International Policy Update & Producer Opportunities

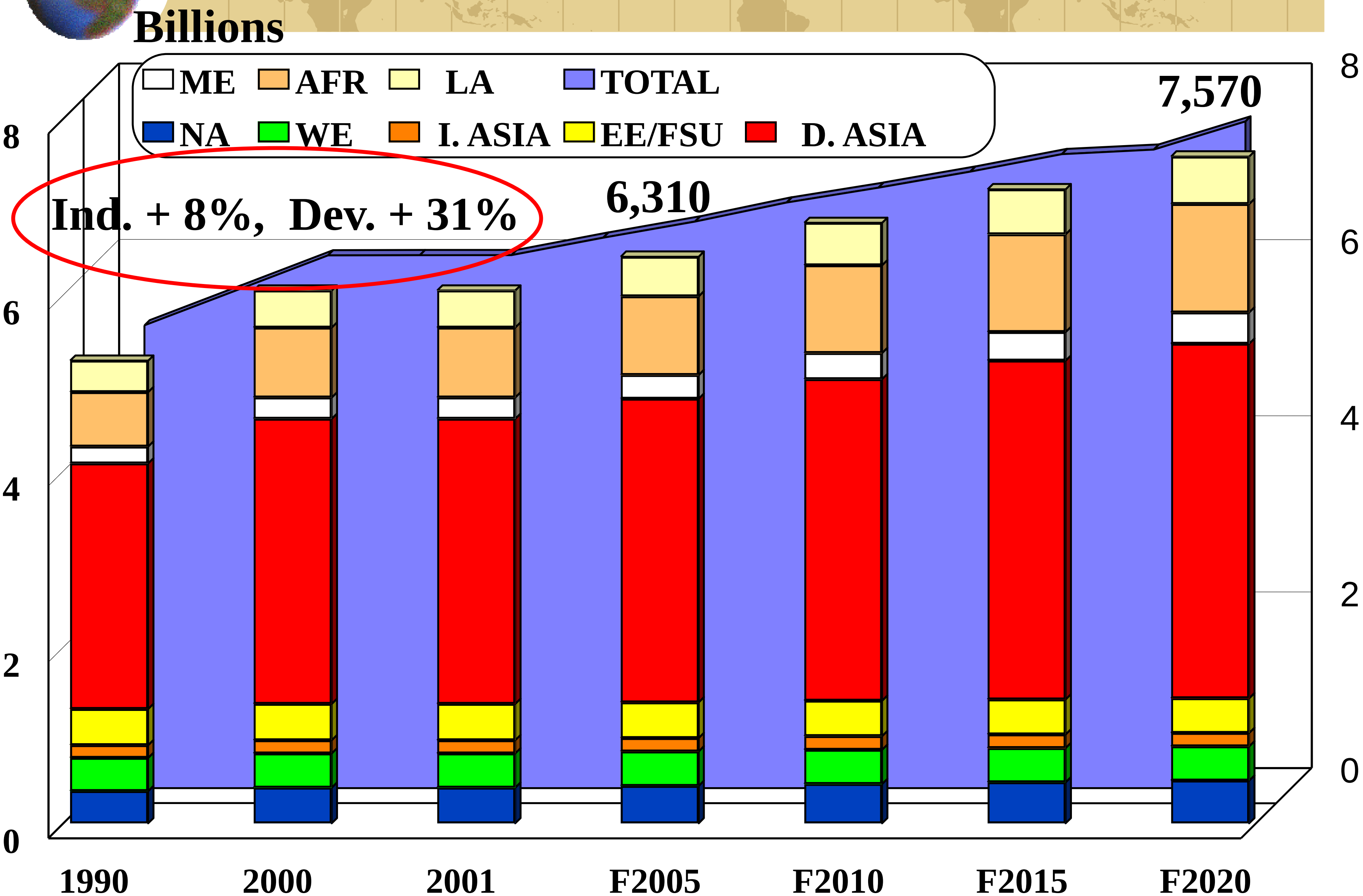
Parr Rosson
Professor & Director
Center for North American Studies
Department of Agricultural Economics
Texas A&M University

Overview

- Trade Trends
- International Institutions
- Trade Agreements
- Conclusions & Implications

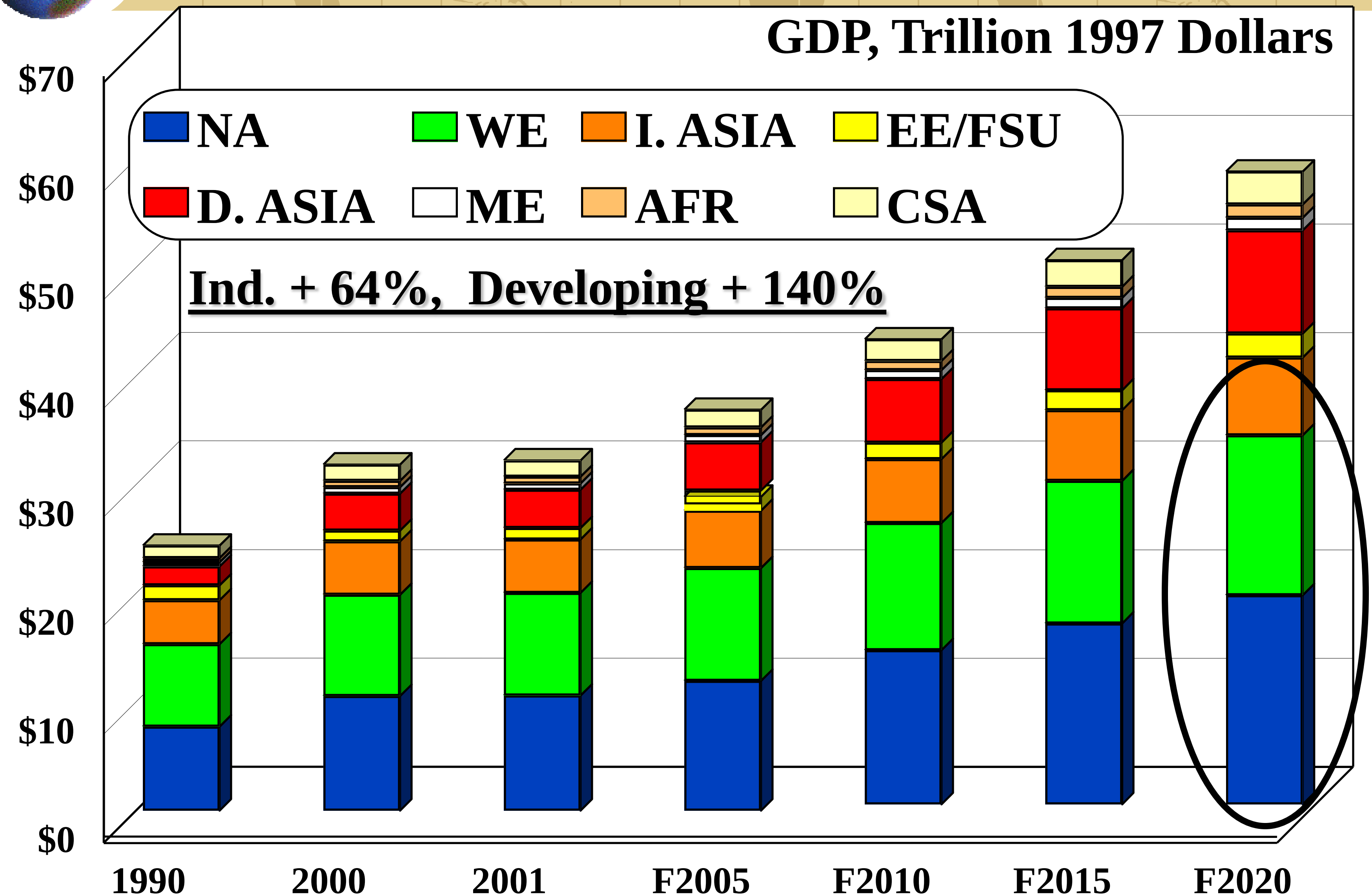
Trade Trends & International Setting

World Population



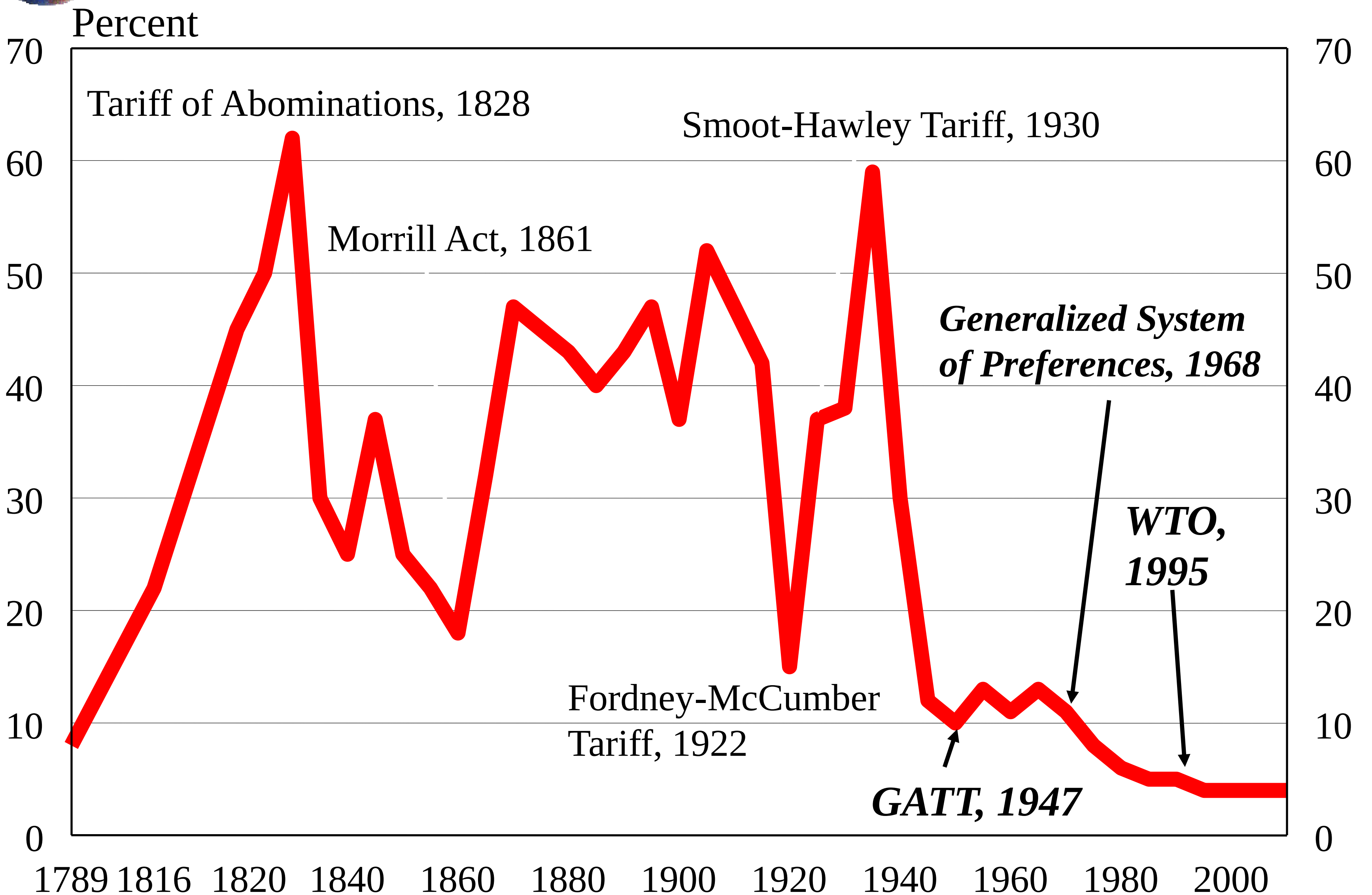
US Census Bureau

World Economic Output



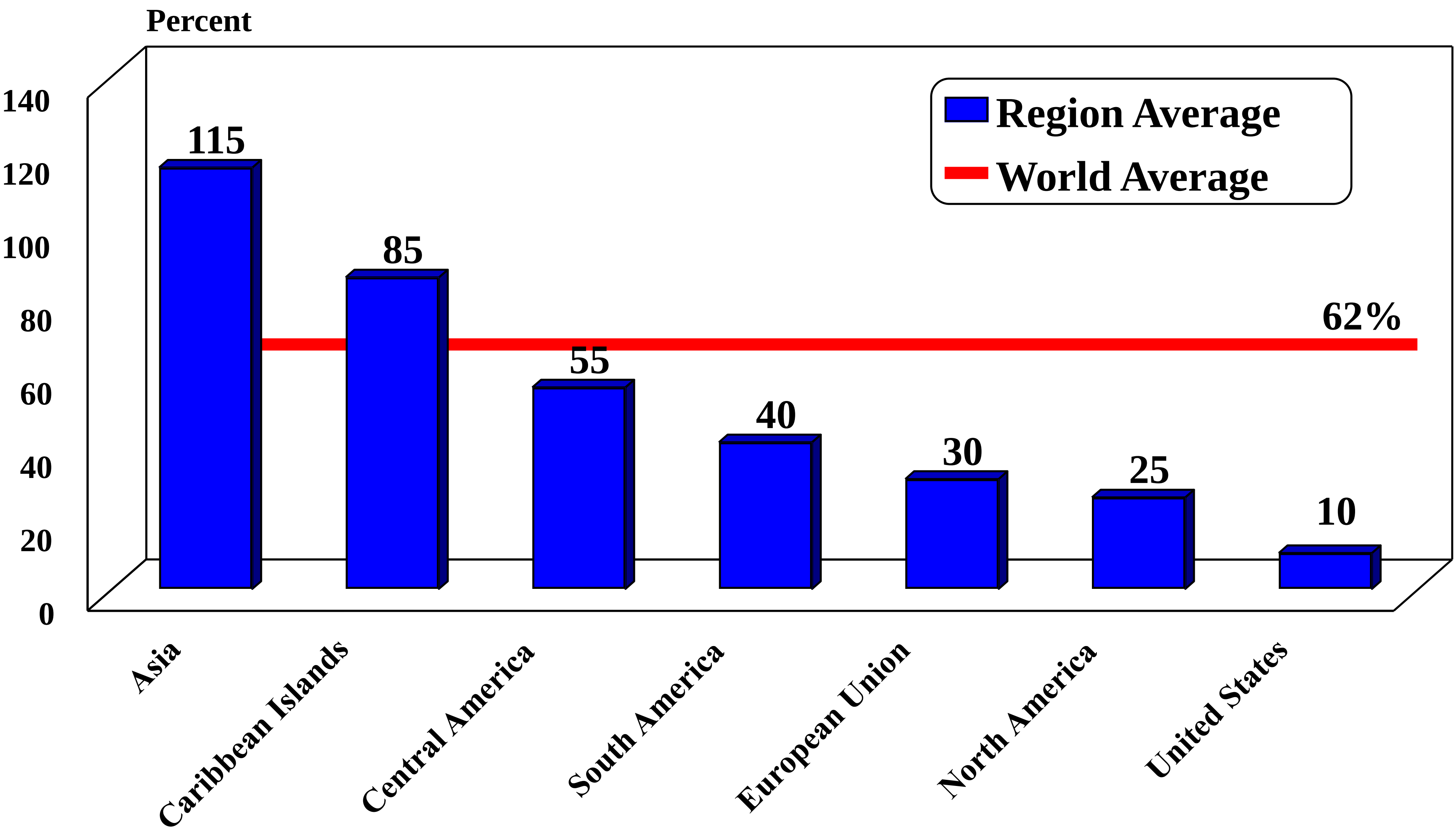
Global Insight, Inc., World Economic Outlook, 2002.

U.S. Tariffs, 1789-2004



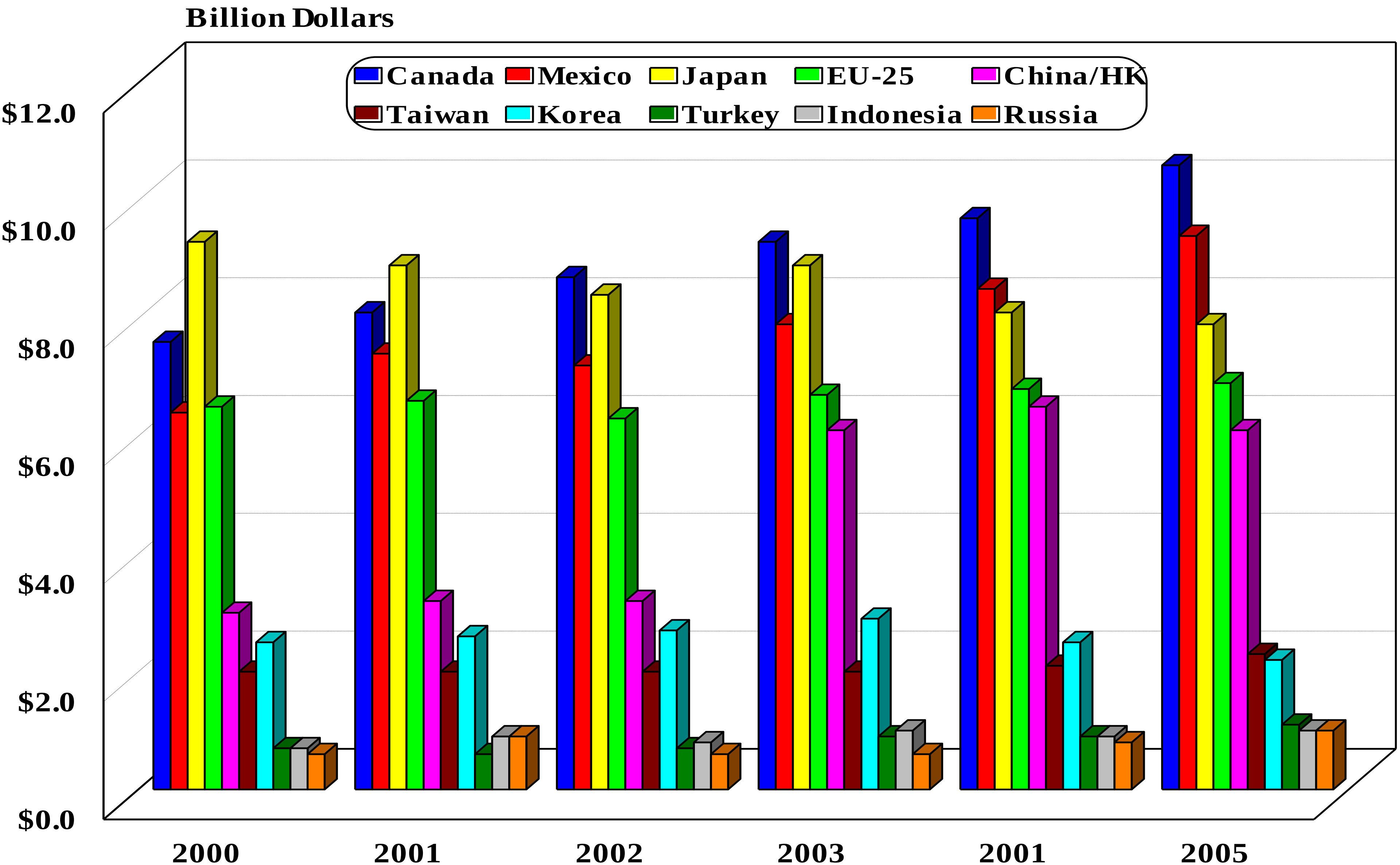
Statistical Abstract of the United States

World Average Agricultural Tariffs, 2002



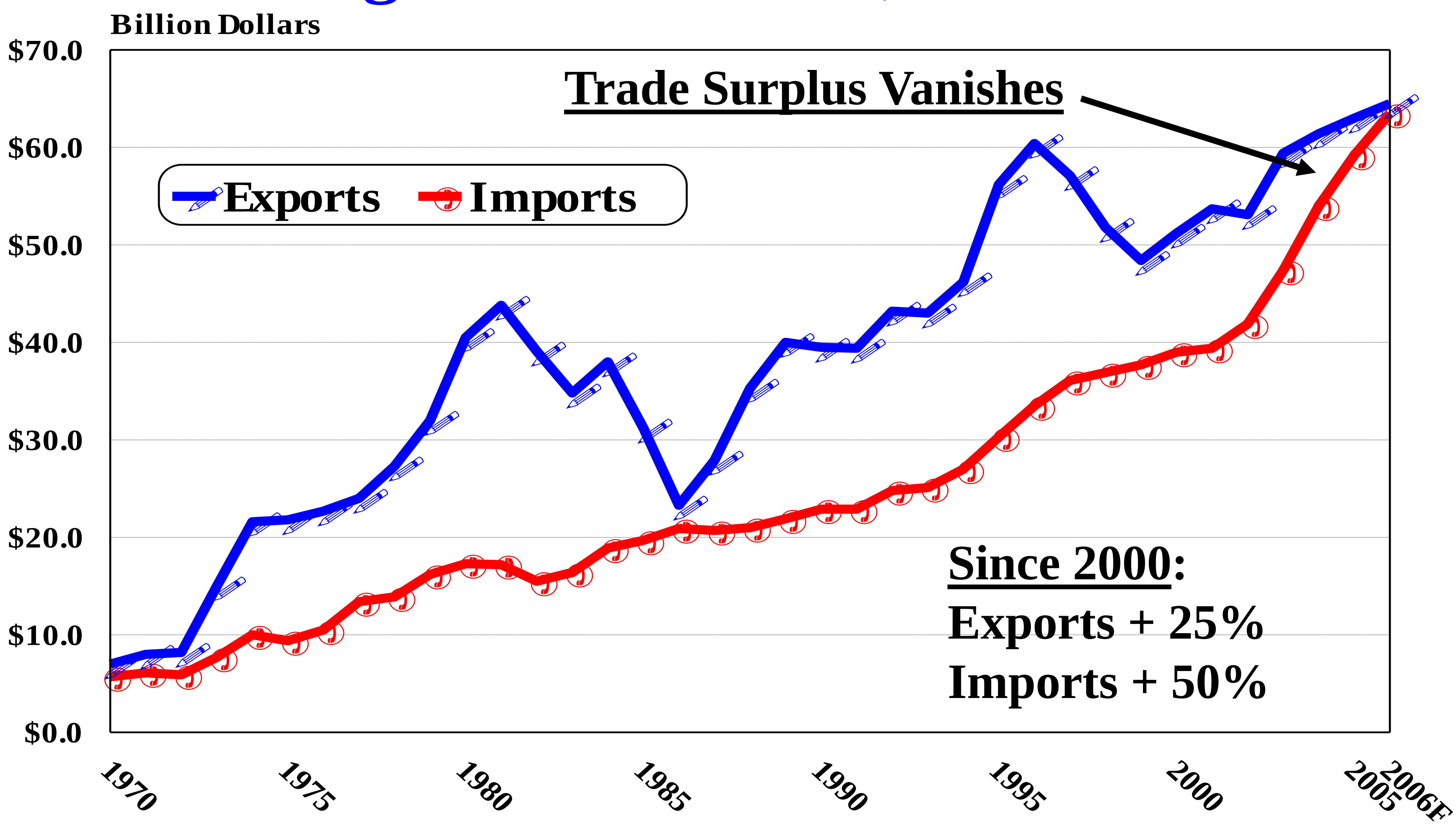
Source: WTO & ERS/USDA

Top 10 U.S. Ag Export Markets



Source: U.S. Trade Internet System, www.fas.usda.gov/ustrade

U.S. Agricultural Trade, 1970-2006F



Source: U.S. Trade Internet System, www.fas.usda.gov/ustrade
2006 Forcast for Fiscal Year from USDA/FAS (Feb 06 Forecast)

Observations

- Disparity in Population & Income Growth
- Disparity in Use of Trade Barriers
- Disparity in Agricultural Trade Growth
- Finally Seeing China Emerge as Market, Cuba Growing
- Questions About Role & Future Importance of Trade

International Institutions & Trade Strategies

U.S. Trade Strategy

- **Unilateral**
  - Generalized System of Preferences (GSP)
  - CBI/CBERA
  - African Growth Opportunities Act (AGOA)
- **Regional/Bilateral**
  - NAFTA, CAFTA-DR, Others
- **Multilateral**
  - World Trade Organization
  - Only Forum Where All 150 Member Countries Are Present & Farm Policy Is Negotiated

Concurrent Initiatives

Doha Development Agenda in the World Trade Organization (2001-6?)

The Hong Kong Ministerial

December 13-18, 2005

Agreement on Reductions by April 30, 2006

Draft Schedules Due July 31, 2006

Conclude Negotiations December 31, 2006

Three Pillars for Negotiations in Agriculture

- Market Access
- Export Competition
- Domestic Support

Negotiations Under Tight Timeline Due to Expiration of TPA July 2007

Hong Kong, December 2005

- Little Progress Made in Hong Kong
  - EU Trade Commissioner said state of negotiations was “serious but not desperate.”
- Agreement to Eliminate Export Subsidies by 2013
- Greater “Quota-Free, Duty-Free” Access Granted LDCs, Up to 97% of Products
  - LDC’s want it above 99% and Prepared to Veto
- While Many Fundamental Issues Remain Unresolved, Deadlines Have Been Set

Hong Kong, December 2005 (continued)

- Agreement on Degree of Tariff Cuts by April 30, 2006
  - EU Wants to Reduce by 39% (They Claim 46%) while U.S. and Others Think EU Needs to Reduce by about 60%
  - Each Country to Submit Tariff Schedules by July 30
- While Export Subsidies Addressed, More work on STE's and Export Credit Guarantees Needed
- Agreement Still Needed on Cuts in Trade Distorting Domestic Support (Amber/Blue)
  - U.S. Wants about 53%, Pushing EU and Japan Towards 80%
  - This Does Not Address Green Box Programs
  - U.S. wants "New" Blue Box for CCPs

Other Negotiating/Related Issues

- NAMA (Non-Ag Market Access)
- The Cotton Case (DS 267)
- U.S. Budget Situation
- Dissension within EU (France vs. Everyone Else)

Observations

- WTO Could Result in No Substantial Agreement
- Future of WTO May Be <u>On the Line</u>
- Agreement Important to U.S.
  - Open Markets
  - Get Rid of Export Subsidy Distortions
  - Minimize Litigation Over Farm Policy

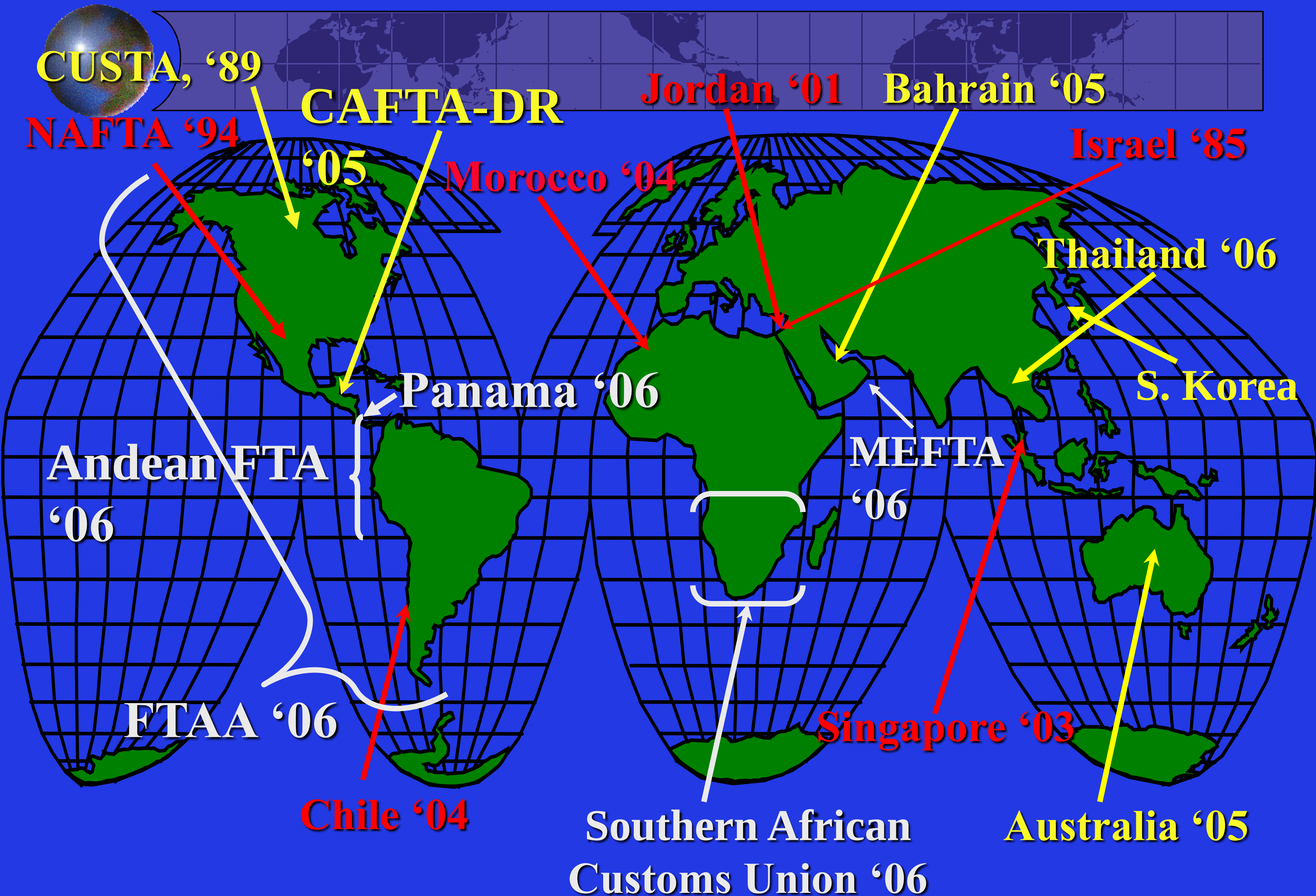
Role of Trade Agreements

Why Regional Agreements?

- 2d Best After MTN
  - WTO Has Been Slower than Desired
  - Outcome is Uncertain
- Economic Incentives
  - Open Markets
  - Increase Business Efficiency
- Keep Pressure on MTN to Perform

Strategic Considerations

- Secure Strategic Materials
  - Oil, Fertilizer, Natural Gas
- Stem Illegal Immigration by Creating Economic Opportunity in Other Countries
- Create ‘Buffer Zone’ Against Terrorism (9/11 Commission Report)



U.S. Trade Agreements

Trade Agreements In-Place (7)

- **Israel**-1985-1994
- **Canada**-US (CUSTA)-1989-1998
- **North America** (NAFTA)-1994-2008
  - US-Mexico
  - US-Canada
  - Canada-Mexico
- **Jordan-**December 17, 2001-2010
- **Chile-**January 1, 2004-2015
- **Singapore-**May 6 2003-2012
- **Australia**-January 1, 2005-2022

Trade Agreements-Pending (10)

- **Morocco**-President Signed 8/17/04, Pending Signature, King of Morocco
- **<u>CAFTA-DR</u>**-Signed by President, (20 Years to Full Implementation)
- **Bahrain**-Pending Submission to Congress
- **Panama**-Nine Negotiating Sessions Held, Panama Delays
- **Colombia, Ecuador, Peru (ANDEAN)**- Nine Rounds, Negotiations Continue
- **Thailand**-Three Rounds Held
- **S. Korea** - 2007

Trade Agreements-Pending (10)

- **Southern African Customs Union** (SACU): Botswana, Namibia, Lesotho, Swaziland, South Africa-Six Rounds Held
- **MEFTA:** Oman & United Arab Emirates
- Under Negotiation: Egypt, Others??


CENTRAL AMERICA
Houston, 1,300 Miles NW
Dominican Republic, 800 Miles NE
Belize
Guatemala
Honduras
El Salvador
Nicaragua
Costa Rica
Panama
CARIBBEAN SEA
PACIFIC OCEAN
North

CAFTA-DR Demographic Overview

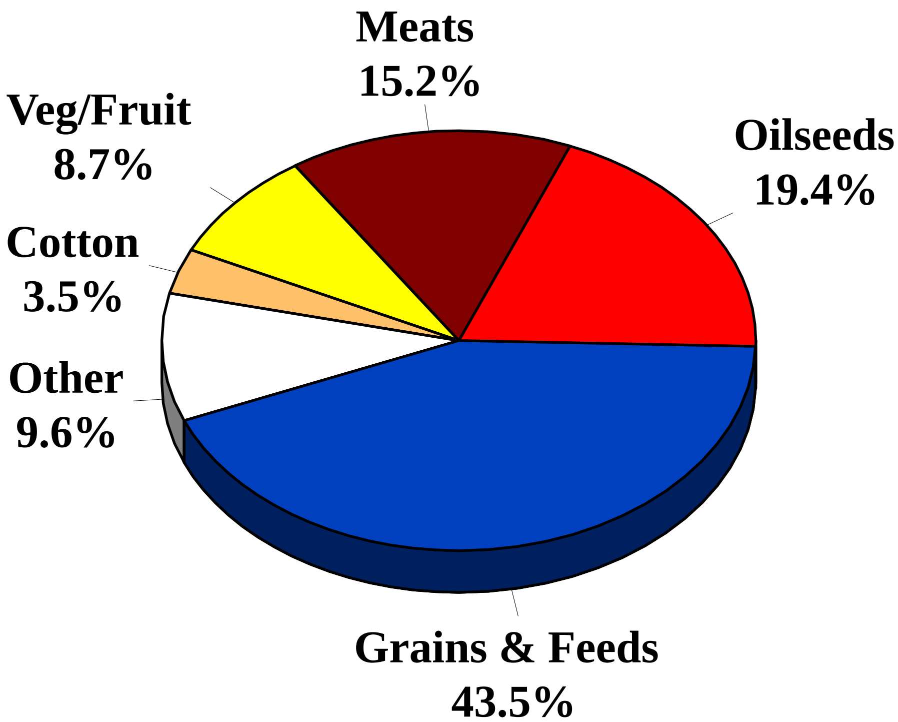
Country	Pop. (mil)	GDP/ Person	Poverty %	Lit. %	Ag. Pop. %
Costa Rica	3.9	$8,300	20.6	96	20
El Salvador	6.5	$4,600	*48*	80.2	30
Guatemala	13.9	$3,900	*75*	*70.6*	50
Honduras	6.7	$2,500	*53*	*76.1*	34
Nicaragua	5.1	$2,200	*50*	*67.5*	42
Dom. Rep.	8.7	$6,300	25	84.7	17

CAFTA-DR Prospects

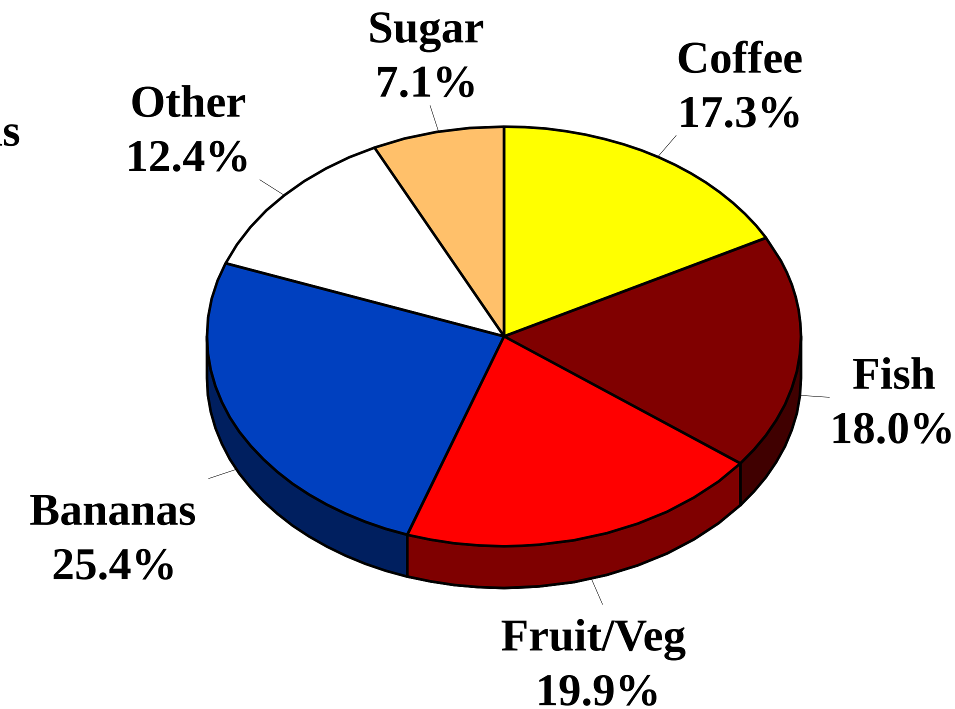
- U.S. Ag. Export Gains of $1.5 Billion Annually
- Near Term: HQ Beef, Cotton, Wheat & Soybeans
- Long Term: Rice, Dairy, Pork, Poultry & Corn
- Challenges: Sugar, Cantaloupe, Honeydew
- Limitations: Infrastructure, Income Growth/Distribution, Plant & Animal Health
- Other Opportunities: Investment

CAFTA-DR Ag. Trade, 2003

US Exports: $1,339 million



US Imports: $2,654 million



USDA, FATUS.

Observations

- Agreements May Be Necessary Condition for Opening New Markets for Agriculture
- Time is Crucial Due to Expiration of TPA
- Some Agreements Easier than Others
- Future of Free Trade of the Americas in Serious Doubt

Conclusions and Implications

Conclusions & Implications

- U.S. Market Is Open, Rest of World Is Not
  - U.S. Export Growth Lags Import Growth
- If Trade Growth is Important, Disparities Must Be Addressed
- Progress in WTO Important to U.S. & Texas for at Least 2 Reasons:
  - Markets
  - Farm Policy

Conclusions & Implications

- Reductions in *Trade Distorting* Domestic Support Likely Substantial
  - Some Adjustment for U.S. Producers
- Absent WTO Progress, Expect More Litigation in WTO Aimed at Farm U.S. Policy
- Trade Reform is at a Crossroads: Protection or Progress?
  - If Export Markets Are Important, Trade Agreements & WTO Progress Are Necessary, But Not Sufficient

Thank You!

Questions?

Parr Rosson
Department of Agricultural Economics
Texas A&M University
College Station, TX 77843-2124
E-mail: prosson@tamu.edu
Telephone: 979-845-3070