

# XXXIV CONGRESO AGRARIO NACIONAL Bogota, Colombia 7-9 November 2007



Australian Government  
Department of Foreign Affairs and Trade

**XXXIV CONGRESO AGRARIO NACIONAL**

# **WTO Agriculture Negotiations & the U.S. Farm Bill**

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# Agricultural Trade Reform Benefits

**"If Africa, East Asia, South Asia, and Latin America were each to increase their share of world exports by one percent, the resulting gains in income could lift 128 million people out of poverty."**

**– *Oxfam International***

**"Reforming trade rules for agriculture would boost global income by about US\$265b by 2015. A substantial portion of these gains would go to developing countries." – World Bank 2005**

# Border Barriers

- Japanese rice tariff = 778% (AVE terms).
- EU tariff on beef offal = 408% (AVE terms)
- U.S. tariff on peanuts = 164%
- 1434 WTO scheduled tariff quotas
  - Norway = 232 tariff quotas
  - EU = 91 tariff quotas
  - U.S. = 54 tariff quotas

# Domestic Support

- Total Support to farmers in OECD countries was estimated at US\$268 billion in 2006.
- The big three - US, EU & Japan - account for around 90% of total support to world farmers
- Japan PSE = 53%
- EU PSE = 32%
- U.S. PSE = 11%
  - Fall in the U.S. PSE from 16% (2005) to 11% (2006) was not triggered by policy changes, but higher commodity prices resulting in a significant decrease in price-linked payments.

The percentage Producer Support Estimates (PSE) estimates monetary transfers from governments and consumers to agricultural producers, expressed as a percentage of gross farm receipts.

# Export Subsidies

- Combined, the EU and U.S. are entitled to provide a total of US\$10 billion in export subsidies per year
- WTO Hong Kong Ministerial Declaration  
*“We agree to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013”*



# Impact of Farm Policies

- Locks up markets
- Encourages overproduction
- Depresses world prices
- Decreases global productivity
- Disadvantages unsubsidised farmers

# The Uruguay Round

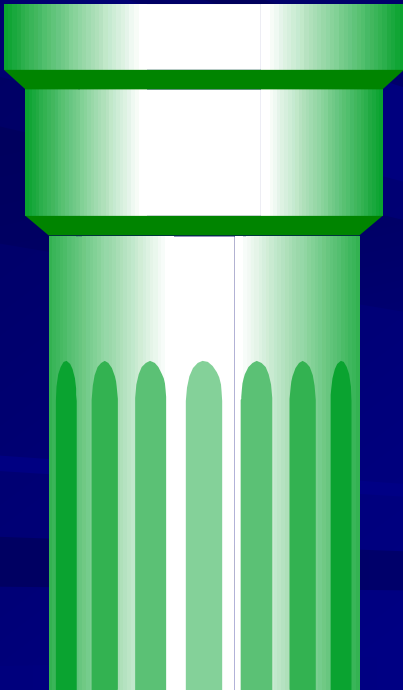
- The Uruguay Round produced the first multilateral agreement dedicated to the agriculture sector.
- It was a significant first step towards addressing distortions in world agricultural trade
  - But still a long way to go before agriculture is on equal footing with industrial goods



# Doha Mandate

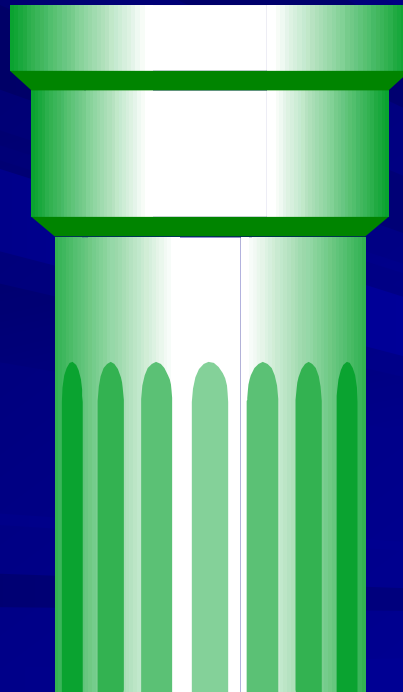
## ***Market Access***

*- Substantial improvements*



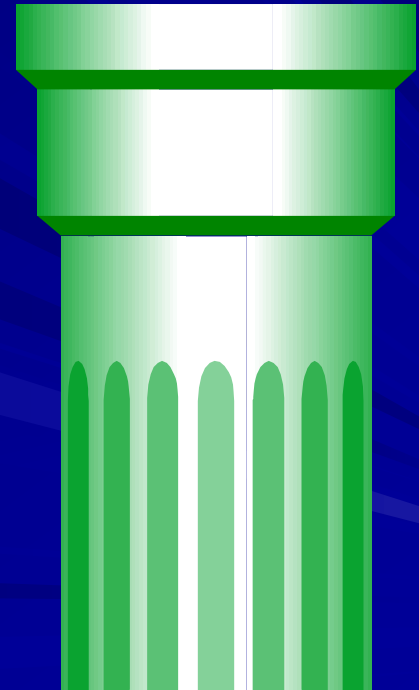
## ***Domestic Support***

*- Substantial reductions*



## ***Export Comp.***

*- Phase out with a view to elimination*



# Chair's Draft Text

## Market Access

### ■ Four Tier Tariff Reduction Formula

- $0 < x \leq 20 = [48-52]\%$  cut
- $20 \leq x \leq 50 = [55-60]\%$  cut
- $50 \leq x \leq 75 = [62-65]\%$  cut
- $x > 75 = [66-73]\%$  cut

### ■ Sensitive Products

- Designation: [4%] [6%] dutiable lines
- Treatment: deviation from full cuts / TQ expansion

# Chair's Draft Text

## Domestic Support

- Overall Trade Distorting Support (OTDS)
  - EU OTDS base = €110.3b
    - [75%] cut results in €27.6b
    - [85%] cut results in €16.5b
  - U.S. OTDS base = US\$48.2b
    - [66%] cut results in US\$16.4b
    - [73%] cut results in US\$13b
  - Japan: contribute “additional effort”

# Chair's Draft Text

## Domestic Support Cont.

### ■ AMS

– EU AMS = €67.2b

■ [70%] cut results in €20.1b

– U.S. AMS = US\$19.1b

■ [60%] cut results in US\$7.6b

### ■ Product specific caps

■ *De Minimis* reduced by [50%] [60%]

### ■ Blue Box

### ■ Cotton

# Chair's Draft Text

## Export Competition

- Eliminate Export subsidies
- Food Aid
- Export Credits

# Why Border Reform Is Critical

Distribution of global welfare impacts of fully removing agricultural tariffs & subsidies in high-income countries

World Bank

<b>Pillar</b>	<b>Proportional benefits from removing agricultural border measures &amp; subsidies</b>
<b>Market Access</b>	<b>92%</b>
<b>Domestic Support</b>	<b>6%</b>
<b>Export Competition</b>	<b>2%</b>
<b>All Measures</b>	<b>100%</b>



# **Flexibilities: Potential to Severely Undermine an Ambitious Outcome**

- **Sensitive Products**
- **Special Products**
- **Special Safeguards**
  - SSG
  - SSM
- **Tariff Quota Administration**
- **In-quota Tariffs**

# 19 Members of the Cairns Group

*Seeking to Reform World Agricultural Trade*

Argentina

Australia

Bolivia

Brazil

Canada

Chile

Colombia

Costa Rica

Guatemala

Indonesia

Malaysia

New Zealand

Pakistan

Paraguay

Peru

Philippines

South Africa

Thailand

Uruguay



# WTO Doha Round

## The Road Ahead

- WTO Members aiming to finalise modalities by end of 2007
- Renewal of US Trade Promotion Authority
- Political will & leadership by the majors required to conclude the Doha Round

# U.S. Farm Support

## Basic Structure

### ■ Farm Price & Income Support

- Non-recourse Commodity Loans (e.g. loan deficiency payments)
- Counter-cyclical Payments
- Direct Payments
- Crop Insurance & Disaster Payments

### ■ Supply Controls

- Import /restrictions (tariffs & TQs)
- Domestic Supply Controls (sugar)

### ■ Other Programs

- Domestic Food Assistance
- Foreign Food Aid & Export Programs
- Conservation Programs (e.g. land retirement)
- Rural Development

# 2007 Farm Bill Process

- House version has passed consideration on House floor.
- Senate Committee completed drafting bill (25 Oct), currently being debated on Senate floor.
- Hold Conference Committee to reconcile differences in House and Senate versions, followed by votes in the House and the Senate; Congress forwards Bill to the President; Presidential signature.

# 2007 U.S. Farm Bill

## Lost Opportunity for Reform?

- **U.S. Congress:** current draft bills shift the balance of support in a more potentially trade-distorting direction
  - Despite environment ripe for change (i.e. strong agricultural economy, debt low, high commodity prices etc.)
- **Lost opportunity**
  - Powerful farm lobby
  - WTO inconsistent?
  - President likely to veto the bill in current form



# WTO Dispute Action

- **Canada & Brazil have initiated WTO dispute action against U.S. Farm Support Programs**
  - Follows on from Brazil's successful challenge of U.S. Cotton program
- **Key Issues:**
  - Export subsidy component of agricultural export credit guarantees
  - U.S. exceeded AMS limit of US\$19.1 billion in some marketing years
  - Classification of farm policy measures

# WTO Dispute Action Cont.

- Recent U.S. notification covering the 2002 FB years relies on questionable classifications of subsidies to ensure that its trade-distorting support remains well under the US\$19.1 billion Amber Box limit
  - Direct Payments = Amber Box support? (i.e. not Green Box support)
  - CCPs = product-specific AMS support? (i.e. not non-product specific)
  - Also, undercounting of key programs? (e.g. crop insurance)

# Further Information

- [www.wto.org](http://www.wto.org)

- [www.dfat.gov.au](http://www.dfat.gov.au)

- [www.cairnsgroup.org](http://www.cairnsgroup.org)

- Email: [ken.gordon@dfat.gov.au](mailto:ken.gordon@dfat.gov.au)

# Muchas Gracias