



GETTING READY FOR THE MILLENNIUM ROUND TRADE NEGOTIATIONS UNITED STATES OF AMERICA PERSPECTIVE

DALE HATHAWAY

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The priorities that U.S. agriculture has for the upcoming “millennium round” trade negotiations are shaped by domestic political and economic concerns, including the widely held belief in U.S. farm and commodity organizations that the Uruguay Round (UR) results were oversold, that foreign commitments made in the UR were not kept, and that the U.S. administration has been unresponsive to the international obstacles faced by domestic agriculture.

In the U.S. political system any trade agreement negotiated by the executive branch must be approved by the U.S. Congress. In order to avoid having the Congress amend and modify the agreement, a legislative procedure called “fast-track” authority has been devised. Under it, Congress cannot amend a trade agreement, but only vote for or against it. When fast-track authorization came up for debate in 1997, agricultural groups were at best lukewarm in their support for it because of their dissatisfaction with several aspects of the UR and NAFTA (North American Free Trade Agreement). Ultimately, the vote on fast-track was not taken in 1997 because it became apparent that the bill would not pass. This failure shocked some agricultural groups concerned with international trade liberalization.

The Asian financial crisis and the attendant drop in agricultural exports brought home the crucial importance of foreign markets more sharply to most U.S. farm groups. In September 1998, when fast-track came to a vote again, many farm and agribusiness groups gave all-out support to the legislation, but the administration was unwilling to push for passage for fear of alienating labor, environmental, and other liberal groups. With fast-track’s second defeat, several strong supporters of further trade negotiations wondered about the administration’s depth of commitment to trade reform and what compromises would be needed to get the negotiations going.

THE SHAPE OF THE MILLENNIUM ROUND NEGOTIATIONS

In early 1998 the U.S. had proposed that a series of sectoral negotiations take place, without a general “round” encompassing several or all sectors. The rationale given was that rounds took too long and allowed some sectors to hold up liberalization of other sectors. U.S. agricultural interests promptly rejected the idea of separate agricultural negotiations, arguing that negotiations limited to agriculture were certain to fail. But many non-agricultural groups may object to the single undertaking approach because agricultural negotiations held up the completion of the

UR. Agricultural groups, however, will encourage comprehensive negotiations as their best hope for leverage to gain major concessions on agriculture from other countries.

During the UR the United States initiated the three-pronged approach, namely improved access to markets, equitable export competition, and reductions in trade-distorting domestic supports. It is likely that the U.S. will again push for this approach.

One of the complicating factors for the U.S., as it is for all the countries in the western hemisphere, is the simultaneous negotiations for the Free Trade Agreement of the Americas (FTAA). The final strategy in the millennium round negotiations may well depend on the strategy adopted in the FTAA.

ACCESS TO MARKETS

U.S. agricultural groups have been sorely disappointed and sometimes highly critical of the outcome of the access negotiations in the UR. They have complained bitterly that some countries have manipulated the tariff quota system to avoid access commitments made in the UR. Moreover, U.S. farm groups had been led to believe that all countries were to “tariffy” their nontariff barriers and establish tariff quotas to provide minimum access, but they found that most developing countries merely declared bound tariffs (tariffs that cannot be raised) with no access commitments. Many of the bound tariffs declared by developing countries are so high that they effectively prohibit trade. Given this experience, U.S. farm groups will look with skepticism upon special rules in the next negotiation that allow developing countries to avoid opening their internal markets. The U.S. is likely to push to develop a common framework for tariff quotas, a framework that will make the minimum access promised in the UR a reality.

U.S. businesses are split on the question of enlarging tariff quotas or sharply reducing over-quota tariff rates. Export-oriented sectors will push for enlargement, but U.S. negotiators are acutely aware that current U.S. sugar, peanut, and dairy policies cannot survive in their present form with significantly larger imports. Sugar, peanut, and dairy producers depend on tariff quotas to maintain their domestic support programs and have enough political power to block the approval of a trade agreement they strongly oppose.

Despite strong U.S. concerns about state trading, widespread demand for circumscribing its use in controlling imports does not exist. U.S. exporters may view tariff quotas rather than state trading as the major barrier to market access and some state trad-



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INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE (IFPRI) • 2033 K STREET, N.W. • WASHINGTON, D.C. 20006-1002 • U.S.A.
PHONE: 1-202-862-5600 • FAX: 1-202-467-4439 • E-MAIL: IFPRI@CGIAR.ORG • WEB: WWW.IFPRI.ORG

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ing enterprises (STEs) may favor U.S. suppliers. On the other hand, since the U.S. has no STEs that affect imports, it will have little or no opposition to limiting the abilities of STEs to control imports.

A new concern about market access is becoming widespread among U.S. farm and agribusiness groups, namely the barriers erected by some countries to prevent or slow down the import of genetically modified plant and animal products. The recent refusal of the European Union (EU) to allow the importation of some genetically modified maize and soybeans has brought the U.S. and the EU to the brink of trade war. The United States has not yet developed a strategy to deal with the issues involved in these disputes, though it will fight vigorously to prevent consumer sentiment from determining access to products deemed safe using accepted scientific standards.

EXPORT COMPETITION

U.S. agriculture is completely united on two issues that will receive the highest priority in the next round. The first is the complete elimination of export subsidies on all agricultural products. This is an easy call since the U.S. has virtually no export subsidy rights under the UR except for wheat, and U.S. industry has finally realized that there is no net gain in using export subsidies for wheat when you have a free trade agreement with a major wheat exporter.

The second crucial issue is the uncontrolled use of STEs as a single seller in the export market. U.S. producers believe that STEs can and do cross-subsidize sales, dump goods, and otherwise engage in unfair competition. But they have not yet agreed upon the best approach for curbing the power of STEs. Unless there is significant progress on this issue, U.S. producer groups will remain greatly dissatisfied.

U.S. agriculture does not support broadening World Trade Organization (WTO) jurisdiction to limit the use of direct government credit or credit guarantees for agricultural exports. The U.S. has had an export credit guarantee program for agricultural products for many years and U.S. producers will strongly resist any efforts to restrict the use of that program. U.S. support for export credit guarantees has been reinforced because Asian nations struggling to maintain food imports in the face of domestic economic collapse last year enthusiastically embraced the program.

Domestic agricultural interests will strongly support WTO rules that prohibit export embargoes, export taxes, and other policies that might limit the access of importers to food supplies controlled by exporting countries. U.S. interests have two reasons for advancing these prohibitions: (1) the tendency of some countries to apply export taxes when supplies are tight, thus increasing pressure on open exporting countries and exacerbating the concerns of importers about food security; and (2) the tendency

of the U.S. Congress and administrations to use export embargoes as a tool of foreign policy. U.S. producers feel that an international agreement will help restrain some of the unfortunate tendencies of U.S. policymakers to use unilateral trade sanctions as a foreign policy tool.

DOMESTIC SUPPORTS

U.S. agricultural groups were never enamored with the commitment to bind domestic support levels under the UR agreement. However, they accepted the idea as it became clear that the major U.S. programs for grains, oilseeds, and cotton would be exempt under the “blue box” rules, which allow direct payments to farmers who restrict output, and that support for commodities such as sugar, dairy, and peanuts would remain untouched. Now the domestic policy landscape in the U.S. has changed. Support programs for wheat, feedgrains, cotton, and rice have been dismantled, but there is pressure to make substantial marketing loans available for these crops. Because there are no production controls authorized for these crops it appears that the loan program might come under the constraints imposed by the UR. The UR exempts payments from constraints when production controls are in effect for the crops concerned.

The U.S. position on what to do about reducing domestic supports and how to define trade-distorting domestic subsidies is unlikely to be clarified until after the U.S. administration and Congress decide on the future of the major support systems. The 1998 crisis in world agricultural commodity markets is prompting a reevaluation of the 1996 legislation removing market support and production controls. Until that reevaluation is well along, the U.S. position on the question of domestic supports is unlikely to be firm.

NEW ISSUES

Different commentators have suggested that the upcoming negotiations include a reasonably extensive list of issues that may have been recognized but were not included in the last negotiation. This list includes environmental issues, labor standards, animal rights, food safety, and consumer rights. Some groups in the United States would like to see a number or all of these issues included in the millennium round trade negotiations, but the major agricultural and agribusiness groups would not. Most U.S. agricultural groups view these issues as not very well disguised attempts to replace the overt protectionism finally reduced in the UR with protectionism in the service of other, albeit good, objectives. U.S. agricultural groups are going to resist the inclusion of these issues on the negotiating agenda and vigorously oppose rule changes that allow trade sanctions to be used to enforce social objectives. ■

Dale Hathaway is the executive director of the National Center for Food and Agricultural Policy.