

# WTO “Doha Declaration” Puts U.S. Farm Payments on the Chopping Block

## Fast Track Would Allow U.S. Trade Representative Zoellick to Deal Away Congressionally-Mandated Farm Supports

### *U.S. Export Credits Put on Table in Qatar for “Phase Out”*

As Congress continues to debate the Farm Bill, the U.S. Department of Agriculture (USDA) Secretary Ann Veneman and U.S. Trade Representative (USTR) Robert Zoellick significantly undermined the Congressional effort to overturn the Freedom to Farm Act at the World Trade Organization (WTO) summit in Doha, Qatar. At the WTO Ministerial, the U.S. and WTO member nations agreed that future trade talks would negotiate to limit domestic farm programs, including “phasing out all forms of export subsidies” and “substantial reductions in trade-distorting domestic support.”<sup>1</sup> This new language in the “Doha Declaration” set forth the future WTO agenda. The decisions in Doha line up U.S. trade negotiators to eliminate U.S. farm programs as a chit in exchange for better overseas market access for U.S. banks and other service providers. As USDA Secretary stated at the Qatar Ministerial, farm programs are “on the table” for the next two years of negotiations.<sup>2</sup>

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If this direct hit on U.S. agriculture policy were not damaging enough, USTR Zoellick caved on a longstanding position against putting U.S. anti-dumping laws on the WTO negotiating table. These trade laws are farmers’ last defense when countries dump below-cost commodities on the U.S. market. Yet, USTR agreed to immediate negotiations in this area, even though a long list of WTO countries including Brazil, Japan and Australia have stated clearly that their only purpose for seeking such talks is to weaken existing U.S. trade law.

These two aspects of the WTO Doha Ministerial Declaration provide an early warning about the WTO’s future plans for U.S. Members of Congress and their farmland constituents. To add yet one more strike, the U.S. failed to demand that the European Union’s enormous export subsidies be brought down to a level playing field with the U.S. levels. Thus, the Doha Declaration’s language on phasing out export subsidies will allow Europe to maintain its edge over the U.S. yet, the U.S. also failed to obtain a definition for export subsidy that excludes U.S. export credit programs! European farm negotiators were gloating over the two-

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<sup>1</sup> World Trade Organization Ministerial Declaration, Fourth Session, WT/MIN(01)/DEC/W/1, Article 13, Nov. 14, 2001.

<sup>2</sup> “U.S. Says Farm Export Credits ‘On the Table’ in Doha,” *Associated Press*, Nov. 12, 2001.

pronged victory over the U.S. in export funding.

The Doha Declaration was adopted on November 14<sup>th</sup> and negotiations on this agreed agenda are to start in Geneva, Switzerland in early 2002. The adoption of this WTO agenda — and U.S. support and even leadership pushing for it — makes a reality out of the fears of many in Congress and the public about new WTO threats to U.S. farmers.

Despite contrary Congressional actions, U.S. negotiators put U.S. agricultural support payments on the chopping block in Doha at the same time that USTR Zoellick is pushing for Fast Track trade negotiating authority in the House of Representatives. Fast Track delegates to the Executive Branch the Congress' constitutionally granted authority to set trade policy, reserving for Congress only a final up-or-down vote *after* the terms of the agreement are negotiated and the pact is signed. If Fast Track is granted Congress would give away its ability to influence the substance of farm negotiations and lose its already limited leverage over USTR Zoellick and USDA Secretary Veneman. As their conduct in Doha at the WTO Ministerial showed, Administration officials will whittle away farm programs in negotiations in Geneva unless Congress checks and balances such actions. Under Fast Track, Congress cannot ensure agriculture terms are satisfactory before an agreement is signed. They cannot remove or amend offensive provisions on agriculture, it can only reject the entire WTO negotiated pact. Agriculture Committee Members and U.S. farm legislation have been undermined when U.S. trade negotiators bargain away U.S. producers' interests in exchange for new market access for U.S. telecommunications firms, banks and other service providers in other nations.

The negotiating goal of significantly reducing “trade-distorting” farm programs presents a real threat to Congressionally mandated farm programs. Secretary Veneman opposes the use of farm payments as safeguards against the vagaries of the weather, commodities markets and international price fluctuations.<sup>3</sup> The Administration already has listed U.S. farm support payments as trade-distorting policies with the WTO. As Congress attempts to overturn the hated Freedom to Farm Act, which eliminated most farm subsidy safeguards, U.S. trade negotiators are using WTO negotiations to undo the will of Congress.

Agriculture Secretary Veneman has been clear: The number one agriculture policy goal is not to reassess the Freedom to Farm Act through this Farm Bill or any other, nor to address the farm income crisis, but rather to increase trade.<sup>4</sup> Despite the fact that agricultural prices have declined significantly since the Freedom to Farm Act went into effect, recent USDA research had found that “removing all forms of agricultural protection and support could raise world prices 12%.”<sup>5</sup>

In June 2001, the Secretary of Agriculture Ann Veneman gave notice to the WTO that the 1998 U.S.

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<sup>3</sup> “Food and Agriculture Policy: Taking Stock for the New century,” U.S. Department of Agriculture, Sep. 2001 at 47.

<sup>4</sup> Remarks of Secretary of Agriculture, Ann Veneman at the Sparks Companies 9<sup>th</sup> Annual Food & Agriculture Policy Conference, Apr. 17, 2001.

<sup>5</sup> Food & Agricultural Policy: Taking Stock for the New Century, U.S. Department of Agriculture, Chapter II, “Trade Expansion is Critical,” Sep. 19, 2001 at 40.

emergency farm payments were in effect WTO-illegal trade barriers. Her initiative reclassified market price support programs, loan deficiency programs and marketing loan gains from being WTO-allowable to being “amber box” (WTO parlance for policies that probably are illegal trade barriers).<sup>6</sup> This “amber box” designation means that these farm safeguard policies are “trade distorting.” This “trade distorting” term is also used in the Doha Declaration, which the U.S. supported, in agreeing to cut such payments. Now such programs are subject to be challenged as illegal trade barriers in binding dispute resolution at the WTO if the total “amber box” support exceeds \$19.1 billion. USDA reclassified \$10.4 of the 1998 domestic supports as “amber box.” The Doha Declaration mandates future WTO negotiations on “substantial reductions in trade-distorting domestic support.”<sup>7</sup>

House Agriculture Committee Chairman Larry Combest (R-TX) challenged USDA’s re-classification of the 1998 payments as trade distorting because since the payments were made *after* the farm production occurred, the payments could not possibly distort planting decisions.<sup>8</sup> Payments after the fact couldn’t distort international markets. The difference is vital even if Agriculture Secretary Veneman is seeking to blur the difference to accomplish at the WTO a farm policy Congress opposes at home. In a bad farm year, payments provided under the new Farm Bill could exceed the WTO-allowed level. Ironically, these past emergency payments were necessitated in part by the import floods caused by existing trade deals such as NAFTA and WTO.

The proposed Farm Bill could exceed the limitations on “amber box” agriculture support payments. An internal analysis by USDA predicts the counter-cyclical payments provision in the Farm Bill will exceed the WTO “amber box” limitations.<sup>9</sup> University of Missouri analysts have stated that there is a 33% chance that the 2002 farm payments could exceed the \$19.1 billion “amber box” WTO limits.<sup>10</sup> Agriculture Committee Chairman Combest acknowledged that if U.S. payments exceed the WTO limits, which he indicates “is a possibility,” the U.S. could face a “real problem.”<sup>11</sup> The National Corn Growers Association predicts that the total counter-cyclical payments would be close to the \$19.1 “amber box” limits.<sup>12</sup> If the “amber box” payments do exceed the WTO limits for the U.S., it is likely that the Farm Bill will be challenged before a WTO dispute panel by one of the world’s agriculture powerhouses such as the EU, Canada, Argentina or Australia. **And this is before any upcoming WTO negotiations could further cut the allowable limits. Of course, if Congress retains its Constitutional trade authority, the ability of U.S. negotiators to overturn Congress’ farm policy is greatly reduced — as the same Agriculture Committees would retain substantive jurisdiction absent Fast Track.**

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<sup>6</sup> “USDA Announces WTO Notification of U.S. Domestic Support Payments for 1998/99 Marketing Year,” USDA news release, Jun. 22, 2001.

<sup>7</sup> World Trade Organization Ministerial Declaration, Fourth Session, WT/MIN(01)/DEC/W/1, Article 13, Nov. 14, 2001.

<sup>8</sup> Letter from House Agriculture Committee Chairman to U.S. Agriculture Secretary Ann Veneman, Jun. 22, 2001.

<sup>9</sup> “Treaties May Curb Farmers’ Subsidies,” *New York Times*, Aug. 31, 2001.

<sup>10</sup> “US Farm Bill ‘Could Break WTO Ceiling,’” *Agra Europe*, Sep. 7, 2001.

<sup>11</sup> “US Farm Bill ‘Could Break WTO Ceiling,’” *Agra Europe*, Sep. 7, 2001.

<sup>12</sup> “Combest’s Farm Proposal Raises Questions About Trade,” *National Journal’s CongressDaily*, Jul. 13, 2001.