

U.S. Position on WTO Ag Negotiations

Agricultural issues are sure to be a significant part of the agenda when WTO members meet September 10-14, 2003 in Cancun, Mexico for the Fifth Ministerial Conference. In preparation for that meeting various nations, groups of nations, and interest groups are busy consolidating and promoting their goals for the agricultural negotiations. Not surprisingly, among those setting out their agenda is the United States, through the United States Department of Agriculture and the office of the U.S. Trade Representative. In expressing the importance of these negotiations, USDA Secretary Ann Veneman said, "The future of U.S. agriculture hinges on our success in the international marketplace."

The Bush Administration summarizes its goals for these negotiations based on three principles: 1) Level the playing field, 2: Eliminate barriers, and 3) Grow markets. An examination of the specific proposals shows clear strategies for achieving the first two, while it seems to be a matter of faith that if the first two are achieved, the third will take care of itself.

The elimination of export subsidies is one of the proposals aimed at leveling the playing field between the U.S. and the rest of the world, most particularly the European Union. The U.S. negotiators want to put a cap on export subsidies, reducing them from current caps over a period of five years. After the five years, the goal would be the elimination of all tariffs on agricultural products.

Other proposals to enhance export competition include the elimination of export monopolies (state trading enterprises), the prohibition of export taxes as a means of discouraging export of raw material and encouragement of export of processes and semi-processed products, and the establishment of specific rules governing export credit instruments.

To help improve market access and eliminate trade barriers, the U.S. trade negotiators are proposing to bring the average allowed tariff down from the current 62% to 15% with the additional requirement that no individual

tariff be greater than 25%. A second proposal calls for the expansion of Tariff-Rate Quotas (TRQs) by 20%. TRQs establish a quota of a product that can be imported at a lower tariff rate with any imports above that subject to the standard tariff rate. This TRQ provides a partial opening of a country's markets to exports from other countries.

Another proposal aimed at eliminating subtle barriers to U.S. products calls for "expanding trading rights to allow any interested entity to import products. This proposal is directed toward those countries with state trading agencies and provides for an alternate means by which an exporter can reach customers in another country.

The proposals that probably generate as much concern as any are those which deal with domestic support of agriculture. The current proposal continues to make a distinction between trade-distorting support and non-trade-distorting support. Trade distorting support would be limited to 5% of the total value of agricultural production with reductions made from current caps over a five year period.

The U.S. proposals call for "maintaining the basic criteria for non-trade distorting support." According to the Foreign Agricultural Service, "Non-trade distorting support generally consists of measures delinked from production incentives, such as food stamps, research, extension, pest and disease control, and delinked direct payments. There are no caps on non-trade distorting support, as long as policies are consistent with specific criteria designed to minimize production distortions."

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of the UT's Agricultural Policy Analysis Center. (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; <http://agpolicy.org>.

