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Fast Track and U.S. Agriculture

Fast track

Fast track authority allows an Administration to negotiate a trade agreement that Congress cannot amend, but must simply approve or disapprove.

Fast track authority was in effect during negotiations on the North American Free Trade Agreement (NAFTA), the agreement establishing the World Trade Organization (WTO), and many other recent trade deals. It is argued that other countries will be reluctant to negotiate with the United States if any agreement reached among negotiators could be modified by the U.S. Congress.

Fast track and U.S. Agriculture

It is very difficult to know with certainty the consequences for U.S. agriculture of approving or disapproving fast track authority. Among the critical uncertainties are:

- Would lack of fast track make it difficult or impossible to complete a trade agreement, or even to begin negotiations?
- What types of agreements would be concluded with (or without) fast track authority?
- What would the specific provisions of such agreements be?
- What would be the implications of these specific provisions for U.S. agriculture?

Two possible uses of fast track authority are likely to be of greatest interest to U.S. agriculture--an extension of NAFTA to include other countries, and a new round of WTO negotiations.

Extending NAFTA

Simply extending NAFTA to include Chile in a free trade area is likely to have only modest impacts on U.S. agriculture. Relative to Mexico, Chile is a small country, and Chile is not now nor is it likely to be a major U.S. agricultural trading partner. In fiscal 1997, Chile exported $753 million worth of fruits, wine, and other agricultural products to the United States, while U.S. exports to Chile totaled just $144 million.

If NAFTA were extended to cover a larger portion of Latin America, both the potential benefits (new markets) and the potential risks (new competition) to U.S. agriculture would be larger. In recent years, Latin American countries have signed a number of trade agreements with each other (e.g., Mercosur, comprised of Brazil, Argentina, Uruguay, and Paraguay) and with other countries. As a general rule, trade agreements tend to increase trade among participants, but often reduce trade with third countries. Thus, there is some risk to U.S. agriculture if Latin American countries continue to join trade agreements that do not include the United States.

New WTO Round

The next round of WTO negotiations is scheduled to begin in 1999. While the last round of negotiations was very important in setting common rules for world agricultural trade, it generally appears to have had only a modest impact on actual trade patterns. Consequences of the last round are discussed at greater length in a separate brief.

Even if the next round simply picks up where the last one left off (e.g., by further reducing permissible export subsidies and import tariffs), the potential impact on world agriculture is large. If reduced sufficiently, even those constraints that are not currently binding will eventually make a difference. The result would be a more market-oriented world agriculture.