
WTO and Agriculture

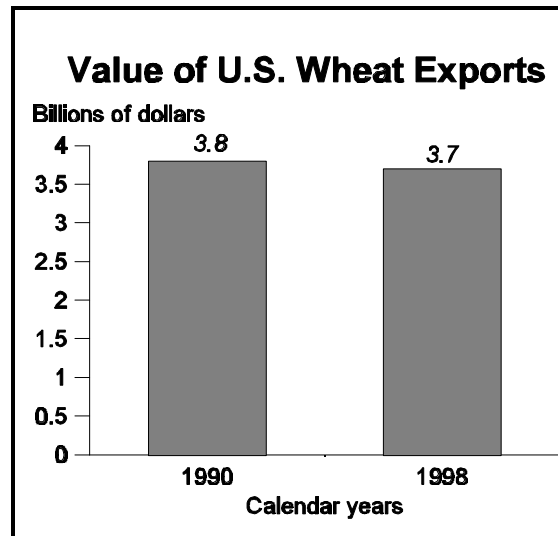
What's at Stake for Wheat?

Future export prospects for wheat 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. Wheat

Exports are extremely important to the U.S. wheat industry. Usually, more than half of the wheat produced in the United States goes into the export market. Between 1990 and 1998, U.S. wheat exports averaged 1.1 billion bushels annually. These shipments have provided a reliable food supply to customers in more than 150 countries around the world.

U.S. wheat exports were valued at \$3.7 billion in 1998, relatively unchanged from the 1990 level. Wheat exports have a strong positive impact on the U.S. trade balance and are an important factor in the prices received by U.S. wheat producers.



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.

- # In the Uruguay Round, for example, the European Union (EU) agreed to reductions in both the quantity and budgetary outlay for export subsidies for wheat and flour.
- # Under the North American Free Trade Agreement (NAFTA), Mexico agreed to eliminate import licensing for wheat and to phase out tariffs on U.S. wheat imports over a 10-year period. Since NAFTA went into effect on January 1, 1994, U.S. wheat exports to Mexico have grown from an average of 20 million bushels to 40 million bushels annually, with 1998 exports totaling more than 58 million bushels valued at over \$200 million. Participation in NAFTA has helped ensure U.S. wheat producers the dominant share of this growing market.

- # The United States was successful in demonstrating that TCK and several other phytosanitary diseases do not present a risk to Brazil. A bilateral protocol was signed by the U.S. and Brazilian governments allowing Brazil to lift the ban on shipments of U.S. Hard Red Winter wheat. Subsequent negotiations have expanded the protocol to include Soft Red Winter and spring wheats. Restrictions still remain on white wheats and exports from Pacific ports. Brazil is a 200-million-bushel wheat market.

- # The *Agreement on U.S. - China Agricultural Cooperation*, signed April 10, reopens U.S. wheat trade from the Pacific Northwest after a 26-year ban because of TCK smut. This agreement also opens a market that has been virtually closed to all U.S. wheat for nearly three years due to TCK. USDA projects total Chinese wheat imports to rise to an average of 5 million tons (worth about \$675 million) per year within 10 years--up from about 1.5 million tons this year.

Why Further Trade Negotiations Are Needed

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

- # Our competitors are moving forward with regional trade agreements. These agreements place U.S. wheat at a disadvantage in several key markets.
 - Membership in the Mercosur trading bloc provides Argentine wheat with preferential market access to Mercosur members such as Brazil and Chile through preferential tariff treatment and exemption from Brazil's merchant maritime tax.
 - The 1997 free trade agreement between Canada and Chile provides duty-free access for Canadian durum wheat shipped between April 15 and November 15, with duties for the remainder of the year being phased out over a 5-year period. Meanwhile, other suppliers have to pay the full tariff which can be as high as 30 percent. Chilean tariffs on Canadian milling wheat will be phased out over a 17-year period, with an opportunity for renegotiation in 8 years and assurances that Canadian wheat will automatically be granted any improved access that Chile may provide to Argentine or U.S. wheat.

- # U.S. wheat producers must compete with government-supported state trading enterprises in the export market. The United States has long been concerned that the secretive pricing practices of state trading enterprises have the potential to distort world grain prices and undercut sales of U.S. wheat. Future trade negotiations will be necessary to introduce effective disciplines on state trading.

- # After completing all its Uruguay Round export subsidy reductions, the EU will still be allowed to subsidize exports of more than 14 million tons of wheat a year.