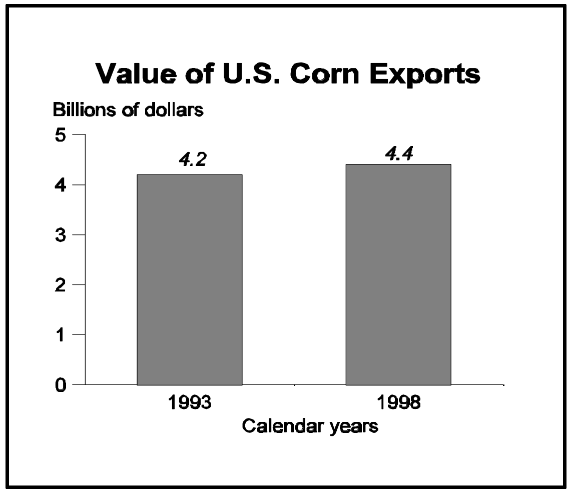
WTO and Agriculture
What's at Stake for Corn?

Future export prospects for corn 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. Corn

U.S. corn exports totaled 1.6 billion bushels in 1998, unchanged from 5 years ago (1993). Export value reached $4.4 billion - up 5 percent. Over that period, exports to Japan--the largest U.S. market--were steady at $1.5 billion. Exports to Mexico grew $550 million to $590 million. Exports to South Korea grew over $400 million to $460 million. Much of the growth in these and other markets was assisted by the Uruguay Round/WTO implementation and the North American Free Trade Agreement.



At a time when our domestic farm policies are requiring U.S. farmers to rely more heavily on market forces for their income, open markets and expanded sales opportunities abroad are increasingly important. During the last 2 years, 17 percent of U.S. corn production has moved into export, about the same level as 10 years ago. What is remarkable, however, is that to maintain this level of trade, U.S. corn had to shift into new markets to replace the market lost following the breakup of the former Soviet Union. In the early 1990's, over 10 percent of our total corn exports were still going to the FSU.

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. corn in a number of ways.

The Uruguay Round Agreement required the Philippines to replace a corn import ban with tariffication. The resultant import demand has been primarily met by U.S. corn. This change has added over 40 million bushels of new demand for U.S. corn.

Under the North American Free Trade Agreement, Mexico was required to convert its

discretionary licensing system into a tariff rate quota. The tariff rate quota guarantees access for U.S. corn. The tariff rate quota for U.S. corn in 1999 is 2.9 million tons. It will remain in effect until 2008, with a 3-percent annual increase in quantity.

The WTO rules on phytosanitary measures and other technical barriers help discourage countries from establishing trade distorting policies.

Why Further Trade Negotiations Are Needed

Despite the progress already achieved, trade liberalization is far from complete. U.S. corn 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:

Argentina is expanding its preferential trading arrangements to encompass most of South America's corn importers. Without similar tariffs and access negotiated for U.S. corn, we stand to forfeit much of the market growth in these key markets to Argentina.

Mercosur members (Brazil, Chile, Paraguay, Uruguay) can buy corn from Argentina, a fellow Mercosur member, duty-free. U.S. corn faces an 11-percent import tax.

Under the protection of high tariffs, the price band mechanism for determining import tariffs remains in place for corn in several countries in Central and South America. Reducing tariff levels and tightening rules on tariff application will reduce the trade distorting effect.

The European Union's position on biotechnology has effectively cut off the EU market to sales of U.S. corn. Trade of biotech products, which is particularly important for U.S. corn, will need to be discussed in the upcoming WTO negotiations.

Thailand and the Philippines have corn import quotas that are used to protect domestic growers but are constraining growth of livestock feeding in those countries.

Under the protection of high tariffs and state trading, India permits private sector feed producers in the animal feed industry to import corn without a license; however, these are subject to "actual user conditions" (the corn must be used in the feed sector) and registrations of letters of credit with a government-run company set up to monitor imports. Imports are still not open to private traders or non-feed users such as the starch industry.