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SPECIFIC ISSUES OF INTEREST TO THE CPAB:

Brazil Seeks Comments on Potential Retaliation in U.S. Cotton Dispute

- On November 9, the Brazilian Chamber of Foreign Trade published an announcement in the official gazette requesting comments on a proposed list of U.S. products that are under consideration for retaliatory tariffs. Earlier this year, the World Trade Organization (WTO) authorized Brazil to impose tariffs on U.S. goods due to damages caused by U.S. cotton subsidies.
- The proposed list contains a wide variety of U.S. products, including pears and many other fresh and processed agricultural products. The chamber is accepting comments on the appropriateness of the products listed and suggestions for other products. Specific tariff levels are not proposed, but the announcement seems to indicate that additional tariffs of up to 100 percent are possible. Brazil currently imposes a 10 percent tariff on fresh pears.
- Further details are limited as an English translation of the announcement is not yet available. Comments are due by November 30.
- Brazilian leaders have stressed that they would prefer not to impose retaliatory tariffs, indicating their belief that the subsidy issue can be resolved through ongoing Doha Round negotiations. There is no indication of when additional tariffs may be implemented. However, Brazil is expected to request final authorization to impose retaliatory tariffs at a November 19 WTO meeting. U.S. cotton producers are urging the U.S. to appeal the WTO decision, but U.S. trade officials indicate that this is unlikely to happen.

Chile Proposes Revisions to Pesticide Residue Limits

- The Chilean Ministry of Health recently published a draft regulation amending Chile's pesticide maximum residue level (MRL) list. This revision is necessary due to changes to uses and registrations, as well as the establishment of new Codex MRLs.
- Chile generally uses Codex MRLs to populate its MRL list. If no Codex MRL has been established, Chile uses MRLs established in certain other countries, such as the European Union and the U.S. In the proposal, Chile indicates that officials will continue to establish MRLs for imported products as well as all pesticides that are registered nationally.
- Domestic consultation on this issue ends on November 30, though per the country's announcement to the WTO comments will be accepted until December 14. The proposal is expected to enter into force in June 2010. The consultation website, which includes a response form and the full text of the draft (see "Propuesta") is available at:
http://www.redsalud.gov.cl/portal/url/page/minsalcl/g_consultas/g_consultas_publicadas/plaguicidas.html.

GENERAL ISSUES OF INTEREST TO THE CPAB:

U.S. Expected to Extend GSP and Andean Trade Preferences Programs

- The U.S. will likely grant short-term extensions for the Generalized System of Preferences (GSP) and the Andean trade preferences programs before they expire at the end of this year, according to a statement made by Senate Finance Committee Chairman Max Baucus (D-MT) on November 11.

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- Baucus cited the importance of the programs to U.S. businesses as the primary reason for the extension. Specifically, the Andean trade preference program in Ecuador will be extended, although Baucus warned that continued trade disputes between investors in the country might threaten Ecuador's duty-free access to the U.S. market in the future.
- A more extensive review and overhaul of U.S. preference programs was originally planned, but with insufficient time remaining before the expiration of current programs, actual reform of the programs will have to wait until next year.
- The House Ways and Means Trade Subcommittee is scheduled to review the U.S. preferences programs in a November 17 hearing.

U.S. Trade Representative Pledges Commitment to Asia-Pacific Trade Development, Renews Talk of Trade Agreement

- At the Asia-Pacific Economic Cooperation (APEC) leaders meeting in Singapore on November 10, 2009, U.S. Trade Representative (USTR) Ron Kirk reiterated the U.S.'s commitment to expanding free trade in Asia. USTR Kirk further stated that the proposed Trans-Pacific Strategic Economic Partnership Agreement (TPP) was the "best way to be engaged" with Asian countries.
- The TPP is a free trade agreement (FTA) that was signed by New Zealand, Chile, Singapore, and Brunei in 2005. In September 2008, the U.S. announced its intentions to join the ongoing negotiations. Australia, Peru, and Vietnam have since indicated their intent to join the TPP talks as well. However, the U.S. negotiations did not begin as scheduled in March 2009 as work on the TPP was put on hold by the Obama administration. USTR Kirk declined to discuss a possible timeline for the recommencement of negotiations.
- President Obama will travel to the APEC meeting on November 15, and he is also expected to speak positively about TPP. However, it is considered unlikely that the president will make a firm commitment to begin negotiations.

Obama Expected to Comment on South Korea-U.S. Free Trade Agreement

- On November 9, U.S. administration officials announced details of President Obama's first trip to Asia, which includes bilateral meetings with the leaders of Japan, Singapore, Russia, Indonesia, China, and South Korea. President Obama will also attend the APEC meeting on November 15.
- A statement on the status of the pending Korea-U.S. Free Trade Agreement (KORUS) is expected following President Obama's scheduled meeting with Korean President Lee Myung-bak next week.
- The Obama administration has not made an official decision to proceed with KORUS ratification, citing the current focus on domestic healthcare as a primary concern for the U.S. legislature at this time. However, next week's bilateral meeting is likely to reaffirm U.S. and Korean commitments to KORUS.
- The administration's trade policies have been the subject of more vocal criticism in recent weeks. In the past week, Senator Max Baucus (D-MT) has demanded progress on pending FTAs and also called for an official U.S. commitment to the TPP.

South Korea Ratifies CEPA with India

- On November 6, South Korea's parliament approved a Comprehensive Economic Partnership Agreement (CEPA) with India. The CEPA phases out tariffs at a slower pace than a typical FTA and permits special safeguard duties in case of unfair import practices.
- The accord, which was signed by the two countries last August and does not require ratification by India, is expected to be implemented by January 1, 2010. Under the agreement, about 85 percent of tariffs on Korean goods and 90 percent of tariffs on Indian goods will be progressively reduced or eliminated over a ten-year period.

Chile and South Korea to Expand Trade Agreement

- In a recent meeting, Chilean President Michelle Bachelet and South Korean President Lee Myung-bak agreed to expand the current bilateral FTA between their two countries.
- The FTA took effect in 2004. Chile is seeking additional market access for agricultural products, while South Korea wants to export more appliances and other goods.

EU and Israel Sign New Agricultural Agreement

- The European Union (EU) and Israel recently updated an agreement covering trade in agricultural products. Under the revised agreement, approximately 95 percent of Israeli processed agricultural products and 80 percent of fresh products enter the EU without tariffs or taxes.