Overview of the WTO Negotiations on Agriculture

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The coverage of this presentation

• WTO Hong Kong Ministerial (December 2005) – specified a deadline of April 30, 2006 for agreement on modalities for a Doha Round agreement

• Many issues are unresolved – not just in agriculture but also in other areas, e.g., non-agricultural market access

• This presentation – addresses many (but not all!) of the issues involved in concluding an agreement for agriculture
The main agricultural issues

- **Market access** – tariffs and tariff-rate quotas
- **Export competition** – export subsidies, export credits, state-trading exporters, food aid
- **Domestic support** – amber, blue and green box measures
- **Other** – includes export taxes and restrictions, geographical indicators
Market Access
Tariff reductions

- **Tariff bands** – bound tariffs to be grouped under four bands, e.g., 0-20%; 20-50%; 50-75%; >75%
- **Linear reductions** – higher percentage cuts for higher bands
- **Tariff cap** – may be a maximum tariff
- **Developed countries** – proposed cuts range from 25-40% for lowest band and 60-85% for highest band
- **Developing countries** – broader bands, lower tariff cuts, higher tariff cap (if adopted)
Tariff reductions and the US

US Tariff Profile Under EU and US Proposals
(excludes two initial tariffs of >400%)
Tariff reductions and the EU

EU Tariff Profile Under EU and US Proposals
(excludes 1 initial tariff of >400%)

Percentage tariff

- Initial
- US
- EU
Tariff reductions and the EU

Implications for Selected Product Categories

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Average Percentage Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat (02)</td>
<td>Initial Duty: 40%</td>
</tr>
<tr>
<td>Dairy (03)</td>
<td>Uruguay round: 30%</td>
</tr>
<tr>
<td>Cereals (10)</td>
<td>EU proposal: 20%</td>
</tr>
<tr>
<td>Oilseeds (12)</td>
<td>Initial Duty: 50%</td>
</tr>
<tr>
<td>Sugar (17)</td>
<td>Uruguay round: 40%</td>
</tr>
<tr>
<td>Cereal Preps (19)</td>
<td>EU proposal: 30%</td>
</tr>
</tbody>
</table>
Sensitive products

- **Smaller tariff cuts** – will apply to some percentage of tariff lines (1-15%)
- **TRQs will increase** – those for other products are unchanged
- **Key issues** - percentage of lines, reduction in the tariff cut, size of the increase in quotas
- **End result** - a sensitive product could face a greater potential increase in imports than an ordinary product!
Special products

- For developing countries – based on “food security, livelihood security and rural development needs”
- Percentage of tariff lines – with low or no reduction in bound tariffs
- Special safeguard mechanism – will also be established for use by developing countries for all or some products
Market access – bottom line

- **Significant impact** – requires aggressive reduction percentages and low tariff caps, small percentage of lines for sensitive and special products, aggressive formula for increase in TRQs for sensitive products
- **Modest impact** – more likely due to inevitable compromise on these issues
- **Developing countries** – generous provisions (special and differential treatment for all) could result in limited additional market access
Export competition
Export subsidies

- **Elimination by end of 2013** – applies to export subsidies and “all export measures with equivalent effect”
- **Equivalent measures** – export credits, credit guarantees and insurance programs with repayment periods beyond 180 days
Short-term credits and guarantees

- **Disciplines** – will apply to measures with repayment periods of up to 180 days
- **Self financing requirement** – essential requirement will be no element of government subsidy
- **Rules to be applied** – e.g., for interest rates are currently unclear
- **Special provisions for developing countries** – at least for least-developed and net food importers but still unclear
Exporting state traders

- **Trade distorting practices** – elimination of export subsidies, government financing, underwriting of losses
- **Use of monopoly powers** – unspecified disciplines
- **STEs in developing countries** – for consumer price stability and food security to be given special consideration (unspecified)
Food aid

- **Emergency short-term aid** – primary focus is on preserving this (a “safe box”), possibly requiring use of World Food Program criteria
- **Commercial displacement** – the other focus is on eliminating this
- **Disciplines** – e.g., on in-kind aid, monetization currently unspecified
Export competition – bottom line

- **Significant achievement** – phase-out of direct export subsidies
- **Issues** – development of disciplines in some areas and monitoring their enforcement will be problematic
Domestic support
Domestic support disciplines

- **Amber Box** – primary focus is on reducing the most trade-distorting forms of support
- **Uruguay round approach** – limited total Aggregate Measure of Support (AMS), i.e., Amber Box excluding *de minimis* (product and non-product specific support falling below agreed thresholds)
- **Doha approach** – limits on Overall Trade Distorting Support (OTDS) and its components
- **OTDS** – the sum of Total AMS, *de minimis*, and Blue Box support
- **Blue Box** – direct payments that are made under production limiting programs or that are based on, but do not require, production
The new disciplines

- **Reduction in Total OTDS** – use of bands with larger reductions for those in higher bands, EU in top band, Japan and U.S. in middle band, everyone else in lower band
- **Reduction in Total AMS** – similar approach, but Japan could be in lowest band
- **Product-specific AMS caps** – to prevent support reallocation
- **Reduced *de minimis* allowances** – maybe cut from 5% to 2.5% of production values
- **Cap on Blue Box payments** – 5% of total production value maybe with a required reduction to 2.5% and product-specific caps
Domestic support disciplines

**EU Domestic Support Reductions**

<table>
<thead>
<tr>
<th>Category</th>
<th>Billion Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTDS</td>
<td>Base &quot;permitted&quot;</td>
</tr>
<tr>
<td>AMS</td>
<td>Actual 99-01</td>
</tr>
<tr>
<td>PSDM</td>
<td>EU proposal</td>
</tr>
<tr>
<td>NPSDM</td>
<td>US Proposal</td>
</tr>
<tr>
<td>Blue</td>
<td>2008 est.</td>
</tr>
</tbody>
</table>

**Graph Details:**
- **Y-axis:** Billion Euros
- **X-axis:** Categories (OTDS, AMS, PSDM, NPSDM, Blue)
- **Legend:**
  - Base "permitted"
  - Actual 99-01
  - EU proposal
  - US Proposal
  - 2008 est.
Domestic support disciplines

US Domestic Support Reductions

- Base "permitted"
- Actual 99-01
- EU proposal
- US Proposal
- 2008 est.

Bar chart showing domestic support disciplines across different sectors with values in billion dollars.
Domestic support disciplines

Recent US Expenditures on Price-related Support

- Price support loans
- Counter-cyclical payments

US proposal blue cap $6.03b
The Green Box

- Minimally distorting measures – review and clarification
- Developing countries – to make the Green Box more “development friendly”
- Inconsistencies – problems, e.g., in satisfying Green Box criteria under environmental programs
Domestic support – bottom line

- **Broadening of disciplines** – the OTDS takes in more elements of support, but also expands allowable support for many countries.
- **Impact** – difficult to predict whether limitations will be effective constraints, market access provisions (tariff cuts) could have a greater impact.
- **Future litigation** – unresolved Green Box issues could be a major source of this!
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