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Session on “Farm and Trade Policy”: “Globalization and the Role of the WTO”

Developing Countries Issues and Concerns within the WTO

Marcos Sawaya Jank

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Professor, School of Economics, University of São Paulo (USP)**

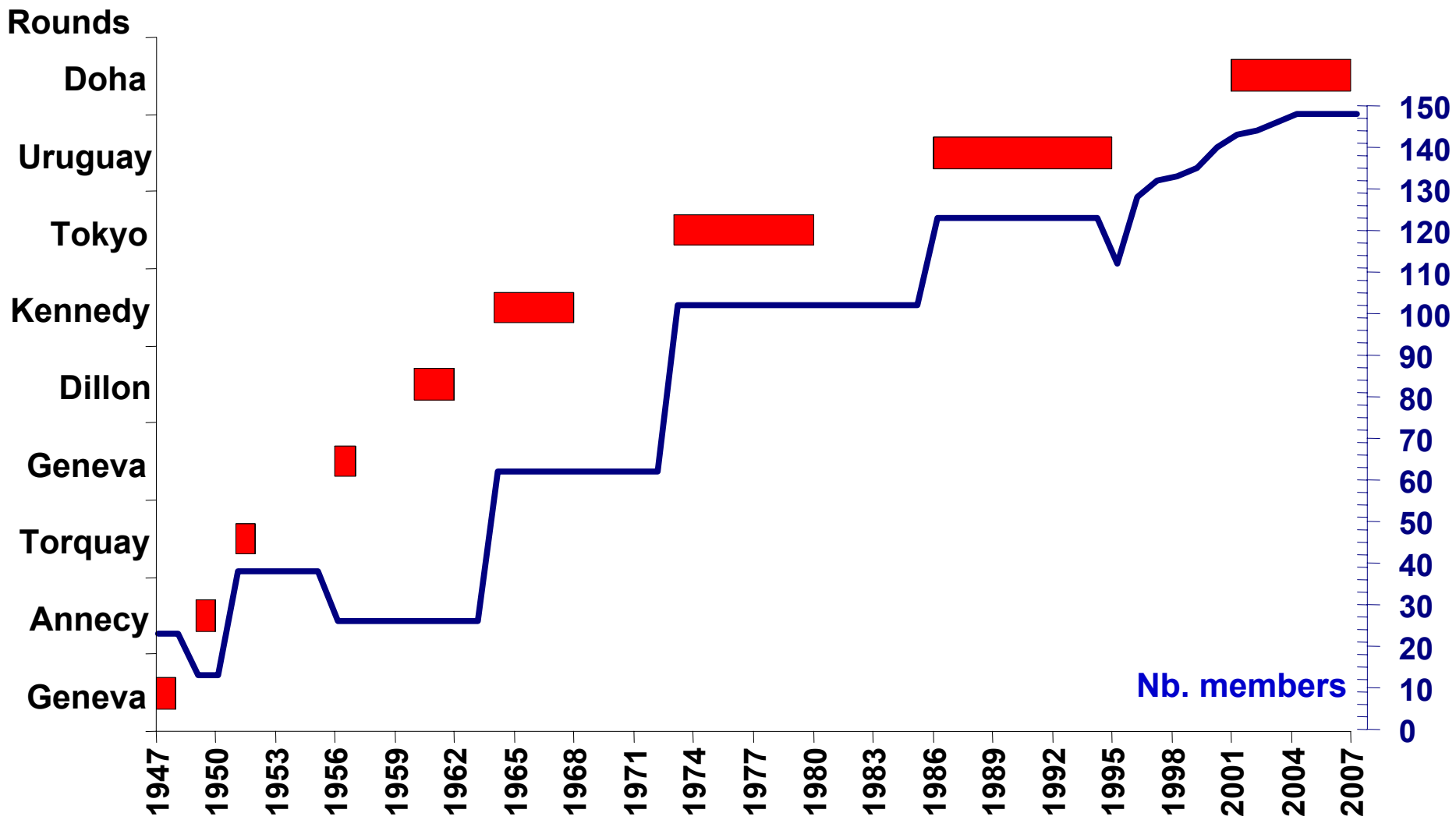
**Arlington, Virginia
24 February 2005**

Outline

- **The Doha Development Agenda (DDA) and developing countries concerns.**
- **Market Access issues.**
- **Subsidies: export competition and domestic support.**
- **Conclusions.**

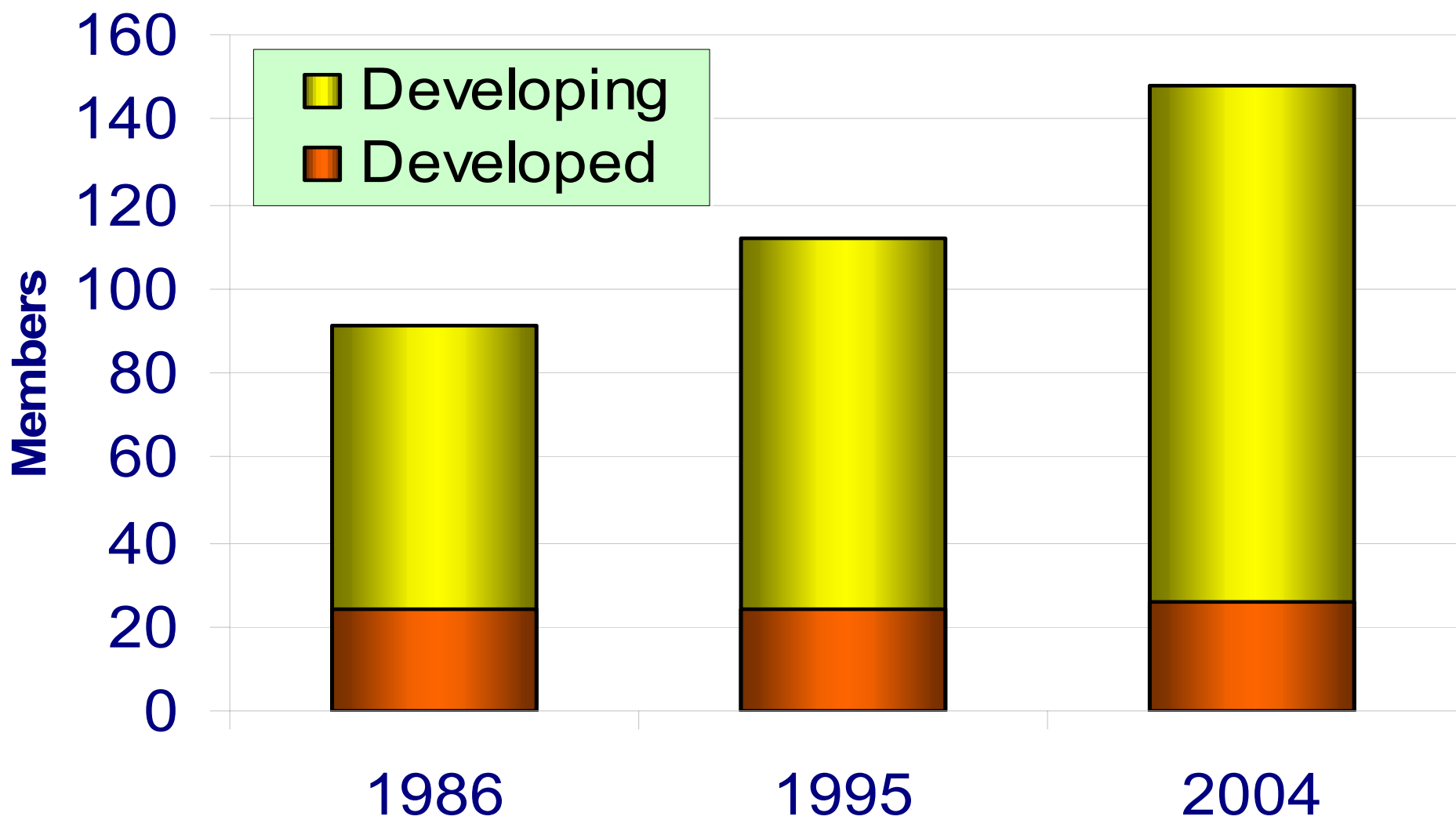
GATT-WTO

Negotiating Rounds and Number of Members



Source: WTO

WTO membership: increased developing country



Source: WTO. Elaboration: ABARE-Australia.

From Doha (2001) to Hong Kong (2005)

- ✓ Strong ambition in the Doha Mandate (2001).
- ✓ Setbacks in US Farm Act 2002 and timid EU Fischler CAP Reform in 2003 (partial decoupling).
- ✓ Joint EC/US proposal:
 - Defensive interests of the US (domestic support) and EU (market access) → emergence of the **G-20**
- ✓ New Variable Geometry:

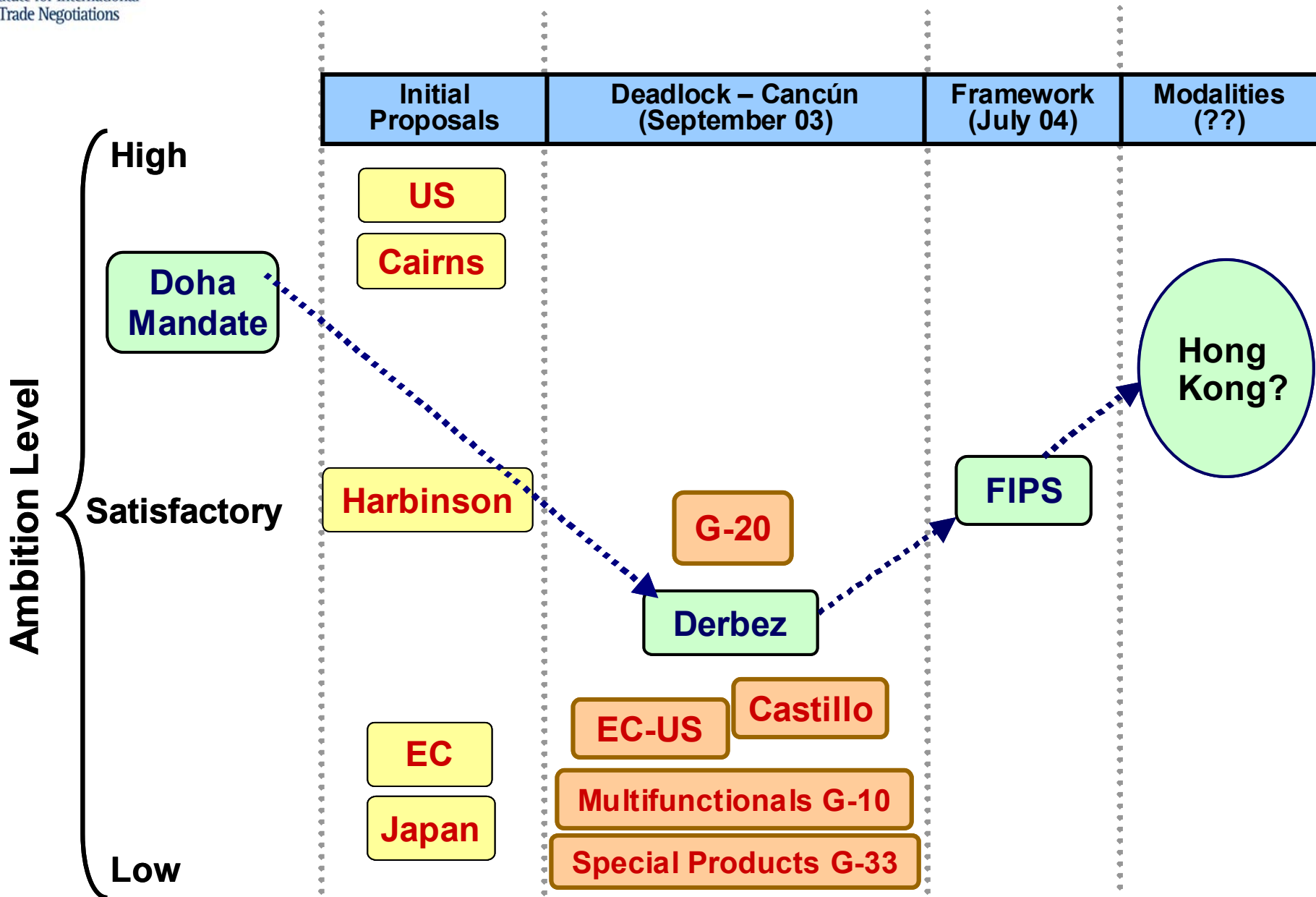
From QUAD



to FIPS



Doha Round: A Snapshot



Agricultural Negotiations at the Doha Round

Risk of re-interpretation of the Doha Mandate

Doha Mandate:

Substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.

Re-interpretation of the Doha Mandate:

Substantial improvements in market access, **with exceptions for *sensitive and special* products**; reduction of, with a view to phasing out, all forms of export subsidies, **if there is *full parallelism on all forms of export competition***; and substantial reductions in trade-distorting domestic support, **allowing no reduction in *less trading distorting support***.

Doha Development Round: broadening exceptions and loopholes in agriculture?

Developing Countries' Concerns

Complexity, heterogeneity and conflict of interests

MARKET ACCESS

1. No commitments

- Around 32 countries (LDCs): already decided

2. Preference Erosion, Special Products:

- Largest group: LDCs, G-90, G-33.
- Ex.: sugar case/EU (developing countries divided)

3. Large consumers & rural populations

- India, China, Indonesia,... (central role?)

4. Free-traders

- Net exporters: Brazil, Argentina, Chile, Central America, South Africa, Thailand,... (< 15 countries)

Developing Countries' Concerns

Complexity, heterogeneity and conflict of interests

DOMESTIC SUBSIDIES

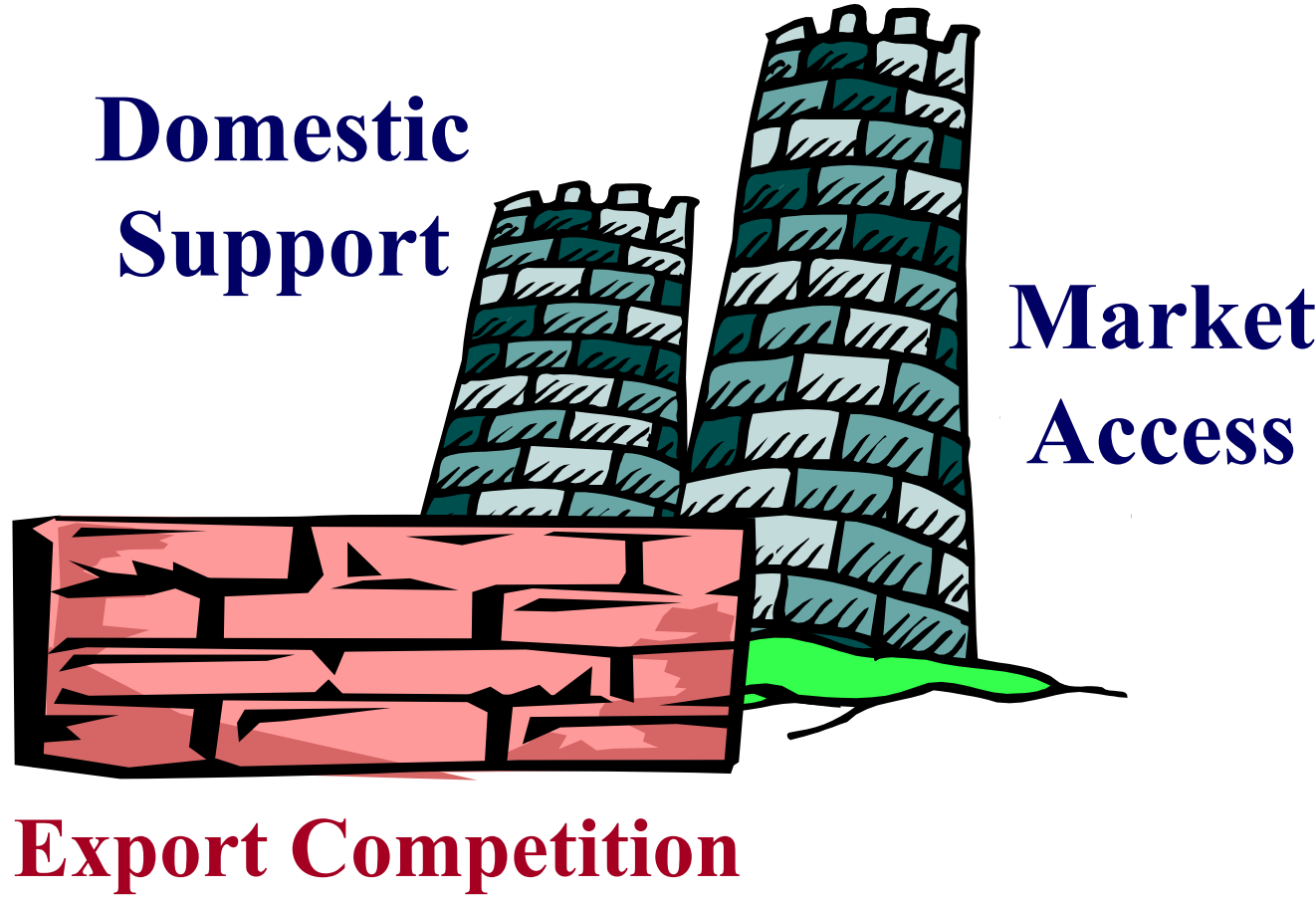
1. Net food importers

- 56 countries

2. Unfair competition from subsidies in EU, US,...

- EU "greening" its subsidies for internal reasons (budget constraints, enlargement)
- US increasing its subsidies: doubled in '02 Farm Act
 - No round if the US does not "decouple" subsidies.
 - Ex.: cotton case (US vs. rest of the World).

Agriculture in the Doha Round

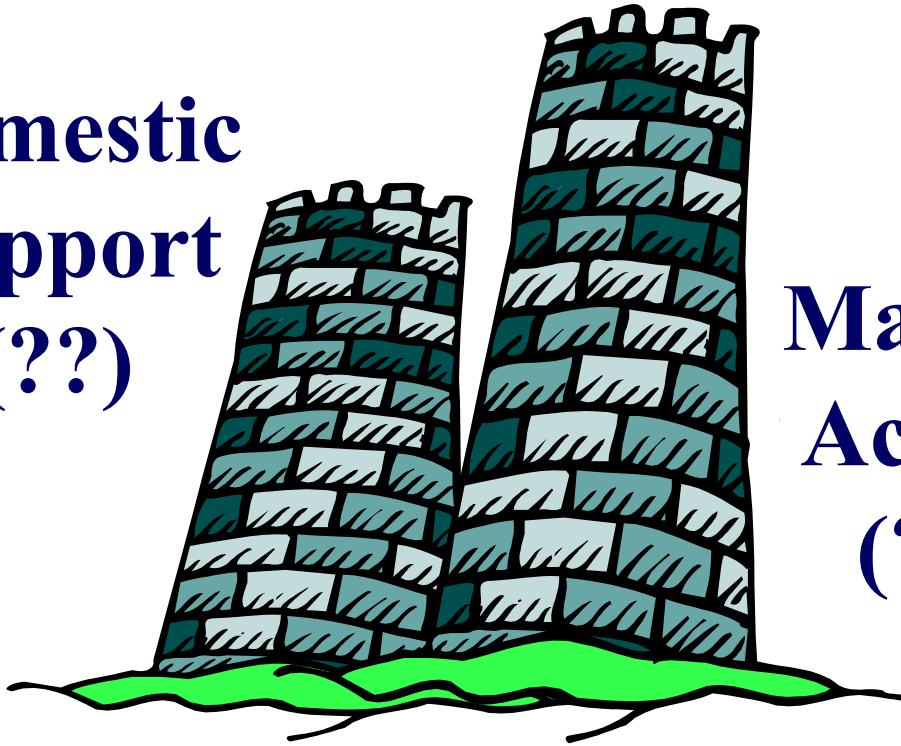


Agriculture in the Doha Round



Agriculture in the Doha Round

**Domestic
Support
(??)**



**Market
Access
(??)**

Market Access:

- **Tariff Peaks & Tariff Overhang (“water”)**
- **Tariff Escalation**
- **Specific Duties (conversion to ad valorem)**
- **Tariff-Rate Quotas**
- **Special Safeguards (SSG, SSM)**

Domestic Support:

- **Amber Box payments**
- **Blue/New Blue Box payments**
- **Green Box disciplines**
- **De Minimis payments**
- **Overall cut of all distorting support**

Export Competition:

- **Export Subsidies**
- **Export Credits**
- **Abuse of Food Aid programs**
- **State Trade Enterprises & Monopoly Power**

Other Issues:

- **Geographical Indications**
- **Differential Export Taxes (DET)**
- **Sectoral Initiatives**

MARKET ACCESS

Main Issues in the Doha Round Work Program

Progressivity: deeper cuts in higher tariffs.

Proportionality: of tariff reductions between developing and developed members (S&D treatment).

Neutrality: with respect to tariff structures.

Flexibility: take into account the sensitive nature of some products: sensitive products, special products.

Tariff cappings.

Tariff Escalation.

Conversion of specific tariffs.

Tariff Rate Quotas: expansion, administration.

Special Safeguards: SSG, SSM.

Applied Agricultural Tariffs

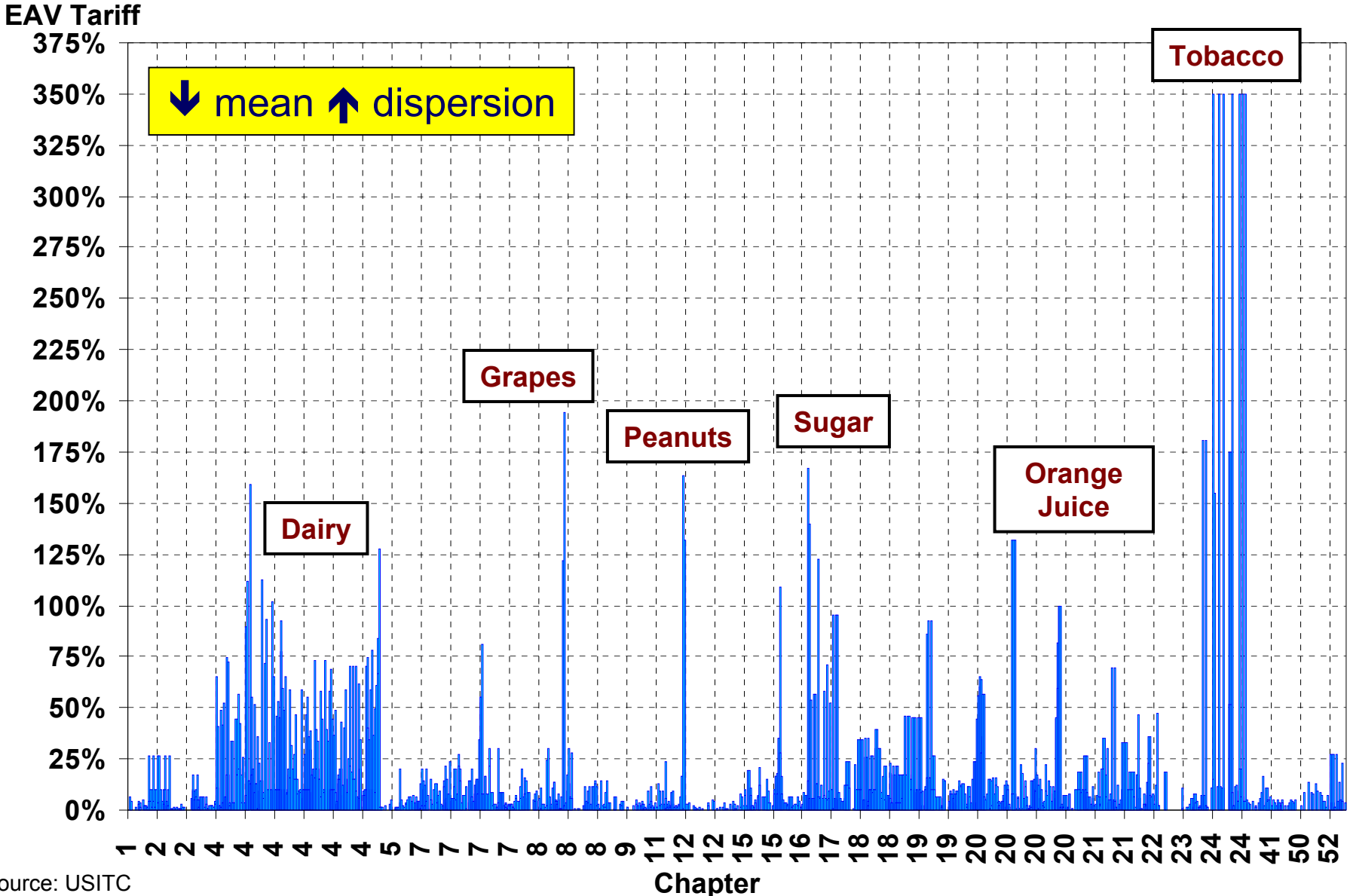
	BRAZIL	USA	EU-15	CHINA	INDIA
Mean	10.2%	12.3%	29.5%	18.3%	36.9%
Median	10.0%	4.4%	14.7%	17.5%	30.0%
Standard Deviation	6.0%	29.6%	40.3%	13.6%	25.8%
Coefficient of Variation	0.6	2.4	1.4	0.7	0.7
Maximum Tariff	55.0%	350.0%	277.2%	71.0%	182.0%
Minimum Tariff	0.0%	0.0%	0.0%	0.0%	0.0%
N° Positions ≥ 100%	-	31	152	-	54
N° Positions ≥ 30%	4	167	633	130	641
Total of Positions	959	1829	2091	1044	690
Tariffs ≥ 100%/Total	-	1.7%	7.3%	-	7.8%
Tariffs ≥ 30%/Total	0.4%	9.1%	30.3%	12.4%	92.8%

Notes:

1. Specific tariffs were converted into *ad valorem* (AVE) equivalents, based on ICONE's methodology, which utilizes unitary export values from COMTRADE (UM) database.
 2. Statistics calculated for the US take into account both intra and extra quota tariffs. For EU-15, only extra-quota tariffs are considered.
 3. Brazilian numbers consider individual exceptions to Mercosul's Common External Tariff.
 4. Coefficient of Variation is the standard deviation divided by the mean. The higher the CV, the higher is the data dispersion.
- Source: ICONE, elaborated with data from USITC (2003), TARIC (2003), TEC Mercosul, MDIC (2003) and Chinese and Indian Governments (2002).

UNITED STATES

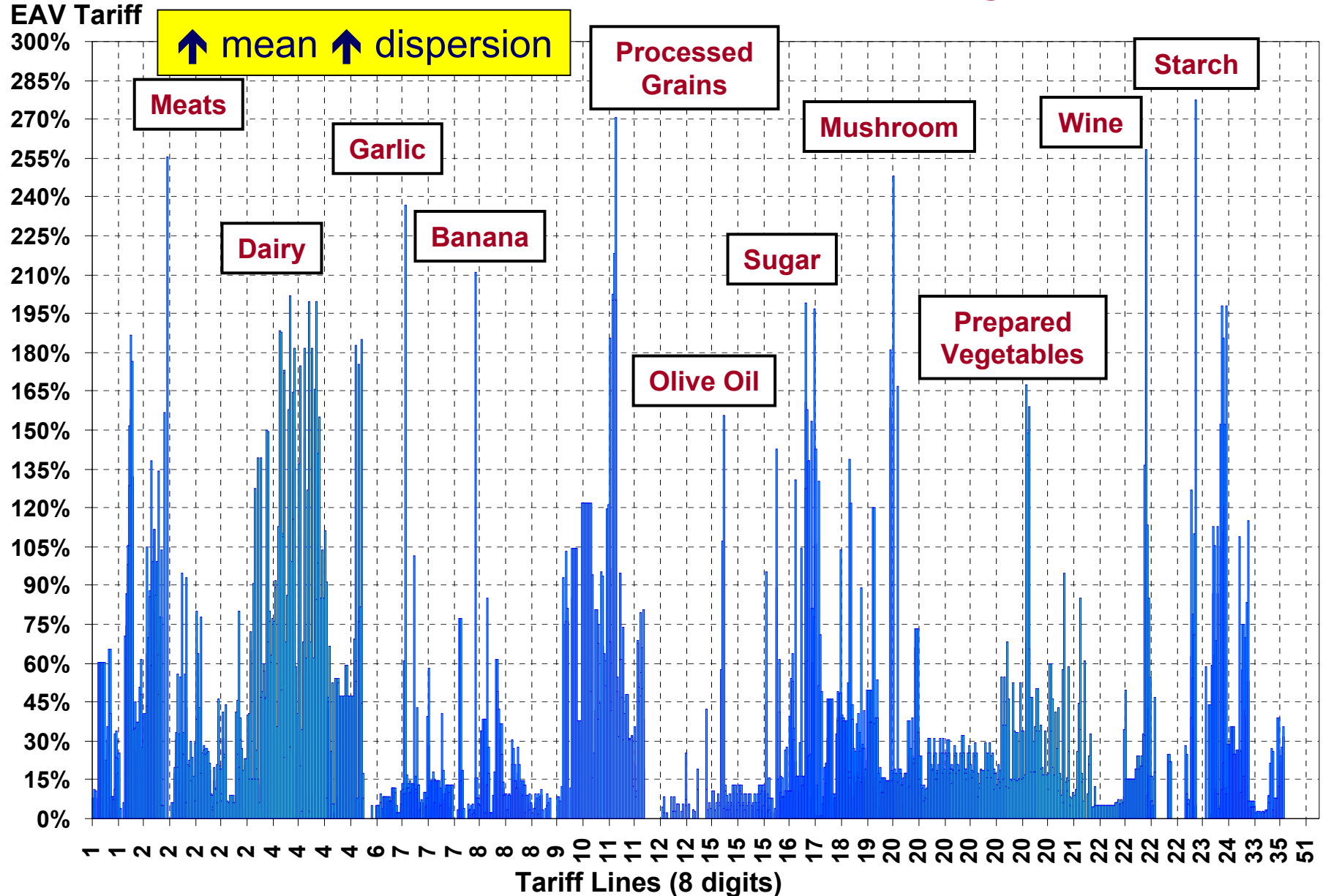
Tariff Structure: Distribution According to HS Chapters



Source: USITC

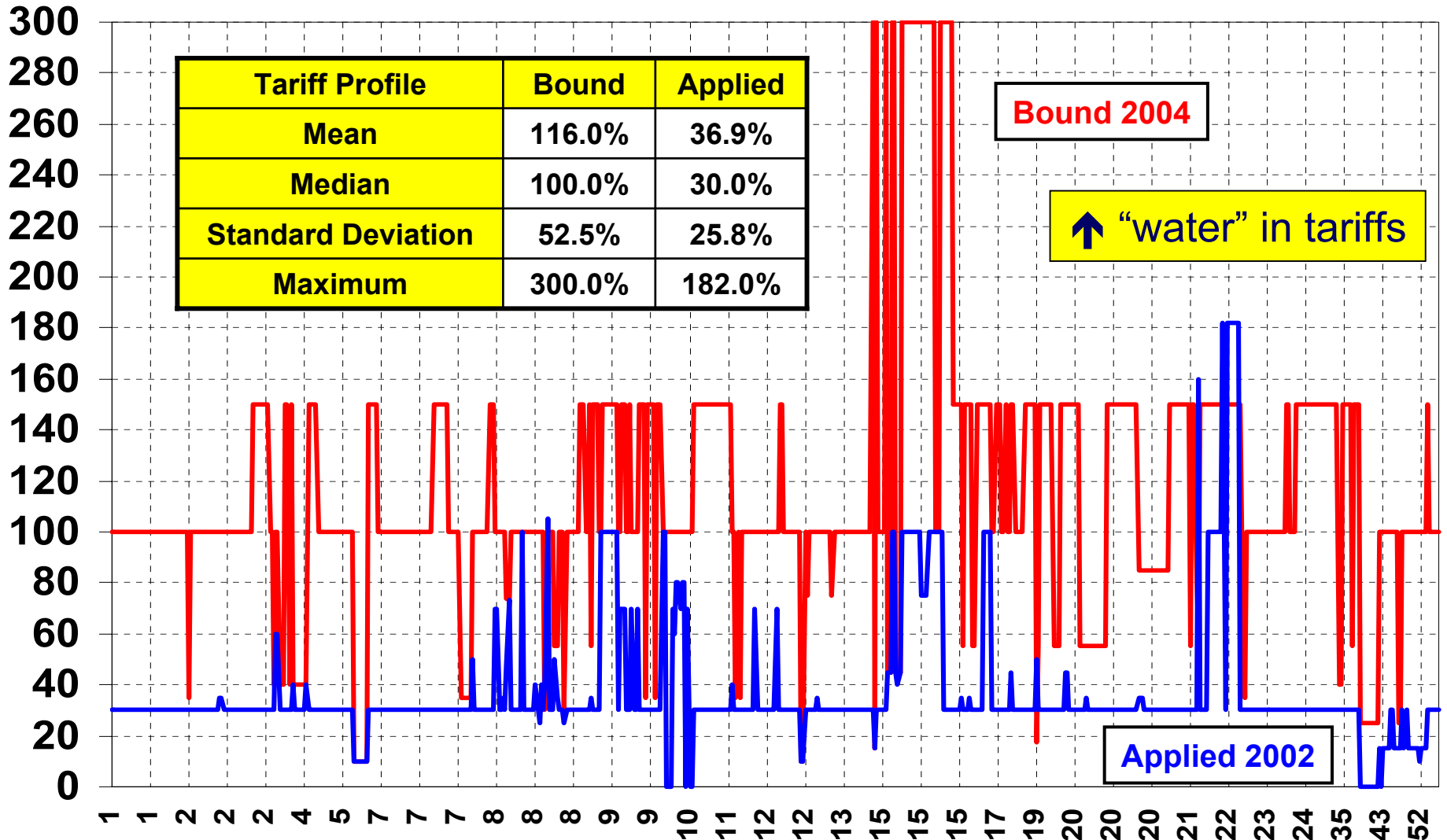
EUROPEAN UNION

Tariff Structure: Distribution According to HS Chapters



INDIA AG TARIFF PROFILE (Bound and Applied Rates)

AVE Tariff Rates



Note:
Specific tariffs were converted into *ad valorem* (AVE) equivalents, based on ICONE's methodology, which utilizes unitary export values from COMTRADE (UM) database. Source: IDB/WTO and WTO Schedules. Elaboration: ICONE, Brazil.

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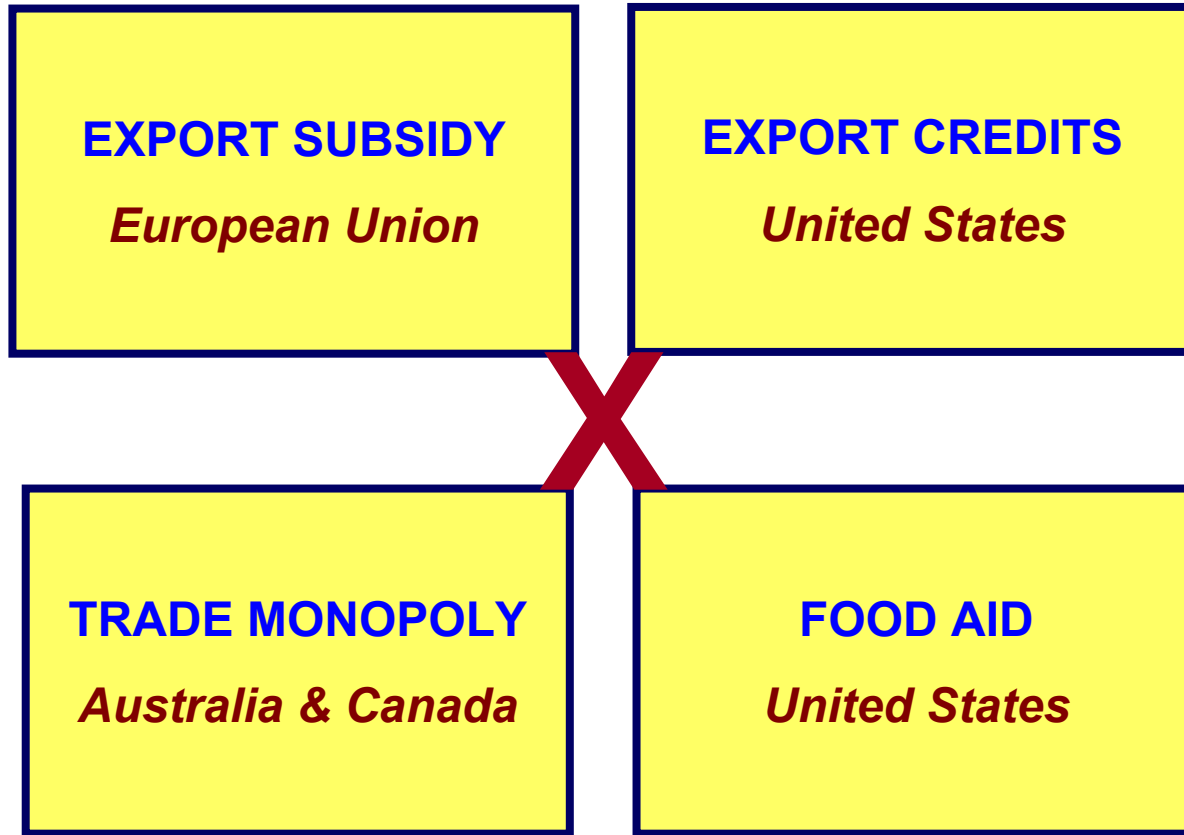
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Issues in Export Competition



➔ ***Parallelism***

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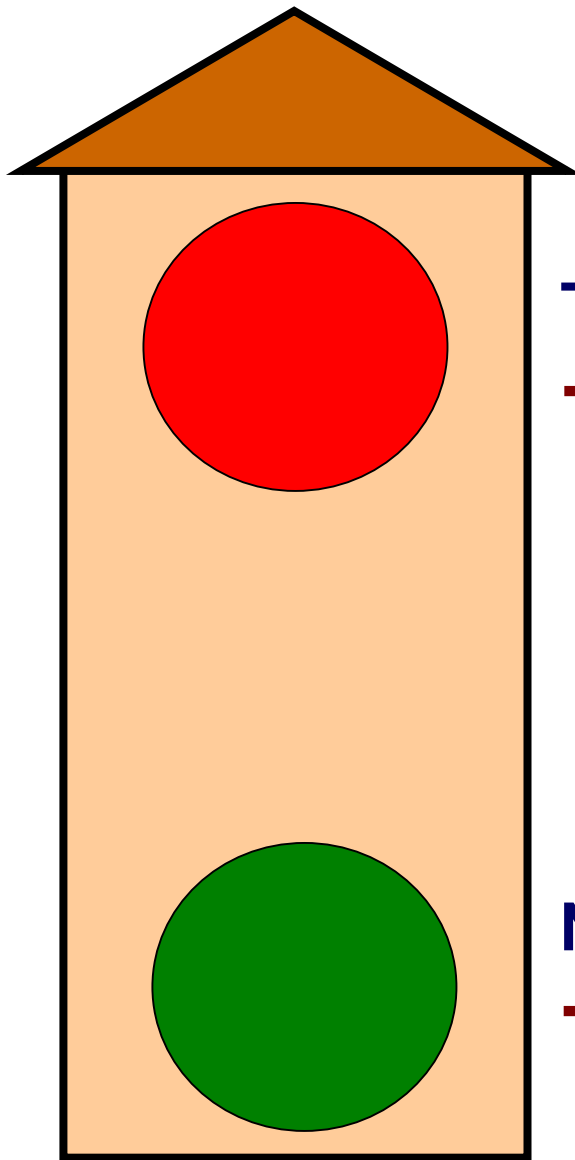
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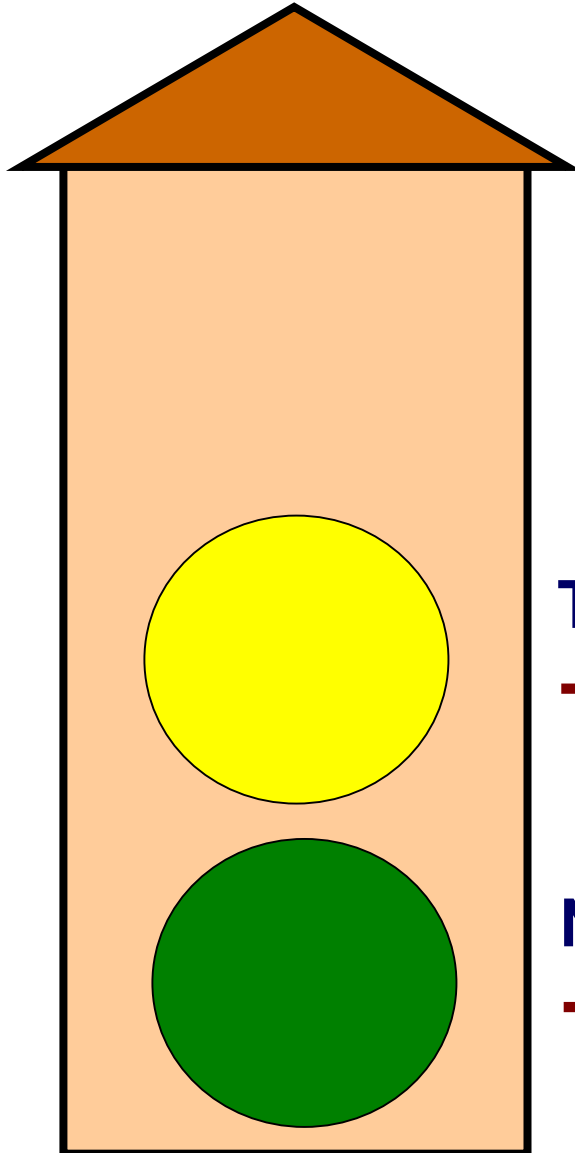
DOMESTIC SUPPORT: Early Uruguay Round



Trade Distorting Subsidies
→ Not Allowed

No or Minimally Trade Distorting
→ Allowed

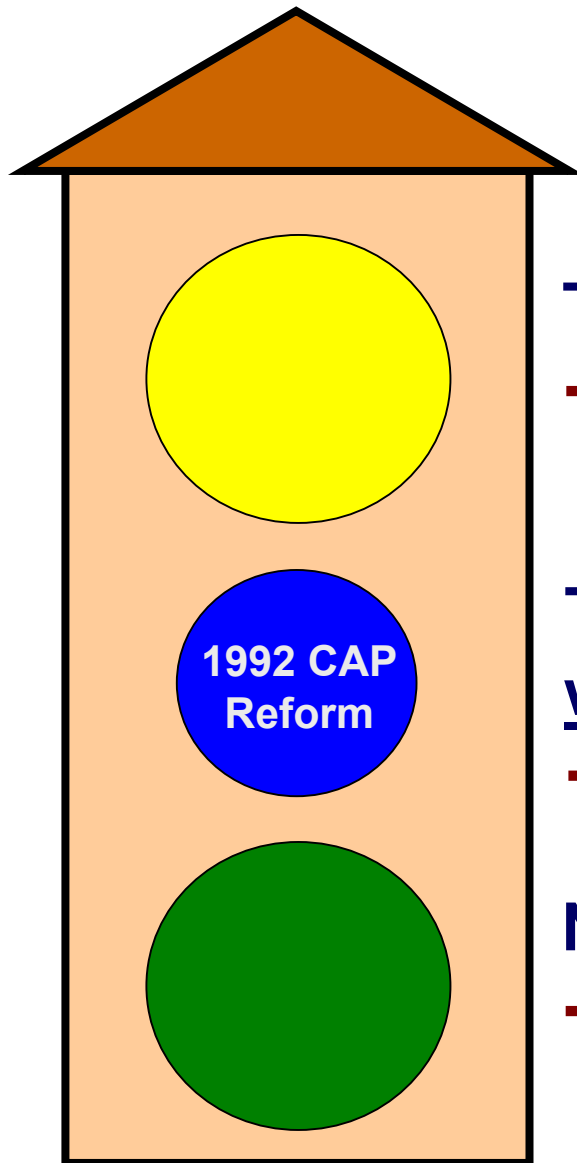
DOMESTIC SUPPORT: Early Uruguay Round



Trade Distorting Subsidies
→ Monitored, Global Capping

No or Minimally Trade Distorting
→ Allowed

DOMESTIC SUPPORT: End of the Uruguay Round



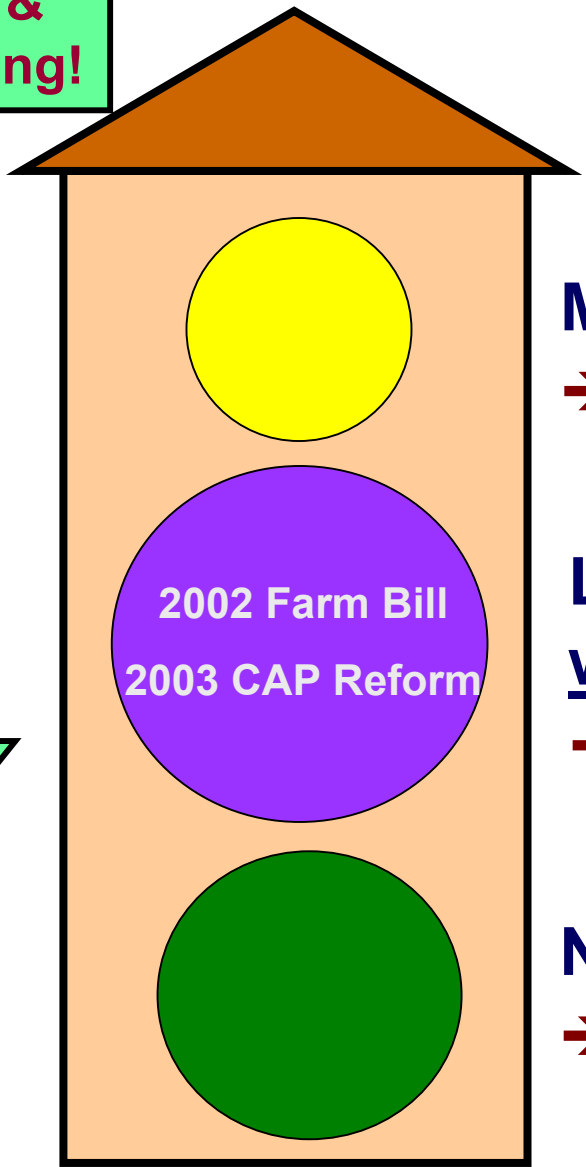
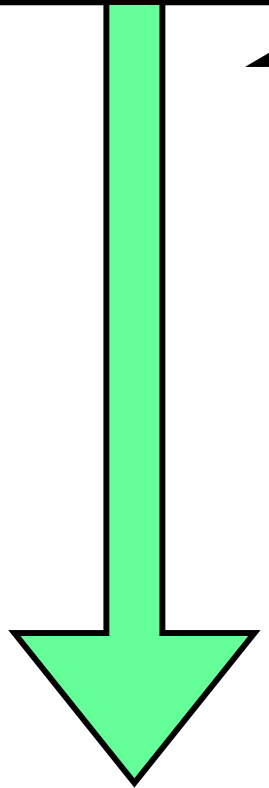
Trade Distorting Subsidies
→ Monitored, Global Capping

**Trade Distorting Subsidies
with supply control**
→ Temporarily Allowed

No or Minimally Trade Distorting
→ Allowed

DOMESTIC SUPPORT: Prospects for the Doha Round

**Product &
Box-Shifting!**

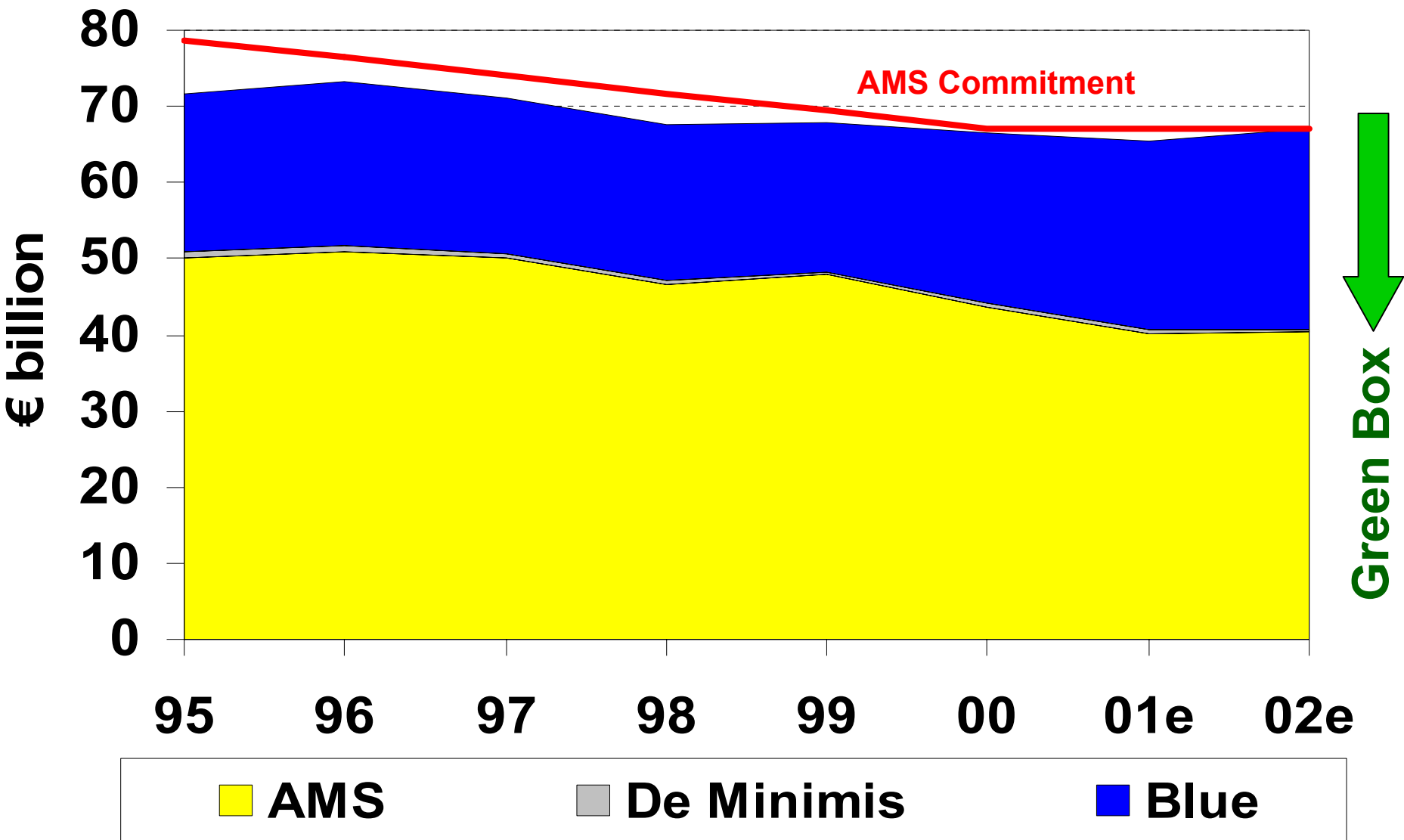


Most Trade Distorting Subsidies
→ Monitored, Global Capping

Less Trade Distorting Subsidies
with NO supply control
→ Allowed, Global Capping: 5% PV

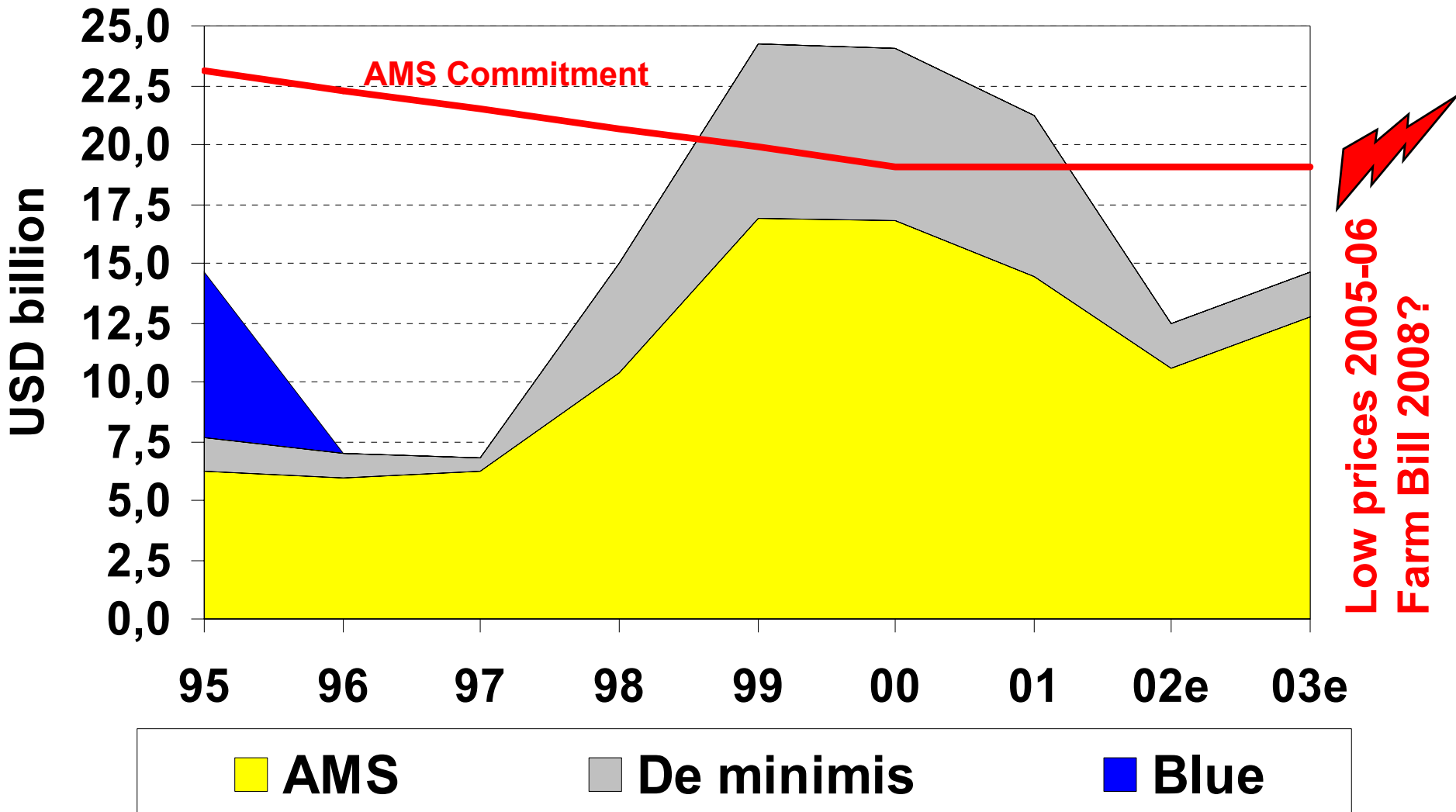
No or Minimally Trade Distorting
→ Allowed, monitoring

EC15: Total Trade Distorting Domestic Support (marketing year)



Notes: (e) Estimates by ICONE
Source: WTO. Elaboration: Icone

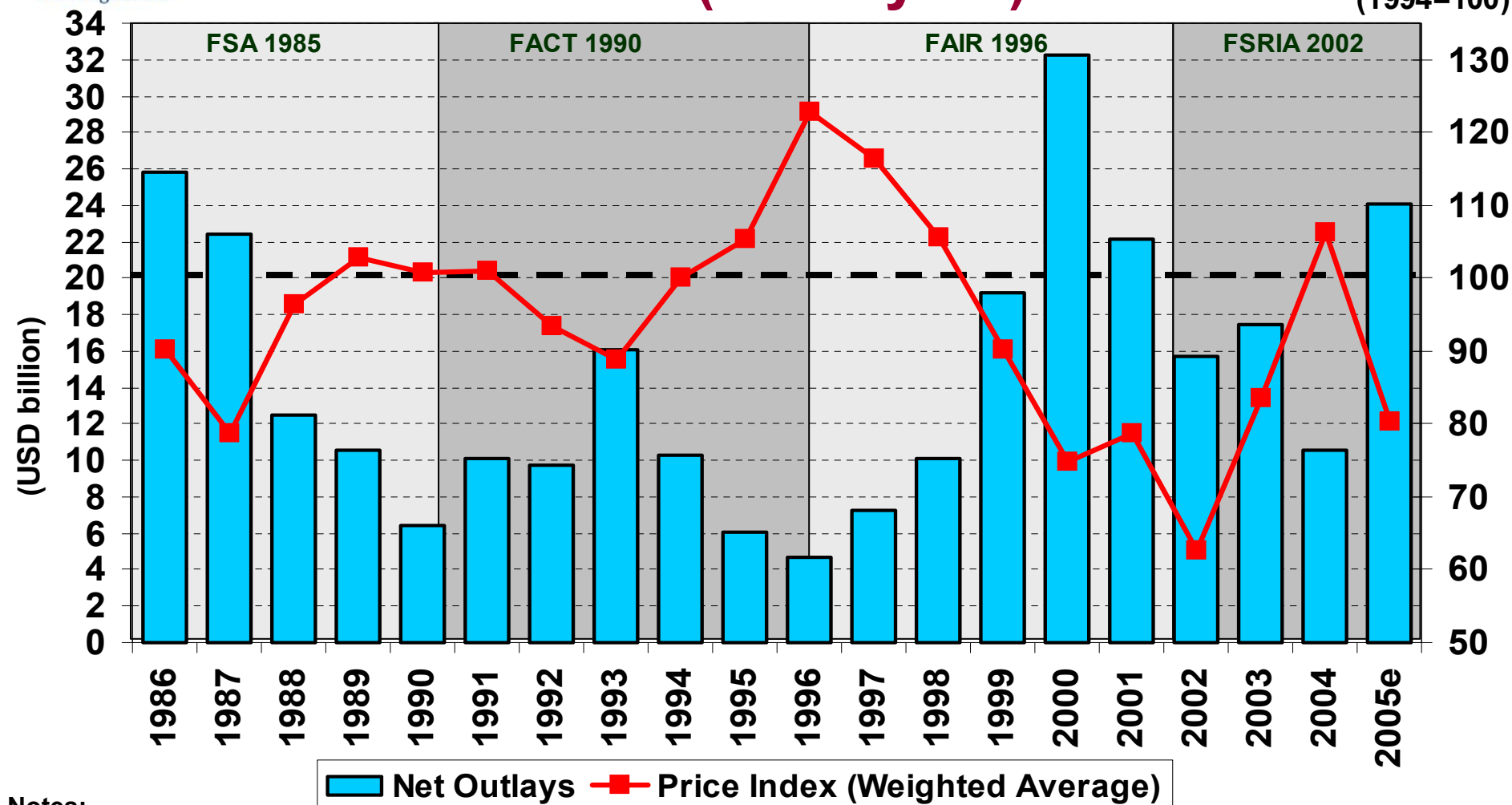
US: Total Trade Distorting Domestic Support (Marketing Year)



Notes: (e) Estimates
CCP (Counter Cyclical Payments) included in "de minimis"
Source: WTO. Elaboration: Icone

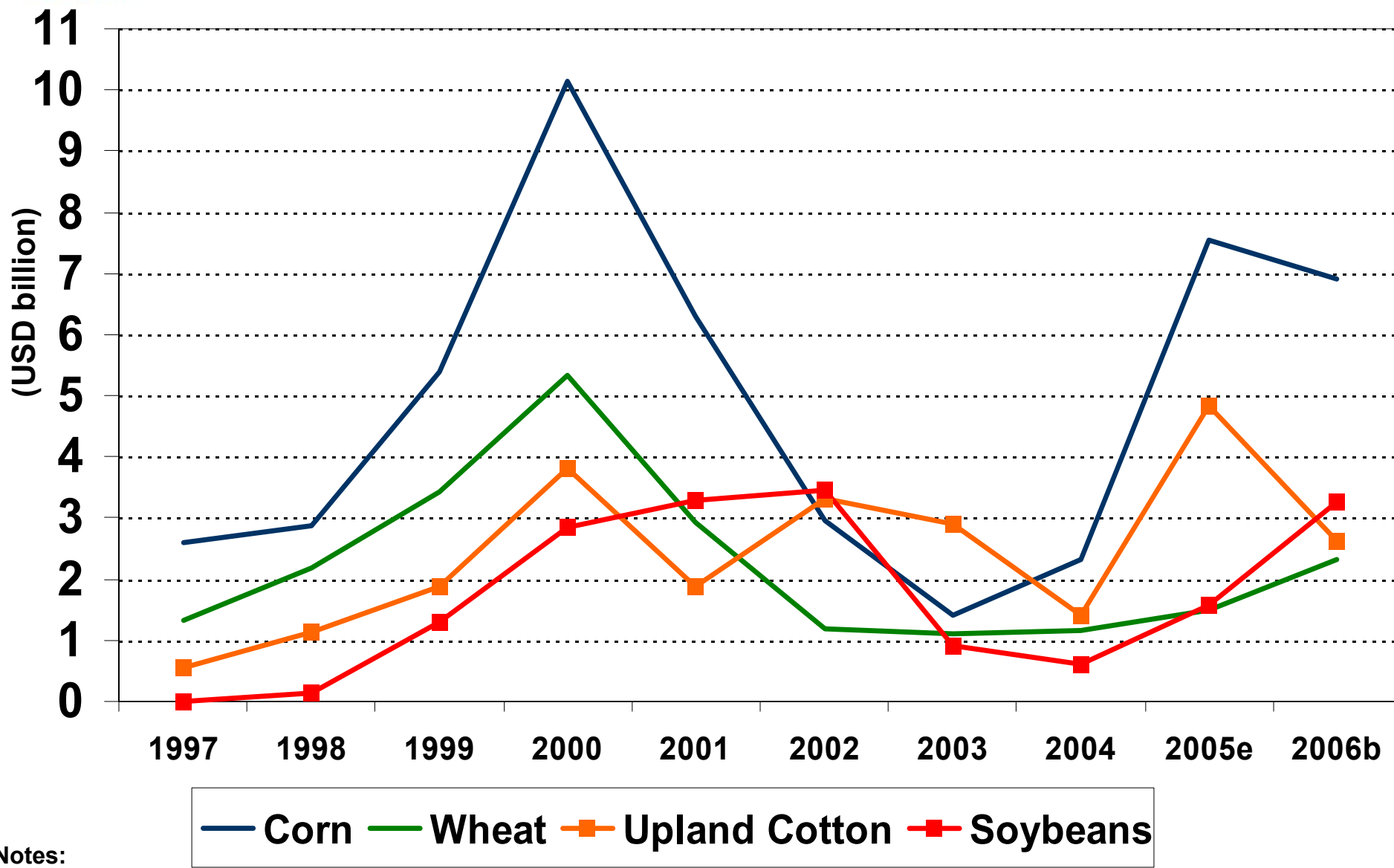
US: Total CCC Net Outlays (fiscal year)

(1994=100)



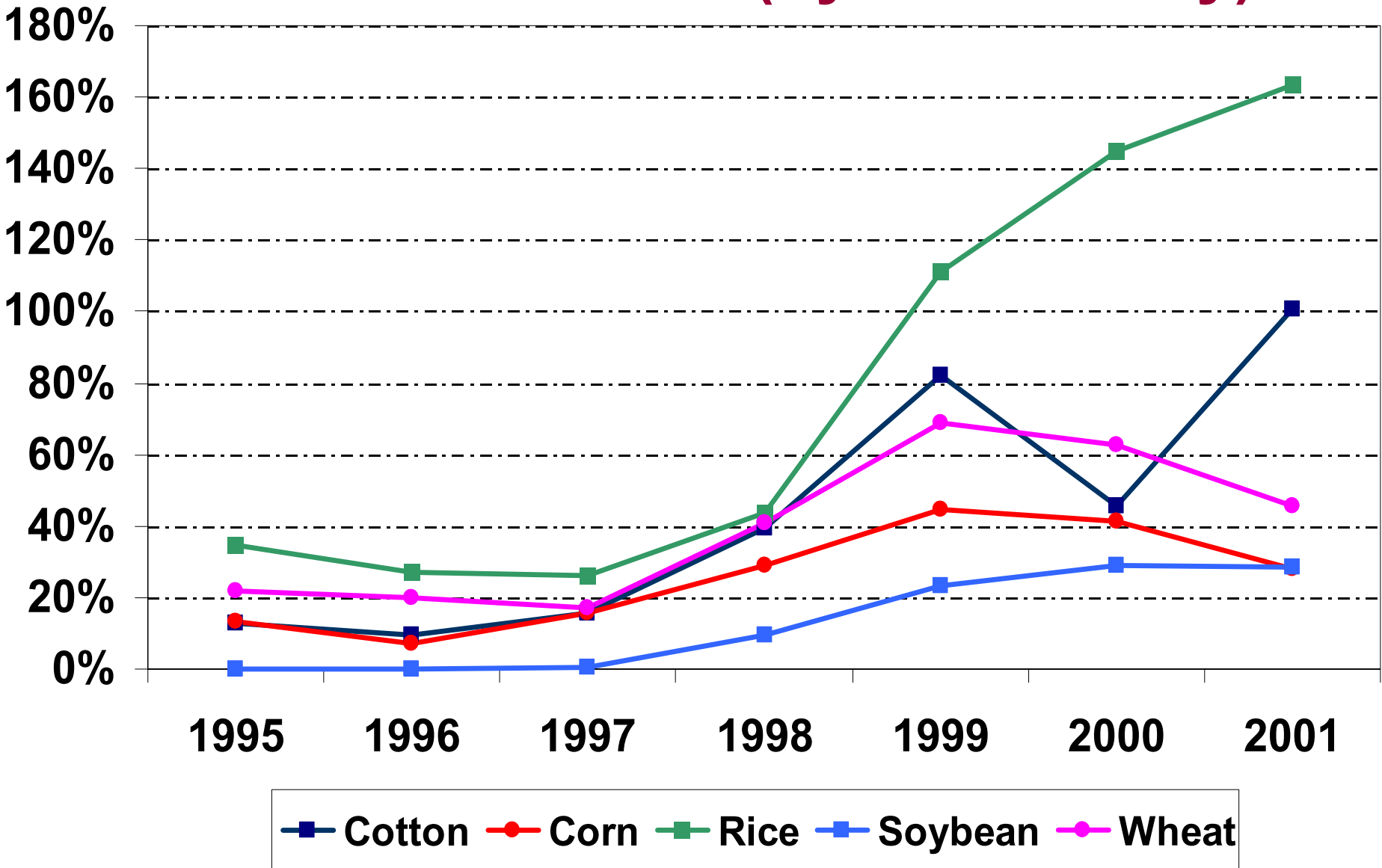
Notes:
 FSA: Food Security Act (1985); FACT: Food, Agriculture, Conservation and Trade Act (1990);
 FAIR: Federal Agricultural Improvement & Reform Act (1996); FSRIA: Farm Security & Rural Investments Act (2002)
 *US nominal farm gate prices of barley, corn, cotton, oats, rice, sorghum, soybeans and wheat. Prices are weighted according to the share of each crop in the total value of production (1994-2004 average).
 (e) Estimate (b) Budget provisions.
 Source: USDA-CCC. Elaboration: ICONE

US: CCC Net Outlays by Selected Commodities (fiscal year, Oct-Sept)



Notes:
 * Barley, Oats, Sorghum, and products.
 (e) estimate (b) budget provisions. Source: USDA-CCC. Elaboration: ICONE

Share of Ag Subsidies in US Production (by commodity)



Source: USDA.

Developing Countries Issues and Concerns

CONCLUSIONS

Market Access:

- ✓ Free vs. Preferential trade interests
- ✓ Defensive positions in China, India...but new offensive interests in industrial goods (China), services (India).

Subsidies

- ✓ Export competition: problem for DCs (parallelism)
- ✓ Domestic Support
 - Expectations of reduction/decoupling in the next US Farm Bill
 - EU and G20 could follow US movements (trade-offs)

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