



Office of the United States Trade Representative
Docket No. WTO/DS-357
WTO Dispute Settlement Proceeding
Regarding United States -- Subsidies and Other
Domestic Support for Corn and Other
Agricultural Products

February 28, 2007

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This comment, from the Institute for Agriculture and Trade Policy (IATP), is in response to the Federal Register notice of January 31 (Vol. 72, No. 20, 4538-4539). IATP is a 501(c)(3) nonprofit, nongovernmental organization with offices in Minneapolis, Minnesota, and Geneva, Switzerland. IATP is grateful for the opportunity to submit this comment.

IATP has monitored agricultural trade policy since its founding in 1986 and has followed with particular interest the factors that contribute to agricultural export dumping. IATP has published several reports that estimate dumping margins for major U.S. row crop exports. The margins measure the gap between the U.S. export price for corn, rice, wheat, soy and cotton and the cost of production for these crops. IATP has established that over a period of almost 20 years, most of the major U.S. export crops are sold at less than cost of production prices in most years, both domestically and overseas. A February 2005 report on dumping from 1990 to 2003 by U.S. agribusiness exporters can be found on our website, www.tradeobservatory.org

We use U.S. Department of Agriculture (USDA) and Organization for Economic Cooperation and Development statistics to calculate the dumping margin. We would be pleased to discuss our methodology with you, as well as our ideas on how to correct this market distortion. IATP does not believe the U.S. is the only country where commodities are consistently undersold. We believe a discussion is needed at the WTO to agree on a methodology for calculating agricultural export dumping as a first step towards establishing multilateral disciplines to curb this unfair trade practice.

In our view, the structure of the Agreement on Agriculture (AoA) around three pillars (market access, domestic support and export subsidies) fails to capture the trade distortion inherent in commodity dumping. Unfortunately, governments have chosen to keep this structure in their proposals on the Doha Agenda. The result, should existing proposals be adopted, will improve U.S. compliance with WTO rules but will not reduce, and could actually augment, dumping. Nor do USDA Secretary Johann's proposals for the 2007 Farm Bill address the problem. It is our view that the U.S. will continue to be vulnerable to legal attack at the WTO for the design and implementation of its domestic support programs until more fundamental market failures and market distortions are addressed. High dumping margins are just a symptom of these structural problems.

IATP's analysis of dumping provides the USTR with a point of departure for a debate on how to realize the AoA objective of a "fair and open agricultural trading system" and the broader objectives of the Doha Agenda, which has been promoted as a "development round". Dumping of our major agricultural export commodities has serious and negative implications for development, food security and rural livelihoods in some of the world's poorest countries. Rather than force liberalization according to current proposed Doha negotiating modalities, the USTR should reconsider its single-minded pursuit of market access, especially when the evidence is at best mixed on whether such policies will help most developing countries. Indeed, many commentators from the World Bank and elsewhere predict the poorest countries will be losers from the proposals now under discussion at the WTO in Geneva. Pursuit of policies that are expected to hurt the world's poorest people is not acceptable for the world's richest country.

Instead of analyzing the Canadian request for consultations as simply a legal matter, the USTR should look at the request as a political incentive to discuss with WTO members the possibility of negotiating policy instruments to ensure that farm income derives from fair, regulated and transparent markets rather than from government payments. The Africa Group at the WTO has proposed a discussion of production control mechanisms to support better prices (TN/AG/GEN/18; June 7, 2006) for agricultural commodities. The idea deserves U.S. support. Such tools are imperfect, but more based on market fundamentals than today's mix of intervention and laissez-faire that has produced sizeable oligopolies at most stages of the agricultural production system, from seeds and pesticides to food processors and retailers. Rules that ensured farmers would receive cost of production plus a reasonable profit from the market for their crops would go along way towards reducing dumping and the related litigation. During the "pause for reflection" that has been afforded by the current Doha stalemate, U.S. leadership in such a discussion would be an important step towards developing fair and market-based trade.

We look forward to working with the USTR to realize the potential of strong and clear rules to govern multilateral trade.

Sincerely,

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