

Overview and Current Status of the Doha Work Program and Negotiations

**Southern Agricultural Economics Association
Annual Meetings**

Orlando, FL, February 6, 2006



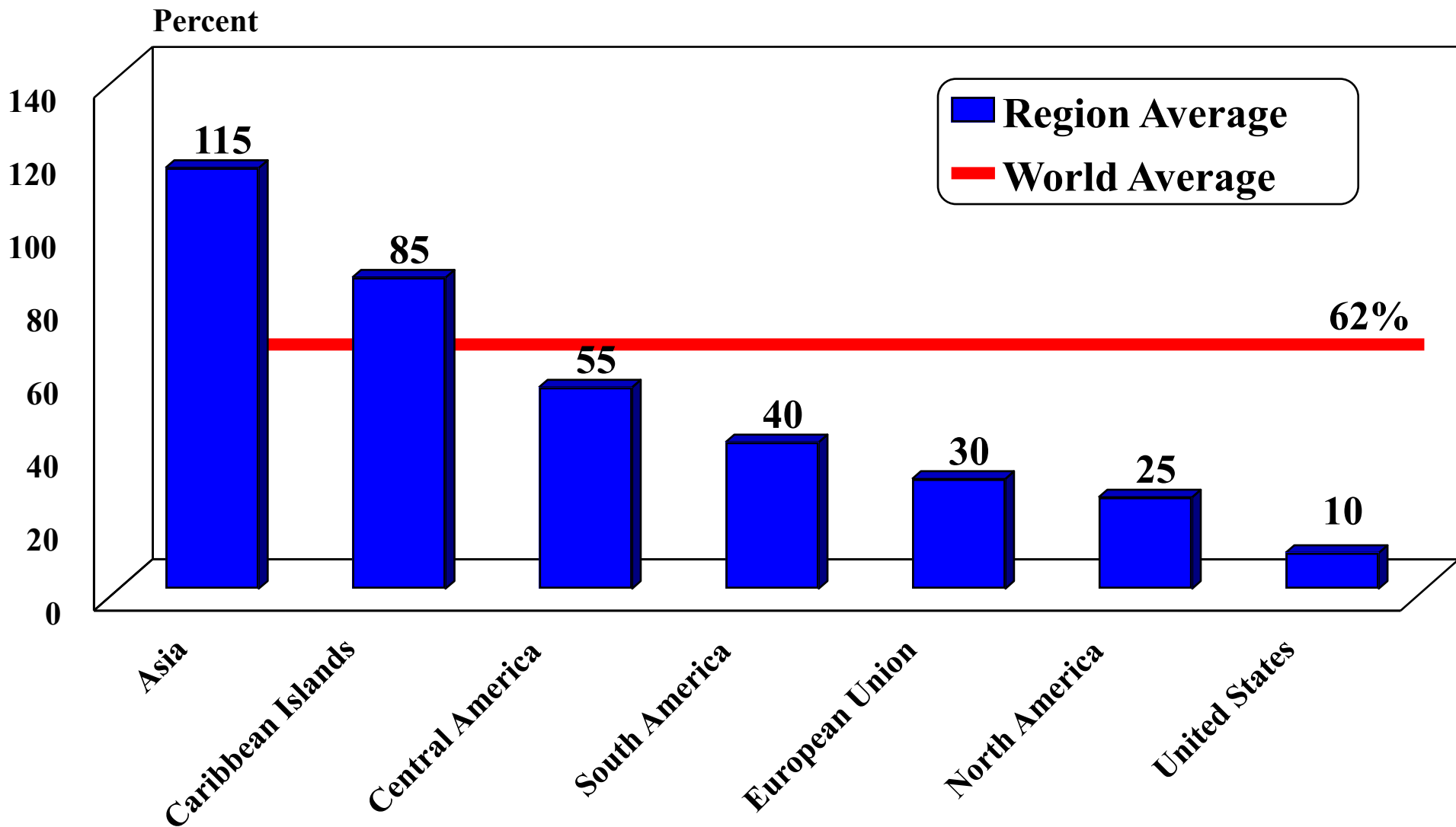
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Overview

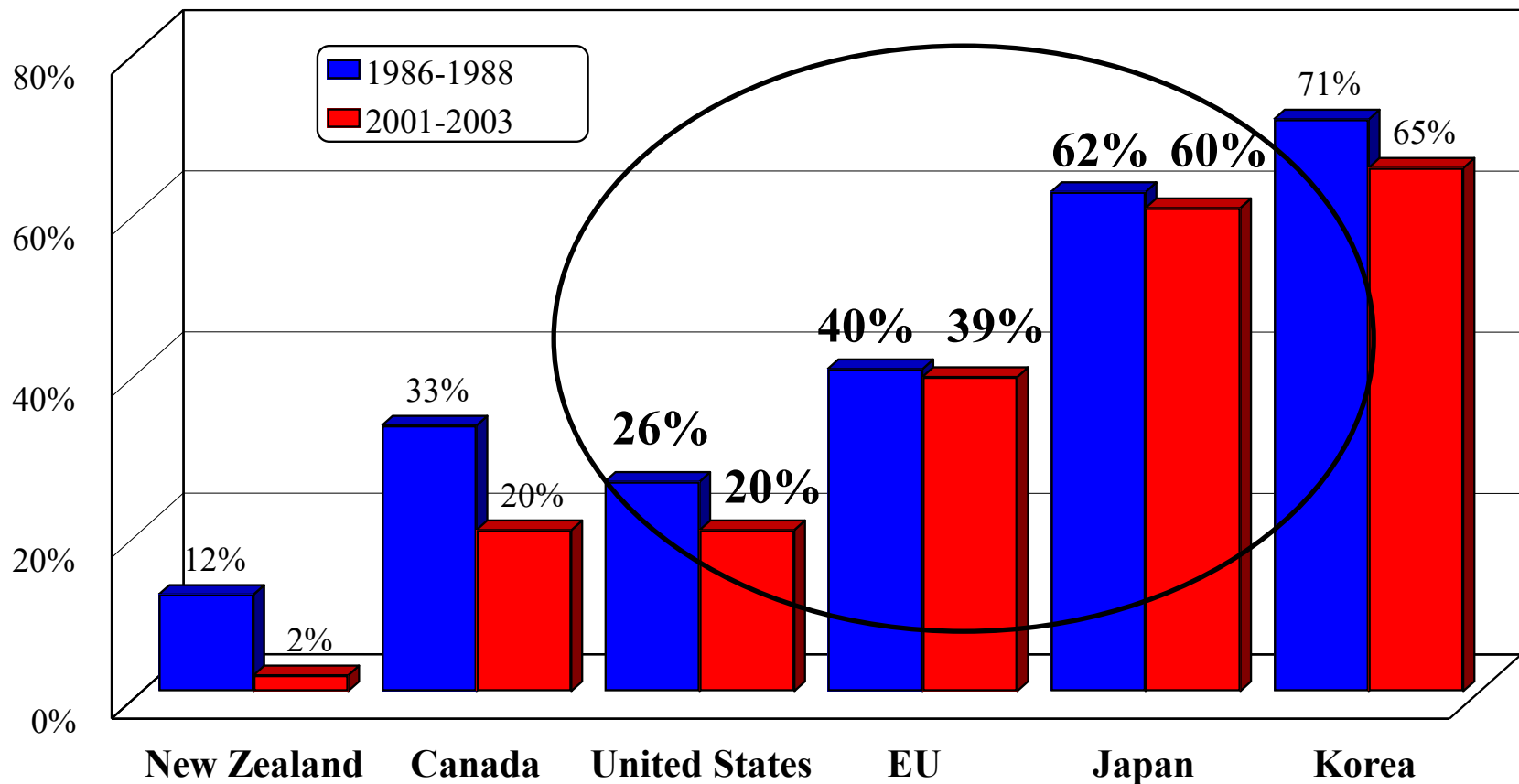
- **International Setting**
- **WTO Doha Agenda Progress**
- **U.S. Trade Strategy**
- **Conclusions & Implications**

World Average Agricultural Tariffs, 2002



Agricultural Producer Support By Country 1986-88 and 2001-03

-Percent of Total Farm Receipts from Government-



Doha Development Agenda in the World Trade Organization

Progress to Date

Progress on Doha Development Agenda (2001-Present)

- Work on Agriculture Began in 2000
Under Auspices of the WTO
Agriculture Committee
- Mandated by the Uruguay Round
Agreement on Agriculture, 1994

Doha Work Program: Three Pillars of Trade Reform (August 1, 2004)

- Market Access: Reductions in Tariffs
- Export Competition: Elimination of Export Subsidies
- Trade Distorting Domestic Support: Reductions Over Time

Market Access

- Cut Highest Tariffs the Most
- Designation of Some 'Sensitive' Sectors
- Special & Differential Treatment for Developing & Less Developed Countries
- U.S. Pushing for Deep Tariff Cuts by EU & Some Developing Countries (60-75%)
- EU Reluctant to Cut Beyond 43%

Export Competition

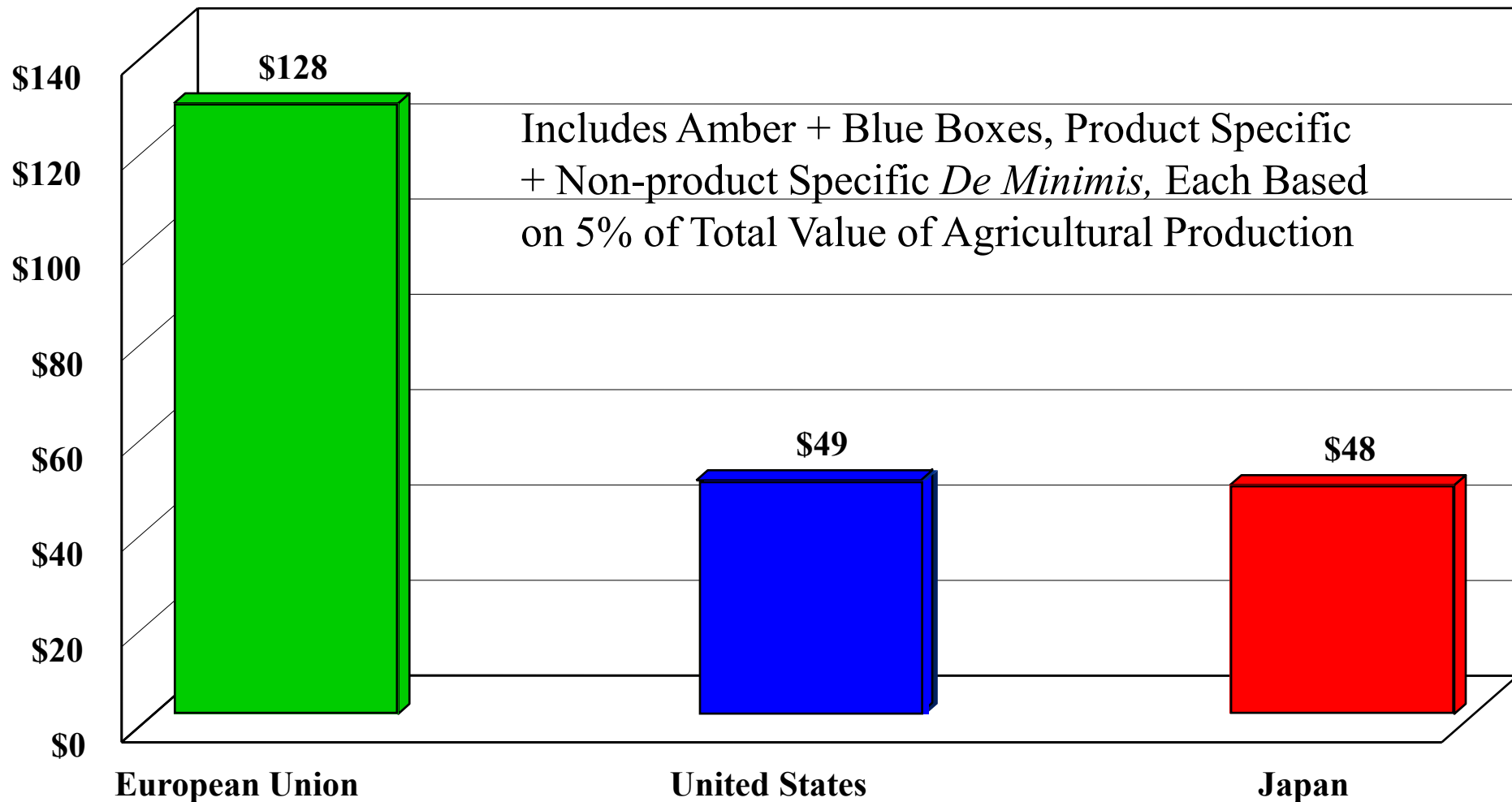
- Reduce & Eliminate Export Subsidies by Date Certain
 - EU Export Subsidies, \$2+ Billion/Year
 - U.S. Export Credit Guarantees > 180 Days
 - \$4.7 Billion/year in Recent Years
- Eliminate Trade Distorting Practices of State Traders, such as Canadian Wheat Board
 - Subsidies, Govt. Financing, Increase Transparency
- Food Aid that Displaces Commercial Sales to Be Eliminated

Trade Distorting Domestic Support

- Year 1 Down Payment of 20%
- Subsequent Phased Reductions
- Caps on Amber & Blue Boxes
- Reductions from *Allowable* Support
- EU Even Announced Its Support
- U.S. Cuts Likely to Approach 60% of Amber Box, to \$7.64 Billion

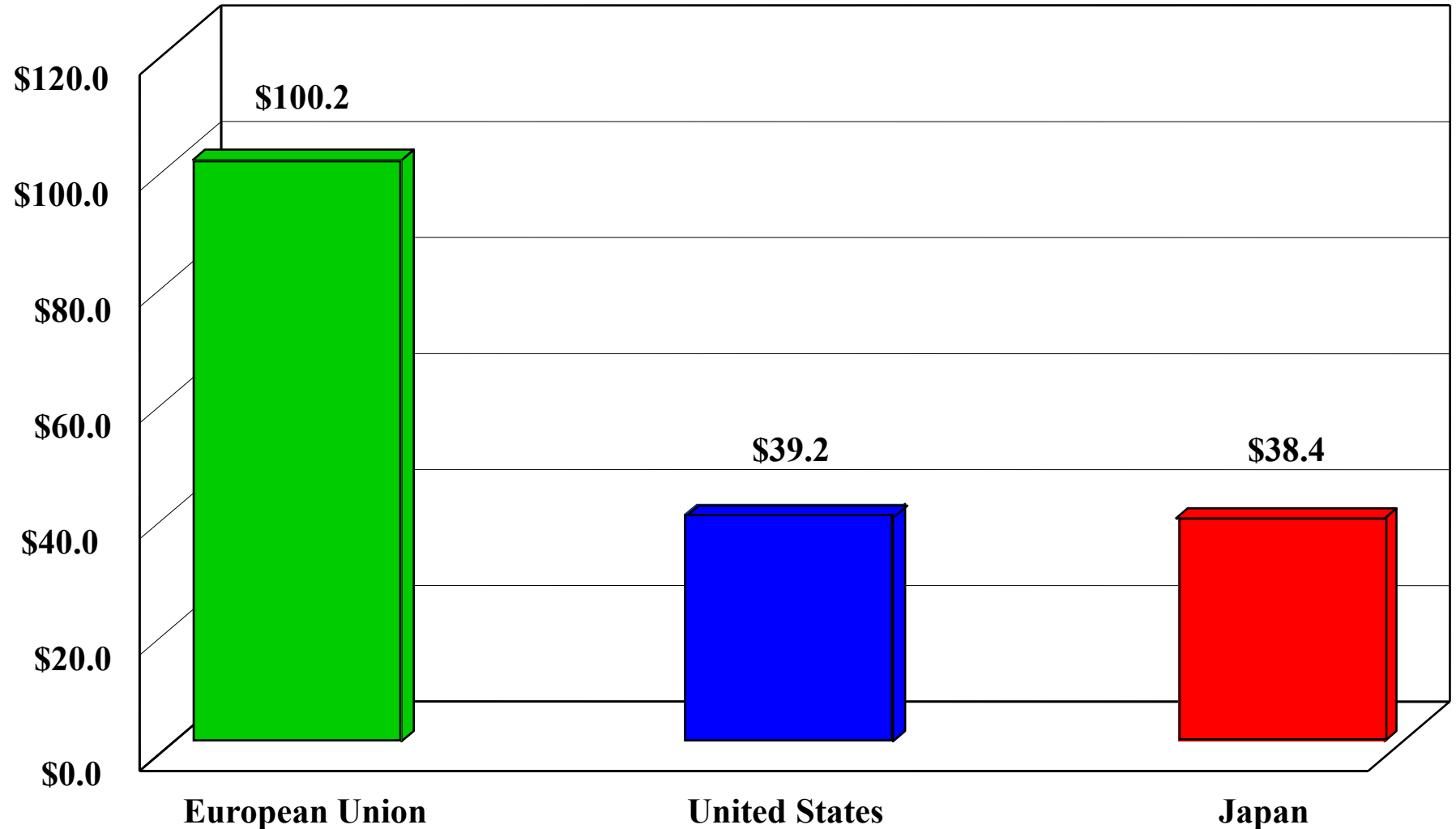
Total Allowable Trade Distorting Domestic Support, 'The Big 3,' 2002

Billion Dollars



Total Trade Distorting Domestic Support Remaining After Year 1 Down Payment (calculated)

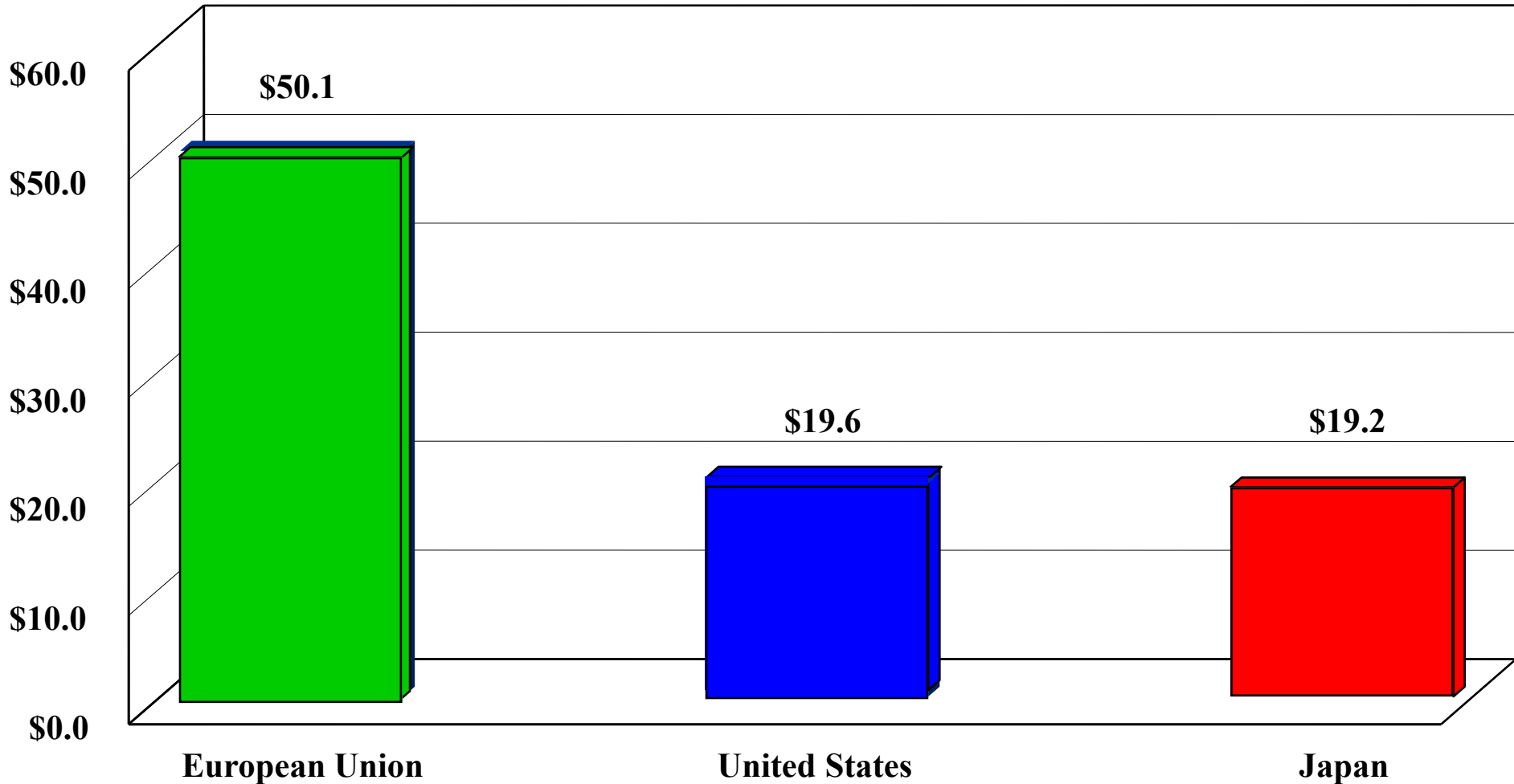
Billion Dollars



Total Trade Distorting Domestic Support

Assuming 50 Percent Reduction

Billion Dollars



Calculated

Hong Kong, December 2005

- Little Progress Made in Hong Kong
 - EU Trade Commissioner said state of negotiations was “serious but not desperate.”
- Agreement to Eliminate Export Subsidies by 2013
- Greater “Quota-Free, Duty-Free” Access Granted LDCs, Up to 97% of Products
 - LDC’s want it above 99% and Prepared to Veto
- While Many Fundamental Issues Remain Unresolved, Deadlines Have Been Set

Hong Kong, December 2005

(continued)

- Agreement on Degree of Tariff Cuts by April 30, 2006
 - EU Wants to Reduce by 39% (They Claim 46%) while U.S. and Others Think EU Needs to Reduce by about 60%
 - Each Country to Submit Tariff Schedules by July 30
- While Export Subsidies Addressed, More work on STE's and Export Credit Guarantees Needed
- Agreement Still Needed on Degree of Trade Distorting Domestic Support (Amber/Blue)
 - U.S. Wants about 53%, Pushing EU and Japan Towards 80%
 - This Does Not Address Green Box Programs
 - U.S. wants "New" Blue Box for CCPs

Other Negotiating/Related Issues

- The Cotton Initiative, Begun by Benin, Burkina Faso, Chad and Mali, Claim Rich Country Subsidies Hurting Poor Countries
 - Compensation Requested, Issue in Negotiation
- Cotton Case Won by Brazil Against U.S. Will Impact U.S. Cotton Program and Could Spur Challenges Against Other Crop Programs
 - U.S. Could Instead Decide Not to Comply, but Would face Brazilian Tariffs and Undermine Doha
- Tight Timeline for U.S. because of Expiration of TPA in Mid-2007 and Low Prospects for Renewal
- U.S. Budget Situation and Dissension within EU

U.S. Trade Strategy

➤ **Multilateral**

- World Trade Organization
- China Now a Member-Currency, Textiles
- Only Forum Where 148 Countries Are Present

➤ **Regional/Bilateral**

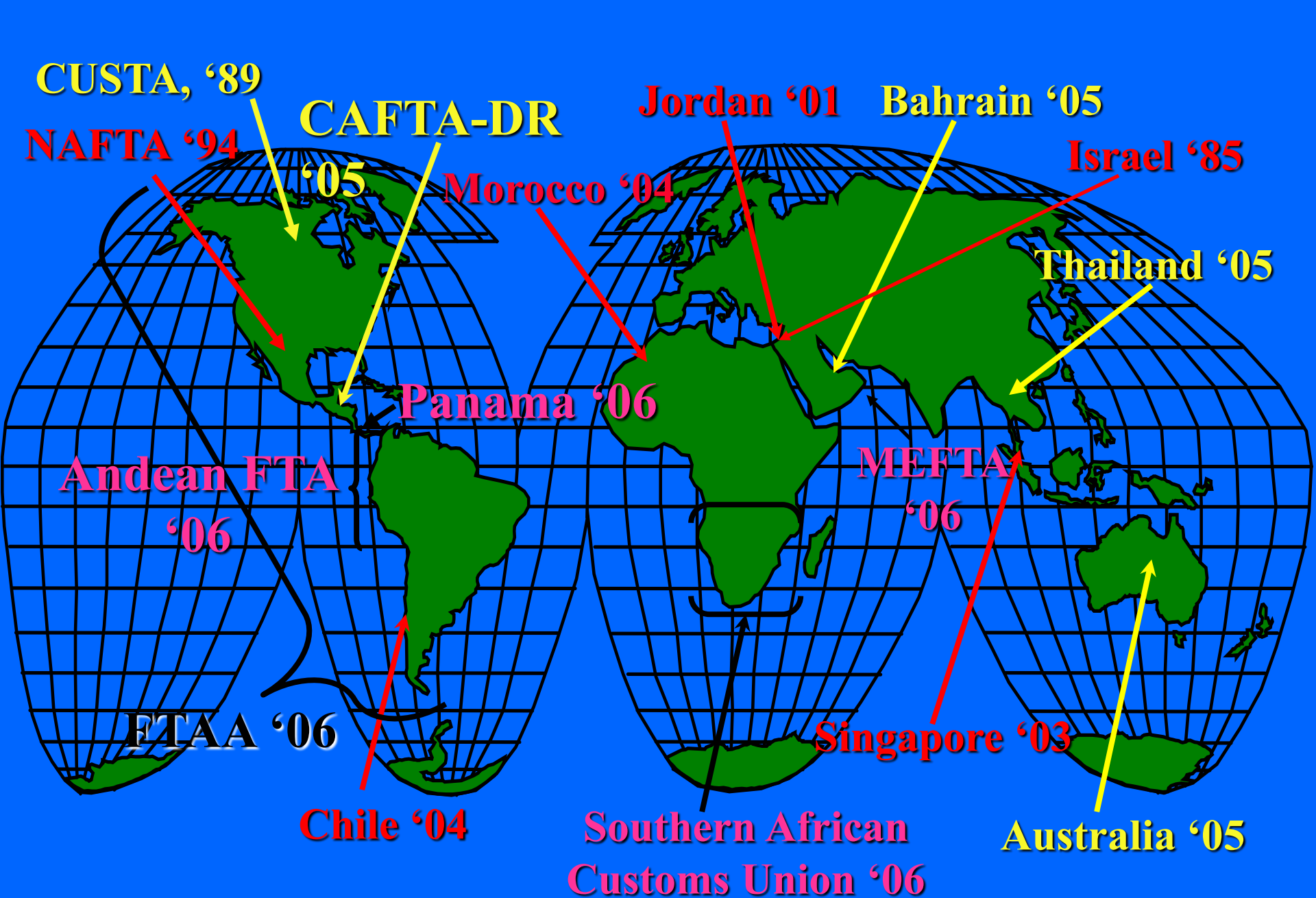
- CAFTA-DR

➤ **Unilateral**

- Generalized System of Preferences (GSP)
- CBI/CBERA
- African Growth Opportunities Act (AGOA)

Why Regional/Bilateral Agreements?

- 2nd Best After MTN
 - WTO Has Been Slower than Desired
 - Outcome is Uncertain
- Economic Incentives
 - Open Markets
 - Increase Business Efficiency
- Keep Pressure on MTN to Perform



U.S. Trade Agreements

Conclusions and Implications

Conclusions & Implications

- Agricultural Trade Distorted by Tariffs, Export Subsidies, Trade Distorting Domestic Support & Non-tariff Barriers
- Deep Tariff Cuts by DCs/LDCs Will Allow More U.S. Exports, But TBN
- But, What is the Trade-Off?
 - Some Reduction in U.S. Trade Distorting Domestic Support, Likely Substantial, TBN
 - Internal Budget Pressure Likely Affects Outcome

Conclusions & Implications

- Absent WTO Progress, Trade & Economic Growth Stifled, Especially in Agriculture- Not Good for the South
- Cotton Case Impacts and Potential for Similar Cases Must be Considered
- Internal Political Realities Cause for Concern
- Trade Reform is at a Crossroads: Protectionism or Progress?
 - If We Want to Open More Markets, Trade Agreements Are Needed

Thank You!

Questions?



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