Vienna Workshop
Modules 1 and 2

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Module 2: Post UR - On the Path Towards a Doha Agreement

- Domestic Policy Reform and the URAA
  - Framework for reform
  - Impact on farm policies in US and EU
- Agriculture in Doha Talks
  - Market access
  - Export Competition
  - Domestic Support
  - Other items (cotton, GIs)
- Current status of Doha
  - Country positions
  - Implications of Failure
- Accession and agricultural negotiations
  - Newly Acceded members (RAMs, VRAMS, and SLIRAMETs)

Experience with URAA

- Impact on farm policies
- Need for completion of reform

Agriculture under pressure to reform in the 1980s

- Agricultural reform spread in the 1980s
  - Chile
  - New Zealand
  - Sweden
- Low world market prices (1986-7)
- Change in Macro-economic policy
- Move toward deregulation in markets
- Measurement of trade impacts increased awareness of linkages

Uruguay Round as a framework for Domestic Reform

- UR provided framework for such reform
- Made tariffs the main external protection, subject to reduction
- Introduced safeguards for sensitive products
- Put restrictions on export subsidies (implied lower domestic prices for products in surplus)
- Domestic policies steered toward decoupled payments (or sheltered in Blue Box if linked to supply control)

US Farm Policy and the WTO Constraints: 1995-2011

- Section 22 abandoned
- Meat import laws removed
- Tariffs cut by >15 percent
- Export subsidies mainly avoided disciplines
- 1996 FAIR Act reduced AMS further below limit by introducing direct payments
- 1998-2001 Emergency payments brought US closer to limit
- 2008 Farm Bill locked in these payments
- 2009 Notification indicates that AMS still well below “limit” of $19.1 billion

CAP Reform 1992 - 2011

- CAP Reform and URAA closely linked
  - MacSharry reform in 1992 cut cereals prices by 29 percent over three years
  - Direct compensation payments for cereals, oilseeds
  - Payments also introduced for beef and sheep in compensation for price cuts
  - Set-aside program to control output
- Agenda 2000 Reform (passed in 1999) intended to clear the way for enlargement
  - Cut in beef and dairy prices with further payments
  - Modest cuts in cereal intervention prices
  - Second Pillar (rural development) introduced
  - Budget ceiling confirmed

CAP Reform 1992 - 2011

- "Mid-term Review" (2003) introduced more reform
  - introduced "single-farm payment" to consolidate payments, provide flexibility
  - extended decoupling by removing production requirements
  - strengthened cross-compliance with environmental and other standards
- Further Reforms (April 2004) agreed for tobacco, cotton, olive-oil, hops
  - Previous payments "decoupled" from production
  - Added to Single Farm Payment
- Sugar policy reform (Feb 2006)
  - 36 percent cut in support price
  - Compensation for farmers (included in SFP)

Agriculture in Doha Talks

- Market access
- Export Competition
- Domestic Support
- Other items

Market Access

- Latest Draft Modalities (Rev 4) proposes to:
  - Increase market access (drop tariffs by an average of 54 percent) to allow exporters to compete with domestic producers
  - Allow lower cuts for "Sensitive products"
  - Introduce "special products" and "special safeguard mechanism" to give policy space for developing countries to protect their agriculture against world market price shocks (maybe too much)

Export subsidies

- Export subsidies to be eliminated by end of 2013
- 50 percent of reductions in budget expenditure to be achieved by 2010
- [Annual percent reductions in quantity] [Standstill on current quantity levels][standstill on quantity levels from UR levels less 20 percent]
- Developing countries to eliminate export subsidies in equal proportions
- Developing countries can continue to benefit from Article 9.4 until five years after end of all other export subsidies

Export credits

- Allowable export credits defined to exclude those with repayment terms over 180 days (Annex D)
- These would be subject to elimination in parallel with export subsidies
- Disciplines on export credits of less that 180 days to make them
  - Interest should be payable (based on Libor rate)
  - Premiums should be market or risk based
- SDT
  - Repayment term up to [twice] as long (NFIDCs longer)
  - Ad Hoc credit can be extended at the request of an importing developing member

Exporting STEs

- Agreement on new disciplines for Exporting STEs (Annex E)
  - Elimination of government financing of STEs and underwriting of losses by 2013
  - [Eliminate monopoly powers by 2013]
  - Ensure that monopoly powers not used to undermine provisions
- Developing countries to maintain STEs that stabilize domestic markets
- Monitoring of STEs to be increased by annual notification

Food Aid

- Definition of *bona fide* Food Aid (Annex F): needs driven, non-exportable, grant-form
- “Safe box” for *emergency* food aid, if declaration of emergency by recipient, UN, or WFP
- [No monetization in Safe Box]
- Non-emergency food aid actionable: exempt from export subsidy commitments if
  - Based on independent need assessment
  - Targeted to vulnerable groups
  - Linked to development and nutrition goals
  - [monetization discouraged]
- Requirement for notification of food aid flows to WTO/Agric Committee

Domestic Support

- New concept introduced in Framework
  - Overall TDS = Total current AMS + Blue Box + *de minimis*
- Reduction to be progressive: use of tiers endorsed
- Down-payment of 20 percent
- Progress hampered by US reluctance to cut to a level that would have had impact on farm programs - except in return for significant improvement in market access

OTDS reductions

- Three tiered reductions for developed countries
  - OTDS for top tier (EU) reduced by [75][85] percent from 1995-2000 base
  - OTDS for second tier (US, Japan) reduced by [66][73] percent from 1995-2000 base
  - OTDS for third tier (rest) reduced by [50][60] percent from 1995-2000 base
- Countries in second tier with OTDS>40 percent of VOP (Japan) reduce by average of first and second tier
- Downpayment of 20 percent reduction in first year

OTDS reductions

- No OTDS reduction for developing countries with no AMS
- No reduction for small, low income recently acceded members (SLIRAMS)
- No reduction for NFIDCs
- All other developing countries reduce OTDS by two-thirds of third tier amounts: 20 percent down payment but longer reduction period for the remainder

AMS limits

- Framework mandated tiered formula to reduce Total AMS
- Greater burden on countries with high AMS levels
- Agreement on some level of product-specific AMS
- Pressure on US to cut deep enough to have impact on actual farm programs

AMS reductions

- Final Bound Total AMS to be reduced in three tiers
  - Countries above $40 billion AMS (EU) reduce by [70] percent
  - Countries above $15 billion AMS (US, Japan) reduce by [60] percent
  - Countries above $15 billion AMS (rest) reduce by [45] percent
- Countries in second tier with AMS>40 percent VOP (Japan) reduce at higher tier rate
- Countries in third tier with AMS>40 percent VOP (Switzerland, Norway, Iceland) reduce additionally by half the difference between first and second tiers

AMS reductions

- No reduction in AMS required for small, low income recently acceded members with economies in transition (SLIRAMEITs)
- No reduction for NFIDCs
- All other developing countries reduce AMS by two-thirds of applicable amounts for developed countries but over longer reduction period
- Continued application of Article 6.2 (that allows some categories of development spending to be excluded from AMS)

AMS Caps

- Product-specific caps on AMS at average of 1995-2000 levels
- US allowed to apply 1995-2004 shares to 1995-2000 levels
- Provision for AMS introduced after base period (take two most recent notified years as base)
- Provision for AMS less than de minimis in base period (AMS not to exceed [current][new] de minimis amount
- Movement to PS-AMS cap in equal installments
- Additional flexibility for developing countries
  - Choice of
    - average level of either 1995-2000 or 1995-2004
    - twice *de minimis*
    - 20 percent Total Bound AMS in any year

De Minimis reductions

- Framework (2004) called for reduction in *de minimis*
- Rev 4 provides details
  - Apply to product-specific and non-product-specific *de minimis*
  - Reduce from 5 percent to 2.5 percent over five years for developed countries, and 10 percent for developing countries maintained
  - Implement at once
  - SLIRAMEITs no need to change *de minimis*
  - No reduction for NFIDCs
  - Developing countries with no AMS (or AMS mostly to help resource-poor farmers) exempt from *de minimis* cuts
  - Other developing countries cut *de minimis* by two thirds the level of developed countries, with longer period for reduction
  - Developing country RAMS with AMS can add 5 percent more to *de minimis*
- Issue less contentious than AMS and OTDS

Blue Box Reductions

- Framework (2004) suggested Blue Box payments to be capped at 5 percent of value of agricultural production
- Rev 4 gives details
  - Definition changed by adding direct payments that do not require production (if based on fixed and unchanging bases or numbers of head of livestock and on less that 85 percent of a fixed and unchanged level of production)
  - Blue Box payments capped at 2.5 percent of VOP
  - Limit applies at once
  - If a country has 40 percent of its support in Blue Box (Norway) then it can apply AMS cut instead, and could request a short implementation period
  - Limits on product-specific blue box: Value of support by product must not exceed 1995-2000 average
- Blue Box issue again not so contentious once definition change agreed

Green Box?

- Framework rejected cap on green box payments
- No enthusiasm for opening up Green Box criteria
- “Review and Clarification” of criteria was agreed to but there was relatively little discussion in negotiations
- Rev 4 contains modest suggestions for amending Annex 2 of the URAA (that defines the Green Box)
  - More scope for developing countries
  - Fixed and unchanged base for decoupled income support
  - Fixed and unchanged base for investment aids and regional assistance programs
- Concern persists that developed countries are hiding trade-distorting policies in Green Box

Special Treatment of Cotton Subsidies

- Cotton subsidies are under pressure from cotton case as well as from the African Cotton Initiative
- US will have to react to the need to remove serious prejudice to Brazilian cotton producers
- Brazil will argue that these actions are not to be counted as part of US DDA concessions
- Need to get approval from African countries will ensure that cotton is given special treatment

Rev 4 Modalities for cotton

- Special formula for cotton AMS reduction
  - 45 percent general reduction implies 86 percent cotton AMS reduction
  - 60 percent general reduction implies 82 percent cotton AMS reduction
  - 70 percent general reduction implies 84 percent cotton AMS reduction
- Blue Box cap for cotton one third of the cap for other products
- Implementation over one third of period
- Developing countries reduce subsidies by two-thirds as much over a longer time period

Other Issues

- Export Taxes
  - Arrived late on the scene: not fully included in the potential package
- GIs
  - Some register for wines and spirits likely but not compulsory
- Improved Monitoring
  - Ag Committee likely to take a more active role

Current status of Doha

- Country positions
- Implications of Failure
- Doha Round needs to be supplemented by agreement on export taxes and restraints
- Could come as a complement to the DDA (plurilateral)

Accession and agricultural negotiations

- Special provisions for newly acceded countries
  - RAMs
  - VRAMs
  - SLIRAMETs
- Many concessions made by new members as a part of entry package
- General agreement that they should not have to “pay twice”
- However, full participation includes reciprocity

Thanks for listening

e-mail for any follow-up

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