

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is a darker shade of blue. The hourglass is centered on the page.

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Agricultural Trade in the 106th Congress: A Review of Issues

Geoffrey S. Becker, Resources, Science, and Industry Division

Updated December 29, 2000

Abstract. The 106th Congress considered a number of trade policy developments against a backdrop of weak foreign demand and large world supplies of agricultural products. The U.S. department of Agriculture reports that the value of U.S. agricultural exports fell between FY1996 (a record year) and FY1999 by almost \$11 billion, to \$49.2 billion. Agricultural exports did climb back to \$50.9 billion in FY2000, and are projected at \$53 billion in FY2001. However, the pace of recovery has been of concern to many agricultural groups and their supporters in Congress.

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Geoffrey S. Becker, Charles E. Hanrahan, and Remy Jurenas
Resources, Science, and Industry Division

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Agricultural Trade in the 106th Congress: A Review of Issues

Summary

The 106th Congress considered a number of trade policy developments against a backdrop of weak foreign demand and large world supplies of agricultural products. The U.S. Department of Agriculture reports that the value of U.S. agricultural exports fell between FY1996 (a record year) and FY1999 by almost \$11 billion, to \$49.2 billion. Agricultural exports did climb back to \$50.9 billion in FY2000, and are projected at \$53 billion in FY2001. However, the pace of recovery has been of concern to many agricultural groups and their supporters in Congress.

Although they recognize that many world economic and other factors influence exports, many of these groups believe the sector's future prosperity also depends on such U.S. trade policies as 1) encouraging China's entry into the WTO, with its binding rules and responsibilities; 2) exempting agricultural exports from U.S. unilateral economic sanctions; 3) fully using export and food aid programs; and 4) challenging foreign-imposed barriers to the movement of U.S. farm products.

A few U.S. farm groups are wary of such approaches. They point out that, by maintaining barriers to U.S. imports and their own high export subsidies and internal farm supports, not all countries have fully honored existing trade agreements. In fact, some of these U.S. groups pressed for more restrictions on foreign farm and food imports. Agricultural trade issues of interest in the 106th Congress included:

China permanent normal trade relations (NTR) status, which the United States had been renewing on an annual basis. A 1999 bilateral trade agreement between the United States and China (tied to WTO accession) provides for tariff reductions and increased access to the Chinese market for many U.S. agricultural products. To help ensure that the United States can take advantage of these potential benefits, the Clinton Administration gained passage of legislation in 2000 granting China permanent NTR status, effective upon its accession to the WTO.

A new round of WTO multilateral trade negotiations. Although trade ministers, meeting in Seattle November 30 to December 3, 1999, did not agree on an agenda to launch a comprehensive new round, sectoral talks on agriculture did begin in March 2000. These talks are proceeding slowly.

Funding for USDA export and food aid programs. A program level of about \$5.8 billion is assumed in the FY2001 agricultural appropriation (P.L. 106-387).

An exemption for agricultural exports from U.S. unilateral economic sanctions against 5 countries. Such a provision, with restrictions regarding Cuba, was included in P.L. 106-387.

Trade disputes with the European Union (EU) over its banana import regime, its continued ban on imports of meat treated with growth hormones despite a WTO panel ruling that it be lifted, and U.S.-EU differences over environmental effects of genetically modified organisms (GMOs) and the safety of GM foods.

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Agricultural Trade in the 106th Congress: A Review of Issues

Overview

The 106th Congress considered a number of trade policy developments against a backdrop of weak foreign demand and large world supplies of agricultural commodities. The U.S. Department of Agriculture reports that the value of U.S. agricultural exports fell between FY1996 (a record year) and FY1999 by almost \$11 billion, to \$49.2 billion. Agricultural exports did climb back to \$50.9 billion in FY2000, and are now projected at \$53 billion in FY2001. However, the pace of recovery concerned many agricultural groups and their supporters in Congress.

Although they recognize that many world economic, farm production, political, and weather factors influence exports, many of these groups believe that the agricultural sector's future prosperity also depends upon such U.S. trade policies as 1) encouraging China's entry into the World Trade Organization (WTO), with its binding rules and responsibilities; 2) exempting agricultural exports from U.S. unilateral economic sanctions; 3) fully using export and food aid programs; and 4) aggressively battling foreign-imposed barriers to the movement of U.S. farm products.

A few U.S. farm groups are wary of such approaches. They point out that, by maintaining barriers to U.S. imports and their own high export subsidies and internal farm supports, not all countries have fully honored existing trade agreements. In fact, some of these U.S. groups have pressed for more restrictions on foreign farm and food imports.

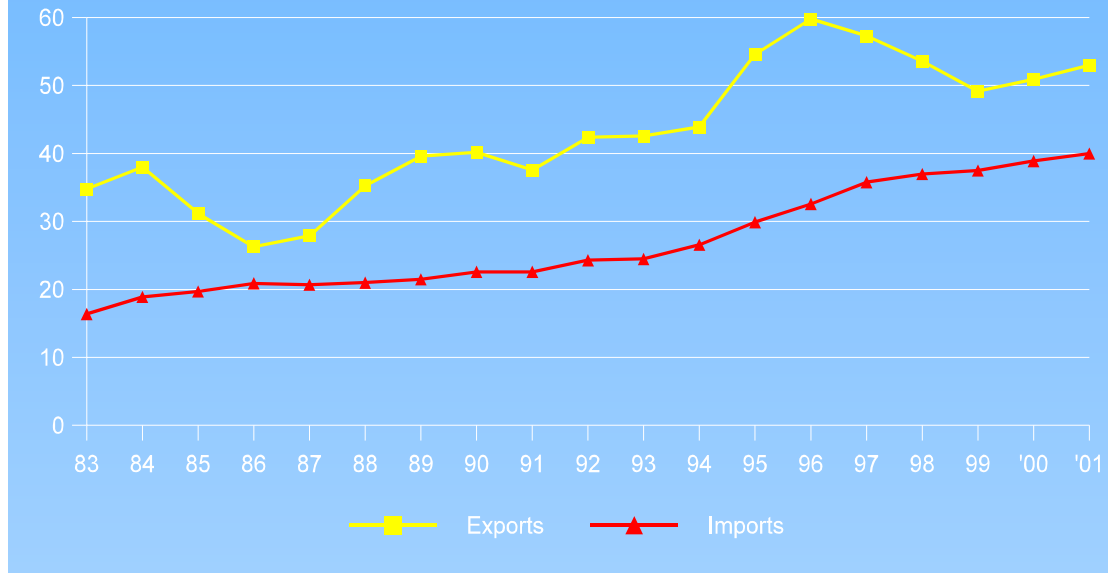
Agricultural Trade Trends

Exports

Export markets are extremely important to U.S. producers, the world's leading agricultural exporters. Although agriculture is one of the few U.S. sectors that records a surplus trade balance, it declined to \$11.6 billion in FY1999 and was \$12 billion in FY2000, well below FY1998's \$16.6 billion surplus and the lowest since 1987 (see chart on page 2).

U.S. Agricultural Trade

FY 1983 - FY2001(f)



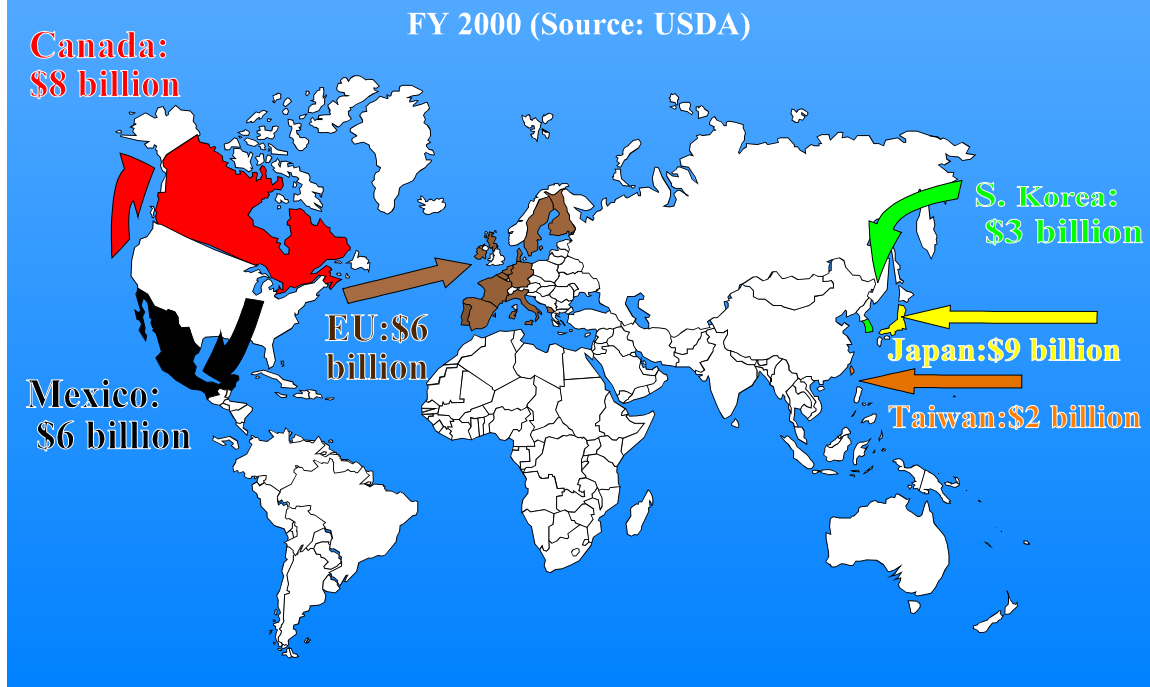
Leading Markets: The leading U.S. farm export markets (value, FY1997-99) were: Japan, the European Union (EU), Canada, Mexico, Taiwan, and South Korea. Asia in general, and China in particular, are viewed as critical long-term growth markets (see chart on page 3).

High Value Products: Worldwide, U.S. exports of bulk commodities (e.g., oilseeds and grains) remained significant, but high-value exports such as meats, fruits, vegetables, and processed foods have increased — now representing more than 60% of the value of total U.S. farm exports.

Dependence on Exports: Some products depend more heavily on exports for total sales than others. For example, exports of almonds, hides/skins, wheat, walnuts, and rice have accounted for 50% or more of their total sales. Other products where exports constituted 25% or more of sales included cotton, prunes, grapefruit, raisins, soybeans, salmon, pulses, tobacco, animal fats, lemons, grapes, broccoli, pears, oranges, coarse grains, and canned corn.

State Export Rankings: Nearly every state exports agricultural products, led by California, with agricultural exports valued by USDA (in 1999) at \$6.9 billion — more than twice the level of number two Iowa with \$3.2 billion. Other states in the top ten (by rank, 1999) were Nebraska, Kansas, Illinois, Texas, Minnesota, Washington, Indiana, and Wisconsin.

Major Country Markets for U.S. Agricultural Exports



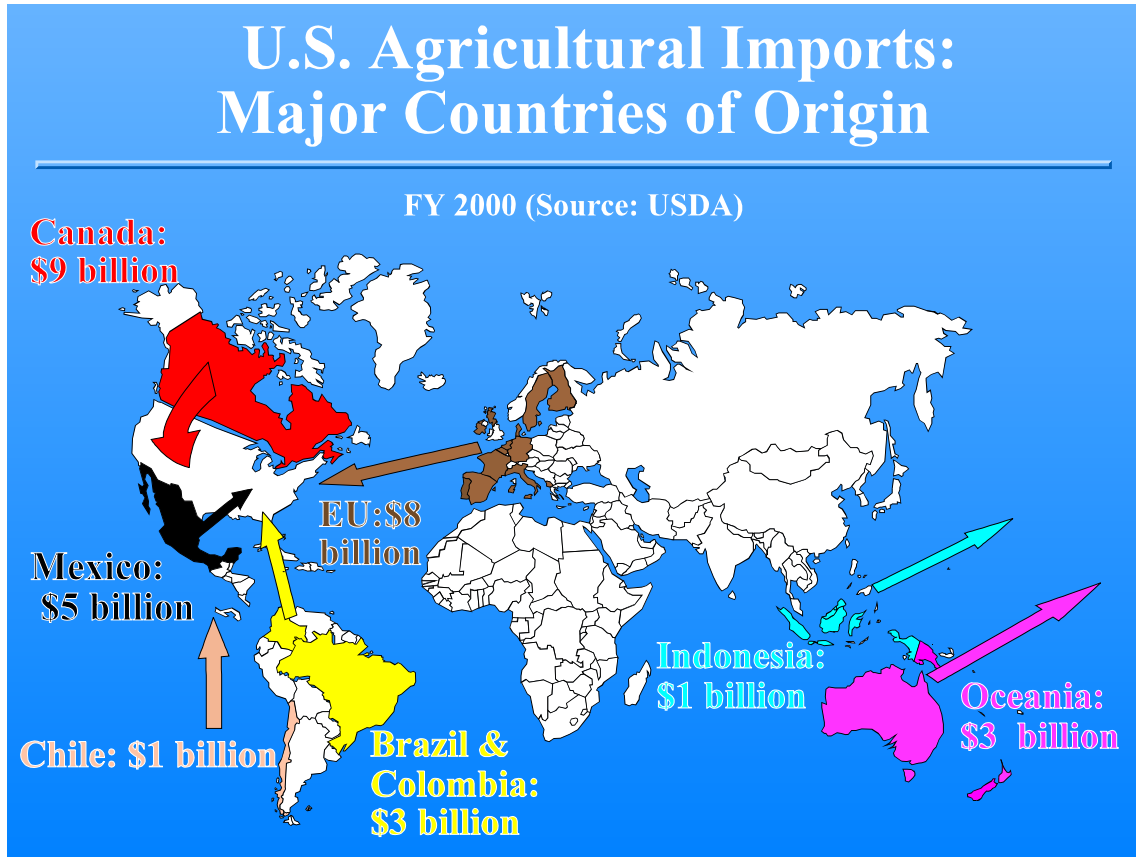
World Market Share (1999): The United States was the major world exporter of:

- **Corn**, with export market share of 66%. Major competitors: China (13%), and Argentina (12%).
- **Soybeans**, with export market share of 57%. Major competitors: Brazil (23%), Argentina (8%), and Paraguay (6%).
- **Wheat**, with export market share of 28%. Major competitors: Canada (18%), Australia (17%), the EU (15%), and Argentina (10%).
- **Cotton**, with export market share of 25%. Major competitors: Uzbekistan (16%), Franc-Zone Africa (group of former French colonies that share a common currency, 15%), and Australia (13%).
- **Poultry**, with export market share of 42%. Major competitors: EU (14%), Hong Kong (13%), Brazil (13%), and China (7%).

The United States also had major shares of world markets for beef/veal, pork, and rice — but trailed Australia, the EU, and Southeast Asia, respectively, for each of those products.

Imports

U.S. agricultural imports were \$33 billion in FY1997, \$37 billion in FY1998, \$37.5 billion in FY1999, and a record \$38.9 billion in FY2000. USDA projects such imports will rise further to \$40 billion in FY2001.



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Types of Products: Most U.S. agricultural imports are high value. The largest component is horticultural products, which amounted to \$7.3 billion or 19% of total agricultural imports in 1999. Leading imports by value (\$1 billion or more annually) were: fruits and preparations, vegetables and preparations, wine and beer, red meats, coffee, feeds and products, oilseeds and products, live animals, dairy products, sugar and products, cocoa, nursery and cut flowers, and bananas.

Major Suppliers: Canada, the EU, and Mexico are the leading exporters to the United States. Oceania (mainly Australia and New Zealand), Indonesia, Colombia, Brazil, Chile, and other Latin American countries are also major import suppliers. (For more data see CRS Report 98-253, *U.S. Agricultural Trade: Trends, Composition, Direction, and Policy.*)

U.S. Agriculture and China's Accession to the WTO

The prospect of future growth in demand for agricultural products made China's accession to the WTO (likely in 2001) an important issue for U.S. agriculture. Most U.S. agricultural interest groups looked to China's eventual membership in the WTO as a way to enhance U.S. agricultural exports and increase farm incomes. U.S. agricultural exports to China were valued at nearly \$1.5 billion in FY2000, making it the eighth largest market for U.S. farm products. Another \$1.3 billion of U.S. farm products were shipped to Hong Kong in FY2000. In the long run, if economic growth is strong, as many economists expect, China's 1.2 billion population, and its growing middle class, suggest its significant potential as a market for U.S. agricultural products.

The U.S.-China negotiations on terms for the latter's accession to the WTO were concluded in November 1999. The agricultural components of this agreement appear identical to those of an earlier agreement negotiated in April 1999 but not finalized due to U.S. problems with it and, subsequently, to diplomatic fallout from the accidental U.S. bombing of China's embassy in Yugoslavia on May 8, 1999. Negotiations resumed in September 1999. The November 15, 1999 agreement provides that China, if it becomes a member of the WTO, will make substantial reductions in agricultural tariffs and establish market access quotas that should expand trade for several important U.S. agricultural products, including soybean products, wheat, corn, rice, and cotton. Virtually all other WTO members have concluded bilateral agreements with China; ultimately, China's application for membership must be agreed to by other members of the WTO.

U.S.-China WTO negotiations in April 1999 were accompanied by bilateral agreements to end China's sanitary and phytosanitary (SPS) barriers to U.S. wheat, meat, and citrus exports. When accession negotiations were suspended, however, China's implementation of the bilateral agreements came to a standstill. Since the November 1999 agreement, China has begun to implement the bilateral agreements, with reported purchases of wheat, citrus, and meats, including beef and pork, occurring in 2000.

The WTO requires that members extend most-favored-nation (MFN) treatment, also known as normal trading relations (NTR), to all other members. Such status means that products enter the United States at the same low tariff rates that apply to virtually all other nations. To help ensure that the United States can take better advantage of the full range of concessions, Congress was asked to grant China permanent NTR status.

The Clinton Administration submitted permanent NTR legislation to Congress on March 8, 2000. On May 17, the Senate Finance Committee and the House Ways and Means Committee each approved bills (S. 2277; H.R. 4444) to accord permanent NTR. The full House approved its bill on May 24 by a vote of 237-197. The full Senate approved the House bill on September 19 by a vote of 83-15, and the President signed it (P.L. 106-286) on October 10, 2000.

Previously the United States could extend NTR treatment to China on an annual basis only if China complied with freedom of emigration conditions in the Jackson-Vanik amendment to the Trade Act of 1974 (P.L. 93-618, Section 401). Providing NTR for China depended on the extension of an annual waiver of Jackson-Vanik by the President, subject to a resolution of disapproval by either congressional chamber. Because permanent NTR authority would not take effect until China accedes to the WTO, the President in June 2000 recommended this waiver for an additional year. A resolution of disapproval (H.J.Res. 103) was introduced, but defeated (147 to 281) by the House on July 18, 2000, thereby upholding the President's waiver. (For more information, see CRS Report RS20169, *Agriculture and China's Accession to the World Trade Organization*; and *China and U.S. Agriculture*, in the CRS electronic briefing book on trade.)

Agriculture in World Trade Negotiations

Multilateral (WTO) Negotiations

A new round of multilateral trade negotiations (including but not limited to agriculture) was to be launched formally when trade ministers of WTO countries met November 30-December 2, 1999, in Seattle. While the Uruguay Round (UR) provided new and strengthened rules for the conduct of agricultural trade, a new round is intended to expand markets for agricultural products and further ease trade barriers, export subsidies, and trade-distorting domestic support. The operations of state trading enterprises (STEs), like the Canadian Wheat Board, and trade in genetically engineered food products, also are at issue.

Trade ministers at the Seattle meeting were unable to agree on an agenda for a comprehensive new round, which would have included not only agriculture, but services, intellectual property, industrial tariffs, and perhaps broader issues of competition, investment, and the relationship of trade agreements to labor and environmental considerations. However, Article 20 of the UR Agreement on Agriculture mandates negotiations in agriculture to begin in early 2000. These negotiations were launched March 23-24, 2000, at a special session of the WTO's Committee on Agriculture. Various countries have since submitted more detailed negotiating proposals during this process.

On June 29, 2000, the Administration announced its negotiating proposal to the WTO. It includes elimination of agricultural export subsidies by a fixed date; substantial reductions in current tariffs and increases in tariff-rate quotas on agricultural imports; discipline of state trading enterprises; and new reductions in domestic farm supports based on the same fixed percentage of each country's total agricultural production value — with the objective of eventually making all countries' domestic support levels comparable. The negotiations have been proceeding slowly.

Many agricultural interests support U.S. participation in a comprehensive round (rather than a sectoral negotiation) because they believe the trade-offs possible in a larger negotiation would result in improved market prospects for U.S. agricultural

exports. Some agricultural groups, who feel that they have been disadvantaged by previous trade agreements, oppose U.S. participation in a new round. In Congress, the Senate Agriculture Committee held hearings on WTO issues on June 24 and September 30, 1999; the House Agriculture Committee held its own hearing on June 23, 1999. In early 2000, several other committees held hearings on the WTO Seattle meeting and its implications for future talks, including those on agricultural trade. Relatedly, the African Growth and Opportunity Act (P.L. 106-200; see below) contains U.S. negotiating objectives for agriculture in these talks.

A joint resolution (H.J.Res. 90) requiring the United States to withdraw from the WTO was introduced on March 2, 2000, but the House, on June 21, defeated the measure by a vote of 56-353. (See *The WTO Seattle Ministerial* in the CRS electronic briefing book on trade; CRS Report 98-254, *Agricultural Negotiations in the World Trade Organization*; and CRS Report RS20422, *United States' Withdrawal from the World Trade Organization: Legislative Procedure*.)

African Growth and Opportunity Act

The President, on May 18, 2000, signed into law the African Growth and Opportunity Act (P.L. 106-200; H.R. 434), which includes a number of amendments of direct interest to agriculture. The primary purpose of the measure is to increase trade opportunities with Africa and the Caribbean Basin. Among the agricultural provisions added by the Senate in November 1999 and retained by conferees is the so-called "carousel retaliation" provision that requires the Administration periodically to rotate, or change, the types of products targeted for trade retaliation against a foreign country. Its immediate objective was to seek to intensify pressure on the EU to permit imports of beef produced with hormones, and to resolve a long-running dispute over banana imports (see below) by penalizing a wider range of foreign industries and regions. As the 106th Congress adjourned, the Administration had not yet released revised lists of imports subject to retaliation.

Other agriculture-related provisions in this measure include the creation of a chief agricultural negotiator in the office of the U.S. Trade Representative, and the detailing of explicit U.S. objectives for agriculture in WTO negotiations. The latter include calls for an end to export subsidies and a reduction of foreign trade barriers. A Senate provision permitting farmers to apply for Trade Adjustment Assistance benefits was dropped from the final conference version (H.Rept. 106-606).

Economic Sanctions and Agricultural Exports

Falling agricultural exports and declining commodity prices led farm groups and agribusiness firms to urge the 106th Congress to pass legislation exempting the export of food and agricultural commodities from U.S. unilateral economic sanctions policy against certain countries. In the course of debate on P.L. 106-387, the FY2001 appropriations bill for the U.S. Department of Agriculture (USDA), Congress adopted a provision to lift sanctions on commercial sales of food, agricultural commodities, and medical products to Iran, Libya, North Korea, and Sudan, and to allow such sales to Cuba, subject to financing and other restrictions.

With the exception of the Cuba-specific provisions, Title IX of P.L. 106-387 largely codifies rules that the Clinton Administration formalized in July 1999 allowing licensed commercial sales of food and medical products to three countries currently subject to U.S. unilateral economic sanctions — Iran, Libya, and Sudan. Title IX also codifies a June 2000 Administration decision to allow unlicensed agricultural sales to North Korea. Agricultural sales to Cuba under a separate policy announced in May 1999 have been restricted only to private and non-governmental entities.

The inclusion of Cuba in the proposal generated considerable controversy and delayed enactment of the USDA spending bill until late in the session. Supporters of the proposed changes argued that sanctions were rarely effective, and that maintaining them against Cuba, which many see as a sizable potential market for U.S. agricultural sales, harms the U.S. agricultural sector. They argued that opening up trade with Cuba, which has been subject to a comprehensive U.S. embargo since 1962, would be a way to pursue a “constructive engagement” policy with that country. Opponents countered that an exemption would undercut a U.S. policy designed to keep maximum pressure on the Castro government until political and economic reforms were attained. Strong differences of opinion on this issue twice delayed House movement of its measure, until both sides reached a compromise in late September. The House compromise differed from Senate language (passed without change on July 20) in specifically prohibiting private financing of U.S. agricultural sales to Cuba, placing more restrictions on sales on that country compared to the other sanctioned countries, and codifying rules on travel to Cuba. In conference action, Members adopted the House position after some debate.

The Clinton Administration in principle has favored exempting food and medicine for humanitarian reasons from broad sanctions measures. It did express concern, though, that the final language unduly limits the President’s flexibility in conducting future foreign policy, reduces the prospect of food sales to Cuba, and constrains people-to-people travel to Cuba. (For more information, see CRS Issue Brief IB10061, *Exempting Food and Agriculture Products from U.S. Economic Sanctions: Current Issues and Proposals*, and *Economic Sanctions and Agricultural Exports* in the CRS electronic briefing book on trade.)

U.S.-EU Issues

Biotechnology Issues

Disputes over genetically engineered crops and foods which contain them threaten to disrupt U.S.-European agricultural trade. Generally referred to as genetically modified organisms, or GMOs, in trade discussions, such crops and products are a focus of disputes over differences in approval procedures and on whether there is a need to label GMO products. Underlying the disputes are pronounced U.S.-EU disagreements over the environmental effects of GMOs and the safety of GM foods.

Crops produced from GMOs are rapidly being introduced into U.S. agriculture, especially crops for export such as corn, soybeans, and cotton. Acceptance of GMOs in the EU and other markets for U.S. agricultural products is thus critical for U.S. producers and exporters. U.S. consumers generally have not questioned the health or safety of GM foods, although some U.S. consumer groups have called for labeling. The U.S. National Academy of Sciences, environmentalists and others have called for paying more attention to the environmental effects of GM crops. Conversely, in the EU, a broad coalition of environmentalists, consumer groups, and some scientists argue that the long-term effects of GMOs on health and the environment are unknown and not scientifically established. These interest groups argue that caution should be exercised in approving and regulating GM crops and foods until their effects are known with certainty.

The U.S. approval process for GMOs has facilitated their introduction into the U.S. food system. The U.S. position has been that GM foods are no different from non-GM foods. Thus existing regulations for approving them are appropriate and adequate. The EU, however, maintains a separate (and longer) regulatory system for approving GMOs, and also requires mandatory labels for products containing GMOs. Labeling is not required in the United States, except when there is a significant difference between the conventional and the GM product or if the GM product poses a health risk. In May 2000, the President announced that FDA would be developing guidelines for voluntary labeling of GM products.

The EU Council of Ministers instituted, on June 24-25, 1999, a *de facto* moratorium on any new approvals of GMO crops while a new approval and regulatory framework is established. This new process will become effective in 2001. In 2000, the EU Commission proposed to accelerate the implementation of new approval procedures, but met resistance from some EU member countries. The prospect of an effective approval process is attractive to many proponents of GMO crops because under the present system, no new GMO crops are being approved. However, some harbor doubts about the ability of the EU to overcome apparent strong consumer and environmental resistance to GMOs even with a more effective and scientifically based system. Such doubts may have contributed to recent decisions by major U.S. agribusiness firms to ask suppliers to begin separating GMO and non-GMO corn and soybean products.

The 106th Congress played a major role in the domestic debate on regulation and labeling of GM foods as constituencies for competing viewpoints sought legislative support. S. 2080 and H.R. 3377 were introduced to require that food that contains a genetically engineered material, or that is produced with a genetically engineered material, be labeled accordingly. Also introduced were H.R. 3883 and S. 2315 to levy user fees on firms seeking approval for GM foods to pay for Food and drug Administration (FDA) safety reviews and ban GM foods likely to cause allergic reactions. H.R. 4627 and S. 2838 each would have required the development of a program to tell consumers about the scientific basis of the safety of foods produced with biotechnology and fund research to address economic and environmental impacts of biotechnology on the food supply. Another bill, H.R. 5095, would have required USDA, acting through the National Academy of Sciences, to study and report what type of tests are needed to assess human health risks, what type of monitoring system is needed to assess the long term effects of consumption of GM

foods, and what federal structure is needed to ensure that these foods are safe. S. 3184 was proposed to require developers of GM foods to consult with FDA, increase FDA's authority to review these foods, and monitor more closely imported foods. It also calls for a registry of GM foods that have been approved and for information about restrictions, if any, applied to their use.

Several bills introduced in the 106th Congress reflected the views of opponents of stricter regulation and labeling and of those concerned that regulations in other countries may become trade barriers. H.R. 817, S. 19, S. 101, and S. 566 would have required U.S. trade negotiators to address any "unjustified restrictions or commercial requirements affecting new technologies, including biotechnologies" in the next round of trade negotiations. (For more information, see CRS Report 98-861, *U.S.-European Agricultural Trade: Food Safety and Biotechnology Issues*, and *Biotechnology and Agricultural Trade in the CRS electronic briefing book on trade*.)

Banana Dispute

A WTO dispute arbitration panel has ruled that the EU's preferential regime for importing bananas violates WTO rules and that the United States has the right to retaliate against the EU by imposing prohibitive duties on almost \$200 million in EU imports. The EU indicated its acceptance of the WTO ruling, but the United States and other complainant countries have rejected EU proposals for altering the banana import regime.

The United States criticized EU proposals for continuing to discriminate against Latin American bananas regarding license allocations and tariff preferences, but has not re-instituted WTO dispute settlement proceedings. Attention in both the United States and the EU has focused on finding a solution to this long-running dispute, and the effects of the ruling on banana exporters in developing countries is a factor. Complicating matters has been internal disagreement among EU members themselves on how to resolve the issue.

While many in the 106th Congress supported the U.S. approach to the banana issue in the WTO because of its implications for dispute settlement, some Members indicated that the banana decision would harm developing countries that depend on bananas for export earnings. Legislation reflecting this point of view (H.R. 1361) was introduced but not passed in the 106th Congress. It would have barred the United States from retaliating against the EU because of its failure to comply with the WTO's decision. On the other hand, the African Growth and Opportunity Act (P.L. 106-200; see above) requires the Administration to increase pressure on the EU to comply with the WTO decisions on bananas and beef (see below) by rotating the lists of products subject to retaliatory tariffs. The Administration had not yet announced the new lists when the 106th Congress adjourned. (For more information, see CRS Report RS20130, *The U.S.-European Banana Dispute*, and *U.S.-EU Banana Dispute in the CRS electronic briefing book on trade*.)

Meat Hormone Dispute

WTO dispute settlement panels have ruled that an EU ban, in place since 1989, on imports of meat derived from animals treated with growth hormones, is inconsistent with the Uruguay Round Agreement on the Application of Sanitary and Phytosanitary measures (the SPS Agreement). The WTO panels agreed with the U.S. argument that the ban lacks a scientific justification; left open the option for the EU to conduct a risk assessment of hormone-treated meat; and gave the EU until May 13, 1999, to bring its hormone measure into compliance with SPS rules. The EU did not meet this deadline. Citing studies that, it contends, raise human health questions about the use of such hormones, the EU said it would maintain the ban while continuing a risk assessment. In response, the United States in May 1999 stated that it would seek to impose economic sanctions on EU products valued at \$202 million. A WTO panel agreed that sanctions were warranted, but in July 1999 set the value subject to sanctions at \$116.8 million. The United States then announced the list of agricultural goods on which the 100% tariffs would be imposed, effective July 29, 1999.

The Commission of the European Union has proposed continuing the EU ban on imports of beef produced with hormones. The Commission made its proposal following a recommendation by an EU scientific committee that concluded that one of the growth hormones in use (*17 beta-oestrodialol*) is carcinogenic and should be banned completely, while five others were determined to have possible but unproven health risks and should be provisionally banned. Some expect that the EU will use these scientific conclusions to reintroduce the issue in WTO dispute settlement. U.S. officials claim, however, that much of the evidence in the EU study has already been considered and rejected by the WTO.

The EU did lift a threat to ban the import of all U.S. meats as a result of inadequate residue testing and standards for ensuring that meat is hormone free. The EU has indicated that this decision, which clears the way for hormone-free meat exports, would facilitate negotiations to reduce the \$117 million retaliation list imposed for the EU's refusal to accept imports of hormone-treated meat. The EU would presumably offer increased market access for hormone-free meat as compensation for not importing hormone-treated meat. Some in the U.S. meat industry have been cool to the idea, arguing that imports of hormone-free meat would not be adequate to compensate for losses incurred due to the EU's ban on hormone-treated meat. As 2000 was coming to a close, discussions were on-going between the United States and the EU over possible resolutions to this dispute. (See CRS Report RS20142, *The European Union's Ban on Hormone-Treated Meat*, and U.S.-EU Meat Hormone Dispute in the CRS electronic briefing book on trade.)

Agricultural Export and Food Aid Programs

The 1996 Federal Agricultural Improvement and Reform (FAIR) Act (P.L. 104-127) authorized several USDA programs that 1) subsidize agricultural exports; 2) develop foreign markets for U.S. farm products; 3) guarantee commercial financing

of exports; and 4) finance concessional sales or donate commodities to low-income developing countries.

Export subsidies are the Export Enhancement Program (EEP), used mainly to subsidize wheat, oilseeds, and other bulk commodities, and the Dairy Export Incentive Program (DEIP). USDA export promotion programs are the Market Access Program (MAP) and the Foreign Market Development (FMDP) “Cooperator” Program. MAP, which can fund brand name product promotion, is often a target of budget cutters who consider it corporate welfare.

Export credit guarantees are authorized at \$5.5 billion (the value of exports financed under the program, not the outlays incurred). Credit guarantees have been used extensively to finance U.S. agricultural exports to Asian countries that experienced financial and economic difficulties. Food aid programs include P.L. 480 (concessional credit and donations), Food for Progress (mainly donations), and Section 416 (donations). Food aid programs have also been used to finance or donate U.S. agricultural exports to Russia, some financially stressed Asian countries such as Indonesia, and several food-short countries such as North Korea.

Many lawmakers support these programs, especially when demand for U.S. agricultural exports is weak as in the current international economic environment. They view the programs as helping maintain agricultural exports in markets which are experiencing slow economic growth. Others contend that some programs are “corporate welfare” that should be eliminated. Unsuccessful legislation reflecting this latter point of view (H.R. 1470) would have repealed both EEP and MAP. Some U.S. trading partners have criticized recent large U.S. food aid shipments, alleging that they are used to reduce surpluses and increase domestic U.S. prices rather than meet international food needs. U.S. food aid shipments have not yet, however, been challenged as trade distorting in multilateral trade dispute settlement proceedings. The programs and their operation have been reviewed at congressional hearings, including those held by the House and Senate Agriculture Committees on June 21 and July 18, 2000, respectively.

Although funding for most export and food aid programs is determined by their authorizing statutes, annual spending is provided through appropriations. The President’s FY2001 budget plan, released February 7, 2000, proposed a program level of \$5.8 billion for these activities. USDA’s FY2001 appropriation (P.L. 106-387; H.R. 4461), signed October 28, 2000, generally supports this program level. (Also see CRS Report RL30501, *Appropriations for FY2001: U.S. Department of Agriculture and Related Agencies* and CRS Issue Brief IB98006, *Agricultural Export and Food Aid Programs*.)

Country-of-Origin Labeling

Federal law requires most imports, including many food items, to bear labels informing the “ultimate purchaser” of their country of origin. Various bills were introduced into the 106th Congress to impose expanded country-of-origin labeling

requirements on meats and on several other agricultural products. However, none were passed.

Such proposals have attracted attention for a number of reasons. One is that they are viewed (by some advocates) as a way to help U.S. producers dealing with low farm prices. Also, some perceive that food products from certain countries might pose greater risks than those from the United States. Proponents of the bills contended that additional country labeling requirements would enable consumers to know the source of retail food offerings and employ that knowledge in selecting their purchases. Opponents countered that country-of-origin labeling bears no relation to food safety and would not raise U.S. commodity prices. They argued that it would impose excessive and costly regulatory burdens on retailers and others in the marketing system and on consumers, be difficult to enforce, and — by imposing new non-tariff trade barriers — undermine ongoing U.S. efforts to reduce other countries' trade barriers and expand international markets for U.S. products. (For more information see CRS Report 97-508 ENR, *Country-of-Origin Labeling for Foods: Current Law and Proposed Changes*, updated December 1, 2000.)