The Heritage Foundation Executive Memorandum

No. 762 July 30, 2001

Trade Promotion Authority: Good for Farmers, Good for Consumers, Good for America

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Although America is the world's largest agricultural exporter and second largest agricultural importer, it has been sitting on the sidelines of the global agricultural playing field. The reason: The President lacks the trade negotiating authority from Congress to close trade deals that will benefit the American farmer. Trade promotion authority (TPA) is critical because it gives negotiating partners the assurance that any deals they conclude with the Administration will be considered by Congress in a straight up or down vote without being subject to endless, and possibly crippling, amendments. Without TPA, the President's ability to negotiate trade deals has been severely limited, as America's trading partners have been less willing to gamble on the outcome.

The U.S. House of Representatives will soon consider H.R. 2149, the Trade Promotion Authority Act of 2001. Providing trade promotion authority to the President is especially important for agriculture, since one out of every three acres of crops planted in America is exported. It is time for Congress to demonstrate to the world that America is serious about its stated commitment to trade by granting TPA for the President.

Why TPA Is Needed. Today, the United States is party to only two of the world's 130 trade and investment agreements. Consequently, agricultural trade is being diverted from U.S. markets. The United States is currently negotiating a trade agreement with Chile, which already has a bilateral trading arrangement with Canada. Until the U.S.–Chile bilateral agreement is approved, America will continue to lose valuable trade with Chile to Canada.

Produced by the
Centers for International Trade and Economics (CITE)

Published by
The Heritage Foundation
214 Massachusetts Ave., NE
Washington, D.C.
20002–4999
(202) 546-4400
http://www.heritage.org

This paper, in its entirety, can be found at: *www.heritage.org/library/execmemo/em762*.html

According to Secretary of Agriculture Ann Veneman, "Canada is now taking market share from us in wheat and potatoes because they have lower tariffs in Chile than we do." In other words, while America's farmers and manufacturers wait for Congress to make up its mind on TPA, countries are concluding agreements that steer global agricultural trade away from American producers and consumers.

How TPA Would Benefit Americans. Each year, according to the Montana Department of Agriculture, "one American farmer produces food and fiber for 129 people—97 in the U.S. and 32 abroad. One fourth of the world's beef and nearly one-fifth of the world's grain, milk, and eggs are produced in the United States." This huge market share would not exist if prior Presidents had not been granted the authority to negotiate important free trade agreements. For example:

- After signing the General Agreement on Tariffs and Trade (GATT) at the Uruguay Round in 1993, Japan lowered its tariff on blueberries from 10 percent to 6 percent, and South Korea and the Philippines lowered tariffs on soybeans. These products are among Michigan's most important agricultural exports, and in 1999 accounted for $782 million in sales and supported nearly 12,000 jobs, according to the U.S. Department of Agriculture (USDA).

- As a large exporter of citrus products, California's farmers benefited when Japan also lowered its tariffs on oranges. California was America's largest agricultural exporter in 1999, with sales of nearly $7 billion.

- Following the implementation of the North American Free Trade Agreement (NAFTA) in 1994, Mexico eliminated import licensing for wheat and is now phasing out tariffs. This benefits farmers in Montana, whose agricultural exports brought in $228 million in 1999. Almost half of that amount—$163 million—came from sales of wheat, Montana's largest agricultural export.

- Lower tariffs on wheat and soybeans also help South Dakota and Kentucky. According to the USDA, these two products are among South Dakota's top agricultural exports, supporting over 15,000 jobs. Exports from Kentucky increased more than 122 percent between 1993, just before NAFTA went into effect, and 1998.

- The U.S. Department of Commerce reports that "Farmland Industries of Kansas City, the largest farmer-owned cooperative in North America, sold $50 million in wheat, corn, and soybeans to Mexico before NAFTA. Today exports have grown to $450 million and include beef and pork."

Thus, as the American Soybean Association points out, "[t]he effects of the NAFTA can be seen on both a micro and macro level. On the micro level, you can now walk into a supermarket in Mexico and see agricultural products produced in the USA. On the macro level, NAFTA generated over $9 billion of agricultural trade between Mexico and the United States in 1996." U.S. trade agreements clearly benefit American farmers with increased opportunity and American consumers with increased choices and lower prices on imported products.

But there is still much work to be done. According to the Office of the U.S. Trade Representative, the average global tariff on agricultural products is 62 percent, compared with an average tariff on non-agricultural products of just 4 percent. The President needs TPA in order to negotiate lower tariffs and barriers to trade on agricultural products.

Conclusion. As Secretary of Agriculture Veneman explains, "the long-term prosperity of the U.S. food and agriculture sector depends on our ability to stay ahead of the competition in the global economy. One of the most important tools we have in the struggle to remain competitive is Trade Promotion Authority. Only with TPA can we continue to create new market opportunities for U.S. food and agricultural products in growing, and competitive, global markets."

The next ministerial meeting of the World Trade Organization is scheduled for November in Qatar. If the United States is to lead the effort to promote further opening of markets during this meeting round, it is essential that the President have TPA. Without it, U.S. agricultural products will continue to be disadvantaged by high tariffs, quotas, and other non-tariff barriers to trade.

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