

# THE FUTURE OF AGRICULTURAL EXPORTS

## HOW TPA WILL EXPAND OUR MARKETS

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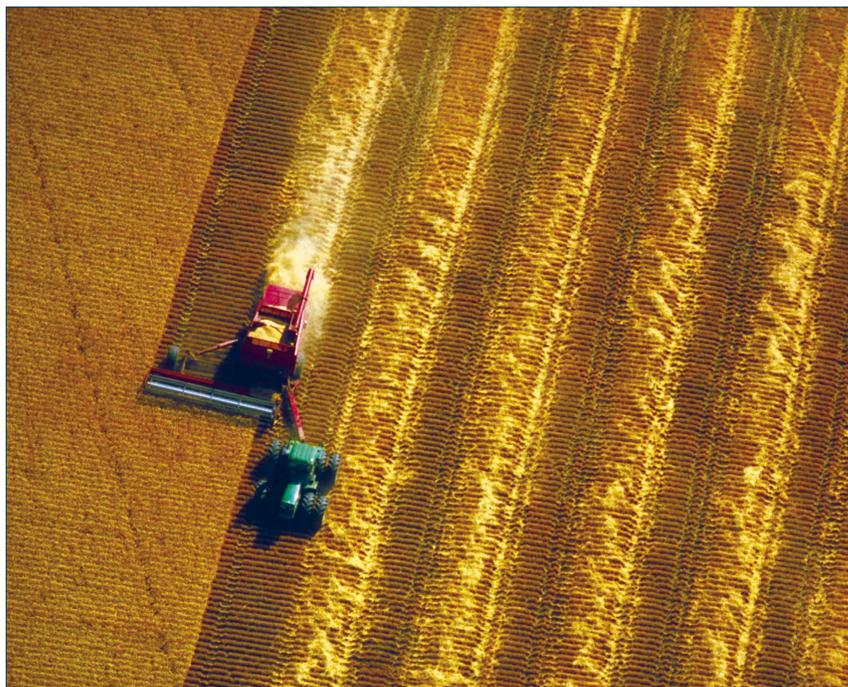
“We want to be feeding the Chinese,” claims President Bush. “We want our American farmers to be growing the products that the Chinese want to eat. And that’s what, to me, trade means.” This issue — our ability to export American agricultural

products into new or more open markets — lies at the heart of Trade Promotion Authority, or TPA, which gives U.S. trade negotiators the ability to negotiate trade agreements that will benefit the U.S. food and agricultural sector.

Agriculture is one of the most vital sectors of the American economy. Last year, U.S. agricultural exports were valued at \$51 billion. This year, sales are expected to reach \$53.5 billion, with

exports generating nearly 25 percent of gross cash farm receipts. One in three acres of U.S. agricultural production is exported, making U.S. agriculture two and one-half times more reliant on trade than the general economy.

However, American agricultural interests need to be given greater opportunities to export abroad. Currently, they face tariffs and non-tariff barriers when exporting to other countries. As the President told agricultural leaders on June 18, “The EU’s tariff for over quota beef is between 91 percent and 177 percent. Japan’s tariff for over quota wheat is between 242 percent and 256 percent. Canada’s tariff on over quota butter is between 299 percent and 314 percent.” Clearly, these tariffs are hampering the abilities of American farmers to export to these crucial trading partners. According to the President and cabinet members like Secretary of Commerce Don Evans and Secretary of Agriculture Ann Veneman, the best way to make these foreign markets more open is to renew Trade Promotion Authority, which expired in 1994 and has not since been authorized by Congress. Since that time, other countries have moved forward and signed trade agreements that exclude the United States. Today, there are more than 130 preferential trade



agreements throughout the world — and the United States is a party to only two of them. These preferential agreements are already hurting American agriculture trade, according to Veneman in a recent speech. “[W]hile the U.S. was waiting for the renewal of trade negotiating authority, Canada negotiated a free trade agreement with Chile. Canada is now taking market share from us in wheat and potatoes because they have lower tariffs in Chile than we do,” she said.

With TPA, it will become easier to enter into preferential trade agreements and knock down the barriers to trade faced by the United States. As Agriculture Secretary Veneman remarked, “With TPA we can enter into agreements to eliminate trade barriers and roll back trade-distorting subsidies.” A congressional grant of Trade Promotion Authority to the executive branch will make it easier to strike market-opening agreements on agriculture with our trading partners.

### BILATERAL FREE TRADE AGREEMENTS

The potential of new agreements has been shown with the success of the North American Free Trade Agreement (NAFTA), which has greatly improved American agricultural trade with Canada and Mexico. Since NAFTA was approved in 1993, United States agricultural exports to Mexico have nearly doubled, with the average tariff falling from around 10 percent to around 2 percent. American agricultural exports to Canada have risen nearly five-fold. NAFTA, and the benefits that it has reaped for American farmers, has shown the tremendous possibilities for new free trade agreements that would be created under Trade Promotion Authority.

Another important benefit of the renewal of Trade Promotion Authority will be the expansion of agriculture trade with China. The recently-concluded agreement to bring China

into the World Trade Organization will provide greater market access for a variety of American-produced agricultural goods, but TPA would enhance the administration’s ability to pursue new global trade talks under the WTO. These negotiations could provide a benefit of \$2 billion a year in agricultural trade with China. Newly opened markets like China would also help reinforce the economic, social, and political conditions that strengthen democracy around the globe and enhance our national security.

### TAKING THE NEXT STEPS IN GLOBAL AGRICULTURAL TRADE LIBERALIZATION

The future of free trade agreements clearly indicates that the United States needs Trade Promotion Authority in order to maximize international trade capabilities for American farmers. Already, the Uruguay Round Agreement, which established the WTO, has brought agriculture more fully under world trade rules, with increased export sales and new markets for U.S. farmers, ranchers, and agribusinesses. However, much work needs to be done. Negotiations on the next phase of agricultural trade liberalization began in early 2000, as called for in the Uruguay Round Agreement on Agriculture. A new general round of negotiations is likely to be launched by the world’s leaders at the WTO Ministerial in Doha, Qatar, at the end of this year. These negotiations are the best chance U.S. agriculture has for further reducing tariffs, opening new markets, and addressing unfair trade practices on a global scale.

As first steps toward broader free trade agreements in the Western Hemisphere and in the Asia-Pacific region, the administration has committed to negotiate comprehensive free trade agreements with Chile and Singapore. Just as Chile has preferential trade agreements with Canada and Mexico, Singapore is in the process of negotiating agreements with Japan, Australia,

and New Zealand. Free trade agreements with these countries would provide a boost to our efforts to liberalize trade in the Americas and in the Asia-Pacific region. It would also help cement market-oriented policies in both countries and provide an incentive for other countries in these regions to continue their economic and trade policy reforms.

With broad TPA, U.S. negotiators would have the flexibility to initiate or enter into new bilateral or regional trade negotiations that would open foreign markets to U.S. agricultural exports. The United States is already working to develop stronger trade relations with many countries that are adopting meaningful economic and trade policy reforms, including those in Sub-Saharan Africa and other emerging markets. ■

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