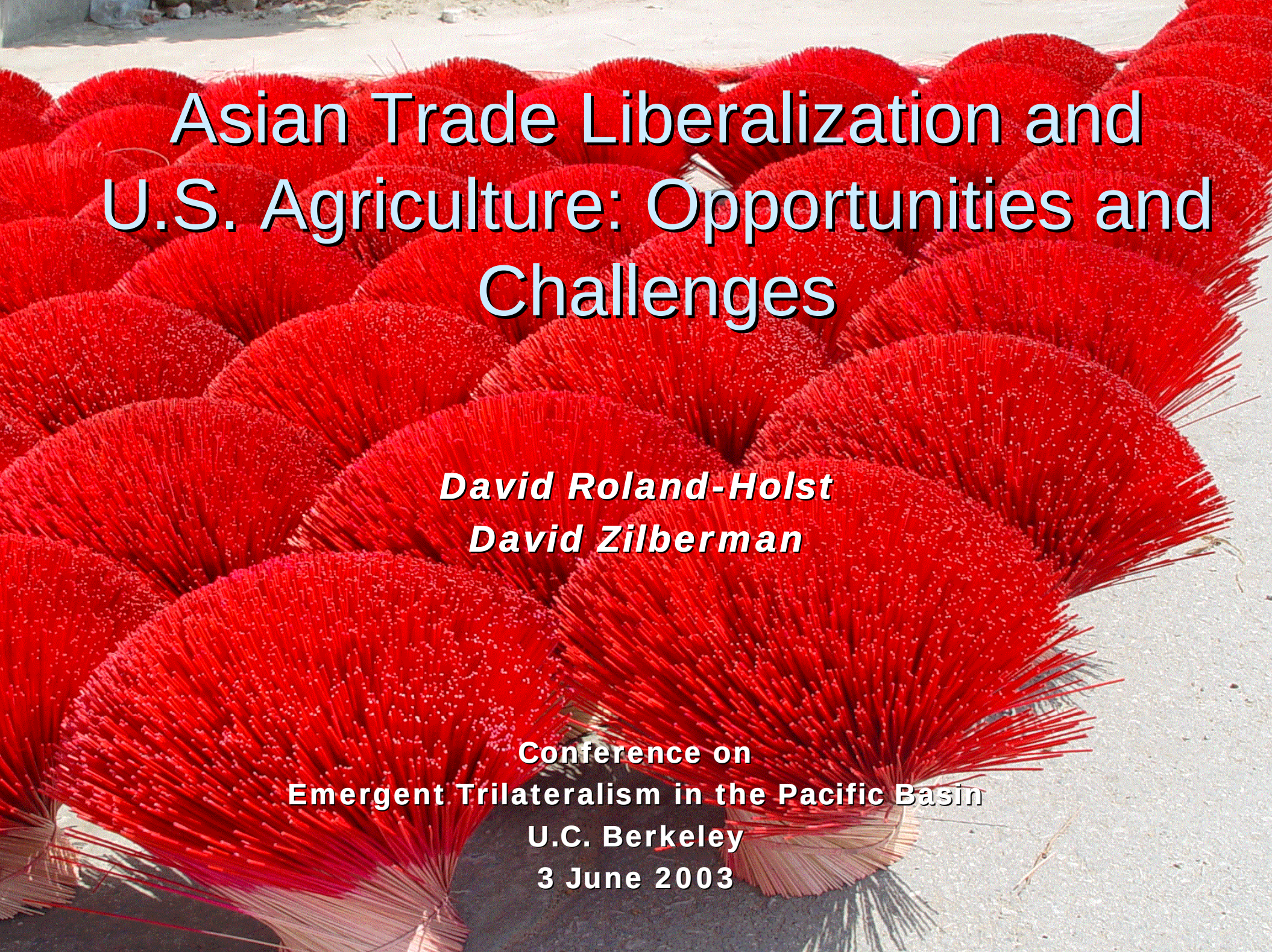

Asian Trade Liberalization and U.S. Agriculture: Opportunities and Challenges

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Contents

Introduction

- The landscape of international agricultural trade will change rapidly in the coming decade, and U.S. farmers have an opportunity to reap large gains from this.
- The current round of World Trade Organization (WTO) negotiations is a watershed event for global agriculture.
- For the first time in history, significant agricultural protection is on the bargaining table, including over $300 billion of direct and indirect farm support in OECD countries.

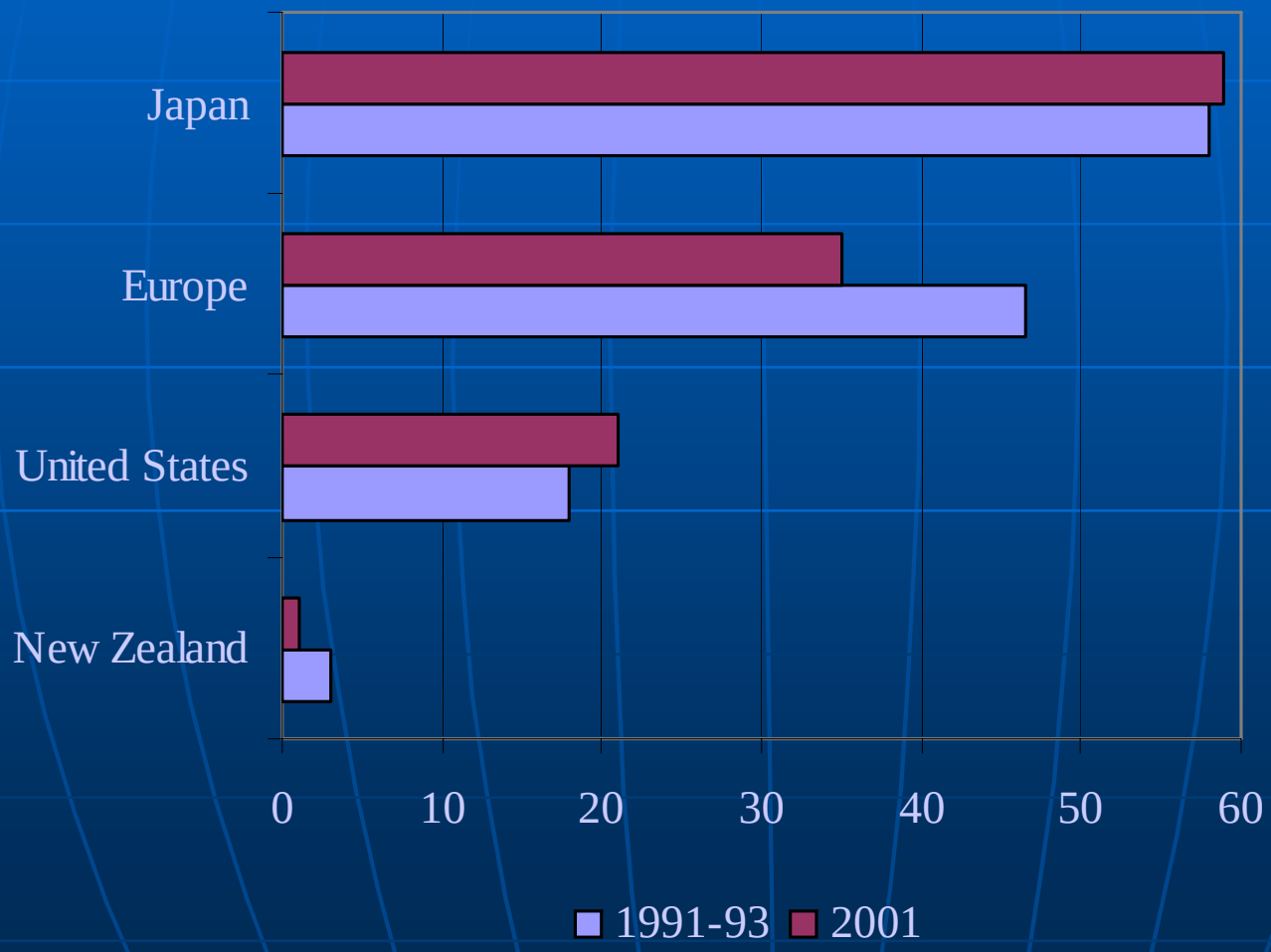
Introduction

As a whole, United States agriculture stands to gain from further trade liberalization for two reasons:

1. U.S. average protection levels for farm and food products are lower than those of our major trading partners (Europe, Japan, and Korea)
2. The way we support agriculture at home is less trade distorting.

Agricultural Subsidies

(percent of producer price)



Introduction

If significant OECD agricultural protection is ultimately removed, we identify two major new opportunities for U.S. farm and food exports:

1. China
2. High income Asian countries

II. Scenarios for Trade Liberalization

1. **Baseline** – Business as usual, with status quo protection levels and consensus macroeconomic growth rates (see Table 3.7).
2. **CWTO** – China implements its WTO commitments and abolishes all trade protection by 2005.
3. **GTL** – Global Trade Liberalization – A reference case of universal tariff abolition. By 2005, all nominal trade barriers are removed, as are measurable ad valorem equivalents of non-tariff barriers (including PSE distortions on agricultural and food products

Global Trade in Food and Agricultural Products

(percentage change from Baseline in 2010)

Commodity	Scenario	
	CNWTO	GTL
Rice	28.8	227.4
OthCereal	18.9	76.6
Fruit&Veg	2.5	37.1
Veg. Oils and Seeds	17.3	64.7
Sugar	2.7	98.6
Plant Fiber	4.1	16.1
Other Crops	1.0	18.8
Meat&Dairy	2.6	117.1
Wool&Silk	15.8	35.8
Other Foods	2.0	83.1
Beverage	10.7	108.1
Forestry	5.5	8.1
Fishery	1.1	8.5
All AgFood	6.2	75.5

U.S. Exports of Food and Agricultural Products

(percentage change from Baseline in 2010)

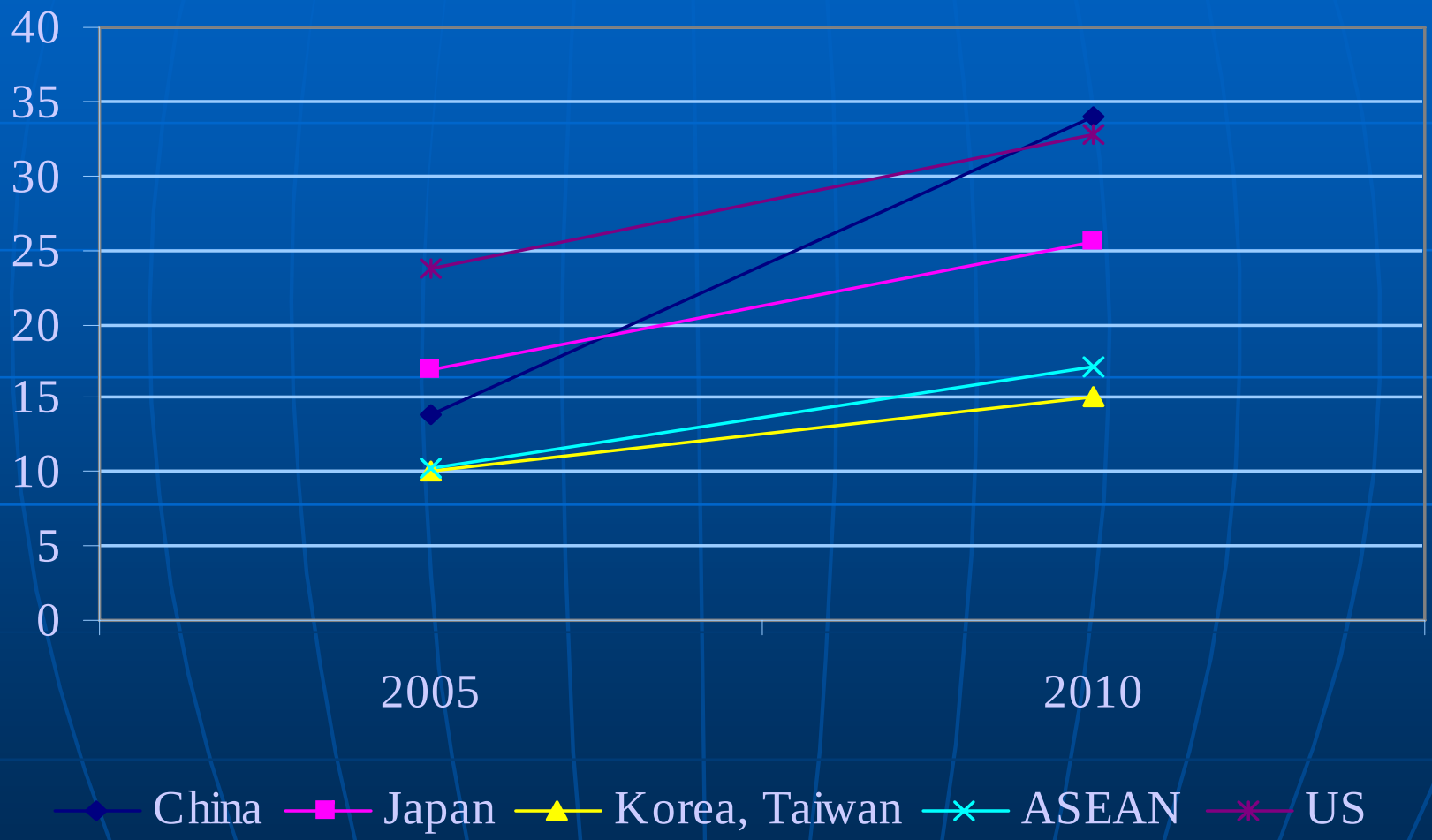
Commodity	Percentage		USD Millions		% Global Growth	
	CNWTO	GTL	CNWTO	GTL	CNWTO	GTL
Rice	1.4	227.8	6	1,018	.3	5.1
OthCereal	2.5	-12.8	209	-1,051	3.1	-3.6
Fruit&Veg	5.8	70.6	211	2,582	13.9	12.0
Veg. Oils and Seeds	49.5	72.5	3,946	5,781	35.4	13.9
Sugar	1.0	162.1	1	108	.2	.7
Plant Fiber	7.3	22.9	162	508	26.6	21.3
Other Crops	2.8	46.8	68	1,129	11.0	10.2
Meat&Dairy	15.7	101.4	1,738	11,214	55.3	7.7
Wool&Silk	-.9	-4.0	-0	-0	.0	.0
Other Foods	1.5	84.7	186	10,254	6.6	8.4
Beverage	29.7	331.7	3,124	34,945	47.9	49.6
Forestry	.8	6.4	10	74	.8	4.1
Fishery	3.3	26.8	17	142	10.4	11.8
All AgFood	16.0	110.4	9,678	66,703	25.4	13.8

III. Agricultural Trade with China

- Our results indicate that China's completion of WTO commitments will stimulate growth and change its trade orientation toward significant food import dependence.
- The primary drivers of this process are per capita income growth and Engle effects.

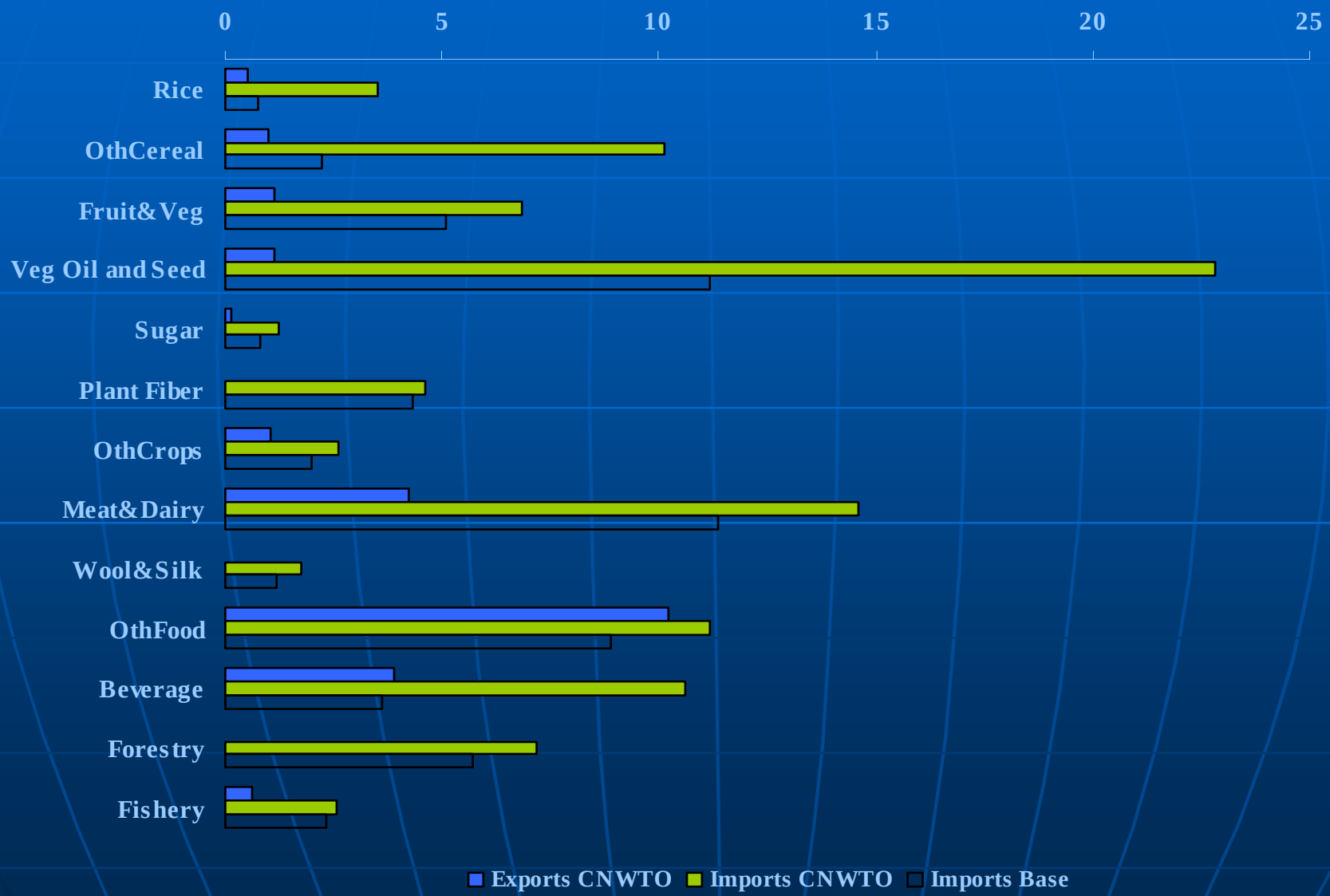
Projected Agricultural Imports

(Baseline, billions of 1997 USD)



Chinese Agricultural Trade

(USD 1997 billions in 2010)

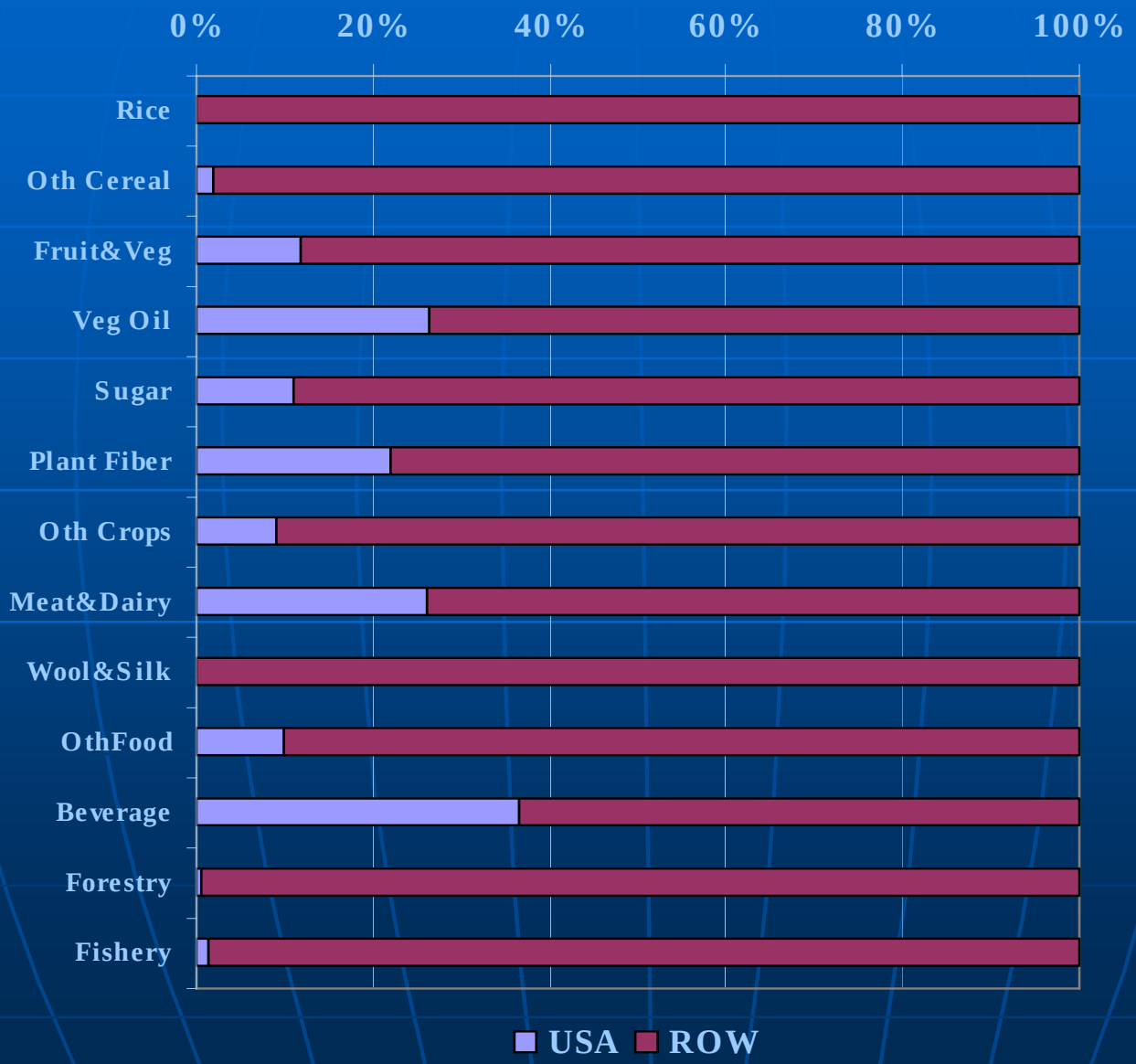


Chinese Imports of U.S. Products

- U.S. exports and export shares increase in most categories, especially Meat & Dairy, Processed Food, and Beverages.
- In cereals, U.S. farmers are crowded out by lower cost SE Asian rice farmers and Cairns group wheat.

U.S. Share in Chinese Agriculture Imports

(CNWTO in 2010)

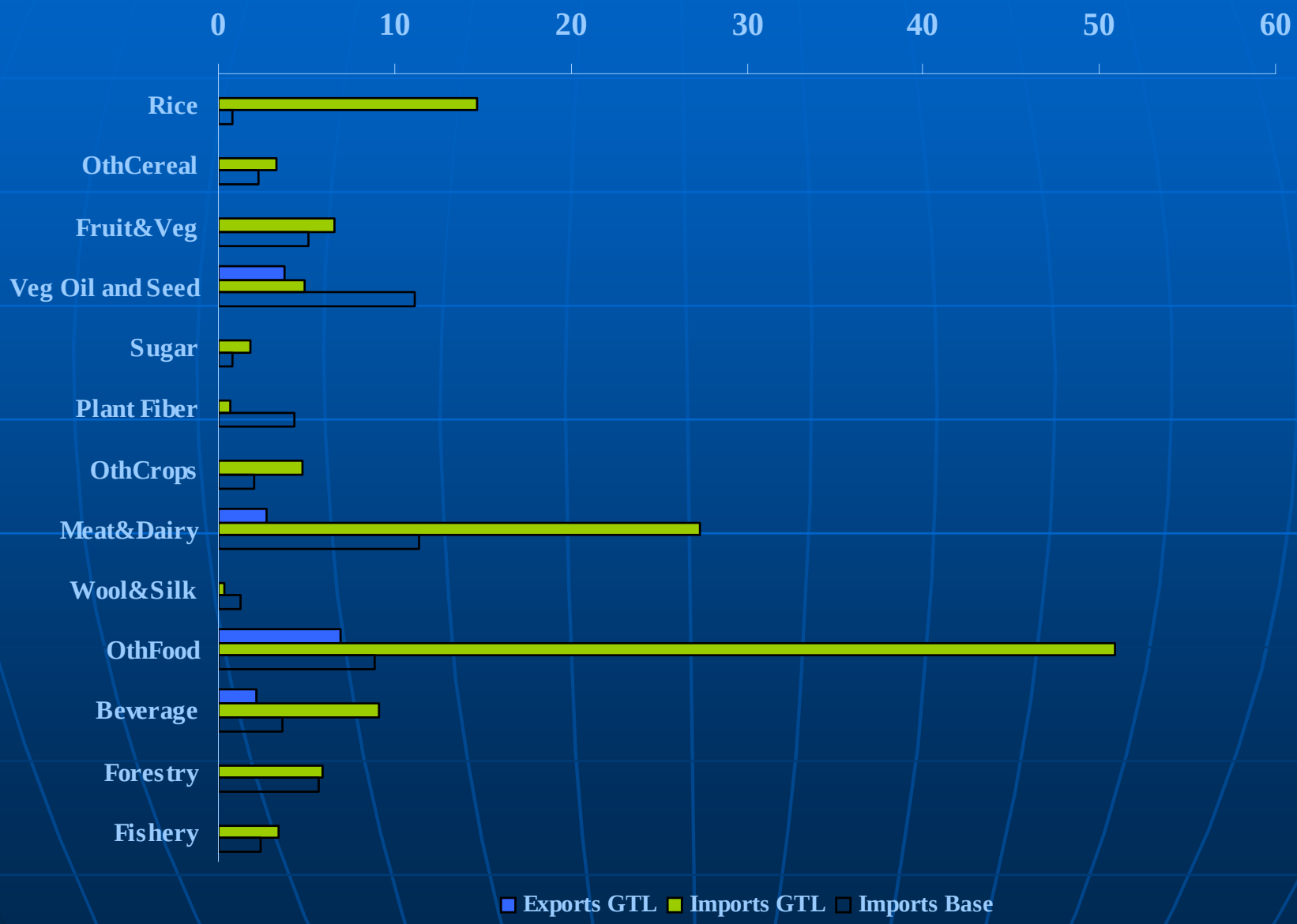


IV. Japanese Farm and Food Imports - GTL

- Given the scale of prior protection, it is hardly surprising that imports increase very sharply.
- Rice, Meat & Diary, and Processed Food see most of the absolute growth, which far exceeds the value of new Chinese imports in the same categories.

Japanese Agricultural Trade

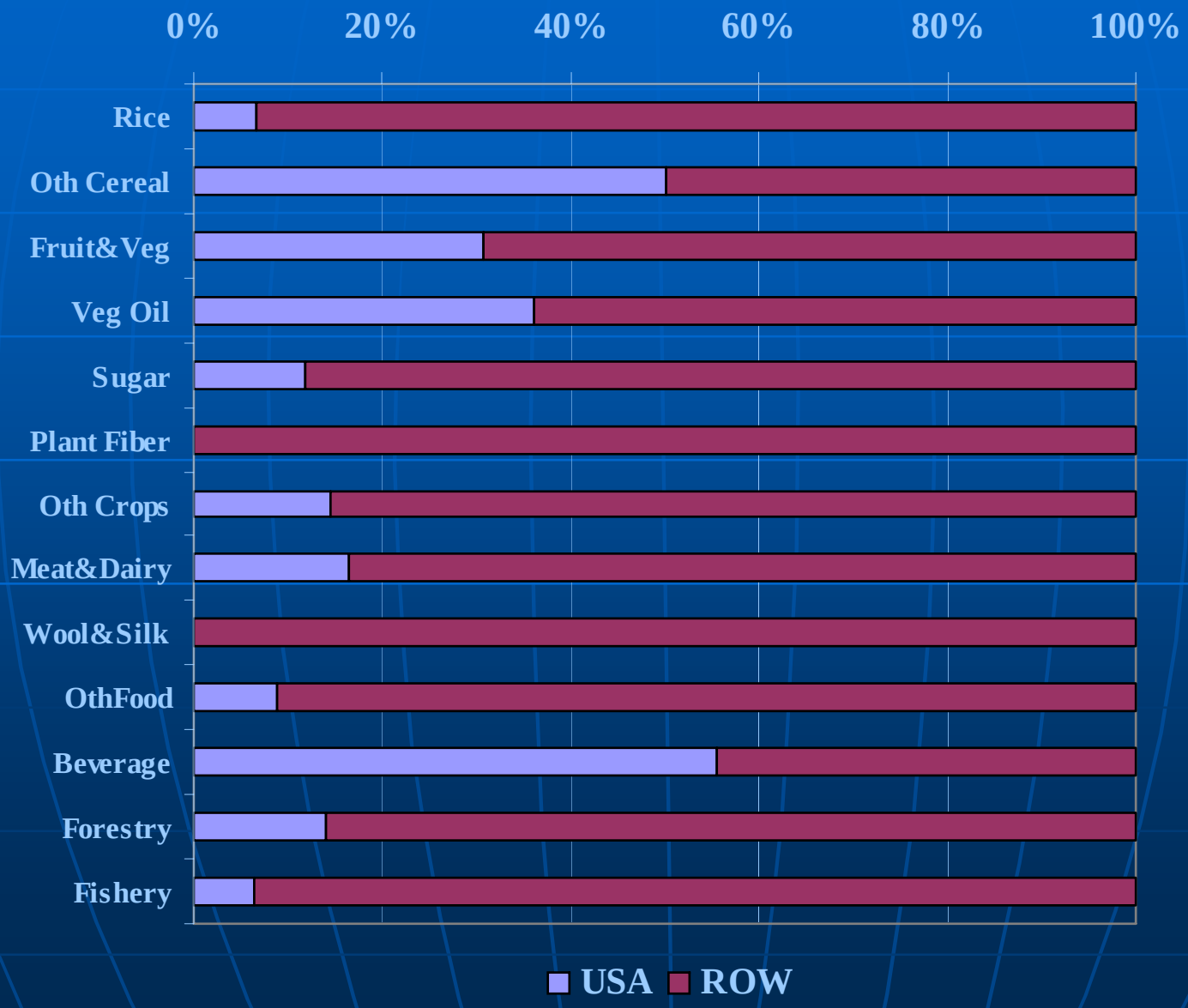
(USD 1997 billions in 2010)



U.S. Agricultural Trade with Japan

- Exports increase robustly in most categories, with greater absolute than for the Chinese market.
- Higher price/quality categories (e.g. rice) benefit.
- Still, in the largest categories of Japanese import growth, U.S. market share is held below 20%.

U.S. Share in Japanese Agriculture Imports
(GTL in 2010)

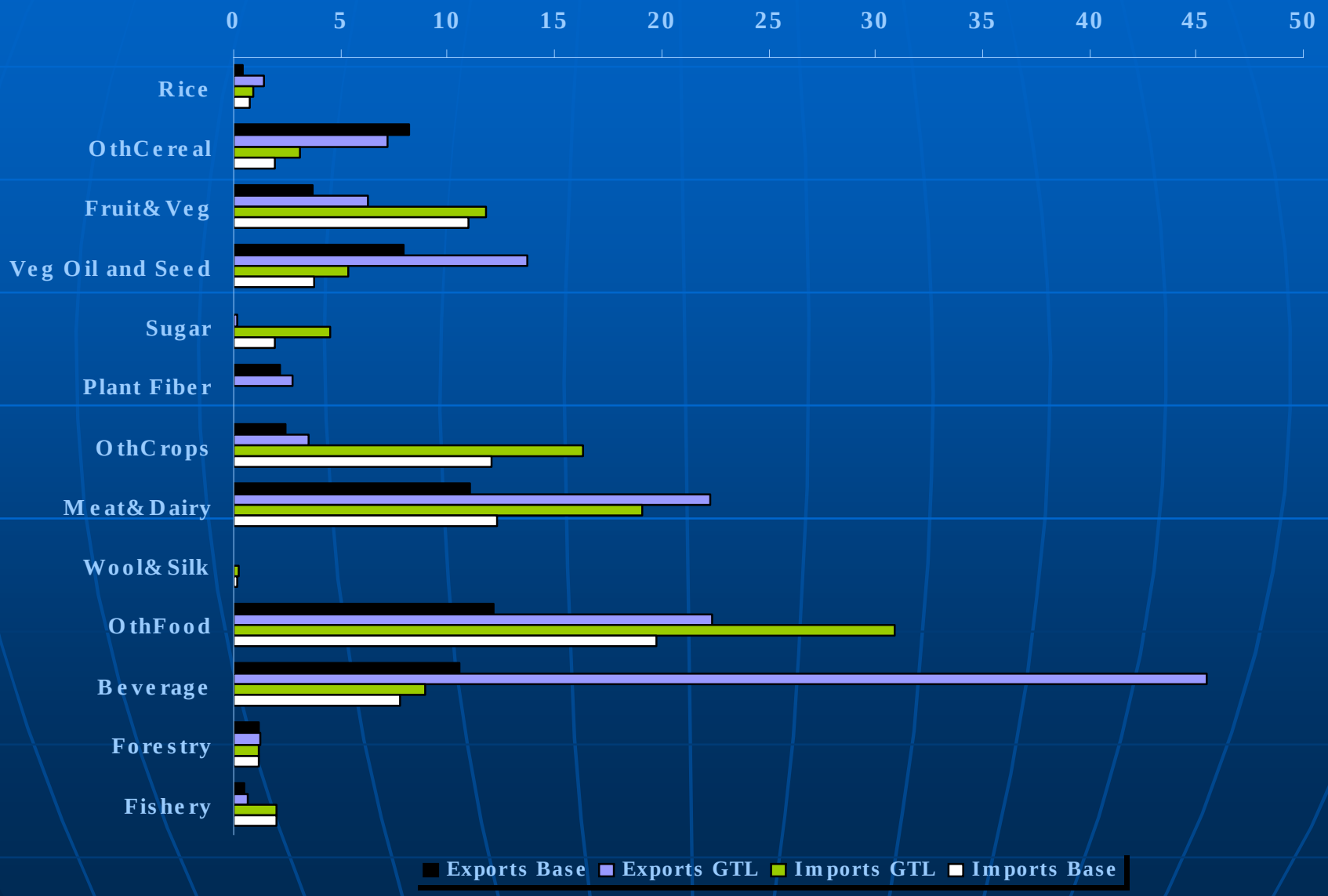


U.S. Farm and Food Exports Globally

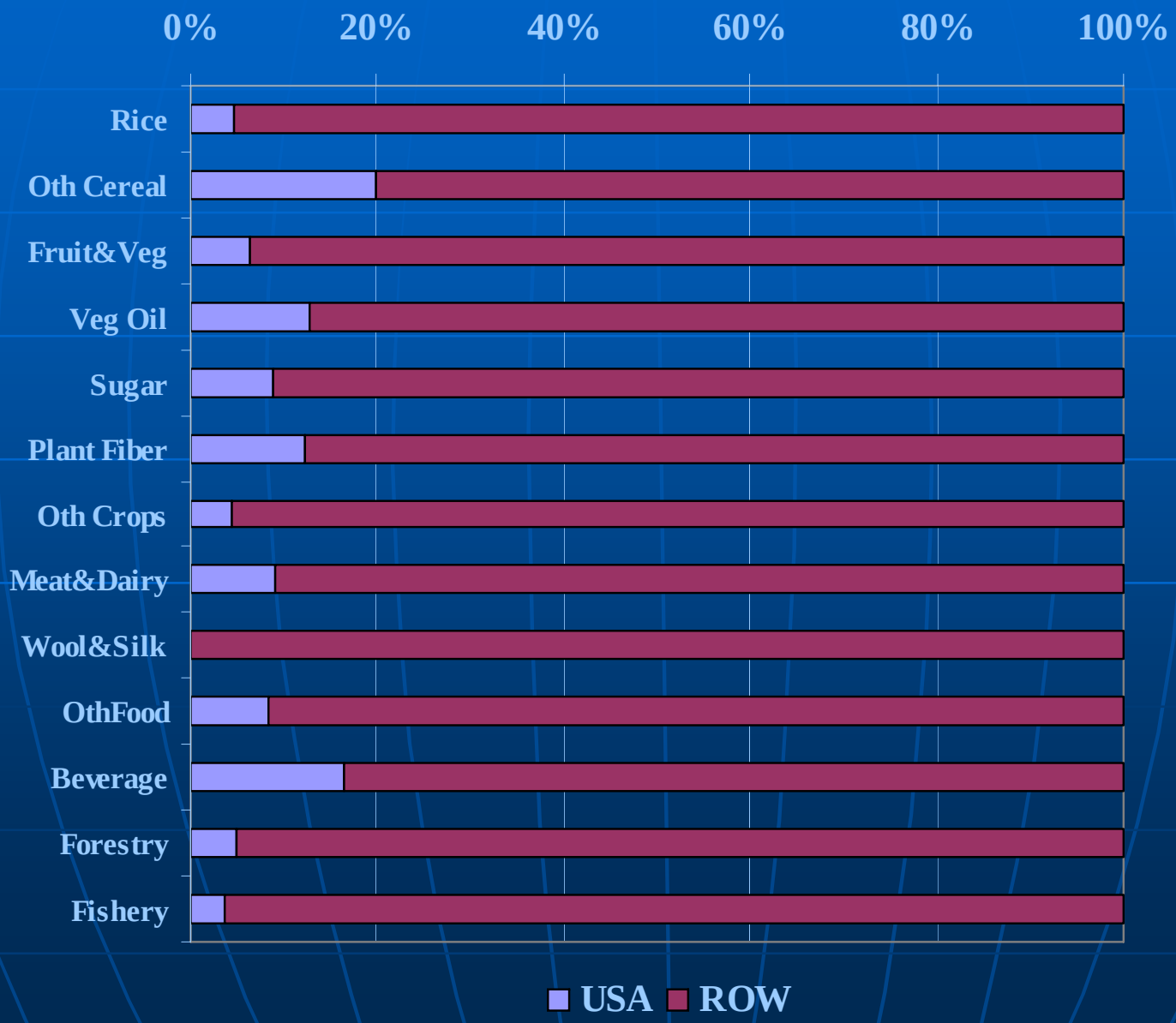
- Under the GTL scenario, U.S. exports expand in all product groups considered except non-rice cereals.
- In relative terms, however, U.S. export shares decline in most categories
- Except in Beverages, all agricultural export shares are below those of U.S. output as a whole (17%).

U.S. Agricultural Trade

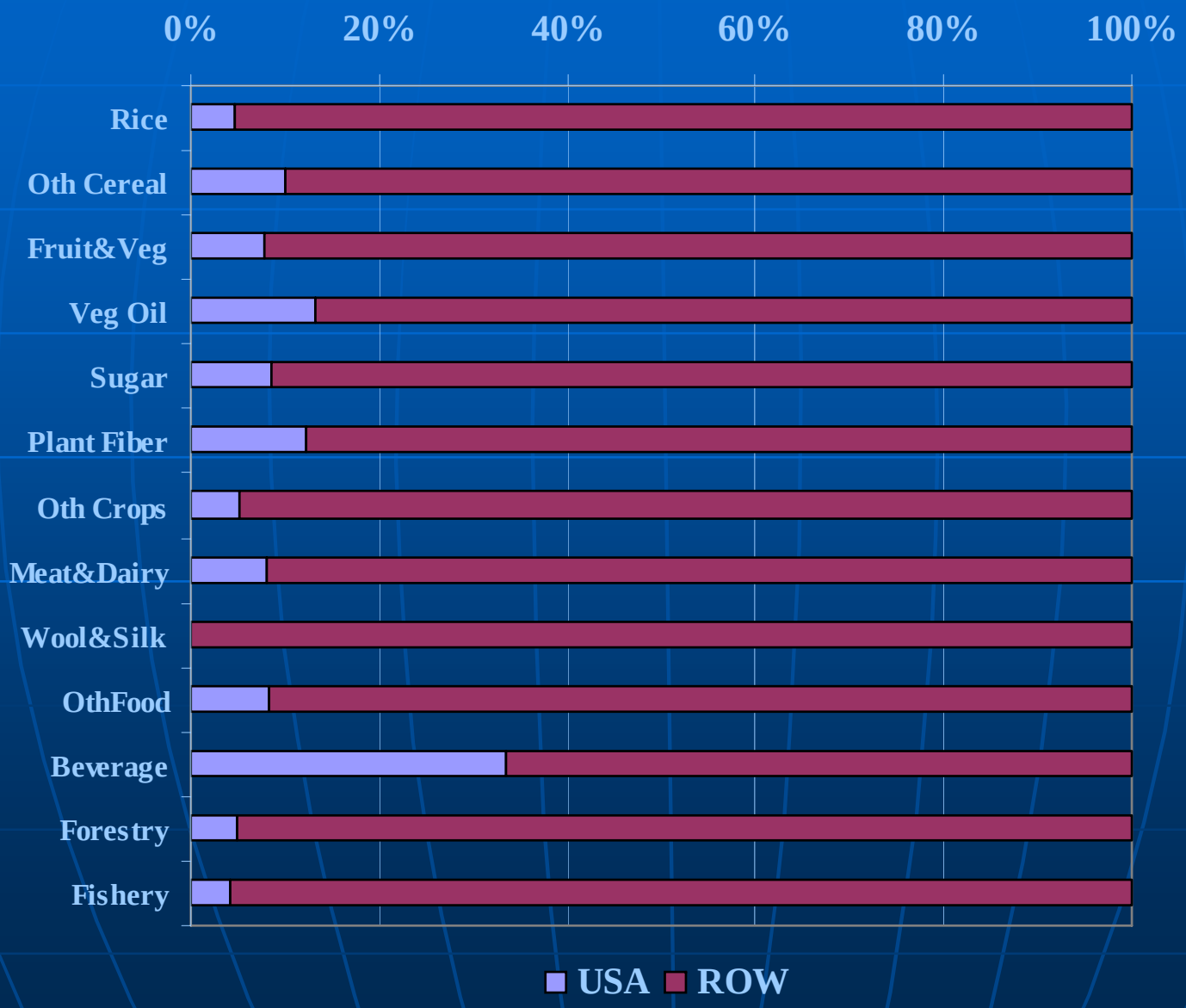
(USD 1997 billions in 2010)



U.S. Share in Global Trade
(Baseline in 2010)



U.S. Share in Global Trade
(GTL in 2010)



V. Conclusions

1. Doha talks on global farm and food trade liberalization hold significant promise for U.S. producers:

- U.S. average protection levels for farm and food products are lower than those of our major trading partners (Europe, Japan, and Korea)
- The way we support agriculture at home is less trade distorting.

Conclusions

2. East Asian markets appear to be very promising:

- China's WTO accession and growth could significantly accelerate U.S. exports.
- High income Asia, such as Japan and Korea, could reduce import barriers to open very large new markets.
- The gains of new access to old markets appear to exceed those of new markets.

Conclusions

3. Despite absolute export gains, the U.S. may be an under-achiever in agricultural globalization:

- Our results indicate that most of these market shares will recede with the advance of open multilateralism.
- Indeed, the U.S. share of global exports in most farm and food products is below its aggregate export share.