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## *Fast Track and Agriculture*

# What's at Stake for Corn?

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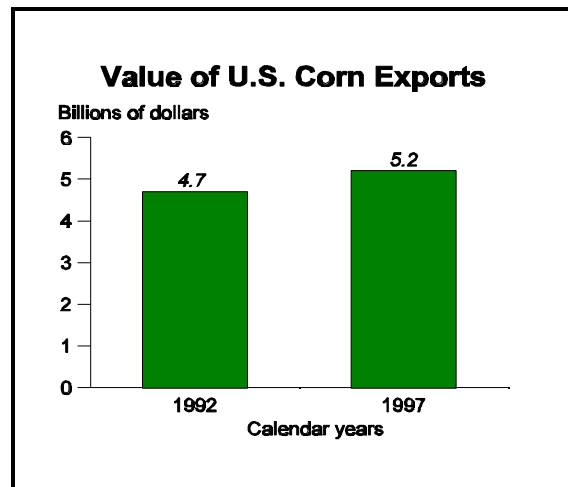
Future export prospects for corn depend, in large part, on the U.S. ability to maintain and expand market access, ensure fair competition, and further level the international playing field for U.S. producers and exporters. Fast track legislation under consideration by Congress would renew the President's authority to negotiate comprehensive new trade agreements aimed at achieving these objectives. Any trade agreement reached under fast track would still require congressional approval. Fast track authority is viewed as essential for U.S. negotiating credibility and success on several major trade fronts in the WTO, Latin America, Asia, and elsewhere.

### Why Trade Matters for U.S. Corn

U.S. corn exports totaled nearly 2 billion bushels in 1997, down slightly somewhat from five years ago (1992). However, export value topped \$5.1 billion- up more than 10 percent. Over that period, exports to Japan--the largest U.S. market--rose over 25 percent in value, and exports to South Korea and Mexico nearly doubled. Much of the growth in these and other markets was assisted by the Uruguay Round/WTO implementation and NAFTA.

At a time when our domestic farm policies are requiring U.S. farmers to rely more heavily on market forces for their income, open markets and expanded sales opportunities abroad are

increasingly important. The last two years over 22 percent of U.S. corn production has moved into export, up from 18 percent just 10 years ago.



### How Trade Agreements Expand Market Opportunities

Trade agreements have opened markets, reduced unfair competition, brought some discipline to sanitary-phytosanitary barriers, and introduced more effective dispute-settlement procedures in global trade. These agreements have helped to expand export market opportunities for U.S. corn in a number of ways.

# U.S. corn exports to the Philippines set new records in 1996/97, as the Uruguay Round Agreement required tariffication of a corn import ban. The resultant import demand was primarily met by U.S. corn (nearly 16 million bushels worth).

- # Under NAFTA, Mexico was required to convert its discretionary licensing system into a tariff-rate-quota. This guarantees access for about 115 million bushels of U.S. corn annually.
- # The WTO rules on phytosanitary measures and other technical barriers help discourage countries from establishing trade distorting policies. This is particularly important for U.S. corn given the increasing use of genetically modified crops.

### **Why Further Trade Negotiations Are Needed**

Despite the progress already achieved, trade liberalization is far from complete. U.S. corn producers continue to face an array of tariff and nontariff barriers, unfair trading practices, and preferential trading arrangements in key markets around the world. A few examples follow.

- # Argentina is expanding its preferential trading arrangements to encompass most of South America's corn importers. Without similar tariffs and access negotiated for U.S. corn, we stand to forfeit much of the market growth in these key markets to Argentina.
- # MERCOSUR members (Brazil, Chile, Paraguay, Uruguay) can buy Argentine corn duty-free. U.S. corn faces an 8 percent import tax.
- # In Honduras and Venezuela, phytosanitary permits are used as de facto import licenses.
- # The European Union still maintains prohibitively high tariffs against corn imports.
- # Thailand and the Philippines have corn import quotas that are used to protect domestic growers, but are constraining growth of livestock feeding in those countries.