

# **Cairns Group Farm Leaders Meeting**

## **Global Advocacy to Promote Agricultural Trade Reform**

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# Pressures on Agricultural Trade Negotiations

## POSITIVES

- **Approval of the TPA (*Trade Promotion Authority*)**
  - **Allows to move forward on WTO and FTAA**
- **WTO: negotiations of “modalities” on track**
  - **March 2003: final draft for the 5<sup>th</sup> Ministerial in Cancun**
- **WTO: U.S. launch of a bold proposal for agriculture**
  - **Corrects the signal of the 2002 Farm Bill**
- **EU: “Mid Term Review” of Common Agricultural Policy**
  - **Baseline reform of the Agenda 2000 by the Commission**
  - **Internal pressures: EU-25 enlargement, food safety, public opinion**
- **Pressures from the Cairns Group**
  - **No “Blair House”**

# Pressures on Agricultural Trade Negotiations

## NEGATIVES

- **2002 U.S. Farm Bill**
  - Higher (target) prices and no supply control
- **Restrictions on TPA**
  - Restrictions on 521 agricultural sensitive tariff lines
- **WTO U.S. proposal**
  - Higher commitments from EU and Japan
  - Domestic resistance: sugar, orange juice and dairy
- **European Union: “basic outline” for CAP reform**
  - Domestic resistances: France, Ireland, Spain, Portugal,...
  - Food safety and “new” non-tariff barriers
- **Preferential Trade Agreements**
- **Regional Integration Agreements**



# Assymetry of Interests in Agriculture

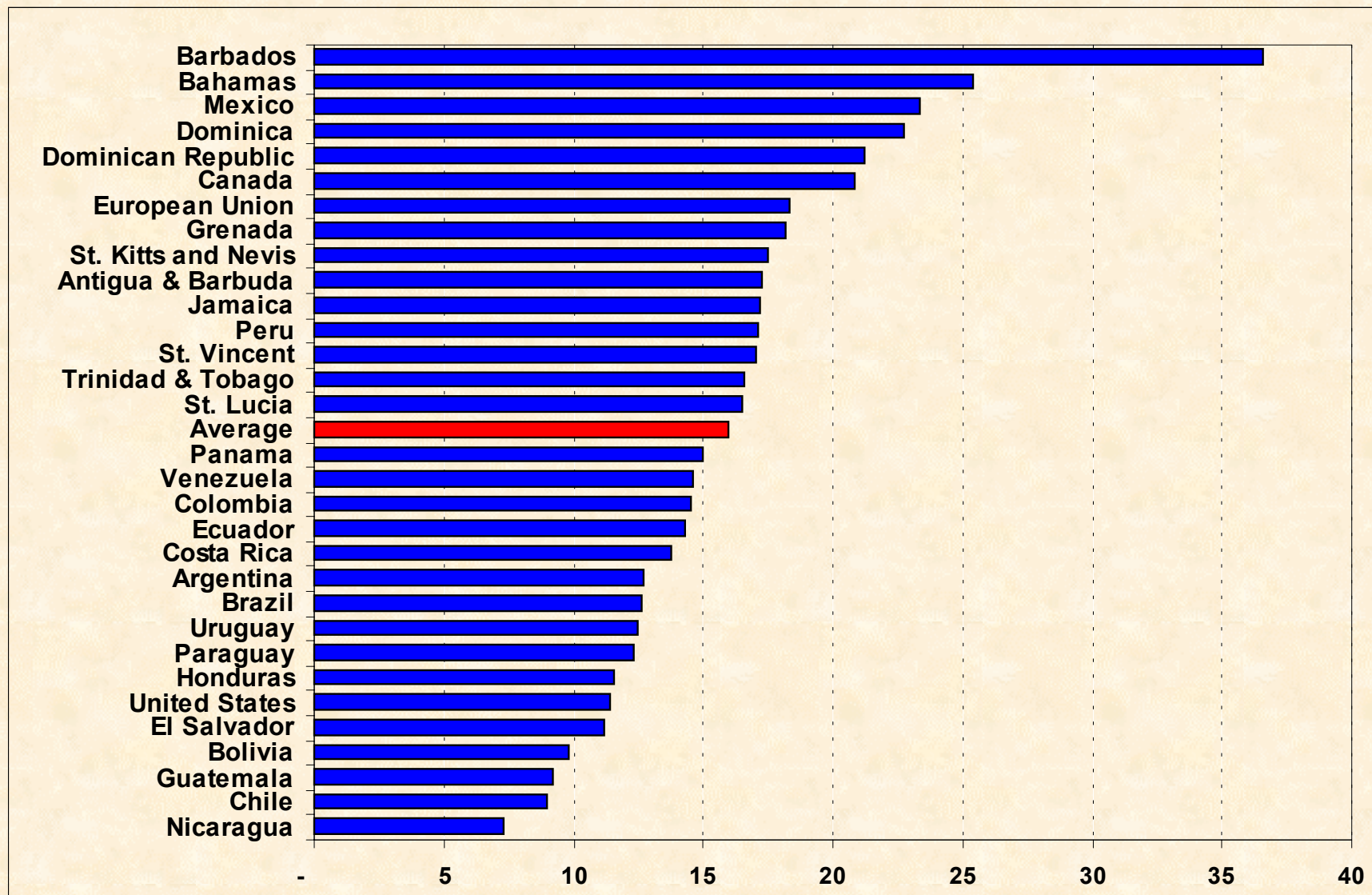
- **Large Economies (Europe, US, Japan)**
  - Agriculture is a politically sensitive sector
  - Low average tariffs....but “cirurgical” use of tariff peaks and TRQs
  - Non-tariff barriers (sanitary, technical) + Non-trade concerns (EU)
- **Small Economies (ACP, GSP, EBA, CBI, AGOA)**
  - High dependence on preferential or duty-free access
  - High tariffs (CARICOM): major source of fiscal income
  - Net Food Importers: dependence from subsidized imports
- **Middle Economies (Cairns Group)**
  - Trade preferences and quotas (TRQs) are not first best
  - (Global?) advocacy to promote agricultural trade reform (Cairns)

# MARKET ACCESS

- **High Tariffs (ad valorem, specific, mixed)**
- **Tariff Peaks and Escalations**
- **Tariff Rate Quotas (TRQ)**
- **Sanitary and Technical Restrictions**

# FTAA: Comparative Tariff Structure in Agriculture

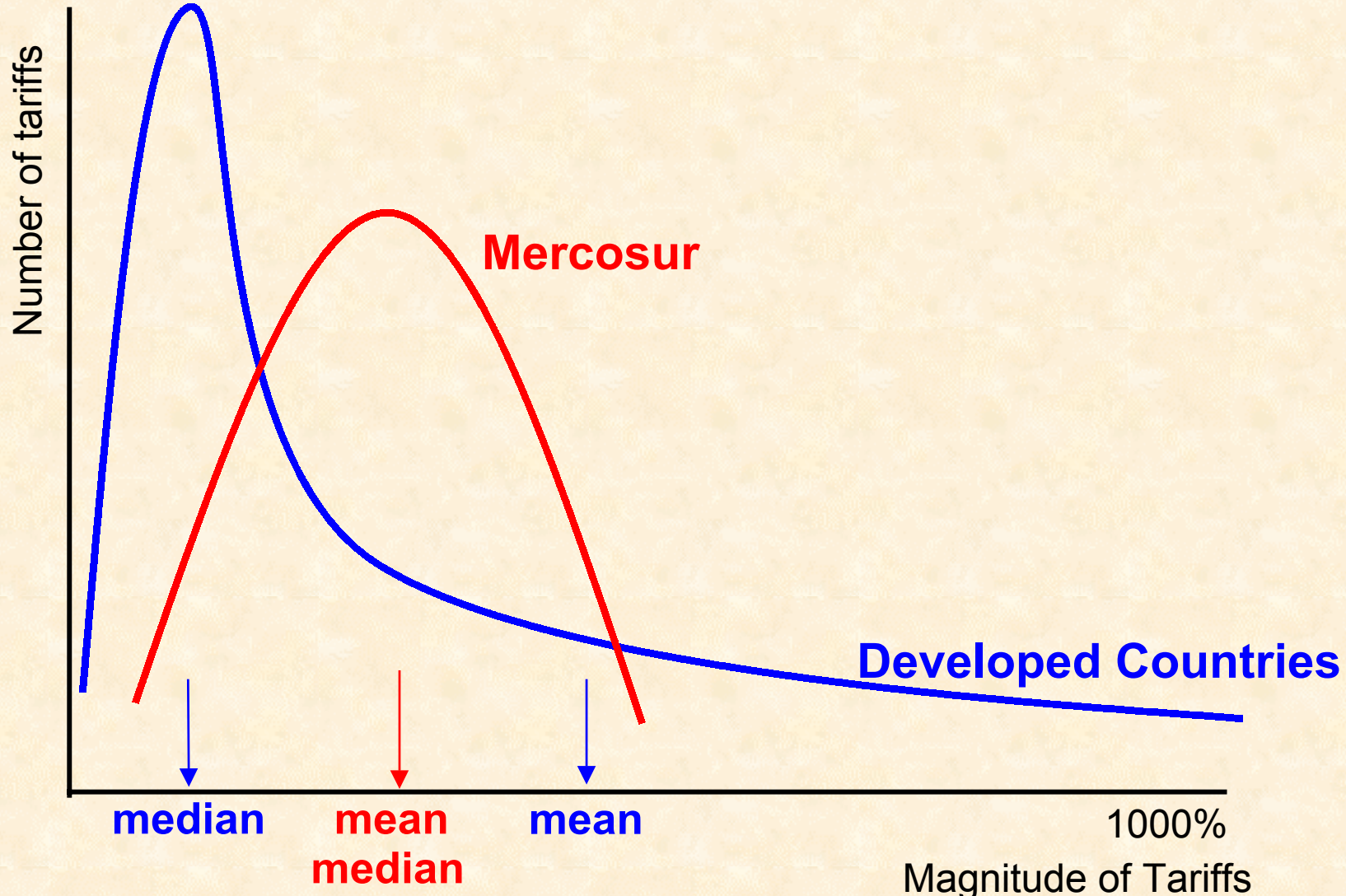
## MEAN TARIFFS (HS8 2000)



Source: 2001 Hemispheric Database of the Americas, INT-IDB Calculations



# Distribution of Tariffs



Source: M. Jank, 2002

# Comparative Tariff Profiles (2000)

## AGRICULTURE

	<b>Mercosur</b>	<b>EU-15</b>	<b>USA</b>	<b>Canada</b>
Mean (%)	12.5	18.3	10.6	22.4
Median (%)	13.0	7.7	3.5	3.0
Maximum (%)	32	252	350	538
Std Dev (%)	5.7	24.5	29.5	63.1
Nb Tariff Lines	933	2,079	1,736	1,361
Nb zero tariffs	79	845	372	538
Tariffs > 30%	1	362	120	130

Sugar, dairy, meats,  
cereals, bananas, olive oil

Sugar, dairy, tobacco,  
orange juice, peanuts

cereals, dairy,  
chocolate,  
poultry

**Note:** Harmonized System at 8 digits, including the conversion of specific and mixed tariffs in *ad valorem* equivalents and all Tariff Rate Quotas (TRQ).

**Source:** Hemispheric Database of the Americas, TRAINS, COMEXT, AMAD.



# SUBSIDIES

- **Domestic Support**
- **Export Subsidies**

# Domestic Support: WTO notifications

## EXEMPT FROM REDUCTION COMMITMENTS

### Green Box:

- Not or minimally trade distorting

### Blue Box:

- Production-limiting programs

### S&D Box:

- Developmental policies in developing countries

## WITH REDUCTION COMMITMENTS

### Amber Box:

- Trade distorting domestic subsidies, including MPS
- Measure: Aggregate Measurement of Support (AMS)
- Exception: “*de minimis*” levels (5% for DCs)

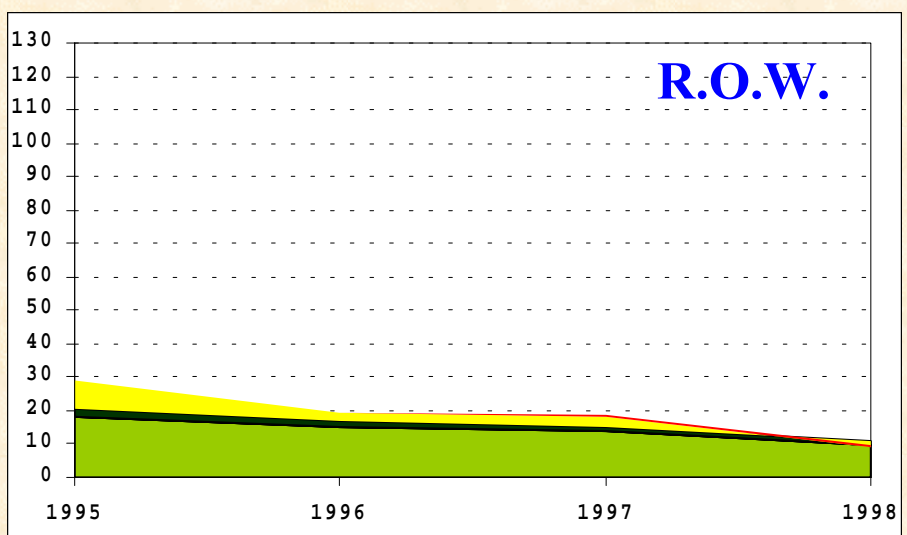
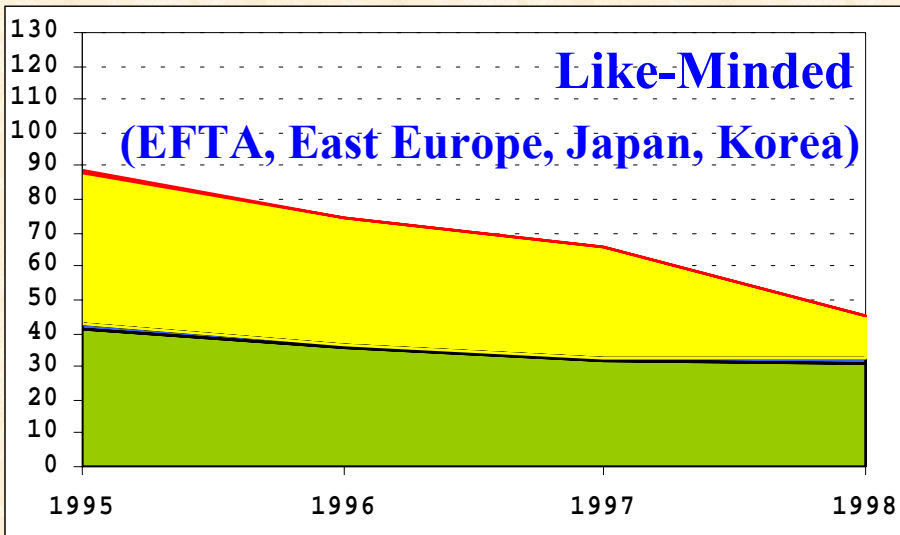
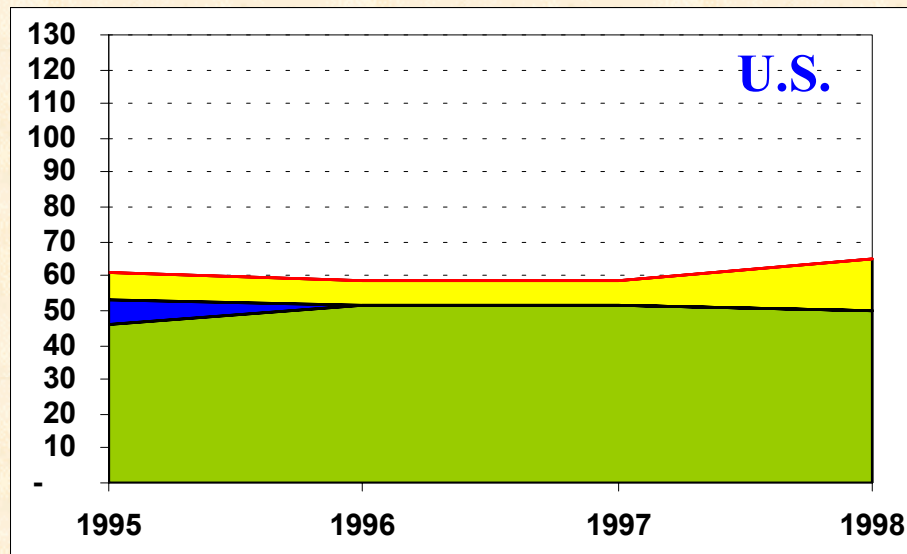
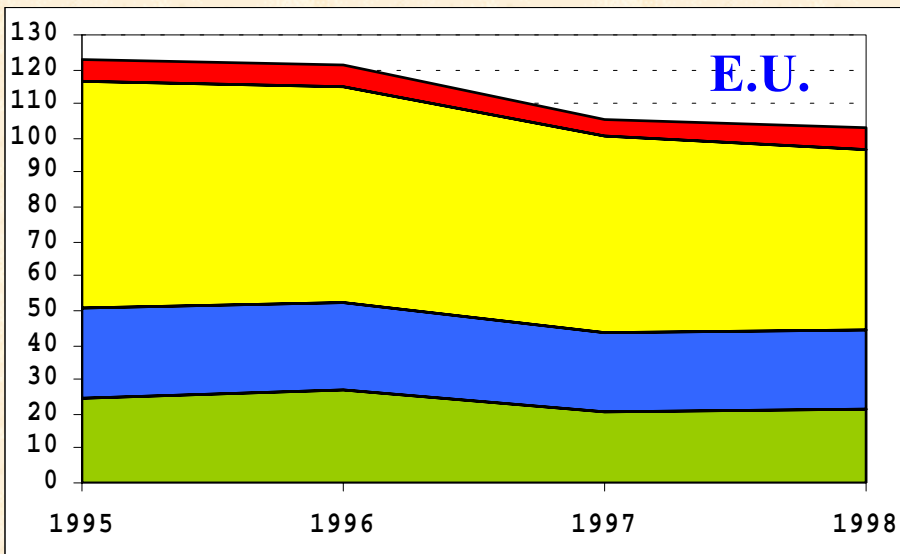
### Export Subsidies:

- New subsidies are banned

# WTO Notifications on Subsidies (US\$ Billion)

**LEGEND**

- Green box
- Amber box
- Blue box
- S&D box
- Export subsidies





# Domestic Support: PSE (OECD)

## ■ **Producer Support Estimate (PSE)**

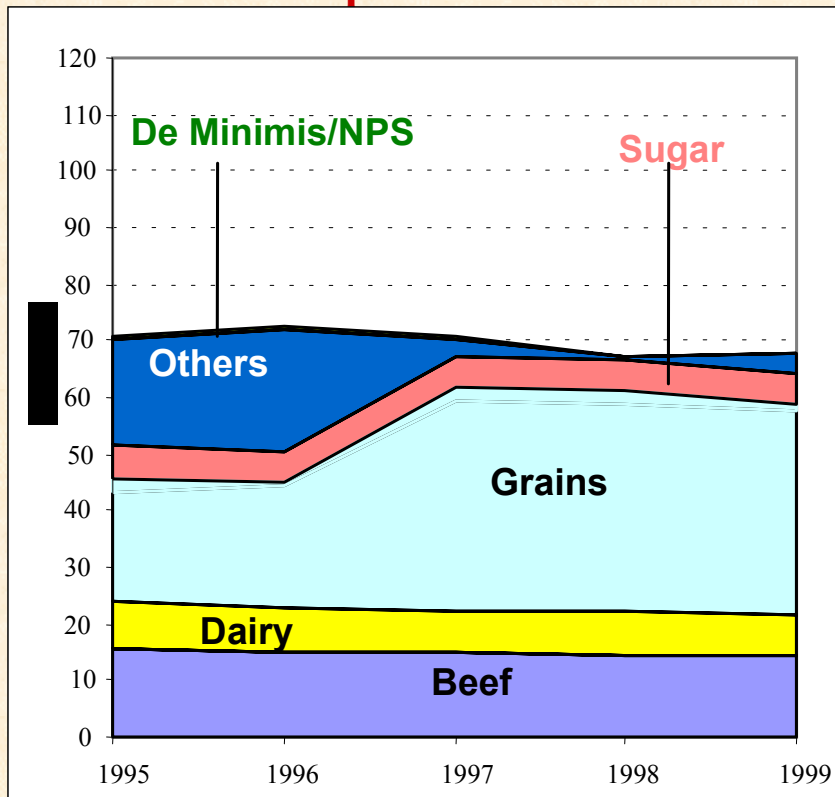
**PSE is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support producers, arising from policy measures.**

### **Two components:**

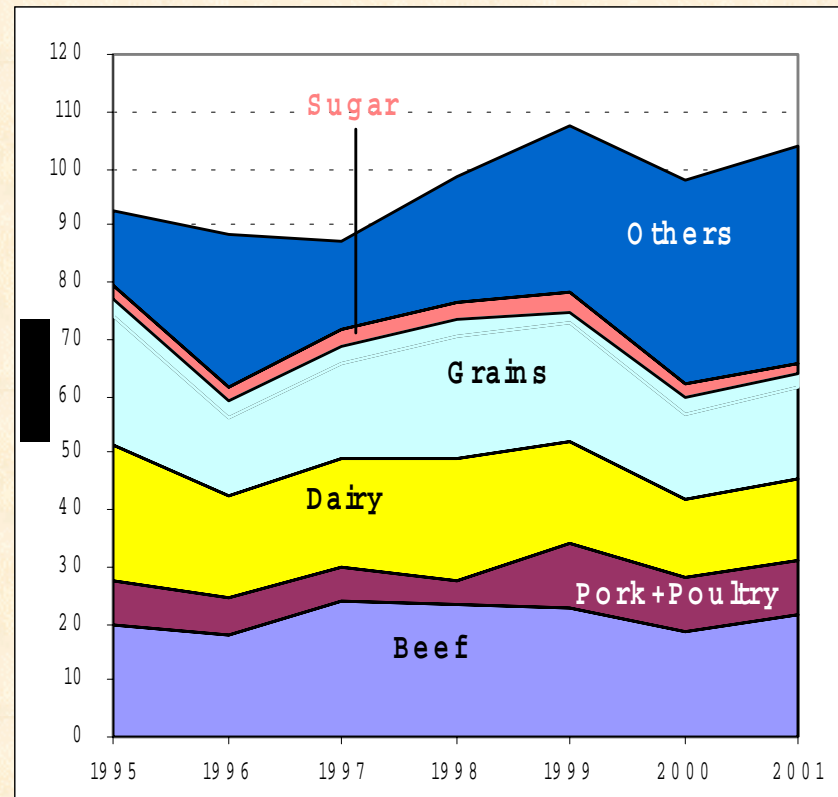
- **Market Price Support (MPS)**
- **All Budgetary Outlays**

# Domestic Support in the European Union

**Amber plus Blue boxes**



**PSE**



*Sources: WTO, OECD.*

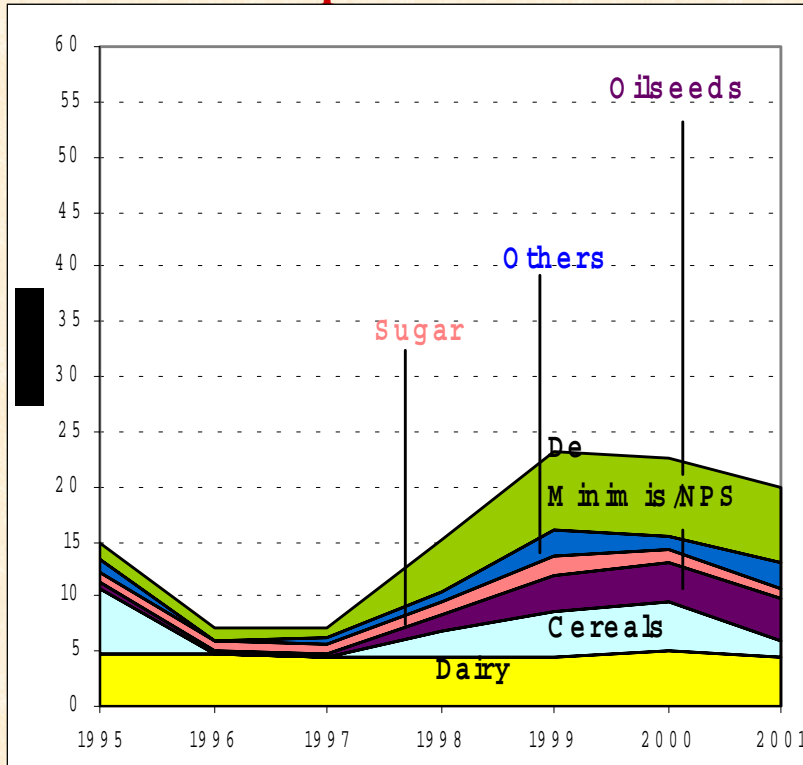
## Market Price Support

**Amber (AMS) = gov. administered price – fixed external reference 86-88**

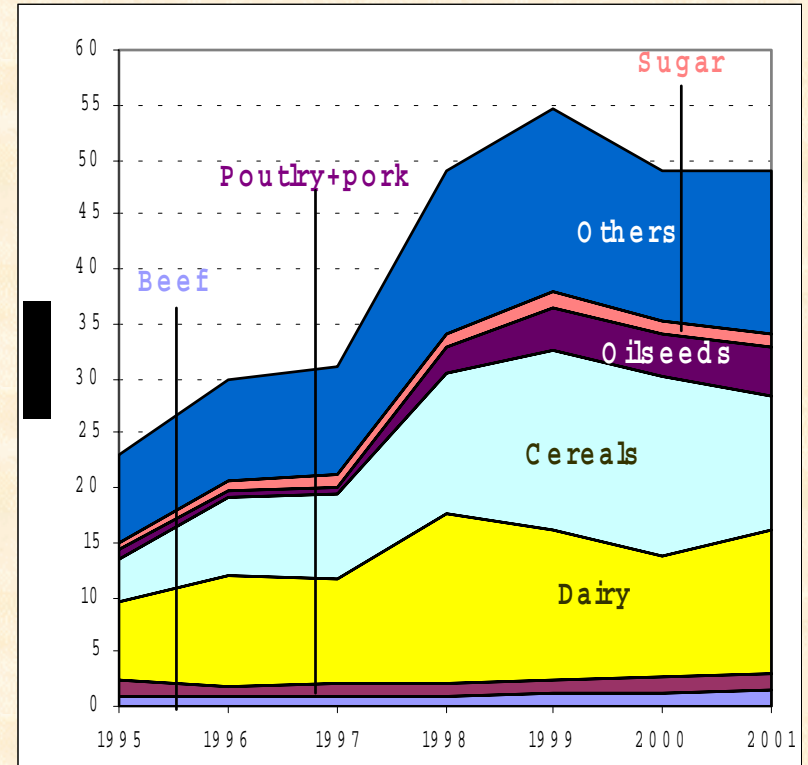
**PSE = domestic producer price – current international price**

# Domestic Support in the United States

## Amber plus Blue boxes



## PSE



Note: Forecasts: 1999-2001.

Sources: WTO, OECD

## Market Price Support

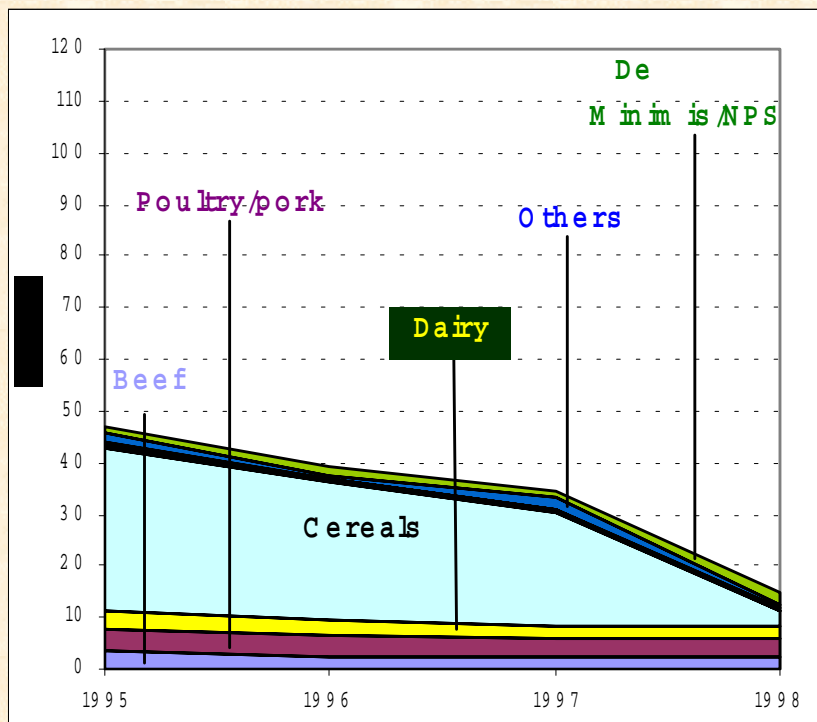
Amber (AMS) = gov. administered price – fixed external reference 86-88

PSE = domestic producer price – current international price

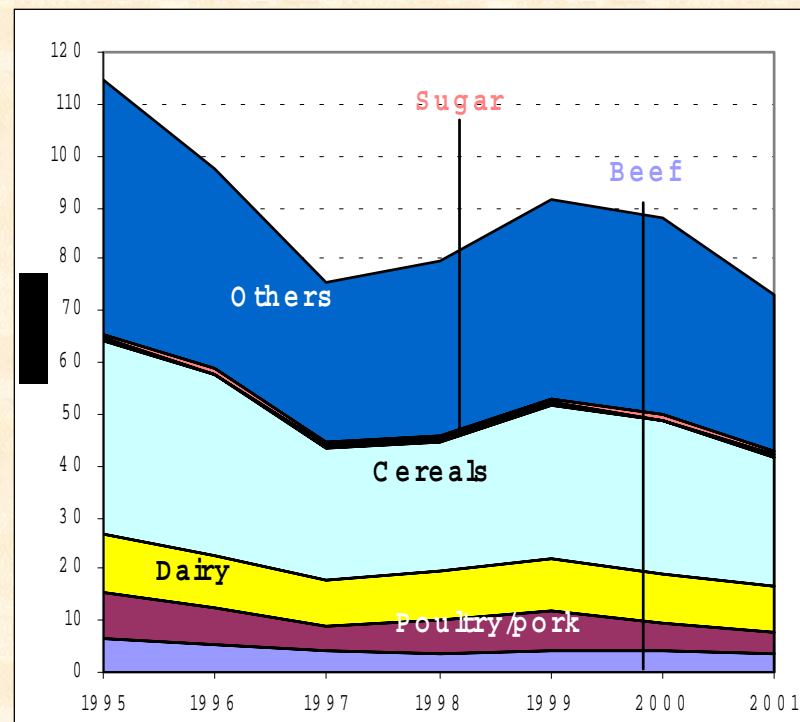


# Domestic Support in Like-Minded Protectionist Countries (EFTA, East Europe, Japan, Korea)

Amber plus Blue boxes



PSE



Sources: WTO, OECD.

## Market Price Support

Amber (AMS) = gov. administered price – fixed external reference 86-88

PSE = domestic producer price – current international price

# CONCLUSIONS

## MARKET ACCESS: ROUTE TO FREE TRADE?

### Developing countries:

- ✓ High Tariffs (bound and applied)
- ✓ Divergence of interests: free trade x preferential trade

### Developed countries:

- ✓ Strong lobbies on key sensitive products
- ✓ TRQs: fulfillment of quotas and administration issues
- ✓ Protection through specific and mixed tariffs
- ✓ Sanitary restrictions

# CONCLUSIONS

## SUBSIDIES: SEVEN LOOPHOLES OF THE URAA

- ⑩ **Export Competition: export subsidies → export credits, abuse of food aid programs**
- ⑩ **Blue Box exemption**
- ⑩ **“*De Minimis*” provisions and Non-Product Specific notifications**
- ⑩ **Trade distorting subsidies into the green box**
- ⑩ **S&D and Development Boxes**
- ⑩ **Government administered prices in AMS**
- ⑩ **Implementation issues**



# FINAL REMARKS

## FIRST BEST

- ❖ Important reduction of TARIFFS and elimination of TRQs at the Doha Round  
(CGE models: removals of tariffs → greater impact than removal of subsidies)

## SECOND BEST

- ❖ Partial liberalization of tariffs and TRQs
- ❖ Subsidies: Reduction commitments established on a product-by-product basis
  - ❖ No exceptions
  - ❖ Commitments should be established in a product by product basis
- ❖ Full decoupling of subsidies: payments should be fully decoupled from the volume of production, planted area or animal unit
- ❖ Reductions in subsidies should be related to market access enhancement

## THIRD BEST

- ❖ Access through regional integration agreements
- ❖ WTO: disciplines on subsidies

# FINAL REMARKS

## CAIRNS GROUP

- ✓ **Harmonization of the objectives and key messages**
- ✓ **Peace Clause is a key issue for important gains in trade liberalization at the Doha Round**
- ✓ **Build external coalitions in each one of the three pillars**
- ✓ **Intensify internal pressures on protectionist countries (Congress, Administration, NGOs, private sector): role of “Global Alliances”**

**Thank you!**  
**Gracias!**  
**Obrigado!**