

NAFTA, GATT: What Have They Accomplished?

MEXICO—Despite the Mexican government's disastrous attempt to devalue its currency, the U.S. exported enough corn thus far to meet the annual import quota set under the North American Free Trade Agreement (NAFTA).

Corn exports to Mexico continued to climb after jumping nearly 25 percent in the first year of the trade agreement. Mexico continues to be one of the top five markets for U.S. corn.

"Even with the peso devaluation they've made the purchases," said National Corn Growers Association (NCGA) Chairman Pete Wenstrand. "This indicates good, long-term growing demand."

Wenstrand serves as the NCGA representative on the

U.S. Feed Grains Council (USFGC). The Washington-based group, made up of farmers and agribusinesses, helps fund foreign export promotion programs.

"The major impact of NAFTA has been to settle down a very volatile market," said USFGC official Kent VanAmburg.

Mexico imported almost 3 billion metric tons, or nearly 117 billion bushels of U.S. corn this year. "That already exceeds the quota under NAFTA for corn exports to Mexico," VanAmburg said. The trade agreement set a quota for corn exports into Mexico. The quota increases each year until all barriers are eliminated by the year 2008.

In addition to the volatile

currency situation to the south, the testy trade relationship to the north will challenge the NAFTA to live up to expectations.

The U.S. requested the very first dispute settlement under the NAFTA with Canada. The Canadians insist the new General Agreement on Tariffs and Trade (GATT) allows a slower reduction of its agricultural trade barriers than the schedule they agreed to with the NAFTA.

"We think they are wrong," said Leonard Condon, a deputy to the assistant U.S. Trade Representative (USTR) for Agricultural Affairs. More than half of the U.S. corn crop is used to feed livestock. Canada claims it can limit imports of U.S. poultry, dairy and other prod-



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ucts at a higher rate under the GATT than under the NAFTA.

Condon said settling the matter with Canada could take up to six months. "We think this is an important case to see if the dispute settlement process actually works," he said.

Members of NCGA worked with the Clinton administration and fought hard to win passage of NAFTA and the GATT in the U.S. Congress. Implementation of the GATT may be as long and arduous as its negotiation and approval by the administration and Congress.

"The agreement was only

implemented for most countries on Jan. 1, including the U.S., and for others, not until July 1," said Condon's boss, Deputy USTR Suzy Early.

Already the USTR has initiated an investigation into how the European Union calculated its first reduction of agricultural trade barriers it agreed to in the GATT treaty.

Existing EU trade barriers must be converted to import tariffs and then ratcheted down over a period of time.

"There have been some problems in the way they've structured their tariffs," said Bob Spitzer of the U.S. Department of Agriculture's Foreign Agricultural Service (USDA-FAS). "There is a question of whether or not they've priced us out of the market again."

But the EU must also reduce export subsidies used to undercut export competition from the U.S. and other countries. NCGA Chairman Pete Wenstrand thinks the world trading system would be in peril if there were no constraints on the Europeans. "The GATT improves the trade dispute settlement process," he said. "Even though everyone wants more open trade, there still will be disagreements."



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