO Sanitary and Phytosanitary Agreement allows countries to establish standards that are stricter than those established by international standard setting bodies, but these tougher standards must have a scientific justification. The Government of China has not lived up to the SPS Agreement scientific justification requirement.

India: Tariff on Cheese (Import Policies)

The Government of India currently imposes a 30% tariff on imported cheese.

India: Sanitary Import Prohibitions: Nutrition Labeling (Standards, Testing, Labeling & Certification)

U.S. exports of dairy products to India are effectively prohibited under India's current dairy sanitary import protocol.

Indonesia: Documentation Requirements (Standards, Testing, Labeling & Certification)

In June 2009, Indonesia's Ministry of Agriculture enacted new requirements which have the potential to block U.S. access to the dairy market. Specifically, Law 118/2009 requires that within one year, all companies exporting animal derived products to submit an application and to allow Indonesian official to inspect their plants. In addition, national veterinary authorities must submit an application for the country to be approved for export. It is particularly troubling that this law was not notified to the WTO. As a result, foreign governments did not have the opportunity to provide comments prior to the finalization of these extensive regulatory changes.

As part of the licensing process, the Government of Indonesia requires exporters to provide extensive information including significant proprietary information that has absolutely no bearing on the safety of the products or the hygiene of the manufacturing facility. For example, dairy exporters must provide the export history of the products manufactured, including a list in tabulated form of the name of importing countries, date of approval, types of milk products approved, year of first export and date of most recent export. In addition, exporters are required to provide the veterinary certificate that accompanied the latest shipment to each country. Since veterinary certificates normally contain the importer's name and contact information, exporters are being required to disclose their full international business operations, including all their foreign customers, as part of the process for applying to export to Indonesia.

Other information required also has no bearing on the safety of the product, including information on the company, such as an organizational chart and the total number of workers employed in the establishment. Dairy exporters must also disclose whether the company has medical records of each employee and whether these records are available. This last requirement is a clear breach of privacy, and U.S. manufacturers risk rejection if they state that they do not maintain each employee's private medical records.

Indonesia also requires the veterinary authorities of the exporting country to endorse the form after the manufacturer signs the completed application. This requirement presents another significant hurdle as APHIS has no jurisdiction over the majority of the questions on the application and would therefore have no authority to sign the form. In addition, the USDA and the FDA cannot act as the certifying body since their plant inspections do not cover much of the proprietary information requested. The bottom line is that U.S. companies are unable to complete the required application, and thus would be ineligible to export dairy products to Indonesia.

Moreover, Law 118/2009 also requires the U.S. government to complete a questionnaire on our domestic veterinary system in order to obtain the approval of the Indonesian government as an acceptable trading partner. Many of the questions on this application are also unrelated to safety including the request for the number of imported and exported animal and animal products during the last three years. The Government of Indonesia has also requested the number of veterinarians, technical assistance diagnostic and research laboratories in the country. There are many questions that government authorities may resist answering because they have no bearing on veterinary controls, which could jeopardize the ability of the U.S. to become an approved exporter.

The final requirement is for Indonesian authorities to conduct plant inspections of U.S. manufacturers. The inclusion of this requirement is in essence Indonesia's decision not to recognize the domestic monitoring programs already in place in the United States and other countries. The United States has a comprehensive monitoring system for farms and dairy processing establishments, and no further duplicate inspections should be required. The U.S. dairy industry is also concerned that these inspections would allow a foreign government the opportunity to "black-list" manufacturers for unscientific reasons, as the industry has witnessed when foreign countries conduct similar inspections of other commodities' facilities.

Although not fully implemented at this time, Indonesia's new approval process of foreign countries and manufacturing facilities clearly has the potential to close the market entirely to U.S. exporters of dairy products. Urgent action is needed to resolve these matters before the one year implementation deadline arrives in June 2010. The stakes are high because in 2008, Indonesia was the fourth largest export market for the U.S. dairy industry with exports totaling more than \$200 million. If implemented, these new requirements will severely restrict U.S. dairy exports.

Israel: Tariff Rate Quotas (Import Policies)

U.S. exports of dairy products to Israel are limited by many TRQs.

Mexico: Dairy Products and Milk Vitamin D Limits (Standards, Testing, Labeling & Certification)

In 2007 the Government of Mexico (GOM) established a maximum level of vitamin D in milk and dairy products of between 200-300 IU/liter. In response, the U.S. Dairy Export Council, in conjunction with FAS, provided supporting science for a higher permitted Vitamin D level including the following conclusions:

1. Vitamin D is safe to consume at the levels present in U.S. milk even at relatively high levels of milk intake.
2. Growing scientific evidence demonstrates that higher vitamin D intake is essential to maintaining good health and preventing chronic diseases such as prostate cancer, multiple sclerosis, osteoporosis and tuberculosis.
3. Prospective clinical studies giving more than 400 IU of vitamin D/day (800-1000 IU) demonstrate clear health benefits and no evidence of toxicity.

The U.S. industry urges the GOM to increase the allowable amount of vitamin D in milk to 423 International Units (IU)/liter, which is equal to the U.S. fortification level of 400 IU/quart. The U.S. level would not put Mexican consumers at any risk for overexposure. It is also notable that the Government of Canada requires vitamin D fortification at 300 – 400/852 ML, which is equal to 350-470 IU/liter. An extraordinary amount of milk would need to be consumed at this fortification level in order to reach the upper intake level (UL), or the level at which humans may experience adverse health effects.

In the United States, the currently accepted upper intake limit for vitamin D is 2000 IU/day. The National Institutes of Health, however, reports that there is a strong consensus among scientists that this level is too low. A person would have to consume five quarts of milk fortified at that level in order to reach the current UL of 2000 IU/day.

The GOM has argued against this sound science by stating that its citizens obtain greater levels of Vitamin D naturally through higher levels of sun exposure. Although vitamin D is generated in the body from sun exposure, the mere existence of sunlight itself does not guarantee that the increasingly urbanized Mexican population receives enough sunlight to generate sufficient levels of this important vitamin. Moreover, in view of the predominant racial make-up of Mexico, it is worth noting that darker-skinned individuals have difficulty receiving sufficient sunlight to produce vitamin D from the sun, since the melanin (dark pigment) acts as a sunscreen. As a result, dark-skinned people require at least five times as much sun exposure to form a given amount of vitamin D, compared to a very light-skinned person. In fact, the 2005 U.S. Dietary Guidelines for Americans recommend that the dark-skinned individuals substantially increase their intake of vitamin D to 1,000 IU of vitamin D per day.

There is a strong consensus among those researching vitamin D that its crucial to maintaining good health, preventing chronic diseases, and supporting strong bones and that sunlight does not provide adequate vitamin D, especially as people spend more time indoors and are exposed to more pollution. Consequently, Vitamin D supplementation through foods is essential in ensuring that people receive enough of the vitamin.

The U.S industry maintains that Mexico's Vitamin D standard is not based on sound science. Instead, it is an unwarranted trade barrier that necessitates the special formulation of milk destined to be sold into the Mexican market.

Russia: Certificate (Standards, Testing, Labeling & Certification)

U.S. exporters of dairy products face a lot of uncertainty because the two countries have not been able to agree upon an appropriate dairy certificate. The Government of Russia continues to insist on the inclusion of statements that cannot be fully verified and/or are not based on science.

Russia: Individual Plant Inspections (Standards, Testing, Labeling & Certification)

In 2008 the Government of Russia implemented new regulations requiring Russian inspectors to inspect every single U.S. dairy exporting facility. The U.S. industry believes that this requirement is not practical, desirable or necessary in view of the extensive inspection/oversight system already in place in the United States. The U.S. dairy industry is very wary of this requirement as they have seen the extremely disruptive impact that such individual plant approval and inspections have had on the U.S. meat industry.

South Korea: Tariff on Cheese (Import Policies)

South Korea currently imposes a 36% tariff on imported cheese. Under the U.S.-Korea FTA, Seoul provides U.S. cheese exports with a new duty-free TRQ of 7,000 MTs, which will grow at a compound 3% annual rate from year 2 through year 14 after the implementation of the agreement. Starting in year 15, all non-cheddar U.S. cheese can enter South Korea duty-free. Starting in year 10, all U.S. cheddar imports can enter South Korea duty-free.

South Korea: Skim/Whole Milk Powder and Condensed/Evaporated Milk TRQs (Import Policies)

Currently, U.S. exporters of skim and whole milk powder, condensed and evaporated milk are subject to small global WTO quotas ranging from 130 MTS for evaporated milk to 1,034 MTs for skim milk. In-quota tariffs range from 20% to 40%, while above-quota tariffs are very high.

Thailand: Tariff Rate Quotas (Import Policies)

U.S. exports of dairy products to Thailand are limited by restrictive tariff rate quotas (TRQs). The U.S. dairy industry is hopeful that these TRQs will be eliminated as part of the WTO Doha Round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

One Washington dairy company estimates that their annual exports to Thailand would increase by \$10 million to \$20 million if the TRQ are eliminated.

FISH

EU: Tariff on Cod (Import Policies)

The EU imposes a 3% tariff on imports of Pacific Cod if the fish is to be processed in approved facilities. The duty is 12% if the fish is not destined for approved facilities.

Japan: Tariff on Cod (Import Policies)

Japan imposes a 6% tariff on the CIF value of frozen Pacific cod (HS 0303.52) and a 10% tariff on the CIF value for fresh or chilled cod.

Estimated Potential Increase in Exports from Removal of Barrier

The Washington cod industry estimates that the elimination of the tariff would increase cod exports to Japan by \$5 million to \$10 million per year.

FLOUR

Argentina: Tariff (Import Policies)

The Government of Argentina imposes a 12% tariff on imported flour. By comparison, flour imports from the other MERCOSUR countries (Brazil, Paraguay and Uruguay) receive duty-free treatment.

Brazil: Tariff (Import Policies)

The Government of Brazil imposes a 12% tariff on imported flour. By comparison, flour imports from the other MERCOSUR countries (Argentina, Paraguay and Uruguay) receive duty-free treatment.

Pakistan: Tariff (Import Policies)

U.S. flour exports currently face a 10% tariff.

Paraguay Tariff (Import Policies)

The Government of Paraguay imposes a 12% tariff on imported American flour. By comparison, flour imports from the other MERCOSUR countries (Argentina, Brazil and Uruguay) receive duty-free treatment.

Uruguay: Tariff (Import Policies)

The Government of Uruguay imposes a 12% tariff on imported flour. By comparison, flour imports from the other MERCOSUR countries (Argentina, Brazil, and Paraguay) receive duty-free treatment, leaving U.S. flour exporters at a competitive disadvantage.

GENERAL

China: Lack of Regulatory Transparency (Other)

The absence of regulatory transparency in China greatly increases the difficulty in exporting agricultural and processed food products to China. In terms of processed food products, there is no complete list of what is acceptable or not acceptable as a food ingredient. Some products have been rejected without explanation as to the problem ingredient, even though the Washington company had been successfully exporting them for years to China.

Hong Kong: Nutrition Labeling for Food Products (Standards, Testing, Labeling & Certification)

Hong Kong is in the process of passing a new labeling law that is unique to Hong Kong and is not consistent with any international standard, including CODEX. Among other things, the new standards vary tremendously from those found in the United States. Although this law is set to take effect on July 1, 2010, major retailers have notified their suppliers that they will only accept products with labels in compliance with the new law beginning July 1, 2009, one year earlier than enforcement.

Hong Kong is currently the 9th largest market for U.S. grocery exports with sales near \$1 billion and strong annual growth trends. The legislation will affect hundreds of millions of dollars worth of pre-packaged U.S. exports. There is one exemption that was amended into the law. It allows products selling less than 30,000 units per year to obtain a fee-based small volume exemption provided the products do not carry any nutritional claims.

Virtually all U.S. and competitor products will have to be re-labeled to continue in the market. This is because the definitions for nutrient measurements and recommended daily allowance will be completely different from U.S. standards. This is most problematic with the absolute value measure of nutrients and vitamins. Hong Kong law will require comparison to 100 gram servings rather than as a percentage of a “minimum daily requirement” used in the U.S. Where standards are similar, they are stricter. For example, the U.S. labeling standard for trans fats is 0.5 grams. Any amount of trans fat below that level does not need to appear on a label in the United States. By comparison, Hong Kong’s new labeling law would set the standard at 0.3 grams per 100 grams of food. This requires a U.S. label change. Also, the U.S. standard to claim “low fat” is 3 grams per serving or lower. In Hong Kong the claim of “low fat” cannot be made because it is not compared to 100 grams. In addition, under the new law, Hong Kong would require that all serving sizes be listed in millimeters, which is inconsistent with U.S. practice.

Hong Kong's new law also does not allow for any unsubstantiated claims of nutritional value. For example, if a product claims to be healthy for the heart or states that blueberries contain antioxidants, the manufacturer is required to scientifically prove these claims. It is also doubtful that the 5 accredited laboratories in Hong Kong for nutrient testing will be able to verify claims when they are made, due to the volume of demand. Supplying companies will rather reduce risk of refusal by placing stickers over such claims. An example is a Washington Organic cereal company that must now place six stickers on each box destined for Hong Kong in order to cover over "prohibited" claims.

Estimated Potential Increase in Exports from Removal of Barrier

Hong Kong's new requirement will cause significant problems for small- and medium-sized manufacturers. As a result, one major Washington consolidator/wholesaler predicts that it will lose 50% of its market in Hong Kong worth \$5 million to \$10 million in the 2010 when the law goes into effect. This loss is due to the cost of compliance (third party re-handling, cost/creation of stickers and the reduction in the number of products currently sold in the market. It is simply not be feasible for this company, or other exporters in our industry, to create Hong Kong-specific labels for many individual items in these quantities in order for our retailers to be compliant. This is a significant loss to the company as Hong Kong is their third largest market.

The company, however, is hopeful that the implementation of the small volume would grant them a reprieve, as this would allow the export trade of U.S. food products to continue with minimal loss of product

A final point is that the introduction of any new products to this market is a lost opportunity for market growth because new products will not be accepted by importers. Importers are spending their efforts to salvage and reorganize their established inventories.

Indonesia: Documentation Requirements for Processed Foods(Standards, Testing, Labeling & Certification)

Indonesia recently implemented far-reaching document requirements for imports of all consumable products, including food and non-food requirements. Under these new requirements, Indonesia will require a Certificate of Free Sale, Certificate of Origin, Good Manufacturing Process Certificate, as well as technical data, such as quantitative and qualitative formula data, the manufacturing process, product specification, packaging specification, final product inspection procedures and laboratory test data. In essence, the Indonesian government is requiring very sensitive business proprietary information such as product ingredients and formulations.

Both the Certificate of Free Sale and the Certificate of Origin are only valid for 6 months from the date of issue. Since it typically takes four to eight weeks to obtain the originals of these documents and up to two more months for the legalization of the documents by the Indonesian embassy, the practical lifespan of these documents is an extremely short two-month period. As a result the exporter will have to require new documentation almost every two weeks. This is an unnecessary barrier to trade.

Estimated Potential Increase in Exports from Removal of Barrier

One Washington food products consolidator and wholesaler predicts that it will lose \$2 million in sales in 2009 based on the complete loss of its current exporting business to Indonesia combined with an earlier forecast of \$500,000 to \$750,000 in new sales for 2009, as a result of the company's participation in the Food & Hotel Indonesia trade show in April 2009.

The company is also very concerned about reported ongoing discussions to implement an ASEAN-wide standard of documentation and regulation for imported products that would be similar to the Indonesian law. If such an ASEAN-wide law were implemented, the company projects more than \$30 million in lost annual exports.

Pakistan: Tariffs on Fruits and Vegetables (Import Policies)

The Government of Pakistan imposes tariffs that range from 10% to 30% on imported vegetables and fruits.

Russia: Customs Barriers for Fruit Exports (Import Policies)

The enforcement of customs procedures varies by region and port of entry in Russia. Frequent changes in the country's regulations add costs and delays at the border.

GENETICALLY MODIFIED PRODUCTS

China: Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, China bans the import of GMO products. As a result, one large Washington wholesaler/consolidator does not export any products containing tomatoes or corn. This greatly limits the export of cereals, popcorn and chips. Corn flakes, for example, are considered a GMO product and enter China only through the “gray market.” For the same reason, Kraft food products are not exported to China. The only products the company sells in China are those that it manufactures in China.

GRAPE JUICE

Grape Juice: Tariff (Import Policies)

South Korea currently imposes a 45% tariff on imported grape juice. The U.S.-South Korean FTA provides immediate duty-free treatment to imports of American grape juice.

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is currently the third largest market for U.S. grape juice, but sales have been volatile in recent years. Between 2005 and 2007, the United States exported an average of 5 million liters of grape juice valued at \$6.7 million each year. Although U.S. grape juice producers currently hold a 38% import market share their percentage of the market has declined as competition from Chile and Argentina has grown in recent years, while Spanish and Italian suppliers are still competitive. The implementing of the U.S.-South Korean FTA would significantly improve the competitive position of the American grape juice producers, allowing them to increase their market share.

HAY

South Korea: Tariff (Import Policies)

South Korea currently imposes a 100.5% tariff on imported hay. Under the KORUS-FTA, however, 200,000 tons of U.S. hay (excluding alfalfa) can enter Korea duty free annually through year 15, when the current tariff of 100.5 percent phases out.

Estimated Potential Increase in Exports from Removal of Barrier

Despite the high tariff, annual U.S. hay exports to South Korea averaged \$140.5 million between 2006 and 2008. Washington hay exports to South Korea almost accounted for half of the country's exports to South Korea, averaging \$62.2 million per year between 2006 and 2008. The phasing out of the tariff/TRQ should significantly increase hay exports to South Korea.

NECTARINES

China: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

U.S. nectarines are prohibited from being imported into China because of phytosanitary concerns.

India: Tariff (Import Policies)

India currently imposes a 30% tariff on imported peaches and nectarines.

Japan: Tariff (Import Policies)

The Japanese government collects a 6.0% ad valorem duty on imports of nectarines. Japan allows all varieties of nectarines to be imported provided they are treated with methyl bromide.

Mexico: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

In July 2004 APHIS submitted a work plan to Mexico for peaches and nectarines, primarily to address Mexican concerns about Oriental Fruit Moth (OFM). Washington, Oregon and Idaho are seeking market access based on a systems approach that does not require the presence of Mexican inspectors.

The same Pacific Northwest growers currently export apricots to Mexico and peaches and nectarines to British Columbia, Canada under the OFM systems approach proposed to Mexico. OFM has never been detected in stone fruit shipments to British Columbia or in apricot shipments to Mexico. The industry seeks the same treatment for nectarine and peach exports, but the GOM continues to insist on oversight by Mexican inspectors on the ground in the PNW despite receiving the trapping data from this season, which underscores the low prevalence of OFM.

The Washington stone fruit industry urges USTR and USDA/APHIS to work with the Mexican government to change the regulation that currently requires on-site verification.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that annual stone fruit exports to Mexico would be less than \$5 million per year.

Thailand: Tariff (Import Policies)

U.S. nectarine exports currently face a 40% tariff, while the Thai duty on New Zealand and Australian nectarines was eliminated under trade agreements with those countries.

NURSERY PRODUCTS

China: Poor Intellectual Property Rights Protection (Lack of Intellectual Property Protection)

China's failure to protect the intellectual property rights for nursery products is an ongoing problem. Chinese buyers have been forthcoming in stating they want to purchase proprietary nursery products so they can produce the finished products themselves in China under more favorable economic standards. Canada continues to be the biggest conduit into China for proprietary plants originating from the United States.

Estimated Potential Increase in Exports from Removal of Barrier

One Washington company estimates that the resolution of this issue would lead to an increase of \$5 million to \$25 million in exports of nursery products to China per year.

ONIONS

Australia: SPS Restriction (Standards, Testing, Labeling & Certification)

Although Australian importers have shown interest in importing onions, Washington state producers must demonstrate that the product is free of onion smut as a condition for importation.

South Korea: Tariff Rate Quota (Import Policies)

The Government of South Korea limits the importation of onions through a restrictive TRQ that has been very slowly liberalized over the last few years. The TRQ is as follows:

Year	Quota	In-Quota Tariff	Over-Quota Tariff
2002	18,805.9 MT	50%	The higher of 138.0% or 184 won per kilogram
2003	19,725.5 MT	50%	The higher of 136.5% or 182 won per kilogram
2007	20,645 MT	50%	The higher of 135.0% or 180 won per kilogram

The KORUS FTA also establishes a 2,904-ton safeguard quota for onions in year one that gradually increases to 5,808 tons in year 16. In-quota shipments continue to face a 50% duty. Above-quota imports are initially subject to an over-safeguard duty of 135%. All duties expire in year 19.

Estimated Potential Increase in Exports from Removal of Barrier

Between 2005 and 2007, U.S. onion producers exported an average of 1,183 tons a year to Korea valued at \$650,000, making it the industry's seventh largest foreign market. The liberalization of the TRQ will increase the export opportunities for U.S. onion growers.

PEACHES

China: Tariff (Import Policies)

China currently imposes a 10% tariff on U.S. peaches, which is down from the 30% tariff imposed prior to the country's accession to the WTO. In 2009, Chilean peaches faced a 2% tariff and New Zealand cherries faced a 6% tariff under bilateral trade agreements. The tariff issue, however, is moot since the PRC currently prohibits the importation of U.S. peaches.

China: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

U.S. peaches do not have market access to China due to alleged phytosanitary concerns.

India: Tariff (Import Policies)

India currently imposes a 30% tariff on imported peaches and nectarines.

Mexico: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

In July 2004 APHIS submitted a work plan to Mexico for peaches and nectarines, primarily to address Mexican concerns about Oriental Fruit Moth (OFM). Washington, Oregon and Idaho are seeking market access based on a systems approach that does not require the presence of Mexican inspectors.

The same Pacific Northwest growers currently export apricots to Mexico and peaches and nectarines to British Columbia, Canada under the OFM systems approach proposed to Mexico. OFM has never been detected in stone fruit shipments to British Columbia or in apricot shipments to Mexico. The industry seeks the same treatment for nectarine and peach exports, but the GOM continues to insist on oversight by Mexican inspectors on the ground in the PNW despite receiving the trapping data from this season, which underscores the low prevalence of OFM.

The Washington stone fruit industry urges USTR and USDA/APHIS to work with the Mexican government to change the regulation that currently requires on-site verification.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that annual stone fruit exports to Mexico would be less than \$5 million per year.

Thailand: Tariff (Import Policies)

U.S. peach exports currently face a 40% tariff, while the Thai duty on New Zealand and Australian peaches was eliminated under trade agreements with those countries.

PEARS

Algeria: Tariff (Import Policies)

The Government of Algeria currently imposes a 30% tariff on U.S. pear exports.

Argentina: Tariff and Statistical Tax (Import Policies)

The Government of Argentina collects a 10% tariff and a 0.5% statistical tax on pear imports from the United States. By contrast, imports of pears from Argentina's MERCOSUR partners (Brazil, Paraguay and Uruguay) are exempt from the tariff and statistical tax. This tariff and tax discrepancy places U.S. pear exporters at a competitive disadvantage.

Estimated Potential Increase in Exports from Removal of Barrier

Argentina exports a significant quantity of pears to the U.S. market. As a result, the elimination of Argentina's tariff on pears would help level the playing field for the U.S. pear industry, which estimates that pear exports would increase by less than \$5 million per year if the tariff and subsidy programs were eliminated. This estimate is based on current market conditions.

Argentina: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Argentine pear importers are unable to obtain import permits from the Government of Argentina, which apparently suspended imports due to concerns over the transmission of *Erwinia amylovora*, the bacteria that causes fire blight. USDA/APHIS has submitted technical information to the Government of Argentina that documents that the risk of transmitting the bacteria on mature symptomless pears is very low.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of the pear import prohibition would lead to less than \$5 million in exports per year.

Argentina: Export Rebate Subsidy (Export Subsidy)

Argentina subsidizes pear exports by means of an export rebate program. The rebate is based on the FOB price per MT as declared by the exporter. Pear exports in boxes containing 2.5 kilos or less (net weight) receive a 6% rebate. Exports of pears in boxes above 2.5 kilos and less or equal to 20 kilos (net weight) are subsidized by a 5% rebate.

Estimated Potential Increase in Exports from Removal of Barrier

Argentina is a significant exporter of pears to the United States and the country's growers do not need subsidies because they already enjoy cost of production advantages over U.S. producers. The U.S. pear industry estimates that pear exports would increase by less than \$5 million per year if the tariff and subsidy programs were eliminated. This estimate is based on current market conditions.

Armenia: Tariff (Import Policies)

U.S. pear exports currently face a 15% Armenian tariff.

Australia: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

With the exception of Ya pears and Fragrant Pears from China and Nashi pears from Japan, China and South Korea, the Government of Australia prohibits the importation of pears due to a variety of phytosanitary issues. (The country does not impose a tariff on pear imports.) By contrast Australian pears have access to the U.S. market.

As with apples, the main phytosanitary issue is the bacterial disease fire blight, which Australian officials fear could be transmitted to their own crop. The U.S. position is that mature, symptomless fruit that were produced under commercial conditions have not been shown to transmit the disease. Research supporting this position was published in 2007.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of this import prohibition would lead to less than \$5 million in U.S. pear exports per year based on sales to similar markets.

Bangladesh: Tariff (Import Policies)

Bangladesh collects a 37.5% tariff on U.S. pear imports.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the elimination of the tariff would lead to an increase of less than \$5 million in additional pear exports. This estimate is based on current market conditions.

Bolivia: Tariff (Import Policies)

U.S. pear exports to Bolivia face a 15% tariff. Exports of fruit from other Andean Community countries (Colombia, Ecuador, and Peru) and MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay, and Venezuela), enter Bolivia duty-free. Chilean pears also receive duty-free treatment under a bilateral trade agreement.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Bolivia, the industry estimates that U.S. pear exports would increase by less than \$5 million a year if Bolivia eliminated the tariff.

Brazil: Tariff (Import Policies)

Brazil imposes a 10% duty (CIF) on imports of pears from the United States. Imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) have a competitive advantage because tariffs on pears were eliminated on January 1, 1995. Furthermore, pear imports from the countries of the Latin American Integration Association (ALADI), Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela receive preferential tariff rates.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Brazil, the industry estimates that U.S. pear exports would increase by under \$5 million a year if the country removed the tariff.

China: Tariff (Import Policies)

Under the WTO accession agreement, China reduced the tariff on U.S. pears to 10% in 2004. (Fresh fruit imports also are subject to a 13% value-added tax, which the U.S. industry suspects is probably not collected on much of China's domestic crop.) At the present time, however, the tariff issue is moot because Beijing maintains a phytosanitary import ban against U.S. pears.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the U.S. pear exports would increase by less than \$5 million per year if China eliminated the tariff and phytosanitary import prohibition.

China: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

At the present time, China prohibits the importation of pears due to alleged concerns that it could lead to the transmission of the bacterial disease fire blight to the country's domestic crop. Research published by Oregon State University in 2007 demonstrates that mature, symptomless fruit do not transmit the disease.

The U.S. pear industry, in cooperation with APHIS, has been seeking market access to China since 1991. In 1995 the United States requested a pest risk assessment (PRA) from China. China indicated that it started work on the PRA in March 1997 and requested additional data on U.S. pear production areas. During the bilateral negotiations in July 2000, China stated that it had never received a PRA request from the United States. Following the meeting, the United States supplied China with a copy of the 1995 PRA request.

In July 2009, the PRC finally provided its PRA on U.S. pears and the two governments are now involved in technical exchanges to address PRC's stated quarantine concerns. In the meantime, much to the frustration of the U.S. pear industry, China has obtained access to the U.S. market for the country's Ya and Fragrant pears.

Since the opening of the U.S. market, Chinese pear exports to the United States have expanded rapidly as shown in the following table.

	Cartons in Thousands (44 lb. Equivalents)	Value in Millions USD
1998	16.4	\$0.328
1999	104.9	\$2.01
2000	263.2	\$3.75
2001	328.6	\$3.56
2002	289.3	\$3.29
2003	356.4	\$4.39
2004	5.4	\$0.069
2005	1.5	\$0.090
2006	391.1	\$8.25
2007	752.8	\$18.2
2008	597.7	\$12.3

Estimated Potential Increase in Exports from Removal of Barrier

The Pear Bureau of the Northwest estimates that direct access to the Chinese market will lead to initial exports ranging from 100,000 to 150,000 cartons, valued at up to two million per year. Washington pear growers produce pear varieties that are not grown in China, including some red varieties that should be very popular in China's major cities. The industry believes that red and green Anjou pears, as well as the Starkrimonson variety, should do particularly well in China.

Colombia: Tariff (Import Policies)

U.S. pear exports to Colombia currently face a 15% ad valorem tariff. Under the proposed bilateral trade agreement with Colombia, the duty on U.S. pears would be immediately eliminated. The bilateral trade agreement, however, still awaits Congressional consideration.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that exports would increase by \$5 million to \$25 million per year after the tariff is eliminated. This estimate is based on current market conditions in Colombia.

Ecuador: Tariff (Import Policies)

Ecuador collects a 15% ad valorem tariff on pear imports from the United States. Pear imports from the other Andean Pact countries (Bolivia, Colombia, and Peru) enter Ecuador duty-free. Chilean pears also receive duty-free treatment under a bilateral free trade agreement with Ecuador.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Ecuador, the U.S. pear industry forecasts that annual exports would increase by less than \$5 million if Ecuador eliminated the tariff.

Egypt: Tariff (Import Policies)

U.S. pear exports to Egypt face a 20% ad valorem tariff on the CIF value of the shipment. Egypt also assesses another 3% administration fee and a 1% tax. Shipments over 500 tons are granted a 7% reduction in the customs tariff.

Estimated Potential Increase in Exports from Removal of Barrier

In the event that Egypt eliminated the tariff, the U.S. pear industry estimates that exports would rise by less than \$5 million per annum based on current market conditions.

EU: Tariff (Import Policies)

The European Union tariff on pear imports varies from month-to-month. The European quota and tariff on U.S. pear exports are too restrictive. By comparison, foreign pears enter the U.S. market duty-free from April 1 to June 30 and are assessed only a 0.3 cents/kilogram duty at any other time. The current EU tariff schedule is as follows:

Arrival Date	Tariff (Ad valorem)
1/1 – 1/31	8.0%
2/1 – 3/31	5.0%
4/1 – 4/30	0.0%
5/1 – 6/30	2.5%, subject to a minimum of 1 euro.100kg/net
7/1 – 7/15	0.0%
7/16 – 7/31	5.0%
8/1 – 12/31	5.0% in-quota tariff for 1,000 MTs
8/1 – 10/31	10.4%
11/1 – 12/31	10.4%

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade-distorting barriers, the U.S. pear industry estimates an increase of less than \$5 million in exports per year. This estimate is based on current market conditions in the region.

EU: Entry Price System (Import Policies)

U.S. pear exports to the EU are limited by the custom union’s entry price system, which acts as a disincentive to the importation of fresh fruit by exposing importers to financial uncertainty. Under the EU entry price system, pear imports that are valued over the entry price are only charged the fixed tariff. However, fruit imports that enter the EU under the entry price system are charged a tariff equivalent on top of the fixed tariff. The tariff equivalent is graduated for products valued between 92% and 100% of the entry price. The fixed tariff and the full tariff equivalent are levied on imports valued at less than 92% of the entry price, making imports of lower-priced product unfeasible.

Estimated Potential Increase in Exports from Removal of Barrier

If the EU eliminated its tariff, TRQ, entry price system and subsidies, as well as other complicated trade-distorting barriers, the U.S. pear industry estimates that exports would increase by less than \$5 million per year, based on current market conditions in the region.

India: Tariff (Import Policies)

India currently applies a 30.6% tariff on the CIF value on pear imports.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that exports to India would increase by less than \$5 million in the first year after the removal of the tariff but could reach \$5 million to \$25 million over a five-year period. These estimates are based on current market conditions.

Indonesia: Tariff (Import Policies)

The Government of Indonesia currently assesses a 5% tariff on pear imports from the United States. On June 1, 2001, the Government of Indonesia introduced a 10% value added tax (VAT) on pears and other agricultural products.

Indonesia: Phytosanitary Import Restriction – Decree 37 (Standards, Testing, Labeling & Certification)

On March 27, 2006, Indonesia implemented Ministry of Agriculture Decree Number 37/Kpts.60/1/2006, which requires various mitigation treatments for imported pears to control for fruit flies. These newly imposed regulations were not preceded by any formal pest risk analysis, pest interceptions on imports or immediate (perhaps any) evidence of risk to domestic production from U.S. pears.

The regulation disregards important technical facts and international standards by requiring treatment of pears for pests that do not attack this fruit. It also requires treatment even though Indonesia does not have host material for some of these fruit flies and lacks a climate suitable for establishing and spreading fruit flies occurring in the Pacific Northwest.

The U.S. government has provided detailed technical information to support its request for revisions to the regulation, beginning with comments that were submitted to Indonesia through the World Trade Organization in August of 2005. The U.S. pear industry argues that pears should be removed from Decree 37 as a commodity of concern to Indonesia.

Estimated Potential Increase in Exports from Removal of Barrier

Once the regulation is amended to reflect internationally accepted plant health standards and risk, the U.S. pear industry anticipates that exports will increase by less than \$5 million per year.

Israel: Tariff Rate Quota (Import Policies)

The United States and Israel signed a free trade agreement in 1985 but Israel argued that the agreement did not cover agricultural products. As a result, in 1996 the United States and Israel signed the Agreement on Trade in Agricultural Products (ATAP), which does not consist of any text, but rather a schedule of tariff rates, reference prices and quotas that were negotiated by the two countries. The new agreement is scheduled to expire at the end of 2009.

The vast majority of Israel's agricultural products have duty-free access to the U.S. market. Israel's bound tariff rate on pears is approximately 446%. Under the ATAP TRQ, however, U.S. in-quota pear imports can enter Israel duty-free. The pear quota was set at 1,364 MTs in 2009. Israel imposes a specific over-quota duty of 1.85 New Shekel (NS). The U.S. pear industry would like unrestricted access under any new agreement.

Estimated Potential Increase in Exports from Removal of Barrier

Once the TRQ is eliminated, the industry would expect exports to increase by less than \$5 million per year.

Israel: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)

On March 18, 2009 Israel's Plant Protection and Inspection Service notified USDA/APHIS of forthcoming changes to the cold treatment requirement for the importation of pears. U.S. pears have been exported to Israel from many years with no reports of any detection of live apple maggot or plum curculio (*Rhagoletis pomonella* and *Conotrachelus nenuphar*), two primary pests of concern to Israel. During the bilateral meeting October 13-15, 2009 progress was made as Israel agreed to recognize pest free production areas.

As of this time, it is unclear the extent of the unresolved plant pest concerns and the impact mitigation measures may have on pear exports to Israel.

Estimated Potential Increase in Exports from Removal of Barrier

If the issue is resolved, the U.S. industry would maintain a market that supports approximately \$5 million in yearly sales of Pacific Northwest apples and pears.

Japan: Tariff (Import Policies)

The Government of Japan imposes a 6% tariff on pear imports. The tariff issue, however, is moot because the country prohibits the importation of pears for alleged phytosanitary reasons.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. pear industry estimates that annual pear exports to Japan would reach approximately \$5 million if the phytosanitary and tariff issues were resolved.

Japan: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Japan prohibits the importation of U.S. pears because of plant quarantine concerns related to the bacterial disease, fire blight. The position of the United States is that mature, symptomless fruit produced under commercial conditions have not been shown to transmit the disease. In 2007, research substantiated the U.S. position.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that U.S. pear exports to Japan would reach less than \$5 per year if Japan lifted the import ban. This estimate is based on sales to similar markets.

Libya: Tariff (Import Policies)

The Government of Libya currently imposes a 40% tariff on U.S. pear imports.

Estimated Potential Increase in Exports from the Removal of Barrier

The U.S. pear industry estimates that exports to Libya would reach less than \$5 million per year if the tariff were eliminated.

Malaysia: Tariff (Import Policies)

Effective October 29, 1999, Malaysia lowered the tariff on imported pears to 5% ad valorem. The government collects an additional 5% sales tax on fresh fruit imports.

Mexico: Trucking Retaliatory Tariff (Import Policies)

On March 16, 2009, the Government of Mexico announced that it was imposing retaliatory tariffs on a variety of U.S. products in keeping with a NAFTA panel ruling that the United States had not complied with NAFTA's trucking provisions. The value of Washington exports to Mexico in 2008 for those products facing retaliatory duties was \$86 million. With 2008 exports reaching over \$33 million, the pear industry accounts for the second most valuable export facing retaliatory duties. Since the imposition of these duties, Washington pear exports to Mexico have declined by 56%.

The Washington pear industry urges the Obama Administration to resolve this issue as quickly as possible.

Norway: Tariff (Import Policies)

The Government of Norway imposes a 4.41 NOK per kilo tariff on imported pears between August 11 and November 30. The rate falls to 0.02 NOK per kilo during the rest of the year.

Panama: Tariff (Import Policies)

The Government of Panama imposes a 5% tariff on imported U.S. pears. Under the U.S.-Panama Free Trade Agreement the tariff will be eliminated. Although the negotiations concluded on December 19, 2006, the agreement is still awaiting Congressional consideration.

Philippines: Tariff (Import Policies)

U.S. pear exports to the Philippines currently face a 5% import duty.

Russia: Tariff (Import Policies)

U.S. pear exports to Russia are subject to a 5% duty.

Estimated Potential Increase in Exports if Barrier were Removed

Based on current market conditions in the country, the industry estimates that Russia's elimination of the tariff would lead to under \$5 million a year in additional pear exports.

South Africa: Tariff (Import Policies)

South Africa collects a 5% ad valorem tariff on imports of U.S. pears. The industry's main concern is not the tariff, but rather the phytosanitary importation prohibition maintained by the Government of South Africa over concerns about the bacterial disease fire blight.

South Africa: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

The U.S. pear industry cannot export its product to South Africa due to a phytosanitary import prohibition. The two governments have held discussions but have not been able to resolve the issues.

Estimated Potential Increase in Exports from Removal of Barrier

Based on exports to similar markets, the lifting of the import prohibition would lead to less than \$5 million in annual pear exports to South Africa.

South Korea: Tariff (Import Policies)

U.S. pear exports to South Korea currently face a 45% tariff. (South Korea prohibits the importation of U.S. pears due to plant quarantine concerns.) Under the U.S.-South Korean FTA, the tariff on non-Asian pear varieties will be phased out over 10 years, while the tariff on Asian pear varieties is eliminated over 20 years.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the removal of the phytosanitary restriction and tariff would lead to less than \$5 million in pear exports each year.

South Korea: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)

Currently, South Korea prohibits the importation of U.S. pears due to a number of alleged plant quarantine concerns under discussion. Currently, the technical discussions are dormant.

Estimated Potential Increase in Exports from Removal of Barrier:

The industry estimates the removal of the phytosanitary restriction and 45% tariff would lead to less than \$5 million in pear exports each year.

Sri Lanka: Tariff (Import Policies)

U.S. pear exports to Sri Lanka face a 28% tariff, which is below the country's bound rate of 50%.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates the elimination of the tariff would lead to under \$5 million in annual pear exports.

Taiwan: Tariff (Import Policies)

Effective January 1, 2002, the Taiwanese tariff on U.S. pears declined to 10% under the country's WTO accession agreement. The U.S. pear industry urges the elimination of the duty as part of the WTO Doha Round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Based on current market conditions in Taiwan, the industry estimates that sales would increase by under \$5 million per year if the country eliminated the tariff.

Taiwan: Pesticide MRLs (Standards, Testing, Labeling & Certification)

Imports of fruit and vegetables into Taiwan are subject to inspection for maximum pesticide residues (MRLs) by Taiwan's Bureau of Standards, Metrology & Inspection (BSMI). Each shipment has a 2.5% chance of being sampled and tested upon arrival by the BSMI for MRLs. If a violation is detected, Taiwanese authorities recall the unconsumed shipment product and the chance of the importer's next shipment being inspected increases to 20%. In the event a third shipment fails inspection, all of a company's shipments are subject to testing. Release of these shipments is not permitted until testing is completed.

The issue is particularly troubling because Taiwan currently has not established many MRLs for imported fruits and other specialty crops and does not have an adequate system to keep up with ongoing changes in U.S. pest management practices. The U.S. fruit and vegetable industry urges the Taiwanese Department of Health (DOH) to overcome a lack of resources as well as the legal inability or resistance to considering alternatives to establishing its own MRLs, such as deferring to Codex MRLs, or the MRLs established by its trading partners.

Although DOH has agreed to establish MRLs for a priority list of 248 products, this list is not exhaustive, as it does not contain a number of MRLs of importance to U.S. apple, pear and cherry growers. As a result, the U.S. industry urges American officials to continue to work with the government of Taiwan so that it will agree to defer to Codex MRLs or trading partner MRLs in the event that an import tolerance has not yet been established in Taiwan.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Establishing pesticide MRL tolerances in Taiwan will not necessarily increase the amount of exports from the U.S. but it will help to maintain access to this \$60 million to \$70 million annual export market for U.S. apples, pears and cherries.

Thailand: Tariff (Import Policies)

The Government of Thailand imposes a 30% tariff on U.S. pears, which is a significant barrier to Washington pear exports, particularly since other countries enjoy duty-free market access under other trade agreements.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Thailand, the industry estimates that the elimination of the 30% tariff would lead to less than \$5 million in additional pear exports per year.

Turkey: Tariff (Import Policies)

The Turkish tariff on imported pears is currently 60.3%.

Ukraine: Tariff (Import Policies)

The Government of Ukraine currently imposes a 5% tariff on imported U.S. pears between December 1 to March 31 every year. From April 1 to November 30, U.S. pears face a 10% tariff.

Venezuela: Tariff (Import Policies)

Venezuela imposes a 15% tariff on the ad valorem value of pear exports from the United States. U.S. pear exporters are placed at a competitive disadvantage by the duty-free treatment provided to pear imports from other Andean Pact countries (Bolivia, Colombia, Ecuador and Peru). Pear imports from Chile and MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) also enter Venezuela duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Venezuela, the industry estimates that the elimination of the 15% tariff would lead to less than \$5 million in additional pear exports per year.

Venezuela: Import Permits (Import Policies)

Periodically, the Government of Venezuela stops issuing import permits in order to protect domestic fruit producers and conserve foreign exchange. The effect of this policy is to close the Venezuelan market to pear imports from the U.S. and other origins.

Vietnam: Tariff (Import Policies)

In 2010, the Government of Vietnam will impose a 16% tariff on U.S. pear imports. The high tariff and excessive government red tape significantly increase the cost of exporting pears to Vietnam. Under Vietnam’s WTO accession agreement, the tariff will drop to 10% in stages as displayed below.

01/01/09	01/01/10	01/01/11	01/01/12
19%	16%	13%	10%

The industry urges that the tariff be eliminated as part of the ongoing round of WTO negotiations or Trans Pacific Partnership negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The pear industry estimates that exports to Vietnam will increase by under \$5 million after Vietnam eliminates the tariff.

Vietnam: Transparency/Standards (Other)

Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. pear industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, with the Vietnam's WTO tariff rate commitments the industry estimates that Pacific Northwest fruit sales should reach the upper end of the \$5 million to \$25 million range.

PLUMS

China: Tariff (Import Policies)

Although Beijing prohibits the importation of peaches, nectarines and apricots, it does allow the importation of U.S. plums. U.S. plum exports, however, face a 10% tariff. By contrast, in 2009, Chilean plums faced a 2% tariff and New Zealand plums faced a 6% tariff under bilateral trade agreements. In 2008, U.S. plum exports to China reached \$2.9 million, while those from Chile have grown from zero in 2006 to \$9.2 million in 2007 before dropping to \$8.4 million in 2008. The success of Chilean plum exports to China can be at least partially attributable to the competitive advantage gained by the lower tariff.

PORK

South Korea: Tariff (Import Policies)

At the present time, U.S. pork exports to South Korea face applied tariffs of 25% for frozen products and 22.5% for fresh or chilled products. Under the U.S. –Korean FTA, however, Korean tariffs on 90% of U.S. pork imports, including all frozen and processed pork imports, will be phased-out within several years after implementation of the agreement.

Estimated Potential Increase in Exports from Removal of Barrier

Between 2005 and 2007, U.S. pork producers annually exported an average of 78,000 tons of fresh, chilled, or frozen pork, valued at \$179 million to South Korea. Although U.S. pork exporters held an average market share of 25% during that three year time-period, they face strong competition from the European Union and Canada, which held 42% and 20% market shares, respectively. Chile has also become a strong competitor in the market, partially due to the provisions of the Chile-Korea Free Trade Agreement. It should also be noted that the EU and Canada are both close to concluding free trade agreements with South Korea. Failure to approved and implement the U.S.-Korean FTA, could mean that U.S. pork producers will be placed at a competitive disadvantage.

POTATO PRODUCTS

Argentina: Tariff on Processed Potatoes (Import Policies)

The Government of Argentina imposes 10% to 14% tariffs on potato products from non-MERCOSUR countries. The current tariff on frozen French fries is 14%. Moreover, U.S. exporters are placed at a competitive disadvantage due to the preferential tariffs provided to regional producers. The industry urges Argentina to significantly reduce its tariffs on processed potatoes as part of the ongoing WTO round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

Quick Service Restaurants are making inroads into the Argentine market, increasing the demand for frozen French fries. If U.S. frozen fry exporters were provided with the same level of market access enjoyed by regional competitors, the industry estimates that exports would increase by several million dollars per year.

Argentina: Phytosanitary Import Prohibition on Seed Potatoes (Standards, Testing, Labeling & Certification)

The Government of Argentina currently prohibits the importation of U.S. seed potatoes based on unjustified and unscientific reasons. The industry urges the U.S. government to make the lifting of this ban a priority.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that the lifting of the import prohibition would immediately lead to \$3 million in seed potato exports due to Argentina's large processing industry.

Brazil: Tariff on Fresh Potatoes (Import Policies)

As a member of MERCOSUR, Brazil maintains a Common External Tariff (CET) of 10% on imports of fresh potatoes from the United States.

Brazil: Sulfite Tolerance for Dehydrated Potatoes (Standards, Testing, Labeling & Certification)

Brazil has not established a sulfite food additive tolerance for dehydrated potatoes. As a result, the American dehydrated potato products industry cannot use sulfites in products exported to Brazil. The industry is hoping that Brazil will establish a sulfite tolerance at the internationally-accepted standard of approximately 500 ppm.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year the U.S. industry exported \$3.2 million in dehydrated potato products to Brazil. If Brazil establishes a sulfite tolerance, the industry expects a significant increase in exports.

Canada: Antidumping Duties on Fresh Potatoes (Import Policies)

The Canadian government has imposed antidumping duties on fresh potato imports from Washington, Oregon, California, and Idaho into British Columbia since 1984. The Pacific Northwest (PNW) industry has unsuccessfully contested these dumping allegations and the Canadian methodology for calculating dumping duties in dumping reviews, which take place every five years (1984, 1986, 1990, 1995, 2000 and 2005.)

Under the most recent ruling (September 2005) by the Canadian International Trade Tribunal, (CITT,) antidumping duties must be paid on U.S. potatoes entering British Columbia when the price is below a threshold called the “normal value.” However, the revised ruling now includes three exemptions for fresh potatoes. First, tariffs are not imposed during the May 1 through July 31 time period when British Columbia growers have few potatoes to sell. Second, the CITT excluded fresh potatoes with red skin or yellow skin as well as those considered exotic potato varieties. Third, the CITT excluded most fresh russet potatoes packaged in 50-pound count cartons (40, 50, 60, 70 and 80).

Fresh potatoes that still face antidumping duties are white-skinned potatoes and russet-skinned potatoes sold in: (1) some count carton sizes and (2) non-size A packs also known as ‘consumer packs’ or ‘strippers.’ Russet consumer packs have made up a large portion of Washington potato exports to British Columbia.

In December 2009, the CITT initiated an Expiry Review Investigation to determine whether antidumping duties should remain in place. In preparation for the next 5-year determination, the Canadian Border Service Agency (CBSA) has begun its review of normal values that established the value of potatoes for the 2007/2008 marketing year. This calculation will be used as a benchmark to determine if future potato exports are being dumped in British Columbia. Once established, CBSA has used this value for a period of five years.

Canada: Fresh Potatoes Pesticide MRLs (Standards, Testing, Labeling and Certification)

The Government of Canada is preparing to replace its general 0.1 ppm (default) pesticide tolerance and replace it with new pesticide maximum residue levels (MRLs). As a sovereign country, Canada is within its right to undertake such an action. Given the amount of trade between the United States and Canada, however, the U.S. potato industry urges Health Canada’s Pest Management Regulatory Agency (PMRA) to implement the policy in manner that avoids trade disruptions. The U.S. industry was pleased when in 2009, the PMRA announced that it would retain the default tolerance while additional MRLs were being established. The U.S. fresh potato industry is hopeful that Canada’s approach could involve the adoption of U.S. MRLs at or under 0.1 ppm or establishing a multi-year transition period to allow for establishment of new MRLs.

Estimated Potential Increase in Exports from Removal of Barrier

Canada is the largest foreign market for U.S. fresh potatoes, with exports reaching \$96.8 million during the 2008-2009 marketing year. In the event that either the Potato Cyst Nematode or MRL issues are not resolved, a significant portion of this market will be lost.

Canada: Potato Cyst Nematode (Standards, Testing, Labeling and Certification)

U.S. and Canadian officials are working to reach an agreement that addresses finds of Potato Cyst Nematode (PCN) that have occurred on both sides of the border. The biggest concern is the need to establish a scientifically-based protocol that mitigates the risk of the movement of seed potatoes because their planting represents one of the primary routes for transmission of PCN. After reviewing the scientific literature, the industry believes that testing at the 5 pound or 2,000 cc level offers the best option for facilitating trade in seed potatoes consistent with the proper phytosanitary protections.

Estimated Potential Increase in Exports from Removal of Barrier

Canada is the largest foreign market for U.S. fresh potatoes. During the 2008-2009 marketing year, U.S. fresh potato exports to Canada reached \$96.8 million. In the event that either the PCN or MRL issue is not resolved, a significant portion of this market will be lost.

Canada: Restrictions on Bulk Shipments of Fresh Potatoes (Other) Canada has heavily regulated the importation and inter-provincial shipment of agricultural products. Specifically, Canada's Standard Container Law, which is part of the Fresh Fruits and Vegetable Regulations of the Canadian Agricultural Products Act, prohibited the importation of U.S. fresh potatoes into Canada for processing or consumption in bulk quantities (over 50 kilograms) unless a special "Ministerial Exemption" was granted by the Canadian Food Inspection Agency (CFIA).

Ministerial Exemptions have been granted on a shipment-by-shipment basis and only if equivalent product was not available in Canada. In practice, Ministerial Exemptions have been used to discriminate against U.S. suppliers by allowing domestic suppliers to block exemption requests if they could demonstrate that local supplies in the receiving province or "neighboring provinces" were adequate to meet the demand. The CFIA interpreted the term "neighboring province" to be regional in scope. For example, although they do not border one another, Manitoba was considered a neighboring province of Alberta. In several instances potato growers in Manitoba used this provision to block shipments of U.S. potatoes to two processors in Alberta even though Alberta potato growers supported the request for a Ministerial Exemption.

U.S. exporters also face different rules than Canadian potato producers with respect to Ministerial Exemptions. The bulk shipment prohibition did not apply to Canadian potatoes shipped within a province. Moreover, only the receiving province had to approve a shipment of potatoes from another province in order to receive a Ministerial Exemption. By contrast, all provinces had to approve a Ministerial Exemption for an import of U.S. potatoes to be approved, allowing one province to veto any import of U.S. bulk potatoes. The restrictions appeared to be inconsistent with the WTO “national treatment” provisions (GATT Article III) and NAFTA Article 301 because they treated U.S. potatoes less favorably than they do Canadian potatoes.

At the end of October 2007, the United States and Canada announced an agreement that should provide U.S. potato growers with predictable access to Canadian Ministerial exemptions to allow the importation of potatoes. Under this agreement, in year three, 60-day forward contracts between Canadian processors and U.S. growers will be allowed as a demonstration of sufficient evidence of a shortage of Canadian potatoes. If properly and fully implemented, the agreement will open trade for U.S. potato exports in a fairer and less-trade restrictive manner. Although the last stage was due to be implemented on November 1, 2009, not enough time has passed to evaluate the success of the agreement.

Estimated Potential Increase in Exports from Removal of Barrier

The bulk exemption requirement has restricted U.S. growers’ access to the large potato processing market in Canada, while low-priced potatoes from Canada have entered the U.S. market with no similar restriction. The U.S. industry estimates that the prohibition on bulk shipments and the onerous exemption requirements for a Ministerial Exemptions has cost U.S. potato growers \$25 to \$30 million a year in lost sales.

China: Tariff on Fresh Potatoes (Import Policies)

Under China’s WTO accession agreement, the tariff on fresh potatoes was bound at 13% on July 1, 2004. The tariff issue, however, is moot until the phytosanitary ban on U.S. fresh potatoes is lifted.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. potato industry estimates that opening of the market to fresh potatoes would lead to less than \$5 million in exports in the short-term.

China: Tariffs on Potato Products (Import Policies)

Despite the tariff concessions contained in China's WTO accession agreement, significant tariff obstacles to exporting potato products remain. Most significantly, the current tariff on U.S. frozen French fries is 13% while the tariff on dehydrated potato products is 15%. The Chinese tariffs on these and other potato products are reflected in the following table:

Product	Pre-accession Duty	Current 2004
Dehydrated potato flakes and granules (HS 1105.20)	30%	15%
Potato flour, meal and powder (HS 1105.10)	27%	15%
Fresh or chilled potatoes (HS 0701.90)	13%	13%
Frozen potatoes (HS 0710.10)	13%	13%
Non-Frozen, prepared/preserved potatoes including chips (HS 2005.20)	25%	15%
Frozen Fries (HS 2004.10)	25%	13%
Potato Starch (HS 1108.13)		15%

The U.S. industry urges that the tariffs on potato products be eliminated as part of the ongoing round of WTO negotiations. Moreover, the United States government should also ensure that China's 17% VAT is being applied equally to domestic potato products as well as to imported products. Moreover, it has been reported that China has levied the VAT twice, once on the CIF value of the imported product and a second time on the combined value of the CIF of the goods plus the 17% VAT and the applicable tariff.

In addition, U.S. potato product exports have been placed at a competitive disadvantage due to the terms of a free trade agreement signed between New Zealand and China on April 7, 2008. Under this agreement, Beijing agreed to reduce its tariff on New Zealand potato products according to the following schedule.

Year	China tariff on NZ Fries (HS 2004.1)
Base Rate (MFN Rate applied to US)	13%
2008	10.4%
2009	7.8%
2010	5.2%
2011	2.6%
2012	0%

Year	China tariff on NZ potato flakes, granules, and pellets (HS 1105.2)
Base Rate (MFN Rate applied to US)	15%
2008	12%
2009	9%
2010	6%
2011	3%
2012	0%

Year	China Tariff on NZ potatoes, preserved o/t by vinegar or acetic acid, not frozen (HS 20005.2)
Base Rate (MFN Rate applied to US)	15%
2008	12%
2009	9%
2010	6%
2011	3%
2012	0%

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008 – 2009 marketing year, U.S. frozen potato product exports to China reached \$34.9 million, while U.S. dehydrated potato product exports reached \$1.2 million. As a result, China is now the industry’s fourth largest and one of the fastest growing overseas markets. If China eliminated tariffs on U.S. frozen potato products and maintained WTO-consistent import standards, the industry estimates that annual exports could reach \$75 million within five years.

China: Certificate of Quality for Frozen French Fries and Dehydrated Potato Products (Standards, Testing, Labeling & Certification)

Starting in 2002, the Government of China began to require frozen French fry and dehydrated potato product shipments be accompanied by a USDA Agricultural Marketing Service (AMS) Certificate of Quality and Condition. This document requirement was in lieu of China's earlier inappropriate demand for a phytosanitary certificate for processed potatoes. The Certificate of Quality and Condition is unnecessary as it serves no purpose while becoming increasingly expensive to obtain. No other foreign market has the same requirement. The U.S. processed potato industry seeks the immediate elimination of this requirement.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008 – 2009 marketing year, U.S. frozen potato product exports to China reached \$38 million, making it the fourth largest overseas market. During this same time period U.S. dehydrated potato product exports reached \$1.2 million. If China maintained WTO-consistent and transparent import regulations, the industry estimates that annual exports could reach \$75 million.

China: Import Regulations (Standards, Testing, Labeling & Certification)

In recent years China has detained and destroyed loads of processed potatoes for highly questionable reasons, misapplying a Chinese snack regulation to U.S. processed potatoes and making highly questionable claims that the product did not meet these standards. Moreover, the Government of China rushed to destroy the product before allowing the situations to be reviewed and resolved.

The U.S. processed potato industry believes their sales to China should continue to rapidly expand if China complies with its WTO commitments but it is concerned that the country's food import regulations might imperil this trend. The U.S. potato products industry urges the U.S. government to work with their counterparts in China to ensure that food import regulations are based on international standards.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008 – 2009 marketing year, U.S. frozen potato product exports to China reached \$34.9 million, making it the fifth largest overseas market. During this same time period U.S. dehydrated potato product exports reached \$1.2 million. If China maintained WTO-consistent and transparent import regulations, the industry estimates that annual exports could reach \$75 million.

China: Phytosanitary Import Prohibition on Fresh Potatoes (Standards, Testing, Labeling & Certification)

China currently prohibits the importation of U.S. fresh potatoes based on uncertain and unsubstantiated phytosanitary concerns. Following bilateral meetings in the summer of 2000, China agreed to conduct a pest risk assessment (PRA).

In November 2000, Governors Locke and Kitzhaber sent a letter to Ambassador Li Zhaoxing, urging China to send scientists to the PNW to jumpstart the PRA. In July 2001, an official delegation of Chinese scientists visited Idaho, Washington and Oregon to observe potato growing, harvesting, storage, shipping, and export certification techniques. (The trip was paid for by the U.S. potato industry.) Although the Chinese scientists finished their trip report that fall, China did not complete the PRA.

In early May 2002, Governors Kempthorne, Kitzhaber and Locke wrote the new Chinese Ambassador, Yang Jiechi, urging the resolution of the issue. At the mid-May 2002 bilateral meetings, however, Chinese officials stated that they were understaffed and had not begun the PRA.

During the October 2003 trade mission to China, Governor Locke raised the issue with Li Chang Jiang, Minister of the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). Mr. Li promised Governor Locke that he would “speed up” the PRA. In the summer of 2004, Governor Locke again stressed the importance of this trade issue in meetings with AQSIQ officials during another trade mission. Governor Locke’s successor, Governor Gregoire also made this issue the focus of her meeting with Minister Li during a 2005 trade mission.

The Chinese government has been more receptive towards opening the market for seed potatoes. In December 2003, the United States and China signed an agreement which opened the Chinese market to imports of Alaskan seed potatoes. In return the United States agreed to open its market to Chinese longans. The U.S. potato industry was hopeful that this limited market opening would lay the groundwork for full market access.

At the bilateral talks in September 2006, China provided a potato pest list for USDA to review and provide information to the PRC authorities. The United States provided the requested information in December 2006. In May 2008, APHIS provided China with additional information on potato pests present in the United States. The letter also included information that many of the pests of concern cited by China appear to be present in China. Since that time, China has not responded to the information.

Although the United States requested market access in 2000, after nine years, China has not completed the PRA. In addition, China informed USDA that although the PRA was almost completed, it would not provide the PRA or grant market access to U.S. fresh potatoes until the United States provided a PRA and granted market access for specific Chinese agricultural products.

The U.S. potato industry is very frustrated because USDA conducts PRAs on Chinese agricultural products in a transparent manner and based on sound science. China’s opaque policy and lack of progress are inconsistent with WTO rules. Moreover, China politicizes scientific reviews by directly linking progress on U.S. market access requests to progress on Chinese requests. China merely delays completion of the PRA in an attempt to seek additional market access for its products.

Estimated Potential Increase in Exports from Removal of Barrier

Although China is the biggest producer of potatoes in the world, its crop is destined for domestic consumption, primarily as fresh potatoes. The industry estimates that annual fresh potato exports would reach \$5 million a year in the near-term and \$10 to \$20 million within five years if China lifted the import prohibition.

Colombia: Tariff on Dehydrated Potato Flakes/Granules (Import Policies)

The Government of Colombia imposes a 20% duty on imports of U.S. dehydrated potato flakes/granules (HS 1105.2) and dehydrated granules and potato chips (2005.2). By comparison, under the Treaty on Free Trade between Colombia, Mexico and Venezuela, which went into effect on January 1, 1995, Colombia agreed to eliminate the tariff on processed potato products in stages from these countries until they reached zero in 2004.

Under the negotiated trade agreement between the United States and Colombia the tariff would be eliminated immediately. The agreement awaits consideration by Congress.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year U.S. processed potato exports to Colombia reached \$1.6 million. The U.S. industry estimates that the elimination of the duty would lead to approximately \$5 million in additional exports of processed potato products per year.

Colombia: Tariff on Fresh Potatoes (Import Policies)

The Government of Colombia imposes a 15% tariff on fresh potatoes from the United States. U.S. exporters are also at a competitive disadvantage compared to regional exporters who benefit from preferential access under other trade agreements. Under the recently negotiated trade agreement with Colombia the tariff would be eliminated immediately, but the agreement is awaiting Congressional consideration.

Colombia: Tariff on Frozen French Fries (Import Policies)

At the present time, Colombia imposes a 20% tariff on imported frozen French fries from the United States, which is well below the country's 70% bound commitment under the Uruguay Round. However, by comparison, under the Treaty on Free Trade between Colombia, Mexico and Venezuela, which went into effect in 1995, Colombia agreed to reduce its tariffs on processed potato products from these countries in stages until they reached zero in 2004.

Under the negotiated trade agreement between the United States and Colombia, the tariff would be eliminated immediately. As of this time, however, Congress has not voted on the agreement.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that the elimination of the duty would lead to approximately \$5 million in additional exports of processed potato products per year. This would be a significant increase over the current \$1.6 million in processed potato exports to Colombia during the 2008-2009 marketing year.

Colombia: Phytosanitary Import Prohibition on Seed Potatoes (Standards, Testing, Labeling & Certification)

The Government of Colombia prohibits imports of U.S. seed potatoes based on unjustified phytosanitary concerns. The industry urges that the lifting of this ban be made a priority and should be attained prior to the finalization of the free trade agreement.

Estimated Potential Increase in Exports from Removal of Barrier

If Colombia removed the ban, the U.S. industry estimates that it would achieve \$2 million a year in seed potato exports to meet the need of Colombia's growing processing industry.

Dominican Republic: Import Permits for Seed Potatoes (Import Policies)

The Dominican Republic allows the importation of U.S. seed potatoes based on obtaining an import permit. Exporting seed potatoes to the Dominican Republic is difficult because the phytosanitary requirements for receiving a permit constantly change. As a result, the U.S. industry has sought a signed seed potato market access agreement for all U.S. potato states to establish a predictable and transparent trading scheme.

In late 2006, USDA provided the Government of the Dominican Republic with a draft agreement for review. To move the process forward, the U.S. potato industry paid for Dominican Republic officials to visit the U.S. seed producing areas in June 2007. Subsequently, in September 2007, the Dominican Republic provided a revised seed potato agreement that limited access to one state. The U.S. industry is completely opposed to this limitation.

The Government of the Dominican Republic is currently considering a U.S. proposal that its quarantine officials return to the United States to visit four representative states, with the expectation that this visit would lead to the opening of the market for potatoes from all states.

Estimated Potential Increase in Exports from Removal of Barrier

Once stable market access has been achieved, the U.S. industry estimates that annual seed exports to the Dominican Republic could reach \$2 million per year.

Ecuador: Tariff on Fresh Potatoes (Import Policies)

The Government of Ecuador imposes a 15% tariff on imports of fresh potatoes and a 5% tariff on seed potatoes from the United States.

Ecuador: Tariff on Frozen French Fries (Import Policies)

U.S. frozen French fry exports to Ecuador face a 20% tariff. U.S. exporters are placed at a competitive disadvantage by tariff preferences granted to their competitors under regional trade agreements.

Estimated Potential Increase in Exports from Removal of Barrier

If Ecuador eliminated tariffs on potato products, the U.S. processed potato industry estimates that annual exports would increase by several million dollars per year.

Ecuador: Tariff on Seed Potatoes (Import Policies)

The Government of Ecuador imposes a 5% tariff on imports of seed potatoes from the United States.

Egypt: Phytosanitary Import Prohibition on Seed Potatoes (Standards, Testing, Labeling & Certification)

Although Egypt is a major importer of seed potatoes from such countries as Syria, Turkey and the Netherlands, the market is currently closed to U.S. seed potatoes. In 2009, however, the Government of Egypt and Egyptian growers expressed an interest in importing U.S. seed potatoes. In response, APHIS, working with the U.S. potato industry, provided a draft market access protocol for consideration by the Government of Egypt. The U.S. industry urges USDA to work closely with their Egyptian counterparts to open up this market as quickly as possible.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. potato industry anticipates that seed potato exports to Egypt would immediately reach \$1 million per year but could reach \$10 million in a few years. This estimate is partially based on the fact that Egypt imports 70,000 MTs of seed potatoes valued at \$45 million annually from the EU.

EU: Tariff on Frozen French Fries (Import Policies)

The EU imposes a 14.4% tariff on imports of frozen French fries.

Guatemala: Phytosanitary Import Prohibition on Fresh and Seed Potatoes (Standards, Testing, Labeling & Certification)

In August 2009, the Government of Guatemala established new requirements for import permits for U.S. fresh and seed potatoes that included a revised pest quarantine list that prevented market access. At the request of APHIS, Guatemala agreed to maintain the old standards until a new market access agreement could be reached.

At a November 2009, bilateral meeting, the Guatemalan Ministry of Agriculture (MAGA) stated that it would need to conduct a pest risk assessment on U.S. potatoes, which would take approximately eight months. During the intervening months, the requirements for potato imports from currently approved states will not be changed. The U.S. industry hopes that a new, transparent seed and fresh potato market access agreement can be reached as soon as possible.

Estimated Potential Increase in Exports from Removal of Barrier

The industry estimates that seed and fresh potato exports would surpass \$5 million per year once a new market access agreement is established.

India Tariff on Dehydrated Potato Products (Import Policies)

India currently imposes a 30% tariff on imported dehydrated potato products (HS 1105.2/HS 2005.2) This applied rate is lower than India's bound rate but this reduction has been nullified to some degree by the addition and occasional repeal of various taxes on top of the ad valorem tariff. For example, in 2007, India again changed its tax policy to apply a 12.36% service tax. The ultimate impact is to increase the effective duties paid on imported frozen French fries and dehydrated potato products. The U.S. industry believes that only the ad valorem tariff should be applied to imports and urges India to eliminate its tariff on these products to no more than 10% during the current WTO negotiations.

India: Tariff and Taxes on Fresh Potatoes (Import Policies)

The Government of India currently imposes a 30% tariff on fresh potato imports.

India: Tariff and Taxes on Frozen French Fries (Import Policies)

India currently imposes a 30% tariff on imported frozen French fries. This applied rate is lower than India's bound rate but this reduction has been nullified to some degree by the addition and occasional repeal of various taxes on top of the ad valorem tariff. For example, in 2007, India again changed its tax policy to apply a 12.36% service tax. Due to a variety of taxes on top of the tariff, the current effective duty paid on frozen French fry imports is 40%. It is unclear if the taxes are applied equally to domestic product in keeping with WTO rules.

The industry believes that only the ad valorem tariff should be applied to imports and urges India to eliminate the tariff as part of the current WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

U.S. frozen fry exports to India reached \$1.8 million during the 2008-2009 marketing year. The amount of sales, however, is tiny relative to the potential size of the Indian market, which many U.S.-based restaurant companies are interested in developing more aggressively.

The industry estimates that clarifying and lowering the tariff on fries to less than 10% would accelerate the development of the market. Should these barriers be removed, the industry estimates that annual exports could reach \$5 million in the near-term and \$30 million in the longer-term.

Indonesia: Tariff on Fresh Potatoes (Import Policies)

In 2005, the Government of Indonesia increased its applied tariff on fresh table stock potatoes from 5% to 25% in an effort to protect domestic growers. The U.S. potato industry believes that Indonesia's current bound tariff level of 50% and its applied tariff rate of 25% are excessive and should be reduced as part of the ongoing WTO negotiations

Indonesia: Tariff on Frozen French Fries (Import Policies)

The Government of Indonesia currently applies a 5% tariff on imports of frozen French fries, well below the 50% bound rate negotiated under the Uruguay Round. The industry urges Indonesia to accept a 5% bound tariff during the current WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

During the past year, U.S. frozen potato exports to Indonesia more than doubled to \$8.4 million. The industry estimates that Indonesia's binding of the tariff at 5% would lead to an increase of approximately \$7 million in annual frozen potato exports.

Indonesia: Documentation Requirements for Processed Potato Products (Standards, Testing, Labeling & Certification)

Like the Washington food products consolidator and wholesaler, the Washington processed potato industry is also concerned with Indonesia's recently implemented far-reaching document requirements for imports on all consumable products, including food. Under these new requirements, Indonesia will require a Certificate of Free Sale, Certificate of Origin, Good Manufacturing Process Certificate, as well as technical data, such as quantitative and qualitative formula data, the manufacturing process, product specification, packaging specification, final product inspection procedures and laboratory test data. In essence, the Indonesian government is requiring very sensitive business proprietary information such as the product's ingredients and formulations.

The U.S. potato industry urges Indonesia to review the U.S. food safety system and deem it equivalent to Indonesia's system. Such a classification would exempt U.S. products from several of Indonesia's more onerous requirements.

Estimated Potential Increase in Exports from Removal of Barrier

U.S. frozen potato exports to Indonesia reached \$7.7 million during the 2008—09 marketing year. The industry anticipates market growth if Indonesia maintains transparent and food safety laws that are consistent with international standards.

Japan: Tariff on Dehydrated Potato Flakes (Import Policies)

Japan currently imposes an excessive 20% tariff on U.S. exports of dehydrated potato flakes (HS 1105.20). In the ongoing round of WTO negotiations, the U.S. industry urges Japan to eliminate this tariff.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is by far the largest export market for U.S. frozen French fries, importing \$261 million worth of the product in marketing year 2008-2009. The United States also exported \$52.3 million worth of dehydrated potato products to Japan during that time period. Japanese tariffs and pesticide policies hinder U.S. potato exports. In order to sustain 2% to 3% export growth, the U.S. industry urges Japan to eliminate the tariff on potato products, pursue the least trade restrictive action with respect to pesticide residue practices and coliforms and to make their food regulations more transparent.

Japan: Tariff on Fresh Potatoes (Import Policies)

Japan's tariff on fresh potatoes is 8.5%.

Japan: Tariff on Frozen French Fries (Import Policies)

The Government of Japan currently imposes an 8.5% tariff on U.S. frozen French fries. Japanese importers pay a large amount of duties each year due to the high volume of U.S. fry exports to Japan. As part of the Doha Round of WTO negotiations, the U.S. industry urges Japan to eliminate its tariff on frozen French fry imports.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is by far the largest export market for U.S. frozen French fries, importing \$261 million worth of the product in marketing year 2008-2009. The United States also exported \$52.3 million worth of dehydrated potato products to Japan during that time period. Japanese tariffs and pesticide policies hinder U.S. potato exports. In order to sustain 2% to 3% export growth, the U.S. industry urges Japan to eliminate the tariff on potato products, pursue the least trade restrictive action with respect to pesticide residue practices and coliforms and to make their food regulations more transparent.

Japan: Processed Potatoes Pesticide MRLs (Standards, Testing, Labeling & Certification)

In May 2006, the Government of Japan (GOJ) implemented a “positive” pesticide maximum residue level (MRL) list, which prohibits exports to Japan that exceed the new levels. Fortunately, during a three-year transition period, the U.S. potato industry was able to obtain virtually all the pesticide MRLs it needed to continue exporting to Japan.

The U.S. potato industry, however, is very concerned regarding Japan’s very stringent sanctions policy for MRL violations. Instead of taking action against an individual violator, Japan’s new policy allows the government to sanction entire industries after just one MRL violation. A second violation can lead the GOJ to hold similar products at ports for five to seven days awaiting test results. Although Japanese officials assure their American counterparts that this policy was aimed at other countries, not the United States, in the months following implementation, many U.S. commodities including potatoes, have been subject to Japan’s punitive sanctions policy

Contrary to WTO rules, Japan’s sanctions policy for MRL violations is not the least trade restrictive” and has the possibility of severely disrupting trade. In 2008, for example, as a result of a MRL violation on a shipment of fresh potatoes, Japan increased residue testing on several potato products and threatened to test the entire industry should a second violation occur. Other U.S. commodity groups have had more than one violation and have suffered through Japan’s “test-and-hold” policy.

After months of testing samples from over 60 shipments that demonstrated that residues were under Japanese MRLs, Japan restored standard testing levels for U.S. potato products. In July 2009 the Japanese Ministry of Health, Labor and Welfare (MHLW) and USTR reached an agreement that limited the situations in which Japan will impose industry-wide sanctions. Although the U.S. potato industry is pleased with the agreement, they are still concerned that the GOJ may ignore the agreement and continue to impose restrictive MRL sanctions.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is the largest foreign market for U.S. frozen French fries. During the 2008-09 marketing year, U.S. exports of frozen potatoes to Japan were \$261.0 million, and exports of dehydrated potatoes reached \$22.7 million. The industry estimates that the approval of additional chipping plant facilities, could result in an increase of \$5 million in fresh potato exports. Opening of the market to fresh potatoes could increase sales by \$10 million the first year and \$50 million in three years. A MRL violation, however, could severely affect U.S. potato exports to Japan.

Japan: Phytosanitary Import Restrictions on Fresh Potatoes (Standards, Testing, Labeling & Certification)

The Government of Japan (GOJ) prohibited the importation of fresh U.S. potatoes based on plant quarantine concerns for over 23 years. As a result, Japanese processing plants have been forced to remain idle for part of the year because Japanese growers do not produce enough potatoes for their snack food and chip companies to operate at full capacity on a year-round basis. Japanese processors have also been concerned about the poor quality of domestic potatoes.

In November 2000, the U.S. potato industry provided the GOJ with a potato protocol proposal designed to address Japanese concerns. The proposed procedures included: 1) visually inspecting to ensure that potatoes were free of visible signs of disease of concern to Japan; 2) storing of chipping potatoes cultivated from approved fields in separate facilities; 3) brushing of the potatoes to ensure that no soil adhered to the potatoes; and 4) applying a sprout inhibitor. In addition, the potatoes would be shipped to Japan in a sealed container and opened in Japan only in the presence of Japanese officials or at the processing facility with Japanese authorization.

In February 2006, Japan opened up its market to U.S. potatoes, which had to be processed immediately after arrival in Japan. The protocol only covered 14 states (Arizona, California, Colorado, Florida, Idaho, Maine, Michigan, Minnesota, New Mexico, North Dakota, Oregon, Texas, Washington and Wisconsin) and required the chipping potatoes to arrive in Japan between February 1 and June 30. In addition, the product had to go to approved processing plants in Japan which had to have an extensive waste management system.

At the present time, the United States is still able to ship chipping potatoes to only one plant in Japan but the industry is hopeful that the Government of Japan will approve another processing facility in 2010.

Estimated Potential Increase in Exports from the Removal of Barrier

The potato industry estimates that the further opening of the market could lead to \$10 million in exports in the first year and \$50 million in three years.

Japan: Coliform Standards for Processed Potato Products (Standards, Testing, Labeling & Certification)

On occasion, Japan has rejected shipments of French fries due to the presence of coliforms. Japan has maintained zero tolerance policy on coliforms on fries because it is classified as a finished product. Any coliforms that have been detected, however, are minimal and within industry specified limits. In addition, any coliforms would be eliminated when they are processed by cooking oil.

In 2008, in response to a request from the U.S. potato industry, USTR, USDA and the U.S. Embassy in Tokyo, Japan's Ministry of Health, Labor, and Welfare (MHLW) reviewed its coliform standard for frozen potatoes. As a result of this review, in February 2009, MHLW agreed to place frozen potatoes into Category C, which had an acceptable coliform standard that more accurately reflects the industry's processing system.

Initially, there were issues with the MHLW over the transition period, as the frozen French fry industry needed time to amend their packaging to reflect the new food category. The industry is hopeful that discussions with the MHLW in the fall of 2009 have resolved these issues. As it stands now, completion of the transition should occur by December 31, 2010.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is the largest export market for U.S. frozen French fries, with exports reaching \$232 million during the 2008-09 marketing year. In addition, the U.S. industry exported \$15 million worth of dehydrated potato products to Japan during that time period. In order for the industry to maintain an annual market growth of 2% to 3%, the industry seeks the least trade-restrictive sanctions policy for coliform and pesticide residue regulations, as well as transparency in food regulations.

Mexico: Trucking Retaliatory Tariff on Frozen French Fries (Import Policies)

On March 16, 2009, the Government of Mexico announced that it was imposing retaliatory tariffs on a variety of U.S. products in keeping with a NAFTA panel ruling that the United States had not complied with NAFTA's trucking provisions. The value of Washington exports to Mexico in 2008 for those products facing retaliatory duties was \$86 million. With 2008 exports reaching over \$40 million, frozen French fries are the most valuable export facing retaliatory duties.

Since the imposition of 20% tariffs, Washington frozen French fry exporters have lost a very significant amount of market share in Mexico. Data for the most recent month (October 2008) indicates that the U.S. frozen potato product industry has lost 54% of its market share. Since the imposition of retaliatory duties, the cumulative loss to the industry is over 20,900 MTs worth over \$21 million dollars. Even when the issue is resolved, it is far from certain that the U.S. industry will regain its previous market share.

The Washington frozen French fry industry urges the Obama Administration to resolve this issue as quickly as possible.

Mexico: Phytosanitary Import Restrictions on Fresh Potatoes (Standards, Testing, Labeling & Certification)

In March 2003 the United States and Mexico signed an export protocol, which opened up the market to potatoes from all U.S. states based on a “shipment freedom” system whereby individual shipments were required to be inspected. Under this agreement, U.S. potato exporters have to use certified seed potatoes, apply sprout inhibitor, inspect for viruses and diseases and supply Mexican officials with appropriate documentation. The agreement limited shipments in the first year to the border zone (26 kilometers) but provided for the extension of market access to the seven northern states in the second year and the negotiation of market access to the rest of the country in the third year. The initial 26 kilometer limit reflects a political compromise as there is no phytosanitary justification for the border region restriction.

Under the original agreement, discussions to further open the seven northern Mexican states were to occur but the nematode finds and subsequent revised export protocol have pushed back the timetable. Since the signing of the agreement little progress has been made toward opening the Mexican market to the seven northern states, let alone the entire country, even though the number of pest finds has declined over time to about 1% to 2% of shipments. There is no scientific reason for the market to remain limited to the 26km border region. Expanding access to the Mexican fresh potato market is one of the U.S. potato industry’s highest priorities.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 market year, U.S. fresh potato exports to the border region reached \$26.1 million. The industry estimates that annual exports to Mexico could reach \$50 million with the removal of all phytosanitary restrictions.

Panama: Tariff on Dehydrated Potato Flakes (Import Policies)

Under the U.S.-Panamanian FTA, the 15% tariff on dehydrated potato flakes, pellets and granules (HS 1105.2) will be phased out in equal installments over 5 years.

Panama: TRQ on Fresh Potatoes (Import Policies)

At the present time, U.S. fresh potato exports to Panama are subject to a restrictive 453-ton TRQ. The in-quota tariff is 15%, while the above-quota is a prohibitive 83%.

Under the U.S.-Panama FTA, American fresh potato exports will be governed by a 750-MT TRQ in the first year after that agreement is implemented. The in-quota tariff rate is 0% while the above-quota tariff rate is 83%. The quota amount will grow by a compounded 2% rate in perpetuity.

Panama: Tariff on Frozen French Fries (Import Policies)

In the summer of 2003 the Government of Panama raised the tariff on frozen French fries from the United States from 15% to 20%. According to the U.S. embassy in Panama City, the tariff was increased due to pressure from domestic potato farmers who argued that imported frozen French fries were hurting their industry.

Although USTR and USDA urged the immediate elimination of the tariff on frozen French fries under the U.S.-Panama FTA, the Government of Panama argued that U.S. processed potatoes compete directly with Panamanian fresh potatoes and placed potato products in the sensitive category during the negotiations.

In the end, under the U.S.-Panama FTA, American French fry exports will be governed by a 3,500 MT quota in the first year after that agreement is implemented. The in-quota will be 0% while the above-quota is initially 20%. The quota amount will grow by a compounded 4% rate for five years, while the above-quota tariff is gradually eliminated. The quota will be eliminated after 5 years.

Year	Quota (MT)	In-Quota Tariff	Above-Quota Tariff
Year One	3,640	0%	16%
Year Two	3,786	0%	12%
Year Three	3,937	0%	8%
Year Four	4,095	0%	4%
Year Five	n/a	0%	0%

Estimated Potential Increase in Exports from Removal of Barrier

With its close historical and military ties to the United States, Panama has a large number of quick service restaurants, which generate demand for frozen French fries. Given market access equal to regional competitors, U.S. frozen French fry exports could dominate the market. U.S. fry exports to Panama reached \$2.8 million during the 2008-2009 marketing year. The U.S. industry estimates that exports to Panama would double in the near term if the tariff were eliminated.

Panama: Tariff on Potato Chips (Import Policies)

The Government of Panama imposes only a 15% tariff on imported U.S. potato chips. Under the U.S.-Panama Free Trade Agreement the tariff will be immediately eliminated. Although the negotiations concluded on December 19, 2006, Congress has not taken action on the agreement.

Peru: Tariff on Processed Dehydrated Potato Products/Potato Chips (Import Policies)

Prior to the implementation of the U.S.-Peru Trade Promotion Agreement on January 1, 2009, American exports of potato chips and granules (HS 2005.2) faced a 20% tariff. By comparison, imports of such products from Chile entered Peru duty-free. Under the bilateral agreement, Peru will phase out the 20% tariff over a 5-year period.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2007-2008 marketing year, U.S. processed potato exports to Peru reached \$1.6 million, a 23% increase over the preceding year.

Philippines: TRQ on Fresh Potatoes Import Policies)

The Philippines opened up its market to imports of fresh potatoes from the United States in 2000 after the completion of a phytosanitary work plan. Despite the lifting of the ban, market access is limited by a TRQ under the Uruguay Round Agreement on Agriculture. The TRQ is roughly 1,500 MTs with a high in-quota tariff of 40% and an over-quota duty of 50%. The industry urges U.S. trade officials to seek the elimination or substantial liberalization of the TRQ as part of the WTO Doha negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

During the July 2008 to June 2009 marketing year, U.S. fresh potato exports to the Philippines reached \$745,000. The industry believes that the elimination of the TRQ would create an annual market for chipping and table stock potatoes valued at \$5 million or higher.

Philippines: Tariff on Frozen French Fries (Import Policies)

The Government of the Philippines applies a 10% tariff on imports of frozen French fries and other processed potato products, significantly below the WTO bound rate of 35%.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, U.S. frozen French fry exports to the Philippines reached \$29.4 million dollars. During that same time period the U.S. industry also exported \$915,000 worth of dehydrated potato products to the country.

Philippines: Phytosanitary Import Restriction on Fresh Potatoes (Standards, Testing, Labeling & Certification)

In March 2009 APHIS requested market access for U.S. fresh potatoes. The Government of the Philippines responded that a pest risk assessment on table stock potatoes would have to be carried out for potatoes not destined for processing.

Late in 2009 the U.S. potato industry learned that U.S. fresh potatoes could enter the Philippine market provided they were destined for upscale retail outlets. While the industry welcomes such access, the Philippine policy is not based on sound science or consistent with WTO principles. There is no scientific reason for limiting market access only to upscale markets.

Estimated Potential Increase in Exports from Removal of Barrier

Market access for fresh potatoes could lead to more than \$10 million in annual fresh potato exports to the Philippines.

Saudi Arabia: Tariff on Frozen French Fries (Import Policies)

The Government of Saudi Arabia currently imposes a 5% tariff on imported frozen French fries.

Saudi Arabia: Tariff on Processed Potato Products (Import Policies)

In March 2008, the Government of Saudi Arabia lowered the tariff on processed potato products (HS 2005.2) from 12% to 5%.

Saudi Arabia: Tariff on Seed Potatoes (Import Policies)

In March 2008, the Government of Saudi Arabia lowered the tariff on seed potatoes (HS 07101.1) from 12% to 5%.

South Korea: TRQ on Dehydrated Potato Flakes (Import Policies)

While frozen French fries and processed dehydrated potato products face high tariffs, other potato products face very restrictive TRQs. For example, exports of dehydrated potato flakes (HS 1105.2) face a 60 MT TRQ, which can be filled in one shipment. The extremely high over-quota tariff of 304% has forced exporters to alter their products to less user-friendly blends to have the product fall under the lower tariff rate for processed dehydrated products (HS 2005.2).

Under the U.S.- South Korean FTA, U.S. dehydrated potato flakes exports will be governed by a TRQ. In the first year after the agreement goes into effect, U.S. exports under 5,000 MTS will enter duty-free, with above-quota exports facing a 294.3% duty. The TRQ schedule is provided below.

Year	Safeguard Trigger Level (Metric Tons)	Over Quota Duty
Year 1	5,000	294.3%
Year 2	5,150	284.5%
Year 3	5,305	274.8%
Year 4	5,464	265.1%
Year 5	5,628	255.4%
Year 6	5,796	214.6%
Year 7	5,970	199.7%
Year 8	6,149	184.8%
Year 9	6,334	169.9%
Year 10	6,524	155%
Year 11	N/A	0%

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, U.S. dehydrated potato exports reached \$18.9 million. The U.S. industry estimates that the annual export of U.S. potato products could reach \$50 million if all potato tariffs were eliminated.

South Korea: TRQ on Fresh Potatoes (Import Policies)

Under the Uruguay Round Agricultural Agreement, fresh potato imports (H.S. 0701.90) are governed by a restrictive TRQ, which increased over the years to 18,810 MTs in 2007. This quota is shared among several countries. The in-quota tariff is a high 30% while the over-quota tariff is 304%, down from 338% over ten years ago.

The TRQ is revised annually based on the domestic market situation. The Ministry of Finance and Economy sets the quota, while the Korea Agro-Fishery Trade Corporation, a quasi-governmental organization administers the import allocations. When issuing allocations the organization gives priority to chipping potato imports.

Under the U.S.-South Korean FTA, tariffs on chipping potatoes will be immediately eliminated during the December 1 to April 30 time period. During the rest of the year, the tariff will remain at 304% for the first seven years, before being phased out in equal installments over the next eight years according to the following schedule.

Year	Duty May 1-Nov. 30
Year 1	304%
Year 2	304%
Year 3	304%
Year 4	304%
Year 5	304%
Year 6	304%
Year 7	304%
Year 8	266%
Year 9	228%
Year 10	190%
Year 11	152%
Year 12	114%
Year 13	76%
Year 14	34%
Year 15	0%

In addition, the U.S.-South Korean FTA establishes a 3,000 MT TRQ for U.S. fresh potatoes (non-chipping) that grows incrementally. In-quota imports enter South Korea duty-free while above-quota exports face a snap-back tariff of 304%. The TRQ schedule is provided below.

Year	Duty Free Quota (Metric Tons)
Year 1	3,000
Year 2	3,090
Year 3	3,183
Year 4	3,278
Year 5	3,377
Year 6	3,478
Year 7	3,583
Year 8	3,690
Year 9	3,800
Year 10	3,914
Continues	Continues to grow 3% annually

Estimated Potential Increase from Removal of Barrier

U.S. fresh potato exports to South Korea reached \$3 million during the 2008-09 marketing year. The U.S. industry estimates that annual fresh potato exports to South Korea could reach \$20 million if the restrictions were eliminated.

South Korea: Tariff on Frozen French Fries & Dehydrated Potato Products (Import Policies)

South Korea currently imposes an 18% tariff on U.S. frozen French fries (HS 2004.1) and a 20% tariff on processed dehydrated potato products (HS 2005.2). Under the U.S.-South Korean FTA, the tariff on frozen French fries is scheduled to be immediately eliminated once the agreement goes into effect.

The 20% tariff on processed dehydrated potato products will be phased out over 7 years in keeping with the following schedule.

Year	Tariff
Year 1	17.1%
Year 2	14.3%
Year 3	11.4%
Year 4	8.6%
Year 5	5.7%
Year 6	2.9%
Year 7	0

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is currently the sixth largest export market for U.S. frozen French fries, with exports reaching \$31 million in marketing year 2008-09, an increase of 30% over the previous year. During that marketing year U.S. dehydrated potato exports to South Korea reached \$18.9. The U.S. industry estimates that the annual export of U.S. potato products could reach \$50 million if all potato tariffs were eliminated.

South Korea: Newly Proposed GMO Regulation (Standards, Testing, Labeling & Certification)

The U.S. processed potato industry is concerned that the newly proposed South Korean GMO labeling regulation could seriously disrupt trade. The U.S. embassy in Seoul has reported that the proposal would require all food products to require labeling to explicitly state whether the product contains GMOs or declare the product GMO-free. In order for the label to make a non-GMO claim, an indentify preservation (IP) system would have to be established in the exporting country. This system would entail extensive record keeping and cost, particularly since the IP system would have to cover any ingredient as well as the primary product (potatoes). Since the U.S. industry has already had to establish an IP system for the Japanese market, the U.S. industry would likely be able to recreate the system for exports to the Japanese market.

U.S. officials in Seoul have expressed concerns with the extensiveness of this proposed policy to their Korean counterparts as it covers all products, not just potato products. The South Korean response has been that its consumers are demanding GMO labeling.

The U.S. industry is uncertain as to when the Government of South Korea plans to implement the new GMO labeling system. South Korean officials originally proposed a one-year transition period for ingredients such as corn and flour in products that have already been imported and a three-year transition period for other ingredients such as oil. Any new products are immediately subject to South Korea's new labeling scheme.

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is the sixth largest foreign market for U.S. frozen French fries with exports reaching \$31 million during the 2008-09 marketing year. In addition, during that time period, the United States exported \$1 million in dehydrated potato product to South Korea. The industry estimates that the GMO labeling regulations would add \$10 million in annual expenses for the industry.

Sri Lanka: Phytosanitary Import Prohibition on Seed Potatoes (Standards, Testing, Labeling & Certification)

The U.S. industry is interested in exporting seed potatoes to Sri Lanka, which has been importing a significant amount of the product from Europe. Sri Lanka, however, has expressed concerns about U.S. pests that are not in the export pathway. In July 2008, the U.S. industry hosted a delegation of Sri Lankan officials to discuss market access and to explain the nature and life cycle of the Colorado Potato Beetle.

In October 2009, after three years of intense market access negotiations, the Government of Sri Lanka announced that it would conduct a pest risk assessment (PRA). It is unclear to the U.S. industry whether Sri Lanka performed a PRA on EU seed potatoes.

Over the past year, the United States has been able to export some potatoes through an import permit system, but is unclear whether a significant amount of potatoes will be allowed entry into Sri Lanka in the future.

Estimated Potential Increase in Exports from Removal of Barrier:

The industry estimates that the market could reach \$5 million in a matter of years, if the import system is altered to increase transparency and create predictable market access.

Taiwan: Tariff on Fresh Potatoes: Tariff (Import Policies)

U.S. fresh potato exports to Taiwan currently face a 20% tariff. The industry urges that Taiwan bind its tariff on fresh potato imports to less than 10% as part of the ongoing round of WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry believes that fresh potato exports to Taiwan could increase from the current level, \$4 million for the 2006-2007 marketing year, to \$10 to \$15 million per year in a few years if Taiwan improved market access.

Taiwan: Tariff on Frozen French Fries and Other Potato Products (Import Policies)

Based on Taiwan's WTO accession commitments, the bound tariff rate for frozen French fry imports is 12.5%. A more complete guide to Taiwan's current tariffs on potato products follows:

H.S. Number	Product	Current Taiwanese Tariff Based on WTO Accession
0701.90	Fresh potatoes (table stock)	20%
0710.10.00	Frozen potatoes	15%
1105.20.00	Potato flakes	10%
2004.10.11(a)	Potato sticks, frozen (frozen fries) >1.5kg.	12.5%
2004.10.90(b)	Potato sticks, frozen (frozen fries) < 1.5kg.	18%
2004.10.90	Other potatoes, prepared or preserved, frozen	18%
2005.20.10(a)	Potato chips and sticks >1.5kg.	12.5%
2005.20.10(b)	Potato chips and sticks < 1.5 kg.	15%
2005.20.90	Other potatoes, preserved	18%

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-09 marketing year, the United States exported \$26.7 million in frozen French fries and \$10.2 million in dehydrated potato products to Taiwan. The industry urges that Taiwan immediately eliminate all of its tariffs on potato products as part of the ongoing WTO negotiations. The industry estimates that such a commitment would lead to \$10 million per year in additional exports in the near term with a larger increase over the longer term.

Taiwan: Fresh Potatoes Phytosanitary Restriction – Late Blight (Standards, Testing, Labeling & Certification)

Taiwan requires the inspection and certification that potato fields that are a source of fresh potato exports to Taiwan are free of late blight. After the potatoes have been inspected, they have to be segregated from other potatoes as “approved” for export to Taiwan.

Taiwan maintains these requirements even though academic articles indicate that late blight already exists in Taiwan. Consequently, these requirements are not based on sound science and are inconsistent with WTO rules, while adding to the cost of exporting fresh potatoes to Taiwan.

When the export protocol was signed in the late 1990s, late blight was a concern to the industry. Since that time, however, the industry has developed a significant and effective pest management program to address the disease. Although small outbreaks of late blight occur on occasion, they are immediately addressed. No U.S. fresh potato exports to any country have ever been rejected for late blight.

Taiwan: Pesticide MRLs (Standards, Testing, Labeling & Certification)

In the spring of 2007 Taiwan began to test and reject U.S. agricultural shipments for pesticide residue violations. Taiwan's actions are problematic for several reasons. First, Taiwan only has a limited list of maximum residue levels (MRLs), as the United States currently has established 104 potato-related MRLs while Taiwan has only established about 35.

Secondly, in 2000, U.S. commodity and chemical companies submitted hundreds of data packages to the Taiwan in order to assist Taiwan establish its MRLs. Taiwan, however, has not established these tolerances and the U.S. industry urges Taiwan not to reject imports until it has reviewed the submitted information and established tolerances.

Thirdly, in 2008 Taiwan established a list of more than 200 priorities for future MRL reviews, including 11 priorities of the U.S. potato industry. Although the U.S. potato industry appreciates this prioritization and the establishment of several important MRLs in 2009, there remain scores of MRLs that will not be covered under this review, leaving U.S. shipments vulnerable to delay or rejection.

Fourth, Taiwan has refused to defer to any international MRL standard, whether Codex or an exporting country's standard during the time it develops its own MRLs. This unwillingness to adopt some sort of safety net is a great cause of concern among commodity groups, especially as Taiwan detained a number of products in 2009.

As of this time, Taiwan has not held any potato shipments for pesticide residue violations. However, the U.S. industry urges U.S. officials to raise the MRL issue with Taiwan and seek Taiwan's deferral to Codex in instance where Taiwan has not established an MRL. This is part of Taiwan's commitment as a member of the WTO. Moreover, until permanent pesticide tolerances are established, the U.S. industry urges Taiwan from detaining any shipments.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-09 marketing year, the United States exported \$26.7 million in frozen French fries and \$2 million in dehydrated potato products to Taiwan. Resolving the pesticide residue issue would save the U.S. industry millions of dollars each year.

Thailand: TRQ On Fresh and Seed Potatoes (Import Policies)

Fresh and seed potato imports into Thailand are limited by a TRQ as established during the Uruguay Round. Although the motive for the TRQ appears to be the encouragement of domestic production of potatoes, it is unable to meet the needs of processing facilities, retailers and the hotel/ restaurant industry.

The bulk of Thailand's potato production for the chipping industry occurs in the northern part of the country. However, excessive moisture in the higher elevations of Chiang Ria causes uncontrollable nematode problems and early blight. Other potato production problems include viral diseases from chili peppers and other crops grown in the region. Unfavorable weather conditions and disease problems are the major reasons why large-sized potatoes are not grown in the country.

Thailand also does not produce a domestic supply of quality seed potatoes that can be used to produce the type of potato used for chipping or other snack foods. As a result, Thai manufacturers import and distribute seed potatoes from foreign suppliers, mainly from Canada and the United Kingdom.

Thailand: Tariff on Frozen French Fries (Import Policies)

The biggest obstacle to exporting frozen French fries to Thailand is the high tariff. At 30% or 25 baht/kg, Thailand's tariff on frozen French fries is among the highest in the world. The U.S. industry has urged Thailand to eliminate the tariff as part of the ongoing WTO negotiations. This issue is one of the U.S. frozen French fry industry's highest priorities. The issue has increased in importance in recent years because Thailand has signed trade agreements with Australia, New Zealand and China, providing those countries with a competitive advantage.

Frozen French fries must be imported into Thailand since they cannot be sourced domestically. The high tariff increases the cost of the product to quick service restaurants, hurting their expansion and employment. U.S. restaurant chains and their suppliers currently employ over 10,000 people in the country and purchase a large portion of their supplies within Thailand. A report by the American Potato Trade Alliance, which was released in 2001, demonstrated that U.S. quick service restaurants purchase more than \$30 million worth of Thai agricultural products each year and exported an additional \$30 million. This study was provided to the Government of Thailand.

Estimated Potential Increase in Exports from Removal of Barrier

In marketing year, 2008-098, Thailand imported \$8.8 million worth of U.S. fries. However, the U.S. industry fears it will lose the entire market if the United States does not obtain the tariff concessions that match those provided to Australia, New Zealand and China. The industry estimates that U.S. exports of frozen French fries to Thailand could reach \$20 million, if Thailand eliminated the tariff.

Thailand: Pesticide MRLs for Processed Potato Product (Standards, Testing, Labeling & Certification)

In April 2009, the Government of Thailand announced its intent to require pesticide residue testing on all imported food products unless the shipment was accompanied by an official certificate of analysis. This is particularly problematic as the U.S. government does not issue such certificates. The Thai government is planning to conduct a “quick test” at the port and, if a MRL violation is detected, the shipment will be held until further testing can be performed in a lab. The shipment will be rejected if a violation is found by the lab.

On June 30, 2009, the Government of Thailand postponed the implementation of the new MRL policy, but it is unclear how long this postponement will last. The U.S. industry requests USDA to continue to urge the Government of Thailand to exempt U.S. products from this policy.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-2009 marketing year, the United States exported \$8.8 million worth of frozen French fries to Thailand. Although the tariff issue is the biggest concern to the U.S. industry, the residue testing issue could be a significant barrier to continued U.S. exports.

Uruguay: Phytosanitary Import Prohibition on Seed Potatoes (Import Policies)

In January 2009, the Government of Uruguay rejected numerous containers of U.S. seed potatoes because of the presence of powdery scab, which is listed as a quarantine pest even though there is a tolerance for the pest. Ultimately, some of the loads were reconditioned and salvaged, but many were lost.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that annual seed potato exports could reach \$5 million in a matter of years if the Government of Uruguay adopted a more realistic powdery scab tolerance.

Vietnam: Tariff on Frozen Potato Products (Import Policies)

Under Vietnam’s WTO accession agreement, signed on May 31, 2006, Vietnam agreed to gradually lower the current 40% tariff on frozen French fries to 13% over a six year period. The Vietnamese tariff on frozen French fries will be 22% in 2010. In addition, Hanoi agreed to lower the tariff on dehydrated potatoes from its current 40% rate to 18% over a five-year period, with the 2010 rate reaching 22.4%. The U.S. industry seeks the immediate elimination of these tariffs as part of the ongoing round of WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

At the present time, Vietnam is a small market for U.S. frozen French fries. During the 2008-09 marketing year, U.S. frozen French fry exports to Vietnam totaled \$841,041. With a population of 84 million, 60% of which are under the age of 25, Vietnam is seen by the U.S. industry as having tremendous potential as a market for frozen French fries, especially in Ho Chi Minh City and Hanoi. Further tariff reductions will lead to a significant increase in U.S. exports with sales reaching \$10 million in the short-term and significantly greater in the long-term.

Vietnam: Tariff on Potato Chips(Import Policies)

Pursuant to the bilateral WTO accession agreement, Vietnam agreed to reduce the tariff on potato chips from 50% to 40% immediately upon accession to the WTO. The agreement called for the further reduction of the tariff to 18% over the subsequent five years.

Vietnam: Phytosanitary Import Prohibition on Fresh Potatoes (Standards, Testing, Labeling & Certification)

At the present time, the Vietnamese market is closed to U.S. fresh potatoes due to phytosanitary concerns. During a June 2009 bilateral meeting some progress was made in reaching an agreement that would open the Vietnamese market to U.S. table stock and processing potatoes.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. potato industry estimates that annual fresh potato exports could reach \$10 million or more once the import prohibition is eliminated.

Vietnam: Transparency/Standards (Standards, Testing, Labeling & Certification)

The U.S. potato industry views Vietnam as a growth market for both processed and eventually fresh potatoes. The U.S. potato industry urges Vietnam to adopt transparent and international accepted standards as part of its ongoing initiative to revise the country's food safety laws.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2008-09 marketing year, U.S. exports of frozen potatoes to Vietnam reached \$841,041. Given the expansion of Quick Service Restaurants in Vietnam, the U.S. industry believes that annual frozen French fry exports could reach \$10 million or more, if the country's food safety laws are based on sound science and international standards.

PULSES

Chile: Phytosanitary Import Restriction on Pulses (Standards, Testing, Labeling and Certification)

Chile requires imports of U.S. peas, lentils and chickpeas to be fumigated as a condition of entry into the country. U.S. researchers have determined that the United States does not have significant numbers of insects of concern to necessitate fumigation. The Bruchidae family, commonly referred to as storage weevils, is the main insect group of concern to Chile. Pulse imports from Canada, the U.S. industry's main competitor, are not subject to the fumigation requirement.

China: Tariff and VAT on Chickpeas, Lentils and Peas (Import Policies)

China maintains a 5% tariff on imported peas (HTS 0713.1090) and a 7% tariff on Chickpeas (HTS 0713.2090) and lentils (HTS 0713.4090). The tariff on these products is compounded by a 13% VAT.

Colombia: Tariffs (Import Policies)

Colombia's bound tariff rates on imports of dry peas, beans and lentils range from 15% to 178%, but the country currently applies tariffs on pulses ranging from 5% to 60%. Under the pending bilateral trade agreement Colombia will immediately eliminate tariffs on dried peas and dried lentils and provide immediate duty-free access for dried beans under a 15,750-ton TRQ, which will expand by 5% each year. The above-quota tariff of 60% for dried beans will be phased-out over 10 years under a non-linear staging formula that includes a 33% cut at the beginning of the first year.

Peru: Phytosanitary Restrictions (Standards, Testing, Labeling and Certification)

The Government of Peru currently requires fumigation as a precondition of imports of chickpeas, lentils and pea.

RASPBERRIES

Canada: Bifenthrin MRL (Standards, Testing, Labeling and Certification)

The Washington state red raspberry industry is concerned that Canada's pesticide tolerance policy for bifenthrin could block exports. The U.S. pesticide maximum residue level (MRL) tolerance is 1.0 ppm and residuals are typically in the 0.04 to 0.20 range. Although Canada has not established a specific MRL for bifenthrin, the default tolerance of 0.10 ppm could present an obstacle to trade.

Canada: Hexythiazox MRL (Standards, Testing, Labeling and Certification)

The Washington state red raspberry industry is concerned that Canada's pesticide tolerance policy for hexythiazox could block exports. The U.S. pesticide maximum residue level (MRL) is 1.0 ppm. Although Canada has not established a specific MRL for bifenthrin, the default tolerance of 0.10 ppm could present an obstacle to trade.

Canada: Thiamethoxam MRL (Standards, Testing, Labeling and Certification)

Canada has established a pesticide maximum residue level (MRL) for thiamethoxam of 0.02, which is well above the U.S. standard of 0.35 ppm. This MRL could present an obstacle to trade. Variance in national MRL forces Washington raspberry growers isolate crop destined for the Canadian market through the picking, processing, and cold storage phases of production

Japan: Pesticide MRLs (Standards, Testing, Labeling & Certification)

The Washington raspberry industry is concerned with Japan's strict pesticide residue policy, as the GOJ has not established pesticide maximum residue levels (MRL) for many recently-released chemicals used in the United States for minor crops. Japan's policy is to deny entry to a product if the country has not established a MRL for the product.

The industry is particularly concerned with Japan's overly punitive sanctions policy for imports in the event of a MRL violation. In July 2009, the Japanese Ministry of Health, Labor and Welfare (MHLW) and USTR reached an agreement that limited the situations in which Japan will impose industry-wide sanctions. Although this is a step in the right direction, the testing policy is over strict. Moreover, it does not appear that increased testing for MRL violations is applied equally to domestic and imported products.

Estimated Potential Increase in Exports from Removal of Barrier

The Washington Red Raspberry Commission estimates that the financial impact on industry is \$2 million to \$4 million per year. However, the inability to spray crops with Acramite can cause damage to plants that is difficult to calculate and can affect plant production for many years. Due to the zero tolerance, Washington growers have to isolate crop destined for Japan through the picking, processing and cold storage phases of production.

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WHEAT

Argentina: Tariff on Wheat (Import Policies)

As a member of MERCOSUR, Argentina imposes a 10% tariff on U.S. wheat. By comparison, the tariff rate for wheat trade between MERCOSUR countries is zero.

Argentina: Tariff on Wheat Flour (Import Policies)

As a member of MERCOSUR, Argentina imposes a 12% tariff on U.S. wheat flour. By comparison, the tariff rate for wheat flour trade between MERCOSUR countries is zero.

Brazil: Tariff (Import Policies)

As a member of MERCOSUR, Brazil imposes a 10% tariff on U.S. wheat, which places our wheat growers at a competitive disadvantage as the tariff level for trade between MERCOSUR countries is zero. As a result, Argentina typically provides Brazil with 90% of the country's wheat import needs. On occasion, the Government of Brazil suspends the tariff on U.S. wheat, usually when Argentina is not able to meet Brazil's demand.

Brazil: Tariff on Wheat Flour (Import Policies)

As a member of MERCOSUR, Brazil imposes a 12% tariff on U.S. wheat flour. By comparison, the tariff rate for wheat flour trade between MERCOSUR countries is zero. The tariff is a significant barrier for U.S. wheat exporters as Brazil is the largest wheat importer in the world, but imports 90% of its wheat from Argentina at a zero tariff.

Brazil: SPS Restrictions (Standards, Testing, Labeling & Certification)

At the present time, Brazil only allows the importation of certain classes of wheat and excludes shipments from West Coast ports mainly due to concern over flag smut (*urocystis agropyri*) and *cephalosporium stripe*. Brazil maintains this import ban even though it allows the importation of wheat from Argentina where flag smut is present. In addition, *cephalosporium stripe* requires the repeated freezing and thawing of the ground in the spring to cause root damage, which is unlikely to occur in Brazil and is very unlikely to be conveyed in grain shipments.

These restrictions are counter to the non-discriminatory and scientific principles of the WTO SPS Agreement. When APHIS has tried to negotiate the removal of these phytosanitary restrictions, Brazil's response has been to raise a whole host of new potential phytosanitary requirements which have no history of being a problem in the United States. This impasse has lasted for over ten years with little sign of progress.

Canada: Canadian Wheat Board: (Other)

The Canadian Wheat Board (CWB), a government backed state trading enterprise (STE), has exclusive control over the purchase of wheat in western Canada destined for domestic consumption and is also the sole exporter of grain. The pricing policies of the CWB are not transparent. In addition, the CWB sets transportation and marketing costs, which are frequently supported by the Government of Canada. The activities of the CWB distort wheat markets and injure U.S. wheat producers by reducing the price and increasing the volume of Canadian wheat exports to third countries.

Chile: Tariff (Import Policies)

Under the U.S.-Chile Free Trade Agreement, U.S. wheat exports still face a 6% tariff, which is the same duty faced by other countries with bilateral agreements with Chile. The tariff on U.S. wheat, however, is scheduled to be eliminated by 2012 under the bilateral agreement.

China: TRQ (Import Policies)

U.S. wheat exports are currently restricted by a 9.6 million MT TRQ. The above-quota tariff is 65%, which prohibits any exports above the tariff level. In addition, the process of determining which applicants receive part of the TRQ, whether state trading enterprises (STEs) or non-STEs, remains non-transparent. No Chinese STE TRQs go to non-national trading corporations, private mills or non-state controlled entities. Under China's WTO accession agreement and the accession working party, while STE-TRQs must use a state-designated buying agent to purchase the commodity, there is no limit place on the recipients (state or non-state). As a result of these policies, the U.S. wheat industry has been disappointed by the fill rate of the TRQ.

China: TCK Restrictions (Standards, Testing, Labeling & Certification)

In 1999, the United States and China signed an agreement which allows *Tilletia controversa Kuhn* (TCK) at levels of 30,000 spores per 50 grams in a composite sample collected and inspected by USDA's Federal Grain Inspection Service or its officially certified inspection agent. In practice, however, Chinese officials have disregarded the bilateral agreement.

The bilateral agreement permits U.S. wheat to be discharged at any Chinese port with expeditious delivery to processors and buyers without any additional treatment. Buyers in some regions, however, have been threatened with action by local quarantine officials if they import U.S. winter wheat that may have originated from areas where TCK has been previously found. In Southern Chinese ports, winter wheat potentially containing TCK spores must be unloaded at one designated port and a cleaning fee of about \$10 to \$13/MT is assessed. As a result of these fees and harassment by local officials, even though U.S. winter wheat is competitive with domestic wheat and imported wheat from other countries, no purchases of wheat occurred in 2009.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. wheat industry estimates that they lost 500,000 MTs worth \$125 million in exports to China in 2009 due to the TCK issue.

China: Domestic Supports (Subsidies)

The Government of China is increasing subsidies to the country's grain producers, including subsidies on inputs such as seed, fertilizer, equipment and fuel. Rail transport subsidies provide domestic producers with distinct advantages, including service as an indirect export subsidy.

China: VAT Treatment (Other)

Wheat imports face a 13% VAT upon arrival in China. By contrast, domestically grown wheat does not incur a VAT at the first point of sale to trading companies or grain storages. China's VAT policy favors domestic wheat growers as some handlers of the commodity never pay a full VAT or may not have the VAT levied at all points in the marketing chain in China.

Ecuador: Tariff (Import Policies)

U.S. wheat exports to Ecuador currently face a 10% tariff. By comparison, imported wheat from some other countries, including Argentina and Brazil, are assessed a lower tariff. Additionally, all tariffs applied to wheat imports from MERCOSUR countries are scheduled to be phased out by 2012.

EU: Export Subsidies (Subsidies)

The EU uses export subsidies to gain market share for its wheat growers, sometimes switching subsidies between wheat and flour in a manner that disrupts trade in both commodities. The EU continues to provide \$6 billion a year in export subsidies, a majority of which goes to support wheat exports. The U.S. wheat industry supports the elimination of all export subsidies as part of the WTO Doha Round of negotiations.

General: State Trading Enterprises (Other)

One of the most important objectives for the U.S. wheat industry in the ongoing round of WTO negotiations is the elimination of State Trading Enterprises (STEs as they distort trade.)

India: SPS Restrictions (Standards, Testing, Labeling & Certification)

U.S. wheat is excluded from the potentially large Indian wheat market because of unreasonable and unevenly enforced quarantined weed seed requirements. India's wheat tender terms have included SPS requirements on prohibitive weed seeds that cannot be certified. Although the U.S. regulatory system is highly developed and transparent, it does not allow for the attainment of these standards. In addition, APHIS cannot certify freedom from these weed seeds in U.S. wheat shipments.

Many of the weed seeds in question are common to most wheat exporting countries and only a couple exporters, mainly Canada and Australia, clean sufficiently to reduce weed seed presence. India has imported from other producers including the EU, Russia and Ukraine. Some of these countries have been certifying to India's requirements, but they have questionable inspection and certification practices.

Despite several rounds of negotiations during 2007, the Government of India refused to amend their tender, thereby completely shutting U.S. wheat out of the market in a year where India could have been a top wheat export market for the U.S. industry.

Estimated Potential Increase in Exports from Removal of Barrier

Depending on domestic production levels, India can be a large wheat buyer in certain years but U.S. wheat growers remain completely shut out of this market based on SPS requirements. In 2005/06, imports totaled 6.7 MMT and in 2007/08 wheat imports reached 1.8 MMT. Access to this market in those years could have easily resulted in an economic gain of over \$100 million to the US wheat industry.

India: Export Subsidies (Subsidies)

When domestic wheat stocks become excessive the Government of India uses export subsidies which allow the Food Corporation of India to sell government-owned wheat to exporters for less than 50% of the acquisition costs, making India one of the biggest providers of wheat export subsidies in the world.

Japan: Tariff (Import Policies)

U.S. wheat exports are limited by a TRQ. While the in-quota rate is zero, the above quota tariff rate is 55 yen/kg (\$620/MT).

Japan: Pesticide MRLs (Standards, Testing, Labeling & Certification)

In 2008, the Government of Japan began to require that any wheat found with pesticide residues or other contamination exceeding Japanese standards be shipped back to the point of origin or disposed of at the importer's cost. Past detections, which are not known to have occurred with U.S. wheat, were dealt with by selling the grain in Japan for industrial or feed use. This requirement was added after it was discovered that some contaminated rice sold for industrial use in the country had been illegally resold for food use. Since importers cannot adequately estimate the potential cost/risk of the new pesticide residue requirements, U.S. exporters refused for a time to make offers to Japanese importers.

In addition, Japan's new system of regulating pesticide residues is discouraging the use of new and improved pesticides in the United States. In general, the provisional maximum residue levels (MRLs) established by the Government of Japan are consistent with U.S. pesticide tolerances. The Japanese system, however, does not provide for the timely approval or temporary accommodation of new pesticide uses approved by the EPA.

At the present time, there are at least two potentially very useful chemicals approved by the EPA for use on wheat that are awaiting Japanese regulatory review and approval. These two chemicals are spinosad (a stored grain protectant) and paraquat, which is used to help prepare wheat for harvest. Spinosad, in particular, is considered to be safer than existing stored grain protectants but the U.S. wheat industry is deferring the use of these products pending regulatory action in Japan. Both of these pesticides can be expected to leave residues that will exceed current Japan tolerances.

Estimated Potential Increase in Exports from the Removal of Barrier

Japan is commonly the top export market for U.S. wheat producers, with exports exceeding over 3.0 MMT each year, which represents a 50% market share. Japan's revised MRL policy, however, threatens to disrupt trade.

Kenya: Tariff (Import Policies)

U.S. wheat exports to Kenya are limited by a 10% ad valorem duty or a \$50/MT tariff, whichever is higher. These charges encourage unfair trade practices, such as under-invoicing by smaller exports.

Kenya: Phytosanitary Restriction (Standards, Testing, Labeling & Certification)

In 2006, the Government of Kenya imposed restrictions on U.S. wheat exports due to concerns over flag smut. APHIS was able to partially open the market by certifying that shipments from ports other than those located on the West Coast were free of flag smut. It is not clear whether flag smut should be an issue of quarantine concern and it should be explored at a technical level to see if wheat exports from the West Coast could be resumed.

Estimated Potential Increase in Exports from the Removal of Barrier

Kenya's phytosanitary restriction also impact U.S. wheat exports to Uganda, as all such trade must use the port facilities in Kenya. In some years, exports to these two countries can reach up to 1.0 MMT. Currently, U.S. wheat retains a market share of under 10% but even a 5% increase in market share could lead to an additional \$10 million in annual wheat exports.

Pakistan: Tariff on Wheat (Import Policies)

U.S. wheat exports to the private sector currently face a 35% tariff and a 15% sales tax.

Pakistan: Tariff on Wheat Flour (Import Policies)

U.S. wheat flour exports currently face a 10% tariff and a 15% sales tax.

Pakistan: Phytosanitary Restrictions (Standards, Testing, Labeling and Certification)

In 2008, U.S. wheat growers exported very little wheat to Pakistan due to ambiguous tender terms, uncertain import permit requirements and phytosanitary requirements. For example, the Government of Pakistan required lab testing as a basis for certifying freedom from a disease of rye, *Tilletia Walkeri*, which is usually not recognized as a quarantine pest for either wheat or rye and for which there is no reliable lab test. Although the Government of Pakistan agreed to accept a phytosanitary certificate that does not include a *Tilletia Walkeri* requirement, the industry is still concerned that shipments may be held on arrival if Pakistani officials believe the disease is present. Due to this uncertainty, U.S. wheat exporters do not have confidence that their product will be successfully imported into Pakistan.

Pakistan: Export Subsidies (Subsidies)

Pakistan continues to export wheat despite quality problems, drought and large subsidy costs. All Pakistani wheat exports require a significant amount of export subsidy because the cost of Pakistani wheat at the port of Karachi is estimated to be near \$260/MT, which is based on the \$180/MT official minimum purchase price that was established in 2006. This subsidy program is inconsistent with Pakistan's WTO requirements as the country did not include a wheat subsidy program in its list of commitments under the Uruguay Round Agricultural Agreement.

Paraguay: Tariff (Import Policies)

As a member of MERCOSUR, Paraguay imposes a 10% tariff on U.S. wheat. The tariff level for trade between MERCOSUR countries is zero.

South Korea: Tariff and TRQ (Import Policies)

U.S. wheat exports face a South Korean TRQ of 2,400,000 tons for milling-quality wheat with an applied in-quota tariff rate of 1%. South Korea imposes a 1.8% tariff on non-durum wheat.

Under the U.S-Korean FTA, pending consideration by Congress, an unlimited amount of U.S. wheat for milling will be able to enter Korea duty free while Korean imports of U.S. wheat will no longer be subject to Korea's 1.8% tariff or its autonomous tariff-rate quota (TRQ) of 1%.

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is the American wheat industry's seventh largest overseas market, with shipments averaging 1.2 million MTs per year valued at \$235 million between 2005 and 2007. U.S. wheat exporters accounted for 38% of the imported wheat market during that three year time-period. The small tariff break under the FTA will help U.S. wheat exporters which face strong competition from Australia and Canada.

South Korea: MRL for Mycotoxin/DON (Standards, Testing, Labeling & Certification)

The U.S. wheat industry is pleased that South Korea has reduced the number of pesticides it will test for from a total of 124 to 100. The industry, however, is concerned with the Government of South Korea's plan to test for Mycotoxin, particularly DON, which is also known as vomitoxin. South Korea's MRL for DON of 1 ppm on wheat is stricter than the standard of 2 ppm set by most importing countries. South Korea should base its stricter standard on sound science.

Estimated Potential Increase in Exports from Removal of Barrier:

Annual U.S. wheat exports to South Korea exceed 1.0 MMTs. South Korea's excessively strict standard for DON could lead to an increase in market share for Australian and Canadian growers at the expense of U.S. wheat growers.

Taiwan: MRL for Malathion (Standards, Testing, Labeling & Certification)

U.S. wheat exports to Taiwan were disrupted in 2007 after Taiwan established a new pesticide monitoring system without first establishing tolerances for common post-harvest pesticides including malathion and chlorpyrifos-methyl. A new MRL was established for chlorpyrifos-methyl after a few containers were detained that spring but the malathion situation is complicated by the difference between the U.S. EPA tolerance of 8 ppm and the Codex tolerance of 0.5 ppm. In July 2009, this inconsistency was resolved after Codex adopted a new malathion MRL of 10 ppm, which is above the EPA tolerance.

However, since Taiwan has not automatically adopted Codex MRLs, this issue has not been resolved. The U.S. wheat industry urges Taiwan to use Codex MRLs where it has not yet conducted its own scientific evaluation to establish a science-based MRL of its own.

Estimated Potential Increase in Exports from Removal of Barrier

Historically, Taiwan has purchased about 1.0 MMT tons of wheat each year from the United States. The U.S. wheat industry urges USTR to resolve the MRL issue so that trade is not disrupted.

Thailand: Tariff (Import Policies)

U.S. wheat exports currently face a \$2.85/ton tariff, while wheat imports from Australia and New Zealand enter Thailand duty-free.

Turkey: Tariff (Import Policies)

The Government of Turkey currently imposes a 130% import tax on all wheat. The tax level varies each year depending on the size of the Turkish wheat crop.

Turkey: Import Permits (Import Policies)

In addition to the high import tax, the Government of Turkey often refuses to grant wheat import permits.

Uruguay: Tariff (Import Policies)

As a member of MERCOSUR, Uruguay imposes a 10% tariff on U.S. wheat. The tariff level for trade between MERCOSUR countries is zero.

WHEY

Brazil: Tariff on Whey Powder (Import Policies)

The Government of Brazil imposes a 14% on U.S. whey powder (HTS 0404.10).

China: Revised Standards for Benzoyl Peroxide and Benzoic Acid (Standards, Testing, Labeling & Certification)

The Washington dairy industry is concerned about the Chinese Ministry of Health's ongoing process of developing new standards for whey permeate, whey protein concentrate and whey protein isolate. The recent announcement by the Government of China of new of mandatory testing and certification of imported whey for benzoyl peroxide and benzoic acid is the most pressing of the new standards given their potential to negatively impact U.S. whey exports.

Benzoic acid is a by-product of the treatment of whey with benzoyl peroxide (BP). The Food and Drug Administration classifies Benzoic Acid (BA) as a "Generally Recognized as Safe" (GRAS) substance, but the Government of China has only approved its use for a small number of products. The contribution of BA from whey to the dietary intake is considered "minor" and therefore does not have to be monitored. Moreover, the Food Agriculture Organization/World Health Organization/Joint Expert Committee on Food Additives (JECFA) has ruled that "treatment of whey with benzoyl peroxide (BP) at a maximum concentration of 100 mg/kg does not pose a safety concern." Based on these scientific studies, the U.S. whey industry bleaches a large percentage of its product with this processing aid. After bleaching, 91% of the BP is converted to benzoic acid (BA). Typical usage level of BP in whey processing is much less than the 100 mg/kg JECFA maximum.

In view of the JEFCA's standards and the underling science, there does not appear to be any justified human health concerns to warrant a blanket rejection of all whey products containing any level of BA. Despite this, in September 2009, China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) began to require its branch Inspection and Quarantine (CIQ) local port officials to inspect all imported whey powders for the presence of BP and BA, and to reject or destroy products found to contain such substances. In addition, companies must provide a certification that neither substance was used in the production process of the relevant product.

There is an urgent need to address this issue since the U.S. industry commonly bleaches whey derived from colored cheese with BP. Without the use of BP, the whey remains an orange color as a result of coloring the cheese – hindering the sensory characteristics of the final whey product and reducing the likelihood that the end user would find the product acceptable. It is also important to recognize that BA is a naturally present compound found in various products.

FAS provided a scientific monograph containing assessment materials for permitting the usage of BP as a processing aid in the manufacturing of whey products to China's Ministry of health in mid-October 2009. The scientific monograph provides information indicating that BP after bleaching decomposes to BA. Any whey products bleached with BP will therefore have a residue of BA. As of this time, however, China will reject any U.S. whey products for human consumption bleached with BP and it is unknown how long the Ministry of Health will take in reviewing the material provided by the U.S. government. In the meantime, China's new standards, which are not based on sound science, have led to lower U.S. whey exports.

China: Nitrate Standard for Whey/Milk Powder (Standards, Testing, Labeling & Certification)

The Government of China has established a maximum nitrate level for milk powder at 2 ppm. As of this time, a nitrate standard has not been established for whey powder, but the U.S. industry is concerned about future action in this area. Nitrates are present in whey powder as a result of drying powder in direct-flame driers, which is a practice used by almost all dairy manufacturers.

Currently, neither CODEX nor the United States has established a standard for nitrates. In fact, after reviewing the published standards of 70 trading countries, the U.S. industry determined that none of them regulates nitrite levels in dairy products. Consequently, the industry urges China to eliminate its current nitrite standard for milk powder and refrain from creating one for whey products as the substance does not pose a threat to consumers. In addition, as of this time, the Government of China has not provided a scientific risk assessment for its nitrate standard for milk powder, as it is required to do under WTO rules.

China: Arsenic Testing Requirements for Whey/Milk Powder (Standards, Testing, Labeling & Certification)

Chinese arsenic standards currently stand at 0.5 ppm. Although arsenic is a heavy metal and can be present in drinking water and is normally present in most foods at minute level, milk contains very little arsenic – typically much less than 0.01ppm and therefore non-detectable. Preliminary USDA testing of various U.S. dry dairy ingredients, indicate that U.S. arsenic levels are extremely low – much below the 0.5 ppm level.

The U.S. dairy industry urges the Government of China to not require the testing of imported products for arsenic as it is very rarely present in milk at levels approaching any degree of risk to consumers. Testing for arsenic in dairy products would be an unnecessary burden on imports, which impose additional costs while not adding to the safety of Chinese consumers.

India: Tariff: (Import Policies)

The Government of India currently imposes a 30% tariff on imported whey.

Japan: TRQs (Import Policies)

Japan limits whey imports through a series of small TRQs with high in-quota tariffs. Details are provided below.

HS Code	Product	Quota	In-Quota Tariff
0404.10.1110	Whey added sugar (6.48)	137,202 MT	35%
0404.10.1191	Whey without added sugar (6.48)	Part of above TRQ	25%
0404.10.121	Whey, mineral concentrated with added sugar	14,000 MT	35%
0404.10.122	Whey, mineral concentrated without added sugar	14,000 MT	25%
0404.10.131	Mineral concentrated whey outside quota		29.8%+ 425 Y/kg
0404.10.131 0404.10.141	Whey for animal feed	45,000 MT	0

South Korea: Tariffs and Tariff Rate Quota (Import Policies)

U.S. food whey exports are currently limited by a 54,233 MT quota. The in-quota tariff is 20% while the above-quota is 49.5%. At the present time U.S. whey feed exports enter the Korean market under tariff rates of 4, 20, or 49.5 percent, depending upon the type of product and the volume that has already been imported in a particular year.

U.S. whey feed exports will receive immediate duty-free access under the KORUS-FTA. U.S. food whey exports will receive a new 3,000 ton TRQ with in-quota imports facing zero tariffs. The TRQ will grow at a compound annual rate of 3% from year 2 through year 9 with the above-quota tariff rate declining each year until year ten. Starting in year ten, all U.S. food whey imports will receive duty-free treatment.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2006-2008 time period South Korea imported an average of 24,000 tons of American whey per year valued at \$23 million. (Washington State whey exports averaged \$2,466,614 during that three year period.) Whey for feed accounts for 75% of whey imports from the U.S. The American share of Korea's whey market for feed and food is 44 percent. The KORUS agreement should help U.S. whey producers increase their exports.

WINE

Argentina: Tariff (Import Policies)

Imported wine from non-MERCOSUR countries faces a 20% tariff and a 0.5% statistical tax.

Argentina: Export Rebate Subsidy (Export Subsidy)

The Government of Argentina grants wine exporters a 6% export rebate.

Bahrain: Tariff (Import Policies)

Despite the implementation of the U.S.-Bahrain Free Trade Agreement on January 1, 2006, U.S. wine exports to Bahrain currently face a 125% tariff.

Barbados: Tariff (Import Policies)

The Government of Barbados applies a \$1.33 per liter customs duty on U.S. table wine and a \$1.43 per liter tariff on sparkling wine. In addition, the Government of Barbados imposes a 20% surcharge on all wine products and a 10% stamp duty on table wines and sparkling wines. As a result of these fees, imported wines have a difficult time competing with domestically produced wines.

Brazil: Tariff (Import Policies)

The Government of Brazil imposes a 27% ad valorem tariff on imported wine for bottles contain two liters or less. Regional wine producers have a competitive advantage as wine imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) enter Brazil duty-free.

Brazil: Certification (Standards, Testing, Labeling and Certification)

The Government of Brazil imposes onerous and costly certification requirements for wine. In addition, as of 2007, the Government of Brazil requires certificates of analysis to accompany wine imports. These certificates are to include analyses of ten different compounds. The U.S. wine industry believes this requirement is superfluous and not in keeping with international standards.

Canada: Domestic Supports (Subsidies)

Alcohol sales in Canada are governed by a system of government controlled monopolies (liquor control boards), which often provide direct and indirect subsidies to Canadian producers. In 2007 for example, the Liquor Control Board of Ontario (LCBO) started a 3-year, \$10 million support program that subsidizes 30% of the cost of wine made from Ontario-grown grapes and sold in LCBO stores. In addition, the LCBO subsidizes the province's wine producers in other ways including waiving the retail sales markups and freight costs for its producers and providing store support such as preferential shelf space.

Canada: Cost of Service Mark-up (Other)

Provincial Liquor Control Boards (LCBs) are responsible for the administration of alcohol sales in Canada and impose a "cost of service" mark-up. They often waive the retail sales mark-up for local producers.

Cayman Islands: Tariff (Import Policies)

The Cayman Islands currently imposes a \$3.00 per liter duty on all imported wine. Despite this tariff, U.S. wine exports to the Cayman Islands reached \$3.3 million in 2008.

Chile: Tariff (Import Policies)

Under the U.S.-Chile FTA, signed in 2003, U.S. wines faced a 6% ad valorem duty in 2008. Starting in 2011, the Chilean tariff on U.S. wine will be reduced to 3.3% under a tariff phase-out provision of the bilateral trade agreement. Under the tariff schedule, the tariff will be completely eliminated in 2016. Although the tariff is scheduled to be phased out, the delay still presents an obstacle to exporting wines to Chile.

China: Tariff (Import Policies)

Under China's WTO accession agreement, the tariff on bottled wine fell from 24.2% in 2003 to 14% in 2004, while the tariff on bulk wine is 20%. Despite the reduction, the tariff still presents a barrier to U.S. wine exports. In addition, imported wines face a 17% VAT and 10% consumption tax. The total import tax on wine totals 48.2%. This tax burden makes it difficult to compete with heavily subsidized European wines. Frequently, the tariff rate actually assessed varies from the official rate published by Chinese Customs. Taxes are imposed extremely arbitrarily, depending on the industry involved and the port of entry.

Colombia: Tariff (Import Policies)

Colombia imposes a 20% tariff on U.S. wine. Imports of wine from other Andean Pact countries (Bolivia, Ecuador, Peru and Venezuela) enter duty-free. Colombia also provides regional preferences to other members of the Association of Latin America Integration (Argentina, Bolivia, Brazil, Chile, Ecuador, Mexico, Paraguay and Peru.) The Government of Colombia also imposes a VAT and sales tax and a consumption tax on imported wine that varies according to alcohol content.

EU: Tariff (Import Policies)

The average EU tariff on wine ranges from 0.13 Euros to .32 Euros per liter, which is equivalent to about a 6.1% to 15% ad valorem tariff equivalent. By comparison, the U.S. tariff on EU wine is significantly lower. This tariff differential is a factor in the bilateral wine trade imbalance. In addition to the duty on imported wine, each member country of the EU is allowed to impose its own VAT and excise tax on wine imports, while waiving the VAT on wine exports.

EU: Domestic Supports (Subsidies)

In 2006, the European Commission provided \$1.8 billion in domestic supports to its wine industry. The level of subsidization encourages EC wine producers to overproduce. If the product is not sold in the market, grapes and wine are sold to the government which distills them into ethanol. In addition, the governments of the three largest wine producers in the world, France, Spain and Italy, continue to provide their own wine industries with millions more in subsidies. For example, in 2006 the Government of France provided more than \$100 million in subsidies to its wine industry. While the EU has classified these subsidies as non-trade distorting (Green Box), the United States Trade Representative has consistently objected to this classification because these subsidies allow EU wine makers to lower their retail prices in foreign markets by absorbing taxes and tariffs, thereby undercutting the price of U.S. wine.

EU: Export Subsidies (Subsidies)

According to the Common Market Organization Report, the EU's export subsidy program accounts for 20% of wine exports. These subsidies have placed EU wine producers at a competitive advantage as it allows them to absorb high tariffs and excise taxes.

India: Tariff (Import Policies)

India imposes high tariffs and other duties on wine imports. As a result, the effective tax rate on imported wine ranges from about 150% to 550%.

Indonesia: Tariff (Import Policies)

Indonesia's tariff on wine ranges from 90% to 150%. In addition, wine is subject to a 10% VAT, a 40% luxury tax and an excise duty of IDR 20,000 per liter.

Israel: Tariff (Import Policies)

The Government of Israel currently imposes a 40% tariff on wine. At least partially as a result of this high tariff, the United States only exported \$1.4 million worth of wine to Israel in 2008.

Japan: Tariff (Import Policies)

The Government of Japan imposes a 15% ad valorem tariff or a 125-yen per liter tariff, whichever is less, on imported wine. In addition, Japan imposes a 5% import tax, a 5% consumption tax on the retail price, as well as a liquor consumption tax that varies according to the type of wine. The consumption tax is 60 yen per bottle of unsweetened wine and 90 yen per bottle for sweetened wine. These tariffs and taxes significantly impinge Washington wine exports to Japan.

Malaysia: Tariff (Import Policies)

U.S. wine exports to Malaysia face a variety of high tariffs and other taxes. Because some of these taxes, such as the excise tax, are frequently changed every year, it makes it difficult for the U.S. wine industry to develop long-term marketing plans for Malaysia.

New Zealand: Tariff (Import Policies)

The Government of New Zealand imposes a 5% tariff on imported wine. Wine sales are also subject to alcohol and excise taxes which vary according to the type of wine. New Zealand charges a NZ\$ 2.332 per liter tax and an alcohol tax of NZ\$ 4.98 per liter on non-fortified wine. Fortified wine is subject to an excise tax of NZ\$ 42.472 per liter and an alcohol tax of NZ\$ 8.09 per liter. An additional 12.5% goods and services tax is imposed on both types of wine.

Philippines: Tariff (Import Policies)

The Government of the Philippines currently imposes a 7% tariff, as well as a 12% VAT and an excise tax (P 18.87) on imported wine.

Russia: Tariff (Import Policies)

The Government of Russia imposes a 20% tariff on U.S. wine. Other wine exporting countries have been pressing Russia to lower the tariff as part of the country's accession agreement to the World Trade Organization.

Imported wine is also subject to 163 Russian ruble (RUR) per liter excise tax which is scheduled to increase to RUR per liter in 2010. Moreover, the Government of Russia requires an excise payment guarantee of 100% on wines declared by the Russians Customs authorities to be “not natural,” which is a poorly defined term. “Natural wines are taxed at the rate of 2 Russian rubles per bottle, while “non natural” wines face a 16 ruble per bottle tax. Moreover, wine imports must provide four bottles of each kind of wine each year to Russian customs authorizes in order to facilitate the testing of the product for “naturalness.” The tariff and various tariffs are a significant obstacle to exporting wine to Russia.

South Korea: Tariff (Import Policies)

U.S. wine exports to South Korea face a 15% tariff. In addition, wine imports are assessed a 30% liquor tax, a 10% education tax, and a 7% to 8% tax from various handling and transport fees. Under the pending U.S.-South Korean Free Trade Agreement, the tariff on wine would be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier

U.S. wine exports to South Korea have increased dramatically over the last decade, averaging \$13.5 million per year between 2006 and 2008, despite stiff competition from France, Italy, and Chile. The implementation of the U.S.-Korean FTA should help the U.S. wine industry increase their exports, as Chilean wine exports have increased dramatically in recent years following the implementation of the South Korean-Chilean FTA, which provided for the gradually phase out of the wine tariff until it was completely eliminated in 2010.

Switzerland: Tariff Rate Quota (Import Policies)

At the present time, U.S. wine exports to Switzerland are limited by a tariff-rate quota (TRQ) of 1,700,000 hectoliters per year for red and white wine with HTS codes 2204.2121, 2131,214, 2921, 2922, 2931, and 2932. The in-quota tariff for both red and white wine is 50 Swiss francs per 100 kilograms gross. The above-quota tariff is 3 Swiss francs per liter for white wine in glass bottles of less than 2 liters while it is 2.45 francs per liter for red wine. In addition, wine imports face a 7.6% VAT, a charge of 14.5 Swiss francs per liter of 100 percent alcohol and an additional tariff of 10% of net weight.

Taiwan: Tariff (Import Policies)

Taiwan imposes a 10% tariff on U.S. grape wines and a 20% tariff on sparkling wine.

Thailand: Tariff (Import Policies)

The Government of Thailand imposes a 54% ad valorem tariff on imports of wine. Moreover, wine imports face a 60% excise tax, a 7% VAT, 2% health tax, and a 10% municipal tax. The government's intent is to raise revenue and discourage the importation of luxury goods. By comparison, the wine tariff on Australian wine is being phased-out under the Thailand-Australian free trade agreement.

United Arab Emirates: Tariff (Import Policies)

The UAE currently imposes 50% tariffs on imported wine and sales taxes of 30%. The U.S. wine industry hopes that the tariff will be reduced under a bilateral trade agreement between the United States and the UAE, but negotiations have been dormant.

Vietnam: Tariff (Import Policies)

Currently, U.S. wine faces a 62% Vietnamese tariff. Under Vietnam's WTO accession agreement this tariff is scheduled to be phased-down to 50% by 2012.