International Trade from U.S. Agriculture's Perspective

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The future economic well-being of American agriculture is closely tied to our competitiveness in an expanding global market. The importance of trade to the future of American agriculture has been emphasized under the 1996 Farm Bill, with the reduction in support of farm programs. U.S. producers will depend on exports for an estimated 35 percent of gross receipts by the year 2003. U.S. policy must reflect a strong commitment to expanding world markets.

The importance of trade is underscored by America's shrinking share of the world's population. Americans now comprise only 4 percent of the world's population and are experiencing minimal population growth, while many of the countries that we trade with are experiencing significant population growth. To add to this phenomenon, is the growing strength of the middle class. The power of emerging middle classes world-wide, made up of consumers with the ability to shift their consumption patterns, have become a critical factor driving consumer markets. In India, for example, there will be 115 million new members of the middle class by 2005. In China, there will be 196 million more members of the middle class by 2005. These new middle class consumers around the world represent a booming potential market for our farm products.

The Farmland System has developed business strategies revolving around expanding world markets. During the past six years, the Farmland System's international sales have grown from less than $200 million to over $4.1 billion. In Mexico, since the passage of the North American Free Trade Agreement (NAFTA), our trade has increased from less than $50 million in 1992 to $450 million in 1998.

Globalization is a fact, not a policy. It has been a fact for several years. Today, we can easily understand that information and knowledge is blind to national boundaries, language differences, and our own human uniqueness. The same is true for other items that are traded across borders. The thirst for a better life does not end at our borders, but begins at our shores. While there is qualified need to have a responsible trade policy; in the end, it is the desire and demand of the world's consumers which will determine the level of international integration we may reach.

Today, we must talk about establishing the trade agenda for tomorrow, the value and importance of trade to everyday people, and about defining the vision of trade as a sound, worth, and necessary long term policy.

As we begin 1999 and prepare to enter the 21st century, it is vital to our nation's farmers and ranchers that we build a freer and fairer world trade system. We must also realize that liberalizing trade allows markets to expand more rapidly.
The United States will host its first ever WTO trade ministerial in December this year in Seattle. This ministerial will serve as the beginning for the new negotiations on agriculture and other sectors in the WTO. The implementation of the Uruguay Round Agreement on agriculture provides for further negotiations in the areas of market access, domestic supports and export subsidies. Each commodity will have its specific recommendations, but let me outline the following items of common interest.

Agriculture supports comprehensive trade negotiations with the use of expedited action and timeliness for the conclusion with a single undertaking of the next round of negotiations. Agriculture supports:

- Elimination of export subsidies
- Tariffs must be further reduced
- State Trading enterprises must evolve to full price transparency and eventually to free market entities

The rules governing sanitary and phytosanitary measures must continue to be strongly based on science

Assure trade in genetically modified organisms is based on fair, transparent, and scientifically acceptable rules and standards

- Dispute settlement mechanisms must be shortened and there must be an end to the process. If countries are permitted to disregard dispute settlement findings, producers will not have confidence in the multilateral trading system

NORMAL TRADE AUTHORITY (FAST TRACK)

If American agriculture is to be successful in these negotiations it is critical that our negotiators have normal trade authority or fast track.

Every President has had this authority since 1974. It is important that this Administration and future Administrations have this full authority.

While the United States is waiting on the sidelines our competitors continue to enter into new agreements. In the Western Hemisphere alone there have been over 40 agreements and we are the party of two.

The Administration, Congress, and the business and agriculture communities must work together to support fast track.
America has been the world's leader in economic and trade policy for decades. The question before us is will we be the world's leader in the 21st century or will we give this role to our competitors.

SANCTIONS

A major issue for American agriculture is the proliferation in the use of unilateral economic sanctions by the United States. In the last five years, the United States has imposed sanctions approximately 60 times. These sanctions represent nearly 70 percent of the world's population and is estimated to cost the United States nearly $20 billion.

Agriculture has felt the effects of embargoes and sanctions policy. The results have been the same: lost sales, lost market share, increased competition, and our reputation as a reliable supplier.

Sanctions cost U.S. agriculture $500 million in lost exports in 1996. But more importantly, sanctions have removed 13.8% of the world's rice market, 9.8% of the world's wheat market, 4.8% of the world's vegetable oil market, 5.2% of the world's barley market, and 3.4% of the world's corn market from U.S. producers.

Agriculture strongly supports reforms in our nation's sanctions policy which includes:

- Exempt food, medicine, and agriculture from unilateral sanctions.

- Sanctions reform legislation proposed by Senators Lugar, Kerrey, and Hagel and Congressmen Crane and Dooley which establishes a framework for consideration of future U.S. unilateral sanctions. Before imposing a unilateral sanction, Congress and the President would be required to consider: the likely effectiveness of the proposed sanction; the objective of the sanction; economic costs for American agriculture and industry; and potential alternatives.

This will be a major trade issue for American agriculture. We believe that our foreign policy should promote American agriculture, not hurt American agriculture.