F I S C A L   I M P A C T   R E P O R T

SPONSOR Foley **DATE TYPED** 3/8/05 **HM** 42

SHORT TITLE Neutral Federal Foreign Exchange Policy **SB**

ANALYST Rosen

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	**FY06**	**FY05**	**FY06**		
	NFI		NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
Department of Agriculture (DA)
Economic Development Department (EDD)

No Responses Received From
Taxation and Revenue Department (TRD)
State Investment Council (SIC)

SUMMARY

Synopsis of Bill

House Memorial 42 requests the U.S. Congress and the President to set foreign exchange policy which will be neutral and without favoritism toward any economic, geographic, or business sector.

Significant Issues

According to EDD, this memorial states that agricultural producers in the United States are uncompetitive in both domestic and foreign trade due to an "artificially strong dollar" which hurt parts of the financial services industry. U.S. taxpayers are currently subsidizing foreign producers of agricultural products who directly compete with U.S. producers. The World Bank is utilized as the primary method of transferring subsidies from the U.S. to foreign recipients through reconstruction and development loans. EDD reports New Mexico agricultural producers are suffering financial consequences from these foreign subsidies as a great many of the products are produced in this state (chile peppers, nuts, beef, poultry, pork, lamb, other meats, roses, fruit, vegetables, wool, cotton, corn, soybeans, and wheat.

EDD indicates changing the United State's foreign policy to provide more equal status to our agricultural producers with their foreign competitors should serve to enhance the financial condition of our businesses. EDD believes the dollar's decline against foreign currencies since 2002 and the increasing U.S. foreign agricultural subsidies has had a very negative financial effect on U.S. producers.

OTHER SUBSTANTIVE ISSUES

EDD reports a change in foreign policy may affect other international relations projects.

DA reports the United States is a member of the World Trade Organization (WTO) and the WTO is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business. The United States, through the Office of the United States Trade Representative and United States Department of Agriculture continue participation in the negotiations and current negotiation of the Doha Development Agenda which began in Doha, Qatar in 2001. The United States has taken a stance that American export tariffs be removed to level the playing field and allow other governments to live up to international commitments on domestic subsidies.

ALTERNATIVES

According to EDD, alternatives include providing subsidies to agricultural producers in the United States who may be in direct competition with foreign producers currently receiving World Bank subsidies. Additional alternatives may include various forms of financial remuneration to compensate for the World Bank subsidies and the decline of the dollar against foreign currencies (tax abatements, credits, etc.).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

EDD indicates that without a change in the U.S. foreign policy for subsidizing agricultural products producers in this country will continue to lose competitive trade advantages.

JR/lg