Perspectives on U.S. Agricultural Trade Policy

Organized Symposium:

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

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AAEA Annual Meetings

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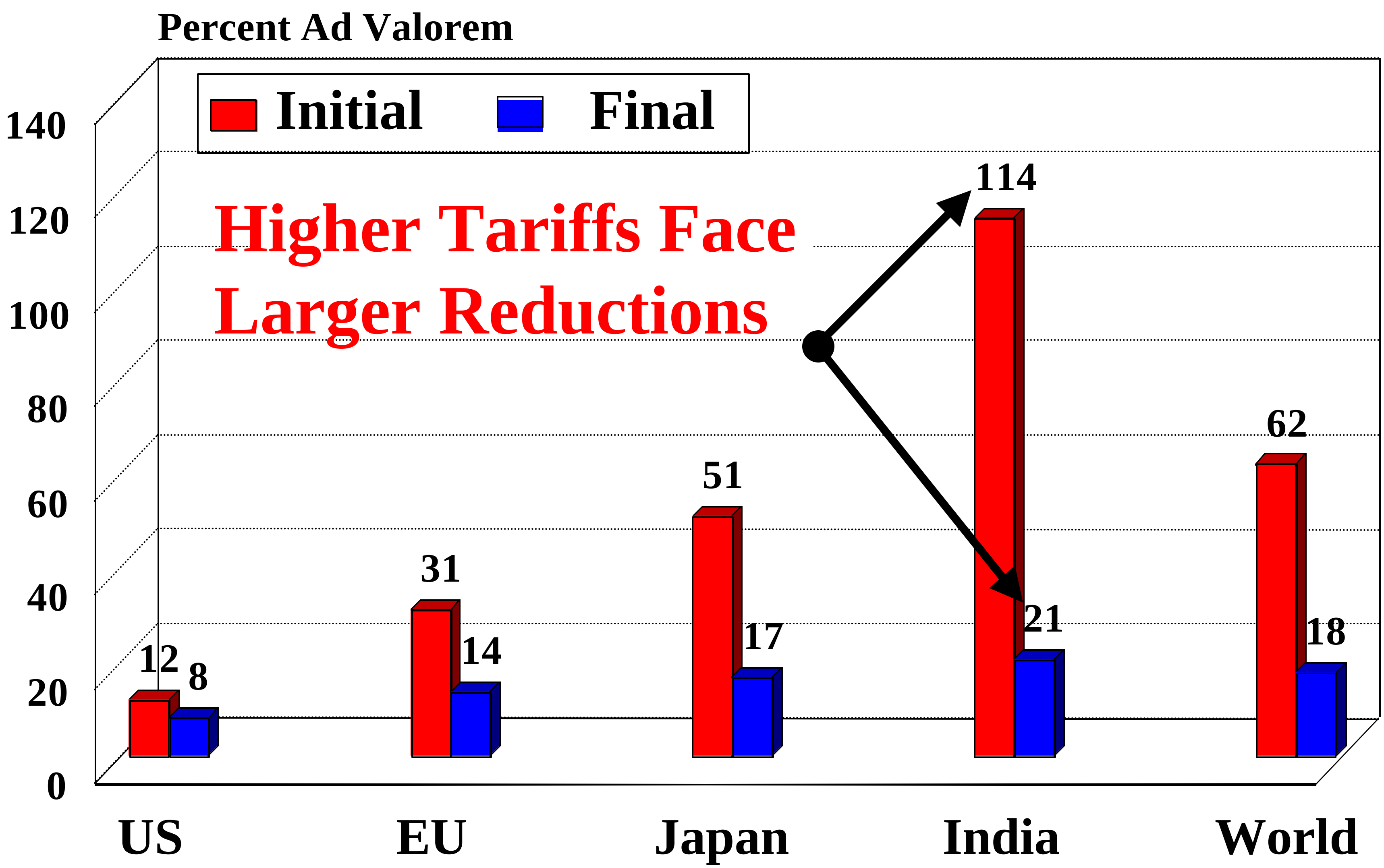
The Doha Development Agenda in WTO & Regional Agreements

- 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



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

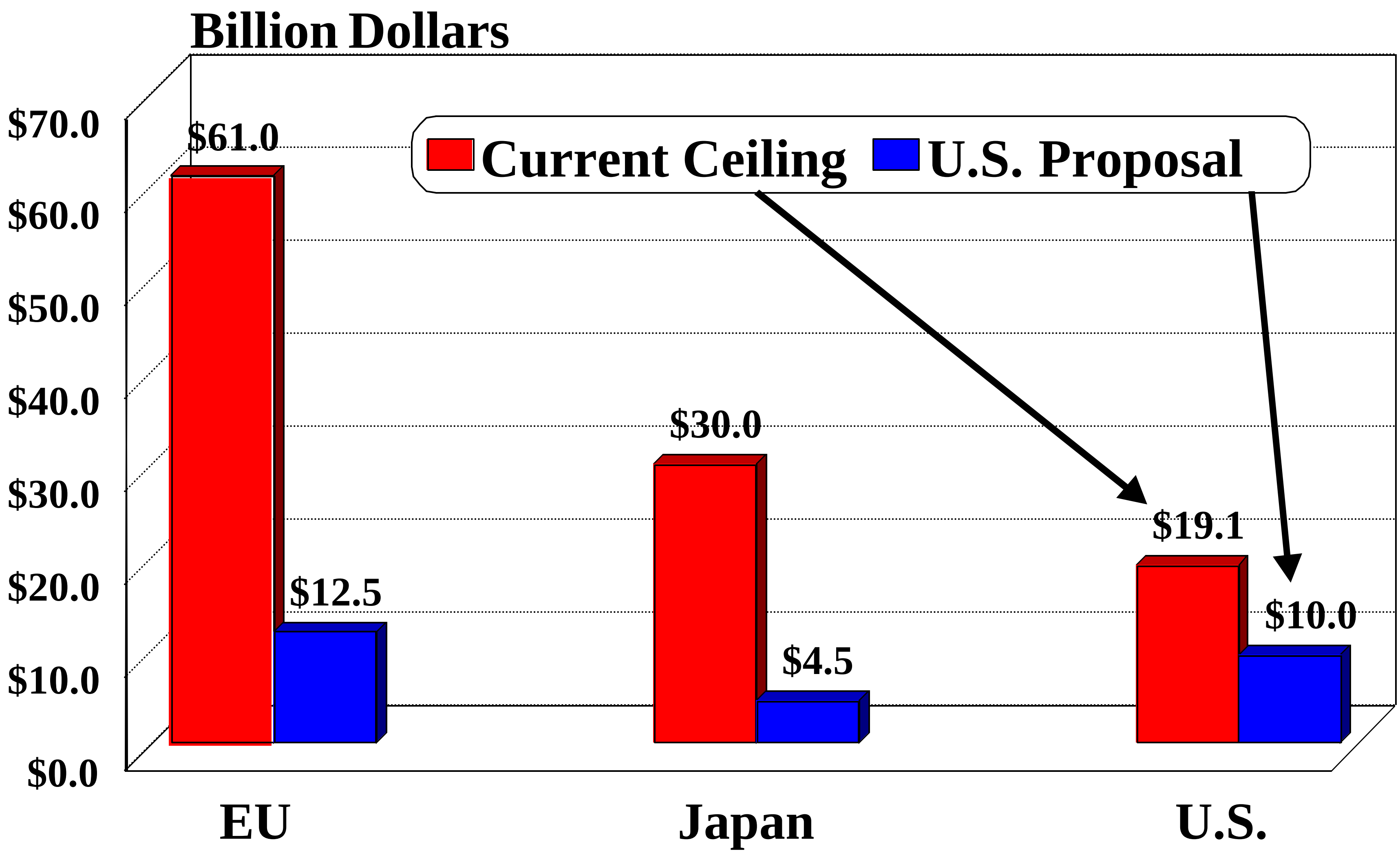
Domestic Support

- 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



Harbinson Second Draft, WTO (3/18/03)

- 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

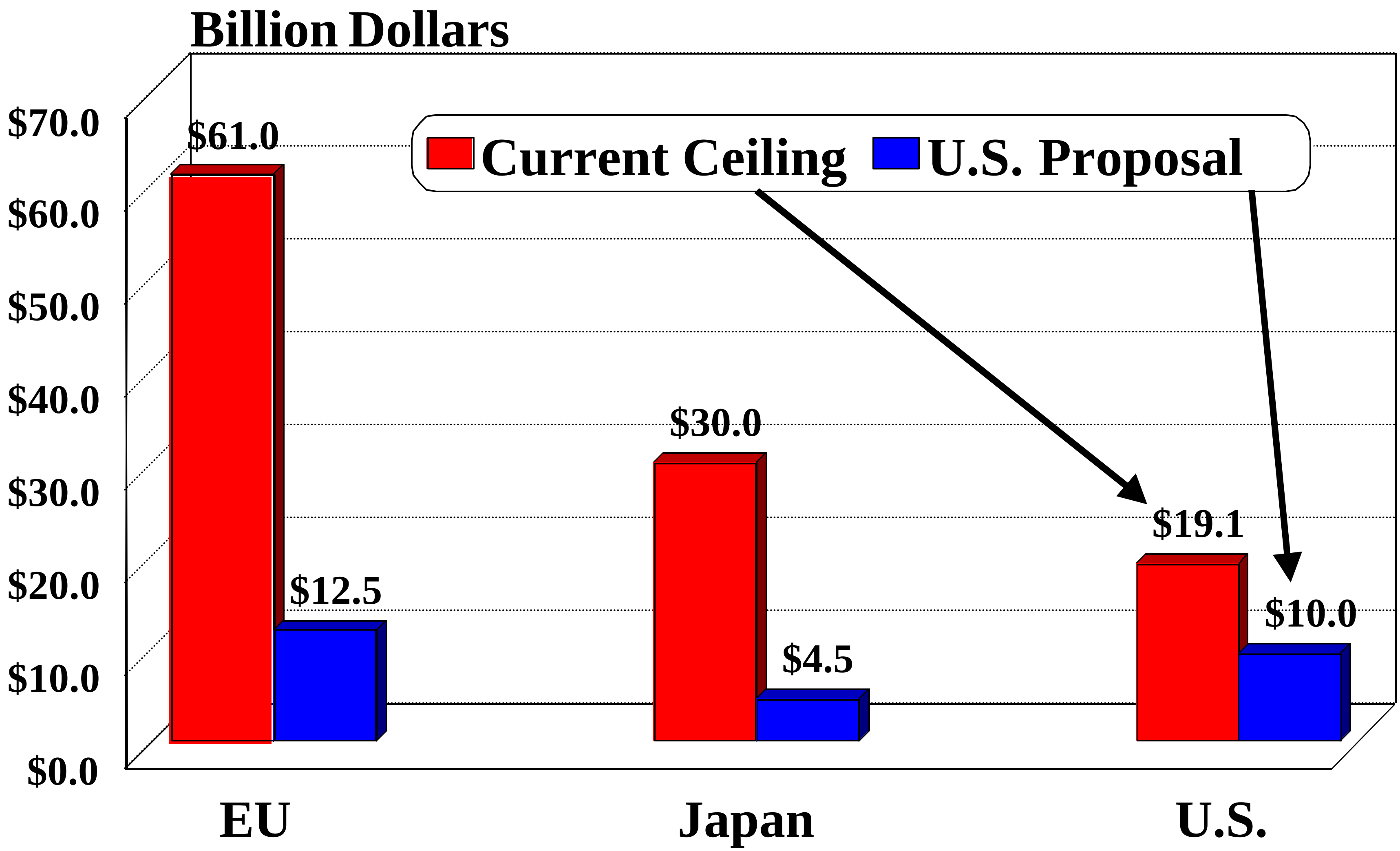
Domestic Support

- **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



WTO Doha Proposals, 2003

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

Regional Agreements

Agreement	Notification to Congress	Complete Negotiations	Start Date**
Australia	11/02	12/03	Mid ‘04
Central Am.	10/02	12/03	Mid ‘04
Chile	Intent to Enter 1/03	12/02	Fall ’03
FTAA	1995	1/05	12/05
Morocco	10/02	12/03	Mid ’04
SACU*	11/02	12/04	Mid ‘05
Singapore	3/03	5/03	Fall ’03

* 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