

# International Trade and Trade Agreements

Darren Hudson

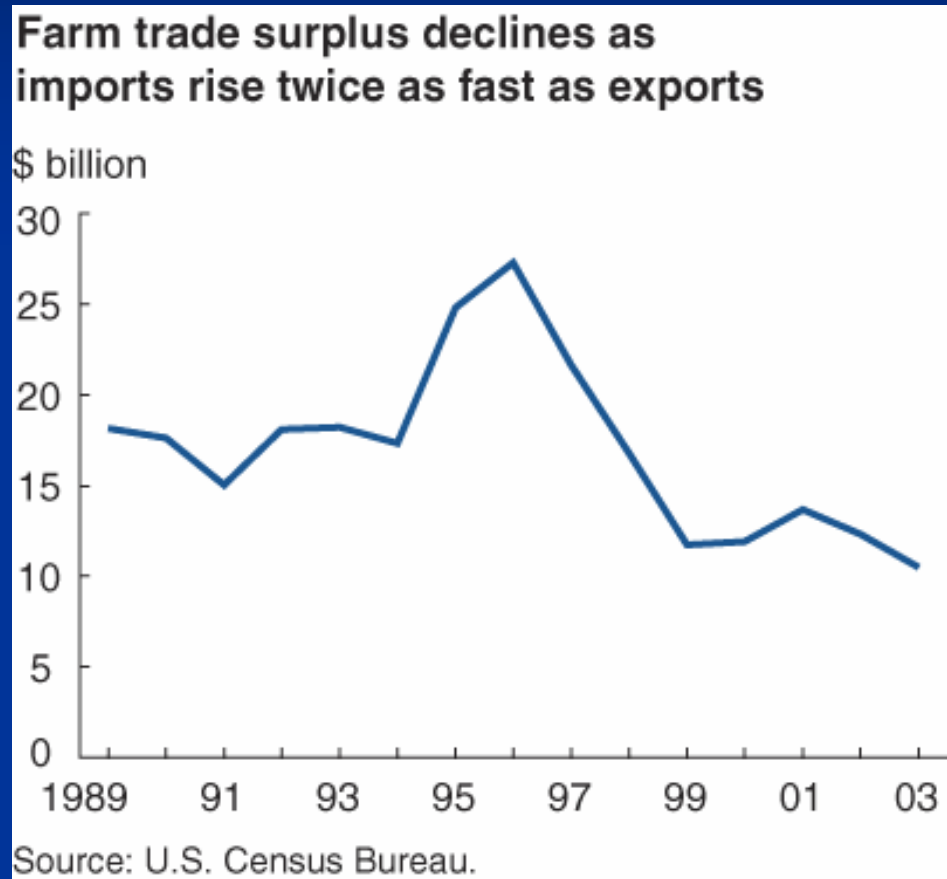
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With ***A LOT*** of help from Parr Rosson, Texas A&M University and Jaime Malaga, Texas Tech University

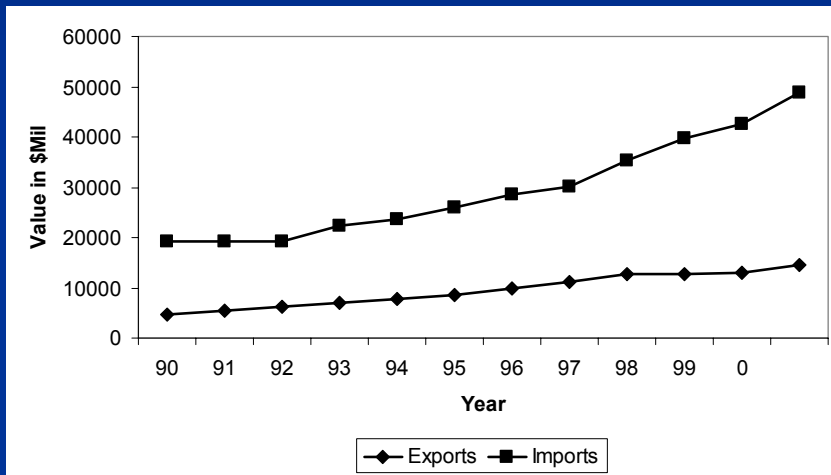
# Trends

- Rapid increases in imports relative to exports.

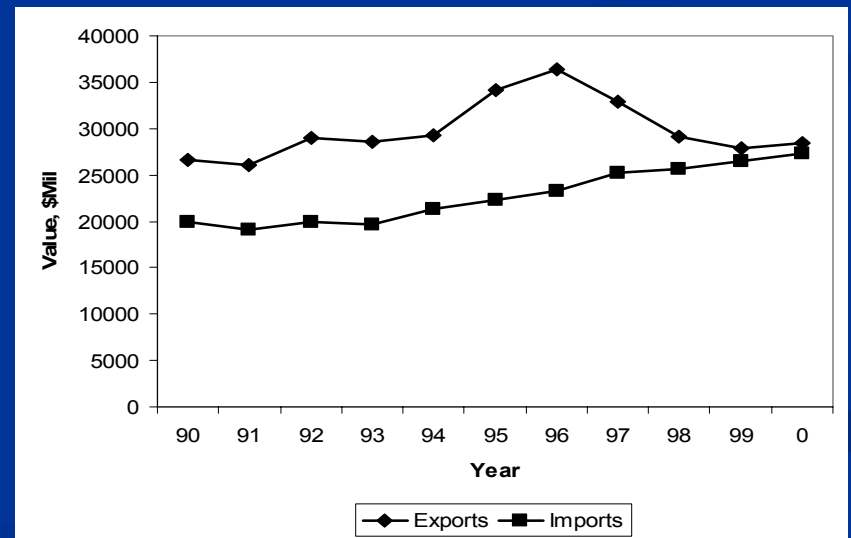


# Two Views

## Textiles



## Food Manufacturing



# Changing Composition

- While US agricultural exports have remained strong, the value of imports has increased as US consumer wealth has increased.
  - Vegetables, fruits, nuts, juices, wine, beer, fish, and cut flowers are examples of high value imports.

# Increasing Import Shares

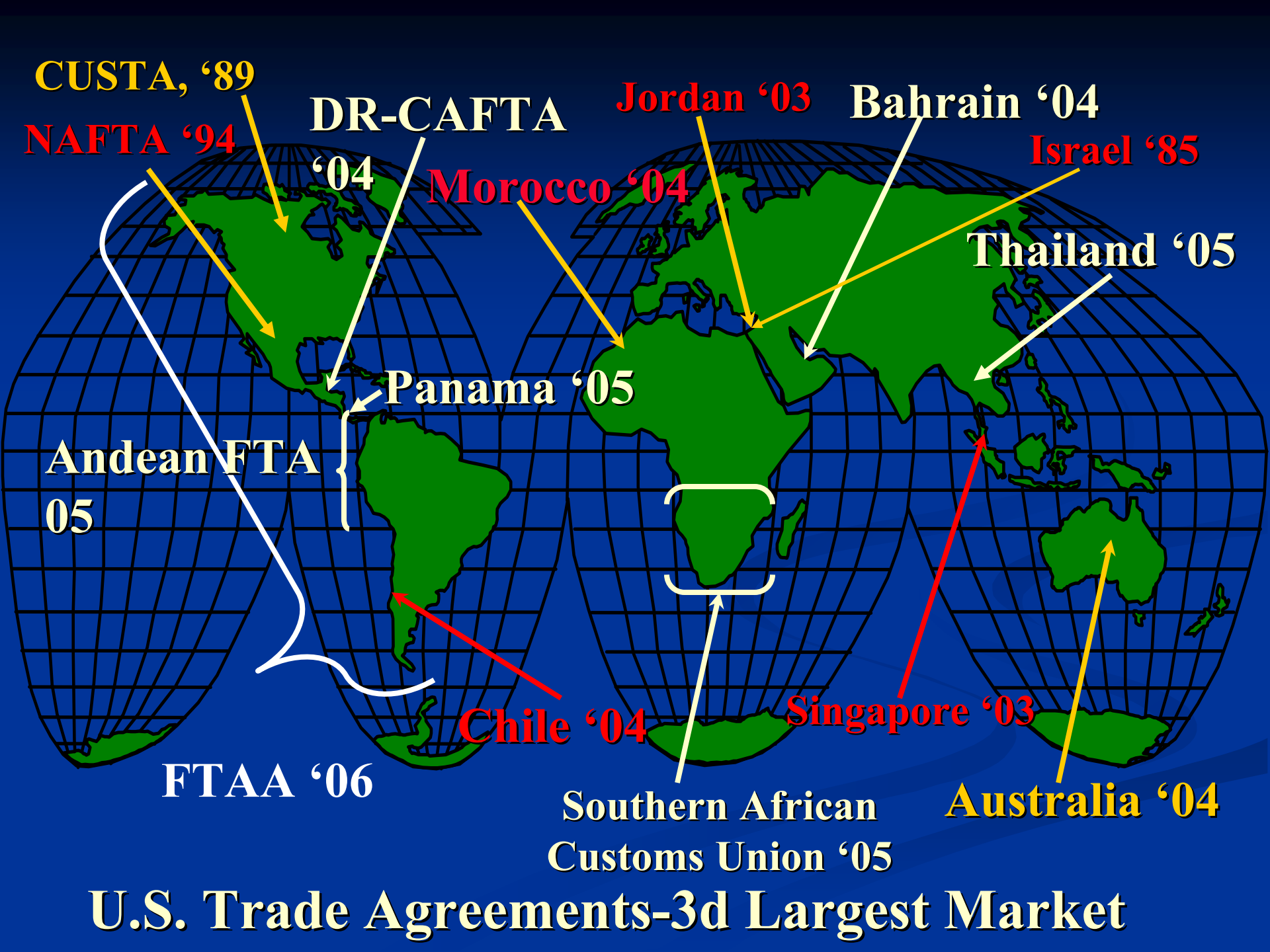
Food Groups	1981-85	1986-90	1991-95	1996-00	2001	2002p
<b>Total</b>	<b>9.0</b>	<b>9.7</b>	<b>10.5</b>	<b>12.0</b>	<b>12.5</b>	<b>13.0</b>
<b>Animal</b>	<b>3.4</b>	<b>3.7</b>	<b>3.5</b>	<b>4.1</b>	<b>5.2</b>	<b>5.3</b>
Red Meat	6.7	8.1	7.3	7.7	9.3	9.5
Dairy	1.9	1.8	1.9	2.5	3.4	3.5
Fish	50.9	56.0	56.0	64.4	77.8	78.6
<b>Crops</b>	<b>14.0</b>	<b>14.9</b>	<b>16.1</b>	<b>18.2</b>	<b>18.4</b>	<b>19.1</b>
Fruits	21.0	26.6	27.3	28.6	30.0	31.0
Vegetables	4.9	6.0	5.5	8.0	8.8	9.6
Oils	15.5	17.6	17.4	18.0	15.5	15.5
Grains	1.7	2.9	5.6	5.9	5.8	5.3
Sweeteners	35.8	25.6	29.4	34.2	28.6	28.0

# Recent History

- All aware of the breakdown of the Cancun talks, due in large part to the lack of “progress” on agricultural and textile issues.
- Recent dispute resolution panel ruling against the U.S. on cotton.
- “Framework” agreement for further talks on agriculture in the Doha round of the WTO.

# Plan of Attack

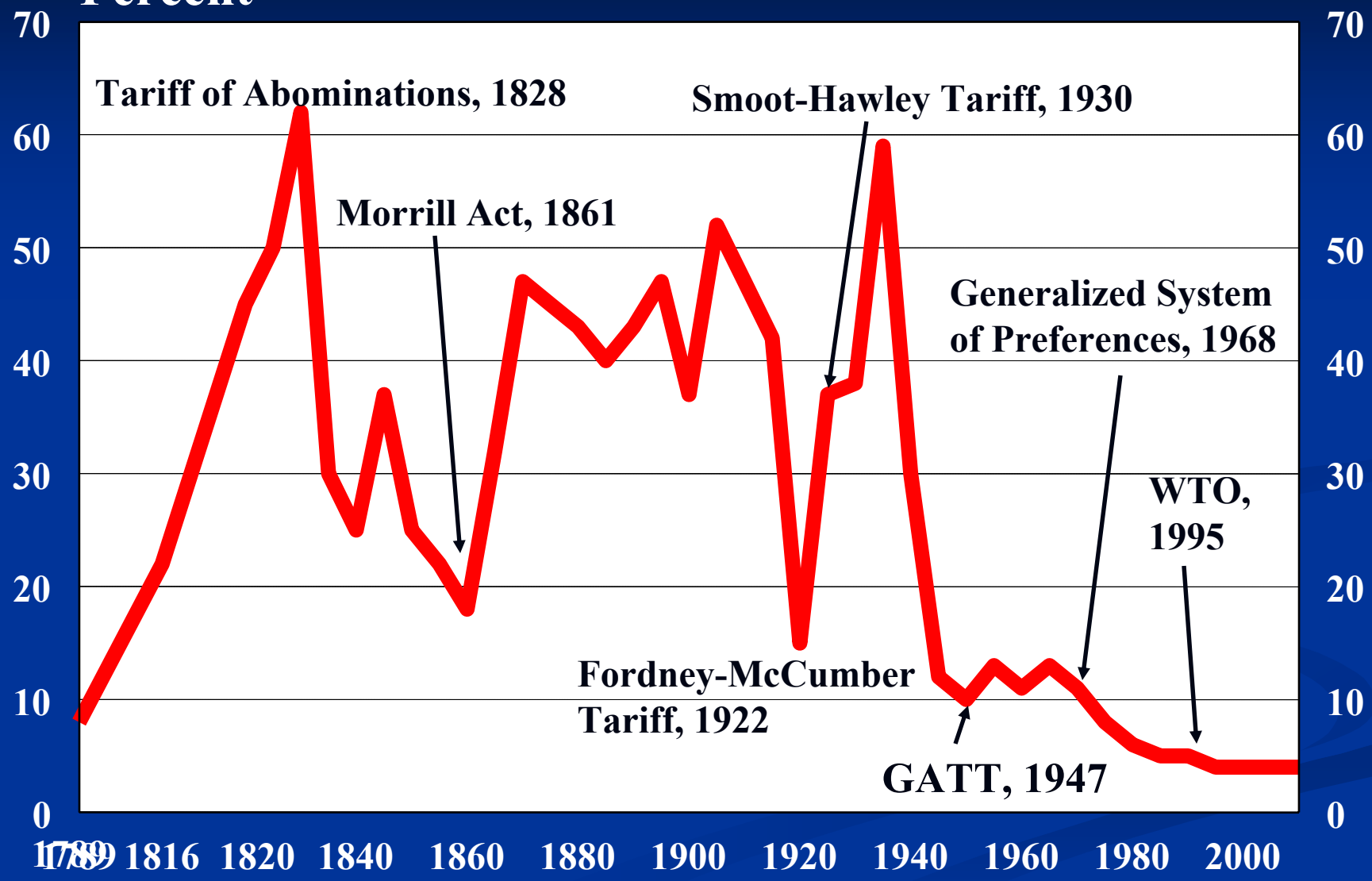
- Since Cancun (and, indeed, before), the U.S. Trade Representative has pursued a policy of “competition for trade agreements.”
  - That is, the USTR is aggressively pursuing bilateral and smaller multilateral trade agreements.
  - The “competition” for these agreements is thought to (1) achieve the same level of market access and concessions at the WTO, and (2) put pressure on countries to complete the Doha round.



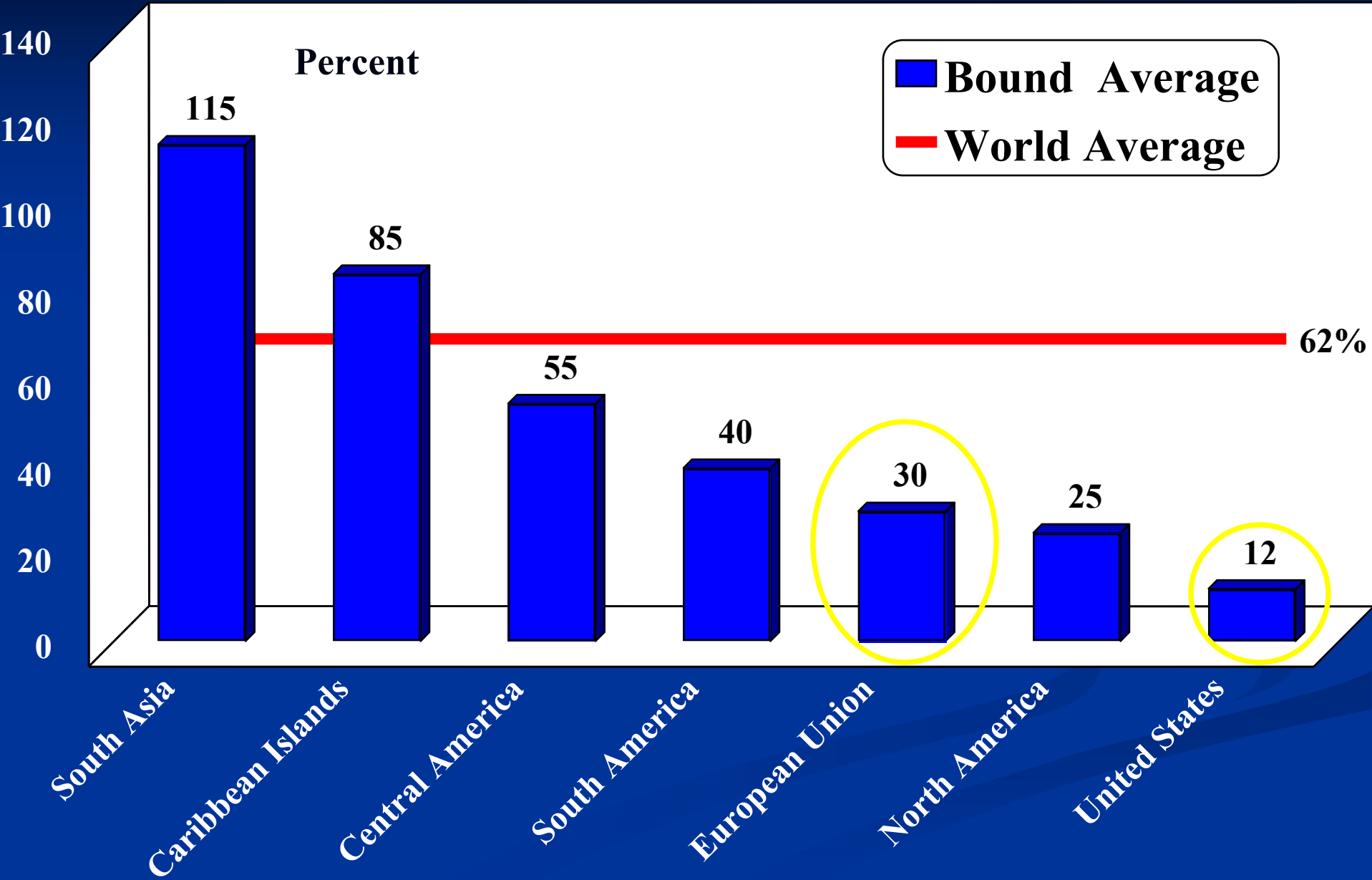
# U.S. Trade Agreements-3d Largest Market

# U.S. Average Tariffs, 1789-2000

Percent

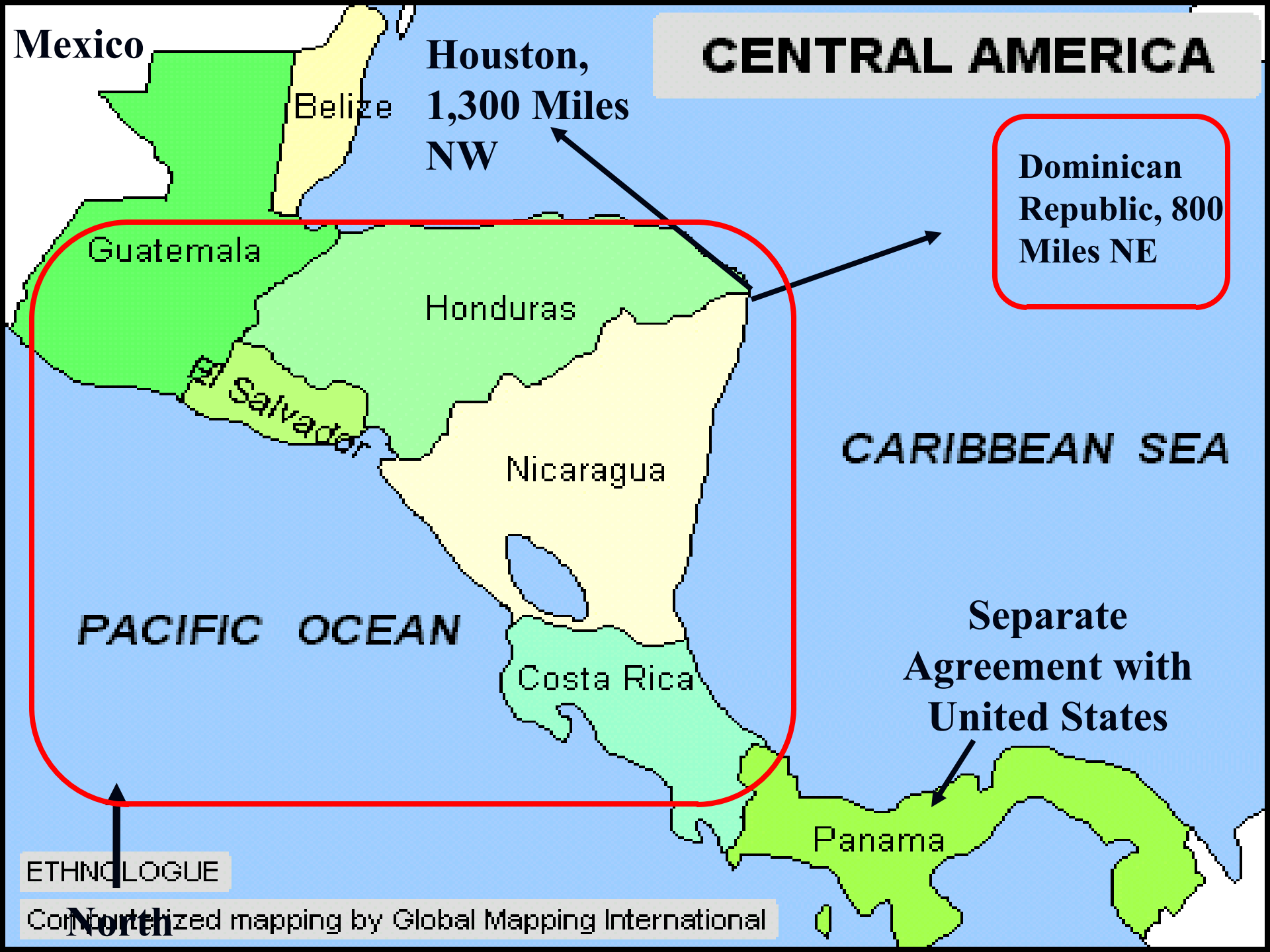


# World Average Tariffs, 2000



# CAFTA or DR-CAFTA

# CENTRAL AMERICA



Mexico

Belize

Houston,  
1,300 Miles  
NW

Guatemala

Honduras

El Salvador

Nicaragua

Costa Rica

CARIBBEAN SEA

PACIFIC OCEAN

Separate  
Agreement with  
United States

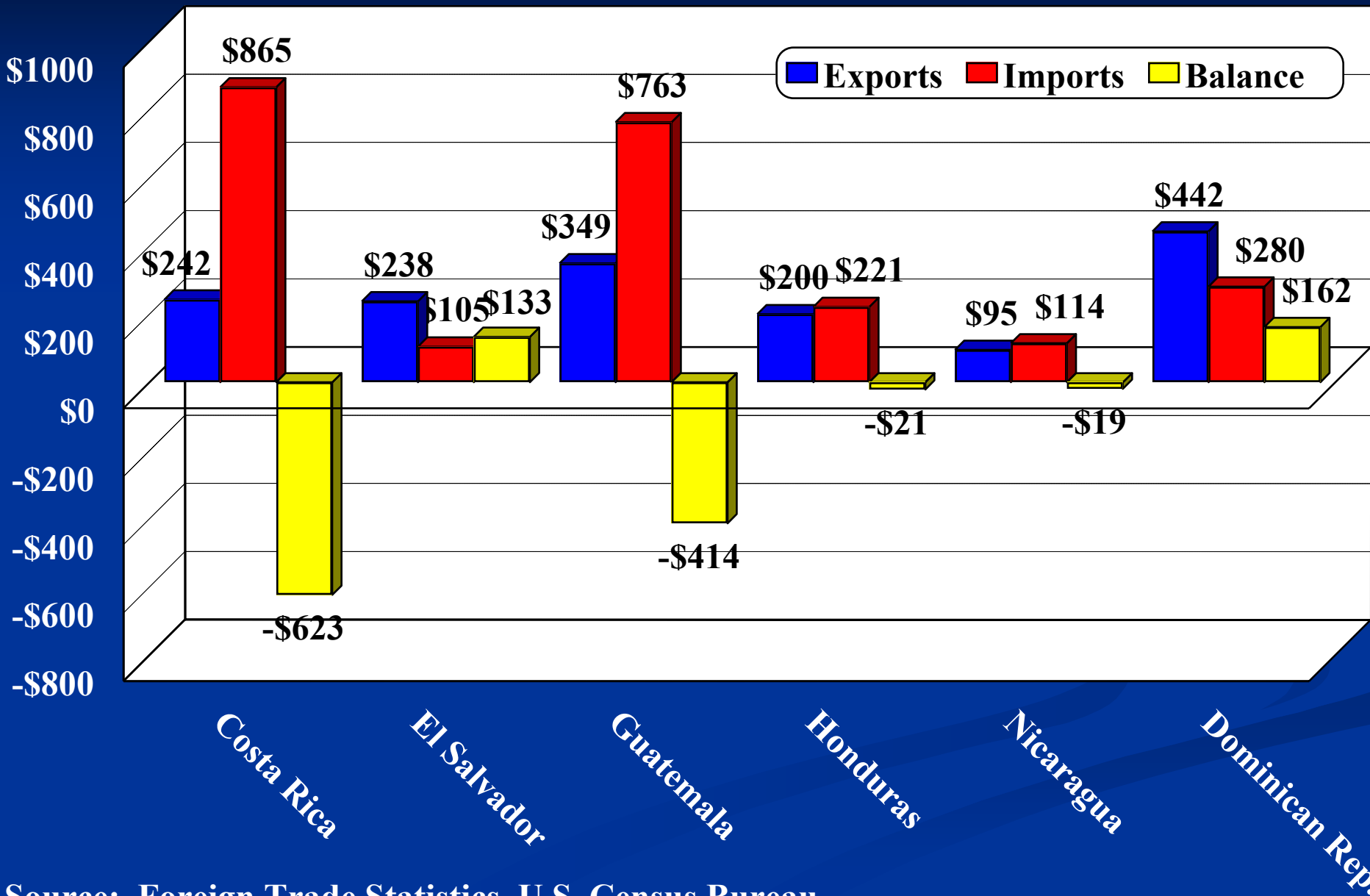
Panama

ETHNOLOGUE

North  
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# U.S. Ag Trade with DR-CAFTA, 2003

Million Dollars

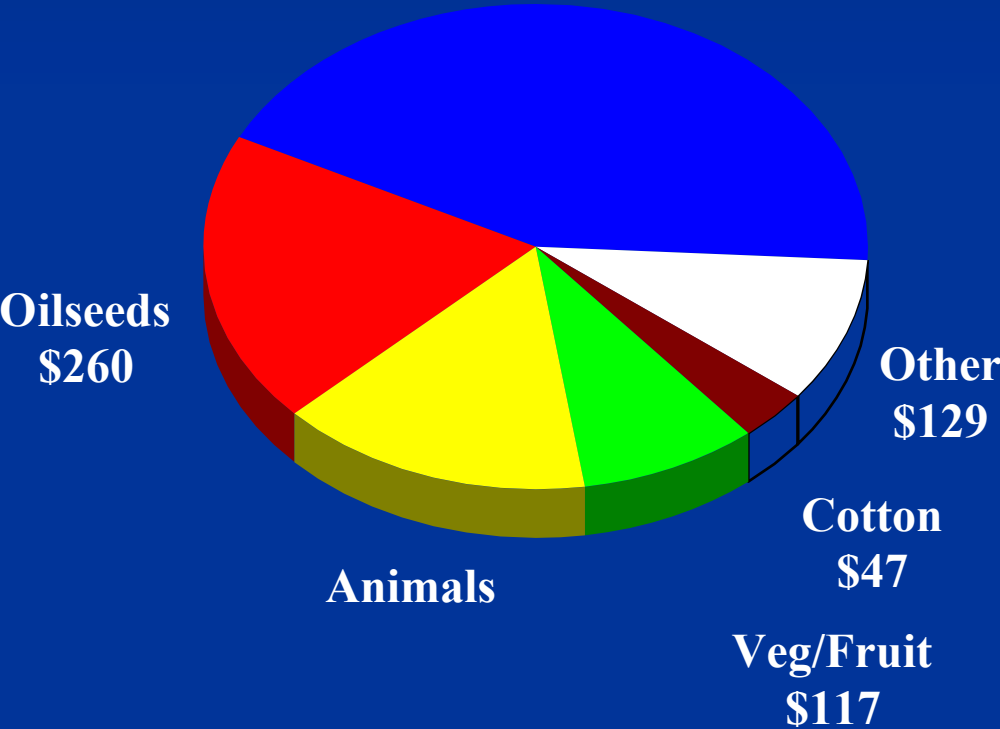


Source: Foreign Trade Statistics, U.S. Census Bureau

# Imports and Exports

Total, 2003: \$1,339 million

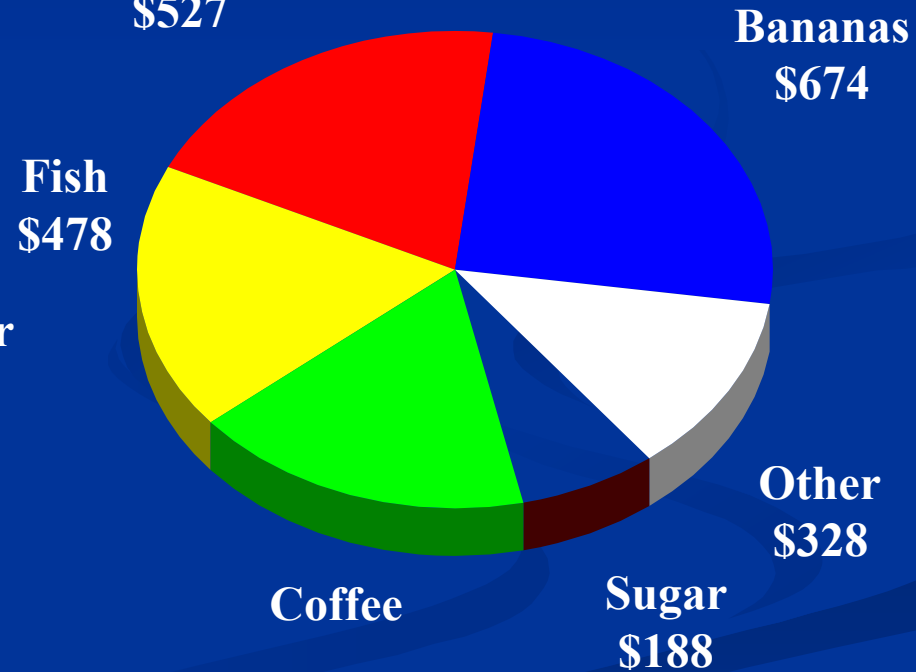
Grains & Feeds  
\$582



Exports

Total, 2003: \$2,654 million

Fruit/Veg  
\$527



Imports

# CAFTA

- About 1/2 of the markets will be immediately open to U.S. product exports duty-free.
- Remainder will be phased-in over 15-20 years: Rice and Dairy are 18 and 20 years, respectively.
- U.S. allows minimal access for sugar (99mt to 140mt with 100% duty).
- *Not a lot new here, but some additional market access and some degree of harmonization of tariff rates.*

# CAFTA—Limited Impact??

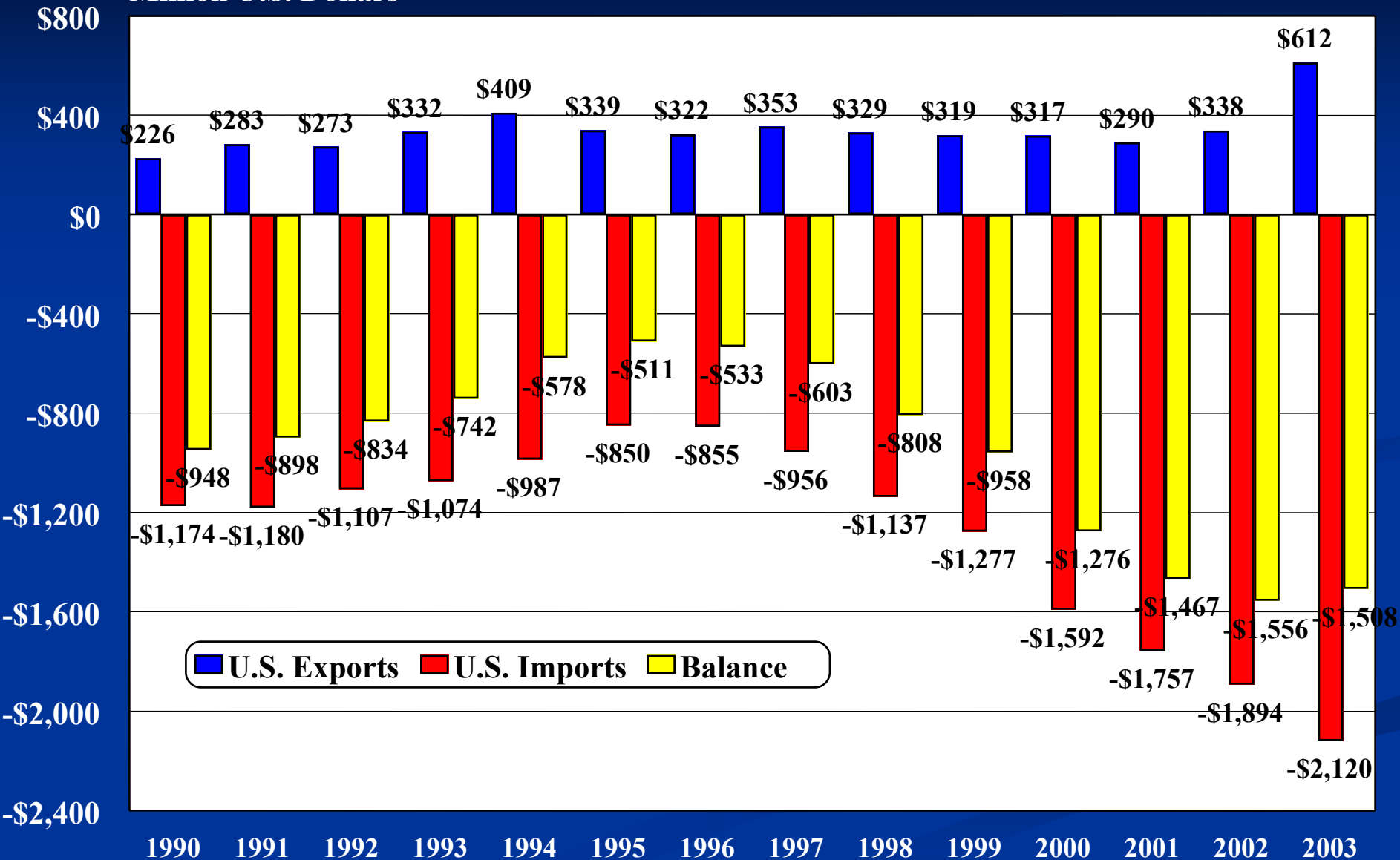
Country	Pop. (mil)	GDP/ Person	Poverty %	Lit. %	Ag. Pop. %
Costa Rica	3.9	<b>\$8,300</b>	20.6	96	20
El Salvador	6.5	\$4,600	<b>48</b>	80.2	30
Guatemala	<b>13.9</b>	<b>\$3,900</b>	<b>75</b>	<b>70.6</b>	<b>50</b>
Honduras	6.7	\$2,500	<b>53</b>	<b>76.1</b>	<b>34</b>
Nicaragua	5.1	\$2,200	<b>50</b>	<b>67.5</b>	<b>42</b>
Dom. Rep.	<b>8.7</b>	<b>\$6,300</b>	25	84.7	17

***Total/Avg*** 44.8 \$4,633 45.3 79.2 32.2

# Australian FTA

# Trade with Australia

Million U.S. Dollars

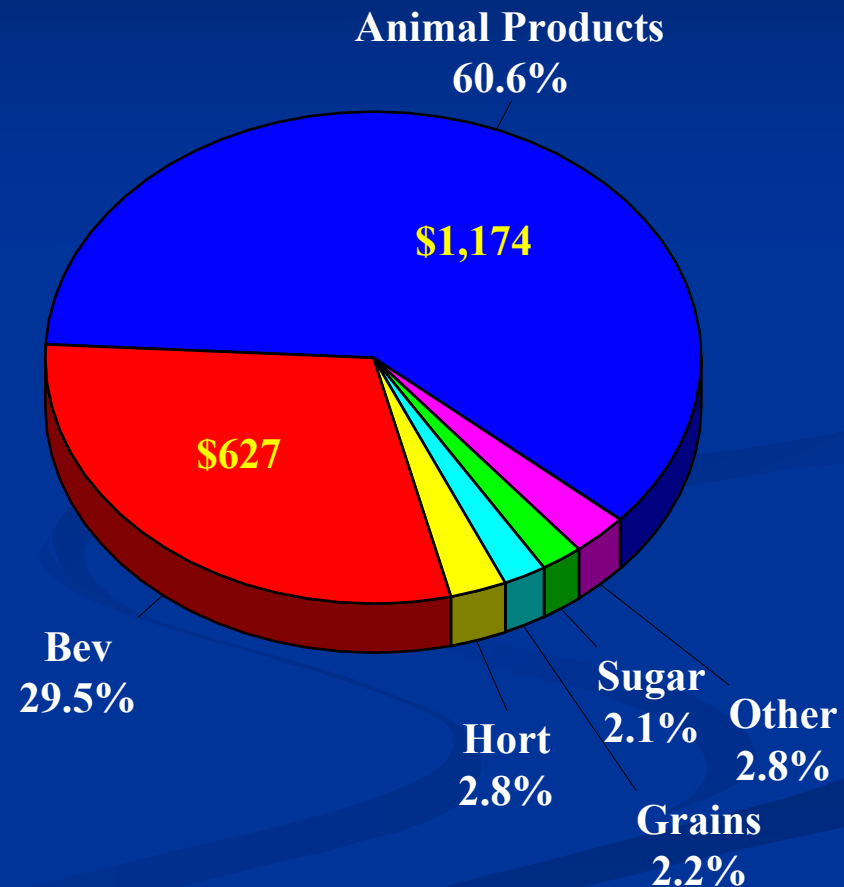
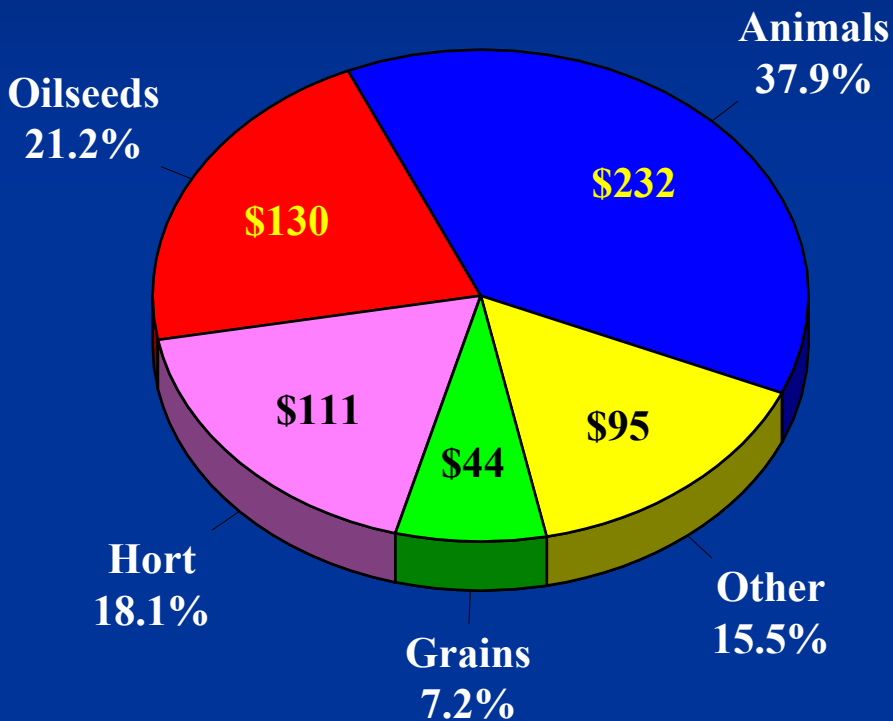


Source: U.S. Trade Internet System, [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

# Trade with Australia, 2003

Total Exports: \$612 Million

Total Imports: \$2,120 Million



# Australian FTA

- Australia will eliminate all tariffs immediately.
- US fruits/vegetables have price safeguards.
- US Beef has 18 year TRQ.
  - Price trigger safeguard indefinitely
- US Dairy has 18 year TRQ
  - Affects cheese, milk powder, and ice cream
- US Cotton and Peanuts have 18 year TRQ
- US Sugar grants no additional access

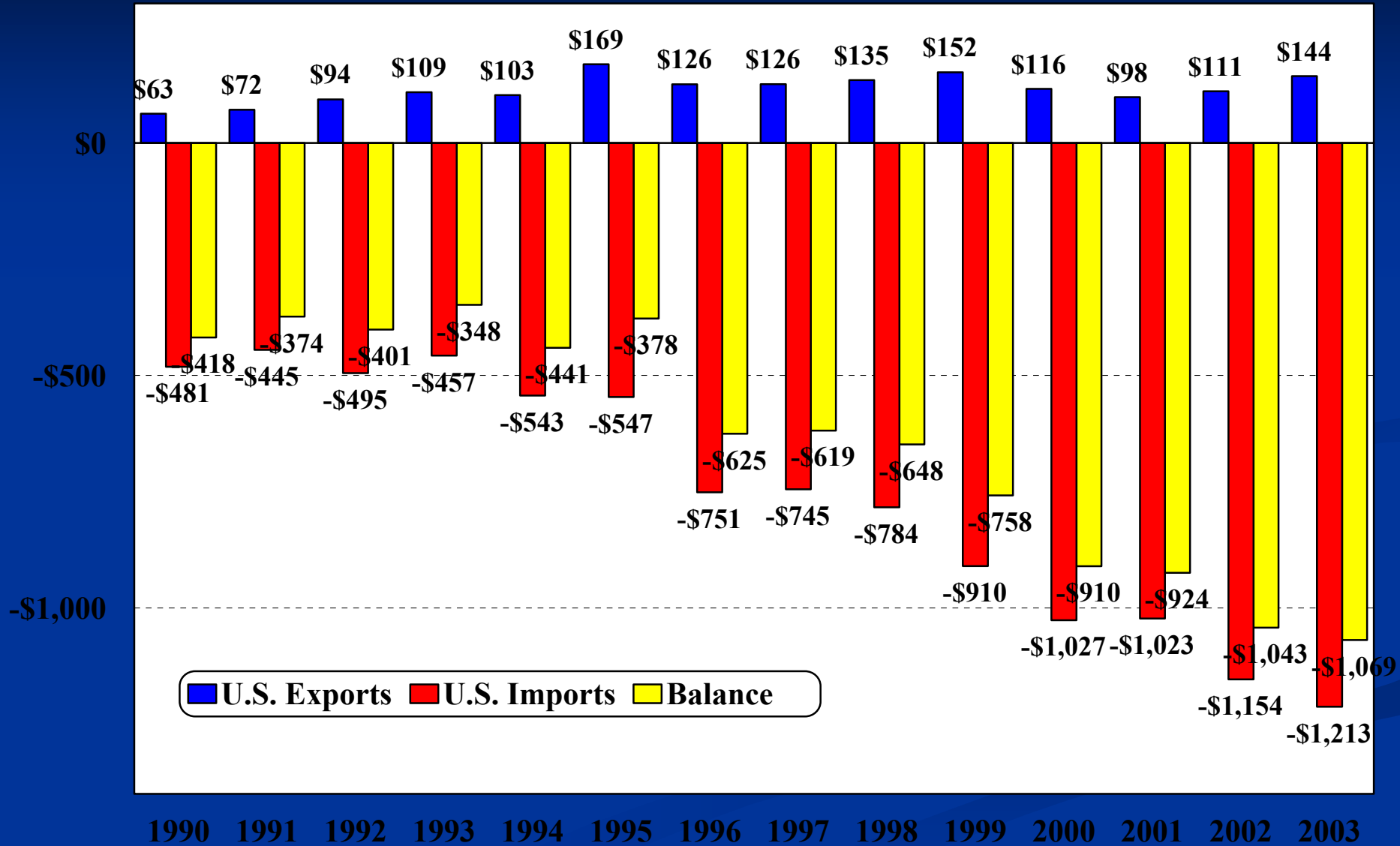
# Australian FTA--Concerns

- Australian Wheat Board not disciplined.
- Concerns about the impacts of imports of “manufactured beef” on US cull cow prices.
- SPS not satisfactorily addressed in agreement.

# Chilean FTA

# U.S.-Chile Agricultural Trade, 1990 - 2003

Million U.S. Dollars

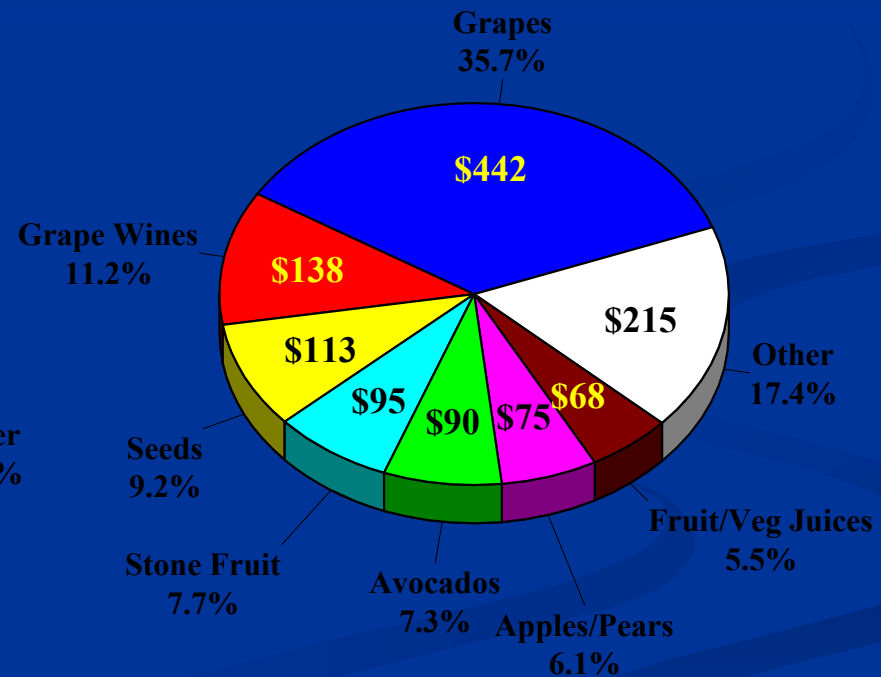
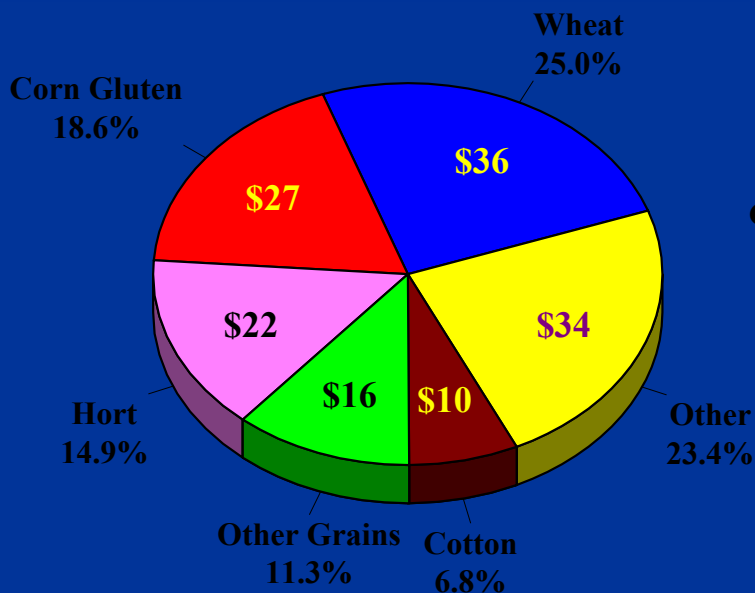


Source: U.S. Census Bureau

# US-Chile Trade, 2003

**Total Exports: \$144 Million**

**Total Imports: \$1,213 Million**



# Market Access

<b>Chile's Access to U.S. Market</b>		
<b>Immediate</b>	<b>4 Years</b>	<b>10 Years</b>
Pork	<b>*Beef, with TRQ</b>	Poultry, with TRQ
Some Fruits	Some Fruits	
Some Vegetables	Some Vegetables	
Some Tree Nuts	Some Tree Nuts	
Wheat		
Corn	<b>8 Years</b>	<b>12 Years</b>
Rice	Some Fruits	Some Fresh Vegetables
Other Grains	Some Vegetables	Dairy, with TRQ
Wheat Flour	Some Processed Foods	Tobacco, with TRQ
Soybeans/Products		Some Sugar/Products, with TRQ
<b>*Cotton</b>		Some Processed Foods
Some Sugar/Products		
<b>U.S. Access to Chile</b>		
<b>Immediate</b>	<b>4 Years</b>	<b>10 Years</b>
Pork	<b>*Beef, with TRQ</b>	Chicken Parts, with TRQ
Fresh Fruits	Chicken, Whole	
Fresh Vegetables	Some Dairy	
Tree Nuts	<b>*Corn (2 Years)</b>	<b>12 Years</b>
Other Grains		<b>Wheat</b>
Soybeans/Products		<b>Rice</b>
<b>*Cotton</b>	<b>8 Years</b>	Wheat Flour
Tobacco	Some Dairy	Vegetable Oils
		Sugar/Products

# Other Concessions

- Chile will recognize US food and food safety standards.
- Chile will recognize US meat inspection system.
- Elimination of “price bands” for US wheat and other US agricultural products.

# Conclusions

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- Most of the regional or bilateral trade agreements will have small overall impact.
- Some agricultural sectors will benefit, but benefits will be over long period and relatively small.
- More of a benefit to other sectors.
- Putting pressure on other countries to complete the Doha round of the WTO.

# Conclusions

- Are we getting our bang for our buck?
- Are we giving too many concessions while allowing too much “wobble room” for our trading partners?
- Are we granting too much authority to supranational authorities?

# Shameless Plug

- Conference: “World Trade Organization Impacts on US Farm Policy”
  - June 2-3, 2005, World Trade Center, New Orleans, LA (New Orleans is reason enough to attend!)
  - Call for papers and conference information should be in the next issue of the *Exchange*.