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New Trade Negotiations:
What’s at Stake For Texas Agriculture?

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What’s at Stake?

- Market Access
- Secure Sources of Raw Materials & Inputs
- Gains & Losses to Trade
- Adjustment for Some Sectors
U.S. Trade Negotiations

- GATT 1947-94
- US/Israel 1985
- Uruguay Round 1986-93 (GATT)
- Canada 1989
- NAFTA 1994 (Year 10)
- Doha Round 2000-05? (WTO)
- 3 Regionals *Completed* in 2002/03
- 6 Regionals Pending

Completed

Pending
US Agricultural Trade with NAFTA

Billion US Dollars

US Exports | US Imports | Trade Balance

NAFTA Became Effective

<table>
<thead>
<tr>
<th>Year</th>
<th>US Exports</th>
<th>US Imports</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-92</td>
<td>$8</td>
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<td>$0</td>
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<tr>
<td>1993</td>
<td>$9</td>
<td>$7</td>
<td>$2</td>
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<tr>
<td>1994</td>
<td>$8</td>
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<td>$12</td>
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<tr>
<td>1999</td>
<td>$13</td>
<td>$13</td>
<td>$0</td>
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<tr>
<td>2000</td>
<td>$14</td>
<td>$14</td>
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<tr>
<td>2001</td>
<td>$16</td>
<td>$15</td>
<td>$0</td>
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<tr>
<td>2002</td>
<td>$16</td>
<td>$16</td>
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</table>
World Trade Organization
“Doha Development Agenda”

- Attempt to Restart is Underway
- ‘Common Sense’ Letter, 1/12/04
- Export Subsidies, Trade Distorting Policies & Cotton/Cotton Textiles
- Retaining Protection of the Peace Clause Important for U.S. Agriculture & Open Markets
Market Access
Bound Tariffs for Selected Products

- Live Animals
- Meat Fresh
- Meat Frozen
- Meat Prepared
- Dairy

South America  | Central America  | Caribbean Islands  | North America
---|---|---|---
Live Animals  | 34  | 48  | 68  | 43  | 88  | 21  | 68  | 91  | 91  | 80  | 86  | 90  | 90  | 87  | 85  | 87

Source: ERS/USDA
New Agreements
Chile

- Effective January 1, 2004
- Tariffs Eliminated Immediately, or Over 4, 8, 10 or 12 Years
- Chile’s Price Band System on Wheat, Vegetable Oils, & Sugar Eliminated
- U.S. Receives Preferential Access Compared to Canada & European Union
- U.S. Export Impacts Small (18-52%)
- U.S. Import Impacts Small (6-14%)
### Chile's Access to U.S. Market

<table>
<thead>
<tr>
<th>Immediate</th>
<th>4 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pork</td>
<td>*Beef, with TRQ</td>
<td>Poultry, with TRQ</td>
</tr>
<tr>
<td>Some Fruits</td>
<td>Some Fruits</td>
<td></td>
</tr>
<tr>
<td>Some Vegetables</td>
<td>Some Vegetables</td>
<td></td>
</tr>
<tr>
<td>Some Tree Nuts</td>
<td>Some Tree Nuts</td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>8 Years</td>
<td>12 Years</td>
</tr>
<tr>
<td>Rice</td>
<td>Some Fruits</td>
<td>Some Fresh Vegetables</td>
</tr>
<tr>
<td>Other Grains</td>
<td>Some Vegetables</td>
<td>Dairy, with TRQ</td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>Some Processed Foods</td>
<td>Tobacco, with TRQ</td>
</tr>
<tr>
<td>Soybeans/Products</td>
<td></td>
<td>Some Sugar/Products, with TRQ</td>
</tr>
<tr>
<td>*Cotton</td>
<td></td>
<td>Some Processed Foods</td>
</tr>
<tr>
<td>Some Sugar/Products</td>
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<td></td>
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</table>

### U.S. Access to Chile

<table>
<thead>
<tr>
<th>Immediate</th>
<th>4 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pork</td>
<td>*Beef, with TRQ</td>
<td>Chicken Parts,</td>
</tr>
<tr>
<td>Fresh Fruits</td>
<td>Chicken, Whole</td>
<td>with TRQ</td>
</tr>
<tr>
<td>Fresh Vegetables</td>
<td>Some Dairy</td>
<td></td>
</tr>
<tr>
<td>Tree Nuts</td>
<td>*Corn (2 Years)</td>
<td>12 Years</td>
</tr>
<tr>
<td>Other Grains</td>
<td></td>
<td>Wheat</td>
</tr>
<tr>
<td>Soybeans/Products</td>
<td></td>
<td>Rice</td>
</tr>
<tr>
<td>*Cotton</td>
<td>8 Years</td>
<td>Wheat Flour</td>
</tr>
<tr>
<td>Tobacco</td>
<td></td>
<td>Vegetable Oils</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sugar/Products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Processed Foods</td>
</tr>
</tbody>
</table>

* TRQ: Tariff Rate Quota
U.S. Agricultural Exports to Chile, 2002

Total: $111.1 Million

- Corn Gluten: $19.9 Million (17.9%)
- Wheat: $18.1 Million (16.3%)
- Food Preps: $10.0 Million (9.0%)
- Animal Feed: $7.3 Million (6.6%)
- Rice: $6.8 Million (6.1%)
- Cotton: $4.7 Million (4.2%)
- Saps/Thickeners: $3.6 Million (3.2%)
- Seeds: $3.5 Million (3.2%)
- Corn: $3.3 Million (3.0%)
- Other: $33.9 Million (30.5%)
U.S. Agricultural Imports from Chile, 2002

Total: $1,154 Million

- Grapes: 40.2%, $464.1 million
- Grape Wines: 11.9%, $136.9 million
- Stone Fruit: 9.4%, $108.7 million
- Corn: 7.1%, $82.2 million
- Avocados: 7.1%, $81.5 million
- Fruit Juices: 4.8%, $55.5 million
- Apples/Pears: 4.6%, $52.8 million
- Kiwi/Berries: 3.4%, $39.3 million
- Other: 11.5%, $132.6 million

Grapes

Corn

Avocados

Fruit Juices

Apples/Pears

Kiwi/Berries

Other
Central America Free Trade Agreement
CAFTA

- WHO so Far? El Salvador, Guatemala, Honduras, Nicaragua
- Costa Rica & Dominican Republic to be Added w/in Months
- About ½ of Markets Open to U.S. Agriculture When Implemented (Jan. 2005)??
  - HQ Beef, Cotton, Wheat, Soybeans
- Rest Over 15-20 Years: Pork, Beef, Poultry, *Rice*, Corn, *Dairy*
## CAFTA Demographics

<table>
<thead>
<tr>
<th>Country</th>
<th>Pop. (mil)</th>
<th>GDP/Person</th>
<th>Poverty %</th>
<th>Lit. %</th>
<th>Ag. Pop. %</th>
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</thead>
<tbody>
<tr>
<td>Costa Rica</td>
<td>3.9</td>
<td>$8,300</td>
<td>20.6</td>
<td>96</td>
<td>20</td>
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<tr>
<td>El Salvador</td>
<td>6.5</td>
<td>$4,600</td>
<td>48</td>
<td>80.2</td>
<td>30</td>
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<tr>
<td>Guatemala</td>
<td>13.9</td>
<td>$3,900</td>
<td>75</td>
<td>70.6</td>
<td>50</td>
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<tr>
<td>Honduras</td>
<td>6.7</td>
<td>$2,500</td>
<td>53</td>
<td>76.1</td>
<td>34</td>
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<tr>
<td>Nicaragua</td>
<td>5.1</td>
<td>$2,200</td>
<td>50</td>
<td>67.5</td>
<td>42</td>
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<tr>
<td>Dom. Rep.</td>
<td>8.7</td>
<td>$6,300</td>
<td>25</td>
<td>84.7</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total/Avg</strong></td>
<td><strong>44.8</strong></td>
<td><strong>$4,633</strong></td>
<td><strong>45.3</strong></td>
<td><strong>79.2</strong></td>
<td><strong>32.2</strong></td>
</tr>
</tbody>
</table>
U.S. Agricultural Trade with Central America

Billion Dollars

- Exports
- Trade Balance
- Imports


- Exports: $1.3, $1.4, $1.5, $1.6, $1.6, $1.8, $2.0
- Trade Balance: -$0.8, -$0.8, -$0.9, -$0.9, -$0.9, -$1.0, -$1.2
- Imports: $1.3, $1.4, $1.5, $1.6, $1.6, $1.8, $2.0
U.S. Agricultural Exports to Central America

Total, 1990: $482 million
Total, 2000: $1118 million

Grains & Feeds
- Oilseeds: $90
- Animals: $47
- Tobacco: $33
- Other: $69
- Vegetables: $27
- Other: $69

Grains & Feeds
- Oilseeds: $194
- Animals: $162
- Vegetables: $89
- Other: $196
- Rice: $56

Rice

Other

Vegetables

Other

Other

Other
U.S. Rice Exports, 1993 and 2002

1993 Total: 2,860 TMT
2002 Total: 3,809 TMT

U.S. Agricultural Imports from Central America

Total, 1990: $1699 million
- Shellfish: $159
- Sugar: $133
- Fish: $211
- Coffee: $732
- Fruits: $274
- Bananas: $453
- Shellfish: $368

Total, 2000: $2977 million
- Coffee: $732
- Fish: $478
- Bananas: $611
- Fruits: $274
- Other: $1361

Other: $742
FTAA

- Open Markets in Western Hemisphere
  - Average US Ag. Tariffs 12%
  - South America: 40%
  - Caribbean: 85%
- Negotiations Moving Forward, But Slower than Expected: Brazil a Sticking Point
- Target Date for Completion 1/05
- Target Date for Implementation 1/06
U.S. Agricultural Exports to South America

Total, 1990: $1062 million

- Grains: $575
- Oilseeds: $141
- Animals: $131
- Vegetables: $59
- Other: $96

Total, 2000: $1706 million

- Grains: $711
- Oilseeds: $230
- Animals: $197
- Cotton: $141
- Other: $305
- Vegetables: $122

Source: Foreign Agricultural Trade of The United States, Calendar Year, USDA/ERS
U.S. Agricultural Imports from South America

Total, 1990: $5179 million

Coffee $799
Fish $788
Fruit Juices $644
Shellfish $491
Bananas $449
Sugar Prod. $279
Other $3288

Total, 2000: $6847 million

Coffee $851
Fish $1410
Fruits $742
Shellfish $657
Bananas $487
Other $4487
Sugar Prod. $279

Source: Foreign Agricultural Trade of The United States, Calendar Year, USDA/ERS
Raw Materials & Inputs
U.S. Oil Imports by Source

U.S. Fertilizer Imports from ROW
Annual Average 1990-92

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports (1,000 Metric Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Israel</td>
<td>226</td>
</tr>
<tr>
<td>Chile</td>
<td>200</td>
</tr>
<tr>
<td>Russia/Belarus</td>
<td>193</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>117</td>
</tr>
<tr>
<td>Mexico</td>
<td>117</td>
</tr>
<tr>
<td>Trinidad/Tobago</td>
<td>111</td>
</tr>
</tbody>
</table>
U.S. Fertilizer Imports from Row, 2002

- Russia/Belarus: 1291 metric tons
- Trinidad/Tobago: 438 metric tons
- Saudi Arabia: 394 metric tons
- Qatar: 289 metric tons
- Bahrain: 216 metric tons
- Venezuela: 178 metric tons
- Egypt: 160 metric tons
- Lithuania: 88 metric tons
- Morocco: 72 metric tons
- Kuwait: 31 metric tons
Gains to Trade
Exports, Imports, Farm Income

- U.S. Agricultural Exports to W.H. Countries Up 8% After Full Phase-In to $600 million
- U.S. Agricultural Imports from W.H. Countries Up 6% to $850 Million
- U.S. Farm Income Up $200 Million/Year

Sector Impacts

- More Exports of Corn, Soybeans, Cotton
- More Imports/Competition for Sugar, Peanuts, Citrus, Some Vegetables
- FTAA Likely to $4.0 Billion to U.S. GDP/Year

So What for Texas?

- More Exports & Potential for Higher Prices
- Access to Lower Cost Inputs
- More Competition in Some Sectors
  - Sugar, Peanuts, Textiles, Maybe Cotton
  - Meats-But Sanitary Issues Critical
  - Winter Vegetables & Some Fruit Products: SPS Important
- Opportunity for Input on Agreements as ‘Fast Track’ is Implemented
Issues for Texas

- Are More Trade Agreements a Desirable Outcome?
- Without CAFTA & FTAA, U.S. Market Access Limited
- Even with Agreements, No Guarantee of Strong Export Growth
- Political & Economic Stability Disrupt Trade
- With or Without Agreements, More Trade Disputes Certain
Center for North American Studies

“Informed Decisions for Global Change”

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