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Regional and Multilateral Trade Negotiations

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Market Report	Yr Ago	4 Wks Ago	2/27/04
Livestock and Products, Average Prices for Week Ending			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	$79.15	$80.54	$82.24
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	83.50	96.34	95.24
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	89.53	105.09	108.05
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	120.00	122.54	124.45
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	35.00	43.25	43.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	40.50	*	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	94.07	114.89	103.24
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	*	*	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	180.60	182.73	196.17
Crops, Cash Truck Prices for Date Shown			
Wheat, No. 1, H.W. Omaha, bu	3.63	3.84	3.78
Corn, No. 2, Yellow Omaha, bu	2.28	2.52	2.86
Soybeans, No. 1, Yellow Omaha, bu	5.66	7.82	9.38
Grain Sorghum, No. 2, Yellow Kansas City, cwt	4.28	4.66	5.11
Oats, No. 2, Heavy Minneapolis, MN, bu	2.33	1.74	1.78
Hay, First Day of Week Pile Prices			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	150.00	130.00	130.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	77.50	55.00	55.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	115.00	*	*

* No market.

In 2002, The U.S. Congress passed legislation giving the executive branch of the government authorization to participate in international trade negotiations. Trade Promotion Authority (previously known as "Fast Track Negotiating Authority") stipulates that ratification of trade agreements negotiated by the office of the U.S. Trade Representative will be voted either up or down with no amendments by Congress which, under the U.S. Constitution, is the body empowered to enter into foreign treaties and agreements. Trade Promotion Authority was allowed to lapse in 1994 after completion of the North American Free Trade Agreement (NAFTA) and the Uruguay Round Agreement of the World Trade Organization (WTO).

Trade negotiations are always aimed at reducing barriers to international trade. Trade barriers can take many forms, but they all have the effect of either taxing or subsidizing traded goods and services. For the most part, trade liberalization, the lowering of trade barriers, should be thought of as a policy to reduce taxes. The process of trade liberalization has resulted in impressive economic gains around the world, although world trade is a long way from being fully free of trade barriers. There are two basic types of trade negotiations, multilateral and bilateral or regional. Multilateral trade negotiations are conducted within the WTO, which now includes 146 members (there are about 200 independent countries in the world). The goal of multilateral trade negotiations is to establish rules to govern international trade that are applied equally and without discrimination in all member states. Bilateral or regional trade agreements, in contrast, are efforts to free up trade between two countries or among some set of countries and are inherently discriminatory. In the context of a regional trade agreement such as NAFTA, for example, Canadian trade barriers applied to goods and services from the United States or Mexico are lower than the barriers applied to the same goods from other countries.

With the passage of the Trade Act of 2002 granting

Trade Promotion Authority, the U.S. administration has entered into multilateral, regional and bilateral trade talks. U.S. trade representatives had been involved in some of the early WTO discussions of agriculture and other issues that are now included in the negotiating mandate of the Doha Round of multilateral trade negotiations launched in November of 2001. The 2002 Trade Act meant that U.S. negotiators could participate more actively in these talks. The Doha Round addresses an ambitious set of issues including new rules for agriculture, intellectual property rights, services, investment, the environment and many more. In September 2003, the delegates to the Doha talks met in Cancun, Mexico to take stock and plan the rest of the negotiations. No agreement was reached at that meeting as delegates from developing countries walked out after they saw that the United States, European Union and Japan were unwilling to discuss reducing agricultural subsidies and other forms of agricultural protectionism. The Doha Round continues but it does not seem likely that a final agreement will be reached by the original deadline in 2005. (For more information on the Doha Round, go to www.wto.org).

Although the multilateral talks are stalled, there has been much activity on regional and bilateral agreements. Bilateral agreements with Chile and Singapore were ratified by Congress and signed by the President in 2003, an agreement with Australia is under consideration by Congress, and negotiations with Morocco are under way. Negotiations have also begun with five countries in Southern Africa (Botswana, Lesotho, Namibia, South Africa and Swaziland). U.S. trade barriers on goods exported by African countries were almost entirely eliminated by the African Growth and Opportunity Act of 2000, so the agreements with Morocco and the Southern African countries will mainly involve reducing their barriers to U.S. exports. Under the proposed agreement with Australia, duties on almost all U.S. exports to that country, including $400 million of agricultural exports, will be eliminated. In return, the United States will have to open its markets to Australian exports. For agriculture, this will require some changes in beef and dairy trade policies. Australia is a major sugar exporter, but the agreement does not require the United States to make any special changes to its protectionist sugar policies. (For more information on all of these agreements, go to www.ustr.gov).

The most controversial trade agreement presently being debated in congress is the Central American Free Trade Agreement (CAFTA) between the United States and Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador. There are many global activists who feel that trade agreements harm developing countries or lead to job losses in the United States. Similar concerns were expressed when NAFTA was under consideration. The evidence seems pretty clear that the critics have overstated the negative aspects of trade agreements and underestimated the positive effects. Economic analysis has shown that NAFTA led to small overall economic gains for all three member states. (For information on the effects of NAFTA on U.S. agriculture, go to www.ers.usda.gov/Topics/view.asp?T=104214). As with many other agreements between the United States and developing countries, U.S. trade barriers on goods from the Central American countries are already low so the main effect of the agreement would be to open markets in these countries. The United States already accounts for 41 percent of the CAFTA countries' agricultural imports with U.S. exports valued at $1 billion in 2002 (http://www.ustr.gov/new/fta/Cafta/2004-04-09-agriculture-overview.pdf). The agreement would increase access to this growing region for U.S. agricultural products.

All of the trade negotiations discussed above are aimed at opening markets for a wide variety of goods and services including agriculture. In most cases, U.S. agriculture should benefit from increased market access because the countries involved (CAFTA, Morocco, Southern Africa, Chile and Singapore) are already important markets for U.S. agricultural goods, and their agricultural exports generally do not compete with those of the United States. In the case of Chile, for example, fresh fruit and vegetable exports are made during the North American winter and do not directly compete with similar products produced in the United States during the summer. Australia is a major agricultural producer and competitor for the United States, but the agreement includes safeguards for sensitive U.S. sectors (beef, dairy and sugar) while opening up new markets for processed foods, soybeans, pork and certain fruits and vegetables. Overall, it is likely that the effect of these agreements on U.S. agriculture will be fairly small but clearly positive.

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