THE WASHINGTON STATE REPORT ON FOREIGN TRADE BARRIERS TO AGRICULTURAL EXPORTS

March 27, 2012

PART I - Alphabetical Listing by Country

Fresh Potatoes: TRQ
Frozen French Fries: Tariff
Pears: Tariff
Wheat: Tariff
Wine: Tariff
Fresh Potatoes: Phytosanitary Import
--- Restriction

Apples: Tariff
Cherries: Tariff
Pears: Tariff
Potato Products: Coliform Standards
Potato Products: Pesticide MRLs

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

Apples: Tariff
Barley: TRQ
Beef: Tariff
Canned Cherries: Tariff
Canned Corn: Tariff
Cheese: Tariff
Dehydrated Potato Flakes: TRQ
Fresh Potatoes: TRQ
Frozen Corn: Tariff
Frozen French Fries & Dehydrated Potato
--- Products: Tariff
Onions: Tariff Rate Quota
Pears: Tariff
Pork: Tariff
Wheat: Tariff and TRQ
Whey: Tariff and TRQ
Apples: Phytosanitary Import Prohibition
Beef: Sanitary Import Restrictions
Cherries: Phytosanitary Import Restrictions
Cherries: Pesticide Standards
Pears: Phytosanitary Prohibition
Processed Potatoes: Coliforms
Processed Potatoes: Pesticide Standards
Wheat: Pesticide MRLs

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

Apples: Tariff
Cherries: Tariff
Fresh Potatoes: Tariff
Frozen French Fries and Other Potato
--- Products: Tariffs
Pears: Tariff
Wine: Tariff
Apples: Phytosanitary Work Plan
Apples: Pesticide MRLs
Cherries: Pesticide MRLs
Fresh Potatoes: Phytosanitary Restrictions
Pears: Pesticide MRLS
Potato Products: Pesticides Standards

Apples: Tariff
Cherries: Tariff
Fresh and Seed Potatoes: TRQ
Frozen French Fries: Tariff
Pears: Tariff
Wheat: Proposed Cadmium Standard

Apples: Tariff
Cherries: Tariff
Pears: Tariff

Apple: Tariff

Apples: Tariff
Pears: Tariff
Wheat: Tariff
Wheat: Import Permits
Wheat: Domestic Supports

Fresh and Seed Potatoes: Import Permits

UKRAINE (page 129)
Apples: Tariff
Cherries: Tariff
Pears: Tariff

URUGUAY (page 130)
Seed Potatoes: Phytosanitary Import
--- Prohibition

VENEZUELA (page 131)
Apples: Tariff
Apples: Import Permits
Cherries: Tariff
Cherries: Import Permits
Pears: Tariff
Pears: Import Permits

VIETNAM (page 133)
Apples: Tariff
Asparagus: Tariff
Fresh Potatoes: Tariff
Cherries: Tariff
Fresh Potatoes: Tariff
Frozen Potato Products: Tariff
Pears: Tariff
Peas: Tariff
Potato Chips: Tariff
Wine: Tariff
Processed Food Products: Documentation
---Requirements
Apples: Transparency/Standards
Cherries: Transparency/Standards
Pears: Transparency/Standards

PART II. - ALPHABETICALLY LISTING BY COMMODITY

PART I

LISTING BY COUNTRY

ALGERIA

Apples: Tariff (Import Policies)
The Government of Algeria currently imposes a 30% tariff on U.S. apple exports.

Cherries: Tariff (Import Policies)
The Government of Algeria currently imposes a 30% tariff on U.S. cherry exports.

Pears: Tariff (Import Policies)
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.

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.

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.

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 2011, 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.

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.

The Government of Argentina, however, has not responded to APHIS' letter. Instead, Argentina has started its own pest risk assessment, indicating that the information will be used to determine the import permit requirements for apples.

For several reasons, the U.S. apple industry believes that Argentina's actions can only be interpreted as being designed to prohibit imports or perhaps gain some negotiating leverage in plant health negotiations with USDA. First, there have been no reported pest violations on any US apple shipments to Argentina. Second, only a small amount of apples have ever been exported to Argentina each year (less than 100 MTS per year.) Third, there is only a very short shipping season of one or two months. And finally, there is a lack of risk from fire blight as supported by the WTO dispute resolution decisions in U.S. vs. Japan and New Zealand vs. Australia.

Given these factors and the low risk posed by US apples, Argentina should issue import permits with the requirements that were in effect prior to 2009.

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 an 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.

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. In 2009 USDA/APHIS submitted technical information to the Government of Argentina that documents that the risk of transmitting the bacteria on mature symptomless pears is very low.

The Government of Argentina, however, has not responded to APHIS' letter. Instead, Argentina has started its own pest risk assessment, indicating that the information will be used to determine the import permit requirements for pears.

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Given these factors and the low risk posed by US pears, Argentina should issue import permits with the requirements that were in effect prior to 2009.

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.

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 does 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.

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. By contrast, Australian apples have access to the U.S. market. In fact, until 2011 Australia banned the importation of apples from all countries. In 2011, the country allowed Chinese apples to be imported and New Zealand apples following a successful WTO dispute settlement case brought by New Zealand. Japanese apples are now allowed entry into Australia.

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 U.S. 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 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. In 2009, Biosecurity Australia finally published its PRA for Pacific Northwest apples, which contained the same overly restrictive requirements that were placed on New Zealand apples.

As a result of these excessive requirements, in August 2007, New Zealand initiated a WTO case against Australia. In 2010 the WTO Panel and Appellate Body ruled in favor of New Zealand, leading Australia to amend its requirements for imported New Zealand apples. In August, 2011, the first shipment of New Zealand apples arrived in Australia.

In light of all these developments, the U.S. apple industry believes that the U.S. market apple request should be a subject of discussion by the Standing Technical Working Group on Animal and Plant Health Measures as established under the SPS Chapter of the U.S.-Australia Free Trade Agreement.

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.

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.

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
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.

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
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
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. exports 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 their 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 2011 Washington pear exports to Brazil totaled nearly $10 million. 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: Marine Renewal Tax (Import Policies)

The Government of Brazil collects a 25% merchant marine renewal tax (MMRT) on imports of U.S. wheat. Although the MMRT transportation tax was suspended for shipments to the Northeast port of Fortaleza for a ten-year period, it has been reinstated. Under the General Agreement on Tariffs and Trade (GATT), additional fees like the MMRT are only supposed to cover the cost of service and the 25% MMRT on ocean freight seems excessive. While mills in the Northeast can request a refund on the tariff, the additional paperwork and hassle, as well as the possibility of not receiving the money back puts the U.S. wheat at a competitive disadvantage to Argentine wheat that does not have to pay the MMRT under MERCOSUR.

Estimated Potential Increase in Exports from Removal of Barrier

Increased competitiveness from the removal of Brazil's domestic subsidies and MMRT, and the implementation of a TRQ, could add between $100 and $500 million in annual wheat sales at today's prices.

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

Brazilian authorities 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 U.S. processed potato industry urges Brazil to apply a sulfite tolerance level at the internationally-accepted standard of approximately 500 ppm.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2010-2011 marketing year the U.S. industry exported nearly $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.

Seafood Products: DIPOA Certification: Sulfite Tolerance (Standards, Testing, Labeling & Certification)

A Washington seafood exporter reports difficulties in obtaining a Department of Inspection of Products Originated from Animal (DIPOA) certificate, which Brazil requires as a condition for importing the product into the country.

Estimated Potential Increase in Exports from Removal of Barrier

The company estimates that the removal of the barrier would lead to $3,000,000 to $5,000,000 in additional exports per year.

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

In 2004 the Government of Brazil officially 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 reflects 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 obtaining the release of seed potato imports because they feared that they would miss the planting season.

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

Estimated Potential Increase in Exports from Removal of Barrier

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)

For years, the Government of Brazil has maintained bans on pests that are unsuitable to the country's climate and farming practices despite APHIS' repeated attempts to negotiate the removal of these phytosanitary restrictions.

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. Brazil's response to these issues has been to threaten reconsideration of all possible quarantine pests in wheat with the possibility of finding new restrictions even though it has not been able to identify any actual quarantine problems with U.S. wheat. These restrictions are counter to the non-discriminatory and scientific principles of the WTO SPS Agreement. This situation has been going on for over 10 years without any sign of progress.

Brazil is a major wheat importer, purchasing up to 6 million MTs on average over the last five years, varying according to the size of the country's domestic crop. During the last ten year the highest market share for US wheat was only 13%, mainly due to the preferential tariff treatment accorded to Argentine and other MERCOSUR wheat exporters. U.S. shipments from the West Coast impacted by the SPS requirements would rarely be price competitive compared with U.S. Gulf shipments. However, the U.S. wheat industry is concerned that Brazil's unwarranted restrictions on flag and cephalosporium stripe could be adopted by other importers, which would cause even further economic loss to U.S. wheat growers.

Estimated Potential Increase in Exports from Removal of Barrier

In those years when West Coast prices are competitive in Brazil, a 10% increase in U.S. wheat exports using the current hard red winter export free on board price o f $340 per metric ton would lead to an economic gain of $100 to $500 million.

Wheat: Domestic Supports (Subsidies)

Upon accession to the WTO every country committed to capping their domestic subsides, including a fixed cap on trade distorting supports, known as the aggregate measure of support (AMS). Countries also have caps on de minimis spending as a percentage of general and product specific production with developing nations capped at 10% percent, developed at 5% and China at 8.5%. Although countries are obligated to annually report domestic supports, Brazil has not notified domestic support spending to the WTO in a number of years.

Based on past notifications and data contained in USDA/FAS country reports, the U.S. wheat industry has detected violations of product specific subsidy caps on Brazil's wheat production. Their analysis indicates that Brazil's product-specific aggregate measure of support (AMS) for wheat was $785 million in 2010—greatly exceeding Brazil's de minimis threshold of $144 million. Similar analysis indicates that Brazil is above its AMS commitments for other commodities such as corn, rice and cotton, with their total AMS totaling $3.9 billion—well above their limit of $912 million.

AMS spending needs to be monitored and U.S. negotiators to the WTO should address this issue through the WTO consultative process in Geneva.

CANADA

Dairy Products: Tariff Rate Quotas (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 $120 million during the 2010-2011 marketing year, an increase from the $91 million in exports the previous 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 to 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 regulated areas. It is notable that 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 United States.

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

The Government of Canada has also proposed, but not acted upon, a proposal to deregulate Soybean Cyst Nematode (SCN) in Canada. Currently, SCN is known to exist in Canada but there are no known internal controls to limit the spread. Although CFIA acknowledges this fact, it continues to place restrictions on US imports from states that have SCN.

Estimated Potential Increase in Exports from Removal of Barrier

Canada is the largest U.S. fresh potato export market with shipments reaching $120 million during the 2010-2011 marketing year.

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 all imported wines to 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: Scaled Tariff System (Import Policies)
Under a bilateral Free Trade Agreement, Chile eliminated duties on U.S. wheat but the product is still subject to a scaled tariff system that mirrors the price band system which continues price floors and ceilings. The scaled tariffs on U.S. wheat will reach zero in 2014 as per the U.S.-Chile FTA. Expediting the phase down period will help U.S. competitiveness. The floor price protects domestic wheat producer, but results in a higher input price to the miller and ultimately the consumer.

Estimated Potential Increase in Exports from Removal of Barrier
Chile imports up to 1.0 million metric tons (MMT) of wheat each year from the United States, Argentina and Canada. U.S. market share averages around 40% and competition is intense between the three suppliers. U.S. suppliers need every advantage possible to maintain a higher market share. Maintaining a 40% market share against lower levels seen in the past few years results in a $50 million increase to U.S. producers.

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.

CHINA

Apples: Tariff and VAT (Import Policies)
Under China's WTO accession agreement, the country agreed to reduce the tariff on U.S. apples from 30% to 10%. 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 was reduced by two percent each year over four years until it was 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 less than $5 million a year if China eliminated the tariff.

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 started entering China duty-free in 2010, while the tariff on New Zealand cherries was eliminated in 2012.

Estimated Potential Increase in Exports from Removal of Barrier
In 2011, Washington cherry exports to China reached $17.5 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.

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 reduced 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 importantly, 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 and 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 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. In 2013, New Zealand frozen French fries will enter China duty-free.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
In 2011 U.S. frozen potato product exports to China reached $72.8 million, while U.S. dehydrated potato products exports reached $4 million. (Of the $72.8 million in frozen potato exports to China in 2011, Washington accounted for $65.7 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.

<u>Wheat: Import Licenses (Import Policies)</u>
China requires wheat importers to obtain an import inspection license from their quarantine agency in order to import wheat and other commodities to make sure that they are aware of various SPS restriction when contracting purchases. The importer must have the certificate in hand before they contract the purchase, rather than before the arrival. In addition, the importer must obtain a new certificate for each order. These requirements are not always practical if the buyer is attempting to capture a particular price window.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in-quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

Wheat: TRQ (Import Policies)
Under China's wheat TRQ system, the country imposes a prohibitively high over-quota of 65% on wheat imports.

Estimated Potential Increase in Exports from Removal of Barrier
Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

Wheat: TRQ Administration (Import Policies)
With respect to TRQ administration, the process of determining which applicants receive TRQs, whether a state trading enterprise (STE) or non-STE is not transparent. China committed to a 9.64 MMT TRQ, with 10% allocated to non-STE participants. Unused STE TRQs are reallocated to private mills or private trading entities on a very limited basis. Based on China's WTO accession commitment and the intent of the working party during accession discussions (which are integral to the agreement), while STE TRQs must use a state-designated buying agent to purchase the commodity, there is no limitation as to the recipients (state or non-state).

Current procedures do not guarantee full utilization of the total TRQ in any given year. Increased TRQ allocation to the private sector and full reallocation of unused STE quotas will provide U.S. wheat growers with much greater access to this market. In addition, the U.S. wheat industry believes that the import licensing procedure is duplicative to the application for TRQ preference and results in another import burden. The Report of the Working Party on China's WTO accession states that import licenses shall be valid for a period of six months, except for exceptional circumstances. The government licensing procedure should be timely in order to allow importers to capture market opportunities, especially in today's volatile price market. Receipt of a TRQ should not require a separate import license that further complicates the import process.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in-quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

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 was lowered to 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 and Australia's restrictions in a case brought by New Zealand, 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

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. 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.

By applying the penalty to the packing facility, China effectively prohibits numerous orchards, (sometimes hundreds of growers), of that facility from exporting. Notifications of alleged interceptions are generally lacking in sufficient detail and are often issued many weeks or months after the interception. This severely limits the US industry's efforts to correct the problem, should one exist.

In March 2010, APHIS proposed that 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

The industry estimates that annual 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The U.S. industry estimates that annual direct beef exports to China would reach $200 million if the PRC lifted the ban.

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

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
During the 2010 – 2011 marketing year, U.S. frozen potato product exports to China reached $61.5 million, making it the third largest overseas market. During this same time period U.S. dehydrated potato product exports reached $4 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, but the two countries are far apart on agreeing on the work plan conditions that are technically justified due to plant health risk.

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, and USDA is now reviewing market access for Chinese sand 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
2010	262	$6.2

Estimated Potential Increase in Exports from Removal of Barrier

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

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

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

In April 2011, the U.S. processed potato industry learned that China was planning to ban two flour bleaching agents, benzoyl peroxide and calcium perioxide. Benzoyl peroxide is a Codex-approved substance used in US flour used by the U.S. processed potato industry. The U.S. industry is not aware of any scientific justification cited by the Government of China for the prohibition, other than the agents might be misused in Chinese food production.

Although China notified this change to the WTO several years ago, the implications of the policy change were not evident until April 2011, when China gave the industry one month to meet the standard, as opposed to the end of the year. Chinese authorities have denied requests for an extension. China's policy affected over a billion pounds of U.S. product that had to be sold to different markets or reformulated, at significant expense to the industry. The fact the product is approved by the United States and by Codex makes the additional expenses particularly troubling.

The U.S. processed potato industry requests that U.S. officials emphasize to China that the country's import policies must be transparent, consistent, based on sound science, and the least trade-restrictive as possible. In view of China's responsibilities as a WTO member, it is important that the country's import regulations meet international standards.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2010 – 2011 marketing year, U.S. frozen potato product exports to China reached $61.5 million, making it the fourth largest overseas market. During this same time period U.S. dehydrated potato product exports reached 4 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).

Efforts by federal officials to open the Chinese market have been complemented by pressure from state governors. 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.

By contrast 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 2010 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. Since there is no known domestic industry opposition to the U.S. market access request, the U.S. industry believes that China is holding up market access only in order to extract market access commitments from the United States.

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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
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 $30 million within five years if China lifted the import prohibition.

Wheat: Food Safety Law (Standards, Testing, Labeling & Certification)

The U.S. wheat industry is increasingly concerned that China's precedent-setting requirements for inspection and certification of origin (traceability) for processed agricultural products will eventually cover raw materials such as wheat. Such a requirement for raw materials will reduce efficiency and increase costs, as wheat shipments often originate from more than one region. Different origins are blended at export facilities to meet buyers' specific quality requirements and to supply the large volumes needed for a single vessel, meaning that if it were even possible there would be high costs for documenting the specific origin of wheat in each shipment.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

Wheat: DON Standard (Standards, Testing, Labeling & Certification)

In 2004 the Chinese Ministry of Health implemented a requirement limiting the mycotoxin DON in wheat to 1.0 part per million (ppm.) which is one of the tightest tolerance levels in the world and the strictest for the Asian market. The concern is the amount of DON in foodstuffs for human consumption but many countries maintain a tolerance of 2pp for wheat for milling and food consumption (which with no decimal place actually allows for detections up to 2.49 ppm in practice.) Although the United States has not established a tolerance for wheat, the FDA has established an advisory level or 1 ppm in finished products, which is in recognition of the fact that cleaning and milling of wheat can actually reduce the level of DON by 50%. As a result, wheat with a 2 ppm of DON can usually be milled and processed into processed flour with a DON level below 1 ppm. Chinese companies have found that some local inspection officials are aware of the reduction in DON achieved by the milling process and sometimes allow the discharge and use of wheat with DON levels as high as 2 ppm. The regulatory requirement, however, forces a 1.0 ppm level in contracts. In years where DON is widespread, US exporters can only supply wheat with low DON levels at a much higher price that is either not competitive with Chinese or other origin wheat.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

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

China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) maintains a list of more than 80 quarantine pests, including *tilletia controversa* Kuhn (TCK) and Karnal bunt (KB). Although China and the United States signed a bilateral agreement in 1999, Beijing disregards the terms of the agreement which allows TCK level of up to 30,000 spores per 50 grams in the composite sample collected, inspected and certified by USDA's Federal Grain Inspection Service (FGIS) or its officially designated agent.

The bilateral agreement allows discharge of U.S. wheat vessels at any port in China with expeditious delivery to buyers and processors without additional treatment. Buyers in some port regions, however, are threatened by local quarantine officials if they import U.S. winter wheat that may have originated from areas where TCK has been previously found. In southern Chinese ports, U.S. winter wheat must be discharged at one designated port and a cleaning fee is assessed, which is estimated to range from $10 to $13 per MT. Although market values for U.S. winter wheat classes are often competitive with wheat from other origins, including domestic wheat, importers have limited purchases because of potential discharge issues and the additional costs and burden to re-ship from the cleaning facility.

The United States conducted research in conjunction with Chinese scientists that resulted in the agreed upon spore level. Additional research, in which China elected to not participate even after the invitation and encouragement of the United States, confirms that TCK cannot be established in environments similar to those in Chinese agricultural areas.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

Wheat: Weed Seed Tolerance (Standards, Testing, Labeling & Certification)

Wheat weed seed rules administered by AQSIQ, such as Johnson grass and jointed goat grass, discourage buyers from importing wheat that may contain those weed seeds even though these weeds are present in China. The absence of a documented transparent national control program for weed seeds is another factor inhibited exports.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

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: Discriminatory VAT System (Subsidies)

China's value added tax (VAT) administration creates an additional barrier to the growing market. Under WTO rules, China is obliged to not discriminate against imported products with respect to internal taxes. Despite this obligation, U.S. wheat industry analysis indicates that imports are taxed at 13% while domestically produced wheat is exempt from the VAT. In addition, VAT exemptions for SOEs are also a concern as it provides a 13% advantage over private importers. Chinese officials also routinely state that SOEs must operate on commercial terms, but the commercial market is not an equal field with the private sector when a VAT exemption exists for SOEs. A 2004 dispute settlement case between the U.S and China concerning semiconductor VAT policy illustrated the discrepancy between imported and domestic products. The two countries achieved a resolution for equal treatment of imported and domestic semi-conductors.

Wheat: Domestic Subsidies (Subsidies)

Upon accession to the WTO in 2001, the Government of China notified domestic subsidy levels to the organization and bound their Aggregate Measure of Support (AMS) at zero. China's de minimis entitlement is 8.5% of the value of production for both general and product specific expenditures. It is important to note that China has not made a domestic support notification to the WTO since 2001.

The U.S. wheat industry's analysis indicates that China's domestic support spending has grown in recent years to levels greatly exceeding their de minimis commitment. For wheat specifically, initial price support calculations indicate price support payments exceeding the 8.5% de minimis level, resulting in non-compliance with China's domestic support commitments.

For 2010, an initial estimate for wheat price support plus other amber box support results in an AMS for wheat of $12 billion, versus a de minimis threshold of only $2.7 billion. These excessive subsidies stimulate production that displaces large volumes of wheat imports. The minimum procurement price for wheat has increased annually, and the 2012 price stands at $319 per MT for non- durum wheat. This minimum price is above today's higher-than-average prices for most classes of high quality U.S. wheat.

In addition, China agreed to not use the Article 6.2 exemption in its accession for resource poor farmers, and said the support to these farmers would be included in China's AMS calculation. This results in a straightforward calculation of domestic support payments. This pattern of AMS spending is not limited to wheat and applies to other crops as well, potentially resulting in a violation of China's overall de minimis cap. China's AMS spending creates another deterrent to U.S.-China wheat trade.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

COLOMBIA

Apples: Tariff (Import Policies)
The Government of Colombia currently imposes a 15% ad valorem tariff on U.S. apple imports. Once the recently passed bilateral trade agreement with Colombia is implemented, the duty on U.S. apples will 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 less than $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 phased-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. Once the recently passed bilateral trade agreement is implemented, the duty on U.S. cherries will 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.

The tariff will be immediately eliminated once the U.S.-Colombia FTA is implemented.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. industry estimates that the elimination of the duty would lead to approximately $5 million in additional exports of processed potato products per year.

Fresh Potatoes: Tariff (Import Policies)
The Government of Colombia applies 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 immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier
At the present time, the U.S. exports $3 million worth of potato products to Colombia each year. The industry expects that exports would increase by several million dollars per year once the tariffs are removed.

Frozen French Fries: Tariff (Import Policies)
At the present time, Colombia applies a 20% tariff on imported frozen French fries from the United States, which is well below the country's 70% bound commitment under the WTO Uruguay Round Agricultural Agreement. 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.

The tariff will be immediately eliminated once the U.S.-Colombia FTA is implemented.

Estimated Potential Increase in Exports from Removal of Barrier
At the present time, the U.S. exports $3 million worth of potato products to Colombia each year. 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.

Pears: Tariff (Import Policies)
U.S. pear exports to Colombia currently face a 15% ad valorem tariff. Once the recently passed bilateral trade agreement with Colombia is implemented, the duty on U.S. pears would be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. industry estimates that exports would increase by less than $5 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 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, a 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 illegally 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.

Estimated Potential Increase in Exports from Removal of Barrier
During the 2010-11 marketing year, the U.S. industry exported $5.7 million worth of frozen French fires to Costa Rica, a 271% increase over the previous year. The U.S. industry had lost significant market share to Canadian producers as they benefited from a preferential TRQ with Costa Rica which went into effect earlier.

As of this time, dehydrated potato exports to Costa Rica have been limited, but the industry is hopeful that they could reach $1 million with the elimination of all tariffs. With full market access, the industry also predicts that fresh potato exports could reach $2 million per year.

DOMINICAN REPUBLIC

Seed Potatoes: Application of Quotas (Import Policies)
Exports of U.S. potato products have been increasing under the DR-CAFTA. However, difficulties have arisen with respect to seed potato exports. Dominican importers of U.S. seed potatoes are not having their full request granted when seeking import permits. Instead, they are being told that there is a quota for seed potato imports and only certain amounts of such product can be imported from the United States. Other countries, such as the Netherlands, are granted other parts of the quota. These restrictions are inconsistent with the DR-CAFTA as there is no quota on seed or fresh potatoes under the agreement.

Officials from USTR and USDA are engaging their Dominican Republic counterparts on this issue and the U.S. industry hopes for a speedy resolution of the situation.

Estimated Potential Increase in Exports from Removal of Barrier
At the present time, the U.S. seed potato industry only exports a limited amount of their product to the Dominican Republic. The country, however, is one of the largest potential seed potato markets in the region and the U.S. industry anticipates much greater exports once this issue is resolved.

ECUADOR

Apples: Tariff (Import Policies)
Ecuador assesses a 17% 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 17% 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 20% tariff on imports of fresh potatoes from the United States.

Frozen French Fries: Tariff (Import Policies)
U.S. frozen French fry exports to Ecuador face a 30% tariff, placing them at a 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 17% 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.

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%. At least partially as a result of the decision to lower the duty, Washington apple exports to Egypt grew from $4.1 million in 2006 to $14.6 million in 2010.

U.S. apple growers, however, are at a competitive disadvantage because as of July 2010 apples from the EU enter Egypt duty-free under the Agricultural Agreement of the European –Egypt Free Trade Agreement. Washington state apples have been exported to Egypt for at least 20 years despite the lengthy transit times and high transportation costs. The EU tariff preference increased the price differential between EU and US apples to a reported six dollars per carton or roughly $6,000 per container. U.S. apple producers are very concerned that they will continue to lose their share of the Egyptian market and urge the United States Trade Representative to seek duty-free access to Egypt for U.S. apples.

As a result of the agreement between the EU and Egypt, US apples exports to Egypt during the 2010/11 crop year declined by 35% in volume. At least partially as a result of this unlevel playing field, Washington apple exports to the EU fell to $5.9 million in 2011. The loss of sales to Egypt is not the only concern because a small amount of apples exported to Egypt are transshipped to Algeria, Chad, Libya, and other North African countries. Therefore, the loss of the Egyptian market has long- term implications for market development in the entire North African region.

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 Agricultural Agreement of the European – Egypt Free Trade 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 as of July 2010 under the Agricultural Agreement of the European –Egypt Free Trade Agreement. The Egyptian market for U.S. pears is very small and unlikely to grow unless the tariff disparity with the EU is eliminated.

Estimated Potential Increase in Exports from Removal of Barrier
In the event that Egypt eliminated the tariff, the U.S. pear industry estimates that exports would rise by less than $5 million per annum based on current market conditions.

Seed Potatoes: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)
Although Egypt is a major importer of seed potatoes from such countries as Syria, Turkey and the Netherlands, the market is currently closed to U.S. seed potatoes. In 2009, however, the Government of Egypt and Egyptian growers expressed an interest in importing U.S. seed potatoes. In response, APHIS, working with the U.S. potato industry, provided the Government of Egypt with a draft proposal for a market access protocol. At the request of the Government of Egypt, the U.S. industry also provided information about pests faced by the seed potato industry.

Progress has been made on this issue and the industry is hopeful that a commercial work plan and a market access agreement can be reached in 2011.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. potato industry anticipates that seed potato exports to Egypt could reach $15 million in a few years once a market access protocol has been reached.

Wheat: Ragweed Standards (Standards, Testing, Labeling & Certification)
In 2010, the Egyptian General Authority for Supply Commodities (GASC) introduced a specification into government wheat tenders requiring wheat to be free from the weed seed *ambrosia* (ragweed), which is a common pest in major wheat producing countries. For decades the United States has routinely supplied several million tons of wheat to Egypt each year without excessive concern over the presence of ambrosia. This new strict specification, however, has led many U.S. wheat exporters to not offer wheat on GASC tenders after the Russian wheat export ban in mid-2010 due to the risk of rejection if ambrosia was found upon arrival in Egyptian ports. Subsequently shipments resumed even though the restrictive tender language remains in place and could again lead to disruptions. This is a case where other exporters are willing to certify freedom from ambrosia even though the weed is likely present in all wheat exporting countries and cannot be entirely removed by cleaning.

Although Egyptian quarantine officials are reportedly conducting a pest risk assessment (PRA) on ambrosia, they have forced GASC to impose this new requirement prior to the conclusion of the PRA. This is an unnecessary precaution as Egypt acknowledges that ambrosia is already present in the country, and quarantine officials have verbally stated that they will not reject cargos but will simply require that they be cleaned (at the shipper's cost) if ambrosia is found. Given the willingness to clean the wheat on arrival, GASC tenders should specify a workable tolerance and a clear indication of how the cargo will be treated when ambrosia is found, provisions that would more accurately reflect statements from quarantine officials and reduce the risk to U.S. wheat shipments.

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

The enforcement of Egyptian food safety and plant health issues is inconsistent. It appears that SPS issues are used by individual Egyptian agencies as a means to promote their own views or perhaps to leverage their positions in the bureaucracy, resulting in expensive delays and unanticipated testing for importers. The Egyptian Organization for Standards (EOS) is charged with updating the country's standards, but the ministries responsible for health and agriculture routinely ignore EOS specifications and set different limits, causing conflict, confusion and higher risk for U.S. exporters which results in them not participating in tenders.

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.

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.

Pacific Whiting: Tariff (Import Policies)

The EU imposes a 4% tariff on imports of Pacific Whiting Cod which is a type of Hake that competes with other global supplier of Hakes. The EU duty on U.S. Pacific Whiting places U.S. exporters at a competitive disadvantage because other countries, such as Peru, who produce Hake do not have to pay the duty.

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 is 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.

Wheat: Vomitoxin and Ochratoxin Standards (Standards, Testing, Labeling & Certification)
The EU maintains sampling and testing requirements for vomitoxin (deoxynivalenol or DON) and ochratoxin for imported wheat shipments. The U.S. Federal Grain Inspection Service (FGIS) offers official testing services for both these mycotoxins, but the EU has not accepted that the rapid methods approved by FGIS are equivalent to the method they require or that FGIS sampling, especially for ochratoxin, is sufficiently intensive. Testing at destination delays delivery which adds costs and creates uncertainty for both buyers and shippers, thereby discouraging sales.

Wheat: Karnal Bund Standards (Standards, Testing, Labeling & Certification)
The EU does not accept APHIS certification for Karnal bunt (KB) in the belief that the APHIS bunted kernel standard for KB does not provide adequate risk protection. Many EU countries, particularly the United Kingdom and Greece, aggressively sample U.S. wheat to test for KB spores. The delay and uncertainty of spore testing of U.S. wheat is known to encourage buyers to seek wheat from other origins, mainly Canada even though both the United States and Canada mainly ship wheat to the EU from ports on the Great Lakes.

It is believed that the EU is the only group of countries that questions the sufficiency of the APHIS bunted kernel methodology for certifying KB. The KB-affected area has gradually dwindled since it was found in the 1990s, and KB is now only found in a few counties in Arizona. In the nearly 15 years since KB was first found in the United States, there has not been any case where KB has emerged elsewhere in the world as a result of U.S. wheat imports and no confirmed case of KB contamination of a U.S. wheat shipment. Nevertheless, APHIS and its EU counterpart have exhaustively exchanged scientific views on this issue without achieving any progress in getting the EU to modify its views on the risks posed by KB and the basis for APHIS certification.

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.

FRANCE

Wheat: Export Subsidies (Subsidies)

French wheat exports to the French territories of Martinique and Guadeloupe are subsidized by the French government, allowing wheat to arrive in these Caribbean islands at below market cost. A portion of that wheat is then transshipped to Suriname. The Surinamese market size is about 35,000 MT, with French wheat accounting for about 40% percent of the total. This transshipment effectively allows French wheat to enter Suriname at subsidized rates, putting U.S. wheat shipments at a price disadvantage.

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

Processed Potatoes: Pesticide MRLs (Standards, Testing, Labeling & Certification)
Hong Kong is currently transition to a "positive" pesticide residue level (MRL) policy. At the present time, Hong Kong defers to Codex MRLs and has acknowledged that these MRLs will serve as a basis for their new MRL list, but plans to supplement them with MRLs from China, Thailand, and the United States.

The U.S. industry has discussed this transition with Hong Kong officials and has pointed out that numerous potato MRLs were not in the provisional Hong Kong MRL list.

Estimated Potential Increase in Exports from Removal of Barrier
During the 2010-11 marketing year, Hong Kong imported $25 million worth of U.S. frozen French fries. The industry anticipates an additional $5 million in annual exports if they are able to successfully transition to Hong Kong's new MRL policy.

INDIA

Apples: Tariff (Import Policies)
The Government of India collects a 50% tariff on the CIF value of imported apples from the United States, which is one of the highest apple tariffs in the world. 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 compared to 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 less than two kilograms, which is very low by global standards. The potential to increase per capita consumption to five kilograms or roughly a five million ton apple market would provide opportunities for both domestic growers and importers. Such growth could well increase domestic production from current levels of less than two million tons to three million tons.

Estimated Potential Increase in Exports from Removal of Barrier
If the tariff were reduced to 30%, U.S. apple exports to India could increase by $5 million to $25 million per year. However, the U.S. apple industry's objective is the complete elimination of the tariff which would result in even greater exports.

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 2011, the U.S. cherry exported only $129,000 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. It is unclear if the other taxes are also applied domestically and are therefore WTO compliant.

The U.S. industry believes that only the ad valorem tariff should be applied to imports and urges India to eliminate the tariff on these products during the current WTO negotiations.

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

The United States exported $1.2 million worth of frozen French fries to India during the 2010-2011 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, based on the interest of U.S. quick service restaurant chains in India. 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.

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

The United States exported $1.2 million worth of frozen French fries to India during the 2010-2011 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.

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.

Value Added/Processed Food Products: Tariffs (Import Policies)
India has a rapidly expanding middle class and demand for imported foods, particularly from the United States, is growing. The excessively high tariffs, however, have increased further to nearly 40% for most processed food product), making it very difficult for U.S. exports to compete.

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%.

Wheat: SPS Restrictions (Standards, Testing, Labeling & Certification)
The U.S. wheat growers remain excluded from the potentially large Indian market because of unreasonable and unevenly enforced quarantined weed seed requirements. India tightens and relaxes their SPS requirements for temporary periods in response to the need for imports. However, U.S. exports cannot even meet the seed requirements for India's relaxed wheat tender terms. As a result, U.S. exporters have been kept out of this market because our country's transparent and highly developed regulatory system admits that the requirements are unobtainable and APHIS cannot certify freedom from these weed seeds in U.S. shipments. Many of the weed seeds in question are common to most wheat exporting countries and only a few exporters, mainly Canada and Australia, clean sufficiently to reduce weed seed presence. However, even after cleaning, certification stating the cargo is free from weed seeds would be difficult to meet.

In 2007 India imported wheat from several countries, including Canada, Australia, the EU, Russia and Ukraine. Other countries are certifying to India's requirements, but in many cases have questionable inspection and certification practices. Despite several rounds of negotiations during 2007, the Indian government refused to amend their tender terms, shutting the United States completely out of the market in a year where India could have been a top American wheat export market. Tenders won by other exporters were somehow able to meet the tender requirements, leading to speculation that the terms were not enforced in a uniform manner.

Estimated Potential Increase in Exports from Removal of Barrier

Depending on domestic production levels, India can be a large wheat buyer in certain years but the United States remains completely shut out of this market based on SPS requirements. Access to this market in those years could have easily resulted in an economic gain of over $100 million to the U.S. wheat industry.

Wheat: Domestic Supports (Subsidies)

Every WTO member commits to domestic subsidy caps as part of their accession to the WTO. This commitment includes a fixed cap on trade distorting supports, known as the aggregate measure of support (AMS). Countries also have caps on de minimis spending as a percentage of general and product specific production, with developing nations capped at 10%, developed at 5%, and China at 8.5%. While countries are to report domestic support spending annually, India has not notified domestic support spending to the WTO in a number of years. Based on past notifications to the WTO and data contained in USDA country reports, the U.S. wheat industry has detected violations of product specific subsidy caps on wheat in India. Analysis indicates that India's wheat-specific aggregate measure of support is between $11.8 and $13.4 billion, well above their de minimis threshold of $2.3 billion.

Similar analysis indicates that India is exceeding price support commitments for other commodities, including rice, corn, soybeans, cotton, soybeans and rapeseed. It is estimated that India's total AMS is between $37.3 and $62.0 billion, while India's total AMS limit is zero. AMS spending needs to be carefully monitored and U.S. negotiators should address this issue through the WTO consultative process in Geneva.

Estimated Potential Increase in Exports from Removal of Barrier

High levels of domestic support and import tariffs protect this market and provide an incentive to grow wheat when importing this crop would be more economical for the country's consumers. Compliance on domestic subsidy spending would likely increase economic returns per acre to U.S. producers due to higher wheat prices and provide more trade opportunities. India is the second largest producer of wheat and one of the largest consumers of wheat in the world. Better market access through reduced tariffs and the removal of phytosanitary barriers could provide a major market opportunity for U.S. producers. India has imported large quantities of wheat two times in the past 10 years, with the highest level totaling 6.7 MMT. Even a 10% market share of that total, or 670,000 MT, translates to roughly $200 million in sales for U.S. wheat producers.

Wheat: Export Subsidies (Subsidies)

India uses export subsidies to get rid of excess wheat supplies when stocks become excessive. These export subsidies allows the Food Corporation of India (FCI) to sell sound wheat to government owned exporters in the past for less than 50% of acquisition costs. This policy results in India becoming one of the largest wheat export subsidizers, which is an unfair practice must be addressed in the Doha Round of the WTO trade negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The permanent elimination of export subsidy use by India would create a level playing field for U.S. wheat producers in years when India decides to export wheat. Competing with non-subsidized Indian wheat would result in higher market prices, creating better returns to all producers.

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. Under the China-ASEAN trade agreement, Chinese apples enter duty-free.

Estimated Potential Increase in Exports from Removal of Barrier
The elimination of the tariff would lead to less than $5 million in increased apple exports to Indonesia per year.

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.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. cherry industry estimates that the elimination of the tariff would lead to less than $5 million in annual increased exports.

Frozen French Fries: Tariff (Import Policies)
In March 2005, the Government of Indonesia raised its applied tariff on fresh table stock potatoes from 5% to 20% in an effort to protect domestic growers. The revised rates falls under the country's 50% bound tariff rate but the U.S. industry urges Indonesia to lower the rate.

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 2010-2011 marketing year, U.S. frozen potato exports to Indonesia reached $11.3 million, an increase of 13.3% 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 by up to $25.

Pears: Tariff (Import Policies)

The Government of Indonesia currently assesses a 5% tariff on pear imports from the United States. Under the China-ASEAN trade agreement, Chinese apples enter Indonesia duty-free.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. pear industry estimates that the elimination of the tariff would lead to less than $5 million in annual increased exports.

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 agreed 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.

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. Cherries should be removed from Decree 37 as a commodity of concern for Indonesia.

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 because processed potato sales to the country and fresh potato exports to Southeast Asia have been growing.

In the spring of 2001, the U.S. fresh potato industry requested APHIS to seek market access to Indonesia. A letter was sent to the Indonesian authorities requesting information on what steps needed to be undertaken to open the market but as of this time a clear response has not been received.

Estimated Potential Increase in Exports from Removal of Barrier
Frozen US potato exports to Indonesia reached $11.3 million during the 2010-11 market year, as the country is developing into a promising market for the industry. Annual exports could reach $25 million if no unforeseen trade barriers develop.

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.

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. Since that time, the United States has provided the vast majority of Israel's agricultural product with duty-free access to the U.S. market, but Israel has not reciprocated.

Israel's bound tariff rate on apples is approximately 563% ad valorem. Under the terms of the ATAP, US apples receive limited duty-free access under a TRQ, which was set at 4,000 MTs in 2012. The U.S. industry requested that its product be granted permanent duty-free access unlimited by any TRQ. Duty-free treatment would be consistent with the provisions of the U.S. bilateral trade agreements with Jordan and Morocco.

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

Once unlimited duty-free access is acquired and the TRQ system restructured, the industry would expect exports to increase by less than $5 million per year.

Apples: Administration of Tariff Rate Quota (Import Policies)

During the negotiations for the 2004 Agreement on Trade in Agricultural Products, Israel committed to reform its administration of its TRQ system on the basis of "first come, first serve". Unfortunately, Israel continues to issue import permits to individuals that do not import apples and these persons then sell their allotted TRQ volume to those that are engaged in commercial trade.

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

Once unlimited duty-free access is acquired and the TRQ system restructured, the industry would expect exports to increase by less than $5 million per year.

Cherries: Tariff (Import Policies)

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

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

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 2012). The U.S. pear industry would like unrestricted access under any new agreement.

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

Pears: Administration of Tariff Rate Quota (Import Policies)
During the negotiations for the 2004 Agreement on Trade in Agricultural Products, Israel committed to reform its administration of its TRQ system on the basis of "first come, first serve." Unfortunately, Israel continues to issue import permits to individuals that do not import pears and these persons then sell their allotted TRQ volume to those that are engaged in commercial trade.

Estimated Potential Increase in Exports from Removal of Barrier
Once unlimited duty-free access is acquired and the TRQ system restructured, the industry would expect exports to increase by less than $5 million per year.

Wine: Tariff (Import Policies)
The Government of Israel currently imposes a 40% tariff on wine.

Apples: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)
On March 18, 2009 Israel's Plant Protection and Inspection Service notified USDA/APHIS of forthcoming changes to the U.S. apple cold treatment requirement. In an effort to avoid phytosanitary mitigation measures that would further restrict U.S. growers from shipping to Israel the two countries have been exchanging technical information and research.

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 most recent bilateral meetings (August 2011), the United States provided current trial data by Cornell University on efficacy of cold treatment for apple maggot that supported previous trials dating back to the 1940s. Israel, however, continues to refuse to accept a standard cold treatment that has been in use for major markets for many years and has been applied without any failure. However, while talks continue on specific technical questions, Israel did agree to drop plum curculio as a pest of concern and will allow access for U.S. apples under a temporary cold treatment protocol effective until September 12, 2012. This temporary cold treatment protocol is based on treatment schedules which the U.S. industry hopes to make permanent.

The U.S. apple industry appreciates the temporary cold treatment protocol but seeks a permanent agreement that eliminates the uncertainty that holds back the development of this export market.

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

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

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The industry estimates that the lifting of the import prohibition would lead to less than $5 million in annual cherry exports to Israel.

<u>Pears: 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 cold treatment requirement for the importation of pears. In an effort to avoid phytosanitary mitigation measures that would further restrict U.S. growers from shipping to Israel the two countries have been exchanging technical information and research.

U.S. pears 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 most recent bilateral meetings (August 2011), the United States provided current trial data by Cornell University on efficacy of cold treatment for apple maggot that supported previous trials dating back to the 1940s. Israel, however, continues to refuse to accept a standard cold treatment that has been in use for major markets for many years and has been applied without any failure. However, while talks continue on specific technical questions, Israel did agree to drop plum curculio as a pest of concern and will allow access for U.S. pears under a temporary cold treatment protocol effective until September 12, 2012. This temporary cold treatment protocol is based on treatment schedules which the U.S. industry hopes to make permanent.

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 over $2,610,000 per year. The freezer longline sector exported roughly 20,000 MTs of cod to Japan in 2011 at an average price of $4,350/MT for a total value of $87 million. The total revenue on the $87 million in exports is $5,220,000 at the rate of the 6% tariff. The industry estimates that if the tariff were removed the savings would be roughly split between Washington exporters and Japanese importers. The industry also estimates that the total increase in exports that would result from the removal of the tariff would reach $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 $268.5 million worth of the product during the 2010-2011 marketing year, a decline of 4% over the previous year. The United States also exported $27.4 million worth of dehydrated potato products to Japan during that time period, a 14.5% decrease over the previous year.

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 or the TPP negations, should Japan decide to join, 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 $268.5 million worth of the product during the 2010-2011 marketing year. The United States also exported $27.4 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.

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 collects 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 for unsweetened wine and 90 yen per bottle for sweetened wine. These tariffs and taxes significantly hinder Washington wine exports to Japan.

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

The Washington 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 but no official Japanese policy changes have occurred. In the case of recent violations, Japan appears to have applied penalties only to affected shippers.

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 reduce risk exposure and maintain access to this $55 million to $82 million annual export market for the U.S. cherry industry.

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

The Government of Japan insists on individually approving each new fresh cherry variety after fumigation trials. Although the Government of Japan has approved 17 cherry varieties over the last decades, 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.

An example of Japan's unreasonable requirement is the recent submission by USDA /APHIS for approval of the Coral variety which has now undergone 30 commercial fumigation trials with each well exceeding the minimum requirements. This unending arbitrary requirement of repeatedly testing each variety limits marketing opportunities and squanders the resources of USDA/APHIS, and the Agricultural Resource Service, as well as those of the industry.

Japan's policy lacks scientific credibility and is inconsistent with their country's WTO obligations, as its varietal testing requirements have already been found to be in violation of trade rules as a result of the 1997 WTO Japan-Agricultural Products II case, which found them to be without scientific basis. Moreover, since 1978, the Pacific Northwest has exported over 33 million cartons of cherries to Japan without any quarantine pest issues.

The Washington cherry industry is particularly unhappy 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 to 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. When U.S. negotiators traveled to Japan in 2011 to seek reciprocity, Japanese officials stonewalled and refused to act. Although the United States made the correct technical regulatory decision with respect to different varieties of Japanese apples, they did not obtain the same kind of technical regulatory decision from Japan.

The United States has committed significant resources to a large cherry cultivation improvement project in Washington state and expects new varieties of cherries to continue to be introduced in the future. US trade negotiators should press our trading partners to treat cherries as a single commodity.

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. Moreover, 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) visual 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, on the condition that they had to be processed immediately after arrival in Japan. The protocol only covered 12 states and required 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.

In June 2011, after six years of discussion, the GOJ finally approved a second processing facility for receiving U.S. chipping potatoes and increased the shipping window to include the month of July. This newly-approved plant is located in the Kagoshima Port area which does not have an international port. As a result, U.S. chipping potatoes must be transported to the plant on a feeder vessel. The U.S. fresh potato industry and Japanese processors are very interested in overland approval for the potatoes from the port of entry to the facility. Although in 2008 the GOJ provided guidance on how such approval could occur, it has not yet approved overland shipping.

The approval of overland shipping and additional processing facilities are major priorities for the U.S. fresh potato industry. In addition, the industry seeks the further expansion of the shipping window to include the month of January. 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
Exports of U.S. chipping potatoes have also significantly grown with shipments reaching $3.5 million during the February-July 2011 shipping season, an increase of 189% over the previous year. Shipping contracts for the next marketing year indicate that there will be a new record for shipments. Opening of the market 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 U.S. position is that mature, symptomless fruit produced under commercial conditions have not been shown to transmit the disease. In 2007, research substantiated the U.S. position.

Estimated Potential Increase in Exports from Removal of Barrier
The industry estimates that U.S. pear exports to Japan would reach less than $5 per year if Japan lifted the import ban. This estimate is based on sales to similar markets.

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.

Until recently, Japan's MRL sanctions policy punished 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. In keeping with this welcomed agreement, starting in 2011, Japan has applied sanctions against the violating shipper and not an entire industry.

The industry is also concerned about the length of time Japan is taking to establish MRLs for new active ingredients registered in the United States. Although Japan's system is based on science, it is cumbersome and can take several years for new MRLs to be established. This delays the adoption of newer, reduced risk compounds in the United States, as shippers are concerned about potential residue violations. The industry urges USDA and USTR to engage their Japanese counterparts to encourage additional resources to expedite pesticide reviews.

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 2010-11 marketing year, U.S. exports of frozen French fries reached $268.5 million, a decline from $292 million the previous year. In the 2010-2011 marketing year, U.S. dehydrated potato product exports to Japan totaled $27.4 million, an increase from the $16 million in exports the previous year. 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.

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

In years past, Japan has rejected shipments of French fries due to the presence of coliforms. Japan maintained a zero tolerance policy on coliforms on fries because it has classified frozen French fries as a finished product. Any coliforms that have been detected, however, are minimal and within industry-specified limits. Moreover, 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 a different frozen food category that would more accurately reflect 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 welcomed this change and worked with MHLW to establish a transition period through 2010 that will allow labeling to be adjusted. The transition was be completed by December 31, 2010 and the issue has been resolved. As of this time, no shipments have been rejected for coliforms in 2011. 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 $265 million during the 2019-11 marketing year. In addition, the U.S. industry exported $27.4 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 transparency in Japan's food safety regulations.

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

The Japanese system for regulating pesticides discourages the introduction of new and improved pesticides in the United States. While the provisional minimum residue levels (MRLs) established for the new system generally are compatible with U.S. pesticide tolerances, the Japanese system does not provide for timely changes or for any temporary accommodation of new pesticide uses approved by the Environmental Protection Agency (EPA). Currently, there are at least two potentially very useful chemicals approved by EPA for use on wheat that await regulatory review and approval in Japan. These two pesticides are spinosad, a stored grain protectant, and paraquat which helps prepare wheat for harvest.

These pesticides can be expected to leave residues on wheat that will exceed the current Japanese MRLs. Spinosad is considered to be a much safer product than existing stored grain protectants and producers have waited nearly five years with no indication as to when an MRL might be established in Japan. Reportedly, the Government of Japan has expressed little interest in examining their system to determine how it might be streamlined. It initially announced that a review of provisional MRLs would be completed in five years of implementation, which occurred in 2005, but the review process is reportedly running behind schedule.

The Ministry of Health sets a maximum vomitoxin (deoxynivalenol or DON) level of 1.1 parts per million (PPM). Since this level must be met on destination testing, it results in many contracts setting a specification below this level to ensure a result lower than 1.1 ppm. This is one of the tighter DON specifications in the world. Many countries have a tolerance of 2 ppm in wheat for milling and food consumption (which with no decimal actually allows detections up to 2.49 ppm). The United States does not place a limit on DON in wheat, but the FDA has established an advisory level of 1 ppm in finished food products. This FDA policy takes into account the fact that the cleaning and milling of wheat can reduce the presence of DON by around 50%, so 2 ppm wheat can usually be milled into processed flour with a DON level below 1 ppm. In years where DON is widespread, U.S. exporters can only supply wheat with low DON levels at a much higher price, raising concern that Japanese importers will look to cheaper origins.

Japan is usually the leading importer of U.S. wheat, purchasing over 3.0 million metric tons (MMT) each year, which represents just over a 50**%** market share. The U.S. wheat industry has worked very closely with the Japanese wheat industry to ensure minimal market disruption. Assistance in streamlining Japan's MRLs would provide U.S. producers more options in managing the production and storage of their wheat crop each year.

KENYA

Wheat: Tariff (Import Policies)
The Government of Kenya collects a 10% ad valorem duty on the imported wheat. When prices are high, this practice encourages under-invoicing by many smaller exporters. The United States has a very transparent price and invoices cannot be changed. Higher duties place the United States at a disadvantage to competitors who can alter the values shown on documents for taxation purposes. Further, the customs authority requires a bond for another 15%, where release of the bond is based on accounting proof that the wheat was milled and sold in Kenya. This requirement has added an incredible amount of additional accounting for importing millers.

Estimated Potential Increase in Exports from Removal of Barrier
There are times when U.S. wheat exports from the PNW are more competitive than those from the Gulf of Mexico, and the ability to ship from both ports could increase U.S. wheat market share. U.S market share in Kenya is low, but even a five-percent rise in market share would result in a $10 million gain to the U.S. wheat growers.

Wheat: Flag Smut Restrictions (Standards, Testing, Labeling & Certification)
In 2006 the Government of Kenya began enforcing long-standing flag smut restrictions on U.S. wheat exports. This problem was partially resolved after APHIS was able to certify shipments from areas other than the West Coast ports to be free of flag smut. While this allowed trade to resume, there have been good price opportunities for shipments to originate from the West Coast. Growers and shippers in the Pacific Northwest (PNW) states were disappointed that they were excluded from the Kenya market.

Further efforts in 2008 and 2009 between APHIS and KEPHIS failed to resolve Kenya's quarantine concern over flag smut. The issue needs to be further explored on a technical level, as it is not clear that flag smut should be a quarantine concern to Kenya.

Kenya's SPS issues also impact U.S. wheat exports from the PNW to Uganda, which does not have a flag smut ban on West Coast exports, but since importers in Uganda generally use Kenyan port facilities, they must abide by the requirement for Kenya.

Estimated Potential Increase in Exports from Removal of Barrier
The total import market for these two countries can reach up to 1.0 million metric tons (MMT) in some years. There are times when U.S. wheat exports from the PNW are more competitive than those from the Gulf of Mexico, and the ability to ship from both ports could increase U.S. wheat market share. U.S market share in Kenya is low, but even a five-percent rise in market share would result in a $10 million gain to the U.S. wheat growers.

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. More importantly, under the People's Republic of China-ASEAN trade agreement, Chinese apples enter Malaysia duty-free.

Estimated Potential Increase in Exports from the Removal of Barrier
The U.S. apples industry estimates that exports to Malaysia would reach less than $5 million per year if the tariff were eliminated.

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.

Estimated Potential Increase in Exports from the Removal of Barrier
The U.S. cherry industry estimates that exports to Malaysia would reach less than $5 million per year if the tariff were eliminated.

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. More importantly, under the People's Republic of China-ASEAN trade agreement, Chinese pears enter Malaysia duty-free.

Estimated Potential Increase in Exports from the Removal of Barrier
The U.S. pear industry estimates that exports to Malaysia would reach less than $5 million per year if the tariff were eliminated.

Fresh Potatoes: New Labeling Requirements (Standards, Testing, Labeling & Certification)
The Government of Malaysia recently implemented new labeling standards for fresh produce including potatoes. Under the new standards, the labels must be in the local language and can be stickered, which is appreciated by the industry. The U.S. industry also appreciates the transition period. However, whenever a new labeling regime is introduced, challenges can emerge. As a result, the U.S. industry request the U.S. government to continue to engage with Malaysia as the new regulations are implemented and do what it can to minimize their impact on U.S. fresh potato exports to Malaysia.

Estimated Potential Increase in Exports from the Removal of Barrier

Malaysia is one of the most promising markets for U.S. fresh potato exports, with exports reaching $5.6 million during the 2010-2011 marketing year. The industry anticipates future market growth if Malaysia follows transparent and international consistently food safety laws.

MEXICO

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 the state of 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 2010 cherry season, Pacific Northwest cherry exports to Mexico reached about $2 million, a decline from the $3.5 million shipped the previous season as a result of the trucking retaliatory tariffs. If the work plan issue is 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 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. Expanding access to the Mexican fresh potato market is one of the U.S. potato industry's highest priorities.

Although the industry considers access to the border region important, there is no phytosanitary justification to limiting exports to the 26-km border region. This limitation was a political concession agreed to by USDA and the U.S. potato industry to reopen the Mexican market. In exchange for this concession and a commitment to open the US market for Mexican avocados, the Government of Mexico committed to open its market to U.S. potatoes the Northern States of Mexico by 2005 and to discuss access to the rest of Mexico in 2006. Since that time Mexican avocado exports to the United States have surpassed the $2 billion mark, while Mexico has not opened its market to US potatoes.

During the summer of 2011, a North American Plant Protection Organization mediation panel found many of Mexico's arguments for restricting market access to be invalid.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
During the 2010-2011 market year, U.S. fresh potato exports to the border region reached $32.2 million, making it the industry's second largest foreign market. The industry estimates that annual exports to Mexico could reach $75 million with the removal of all phytosanitary restrictions.

<u>Peaches and Nectarines: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)</u>

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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
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 2012 is 15.6%.

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

Wheat Flour: Tariff (Import Policies)
The Government of Pakistan imposes a 10% duty and a 15% sales tax on imported wheat tariffs.

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

Wheat: Tariffs (Import Policies)
U.S. wheat exports to Pakistan are constrained by a 35% tariff and a 15% sales tax on private sector imports.

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. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for 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. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

Dehydrated Potato Flakes, Pellets and Granules: 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. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

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.

The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

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 $5.8 million during the 2010-2011 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. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

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. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for 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.

Fresh Potatoes: TRQ (Import Policies)
Fresh potato market access to the Philippines is restricted by a TRQ that is approximately 1,500 MTs with an in-quota tariff of 40% and an above-quota tariff of 50%

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. industry estimates that annual fresh potato exports (table and chip) would reach at least $5 million per year if the Philippines eliminated the TRQ.

Frozen French Fries: Tariff (Import Policies)
The Government of the Philippines applies a 10% tariff on imports of frozen French fries and other processed potato products. The current applied rate is significantly below the WTO bound rate of 35%.

Estimated Potential Increase in Exports from Removal of Barrier
During the 2010-2011 marketing year, U.S. frozen French fry exports to the Philippines reached $28.7 million dollars, making it the industry's seventh most important export market. 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.

Wheat: Tariff (Import Policies)
For a number of years, Philippine flour millers have been loyal U.S. wheat customers, resulting in this country being a top five customer with purchases averaging around 1.7 MMT each year. In 2008, due to high prices, the Government of the Philippines reduced duties on wheat from all origins but ended this reduction in July 2011. U.S. wheat now faces a 3% duty disadvantage against Australian wheat which enters duty free as a result of the Australia-ASEAN agreement. Australia's geographic proximity and tariff advantage will hurt U.S. market share in the future.

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. This issue was to be discussed at the inaugural US-Philippine plant health bilateral in June 2011, but the meeting was cancelled.

In August, 2011 the Government of the Philippines delivered a pest risk assessment to APHIS.

Estimated Potential Increase in Exports from Removal of Barrier
Market access for fresh potatoes could lead to up to $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.

Potato Products: Coliform Standards (Standards, Testing, Labeling & Certification)
It appears that Russia applies a zero tolerance to coliforms. This policy is not necessary in that frozen French fries will be further cooked. Instead, a zero tolerance for E. coli would be appropriate. A clearer understanding of what category frozen French fries fall under in Russian regulations would be helpful.

Estimated Potential Increase in Exports if Barrier were Removed
As of this time, Russia is not a major market for U.S. processed potatoes, but given the country's pace of economic development and its high potato consuming population, the market could expand. If Russia began to implement food safety standards that are consistent with international regulations, the U.S. industry estimates that processed potato exports could reach $10 million in five years.

Potato Products: Pesticide MRLs (Standards, Testing, Labeling & Certification)
The U.S. processed potato products industry is concerned that the Government of Russia apparently requires lists of crop protection products for each shipment imported into the country. This requirement is not consistent with international standards and would be difficult to meet. The industry is also concerned that several other countries have had issues with Russia's pesticide MRL standards, which are not transparent and appear to be out-of-date. The industry urges Russia to consider supplementing their MRLs with Codex MRLs once they join the WTO to address MRL discrepancies and avoid trade barriers.

Estimated Potential Increase in Exports if Barrier were Removed
As of this time, Russia is not a major market for U.S. processed potatoes, but given the country's pace of economic development and its high potato consuming population, the market could expand. If Russia began to implement food safety standards that are consistent with international regulations, the U.S. industry estimates that processed potato exports could reach $10 million in five years.

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.

Apples: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)
In 2009 Pacific Northwest apples gained market access to South Africa but only for apples from orchards that are declared free for apple maggot. During the 2010-2011 season many containers of apples were detained by South African officials for reported pest finds. In general, notifications from South Africa of alleged interceptions are lacking in sufficient detail and are often issued many weeks after the interception. These shortcomings severely limit the ability of the U.S. industry to research the issue and to correct any problem, should one exist.

In addition, South African officials have not responded to a June 2010 USDA request to amend the market access agreement for Pacific Northwest apples with a cold treatment protocol. Such a protocol would allow for the export of apples from areas regulated for apple maggot.

Estimated Potential Increase in Exports if Barrier were Removed
Resolving these phytosanitary issues in this counter seasonal market could lead to an annual increase of $2 million in apple exports.

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

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

Estimated Potential Increase in Exports from Removal of Barrier

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

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

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

Estimated Potential Increase in Exports from Removal of Barrier

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

SOUTH KOREA

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

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

Estimated Potential Increase in Exports from Removal of Barrier
The industry estimates the removal of the phytosanitary import prohibition and the tariff /safeguard mechanism would lead to $5 million to $25 million in apple exports each year.

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 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.

Estimated Potential Increase in Exports from Removal of Barrier
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.

Canned Cherries: Tariff (Import Policies)
U.S. canned cherry exports currently face a 45% South Korean tariff. Under the KORUS-FTA this tariff will be phased out over a decade.

Canned Corn (Sweet) : Tariff (Import Policies)
Under the U.S.-Korea FTA the current 30% tariff on imported frozen corn and the 15% tariff on canned corned will be phased-out over five years after the implementation of the agreement.

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

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

Under the 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%

Estimated Potential Increase in Exports from Removal of Barrier
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. dehydrated potato products could reach $15 million if the quota was 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. This seasonal duty-free market access will allow significant market access and will free the rest of the quota for table stock potatoes. 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

During the 2010-11 marketing year, US exports of all potato products to South Korea total $60.8 million, with frozen French fries accounting for the largest share ($48.3 million). The U.S. industry estimates that annual fresh potato exports to South Korea could reach $15 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.

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 fifth largest export market for U.S. frozen French fries, with exports reaching $48.3 million in marketing year 2010-11. During that marketing year U.S. dehydrated potato exports to South Korea reached nearly $4 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.

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.

Pears: Tariff (Import Policies)

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.

Estimated Potential Increase in Exports from Removal of Barrier

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

Pork: Tariff (Import Policies)

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

Wheat: Tariff and TRQ (Import Policies)

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

Under the U.S-Korean FTA, 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 one of the American wheat industry's largest overseas markets. 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 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.

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 2010 marketing year, Pacific Northwest cherry exports to South Korea reached approximately $10.7 million, an increase from the $7.4 million the previous season. 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.

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

During the 2011 cherry season (end of June to late August) Pacific Northwest exporters experience periodic costly delays in clearing South Korea's import inspection process due to the country pesticide residue monitoring program.

The Korean Food and Drug Administration (KFDA) detains and samples shipments for two main reasons. The first is when a new packinghouse/exporter/importer combinations, not previously tested, is found during the customs clearance process. The second reason is that KDFA also conducts a random hold and test pesticide residue detection program, not expected to exceed 5% of the shipments of any commodity. It is estimated that about 10% shipments undergo the test and hold procedure for either of the above reasons.

While some loads clear customs on the day submitted, loads submitted for customs clearance later in the week often do no clear customs in time for weekend promotions if randomly chosen for pesticide testing. Korea's test and hold procedures are a punitive action resulting in market disruption and fruit quality loss when fruit is held without any evidence that pesticide residue violations are likely. As of this time there have not been any pesticide residue violations for Pacific Northwest cherries.

The cherry industry urges USDA and USTR to work with KFDA and seek a modification of this program that either exempts Pacific Northwest fruit because of their positive track record or limits the program to sample and release testing until violations are noted in the commodity.

<u>Estimated Potential Increase in Exports from Removal of Barrier:</u>
Adjusting Korea's pesticide monitoring program for Pacific Northwest cherries will not necessarily increase exports but it will allow this highly perishable and time sensitive fruit to arrive in time for weekend promotion programs and the busiest time of the week for retail consumer purchases. Cherry sales during the eight week 2010 season were $10.7 million and early reports indicate that sales will reach $15 million during the 2011 season.

<u>Pears: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)</u>
Currently, South Korea prohibits the importation of U.S. pears due to a number of alleged plant quarantine concerns under discussion.

<u>Estimated Potential Increase in Exports from Removal of Barrier:</u>
The industry estimates the removal of the phytosanitary restriction and 45% tariff would lead to less than $5 million in pear exports each year.

<u>Processed Potato Products: Coliforms (Standards, Testing, Labeling & Certification)</u>
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.

On December 31, 2010, the U.S. industry resolved this issue with Japan. It is now considering whether to approach the South Korean government about classifying U.S. frozen French fries into a more appropriate food category as it did with Japan.

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is the fifth largest foreign market for U.S. frozen French fries with exports reaching $48.3 million during the 2010-2011 marketing year. In addition, during that time period, the United States exported nearly $4 million in dehydrated potato product to South Korea. The U.S. industry fears that a potato coliform violation could disrupt the market.

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. The industry believes that 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 fifth largest foreign market for U.S. frozen French fries with exports reaching $48.3 million during the 2009-10 marketing year. In addition, during that time period, the United States exported nearly $4 million in dehydrated potato product to South Korea.

Wheat: Pesticide MRLs (Standards, Testing, Labeling & Certification)
South Korean mycotoxin inspection for wheat began in 2010 with a vomitoxin (deoxynivalenol or DON) limit of 1part per million (ppm), zearalenone - 200 ppb, aflatoxin - 15 ppb, and ochratoxin A - 5 ppb. The mycotoxin of most concern to the wheat industry is DON and the Korean limit would be stricter than the 2 ppm level set by most importing countries. The United States does not place a limit on DON in wheat but the FDA has established an advisory level of 1 ppm in finished food products. This FDA policy takes into account the fact that the cleaning and milling of wheat can reduce the presence of DON by around 50%, so 2 ppm wheat can usually be milled into processed flour with a DON level below 1 ppm. In years where DON is widespread, U.S. exporters can only supply wheat with low DON levels at a much higher price, raising concern that Korean importers will look to cheaper origins.

Implementation of a 1 ppm maximum by Korea should be justified by scientific measures. Korea recently imposed 0.2 ppm limits on lead and cadmium in wheat, limits also adopted by Codex, and reportedly began testing for these metals in July 2010. These metals are present in wheat not because of contamination but are taken up from the soil by the growing wheat plant and occur at some level in wheat from all origins. While neither limit should normally be a problem, U.S. wheat could occasionally exceed a 0.2 ppm limit. Concern about this issue has abated somewhat recently as the FGIS, in response to a request from Korean millers, determined that based on survey data they could offer a letter assuring buyers that U.S. wheat consistently meets this limit for these metals. Canada and Australia had already provided similar assurances.

Estimated Potential Increase in Exports from Removal of Barrier:
The Korean market has been important to U.S. wheat farmers and exports exceed 1.1 MMT each year, resulting in a return of over $250 million at today’s prices. Any disruption in U.S. exports due to SPS measures would be directly lost to Australia or Canada.

SRI LANKA

Apples: Tariff (Import Policies)
Sri Lanka’s tariff on apples is reportedly 64%. This high tariff is made more insurmountable by mysterious additional taxes that result in the tax rate on apples reaching 100%.

Even with this high barrier, Washington apple exports this past season increased by 40% in volume and $2 million in value. Apple sales are benefiting from the reported 20% growth in the supermarket trade and the general optimism of the country which is rebuilding following years of conflict. Even if the tariff were only cut in half, exports should greatly increase to this market of 20 million people.

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 annually importing nearly $1 million 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 the industry still seeks some additional changes.

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.

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 who 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 15% tariff on U.S. fresh potatoes. The U.S. industry urges that Taiwan eliminate its tariff on fresh potato import 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)	150%
0710.10.00	Frozen potatoes	15%
1105.20.00	Potato flakes	10%
2004.10.11(a)	Potato sticks, frozen (frozen fries) >1.5kg.	12.5%
2004.10.90(b)	Potato sticks, frozen (frozen fries) < 1.5kg.	18%
2004.10.90	Other potatoes, prepared or preserved, frozen	18%
2005.20.10(a)	Potato chips and sticks >1.5kg.	12.5%
2005.20.10(b)	Potato chips and sticks < 1.5 kg.	15%
2005.20.90	Other potatoes, preserved	18%

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
During the 2010-11 marketing year, the United States exported $35.5 million in frozen French fries and $3 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.

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

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

<u>Wine: Tariff (Import Policies)</u>
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, however, 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 2.2 and 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."

Estimated Potential Increase in Exports from Removal of Barrier were Removed
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 apple 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.

Cherries: 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 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.

Fresh Potatoes: Phytosanitary Restriction – Late Blight (Standards, Testing, Labeling & Certification)
Taiwan requires the inspection and certification that potato fields that are a source of fresh potato exports to Taiwan are free of late blight. After the potatoes have been inspected, they have to be segregated from other potatoes as "approved" for export to Taiwan. No other market has these requirements.

During the 2011 bilateral talks, Taiwan reiterated this requirement but indicated that it had some flexibility regarding how the inspection could occur. The U.S. industry has been working with APHIS to address this issue with little success.

Estimated Potential Increase in Exports from Removal of Barrier were Removed
Improved market access could lead to exports increasing from $3.6 million to $10 million to $15 million in a few years.

Pears: 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 pear 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 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.

Potato Products: Pesticide MRLs (Standards, Testing, Labeling & Certification)
In 2009 Taiwan increased the testing of imported products for pesticide residue violations, without notifying its trading partners. This policy change 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. While the United States currently has established 104 potato-related MRLs while Taiwan has only established about 50.

Secondly, in 2000 U.S. commodity and chemical companies submitted hundreds of data packages to officials in Taiwan in order to assist them establish its MRLs. Taiwan, however, has not established these tolerances for many of these products. The U.S. industry urges Taiwan not to reject imports until it has reviewed the submitted information and established tolerances.

Thirdly, in 2008 Taiwan sought to establish 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 that 5% of the identified reviews are for potato MRLs and that Taiwan has establish several of these MRLs, 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 several 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 2010-11 marketing year, the United States exported $35.5 million in frozen French fries and $3 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 damaging 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.

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 12% tariff under bilateral trade agreements implemented in 2004. In addition, Chinese fries enter Thailand duty-free 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, 2010-11, Thailand imported $11.1 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 reduced the tariff.

Pears: Tariff (Import Policies)

The Government of Thailand imposes a 30% tariff on U.S. pears, which is a significant barrier to Washington pear exports, particularly since other countries enjoy duty-free market access under other trade agreements.

Estimated Potential Increase in Exports from Removal of Barrier

Based on current market conditions in Thailand, the industry estimates that the elimination of the 30% tariff would lead to less than $5 million in additional pear exports per year.

Wheat: Proposed Cadmium Ban (Standards, Testing, Labeling & Certification)

The Government of Thailand is currently proposing to ban cadmium, which occurs naturally in the soil. Durum wheat especially absorbs cadmium during the growing process. In the United States cadmium in wheat is not viewed as a health risks, but some countries have expressed concern over cadmium levels. An overall ban on cadmium would limit wheat from all origins and a scientifically established tolerance is required as other wheat classes also contain levels of cadmium.

Estimated Potential Increase in Exports from Removal of Barrier

Thailand is a major Southeast Asia market for U.S. wheat producers with average annual U.S. exports of 400,000 MT, resulting in a market value of over $100 million.

TRINIDAD AND TOBAGO

Apples: Tariff (Import Policies)
Trinidad and Tobago applies a 40% tariff on U.S. apples, which is below its WTO bound rate of 100%

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. apple industry estimates that annual exports would increase by less than $5 million after the elimination of the tariff.

Cherries: Tariff (Import Policies)
Trinidad and Tobago applies a 40% tariff on U.S. cherries, which is below its WTO bound rate of 100%

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. cherry industry estimates that annual exports would increase by less than $5 million after the elimination of the tariff.

Pears: Tariff (Import Policies)
Trinidad and Tobago applies a 40% tariff on U.S. pears, which is below its WTO bound rate of 100%

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. pear industry estimates that annual exports would increase by less than $5 million after the elimination of the tariff.

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 an import tax up to 130% 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 collecting a high import tax, the Government of Turkey often refuses to grant wheat import permits.

Wheat: Domestic Supports (Import Policies)
Upon accession to the WTO every country commits to domestic subsidy caps. This includes a fixed cap on trade distorting supports, known as the aggregate measure of support (AMS). Countries also have caps on de minimis spending as a percentage of general and product specific production with developing nations capped at 10%, developed at 5%, and China at 8.5%. While countries are to report domestic support spending annually, Turkey has not notified domestic support spending to the WTO in a number of years.

Based on past notifications to the WTO and data contained in USDA country reports, the U.S. wheat industry reports that it has detected violations of product specific subsidy caps on wheat in Turkey. Analysis of Turkey's price support practices shows a wheat-specific AMS of $5.541 billion, while Turkey's de minimis limit is only $0.441 billion. Similar analysis indicates that Turkey is exceeding domestic support commitments in other commodities such as corn, rice, sugar, soybeans and others, with an estimated total AMS of $9.201 billion. Turkey's AMS limit is zero, so any spending above de minimis levels is prohibited.

AMS spending needs to be carefully monitored and U.S. negotiators should address this issue through the WTO consultative process in Geneva.

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.

URUGUAY

Seed Potatoes:: Phytosanitary Import Restrictions (Import Policies)
In January 2009, the Government of Uruguay rejected 60 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. Uruguay agreed to adjust the tolerance and change the classification of the pest from quarantine to non-quarantine. While this change technically occurred, the new proposed levels remain unacceptable and Uruguay has yet to respond to US requests for additional changes.

Although exports occurred in 2009 and 2010 without disruption, the shipments needed to be sourced from certain areas, while other shippers were precluded from exporting because the issue has not been resolved.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. industry estimates that annual seed potato exports could reach $10 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
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

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.

Pear: 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 pear imports.

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.

Fresh and Seed Potatoes: Import Permits (Import Policies)

The Government of Venezuela requires import permits for fresh and seed potatoes but in the past, importers were not able to obtain these permits due to a Byzantine system of approval that has become beholden to domestic political pressure. As a result, import permits are frequently denied and, when they are granted, the volume approved is less than the requested amount and the decisions on the requests take months or are never acted on.

The apparent goal of this policy is to force importers to source from domestic producers, who frequently grow an inferior product.

VIETNAM

Apples: Tariff (Import Policies)
Under Vietnam's WTO accession agreement, the tariff on apples dropped 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
With a population of 88 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 $5 million to $25 million.

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

Cherries: Tariff (Import Policies)
Under Vietnam's WTO accession agreement, the tariff on US cherries dropped 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
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%.

Frozen Potato Products: Tariff (Import Policies)
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.

Estimated Potential Increase in Exports from Removal of Barrier

At the present time, Vietnam is a small market for U.S. frozen French fries. During the 2010-11 marketing year, U.S. frozen French fry exports to Vietnam totaled $1.5 million, a slight decrease from the $1.8 million in exports 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.

Pears: Tariff (Import Policies)

Under Vietnam's WTO accession agreement, the tariff dropped 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

The pear industry estimates that exports to Vietnam will increase by under $5 million after Vietnam eliminates the tariff.

Peas: Tariff (Import Policies)

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

Estimated Potential Increase in Exports from Removal of Barrier

In view of the rapid growth of the snack industry in Vietnam, the U.S. pea industry believes there would be opportunities for sales of whole green peas into the market.

Potato Chips: Tariff (Import Policies)

Pursuant to the 2006 WTO accession agreement, Vietnam agreed to immediately reduce the tariff on potato chips from 50% to 40%. 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 2010-2011 season Washington apple exports to Vietnam surpassed $11 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).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. cherry industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, the industry estimates that Pacific Northwest fruit sales should reach the upper end of the $5 million to $25 million range.

Pears: Transparency/Standards (Other)
Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. pear industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, with the Vietnam's WTO tariff rate commitments the industry estimates that Pacific Northwest fruit sales should reach the upper end of the $5 million to $25 million range.

PART II

LISTING BY COMMODITY

APPLES

Algeria: Tariff (Import Policies)
The Government of Algeria currently imposes a 30% tariff on U.S. apple exports.

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

Estimated Potential Increase in Exports from Removal of Barrier
The industry estimates that apple exports would increase by less than $5 million per year if Argentina eliminated the tariff and subsidy program. This estimate is based on current market conditions.

Argentina: 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 does 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.

Argentina: 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.

The Government of Argentina, however, has not responded to APHIS' letter. Instead, Argentina has started its own pest risk assessment, indicating that the information will be used to determine the import permit requirements for apples.

For several reasons, the U.S. apple industry believes that Argentina's actions can only be interpreted as being designed to prohibit imports or perhaps gain some negotiating leverage in plant health negotiations with USDA. First, there have been no reported pest violations on any US apple shipments to Argentina. Second, only a small amount of apples have ever been exported to Argentina each year (less than 100 MTS per year.) Third, there is only a very short shipping season of one or two months. And finally, there is a lack of risk from fire blight as supported by the WTO dispute resolution decisions in U.S. vs. Japan and New Zealand vs. Australia.

Given these factors and the low risk posed by US apples, Argentina should issue import permits with the requirements that were in effect prior to 2009.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The U.S. industry estimates that the lifting of the apple import prohibition would lead to less than $5 million in exports per year.

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

Although Australia does not impose tariffs on apple imports, it prohibits their importation from the United States. By contrast, Australian apples have access to the U.S. market. In fact, until 2011 Australia banned the importation of apples from all countries. In 2011, the country allowed Chinese apples to be imported and New Zealand apples following a successful WTO dispute settlement case brought by New Zealand. Japanese apples are now allowed entry into Australia.

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 U.S. 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 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. In 2009, Biosecurity Australia finally published its PRA for Pacific Northwest apples, which contained the same overly restrictive requirements that were placed on New Zealand apples.

As a result of these excessive requirements, in August 2007, New Zealand initiated a WTO case against Australia. In 2010 the WTO Panel and Appellate Body ruled in favor of New Zealand, leading Australia to amend its requirements for imported New Zealand apples. In August, 2011, the first shipment of New Zealand apples arrived in Australia.

In light of all these developments, the U.S. apple industry believes that the U.S. market apple request should be a subject of discussion by the Standing Technical Working Group on Animal and Plant Health Measures as established under the SPS Chapter of the U.S.-Australia Free Trade Agreement.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
If Australia lifted the import prohibition, the industry estimates that exports would reach $5 to $25 million per year.

<u>Bangladesh: Tariff (Import Policies)</u>
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%.

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

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

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

<u>Brazil: Tariff (Import Policies)</u>
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
Based on current market conditions in Brazil, the industry estimates that U.S. apple exports would increase by less than $5 million a year if Brazil removed the tariff.

China: Tariff and VAT (Import Policies)
Under China's WTO accession agreement, the country agreed to reduce the tariff on U.S. apples from 30% to 10%. 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 was reduced by two percent each year over four years until it was 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 less than $5 million a year if China eliminated the tariff.

China: Phytosanitary Varietal Import Prohibition (Standards, Testing, Labeling & Certification
Although Washington state first began exporting apples to China in 1994, it is still only allowed to ship Red and Golden Delicious apples. The United States has been seeking market access for all apple varieties since the early 1990s but the negotiations have stalled due to China's concerns about fire blight. With the 2005 World Trade Organization ruling against Japan's fire blight restrictions on U.S. apple imports and Australia's restrictions in a case brought by New Zealand, 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
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.

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

From 2008 to 2009, Beijing suspended several Pacific Northwest apple shippers due to alleged Chinese detections of a post-harvest fungus. These shipper suspensions are inconsistent with the terms of an earlier agreement with China which stipulates that only orchards, not shippers, will be suspended for quarantine issues.

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

By applying the penalty to the packing facility, China effectively prohibits numerous orchards, (sometimes hundreds of growers), of that facility from exporting. Notifications of alleged interceptions are generally lacking in sufficient detail and are often issued many weeks or months after the interception. This severely limits the US industry's efforts to correct the problem, should one exist.

In March 2010, APHIS proposed that 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.

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

The industry estimates that annual exports would increase by $5 million to $25 million in the near term once the apple varieties and fungal quarantine issues are resolved.

Colombia: Tariff (Import Policies)

The Government of Colombia currently imposes a 15% ad valorem tariff on U.S. apple imports. Once the recently passed bilateral trade agreement with Colombia is implemented, the duty on U.S. apples will be immediately eliminated.

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

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

<u>Ecuador: Tariff (Import Policies)</u>
Ecuador assesses a 17% 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.

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

<u>Egypt: Tariff (Import Policies)</u>
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%. At least partially as a result of the decision to lower the duty, Washington apple exports to Egypt grew from $4.1 million in 2006 to $14.6 million in 2010.

U.S. apple growers, however, are at a competitive disadvantage because as of July 2010 apples from the EU enter Egypt duty-free under the Agricultural Agreement of the European –Egypt Free Trade Agreement. Washington state apples have been exported to Egypt for at least 20 years despite the lengthy transit times and high transportation costs. The EU tariff preference increased the price differential between EU and US apples to a reported six dollars per carton or roughly $6,000 per container. U.S. apple producers are very concerned that they will continue to lose their share of the Egyptian market and urge the United States Trade Representative to seek duty-free access to Egypt for U.S. apples.

As a result of the agreement between the EU and Egypt, US apples exports to Egypt during the 2010/11 crop year declined by 35% in volume. At least partially as a result of this unlevel playing field, Washington apple exports to the EU fell to $5.9 million in 2011. The loss of sales to Egypt is not the only concern because a small amount of apples exported to Egypt are transshipped to Algeria, Chad, Libya, and other North African countries. Therefore, the loss of the Egyptian market has long- term implications for market development in the entire North African region.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
If Egypt eliminated the tariff, the industry estimates that apple exports would increase by $5 million per year based on current market conditions.

EU: Tariff and TRQ (Import Policies)

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

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

Estimated Potential Increase in Exports from Removal of Barrier

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

EU: Entry Price System (Import Policies)

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

Under the EU entry price system, apple imports that are valued over the entry price are only charged the fixed tariff. However, fruit imports that enter the EU 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.

Guatemala: Domestic Support (Subsidies)

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

India: Tariff (Import Policies)
The Government of India collects a 50% tariff on the CIF value of imported apples from the United States, which is one of the highest apple tariffs in the world. 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 compared to 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 less than two kilograms, which is very low by global standards. The potential to increase per capita consumption to five kilograms or roughly a five million ton apple market would provide opportunities for both domestic growers and importers. Such growth could well increase domestic production from current levels of less than two million tons to three million tons.

Estimated Potential Increase in Exports from Removal of Barrier
If the tariff were reduced to 30%, U.S. apple exports to India could increase by $5 million to $25 million per year. However, the U.S. apple industry's objective is the complete elimination of the tariff which would result in even greater exports.

Indonesia: Tariff (Import Policies)
The Indonesian tariff on U.S. apple imports currently stands at 5%. On June 1, 2001, the Government of Indonesia introduced a 10% value added tax (VAT) on apples and other agricultural products. Under the China-ASEAN trade agreement, Chinese apples enter duty-free.

Estimated Potential Increase in Exports from Removal of Barrier
The elimination of the tariff would lead to less than $5 million in increased apple exports to Indonesia per year.

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

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

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

In August 20007, after intensive work by USDA/APHIS and USTR, Indonesia officials agreed 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.

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

Israel: Tariff Rate Quota (Import Policies)
The United States and Israel signed a free trade agreement in 1985 but Israel argued that the agreement did not cover agricultural products. As a result, in 1996 the United States and Israel signed the Agreement on Trade in Agricultural Products (ATAP), which does not consist of any text, but rather a schedule of tariff rates, reference prices and quotas that were negotiated by the two countries. Since that time, the United States has provided the vast majority of Israel's agricultural product with duty-free access to the U.S. market, but Israel has not reciprocated.

Israel's bound tariff rate on apples is approximately 563% ad valorem. Under the terms of the ATAP, US apples receive limited duty-free access under a TRQ, which was set at 4,000 MTs in 2012. The U.S. industry requested that its product be granted permanent duty-free access unlimited by any TRQ. 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 unlimited duty-free access is acquired and the TRQ system restructured, the industry would expect exports to increase by less than $5 million per year.

Israel: Administration of Tariff Rate Quota (Import Policies)
During the negotiations for the 2004 Agreement on Trade in Agricultural Products, Israel committed to reform its administration of its TRQ system on the basis of "first come, first serve". Unfortunately, Israel continues to issue import permits to individuals that do not import apples and these persons then sell their allotted TRQ volume to those that are engaged in commercial trade.

Estimated Potential Increase in Exports from Removal of Barrier
Once unlimited duty-free access is acquired and the TRQ system restructured, the industry would expect exports to increase by less than $5 million per year.

Israel: Phytosanitary Import Restrictions (Standards, Testing, Labeling & Certification)
On March 18, 2009 Israel's Plant Protection and Inspection Service notified USDA/APHIS of forthcoming changes to the U.S. apple cold treatment requirement. In an effort to avoid phytosanitary mitigation measures that would further restrict U.S. growers from shipping to Israel the two countries have been exchanging technical information and research.

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 most recent bilateral meetings (August 2011), the United States provided current trial data by Cornell University on efficacy of cold treatment for apple maggot that supported previous trials dating back to the 1940s. Israel, however, continues to refuse to accept a standard cold treatment that has been in use for major markets for many years and has been applied without any failure. However, while talks continue on specific technical questions, Israel did agree to drop plum curculio as a pest of concern and will allow access for U.S. apples under a temporary cold treatment protocol effective until September 12, 2012. This temporary cold treatment protocol is based on treatment schedules which the U.S. industry hopes to make permanent.

The U.S. apple industry appreciates the temporary cold treatment protocol but seeks a permanent agreement that eliminates the uncertainty that holds back the development of this export market.

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.

Japan: Tariff (Import Policies)
Japan imposes a 17% ad valorem tariff on imported apples. This tariff is one of the highest, if not the highest, rate applied by a WTO designated "developed" country.

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

Libya: Tariff (Import Policies)
The Government of Libya currently imposes a 40% tariff on U.S. apple imports.

Estimated Potential Increase in Exports from the Removal of Barrier
The U.S. apple industry estimates that exports to Libya would reach less than $5 million per year if the tariff were eliminated.

Malaysia: Tariff (Import Policies)
Effective October 29, 1999, the Government of Malaysia reduced the tariff on apple imports to 5% ad valorem. However, the government collects an additional 5% sales tax on fresh fruit imports. More importantly, under the People's Republic of China-ASEAN trade agreement, Chinese apples enter Malaysia duty-free.

Estimated Potential Increase in Exports from the Removal of Barrier
The U.S. apples industry estimates that exports to Malaysia would reach less than $5 million per year if the tariff were eliminated.

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

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

During the rest of the year, U.S. apple imports are governed by a tariff, which will is being phased out until it is eliminated in 2014. The tariff rate for 2012 is 15.6%.

Norway: 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.

Panama: Tariff (Import Policies)

The Government of Panama imposes only a 2% tariff on imported U.S. apples. Under the U.S.-Panama Free Trade Agreement the tariff will be eliminated. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

Philippines: Tariff (Import Policies)

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

Russia: Tariff (Import Policies)

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

Estimated Potential Increase in Exports from Removal of Barrier

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

<u>South Africa: Tariff (Import Policies)</u>

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

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

In 2009 Pacific Northwest apples gained market access to South Africa but only for apples from orchards that are declared free for apple maggot. During the 2010-2011 season many containers of apples were detained by South African officials for reported pest finds. In general, notifications from South Africa of alleged interceptions are lacking in sufficient detail and are often issued many weeks after the interception. These shortcomings severely limit the ability of the U.S. industry to research the issue and to correct any problem, should one exist.

In addition, South African officials have not responded to a June 2010 USDA request to amend the market access agreement for Pacific Northwest apples with a cold treatment protocol. Such a protocol would allow for the export of apples from areas regulated for apple maggot.

<u>Estimated Potential Increase in Exports if Barrier were Removed</u>

Resolving these phytosanitary issues in this counter seasonal market could lead to an annual increase of $2 million in apple exports.

<u>South Korea: Tariff (Import Policies)</u>

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

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

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

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.

South Korea: 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.

Sri Lanka: Tariff (Import Policies)

Sri Lanka's tariff on apples is reportedly 64%. This high tariff is made more insurmountable by mysterious additional taxes that result in the tax rate on apples reaching 100%.

Even with this high barrier, Washington apple exports this past season increased by 40% in volume and $2 million in value. Apple sales are benefiting from the reported 20% growth in the supermarket trade and the general optimism of the country which is rebuilding following years of conflict. Even if the tariff were only cut in half, exports should greatly increase to this market of 20 million people.

Estimated Potential Increase in Exports from Removal of Barrier

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

Taiwan: Tariff (Import Policies)

As of January 1, 2002, the Taiwanese tariff on U.S. apple exports was reduced to 20%. Taiwan imports 96% of the apples consumed on the island because it has a very small number of apple growers who 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.

Taiwan: Phytosanitary Work Plan (Standards, Testing, Labeling & Certification)
The Government of Taiwan is concerned about the possible presence of codling moth on U.S. apples. Following a codling moth detection in 2002, Taiwan closed the market to U.S. apple exports. The market was later reopened after the two countries negotiated a systems work plan.

Under the terms of the systems work plan, Taiwan is permitted to suspend the importation of all U.S. apples following three separate detections of codling moth larvae. The U.S. apple industry, however, 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 2.2 and 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."

Estimated Potential Increase in Exports from Removal of Barrier were Removed
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.

<u>Taiwan: Pesticide MRLS (Standards, Testing, Labeling & Certification)</u>
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.

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

<u>Thailand: Tariff (Import Policies)</u>
Thailand imposes a 10% ad valorem tariff on imported U.S. apples. The tariff is particularly damaging 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The industry estimates that the removal of the tariff would lead to less than $5 million in increased U.S. apple exports per year.

<u>Trinidad and Tobago: Tariff (Import Policies)</u>
Trinidad and Tobago applies a 40% tariff on U.S. apples, which is below its WTO bound rate of 100%.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The U.S. apple industry estimates that annual exports would increase by less than $5 million after the elimination of the tariff.

<u>Tunisia: Tariff (Import Policies)</u>
At the present time, Tunisia imposes a 150% tariff on imported apples.

<u>Turkey: Tariff (Import Policies)</u>
At the present time, Turkey imposes a 60.3% tariff on imported apples.

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

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

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

<u>Venezuela: Import Permits (Import Policies)</u>
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.

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

Vietnam: Tariff (Import Policies)

Under Vietnam's WTO accession agreement, the tariff on apples dropped 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

With a population of 88 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 $5 million to $25 million.

Vietnam: Transparency/Standards (Other)

Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Apples, for instance, have been exported to Vietnam for over a decade without incident. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier

Vietnam is a growing market for Pacific Northwest apple exports. In the 2010-2011 season Washington apple exports to Vietnam surpassed $11 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.

ASPARAGUS

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

BARLEY

South Korea: Tariff Rate Quota (Import Policies)

South Korea maintains a TRQ on barley in order to encourage the use of domestic barley, which may cost as much as four times more than imported 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

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

In August 2007, Beijing proposed lifting the ban on U.S. bone-in beef and deboned beef from cattle less than 30 months of age. The offer also included offals (heart, liver, lung, kidney and sinew.) Although China became a member of 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.

Colombia: Tariff (Import Policies)
Colombia's WTO bound tariffs on imported beef range from 70% to 108% with applied tariffs ranging from 5% to 80%. Under the pending FTA, U.S. beef producers would gain immediate duty-free treatment for 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 phased-out over 10 years with a 37.5% decrease immediately upon implementation of the agreement.

South Korea: Tariff (Import Policies)

In 2006 U.S. beef exports to South Korea faced tariffs that ranged from 18% to 72%. Under the 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.

Estimated Potential Increase in Exports from Removal of Barrier

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.

South Korea: Sanitary 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

Algeria: Tariff (Import Policies)
The Government of Algeria currently imposes a 30% tariff on U.S. cherry exports.

Argentina: Tariff and Statistical Tax (Import Policies)
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.

Argentina: 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 an 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.

Bangladesh: 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.

Bolivia: 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.

Brazil: 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
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.

China: 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 started entering China duty-free in 2010, while the tariff on New Zealand cherries was eliminated in 2012.

Estimated Potential Increase in Exports from Removal of Barrier
In 2011, Washington cherry exports to China reached $17.5 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.

Colombia: Tariff (Import Policies)
U.S. cherry exports to Colombia currently face a 15% ad valorem tariff. Once the recently passed bilateral trade agreement is implemented, the duty on U.S. cherries will be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier
Based on current market conditions in Colombia, the U.S. cherry industry estimates that the elimination of the 15% duty would lead to less than $5 million additional exports to Colombia.

Ecuador: Tariff (Import Policies)
The Government of Ecuador imposes a 17% ad valorem tariff on cherry imports. By contrast, cherry imports from other countries receive tariff preferences. Fruit imports from the other Andean Pact countries (Bolivia, Colombia, and Peru) and MERCOSUR (Argentina, Brazil, Paraguay, Uruguay and Venezuela) enter Ecuador duty-free. Cherry imports from Chile receive duty-free treatment under a bilateral free trade agreement with Ecuador.

Estimated Potential Increase in Exports from Removal of Barrier
Based on current market conditions in Ecuador, the U.S. cherry industry estimates that the elimination of the tariff would lead to less than $5 million in additional exports per year.

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

The U.S. cherry industry, however, is at a competitive disadvantage because cherries from the EU enter Egypt duty-free under the Agricultural Agreement of the European – Egypt Free Trade 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.

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

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

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

<u>EU: Entry Price System (Import Policies)</u>
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.

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

<u>EU: SPS Restrictions (Standards, Testing, Labeling & Certification)</u>
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.

India: Tariff (Import Policies)
The Government of India currently imposes a 30.6% duty on cherry imports.

Estimated Potential Increase in Exports from Removal of Barrier
In 2011, the U.S. cherry exported only $129,000 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.

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

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. cherry industry estimates that the elimination of the tariff would lead to less than $5 million in annual increased exports.

Indonesia: Phytosanitary Import Restriction - Decree # 37 (Standards, Testing, Labeling & Certification)
On March 27, 2006, Indonesia implemented Ministry of Agriculture Decree Number 37/Kpts.60/1/2006, which requires various mitigation treatments for imported cherries (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. Cherries should be removed from Decree 37 as a commodity of concern for Indonesia.

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

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

Estimated Potential Increase in Exports from Removal of Barrier
Once the tariff and the SPS barrier are eliminated, the industry would expect exports to increase by less than $5 million per year.

Israel: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)
At the present time, the Government of Israel prohibits imports of U.S. cherries due to alleged concerns about plant pests and diseases. In June 2002, APHIS requested Israel to undertake a pest risk assessment (PRA) on Pacific Northwest cherries. 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.

Japan: Tariff (Import Policies)
Washington cherry exports to Japan face an 8.5% ad valorem duty.

Estimated Potential Increase in Exports from Removal of Barrier
Since Japan opened its market in 1978, the Pacific Northwest has exported over 9 million cartons of fresh cherries to Japan, led by Washington State. Japan and Taiwan alternate as the largest foreign market for fresh Washington cherries. The industry estimates that annual cherry exports to Japan would increase by less than $5 million per year after the elimination of the tariff.

Japan: Pesticide MRLs (Standards, Testing, Labeling & Certification)
The Washington 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 but no official Japanese policy changes have occurred. In the case of recent violations, Japan appears to have applied penalties only to affected shippers.

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 reduce risk exposure and maintain access to this $55 million to $82 million annual export market for the U.S. cherry industry.

Japan: Phytosanitary Varietal import Prohibition (Standards, Testing, Labeling & Certification)
The Government of Japan insists on individually approving each new fresh cherry variety after fumigation trials. Although the Government of Japan has approved 17 cherry varieties over the last decades, 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.

An example of Japan's unreasonable requirement is the recent submission by USDA /APHIS for approval of the Coral variety which has now undergone 30 commercial fumigation trials with each well exceeding the minimum requirements. This unending arbitrary requirement of repeatedly testing each variety limits marketing opportunities and squanders the resources of USDA/APHIS, and the Agricultural Resource Service, as well as those of the industry.

Japan's policy lacks scientific credibility and is inconsistent with their country's WTO obligations, as its varietal testing requirements have already been found to be in violation of trade rules as a result of the 1997 WTO Japan-Agricultural Products II case, which found them to be without scientific basis. Moreover, since 1978, the Pacific Northwest has exported over 33 million cartons of cherries to Japan without any quarantine pest issues.

The Washington cherry industry is particularly unhappy 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 to 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. When U.S. negotiators traveled to Japan in 2011 to seek reciprocity, Japanese officials stonewalled and refused to act. Although the United States made the correct technical regulatory decision with respect to different varieties of Japanese apples, they did not obtain the same kind of technical regulatory decision from Japan.

The United States has committed significant resources to a large cherry cultivation improvement project in Washington state and expects new varieties of cherries to continue to be introduced in the future. US trade negotiators should press our trading partners to treat cherries as a single commodity.

Estimated Potential Increase in Exports from Removal of Barrier
The value of Pacific Northwest cherry exports to Japan would increase by up to $5 million annually if all varieties of fresh sweet cherries were approved under the current fumigation work plan for U.S. cherries.

Libya: Tariff (Import Policies)
The Government of Libya currently 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.

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

Estimated Potential Increase in Exports from the Removal of Barrier
The U.S. cherry industry estimates that exports to Malaysia would reach less than $5 million per year if the tariff were eliminated.

Mexico: 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 the state of 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
During the 2010 cherry season, Pacific Northwest cherry exports to Mexico reached about $2 million, a decline from the $3.5 million shipped the previous season as a result of the trucking retaliatory tariffs. If the work plan issue is resolved, the industry sees growth potential in the Mexican market with the expansion of U.S. cherry production and resulting lower prices.

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

<u>Panama: Tariff (Import Policies)</u>
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. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

<u>Philippines: Tariff (Import Policies)</u>
The Government of the Philippines currently imposes a 5% import duty on cherries.

<u>Russia: Tariff (Import Policies)</u>
U.S. cherry exports to Russia are subject to a 5% duty.

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

<u>South Africa: Tariff (Import Policies)</u>
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.

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

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

Estimated Potential Increase in Exports from Removal of Barrier

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

South Korea: Tariff on Canned Cherries (Import Policies)

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

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

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

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

Estimated Potential Increase in Exports from Removal of Barrier

The elimination of the fumigation requirement will increase shelf-life and allow for fruit to be shipped via ocean vessel rather than air freight, thus reducing costs. Lower cost combined with an improved eating quality of fruit should grow sales. During the 2010 marketing year, Pacific Northwest cherry exports to South Korea reached approximately $10.7 million, an increase from the $7.4 million the previous season. 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.

South Korea: Pesticide Standards (Standards, Testing, Labeling & Certification)

During the 2011 cherry season (end of June to late August) Pacific Northwest exporters experience periodic costly delays in clearing South Korea's import inspection process due to the country pesticide residue monitoring program.

The Korean Food and Drug Administration (KFDA) detains and samples shipments for two main reasons. The first is when a new packinghouse/exporter/importer combinations, not previously tested, is found during the customs clearance process. The second reason is that KDFA also conducts a random hold and test pesticide residue detection program, not expected to exceed 5% of the shipments of any commodity. It is estimated that about 10% shipments undergo the test and hold procedure for either of the above reasons.

While some loads clear customs on the day submitted, loads submitted for customs clearance later in the week often do no clear customs in time for weekend promotions if randomly chosen for pesticide testing. Korea's test and hold procedures are a punitive action resulting in market disruption and fruit quality loss when fruit is held without any evidence that pesticide residue violations are likely. As of this time there have not been any pesticide residue violations for Pacific Northwest cherries.

The cherry industry urges USDA and USTR to work with KFDA and seek a modification of this program that either exempts Pacific Northwest fruit because of their positive track record or limits the program to sample and release testing until violations are noted in the commodity.

<u>Estimated Potential Increase in Exports from Removal of Barrier:</u>
Adjusting Korea's pesticide monitoring program for Pacific Northwest cherries will not necessarily increase exports but it will allow this highly perishable and time sensitive fruit to arrive in time for weekend promotion programs and the busiest time of the week for retail consumer purchases. Cherry sales during the eight week 2010 season were $10.7 million and early reports indicate that sales will reach $15 million during the 2011 season.

<u>Sri Lanka: Tariff (Import Policies)</u>

The Government of Sri Lanka collects a 28% tariff on U.S. cherries, which is below the country's 50% bound rate.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The industry estimates the elimination of the tariff would lead to under $5 million in annual cherry exports.

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

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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
The industry estimates that Taiwan's elimination of the tariff would lead to under $5 million in additional exports per year. This calculation is based on current market conditions in Taiwan.

Taiwan: Pesticide MRLS (Standards, Testing, Labeling & Certification)
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 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.

Thailand: Tariff (Import Policies)
The Government of Thailand imposes a 40% ad valorem tariff on imported cherries, which poses a significant hurdle for Washington cherry exporters. Moreover, Washington cherries are at a competitive disadvantage because Thai duties on New Zealand cherries were eliminated under the Thailand-New Zealand Closer Economic Partnership, which entered into force on July 1, 2005. The Washington cherry industry urges the elimination of the Thai cherry duty as part of the WTO Doha Round of negotiations.

Estimated Potential Increase in Exports from Removal of Barrier
Based on current market conditions in Thailand, the industry estimates that the elimination of the tariff would lead to less than $5 million in additional exports each year.

Trinidad and Tobago: Tariff (Import Policies)
Trinidad and Tobago applies a 40% tariff on U.S. cherries, which is below its WTO bound rate of 100%.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. cherry industry estimates that annual exports would increase by less than $5 million after the elimination of the tariff.

<u>Ukraine: Tariff (Import Policies)</u>
The Government of Ukraine currently imposes a 5% tariff on U.S. cherry imports.

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

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

<u>Vietnam: Tariff (Import Policies)</u>
Under Vietnam's WTO accession agreement, the tariff on US cherries dropped 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>
The industry estimates that cherry exports to Vietnam will increase by less than $5 million per year after the tariff has been eliminated.

<u>Vietnam: Transparency/Standards (Other)</u>
Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. cherry industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, the industry estimates that Pacific Northwest fruit sales should reach the upper end of the $5 million to $25 million range.

CORN

South Korea: Tariff on Canned Corn (Sweet): Tariff (Import Policies)
Under the U.S.-Korea FTA the current 30% tariff on imported frozen corn and the 15% tariff on canned corned will be phased-out over five years after the implementation of the agreement.

South Korea: Tariff on Frozen Corn (Import Policies)
South Korea currently imposes a 30% tariff on imports of frozen corn, which is above its bound rate of 54%. The 30% tariff on imported frozen corn will be phased out over five years after the implementation of the bilateral free trade agreement between South Korea and the United States, which was implemented on March 15, 2012.

DAIRY PRODUCTS

Canada: Tariff Rate Quotas (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.

India: Tariff on Whey (Import Policies)

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

South Korea: Tariff on Cheese (Import Policies)

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

South Korea: Tariffs and Tariff Rate Quota on Whey (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 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.

GENERAL

China: Import Prohibition on Genetically Modified Products (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.

China: Lack of Regulatory Transparency (Other)

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

Pakistan: Tariffs on Fruits and Vegetables (Import Policies)

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

GRAPE JUICE

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

NECTARINES AND PEACHES

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

Mexico: Phytosanitary Import Restrictions on Nectarines and Peaches (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.

ONIONS

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

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

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

PEARS

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

Argentina: 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.

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

Argentina: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)
Argentine pear importers are unable to obtain import permits from the Government of Argentina, which apparently suspended imports due to concerns over the transmission of *Erwinia amylovora*, the bacteria that causes fire blight. In 2009 USDA/APHIS submitted technical information to the Government of Argentina that documents that the risk of transmitting the bacteria on mature symptomless pears is very low.

The Government of Argentina, however, has not responded to APHIS' letter. Instead, Argentina has started its own pest risk assessment, indicating that the information will be used to determine the import permit requirements for pears.

For several reasons, the U.S. pear industry believes that Argentina's actions can only be interpreted as being designed to prohibit imports or perhaps gain some negotiating leverage in plant health negotiations with USDA. First, there have been no reported pest violations on any U.S. pear shipments to Argentina. Second, only a small amount of pears have ever been exported to Argentina each year (less than 100 MTS per year.) Third, there is only a very short shipping season of one or two months. And finally, there is a lack of risk from fire blight as supported by the WTO dispute resolution decisions in U.S. vs. Japan and New Zealand vs. Australia.

Given these factors and the low risk posed by US pears, Argentina should issue import permits with the requirements that were in effect prior to 2009.

Estimated Potential Increase in Exports from Removal of Barrier

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

Argentina: Export Rebate Subsidy (Export Subsidy)

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.

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

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

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

Estimated Potential Increase in Exports from Removal of Barrier

The 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.

Bangladesh: 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.

Bolivia: Tariff (Import Policies)

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

Estimated Potential Increase in Exports from Removal of Barrier

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

Brazil: 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 their 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 2011 Washington pear exports to Brazil totaled nearly $10 million. Based on current market conditions in Brazil, the industry estimates that U.S. pear exports would increase by under $5 million a year if the country removed the tariff.

China: Tariff (Import Policies)

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

Estimated Potential Increase in Exports from Removal of Barrier

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

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

At the present time, China prohibits the importation of 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, but the two countries are far apart on agreeing on the work plan conditions that are technically justified due to plant health risk.

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, and USDA is now reviewing market access for Chinese sand 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
2010	262	$6.2

Estimated Potential Increase in Exports from Removal of Barrier

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

Colombia: Tariff (Import Policies)
U.S. pear exports to Colombia currently face a 15% ad valorem tariff. Once the recently passed bilateral trade agreement with Colombia is implemented, the duty on U.S. pears would be immediately eliminated.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. industry estimates that exports would increase by less than $5 million per year after the tariff is eliminated. This estimate is based on current market conditions in Colombia.

Ecuador: Tariff (Import Policies)
Ecuador collects a 17% 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.

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

U.S. pear growers, however, are at a competitive disadvantage because pears from the EU enter Egypt duty-free as of July 2010 under the Agricultural Agreement of the European –Egypt Free Trade Agreement. The Egyptian market for U.S. pears is very small and unlikely to grow unless the tariff disparity with the EU is eliminated.

Estimated Potential Increase in Exports from Removal of Barrier
In the event that Egypt eliminated the tariff, the U.S. pear industry estimates that exports would rise by less than $5 million per annum based on current market conditions.

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

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

Estimated Potential Increase in Exports from Removal of Barrier

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

EU: Entry Price System (Import Policies)

U.S. pear exports to the EU are limited by an entry price system, which is 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.

India: 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.

Indonesia: Tariff (Import Policies)
The Government of Indonesia currently assesses a 5% tariff on pear imports from the United States. Under the China-ASEAN trade agreement, Chinese apples enter Indonesia duty-free.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. pear industry estimates that the elimination of the tariff would lead to less than $5 million in annual increased exports.

Indonesia: Phytosanitary Import Restriction – Decree 37 (Standards, Testing, Labeling & Certification)
On March 27, 2006, Indonesia implemented Ministry of Agriculture Decree Number 37/Kpts.60/1/2006, which requires various mitigation treatments for imported pears, 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.

Israel: Tariff Rate Quota (Import Policies)

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

The 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 2012). The U.S. pear industry would like unrestricted access under any new agreement.

Estimated Potential Increase in Exports from Removal of Barrier

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

Israel: Administration of Tariff Rate Quota (Import Policies)

During the negotiations for the 2004 Agreement on Trade in Agricultural Products, Israel committed to reform its administration of its TRQ system on the basis of "first come, first serve." Unfortunately, Israel continues to issue import permits to individuals that do not import pears and these persons then sell their allotted TRQ volume to those that are engaged in commercial trade.

Estimated Potential Increase in Exports from Removal of Barrier

Once unlimited duty-free access is acquired and the TRQ system restructured, the industry would expect exports to increase by less than $5 million per year.

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

On March 18, 2009 Israel's Plant Protection and Inspection Service notified USDA/APHIS of forthcoming changes to the cold treatment requirement for the importation of pears. In an effort to avoid phytosanitary mitigation measures that would further restrict U.S. growers from shipping to Israel the two countries have been exchanging technical information and research.

U.S. pears 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 most recent bilateral meetings (August 2011), the United States provided current trial data by Cornell University on efficacy of cold treatment for apple maggot that supported previous trials dating back to the 1940s. Israel, however, continues to refuse to accept a standard cold treatment that has been in use for major markets for many years and has been applied without any failure. However, while talks continue on specific technical questions, Israel did agree to drop plum curculio as a pest of concern and will allow access for U.S. pears under a temporary cold treatment protocol effective until September 12, 2012. This temporary cold treatment protocol is based on treatment schedules which the U.S. industry hopes to make permanent.

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

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

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

<u>Japan: Phytosanitary Import Prohibition (Standards, Testing, Labeling & Certification)</u>
Japan prohibits the importation of U.S. pears because of plant quarantine concerns related to the bacterial disease, fire blight. The U.S. position is that mature, symptomless fruit produced under commercial conditions have not been shown to transmit the disease. In 2007, research substantiated the U.S. position.

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

<u>Libya Tariff (Import Policies)</u>
The Government of Libya currently assesses a 40% tariff on U.S. pear imports.

<u>Estimated Potential Increase in Exports from the Removal of Barrier</u>
The U.S. pear industry estimates that exports to Libya would reach less than $5 million per year if the tariff were eliminated.

Malaysia: Tariff (Import Policies)

Effective October 29, 1999, Malaysia lowered the tariff on imported pears to 5% ad valorem. The government collects an additional 5% sales tax on fresh fruit imports. More importantly, under the People's Republic of China-ASEAN trade agreement, Chinese pears enter Malaysia duty-free.

Estimated Potential Increase in Exports from the Removal of Barrier

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

Norway: 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.

Panama: Tariff (Import Policies)

The Government of Panama imposes a 5% tariff on imported U.S. pears. Under the U.S.-Panama Free Trade Agreement the tariff will be eliminated. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

Philippines: Tariff (Import Policies)

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

Russia: Tariff (Import Policies)

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

Estimated Potential Increase in Exports if Barrier were Removed

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

South Africa: Tariff (Import Policies)

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

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

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

Estimated Potential Increase in Exports from Removal of Barrier

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

South Korea: Tariff (Import Policies)

U.S. pear exports to South Korea currently face a 45% tariff. South Korea, 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.

Estimated Potential Increase in Exports from Removal of Barrier

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

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

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

Estimated Potential Increase in Exports from Removal of Barrier:

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

Sri Lanka: Tariff (Import Policies)

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

Estimated Potential Increase in Exports from Removal of Barrier

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

Taiwan: Tariff (Import Policies)

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

Estimated Potential Increase in Exports from Removal of Barrier were Removed
Based on current market conditions in Taiwan, the industry estimates that sales would increase by under $5 million per year if the country eliminated the tariff.

Taiwan: Pesticide MRLs (Standards, Testing, Labeling & Certification)
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 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.

Thailand: Tariff (Import Policies)
The Government of Thailand imposes a 30% tariff on U.S. pears, which is a significant barrier to Washington pear exports, particularly since other countries enjoy duty-free market access under other trade agreements.

Estimated Potential Increase in Exports from Removal of Barrier
Based on current market conditions in Thailand, the industry estimates that the elimination of the 30% tariff would lead to less than $5 million in additional pear exports per year.

Trinidad and Tobago: Tariff (Import Policies)
Trinidad and Tobago applies a 40% tariff on U.S. pears, which is below its WTO bound rate of 100%.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. pear industry estimates that annual exports would increase by less than $5 million after the elimination of the tariff.

Turkey: Tariff (Import Policies)
The Turkish tariff on imported pears is currently 60.3%.

Ukraine: Tariff (Import Policies)
The Government of Ukraine currently imposes a 5% tariff on imported U.S. pears between December 1 and March 31 every year. From April 1 to November 30, U.S. pears face a 10% tariff.

Venezuela: Tariff (Import Policies)
Venezuela imposes a 15% tariff on the ad valorem value of pear exports from the United States. U.S. pear exporters are placed at a competitive disadvantage by the duty-free treatment provided to pear imports from other Andean Pact countries (Bolivia, Colombia, Ecuador and Peru). Pear imports from Chile and MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) also enter Venezuela duty-free. 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.

Venezuela: 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 pear imports.

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.

Vietnam: Tariff (Import Policies)
Under Vietnam’s WTO accession agreement, the tariff dropped 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
The pear industry estimates that exports to Vietnam will increase by under $5 million after Vietnam eliminates the tariff.

Vietnam: Transparency/Standards (Other)
Vietnam is currently reviewing its food safety regulations, including its market access requirements. Pacific Northwest fruit has been exported to Vietnam for many years. Although it is within Vietnam's right as a sovereign country to review its quarantine regulations, any such review should not limit trade of products that have not had any quarantine concerns and for which proper notification has not been given (e.g., apples, pears and cherries).

As Vietnam rewrites its food safety laws, it is important that it does so in a transparent manner and that any new regulations take into account international standards and are based on sound science.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. pear industry views Vietnam as a growth market because it has a population of 84 million, with 60% of that population under the age of 25. If market access requirements are transparent and based on international standards, with the Vietnam's WTO tariff rate commitments the industry estimates that Pacific Northwest fruit sales should reach the upper end of the $5 million to $25 million range.

PLUMS

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

PORK

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

POTATO PRODUCTS

Argentina: Tariff on Processed Potatoes (Import Policies)

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

Estimated Potential Increase in Exports from Removal of Barrier

Quick Service Restaurants are making inroads into the Argentine market, increasing the demand for frozen French fries. In 2011, 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.

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

The Government of Argentina currently bans the importation of American seed potatoes based on unjustified and unscientific reasons.

Estimated Potential Increase in Exports from Removal of Barrier

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

Brazil: Tariff on Fresh Potatoes (Import Policies)

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

Brazil: Tariff on Frozen French Fries (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. exports would increase by several million dollars annually.

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

Brazilian authorities 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 U.S. processed potato industry urges Brazil to apply a sulfite tolerance level at the internationally-accepted standard of approximately 500 ppm.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2010-2011 marketing year the U.S. industry exported nearly $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.

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

In 2004 the Government of Brazil officially 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 reflects 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 obtaining the release of seed potato imports because they feared that they would miss the planting season.

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

Estimated Potential Increase in Exports from Removal of Barrier

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.

<u>Canada: Pesticide MRLs for Fresh Potatoes (Standards, Testing, Labeling and Certification)</u>

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.

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

Canada is the largest foreign market for U.S. fresh potatoes, with exports reaching $120 million during the 2010-2011 marketing year, an increase from the $91 million in exports the previous year.

<u>Canada: Proposed Import Standards for Fresh Potatoes (Standards, Testing, Labeling and Certification)</u>

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 to 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 regulated areas. It is notable that 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 United States.

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

The Government of Canada has also proposed, but not acted upon, a proposal to deregulate Soybean Cyst Nematode (SCN) in Canada. Currently, SCN is known to exist in Canada but there are no known internal controls to limit the spread. Although CFIA acknowledges this fact, it continues to place restrictions on US imports from states that have SCN.

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

Canada is the largest U.S. fresh potato export market with shipments reaching $120 million during the 2010-2011 marketing year.

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

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. potato industry estimates that opening of the market to fresh potatoes would lead to less than $5 million in exports in the short-term.

China: Tariffs on Potato Products (Import Policies)
Despite the tariff concessions contained in China's WTO accession agreement, significant tariff obstacles to exporting potato products remain. Most importantly, 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 and 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 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. In 2013, New Zealand frozen French fries will enter China duty-free.

Estimated Potential Increase in Exports from Removal of Barrier
In 2011 U.S. frozen potato product exports to China reached $72.8 million, while U.S. dehydrated potato products exports reached $4 million. (Of the $72.8 million in frozen potato exports to China in 2011, Washington accounted for $65.7 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.

China: Certificate of Quality and Condition for Frozen French Fries and Dehydrated Potato Products (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 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 2010 – 2011 marketing year, U.S. frozen potato product exports to China reached $61.5 million, making it the third largest overseas market. During this same time period U.S. dehydrated potato product exports reached $4 million. If China maintained WTO-consistent and transparent import regulations, the industry estimates that annual exports could reach $75 million.

China: Import Regulations for Potato Products (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.

In April 2011, the U.S. processed potato industry learned that China was planning to ban two flour bleaching agents, benzoyl peroxide and calcium perioxide. Benzoyl peroxide is a Codex-approved substance used in US flour used by the U.S. processed potato industry. The U.S. industry is not aware of any scientific justification cited by the Government of China for the prohibition, other than the agents might be misused in Chinese food production.

Although China notified this change to the WTO several years ago, the implications of the policy change were not evident until April 2011, when China gave the industry one month to meet the standard, as opposed to the end of the year. Chinese authorities have denied requests for an extension. China's policy affected over a billion pounds of U.S. product that had to be sold to different markets or reformulated, at significant expense to the industry. The fact the product is approved by the United States and by Codex makes the additional expenses particularly troubling.

The U.S. processed potato industry requests that U.S. officials emphasize to China that the country's import policies must be transparent, consistent, based on sound science, and the least trade-restrictive as possible. In view of China's responsibilities as a WTO member, it is important that the country's import regulations meet international standards.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2010 – 2011 marketing year, U.S. frozen potato product exports to China reached $61.5 million, making it the fourth largest overseas market. During this same time period U.S. dehydrated potato product exports reached 4 million. If China maintained WTO-consistent and transparent import regulations, the industry estimates that annual exports could reach $75 million.

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

China currently 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).

Efforts by federal officials to open the Chinese market have been complemented by pressure from state governors. 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.

By contrast 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 2010 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. Since there is no known domestic industry opposition to the U.S. market access request, the U.S. industry believes that China is holding up market access only in order to extract market access commitments from the United States.

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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
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 $30 million within five years if China lifted the import prohibition.

Colombia: Tariff on Dehydrated Potato Flakes/Granules (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.

The tariff will be immediately eliminated once the U.S.-Colombia FTA is implemented.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. industry estimates that the elimination of the duty would lead to approximately $5 million in additional exports of processed potato products per year.

Colombia: Tariff on Fresh Potatoes (Import Policies)
The Government of Colombia applies 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 immediately eliminated.[1]

Estimated Potential Increase in Exports from Removal of Barrier
At the present time, the U.S. exports $3 million worth of potato products to Colombia each year. The industry expects that exports would increase by several million dollars per year once the tariffs are removed.

Colombia: Tariff on Frozen French Fries (Import Policies)
At the present time, Colombia applies a 20% tariff on imported frozen French fries from the United States, which is well below the country's 70% bound commitment under the WTO Uruguay Round Agricultural Agreement. 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.

The tariff will be immediately eliminated once the U.S.-Colombia FTA is implemented.

Estimated Potential Increase in Exports from Removal of Barrier
At the present time, the U.S. exports $3 million worth of potato products to Colombia each year. 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.

[1] NPC 2012 NTE 10/11

Costa Rica: Administration of Quotas for Potato Products (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 illegally 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.

Estimated Potential Increase in Exports from Removal of Barrier
During the 2010-11 marketing year, the U.S. industry exported $5.7 million worth of frozen French fires to Costa Rica, a 271% increase over the previous year. The U.S. industry had lost significant market share to Canadian producers as they benefited from a preferential TRQ with Costa Rica which went into effect earlier.

As of this time, dehydrated potato exports to Costa Rica have been limited, but the industry is hopeful that they could reach $1 million with the elimination of all tariffs. With full market access, the industry also predicts that fresh potato exports could reach $2 million per year.

Dominican Republic: Application of Quotas for Seed Potatoes (Import Policies)
Exports of U.S. potato products have been increasing under the DR-CAFTA. However, difficulties have arisen with respect to seed potato exports. Dominican importers of U.S. seed potatoes are not having their full request granted when seeking import permits. Instead, they are being told that there is a quota for seed potato imports and only certain amounts of such product can be imported from the United States. Other countries, such as the Netherlands, are granted other parts of the quota. These restrictions are inconsistent with the DR-CAFTA as there is no quota on seed or fresh potatoes under the agreement.

Officials from USTR and USDA are engaging their Dominican Republic counterparts on this issue and the U.S. industry hopes for a speedy resolution of the situation.

Estimated Potential Increase in Exports from Removal of Barrier
At the present time, the U.S. seed potato industry only exports a limited amount of their product to the Dominican Republic. The country, however, is one of the largest potential seed potato markets in the region and the U.S. industry anticipates much greater exports once this issue is resolved.

Ecuador: Tariff on Fresh Potatoes (Import Policies)
The Government of Ecuador imposes a 20% tariff on imports of fresh potatoes from the United States.

Ecuador: Tariff on Frozen French Fries (Import Policies)
U.S. frozen French fry exports to Ecuador face a 30% tariff, placing them at a 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.

Ecuador: Tariff on Seed Potatoes (Import Policies)
The Government of Ecuador collects a 5% tariff on imports of seed potatoes from the United States.

Egypt: Phytosanitary Import Prohibition on Seed Potatoes (Standards, Testing, Labeling & Certification)
Although Egypt is a major importer of seed potatoes from such countries as Syria, Turkey and the Netherlands, the market is currently closed to U.S. seed potatoes. In 2009, however, the Government of Egypt and Egyptian growers expressed an interest in importing U.S. seed potatoes. In response, APHIS, working with the U.S. potato industry, provided the Government of Egypt with a draft proposal for a market access protocol. At the request of the Government of Egypt, the U.S. industry also provided information about pests faced by the seed potato industry.

Progress has been made on this issue and the industry is hopeful that a commercial work plan and a market access agreement can be reached in 2011.

Estimated Potential Increase in Exports from Removal of Barrier
The U.S. potato industry anticipates that seed potato exports to Egypt could reach $15 million in a few years once a market access protocol has been reached.

Guatemala: Phytosanitary Import Prohibition on Fresh and Seed Potatoes (Standards, Testing, Labeling & Certification)
In August 2009, the Government of Guatemala established new requirements for import permits for U.S. fresh and seed potatoes that included a revised pest quarantine list that prevented market access. 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: Pesticide MRLs for Processed Potatoes (Standards, Testing, Labeling & Certification)
Hong Kong is currently transition to a "positive" pesticide residue level (MRL) policy. At the present time, Hong Kong defers to Codex MRLs and has acknowledged that these MRLs will serve as a basis for their new MRL list, but plans to supplement them with MRLs from China, Thailand, and the United States.

The U.S. industry has discussed this transition with Hong Kong officials and has pointed out that numerous potato MRLs were not in the provisional Hong Kong MRL list.

Estimated Potential Increase in Exports from Removal of Barrier
During the 2010-11 marketing year, Hong Kong imported $25 million worth of U.S. frozen French fries. The industry anticipates an additional $5 million in annual exports if they are able to successfully transition to Hong Kong's new MRL policy.

India: Tariff on Dehydrated Potato Products (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. It is unclear if the other taxes are also applied domestically and are therefore WTO compliant.

The U.S. industry believes that only the ad valorem tariff should be applied to imports and urges India to eliminate the tariff on these products during the current WTO negotiations.

Estimated Potential Increase in Exports from Removal of Barrier
The United States exported $1.2 million worth of frozen French fries to India during the 2010-2011 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, based on the interest of U.S. quick service restaurant chains in India. 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.

India: Tariff on Fresh Potatoes (Import Policies)
The Government of India currently imposes a 30% tariff on fresh potato imports.

India: Tariff on Frozen French Fries (Import Policies)
India currently imposes a 30% tariff on imported frozen French fries. This applied rate is lower than India's bound rate but this reduction has been nullified to some degree by the addition and occasional repeal of various taxes on top of the ad valorem tariff. 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
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Indonesia: Tariff on Fresh Potatoes (Import Policies)
In March 2005, the Government of Indonesia raised its applied tariff on fresh table stock potatoes from 5% to 20% in an effort to protect domestic growers. The revised rates falls under the country's 50% bound tariff rate but the U.S. industry urges Indonesia to lower the rate.

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

Estimated Potential Increase in Exports from Removal of Barrier

During the 2010-2011 marketing year, U.S. frozen potato exports to Indonesia reached $11.3 million, an increase of 13.3% 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 by up to $25.

Indonesia: Documentation Requirements for Fresh Potatoes (Standards, Testing, Labeling & Certification)

The U.S. fresh potato industry is interested in opening the Indonesia market because processed potato sales to the country and fresh potato exports to Southeast Asia have been growing.

In the spring of 2001, the U.S. fresh potato industry requested APHIS to seek market access to Indonesia. A letter was sent to the Indonesian authorities requesting information on what steps needed to be undertaken to open the market but as of this time a clear response has not been received.

Estimated Potential Increase in Exports from Removal of Barrier

Frozen US potato exports to Indonesia reached $11.3 million during the 2010-11 market year, as the country is developing into a promising market for the industry. Annual exports could reach $25 million if no unforeseen trade barriers develop.

Japan: Tariff on Dehydrated Potato Flakes (Import Policies)

Japan currently imposes an excessive 20% tariff on U.S. exports of dehydrated potato flakes (HS 1105.20/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 $268.5 million worth of the product during the 2010-2011 marketing year, a decline of 4% over the previous year. The United States also exported $27.4 million worth of dehydrated potato products to Japan during that time period, a 14.5% decrease over the previous year.

Japan: Tariff on Fresh Potatoes (Import Policies)

Japan's tariff on fresh potatoes is 4.3%.

Japan: Tariff on Frozen French Fries (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 or the TPP negations, should Japan decide to join, 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 $268.5 million worth of the product during the 2010-2011 marketing year. The United States also exported $27.4 million worth of dehydrated potato products to Japan during that time period. Japanese tariffs and pesticide policies hinder U.S. potato exports. In order to sustain 2% to 3% export growth, the U.S. industry urges Japan to eliminate the tariff on potato products, pursue the least trade restrictive action with respect to pesticide residue practices and coliforms and to make their food regulations more transparent.

Japan: Phytosanitary Import Restrictions on Fresh Potatoes (Standards, Testing, Labeling & Certification)
The Government of Japan (GOJ) prohibited the importation of fresh U.S. potatoes based on plant quarantine concerns for over 23 years. As a result, Japanese processing plants have been forced to remain idle for part of the year because Japanese growers do not produce enough potatoes for their snack food and chip companies to operate at full capacity on a year-round basis. Moreover, 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) visual 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, on the condition that they had to be processed immediately after arrival in Japan. The protocol only covered 12 states and required 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.

In June 2011, after six years of discussion, the GOJ finally approved a second processing facility for receiving U.S. chipping potatoes and increased the shipping window to include the month of July. This newly-approved plant is located in the Kagoshima Port area which does not have an international port. As a result, U.S. chipping potatoes must be transported to the plant on a feeder vessel. The U.S. fresh potato industry and Japanese processors are very interested in overland approval for the potatoes from the port of entry to the facility. Although in 2008 the GOJ provided guidance on how such approval could occur, it has not yet approved overland shipping.

The approval of overland shipping and additional processing facilities are major priorities for the U.S. fresh potato industry. In addition, the industry seeks the further expansion of the shipping window to include the month of January. 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.

<u>Estimated Potential Increase in Exports from the Removal of Barrier</u>
Exports of U.S. chipping potatoes have also significantly grown with shipments reaching $3.5 million during the February-July 2011 shipping season, an increase of 189% over the previous year. Shipping contracts for the next marketing year indicate that there will be a new record for shipments. Opening of the market to fresh potatoes could increase sales by $10 million in the first year and $50 million in three years.

<u>Japan: Pesticide MRLs for Processed Potatoes (Standards, Testing, Labeling & Certification</u>)

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.

Until recently, Japan's MRL sanctions policy punished 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. In keeping with this welcomed agreement, starting in 2011, Japan has applied sanctions against the violating shipper and not an entire industry.

The industry is also concerned about the length of time Japan is taking to establish MRLs for new active ingredients registered in the United States. Although Japan's system is based on science, it is cumbersome and can take several years for new MRLs to be established. This delays the adoption of newer, reduced risk compounds in the United States, as shippers are concerned about potential residue violations. The industry urges USDA and USTR to engage their Japanese counterparts to encourage additional resources to expedite pesticide reviews.

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 2010-11 marketing year, U.S. exports of frozen French fries reached $268.5 million, a decline from $292 million the previous year. In the 2010-2011 marketing year, U.S. dehydrated potato product exports to Japan totaled $27.4 million, an increase from the $16 million in exports the previous year. 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.

Japan: Coliform Standards for Processed Potato Products (Standards, Testing, Labeling & Certification)
In years past, Japan has rejected shipments of French fries due to the presence of coliforms. Japan maintained a zero tolerance policy on coliforms on fries because it has classified frozen French fries as a finished product. Any coliforms that have been detected, however, are minimal and within industry-specified limits. Moreover, 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 a different frozen food category that would more accurately reflect 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 welcomed this change and worked with MHLW to establish a transition period through 2010 that will allow labeling to be adjusted. The transition was be completed by December 31, 2010 and the issue has been resolved. As of this time, no shipments have been rejected for coliforms in 2011. 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 $265 million during the 2019-11 marketing year. In addition, the U.S. industry exported $27.4 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 transparency in Japan's food safety regulations.

Malaysia: New Labeling Requirements for Fresh Potatoes (Standards, Testing, Labeling & Certification)

The Government of Malaysia recently implemented new labeling standards for fresh produce including potatoes. Under the new standards, the labels must be in the local language and can be stickered, which is appreciated by the industry. The U.S. industry also appreciates the transition period. However, whenever a new labeling regime is introduced, challenges can emerge. As a result, the U.S. industry request the U.S. government to continue to engage with Malaysia as the new regulations are implemented and do what it can to minimize their impact on U.S. fresh potato exports to Malaysia.

Estimated Potential Increase in Exports from the Removal of Barrier

Malaysia is one of the most promising markets for U.S. fresh potato exports, with exports reaching $5.6 million during the 2010-2011 marketing year. The industry anticipates future market growth if Malaysia follows transparent and international consistently food safety laws.

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

In March 2003 the United States and Mexico signed an export protocol, which opened up the market to potatoes from all U.S. states based on a "shipment freedom" system whereby individual shipments were required to be inspected. Under this agreement, U.S. potato exporters have to use certified seed potatoes, apply sprout inhibitor, inspect for viruses and diseases and supply Mexican officials with appropriate documentation. The agreement limited shipments in the first year to the border zone (26 kilometers) but provided for the extension of market access to the seven northern states in the second year and the negotiation of market access to the rest of the country in the third year.

Under the original agreement, discussions to further open the seven northern Mexican states were to occur but 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. Expanding access to the Mexican fresh potato market is one of the U.S. potato industry's highest priorities.

Although the industry considers access to the border region important, there is no phytosanitary justification to limiting exports to the 26-km border region. This limitation was a political concession agreed to by USDA and the U.S. potato industry to reopen the Mexican market. In exchange for this concession and a commitment to open the US market for Mexican avocados, the Government of Mexico committed to open its market to U.S. potatoes the Northern States of Mexico by 2005 and to discuss access to the rest of Mexico in 2006. Since that time Mexican avocado exports to the United States have surpassed the $2 billion mark, while Mexico has not opened its market to US potatoes.

During the summer of 2011, a North American Plant Protection Organization mediation panel found many of Mexico's arguments for restricting market access to be invalid.

Estimated Potential Increase in Exports from Removal of Barrier

During the 2010-2011 market year, U.S. fresh potato exports to the border region reached $32.2 million, making it the industry's second largest foreign market. The industry estimates that annual exports to Mexico could reach $75 million with the removal of all phytosanitary restrictions.

Panama: Tariff on Dehydrated Potato Flakes, Pellets and Granules (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. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

Panama: TRQ on Fresh Potatoes (Import Policies)

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

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

Panama: Tariff on Frozen French Fries: 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.

The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

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 $5.8 million during the 2010-2011 marketing year. The U.S. industry estimates that exports to Panama would double in the near term if the tariff were eliminated.

Panama: Tariff on Potato Chips (Import Policies)

The Government of Panama imposes only a 15% tariff on imported U.S. potato chips. Under the U.S.-Panama Free Trade Agreement the tariff will be immediately eliminated. The United States and Panama have currently set October 1, 2012 as the tentative implementation date for the agreement.

Philippines: Tariff on Dehydrated Potato Products (Import Policies)

The Government of the Philippines currently collects a 15% tariff on imported dehydrated potato products.

Philippines: TRQ on Fresh Potatoes (Import Policies)

Fresh potato market access to the Philippines is restricted by a TRQ that is approximately 1,500 MTs with an in-quota tariff of 40% and an above-quota tariff of 50%

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that annual fresh potato exports (table and chip) would reach at least $5 million per year if the Philippines eliminated the TRQ.

Philippines: Tariff on Frozen French Fries (Import Policies)

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

Estimated Potential Increase in Exports from Removal of Barrier
During the 2010-2011 marketing year, U.S. frozen French fry exports to the Philippines reached $28.7 million dollars, making it the industry's seventh most important export market. The industry estimates that the elimination of Philippine tariffs would increase demand by approximately $20 million per year in the short-term.

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

In March 2009 APHIS requested market access for U.S. fresh potatoes. The Government of the Philippines responded that a pest risk assessment would have to be carried out for potatoes not destined for processing. This issue was to be discussed at the inaugural US-Philippine plant health bilateral in June 2011, but the meeting was cancelled.

In August, 2011 the Government of the Philippines delivered a pest risk assessment to APHIS.

Estimated Potential Increase in Exports from Removal of Barrier
Market access for fresh potatoes could lead to up to $15 million in annual fresh potato exports to the Philippines.

Russia: Coliform Standards for Potato Products (Standards, Testing, Labeling & Certification)

It appears that Russia applies a zero tolerance to coliforms. This policy is not necessary in that frozen French fries will be further cooked. Instead, a zero tolerance for E. coli would be appropriate. A clearer understanding of what category frozen French fries fall under in Russian regulations would be helpful.

Estimated Potential Increase in Exports if Barrier were Removed
As of this time, Russia is not a major market for U.S. processed potatoes, but given the country's pace of economic development and its high potato consuming population, the market could expand. If Russia began to implement food safety standards that are consistent with international regulations, the U.S. industry estimates that processed potato exports could reach $10 million in five years.

Russia: Pesticide MRLs for Potato Products (Standards, Testing, Labeling & Certification)

The U.S. processed potato products industry is concerned that the Government of Russia apparently requires lists of crop protection products for each shipment imported into the country. This requirement is not consistent with international standards and would be difficult to meet. The industry is also concerned that several other countries have had issues with Russia's pesticide MRL standards, which are not transparent and appear to be out-of-date. The industry urges Russia to consider supplementing their MRLs with Codex MRLs once they join the WTO to address MRL discrepancies and avoid trade barriers.

Estimated Potential Increase in Exports if Barrier were Removed

As of this time, Russia is not a major market for U.S. processed potatoes, but given the country's pace of economic development and its high potato consuming population, the market could expand. If Russia began to implement food safety standards that are consistent with international regulations, the U.S. industry estimates that processed potato exports could reach $10 million in five years.

South Korea: TRQ on Dehydrated Potato Flakes (Import Policies)

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

Under the 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%

Estimated Potential Increase in Exports from Removal of Barrier
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. dehydrated potato products could reach $15 million if the quota was eliminated.

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

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

Under the U.S.-South Korean FTA, tariffs on chipping potatoes will be immediately eliminated during the December 1 to April 30 time period. This seasonal duty-free market access will allow significant market access and will free the rest of the quota for table stock potatoes. 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
During the 2010-11 marketing year, US exports of all potato products to South Korea total $60.8 million, with frozen French fries accounting for the largest share ($48.3 million). The U.S. industry estimates that annual fresh potato exports to South Korea could reach $15 million if the restrictions were eliminated.

South Korea: Tariff on 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 fifth largest export market for U.S. frozen French fries, with exports reaching $48.3 million in marketing year 2010-11. During that marketing year U.S. dehydrated potato exports to South Korea reached nearly $4 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.

South Korea: Coliform Standards for Processed Potato Products (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.

On December 31, 2010, the U.S. industry resolved this issue with Japan. It is now considering whether to approach the South Korean government about classifying U.S. frozen French fries into a more appropriate food category as it did with Japan.

Estimated Potential Increase in Exports from Removal of Barrier

South Korea is the fifth largest foreign market for U.S. frozen French fries with exports reaching $48.3 million during the 2010-2011 marketing year. In addition, during that time period, the United States exported nearly $4 million in dehydrated potato product to South Korea. The U.S. industry fears that a potato coliform violation could disrupt the market.

South Korea: Pesticide Standards for Processed Potato Products(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. The industry believes that 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 fifth largest foreign market for U.S. frozen French fries with exports reaching $48.3 million during the 2009-10 marketing year. In addition, during that time period, the United States exported nearly $4 million in dehydrated potato product to South Korea.

Sri Lanka: Phytosanitary Import Prohibition on Seed Potatoes (Standards, Testing, Labeling & Certification)
The U.S. industry is interested in exporting seed potatoes to Sri Lanka, which has been annually importing nearly $1 million 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 the industry still seeks some additional changes.

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.

Taiwan: Tariff on Fresh Potatoes (Import Policies)
Taiwan currently assesses a 15% tariff on U.S. fresh potatoes. The U.S. industry urges that Taiwan eliminate its tariff on fresh potato import as part of the ongoing round of WTO negotiations.

Taiwan: Tariff on Frozen French Fries and Other Potato Products: (Import Policies)
Based on Taiwan's WTO accession commitments, the bound tariff rate for frozen French fry imports is 12.5%. A more complete guide to Taiwan's current tariffs on potato products follows:

H.S. Number	Product	Current Taiwanese Tariff Based on WTO Accession
0701.90	Fresh potatoes (table stock)	150%
0710.10.00	Frozen potatoes	15%
1105.20.00	Potato flakes	10%
2004.10.11(a)	Potato sticks, frozen (frozen fries) >1.5kg.	12.5%

2004.10.90(b)	Potato sticks, frozen (frozen fries) < 1.5kg.	18%
2004.10.90	Other potatoes, prepared or preserved, frozen	18%
2005.20.10(a)	Potato chips and sticks >1.5kg.	12.5%
2005.20.10(b)	Potato chips and sticks < 1.5 kg.	15%
2005.20.90	Other potatoes, preserved	18%

Estimated Potential Increase in Exports from Removal of Barrier

During the 2010-11 marketing year, the United States exported $35.5 million in frozen French fries and $3 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.

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

Taiwan requires the inspection and certification that potato fields that are a source of fresh potato exports to Taiwan are free of late blight. After the potatoes have been inspected, they have to be segregated from other potatoes as “approved” for export to Taiwan. No other market has these requirements.

During the 2011 bilateral talks, Taiwan reiterated this requirement but indicated that it had some flexibility regarding how the inspection could occur. The U.S. industry has been working with APHIS to address this issue with little success.

Estimated Potential Increase in Exports from Removal of Barrier were Removed

Improved market access could lead to exports increasing from $3.6 million to $10 million to $15 million in a few years.

Taiwan: Pesticide MRLs for Potato Products (Standards, Testing, Labeling & Certification)

In 2009 Taiwan increased the testing of imported products for pesticide residue violations, without notifying its trading partners. This policy change 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. While the United States currently has established 104 potato-related MRLs while Taiwan has only established about 50.

Secondly, in 2000 U.S. commodity and chemical companies submitted hundreds of data packages to officials in Taiwan in order to assist them establish its MRLs. Taiwan, however, has not established these tolerances for many of these products. The U.S. industry urges Taiwan not to reject imports until it has reviewed the submitted information and established tolerances.

Thirdly, in 2008 Taiwan sought to establish 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 that 5% of the identified reviews are for potato MRLs and that Taiwan has establish several of these MRLs, 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 several 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.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
During the 2010-11 marketing year, the United States exported $35.5 million in frozen French fries and $3 million in dehydrated potato products to Taiwan. Resolving the pesticide residue issue would save the U.S. industry millions of dollars each year.

<u>Thailand: TRQ for Fresh and Seed Potatoes (Import Policies)</u>

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.

Thailand: Tariff on Frozen French Fries (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 12% tariff under bilateral trade agreements implemented in 2004. In addition, Chinese fries enter Thailand duty-free 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, 2010-11, Thailand imported $11.1 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 reduced the tariff.

Uruguay: Phytosanitary Import Restrictions on Seed Potatoes (Import Policies)

In January 2009, the Government of Uruguay rejected 60 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. Uruguay agreed to adjust the tolerance and change the classification of the pest from quarantine to non-quarantine. While this change technically occurred, the new proposed levels remain unacceptable and Uruguay has yet to respond to US requests for additional changes.

Although exports occurred in 2009 and 2010 without disruption, the shipments needed to be sourced from certain areas, while other shippers were precluded from exporting because the issue has not been resolved.

Estimated Potential Increase in Exports from Removal of Barrier

The U.S. industry estimates that annual seed potato exports could reach $10 million in a matter of years if the Government of Uruguay adopted a more realistic powdery scab tolerance.

Venezuela: Import Permits for Fresh and Seed Potatoes (Import Policies)

The Government of Venezuela requires import permits for fresh and seed potatoes but in the past, importers were not able to obtain these permits due to a Byzantine system of approval that has become beholden to domestic political pressure. As a result, import permits are frequently denied and, when they are granted, the volume approved is less than the requested amount and the decisions on the requests take months or are never acted on.

The apparent goal of this policy is to force importers to source from domestic producers, who frequently grow an inferior product.

Vietnam: Tariff on Fresh Potatoes (Import Policies)

The current Vietnamese fresh potato tariff is 20%.

Vietnams: Tariffs on Frozen Potato Products (Import Policies)

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.

Estimated Potential Increase in Exports from Removal of Barrier

At the present time, Vietnam is a small market for U.S. frozen French fries. During the 2010-11 marketing year, U.S. frozen French fry exports to Vietnam totaled $1.5 million, a slight decrease from the $1.8 million in exports 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.

Vietnam: Tariff on Potato Chips (Import Policies)

Pursuant to the 2006 WTO accession agreement, Vietnam agreed to immediately reduce the tariff on potato chips from 50% to 40%. The agreement called for the further reduction of the tariff to 18% over the subsequent five years.

PROCESSED FOOD PRODUCTS

India: Tariffs on Value Added/Processed Food Products (Import Policies)
India has a rapidly expanding middle class and demand for imported foods, particularly from the United States, is growing. The excessively high tariffs, however, have increased further to nearly 40% for most processed food product), making it very difficult for U.S. exports to compete.

Vietnam: Documentation Requirements for Processed Products (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 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.

PULSES

Colombia: 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 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.

Vietnam: Tariff on Peas (Import Policies)

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

SEAFOOD PRODUCTS

Brazil: DIPOA Certification: Sulfite Tolerance (Standards, Testing, Labeling & Certification)

A Washington seafood exporter reports difficulties in obtaining a Department of Inspection of Products Originated from Animal (DIPOA) certificate, which Brazil requires as a condition for importing the product into the country.

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

The company estimates that the removal of the barrier would lead to $3,000,000 to $5,000,000 in additional exports per year.

EU: Tariff on Cod (Import Policies)

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

EU: Tariff on Pacific Whiting (Import Policies)

The EU imposes a 4% tariff on imports of Pacific Whiting Cod which is a type of Hake that competes with other global supplier of Hakes. The EU duty on U.S. Pacific Whiting places U.S. exporters at a competitive disadvantage because other countries, such as Peru, who produce Hake do not have to pay the duty.

Japan: Tariff on Cod (Import Policies)

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

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

The Washington cod industry estimates that the elimination of the tariff would increase cod exports to Japan by over $2,610,000 per year. The freezer longline sector exported roughly 20,000 MTs of cod to Japan in 2011 at an average price of $4,350/MT for a total value of $87 million. The total revenue on the $87 million in exports is $5,220,000 at the rate of the 6% tariff. The industry estimates that if the tariff were removed the savings would be roughly split between Washington exporters and Japanese importers. The industry also estimates that the total increase in exports that would result from the removal of the tariff would reach $5 million to $10 million per year.

WHEAT

Brazil: Marine Renewal Tax (Import Policies)
The Government of Brazil collects a 25% merchant marine renewal tax (MMRT) on imports of U.S. wheat. Although the MMRT transportation tax was suspended for shipments to the Northeast port of Fortaleza for a ten-year period, it has been reinstated. Under the General Agreement on Tariffs and Trade (GATT), additional fees like the MMRT are only supposed to cover the cost of service and the 25% MMRT on ocean freight seems excessive. While mills in the Northeast can request a refund on the tariff, the additional paperwork and hassle, as well as the possibility of not receiving the money back puts the U.S. wheat at a competitive disadvantage to Argentine wheat that does not have to pay the MMRT under MERCOSUR.

Estimated Potential Increase in Exports from Removal of Barrier
Increased competitiveness from the removal of Brazil's domestic subsidies and MMRT, and the implementation of a TRQ, could add between $100 and $500 million in annual wheat sales at today's prices.

Brazil: SPS Restrictions (Standards, Testing, Labeling & Certification)
For years, the Government of Brazil has maintained bans on pests that are unsuitable to the country's climate and farming practices despite APHIS' repeated attempts to negotiate the removal of these phytosanitary restrictions.

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. Brazil's response to these issues has been to threaten reconsideration of all possible quarantine pests in wheat with the possibility of finding new restrictions even though it has not been able to identify any actual quarantine problems with U.S. wheat. These restrictions are counter to the non-discriminatory and scientific principles of the WTO SPS Agreement. This situation has been going on for over 10 years without any sign of progress.

Brazil is a major wheat importer, purchasing up to 6 million MTs on average over the last five years, varying according to the size of the country's domestic crop. During the last ten year the highest market share for US wheat was only 13%, mainly due to the preferential tariff treatment accorded to Argentine and other MERCOSUR wheat exporters. U.S. shipments from the West Coast impacted by the SPS requirements would rarely be price competitive compared with U.S. Gulf shipments. However, the U.S. wheat industry is concerned that Brazil's unwarranted restrictions on flag and cephalosporium stripe could be adopted by other importers, which would cause even further economic loss to U.S. wheat growers.

Estimated Potential Increase in Exports from Removal of Barrier
In those years when West Coast prices are competitive in Brazil, a 10% increase in U.S. wheat exports using the current hard red winter export free on board price o f $340 per metric ton would lead to an economic gain of $100 to $500 million.

Brazil: Domestic Supports (Subsidies)
Upon accession to the WTO every country committed to capping their domestic subsides, including a fixed cap on trade distorting supports, known as the aggregate measure of support (AMS). Countries also have caps on de minimis spending as a percentage of general and product specific production with developing nations capped at 10% percent, developed at 5% and China at 8.5%. Although countries are obligated to annually report domestic supports, Brazil has not notified domestic support spending to the WTO in a number of years.

Based on past notifications and data contained in USDA/FAS country reports, the U.S. wheat industry has detected violations of product specific subsidy caps on Brazil's wheat production. Their analysis indicates that Brazil's product-specific aggregate measure of support (AMS) for wheat was $785 million in 2010—greatly exceeding Brazil's de minimis threshold of $144 million. Similar analysis indicates that Brazil is above its AMS commitments for other commodities such as corn, rice and cotton, with their total AMS totaling $3.9 billion—well above their limit of $912 million.

AMS spending needs to be monitored and U.S. negotiators to the WTO should address this issue through the WTO consultative process in Geneva.

Chile: Scaled Tariff System (Import Policies)
Under a bilateral Free Trade Agreement, Chile eliminated duties on U.S. wheat but the product is still subject to a scaled tariff system that mirrors the price band system which continues price floors and ceilings. The scaled tariffs on U.S. wheat will reach zero in 2014 as per the U.S.-Chile FTA. Expediting the phase down period will help U.S. competitiveness. The floor price protects domestic wheat producer, but results in a higher input price to the miller and ultimately the consumer.

Estimated Potential Increase in Exports from Removal of Barrier

Chile imports up to 1.0 million metric tons (MMT) of wheat each year from the United States, Argentina and Canada. U.S. market share averages around 40% and competition is intense between the three suppliers. U.S. suppliers need every advantage possible to maintain a higher market share. Maintaining a 40% market share against lower shares seen in the past few years results in a $50 million increase to U.S. producers.

China: Import Licenses (Import Policies)

China requires wheat importers to obtain an import inspection license from their quarantine agency in order to import wheat and other commodities to make sure that they are aware of various SPS restriction when contracting purchases. The importer must have the certificate in hand before they contract the purchase, rather than before the arrival. In addition, the importer must obtain a new certificate for each order. These requirements are not always practical if the buyer is attempting to capture a particular price window.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in-quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

China: TRQ (Import Policies)

Under China's wheat TRQ system, the country imposes a prohibitively high over-quota of 65% on wheat imports.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

China: TRQ Administration (Import Policies)

With respect to TRQ administration, the process of determining which applicants receive TRQs, whether a state trading enterprise (STE) or non-STE is not transparent. China committed to a 9.64 MMT TRQ, with 10% allocated to non-STE participants. Unused STE TRQs are reallocated to private mills or private trading entities on a very limited basis. Based on China's WTO accession commitment and the intent of the working party during accession discussions (which are integral to the agreement), while STE TRQs must use a state-designated buying agent to purchase the commodity, there is no limitation as to the recipients (state or non-state).

Current procedures do not guarantee full utilization of the total TRQ in any given year. Increased TRQ allocation to the private sector and full reallocation of unused STE quotas will provide U.S. wheat growers with much greater access to this market. In addition, the U.S. wheat industry believes that the import licensing procedure is duplicative to the application for TRQ preference and results in another import burden. The Report of the Working Party on China's WTO accession states that import licenses shall be valid for a period of six months, except for exceptional circumstances. The government licensing procedure should be timely in order to allow importers to capture market opportunities, especially in today's volatile price market. Receipt of a TRQ should not require a separate import license that further complicates the import process.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in-quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

China: Food Safety Law (Standards, Testing, Labeling & Certification)

The U.S. wheat industry is increasingly concerned that China's precedent-setting requirements for inspection and certification of origin (traceability) for processed agricultural products will eventually cover raw materials such as wheat. Such a requirement for raw materials will reduce efficiency and increase costs, as wheat shipments often originate from more than one region. Different origins are blended at export facilities to meet buyers' specific quality requirements and to supply the large volumes needed for a single vessel, meaning that if it were even possible there would be high costs for documenting the specific origin of wheat in each shipment.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

<u>China: DON Standard (Standards, Testing, Labeling & Certification)</u>
In 2004 the Chinese Ministry of Health implemented a requirement limiting the mycotoxin DON in wheat to 1.0 part per million (ppm.) which is one of the tightest tolerance levels in the world and the strictest for the Asian market. The concern is the amount of DON in foodstuffs for human consumption but many countries maintain a tolerance of 2pp for wheat for milling and food consumption (which with no decimal place actually allows for detections up to 2.49 ppm in practice.) Although the United States has not established a tolerance for wheat, the FDA has established an advisory level or 1 ppm in finished products, which is in recognition of the fact that cleaning and milling of wheat can actually reduce the level of DON by 50%. As a result, wheat with a 2 ppm of DON can usually be milled and processed into processed flour with a DON level below 1 ppm. Chinese companies have found that some local inspection officials are aware of the reduction in DON achieved by the milling process and sometimes allow the discharge and use of wheat with DON levels as high as 2 ppm. The regulatory requirement, however, forces a 1.0 ppm level in contracts. In years where DON is widespread, US exporters can only supply wheat with low DON levels at a much higher price that is either not competitive with Chinese or other origin wheat.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

<u>China: TCK (Standards, Testing, Labeling & Certification)</u>
China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) maintains a list of more than 80 quarantine pests, including *tilletia controversa* Kuhn (TCK) and Karnal bunt (KB). Although China and the United States signed a bilateral agreement in 1999, Beijing disregards the terms of the agreement which allows TCK level of up to 30,000 spores per 50 grams in the composite sample collected, inspected and certified by USDA's Federal Grain Inspection Service (FGIS) or its officially designated agent.

The bilateral agreement allows discharge of U.S. wheat vessels at any port in China with expeditious delivery to buyers and processors without additional treatment. Buyers in some port regions, however, are threatened by local quarantine officials if they import U.S. winter wheat that may have originated from areas where TCK has been previously found. In southern Chinese ports, U.S. winter wheat must be discharged at one designated port and a cleaning fee is assessed, which is estimated to range from $10 to $13 per MT. Although market values for U.S. winter wheat classes are often competitive with wheat from other origins, including domestic wheat, importers have limited purchases because of potential discharge issues and the additional costs and burden to re-ship from the cleaning facility.

The United States conducted research in conjunction with Chinese scientists that resulted in the agreed upon spore level. Additional research, in which China elected to not participate even after the invitation and encouragement of the United States, confirms that TCK cannot be established in environments similar to those in Chinese agricultural areas.

Estimated Potential Increase in Exports from Removal of Barrier

Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

China: Weed Seed Tolerance (Standards, Testing, Labeling & Certification)

Wheat weed seed rules administered by AQSIQ, such as Johnson grass and jointed goat grass, discourage buyers from importing wheat that may contain those weed seeds even though these weeds are present in China. The absence of a documented transparent national control program for weed seeds is another factor inhibited exports.

Estimated Potential Increase in Exports from Removal of Barrier
Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

China: Discriminatory VAT System (Subsidies)
China's value added tax (VAT) administration creates an additional barrier to the growing market. Under WTO rules, China is obliged to not discriminate against imported products with respect to internal taxes. Despite this obligation, U.S. wheat industry analysis indicates that imports are taxed at 13% while domestically produced wheat is exempt from the VAT. In addition, VAT exemptions for SOEs are also a concern as it provides a 13% advantage over private importers. Chinese officials also routinely state that SOEs must operate on commercial terms, but the commercial market is not an equal field with the private sector when a VAT exemption exists for SOEs. A 2004 dispute settlement case between the U.S and China concerning semiconductor VAT policy illustrated the discrepancy between imported and domestic products. The two countries achieved a resolution for equal treatment of imported and domestic semi-conductors.

China: Domestic Subsidies (Subsidies)
Upon accession to the WTO in 2001, the Government of China notified domestic subsidy levels to the organization and bound their Aggregate Measure of Support (AMS) at zero. China's de minimis entitlement is 8.5% of the value of production for both general and product specific expenditures. It is important to note that China has not made a domestic support notification to the WTO since 2001.

The U.S. wheat industry's analysis indicates that China's domestic support spending has grown in recent years to levels greatly exceeding their de minimis commitment. For wheat specifically, initial price support calculations indicate price support payments exceeding the 8.5% de minimis level, resulting in non-compliance with China's domestic support commitments.

For 2010, an initial estimate for wheat price support plus other amber box support results in an AMS for wheat of $12 billion, versus a de minimis threshold of only $2.7 billion. These excessive subsidies stimulate production that displaces large volumes of wheat imports. The minimum procurement price for wheat has increased annually, and the 2012 price stands at $319 per MT for non- durum wheat. This minimum price is above today's higher-than-average prices for most classes of high quality U.S. wheat.

In addition, China agreed to not use the Article 6.2 exemption in its accession for resource poor farmers, and said the support to these farmers would be included in China's AMS calculation. This results in a straightforward calculation of domestic support payments. This pattern of AMS spending is not limited to wheat and applies to other crops as well, potentially resulting in a violation of China's overall de minimis cap. China's AMS spending creates another deterrent to U.S.-China wheat trade.

<u>Estimated Potential Increase in Exports from Removal of Barrier</u>
Creating a fair playing field for U.S. producers in China would increase sales of U.S. wheat. If China reduces domestic subsidies to comply with their WTO commitments, production would fall, lowering global supplies, increasing wheat prices and providing trade opportunities. This price increase would incent farmers in the United States and the world to increase production. Increased TRQ allocation to the private sector and full reallocation of TRQs would result in greater fill rates for private buyers to purchase U.S. wheat at the one percent in quota duty, potentially increasing sales of high quality wheat. Removing duplicity in TRQ applications and import licensing would further reduce impediments to trade. A fair application of China's VAT would create a more level playing field for U.S. wheat imports versus Chinese domestic wheat. Resolving these trade irritants with China could result in annual U.S. sales exceeding 500,000 MT, which represents over $150 million in sales at today's prices.

<u>Egypt: Ragweed Standards (Standards, Testing, Labeling & Certification)</u>
In 2010, the Egyptian General Authority for Supply Commodities (GASC) introduced a specification into government wheat tenders requiring wheat to be free from the weed seed *ambrosia* (ragweed), which is a common pest in major wheat producing countries. For decades the United States has routinely supplied several million tons of wheat to Egypt each year without excessive concern over the presence of ambrosia. This new strict specification, however, has led many U.S. wheat exporters to not offer wheat on GASC tenders after the Russian wheat export ban in mid-2010 due to the risk of rejection if ambrosia was found upon arrival in Egyptian ports. Subsequently shipments resumed even though the restrictive tender language remains in place and could again lead to disruptions. This is a case where other exporters are willing to certify freedom from ambrosia even though the weed is likely present in all wheat exporting countries and cannot be entirely removed by cleaning.

Although Egyptian quarantine officials are reportedly conducting a pest risk assessment (PRA) on ambrosia, they have forced GASC to impose this new requirement prior to the conclusion of the PRA. This is an unnecessary precaution as Egypt acknowledges that ambrosia is already present in the country, and quarantine officials have verbally stated that they will not reject cargos but will simply require that they be cleaned (at the shipper's cost) if ambrosia is found. Given the willingness to clean the wheat on arrival, GASC tenders should specify a workable tolerance and a clear indication of how the cargo will be treated when ambrosia is found, provisions that would more accurately reflect statements from quarantine officials and reduce the risk to U.S. wheat shipments.

Egypt: Unpredictability (Standards, Testing, Labeling & Certification)
The enforcement of Egyptian food safety and plant health issues is inconsistent. It appears that SPS issues are used by individual Egyptian agencies as a means to promote their own views or perhaps to leverage their positions in the bureaucracy, resulting in expensive delays and unanticipated testing for importers. The Egyptian Organization for Standards (EOS) is charged with updating the country's standards, but the ministries responsible for health and agriculture routinely ignore EOS specifications and set different limits, causing conflict, confusion and higher risk for U.S. exporters which results in them not participating in tenders.

EU: Vomitoxin and Ochratoxin Standards (Standards, Testing, Labeling & Certification)
The EU maintains sampling and testing requirements for vomitoxin (deoxynivalenol or DON) and ochratoxin for imported wheat shipments. The U.S. Federal Grain Inspection Service (FGIS) offers official testing services for both these mycotoxins, but the EU has not accepted that the rapid methods approved by FGIS are equivalent to the method they require or that FGIS sampling, especially for ochratoxin, is sufficiently intensive. Testing at destination delays delivery which adds costs and creates uncertainty for both buyers and shippers, thereby discouraging sales.

EU: Karnal Bund Standards (Standards, Testing, Labeling & Certification)
The EU does not accept APHIS certification for Karnal bunt (KB) in the belief that the APHIS bunted kernel standard for KB does not provide adequate risk protection. Many EU countries, particularly the United Kingdom and Greece, aggressively sample U.S. wheat to test for KB spores. The delay and uncertainty of spore testing of U.S. wheat is known to encourage buyers to seek wheat from other origins, mainly Canada even though both the United States and Canada mainly ship wheat to the EU from ports on the Great Lakes.

It is believed that the EU is the only group of countries that questions the sufficiency of the APHIS bunted kernel methodology for certifying KB. The KB-affected area has gradually dwindled since it was found in the 1990s, and KB is now only found in a few counties in Arizona. In the nearly 15 years since KB was first found in the United States, there has not been any case where KB has emerged elsewhere in the world as a result of U.S. wheat imports and no confirmed case of KB contamination of a U.S. wheat shipment. Nevertheless, APHIS and its EU counterpart have exhaustively exchanged scientific views on this issue without achieving any progress in getting the EU to modify its views on the risks posed by KB and the basis for APHIS certification.

France: Export Subsidies (Subsidies)

French wheat exports to the French territories of Martinique and Guadeloupe are subsidized by the French government, allowing wheat to arrive in these Caribbean islands at below market cost. A portion of that wheat is then transshipped to Suriname. The Surinamese market size is about 35,000 MT, with French wheat accounting for about 40% percent of the total. This transshipment effectively allows French wheat to enter Suriname at subsidized rates, putting U.S. wheat shipments at a price disadvantage.

General: State Trading Enterprises: (Other)

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

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

The U.S. wheat growers remain excluded from the potentially large Indian market because of unreasonable and unevenly enforced quarantined weed seed requirements. India tightens and relaxes their SPS requirements for temporary periods in response to the need for imports. However, U.S. exports cannot even meet the seed requirements for India's relaxed wheat tender terms. As a result, U.S. exporters have been kept out of this market because our country's transparent and highly developed regulatory system admits that the requirements are unobtainable and APHIS cannot certify freedom from these weed seeds in U.S. shipments. Many of the weed seeds in question are common to most wheat exporting countries and only a few exporters, mainly Canada and Australia, clean sufficiently to reduce weed seed presence. However, even after cleaning, certification stating the cargo is free from weed seeds would be difficult to meet.

In 2007 India imported wheat from several countries, including Canada, Australia, the EU, Russia and Ukraine. Other countries are certifying to India's requirements, but in many cases have questionable inspection and certification practices. Despite several rounds of negotiations during 2007, the Indian government refused to amend their tender terms, shutting the United States completely out of the market in a year where India could have been a top American wheat export market. Tenders won by other exporters were somehow able to meet the tender requirements, leading to speculation that the terms were not enforced in a uniform manner.

Estimated Potential Increase in Exports from Removal of Barrier

Depending on domestic production levels, India can be a large wheat buyer in certain years but the United States remains completely shut out of this market based on SPS requirements. Access to this market in those years could have easily resulted in an economic gain of over $100 million to the U.S. wheat industry.

India: Domestic Supports (Subsidies)

Every WTO member commits to domestic subsidy caps as part of their accession to the WTO. This commitment includes a fixed cap on trade distorting supports, known as the aggregate measure of support (AMS). Countries also have caps on de minimis spending as a percentage of general and product specific production, with developing nations capped at 10%, developed at 5%, and China at 8.5%. While countries are to report domestic support spending annually, India has not notified domestic support spending to the WTO in a number of years. Based on past notifications to the WTO and data contained in USDA country reports, the U.S. wheat industry has detected violations of product specific subsidy caps on wheat in India. Analysis indicates that India's wheat-specific aggregate measure of support is between $11.8 and $13.4 billion, well above their de minimis threshold of $2.3 billion.

Similar analysis indicates that India is exceeding price support commitments for other commodities, including rice, corn, soybeans, cotton, soybeans and rapeseed. It is estimated that India's total AMS is between $37.3 and $62.0 billion, while India's total AMS limit is zero. AMS spending needs to be carefully monitored and U.S. negotiators should address this issue through the WTO consultative process in Geneva.

Estimated Potential Increase in Exports from Removal of Barrier

High levels of domestic support and import tariffs protect this market and provide an incentive to grow wheat when importing this crop would be more economical for the country's consumers. Compliance on domestic subsidy spending would likely increase economic returns per acre to U.S. producers due to higher wheat prices and provide more trade opportunities. India is the second largest producer of wheat and one of the largest consumers of wheat in the world. Better market access through reduced tariffs and the removal of phytosanitary barriers could provide a major market opportunity for U.S. producers. India has imported large quantities of wheat two times in the past 10 years, with the highest level totaling 6.7 MMT. Even a 10% market share of that total, or 670,000 MT, translates to roughly $200 million in sales for U.S. wheat producers.

India: Export Subsidies (Subsidies)

India uses export subsidies to get rid of excess wheat supplies when stocks become excessive. These export subsidies allows the Food Corporation of India (FCI) to sell sound wheat to government owned exporters in the past for less than 50% of acquisition costs. This policy results in India becoming one of the largest wheat export subsidizers, which is an unfair practice must be addressed in the Doha Round of the WTO trade negotiations.

Estimated Potential Increase in Exports from Removal of Barrier

The permanent elimination of export subsidy use by India would create a level playing field for U.S. wheat producers in years when India decides to export wheat. Competing with non-subsidized Indian wheat would result in higher market prices, creating better returns to all producers.

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

The Japanese system for regulating pesticides discourages the introduction of new and improved pesticides in the United States. While the provisional minimum residue levels (MRLs) established for the new system generally are compatible with U.S. pesticide tolerances, the Japanese system does not provide for timely changes or for any temporary accommodation of new pesticide uses approved by the Environmental Protection Agency (EPA). Currently, there are at least two potentially very useful chemicals approved by EPA for use on wheat that await regulatory review and approval in Japan. These two pesticides are spinosad, a stored grain protectant, and paraquat which helps prepare wheat for harvest.

These pesticides can be expected to leave residues on wheat that will exceed the current Japanese MRLs. Spinosad is considered to be a much safer product than existing stored grain protectants and producers have waited nearly five years with no indication as to when an MRL might be established in Japan. Reportedly, the Government of Japan has expressed little interest in examining their system to determine how it might be streamlined. It initially announced that a review of provisional MRLs would be completed in five years of implementation, which occurred in 2005, but the review process is reportedly running behind schedule.

The Ministry of Health sets a maximum vomitoxin (deoxynivalenol or DON) level of 1.1 parts per million (PPM). Since this level must be met on destination testing, it results in many contracts setting a specification below this level to ensure a result lower than 1.1 ppm. This is one of the tighter DON specifications in the world. Many countries have a tolerance of 2 ppm in wheat for milling and food consumption (which with no decimal actually allows detections up to 2.49 ppm). The United States does not place a limit on DON in wheat, but the FDA has established an advisory level of 1 ppm in finished food products. This FDA policy takes into account the fact that the cleaning and milling of wheat can reduce the presence of DON by around 50%, so 2 ppm wheat can usually be milled into processed flour with a DON level below 1 ppm. In years where DON is widespread, U.S. exporters can only supply wheat with low DON levels at a much higher price, raising concern that Japanese importers will look to cheaper origins.

Japan is usually the leading importer of U.S. wheat, purchasing over 3.0 million metric tons (MMT) each year, which represents just over a 50**%** market share. The U.S. wheat industry has worked very closely with the Japanese wheat industry to ensure minimal market disruption. Assistance in streamlining Japan's MRLs would provide U.S. producers more options in managing the production and storage of their wheat crop each year.

Kenya: Tariff (Import Policies)

The Government of Kenya collects a 10% ad valorem duty on the imported wheat. When prices are high, this practice encourages under-invoicing by many smaller exporters. The United States has a very transparent price and invoices cannot be changed. Higher duties place the United States at a disadvantage to competitors who can alter the values shown on documents for taxation purposes. Further, the customs authority requires a bond for another 15%, where release of the bond is based on accounting proof that the wheat was milled and sold in Kenya. This requirement has added an incredible amount of additional accounting for importing millers.

Estimated Potential Increase in Exports from Removal of Barrier

There are times when U.S. wheat exports from the PNW are more competitive than those from the Gulf of Mexico, and the ability to ship from both ports could increase U.S. wheat market share. U.S market share in Kenya is low, but even a five-percent rise in market share would result in a $10 million gain to the U.S. wheat growers.

Kenya: Flag Smut Restrictions (Standards, Testing, Labeling & Certification)

In 2006 the Government of Kenya began enforcing long-standing flag smut restrictions on U.S. wheat exports. This problem was partially resolved after APHIS was able to certify shipments from areas other than the West Coast ports to be free of flag smut. While this allowed trade to resume, there have been good price opportunities for shipments to originate from the West Coast. Growers and shippers in the Pacific Northwest (PNW) states were disappointed that they were excluded from the Kenya market.

Further efforts in 2008 and 2009 between APHIS and KEPHIS failed to resolve Kenya's quarantine concern over flag smut. The issue needs to be further explored on a technical level, as it is not clear that flag smut should be a quarantine concern to Kenya.

Kenya's SPS issues also impact U.S. wheat exports from the PNW to Uganda, which does not have a flag smut ban on West Coast exports, but since importers in Uganda generally use Kenyan port facilities, they must abide by the requirement for Kenya.

Estimated Potential Increase in Exports from Removal of Barrier
The total import market for these two countries can reach up to 1.0 million metric tons (MMT) in some years. There are times when U.S. wheat exports from the PNW are more competitive than those from the Gulf of Mexico, and the ability to ship from both ports could increase U.S. wheat market share. U.S market share in Kenya is low, but even a five-percent rise in market share would result in a $10 million gain to the U.S. wheat growers.

Pakistan: Tariff on Wheat Flour (Import Policies)
The Government of Pakistan imposes a 10% duty and a 15% sales tax on imported wheat tariffs.

Pakistan: Tariff on Wheat (Import Policies)
U.S. wheat exports to Pakistan are constrained by a 35% tariff and a 15% sales tax on private sector imports.

Philippines: Tariff (Import Policies)
For a number of years, Philippine flour millers have been loyal U.S. wheat customers, resulting in this country being a top five customer with purchases averaging around 1.7 MMT each year. In 2008, due to high prices, the Government of the Philippines reduced duties on wheat from all origins but ended this reduction in July 2011. U.S. wheat now faces a 3% duty disadvantage against Australian wheat which enters duty free as a result of the Australia-ASEAN agreement. Australia's geographic proximity and tariff advantage will hurt U.S. market share in the future.

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

Under the U.S-Korean FTA, 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 one of the American wheat industry's largest overseas markets. The small tariff break under the FTA will help U.S. wheat exporters which face strong competition from Australia and Canada.

South Korea: Pesticide MRLs (Standards, Testing, Labeling & Certification)
South Korean mycotoxin inspection for wheat began in 2010 with a vomitoxin (deoxynivalenol or DON) limit of 1part per million (ppm), zearalenone - 200 ppb, aflatoxin - 15 ppb, and ochratoxin A - 5 ppb. The mycotoxin of most concern to the wheat industry is DON and the Korean limit would be stricter than the 2 ppm level set by most importing countries. The United States does not place a limit on DON in wheat but the FDA has established an advisory level of 1 ppm in finished food products. This FDA policy takes into account the fact that the cleaning and milling of wheat can reduce the presence of DON by around 50%, so 2 ppm wheat can usually be milled into processed flour with a DON level below 1 ppm. In years where DON is widespread, U.S. exporters can only supply wheat with low DON levels at a much higher price, raising concern that Korean importers will look to cheaper origins.

Implementation of a 1 ppm maximum by Korea should be justified by scientific measures. Korea recently imposed 0.2 ppm limits on lead and cadmium in wheat, limits also adopted by Codex, and reportedly began testing for these metals in July 2010. These metals are present in wheat not because of contamination but are taken up from the soil by the growing wheat plant and occur at some level in wheat from all origins. While neither limit should normally be a problem, U.S. wheat could occasionally exceed a 0.2 ppm limit. Concern about this issue has abated somewhat recently as the FGIS, in response to a request from Korean millers, determined that based on survey data they could offer a letter assuring buyers that U.S. wheat consistently meets this limit for these metals. Canada and Australia had already provided similar assurances.

Estimated Potential Increase in Exports from Removal of Barrier:
The Korean market has been important to U.S. wheat farmers and exports exceed 1.1 MMT each year, resulting in a return of over $250 million at today's prices. Any disruption in U.S. exports due to SPS measures would be directly lost to Australia or Canada.

Thailand: Proposed Cadmium Ban (Standards, Testing, Labeling & Certification)
The Government of Thailand is currently proposing to ban cadmium, which occurs naturally in the soil. Durum wheat especially absorbs cadmium during the growing process. In the United States cadmium in wheat is not viewed as a health risks, but some countries have expressed concern over cadmium levels. An overall ban on cadmium would limit wheat from all origins and a scientifically established tolerance is required as other wheat classes also contain levels of cadmium.

Estimated Potential Increase in Exports from Removal of Barrier
Thailand is a major Southeast Asia market for U.S. wheat producers with average annual U.S. exports of 400,000 MT, resulting in a market value of over $100 million.

Turkey: Tariff (Import Policies)
The Government of Turkey currently imposes an import tax up to 130% on all wheat. The tax level varies each year depending on the size of the Turkish wheat crop.

Turkey: Import Permits (Import Policies)
In addition to collecting a high import tax, the Government of Turkey often refuses to grant wheat import permits.

Turkey: Domestic Supports (Import Policies)
Upon accession to the WTO every country commits to domestic subsidy caps. This includes a fixed cap on trade distorting supports, known as the aggregate measure of support (AMS). Countries also have caps on de minimis spending as a percentage of general and product specific production with developing nations capped at 10%, developed at 5%, and China at 8.5%. While countries are to report domestic support spending annually, Turkey has not notified domestic support spending to the WTO in a number of years.

Based on past notifications to the WTO and data contained in USDA country reports, the U.S. wheat industry reports that it has detected violations of product specific subsidy caps on wheat in Turkey. Analysis of Turkey's price support practices shows a wheat-specific AMS of $5.541 billion, while Turkey's de minimis limit is only $0.441 billion. Similar analysis indicates that Turkey is exceeding domestic support commitments in other commodities such as corn, rice, sugar, soybeans and others, with an estimated total AMS of $9.201 billion. Turkey's AMS limit is zero, so any spending above de minimis levels is prohibited.

AMS spending needs to be carefully monitored and U.S. negotiators should address this issue through the WTO consultative process in Geneva.

WINE

Canada: Distribution System in British Colombia (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 all imported wines to 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.

Canada: Mark Up and Fee Structure in British Colombia (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: Tariff (Import Policies)

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

China: Tariff (Import Policies)

Under China's WTO accession agreement, the tariff on bottled wine fell from 24.2% in 2003 to 14% in 2004, while the tariff on bulk wine was lowered to 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.

Colombia: Tariff (Import Policies)

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

EU: Tariff (Import Policies)

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

EU: 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.

India: Tariff (Import Policies)

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

Indonesia: Tariff (Import Policies)

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

Israel: Tariff (Import Policies)

The Government of Israel currently imposes a 40% tariff on wine.

Japan: Tariff (Import Policies)

The Government of Japan imposes a 15% ad valorem tariff or a 125-yen per liter tariff, whichever is less, on imported wine. In addition, Japan collects 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 for unsweetened wine and 90 yen per bottle for sweetened wine. These tariffs and taxes significantly hinder Washington wine exports to Japan.

New Zealand: Tariff (Import Policies)

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

Philippines: Tariff (Import Policies)

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

Taiwan: Tariff (Import Policies)

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

Vietnam: Tariff (Import Policies)

Currently, U.S. wine faces a 62% Vietnamese tariff. Under Vietnam's WTO accession agreement this tariff is scheduled to be phased-down to 50% by 2012.