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The Status of the WTO DDA Negotiations and the Mediterranean Products: Market Access and Export Competition

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- **the status of DDA round negotiations**
  - ***recent developments***
  - ***the new modalities draft (Market Access & Export Competition)***
- **CAP reforms, Mediterranean products and DDA round negotiations (MA & EC)**
- **what's ahead with the DDA round?**

the DDA round: an essential chronology

- Seattle (1999)
- Doha (Nov 2001)
- Cancún (Sep 2003)
- “peace clause” expires (Dec 2003)
- “framework agreement” (Jul 2004)
- negotiations “stalled” (Jul 2005)
- Hong Kong (Dec 2005)
- negotiations “suspended” (Jul 2006)
- negotiations “resumed” (Feb 2007)
- Potsdam (Jun 2007)

the DDA round: what happened in Potsdam?

- **Potsdam could have been for the Doha round what Blair House was for the Uruguay round**
- **two alternative agreements were, *at least in principle*, possible:**
  - **a "weak" agreement (very low ambition)**
  - **a "strong" agreement (some ambition)**
- **in Potsdam the US were not in the position to accept a "strong" agreement**
- **the EU was certainly ready to accept a "weak" agreement (…and, possibly, was ready to go for a relatively "strong" agreement as well)**
- **India and Brazil decided not to accept a "weak" agreement**

- **first draft of modalities on agriculture (Jul 2007)**
- **16 working documents (Nov 2007- Jan 2008)**
- **Davos, *Mini-Ministerial in March-April?* (Jan 2008)**
- **second draft of modalities (Feb 2008)**
- **…no Mini-Ministerial**
- **third draft of modalities on agriculture (and second draft of modalities on NAMA) (May 2008)**
- **NAMA negotiations “suspended” (Jun 2008)**

the status of the negotiation on MA (Falconer's draft)

Market access *(developed country commitments)*

- reductions of bound *ad valorem* (or *ad -valorem equivalent*) tariffs

0 < t ≤ 20%	- 50%
20% < t ≤ 50%	- 57%
50% < t ≤ 75%	- 64%
75% < t	*[- 66% , - 73%]*

average tariff reduction ≥ 54%

- tariff escalation
- preference erosion

the status of the negotiation on MA (Falconer's draft)

sensitive products

max [4% , 6%] of tariff lines (with flexibilities…)

lower tariff reductions allowed than those which should be applied, *but* increased market opportunities (TRQs introduced or expanded):

2/3 → TRQ: [3% - 5%] of domestic consumption
1/2 → TRQ: [3.5%-5.5%] of domestic consumption
1/3 → TRQ: [4% - 6%] of domestic consumption

TRQs to be administered on a MFN basis

the status of the negotiation on MA (Falconer's draft)

sensitive products *(cont.)*

in-quota tariffs:

[those which should be applied based on the general formula reduced by

- ***2.5 percentage points if 0 < t ≤ 20%***
- ***5 percentage points if 20% < t ≤ 50%***
- ***7.5 percentage points if 50% < t ≤ 75%***
- ***10 percentage points if 75% < t***

or

t ≤ 5% (actual t depends on the band)]

the status of the negotiation on MA (Falconer's draft)

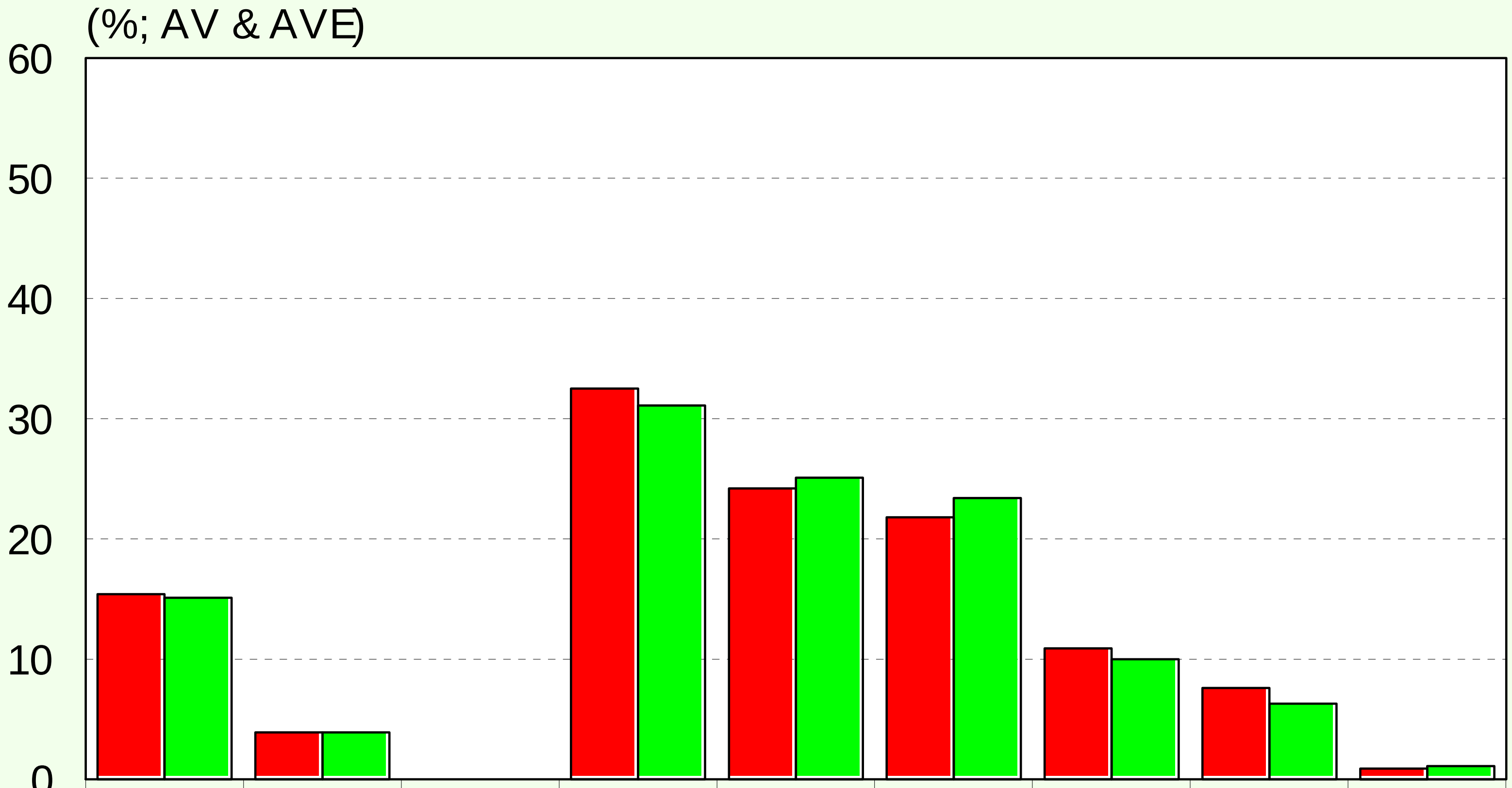
- **tropical products**

  larger tariff reductions than those which should be applied based on the general formula

  the tentative list of tropical products includes, among the others: *potatoes*, *peppers*, *figs*, *oranges*, *lemons*, *tangerines*, *watermelons*, *melons*, *rice*, …

  conflicts (e.g. ACP/MFN exporters to the EU)

EU -- Agricultural tariffs profile

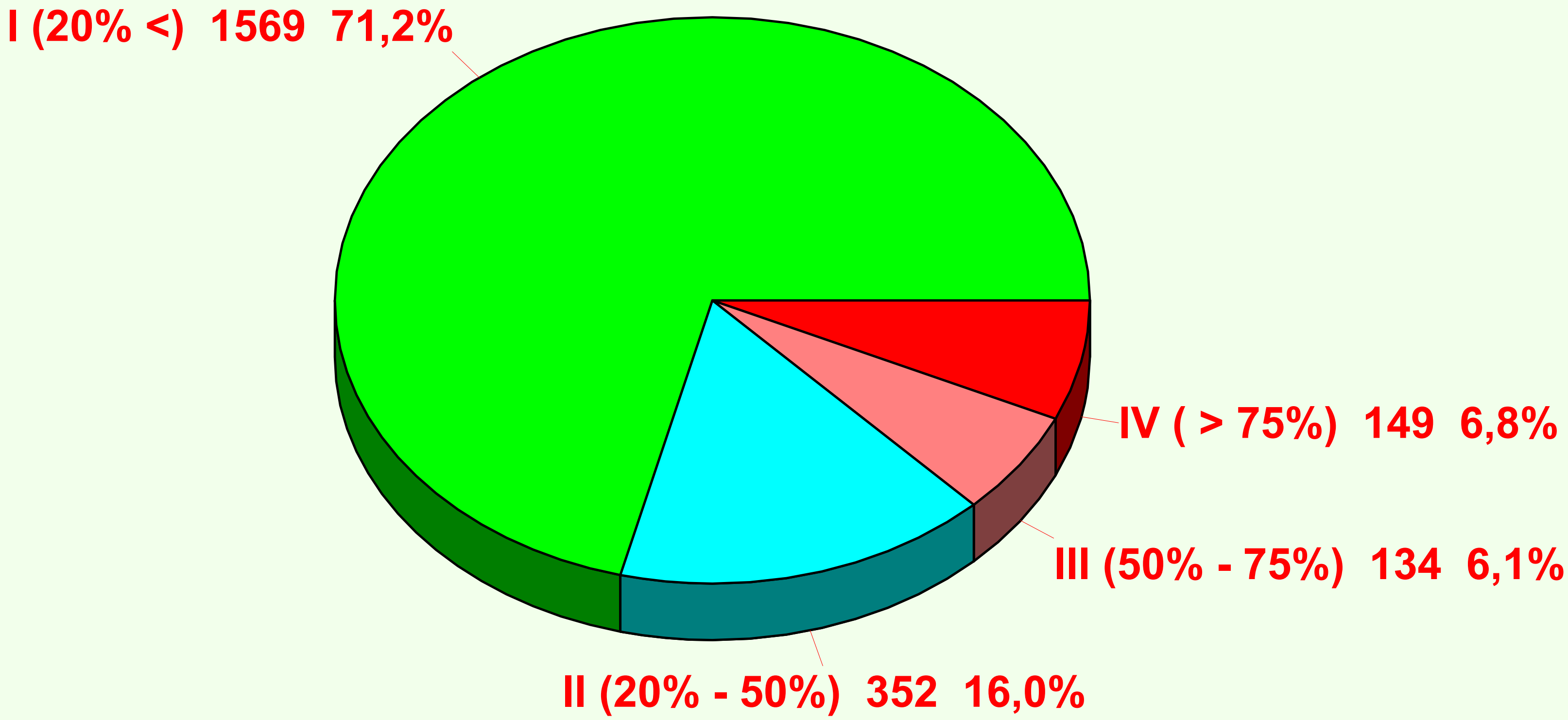


	Aver ag	Av non-ag		dutyfree	0-10	10-25	25-50	50-100	>100
Bound	15,4	3,9		32,5	24,2	21,8	10,9	7,6	0,9
Applied (2006)	15,1	3,9		31,1	25,1	23,4	10	6,3	1,1

Bound   Applied (2006)

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

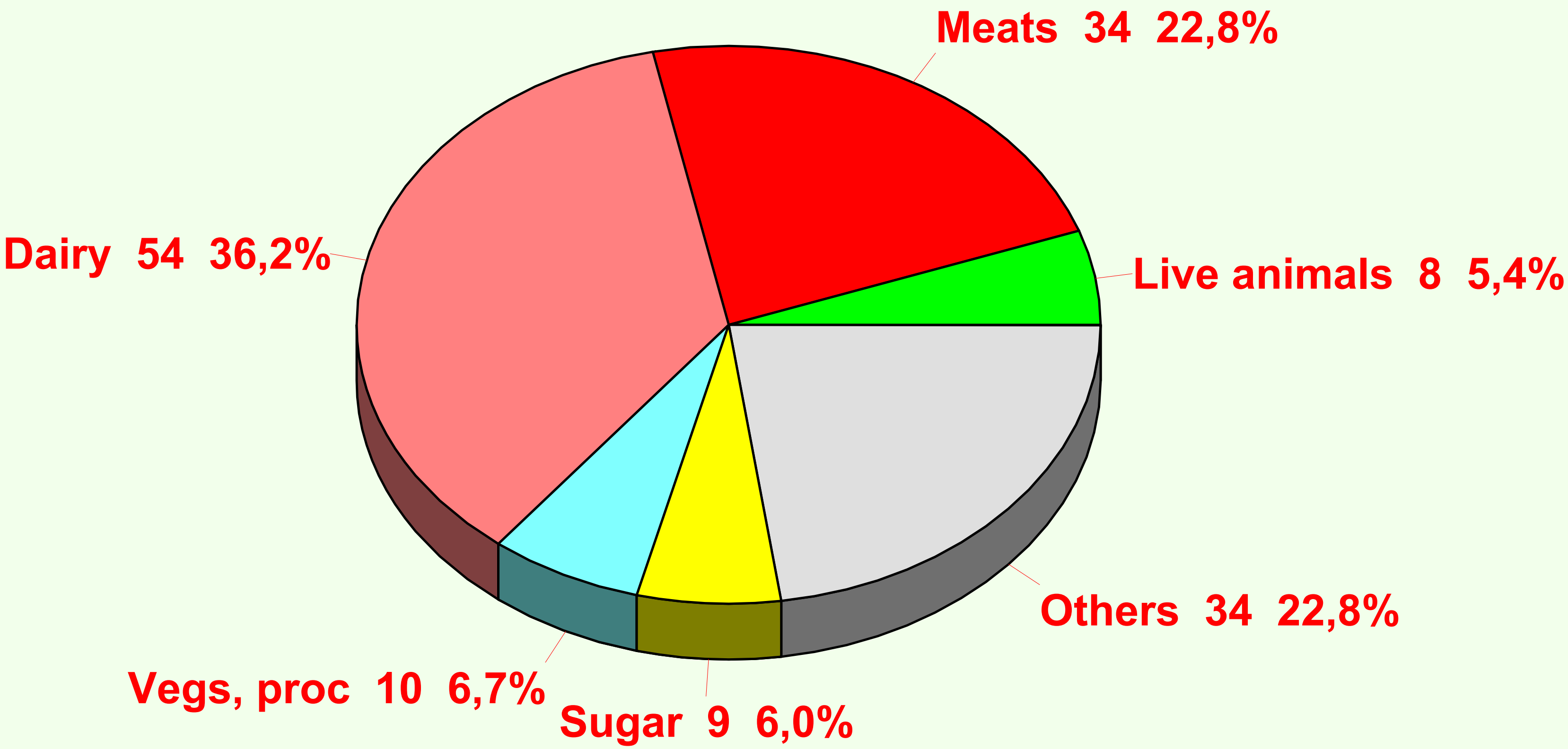
Distribution of EU tariff lines by band (8HS)



Source: Jean, Josling and Laborde, paper presented at ICTSD/IPC/IFPRI Conference, revised version, 2008.

EU agricultural tariffs profile

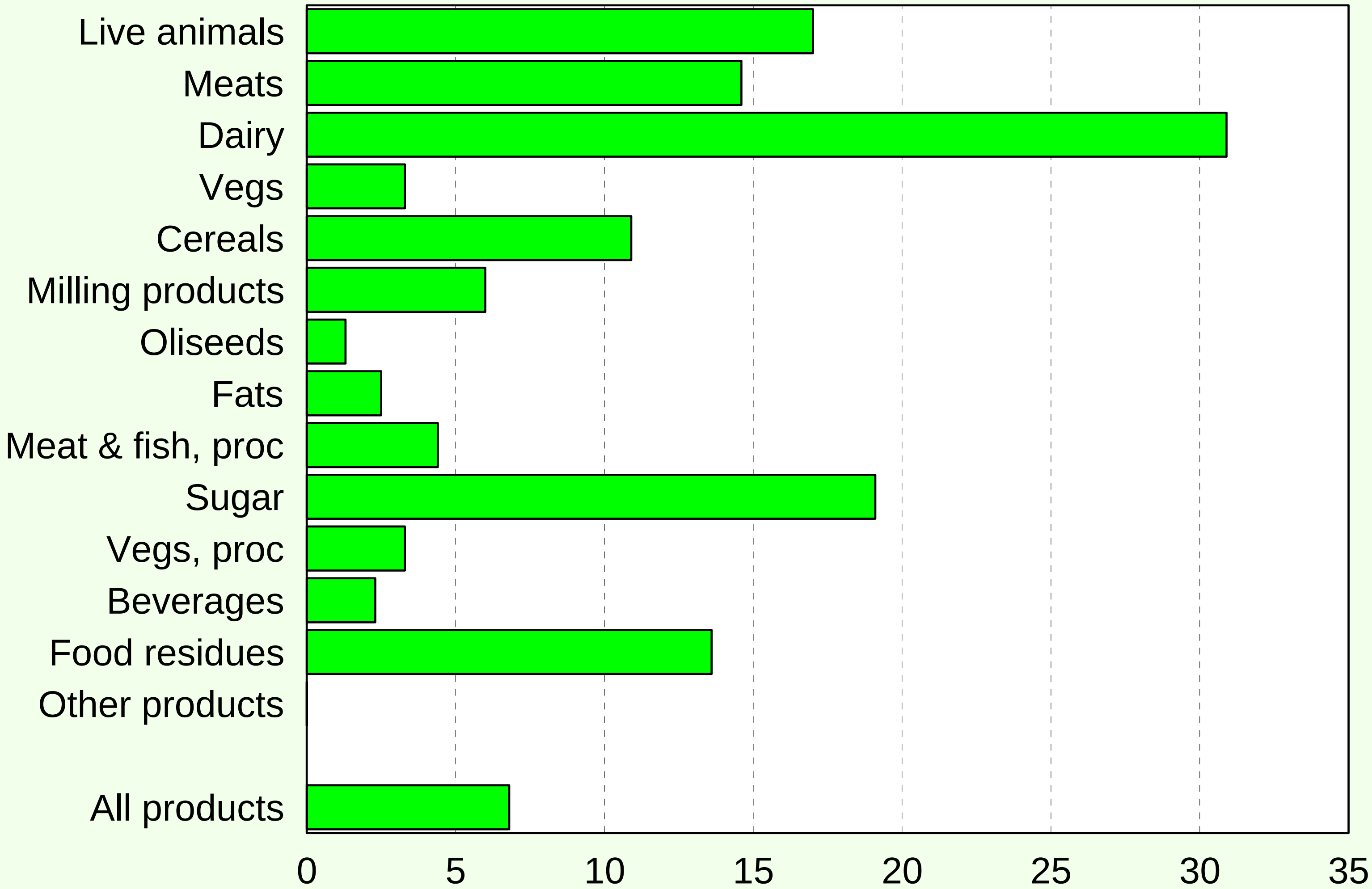
Distribution of the 149 EU tariff lines in band IV (> 75%) by sector (8HS)



Source: Jean, Josling and Laborde, paper presented at ICTSD/IPC/IFPRI Conference, revised version, 2008.

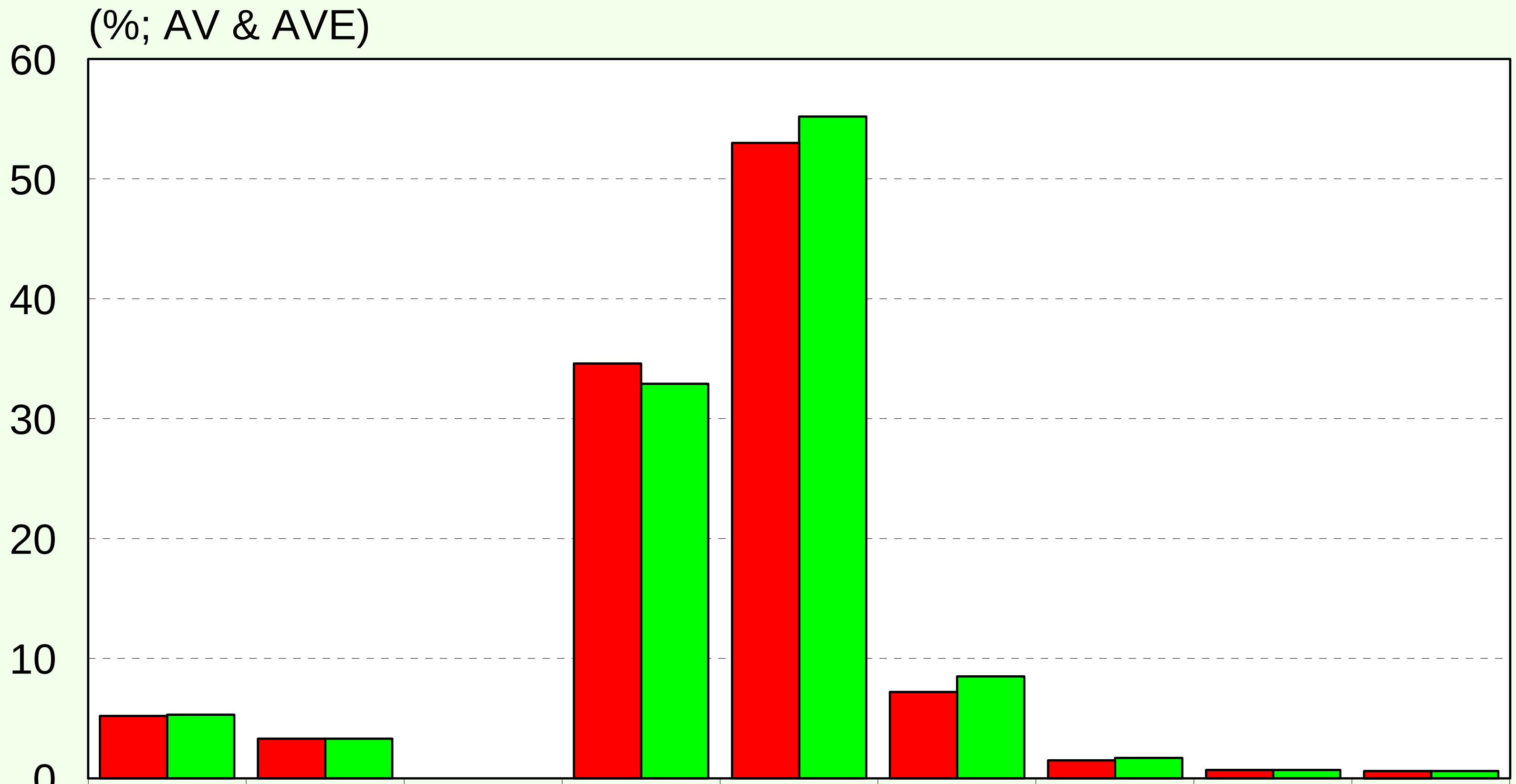
EU agricultural tariffs profile

Percentage of tariff lines in band IV (> 75%) by sector (8HS)



Source: Jean, Josling and Laborde, paper presented at ICTSD/IPC/IFPRI Conference, revised version, 2008.

US -- Agricultural tariffs profile

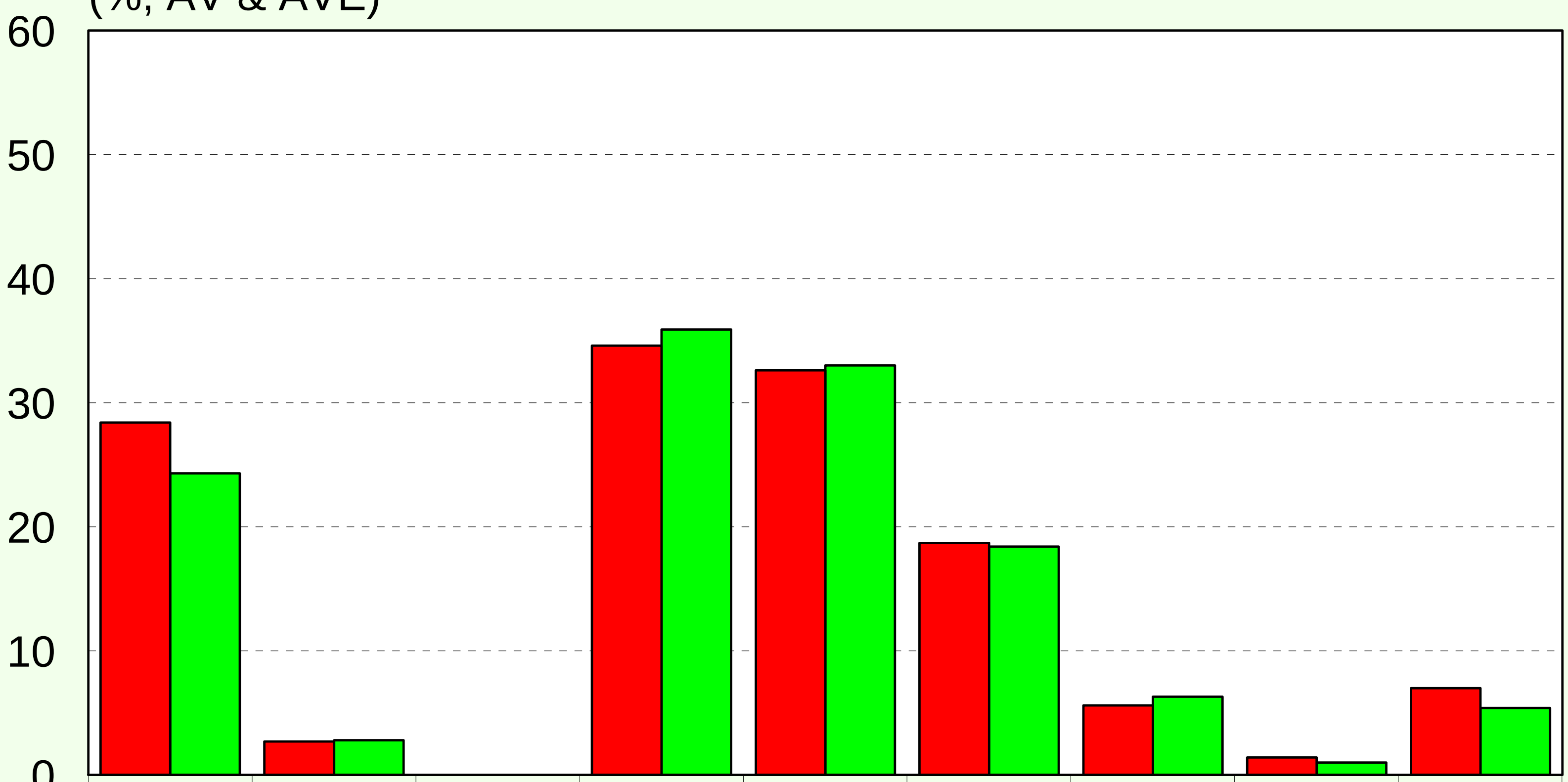


	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	5,2	3,3		34,6	53	7,2	1,5	0,7	0,6
Applied (2006)	5,3	3,3		32,9	55,2	8,5	1,7	0,7	0,6

Bound Applied (2006)

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

Japan -- Agricultural tariffs profile

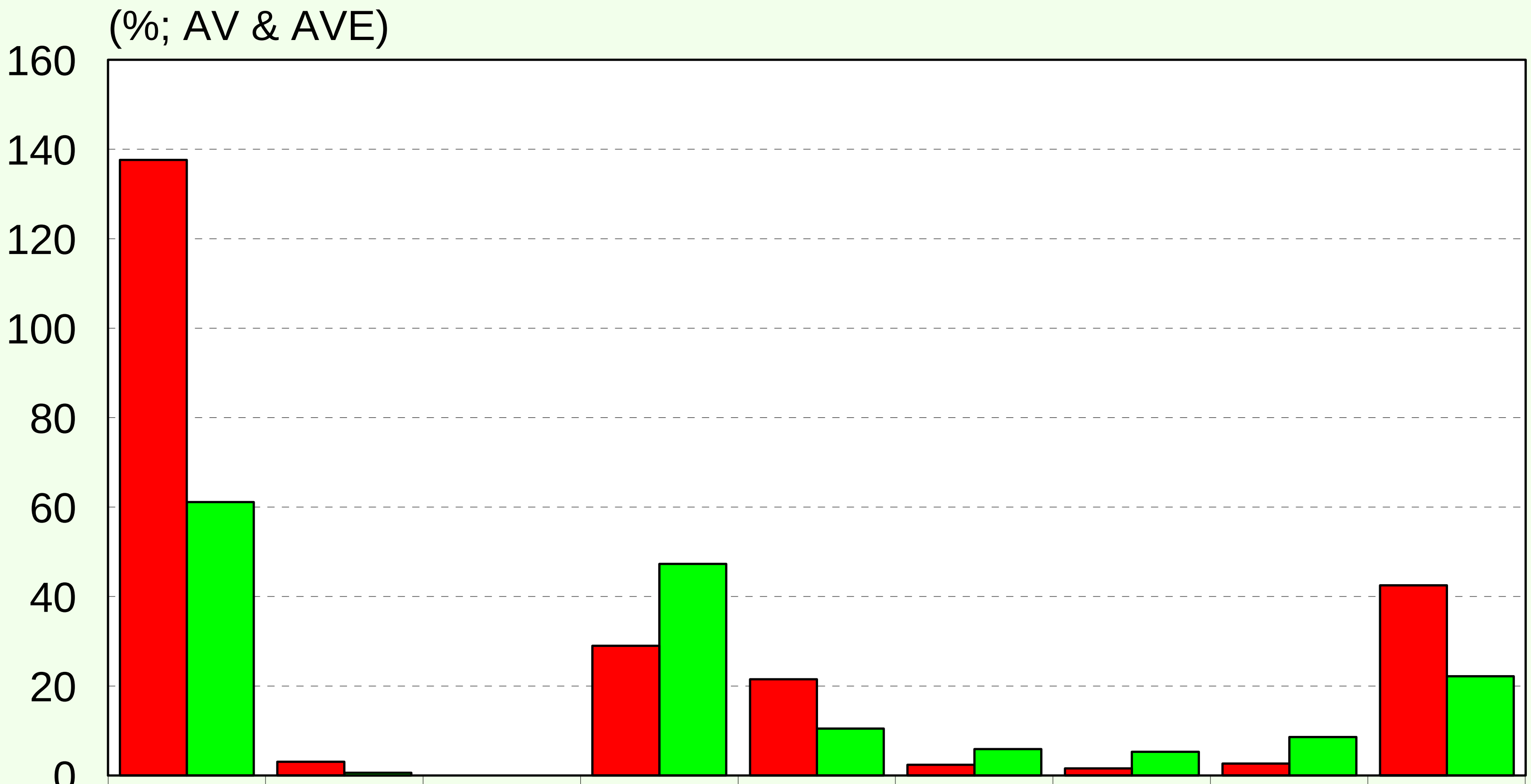


	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	28,4	2,7		34,6	32,6	18,7	5,6	1,4	7
Applied (2006)	24,3	2,8		35,9	33	18,4	6,3	1	5,4

Bound Applied (2006)

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

Norway -- Agricultural tariffs profile

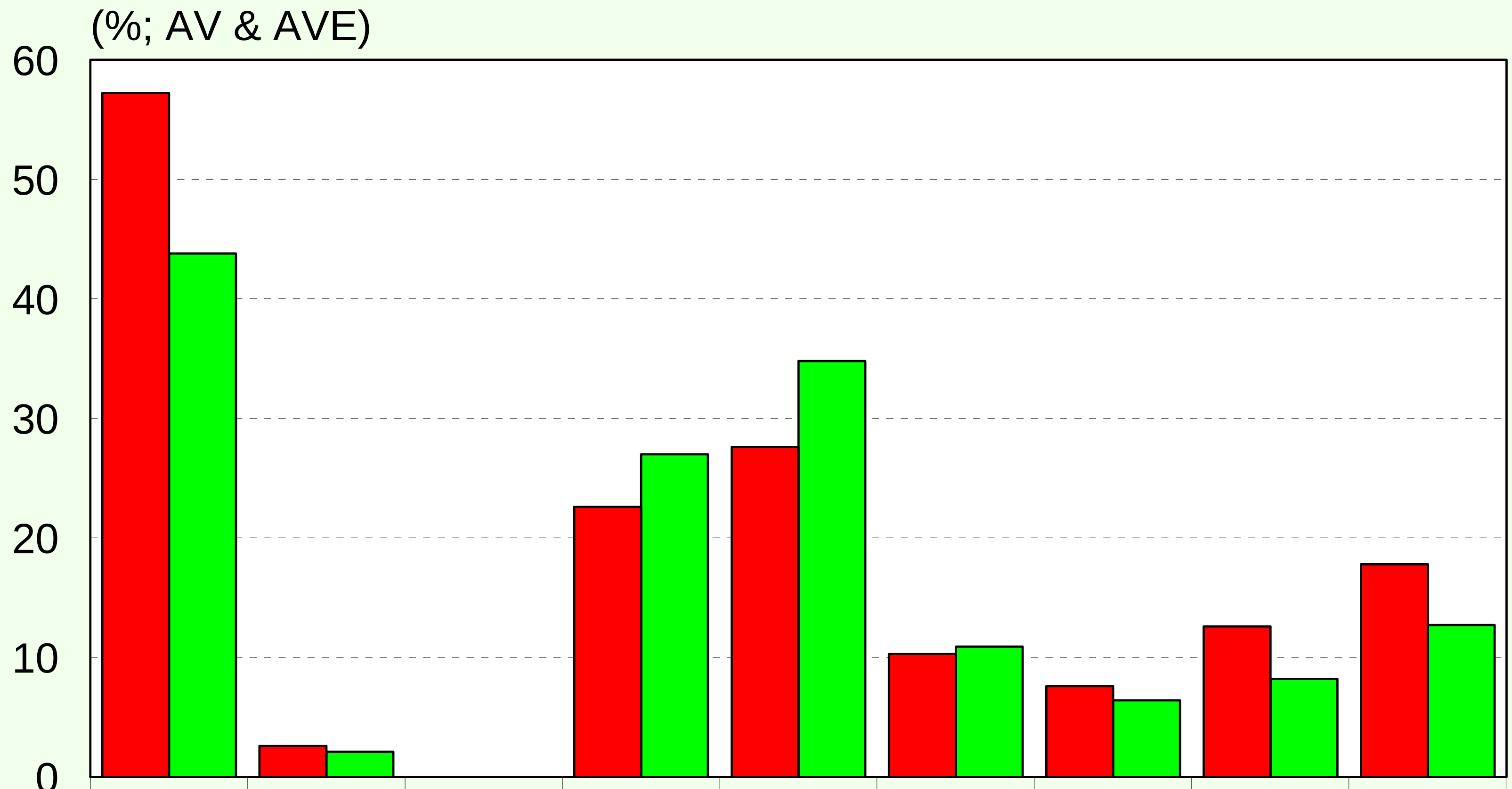


	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	137,6	3,1		29	21,5	2,4	1,6	2,7	42,5
Applied (2006)	61,1	0,6		47,3	10,5	5,9	5,3	8,6	22,2

Bound Applied (2006)

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

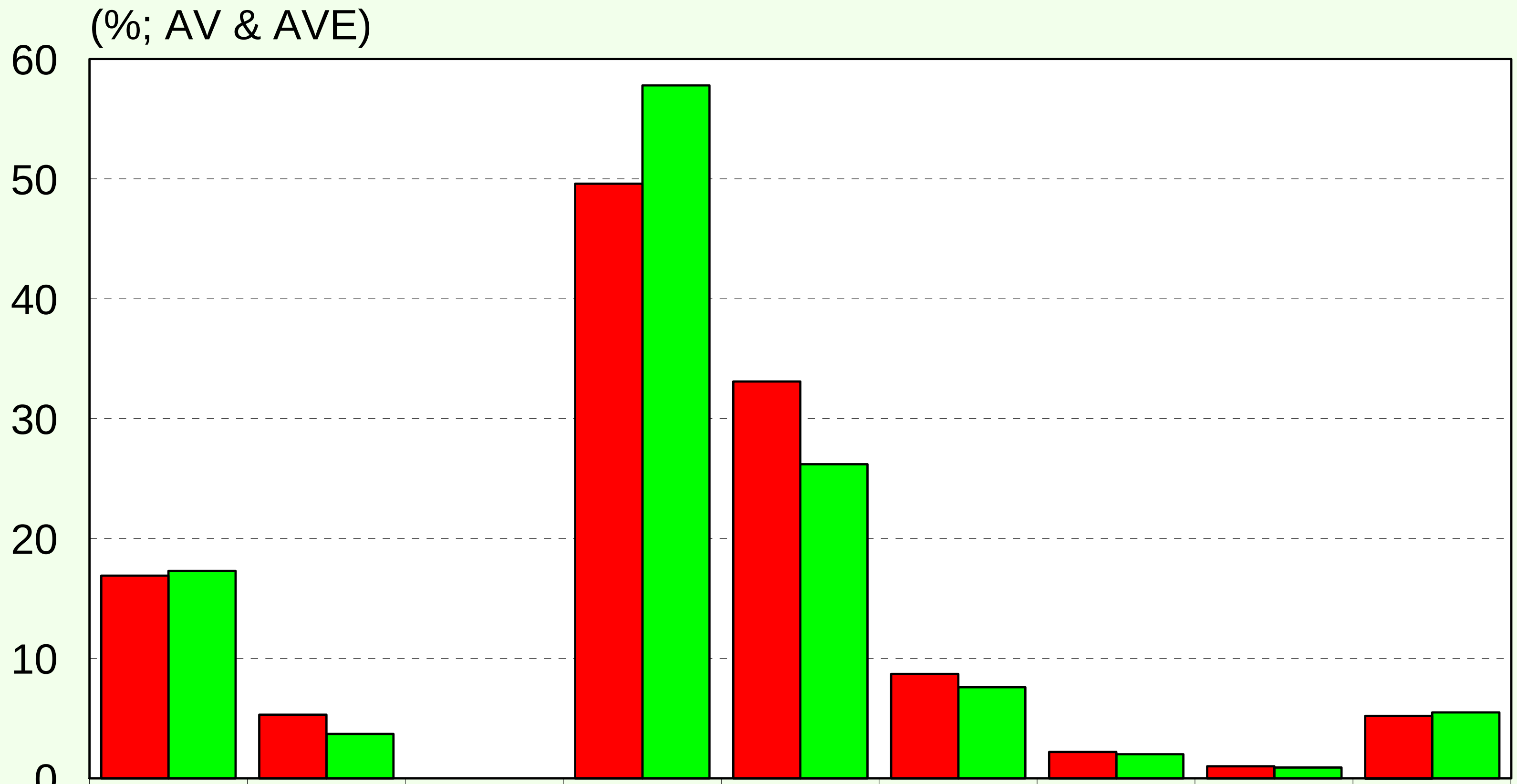
Switzerland -- Agricultural tariffs profile



	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	57,2	2,6		22,6	27,6	10,3	7,6	12,6	17,8
Applied (2006)	43,8	2,1		27	34,8	10,9	6,4	8,2	12,7

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

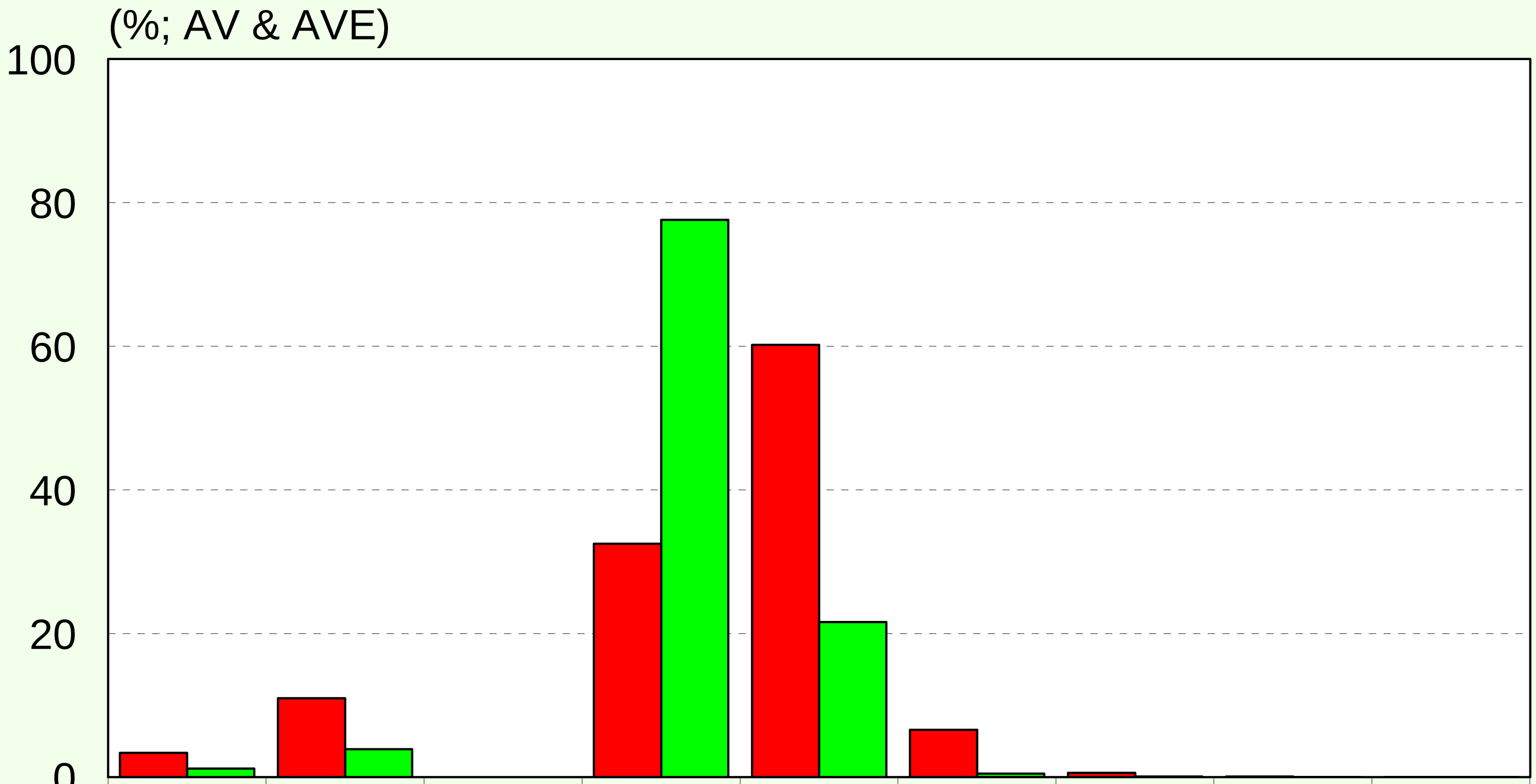
Canada -- Agricultural tariffs profile



	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	16,9	5,3		49,6	33,1	8,7	2,2	1	5,2
Applied (2006)	17,3	3,7		57,8	26,2	7,6	2	0,9	5,5

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

Australia -- Agricultural tariffs profile

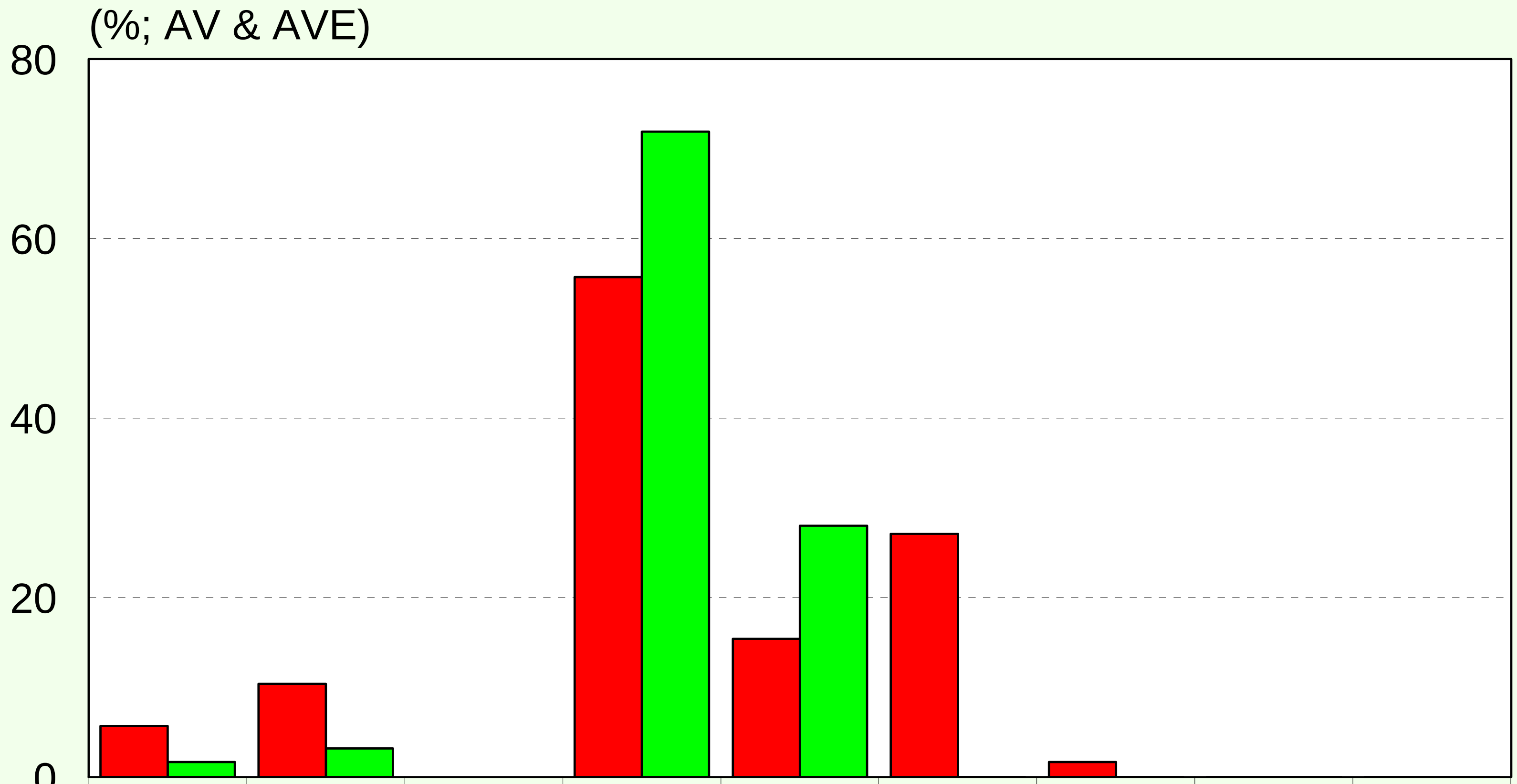


	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	3,4	11		32,5	60,2	6,6	0,6	0,1	0
Applied (2006)	1,2	3,9		77,6	21,6	0,5	0,1	0	0

Bound Applied (2006)

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

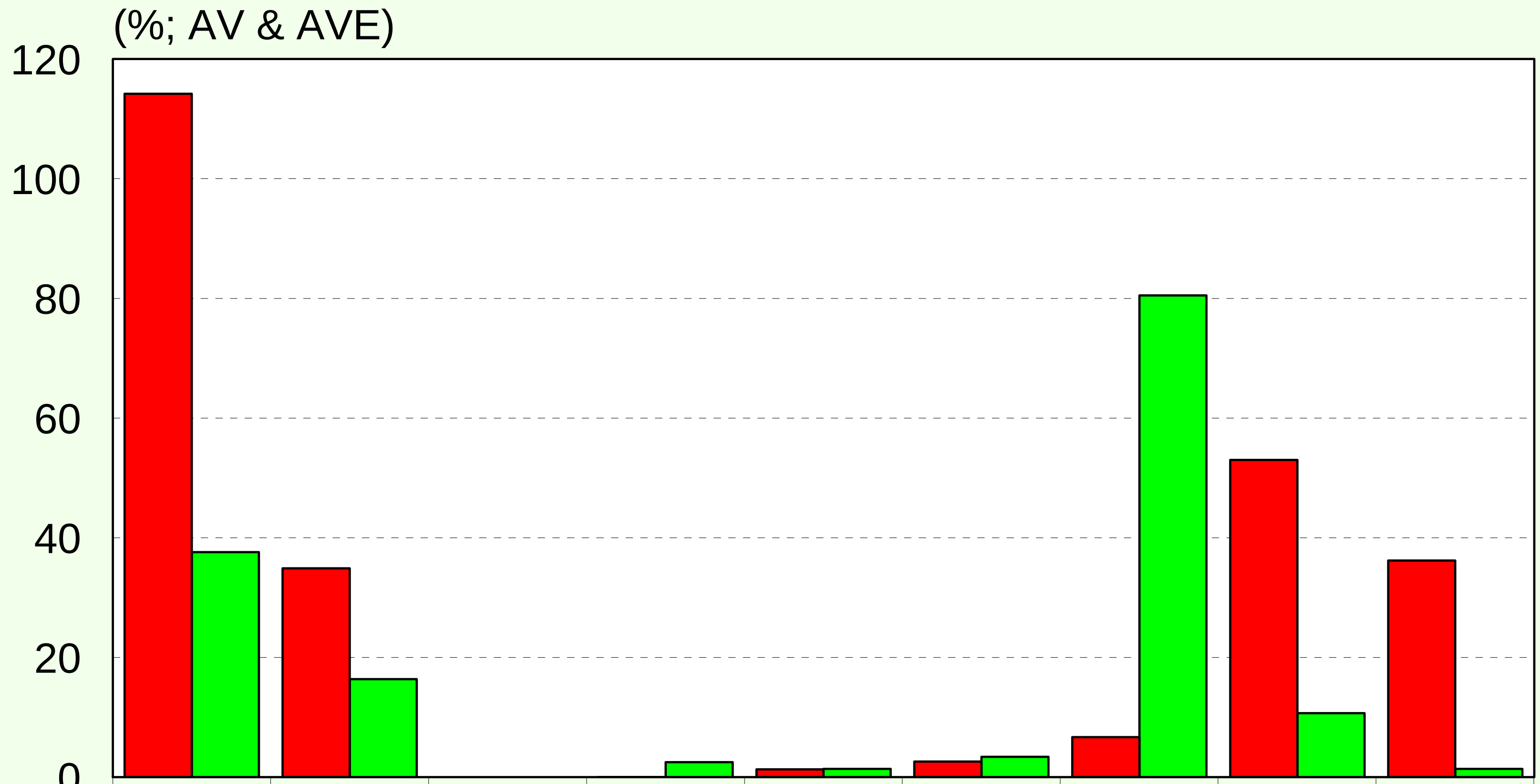
New Zealand -- Agricultural tariffs profile



	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	5,7	10,4		55,7	15,4	27,1	1,7	0	0
Applied (2006)	1,7	3,2		71,9	28	0	0	0	0

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

India -- Agricultural tariffs profile

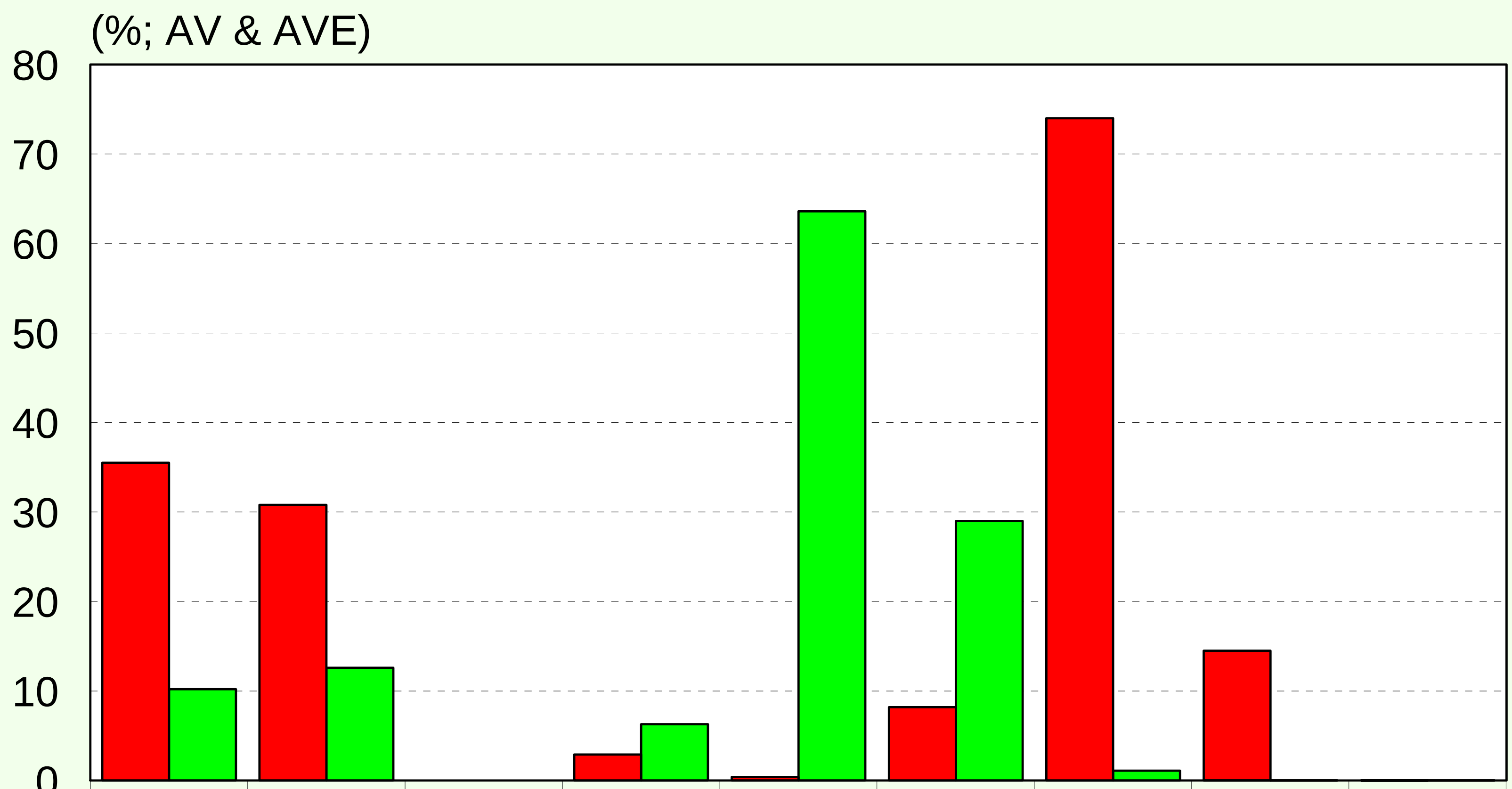


	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	114,2	34,9		0	1,3	2,6	6,7	53	36,2
Applied (2006)	37,6	16,4		2,5	1,4	3,4	80,5	10,7	1,4

Bound Applied (2006)

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

Brazil -- Agricultural tariffs profile



	Aver ag	Av non-ag		duty free	0-10	10-25	25-50	50-100	>100
Bound	35,5	30,8		2,9	0,4	8,2	74	14,5	0
Applied (2006)	10,2	12,6		6,3	63,6	29	1,1	0	0

Bound Applied (2006)

Source: WTO, ITC, UNCTAD, *World tariff profiles 2006*, 2007.

- **CAP reforms were not (and are not) meant to increase market access**
- **lower domestic prices and mostly unchanged border protection make the relative price competitiveness of imports on the EU market *decline*…**
- **benefits from CAP reforms so far for exporting countries are significant, but are limited to third markets (*reduced EU export supply and higher world prices*)**
- **…plus enlargements, EBA and the EPA**

- **market access is the area which raises more "defensive" concerns in the EU**
- **despite the reforms, significantly lower but positive border protection is still needed to defend remaining market price support**
- **in addition, income support generated by border protection *per se* is now more relevant because of the policy reforms**
- **the extent by which lower intervention prices will translate in lower market prices and farm incomes crucially depends now on the degree of border protection**

- the main issue for the EU is not the definition of the bands and the percentage tariff reduction to be applied in each of them, but what the treatment of the "sensitive" products is going to be

  how many?
  how low the out-of-quota tariff reduction?
  how large the TRQs?
  how low the in-quota tariffs?

- the "*preference erosion*" chapter may be for the EU quite sensitive too

the status of the negotiation on EC (Falconer's draft)

Export competition

- export subsidies eliminated by 2013
- disciplines on export credit, STEs and food aid

Export restrictions

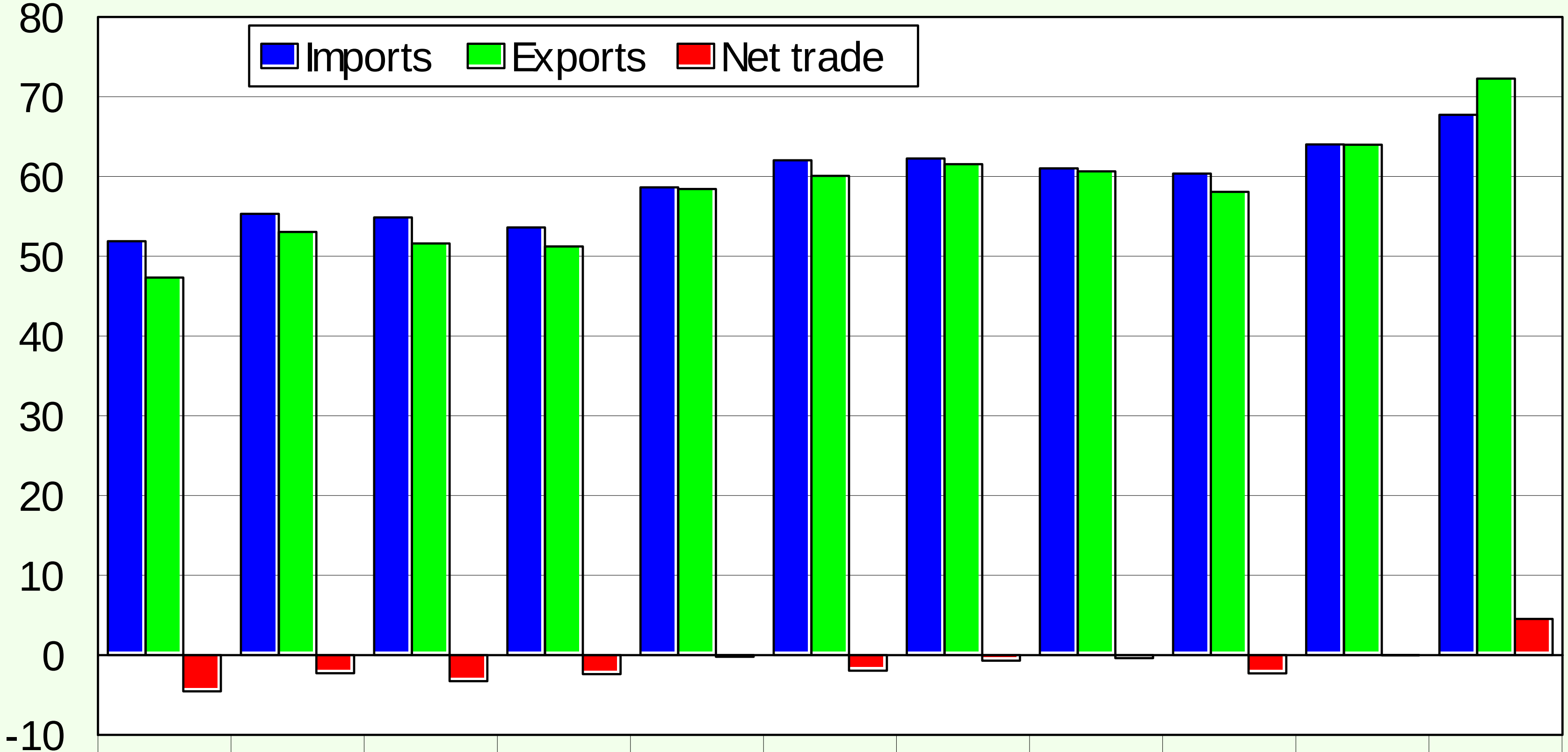
- on **export subsidies** the EU is "*selling its WTO partners a rapidly "depreciating" asset*" [Hoeckman and Messerlin, 2006]
  - ► since 1995 the EU used less than 50% of the subsidies it was entitled to under the URAA (39% in 03/04, 35% in 04/05)
  - ► subsidies for sugar and rice are soon to become unfeasible (EBA)
  - ► unsubsidized exports occurs when export subsidy constraints become binding
  - ► in 2006 export subsidies were 5% of EU expenditure for agriculture and rural development (strong internal pressure for alternative uses)
  - ► export subsidies for fruit & vegs and wine abolished
  - ► dairy reforms → lower domestic prices, export supplies and export subsidies

- **how sensitive would a DDA agreement on agriculture along the lines of the proposals which are currently on the table be for the "defensive" concerns of EU agricultures?**

- **probably *not very sensitive*, but certainly more sensitive than many, inside and outside the EU, believe (or, rather, claim)**

- **if current border protection is significantly lowered, in certain sectors, because of CAP reforms, this will translate into a significant reduction of price support**

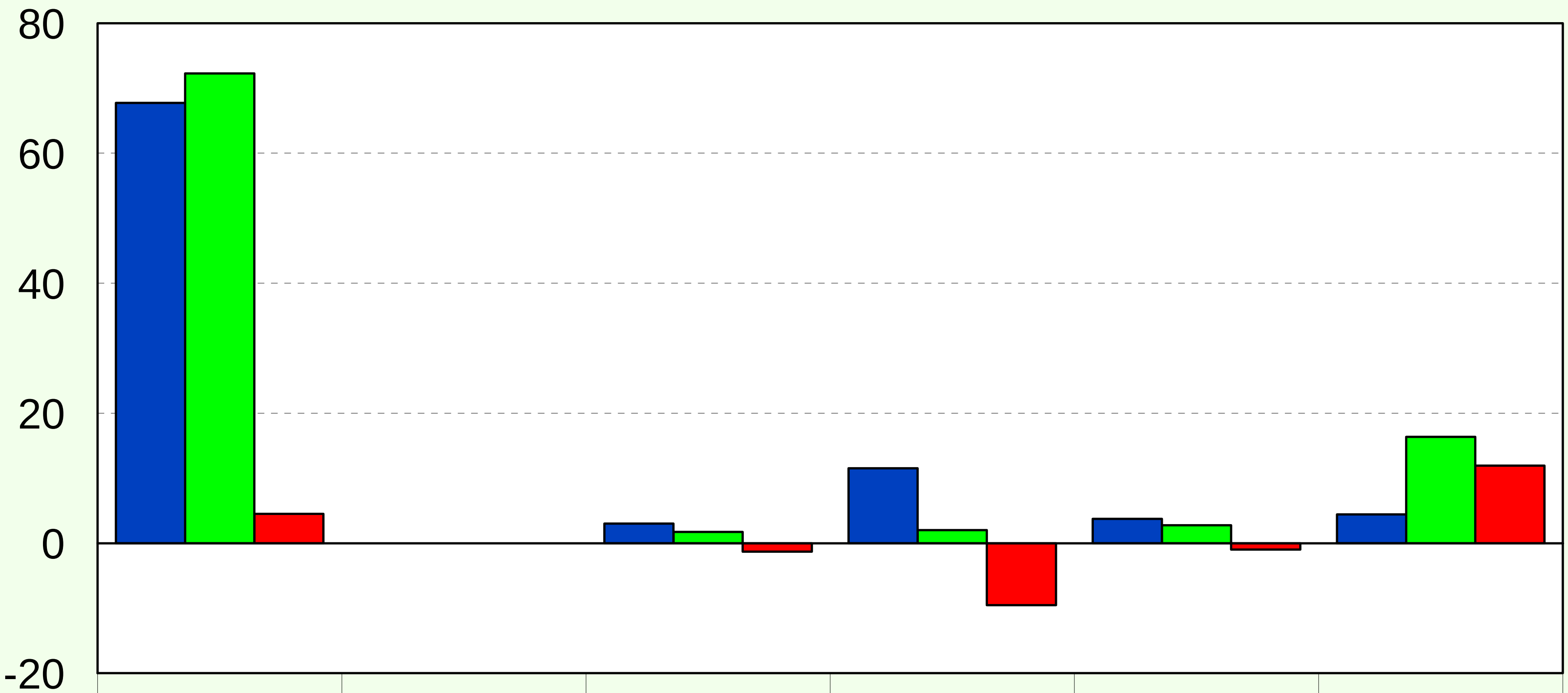
EU - Agricultural products. Imports, Exports and Net trade position (excluding intra EU trade) (96-03: EU-15; 04-06: EU-25 ; Billion euro)



	1996				2000				2004		2006
Imports	51,872	55,307	54,87	53,616	58,64	62,028	62,256	61,014	60,35	64,018	67,738
Exports	47,319	53,035	51,603	51,23	58,426	60,068	61,547	60,632	58,059	63,986	72,265
Net trade	-4,553	-2,272	-3,267	-2,386	-0,214	-1,96	-0,709	-0,382	-2,291	-0,032	4,527

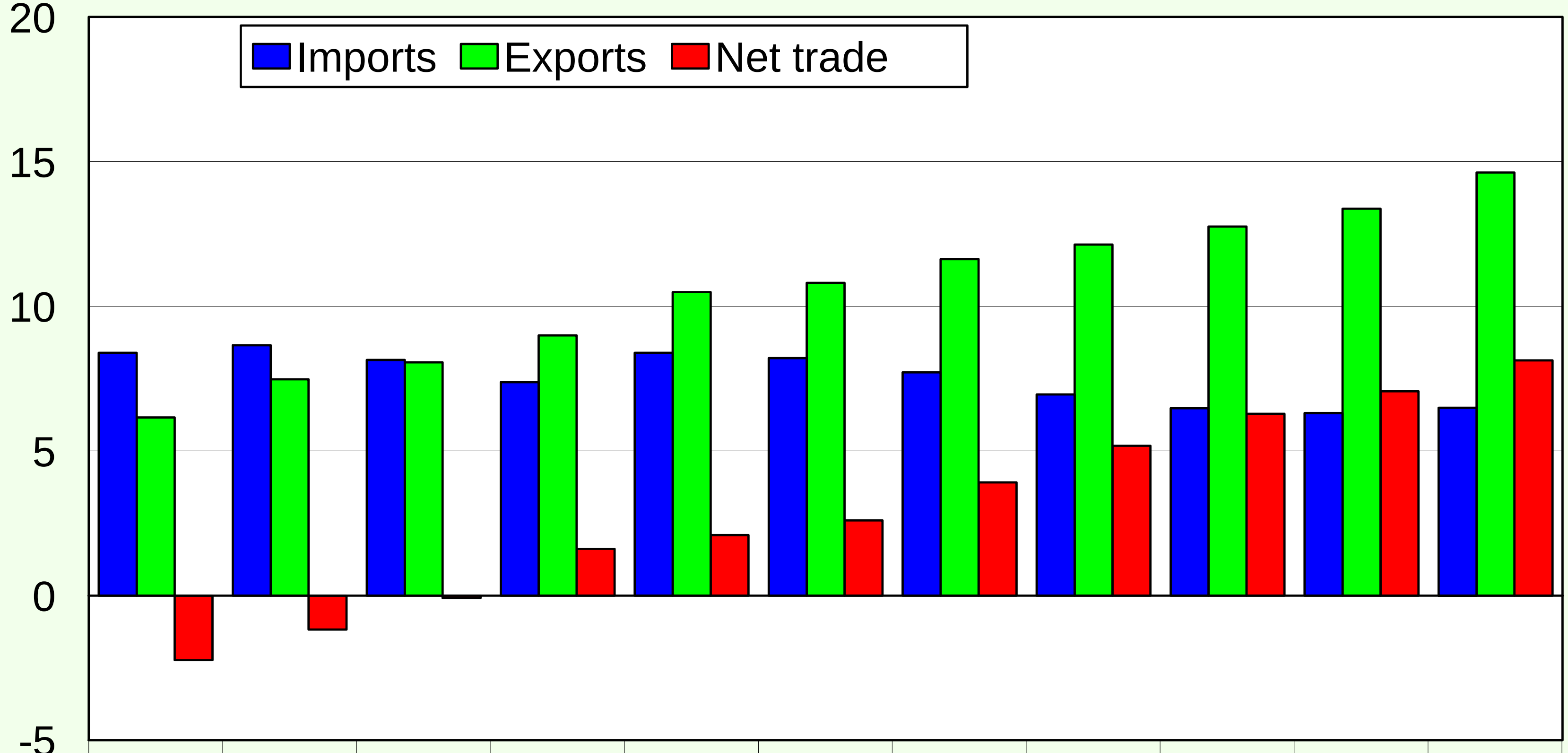
Sorce: Eurostat.

EU-25 agricultural trade (2006; billion euro)



	Total ag		Vegetables	Fruits	Proc F&V	Beverages
Imports	67,738		3,029	11,532	3,739	4,434
Exports	72,265		1,739	2,009	2,768	16,366
Net trade	4,527		-1,29	-9,523	-0,971	11,932

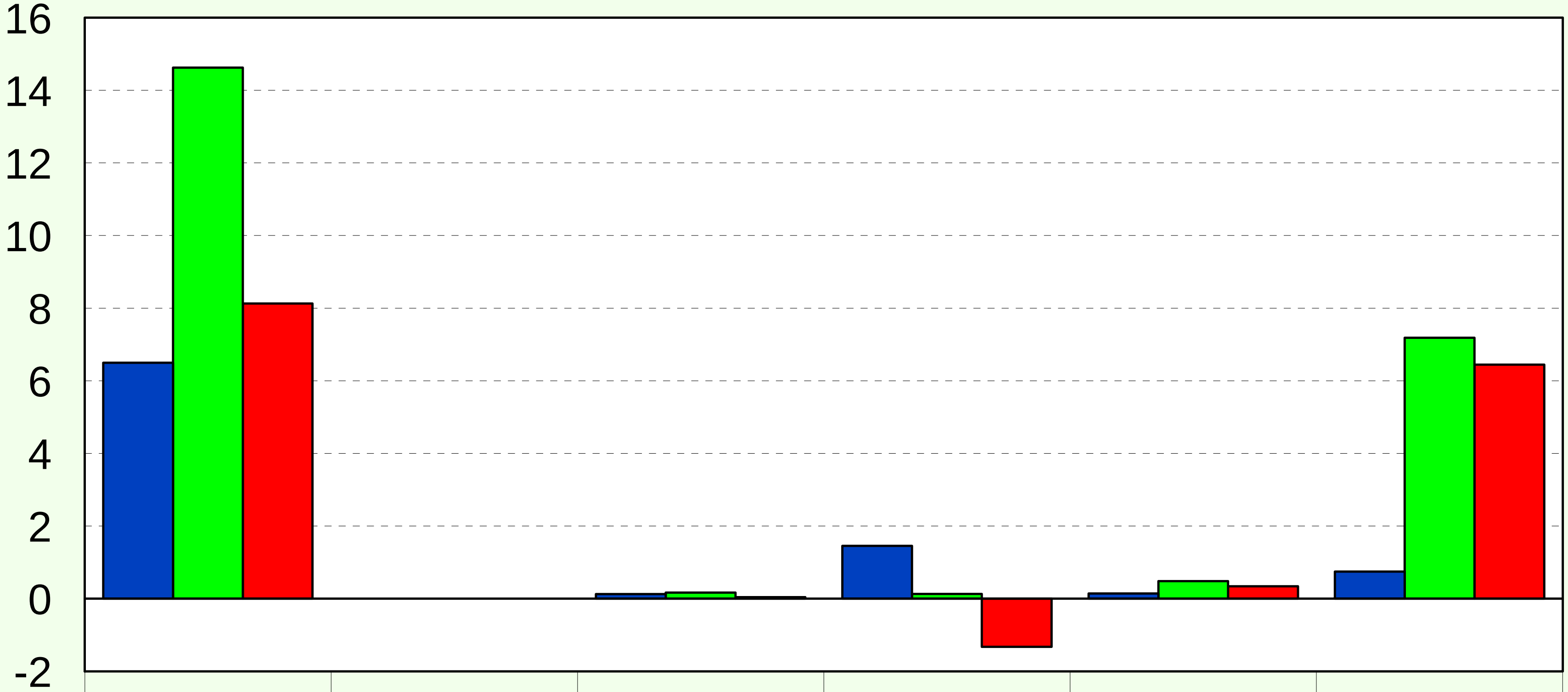
EU - Agricultural products. Imports, Exports and Net trade position with the US (96-03: EU-15; 04-06: EU-25; Billion euro)



	1996				2000				2004		2006
Imports	8,391	8,653	8,148	7,374	8,394	8,208	7,713	6,954	6,473	6,311	6,496
Exports	6,161	7,478	8,062	8,992	10,487	10,806	11,628	12,134	12,757	13,373	14,624
Net trade	-2,23	-1,175	-0,086	1,618	2,093	2,598	3,915	5,18	6,284	7,062	8,128

Sorce: Eurostat.

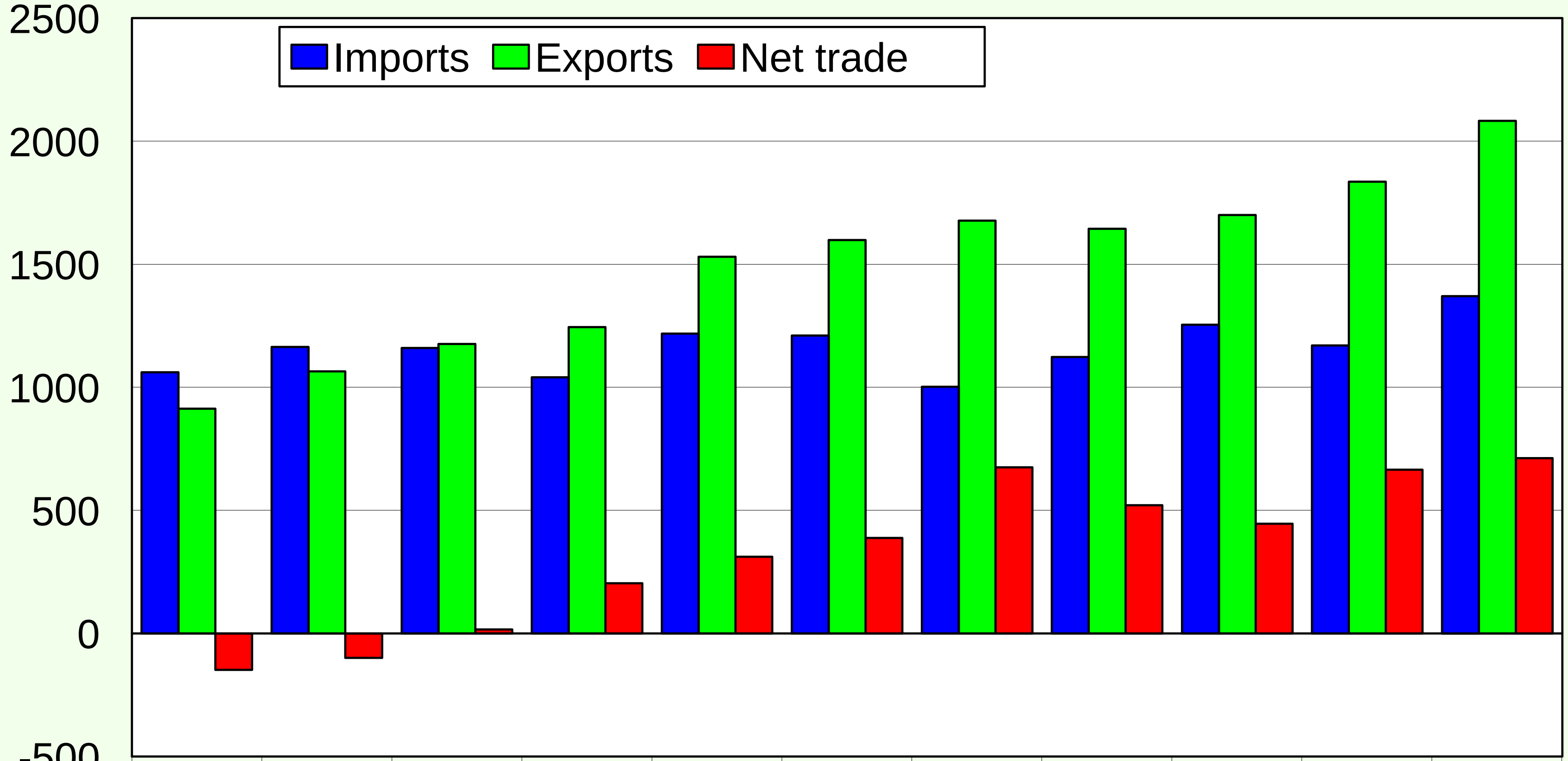
EU-25 agricultural trade with the US (2006; billion euro)



	Total ag		Vegetables	Fruits	Proc F&V	Beverages
Imports	6,496		0,125	1,455	0,142	0,743
Exports	14,624		0,17	0,13	0,483	7,187
Net trade	8,128		0,045	-1,325	0,341	6,444

Imports Exports Net trade

EU - Agricultural products. Imports, Exports and Net trade position with Canada (96-03: EU-15; 04-06: EU-25; million euro)



	1996				2000				2004		2006
Imports	1061	1164	1160	1041	1218	1210	1002	1123	1254	1170	1370
Exports	913	1065	1176	1245	1530	1598	1677	1644	1700	1835	2082
Net trade	-148	-99	16	204	312	388	675	521	446	665	712

Sorce: Eurostat.

- the main "*offensive*" concerns for the EU:
  - ► increased market access for its agro-food exports
  - ► multilateral protection for "*denominations of origin*" (GIs)

- negotiations on GIs for wines and spirits in TRIPS have been stalled for years
  - EU (and others) ask for mandatory protection
  - US, Australia, New Zealand (and others) ask for voluntary protection
  - no agreement on the introduction of a similar protection for other food products

what's ahead with the DDA round?

- the main issues to be solved are not in agriculture but in NAMA
- ...but many issues remain to be solved in agriculture
- very complex agricultural modalities (and implementation)
- who wants/need an agreement? (*where is the political pressure to find a compromise*?)
- do the high prices and the food crisis help reach an agreement?
- the political climate in the EU
- the political climate in the US
- which developing countries do want an agreement?

what's ahead with the DDA round?

- **trade Ministers meeting in June/July? *…unlikely***
- **an agreement within few months? *…possible, but unlikely***
- **negotiations to ignore the Farm Bill? *…no, it will constrain the negotiations***
- **an agreement without TPA? *…unlikely***
- **a conclusion after the 2008 US Presidential elections? *…a possibility***
- **…or after the 2009 elections in India?**
- **no agreement and a reform of the WTO? *…definitely a possibility***

four alternatives

- an agreement on the modalities is reached by the end of 2008, or early 2009, and the round is completed by the end of 2009:
  - a *low ambition* agreement on agriculture
  - a *high ambition* agreement on agriculture
- there is no agreement, but formally *negotiations continue*
- there is no agreement and *negotiations officially collapse*

four alternatives:

an agreement on the modalities is reached by the end of 2008, or early 2009, and the round is completed by the end of 2009:

- **30%** ***low ambition*** **agreement on agriculture**
- **1%** ***high ambition*** **agreement on agriculture**

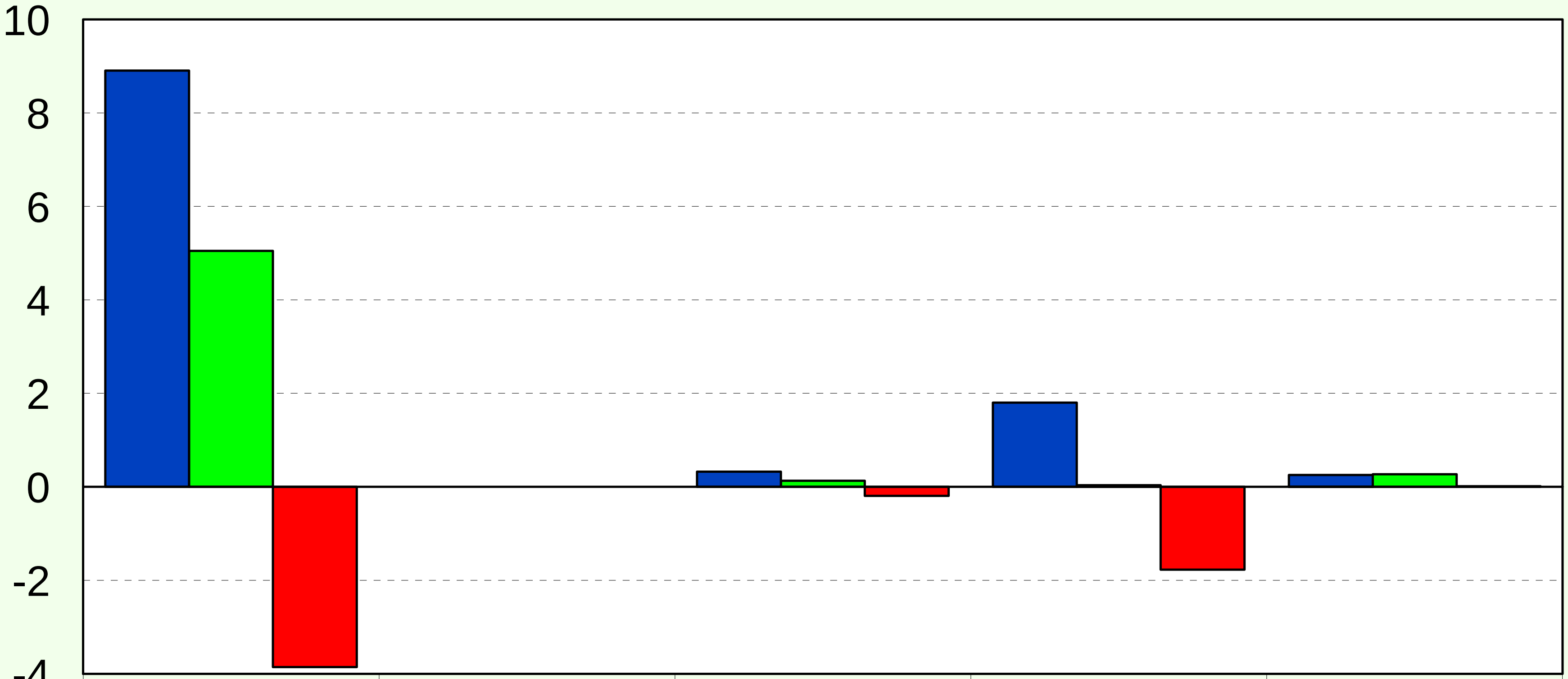
- **44%** **there is no agreement, but formally** ***negotiations continue***
- **25%** **there is no agreement and** ***negotiations officially collapse***

- the failure of the negotiation would make the problem of the adequacy in the current scenario of international relations of the rules governing the WTO re-emerge
- the focus would further shift from the multilateral to the regional agreements
- WTO disputes would significantly increase
- the main losers: developed country export oriented agro-food systems and less developed countries

EU and RTA: recent developments

- the **Economic Partnership Agreements** with ACP countries
- several "interim" Agreements and one full Agreement
- reciprocal preferences (with some asymmetric flexibility in the implementation)
- since **1 January 2008** **all** exports from the ACP countries to the EU occur **duty and quota free**

EU-25 products trade with ACP countries (2006; billion euro)



	Total ag		Vegetables	Fruits	Processed F&V
Imports	8,905		0,325	1,804	0,254
Exports	5,048		0,132	0,033	0,269
Net trade	-3,857		-0,193	-1,771	0,015

Imports Exports Net trade

EU and RTA: what's next?

- **future enlargements: Balkans (Croatia, Macedonia), Turkey (?), Ukraine (??)**
- **the European Neighbourhood Policy with Mediterranean countries as well as neighbours on the Eastern border**
- **other bilateral and regional trade agreements, including with Mercosur, Andean Community, Central America, India, China and Russia**
- **these RTAs are potentially very relevant in terms of (selectively) increasing access to EU agro-food markets**