A Sector Agreement for Agriculture?

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Introduction

• Stoler has outlined the case for a 38-country CMA for agriculture that appears to be economically sound but needs to be sold politically
• Estavadeordal has shown that regional trade agreements do seem to have had some success in reducing agricultural trade barriers
• Trojan will put the agricultural talks in the context of a comprehensive multilateral round
• I will expand on the issue of whether a “153-member CMA” could ever converge on an agricultural sector agreement that advanced the URAA agenda
Sector Agreements

• The UR envisaged the process of negotiations as continuous, with Ministerials every two years to take decisions
• These on-going talks could follow an approved agenda but could focus on individual sectors seriatim
• Trade-offs would be established over time rather than be needed at each step
• This may require a more formal accounting for “unsatisfied negotiating rights”
An Agricultural Sector Agreement?

• The URAA already exists and Article XX mandates further negotiations
• These were incorporated into the DDA in 2001
• But if the DDA stalls then the search will be on to find an “exit strategy”
• An Article XX negotiation could be a way to salvage the significant progress made in eight years
Possible Content of a URAA-II?

• Export competition issues would be included along the lines of the Dec 2008 DDA draft modalities
• Domestic Support would also be included in line with draft modalities
• Cotton subsidies would be cut “faster and deeper”
• Export bans would be eliminated and export taxes restricted (in parallel with export subsidies)
Comparison with DDA Modalities?

- Lose the “ambitious” tariff cuts package
- Simplify agenda by focusing on issues where text is generally agreed (subject to agreement in other areas)
- Introduce export restriction restraints
- Could include obligations to continue negotiations on outstanding issues (GIs?)
- Could be presented as an interim package
Possible Country Reactions?

- The EU would not have to reduce tariffs so much, but would be getting less in return for DS and XC concessions.
- Japan and Korea would be “off the hook” – and would gain from export restriction rules.
- Brazil would get much of what they request.
- Most developing countries would not be taking on additional obligations.
- But ... The US would have little interest in such an agreement if there were no market access benefits on the table.
Market Access in a URAA-II?

• Use a simple tariff cut formula repeating the reductions in the UR: 36 percent overall - 15 percent minimum per tariff line (with S&D for developing countries).
• TRQs would be increased on a formula or request and offer basis.
• No provision for Sensitive Products and Special Products
• Other market access issues would remain to be negotiated, including Safeguards (SSM) and DFQF access for LDCs
What is the main problem?

• The main problem with a stand-alone URAA-II agreement on agriculture is the lack of trade-off in market access

• Japan, Korea and other countries that would lose (in mercantilist accounting) from cutting agricultural tariffs would not be able to balance those against benefits from NAMA

• That suggests that tariff cuts should not end with the URAA-II: more ambitious tariff cuts would have to be integrated in with NAMA negotiations (with different coefficients)
What are the benefits of a URAA-II?

• Rescue useful parts of the DDA agenda
  – Export subsidy elimination
  – Sharp reductions in trade-distorting domestic support
• Add balancing item
  – Export restriction rules
• Simplify market access negotiations, though with less ambition
• Make a package that could be integrated with other aspects of agricultural trade (food security, climate change)
Package?

• WTO under pressure to contribute trade initiatives for support of broader issues
  – Food Production and Food Security
    • Support of agriculture in developing countries
    • Reliability of supplies at the international level
  – Climate Change Mitigation and Adaptation
    • Agriculture as a crucial part of carbon sequestration
    • Trade as the linchpin of adaptation to changing climate
  – Growth with Limited Resources
    • Making best use of water, land
Package?

• In emerging architecture of multilateral institutions most problem areas cross agency boundaries
• FAO, WB and regional bodies will continue to have major remit in agriculture and development
• WTO needs to contribute clear trade rules that support these efforts but guard against the use of policies that fragment markets and make international transactions more costly