

*The WTO Agricultural
Negotiations in Context*

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Introduction

- 2005 has been/will be a critical year for several aspects of agricultural trade policy
 - Push for agreement on Modalities at WTO Ministerial in December (Henke presentation)
 - Opening of US Farm Bill discussions
 - CAFTA and TPA extension will give opportunity for Congressional mood to be tested
 - Meanwhile, other countries are challenging US and EU farm policy in WTO
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Introduction

- Final ruling issued on key WTO cases (cotton and sugar) and GI case: GMO case report due
 - WTO panels are taking “hard line” on subsidies (cotton, sugar cases)
 - China, India and Brazil are taking more active role in trade discussions (G-20)
 - US-EU influence on trade agenda now circumscribed by developing countries
 - Bottom Line: period of significant change in agricultural trade relations
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Outline

- Progress in the Doha Round
 - Progress in non-ag WTO in 2005
 - Other agricultural issues
 - Progress in Regional, Bilateral Talks
 - WTO Litigation on Agriculture
 - Prospects for the Future
 - Conclusions
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Progress in the Doha Round

- WTO talks will need injection of political momentum to reach an agreement
- Fear of growing regionalism in trade relations could be enough to encourage an agreement
- US and EU could decide that next step in agricultural reform in WTO was compatible with domestic objectives
- But developing countries may resist market opening and demand too much of developed countries
- Stalemate in December could set the WTO negotiations back to their post-Cancun stagnation

Progress in non-ag WTO in 2005

■ NAMA

- Non-agricultural market access talks are going slowly
- Level of ambition depends on agricultural talks

■ Services

- Few significant offers of service liberalization
- No progress on Mode 4 (labor movement)

Other Agricultural Topics

- Geographical Indications
 - Negotiations ongoing (in TRIPS) on multilateral list for wines and spirits
 - Discussions continuing about extension of coverage of “additional” protection
- Differential Export Taxes
- Sectoral Initiatives
- Peace Clause
 - No mention in Framework
 - But may be needed in final package

Progress in Regional, Bilateral Talks

- US Bilaterals
 - Chile
 - CAFTA
 - Australia
 - Andean Countries
 - Developments in the Americas
 - FTAA
 - Asia
 - Europe
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Status and Content of US Bilaterals

- Mention four that are illustrative and significant for agriculture
 - US Chile FTA
 - US Australia FTA
 - US CAFTA
 - US Andean FTA

US Chile FTA

- Took ten years to complete, but now has entered into force
- Opens up Chilean market over a period of time to US exports (but Chile had low tariffs)
- Replaces price bands with safeguard system
- Frees access for Chilean goods in US market
- Offers possible platform in Southern Cone for investment

US Australia FTA

- Took two years to complete
- Sensitive issues on dairy, sugar, SPS standards
- Opens up US market to Australian goods but with very long transition periods and tight safeguards
- Sugar excluded from agreement
- Opens up Australian market for US goods
- Model for other developed country FTAs with US? New Zealand?

US CAFTA

- Took a year to complete
- Locks in CBI preferences for CA in US market
- Gives slow access to US agricultural goods, with safeguard against import surges
- Quota increase for CA sugar but no change in above-quota tariff
- Not yet presented to US Congress: may have difficulty passing House

US Andean FTA

- Negotiations started last summer
 - Would lock in Andean Trade Preference Act access to US market (to avoid future lapses)
 - Sensitive imports into Colombia will be a problem: Andean Community Price Band may need to be replaced
 - Likely to be seen as improving stability in region
 - Main incentive is political: small trade impacts
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Developments in the Americas

- MERCOSUR seems to have survived the Brazil and Argentina crises
- MERCOSUR continuing to absorb other countries (Andean Pact) in addition to Chile, Bolivia and Peru: making overtures to Mexico
- MERCOSUR-EU pact on hold but could change if WTO talks falter
- EU has FTA with Mexico and is talking to Central America
- EU negotiating FTAs with Caribbean countries

FTAA

- Commitment to remove tariffs is core, but with what exceptions?
- Agreement to limit export subsidies on intra-Americas trade is relatively easy
- No progress possible on Domestic Support
- Waiting for WTO to give boost to talks - either by dealing effectively with Domestic Support or by stalling
- Bilaterals in the Americas could eventually coalesce – in particular if Brazil and Mexico link up first

Asia

- Singapore took the lead and negotiated bilaterals (no agriculture to protect)
- Japan has caught the “regionalism” bug: FTAs with Mexico, New Zealand include some agricultural access
- China and India have been in discussions on an FTA
- ASEAN has revived interest in an Asian FTA that excludes the US and Canada
- Question is whether Asia will maintain its strong support for the WTO process?

Europe

- EU now 25 countries: soon to be 27
- Talks with Turkey, Croatia will start soon
- Replacing preferential trade agreements with 80 developing countries by reciprocal free trade agreements
- “Neighborhood” policy for Mediterranean region
- Tariff and Quota free access for LDCs (EBA)
- Talks on Russia WTO accession advanced
- EU-MERCOSUR agreement key to strategy

WTO Litigation on Agriculture

- Additional pressure put on US, EU to modify agricultural programs by WTO challenges
- Panels have found against Canadian Dairy policy, and some CWB practices
- Most significant are rulings against US Cotton and EU sugar regimes
- Rulings not restricted to these commodities: could change other aspects of US and EU farm programs
- Other cases (FSC/ETI, Byrd Amendment) also have implications for agriculture

Prospects for the Future: Doha Round

- Developing countries will have to agree to open up markets significantly
 - Some differentiation of concessions given to developing countries
 - Leadership by the Five Interested Parties will have to continue (Australia, Brazil, EU, India and US): will this be accepted by high-cost importers (G-10) and smaller developing countries (G-90)?
 - Will US-EU “harmony” be disrupted?
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Prospects for the Future: WTO Litigation

- WTO panels could continue to pick away at farm policies
- More cases could be brought and other programs be found inconsistent with WTO SCM Agreement
- Or there could be effective resistance to change (as with Beef Hormones)
- This could weaken WTO legitimacy and credibility as countries find that the US and EU do not modify policies

Prospects for the Future: Regional and Bilateral FTAs

- Regional agreements may be boosted by slow progress in WTO, become the prime location for trade policy
- US could conclude its agreements in the Americas and Africa, along with those in Asia and the Middle East
- EU could consolidate its FTAs with other countries and blocs and could turn to Asia
- Asia could decide to focus on regional rather than multilateral trade agreements
- Result could be weakening of multilateral trade system and increasing tension among regions

Conclusion (1)

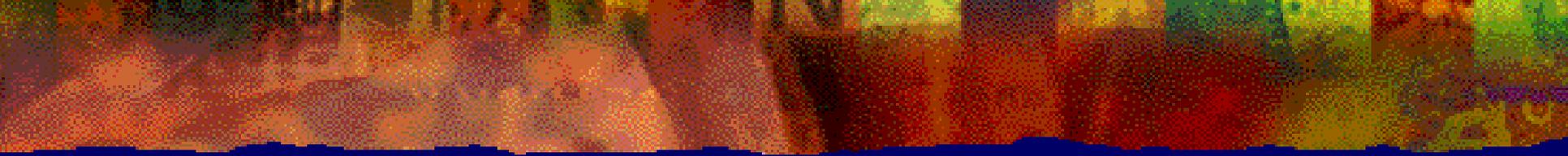
- Agriculture is at the heart of most of the trade policy negotiations, at WTO and regional levels
 - Pressures to reduce tariffs will continue either on an MFN basis or with other countries on a bilateral basis
 - Export subsidies are on the way out along with similar programs in US and Canada
 - Domestic support programs will continue to be under international scrutiny to see that they do not impede other countries
 - Litigation could add to these pressures but this will ultimately run up against limits to the credibility of WTO panels
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Conclusion (2)

- Other trade issues will become increasingly important:
 - Intellectual property issues such as Geographical Indications
 - SPS and TBT issues relating to standards and health restrictions
 - Biotech issues such as GM foods will exacerbate trade tensions
 - Invasive species and the protection of plant and animal health without losing the advantages of trade
 - Structural issues in the food system such as control of supply chains and problems with those that cross borders

Conclusion (3)

- Trade will continue to expand regardless of trade agreements, so long as the basic trade rules are not abrogated
- Bilateral, regional and multilateral trade agreements will broadly be mutually complementary so long as trade relations do not deteriorate
- Domestic policy will (slowly) evolve to become less obtrusive in trade relations, whether through negotiation or litigation
- Integration of the food and agricultural system will continue on a global scale



Thank You