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**If the WTO Agriculture Modalities were Rules and Commitments Today –
Whom Would They Bite Where?**

Lars Brink

Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2014 Annual Meeting: Food, Resources and Conflict, December 7-9, 2014, San Diego, CA.

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If the WTO agriculture modalities were rules and commitments today – whom would they bite where?

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**International Agricultural Trade Research Consortium IATRC
Annual Meeting
7-9 December 2014, San Diego, California**

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Current policy and potential Doha

- **Examine WTO rules and countries' commitments**
 - Uruguay Round Agreement on Agriculture
 - Potential Doha outcome as in 2008 draft modalities: Rev.4
- **Examine recent policy settings of 19 countries**

Developing: 12 countries	Developed: 7 countries
<i>Argentina, Brazil, China, India, Indonesia, Korea, Mexico, the Philippines, South Africa, Thailand, Turkey, Viet Nam</i>	<i>Canada, European Union, Japan, Norway, Russia, Switzerland, United States</i>

- **16 original members, 3 accessions**
- **WTO notifications and other material**

Major Rev.4 rules and commitments

- **Market access**

- Tariffs, tariff rate quotas

- **Export competition**

- Export subsidies
 - Export financing support
 - Exporting agricultural state trading enterprises
 - International food aid

- **Domestic support**

- Bound Total Aggregate Measurement of Support AMS and *de minimis*
 - Product-specific AMSs
 - Blue box payments
 - Overall Trade-Distorting Support

Market access: bound and applied tariffs

- Use harmonizing formulas to cut bound tariffs
 - Many kinds of flexibility: by product, country, country group
- Margin ‘bound – applied’ varies among countries
 - No margin for USA; 80 % points margin for Norway and India

Starkly different outcomes because of different formulas, different margins, flexibility		
USA, low bound tariffs	Norway, high bound tariffs	India, high bound tariffs
Cuts are small but enough to reduce some applied tariffs	Cuts sizeable enough to reduce some applied tariffs	No effect on applied tariffs

- More than 1 % point reduction in average applied tariff
 - Very few countries: EU, Norway&Switzerland, Japan, Canada, USA
 - » Individual products less or more affected than country average

Export subsidies XS

Has XS commitments and <u>used</u> them recently	<i>EU, Norway, Switzerland, Canada, Mexico, US</i>
Has XS commitments but <u>didn't use</u> them recently	<i>Brazil, Indonesia, Japan, South Africa,</i>
Invokes Art. 9.4 XS: marketing and transportation	<i>India, Korea, Mexico</i>

- XS now very low relative to commitments, in general
 - Most countries and most products; consistent patterns over time
- A few countries use much of XS bindings for a few products
 - *Norway & Switzerland <100%, Canada at 100% for some products*
- Low XS use makes it easier to agree not to use XS in future
 - Policy change needed for some products in a few countries
 - Future role of Art. 9.4 XS: marketing and transportation?

Export financing support

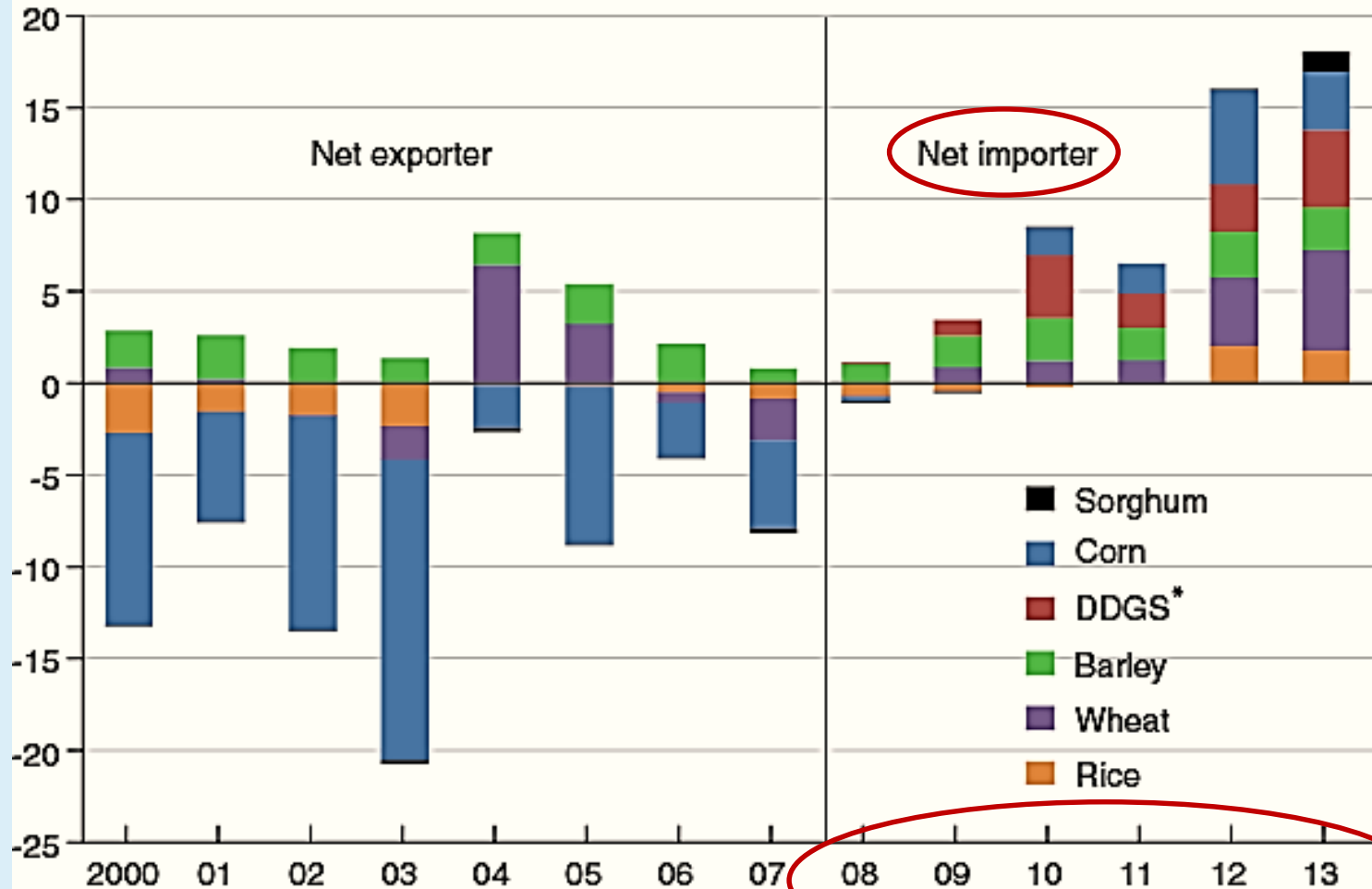
- Export credits, export credit guarantees or insurance
- Countries concerned mainly about US programs
 - Large value of exports involved; large subsidy component
- Rev.4: maximum repayment terms and self-financing
 - Series of changes in US programs
 - Still seems short of meeting Rev.4 requirements
- Confidence in buoyant prices may help further reform

Exporting state trading enterprises

- Rev.4: no export monopolies in developed countries
- Only 6 countries have STEs, only 4 of them now export
 - » *Canada* CWB: borrowing guarantee till 2017; no export monopoly
 - » *China*: rice, corn, cotton, tobacco; now net imports rice & corn – role of STE in [exports?](#) (see chart next slide)
 - » *India*: onions; export rights of sugar for quotas in EU and US
 - » *Viet Nam*: rice government-to-government; coffee, tea, fruit, veg.
 - » *Brazil* CONAB and *Indonesia* BULOG: reported as not exporting
- Greatly reduced role of agricultural exporting STEs
 - Very little change required if they were eliminated

China's net imports of grains surged during 2012-13

Million metric tons



Note: Net imports = imports – exports. Data for calendar years.

*DDGS= Distillers Dried Grains With Solubles.

Source: USDA, Economic Research Service analysis of China customs statistics.



International food aid

– Prevent commercial displacement

- Needs-driven
- Fully grant
- Not tied to commercial exports
- Rules for recognizing emergency
- Not linked to market development
- No exports
- Move towards cash-based aid
- Prohibit most monetization
- 12 countries give int'l food aid; concerns about size of US program

– Programs changing; perhaps better in line with Rev.4

- Some only cash, some only in-kind, some both
- Some partly to World Food Program or in emergency, some not
- Most programs in fully grant form; China, Japan, US allow monetization

– Need program-specific analysis for further change

- *China, Japan, US* to move away from monetization?

Domestic support: Bound Total AMS

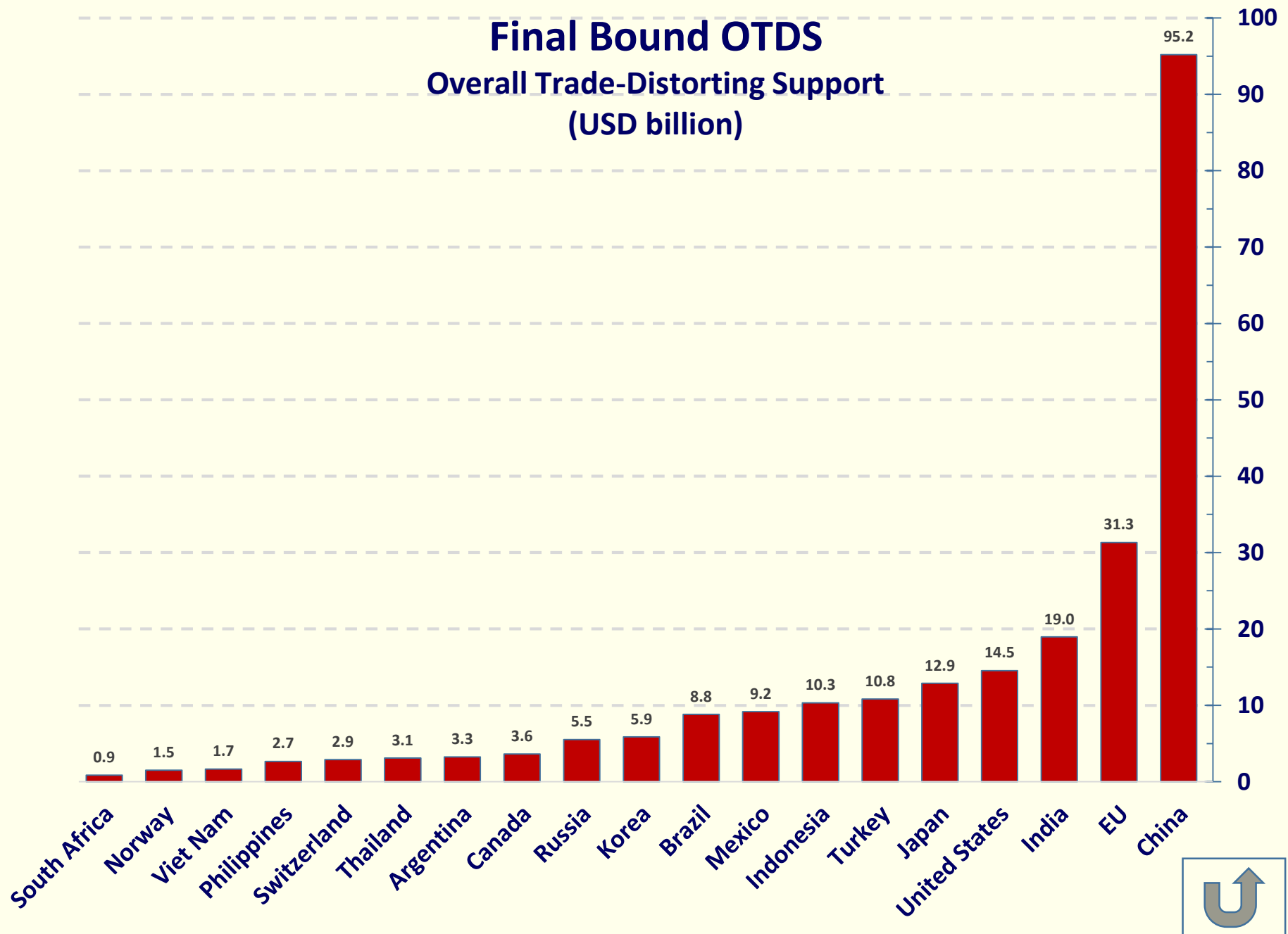
- 32 countries with Bound Total AMS
 - 17 developing and 15 developed
- In study group of 19 countries
 - No Total AMS: China, India, Indonesia, Philippines, Turkey
 - 7 developing with Bound Total AMS and 7 developed
 - Range from 75 million ARS of 1992 to 72 billion EUR
- Reduce by 0%, 30%, 45%, 52.5%, 60%, 70%
 - No major change in rank ordering by size of Bound Total AMS

Domestic support in Rev.4

- New caps; more generous for developing countries
 - Blue box: wider criteria for all
 - Cap on total blue box
 - Caps on product-specific blue
 - Caps on product-specific AMSs
 - Smaller *de minimis* % for some
 - Extra small caps on cotton support
- New cap on applied trade-distorting support
 - [Chart](#) (next slide)
 - If in USD: China 95 bill., EU 31 bill., India 19 bill., USA 15 bill.
 - Limits the sum of trade-distorting support
 - All support other than green box; or
 - All support other than green box and Article 6.2 ?
 - » Developing country investment subsidies and input subsidies

Final Bound OTDS

Overall Trade-Distorting Support (USD billion)



Note: converted at exchange rates of September 2014



AMS and blue: few problem situations

– AMSs, *de minimis* and Bound Total AMS

- Administered prices have been eliminated or reduced
 - EU, Switzerland, Norway, US, Japan
- Few AMSs in 2.5% - 5% range: *de minimis* cut less important
- But some potential problem situations
 - *Canada*: NPS AMS may exceed *de minimis*
 - *Thailand*: very large rice AMS
 - *Switzerland*: cut in BTAMS uses up margin
 - *US*: 2014 commodity policies
 - *Norway*: some PS AMSs hit caps; small margin below BTAMS

– Blue box payments

- *US*: will some new payments qualify as blue? Within blue limits?
- *Norway*: potential to exceed total limit
- *Japan*: rice blue payments above PS limit

Overall and in general: only few problems

- Overall Trade-Distorting Support: mostly no problem
 - *Norway* may have problem
 - Possibly *US*, depending on classification of new payments
 - Possibly *India*; defining ‘trade-distorting support’ matters
- Generally feasible to meet Rev.4 on domestic support
 - *Norway*: several potential problems, mention in WTO TPR
 - *US*: classification of new payments; may need circuit-breaker
 - *India* exempted USD 29 billion in input subsidies in 2010
 - Mystery: why so little international and analytical attention?
 - Economic analysis says input subsidies distort as much as price support

High-profile issue in domestic support

- Acquisition by government at administered prices
 - Often called 'public stockholding'
 - Expenditure on acquisition is exempted from AMS as green box
 - But AMS needs to account for administered price
 - Penalizes use of administered price as policy instrument
- Analyze alternatives to acquiring at administered prices
 - Other instruments to reach same policy objectives?
 - What distinguishes administered price from market price?
 - Acquire at market prices?
 - Consequences: Desirable? Undesirable? Unintended?

Draft modalities: then, now and future?

- Complex and tailored to countries' needs around 2005
 - Different from 2015 needs – and what about 2025?
 - Starting fresh today would address additional concerns
 - Fewer carve-outs: can provisions apply more generally?
- Retain “special and differential” as integral part
 - How to ensure that S&D used by some developing countries does not harm other developing countries?
- Distorting support distorts wherever it is provided
 - Keep reducing *space for* and *use of* distorting support

Thank you!

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