



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Food security in the Americas: A new development model

- Microfinance and microinsurance in Latin America and the Caribbean
- Doha Round: Situation and outlook
- Measuring the performance of agricultural GDP
- Public policy for rural development and social participation



Current status of and outlook for the multilateral negotiations of the WTO (Doha Round)

Antonio Donizeti Beraldo¹

Summary

The current economic crisis has stalled the conclusion of the Doha Round of trade negotiations of the World Trade Organization (WTO), which came very close to being concluded in 2008, after seven years of long conversations between the 150 member countries of the WTO. The agriculture negotiations at the WTO basically focused on the traditional issues of market access, domestic support and export subsidies. However, the progress achieved to date will make it possible to continue with the trade liberalization process at the multilateral level. The successful conclusion of the Round could serve as a powerful antidote to the current crisis, reinvigorating trade and restoring the confidence of the markets. In order not to miss out on this unparalleled opportunity to boost world trade through the progressive reduction of trade barriers, it is essential to restart the negotiations as soon as possible and ensure that countries have the necessary goodwill and flexibility to not jeopardize what could be the most comprehensive and ambitious round of multilateral negotiations, in order to avoid a return to protectionism in the world agricultural markets.

¹ Director of Policies and Trade, IICA. antonio.donizeti@iica.int. The author wishes to express his thanks to Julio Paz and Federico Sancho, IICA staff, for their comments and suggestions.

Key words: *World Trade Organization (WTO), Doha Round, trade liberalization, agricultural protectionism, market access, domestic support, export subsidies, special agricultural safeguards.*

Introduction

With the advent of the global economic crisis during the second semester of 2008, the urgent effort to conclude the first and most ambitious round of multilateral negotiations at the World Trade Organization (WTO), the so-called Doha Round, was unfortunately relegated to second place on the international agenda of priorities of the countries, given that the entire world is now more concerned with adopting measures to mitigate the negative effects of the current global economic crisis.


This new round of WTO talks was problematic from the outset until the phase of its launch. The final act of the first Multilateral Round of the former General Agreement on Tariffs and Trade (GATT) - the Uruguay Round, which concluded in 1994 and gave rise to the WTO in its present form - included a program (Built-in Agenda) that envisaged the launch of a new Round, at the latest by the year 2000.

This initiative took place in 1999 in Seattle, when efforts were made to launch the Millennium Round. As we know, this attempt failed, because the 135 countries that were WTO members at the time were unable to reach agreement on a minimum commitment that would permit the launch

a new round of multilateral negotiations. The plain fact is that the negotiating climate was not favorable at that time, due to recent effects of the Russian and Asian crises, which caused a sharp drop in the prices of the world's leading commodities, particularly agricultural products. This



generated numerous trade conflicts and a wave of protectionist measures in many countries. An exogenous event was needed to unblock the process and allow the launch of the Round. Finally, in November 2001, with the world still reeling from the impact of the events of September 11, 2001 in the United States, the new Round of WTO trade negotiations, known as the "Doha Development Agenda", was launched in Doha, Qatar.

 *In the area of agriculture, the atmosphere at the launch of this new round of talks was one of optimism and caution. Optimism, because the launch of a new round would temporarily dispel the risk of a crisis in the world trade system; and caution, based on the experience and outcomes of the Uruguay Round, whose results were very modest and ended up by frustrating the expectations of many developing countries.*

In the area of agriculture, the atmosphere at the launch of this new round of talks was, simultaneously, one of optimism and caution. Optimism, because the launch of a new round would temporarily dispel the risk of a crisis in the world trade system; and caution, based on the experience and outcomes of the Uruguay Round, whose results were very modest and ended up by frustrating the expectations of many developing countries.

The Ministerial Declaration of Doha, the legal act that formally launched the Round, envisaged the conclusion of the talks by the end of 2005. In fact, the deadlines have never been met and have now lost all credibility. Nevertheless, the current Round is continuing at a much slower pace than the previous one and, although it was expected to conclude in four years, it has taken seven years to conclude.

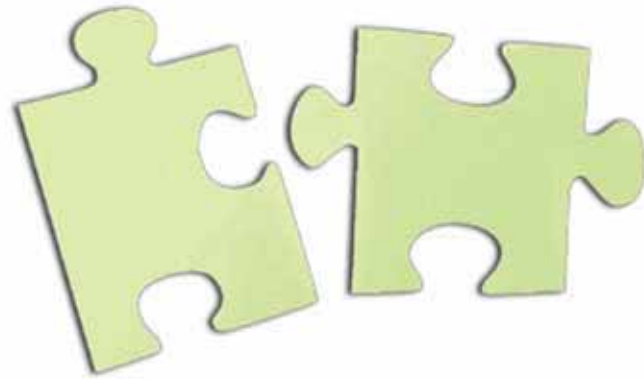
In the course of these negotiations, four Ministerial Conferences took place: Doha in 2001, Cancun in 2003, Hong Kong in 2005 and Geneva at the end of 2008. This enormous negotiating effort was still not sufficient to complete even the intermediate stage of the talks – the approval of methods and modalities – despite being the most important stage.

Progress of the negotiations: the draft modalities of July 2008 and the revised text of December 2008

For the conclusion of a round of multilateral trade negotiations, it is basically necessary to complete three stages:

- a) The **Mandate** of the Ministerial Declaration that launches the Round, which describes, in general terms, the levels of ambition desired.
- b) The **Modalities** that define the methodology for the fulfillment of the mandate (criteria for tariff reductions, domestic support and other commitments).
- c) The **List of Commitments** to be assumed by countries based on the modalities defined in the subsequent stage, which are notified to the WTO for monitoring and verification purposes.

In this case, the mandate that emerged from the negotiations was fairly ambitious, since it called for substantive advances in the trade liberalization process, specifically with regard to the trade in agricultural and non-agricultural goods, services, antidumping rules and the improvement of the dispute settlement mechanism.



It also included additional talks on the agreements of the 1996 Ministerial Conference of Singapore, in relation to the so-called “Singapore issues”: trade and investment, trade and competition policies, transparency in government procurement and trade facilitation.

However, at the Ministerial Conference of 2003, held in Cancun, Mexico, not only were the draft modalities prepared by the then Chairperson of the Agriculture Committee, Stuart Harbinson, not approved, but the Singapore issues were also eliminated from the Negotiating Agenda, thereby moderating the level of ambition of the Round.

After the failure of Cancun, the negotiations were deadlocked until July 2004, when the 2004 Framework Agreement was approved in Geneva. Given that the WTO member countries were unable to agree on full modalities, countries were given the option of approving an “intermediary stage” document that would better define conceptual aspects of the modalities, without making progress on specific formulas to reduce tariffs, domestic support, export subsidies and other commitments.

The agricultural chapter of the Framework established that all domestic support would be subject to an effective cut by tiers or bands in the group of overall trade-distorting support measures, including the aggregate measurement of support (AMS), specific and non-specific *de minimis levels* and Blue Box measures. The across-the-board cut constituted a major step forward, since it contemplated

reductions in all measures considered to be distorting, unlike the Uruguay Round, which only contemplated reductions in AMS.

With respect to market access, the Framework also determined that the tariff-cutting formula should be based on a tiered system, with larger reductions for higher tariffs and vice-versa. This was important to avoid the pitfalls of the average reduction of the Uruguay Round.

In the section on export subsidies it was established that, in addition to setting a date for the complete elimination of direct export subsidies, it would be necessary to define a treatment for other measures with equivalent effects, such as export credits, state trading enterprises and food aid.

Although the Framework had represented a step forward and provided a good base for defining the full modalities, the Ministerial Conference of Hong Kong in December 2005 was not successful in securing their approval. The only concrete progress achieved at this Meeting was to establish 2013 as the deadline for the elimination of export subsidies.

After Hong Kong, the negotiations were moved to Geneva. The experiences of large ministerial meetings organized in WTO member countries, such as those held in Seattle, Cancun and Hong Kong produced



few results and were utilized as a platform for large demonstrations against the WTO by anti-globalization movements. The negotiating environment at these meetings was found to be inappropriate, with the delegations finding it difficult to move around and requiring major security operations that hindered the talks. Once in Geneva, the negotiations proceeded through formal meetings at the special

► *Until the collapse of talks in July 2008, the agricultural negotiations at the WTO had basically focused on the traditional pillars of market access, domestic support and export subsidies.*

sessions of the agricultural negotiating group and also through more informal consultations among the leading players in the negotiations, such as the United States, the European Union, G-20, G-33, among others.

In July 2008, New Zealand Ambassador Crawford Falconer, Chairman of the WTO Agriculture Negotiating Group, presented his draft modalities, the second proposal since the start of the Round. This new draft was prepared for the Ministerial Conference of July 2008 in Geneva. Known as the “July Package”, it reflected, to some extent, the level of consensus reached by the member countries to date.

Nevertheless, some crucial aspects of the text still remained in square brackets, which, in WTO jargon, imply a lack of consensus.

In view of the fact that the “July Package” was the outcome of a long and difficult consultation process, it was on the verge of being approved in the Ministerial Meeting of July 2008.

However, the negotiators’ failure to devote sufficient attention to the issue of special agricultural safeguards, which is addressed in the section on market access, led to the collapse of the talks.

After the breakdown of the July talks, and based on the negotiators’ perceptions that an agreement had been imminent, the consultation process continued with a view to submitted another revised draft at a new Ministerial Meeting proposed for December, during which delegates hoped to approve the modalities prior to the end of the administration of George W. Bush in the United States. The revised draft, which incorporated the advances made at the Ministerial Conference of July 2008, was finally presented in December 2008. However, due to the deepening global economic crisis and the US elections, the proposed ministerial meeting did not take place and the new draft was not even considered by the member countries.

Thus, the proposals included in the July 2008 draft, and subsequently improved in the revised version of December, contained important advances for pressing forward with the trade liberalization process which, undoubtedly, constituted a lost opportunity that once again threatened the multilateral trade system. Until the collapse of talks in July 2008, the

agricultural negotiations at the WTO had basically focused on the traditional pillars of market access, domestic support and export subsidies.

■ Market access

The architecture of “tiered tariff cuts” was undoubtedly a major step forward, since it allowed for a differential treatment for the different tariff bands or tiers- in other words, larger cuts in the higher bands and smaller ones in the lower bands (Table 1). Four tariff tiers were proposed, ranging from zero to more than 90% for developed countries, and from zero to more than 130% for developing countries.

The cuts proposed in the July draft and in the revised version of December were the same, except for the cuts in the final tier of the July draft, which were still in the range of 66% to 73%, since there was still no consensus among countries on the level of the cuts in this last tier. The revised version of December set the final percentage of the reduction at 75%. For developing countries, larger tariff ranges were established and, under the principle of special and differential treatment, the proposed cuts corresponded to $\frac{2}{3}$ of those suggested for developed countries.

The proposed cuts in the tiers were very close to what had originally been proposed by the G-20, a coalition of developing countries, including India and China, with the leadership of Brazil. These allowed for an average reduction of approximately

55% in the tariffs of developed countries over a five-year period, and of 36% for developing countries over the following ten years. Nearly 80% of the agricultural tariff headings of the European Union (EU) - the economic block that had to make the most concessions in this pillar - would be subject to reduction, which would significantly increase opportunities for access to community markets.

It is important to recognize that this proposal, especially in the case of most developing countries, would only remove part of the “cushion” effect of their tariffs, once their bound tariffs were much greater than the applied ones. Since the cuts affect the bound tariffs, effective reductions in their applied tariffs would possibly not occur, which would have little effect on these countries’ conditions of market access.

Another important point on this issue is the treatment of so-called sensitive products, for which the tariff cuts, by definition, would be lower than the overall reduction formula applied to the rest of the products. The revised version of the draft proposes that developed countries may designate up to 4% of their tariff

Table 1. Market Access: Proposal for Tariff Cuts

Tiers	Ranges	Developed countries (DC)		Developing Countries	
		Cuts		Ranges	Cuts
		Jul. 08	Dec. 08		Jul. and dec. 08
1	0% - 20%	50%	50%	0% - 30%	$\frac{2}{3}$ - PD
2	20% - 60%	57%	57%	30% - 80%	$\frac{2}{3}$ - PD
3	60% - 80%	64%	64%	80% - 130%	$\frac{2}{3}$ - PD
4	>90%	[66%-73%]	75%	>130%	$\frac{2}{3}$ - PD

Source: WTO 2008b.



The last proposal of the Doha Round introduced the category of special products and special agricultural safeguards (SSG). These two mechanisms were introduced to accommodate the concerns of net food-importing developing countries whose agricultural production is vulnerable and not very competitive.

headings as sensitive. For these products, the tariff cuts could vary by $\frac{1}{3}$, $\frac{1}{2}$ or $\frac{2}{3}$ from the general reduction formula. To prevent the designation of sensitive products from affecting the level of ambition on this issue, a mechanism was introduced whereby countries would be compensated for tariff cuts through an increase in two tariff-rate quotas. Their scale would be inversely proportional to the size of the variation of the cut with respect to the overall cut.

This was an important step forward, given that most of the products of interest to countries that currently export to the EU - including the majority of developing countries - would be designated by the EU as sensitive. The use of domestic consumption as a reference variable to calculate the respective increase in quotas is another major advance, since it simplifies the process and avoids the need to calculate the compensation through complicated mathematical formulas, as the EU had been proposing. The beef and poultry meat sectors, in particular, would benefit from a quota corresponding to 4% of European domestic consumption, this being the percentage of compensation for the larger variations, which is very significant.

While in the Uruguay Round, concluded in 1994, the special and differential treatment for developing countries focused on allowing longer periods for implementing the agreed commitments,

the last proposal on modalities in the Doha Round introduced the category of special products and special agricultural safeguards (SSG). These two mechanisms were introduced to accommodate the concerns of net food-importing developing countries whose agricultural production is vulnerable and not very competitive.

■ Domestic support

With regard to domestic support, a formula of tiered cuts similar to the one proposed for the pillar on market access was also applied, with larger reductions for the highest levels of OTDS (Overall Trade-Distorting Support) and vice-versa (Table 2). Although the tariff ranges in the tiers had already been agreed, no agreement was reached on the percentage of the cuts in the July 2008 draft, since these were still in square brackets. Those percentages were defined in the revised text at the end of 2008.

The tier that concerns exporting countries - whose competitiveness is affected by domestic support measures that have the effect of indirect export subsidies - is the tier in which the OTDS levels for the USA are. In this case, the proposed cut was 70%, which would mean that the total OTDS outlay for the USA would decrease from the current bound rates of US\$47.7 billion to US\$11.9 billion. Although this does not represent a significant cut in the current OTDS levels, estimated at nearly US\$10 billion in 2008, the OTDS ceiling resulting from the proposed cuts would represent a form of insurance for the future, particularly in the event of a sharp fall in the international prices of the main agricultural commodities.

Table 2. Proposals for cutting overall trade distorting support measures (OTDS).

Tiers (billion)	Cuts		Bound rates (billion)	Applied rates (billion)	Bound rates of the cuts (billion)	Cuts over the applied rates
	Jul-08	Dec-08				
0-10	[50%-60%]	55%	-	-	-	-
10-60	[66%-73%]	70%	US\$47.7	US\$21.4	US\$11.9	USA - 45%
>60	[75%-85%]	80%	€110.3	€61.2	€22.0	UE - 64%

Source: WTO 2008 a and b.

The July 2008 draft and the revised text of that same year contemplated a five-year period for the implementation of tariff reduction commitments by developed countries and introduced the requirement of an initial reduction (downpayment) of $\frac{1}{3}$ in OTDS during the base period for countries in the last two tiers (greater than US\$ 60 billion and from US\$10 billion-US\$60 billion) and of 25% for those in the first tier (less than US\$10 billion). The introduction of the downpayment is positive because it accelerates the process to reduce OTDS and would be a kind of early harvest in the Doha Round.

With respect to the AMS (Table 3), the draft modalities reflect the relative consensus reached by countries on tariff reduction levels. The proposed percentage of the cut (60%) in the second tier (from US\$15 billion to US\$40 billion) would mean that the AMS limit for the USA would remain at US\$7.64 billion, slightly above the US\$5.7 billion proposed by G-20 (a 70% cut). However, there would be a significant reduction of 60% in the bound rates and 47% in the applied rates in the USA, the country that has been under the most pressure to make concessions in this area.

Table 3. Proposals for AMS reductions.

Tiers (billions)	Cuts	Bound rates (billions)	Applied rates (billions)	Bound rates of the cuts (billions)	Cuts on Applied rates
0-15	45%				
15-40	60%	US\$19.1	US\$14.4	US\$7.64	USA - 47%
>40	70%	€67.2	€39.2	€13.4	UE - 66%

Source: WTO 2008 a and b.


The product-specific AMS limits (AMS caps) introduced in the draft were another very positive point. Some analysts consider that this mechanism could constitute the major triumph of the Round, since it would keep countries from concentrating support on certain products in the event of a major fall in prices and, in consequence, major outlays for specific products. According to the draft proposal, AMS caps in the USA would remain at US\$1.20 billion for soybean, US\$1.72 for cotton, US\$1.16 for maize and US\$327 for rice, much lower sums than those achieved in the past. In addition, this mechanism would avoid the application of distorting policies to benefit a particular product.

Another important agreement reached in the negotiations and reflected in the draft modalities was the establishment of disciplines for the reduction of all market-distorting measures (AMS, Blue Box and *de minimis* levels) - and not only those contained in the AMS, also known as Amber Box measures - in accordance with the Uruguay Round commitments. The

grouping of all these distorting measures in the concept of overall trade-distorting support (OTDS) was undoubtedly a notable advance, since it created the basis for a broader reduction.

The proposal for a new Blue Box is intended to accommodate the domestic support policies adopted by the US, which were ruled illegal by the WTO Cotton Panel, particularly with regard to direct and counter-cyclical payments. However, the text maintains the Blue Box limit at 2.5% of the value of production, which could also be considered an advance, since previously there were no limits. Previously, only the EU notified the WTO of the use of Blue Box policies approved in the Uruguay Round agreement, with the aim of accommodating its set-aside policies. These policies were implemented during the nineties as part of the reform of the Common Agricultural Policy (CAP), and refer to controls on the use of land to avoid overproduction (surpluses). Given that these policies were not linked to production levels, they were considered *decoupled* and, therefore, less market-distorting.





All other measures with effects equivalent to export subsidies, such as credits, credit guarantees or insurance programs, as well as state trading enterprises and international food aid, would be subject to disciplines.

The draft expanded the scope of the Blue Box defined in the Uruguay Round Agreement on Agriculture, with the incorporation of direct payments, based on areas and fixed yields - in other words, decoupled from current production levels. It also reduced the 5% limit on the value of production as a ceiling for the implementation of these policies to 2.5%. For the application of the new limit, the EU's bound and applied rates would be reduced from €23.7 billion to €12.3 billion, and a space of US\$4.8 billion would be opened up for the US to implement policies characterized as *decoupled*.

■ Export subsidies

The draft modalities adopt the agreements reached at the Ministerial Conference of Hong Kong that contemplated the total elimination of export subsidies by 2013. The new component is that the draft established a 50% reduction as a "downpayment" by the end of 2010 and the rest by 2013, with these conditions being applied from the start of the implementation period of the commitments. For their part, the developing countries would have to eliminate their export subsidies by 2016.

In order to prevent evasion, all other measures with effects equivalent to export subsidies, such as credits, credit guarantees or insurance programs, as well as state trading enterprises and international food aid, would be subject

to disciplines to avoid disguised forms of export subsidies. The progress made in this regard was also significant.

Special agricultural safeguards: the Achilles heel of the Doha Round

The main reason for the collapse of the negotiations in July 2008 was the suspension of talks on the issue of the *Special Safeguard Mechanism - SSM*)². This topic was introduced in the Ministerial Declaration of Doha at the insistence of net food-importing developing countries, whose original intention was to protect themselves against possible sudden increases in agricultural imports that could have negative impacts on food security. After the failure of the Ministerial Meeting of July, there were other attempts to resuscitate the negotiation process, but all these encountered strong resistance from some countries, particularly India, to efforts to move forward on the issue of SSM.

The G-20 included several developing countries and had been a major new negotiating force to counter the traditional polarization between the United States and Europe. However, this group, which

² Safeguards are special restrictions on imports that can be applied temporarily in exceptional circumstances, for example, a sudden increase in imports. The creation of the SSM is contemplated in the Doha Declaration and is designed to be used by developing countries once the developed countries have the special safeguards (SSG) introduced in the Uruguay Round.



▶ *The two main points responsible for blocking an agreement on safeguard mechanisms were the failure to define the percentage of the increase of imports that would trigger the SSM and the limit of the tariff increases.*

includes not only net food importers such as India, China and Indonesia, but also net food exporters such as Brazil, Argentina and Uruguay, seems to have been definitively weakened following the lack of consensus on SSM. This lack of consensus among the countries stemmed from the fact that the mechanism was designed to be applied to imports of all origins. It is important to recall that in countries such as Brazil more than 50% of agricultural exports are destined for developing countries.

During the negotiations in the WTO Committee on Agriculture, discussion on the SSM proposal was deferred for the final stage of the negotiation, under the supposition that this was a secondary issue. However, history showed that this was not the case. Consequently, much of the negotiating effort focused on the three pillars of the agricultural agreement: market access, domestic support and export subsidies.

The two main points responsible for blocking an agreement on safeguard mechanisms were the failure to define the

percentage of the increase of imports that would trigger the SSM and the limit of the tariff increases. On the one hand, the G-33 countries, which included the majority of net food-importing developing countries, argued that a minimum increase in imports of 10% should be sufficient to trigger the SSM mechanism, while other countries took the view that SSM should not be triggered as a result of normal price fluctuations or the normal growth of trade. Furthermore, the first group refused to accept the imposition of limits on tariff increases, while the second group opposed the idea that the SSM could be higher than the bound tariffs in the Uruguay Round. Their argument was that this would represent a regression in the process of trade liberalization. Nor were the countries able to agree on the number of tariff lines that might benefit from the SSM (for example, 2.5% of the products).

Prospective scenario of the WTO multilateral negotiations

If the agricultural negotiations begun before the breakdown of July 2008 had succeeded, a major step would have been taken toward the liberalization of agricultural markets and the improvement of WTO rules. This would have facilitated the creation of a freer and fairer trade system, with fewer distortions, which in turn would have led to more open markets, to the prevention protectionist measures and to the mitigation of the effects of the food crisis.

There is a feeling among the negotiators that the success of the Round was at hand and that the time was right. The final



stage of the negotiations coincided with period of high agricultural prices, which would have demanded few efforts on the part of countries to fulfill the prospective commitments. There were no winners in this process, only losers. The developing countries, undoubtedly, are among the greatest losers. World Bank studies estimate that an ambitious liberalization process in the chapter on agriculture could generate overall benefits equivalent to US\$193 billion and the greatest beneficiaries of these reforms would be the developing countries with profits of US\$101 billion.

In addition to the loss of revenues that might have been generated by multilateral liberalization, many partial agreements were compromised by the failure of the Doha Round. Various sectoral agreements that depended on the successful conclusion of the Round were adversely affected. For example:

- The agreement on the complete elimination of export subsidies in 2013 is at risk, since this depended on individual agreements on the other pillars to be validated.
- The agreement reached with the EU to reduce tariffs on banana imports, which would be of particular benefit to the Central American countries.
- An increase in US ethanol quotas that would expand the export markets for Brazil and other Latin American countries.
- The parallel negotiations that were taking place in the Committee on Trade and Environment on a more rapid liberalization of so-called environmental goods. This agreement would also have offered advantages to biofuel exporters, once the talks had advanced sufficiently to include ethanol in the list of environmental goods.

The risks implied by the collapse of the multilateral negotiations are well known, but it is useful to emphasize these.

- Proliferation of protectionist measures in the absence of restrictions in the multilateral context. This possibility is even more serious in a global economic crisis like the current one.
- Efforts by countries to reach bilateral agreements, which are of limited scope, being restricted to negotiations on tariff reductions. The systemic issues, such as domestic support and export subsidies can only be negotiated in the multilateral context.
- Increase in the number of disputes submitted to the WTO dispute



► *The current scenario would not appear to favor a return to the negotiating table for the future conclusion of the Doha Round. With the present crisis affecting nearly all WTO Members, the countries are prioritizing their domestic agendas and have relegated multilateral negotiations to the “back-burner”.*

settlement body. Unfortunately, the poorest countries seldom have the necessary technical capacity or resources to complete the long dispute settlement process in the WTO.

Thus, the current scenario would not appear to favor a return to the negotiating table for the future conclusion of the Doha Round. With the present crisis affecting nearly all WTO Members, the countries are prioritizing their domestic agendas and have relegated multilateral negotiations to the “back-burner”. Although many recognize that the conclusion of the Doha Round would be a powerful antidote to protectionism and a very positive signal to restore confidence in the markets, for now - and at least in the short term - there is insufficient leadership to move the negotiations forward.

Another element that could affect the resumption of talks is the new US Farm Bill approved for the period 2008-2013. The Bill retains nearly all the commodity programs that already existed in the previous legislation, many of which are considered illegal by the WTO. It has also kept the three subprograms that were included in the previous law: direct payments, counter-cyclical payments and marketing loans. In addition to these three programs, the new Farm Bill created a new and controversial program called *Average Crop Revenue Election - ACRE*, which is surely the most contentious part of the new legislation, and could have implications for the WTO trade negotiations. Together, the aforementioned commodity programs have the effect of protecting farmers from price fluctuations that fall below the guaranteed revenue levels established by law.

Despite the recommendations made by the WTO dispute settlement body arising from the cotton dispute, these programs were not modified and their continuity is assured in the 2008 Farm Bill, which will probably result in new trade disputes. Furthermore, the new bill introduces a certain rigidity into the US negotiating process, considering this to be valid for

the period 2008-2013, during which time the current Doha Round negotiations should theoretically be concluded.

Other variables could also affect the continuity of the Round, such as the expiry of the Trade Promotion Authority (TPA), an authorization granted by Congress that allows the US Trade Representation (USTR) to negotiate agreements directly, without these being subject to the approval of lawmakers.

The last TPA expired in July 2007 and has not yet been renewed by Congress. The new US administration would need to propose the renewal of the TPA in order to give its negotiators credibility. At this stage of the negotiations, it is essential that the US exercises its political leadership in order to assure the conclusion of the Round. In this regard, the new trade agenda recently unveiled by the new US administration, stating that the negotiators in the Doha Round had sought to correct “imbalances” and introduce stricter labor and environmental requirements, could further complicate the negotiations.

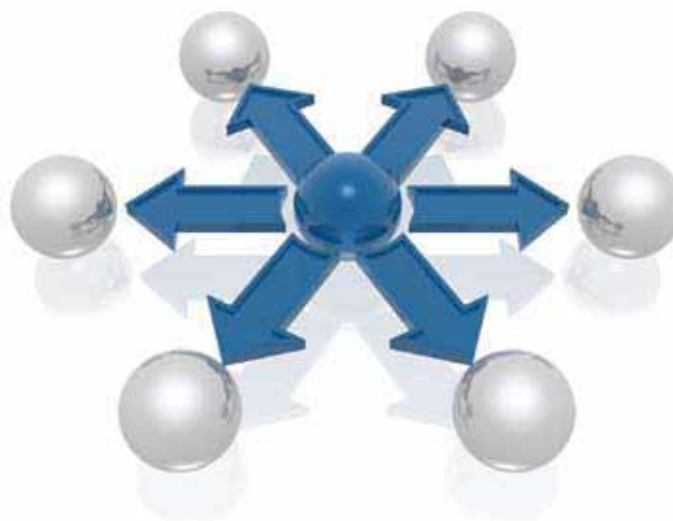
Final comments

With the collapse of the Doha Round of negotiations, a great opportunity was missed to move forward in the effort to establish more just and fair trade rules and disciplines. The successful conclusion of this Round would have helped to reduce the obstacles to creating a freer trade system that would have led to greater economic growth and, consequently, to the reduction of poverty. It would

also have generated a more efficient pattern of global production that would maximize the comparative advantages and promote the economic wellbeing of all the countries.

The successful conclusion of the Doha Round would have created a more integrated world economy and, with the reduction of the existing trade barriers, would certainly have provided greater opportunities for all countries to take advantage of the benefits offered by the growth of trade.

The various trade liberalization processes undertaken in recent years by a number of countries, especially in Latin America and the Caribbean, have clearly shown that trade can indeed be a powerful tool for stimulating growth and economic development by creating job opportunities and increasing per capita income.





The successful conclusion of the Doha Round would have created a more integrated world economy and, with the reduction of the existing trade barriers, would certainly have provided greater opportunities for all countries to take advantage of the benefits offered by the growth of trade.

It is important to reaffirm the direct links between the reduction of global agricultural protectionism and trade-distorting subsidies, in their most diverse forms, with the specific possibility of rural development, especially in the poorest countries. This, in some cases, seems unattainable in the current scenario of distortions in the global commodity markets.

References

WTO (World Trade Organization) 2008a. Revised Draft Modalities for Agriculture. Committee on Agriculture, Special Session, Jul. (TN/AG/W/4/Rev.4).

_____. 2008b. Revised Draft Modalities for Agriculture. Committee on Agriculture, Special Session, Dec. (TN/AG/W/4/Rev.4).

ICTSD (International Centre for Trade and Sustainable Development). 2008. News US Farm Bill Could Complicate WTO Negotiations. News and Analysis May.

_____. 2008. Farm Bill and Doha, lost opportunity. Puentes 9(3).

Llana Pérez, C. 2008. La nueva ley agrícola de los Estados Unidos y su consistencia con las disciplinas de la OMC. Revista de CEL.

Nassar, A; Costa, C; Chiodi, L. 2008. Implications for Brazil of the July 2008 Draft Agricultural Modalities. ICTSD.

USTR (United States Trade Representation). 2009. Trade Policy Agenda and 2008. Annual Report of the President of the United States on Trade Agreements Program.

► **État actuel et perspectives des négociations multilatérales de l'OMC (Cycle de Doha)**

La crise économique actuelle a relégué au second plan la conclusion des négociations commerciales du cycle de Doha de l'Organisation mondiale du commerce (OMC) qui ont été bien près d'aboutir en 2008, au terme de sept années de longues conversations entre les 150 pays membres de l'OMC. Les négociations agricoles de l'OMC ont été axées essentiellement sur les thèmes traditionnels : l'accès aux marchés, les appuis au niveau national et les subventions aux exportations. Pourtant, les progrès réalisés permettraient de poursuivre le processus de libéralisation des échanges commerciaux multilatéraux. Si les négociations arrivaient à bonne fin, elles pourraient devenir un puissant antidote contre la crise, dynamisant le commerce et faisant renaître la confiance des marchés. Pour ne pas perdre cette occasion unique de donner une impulsion au commerce mondial grâce à la diminution progressive des barrières commerciales, il faut que les négociations reprennent le plus tôt possible et que les pays fassent preuve de la bonne volonté et de la souplesse nécessaires pour ne pas mettre en danger ce qui serait le cycle de négociations commerciales le plus vaste et le plus ambitieux et éviter le retour au protectionnisme des marchés agricoles mondiaux.

► **Situação atual e perspectivas das negociações multilaterais da OMC (Rodada de Doha)**

A atual crise econômica relegou a segundo plano a conclusão da Rodada de Doha de Negociações Comerciais da Organização Mundial do Comércio (OMC), que esteve muito próxima de ser concluída em 2008, depois de sete anos de longas conversações entre os 150 países membros da OMC. As negociações agrícolas na OMC estiveram basicamente concentradas nos temas tradicionais: acesso a mercados, apoio doméstico e subsídios às exportações. Não obstante, os avanços obtidos permitiram continuar o processo de liberalização comercial em nível multilateral. Sua bem-sucedida conclusão poderia funcionar como um poderoso antídoto contra a crise, que dinamizaria o comércio e recuperaria a confiança dos mercados. Para que essa oportunidade ímpar de impulsionar o comércio mundial mediante a redução progressiva das barreiras comerciais não seja perdida, é preciso retomar as negociações o mais breve possível e contar com a boa vontade e flexibilidade dos países para não pôr em risco o que seria a mais ampla e ambiciosa rodada de negociações multilaterais, a fim de evitar a volta do protecionismo nos mercados agrícolas mundiais.

► **Estado actual y perspectivas de las negociaciones multilaterales de OMC (Ronda Doha)**

La crisis económica actual puso en segundo plano la conclusión de la Ronda Doha de Negociaciones Comerciales de la Organización Mundial del Comercio (OMC), que estuvo muy cerca de ser concluida en el 2008, después de siete años de largas conversaciones entre los 150 países miembros de la OMC. Las negociaciones agrícolas en la OMC estuvieron básicamente concentradas en los temas tradicionales: acceso a mercados, apoyo doméstico y subsidios a las exportaciones. No obstante, los avances logrados permitirían continuar con el proceso de liberalización comercial a nivel multilateral. Su conclusión exitosa podría funcionar como un poderoso antídoto contra la crisis, que dinamizaría el comercio y recuperaría la confianza de los mercados. Para no perder esta oportunidad ímpar de impulsar el comercio mundial con la reducción progresiva de las barreras comerciales, es necesario retomar las negociaciones lo antes posible y que los países tengan la buena voluntad y la debida flexibilidad para no arriesgar lo que sería la más amplia y ambiciosa ronda de negociaciones multilaterales, con el fin de evitar que retorne el proteccionismo en los mercados agrícolas mundiales.

COMUN//CA

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE
Headquarters P.O. Box 55-2200
San Jose, Vazquez de Coronado, San Isidro
11101 - Costa Rica
Phone: (506) 2216 0222 / Fax: (506) 2216 0233
e-mail: iicahq@iica.int
Web Site: www.iica.int

