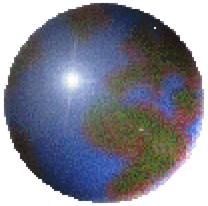


Trade Negotiations & U.S. Agriculture: Prospects & Issues for the Future

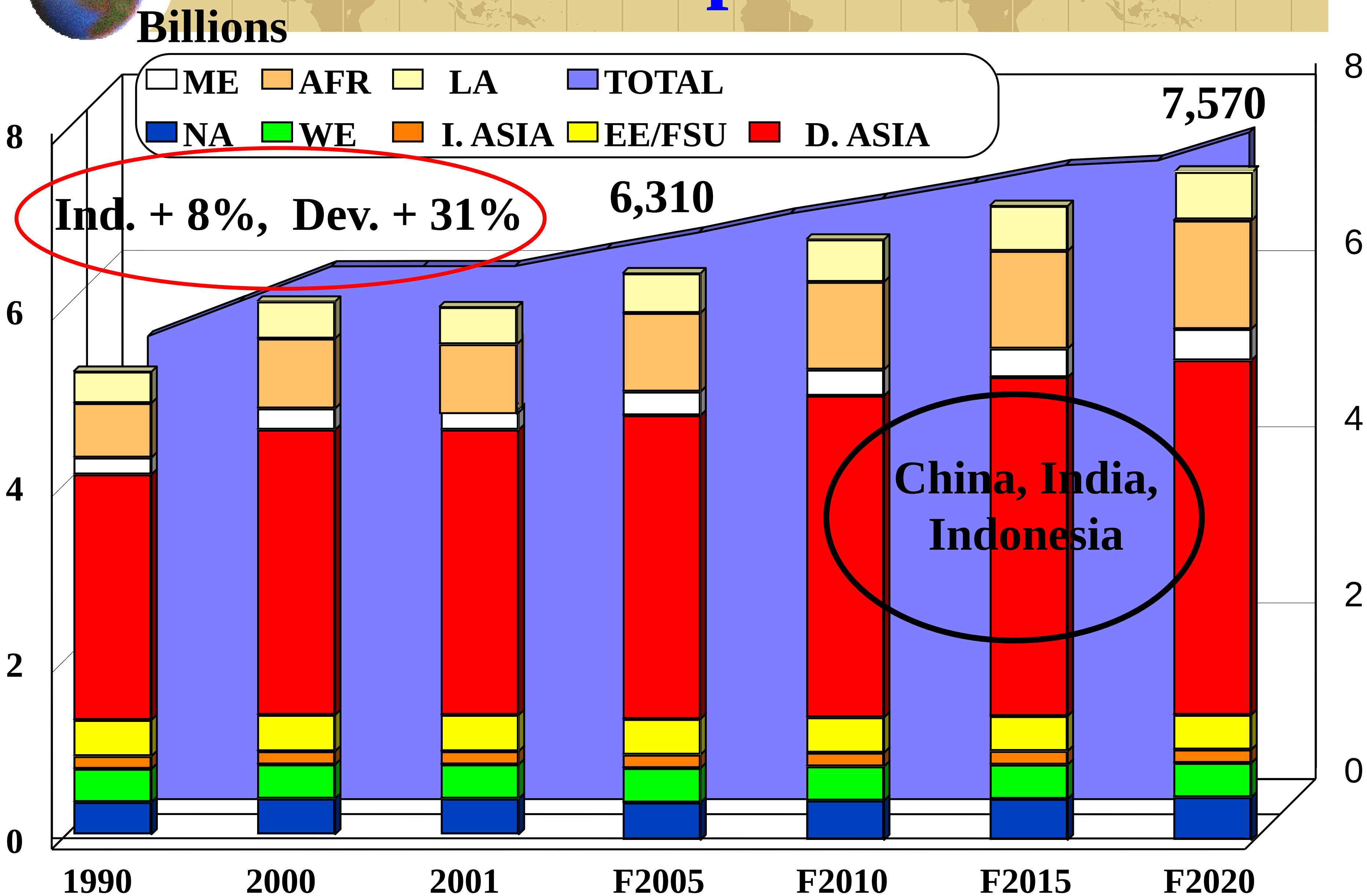
Parr Rosson
Professor & Director
Center for North American Studies
Department of Agricultural Economics
Texas A&M University

Overview

- International Setting & Trade Strategy
- Role of Trade Agreements
- The World Trade Organization
  - Negotiations in Doha Development Agenda
  - DS 267, ‘Cotton Case’
- Conclusions & Implications

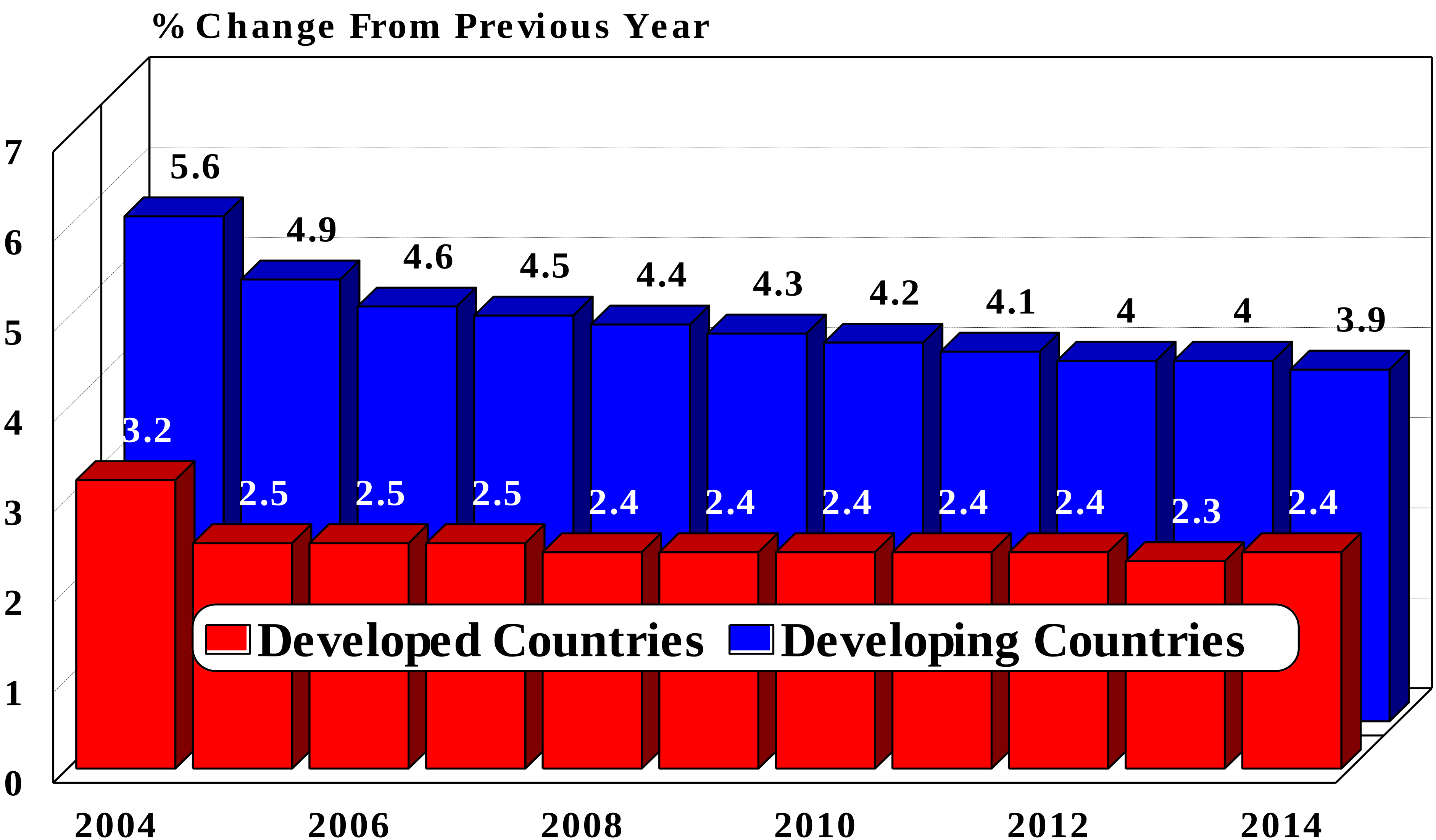
International Setting & Trade Strategy

World Population



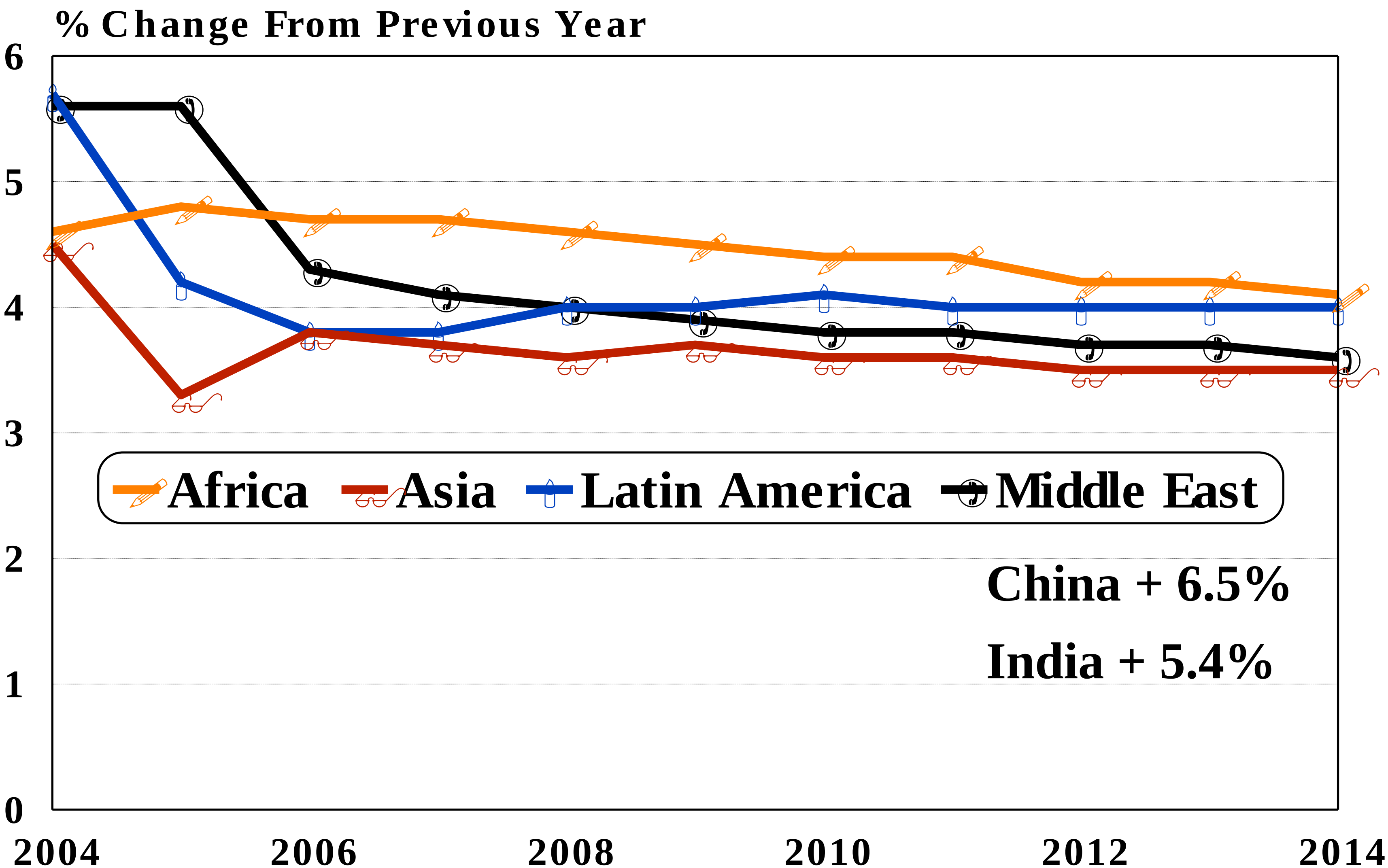
US Census Bureau

GDP Growth Projections



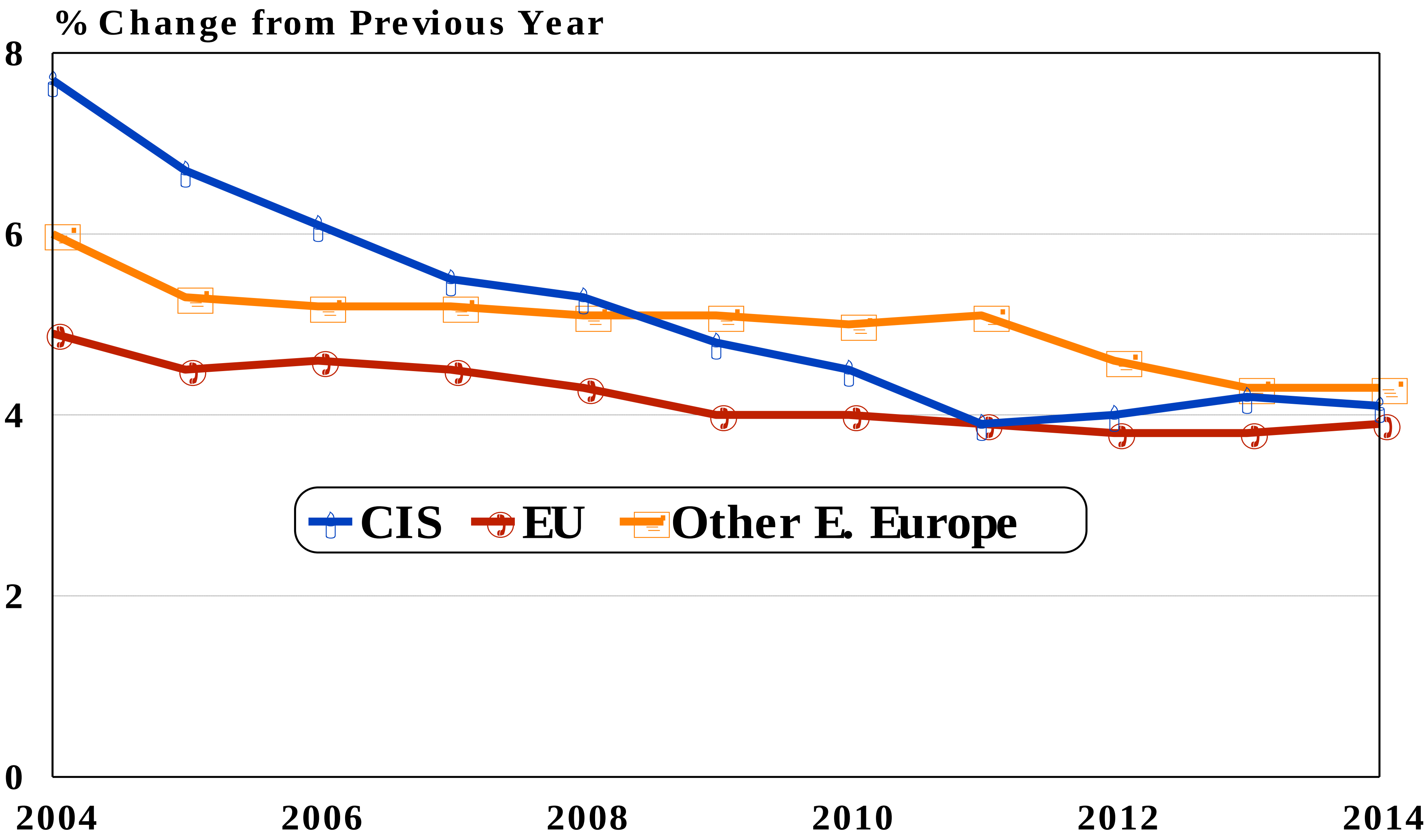
Source: International Financial Statistics January 2005 and projections after 2004 are from Global Insight (formerly DRI-WEFA), FAPRI 2005 U.S. And World Agricultural Outlook.

Regional GDP Growth Projections



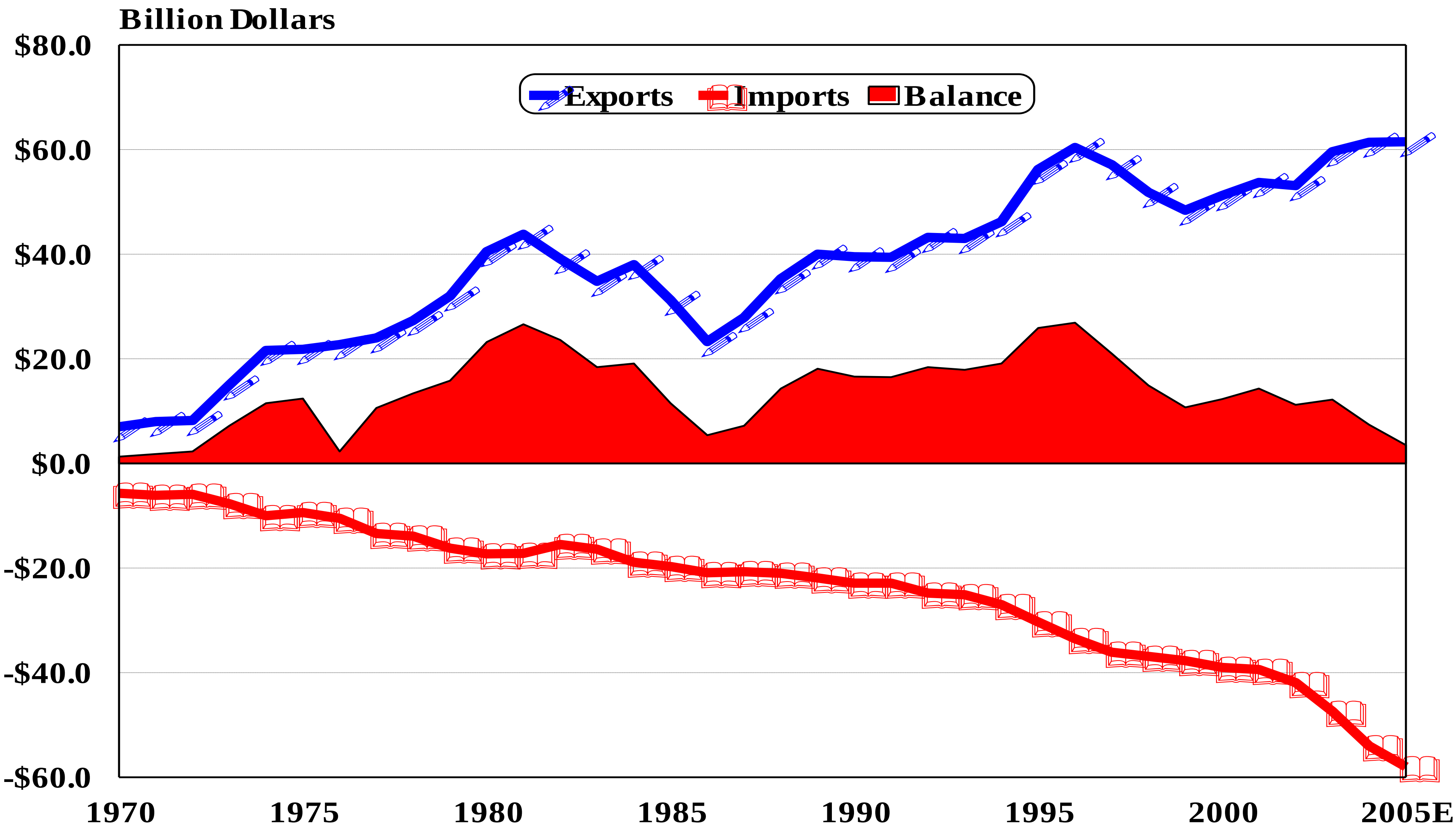
Source: International Financial Statistics January 2005 and projections after 2004 are from Global Insight (formerly DRI-WEFA),FAPRI 2005 U.S. And World Agricultural Outlook.

Regional GDP Growth Projections



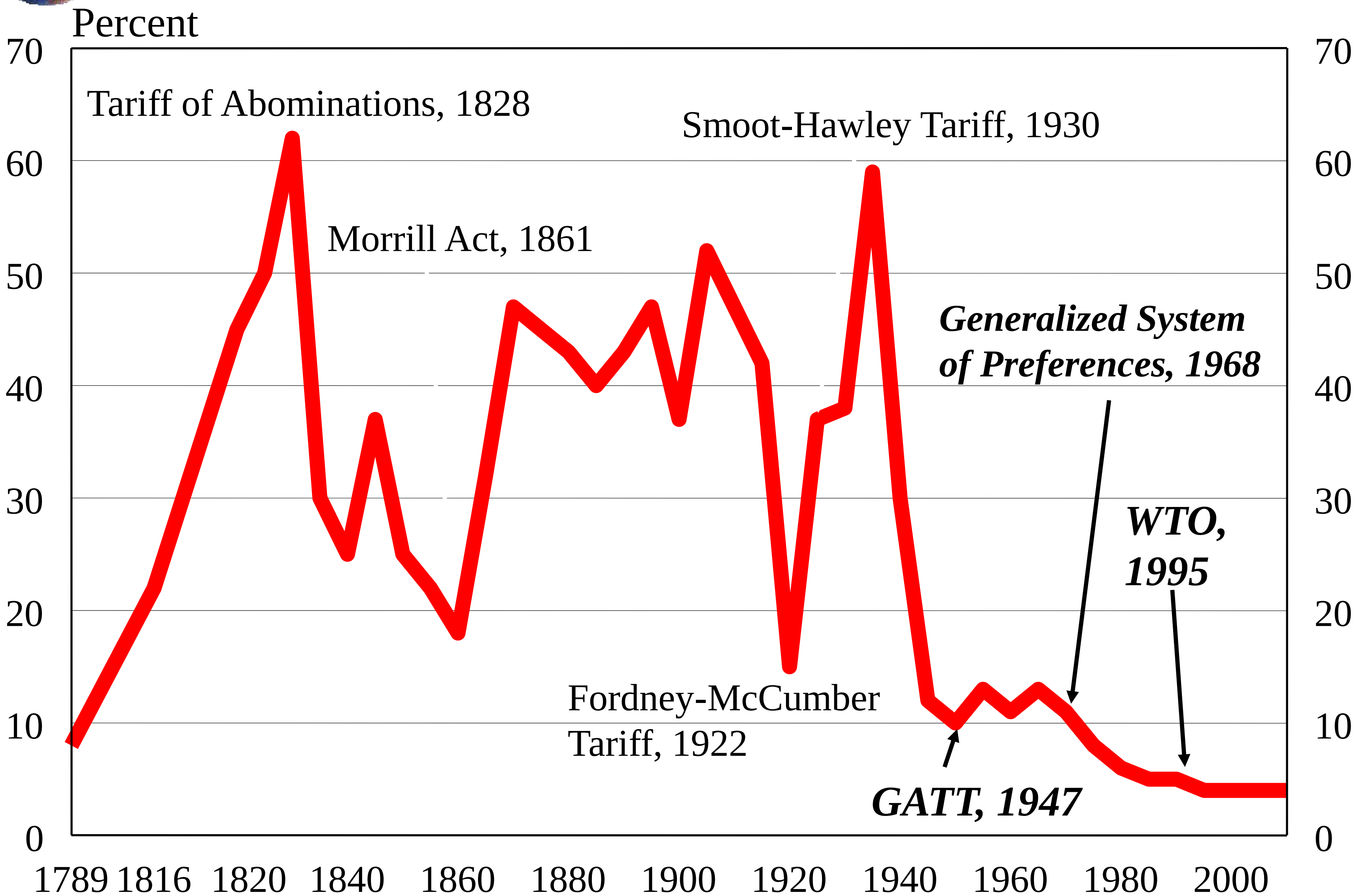
Source: International Financial Statistics January 2005 and projections after 2004 are from Global Insight (formerly DRI-WEFA),FAPRI 2005 U.S. And World Agricultural Outlook.

U.S. Agricultural Trade, 1970 - 2005E



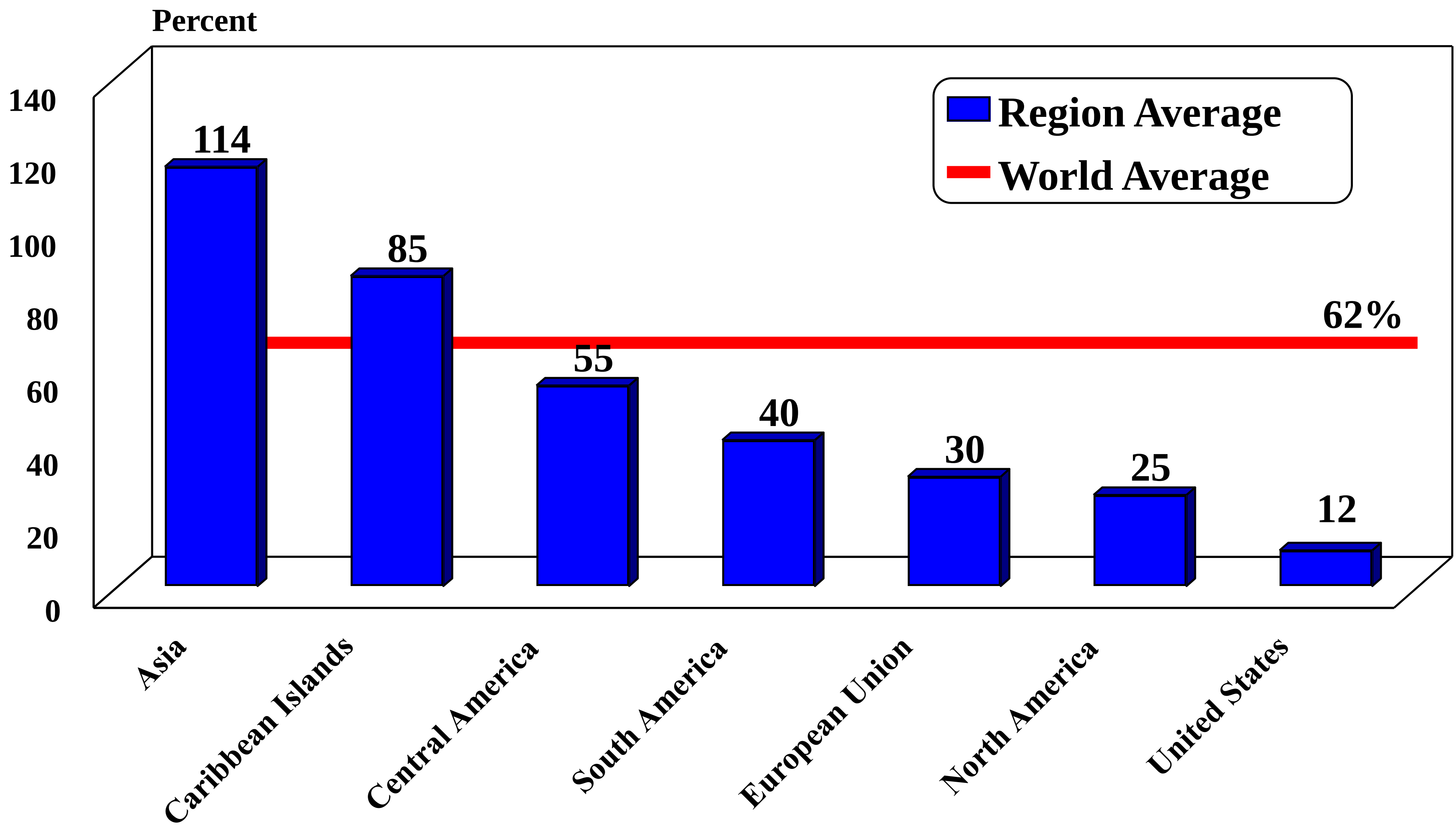
Source: U.S. Trade Internet System, www.fas.usda.gov/ustrade

U.S. Tariffs, 1789-2004



Statistical Abstract of the United States

World Average Agricultural Tariffs, 2002



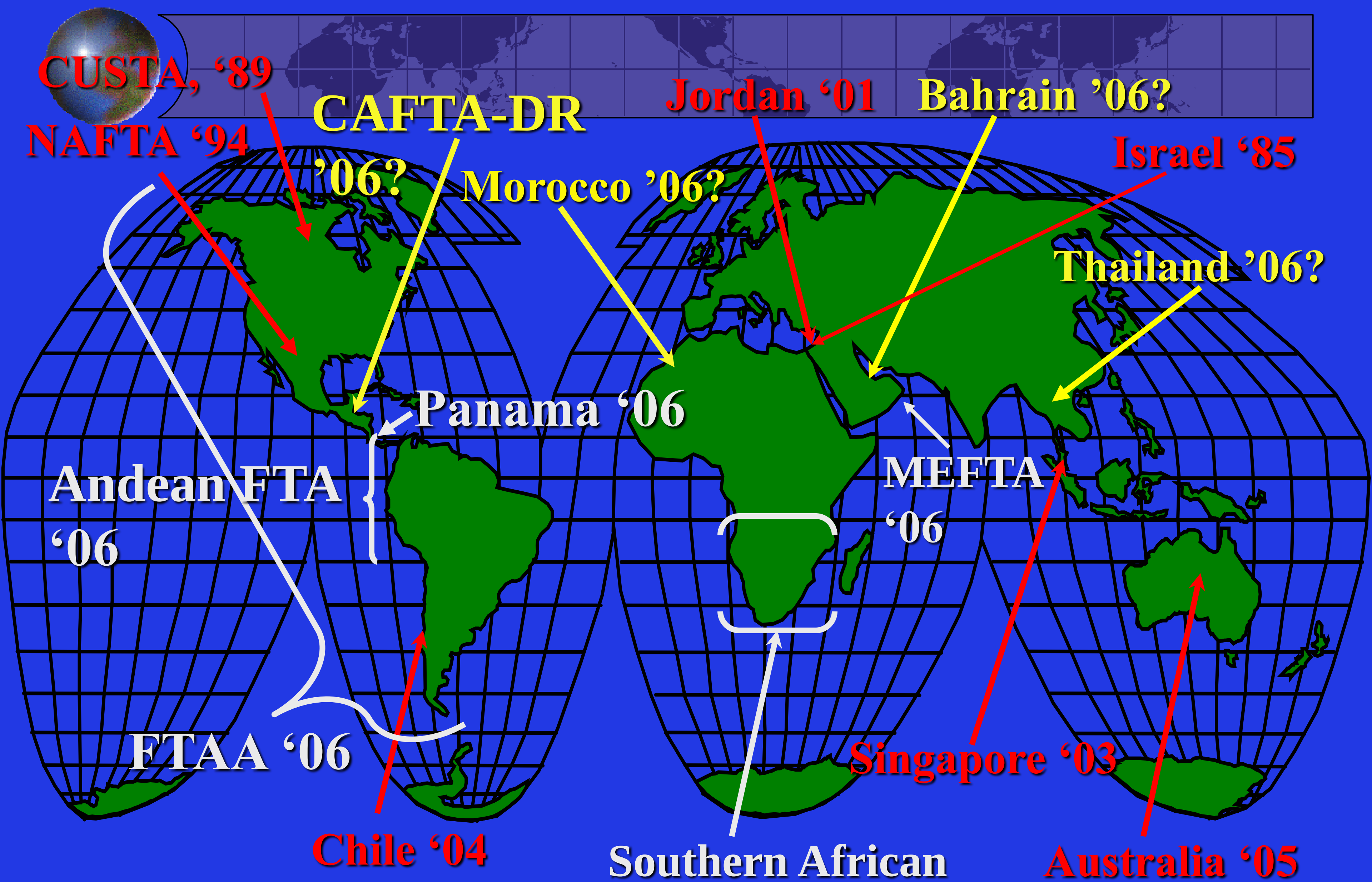
Source: WTO & ERS/USDA

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 148 Countries Are Present & Farm Policy Is Negotiated

Concurrent Initiatives

Progress to Date



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 (9)

- **Morocco**-President Signed 8/17/04, Pending Signature, King of Morocco
- **<u>CAFTA-DR</u>**-Signed by President, Passed El Salvador, Guatemala, Honduras (20 Years)
- **Bahrain**-Pending Submission to Congress
- **Panama**-Nine Negotiating Sessions Held, Panama Delays
- **Colombia, Ecuador, Peru (ANDEAN)**-Nine Rounds, Negotiations Continue
- **Thailand**-Three Rounds Held

Trade Agreements-Pending (9)

- **Southern African Customs Union** (SACU): Botswana, Namibia, Lesotho, Swaziland, South Africa-Six Rounds Held
- **Oman**-Two Rounds of Negotiations Held, Part of Middle East Free Trade Area (MEFTA)
- **United Arab Emirates**-Two Rounds Held, part of MEFTA

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
- Any One Agreement-Small Impact, Taken Together-Large Impact

Strategic Considerations

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

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

Preparing for the Hong Kong Ministerial

December 8-13, 2005

Three Pillars of Trade Reform (Agreed in Concept August 1, 2004)

- Market Access: Reductions in Tariffs
- Export Competition: Elimination of Export Subsidies
- Trade Distorting Domestic Support: Reductions Over Time

Market Access

- Highest Tariffs Cut the Most
  - U.S. Pushing for Deep Tariff Cuts by Developing Countries (60-75%)
- ***Issue***: Many Developing Countries Want ‘Special’ Treatment & Some Reluctant to Agree to Large Cuts
- Much Left ‘To Be Negotiated’ & A Potential ‘Deal Breaker’

Export Competition

- Reduce & Eliminate Export Subsidies by Date Certain (Agreed)
  - EU Export Subsidies, $2+ Billion/Year
  - U.S. Export Credit Guarantees > 180 Days
- Food Aid to Be Disciplined
- Strong Support for Export Competition Reforms

Trade Distorting Domestic Support

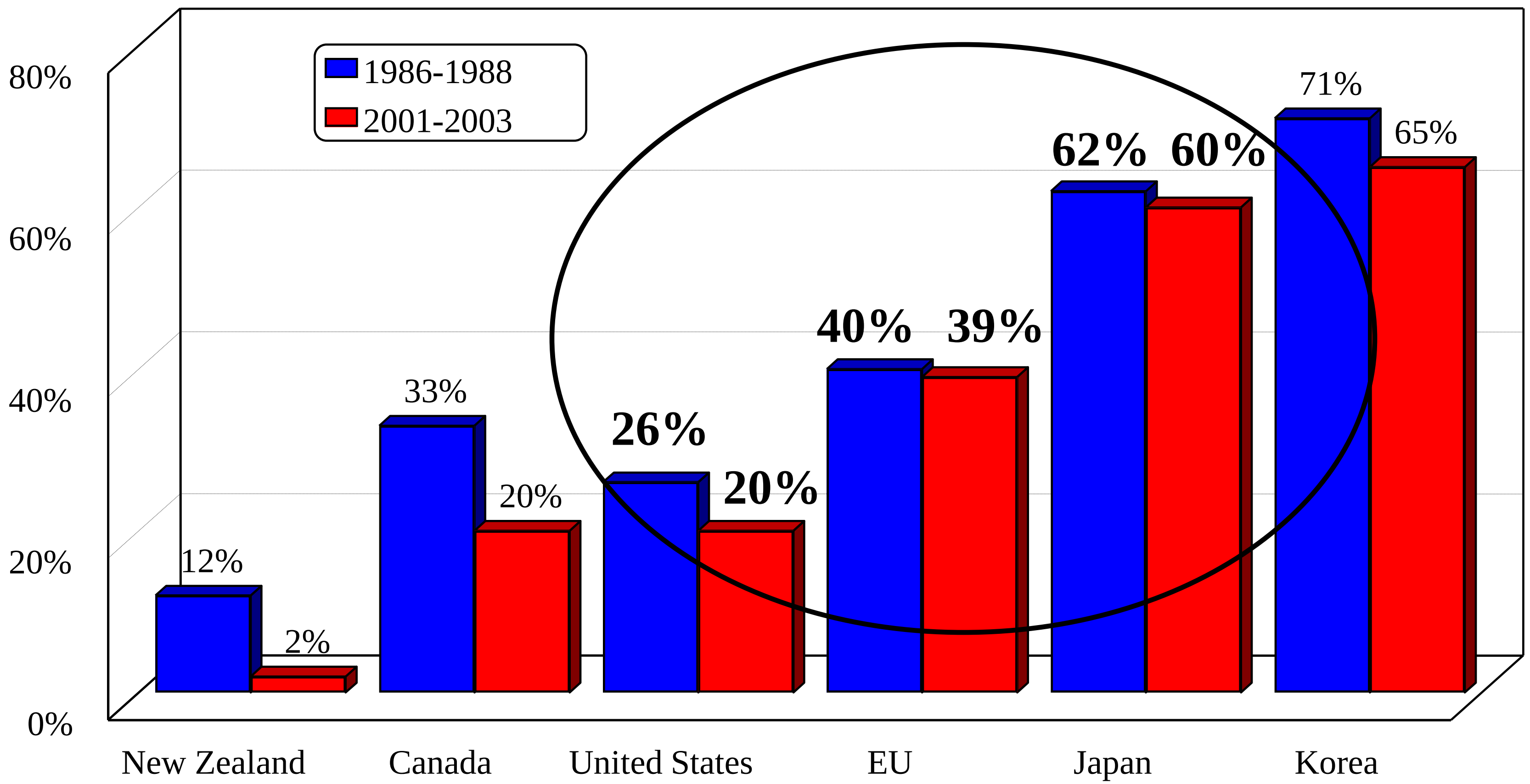
Programs that Cause Production to Be Different than Would Be Without Programs

- Year 1 Cut of 20%
- Subsequent Phased Reductions
  - 40-50% Range

- Reductions from ***Allowable*** Support
- ***Issue***: Developing Countries Wanted Cuts Now, Tariff Reductions Later
- If Big 3 Don't Make Substantial Cuts, A 'Deal Breaker'

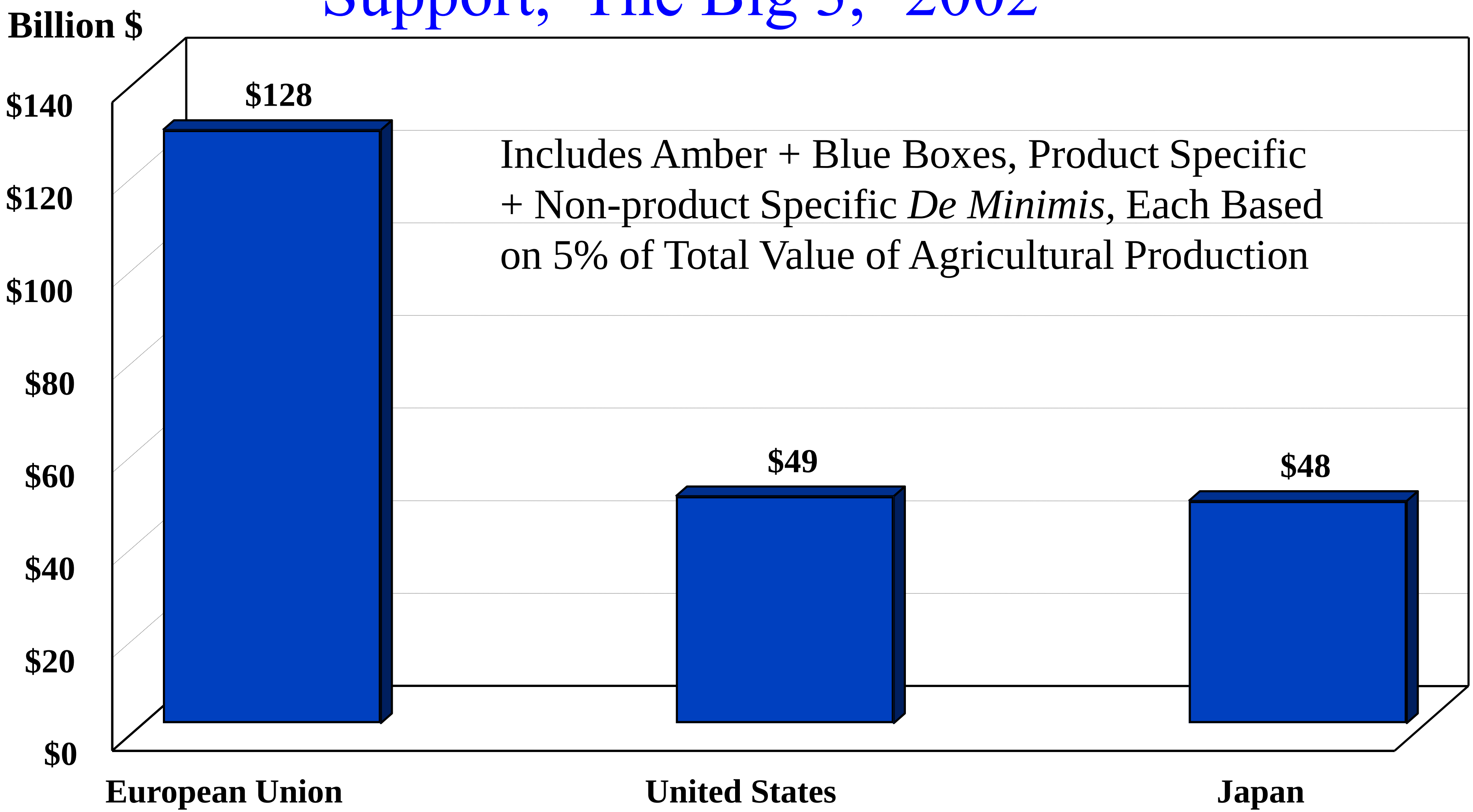
Agricultural Producer Support By Country 1986-88 and 2001-03

-Percent of Total Farm Receipts from Government-



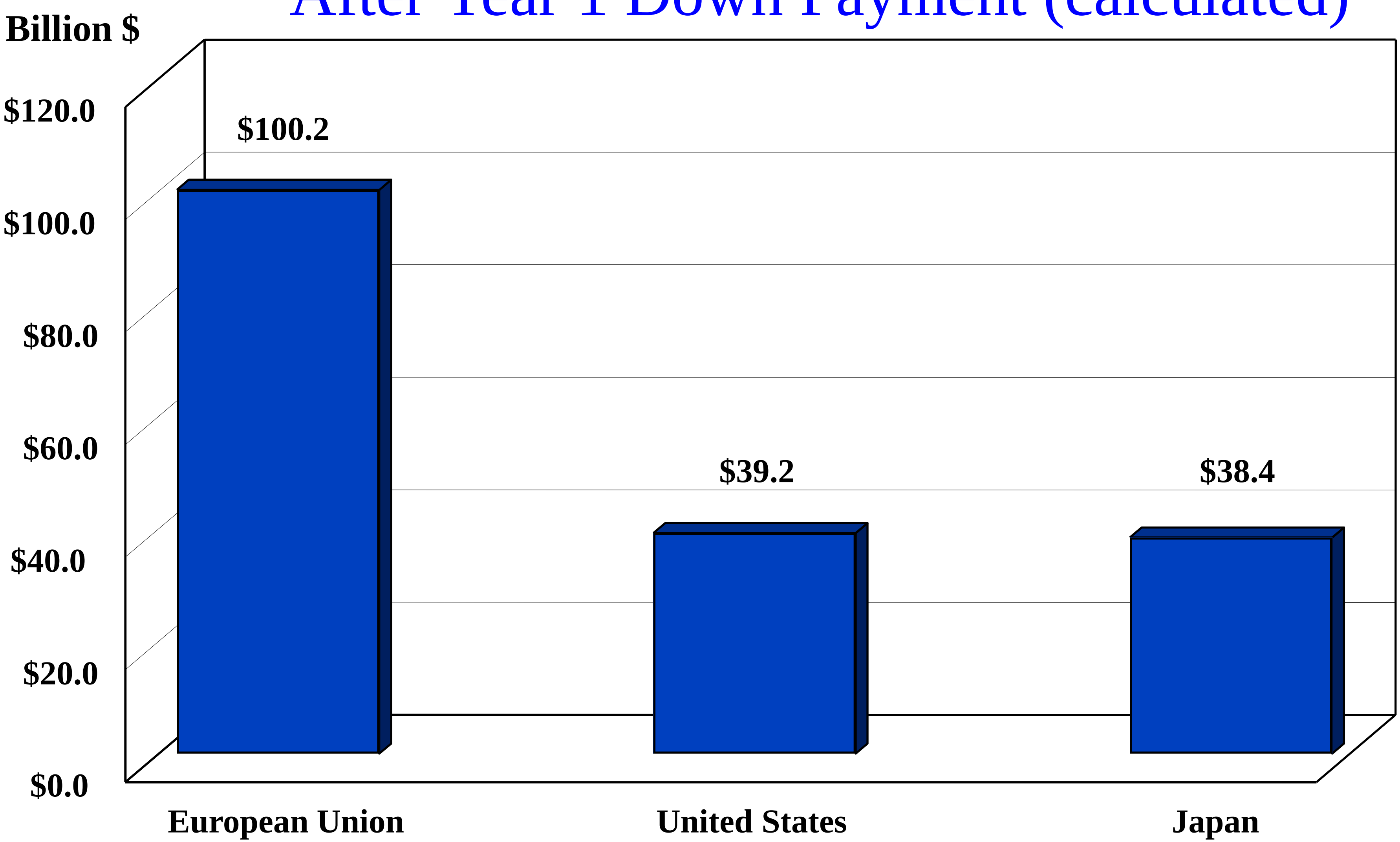
Source: OECD's database (see www.oecd.org)

Total Allowable Trade Distorting Domestic Support, 'The Big 3,' 2002

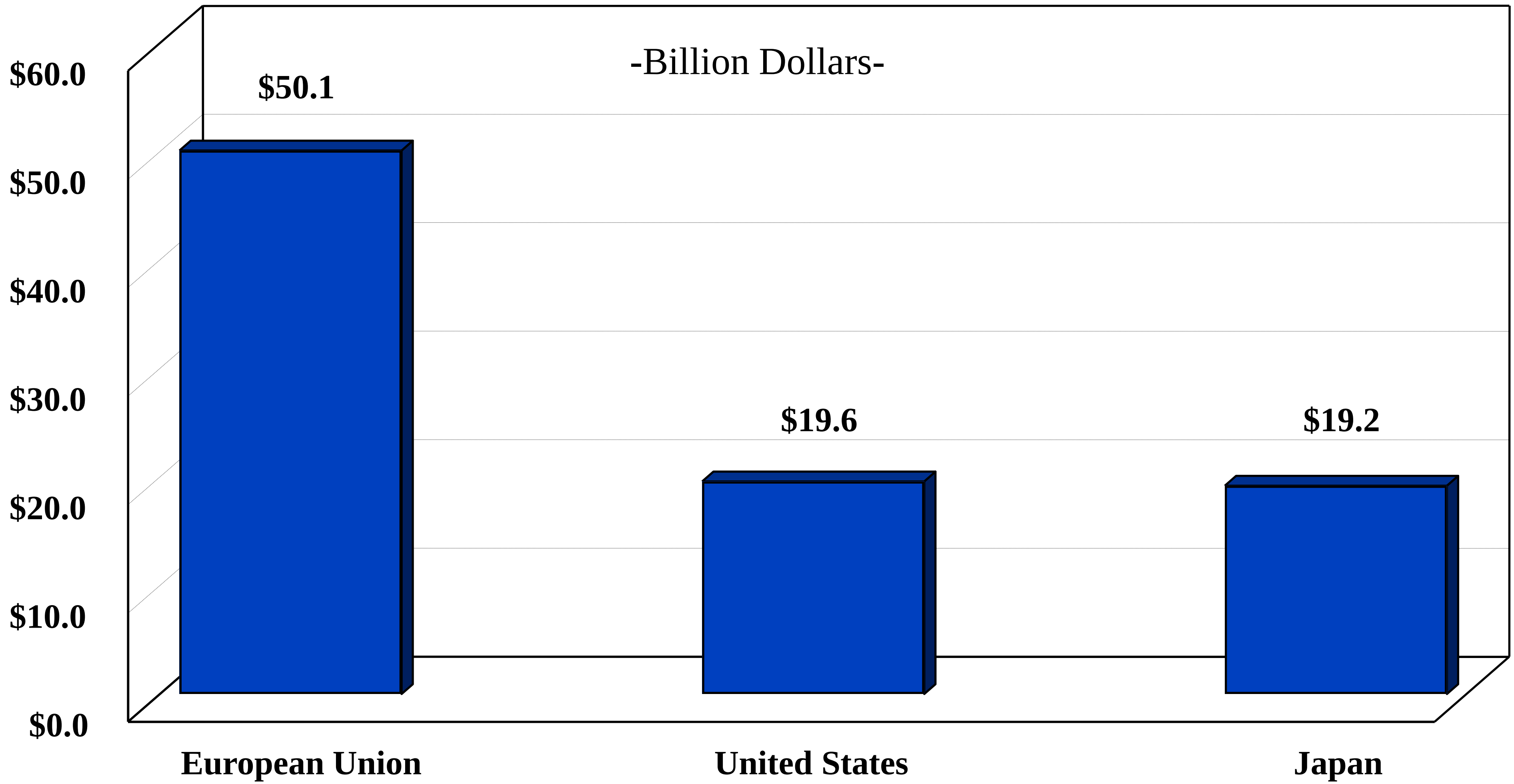


WTO, Trade Policy Review and calculations.

Total Trade Distorting Domestic Support Remaining After Year 1 Down Payment (calculated)



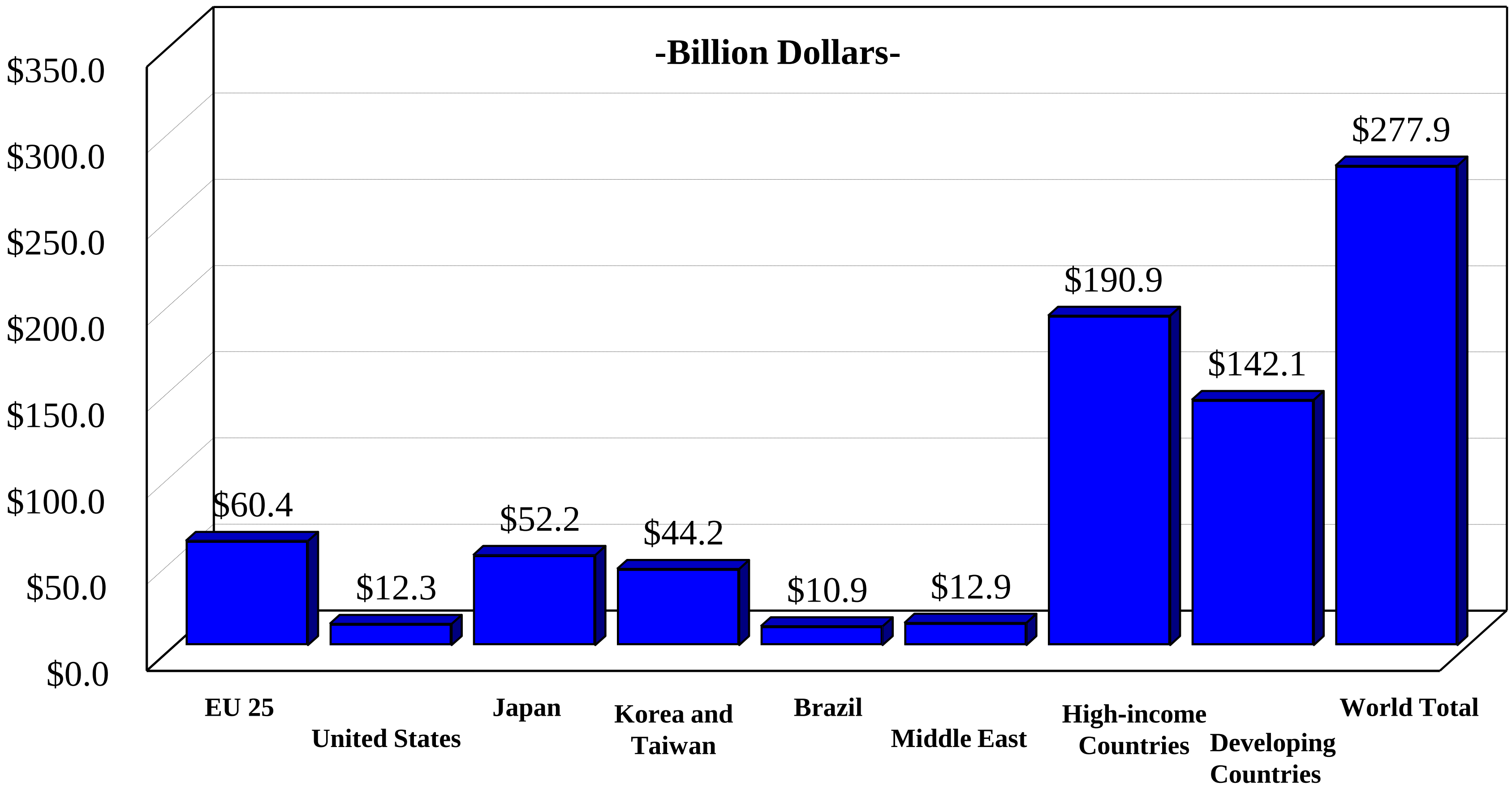
Total Trade Distorting Domestic Support *Assuming* 50 Percent Reduction



Calculated

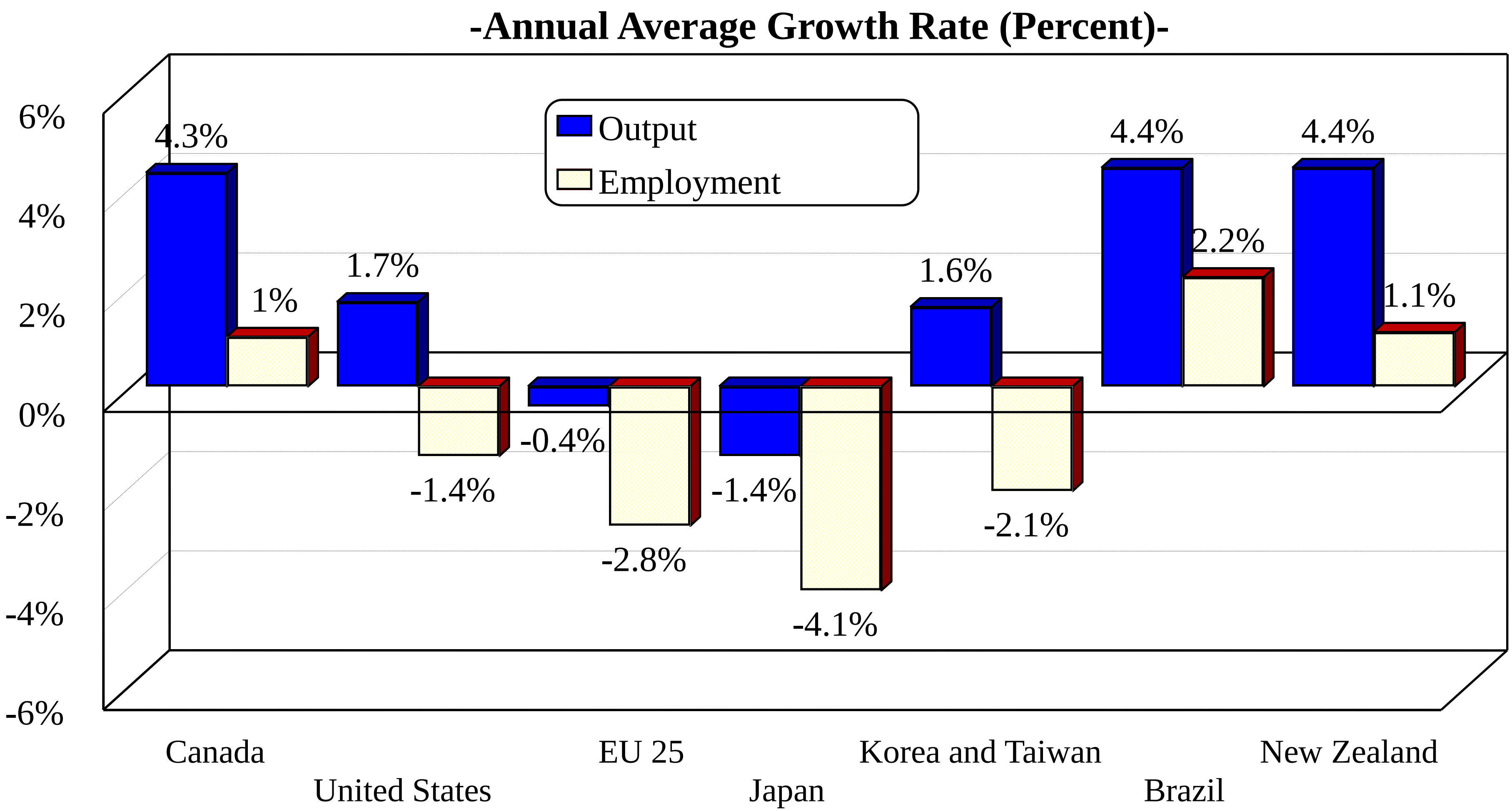
Real Income Effects of Liberalization of Global Merchandise Trade, by Country, 2015

-Impacts in 2015 Relative to the Baseline (2001 dollars)-



Source: Anderson, Martin and van der Mensbrugghe (2005a, Table 12.3)

Impacts of Doha on *Agricultural* Output and Employment Growth, by Country, 2005-2015



Source: Anderson, Martin and van Mensbrugghe (2005a, Tables 12.12 and 12.13)

Trade Liberalization Impacts on Factor Prices, 2015

	Skilled Wages	Unskilled Wages	Land Owner Rent	Inflation
	Percent Change			
EU 25	1.3	-0.1	-71	-1.2
United States	0.2	0	-24	-0.3
Japan	2.4	1.5	-67.2	-0.2
Korea and Taiwan	7.8	7.3	-45.8	-1.3
Brazil	1.4	2.8	35.9	2.8
Sub-Saharan Africa	5.7	8.4	6.4	-4.3
Thailand	6.3	13.4	12.5	-0.2
Vietnam	15.1	23.3	5.8	-0.2
New Zealand	1.1	3.5	20.9	1.5

Large Gains

Anderson, Martin, and van der Mensbrugghe (2005a, Table 12.7).

Conclusions and Implications

Conclusions & Implications

- U.S. Market Is Open, Rest of World Is Not
  - U.S. Export Growth Lags Import Growth
- Agricultural Trade Distorted by *Tariffs*, Export *Subsidies*, Trade Distorting *Domestic Support*
- U.S. Pushing for Deep Tariff Cuts by Developing Countries To Open More Markets for U.S. Exports
- Little Agreement on *How Much* Tariffs Might Be Cut

Conclusions & Implications

- Reductions in Trade Distorting Domestic Support Likely Substantial
  - Some Adjustment for U.S. Producers
- Absent WTO Progress, World Trade & Economic Growth Stifled, Especially in Agriculture-Not Good for U.S. Agriculture
- Cotton Case Could Figure in Outcome
  - U.S. Response
  - Other Cases (Rice, Soybeans??)
- Trade Reform is at a Crossroads: Protection or Progress?
  - If Export Markets Are Important, Trade Agreements & WTO Progress Are Necessary

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