Agriculture and the WTO

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ODI
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Structure of presentation

- Thoughts on agriculture, trade and poverty reduction
- Implications for ag in WTO
- The horror, the horror (aka WTO ag negotiations)
- A Hong Kong survivor’s guide
Starting Points

- Agricultural growth is the best way to reduce mass rural poverty (linkages, multipliers etc)
- Different crops and farm structures have different impacts on poverty, food security and development
- There are different ways to achieve such growth (same destination different routes)
- DCs need to match their growth strategies to their demands for trade rules and SDT
History v WTO (Stockbridge/Oxfam)

- Desk study of 6 successful take off countries: Indonesia, South Korea, Malaysia, Viet Nam, Chile and Botswana
- Indonesia, S Korea and Malaysia used import tariffs, STEs and quotas to achieve high and stable prices esp on rice
- NTBs increasingly constrained by WTO/RTAs. Tariffs chief remaining instrument
- Chile, Botswana and Viet Nam used policy space less (but even they had hands-on role for state)
  - Conclusion: some basis for infant industry approach in ag, though may be less strong than in manufacturing (NMR)
The Role of the State (ICW + Oxfam)

The ‘industrial policy’ argument for agriculture

- Phase 1: low intensity, semi-subsistence
- Phase 2: state intervention, e.g. credits, inputs, irrigation, tariff protection at regional/national level, land distribution
- Phase 3: surplus generation and state withdrawal to administering rules of the game (difficult)
  - Are trade rules + SAPs kicking away the ladder of ag development (i.e. phase 2)?
Is our thinking on trade coherent with that on agriculture and development?

- Policies must reflect stage of development and ‘a proactive state role in stimulating and facilitating agricultural development is justified in the poorest countries’

But

- ‘Subsidies, tariffs and non-tariff barriers continue to distort trade and must be reduced’

Source:

*DFID, Productivity Growth for Poverty Reduction: an approach to agriculture, July 2005*
Dilemmas facing low income countries

- Can SSA compete with e.g. Brazil, East Asia on agroexports?
  - Value chains eg spread of supermarkets
  - Scale economies
  - Technology – standards, packaging, MRLs
- Poverty impacts of enclave agroexports may be limited (lack of domestic linkages)
- Success has usually depended on periods of high world prices
  - So for SSA/LDCs, import substitution at national or regional level may be more promising than the world market
What does this mean for DC rules in WTO?

- Rules/SDT should depend on stage of ag transformation, and which strategy is being adopted (ELG v imp sub)
- Much greater flexibility needed than allowed in Uruguay Round
- Any way to define which countries are in phase 2?
- If not, can policy space/soft law approach provide sufficient flexibility?
- Can the rules help discipline state withdrawal in phase 3?
The WTO agricultural negotiations

• Not for the faint hearted .......
Variable Geometry on ag.....
Market Access

- Developed country protection high – average applied tariff of 14% on DC ag exports, vs 3% average on all DC goods
- Tariff escalation (US: tomatoes 2.2%; dried tomatoes 8.7% and tomato sauce 11.6%)
- Tariff peaks (US tobacco 350%; Japan groundnuts 555%, EU maize 84%)
Market Access: Preference Erosion

• could paralyse the round
• But benefits to date have been limited (supply side constraints, rules of origin)
• Donor consensus is shift from preferences to ‘aid for trade’, but doubts on volume and channels (Integrated Framework)
• Or how about negative tariffs?
Market Access: What’s on the table in Hong Kong?

- Tiered formula based on G20 proposal (four bands)
- Possible caps on individual tariff lines (G20 proposed 100/150%)
- EU wants big loopholes on ‘sensitive products’ (8% of tariff lines)
- 44 countries in the G33 (!) want self-designated Special Products for developing countries and access to an easy-to-use Special Safeguard
Market Access: Oxfam analysis

- Beware sensitive products - >2% cd wipe out the benefits
- Sensitive is not the same as Special!

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<th>Proposal</th>
<th>Maize</th>
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<th>Rice</th>
<th>Sugar</th>
<th>Poultry</th>
<th>Veg. oils</th>
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<td>G20&amp; EU</td>
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Source: Data from MacMap database, October 2005
Subsidies

- Export subsidies falling and largely symbolic
- Real action is on domestic support ($112bn in 2004 in OECD)
- Key debate over trade distorting v non trade distorting
- Cotton ruling and passage of time mean Green Box/ decoupled payments will come under increasing pressure
  - See ‘Truth or Consequences’ for a full list of potential disputes
Figure 1. Agricultural support in OECD countries, 1986-2003 (billion USD)

Figure 2. Producer Support Estimates and Aggregate measure of Support for the EU and the US (1986/88-2001) (billion US$)

Figure 4. US Domestic Support (billion US$)
Subsidies: some ammunition

- The EU exports sugar and beef at 44 per cent and 47 per cent respectively of their internal cost of production.
- The EU cow’s had a pay rise to $2.62 per day
- Last year 25,000 US cotton farmers got $4.3bn in subsidies to produce worth $3.4bn. West Africa’s 10 million cotton farmers paid the price of dumping ($200m per year)
Subsidies: What’s on the table in Hong Kong?

- On domestic support, formula with 3 bands, top band (for EU) has highest cuts
- Smoke and mirrors – bound v applied means the EU’s ‘70% cut’ = zero!
- Box shifting remains a threat – little prospect for review of Green Box
- No end date proposed on export subsidies (just a footnote on US 2010)
- Big divisions on food aid, STEs
Oxfam’s topline messages on agriculture

- 2010 end date to export subsidies
- Curb other domestic subsidies
- Policy space in tariff formula, plus special products/SSM
- Market access for poorest countries
Preparing for Hong Kong:
Weasel Word Watch

- **Ambition**
  - You open your markets to our exporters and investors, but we’ll keep on subsidizing our agriculture.

- **Level playing field**
  - Man U v the local pub team is a fair fight

- **Non discrimination**
  - You have to treat our giant multinationals the same as your small domestic companies.

- **Balance**
  - We’ll only give up export subsidies if we get our pound of flesh on industry and services

- **Advanced Developing Countries**
  - Not one euro for the BRICS!
    - And one you won’t see - the ‘Blood on the Floor’ rule
Scenarios

- Good deal
- Bad Deal
- No Deal
- Minimal Face-saver Deal
- Slow Deal

And the current (nightmare) favourite: put it all off for six months and try again!
What failure looks like.....
For more information than you could ever possibly want, visit

- [http://www.oxfam.org.uk/what_we_do/issues/trade/index.htm](http://www.oxfam.org.uk/what_we_do/issues/trade/index.htm)
  - Blood on the Floor (HK curtain raiser, published 6/12)
  - Truth or Consequences (Panels)
  - Green but not clean (Green Box/Subsidies)
  - A Round for Free (Subsidies)
  - Kicking Down the Door (policy space, rice)
  - Food Aid Or Hidden Dumping?