



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
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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)
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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
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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?
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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
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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

Framework: Market Access (contd.)

- 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
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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
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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
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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
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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
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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
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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
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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?
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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
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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
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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
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Thank You