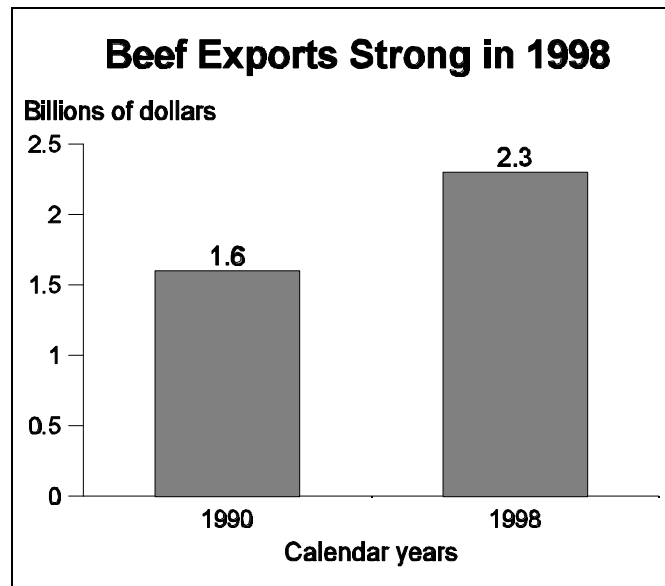

WTO and Agriculture

What's at Stake for Beef?

Future export prospects for beef depend, in large part, on the United States' ability to maintain and expand market access, ensure fair competition, and further level the international playing field for U.S. producers and exporters. The World Trade Organization (WTO) and trade negotiations offer comprehensive new trade agreements aimed at achieving these objectives.

Why Trade Matters for U.S. Beef

U.S. beef exports reached a record 714,000 metric tons (product weight) in 1998, an increase of 105 percent since 1990. Export value exceeded \$2.3 billion, 47 percent higher than in 1990. Over that period, exports to Japan--the largest U.S. market--rose 90 percent in volume. U.S. exports to Mexico were nearly 400 percent higher, and although shipments to Korea declined in 1998, they were still more than 60 percent higher than in 1990. This growth would not have been as rapid without the increased market access to Japan under the 1988 Beef Agreement and market openings in Korea, Mexico, and several other nations related to the Uruguay Round/WTO implementation



and the North American Free Trade Agreement (NAFTA). Today, U.S. beef producers increasingly look to foreign markets to bolster sales, farm prices, and income. In 1998, exports accounted for an estimated 8 percent of U.S. beef production, up from 1.4 percent in 1985.

How Trade Agreements Expand Market Opportunities

Trade agreements have opened markets, reduced unfair competition, brought some discipline to sanitary-phytosanitary barriers, and introduced more effective dispute-settlement procedures in global trade. These agreements have helped to expand export market opportunities for U.S. beef in a number of ways.

Under the Uruguay Round, for example:

- ▶ Japan will reduce its beef tariff from 50 percent to 38.5 percent. Tariff reductions already implemented have contributed to a 90-percent increase in U.S. beef export volume since 1990, helping to make the United States the leading supplier of beef to Japan.
- ▶ South Korea will eliminate its import quotas, and beef will be freely traded with tariff-only protection by 2001.
- ▶ By 2001, the EU will be limited to 817,000 tons of subsidized exports, compared to more than 1.2 million tons in 1991/92.

- # Under NAFTA, Mexico's elimination of its 20-percent tariff on chilled U.S. beef and 25-percent tariff on frozen product helped double U.S. exports to that market in 1994, the first year of the Agreement. NAFTA tariff reductions also allowed U.S. exports to quickly recover following the peso devaluation in December 1994. In 1998, U.S. beef exports to Mexico reached a record 142,000 tons, making Mexico the second leading market for U.S. beef.
- # Under the U.S.-Canada Free Trade Agreement and NAFTA, U.S. beef is exempt from Canadian duties and quantitative restrictions. The improved competitive position of U.S. beef led to an increase in U.S. market share to about 45 percent, up from 9 percent in 1988.
- # In 1998, the United States and Taiwan signed a market access agreement in the negotiations of Taiwan's bid to join the WTO that allowed for imports of 5,000 tons of U.S. beef offal. Taiwan imported 1,882 tons of U.S. beef offal in 1998, and imports are expected to approach the quota level in 1999.
- # Under the WTO Sanitary-Phytosanitary Agreement, the United States has won major victories against unfair trade barriers that were not scientifically justifiable.
 - ▶ The United States won a WTO case against the EU's hormone ban. The WTO panel found that the EU ban was unjustified and unfairly restricted U.S. exports.
 - ▶ The United States successfully challenged the Korean Food Code that severely limited U.S. exports of meat and meat products with its mandated shelf-life requirements.

Why Further Trade Negotiations Are Needed

Despite the progress already achieved, trade liberalization is far from complete. U.S. beef producers continue to face an array of tariff and nontariff barriers, unfair trading practices, and preferential trading arrangements in key markets around the world. A few examples follow.

- # After full implementation of its Uruguay Round commitments, Japan's tariff on beef will remain at a relatively high 38.5 percent ad valorem.
- # Under the recent Canada-Chile Free Trade Agreement, Canadian producers can now ship 4,000 tons of their beef to Chile duty free, while U.S. beef still faces an 11-percent duty.
- # The EU provides preferential duty rates for a number of animal products from East European countries. For example, the EU-Poland agreement provides reciprocal reductions in pork and beef tariffs up to 60 percent lower than Most Favored Nation rates.