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Impacts of Free Trade & Doha Agreements

Global Commerce Track
at the
2010 Agricultural Outlook Forum,
Gregg Young

Friday, February 19, 2010
Crystal Gateway Marriott
Salon III

“Alternative Title”

SLICING AND DICING:

*CAN DOHA CUT INTO THE BILATERAL
TRADE QUANDARY?*

Discussion Points

- Scope and Objectives
- FTA's – the high or easy road?
- Doha Slicing Power (exclusions, too)
- Systemic Impacts

Scope – Objectives

Multilateral Agreements

- A long-term effort
- Complicated – covers all ag pillars
- Unwanted baggage possible in large single-undertaking
- Domestic Support included
- Export Competition included

Scope – Objectives

Bilateral Agreements

- Possible in relatively short period
- Bilateral depends on common vision
- Market access is largest focus
- Domestic Support not included
- Export Competition generally not included

FTA's - High or Easy Road?

■ EASY:

- Can be done – 600+ is proof
- Lure of competitive advantage
- Greater market-specific tailoring

■ HIGH:

- ?

U.S.: FTA Partners

U.S. FTA Partners	Year	U.S. Exports (2007, millions)	Per Capita GDP (2007)	Population* (2008, Millions)
Israel	1985	\$606	\$26,600	7
Canada	1989	\$14,062	\$38,600	33
Mexico	1994	\$12,692	\$12,400	110
Jordan	2001	\$131	\$4,700	6
Singapore	2004	\$374	\$49,900	5
Chile	2004	\$392	\$14,300	16
Australia	2005	\$662	\$37,300	21
Morocco	2006	\$670	\$3,700	34
Bahrain	2006	\$18	\$33,900	1
El Salvador	2006	\$343	\$6,000	7
Honduras	2006	\$393	\$4,300	9
Nicaragua	2006	\$182	\$2,800	6
Guatemala	2006	\$677	\$5,100	0
Dominican Republic	2007	\$779	\$6,600	10
Costa Rica	2009	\$433	\$11,600	4
Oman	2009	\$25	\$19,000	3
Peru	2009	\$438	\$7,600	29
Panama	-	\$304	\$10,700	3
Columbia	-	\$1,223	\$7,400	1
Korea, Republic of	-	\$3,528	\$1,700	48
SUMMARY: U.S. FTA's		\$37,931	\$9,218	354
U.S. Benchmark		\$85,354	\$8,510	5,678
U.S. FTA's vs. U.S. in WTO		44.4%	108.3%	6.2%

Australia: FTA Partners

Australia FTA Partners (without U.S.)	Year	U.S. Exports (2007, millions)	Per Capita GDP (2007)	Population* (2008, Millions)
Thailand	2005	\$885	\$8,000	65
Singapore	2005	\$374	\$49,900	5
New Zealand	2005	\$210	\$15,000	4
Chile	2008	\$392	\$14,300	16
GCC: Bahrain	-	\$18	\$33,900	1
GCC: Kuwait	-	\$115	\$55,900	3
GCC: Oman	-	\$25	\$19,000	3
GCC: Saudi Arabia	-	\$710	\$19,800	28
GCC: UAE	-	\$461	\$37,000	5
China	-	\$8,314	\$5,400	1,330
Malaysia	-	\$563	\$14,500	25
Korea	-	\$3,528	\$1,700	48
Japan	-	\$10,159	\$33,500	127
SUMMARY: AUSTRALIAN FTA'S		\$25,754	\$23,685	1,661
U.S. COMPARISON BASIS		\$85,354	\$8,510	5,678
AUSTRALIA FTA's vs. U.S. in WTO		30.2%	278.3%	29.3%

Chile: FTA Partners

Chile FTA Partners (without U.S.)	Year	U.S. Exports (2007, millions)	Per Capita GDP (2007)	Population* (2008, Millions)
Canada	1997	\$14,062	\$38,600	33
Mexico	1999	\$12,692	\$12,400	110
Costa Rica	2002	\$433	\$11,600	4
El Salvador	2002	\$343	\$6,000	7
ETA - Switzerland	2004	\$260	\$40,086	8
EFTA -Iceland	2004	\$19	\$40,400	0
EFTA -Norway	2004	\$92	\$53,300	5
Korea	2004	\$3,528	\$1,700	48
EU	2005	\$8,754	\$29,841	491
PTN -Brunei	2006	\$2	\$51,000	0
PTN -Singapore	2006	\$374	\$49,900	5
PTN -New Zealand	2006	\$210	\$15,000	4
China	2006	\$8,314	\$5,400	1,330
India	2007	\$475	\$2,600	1,148
Japan	2007	\$10,159	\$33,500	127
Panama	2008	\$304	\$10,700	3
Australia	2009	\$662	\$37,300	21
Columbia	2009	\$1,223	\$7,400	1
SUMMARY: CHILE FTA'S		\$61,907	\$24,818	3,346
U.S. COMPARISON BASIS		\$85,354	\$8,510	5,678
CHILE FTA's vs. U.S. in WTO		72.5%	291.6%	58.9%

Competitive Positioning

A Simple Benchmark Comparison

FTA Competitive Comparison	U.S. Exports (2007, millions)	Per Capita GDP (2007)	Population* (2008, Millions)
CHILE	72.5%	291.6%	58.9%
U.S.	44.4%	108.3%	6.2%
AUSTRALIA	30.2%	278.3%	29.3%

Chile: Market Share Leverage?

EU Imports of Chilean Ag Products

Product	2002 2008 \$ million		Duty	
			MFN	FTA
Walnuts, shelled	\$5.4	\$55.3	5.1%	0%
Prunes	\$13.6	\$54.1	9.6%	0%
Pork, boneless cuts	\$3.7	\$59.0	86.9Euro/ 100 kg	3,500 mt TRQ

South Korean Imports of Chilean Ag Products

Product	2003 2008 \$ million		Duty	
			MFN	FTA
Pork, streaky, frozen	\$23.1	\$52.3	25.0%	9.5%
Other frozen pork	\$7.1	\$32.2	25.0%	9.5%
Red wine	\$2.4	\$26.9	15.0%	0.0%
White wine	\$0.4	\$1.8	15.0%	0.0%

Doha Slicing Power?

<i>Developed</i>	
Tier	Cut
0%	50.0%
20%	57.0%
50%	64.0%
75%	70.0%

<i>Developing</i>	
Tier	Cut
0%	33.3%
30%	38.0%
80%	42.7%
130%	46.7%

Note: only reflects basic tiered tariff reduction formula and does not include flexibilities for sensitive products, special products, etc.

DDA Tariff Slice out of FTA?

Duty		% DDA Tariff Cut	Post-DDA MFN	FTA Rate
MFN	FTA			
5.1%	0%	50%	2.6%	0.0%
9.6%	0%	50%	4.8%	0.0%
86.9 Euro/100 kg	TRQ	57%	37.4 Euro/100 kg	TRQ @ 0.0%
25.0%	9.5%	33%	16.7%	9.5%
25.0%	9.5%	33%	16.7%	9.5%
15.0%	0.0%	33%	10.0%	0.0%
15.0%	0.0%	33%	10.0%	0.0%

Doha excludes some FTA Data

- TN/AG/W/4/Rev.4 under the Special Safeguard Mechanism (SSM) in paragraph 138 states:
- **The calculation of volume or price triggers, and the application of measures in accordance with the relevant provisions of this section, shall be on the basis of MFN trade only.**

Systemic Impact

- Who is active in FTA engagement?
 - Least Developed Countries less so, if at all
 - Few benefits accrue, if any to this group
- Interest deflection away from multilateral?

Sliced or Diced Conclusions

- Bilateral engagement:
 - strong by numbers
 - uneven usage / different rules
 - market access / competition enhancing
- Multilateral engagement:
 - broader / more systemic / more difficult
 - one system – one set of rules
 - potentially more development friendly