Oklahoma’s Stake in New Global Trade Talks

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Oklahoma’s Stake in New Global Trade Talks

• This evening’s roadmap:
  – A Slowing State Economy
  – Oklahoma’s Stake in Trade
  – Oklahoma’s Opportunities in the New Round
OK job growth slowing, but less than the nation.

Percent change from a year ago

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>Oklahoma</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>3.2</td>
<td>4.0</td>
</tr>
<tr>
<td>1999</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>2000</td>
<td>2.5</td>
<td>2.8</td>
</tr>
<tr>
<td>2001 YTD</td>
<td></td>
<td>1.5</td>
</tr>
</tbody>
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Source: Bureau of Labor Statistics
The OK job market is tight, but likely will ease.

Unemployment rate, Q2:01

Source: Bureau of Labor Statistics
Oklahoma's industrial base has slowed the most.
Oklahoma’s Stake in New Global Trade Talks

• This evening’s roadmap:
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Oklahoma’s Stake in Trade

• The state’s industry and agriculture are geared to global markets.
Oklahoma exports are on the rise...

Index, 1990 = 100

Source: MISER
Oklahoma ships many products...

- Industrial Machinery & Computer Equipment: 28%
- Transportation Equipment: 25%
- Plastics, Metals, & Chemicals: 19%
- Electronic: 11%
- Food Products: 5%
- Others: 12%

Source: MISER
To many countries.

Source: MISER
And the state has a lot of upside left.

Exported Share of Manufactured Output

Percent

U.S.  Oklahoma

Source: MISER
Oklahoma also sells a lot of farm products abroad...

Exported share of U.S. production

Source: USDA
Helping the nation’s ag trade surplus.

*Forecast
Source: USDA
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Putting the New WTO Round in Perspective

• A civil society has many goals, and trade is just one.
• Trade agreements work best when they focus on trade.
• But trade policy should promote, not undermine, other policy goals...
  including labor standards and protecting the environment.
Key Issues in Qatar for Oklahoma

1. Agriculture
2. Developing countries
3. China’s accession
Agriculture in the New WTO Round

- Farm subsidies have not come down since the Uruguay Round ended.
US and EU Subsidies
OECD Producer Support Estimates

Billion US dollars


*Projected
Source: OECD
Agriculture in the New WTO Round

- **Cairns Group** will demand a central place for agriculture
  
  17 countries including Australia, Brazil, and Argentina

- These countries all benefit from freer farm trade
Agricultural goals in the New Round

- Eliminate export subsidies
- Cut domestic farm supports
- Improve market access
- Science-based farm trade rules
A U.S. farm policy conundrum

- Some U.S. farm payments are not WTO compliant.
- Will this fact shape the next farm bill?

Our farm program should be consistent with our trade policy

--Secretary Veneman
“Ag at the center” argues for a multilateral Round.

• Japan and EU can “give” on agriculture...
  Only if they “take” in other areas.

• Similarly, developing countries must balance gains and losses.
What is Oklahoma’s stake in agricultural talks?

• World food market grows only if trade barriers fall.
• OK agriculture needs science in trade rules to prosper.
Many world consumers spend a third of each new dollar on food.
Developing Countries in the New WTO Round

- Help in implementing Trade Agreements
- Linking agriculture with other categories
- And a much bigger voice in the process...

100 of 142 member countries are LDCs
What is Oklahoma’s stake in the developing country issue?

• Trade grows only when world incomes grow…
• Especially for factory goods and farm products…
• Oklahoma’s two biggest exports.
World incomes rise when trade grows.
China’s Entrance to WTO

- Brings world rules to China trade
- Brings more reform to China’s economy
- Opens new markets to U.S. firms
U.S. Sectors that Gain in the China Agreement

- Agriculture
- Banking & Insurance
- Services
What are the stakes for Oklahoma?

- Big new market for manufactured products
- New markets for services
- Big new market for agriculture
China’s burgeoning middle class...

Projected
Source: Fortune Magazine

Millions of people

2001
2010*

0 100 200 300 400 500 600

2001
2010*
Means a huge new market for wheat and meat...

China net pork imports, thousand metric tons

Source: FAPRI
In sum...

- Oklahoma’s farms and factories...
- Have a big stake in the new WTO Round...
- A force that will shape the state’s economy for years to come.
Conclusions

• Oklahoma’s economy is slowing…
• But not as much as elsewhere in the region.
• The new WTO Round opens new markets…
• To many Oklahoma businesses…
• And points to stronger growth in the future.