

The Impact of the WTO and Bilateral Trade Agreements on U.S. Farm Policy

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Introduction

U.S. farm policy exists within the constraints of the World Trade Organization (WTO), particularly the Uruguay Round Agreement on Agriculture (URAA). The URAA restricts the amount that can be spent on export subsidies and on trade-distorting domestic support. The bound tariffs for agricultural goods also have an impact on the farm support programs through their impact on the price of imported products. Greater market access abroad is likely to translate into less need for price and income support at home. In addition, the URAA obliges countries to notify the WTO of the levels of domestic support under agreed headings and these notifications (though currently lagging by several years) are open to scrutiny and objections by trading partners. Thus trade-distorting policies in other countries are constrained, again having an indirect impact on U.S. farm policy.

Though the URAA specifically relates to agricultural programs and trade policies, other aspects of the WTO are of actual or potential importance.¹ One of the most significant is the Agreement on Subsidies and Countervailing Measures (SCM), which governs all subsidies. The clause in the URAA that sheltered agricultural subsidies from challenge under the SCM expired in 2003, and since that time the provisions have applied to a range of agricultural programs.² Another is the Sanitary and Phytosanitary Agreement (SPS), which obliges WTO members to base health and safety standards on scientific risk assessment. For certain sectors of agriculture, particularly livestock and fruits and vegetables, rules that ensure sound science-based import regulations in other countries are of considerable importance (Josling, Roberts, and Orden 2004).

To a significantly lesser extent, domestic policies are also influenced by bilateral and regional trade agreements.³ Such agreements allow farm products to be imported relatively free of tariffs from the partner countries. Bilateral and regional agreements sometimes include provisions that go beyond the scope of the WTO to cover other aspects of trade. And they may set up institutions

¹ As a part of the set of WTO Agreements, the URAA is subject to litigation under the Dispute Settlement Understanding that also emerged from the Uruguay Round.

² Other aspects of the WTO, not discussed in this paper, include the Agreement on Trade-Related Intellectual Property (TRIPS), which covers patents for agricultural biotech and geographical indications for foods and wines, and the Technical Barriers to Trade Agreement (TBT), which attempts to prevent the use of standards and labels from being used as a disguised trade barrier. In addition, the WTO Anti-Dumping Agreement is sometimes invoked in agricultural disputes.

³ Regional trade agreements and bilateral trade agreements as referred to here include those agreements that result in essentially free trade on a reciprocal basis. Preferential trade agreements, which grant nonreciprocal access to other countries, and commodity-specific agreements are not discussed in this paper. In addition, the United States has a large number of Trade and Investment Agreements that may influence some overseas markets for U.S. agricultural goods.

and cooperative arrangements that confine U.S. unilateral policy action to a certain extent. But the impact on the United States is mainly through price effects on commodity markets. Where the partner countries are important producers of farm products that compete with domestic production, there could be an effect on the quantities coming on to the market. Price levels may, however, not fall, if imports are still needed from third countries. In that case, the partner gains by being relieved of the tariff.

There is also a degree of complementarity between multilateral and regional trade agreements: they are two aspects of trade policy and their effects may be cumulative. Multilateral agreements can influence the trade environment for other negotiations, by lowering the level of tariffs on imports from all other countries (known as MFN rates).⁴ In addition, they assist by imposing disciplines on export subsidies and on domestic programs, both areas where regional solutions are problematic. Bilateral and regional pacts in turn can expand the set of countries with similar aims in multilateral talks, thus increasing the likelihood that the United States will be effective in advancing its own ideas. For these reasons, the influences of multilateral and regional agreements are often difficult to disentangle.

This paper focuses on the constraints that multilateral and bilateral trade agreements so far have had on the programs and politics of the agricultural sector and whether the constraints are likely to have a greater or lesser impact in the future. These constraints show up as:

- legislative changes that are required by trade agreements;
- constraints on policy directions and instruments to avoid incompatibility with such agreements;
- the influence on commodity markets that arise from the requirements for preferential access and the corresponding export opportunities that open up; and
- the influence on longer-term strategic directions of farm policy.

In judging the impact of WTO rules on the conduct of U.S. farm policy, it is useful to bear in mind the extent to which transgression of those rules are likely to bring effective sanctions. This depends on the extent to which trading partners make the decision to challenge policies that they believe are both against their economic interests and likely to be supported by a WTO panel. The former condition is related to the state of trade relations, on a bilateral or multilateral level. The latter can evolve with experience of the interpretations of successive panels. At present there is considerable discussion in other countries of following the lead of

⁴ The degree of preference granted under a Free Trade Agreement (FTA) [[is this correct? “FTA” stands for “Free Trade Area” in other places in the paper, but that doesn’t make sense to me if used here]] is reduced by a cut in the MFN tariff, limiting the benefit that preferred exporters receive. But the lower tariffs can make the negotiation of the FTA easier.

Brazil, which successfully challenged U.S. upland cotton subsidies (see Sumner 2007). On the other hand, it is not clear that a series of challenges would be as successful, either in terms of the opinion of other panels or in terms of the willingness of domestic legislators to modify policy accordingly.

This paper attempts to answer such questions as: to what extent has the trade rules that were negotiated in the WTO or embedded in regional agreements had an impact on the content and conduct of U.S. farm policy? Have they changed the set of instruments used and the levels of support given? Have they modified the scope for such instruments and the way in which farm policy works? Have they changed the political and economic objectives of farm policy, and the strategic options for achieving those objectives? Or have they largely been irrelevant to the key decisions and have only been allowed to operate within the space defined by domestic legislation? Is it likely that the impact of trade agreements on domestic policy will increase in future? Or has the maximum extent of international restraint on domestic policy already occurred?

The paper finds that WTO rules (though not the rules in regional and bilateral agreements) have had a noticeable impact on the direction of U.S. domestic farm policy. They have changed the set of instruments used and the levels of support given. They have modified the scope for such instruments and the way in which farm policy works. And they have changed the political and economic environment of farm policy, and the strategic options for achieving policy objectives. However, they have only been allowed to operate within the space defined by domestic legislation. This paper argues that it may be necessary to take a broader look at the impact of trade agreements on U.S. farm policy. To be sustainable, farm policy must be compatible with other aspects of U.S. trade and economic policy, or at the least not be so incompatible as to put achievements in those other areas in jeopardy. If the United States decides to keep price-related subsidies such as loan deficiency payments and countercyclical payments, then conflicts between the WTO payment limits will become a frequent occurrence.

The paper proceeds as follows. The first section considers the impact of the Uruguay Round Agreement on Agriculture, starting from the obligations that the United States assumed when it agreed to the WTO. The second section examines the impact of regional trade agreements, such as the North American Free Trade Agreement (NAFTA), and more recent bilateral agreements, such as those with Chile, the Central American countries, and Australia. The third section speculates as to how these multilateral, regional, and bilateral influences are likely to change in the coming decade. The final section draws some conclusions.

The Uruguay Round Agreement on Agriculture: A Policy Framework

Background. Domestic farm policy, and the border measures that accompany it, have not historically been subject to significant constraints under the rules of international trade. The General Agreement on Tariffs and Trade (GATT) covered agricultural as well as manufactured trade, but made two significant exceptions to the general principles in the case of primary products. One was to provide an exception to the rule that all import barriers should be in the form of customs duties by allowing quotas and licenses in cases where

the domestic production of an agricultural product was subject to supply control (Article XI:2 (c)). Many countries relied on this clause to restrict imports by quantitative trade barriers when domestic markets were being managed. A prominent example were the quotas imposed by the United States under Section 22 of the Agricultural Adjustment Act (as amended) that mandated quantitative restrictions on imports of a number of goods whenever domestic programs were “materially interfered with” by imports.

The other exception was to specify different rules for export subsidies of manufactures and primary products. Though the original GATT subjected both primary and manufactured product export subsidies to the same notification and consultation procedures, in 1955 it was agreed to add an explicit prohibition on export subsidies on manufactured goods (Article XVI). Agricultural export subsidies were constrained only by the obligation not to use such subsidies to capture “more than an equitable share” of world markets. Successive GATT panels failed to come up with a satisfactory definition of this concept, and agricultural export subsidies in effect escaped any disciplines (Josling and Tangermann 2003).

The result of these two exceptions was that many instruments used by countries in support of their domestic agricultural sectors escaped effective scrutiny and discipline in the GATT. But this was exacerbated by the request by the United States in 1955 to be granted a waiver from the provisions of Article XI:2 (c) so that quantitative restrictions could be imposed regardless of whether there were internal supply control programs in place.⁵ By the 1980s it was clear that world markets were being distorted by the competitive subsidization of temperate zone farm products. A number of attempts to discipline export subsidies, particularly those employed by the European Economic Community (EEC) (later the European Union), by challenging such policies under the weak provisions of Article XVI failed. Moreover, it was increasingly clear that no disciplines in the GATT would be effective if they did not constrain domestic price support policies. So the United States, along with other exporting countries, insisted that the rules negotiated in the Uruguay Round of GATT trade negotiations (1986–1994) included more enforceable and coherent constraints on agricultural trade instruments and those aspects of domestic farm policy that distorted agricultural trade.

The New Rules. The Uruguay Round Agreement on Agriculture (URAA) came into effect in 1995 as a part of the Marrakesh Agreement that established the World Trade Organization. The URAA modifies and elaborates on those Articles of the General Agreement on Tariffs and Trade (GATT) that specifically dealt with agricultural trade.⁶ The Agreement also includes the country

⁵ The European Economic Community (EEC) also avoided GATT disciplines by choosing as their main instrument of border protection a “variable levy” (a tariff that changed frequently depending on the level of import prices, so as to stabilize domestic markets). Countries were unable to agree whether this constituted a customs duty or not, and was never bound in the GATT. The European Union (EU) also called its export subsidies “export restitutions” and for many years claimed that they were not covered by the GATT.

⁶ The scope of the URAA covers products in HS Chapters 1–24, excluding fish and fish products but including cotton, wool, hides, flax, hemp, and a few other products.

schedules that were appended to the WTO treaty. These schedules contained maximum permitted levels for export subsidies and for certain types of domestic subsidies, as well as commitments for the reduction of bound tariffs.

The central elements of the URAA are often referred to as the three “pillars”: market access, domestic support, and export competition. In all three areas, new rules were added and reductions in trade barriers were agreed. Together they form a comprehensive framework for the regulation of measures that restrict trade in agricultural products. U.S. farm policy must comply with these rules if it is not to risk challenge by other countries. On the other hand, competing agricultural exporters and those countries that are markets for U.S. farm goods also have to adhere to the rules. The full impact of the URAA includes the benefits that the United States might get from the restraint on other country’s policies as well as the restraints that are accepted for U.S. policy.

Market access rules include the conversion of all non-tariff import barriers (quotas and restrictive licenses) to tariffs. Moreover, it was agreed that tariff levels were to be bound and that tariff-rate quotas (TRQs—quantities that can be imported at a zero or low tariff) were to be established to maintain market access as “tariffication” took place. These TRQs were to represent “current access” in cases of existing trade or a “minimum access” of 3 percent of domestic consumption (rising to 5 percent over the implementation period) in cases where there were no imports in the base period. Tariffs were to be reduced from the base period (1986–1990) by an (unweighted) average of 36 percent, with a minimum cut of 15 percent for each tariff line, over a six-year period (1995–2000).⁷ In addition, the Agreement established a special safeguard regime (SSG) that countries could use to counter import surges or price drops in markets where they had newly established tariffs.

Domestic support was defined to include payments to farmers in addition to the transfers from consumers through border policies. These included deficiency payments, direct payments, administrative price systems, public research and extension programs subsidies based on compliance with environmental regulations, and other programs that benefited farmers directly.⁸ These elements of domestic support were put into three categories, which have become known as the Amber Box, the Blue Box, and the Green Box.

Amber Box measures were those tied to output or input prices or to current output levels. These were to be reduced by 20 percent (in aggregate) relative to the base period (1986–1990) subject to *de minimis* amounts that were excluded from the commitment.⁹ The Blue Box contained subsidies that were tied to supply control programs: such subsidies were regarded as less

⁷ The levels of tariff reduction and the requirements for market opening were included in the “Modalities” document that formed the basis for offers (draft schedules). This document ceased to be relevant after the schedules themselves had been agreed.

⁸ Deficiency payments are subsidies that make up the difference between the market returns and a pre-defined target price. Direct payments are paid in ways that do not depend on current output: the usual basis is acreage and yield in some base year. Administrative prices can also give a subsidy if the price level is kept above that which obtains in the market.

⁹ The Amber Box is here used to refer to all subsidies not in the Blue and Green Boxes, and therefore includes the *de minimis* payments that are excluded from AMS reduction commitments.

obviously output-increasing.¹⁰ There was no reduction obligation for Blue Box policies, but such subsidies were restricted to payments based on fixed acreage and yield or paid on a maximum of 85 percent of production. Green Box subsidies were defined as those unrelated to price and output (“decoupled”) and included research and extension, payments designed to compensate farmers for the cost of compliance with environmental regulations, and domestic food assistance programs. Both the general criteria (that they be provided from public funds and not act as price supports) and the specific criteria for each type of subsidy identified must be met. Those subsidies that qualified as Green Box payments were not constrained, though they had to be notified to the WTO Agriculture Committee.

The rules regarding export competition included a prohibition on new export subsidies and a reduction of existing subsidies by both volume and expenditure. A list of export subsidy practices that are covered is given in Article 9.1. Following the agreed Modalities, country schedules were drawn up that provided for reductions relative to the base period of 36 percent by expenditure and 21 percent by quantity subsidized. In addition, rules were made more explicit with regard to food aid and countries agreed to negotiate limits on export credit guarantees (government underwriting of sales to purchasers that might lack creditworthiness).

Monitoring Compliance. The constraints on policies related to market access are relatively easily monitored. Tariff schedules are the most transparent means of protection and it is rare that countries violate their obligations in this regard. Tariff rate quotas and the use of the special safeguard mechanism are somewhat more difficult to track, but have not been the subject of great controversy. Somewhat less transparent, but nevertheless monitorable, are the constraints on export competition: in particular, the quantitative limits to export subsidies. Both the expenditure on export subsidies and the volume of goods that could be exported with the aid of those subsidies were limited in the schedules.

WTO constraints on domestic farm policy are of a quantitative kind: any kind of domestic (non-border) subsidy is allowed, but they are subject to quantitative limits. These quantitative constraints are built in to schedules that were agreed upon in the Uruguay Round. Policy developments are monitored: violations of constraints can be subject to the dispute settlement regime, and thus may entail considerable political and financial costs. Economic costs could also mount if a dispute was not resolved and countries were allowed to “withdraw concessions” by raising tariffs in retaliation.

The monitoring is implemented through the Agriculture Committee of the WTO, and is based on “notifications” by members. On the face of it, there has been essentially full compliance with the quantitative constraints built in to the schedules agreed in the Uruguay Round, both by the United States and other Organisation for Economic Co-Operation and Development (OECD) countries.

¹⁰ The Blue Box category of subsidies was an outcome of the Blair House discussions between the EU and the United States in November 1992, and was designed to cover the case of U.S. deficiency payments and EU compensation payments, both of which were tied to acreage limitation programs (set-asides).

WTO members accepted an obligation to notify annually the payments made on domestic support under the Agreement on Agriculture. Early notifications were prompt, but after a few years they became somewhat tardy, impairing the usefulness of the Committee as a place for timely challenges and the exchange of information. When the agricultural negotiations started in 2000, and particularly after the Doha ministerial that launched the Doha Round in November 2001, notifications virtually halted.¹¹ The notifications for the years up to 2001 have now been submitted, but as policies have changed in the United States (with the 2002 Farm Bill), the EU (with the reforms of 2003), and Japan (with the new Basic Law), the notifications give an imperfect view of current conditions.¹²

U.S. Domestic Policy and the WTO Constraints 1995–2005. The United States, along with other countries, had to overhaul its instruments of farm support in light of the adoption of the URAA. Several changes in farm policy were included in the implementation legislation that was approved by Congress in 1994. Though the farm policy changes were significant, they did not result in any major conflicts with the objectives of farm policy. Nor did they cause any sudden change in farm incomes. In many respects they went unnoticed by the farm policy stakeholders.

In the area of market access, modifications to policy were the most extensive. The United States converted many quantitative trade restrictions, in particular the quotas that had been authorized by Section 22 as mentioned above. The Meat Import Laws that had given rise to “voluntary” export restraints on meat from New Zealand and Australia also were modified, and tariffs replaced these import arrangements. The United States resorted to the Special Safeguard provisions of the WTO Agreement on Agriculture on several of the products that underwent tariffication. In 1999, under the SSG, price-based duties were assessed on certain products (including fresh and frozen beef, sweetened milk, milk fats and oils, milk based drinks, cheeses, sugar, and peanuts); no volume-based actions were taken during that period.¹³ Occasional SSG measures have been applied since that time. Despite these changes in trade barriers, domestic prices were not markedly affected.

¹¹ A more effective if less formal monitoring process is carried out for the OECD countries through the annual Monitoring and Evaluation process. Indeed one could argue that the OECD has remained the preferred location for debate about agricultural policy changes.

¹² The United States, the EU, and Japan account for 88 percent of the total domestic support quantified in the WTO. Notifications for export subsidies are also delinquent, but as the EU accounts for over 90 percent of such subsidies, monitoring their spending on export subsidies is relatively easy. Breaches of export subsidy commitments have come from errors in notification in the base period rather than excessive payments in subsequent years. Monitoring market access is also lagging, and this makes it more difficult to monitor the effectiveness of TRQs in opening markets.

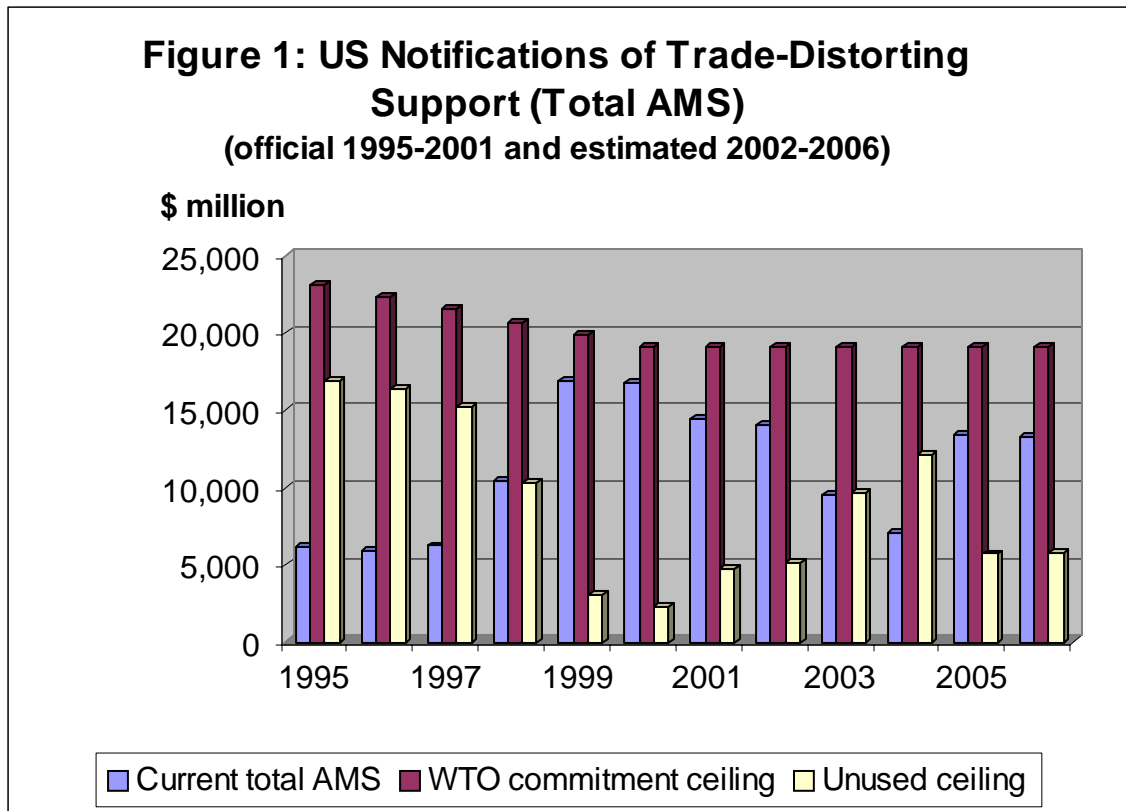
¹³ WTO document G/AG/N/USA/33 of September 15, 2000.

With respect to export competition, the constraint of the URAA was less significant. The United States notified 13 export subsidy commitments and spending on such subsidies fell somewhat as prices on world markets rose in 1995–1997, but jumped to \$147 million in 1998 before falling back to \$15 million by 2000. The products that were favored by subsidies included coarse grains and wheat, oilseeds, milk, beef, pork and poultry, as well as fruits and vegetables on an occasional basis. But export subsidies are no longer a major aspect of U.S. policy, with the exception of dairy products, and the economic impact of the residual spending on such subsidies has not been extensive. There are other export enhancement devices that have caused some concern among trade partners, including export credit guarantees that are given frequently to sellers of U.S. commodities to underwrite the commercial risks that would otherwise inhibit exports. But the URAA did not introduce disciplines on these export credit guarantees, and subsequent negotiations within the OECD did not result in any agreement on agricultural export credits. Disciplines on U.S. food aid were also largely ineffective: the URAA merely clarified practices that had been ongoing for some years.

In the area of domestic support, the URAA reached in to the realm of internal policies. Potentially, this aspect of the Agreement had the most impact on farm programs. The United States, along with some 30 other countries, committed to scheduled reductions of trade-distorting domestic support from 1995 to 2000. Countries were required to notify expenditure under several categories of domestic support. The domestic support commitments were implemented by means of a calculation of the Total Aggregate Measure of Support (AMS) for the base period. The AMS included market price support given by administered prices (calculated by a price gap relative to a reference price), nonexempt direct payments, and other subsidies. Exemptions included Green Box subsidies (minimally trade distorting) and Blue Box subsidies (subject to supply control), as well as an amount equal to 5 percent of the value of production for non-product-specific subsidies and 5 percent of the value of the output of an individual commodity for product-specific payments (known as *de minimis* amounts). The reduction commitments were applied to the Base AMS to give the annual commitment levels included in the country schedules, and each year the Current AMS is compared to this commitment. The extent to which disciplines on domestic support have influenced farm policies can therefore be judged in part by how close a country comes to the limit of its scheduled subsidies. The experience of the United States is discussed below.

The U.S. constraint on domestic support was derived from a base level (1986–1988) of \$23.9 billion. Taking into account the agreed 20 percent reduction, the limit on the Total Aggregate Measurement of Support (AMS) for 2000 and subsequent years was set at US\$19.1 billion (see figure 1). The base from which cuts in domestic support were made was a period of high subsidy costs. The 1996 FAIR Act in essence removed many of these constraints, at least temporarily, by moving much of the direct payments from the Blue to the Green Box. From 1995 to 2001 the United States did not reach the critical level of \$19.1 billion, with the largest AMS notification reaching \$16.9 billion in 1999. (For more detail, see appendix table A1). However, the trend has certainly been upward, with the emergency payments of 1998–2001 that increased payments notified under the Amber Box. Exemptions in the form of *de*

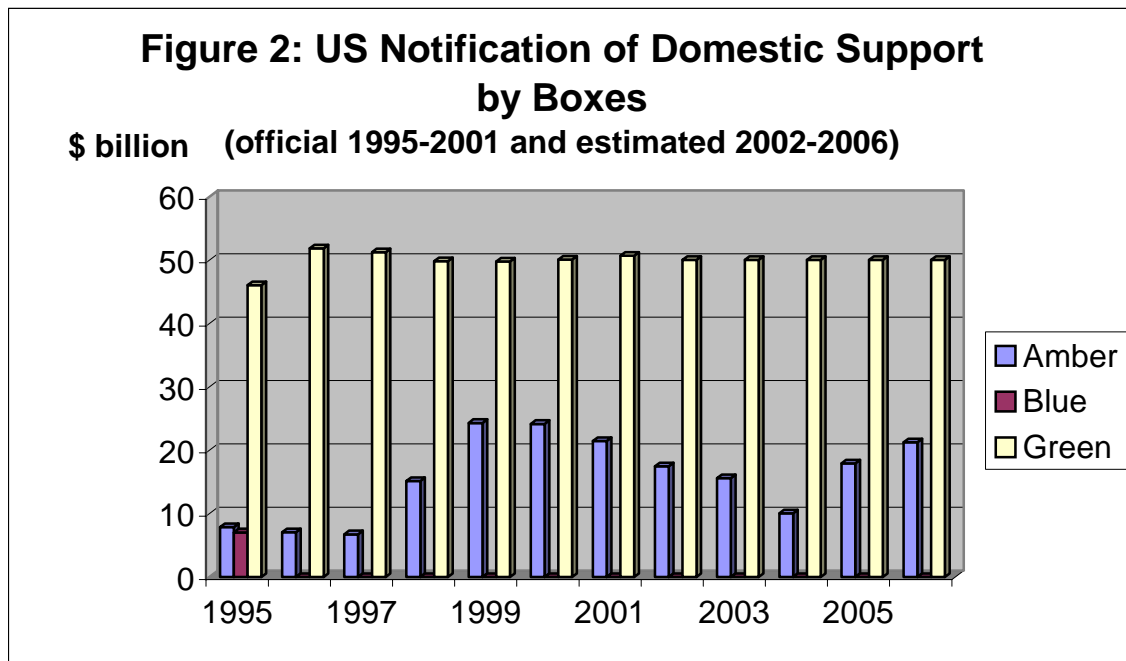
minimis payments rose steadily over the period, from \$1.6 billion in 1995 to \$7.4 billion in 1999.¹⁴ The share of the AMS limit that was “used” rose from 26 percent in 1996 to 88 percent in the year 2000, though it declined to 75 percent in 2001.



Source: WTO notifications, 1995–2001, and author’s calculations, 2002–2006.

¹⁴ Total available *de minimis* exemptions can reach 10 percent of the value of agricultural output, equal to about \$19.9 billion in 2001.

It is also useful to look at the notifications by the “Boxes” introduced in the URAA (see figure 2). Notified “Green Box” support, which is not limited under the WTO in terms of budgetary outlays, was about \$50 billion over the period, reflecting the stability of the major component: spending on the Food Stamp program.¹⁵ In addition, the Blue Box exemption, notified at \$7 billion in 1995, was not used in subsequent years. Together with the lack of constraints on the Amber Box, discussed above, it is reasonable to conclude that the domestic support limits were not materially influential in constraining U.S. farm spending.



Source: WTO notifications, 1995–2001, and author’s calculations, 2002–2006.

The picture has changed a little in more recent years. Though the latest notifications by the United States (and other major countries) to the WTO were for the year 2001, it is possible to construct plausible “notifications” for the years since that time. This was done by Sumner (2005), based on assumptions of which programs qualified under particular “boxes.” The “full” series of

¹⁵ WTO document G/AG/N/USA/36, June 22, 2001.

notifications for the period 1995–2006, combining the official notifications with these extrapolations, is shown in figures 1 and 2. (More detail is given in appendix table A2.)

The main change of interest over this time period has been an increase in AMS outlays since 2004, reflecting the expansion of loan deficiency payments (LDPs) and the introduction of counter-cyclical payments (CCPs).¹⁶ Both LDPs and CCPs are linked to price levels. For this reason, the United States would have to notify these loan programs as in the “Amber Box” under the WTO Agreement on Agriculture. These two programs alone accounted for an estimated \$6.9 billion in Amber Box subsidies in 2005, out of a total of \$13.4 billion.¹⁷ However, the former would presumably have been notified as product-specific AMS payments and the latter as non-product-specific payments. The 5 percent non-product-specific *de minimis* exclusion has covered the total cost of the CCP payments in recent years, so they have not been affected by the AMS limits. However, should they exceed the 5 percent exclusion, the entire cost would be counted against the AMS limit. It would take about \$8 billion in CCPs to lead to a situation where the *de minimis* is exceeded: in that case, if there were significant LDPs in the same year, there could conceivably be a breach of the AMS ceiling of \$19.1 billion.

In addition to the LDPs and CCPs, other federal government programs are in place to reduce the financial consequences of uncertainties in weather, yields, prices, government policies, global markets, and other factors.¹⁸ These insurance programs have been notified to the WTO as Amber Box. Crop insurance is delivered through the private sector, with premiums subsidized by the government at a cost of about \$1.5–2.9 billion per year. Almost \$30 billion in risk protection is provided on about 190 million acres, which covers about 70 percent of the country’s insurable acreage. This subsidized insurance increases revenue and reduces its variance, and thus encourages planting. According to one estimate, crop insurance subsidies have contributed to an estimated 900,000-acre increase in planted area, with wheat and cotton showing the largest percentage gains.¹⁹ However, as with the CCPs, the subsidy element in crop insurance has been covered by the non-product-specific *de minimis* provisions.

¹⁶ Loan Deficiency Payments are subsidies available to farmers who would otherwise make use of the “non-recourse loan” provisions of the farm policy, which enables farmers to take out a loan on their “program” crops and then to forfeit the crop if market prices are below the loan rate. Paying the difference between the loan rate and the market price as a deficiency payment allows the government to avoid the cost associated with holding crops. Countercyclical payments are subsidies paid at the end of the marketing year if the average price received by farmers falls below a particular level.

¹⁷ Loan deficiency payments (along with marketing loan gains) link the farmer’s incentive to produce to a government-determined price, thus introducing market distortions. Countercyclical payments are not tied to the price that an individual farmer receives, but are based on the behavior of a season average price.

¹⁸ Crop insurance and revenue insurance aim to protect farmers against price declines. Premiums for catastrophic production losses are fully paid for by the government, which also partly subsidizes coverage against non-catastrophic events such as price declines.

¹⁹ Young, Vanderveer, and Schnepf (2001).

Among the programs that have been notified in the Green Box are the direct payments that were introduced in the 2002 Farm Bill, and which replaced the Production Flexibility Contract (PFC) payments that were an innovative part of the 1996 Farm Bill. The rationale for including these in the Green Box is that they are based on historical yields and acreage and not related to current price. Though they may have some impact on production (through increasing the liquidity of farmers and changing their attitude to risk), they are generally assumed to be less trade distorting than the payments tied to price. The Direct Payments (DPs) for the period since 2002 have ranged between \$3.9 billion and \$5.3 billion. Along with similar “decoupled” policy instruments in other countries, the shift from price supports to direct payments has been seen as a positive development in the reduction of trade distortions. However, the WTO panel examining the U.S. cotton case came to the conclusion that the restriction on the use of land in fruits and vegetables constituted a link with production. If these DPs would be included in the Amber Box, the AMS limit would indeed have been breached in recent years, as Sumner points out (see Sumner 2007).

Implications of the URAA for the 2007 Farm Bill. The implications of the current WTO constraints on the U.S. 2007 Farm Bill are of two kinds. First is the need to bring current policies into conformity with the WTO ruling in the cotton case, by removing any remaining illegal export subsidies, by making changes that remove the serious prejudice (presumably to Brazil’s satisfaction, or the case will be prolonged), and by changing the conditions under which direct payments are made to make them fully consistent with the Green Box definition. These changes are needed regardless of whether there is a Doha Round outcome or any new cases.

Second, the Farm Bill needs to consider the possibility of further challenge by other countries, on the assumption that there is no revived Peace Clause to shelter domestic programs from challenge. In the absence of a Peace Clause, it would be worthwhile being proactive, attempting to identify those policies that were in danger of violating WTO rules. This could be combined with similar examination of the policies of other countries making extensive use of domestic support. The benefit would be to give farmers and traders more confidence that the rules that have been set up with the encouragement of the United States are not being violated deliberately or inadvertently to the detriment of the broader aims of opening up markets. Though it is tempting to conclude that the 2007 Farm Bill will settle all the issues of WTO conformity, other aspects of U.S. farm policy could emerge that attract challenges from other countries (Oxfam 2005).

But so what if the Farm Bill is not in conformity with WTO constraints? Obviously there could be a period of litigation. But would that matter? It is not clear that the sanctions that others could bring would necessarily cause changes to be made to U.S. policy. The main reason is not to avoid conflict but to preserve the integrity of a system of trade rules that benefits the United States (including U.S. agriculture) out of all proportion to the discomfort of making domestic policy changes. And it is generally true that these policy changes are in any case in the best interest of the United States. So the constraints are leading the U.S. farm policy in a direction in which it should go. So long as the domestic and the trade pressures are complementary, there should be no hesitation to adjust to WTO rules—and to insist that others do the same.

Even in the absence of a new set of constraints that might come from the Doha Round, the WTO subsidy limits will have an impact on the 2007 Farm Bill. Program payments could possibly exceed the WTO limits under certain crop and price outcomes if no changes are made. There will therefore be arguments made to shift from policies considered most trade distorting (Amber Box) to those that are considered “Green Box” and thus not constrained. This move would have political support at home as well as abroad.

Bilateral and Regional Trade Agreements

Regional and bilateral trade agreements by their nature tend to have a lesser impact on domestic farm policies than do multilateral agreements such as the WTO.²⁰ When countries agree on such preferential trade pacts, they commonly avoid obligations that directly impinge on domestic farm programs. Quantitative constraints on subsidies have not been included in regional and bilateral trade agreements, though there can be rules agreed that restrict export subsidies within a free trade area. However, such agreements can have an impact on market access. Multilateral trade accords also alter market access, but regional and bilateral agreements have in some respects a more direct impact, as they give preferential access for some overseas producers, allowing them to compete on domestic markets. This impact is offset by exceptions and special provisions for trade in agricultural products within the free trade area, so as to minimize adverse impacts of the agreement on domestic producers.

Within any particular agreement there will typically be a country (or countries) that views the inclusion of agriculture as a beneficial aspect of that agreement. This implies that some parties to the agreement anticipate gains in export markets within the free trade area. This certainly changes the context in which domestic policy operates, even if the legislation itself is not impacted. As a result, the final agreement is in the nature of a compromise between export and import interests, in agriculture as well as in other sectors of the economy.

Also significant in regional and bilateral trade agreements is the relative degree of preference among competing exporters in a particular market. In many cases, this provides a powerful motive for negotiating preferential access. Countries may feel that they have little choice but to negotiate for tariff-free market access into a particular country if competitors have already done so. This also means that countries are impacted by what other countries do with respect to trade policy.

²⁰ This is not always the case, however. In the case of the European Economic Community (later the European Union), it was decided to free up the internal market for farm products and institute a Common Agricultural Policy, the CAP. All the members relinquished their own ability to manage domestic markets, though some subsidies and structural programs remained at the national level for several years. A degree of flexibility has recently been reintroduced into the CAP, allowing countries to modify the way in which income payments are made (partial decoupling of the single-farm payments) and to devote a small proportion of those payments to rural development schemes (modulation).

Institutional innovations are often incorporated in regional and bilateral trade agreements. Almost all U.S. bilaterals include the establishment of an agricultural committee to deal with disagreements and to improve transparency, though there is little evidence that these have been of great value. Among other aspects often incorporated are more elaborate safeguards and bilateral dispute settlement mechanisms. Generally, such agreements are careful to state explicitly that parties retain their rights under the WTO, and also make clear that they are designed to be in conformity with the WTO rules on Free Trade Areas (FTAs) and Customs Unions.²¹

Regional and bilateral trade agreements often go beyond the WTO in certain respects. One of these is the protection of intellectual property, where the WTO rules (in the TRIPS Agreement) are considered to be inadequate. One of the intellectual property provisions that has implications for agricultural trade is that of Geographical Indications (GIs), used to reserve particular names for produce from specific regions or countries. Agreements to respect certain GIs are commonly included in FTAs.

Though the influence of regionals and bilaterals on domestic policy is limited, some are more significant than others. The EU provides an example where regional, bilateral, and preferential agreements matter more directly. As the EU has developed trade relations with over 100 partners, the cumulative impact of these agreements has been felt on domestic policy.

U.S. Regional and Bilateral Agreements. U.S. policy toward regional and bilateral trade agreements changed dramatically in the mid-1980s. Long a champion of the multilateral system and of nondiscrimination, the United States has now become an active supporter of regional and bilateral trade agreements as a complement to its commitment to the WTO. The United States has completed or is in the midst of trade negotiations with 31 other countries, aimed at creating about 22 separate FTAs.²² The U.S. strategy is to expand its commercial ties with countries for both economic and geopolitical reasons: the attraction to other countries is to secure preferred access to the large U.S. market.²³

The first of these recent FTAs was signed with Israel in 1985, as an expression of political and economic support for that country. The FTA with Canada followed in 1986, largely at the request of Canada, and was designed to consolidate existing sector

²¹ Bilateral and regional trade agreements among developing countries, along with preferential agreements that do not require reciprocity, are covered by a different section of the GATT (“the Enabling Clause”).

²² It is worth recalling that U.S. trade policy in the late 1930s took a similar direction. The Reciprocal Trade Agreements (RTA) Act was an open-ended mandate to sign bilateral trade agreements with other countries. Some 30 such agreements were signed. The motive was to encourage the growth of trade in the aftermath of the high tariffs that were imposed in the early 1930s as an unfortunate reaction to worldwide depression. Much of the language of the RTA was incorporated into the GATT, and the United States trod the high road of multilateral trade rules from 1947 until 1985.

²³ In many cases the access is already covered by existing agreements, but the negotiation of a formal FTA reduces the uncertainty that these preferences will continue.

agreements, encourage U.S. investment north of the border, and give Canadian firms some protection from aggressive use of trade remedy (anti-dumping and countervailing duty) provisions. In 1990 Mexico requested similar conditions, to assure overseas investors of their access to the large U.S. market, and the United States agreed for political as well as economic reasons. Canada opted to join the United States and Mexico in the trilateral North American Free Trade Agreement, which incorporated the earlier bilateral with Canada. A Free Trade Area with Jordan was agreed in 2001, again as a show of political support and economic assistance.

The United States began to negotiate more bilaterals in 2002, as an expression of a policy of “competitive liberalization” as articulated by the Office of the U.S. Trade Representative (USTR), the main international trade negotiation arm of the U.S. administration. This policy consisted of offering swift negotiations to any country that was willing to conform to the terms consistent with the mandate of the U.S. administration as specified in the Trade Promotion Authority. The list of willing trade partners included Singapore, Morocco, and Bahrain. Among the other bilateral agreements with a more significant agricultural component were those with Chile and Australia. Talks with Malaysia, Thailand, Panama, Colombia, Ecuador, Bolivia, the South African Customs Union (SACU), the Republic of Korea, Oman, the United Arab Emirates (UAE), and Peru are in various stages of completion.²⁴ The list in table 1 shows the FTAs that are either in operation, awaiting ratification, or under active discussion. Recent agreements have often been designed as “templates” for future FTAs within a region. Thus the FTAs with Bahrain, the United Arab Emirates, and Oman are seen as building blocs toward a Middle East Free Trade Area, and the negotiations with Malaysia and Thailand (along with that already in place with Singapore) are supposed to pave the way for other bilaterals with ASEAN countries. The FTAs themselves usually follow from Trade and Investment Framework Agreements (TIFAs) and Bilateral Investment Treaties (BITs). The United States has a considerable number of TIFAs and BITS in place that would form the basis for bilateral FTAs.

The current haste to conclude and get congressional approval for FTAs is linked with the imminent expiration of Trade Promotion Authority (TPA) in July 2007. The agreements with Peru, Panama, and Colombia are awaiting votes by Congress. Talks with Korea were completed in April in time for notification to and consideration by Congress, but those with Malaysia failed to meet this deadline. However, the results of the 2006 elections have added to the uncertainty over the willingness of Congress to support the Bush administration’s trade strategy.

²⁴ SACU includes the Republic of South Africa, as well as Botswana, Namibia, Lesotho, and Swaziland.

Table 1. Current Regional and Bilateral Trade Agreements Involving the United States

<i>Country/Agreement</i>	<i>Date/Status</i>
Israel	1985 (Agricultural Agreement in 1996)
Canada	1986 (grandfathered into NAFTA)
NAFTA (Mexico and Canada)	1994
Jordan	2001
Singapore	2004
Chile	2004
Australia	2005
CAFTA (Costa Rica, Honduras, Nicaragua, El Salvador, Guatemala)	2006
Dominican Republic (added to CAFTA)	2006
Morocco	2006
Bahrain	2006
Oman	2006
Colombia (CTPA)	Congressional approval awaited
Korea, Republic of	Congressional approval awaited
Peru (PTPA)	Congressional approval awaited
Panama (bilateral)	Congressional approval awaited
South Africa (SACU)	Negotiations continuing
Thailand	Negotiations continuing
Malaysia	Negotiations continuing
Ecuador	Negotiations continuing
Bolivia	Negotiations continuing
United Arab Emirates	Negotiations continuing

Source: Author's compilation based on USTR Web site.

In addition to the bilateral trade agreements that the United States has, or is negotiating, with these countries, there are several other agreements and initiatives that affect market access for goods entering into the United States. The most significant of these broader agreements is the Free Trade Area for the Americas (see below). In addition, the African Growth and Opportunity Act of 2000

grants mostly duty-free access to African countries that pass a test of good governance. The U.S. Generalized Scheme of Preferences (GSP) grants nonreciprocal preferences to a wide range of developing countries, subject to quantitative limits for sensitive import items and for major suppliers. This scheme, initiated in 1974, needs to be renewed soon, and there are attempts to modify its application to take into account the fact that many countries have emerged as competitive producers that no longer need preferences to sell into U.S. markets. The Caribbean Basin Partnership Act has, since 1983, given nonreciprocal preferences to the countries of that region. This arrangement was renewed in 2000 and includes access for most types of goods. Though some of these broader schemes have restrictions on agricultural coverage, and others are still under discussion, the scope of their geographical coverage means that most of the countries in the world could have some preferential access into the U.S. market, at least for non-sensitive goods.

What agricultural provisions do these FTAs contain? All the FTAs have provisions for tariff reductions that affect many food and agricultural goods. However, with few exceptions, the agreements control trade in a range of products considered politically sensitive in one or both partners. For the United States, these sensitivities include sugar, citrus fruits, peanuts, and dairy products. For the partners the list includes corn and beans along with rice. The broader agreements are generally less permissive in the area of agricultural imports, limiting imports of some commodities by quota—with the exception of the African Growth and Opportunities Act (AGOA), which allows most products to enter both duty and quota free.

Four current agreements have the most actual or potential impact on U.S. agricultural markets and hence on the environment in which policy is formed. These are the NAFTA and the more recent FTAs with Chile and Australia, along with the Central American–Dominican Republic Free Trade Agreement (CAFTA-DR).²⁵ The main characteristics of each agreement are summarized in table 2.

NAFTA. Agricultural trade featured prominently in the NAFTA negotiations. The United States looked to gain market access in Mexico for grains and livestock products. Mexico wanted to be able to increase sales of fruits and vegetables in the United States and reduce the chance that U.S. trade barriers and health and safety standards would not be used to restrict such trade. On the other hand, Mexican growers of corn, particularly those in the low-productivity *ejido* sector farming state-owned land, feared that U.S. grain would sweep them out of business, and fruit and vegetable growers in Florida (and to a lesser extent, California) were concerned that their own sales on the U.S. market would be undercut.

The trade aspects of NAFTA were included in three bilateral pacts and one trilateral agreement. The U.S.-Canada bilateral essentially continued the modest market opening in agricultural products that had been in the U.S.-Canada FTA of 1986. An opening of the cereal trade across the Canadian border was ingeniously tied to the level of relative protection: neither side could maintain

²⁵ The potential agreement with Korea could have a significant agricultural impact. This is discussed in the next section.

quantitative import restrictions if its own support level was higher than that of its neighbor.²⁶ Fluctuations in the level of support did in fact open up the grain trade, as both partners lost the right to protect their market in the first few years of the agreement. Attempts to integrate the U.S.-Canada meat market proved less successful, and both pork and beef have been the subject of numerous bilateral disputes over the years (see Barichello, Josling, and Sumner 2005). The sensitive sectors of dairy and poultry (“milk and feathers”) were deliberately left off the table in the U.S.-Canada talks, and so trade between the United States and Canada in these products remained restricted in the NAFTA.²⁷

In sharp contrast to the cautious approach taken in the U.S.-Canada bilateral, the United States and Mexico decided on a bold initiative to move to a tariff- and quota-free market for all agricultural goods. Instead of permanent exceptions for sensitive products, long transition periods were agreed to put off for up to 15 years the full impact of free access. For Mexico, the longest transition period was reserved for corn and beans. For the United States, the sensitive products included citrus and tomatoes. The decision was also made to open up the U.S. market to sugar from Mexico, conditional upon them developing an export capacity by 2007. This has remained a controversial issue.

As a result of its much bigger domestic market, the impact on the United States of NAFTA market access has been minor. Sales of corn and other arable crops to Mexico have expanded, but wheat imports from Canada have grown. Livestock exports to Mexico have risen, but trade with Canada has been determined by factors such as the BSE (“mad cow” disease) outbreaks that shut off cattle trade in both directions, more than by NAFTA market access. Two-way trade in horticultural products has expanded across both the Canadian and Mexican borders, as that sector leads the way in regional integration and cross-border investment.

However, several policy issues have become more pointed as a result of NAFTA, and it is possible to argue that the agreement both aggravates the problem and paves the way for a solution. One such issue is that of the marketing practices of the Canadian Wheat Board (CWB). Entry of Canadian wheat into the United States heightened awareness of the differences in marketing institutions of the two neighbors. Though currently an item for discussion in the WTO, the activities of the CWB has been a major cause of tension associated with NAFTA (see further discussion below). The issue of imports of citrus products from Mexico has exacerbated underlying problems of competition for the sector in Florida, particularly with respect to Brazil. In this respect, NAFTA may have an effect on U.S. trade policy if it results in increased pressure on the market for these products.

²⁶ For this comparison, the Producer Subsidy Equivalent (PSE) was used as a measure of support. But as this measure includes direct payments, it was not the ideal measure of trade advantage.

²⁷ Canada’s bilateral with Mexico mirrored that with the United States. Imports of dairy and poultry products were not included in the liberalization schedules, but Canada gained access to the Mexican market at a rate similar to the United States.

The more direct link between NAFTA and domestic policy has been in the sugar sector. The prospect of a single sugar market between the United States and Mexico in 2008 is of concern to cane sugar producers in the U.S. South and to other sugar producers throughout the United States. Just as did the Everything But Arms (EBA) agreement in the EU put pressure on the internal sugar regime (and the traditional preferred suppliers overseas), so the free importation of Mexican sugar could effectively erode the effectiveness of the high-price regime for sugar in the United States.

CAFTA. The United States and five Central American countries—Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua—began negotiations for the CAFTA in 2003. President Bush notified the U.S. Congress of his intent to enter into the CAFTA on February 13, 2004, and it was approved by Congress, under the Trade Promotion Authority granted to the president in 2002. CAFTA took effect in 2006. Negotiations with the Dominican Republic to fully integrate that country into the CAFTA were concluded on March 15, 2004. In addition, bilateral negotiations are under way with Panama, which if completed will conclude the establishment of free trade agreements between the United States and almost all of the countries in Central America (see Paggi, Yamazaki, and Josling 2005).

The CAFTA is intended to help foster economic growth and improved living standards in the Central American region by reducing and eliminating barriers to trade and investment. It essentially converts the nonreciprocal and discretionary benefits that these countries get from the Caribbean Basin Initiative (CBI) into permanent and reciprocal access to the U.S. market. Though covering all trade, the agricultural component is one of the most important aspects of the FTA. The main agricultural provisions of CAFTA are summarized in table 2. The key to the agricultural agreement is market access, with relatively few provisions in the areas of export subsidies and sanitary and phytosanitary regulations. Domestic subsidies are not covered by the agreement.

The CAFTA will create improved market opportunities for U.S. agricultural products and related goods and services. Agricultural trade barriers in the Central American countries are higher than those for manufactured goods. CAFTA locks in the applied duty rates for many products and ensures that permanent U.S. access to the market is preserved. However the short-term impact on U.S. exports of the CAFTA may be modest as the terms of the agreement delay the full benefits of increased access to the countries of the region for United States agricultural products of interest. The lengthy phase-in period for increased market access and back-loading of commitment levels suggest the benefits of the agreement may only be realized many years in the future.

Table 2. Summary of NAFTA, Chile-FTA, Australia-FTA, and CAFTA Arrangements for Agriculture

	NAFTA	Chile	Australia	CAFTA
Tariff cuts	Some tariffs eliminated. Others staged over 5, 10, and 15 years.	Some tariffs eliminated. Others staged over 4, 8, 10, and 12 years. Some cuts delayed for 2 and 4 years.	Most tariffs eliminated. Others staged over 4, 10, and 18 years.	Some tariffs eliminated. Others staged over 5, 10, and 15 years. Other cuts delayed for 6 or 10 years. Duty free after 15 or 20 years.
TRQs	Introduced during transition period for sensitive products.	No use of TRQs introduced.	TRQs for avocados, cotton, peanuts, tobacco, beef, and dairy products into the USA expanded. Above-quota duties for beef phased out over 18-year period. Current sugar TRQs not increased: no cuts in above-quota tariff.	TRQs for sensitive products in Annex 3.3. Rules on administration of TRQs (in addition to GATT Article XIII).
Agricultural safeguards	TRQs allowed as special safeguard for horticultural	Additional duties linked to price trigger (Article 3.18)	Additional customs duties linked to price trigger for	Additional duties linked to trigger quantities (Article 3.14) for

	crops (Annex 703.3).	for goods listed in Annex 3.18. Total duties not to exceed MFN rate. Safeguard not operative after 12 years, or when zero-duty stage reached.	horticultural products (Annex 3-A, Section A) and to quantity triggers for beef (Annex 3-A, Section B): price triggers used for beef in 19 th year of agreement (Annex 3-A, Section C). Safeguard not operative when zero-duty stage reached.	products listed in Annex 3.14. Total duties not to exceed MFN rate. Safeguard not operative when zero-duty stage reached.
Other safeguards	Safeguards (Chapter 8A): snapback to previous year's tariff on bilateral trade or MFN tariff.	Trade Remedies (Chapter 8). GATT 1994 Article XIX Safeguards.	Safeguards (Chapter 9). GATT 1994 Article XIX Safeguards.	Trade Remedies (Chapter 8). GATT 1994 Article XIX Safeguards.

Source: Author's compilation from FTA texts.

Table 2. Summary of NAFTA, Chile-FTA, Australia-FTA and CAFTA Arrangements for Agriculture (contd.)

	NAFTA	Chile	Australia	CAFTA
Export subsidies	Agreement to avoid use of export subsidies on bilateral trade unless third countries subsidized exports to NAFTA markets. Agreement to work together for elimination in the GATT.	Agreement to avoid use of export subsidies on bilateral trade unless third countries subsidized exports to Chile or the USA. Agreement to work together for elimination in the WTO.	Agreement to avoid use of export subsidies on bilateral trade unless third countries subsidized exports to Australia. Agreement to work together for elimination in the WTO.	Agreement to avoid use of export subsidies on bilateral trade unless third countries subsidized exports to CAFTA markets. Agreement to work together for elimination in the WTO.
Domestic support	Agreement to work together in GATT for the reduction of domestic support levels and shift to less trade-distorting instruments.	Agreement to work together in WTO for the reduction of domestic support levels and shift to less trade-distorting instruments.	Agreement to work together in WTO for the reduction of domestic support levels and shift to less trade-distorting instruments.	Agreement to work together in WTO for the reduction of domestic support levels and shift to less trade-distorting instruments.
SPS measures	Precursor of WTO SPS Agreement (Chapter 7B).	Affirm commitment to SPS Agreement.	Work to resolve trade conflicts over SPS barriers.	Affirm commitment to SPS Agreement.
Dispute settlement	Dispute settlement	Dispute settlement	Dispute settlement	Dispute settlement

	mechanism for matters arising from Agreement (Chapter 20). Separate procedures for review of anti-dumping and countervail actions (Chapter 19).	mechanism for matters arising from Agreement (Chapter 22).	mechanism for matters arising from Agreement (Chapter 21). Provision for monetary penalties.	mechanism for matters arising from Agreement.
Institutions	Committee on Agricultural Trade. Working Group on Agricultural Subsidies. Advisory Committee on Private Commerce Disputes regarding Agricultural Goods.	Working Group on Agricultural Trade. Committee on Sanitary and Phytosanitary Matters.	Committee on Agriculture. Standing Technical Working Group on Animal and Plant Health Measures.	Committee on Agricultural Trade. Agricultural Review Commission. Committee on Sanitary and Phytosanitary Matters.

Source: Author's compilations from FTA texts.

Increased market access for Central American goods to the United States will also be a consequence of CAFTA. However, the impact here is likely to be even more limited, as most CAFTA countries have had permanent duty-free access to the U.S. market since the late 1960s under the Generalized System of Preferences (GSP); and, since 1990, under provisions of the Caribbean Basin Initiative

(CBI) and the Caribbean Basin Economic Recovery Act (CBERA) that implements the CBI. The CBI was enhanced in 2000 under the terms of the Caribbean Basin Trade Partnership Act (CBTPA) to give access more equivalent to that enjoyed by Mexico under the NAFTA. In fact, approximately 99 percent of CAFTA exports already enter the U.S. market duty free. Duties are paid only on over-quota imports as part of the U.S. tariff-rate quota regimes for sugar, dairy, cotton, meats, and peanuts.²⁸

Chile. The bilateral FTA with Chile was easier to negotiate than were either NAFTA or CAFTA. Chile is an important exporter of agricultural products, particularly fruits and vegetables and wine, but the different seasonality makes the produce complementary to rather than competitive with U.S. production. So the beneficiaries were the supermarkets that could ensure year-round supplies. Moreover, Chile is one of the more liberal of the Latin American countries, even on agricultural products, implying that opening up to the U.S. exporters was not such a big move for the Chilean farmer. Besides some controversy over wine labels, the talks went smoothly. It may have helped that Chile is not a significant sugar exporter.

Australia. The Australian agreement also involved a country from the Southern Hemisphere, and thus offered some advantages of complementary production. But Australia is a major exporter of meats, dairy products, cereals, and sugar, so tight rules had to be built in to the FTA agreement to protect U.S. farmers from competition from Australia. Reluctantly, Australia accepted long transitions period for dairy production and beef, and an exclusion altogether of any relaxation of protection for the U.S. sugar sector. This decision may have an impact on the politics of future bilaterals.

Impact of Bilateral on the 2007 Farm Bill. Bilateral trade agreements that the United States has negotiated have without exception avoided any direct restraints on domestic farm policy. Such restraints have been the province of the WTO talks, at the insistence of the United States. However bilateral and regional trade agreements have indirect impacts on farm policy as a result of changes in market access, as discussed above. They increase the amount of farm goods entering the U.S. market as a result of tariff cuts and quota increases, and expand the market for U.S. exports. In this way, they influence the viability of domestic support programs. A prime example is sugar (see Beghin 2007), where the market for U.S. sugar is in part a function of the web of quotas for foreign suppliers. Moreover, bilateral and regional agreements usually have restrictions on the use of export subsidies in the partner's markets. This may also influence marketing strategies somewhat. And cross-border investment encouraged by such agreements changes the incentives for actors in the domestic policy arena.

²⁸ For more details on CAFTA and its potential impact on U.S. agriculture, see Paggi, Yamazaki and Josling (2005).

The major impact of existing regional and bilateral agreement will be on the overall strategy of the governments concerned for the development of the North American market. Though difficult to relate this strategy to particular legislative agendas, an emerging mindset that many “regional” issues are likely to be faced by all three countries could promote a cooperative solution. This is more likely to be in the realm of sanitary and phytosanitary standards and disease outbreak control, labeling, and transportation networks.

Future Impacts of Trade Agreements on Domestic Farm Policy

It is in the nature of the constraints agreed in the Uruguay Round that their impact on domestic farm policy will tend to vary over time. A limit on domestic support may appear a significant constraint until a shift in policy appears to reduce its significance. If stronger disciplines are applied over time, the influence of the trade rules will be again be evident. If no such additional disciplines are agreed, but policies do not regress, the Uruguay Round constraints could become a footnote. If policies regress, then forgotten constraints could become significant again. So the future impact depends on whether domestic reforms continue, and whether the multilateral process of disciplines on trade-distorting support is expanded.

Potential Doha Round Impacts. At present, the prospects for an agreement in the Doha Round in the next couple of years look remote. But if agreement were eventually to be reached, the outcome of the Doha Round would have a much greater impact on U.S. policy than did the Uruguay Round. At present the agricultural talks are considering a sharp reduction of trade-distorting domestic support payments (by 60 to 70 percent relative to current limits) and the elimination of export assistance given through food aid and export credit guarantees. In addition, significant cuts in tariffs will increase the pressure on prices from imports.

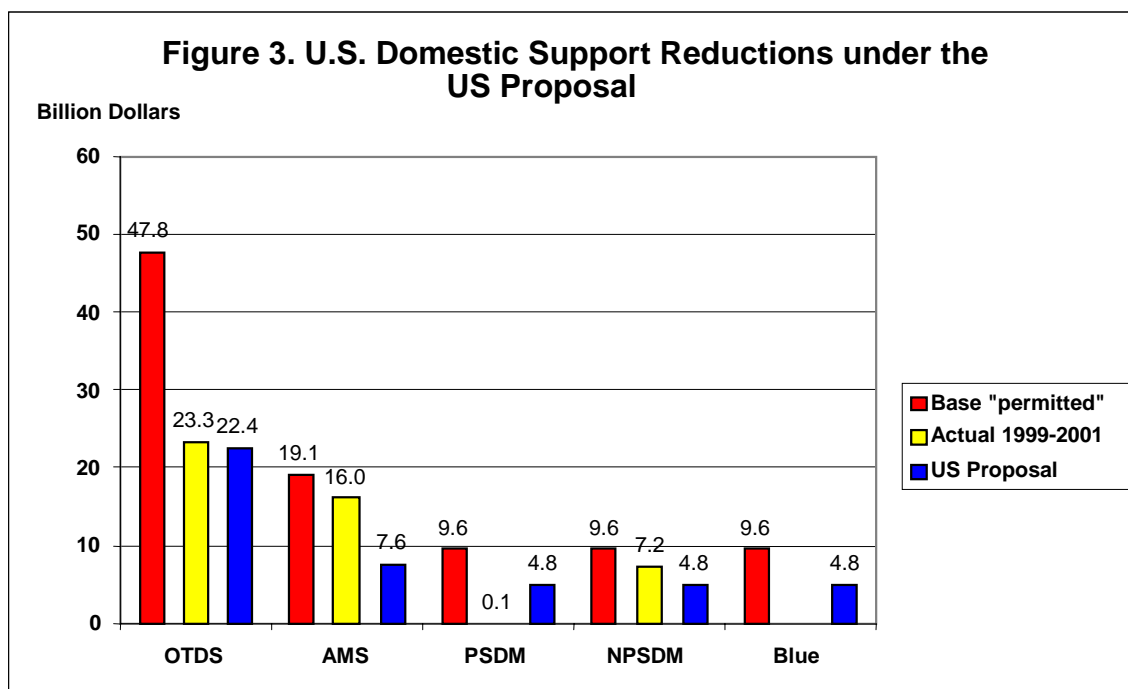
Domestic Support. There are a number of issues directly related to conformity with the possible new domestic support constraints that still remain to be decided.²⁹ These involve both the Blue Box subsidies, which are tied to some form supply control, and Green Box subsidies, which are supposed to be non-trade-distorting.

The Blue Box criteria are likely to be broadened to allow the inclusion of payments that vary with prices but not with production volumes (this modification was included in the WTO Framework document). That would permit counter-cyclical payments (CCPs) under the current U.S. Farm Bill to be counted as Blue rather than Amber.³⁰

²⁹ The issues to be agreed also include the choice of the base period for establishing commitments (for example for the OTDS and the Blue Box cap). Some of these issues are examined in greater detail in Blandford (2006).

³⁰ This provision was a part of the Framework Agreement of August 2004. However, until the final package is agreed, interim decisions can still be modified in the negotiations.

It is unlikely that current programs could continue under these more restrictive conditions. Figure 3 illustrates the implications for the United States of its own proposal. The first bar of each element denotes the binding or maximum allowable amount for the Overall Trade Distorting Support (OTDS) and each of its respective components. In calculating these, averages of 1999–2001 have been used as a base, since this includes the most recent U.S. notifications and is one of the proposed base periods in the negotiations. The total AMS value of \$19.1 billion is the binding under the Uruguay Round Agreement. The \$9.6 billion caps for the product-specific and non-product specific *de minimis*, and Blue Box payments are derived from the application of 5 percent of the total value of agricultural production in the base period. The OTDS maximum of \$47.8 billion is the sum of these individual components. The second bar in the figure shows the actual values for each of the elements in the base period. The



Source: Calculated from WTO notifications and U.S. WTO proposal.

The United States has proposed that its permitted OTDS be reduced by 53 percent. This would cut the allowable amount from \$47.8 billion to \$22.4 billion. The bound total AMS would be reduced by 60 percent, from \$19.1 billion to \$7.6 billion. The *de minimis* exemptions and Blue Box allowance would be reduced by 50 percent (from 5 percent to 2.5 percent of the value of production), which would translate into a reduction from \$9.6 billion to \$4.8 billion using figures for the 1999–2001 base period.

It is difficult to determine the extent to which reductions of these magnitudes would actually constrain expenditures under U.S. farm programs. If the United States were to face effective limitations on the amount of Amber Box support it could provide, it is clear that price support programs for these commodities would have to be modified. Price support levels would have to be reduced in order to keep within the total AMS limit when market prices are low; CCPs might have to be subject to limitations (perhaps through the application of a circuit breaker) to stay within the Blue Box limit.

Market Access. The ability of the United States to operate some of its farm programs may also be affected by other components of a final agreement, particularly those dealing with market access. Price support programs for certain commodities, most notably dairy and sugar, rely on the ability to control competing imports. Currently this is done through a combination of quotas and tariffs. If imports were to increase significantly under a new agreement, the ability of the United States to provide historical levels of Amber Box payments might be constrained by import competition, regardless of any separately agreed limits on those payments.

This implies that a Farm Bill crafted in the knowledge of the scale of required cuts will have to shift even more toward payments that are not deemed trade distorting. This again would give support to those who argue that such a shift is in any case desirable.

Export Competition. The ending of export subsidies under a successful Doha Round would impact some current U.S. programs and limit the scope for such programs in the future. Explicit export subsidies are currently used for dairy products, in the Dairy Export Incentive Program (DEIP). These would have to be eliminated by 2013, but in practice would be run down on a schedule yet to be agreed. One would assume that a Farm Bill written with knowledge of the contents of a WTO agreement would phase these payments out over the life of the Bill.

At the insistence of the EU, the agreement to phase out export subsidies was dependent on the elimination over the same time period of indirect subsidies given through export credit guarantees and food aid, as well as subsidies implicit in the use of state trading

exporters. The United States is the largest provider of export credit guarantees and of food aid, particularly that given “in kind.”³¹ These programs would be trimmed to remove the subsidy component over the period of the implementation of a Doha agreement.

For export credit guarantees, this would imply some changes. Long-term credit, extended over a period greater than 180 days would be eliminated, and shorter-term credit would be subject to disciplines to control interest rates and premiums required. But several of these provisions are currently being modified to bring the programs into compliance with existing WTO rules, as a result of the cotton case (see Sumner 2007). As a result, the modifications required by a successful Doha Round would not be extensive.

Changes in food aid disciplines pose modest threat to the U.S. programs. If the WTO talks were to agree on a preference for grants aid of a cash nature, with the recipient able to purchase supplies from wherever they wish, the basis for U.S. policy in this area would be undermined. Such an outcome is unlikely at this time. So U.S. food aid, much of which is tuned to remove physical grain from the commercial marketing system, and allowing the recipient group (governments and NGOs) to “monetize” the aid for distribution through particular channels, will probably not be changed significantly.

On the other side of the ledger, U.S. farm exports would benefit from a reduction in the implicit subsidy given by the single-desk seller status of the Canadian Wheat Board.³² The CWB has been under criticism from some farmers in Canada, particularly those that would benefit from their location close to the U.S. border from more flexibility in marketing. It appears that the new Canadian government may be sympathetic to changes in the nature of the CWB, allowing the export monopoly to lapse. This would be a major political success for the United States, but may have somewhat less impact on market and prices.

Doha Round and Farm Bill Timing. The changes agreed in a Doha Round package will have to be phased in over a period of years. So long as the main parameters are known before the Farm Bill is drafted, this could be built in to the legislation. Policy changes could be introduced on a schedule that corresponded to the new obligations under the WTO. This would prevent the trade tensions that would arise if the Farm Bill were expected to generate payments in the future that would exceed WTO commitments.

A Farm Bill drafted before the Doha package is agreed would of course have to have flexibility built in or be revised as part of the implementing legislation. But this eventuality is unlikely. Congress will begin working on a new Farm Bill early in 2007, in order for it to be in place by the time that existing legislation expires. The U.S. administration is required under Trade Promotion Authority (TPA) to notify the Congress of the intention to conclude a trade agreement. Congress can then adopt the agreement, by an up or down

³¹ The United States provided credit guarantees for about \$3.7 billion worth of agricultural exports in 2004, and a further \$2.2 billion worth of exports moved under some form of food aid program. Total exports were worth \$62.4 billion in that year (Schnepf and Womach 2006).

³² There might be small impacts from any changes to the operation of other state trading entities. Both the New Zealand Dairy Board and the Australian Wheat Board have undergone transformations in recent years, and will not be greatly influenced by a Doha agreement.

vote, as it implements the necessary domestic legislative changes. Trade Promotion Authority would have to be extended (or renewed) for a period of at least six months for the new farm bill to be ready in advance of a Doha Round agreement.

Potential Impacts on Regional and Bilateral Trade Agreements. Whether the current slate of bilaterals and regional trade agreement negotiations reaches fruition may depend on the fate of Trade Promotion Authority and the make-up of the new Congress. But on the assumption that the trend toward regionals and bilaterals will continue (perhaps boosted by an abandoned Doha Round), there are some major agreements that could conceivably have a significant impact on U.S. agriculture and the domestic farm policy. The bilateral with Korea and the regional talks with countries in Latin America over the Free Trade Area for the Americas are two such initiatives.

Agriculture in the KORUS FTA. The most ambitious bilateral since NAFTA is under negotiations at present. The Korea–U.S. FTA (KORUS) would establish a free trade area between the United States and a major economy in East Asia. There was no doubt from the beginning of the talks that agriculture would be a stumbling block, with the Korean government in particular not wishing to open up the highly protected rice market to U.S. exports. However, the U.S. position has been to include rice, even if access is for U.S. rice is introduced slowly over a transition period. The impact would be even greater if the KORUS acted as a template for an agreement with Japan.

Impact of an FTAA. Not long after the agreement on a NAFTA, discussions began on a broader initiative to expand economic relations with other Latin American countries, leading ultimately to the declaration at Miami in 1994 of the intention to work toward a Free Trade Area of the Americas (FTAA) by 2005. The United States has been actively involved in the negotiations on the establishment of an FTAA covering 34 countries in the hemisphere since 1996. The development of the FTAA slowed at the end of the last decade as Brazil chose to strengthen its economic ties with South American countries before negotiating with the NAFTA countries. At the Miami summit of 2003, the scope for the FTAA was significantly revised. Sensitive issues such as domestic farm support and anti-dumping actions were by agreement left to the WTO. As a consequence, the extent to which the FTAA retains its appeal for the countries in the region may depend on whether a successful Doha Round can be concluded.

From the point of view of U.S. farm policy, the potential significance of the FTAA is the prospect of opening up markets to produce from Latin America, and being able to sell into those markets without tariff barriers. These economies have been successful agricultural exporters in the past decade and pose a challenge to the competitiveness of U.S. production. The reaction of U.S. policymakers will therefore be conditioned by the extent to which the United States can expect to compete in such markets as citrus, oilseeds, beef, rice, sugar, and corn. But if such an agreement were to be concluded, improved market access for agricultural products,

both U.S. exports to Latin America and their exports to the United States, would have to be included. This could have a very significant impact on markets, even if domestic policy were not regulated in the FTAA.

The consolidation of the markets in South America is itself a factor that is significant for U.S. farm policy, regardless of whether an FTAA is agreed. The MERCOSUR arrangement between Brazil, Argentina, Uruguay, and Paraguay, which has been in operation since 1991, was expanded to include Chile, Peru, and Bolivia as associate members, benefiting from free trade but not adopting the common tariff. MERCOSUR has more recently reached agreements with Colombia and Venezuela. The possibility exists that Mexico may also one day align with MERCOSUR, making it effectively a bridge between NAFTA and a “South American Free Trade Area.”³³

The pressure for an FTAA may come from a fear of being excluded from emerging markets while competitors get free access. It is likely that the EU will soon conclude an agreement with MERCOSUR that would include preferential access for farm products (though quota controlled for some years). This would put U.S. exporters at a disadvantage in both the EU and the Latin American markets if an FTAA did not materialize. So an FTAA (and possibly even a strengthened transatlantic trade agreement) may be necessary for the export prospects of several sectors of U.S. agriculture.

Conclusion

The impact of trade agreements on U.S. domestic farm policy is both elusive and pervasive. On the one hand, farm policy instruments are staunchly defended in trade negotiations and are rarely “put on the table.” On the other hand, trade agreements have a corrosive effect on the ability of domestic policy to manage markets to the advantage of domestic producers. The Blair House pact with the EU in November 1992, for instance, at which the agricultural modalities were agreed, was intended in large part to shelter existing U.S. and EU policy instruments from the influence of the WTO rules. The Blue Box and the Peace Clause were introduced at that time as a way of ensuring that constraints on domestic policy did not force policy changes.³⁴ But the United States gave up the use of Section 22 quotas and agreed to tariffication in sensitive meat and dairy sectors. The EU abandoned the use of variable levies to stabilize its domestic market. Thus the “defense” given to domestic policy by trade measures was considerably weakened.

Sometimes the full impact of a trade agreement is not felt until market conditions change. In the case of the URAA, the restraints on export subsidies have had an impact on both the EU and the United States, though high prices in the first few years of the agreement made such restraints less binding. And some of the impact that an agreement has on domestic policy comes much later, as a

³³ Mexico and Chile have already signed a number of bilateral (and trilateral) trade agreements with other countries in the region.

³⁴ During the Uruguay Round, the mantra had been that “farm policy was written in Washington, not Geneva.”

result of litigation in the WTO. A subsidy to exports not included in the schedule can be found to be a violation of subsidy rules many years later, as happened in the cases of U.S. cotton and EU sugar. Even the limits on domestic support have been internalized fully into farm policy discussions. In the EU, the 2003 reform of the CAP owed much to the need to move subsidies into the shelter of the Green Box. And the form and substance of the debate on the U.S. 2007 Farm Bill has been shaped by the question of WTO compliance, to a much greater extent than of the 1996 and 2002 Farm Bills.

Though much of the focus has been on the rules and disciplines of trade agreements, the greater impact on policy may in fact come from the changed market environment in which policy operates. Market access is the currency of trade agreements; other aspects are subordinate. But market access is rarely discussed in the context of U.S. farm programs, except to consider market promotion activities. Tariffs are bound under the WTO and can only be increased after consultation with (and potential compensation to) principle suppliers.

A Broader Perspective. This suggests that it may be necessary to take a broader look at the impact of trade agreements on U.S. farm policy. To be sustainable, farm policy must be compatible with other aspects of U.S. trade and economic policy, or at the least not be so incompatible as to put achievements in those other areas in jeopardy. To get a broader perspective, it is necessary to consider the overall impact of the WTO on U.S. farm policy as a part of a set of agricultural and trade policy developments in which the United States has been actively involved. The trends in U.S. farm policy are linked in a deeper way with the WTO process. The United States was insistent that domestic policies be restrained by the set of rules negotiated in the Uruguay Round. The objective was to have rules that could be applied to all countries—particularly to the EU, whose CAP had been the main focus of criticism among exporters of temperate agricultural products. The URAA reflected the success of that effort. So the constraints on U.S. policy are the inevitable corollary of disciplines applied to the EU and other competitors. To the extent that the CAP has changed since 1992, the URAA can claim some of the credit. U.S. farm policy itself might have been different in 1996 if such changes were not underway.

But the United States itself became the target, particularly after 2002, of developing country exporters, such as Brazil, which considered their own agricultural growth to be hindered. The rules have now become a constraint on U.S. action in large part because the process of domestic reform, begun in 1985 and continued in the 1990 and 1996 Farm Bills, stalled in 1998. The EU is in many ways less constrained now than is the United States by the WTO subsidy limits.

The WTO rules (though not the rules in regional and bilateral agreements) have had a noticeable impact on the direction of U.S. domestic farm policy. They have changed the set of instruments used and the levels of support given. They have modified the scope for such instruments and the way in which farm policy works. And they changed the political and economic objectives of farm policy, and the strategic options for achieving those objectives. However, they have been allowed to operate only within the space defined by domestic legislation. Will the impact of trade agreements on domestic policy increase in the future? A new WTO agreement will undoubtedly constrain domestic choice. But if the direction of reform in the 2007 Farm Bill is parallel to that embodied

in the WTO, then these constraints will be politically acceptable. If the 2007 Farm Bill continues down the road of the 1996 Bill, separating income payments from commodity markets, then the WTO limits will not be a major factor in future. If the United States decides to keep price-related subsidies such as loan deficiency payments and countercyclical payments, then conflicts between the WTO payment limits will become a frequent occurrence.

Appendix A. Table A1. U.S. Domestic Support and Support Reduction Commitments by Policy Category, 1986–1988 average and 1995–2001 (\$millions)

Policy category^a	1986– 1988							
	average	1995	1996	1997	1998	1999	2000	2001
1. Market price support^b	6,956.0	6,213.3	5,919.3	5,815.9	5,775.6	5,920.7	5,840.3	5,825.6
Dairy	5,409.4	4,693.2	4,674.0	4,455.2	4,332.3	4,437.3	4,377.5	4,483.2
Sugar	1,041.3	1,107.8	937.2	1,045.5	1,093.3	1,180.2	1,132.8	1,031.7
Peanuts	347.2	412.3	308.1	315.3	350.0	303.1	330.0	310.6
Beef ^c	158.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Non-exempt direct payments^d	12,392.7	88.3	6.6	578.4	4,437.1	10,403.4	10,567.5	8,434.7
Loan deficiency, marketing-loan, and certificate-exchange gains	443.3	0.0	0.0	164.0	3,823.9	8,070.9	7,624.4	8,178.265
Deficiency payments (pre-1996) ^e	9,705.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-exempt payments	2,243.6	88.3	6.6	414.3	613.2	2,332.4	2,943.0	256.424
3. Total other support (product-specific only)	1,994.7	9.6	11.5	80.4	337.6	567.3	457.5	367.4
Storage payments (cotton and farmer-owned reserve payments)	572.9	4.1	0.0	23.7	78.1	143.9	43.3	62.1
Interest subsidies (commodity loan-related)	1,598.6	115.0	78.1	141.1	343.8	442.7	465.599	366.9
Northeast dairy compact benefits (net cash flow to producers)	0.0	0.0	0.0	0.0	28.0	54.9	20.3	0.0

Fees and assessments paid by producers	(176.8)	(109.5)	(66.6)	(84.3)	(112.3)	(74.3)	(71.7)	(61.6)
4. Product-specific totals (1 + 2 + 3)	21,343.4	6,311.2	5,937.5	6,474.7	10,550.2	16,891.3	16,865.2	14,627.6
5. Non-product-specific support	901.5	1,543.5	1,113.4	567.6	4,583.9	7,405.5	7,278.0	6,828.2
Irrigation subsidies in Western states (Bureau of Reclamation estimate)	543.3	543.3	381.4	348.5	348.5	315.7	315.7	300.0
Grazing program net outlays (grazing on public lands)	25.8	45.0	50.4	50.8	51.0	54.9	51.5	65.4
Crop insurance indemnities, less producer premiums paid	289.1	906.3	632.8	119.5	747.0	1,514.1	1,395.8	1,770.4
Credit program benefits from state programs	43.3	48.8	48.8	48.8	48.8	48.8	48.8	48.8
Crop market loss payments (emergency assistance)	0.0	0.0	0.0	0.0	2,811.3	5,467.7	5,463.5	4,639.8
Crop multi-year crop disaster payments (emergency assistance)	0.0	0.0	0.0	0.0	577.3	0.0	0.0	0.0
Storage facility loan program	0.0	0.0	0.0	0.0	0.0	1.4	2.8	3.7
Seed producer's loan program	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0
Value of production	142,929.9	190,109.7	205,701.3	203,883.7	190,886.0	184,734.6	189,520.3	198,502.7
5 percent of value of production ^f	7,146.5	9,505.5	10,285.1	10,194.2	9,544.3	9,236.7	9,476.0	9,925.1
6. Total before exemptions and additions (4 + 5)	22,244.9	7,854.7	7,050.9	7,042.3	15,134.1	24,296.9	24,143.3	21,455.8
7. Exemptions (-) and additions (+)	(1,634.3)	(1,640.8)	(1,153.2)	(803.9)	(4,742.2)	(7,434.6)	(7,340.7)	(7,053.7)
Non-product-specific <i>de minimis</i> ^f	(901.5)	(1,543.5)	(1,113.4)	(567.6)	(4,583.9)	(7,405.5)	(7,278.0)	(6,828.2)
Product-specific <i>de minimis</i> ^f	(691.8)	(97.3)	(39.8)	(236.3)	(158.3)	(29.1)	(62.7)	(225.5)
Credit in base period for prior reductions	3,227.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(addition) ^g									
8. Current total AMS (6 + 7)	23,879.1	6,213.9	5,897.7	6,238.4	10,391.9	16,862.3	16,802.6	14,413.1	
9. WTO commitment ceiling^h	23,879.1	23,083.1	22,287.2	21,491.2	20,695.2	19,899.3	19,103.3	19,103.3	

Source: WTO and USDA, Economic Research Service, <http://www.ers.usda.gov/briefing/FarmPolicy/>

a. Categories correspond to those in official domestic support notifications to the WTO, as shown in WTO supporting tables DS: 4, 5, 6, 7, and 9.

Domestic support is measured by WTO index called the "aggregate measurement of support" ("AMS").

b. Market price support is total eligible production times the difference between the current administered price and the fixed, 1986–88 world reference price.

c. The United States also notified the value of beef purchases made to offset the effect of the dairy herd buy-out program. No fixed world reference price was used.

d. See <http://www.ers.usda.gov/briefing/FarmPolicy/data/NonExempt.xls> for details on nonexempt direct payments.

e. Support in the 1986–88 base period was defined to include payments related to production reduction programs. Such payments were exempt (excluded) from the AMS reduction commitments after the base period and were notified in supporting table ds:3 (Blue Box). U.S. deficiency payments included in the Blue Box were recalculated using a fixed, 1986–88 reference price. The 1995 value in the Blue Box was \$7,030 million. This payment was eliminated after 1995 by the 1996 Farm Act.

f. If the calculated individual product support level or the non-product-specific total is not larger than 5 percent of its respective total value of production, the support does not have to be included in the current total AMS, under the *de minimis* provision.

g. For the 1986–88 base period only, countries could increase their AMS by using the higher of the 1986 value or the 1986–88 value. The U.S. increased its AMS by \$3,227 million. This was done to give credit for reductions in support already accomplished during the first three years of the Uruguay Round.

h. The AMS ceiling was derived as the 1986–88 base value minus 3.3 percent per year during 1995 through 2000. The final ceiling level is 20 percent of the base value (20 percent divided by 6 years = 3.33333 percent).

Appendix A. Table A2. AMS Calculations for 2000 through 2006 based on the 2000 and 2001 U.S. Notifications to WTO (\$millions)

Measure type	2000	2001	2002	2003	2004	2005	2006
Green Box in U.S. notification							
General services	8,554	9,214	--	--	--	--	--
Domestic food aid and public stockholding for food security	32,377	33,916	--	--	--	--	--
Income supports (PFC and direct payments)	5,068	4,100	3,968	3,857	5,278	5,287	5,237
Payments for relief from natural disasters	2,141	1,421	--	--	--	--	--
Structural adjustment (resource retirement or investment)	1,608	1,730	--	--	--	--	--
Environmental payments	309	291	--	--	--	--	--
Total Green Box	50,057	50,672	--	--	--	--	--
Product-specific AMS							
Loan deficiency payments	6,273	5,592	5,380	693	461	4,411	5,124
Marketing loan gains	733	610	642	190	114	293	596
Cotton user payments	237	182	182	456	304	441	389
Certificate exchange gains	664	1,975	2,000	998	268	1,447	408
Other commodity payments ^a	2,660	76	5	1,321	9	990	970
Total commodity payments	10,567	8,435	8,209	3,658	1,156	7,582	7,487
Other product-specific support ^b	457	367	412	412	412	412	412
Market price support (dairy, sugar, peanuts ^c)	5,840	5,825	5,515	5,515	5,515	5,515	5,515
Total product specific AMS	16,864	14,627	14,136	9,585	7,083	13,509	13,414
Total Product-specific AMS (after <i>de minimis</i>) ^d	16,802	14,413	14,007	9,497	7,018	13,385	13,291
Non-product-specific AMS							
Crop insurance indemnities not covered by premiums	1,396	1,770	2,892	1,869	1,481	1,481	1,481

Market loss assistance/countercyclical payments	5,463	4,640	0	3,705	1,027	2,513	5,913
Other non-product-specific AMS ^e	419	418	419	419	419	419	419
Total Non-product-specific AMS	7,278	6,828	3,311	5,993	2,927	4,413	7,813
U.S. value of agricultural production ^f	189,520	198,502	194,984	216,592	241,241	239,600	240,400
Share in % (<i>de minimis</i> = 5%)	3.8%	3.4%	1.7%	2.8%	1.2%	1.8%	3.2%
Total Non-product-specific AMS (after <i>de minimis</i>)	0	0	0	0	0	0	0
Total AMS	16,082	14,413	14,007	9,497	7,018	13,385	13,291

Source: Sumner (2005).

- a. Other commodity payments include oilseed payments, deficiency payments, tobacco payments, peanut payments, peanut quota compensation payments, seed cotton payments, wool and mohair payments, and others.
- b. Other product-specific support includes storage payments and the commodity loan interest subsidy. The figures for 2002 to 2006 are based on the simple average of the 2000 and 2001 figures as reported by the United States to the WTO.
- c. In 2004 peanuts no longer had market price support.
- d. The *de minimis* deduction for 2002–2006 is based on the ratio of the simple average of the AMS after the *de minimis* deduction in 2000 and 2001 and the simple average of the total product-specific AMS as reported by the United States to the WTO for 2000 and 2001.
- e. Other non-product-specific AMS includes water subsidies, grazing fees, crop disaster payments, state credit programs, and farm storage facility loan program. The 2000 and 2001 figures are based on the WTO notification. For later years, the simple average of the 2000 and 2001 figures was applied.
- f. The value of production figures is based on ERS reports on farm cash receipts and its forecast for 2005. The 2006 figure is the simple average of U.S. agricultural cash receipts for 2004 and the estimate for 2005. Non-product-specific support would be exempt under the *de minimis* rule only if U.S. value of production were to reach over \$261 billion.

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