

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