

Critical Mass as an Alternative Framework for Agriculture Negotiations

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Critical Mass Trade Agreements

- Application of Art. XVI:4 (Industrial export subsidies) – 1962
 - Applied by 17 of GATT's 42 Contracting Parties
- Kennedy Round Antidumping Code – 1967
 - Limited participation
- Tokyo Round NTM Codes – 1979
 - Variable geometry / limited participation
- Information Technology Agreement – 1996
 - CM = 90 percent of world trade in covered products = 40 governments
- Financial Services Negotiations – 1997
 - CM = 70 governments
- Basic Telecommunications Services Negotiations – 1997
 - CM = 91 percent of telecom revenues = 69 governments

Potential for Critical Mass Agreements in Agriculture Trade

Product (HS No)	WTO Exporters	Non-WTO Exporters	WTO Importers	Non-WTO Importers	Total for 90% + Global Trade*
Soybeans (120100)	3		11		14 (14)
Wheat (100190)	6	1	32	4	40 (35)
Maize [Corn] (100590)	4		25	2	30 (28)
Cheese NES (040690)	8	1	20	7	31 (23)
Bovine Cuts (020130)	7		7		12 (12)

* No double counting of countries that export & import. WTO Members in ().

Characteristics of a CMA

- Opt – in Agreement
- Scope: Market Access & Subsidies
- MFN Applicability
- Bound in WTO Schedules ?
- Subject to DSU ? By Who ?

Change in Net Welfare, \$US Millions (2006): Simulation using the ATPS Trade Model

World Region	A CM: Zero Duties	B CM: Zero Duties & Zero Subsidies	C CM – 35: Zero Duties	D CM – 35: Zero Duties & Zero Subsidies	E “Doha Modalities” Result
Four Emerging (Brazil*, China, India, Indonesia)	-325	-286	-442	-295	-123
CM Agreement Members	10,986	20,706	11,962	21,297	15,746
Developed Countries	9,383	18,014	9,734	18,016	15,108
Developing Countries	652	1,472	852	1,689	24
Oceania	643	1,277	444	1,075	896
World	9,651	18,926	10,262	19,201	14,741

* By itself, Brazil realizes important net welfare gains in all scenarios modelled.

CMA politically viable for agriculture?

NO

- Need to balance agriculture negotiations with NAMA & Services
- Multi-speed WTO and unacceptable free riders
- Comparative advantage in agriculture not distributed along developed and developing country lines

YES

- Nothing in CMA for agriculture makes other negotiations impossible
- Current draft modalities produce multi-speed WTO and free riders
- Need to abandon purely mercantilist view and look at total national economic welfare