Perspectives on U.S. Agricultural Trade Policy

Organized Symposium:
U.S. & Canadian Agricultural Trade Positions: Navigating Trade Issues

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Texas A&M University
AAEA Annual Meetings
Montreal, Canada
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The Doha Development Agenda in WTO & Regional Agreements

- U.S. Doha WTO Proposal
- Harbinson Second Draft
- Comparisons with EU Proposal
- Regional Agreements
- Implications
U.S. WTO Proposal

• *Two-Phase Process*
  – **Phase I**: Eliminate Export Subsidies & Reduce Tariffs & Trade-Distorting Domestic Support over 5 Years
  – **Phase II**: *Eliminate Tariffs & Trade-Distorting Domestic Support* by a Date Set in Current Round of Negotiations

• *Start With Applied Tariff Rates*
Tariff Reductions Under U.S. WTO Proposal

Higher Tariffs Face Larger Reductions

Percent Ad Valorem

Initial  Final

US  EU  Japan  India  World

12  14  17  21  18
31  14  51  114  62

20  40  60  80  100  120  140

0  20  40  60  80  100  120  140
Export Competition

- Eliminate Export Subsidies Over 5 Years
- Eliminate Monopoly Export Power of STEs & Increase Transparency
- End Special Financial Arrangements of STEs
- Discipline Export Tax Use
- Discipline Export Credit Programs
Domestic Support

• Eliminate the ‘Blue Box’ Exemption
• Combine ‘Blue Box’ Support with ‘Amber Box’ Support for EU
• Reduce Trade-Distorting Domestic Support to 5% of Value of Agricultural Production Over 5 Years
Domestic Support (cont).

- Establish Future Date for Elimination of Trade-Distorting Domestic Support
- Maintain de minimis Provisions
- Maintain ‘Green Box’-Unlimited Support
Trade-Distorting Domestic Support Reductions

EU: $61.0 Billion Dollars
- Current Ceiling: $12.5
- U.S. Proposal: $10.0

Japan: $30.0 Billion Dollars
- Current Ceiling: $4.5
- U.S. Proposal: $10.0

U.S.: $19.1 Billion Dollars
- Current Ceiling: $19.1
- U.S. Proposal: $10.0
Market Access:
- Tariffs [> 90%, Avg. 60%, Min. 45%]
- Tariffs [> 15%≤90%, Avg. 50%, Min. 35%]
- Tariffs [≤15%, Avg. 40%, Min. 25%]

Equal Annual Reductions Over 5 Years

Bound Tariffs Shall Be Used

[ ] Indicates Not Accepted
Domestic Support

- **Blue Box:** Trade Distorting Production Limiting Programs
- Acreage Set-Asides Used by European Union
  - Capped at Current Levels
  - Reduced [50%] Over 5 Years
Domestic Support

- **Amber Box:** Trade Distorting Policies
- **Marketing Loans & Loan Payments**
- **Final Bound Level Reduced [60%] Over [Five] Years**
- **Green Box:** Decoupled, Non-trade Distorting Support (CRP)
  - Fixed & Unchanging Base Period
  - Payments Based on Income Loss Exceeding 30% of Average Gross
Trade-Distorting Domestic Support Reductions

Billion Dollars

<table>
<thead>
<tr>
<th>Region</th>
<th>Current Ceiling</th>
<th>U.S. Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>$61.0</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
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## WTO Doha Proposals, 2003

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>EU</th>
<th>Harbinson</th>
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<tbody>
<tr>
<td><strong>Market Access</strong></td>
<td>Swiss Formula</td>
<td>No Tariff Ceiling</td>
<td>Min. 25-40%</td>
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<tr>
<td></td>
<td>Start From Applied Rates</td>
<td>Min. 15%</td>
<td>Avg. 40-60%</td>
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<tr>
<td></td>
<td>Maximum Tariff 25%</td>
<td>Average 36%</td>
<td>No Ceiling</td>
</tr>
<tr>
<td></td>
<td>Set Date to Eliminate</td>
<td></td>
<td>Start From Bound Rates</td>
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<tr>
<td><strong>Export Subsidies</strong></td>
<td>Eliminate All Over 5 Years</td>
<td>Reduce Funding 45%</td>
<td>Eliminate Over 10 Years</td>
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<tr>
<td></td>
<td>Equal Annual Reductions</td>
<td>Eliminate Some Over Unspecified Period</td>
<td>50% in First 6 Years</td>
</tr>
<tr>
<td><strong>Domestic Support</strong></td>
<td>Maintain Green Box</td>
<td>Cut Amber Box 55%</td>
<td>Cut Amber Box 60% Over 5 Years</td>
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<tr>
<td></td>
<td>Eliminate Blue Box</td>
<td>Keep Blue Box</td>
<td>Eliminate Over 9</td>
</tr>
<tr>
<td></td>
<td>Keep de minimis at 5% of Production</td>
<td>Eliminate de minimis for Developed</td>
<td>Cut Blue Box 50% Over 5 Years</td>
</tr>
<tr>
<td></td>
<td>Set Date to Eliminate Amber Box Support</td>
<td>Countries</td>
<td>Reduce de minimis to 2.5% of Output</td>
</tr>
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# Regional Agreements

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Notification to Congress</th>
<th>Complete Negotiations</th>
<th>Start Date**</th>
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</thead>
<tbody>
<tr>
<td>Australia</td>
<td>11/02</td>
<td>12/03</td>
<td>Mid ‘04</td>
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<tr>
<td>Central Am.</td>
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<td>12/03</td>
<td>Mid ‘04</td>
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<tr>
<td>Chile</td>
<td>Intent to Enter 1/03</td>
<td>12/02</td>
<td>Fall ’03</td>
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<td>FTAA</td>
<td>1995</td>
<td>1/05</td>
<td>12/05</td>
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<td>Morocco</td>
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<td>Mid ’04</td>
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<tr>
<td>SACU*</td>
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<td>12/04</td>
<td>Mid ‘05</td>
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<tr>
<td>Singapore</td>
<td>3/03</td>
<td>5/03</td>
<td>Fall ’03</td>
</tr>
</tbody>
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* Southern African Customs Union: Botswana, Lesotho, Namibia, South Africa, and Swaziland.

** Estimated
Implications

- U.S., EU, & Harbinson Proposals Contain Substantial Differences
  - Applied vs. Bound Rates
  - Tariff Ceilings & Elimination
  - Export Subsidy Elimination & Time Period
  - Combining Blue/Amber & Elimination
  - Role of ‘De Minimis’
Implications

• Regional Agreements Sought to Maintain Momentum & Progress in MTN

• More than Free Trade in Most Cases
  – Investment, E-Commerce, Financial Services, Intellectual Property

• NAFTA Phase-In Continues

• Multifiber Arrangement (MFA) Impacts on Textile & Cotton Trade

• Growing Skepticism About Benefits of Freer Trade

• Trade Disruptions/Disputes Mar Progress