Overview of the WTO
Agricultural Negotiations

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Introduction

- 2005 will be a critical year for agricultural trade policy
- Push for agreement on Modalities at WTO Ministerial in December
- Final ruling on another key WTO case (sugar) in Spring: also GI and GMO case reports due
- Opening of US Farm Bill discussions
- TPA extension gives opportunity for Congressional mood to be tested
Outline

- Status of Doha Round Ag Talks
- Agricultural Framework Agreement
- Progress Possible in 2005
- Key Issues for US Trade Policy
- Impacts on US Farm Policy
WTO Agricultural Talks - timeline

- March 2000 – February 2002
  - Agricultural negotiations start as mandated by URAA
  - Initial Position papers presented
  - Elaborations by countries on specific topics

- November 2001
  - Doha Ministerial elaborated objectives and set timetable for negotiations (Doha Round)
Agricultural Talks – timeline (contd.)

- March 2002 – September 2003
  - Deadline for agreeing “Modalities” missed at end of March 2003
  - Agreed to go instead for a “Framework” for talks
  - Serious negotiations started in July at Montreal Mini-Ministerial
  - US-EU Joint proposal August 2003
  - G-20 formed in opposition to US-EU proposal

- September 2003
  - WTO Ministerial in Cancun became confrontational and failed to agree on Framework
Agricultural Talks – timeline (contd.)

- January 2004
  - Peace Clause expired: possibility of challenges to subsidies under SCM Agreement increased

- July 2004 (early hours of August 1)
  - Reached agreement on a Framework for the DDA

- October 2004
  - Negotiations started on basis of Framework

- December 2005
  - Next WTO Ministerial in Hong Kong: chance for agreement on Modalities?
Framework Agreement: What is on the Table?

- Improved Market Access
  - Key to a successful Round: open up agricultural markets

- Fairer Export Competition
  - Important for low-cost exporters to curb export subsidies

- Reduced Domestic Support
  - Needed by developing countries to provide balance and cover for their own reforms
  - Sought by low-cost exporters to improve competition

- Other Issues (GIs, NTCs)
  - Needed by EU and Japan for domestic cover
Framework: Market Access

- “Substantial” Tariff reductions
  - “Tiered” formula – highest tariffs reduced more
  - Tariff cap possible
  - Sensitive Products designated (mix of tariff cuts and TRQ increases)

- TRQs
  - Improvement in administration
Safeguards

- Negotiate future of current agricultural safeguard (SSG)
- Establish a new safeguard (SSM) for developing countries

Developing Countries

- Smaller tariff reductions over a longer period
- Designation of Special Products for more flexible treatment
Framework: Export Competition

- Eliminate all export subsidies by "credible" end date
- Export Credits
  - Limit terms to 180 days
- Food Aid
  - Conform to disciplines to avoid commercial displacement
- State Trading Enterprises
  - Eliminate trade-distorting practices
  - Further negotiations on monopoly power
Framework: Domestic Support

- Move to harmonize trade-distorting domestic support (TDS) in developed countries
  - Amber Box plus Blue Box plus De Minimis support
  - Use tiered formula for reducing TDS – more reductions for higher levels
  - Reduce TDS by 20 percent (“down-payment”) in first year
Framework: Domestic Support (contd.)

- Amber Box
  - Reductions in AMS by use of tiered formula
  - Cap Product-specific AMS at historical averages
  - Reductions in Total AMS should result in Product-specific AMS reductions

- De Minimis
  - Reduce in a way to be negotiated
Framework: Domestic Support (contd.)

- **Blue Box**
  - Redefine to include payments based on fixed acres and yields as well as those based on acreage (and headage) limitations
  - Cap payments at 5 percent of Value of agricultural production at start of implementation period

- **Green Box**
  - Review criteria
  - Improve monitoring and surveillance
Other Agricultural Topics

- Geographical Indications
  - Negotiations ongoing (in TRIPS) on multilateral list for wines and spirits
  - Discussions continuing about extension of coverage of “additional” protection

- Peace Clause
  - No mention in Framework
  - But may be needed in final package
Progress Possible in 2005?

- Export competition issues least problematic
  - Date for elimination can be set when other elements have fallen into place
  - US will have to agree on export credit and food aid limits as part of package
  - Canada will eventually agree to elimination of implicit subsidies, though not the single-desk function of the CWB
Progress in 2005 (contd.)

- Domestic Support also coming together
  - Significant TDS cut will be accepted and down payment will not be too painful
  - AMS cut could be substantial (55 percent) if US counter-cyclicals allowed in Blue Box
  - Blue Box cap (5 percent) not too difficult to achieve for US and EU (much EU support is now Green)
Progress in 2005 (contd.)

- But some thorny issues remain in domestic support
  - Cotton subsidies will have to be cut specifically
  - Constraints on product-specific subsidies could be contentious
  - Panel rulings on sugar and cotton will need to be reflected in talks
Progress in 2005 (contd.)

- Market Access is most difficult
  - Level of tariff reduction still not clear
  - Scope of Sensitive Product exception still to be decided
  - Definition of Special Products still to be decided
- Tariff cap still to be negotiated
- Future of SSG still unclear
Key Issues for US Trade Policy

- Will developing countries agree to open up markets significantly?
- Will concessions have to be given to all developing countries?
- Do bilateral and regional talks offer a credible alternative for US?
Key Trade Policy Issues (contd.)

- Will leadership by the Five Interested Parties continue? (Australia, Brazil, EU, India and US)
- Will this be accepted by high-cost importers (G-10) and smaller developing countries (G-90)?
- Will G-20 stay intact and coherent?
- Will US-EU “harmony” be disrupted?
Impact on US Farm Policy

- Market access abroad will be improved
  - 40 percent cut in average tariff using tiered formula is possible
  - Developing countries will limit market access by the designation of Special Products to protect their producers

- But US tariffs will also have to come down
  - US will be able to cushion impact on Sensitive sectors (sugar, dairy, rice?)
  - However, expansion of TRQs will provide some additional market access in these sectors
Impact on US Farm Policy (contd.)

- Elimination of Export subsidies will be beneficial to US
  - Date could be about 2015
  - Parallelism with export subsidy component of export credits and food aid will require changes in US programs
  - Canadian STEs operations still in question but subsidy component will be eliminated
Impact on US Policy (contd.)

- Domestic support will be capped
  - Blue box, as amended, capped at 5 percent of value of production, will limit any growth in US counter-cyclicals
  - Amber box reduction of 50 percent or more will constrain other support payments
  - Monitoring programs will be tightened for greater transparency

- GIs will be included in package
  - Limited Register for wines and spirits will be agreed
  - But extension of protection to other products unlikely
Impact on US Policy (contd.)

- New Farm Bill will have to take into account the new constraints
  - “Fruit and vegetable” clause may have to go
  - Update of bases may be restricted
- However, significant changes in policy direction will not be required
- Balance of interests is in favor of pushing for the speedy conclusion of WTO talks
Conclusion

- Possible for a package to emerge this year (late summer?)
- Modalities could be agreed in Hong Kong with 2006 as year for presenting and scrutinizing schedules
- Timetable will be driven in part by US Fast Track (TPA) authority
- End of negotiations could come in early 2007
Thank You