THE WASHINGTON STATE
REPORT ON FOREIGN TRADE BARRIERS TO
AGRICULTURAL EXPORTS

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PART I - Alphabetical Listing by Country

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Pears: Phytosanitary Import Prohibition

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---Prohibition

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Apple: Tariff

TURKEY
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Pears: Tariff
Wheat: Tariff
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Cherries: Tariff
Pears: Tariff

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Flour: Tariff

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

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Apples: Transparency/Standards
Cherries: Transparency/Standards
Pears: Transparency/Standards

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. pear exports.

Pears: Tariff (Import Policies)
U.S. pear exports to Algeria are restricted by a 30% tariff.

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. As result, there have been no Washington apple exports to Argentina since 2001.

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)
The Government of Argentina charges a 10% import duty and a 0.5% statistical tax on American cherries. 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, and Washington cherries are not exported to Argentina.

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 U.S. pears. 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 and the last time Washington exported pears to Argentina was in 1999.

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. In 2009, there were no exports of Washington frozen French fries to Argentina. 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)
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)

The Government of Argentina bans 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 export protocol. 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, 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 bans the importation of American seed potatoes based on unjustified and unscientific reasons. The industry urges the U.S. government to prioritize the removal of this prohibition.

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 an export 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)

The Government of 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.

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, as Australia fears that the disease 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 November 2006, Australia issued its final risk assessment for New Zealand apples, which ignored most of the concerns of New Zealand and the United States and internationally affirmed science on fire blight. The PRA allowed 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

In October 2009, Biosecurity Australia finally published is 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 US 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…" The Washington apple industry requests that the U.S. Government continue to fully support New Zealand in its efforts to open the Australian market and request strong official comments in response to the Australian PRA on Pacific Northwest apples.

In August 2010, the WTO Panel ruled against Australia, which appealed the ruling. On November 29, 2010, the WTO Appellate Body upheld the panel ruling. In response to the ruling, in January 2011, the Government of Australia announced that it would conduct a new pest risk assessment to determine the appropriate measures to prevent the spread of plant disease and to comply with the WTO ruling. As a result, it appears that Australia seeks to revise rather than remove its strict phytosanitary restrictions on apples. In a communication circulated to WTO members Feb. 1, 2011 Australia and New Zealand announced that they had reached an agreement that Australia would have until Aug. 17, 2011, to comply with the panel's findings. In the meantime, the first shipment of Chinese Fuji apples arrived in Australia on January 13, 2011.

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 U.S. 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 total tax is over 57%.

Estimated Potential Increase in Exports from Removal of Barrier
In 2009, the Washington apple industry exported $920,000 worth of product to Bangladesh. 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. Once additional domestic taxes are added, that total tax burden on imported cherries 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 cherry exports due to current market conditions in Bangladesh.

Pears: Tariff (Import Policies)
The Government of Bangladesh assesses a 37.5% tariff on U.S. pear imports. The effective tax rate on imported pears rises to over 57% once domestic taxes are included.

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 export based on current market conditions in Bangladesh.

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 collects 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.

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 imposes a 15% tariff on U.S. cherry imports. 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 the tariff was eliminated.

BRAZIL

Apples: Tariff (Import Policies)
Brazil assesses a 10% duty (CIF) on American apple imports. Apple growers from other MERCOSUR countries (Argentina, Paraguay and Uruguay) have a competitive advantage because tariffs on their product 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
In 2009, Washington apple exports to Brazil reached $232,000. 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% tariff (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
In 2009, Washington cherry exports to Brazil reached $124,000. 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.

Fresh Potatoes: Tariff (Import Policies)
As a member of MERCOSUR, Brazil maintains a Common External Tariff (CET) of 10% on imports of U.S. fresh potatoes.

Frozen French Fries: Tariff (Import Policies)
As a member of MERCOSUR, Brazil maintains a Common External Tariff (CET) of 14% on imports of American frozen French fries. The tariff increases the price differential between higher cost U.S. frozen French fries and lower cost product from Canada, the Netherlands and Argentina. As a result, the U.S. industry has completely lost the market to Argentina, which receives preferential tariff rates under MERCOSUR, and to the EU.

Estimated Potential Increase in Exports from Removal of Barrier

U.S. frozen French fry exporters believe that the large Brazilian economy offers significant opportunities. If the industry received the same tariff treatment as that provided to Argentine industry, U.S. exporters would increase by several million dollars annually.

Pears: Tariff (Import Policies)

The Government of Brazil imposes a 10% duty (CIF) on U.S. pear imports. 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

In 2009 Washington pear exports to Brazil totaled $956,000. 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. This usually occurs when Argentina is not able to meet Brazil's demand.

Whey Powder: Tariff (Import Policies)

The Government of Brazil collects 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.

Wine: Tariff (Import Policies)

The Government of Brazil imposes a 27% ad valorem tariff on imported wine for bottles containing 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.

<u>Dehydrated Potatoes: Sulfite Tolerance (Standards, Testing, Labeling & Certification)</u>

Brazilian authorizes have 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>

During the 2009-2010 marketing year the U.S. industry exported $1 million in dehydrated potato products to Brazil. If Brazil establishes a higher sulfite tolerance, the U.S. industry expects high quality product could be exported to Brazil leading to $5 million in sales.

<u>Seed Potatoes: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)</u>

In 2004 the Government of Brazil agreed to open the market to U.S. seed potatoes but exports have been held back by a series of obstacles. Most notably, although Brazil agreed to apply IN-6, the import regulation for seed potatoes, it sometimes applies additional requirements to U.S. seed potatoes. This policy is a reflection of the lack of transparency in Brazil's import regulations.

In addition, shipments are frequently stopped at ports while "fees" are requested before they are released. Failure to pay the fees often leads to unexpected problems with the shipment such as soil or pest finds. These problems are not unique to U.S. seed potatoes. In early 2010 Brazilian potato growers complained to their government about the difficulties they were facing in obtain the release of seed potato imports because they feared that they would miss the planting season.

The industry urges the Government of Brazil to establish transparent and predictable import requirements based on sound science and international SPS principles.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>

Given the large Brazilian potato industry, an immediate $3 million market for U.S. seed potatoes could be achieved if the phytosanitary import requirements were adjusted to allow for trade.

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.

CANADA

Dairy Products: Tariff Rate Quotas: Antidumping Duties (Import Policies)
Although NAFTA has been fully implemented some U.S. dairy products still face restrictive Canadian TRQs. The limitations 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 >= 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: 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.

Estimated Potential Increase in Exports from Removal of Barrier
Canada is the largest foreign market for U.S. fresh potatoes, with exports reaching $91 million during the 2009-2010 marketing year.

Fresh Potatoes: Proposed Import Standards (Standards, Testing, Labeling and Certification)
Canada is proposing modifications to the import standards for fresh potatoes from the United States even though there are no clear phytosanitary justifications for the changes. The proposed changes would apply too bulk loads originating from "regulated" areas in both the United States and Canada. The proposal would entail significant increases in the requirements for Canadian companies receiving and processing or repacking bulk loads from the regulated areas. It is notable that the regulated areas in Canada established by the regulations are unlikely to be areas making any bulk shipments. The regulated areas established by the proposed rules for the U.S. will mandate the application of the new standards to all loads originating in the U.S.

These new standards will add significant costs to the U.S. loads and comes exactly when the requirements of the Ministerial Exemption agreement between the U.S. and Canada would have eased the impact of Ministerial Exemptions on U.S. shipments.

Estimated Potential Increase in Exports from Removal of Barrier
Canada is the largest U.S. fresh potato export market with shipments reaching $91 million during the 2009-2010 marketing year.

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: Distribution System (Other)

British Colombia maintains two separate distribution systems that apply to imported wines and BC wines. BC wineries are permitted to directly deliver their products to their customers (individuals, restaurants, private wine stores, etc.) with deliveries frequently taking just a matter of hours or days. By contrast, the BC Liquor Distribution Branch (BCLDB) requires that all imported wines go through the BLDB's wholesale distribution system, including storage at their facility. As a result, it can take a long time for imported wine to arrive at retail or restaurant channels, adding additional costs to imported wine.

Wine: Mark Up and Fee Structure (Other)

All imported wine, whether sold by private retailers or through BC Liquor Distribution Branch (BCLDB) stores are required to pass through the BCLDB distribution system and therefore as subject to standard mark-ups in the range of 117%. Only BC wines that are sold through the BCLDB distribution are subject to the same mark-up, while BC wine that is directly distributed to customers outside the system (private retail stores, bars and restaurants) is not subject to the mark-up. In addition a portion of the mark-up on domestic wine sales through the BCLDB system is refunded to the winery by means of the VQA Support Program or Quality Enhancement Program.

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.

Pulses: Phytosanitary Import Restriction (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. The Bruchidae family, commonly referred to as storage weevils, is the main insect group of concern to Chile. U.S. researchers have determined that the United States does not have significant numbers of insects of concern to necessitate fumigation. 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, it agreed to reduce the tariff on U.S. apples 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 suspects 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. Moreover, 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 duty on New Zealand apples will be reduced by two percent each year over 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.

Estimated Potential Increase in Exports from Removal of Barrier
The USITC estimates that the tariff on beef led to a loss of $19 million in US exports during the 2004-2007 time period.

Cheese: Tariff and VAT (Import Policies)
The Government of China imposes a 12% tariff on imported cheese.

Cherries: Tariff and VAT (Import Policies)

As part of its WTO accession commitments, China agreed to reduce the tariff on U.S. cherries from 30% to 10% in 2004. Although the tariff reduction is helpful it still deters cherry 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 entered 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

In 2009, Washington cherry exports to China reached $8.6 million, a huge jump over the previous year. 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.

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.

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 2010, Chilean peaches entered China duty-free and New Zealand cherries faced a 4% tariff under bilateral trade agreements.

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)
U.S. plum exports face a 10% tariff. By contrast, in 2010 Chilean entered China duty free, while New Zealand plums faced a 4% tariff under bilateral trade agreements.

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, in keeping with international trade rules. 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 2009 – 2010 marketing year, U.S. frozen potato product exports to China reached $43 million, while U.S. dehydrated potato products exports reached $1.2 million. (In 2009 Washington frozen French fry exports to China reached $33.3 million, while exports to Hong Kong totaled $18.3 million.) As a result, China is now the U.S. 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.

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 significant 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.

In addition, the tariff rate actually assessed frequently 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 million (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 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.

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. By applying the penalty to the packing facility, it effectively prohibits numerous orchards, (sometimes hundreds of growers), of that facility from exporting. 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.

In March 2010, APHIS proposed the China sign a new Memorandum of Understanding, applicable to all work plans, to eliminate the practice of suspending packing facilities and to limit the penalty to the affected orchard, as currently required by the work plans. As of this time, the issue has not been resolved.

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 actions 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 $ million (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.

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.

In addition, Beijing's offer 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.

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 that shipments of frozen French fry and dehydrated potato product 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; a product that does not present any phytosanitary risk. 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 2009 – 2010 marketing year, U.S. frozen potato product exports to China reached $43 million, making it the fourth largest overseas market. (In 2009 Washington frozen French fry exports to China reached $33.3 million while exports to Hong Kong totaled $18.3 million.) 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 importation 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.

Pears: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)
At the present time, China prohibits the importation of U.S. 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. The U.S. industry was dealt a setback when 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
2009	550.6	$10.1

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
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.

Peas: Selenium Restriction (Standards, Testing, Labeling & Certification)
In March 2006, the Government of China rejected two shipments of U.S. dry peas, because the selenium content of the shipments exceeded the allowable levels (0.3 mg/kg) but under Chinese regulations. It does not appear that the standard set by PRC follows any current scientific opinion or restrictions placed on selenium in other importer countries. For example, Japan, Korea and the EU have not established any maximum level of selenium in pulses entering their countries.

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. Regulations can also differ between Chinese ports of entry.

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 2009 – 2010 marketing year, U.S. frozen potato product exports to China reached $43 million, making it the fourth largest overseas market. During this same time period U.S. dehydrated potato product exports reached $1.2 million. (In 2009 Washington frozen French fry exports to China reached $33.3 million while exports to Hong Kong totaled $18.3 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 bans the importation of U.S. fresh table-stock 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 Washington 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. At the 2009 bilateral meetings, China informed USDA that the PRA was completed. However, Chinese officials stated that they would not provide the PRA or grant market access until the U.S. government provided a PRA and granted market access to specific Chinese products.

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 U.S. industry estimates that annual fresh potato exports would reach $5 million a year in the near-term and $20 million within five years if China lifted the import prohibition.

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 their most important products. 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 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.

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 currently 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
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.

<u>Fresh Potatoes: Tariff (Import Policies)</u>
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 negotiated trade agreement with Colombia the tariff would be eliminated immediately, but the agreement is still awaiting Congressional consideration.

<u>Frozen French Fries: Tariff (Import Policies)</u>
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 it tariffs on processed potato products from these countries in stages until they reached zero in 2004.

Under the pending trade agreement between the United States and Colombia, the tariff would be eliminated immediately.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
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.

<u>Pears: Tariff (Import Policies)</u>
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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
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.

COSTA RICA

Potato Products: Administration of Quotas (Import Policies)

The implementation of the DR-CAFTA in 2009 brought welcome market liberalization. However, the current system of granting import licenses for potato products has presented difficulties. Apparently, the Costa Rican government has opened import licenses to the public which has resulted in the granting of import licenses to individuals that have no intention of importing U.S. potatoes. It would appear that they intend to illegal resell their quota allocation at a premium to legitimate importers, which have not been able to obtain sufficient quota to meet their needs.

The U.S. government has brought this issue to the attention of Costa Rican officials but it remains to be seen if future quota allocations will be handled transparently and fairly.

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 covering all U.S. potato-growing states to establish a predictable and transparent trading scheme.

After several years of negotiations, in June 2010, Dominican Republic officials traveled to the United States to examine the U.S. seed and chipping potato industries. The precondition for this visit was that the Dominican Republic would take a regional approach, meaning that a visit to an individual state would result in an entire region being approved for export. Previously, officials from the Dominican Republic had sought only to approve those states which had been visited by the country's officials. The U.S. seed potato industry is awaiting final approval of market access for all seed producing states based on this regional approach.

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 $5 million per year.

ECUADOR

Apples: Tariff (Import Policies)
Ecuador assesses a 15% ad valorem tariff on U.S. apple imports. This tariff places U.S. apples exporters are at a competitive disadvantage due to tariff preferences 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 estimates that annual apple exports would increase by less than $5 million if the country eliminated the tariff.

Cherries: Tariff (Import Policies)
The Government of 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 under $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, placing them at competitive disadvantage against their competitors which receive tariff preferences 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. By comparison, 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 collects 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 currently 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%. 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. At least partially as a result of the decision to lower the duty, Washington apple exports to Egypt have grown from $4.1 million in 2006 to $14.8 million in 2009.

U.S. apple growers, however, are at a competitive disadvantage because apples from the EU enter Egypt duty-free under the Euro-Mediterranean Agreement.

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.

The U.S. cherry industry, however, is at a competitive disadvantage because cherries from the EU enter Egypt duty-free under the Euro-Mediterranean Agreement.

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.

U.S. pear growers, however, are at a competitive disadvantage because pears from the EU enter Egypt duty-free under the Euro-Mediterranean Agreement.

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.

<u>Seed Potatoes: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)</u>

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 the Government of Egypt with a draft proposal for a market access protocol.

Progress has been made on this issue and as of December 2010, it appears that the Government of Egypt is ready to issue its first permit for U.S. seed potato trails. These trials are a necessary step prior to the start of commercial shipments to Egypt. The U.S. industry appreciates the efforts of APHIS and FAS for their work on this issue.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>

The U.S. potato industry anticipates that seed potato exports to Egypt could reach $10 million in a few years once a market access protocol has been reached. 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 below the entry price 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 believes the system should be eliminated because there is no 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 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.

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.

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 an 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 below the entry price 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.

Cherries: SPS Restrictions (Standards, Testing, Labeling & Certification)
As a condition for market entry, the EU requires cherries to be free from Monilinia fructicola (brown rot) and requires documentation indicating 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.

There have been reports that 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 this SPS issue was resolved, 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.

Wine: Labeling Requirements (Standards, Testing, Labeling & Certification)
The EU's wine labeling requirements which seeks exclusive use of so-called "traditional terms" such as ruby, reserve, chateau, classic and tawny on wine labels present difficulties for U.S. wine exporters. The three-year derogation for the use of these terms expired on March 29 and the EU has indicated that it would not extend the derogation. The new wine regulation (EC No 607/2009), which was published on July 14, 2009, leaves enforcement to EU member states, but it is unclear how Member States will carry out the regulation or how the EC plans to ensure consistency.

Although the EU is attempting to justify the limitations on the application of traditional terms by indicating that they could be used to mislead consumers, these terms have been used on U.S. wines for years without any risk to consumers. Moreover, contrary to the assurance provided by EU officials, the European Court of Justice has expanded the scope of the measures so that the terms are now protected in languages other than the one for which protection was identified.

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. The Government of Guatemala informed USDA that it planned to review potato pests and market access for all countries. At the request of APHIS, Guatemala agreed to maintain the old standards until a new market access agreement could be reached.

The U.S. industry hopes that a new, transparent seed and fresh potato market access protocol can be reached as soon as possible. Such agreements will avoid requirements that change from permit-to-permit. Unfortunately, there has been little information regarding progress on the Guatemalan potato review.

As long as fresh potatoes can continue to be exported from the United States under the existing system, the U.S. potato industry accepts Guatemala's plans for a review; however, should trade be disrupted as a result of this review, the U.S. potato industry will request USDA assistance in resolving the issue.

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 protocol is established.

HONG KONG

Value Added/Processed Foods: Nutrition Labeling (Standards, Testing, Labeling & Certification)

The Hong Kong Food and Environmental Hygiene Department (FEHD) has been pulling products from stores to test and verify that the nutrition panel meets their requirements. One of the products of a Washington company failed the FEHD's test, but the agency refused to provide the manufacturer with a copy of the test results as it claimed the document was for "internal' use for the Hong Kong government. As a result of the test, the retailer was ordered to remove the product, but the manufacturer was never given any documentation to substantiate the report.

INDIA

Apples: Tariff (Import Policies)
The Government of India collects a 50% tariff 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 market. As it stands now, India's current annual per capita apple consumption is under 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
Assuming current apple imports of approximately four million cartons from all origins with an approximate value of $64 million, if the tariff were reduced to 30% imports might well increase 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
In 2009, the U.S. cherry exported only $8,900 worth of cherries to India. 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.

Dehydrated Potato Products: Tariff (Import Policies)
India currently collects a 30% duty 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. The current effective duty is over 40% due to a 4% ADE, and two 3% education taxes on top of the 30% tariff.

The U.S. industry believes that only the ad valorem tariff should be applied to imports and urges India to reduce its tariff on these products to no more than 10% during the current WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier
The United States exported $1 million worth of frozen French fries to India during the 2009-2010 marketing year. The U.S. industry believes that the Indian market has a huge potential for frozen French fries and other potato products, possibly worth $5 million in exports in three years and $20 million in ten years with reduced tariffs. A lower tariff on dehydrated potato products could lead to $2 million in annual exports in the short-term, increasing to $5 million due to the expanding snack food industry in India.

Fresh Potatoes: Tariff (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. The current effective duty is over 40% due to a 4% ADE, and two 3% education taxes on top of the 30% tariff. 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 as part of the current WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier
The United States exported $1 million worth of frozen French fries to India during the 2009-2010 marketing year. The U.S. industry believes that the Indian market has a huge potential for frozen French fries and other potato products, possibly worth $5 million in exports in three years and $20 million in ten years with reduced tariffs. A lower tariff on dehydrated potato products could lead to $2 million in annual exports in the short-term, increasing to $5 million owing to increased demand from the expanding snack food industry in India.

Grape Juice: Tariff (Import Policies)
India currently imposes a 30% tariff on imported grape juice, which is much lower than the 85% bound rate.

Peaches and Nectarines: 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 from the United States. U.S. pear imports do not compete with Indian production because domestic pears are sold out by the end of early September while U.S. pears do not arrive in India until October at the earliest.

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 in India.

Processed Food Products: Tariff: (Import Policies)
India's average tariff on processed food products is 35.2%. These high tariffs make it difficult for American processed food products. to reach India's rapidly growing middle class.

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%.

Pulses: SPS Restrictions – Methyl Bromide Fumigation (Standards, Testing, Labeling & Certification)
In 2004, the Government of India began to require that all imported pulses to be fumigated with methyl bromide and certified free of stem and bulb nematodes, bruchids and pea cyst nematodes. The U.S. and Canada have been granted a series of waivers allowing pulse shipments to be fumigated in India, rather than in the exporting country. The fumigation waiver was requested because methyl bromide must be applied at or above the ambient temperatures required on the label (5 degrees C/42 degrees F) and processing plants and warehouses across the northern tier of North America are below 42 degrees F for 6 months of the year or longer.

The U.S. industry has been working closely with USDA/APHIS to develop long-term solution to this issue. The U.S. industry believed that fumigation should not be required since the pests in question are insignificant in the processed pulses being exported to India. The industry believes that USDA/APHIS phytosanitary certificates should provide the Indian government with adequate assurances that the shipments are free of the specified pests.

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

In 2010 the Government of India announced that effect March 31, 2011 it would require Additional Declarations to be added to Phytosanitary Certificates for all imported pulses in order to determine the absence of quarantine weed seeds and soil contamination. The industry urges India and the United States to reach an agreement on sampling allowances since it is impossible to certify that a shipment is absolutely free of weed seeds or soil. Without such an agreement, the industry will lose access to its largest export market for peas and lentils.

The U.S. industry believes that the USDA/APHIS phytosanitary certificate provides the Indian government with adequate assurances that the shipments are free of quarantine weed seeds and soil contamination.

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.

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 2009-2010 marketing year, U.S. frozen potato exports to Indonesia reached $10 million, an increase of 29% over the previous year. The industry estimates that Indonesia's binding of the tariff at 5% would provide predictability to exporters and importers and increase annual exports to Indonesia to $15.

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 # 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 20007, 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. A recent example of disrupted trade occurred in September 2010, when import permits were issued at some ports without the proper language allowing in-transit cold treatment.

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 degree 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 (and other fruits and vegetables) 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.

Fresh Potatoes: Documentation Requirements (Standards, Testing, Labeling & Certification)
The U.S. fresh potato industry is interested in opening the Indonesia market but has had difficulty in pinning down market access requirements.

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, as well as other fruits and vegetables, 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 on a bi-monthly basis, which is a very trade restrictive requirement that is unique to Indonesia.

In addition, it is important to emphasize that Indonesia's demand for a Good Manufacturing Process Certificate, which must be issued by a government entity, cannot be met by the United States because the document does not exist. Moreover, the Government of Indonesia's request for manufacturing processes, ingredients and formulations is an infringement of the intellectual property rights of companies, many of which consider this information proprietary. The Government of Indonesia has not provided any justification for this request. Although some companies have provided this information, many other have not done so.

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 2011.

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 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 2010. 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 between $5 million and $20 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 and the SPS barrier are eliminated, the industry would expect exports to increase by less than $5 million per year.

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. In 2004 the U.S. and Israel renegotiated the 1996 ATAP, which had expired in 2001.

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 2010. 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
Once the TRQ is eliminated, the industry would expert exports to increase by less than $5 million per year.

<u>Wine: Tariff (Import Policies)</u>
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.

<u>Apples: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)</u>
On March 18, 2009 Israel's Plant Protection and Inspection Service notified USDA/APHIS of forthcoming changes to the U.S. apple cold treatment requirement. U.S. apples have been exported to Israel from 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, under a temporary agreement, Washington apples can be exported to Israel under a cold treatment protocol similar to that required to export apples to Mexico. The Washington apple industry, however believes that the cold treatment 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 with any apple maggot detection.

Israel has formulated rules that require cold treatment to follow the protocol as published in the APHIS treatment manual. This is a U.S. internal issue and is problematic in that numerous pulp temperature probes are required in each cold room, the number being scaled to room size. It does not follow the protocols that are in use in the Pacific Northwest for Mexico and China. It is impractical for the industry to retrofit several thousand commercial cold rooms to accommodate Israel only. APHIS' treatment protocol is designed for treatment of tropical fruit flies and is unnecessary for apple maggot cold treatment.

Israel has agreed to temporary use of the Mexico treatment protocol for the current season until June 1, 2011. APHIS needs to revise and update its treatment manual to reflect current practices and avoid the risk of other countries such as Mexico and China misunderstanding and thereby requiring compliance with the manual for pests such as codling moth and oriental fruit moth; non-tropical pests. The Washington apple industry requests that this matter be brought to the attention of APHIS and that direction be given to that agency to update its treatment manual which is currently inadequate, but is available globally on the Internet.

Estimated Potential Increase in Exports from Removal of Barrier
If the issue is resolved, the U.S apple industry would maintain a market that is 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. The two countries have continued to exchange technical information so that Israel can finalize the PRA.

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 an alternative to cold treatment and apple maggot free areas, pears can now be certified to a specific degree of firmness at which infestation by apple maggot is unlikely to occur.

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.

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 after the elimination of the tariff.

Cod: Tariff (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.

Dehydrated Potato Flakes: Tariff (Import Policies)
Japan currently imposes an excessive 20% tariff on U.S. exports of dehydrated potato flakes (HS 1105.20/HS 2005.2). 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 $292 million worth of the product in marketing year 2009-2010. The United States also exported $16 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 4.3%.

Frozen French Fries: Tariff (Import Policies)

The Government of Japan currently collects 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 $292 million worth of the product in marketing year 2009-2010. The United States also exported $16 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 5% 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.

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%
0404.10.129	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 hinder 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. This particularly troubling since APHIS recently granted market access to all Japanese apple varieties.

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 2009-10 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 July 2006, the Government o Japan partially reopened its market to allow imports of some U.S. beef and beef products from animals aged 20 months or younger produced under a special program for Japan.

Unfortunately, the export protocol implanting the re-opening of the market, as well as other Japanese border markets, has not proven to be commercially viable , preventing U.S. beef exporter from reaching their historic level of exports to Japan. Before the import ban was imposed in 2003, Japan was the largest foreign market for U.S. beef and beef products with total exports approaching $1.4 billion in 2003.

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. Negotiations between USTR and Japanese government officials led to a written agreement that provided substantial relief to the U.S. cherry industry, but Japan has ignored that agreement following recent MRL violations.

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: Fumigation Upon Arrival (Standards, Testing, Labeling & Certification)
In 2009, the Japanese government began accepting Pacific Northwest non-fumigated cherries under a systems approach. Although unlikely, it is possible that Western cherry fruit fly (*Rhagoletis indifferens*) could be detected upon arrival at a port of entry in Japan. Under the current work plan, the product must either be re-exported or destroyed.

Cherries have been exported to Japan for more than thirty years but Japan has refused to allow fumigation on arrival for Western cherry fruit fly. Cherry exporters and importers need this fumigation option available to decrease uncertainty as the cherry growers increasingly turn to the systems approach in the coming years. Last season the United States provided the Government of Japan with efficacy data on methyl bromide fumigation for Western cherry fruit even though the information had been provided to Tokyo many years before. The Washington cherry industry urges the United States Trade Representative to press Japan to accept methyl bromide fumigation treatment of cherries as a quarantine measure.

Cherries: Phytosanitary Varietal import Prohibition (Standards, Testing, Labeling & Certification)
The Government of Japan insists of 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 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.

The Washington cherry industry is particularly not happy with the October 22, 2010 final rule issued by the Animal and Plant Health Inspection Service (APHIS) that allows all varieties of Japanese apples to be imported into the United States under the same provisions that previously allowed for the importation of the Fuji variety. In reaching this decision APHIS reasoned that the risk associated with allowing the importation of other varieties of apples was the same as that posed by Fuji apples. The Washington cherry industry urges U.S. officials to insist that Japan adopt the same scientific approach with respect to their market access request for additional cherry varieties that the United States has taken with respect to Japan's request for market access for apple varieties other than Fujis.

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.

Fresh 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. In particular, 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 12 states 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 Japanese plant which must have an extensive waste management system. The U.S. industry is hopeful that the Government of Japan will approve another processing facility in time for the 2011 season. The U.S. fresh potato industry would also like to be able to extend the time period for shipments to the month of July as this would allow for a significant amount of additional shipments and would not conflict with the Japanese potato season.

The bottom line, however, is that Japan's market access limitations on U.S. fresh and chipping potatoes are not based on sound science and should be eliminated.

Estimated Potential Increase in Exports from the Removal of Barrier

In the 2010 shipping window to Japan (February-June) for US chipping potatoes, Japan imported a record 1,899 metric tons of US chipping potatoes, the highest level of imports since Japan opened its market in 2006. The potato industry estimates that the approval of additional chipping plant facilities could lead to an increase in exports to $5 million per year. Opening the market further to fresh potatoes could increase sales by $10 million in the first year and $50 million in three years.

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 it 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.

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 the importation of products that exceed certain levels of pesticide residues. 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 about 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. In 2008, for example, as a result of a MRL violation on a shipment of fresh potatoes, Japan immediately announced that one-third of all future shipments of U.S. fresh potatoes and "simple processed potatoes" would be tested for the pesticide. A second finding would likely result in 100% of shipments being held at ports for residue testing. Fortunately, Japan restored the U.S. potato industry to normal testing rates in January 2009 after taking residue samples from over 60 shipments that demonstrated that residues were under the Japanese MRL.

Japan's MRL sanctions policy punishes innocent shippers and is not the "least trade restrictive" policy as required under WTO rules. Several other U.S. industries have also faced similar sanctions for a single 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. Unfortunately, the Government of Japan has interpreted the agreement differently and continues to punish entire industries for a single violation. The U.S. industry encourages USDA and USTR to continue to monitor this issue, revisit the MOU and engage MHLW immediately should Japan imposed industry-wide sanctions after a small number of violations.

Finally, the U.S. industry is concerned about Japan's parent compound/break down (metabolite) policies which differ from those of the United State and, as a result, U.S. product can be held to a more restrictive MRL than needed.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is by far the largest foreign market for U.S. frozen French fries. During the 2009-10 marketing year, U.S. exports of frozen French fries reached $292 million while dehydrated potato product exports totaled $16 million. In order to sustain 2% to 3% growth, the industry seeks transparency in Japan's food safety regulations, and the least trade-restrictive actions when applying sanctions for pesticide residue violations or coliforms.

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

On occasion, Japan has rejected shipments of French fries due to the presence of coliforms. Japan maintained a zero tolerance policy on coliforms on fries because its classified frozen French fries 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. This new category designation will continue to protect Japanese consumers, while ensuring that U.S. frozen French fries will not be unnecessarily rejected.

The U.S. process potato industry welcomes this change and worked with MHLW to establish a transition period through 2010 that will allow labeling to be adjusted. The transition will be completed by December 31, 2010 and the issue will be resolved. The U.S. industry appreciates MHLW, the U.S. embassy in Tokyo and USTR for helping resolve this issue.

Estimated Potential Increase in Exports from Removal of Barrier

Japan is by far the largest export market for U.S. frozen French fries, with exports reaching $292 million during the 2009-10 marketing year. In addition, the U.S. industry exported $16 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.

<u>Raspberries: Pesticide MRLs (Standards, Testing, Labeling & Certification</u>)
Several years ago the Japanese Ministry of Health, Labor & Welfare (MHLW) established a new regulatory regime, the so-called "positive list" covering several thousand agricultural chemicals. If a substance is not "positively" on the list with a designated Japanese MRL for a given agricultural or food product, the default value is 0.01ppm, which in practical terms is zero. In the past, if the Government of Japan had not established a MRL for a substance and commodity, it deferred to the Codex MRL. Under the new Japanese policy, this Codex default has been eliminated.

If a MRL violation is found, the products of the company in question are subjected to 100% testing. If further violations are found, then the MHLW immediately implements draconian testing ratios of 50% or 100% for the product on a country-wide basis.

Bifenezate is a mitricide extensively used on many horticultural crops, including cane berries and red raspberries. Depending upon the growing region and climate, it is a critical substance utilized in the control of mites, to which raspberry plants are susceptible.

In 2009, two or more violations were allegedly found on U.S. red raspberries. In response the MHLW implemented punitive testing levels to all U.S. red raspberry shipments for several months. In the first violation, two rejected shipments were valued at $264,000 with a reported .228 ppm reading. The second violation was from a California company shipping Oregon berries. If a third violation had been found, the testing ratio would have been raised to 100% for all red raspberry products originating in the US. This inspection increase would have essentially brought all exports to a halt.

Exports of red raspberry products to Japan are inhibited by the fact that Japanese importers, processors, and American exporters are fearful of being found by the Japanese MHLW to be in violation of the current Japanese MRL of 0.01ppm. Both importers and food processors in Japan have expressed their frustration and fears about the threat of draconian testing levels being implemented by MHLW. In the case of 50% or 100% testing, imports would essentially cease as a practical matter.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
Ultimately, establishment of the higher MRL by the MHLW will eliminate the uncertainty that affects future crop shipments to this important export market. Japan is the number one export market for Washington red raspberries with exports reaching an estimated $1.8 million in 2008. It is an important market for other western states as well. Washington ranks number one in all red raspberry production in the country. A major benefit will also be realized for future expansion opportunities in Japan.

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 collects 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 assesses 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.

MEXICO

Apples: Trucking Retaliatory Duties (Import Policies)
On April 19, 2010, the Government of Mexico amended the list of products targeted for retaliation as a result of the cross-border trucking dispute. As a result of the tariff retaliation rotation, U.S. apples now face a 20% retaliatory tariff. The Washington apple industry urges that the United States honor its NAFTA trucking obligations.

Estimated Potential Increase in Exports from Removal of Barrier
The Washington apple industry estimates that the impact of retaliatory duty could reach $25 million to $50 million per year.

Apricots: Trucking Retaliatory Duties (Import Policies)
On April 19, 2010, the Government of Mexico amended the list of products targeted for retaliation as a result of the cross-border trucking dispute. As a result of this shift, U.S. apricot exports to Mexico now face a 20% retaliatory tariff. The Washington apricot industry urges that the United States honor its NAFTA trucking obligations.

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 the agreement's trucking provisions. 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 failed to comply with the agreement'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.

Although Mexico agreed in August 2010 to lower the retaliatory tariff to 5%, the U.S. industry continues to urge the Obama Administration to resolve this issue as quickly as soon as possible because Canadian frozen French fries still have a commercial advantage as a result of the tariff on U.S. product.

Estimated Potential Increase in Exports from Removal of Barrier
Since the imposition of 20% tariffs, Washington frozen French fry exporters have lost a very significant amount of market share in Mexico as importers shifted to sourcing the product from Canada. For fiscal year 2009 – 2010 (July-June), the U.S. exported 45,301 MTs of frozen French fries to Mexico, a 41% decrease from the 76,593 MTs exported during the 2008-2009 fiscal year. During that same time period, Canadian frozen French fry exports to Mexico increased 39% from 40,906 MTs to 57,052 MTs. As a result of this change in market share, Mexico is no longer the second largest export market for the U.S. frozen French fry industry.

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 the agreement's trucking provisions. As part of this action, the Government of Mexico imposed a 20% tariff on U.S. pears.

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

Estimated Potential Increase in Exports from Removal of Barrier
In 2008, the value of Washington pear exports to Mexico surpassed $33 million. Since the imposition of these duties, Washington pear exports to Mexico have declined by 56%. The pears industry estimates that the Washington and Oregon industry have lost $21 million since the imposition of the retaliatory tariff.

Cherries: Phytosanitary Export Work Plan (Standards, Testing, Labeling & Certification)
The Government of Mexico requires monitoring (trapping) 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, western cherry fruit fly 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 western cherry fruit fly in lieu of trapping.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2009 cherry season, Pacific Northwest cherry exports to Mexico reached $3.5 million. If the NAFTA trucking and export work plan issues were resolved, the industry sees growth potential in the Mexican market with the expansion of U.S. cherry production and resulting lower prices.

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.

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.

The Government of Mexico is currently reviewing its regulation (NOM-12) that restricts fresh potato imports from the United States. The NOM-12 must be amended to expand market access. As part of this review, the Government of Mexico is attempting to add additional pests to the regulation which would likely serve to prevent any further market opening. Given the provisions of the WTO SPS Agreement, it is notable that USDA has notified Mexico that there are citations of the existence of many of these additional pests in Mexico. Without official controls, none of these pests should be added to NOM-12 and they should not be considered quarantine pests since they already exist in Mexico. Mexico has dragged out its review of NOM-12 for more than two years in an apparent attempt to delay market opening. There is not end in sight for this review. The U.S. industry urges the United States to hold Mexico to the 2003 bilateral agreement and insist that the review be completed as soon as possible based on sound science and international SPS standards.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2009-2010 market year, U.S. fresh potato exports to the border region reached $31 million. The industry estimates that annual exports to Mexico could reach $75 million with the removal of all phytosanitary restrictions.

Peaches and 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 in the Pacific Northwest.

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 Government of Mexico continues to insist on oversight by Mexican officials and noted that the elimination of this requirement would necessitate a change to federal regulations.

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.

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 will 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 duty on imported apples between May 1 and November 30. Imported apples face a 0.03 NOK per kilo duty during the remainder of the year.

Cherries: Tariff (Import Policies)
The Government of Norway collects a 5.57 Norwegian kroner (NOK) per kilo tariff on imported cherries all year round.

Pears: Tariff (Import Policies)
The Government of Norway assesses 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

Fruits and Vegetables: Tariffs (Import Policies)
The Government of Pakistan imposes tariffs that range from 10% to 30% on imported vegetables and fruits.

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)
Under the U.S.-Panama FTA, American French fry exports will be governed by a 3,500 MT quota in the first year after the 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. frozen potato exports to Panama reached $3.7 million during the 2009-2010 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.

PHILIPPINES

Apples: Tariff (Import Policies)
The Government of the Philippines assesses 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.

Dehydrated Potato Products: Tariff (Import Policies)
The Government of the Philippines currently collects a 15% tariff on imported dehydrated potato products.

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 product. The current applied rate is significantly below the WTO bound rate of 35%.

Estimated Potential Increase in Exports from Removal of Barrier
During the 2009-2010 marketing year, U.S. frozen French fry exports to the Philippines reached $25 million dollars. The industry estimates that the elimination of Philippine tariffs would increase demand by approximately $20 million per year in the short-term.

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 would have to be carried out for potatoes not destined for processing. In March 2010, APHIS submitted the information required for the Philippines to conduct a PRA, but there has been no response from the Government of the Philippines.

Estimated Potential Increase in Exports from Removal of Barrier

Market access for fresh potatoes could lead to more than $15 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 less than $5 million a year in additional exports.

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.

Pears: 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.

Wine: Tariff (Import Policies)
The Government of Russia imposes a 20% tariff on U.S. wine. Wine exporting countries have been pressing Russia to lower the tariff as part of the country's WTO accession agreement.

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. Wine importers must a;sp 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 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. That tariff issue, however, is moot because 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 pending 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 /safeguard mechanism 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. U.S. asparagus will immediately receive duty-free treatment under the KORUS-FTA.

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 barely. 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 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The USITC estimates that once the BSE issue was resolved and the KORUS-FTA fully implemented, American bovine meat product exports would increase by $0.6 billion to $1.8 billion per year and there could be a 1.8% job increase in U.S. beef output and employment nationwide.

In 2003, prior to the closing of the Korean market after the U.S. BSE finding, Washington exported $26.4 million beef products to Korea. This level should increase under the KORUS-FTA.

<u>Canned Cherries: Tariff (Import Policies)</u>
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.

<u>Canned Corn (Sweet) : Tariff (Import Policies)</u>
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.

<u>Cheese: Tariff (Import Policies)</u>
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.

<u>Cherries: Tariff (Import Policies)</u>
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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
South Korea has been a rapidly growing market for Washington cherries with exports peaking at $12.6 million in 2007, before dropping to nearly $10 million in 2008, and $6.3 million in 2009. 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.

<u>Coffee: Tariff (Import Policies)</u>
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%. Under the US-Korean Free Trade Agreement (FTA), the tariff on roasted coffee will be eliminated.

In addition, the FTA reverses a trend from NAFTA and CAFTA by containing a preferential rule of origin, conferring origin on all U.S. beans roasted in the United States regardless of where the beans were grown. As a result, coffee beans roasted in the United States prior to export to South Korea will receive duty-free treatment.

<u>Dehydrated Potato Flakes: Tariff Rate Quota (Import Policies)</u>
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 US-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.

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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%

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
During the 2009-2010 marketing year, U.S. dehydrated potato exports to South Korea reached $1 million. The U.S. industry estimates that the annual export of U.S. potato products could reach $75 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 agreement 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 $43 million in marketing year 2009-10. During that marketing year U.S. dehydrated potato exports to South Korea reached $1million. The U.S. industry estimates that the annual export of U.S. potato products could reach $75 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 2006 and 2008, the United States exported an average of 7 million liters of grape juice valued at $11.7 million each year. Although U.S. grape juice producers currently hold a 52% 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. 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.

<u>Pears: Tariff (Import Policies)</u>
U.S. pear exports to South Korea currently face a 45% tariff. South Korea, however, 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The industry estimates the removal of the phytosanitary restriction and tariff would lead to less than $5 million in pear exports each year.

<u>Pork: Tariff (Import Policies)</u>
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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
Between 2006 and 2008 U.S. pork producers annually exported an average of 90,000 tons of fresh, chilled, or frozen pork, valued at $212 million. Although U.S. pork exporters held an average market share of 28% during that three year time-period, they face strong competition from the European Union and Canada, which held 41% and 19% 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 fee trade agreements with South Korea, which could place U.S. pork exporters at a disadvantage.

<u>Skim/Whole Milk Powder and Condensed/Evaporated Milk: TRQs (Import Policies)</u>
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.

<u>Wheat: Tariff and TRQ (Import Policies)</u>
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

Korea is the American wheat industry's largest overseas markets, with shipments averaging 1.2 million MTs per year valued at $370.9 million between 2006 and 2009. Washington wheat exports to South Korea between 2007 and 2009 averaged $59.33 million per year. 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.

U.S. whey feed exports will receive immediate duty-free access under the pending bilateral free trade agreement. 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 United States The American share of Korea's whey market for feed and food is 44%. The KORUS agreement should help U.S. whey producers increase their exports and expand their market share.

Wine: Tariff (Import Policies)

U.S. wine exports to South Korea currently 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 $12.7 million per year between 2007 and 2009, despite stiff competition from France, Italy, 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 since the mid-1990s but Seoul continues to ban the importation of fresh apples for a myriad of 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, U.S. and South Korean negotiators reached an agreement on the sanitary rules governing U.S. beef exports to South Korea. The agreement allowed for the importation 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 are under 30 months old when slaughtered and from which certain SRMs are removed. The voluntary agreement was intended to be 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, Pacific Northwest 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.

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

Like Japan, South Korea has occasionally rejected U.S. frozen French fry shipments due to the presence of coliforms. The Government of South Korea maintains a 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, coliforms would be eliminated when they are processed by cooking oil.

The U.S. industry's strategy is to finalize the Japanese coliform transition prior to approaching the South Korean government about classifying U.S. frozen French fries into a more appropriate food category. Once the transition has been accomplished in Japan, the U.S. industry plans to contact the U.S. embassy in Soul to pursue a similar path to resolving the issue.

Estimated Potential Increase in Exports from Removal of Barrier
South Korea is the third largest foreign market for U.S. frozen French fries with exports reaching $43 million during the 2009-10 marketing year. In addition, during that time period, the United States exported $1 million in dehydrated potato product to South Korea. The U.S. industry fears that a potato coliform violation could disrupt the market.

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

The U.S. processed potato industry is concerned that the 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 South Korea. However, such a system requires copious record keeping and adds significant expenses for U.S. potato exporters.

In addition, the IP system requirements would pertain not just to primary products, such as fresh potatoes, but also to any ingredients associated with a processed product, such as oils are rice. IP handling for all the ingredients of processed potato products would be a more difficult undertaking for the U.S. industry. 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 third largest foreign market for U.S. frozen French fries with exports reaching $43 million during the 2009-10 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.

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

In June 2010 the Government of South Korea increased pesticide residue testing on a U.S. commodity in response to a violation in Taiwan even thought the situations are completely different. South Korea maintains a national MRL list and then defers to Codex and other standards when no national MRL has been established. By contrast, Taiwan has a limited MRL list and does not defer to any other standards. For over a decade, U.S. commodity groups have been trying to address the Taiwan situation. The South Korean government should not take additional actions on MRL issues due to violations under Taiwan's more restrictive MRL system. A violation in Taiwan does not signify that the shipment would have violated South Korean or U.S. MRL policies. It is more likely that it reflects Taiwan's failure to establish a MRL for the substance. Korea should only increase residue testing when there is cause for concern in South Korea.

Estimated Potential Increase in Exports from Removal of Barrier:

South Korea is the third largest foreign market for U.S. frozen French fries with exports reaching $43 million during the 2009-10 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.

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%. Under the US-Korean Free Trade Agreement (FTA), the tariff on roasted coffee will be eliminated.

However, in order for Starbucks to benefit from any tariff reduction under the FTA, Seoul would have to 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. Starbucks is please that the FTA reverses a trend from NAFTA and CAFTA by containing a preferential rule of origin, conferring origin on all U.S. beans roasted in the United States regardless of where the beans were grown.

SRI LANKA

Apples: Tariff (Import Policies)
Sri Lanka imposes a 28% tariff on U.S. cherry 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)
The Government of Sri Lanka collects a 28% tariff on U.S. cherries, 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. After several years of negotiations, in May 2010, there were indications that Sri Lanka had agreed to adjust some importations terms that would allow all U.S. seed potatoes to be imported more easily but some additional changes are necessary.

Over the past year, the United States has been able to export some potatoes through an import permit system. The U.S. industry urges Sri Lanka to continue to allow market access for seed potatoes based on sound science and to apply consistent trade measures to Europe and the United States.

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 are struggling with 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)
U.S. cherry exports to Taiwan currently face a 7.5% duty. 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)
Taiwan currently assesses a 20% tariff on U.S. fresh potatoes. The U.S. industry urges that Taiwan bind its tariff on fresh potato imports to less than 10% as part of the ongoing round of WTO negotiations.

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	12.5%

	(frozen fries) >1.5kg.	
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 2009-10 marketing year, the United States exported $31 million in frozen French fries and $1 million in dehydrated potato products to Taiwan. The industry urges Taiwan to 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 a total of $50 million in annual processed potato exports to Taiwan.

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 based on the environmental requirements for codling moth to complete its lifecycle, the climate in Taiwan and the very low rate of codling moth infestation, 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.

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 as Taiwan is clearly in violation of Article 5 of the WTO SPS Agreement which provides the obligations for "Assessment of Risk and Determination of the Appropriate Level of Sanitary and Phytosanitary Protection".

<u>Estimated Potential Increase in Exports from Removal of Barrier were Removed</u>
In 2004, Taiwan closed its market to U.S. apples after a third codling moth find. The resulting four month closure directly cost U.S. apple growers at least $15 million in lost sales to Taiwan while leading to an additional $10 million to $20 million in losses stemming from lower apple prices in the U.S. market due to increased supplies.

Historically, Taiwan has been the apple industry's second or third most important foreign market, with exports averaging approximately 200 million apples per year. The elimination of the three-strike penalty could save the industry $30 million or more if the market is closed in the future.

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

In early 2009 the authorities in Taiwan took action related to previously unannounced increased enforcement of its pesticide maximum residue level (MRL) policy for imported food which disrupted exports of Pacific Northwest apples exports. 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 urge authorities in Taiwan 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)

Currently, U.S. exporters are able to ship all cuts of beef to Taiwan provided that they come from cattle under that age of 30 months.

The U.S. government is displeased that in January 2011, officials in Taiwan publicly announce that it had detected trace residues of ractopamine in two U.S. beef shipments. Ractopamine is a feed additive which is banned in Taiwan even though it is approved for use in the United States and twenty-five other countries. Taiwan maintains a zero tolerance for the substance, even though in 2007 Taiwan conducted its own risk assessment and determined it was safe. USDA has indicated that it does not believe that there is any scientific basis for questioning the safety of the use of ractopamine within the MRLs established by the United States, Japan, South Korea and other countries.

At this point in time it is not clear how the Taiwanese authorities will handle this finding.

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 a record of approximately $200 million in 2010, topping the previous record of $140 million in 2009. Much of the increase in 2010 was due to the fact that it was the first year when they could ship bone-in beef.

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 urge their counterparts in Taiwan 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.

<u>Fresh Potatoes: Phytosanitary Restriction – Late Blight (Standards, Testing, Labeling & Certification)</u>
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. Further, this restricts the potatoes that are available for export to Taiwan as the inspection cannot occur after harvest.

In November 2009, Taiwan requested that the planned bilateral discussion be reschedule but no discussion have taken place since that time.

<u>Estimated Potential Increase in Exports from Removal of Barrier were Removed</u>
Improved market access could lead to exports increasing from $4 million to $10 million to $15 million in a few years.

<u>Pears: Pesticide MRLs (Standards, Testing, Labeling & Certification)</u>
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 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 urge their counterparts in Taiwan to defer to Codex MRLs or trading partner MRLs in the event that an import tolerance has not yet been established in Taiwan.

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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 2009 Taiwan increased the testing of imported products for pesticide residue violations, which immediately led to the detention of shipments. In June 2010, Taiwan again took action against U.S. commodities 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 40.

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 and 2010, there still 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. In addition, Taiwan refuses to create a comprehensive provisional MRL list similar to that implemented by Japan during its transition. 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 over the last two years.

Finally, Taiwan has publicly announced violations, which invariably leads to media reports insinuating that U.S. food is unsafe. Although these reports are not true, they can damage sales.

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 any 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 2009-10 marketing year, the United States exported $31 million in frozen French fries and $1 million in dehydrated potato products to Taiwan. Resolving the pesticide residue issue would save the U.S. industry millions of dollars each year.

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.

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.

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. The 2010 TRQ for fresh potatoes was 36,000 MTS, the same level as 2009. 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, although seed potatoes from Washington, Idaho, California and Oregon are allowed entry into Thailand. The seed potato TRQ for 2010 announced by the Thai Department of Foreign Trade was 1,430 MTs, a substantial drop from the 7,178 MT TRQ for 2009.

Frozen French Fries: Tariff (Import Policies)

With the lack of progress in the U.S.-Thailand FTA and WTO Doha negotiations, importers are shifting their frozen French fry purchases to Australia and New Zealand producers which only face a 15% tariff. In addition, Chinese fries have also achieved preferential access under the China-ASEAN FTA. By comparison U.S. exporters face a 30% or 25 baht/kg tariff, which is among the highest in the world.

The U.S. industry urges the U.S. government to seek a unilateral reduction in the frozen French fry tariff to the levels provided to Australia and New Zealand under their FTAs.

Estimated Potential Increase in Exports from Removal of Barrier

In marketing year, 2009-10, Thailand imported $9 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.

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.

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. It appears that 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.

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 and 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 a12% 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.

In July 2009, APHIS and the U.S. potato industry hosted senior Uruguayan officials in an effort to persuade Uruguay to adjust its unreasonable powdery scab tolerance. Although Uruguay agreed to adjust the tolerance and change the classification or powdery scab to that of a non-quarantine pest, the change has not been completed. The U.S. industry urges Uruguay to follow through on its commitment.

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. Consequently, Washington apples are excluded from the market for much of the year.

Estimated Potential Increase in Exports from Removal of Barrier
The apple industry estimates that apple exports to Venezuela would increase by $5 million to $25 million per year if the tariff was eliminate and import permits were issued freely to importers.

Apples: Import Permits (Import Policies)
In 2010, Venezuela ceased issuing import permits for most of the year 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.

Estimated Potential Increase in Exports from Removal of Barrier
This past season, there were essentially no U.S. apples exports to Venezuela with the loss of that market valued at $5 million. The apple industry estimates that apple exports to Venezuela would increase by $5 million to $25 million per year if the tariff was eliminated and import permits were issued freely to importers.

Cherries: Tariff (Import Policies)
Venezuela assesses a 15% tariff on the ad valorem value of U.S. sweet cherry imports. U.S. 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.

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. As a result, Washington pears are effectively excluded from Venezuela for much of the year.

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 and the granting of import permits without restriction 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 import.

Estimated Potential Increase in Exports from Removal of Barrier
The pear industry estimates that exports to Venezuela would increase by less that $5 million per year if the tariff was eliminate and import permits were issued freely to importers.

VIETNAM

Apples: Tariff (Import Policies)
Under Vietnam's WTO accession agreement, the tariff on apples will drop to 10% from 25% in stages as outlined in the following chart:

01/01/10	01/01/11	01/01/12
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.

Asparagus: Tariff (Import Policies)
The Government of Vietnam currently collects a 34% tariff on imports of asparagus.

Cherries: Tariff (Import Policies)
In 2011, Vietnam will impose a 15% tariff on U.S. cherry imports, down from the 20% level in 2010. Under Vietnam's WTO accession agreement, the tariff will drop to 10% in 2012.

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
In 2009, Washington cherry exports topped $29,000, down from $60,000 in 2007. The industry estimates that cherry exports to Vietnam will increase by less than $5 million per year after the tariff has been eliminated.

Fresh Potatoes: Tariff (Import Policies)
The current Vietnamese fresh potato tariff is 20%.

<u>Frozen Potato Products: Tariff (Import Policies)</u>

Under Vietnam's WTO accession agreement, signed on May 31, 2006, Vietnam agreed to gradually lower the 40% tariff on frozen French fries to 13% over a six- year period. By 2010, the tariff had fallen to 22%. In addition, Hanoi agreed to lower the tariff on dehydrated potatoes from 40% to 18% over a five-year period, with the 2010 rate falling to 22.4%. The U.S. industry seeks the immediate elimination of these tariffs as part of the ongoing round of WTO negotiations or the Trans Pacific Partnership negotiations.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>

At the present time, Vietnam is a small market for U.S. frozen French fries. During the 2009-10 marketing year, U.S. frozen French fry exports to Vietnam totaled $1.8 million, a 123% increase over the previous year. 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. In view of the rapid expansion of Quick Service Restaurants, Vietnam could develop into an important and growing market worth $25 million or more if the tariff on frozen French fries is eliminated.

<u>Pears: Tariff (Import Policies)</u>

In 2011, the Government of Vietnam will impose a 13% 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 2012.

The industry urges that the tariff be eliminated as part of the ongoing round of WTO negotiations or Trans Pacific Partnership negotiations.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>

In 2009, Washington exported over $100,000 worth of pears to Vietnam, down from the $358,000 exported to Vietnam in 2007, the peak year for exports. The pear industry estimates that exports to Vietnam will increase by under $5 million after Vietnam eliminates the tariff.

<u>Peas: Tariff (Import Policies)</u>

The current Vietnamese tariff on dry peas stands at 10%.

<u>Potato Chips: Tariff (Import Policies)</u>

Pursuant to the 2006 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

Processed Food Products: Documentation Requirements (Standards, Testing, Labeling & Certification)
The Government of Vietnam requires the shipper to provide a manufacturer's "authorization letter" and a Certificate of Analysis for each exported products. The second document is very difficult to obtain because the manufacturer frequently considers the information to be proprietary and confidential. Moreover, Vietnam is the only country that requires a Certificate of Analysis.

In a developing a market such as Vietnam where mixed containers of food products are the norm, this is a very costly exercises that some manufacturers feel is not worth the return on sales.

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 2009, Washington apple exports to Vietnam reached $5 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, 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).

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Estimated Potential Increase in Exports from Removal of Barrier
In 2009, Washington cherry exports topped $29,000, down from $60,000 in 2007. 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, the industry estimates that Pacific Northwest fruit sales should reach the upper end of the $5 million to $25 million range.

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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
In 2009, Washington exported over $100,000 worth of pears to Vietnam, down from the $358,000 exported to Vietnam in 2007, the peak year for exports. 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.