



## Status of Various FTAs April 2009

**General Note:** While the FTAs discussed below are of varying importance in terms of U.S. dairy export potential, each represents the opportunity for providing new export access for U.S. dairy products. Out of the agreements pending U.S. Congressional approval, the FTA with South Korea would represent the most significant potential benefits. The website of the U.S. Trade Representative provides details ([http://www.ustr.gov/Trade\\_Agreements/Section\\_Index.html](http://www.ustr.gov/Trade_Agreements/Section_Index.html)) on each completed agreement, including the exact text of the FTA.

### **FTAs In Effect**

#### ***Australia***

The Australia agreement was approved by Congress in mid-2004 and took effect January 2005. The agreement maintains relatively tight control on imported dairy products. The FTA maintains U.S. over-quota tariffs, but does allow for some additional in-quota access for Australian dairy products.

#### ***Bahrain***

The Bahrain agreement passed Congress by a very large margin of support, largely based on political concerns, given its importance in the Middle East. The agreement was implemented in January 2006. The agreement provides for immediate duty-free access for all dairy products in this country with a small dairy market.

#### ***CAFTA-DR***

The U.S. approved the FTA with Central America and the Dominican Republic in the summer of 2005 and began implementation in 2006. All partner countries also approved and have implemented the FTA. All countries are now in year 4 of the agreement's implementation schedule. This FTA provides immediate access for whey and lactose while creating new TRQs for SMP, cheese, butter, ice cream and several other dairy products.

#### ***Chile***

Congress approved the FTA with Chile in mid-2003 and it went into effect in January 2004. The agreement phases out all tariffs on U.S. dairy product exports to Chile over eight years with some eliminated earlier. It also obligated Chile to remove requirement that was previously in place that mandated that all U.S. dairy manufacturing plants be individually inspected. This nuisance requirement impeded our ability to sell products to Chile before the FTA went into effect.

#### ***Israel***

The FTA with Israel was the first U.S. FTA. It took effect in September 1985 and is fully phased-in, however it does not eliminate all tariffs on all dairy products, as well as some other products. In 2004, the deal was revisited and additional in-quota quantities were added to the tariff-rate quota allowances and permitted to grow through 2008. That additional agreement has been extended into 2009 (at the TRQ levels applicable in 2008) as negotiations proceed on how to reach a new agreement and further expand the market access in this FTA. USDEC is pressing for improved access for a wide range of products, including cheeses.



### ***Jordan***

The U.S.-Jordan FTA took effect in December 2001, with 2001 as the effective Year 1 of the agreement. The deal eliminated tariffs immediately on most dairy products including cheeses, butter, some powders and lactose. However, the tariff phase-out is still in process on some other products including whey, some milk powders, some food preparations, ice cream, and most yogurts.

### ***Morocco***

The Morocco FTA took effect in January 2006, having passed Congress with sizable votes in favor of it. It provided immediate duty-free access for whey. For most other dairy products, tariffs are phased-out over time with the longest tariff elimination period being 15 years.

### ***NAFTA***

The North American FTA was preceded by a U.S.-Canada FTA, which took effect in 1989. That agreement became incorporated into NAFTA, however, when NAFTA took effect in 1994. Currently, all tariff reductions or eliminations between the U.S. and Canada have been completed. The agreement maintains in place dairy tariff-rate quotas for U.S.-Canadian trade. The portion of the FTA dealing with Mexico eliminated dairy tariffs gradually. As of Jan. 1, 2008, dairy trade between the U.S. and Mexico became fully open. Mexico is currently our largest dairy export market and Canada, despite the limited access NAFTA provided, is our number two market.

### ***Peru FTA***

In 2007 the U.S. approved this agreement and it went into effect on Feb. 1, 2009. The FTA provides immediate access for whey and lactose while creating new TRQs for SMP, cheese, butter, ice cream and several other dairy products. Tariffs are phased out in varying terms with the longest term being 17 years.

### ***Singapore FTA***

The FTA with Singapore was approved by Congress in mid 2003 and went into effect in January 2004. Singapore had no applied dairy tariffs in place and the FTA cemented this treatment for U.S. dairy exports.

## **FTAs Approved; Not Yet in Effect**

### ***Oman FTA***

Congress approved the FTA with Oman in 2006 and it went into effect on January 1, 2009. Dairy tariffs were eliminated immediately or with very short phase-out periods, however, U.S. dairy exports to Oman are expected to be limited due to the small dairy market there.

## **FTAs Pending Congressional Approval**

### ***Colombia FTA:***

The Colombia FTA was signed in November 2006. The Colombian legislature has not yet voted on the agreement. The Colombia FTA is considered particularly controversial due to the flagrant violations of labor laws in Colombia. The Administration has indicated the need to establish benchmarks that Colombia would need to meet before the FTA could be considered by Congress. No firm timetable exists yet for such a plan, however. The agreement would offer the prospect for some additional export sales. It eliminates tariffs on lactose and most whey products immediately, while creating TRQs for many other dairy products and eliminating all dairy tariffs within a maximum of 15 years.

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### ***Panama FTA***

Negotiations with Panama concluded in late 2006. Based on the content of the agreement, it is considered a relatively uncontroversial FTA. As such, the Administration has indicated that they would like to move swiftly this year to secure passage of this agreement by Congress. Although Panama is a relatively small market, the FTA is expected to provide useful new market access opportunities for U.S. exports. It eliminates tariffs on lactose and whey products immediately, while creating TRQs for many other dairy products and eliminating all dairy tariffs within a maximum of 17 years.

### ***South Korea FTA***

The negotiations with South Korea concluded in 2007. Negotiations on agriculture products, including dairy, were extremely difficult given a high degree of sensitivity in these sectors on Korea's part. The Administration and Congressional Democratic leaders have strongly objected to the FTA's provisions related to automobiles and to non-tariff barriers for other manufactured products. Because of this, the Administration is expected to engage in further discussions with the Koreans to explore additional steps on these issues deemed of critical importance to the FTA's advancement. Once in place, the FTA is expected to immediately help U.S. producers and manufacturers be more competitive in the Korean dairy market by providing better trading terms through lower tariffs and improved market opportunities for many U.S. dairy products. TRQs are created for many dairy products such as SMP, cheese, whey products, etc. Tariffs on all products other than milk powders (SMP, WMP) are phased-out within a maximum of 15 years.

## **Longer Term FTAs**

### ***Malaysia FTA***

Negotiations with Malaysia commenced in June 2006. Malaysia's dairy market is relatively open with moderate tariffs in place and a lack of significant dairy SPS concerns at the moment. Since then, negotiations have moved in fits and starts and talks are currently underway at an extremely slow pace. While the U.S. and Malaysia have expressed a desire to continue to talk, an FTA is by no means imminent.

### ***SACU FTA***

Following an April 2006 meeting with representatives of the South African Customs Union (SACU), U.S. trade officials declared that a U.S.-SACU FTA was now considered a "long term" project, and the two sides would instead focus on improving bilateral commercial and investment ties. As indicated in earlier reports, SACU representatives were seeking a two tiered negotiation, first concluding a deal on agricultural and non- agricultural market access, while delaying what promised to be tougher negotiations related to intellectual property, services and investment. U.S. negotiators steadfastly insisted throughout the FTA negotiations that it would have to be a single undertaking that encompassed not just trade in goods, but other sectors as well. Because the two sides could not come to agreement on this issue, the FTA is now considered a long term project.



***Thailand FTA***

Negotiations with Thailand commenced in 2004, but moved quite slowly since that point. Several agriculture sensitivities, including dairy, as well as non-agriculture issues, have made the agreement controversial in Thailand. In early 2006, political upheaval in Thailand led to a suspension of negotiations. Negotiations were effectively put on hold until Thailand resolved its internal political situation and remain indefinitely suspended at this point in time.

***United Arab Emirates FTA***

USTR entered into negotiations with UAE in March 2005. Talks have progressed slowly since then. The UAE dairy market is very small.

**Potential Future FTAs**

***Trans-Pacific Partnership FTA***

The TPP FTA as currently envisioned would include New Zealand, Australia, Chile, Singapore, Peru, Vietnam and Brunei. The US already have FTAs with Australia, Chile, Singapore and Peru, making the only meaningful new trade partners in this agreement New Zealand and Vietnam. The previous Administration indicated an intent to pursue an FTA with these countries although no negotiations were held. USTR is currently evaluating this initiative to decide whether or not to continue to pursue it and in what form.