



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

University of Nebraska - Lincoln

DigitalCommons@University of Nebraska - Lincoln

Cornhusker Economics

Agricultural Economics Department

9-6-2000

AGRICULTURE, TRADE AND THE WTO

E. Wesley F. Peterson

University of Nebraska-Lincoln, epeterson1@unl.edu

Follow this and additional works at: http://digitalcommons.unl.edu/agecon_cornhusker



Part of the [Agricultural Economics Commons](http://digitalcommons.unl.edu/agecon_cornhusker)

Peterson, E. Wesley F, "AGRICULTURE, TRADE AND THE WTO" (2000). *Cornhusker Economics*. 880.
http://digitalcommons.unl.edu/agecon_cornhusker/880

This Article is brought to you for free and open access by the Agricultural Economics Department at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Cornhusker Economics by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

AGRICULTURE, TRADE AND THE WTO

Market Report	Yr Ago	4 Wks Ago	9/1/00
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.	\$65.81	\$63.98	\$64.52
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	83.66	*	91.25
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	86.32	101.04	99.61
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.	102.02	100.39	99.42
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	34.00	44.50	41.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	22.32	34.50	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	108.00	123.25	118.06
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	76.25	87.00	72.75
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	177.00	185.00	168.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu.	2.93	2.72	2.95
Corn, No. 2, Yellow Omaha, bu.	1.71	1.39	1.53
Soybeans, No. 1, Yellow Omaha, bu.	4.57	4.18	4.71
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	3.21	2.75	2.83
Oats, No. 2, Heavy Sioux City, IA, bu.	1.16	1.18	1.18
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.	87.50	115.00	107.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	35.00	77.50	67.50
Prairie, Sm. Square, Good Northeast Nebraska, ton.	*	75.00	82.50
* No market.			

The Uruguay Round (UR) of trade negotiations, conducted under the auspices of the General Agreement on Tariffs and Trade (GATT), ran from 1986 to 1994. The final UR agreement brought agriculture under the full discipline of the GATT for the first time. It also established the World Trade Organization (WTO) which incorporates all of the earlier agreements included in the GATT as well as the Agreement on Agriculture and several other components. These agreements were officially signed in Marrakesh, Morocco in 1995 and entered into force that same year after they were ratified by national governments, including that of the United States.

The Agreement on Agriculture (AA) included new rules for international trade in four areas. The first, market access, requires countries to change non-tariff barriers such as import quotas to tariffs which are reduced modestly (24 to 36 percent). A tariff is a tax on imported goods that raises their price and protects domestic producers from competition from lower-cost producers in other countries. A second component of the AA targets export subsidies, such as the U.S. Export Enhancement Program (EEP) or the European Union's (EU) export refunds, which are also reduced modestly. The third element is aimed at restricting the use of trade-distorting domestic policies such as price supports. The final component establishes rules for the use of sanitary and phytosanitary (SPS) trade barriers. The SPS agreement requires that such barriers be consistent with international conventions or, if they are more restrictive than such conventions, that they be based on scientific evidence.

It is under this final part of the agreement that the United States won a dispute resolution case against the EU's ban on imports of meat treated with hormones. Despite losing the case, the EU has refused to alter its policy and the United States has been given the green light by the WTO to impose retaliatory tariffs on the EU which



it has done. In general, the AA represents a fairly modest step in the direction of liberalizing world agricultural markets. Article 20 of the AA requires that a new round of agricultural negotiations be undertaken before the expiration of the agreement in 2001. New negotiations are also required for the agreement on trade in services.

Many countries, including the United States, hoped to launch a new round of trade negotiations that would include not only the required talks on agriculture and services but also a broad range of other topics. The delegates who met in Seattle, Washington in December 1999 to set the agenda for these talks were unable to reach agreement and the next full round of trade negotiations is still up in the air. The failure of the Seattle meeting was due to a conflict between the industrialized and developing countries. The United States and several other high-income countries called for making access to their markets contingent on tighter environmental and labor standards in low-income countries. The developing countries correctly saw the suggested higher standards as a type of protectionism aimed at preventing their producers from being able to compete on the markets of the wealthy, industrialized countries. During the Seattle talks, an odd collection of well-meaning environmentalists, anarchists, labor union activists and others whose sole purpose was to disrupt the city through confrontations with the authorities organized street demonstrations that occasionally turned violent. These demonstrations had nothing to do with the failure of the talks which foundered on technical conflicts of interest between wealthy and low-income countries.

Even though the delegates in Seattle were unable to agree on an agenda for a broad round of negotiations, the agricultural negotiations required by Article 20 of the AA have begun. On March 23-24, 2000, the agricultural negotiators reached agreement on a timetable for the first phase of the negotiations. The WTO secretariat agreed to compile information on the impacts of the AA on agricultural trade to be reported at the second meeting held June 29-30, 2000. It was also determined that countries could begin submitting proposals for the negotiations and that these proposals would be accepted up to the end of the year. Further meetings were also scheduled for September and November, 2000 and March 2001. Although no date was set for concluding the talks, the goal is to have a new agreement in place before the old one expires.

The primary objective for the new agricultural agreement is to continue the process of trade liberalization with further cuts in import barriers (tariffs), export subsidies and trade-distorting domestic policies. In addition, there are several issues related to developing countries, biotechnology and a European concept, "multifunctionality," that are likely to occupy much of the delegates' time. Many developing countries want special arrangements so that

they can protect their large rural populations from external disturbances. Other developing countries, such as the members of the Cairns Group, which includes such countries as Brazil, Argentina, Thailand and Indonesia, are major food exporters and seek greater access to European, Japanese and North American markets.

Biotechnology issues primarily concern genetically-modified organisms (GMOs). Many Europeans oppose such innovations as Bt corn or Roundup-Ready soybeans and would like to be able to amend the SPS agreement so that they could prevent imports of such products without violating WTO rules. Clarification of the rules on GMOs is a high priority for U.S. negotiators. Finally, European politicians have coined a new term emphasizing the many roles that agriculture plays. Multifunctionality refers to the fact that farmers not only produce food but also a series of rural amenities such as attractive country-sides for which they are not compensated. The EU delegates believe that the concept of multifunctionality can be used to justify the EU's highly protectionist agricultural policies and wish to introduce specific language into the agreement allowing subsidies based on this concept. The United States opposes this idea.

As in the case of the UR, the current agricultural negotiations are likely to be controversial, pitting the protectionist interests of the Europeans and Japanese against the aspirations of the United States and the Cairns Group for greater trade liberalization. The WTO maintains a very useful web page on the agricultural negotiations that includes background documents, press releases and reports on the progress of the discussions, at: www.wto.org/english/tratop_e/agric_e/negoti_e.htm

E. Wesley F. Peterson, (402) 472-7871
Department of Agricultural Economics, UNL