

**Texas Agricultural Forum**

**Waco, Texas**

**January 21, 2004**

**New Trade Negotiations:**  
***What's at Stake For Texas Agriculture?***

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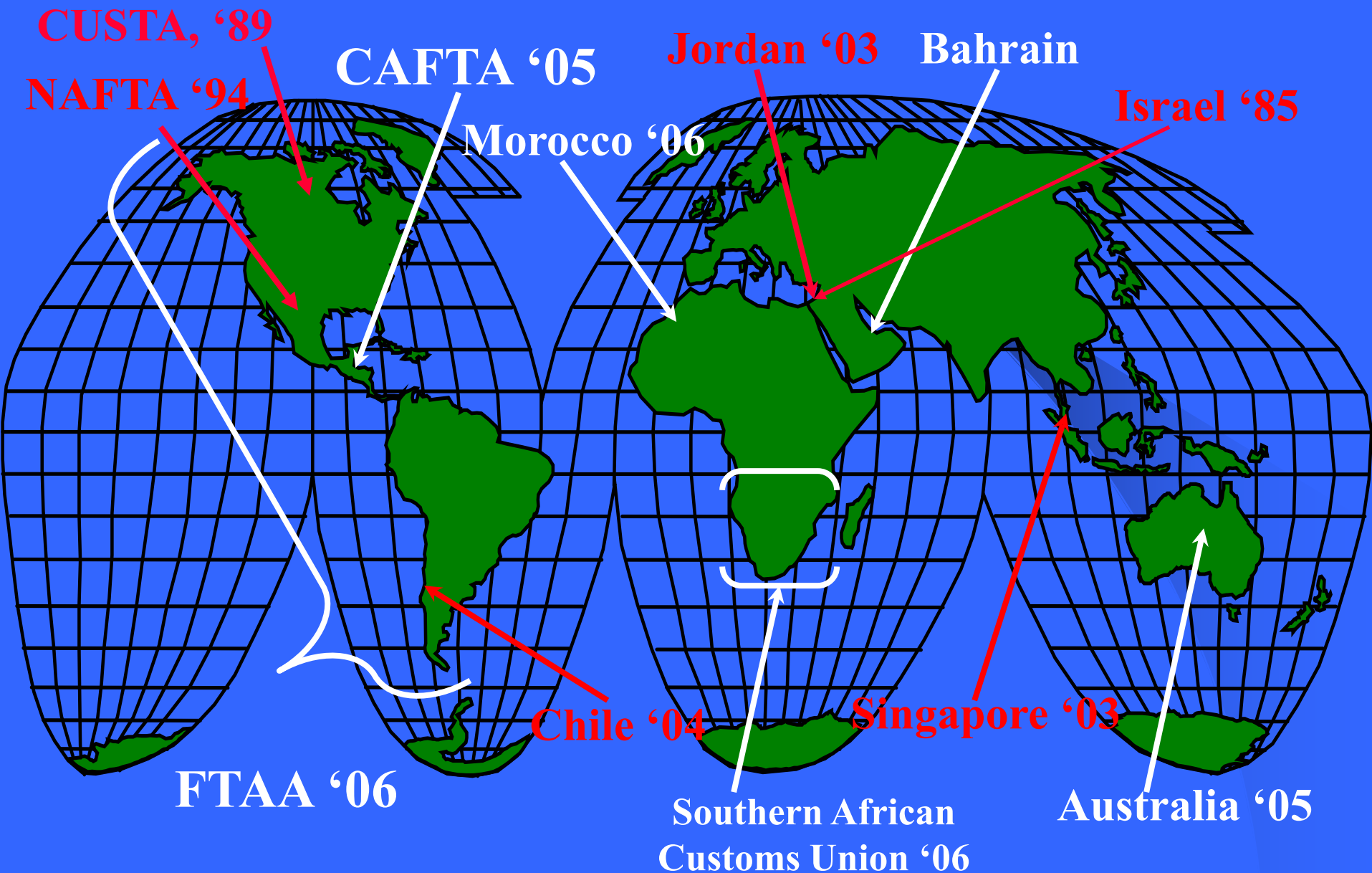


# What's at Stake?

- **Market Access**
- **Secure Sources of Raw Materials & Inputs**
- **Gains & Losses to Trade**
- **Adjustment for Some Sectors**

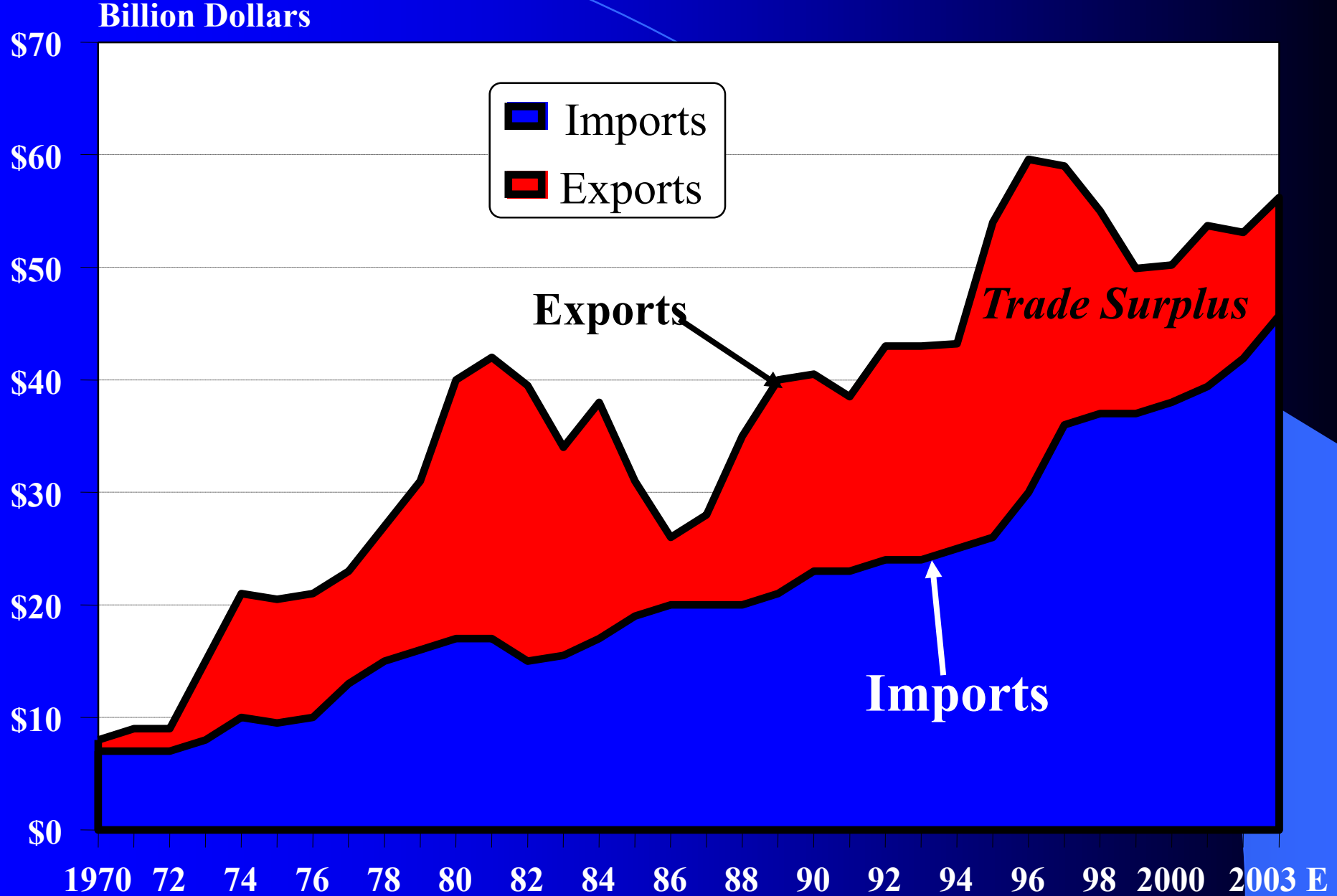
# U.S. Trade Negotiations

- GATT 1947-94
- US/Israel 1985
- Uruguay Round 1986-93 (GATT)
- Canada 1989
- NAFTA 1994 (Year 10)
- Doha Round 2000-05? (WTO)
- 3 Regionals *Completed* in 2002/03
- 6 Regionals Pending



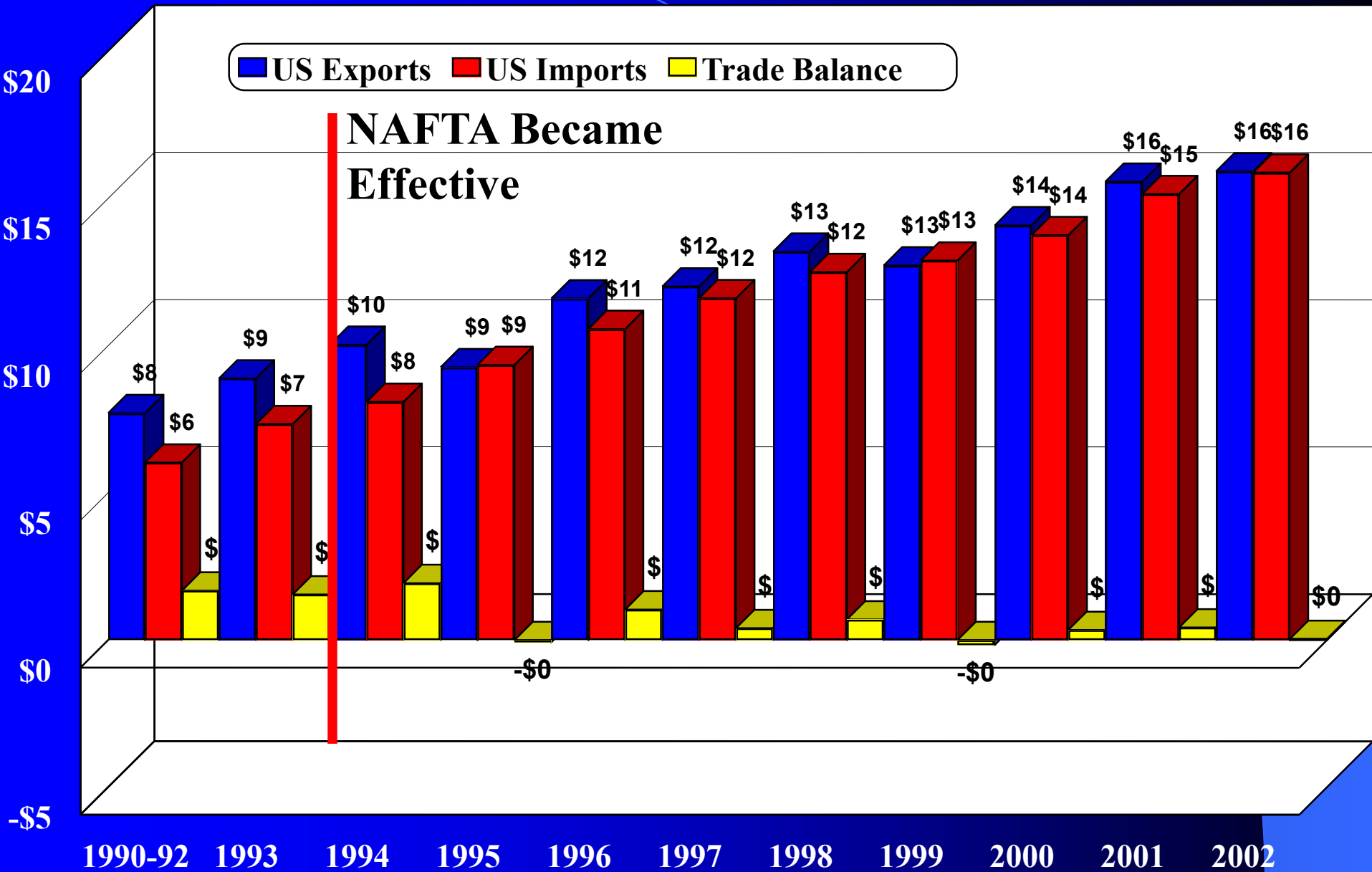
## U.S. Trade Agreements

# U.S. Agricultural Trade, 1970-2003 E



# US Agricultural Trade with NAFTA

Billion US Dollars



# **World Trade Organization**

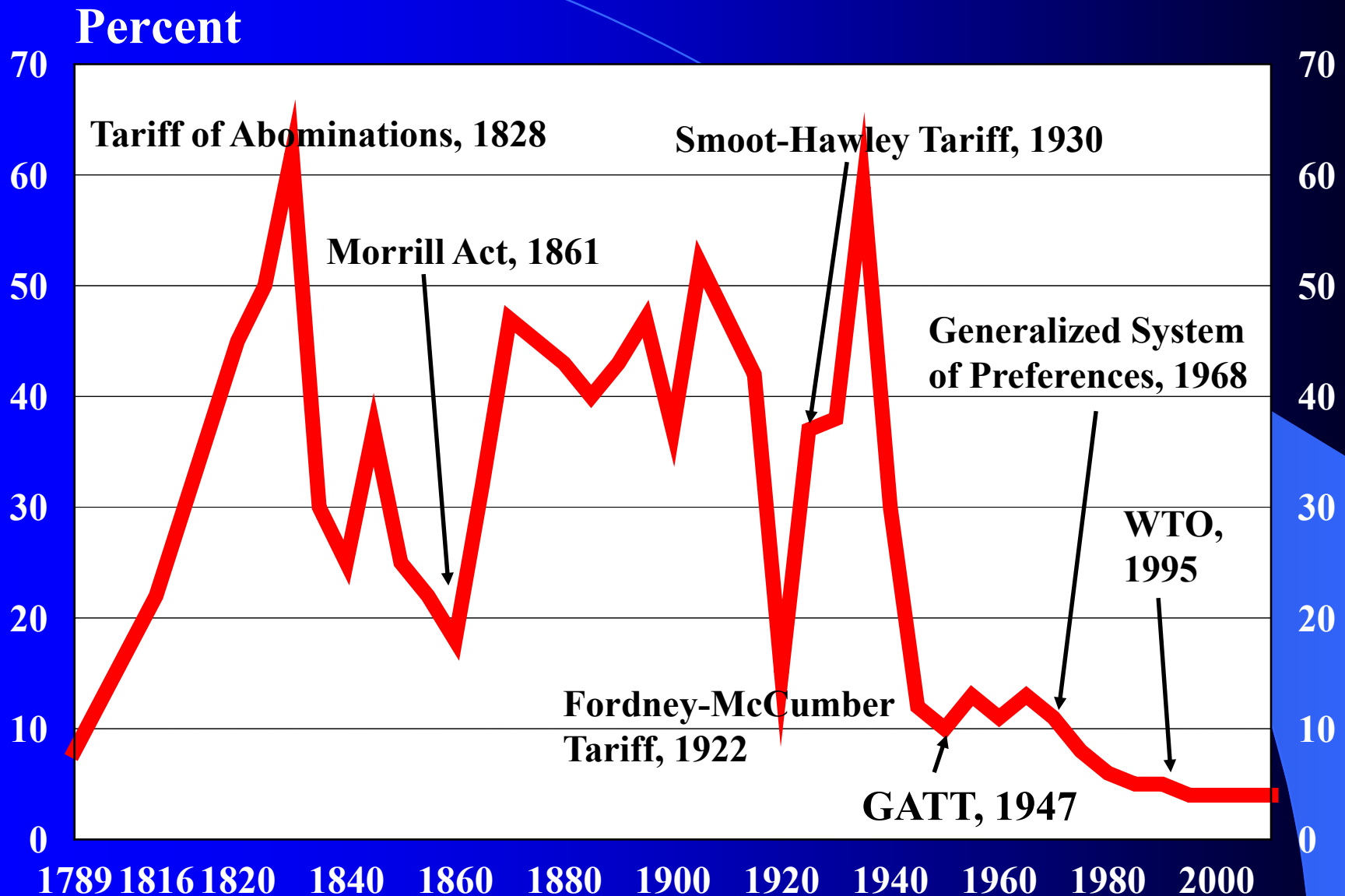
## **“Doha Development Agenda”**

- **Attempt to Restart is Underway**
- **‘Common Sense’ Letter, 1/12/04**
- **Export Subsidies, Trade Distorting Policies & Cotton/Cotton Textiles**
- **Retaining Protection of the Peace Clause  
Important for U.S. Agriculture & Open  
Markets**

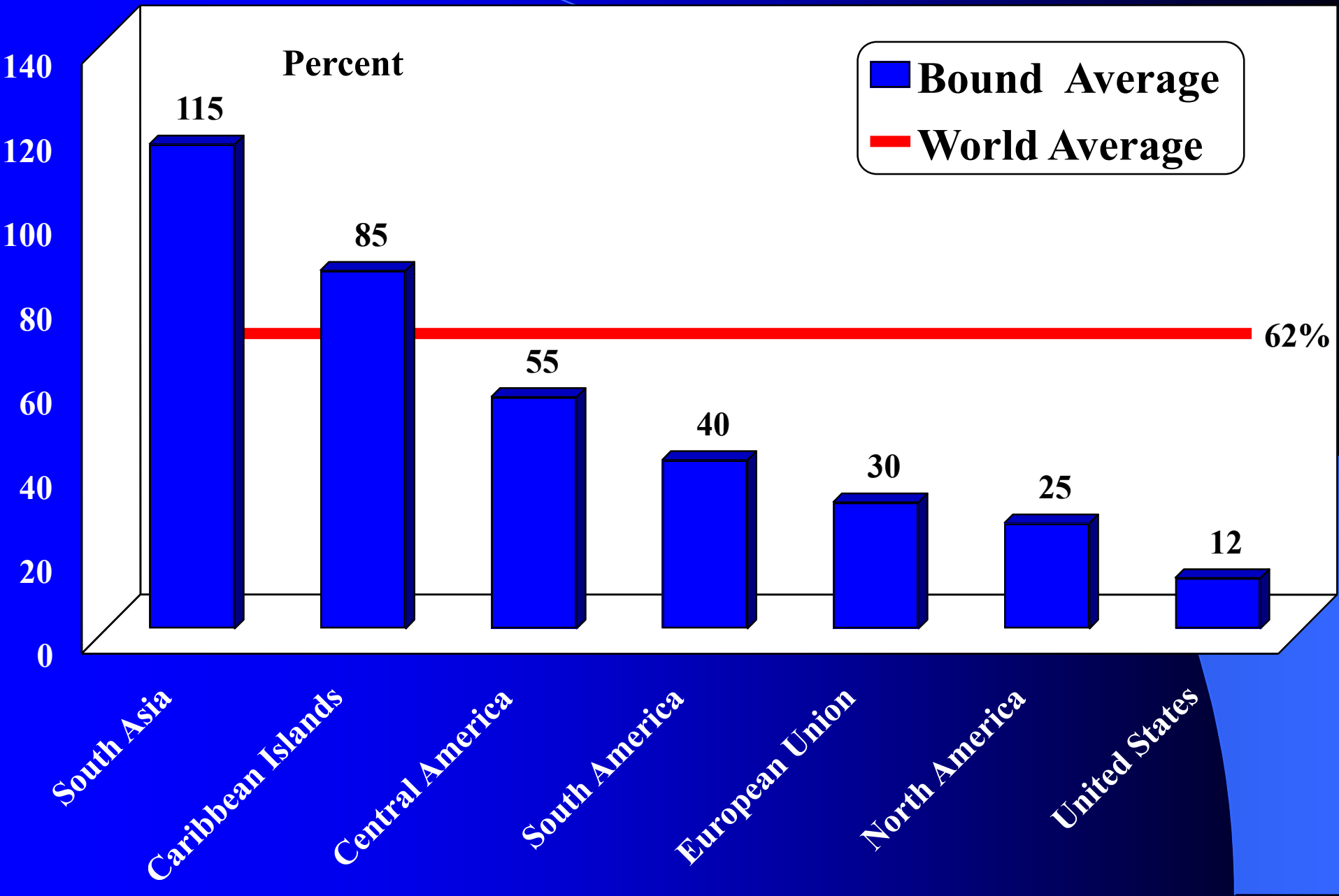
# Market Access



# U.S. Average Tariff, 1789-2002

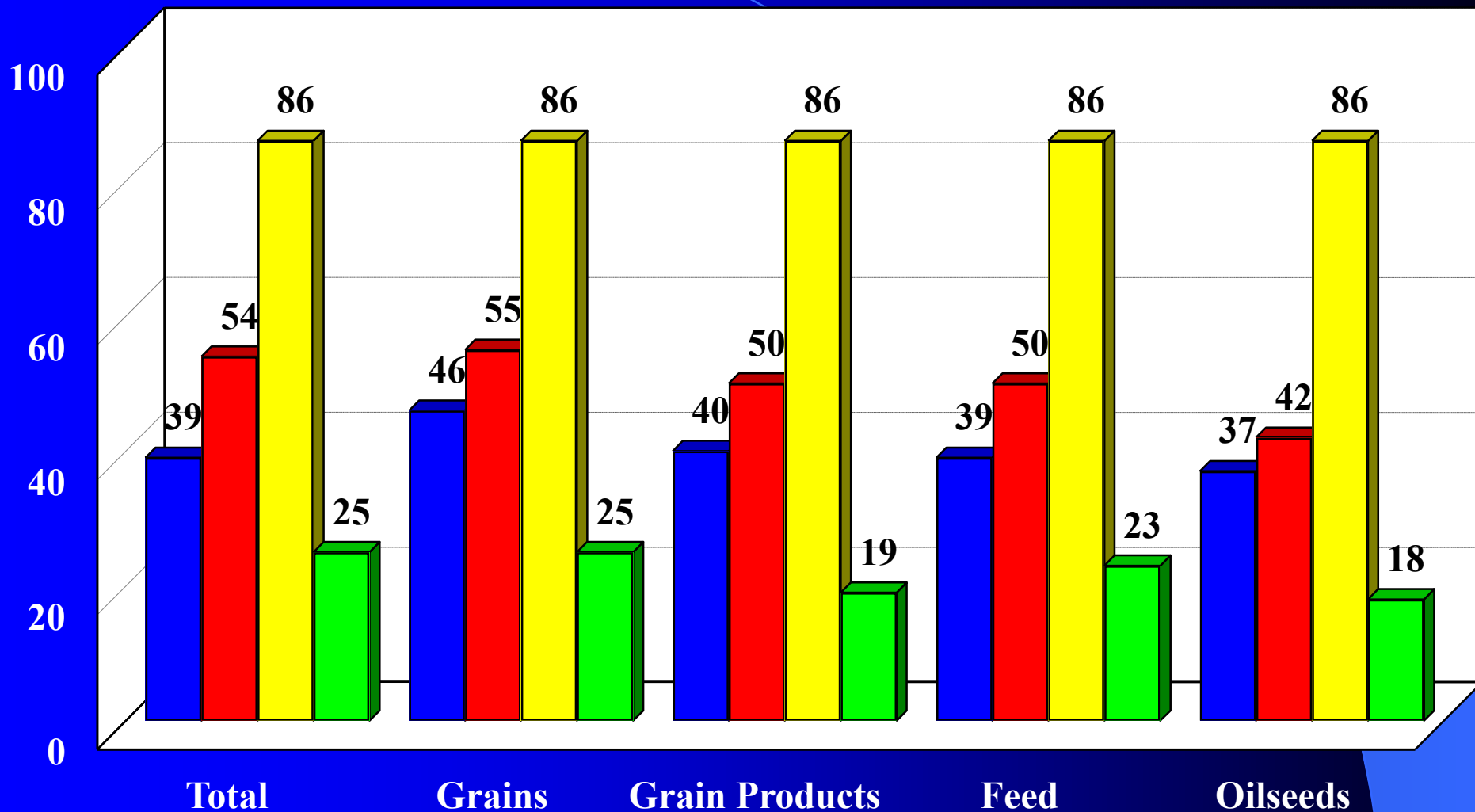


# World Average Agricultural Tariffs, 2000



# Bound Tariffs for Selected Products

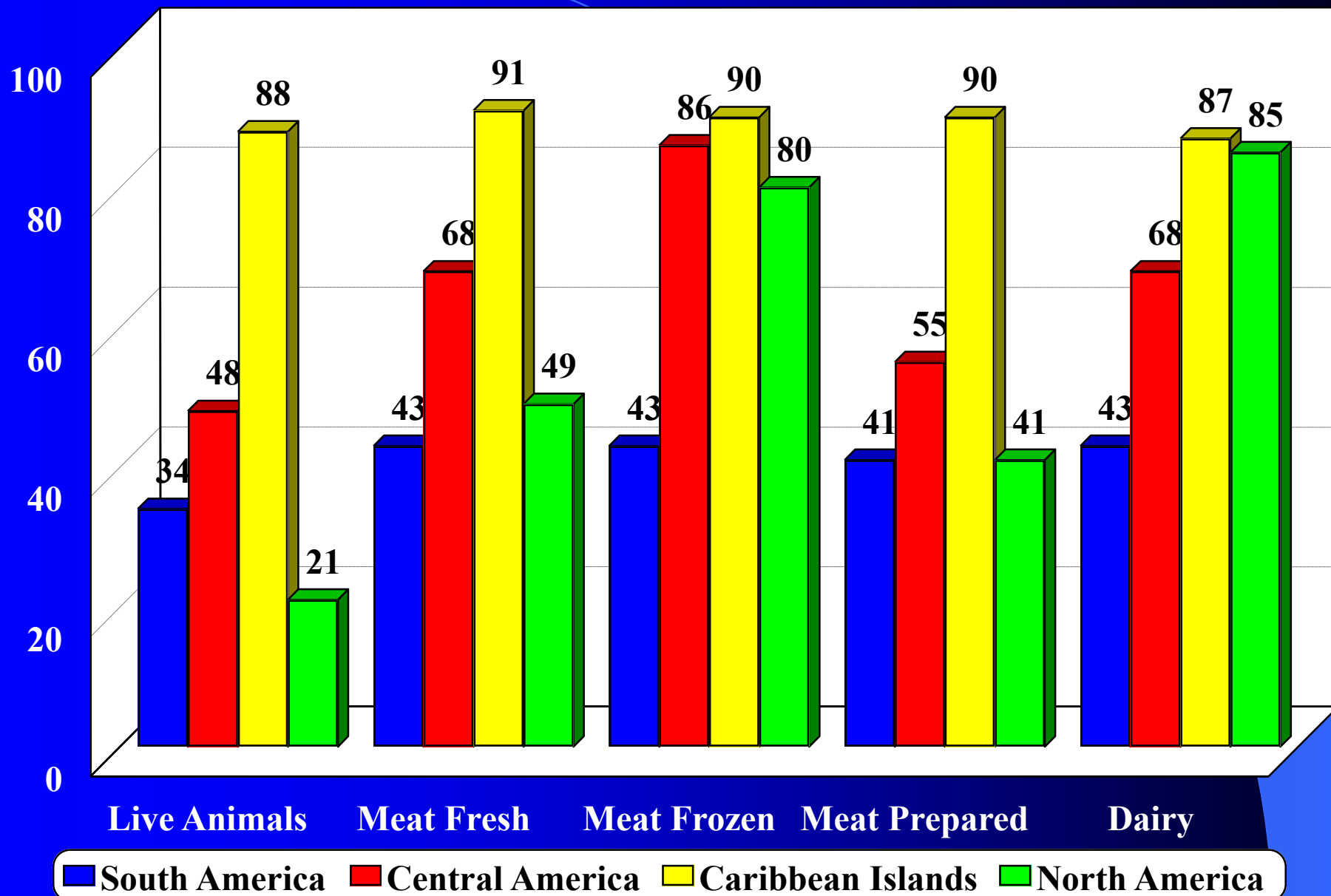
Percent



South America Central America Caribbean Islands North America

# Bound Tariffs for Selected Products

Percent



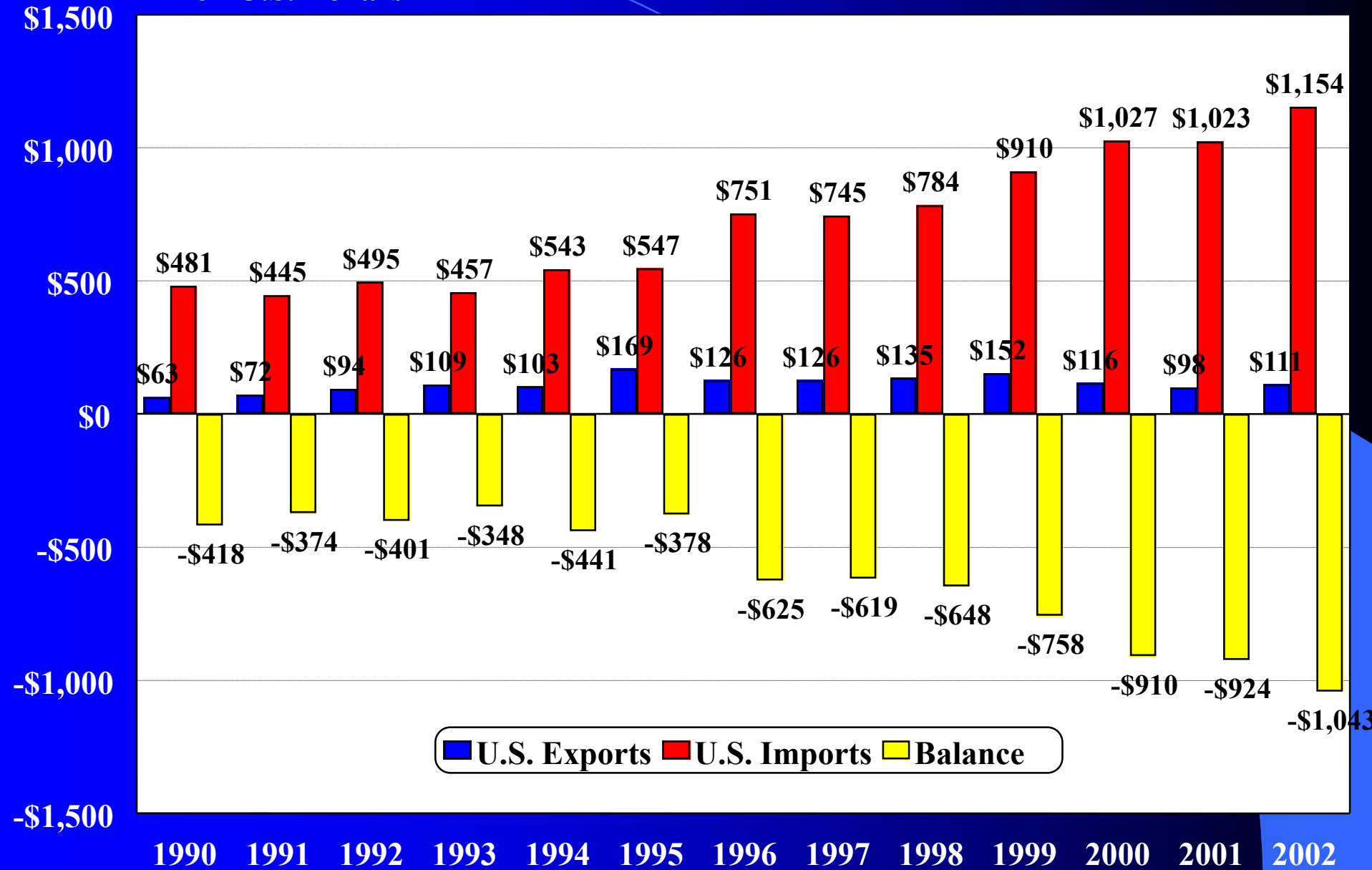
# New Agreements

# Chile

- Effective January 1, 2004
- Tariffs Eliminated Immediately, or Over 4, 8, 10 or 12 Years
- *Chile's Price Band System on Wheat, Vegetable Oils, & Sugar Eliminated*
- *U.S. Receives Preferential Access Compared to Canada & European Union*
- U.S. Export Impacts Small (18-52%)
- U.S. Import Impacts Small (6-14%)

# U.S.-Chile Agricultural Trade, 1990 - 2002

Billion U.S. Dollars

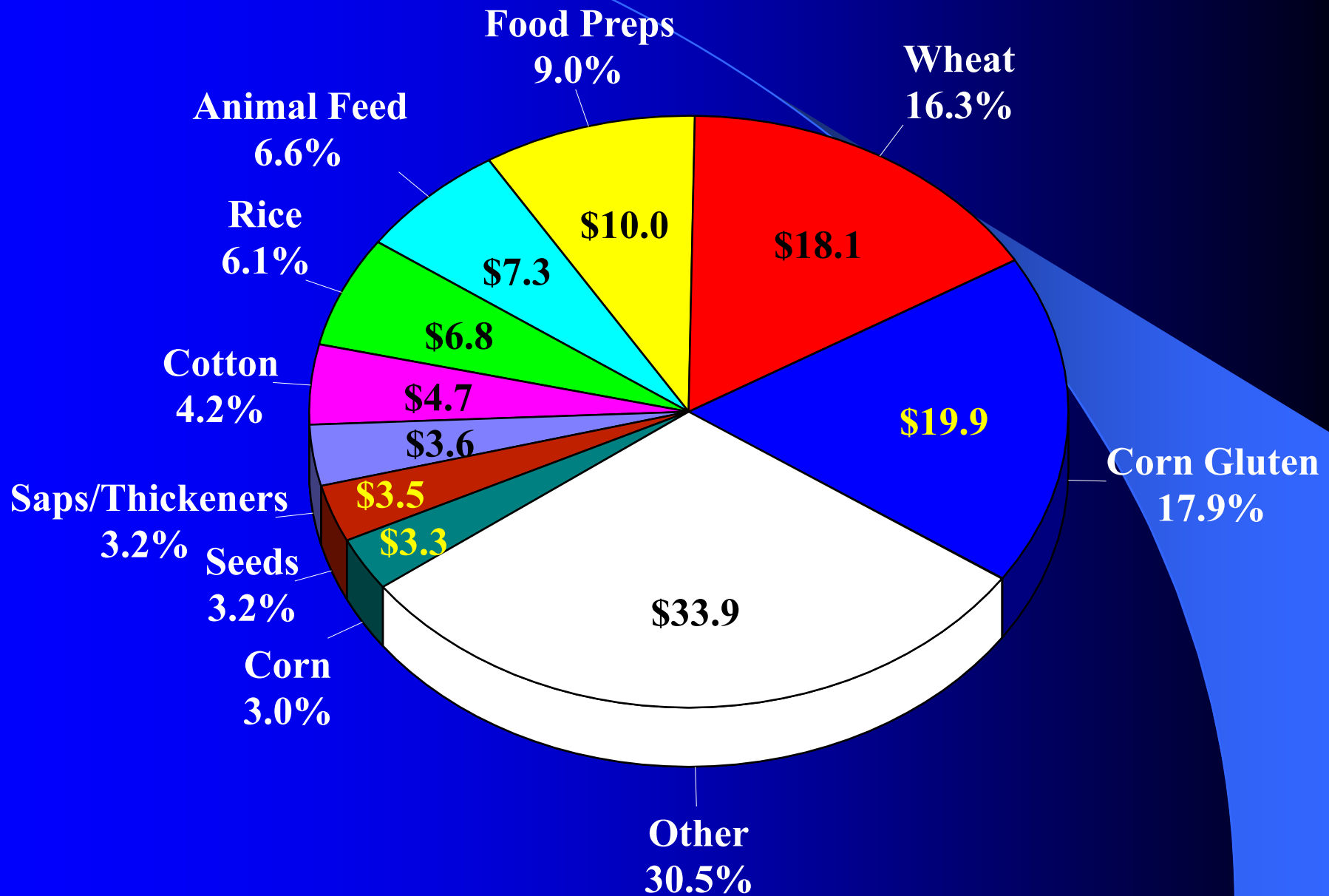


Chile's Access to U.S. Market		
Immediate	4 Years	10 Years
Pork	<b>*Beef, with TRQ</b>	Poultry, with TRQ
Some Fruits	Some Fruits	
Some Vegetables	Some Vegetables	
Some Tree Nuts	Some Tree Nuts	
Wheat		
Corn	8 Years	12 Years
Rice	Some Fruits	Some Fresh Vegetables
Other Grains	Some Vegetables	Dairy, with TRQ
Wheat Flour	Some Processed Foods	Tobacco, with TRQ
Soybeans/Products		Some Sugar/Products, with TRQ
<b>*Cotton</b>		Some Processed Foods
Some Sugar/Products		
U.S. Access to Chile		
Immediate	4 Years	10 Years
Pork	<b>*Beef, with TRQ</b>	Chicken Parts,
Fresh Fruits	Chicken, Whole	with TRQ
Fresh Vegetables	Some Dairy	
Tree Nuts	<b>*Corn (2 Years)</b>	12 Years
Other Grains		Wheat
Soybeans/Products		Rice
<b>*Cotton</b>	8 Years	Wheat Flour
Tobacco	Some Dairy	Vegetable Oils
		Sugar/Products
		Processed Foods



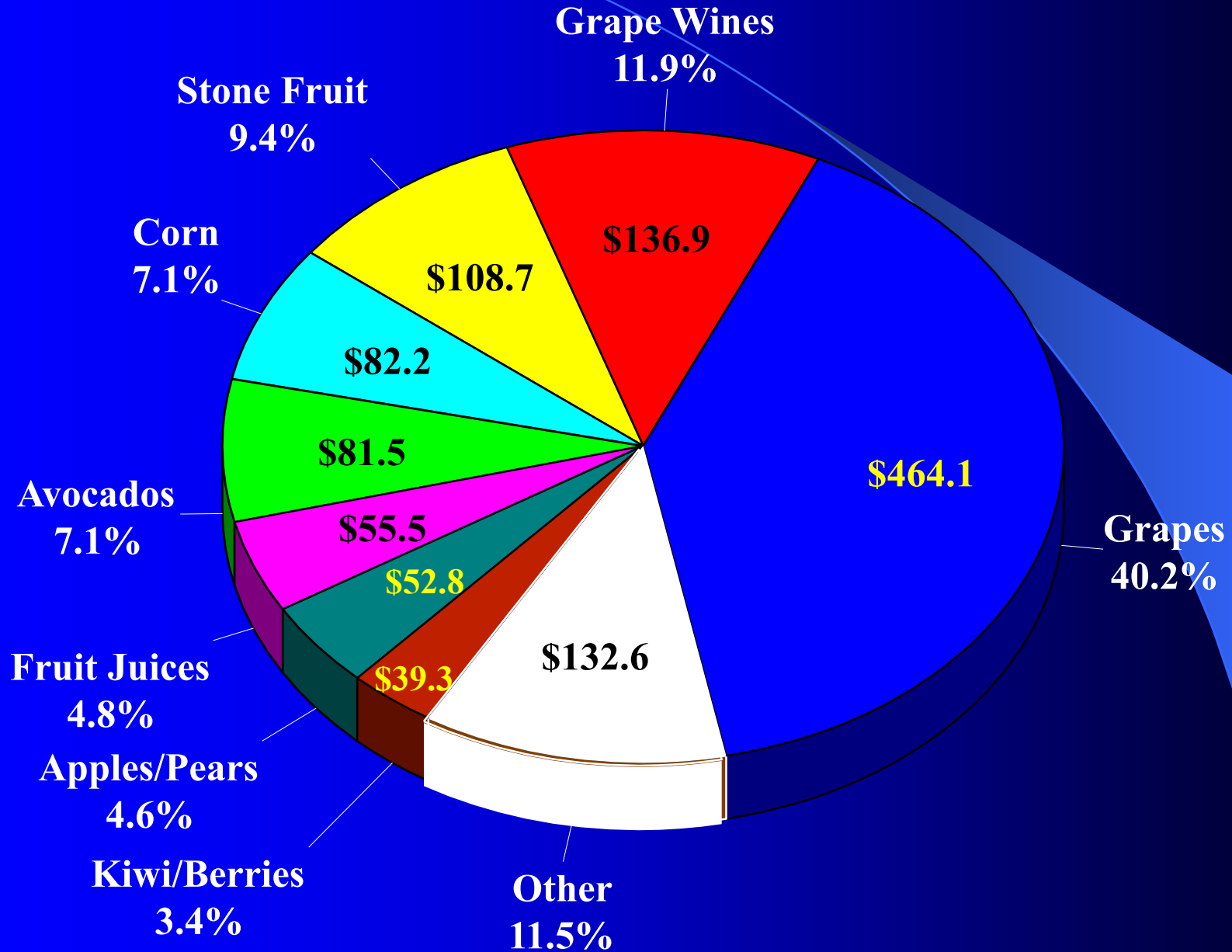
# U.S. Agricultural Exports to Chile, 2002

**Total: \$111.1 Million**



# U.S. Agricultural Imports from Chile, 2002

Total: \$1,154 Million



# Central America Free Trade Agreement

# CAFTA

- WHO so Far? El Salvador, Guatemala, Honduras, Nicaragua
- Costa Rica & Dominican Republic to be Added w/in Months
- About ½ of Markets Open to U.S. Agriculture When Implemented (Jan. 2005)??
  - HQ Beef, Cotton, Wheat, Soybeans
- Rest Over 15-20 Years: Pork, Beef, Poultry, *Rice*, Corn, *Dairy*



**Mexico**

Belize

**Houston,  
1,300 Miles  
NW**

**CENTRAL AMERICA**

**Dominican  
Republic,  
800 Miles  
NE**

Guatemala

Honduras

El Salvador

Nicaragua

**CARIBBEAN SEA**

**PACIFIC OCEAN**

Costa Rica

Panama

**North**

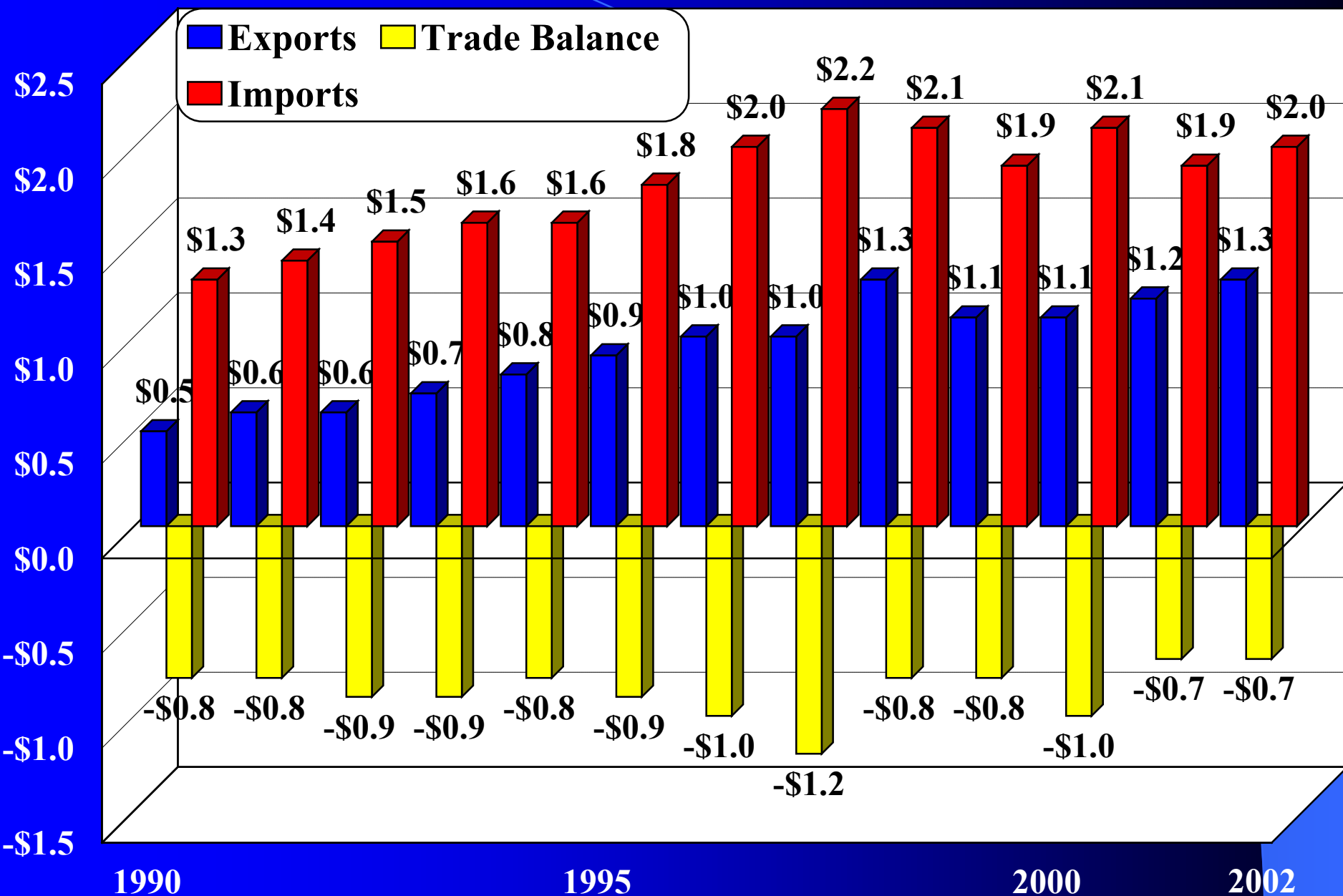
# CAFTA Demographics

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

***Total/Avg.*** 44.8    \$4,633    45.3    79.2    32.2

# U.S. Agricultural Trade with Central America

Billion Dollars



# U.S. Agricultural Exports to Central America

Total, 1990: \$482 million

Total, 2000: \$1118 million

Grains & Feeds

\$217

Other

\$69

Oilseeds

\$194

Vegetables

\$27

Tobacco

\$33

Animals

\$47

Oilseeds

\$90

Grains & Feeds

\$422

Rice

\$56

Other

\$196

Animals

\$162

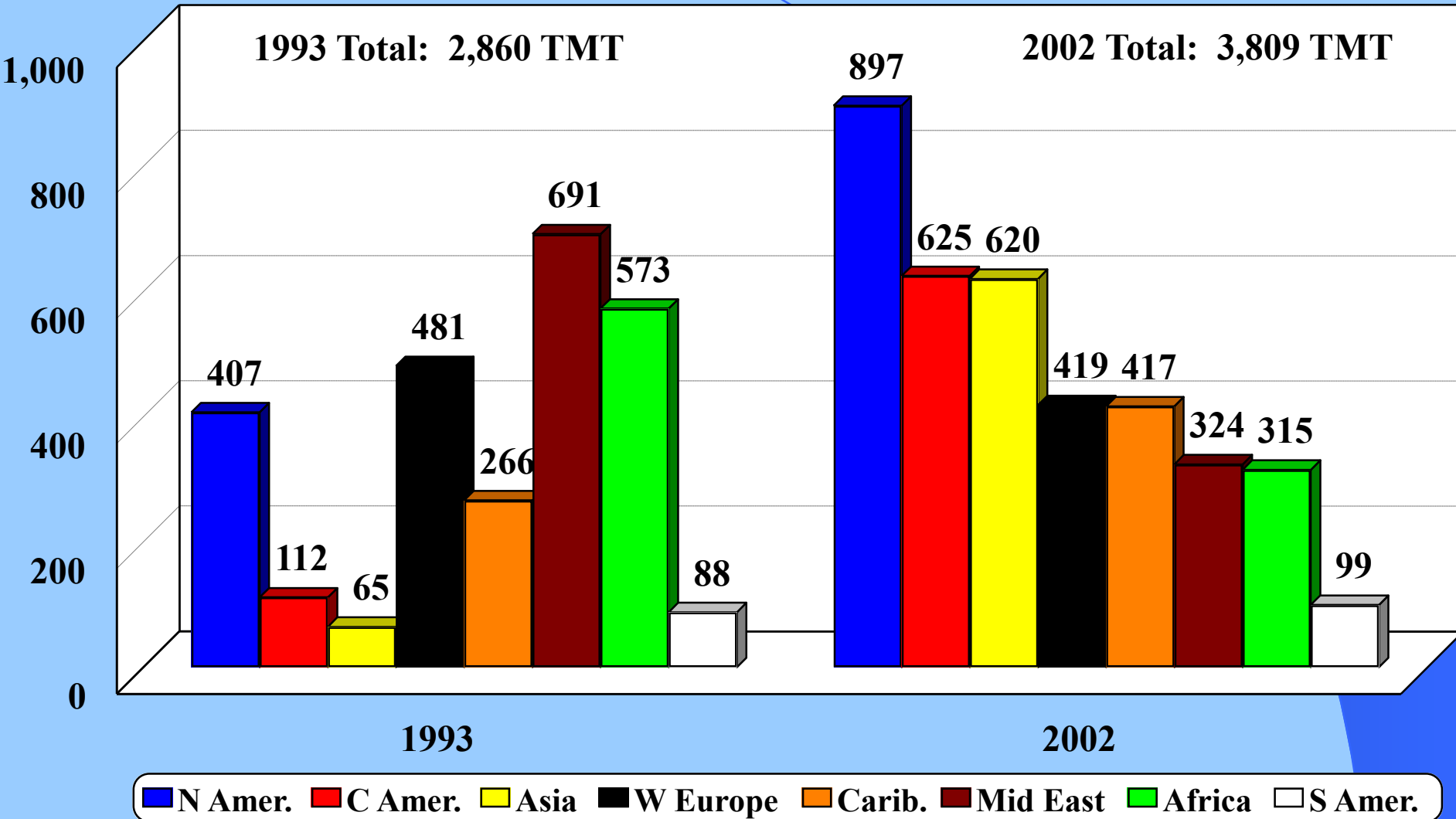
Vegetables

\$89



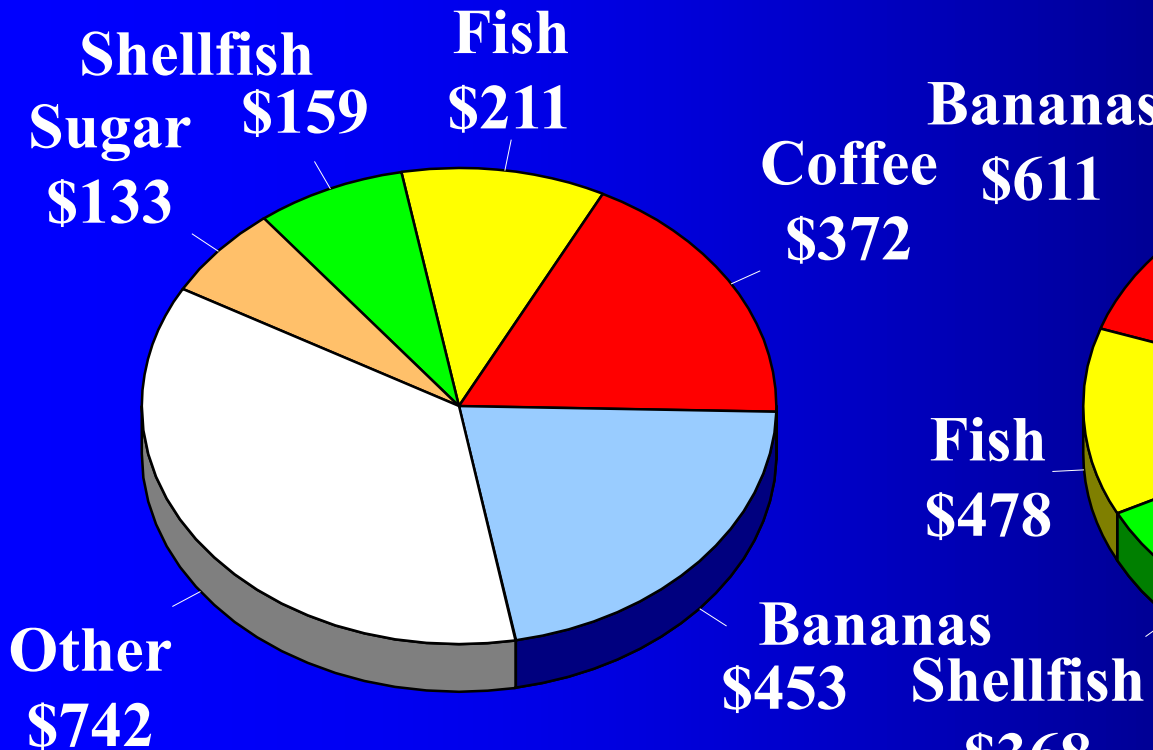
# U.S. Rice Exports, 1993 and 2002

Thousand Metric Tons

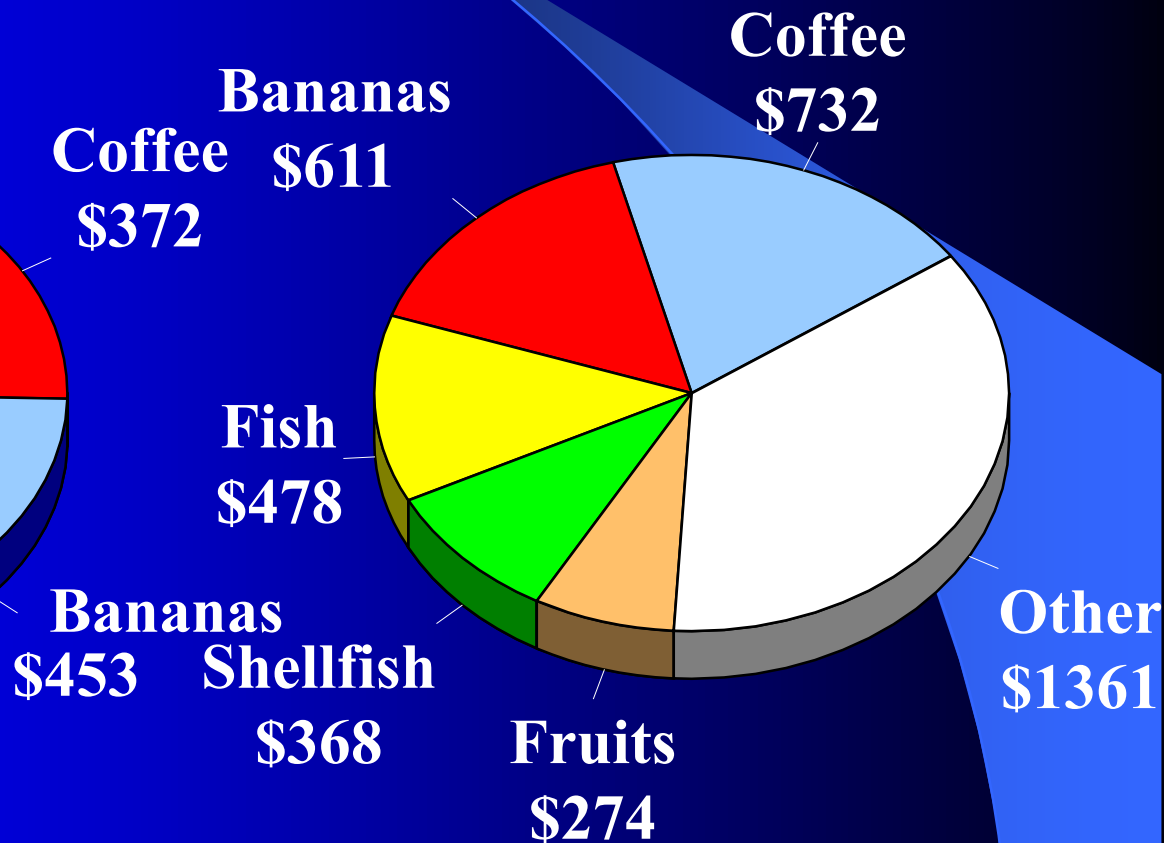


# U.S. Agricultural Imports from Central America

Total, 1990: \$1699 million



Total, 2000: \$2977 million



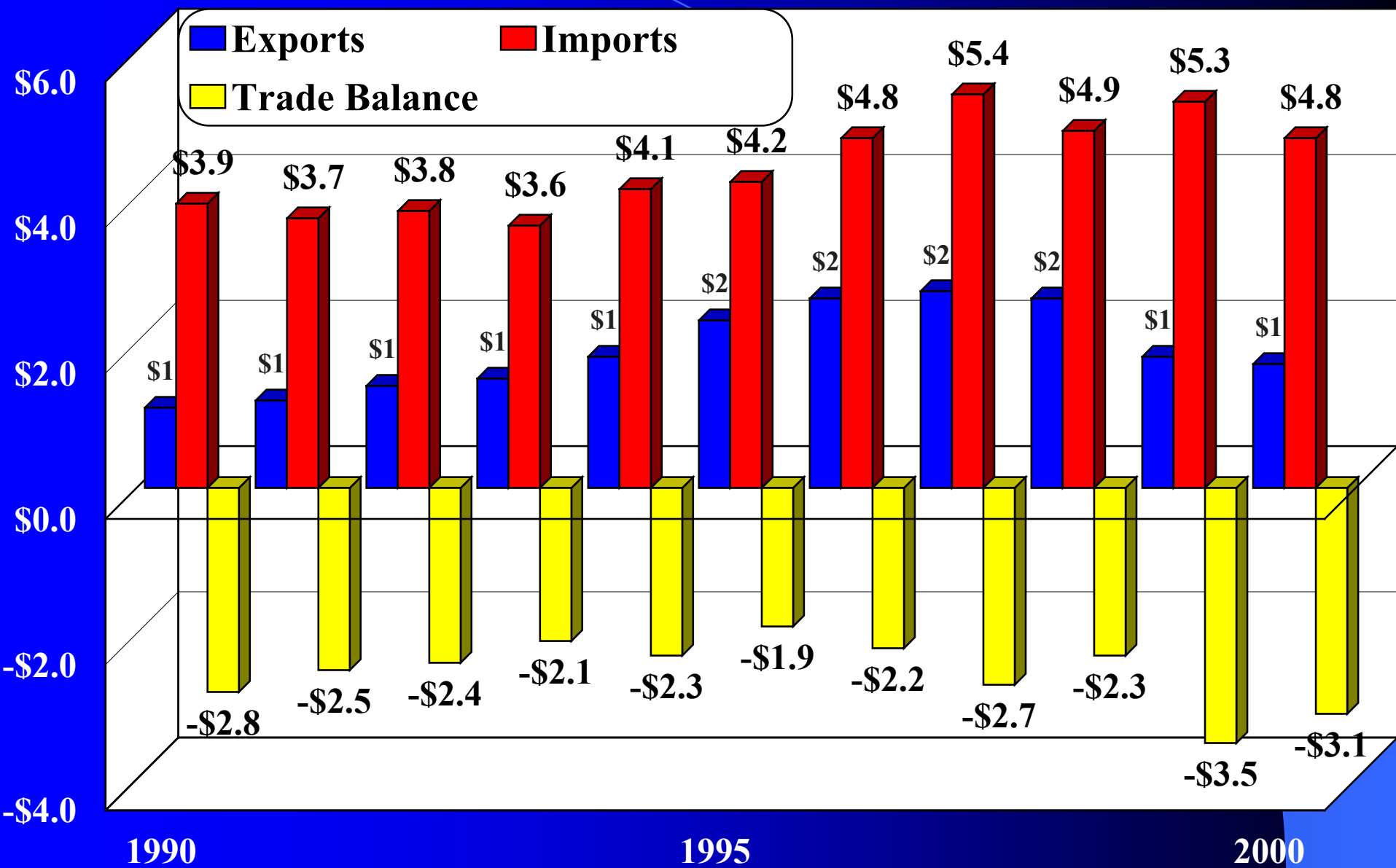
# **Free Trade Area of the Americas**

# FTAA

- **Open Markets in Western Hemisphere**
  - **Average US Ag. Tariffs 12%**
  - **South America: 40%**
  - **Caribbean: 85%**
- **Negotiations Moving Forward, But Slower than Expected: Brazil a Sticking Point**
- **Target Date for Completion 1/05**
- **Target Date for Implementation 1/06**

# U.S. Agricultural Trade with South America

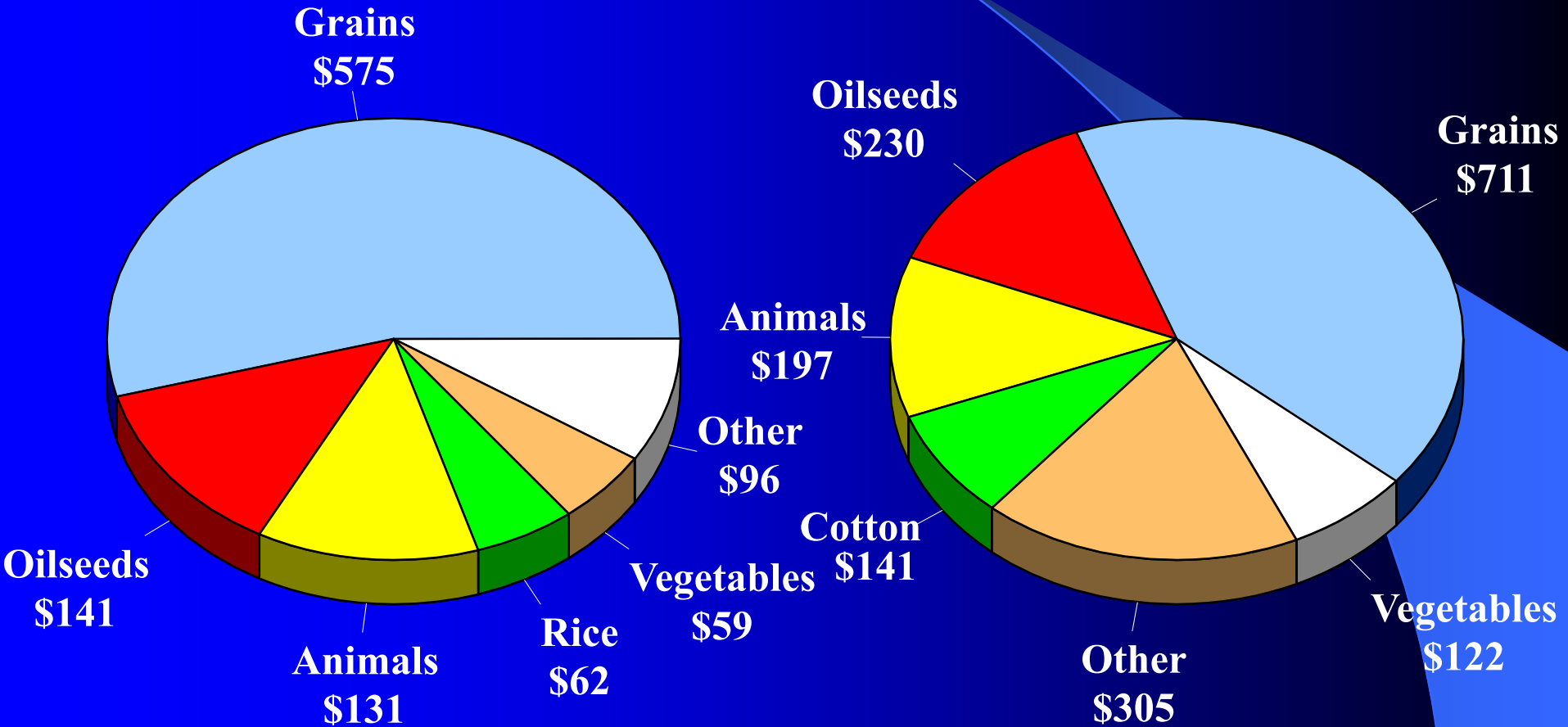
Billion Dollars



# U.S. Agricultural Exports to South America

**Total, 1990: \$1062 million**

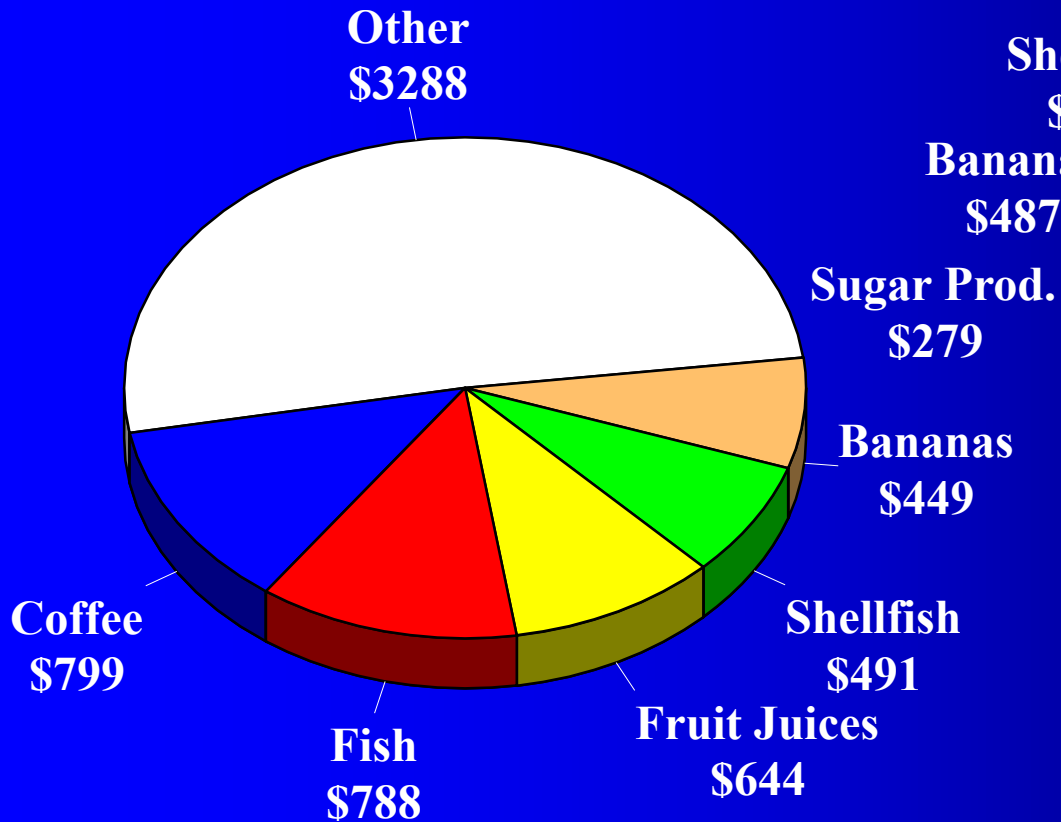
**Total, 2000: \$1706 million**



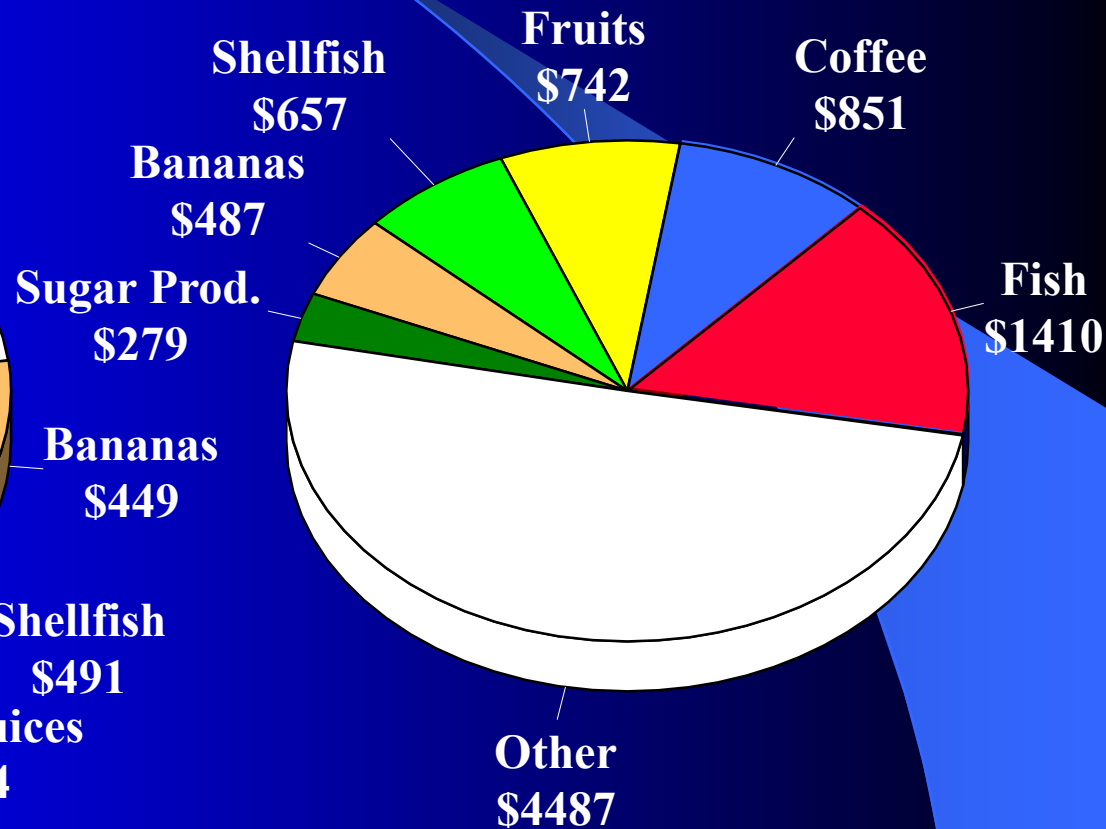
Source: *Foreign Agricultural Trade of The United States* , Calendar Year, USDA/ERS

# U.S. Agricultural Imports from South America

**Total, 1990: \$5179 million**



**Total, 2000: \$6847 million**

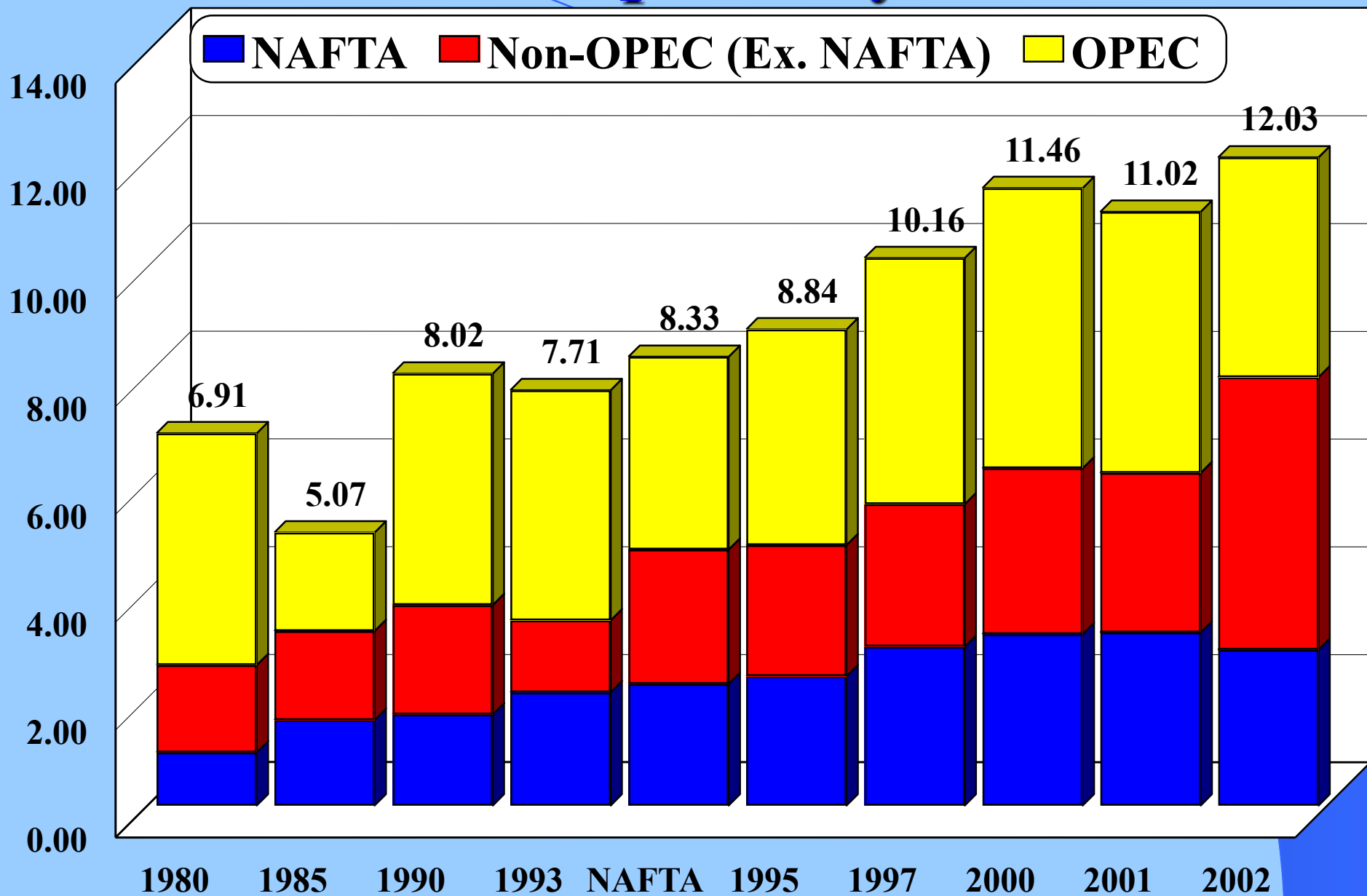


Source: *Foreign Agricultural Trade of The United States* , Calendar Year, USDA/ERS

# Raw Materials & Inputs

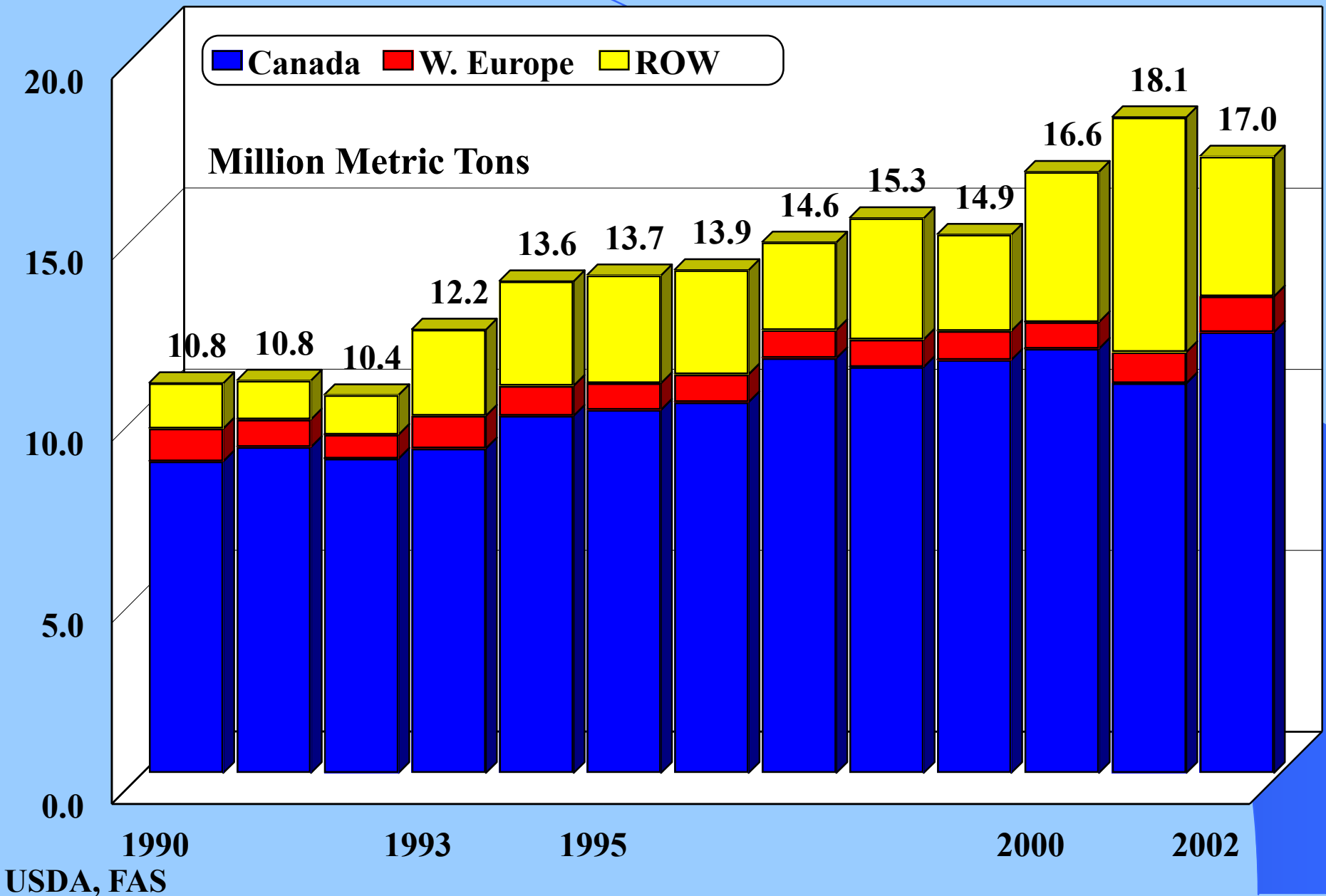


# U.S. Oil Imports by Source



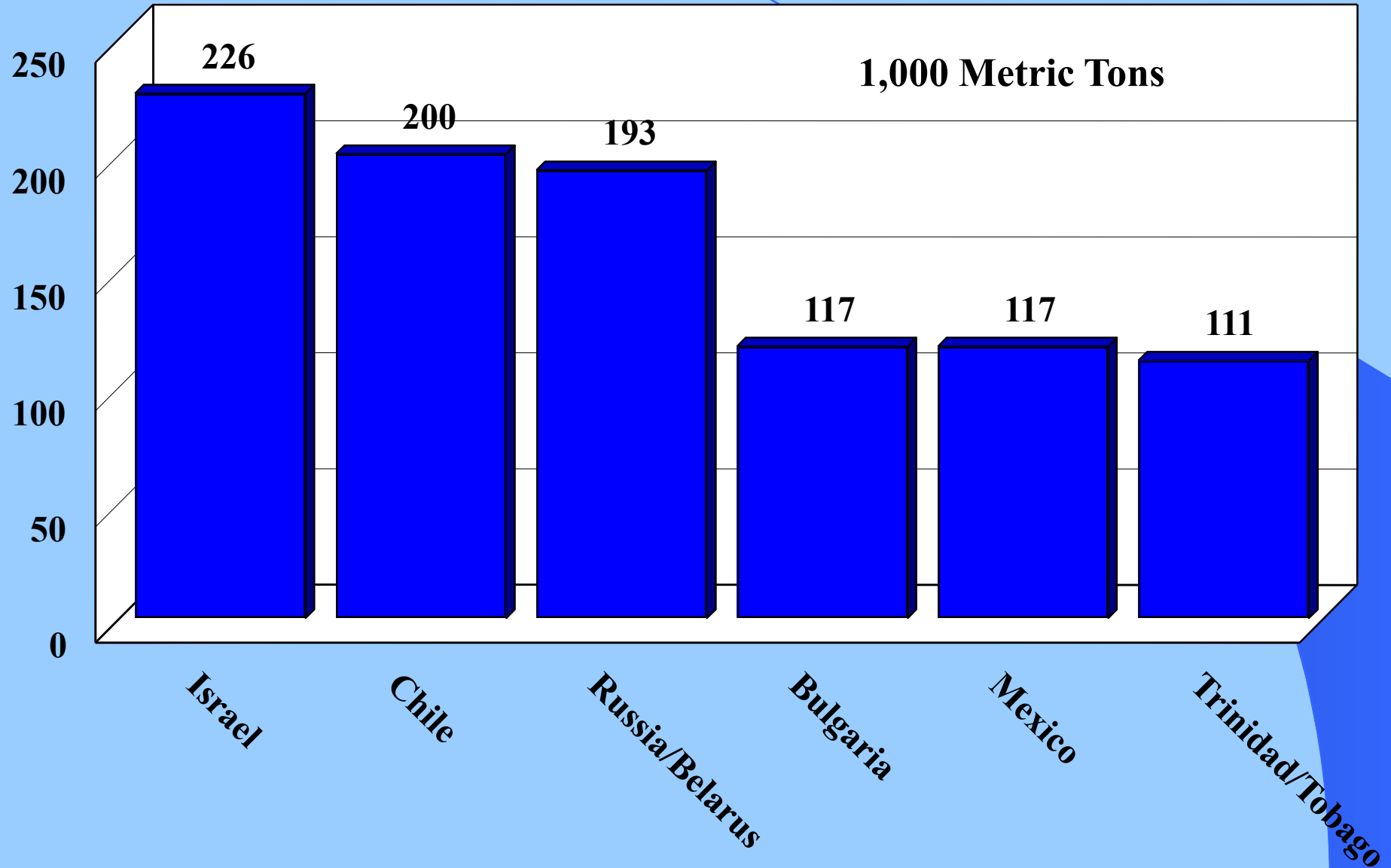
Petroleum Imports by Country of Origin, 1960-2001. USDOE, EIA, Annual & Monthly Reports

# U.S. Fertilizer Imports

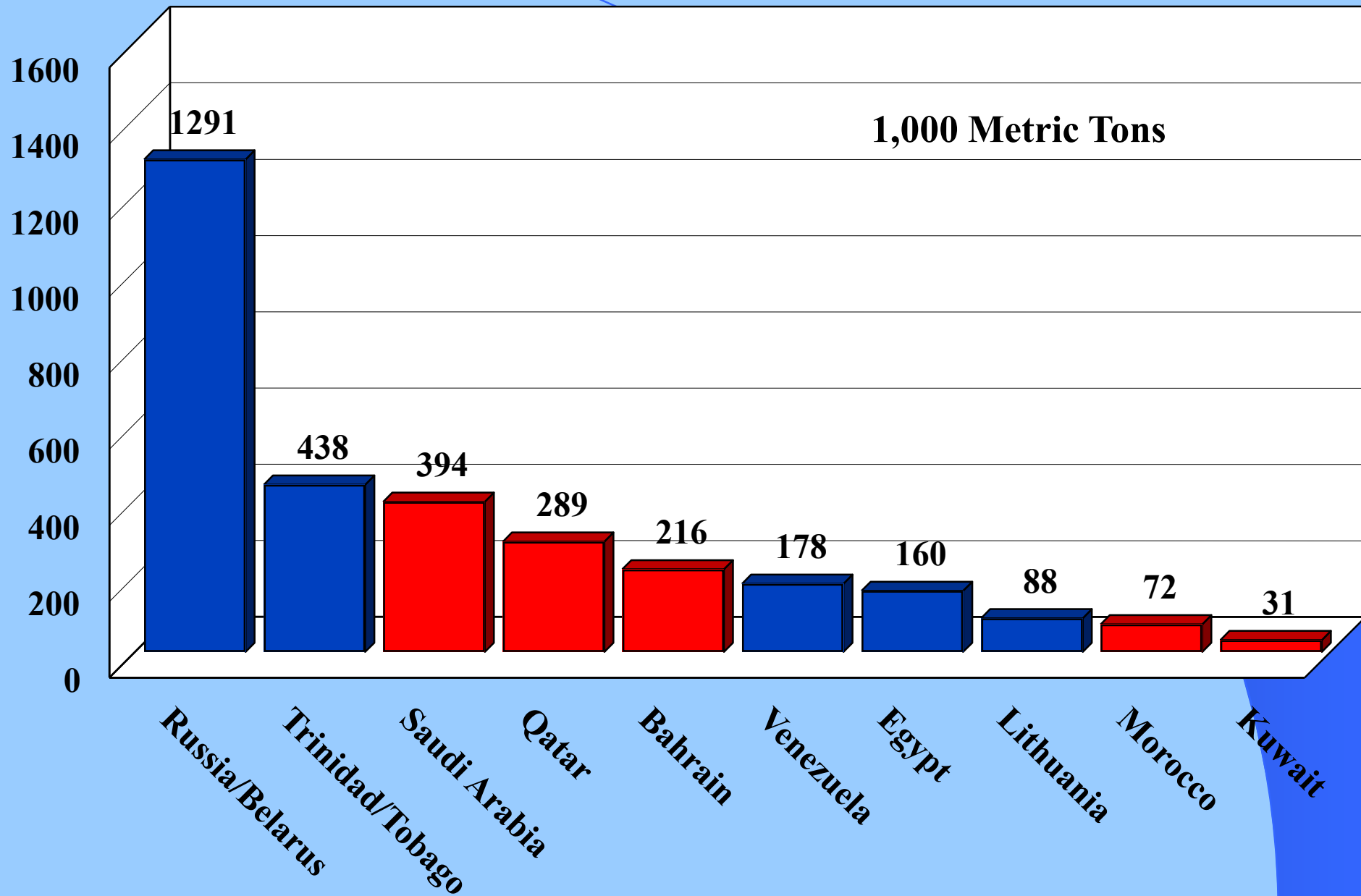


# U.S. Fertilizer Imports from ROW

## Annual Average 1990-92



# U.S. Fertilizer Imports from Row, 2002



# Gains to Trade

# Exports, Imports, Farm Income

- U.S. Agricultural Exports to W.H. Countries Up 8% After Full Phase-In to \$600 million
- U.S. Agricultural Imports from W.H. Countries Up 6% to \$850 Million
- U.S. Farm Income Up \$200 Million/Year

# Sector Impacts

- **More Exports of Corn, Soybeans, Cotton**
- **More Imports/Competition for Sugar, Peanuts, Citrus, Some Vegetables**
- **FTAA Likely to \$4.0 Billion to U.S. GDP/Year**

# **So What for Texas?**

- **More Exports & Potential for Higher Prices**
- **Access to Lower Cost Inputs**
- **More Competition in Some Sectors**
  - **Sugar, Peanuts, Textiles, Maybe Cotton**
  - **Meats-But Sanitary Issues Critical**
  - **Winter Vegetables & Some Fruit Products: SPS Important**
- **Opportunity for Input on Agreements as 'Fast Track' is Implemented**



# Issues for Texas

- **Are More Trade Agreements a Desirable Outcome?**
- **Without CAFTA & FTAA, U.S. Market Access Limited**
- **Even with Agreements, No Guarantee of Strong Export Growth**
- **Political & Economic Stability Disrupt Trade**
- **With or Without Agreements, More Trade Disputes Certain**

# Center for North American Studies



*“Informed Decisions for Global  
Change”*

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