



The Agriculture Negotiations

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The Present



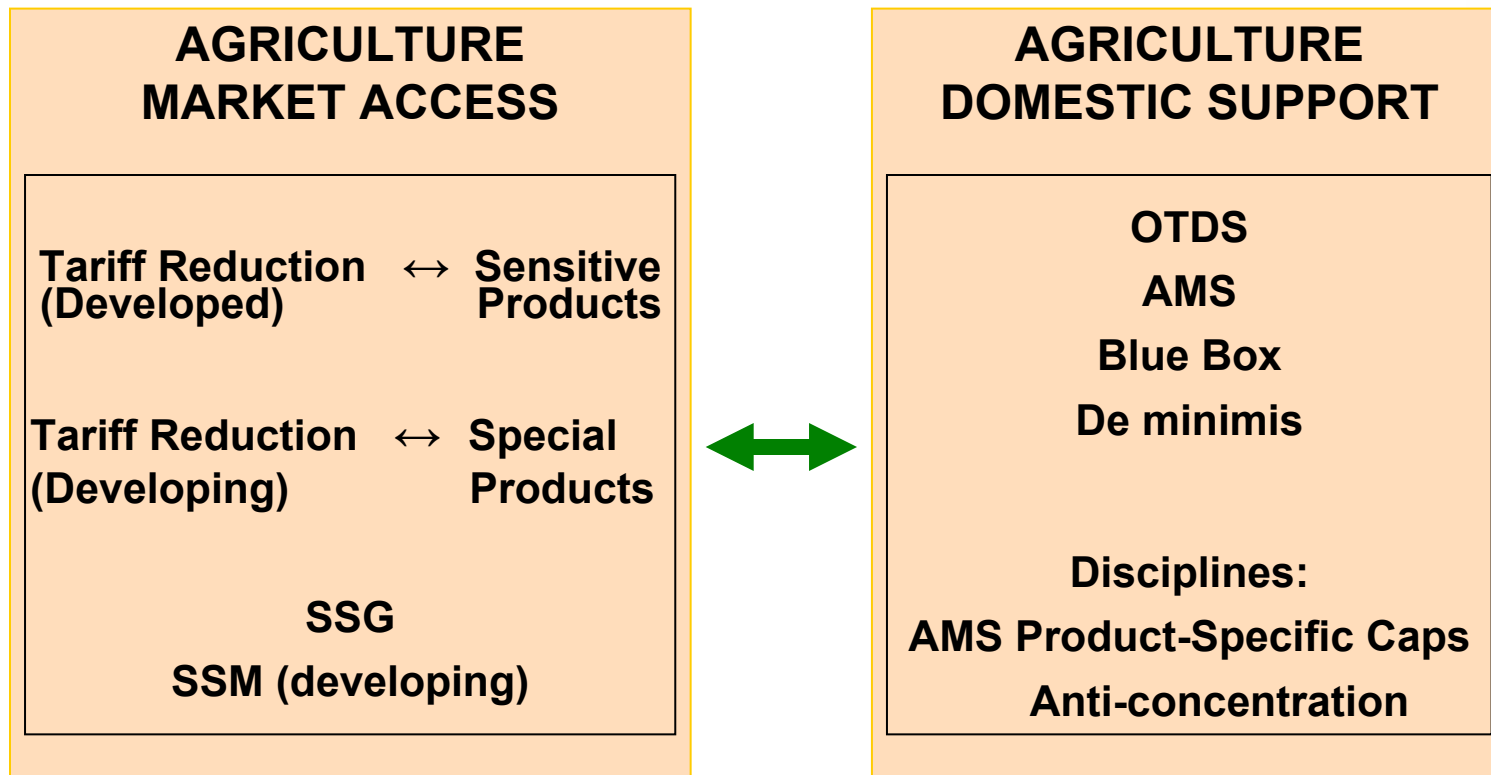
- 2007 could be a defining year for the multilateral trading system
- Members resumed negotiations in February 2007 but as yet this has not led to the necessary incisive breakthrough
- Round is important for all countries – if we miss this chance Members could wait a long time before reaping the benefits of the Doha round
- What is on the table – two or three times as much more than the Uruguay Round
- Need a break-through in the coming weeks
- Challenge is less technical than political – all must compromise

Positions



- All issues are important but relative difference depending on Member and issue
- All Members have offensive & defensive positions across the negotiations
- Members not a homogenous group, including within DGC
 - In the spectrum of positions, one can find DGC interests covering almost the whole range
- For LDCs all defensive interests have already been met through S&D

Present Focus for a Deal



Export Competition, including export subsidies, export credits, food aid and STES will form part of the overall negotiated outcome



“Challenges” Paper – Why?

- “We are at the very end of this exercise one way or the other”
- “Now is the time for honest talk” - “need to cut to the chase and to stop beating about the bush”
- “Promote a greater seriousness of purpose”
- “facilitate the decision-making we so desperately need”
- “Need next to move to a revised text” – “this is the precursor to that revised text”
- “if we do not get serious momentum over the next few weeks we will either fail or we will put this whole exercise in the freezer for some considerable time”
- “Members are in control of this exercise”

OTDS – “Challenges” Paper



- Must meet the mandate of effective cuts

Band	Member	Cuts
1	All other Members, including developing countries	? (31% - 70%) Whatever is agreed, DGC with AMS to do 2/3 of DDC reductions
2	US and Japan	> 53% (53% - 75%)
3	EC	> 70% (70% - 80%)

- For US, must do more
 - Reduce OTDS between \$19 billion & low teens
 - Political link to other areas of the negotiation (works both ways)
- For EC
 - Minimum cut likely to be 70% cut but could be 75%-80%
- Developing countries with no AMS exemption OTDS cut

Cotton – “Challenges” Paper



- “More ambitiously”
 - can not be minor, modest or marginal additional undertaking
 - must be ambitious in its own right & measured from general formula
- What is the “general formula”? - includes AMS, Blue Box & OTDS
- Must have commodity specific reductions to make sense of the mandate
- Nature of general formula
 - AMS – seems to be at least 70% cut in tier one & at least 60% cut in tier two
 - Blue Box – 50% reduction but additional elements could be added
 - OTDS - ??

Export Competition - “Challenges” Paper



- Export subsidies
 - what is “a substantial part” – between 50% and 66% - eliminated in first half of implementation period
- Food Aid
 - General Provisions
 - No definition of emergency – leave it to relevant agencies along with duration of emergency
 - Disciplines for non-emergency food aid
- STEs
 - Retain existing definition
 - Monopoly Powers
 - Eliminate all or some - if the former, special consideration for developing countries
- Export Credits
 - Little change – reflects more technical consideration of how to implement disciplines



Tariffs – “Challenges” Paper

- Four bands
- G-20 thresholds for developed countries, with linear cut
- EC to do more - cuts in magnitude between the EC and US

Band	Threshold	EC Cuts	US Cuts
1	0 - 20%	35%	55% - 65%
2	20% - 50%	45%	65% - 75%
3	50% - 75%	50%	75% - 85%
4	75% +	60%	85% - 90%

- Cut in top band critical issue – the rest will be proportionate to that
- Issue of disproportionality if high number of tariffs in top band (e.g. 25%-30% of tariffs)
- Increasing readiness to discuss average cut – maybe above 50%

Tariffs – “Challenges” Paper



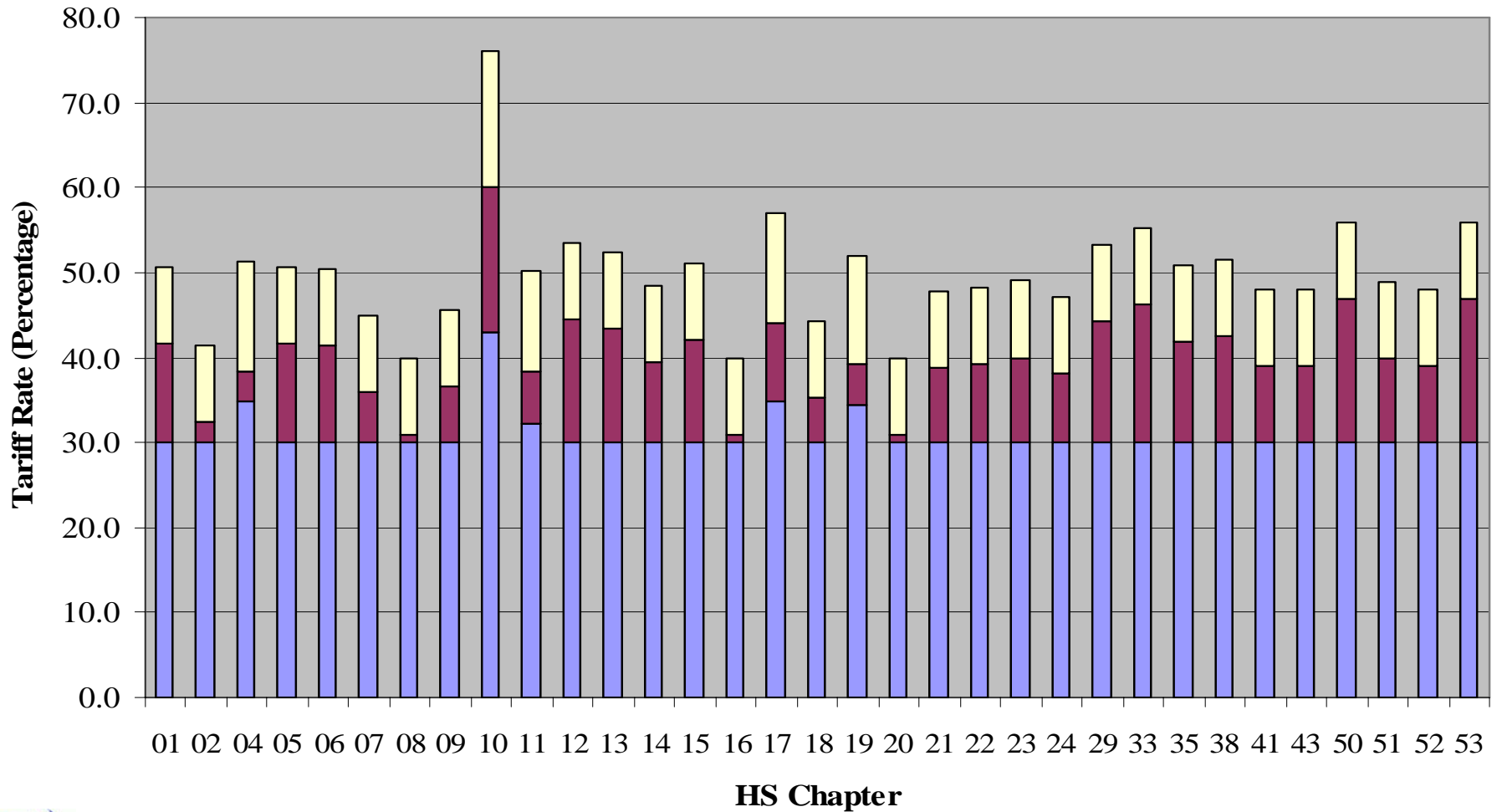
➤ Developing countries – 2/3rds developed country cuts

Band	Threshold	2/3 rd EC Cuts	2/3 rd US Cuts
1	0 - 20%	23%	36% - 43%
2	20% - 50%	30%	43% - 50%
3	50% - 75%	33%	50% - 56%
4	75% +	40%	56% - 59%

- Some suggest different thresholds as well – can shift 2/3rds proportionality outcome, so
- Use 2/3rds DDC average reduction as minimum target
 - Initially use same thresholds as DDC with 2/3rd cuts in each band
 - If overall result is greater than 2/3rds DDC average, adjust thresholds
 - At most, adjusted thresholds could be no more than G-20 proposal
 - 0 – 30%
 - 30% - 80%
 - 80% - 130%
 - 130% +

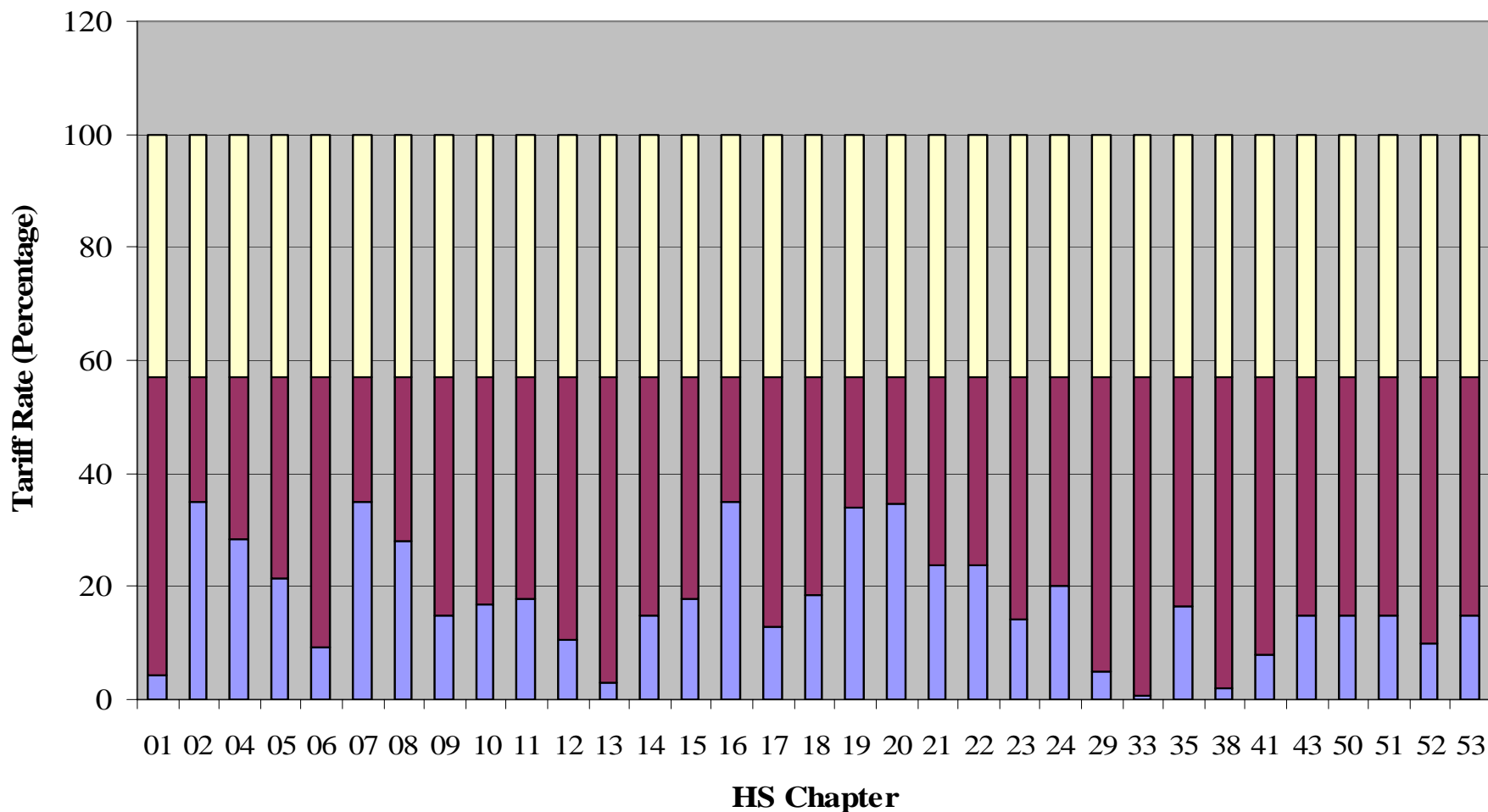


Tariff Reduction Impact Example (2/3 of G-20 for Developed countries) Developing Country Member



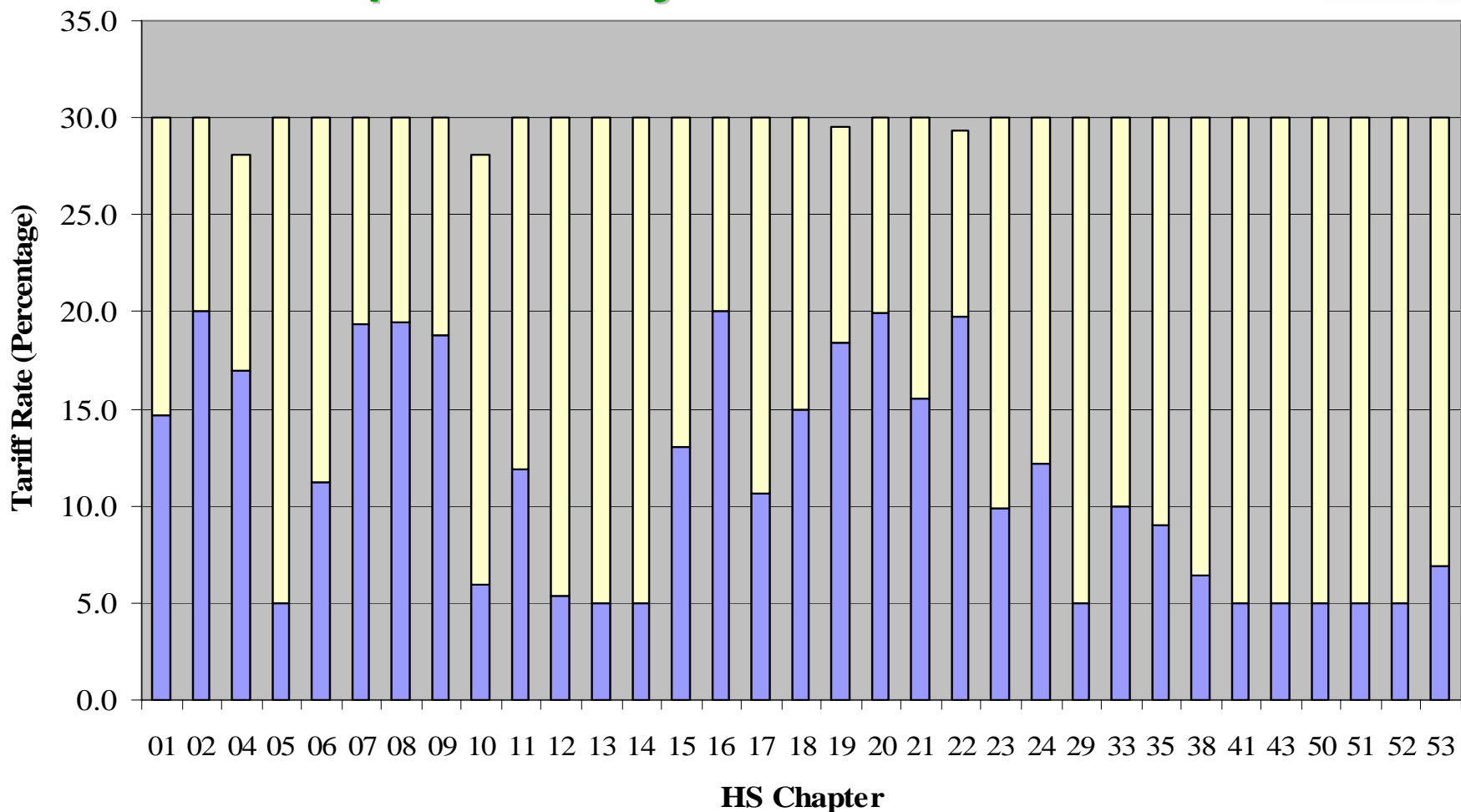


Tariff Reduction Impact Example (2/3 of G-20 for Developed countries) Developing Country Member with Ceiling Binding





Tariff Reduction Impact Example (2/3 of G-20 for Developed countries) Least – Developed Country Member



■ 2002 Applied ■ Current Bound=New Bound

Tariff Reduction Examples



Illustrative Developing Country	
HS chapters where formula cuts affect applied rates	
Total Number of Bound Tariffs in Schedule	902
Number of Applied Tariffs Affected by Tariff Reduction	0
Percentage of Applied Tariffs Affected by Tariff Reduction	0.0%

Illustrative Developing Country with Ceiling Bindings			
HS chapters where formula cuts affect applied rates			
Total Number of Bound Tariffs in Schedule	677		
Number of Applied Tariffs Affected by Tariff Reduction	9		
Percentage of Applied Tariffs Affected by Tariff Reduction	1.3%		
Affected HS Chapters	Lines in HS Chpt	Affected by Tariff	by Tariff Cut
04 - Dairy	27	8	29.6%
11 - Milling Products (e.g. flour)	34	1	2.9%

Illustrative Least-Developed Country Member	
HS chapters where formula cuts affect applied rates	
Total Number of Bound Tariffs in Schedule	679
Number of Applied Tariffs Affected by Tariff Reduction	0
Percentage of Applied Tariffs Affected by Tariff Reduction	0.0%

Sensitive Products – “Challenges” Paper



- Number – 1% - 5% of tariff lines
- Deviation – 1/3 – 2/3rds of cut
- Principle that tariff quota expansion correlated to the deviation but still need to find structure for expansion
- Tariff quota expansion options – basic premise to provide improved market access with some possible adjustments
- Possibility for larger number of sensitive products
 - quid pro quo, a larger quota expansion
 - e.g. 1/3rd more sensitive products, maximum expansion increased by 1/3rd

Special Products – “Challenges” Paper



- Existing positions a long way apart – need to find a way out of the trenches
- Possible number of special products
 - not “at least” 20% of tariff lines & not just three or four
- Politically, number of SPs would have to be larger than the number of sensitive products
 - If 1% - 5% of sensitive products, 5% - 8% for SPs
 - Possible increase in SP numbers if don’t use sensitive products
- Self-designation guided by indicators based on criteria
- Treatment
 - More flexible treatment not an exemption
 - Minimum reduction



Chairman's "Final Thought"

- Possible "radical thought to discard if [Members] chose"
 - Drop the tiered formula for developing countries
 - Drop complicated flexibilities (e.g. 2/3rds proportionality, SPs)
- Go with something simple & straightforward
 - (e.g. Uruguay Round type tariff formula with simple average reduction & a minimum cut per tariff line)

Potential DDA Outcomes



- Need a successful conclusion first
- The elimination of export subsidies once & for all
- A good advancement in the reduction of trade-distorting domestic support including an overall limit of trade-distorting domestic support
- Further market access openings
- Overall – an improved & more level trading environment for both developed & developing countries
- Lay to rest perceived credibility problem of the multilateral trading system resulting from the Uruguay Round



Thank You