

Agriculture and the World Trade Organization

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The accompanying leaflets were designed to provide an overview of the current international trade situation affecting major southern crops and livestock products and to provide a discussion of the major trade issues important to producers, agribusinesses, and rural communities.

On November 30, 1999, the United States and the other members to the World Trade Organization (WTO) attempted to launch the Millennium Round of Multilateral Trade Negotiations (MTN) in Seattle. These efforts were thwarted by disruptive forces from both inside and outside the WTO forum. Trade and environmental issues, along with concerns over developing countries access to developed country markets, proved to be major stumbling blocks to progress. While a new round of MTN was not officially started, an agenda and working groups were established. Agricultural negotiations had been mandated under Article 20 of the Uruguay Round Agreements (URA) and opened in March 2000 under the auspices of the WTO Agriculture Committee. Subsequent meetings were held in June and September. Individual country proposals for further reductions in trade distorting policies and other issues are due to be presented to the WTO Agriculture Committee in late December 2000, with a contingency for continuation into January 2001. While no completion date for these incremental negotiations has been set, the final meeting on the current schedule is March 2001. Though the comprehensive round of negotiations hoped for by the United States and the Cairns Group did not materialize, it appears there will be serious attempts to further reduce at least some of the more trade distorting policies affecting agriculture and the examination of other thorny trade issues such as operational transparency of tariff-rate quotas, state trading enterprises, and the use of export subsidies.

U.S. agriculture has undergone dramatic change in the 1990s. New trade policies under the North American Free Trade Agreement (NAFTA) and the URA opened markets previously closed to some U.S. producers, but created additional import competition for others. While China emerged as a major force in world trade, other Asian economic powerhouses faltered. Greater access to international markets has been cited as essential for the continued growth and prosperity of U.S. agriculture. Trade growth may be especially important as U.S. farm programs change and producers experience greater dependent on commercial markets to maintain the size and scale of their farm and ranch operations. These changes have had major impacts on U.S. producers, while presenting opportunities for some, new challenges for others.

While U.S. agriculture stands to gain from expanded exports, trade is also viewed as a key source of instability, most recently manifested by declining farm exports to Asia and increased import competition spurred by a stronger U.S. dollar. Ironically, the reticence by some U.S. interests to expand trade is occurring when many trading partners are pursuing bilateral and multilateral agreements, without the participation of the United States. New market opening trade agreements could also stimulate increases in farm incomes. Many major farm group and commodity association leaders are still supportive of trade expansion, understanding fully that in order to increase U.S. exports to other countries, the United States must be willing to open its markets to trading partners.

Although the URA was a critical initial effort to reform agricultural trade, the present agricultural round will be important to continue the process of market opening, examine the role of state-trading enterprises, and refine the dispute settlement process. It is clear that many U.S. producers are uncertain about the benefits of freer

trade and its impacts on their economic well being. Some in fact, are calling for only limited U.S. participation in the multilateral trade negotiation (MTN) process. In order to achieve an effective negotiating stance, therefore, U.S. agriculture must examine the key aspects of the existing URA commitments, policy changes, and identify areas for improvement, along with alternative trade policy approaches and their consequences.

The following cross-cutting trade issues will be the main focus of agricultural negotiations in the WTO:

Market Access

TRQ administration, transparency, and guaranteed minimum access will be major issues. Dirty tariffication, methods of tariff reduction, and specific request tariff reductions also will be key issues for market access negotiations. Minimum domestic purchase requirements used by some Latin American countries for grains may emerge as significant impediments to U.S. market access. Beef, pork, poultry, dairy products, grains, fruits and vegetables, oilseeds, sugar, and cotton may be most affected.

Export Subsidies

Export subsidy issues will relate to the need to develop a broader and clearer definition of subsidies, the possible inclusion of export credit as an export subsidy, and EU reform of the CAP and its impact on subsidy use. Beef, poultry, dairy products, wheat, rice, fruits and vegetables, wines, and sugar will be most affected by subsidy issues.

Domestic Support

Domestic support issues will focus on the amount of cushion available to each country under the AMS cap, the increased use of Green Box policies and possible calls for reductions in their use, and methods for further reducing trade distortions, with one possible alternative being to concentrate efforts on border measure reductions.

Sanitary and Phytosanitary Regulations

Negotiations will focus on whether to reopen the URA on SPS, how to handle GMO issues, EU labeling requirements for GMOs, and the need for international standards for GMOs. Most agricultural and food products could be affected if the negotiations are reopened.

Technical Barriers to Trade

Technical trade barrier negotiations may focus on transparency of regulations, possible inclusion of GMOs, and the need for harmonization among international institutions. Fruits, vegetables, meats, and grains should be the most affected.

State Trading Enterprises

Lack of pricing and operational transparency, impacts on price discovery, and the extent to which STEs violate the non-tariff trade barrier principle of WTO will be key issues. This round of multilateral trade negotiations will be the first attempt to discipline STEs under multilateral trade rules. STEs are most prominent in dairy products, grains, cotton, and vegetable oils. The Canadian Wheat Board and marketing monopolies in China, New Zealand, and several other countries will be scrutinized.

WTO Dispute Settlement

Modification of dispute resolution procedures may include the calculation of damages due to improper trade restrictions, product seasonality and perishability issues for agriculture, enforcement, and compliance with WTO rulings.

Genetically Modified Organisms

Trade rules regarding genetically modified organisms will focus on whether to include GMOs in the current SPS agreement or TBT agreement, or whether to create a separate GMO agreement, labeling and segregation requirements for GMOs, and the need for international standards for GMOs. Corn, soybeans, beef, pork, poultry, fruits and vegetables are commodities most affected by this issue.

Multifunctionality

Multifunctionality, or the concept which recognizes that agriculture has more functions than the production of food and fiber, along with the use of market intervention and trade distorting policies to abate non-trade concerns, has become increasingly important. EU concerns about food safety and food security, the environment, and rural development are being used to justify the increased use of trade distorting practices. Political stability and food security, fostering the economic well-being of rural peasantry, reducing population pressures in cities, the conservation of foreign exchange, and the importance of stimulating agricultural growth are arguments posed by some Asian countries.

Export Sanctions

Though the imposition of sanctions is a domestic policy decision, some issues in the upcoming round of WTO negotiations could affect the future use of sanctions. Given the progress on market opening that was accomplished in the Uruguay Round Agreements, some countries have expressed concern about the impact of further liberalization on food security, possible retaliation by trading partners, and the inequitable distribution of sanction impacts. U.S. rice exports have been impacted the most by export sanctions in recent years.

WTO Accession

If China is admitted with equal market access to other countries, U.S. cotton, wheat, corn, tobacco, and textiles may face more competition in foreign markets. U.S. market access will increase, however, partially offsetting the competitive effects. New WTO members will be under rules and disciplines to which they were not previously subjected.

Trade and the Environment

Trade and environmental issues will most likely focus on the impacts of increased regulation on competition, methods to ensure that environmental proliferation is not allowed to unduly restrict trade, and the potential for the harmonization or the development of more consistent environmental regulations across countries.

Antidumping and Countervailing Duty Regulations

Antidumping and countervailing issues may include methodological issues related to consistency of laws regarding the use of positive determinations to establish material injury, the need to establish causality between imports and material injury, the establishment of special rules to determine the costs of production for agricultural products, and at what point foreign raw materials and foreign processed goods become a domestic product. Cattle, hogs, tomatoes, beef and pork have all been affected by these issues in recent years.