

## **Draft Agricultural Modalities for the Doha Round: Taking Stock of the Trade & Development Implications**

### **Session II: IMPACTS FOR BRAZIL**

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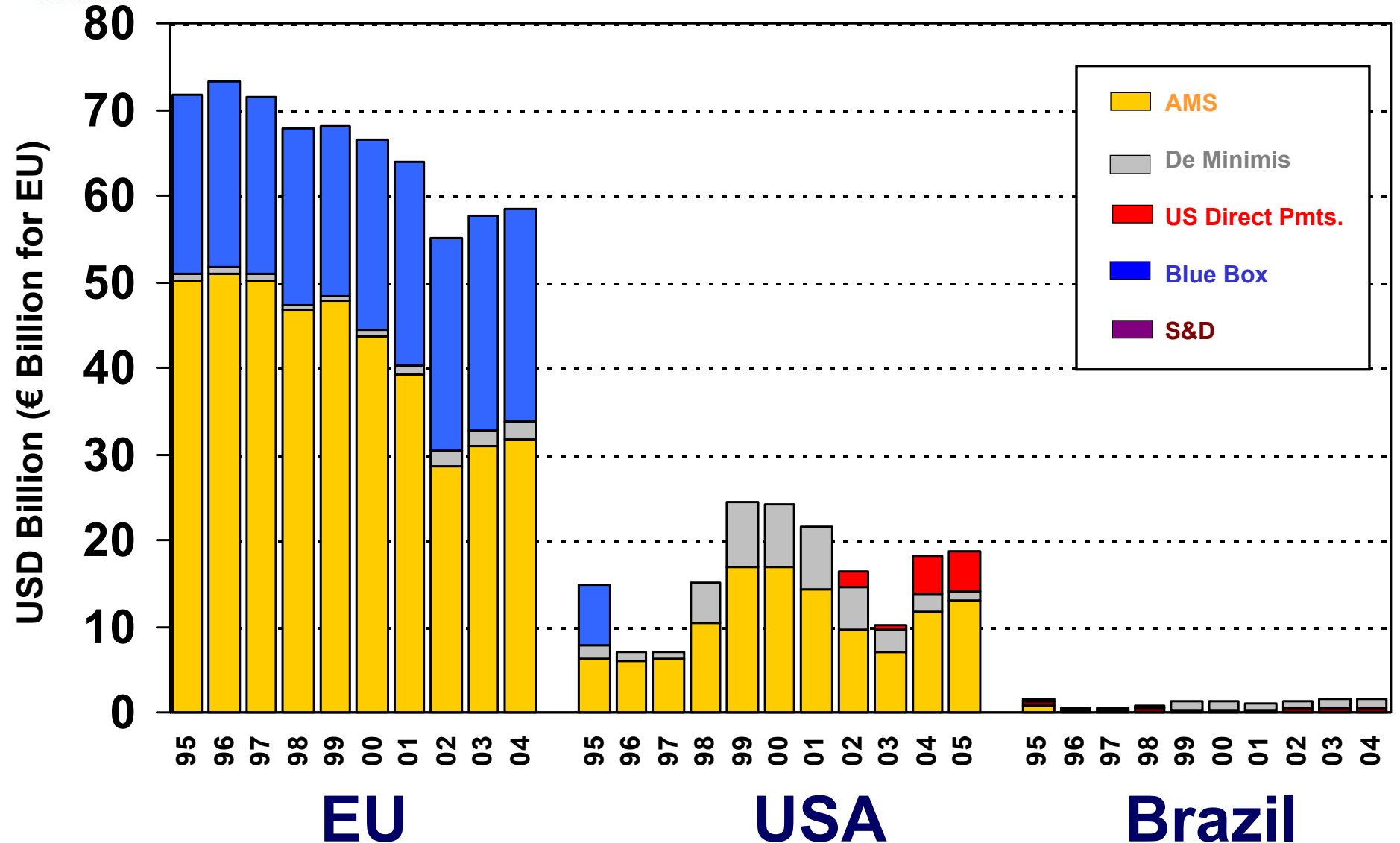
# Doha Round: Some General Lessons

- **Doha round: focus on rules, not on market access**
  - Results of this round are concentrated in disciplines: domestic support and export competition.
  - Market access: results restricted to some products and specific situations (TRQ expansion).
  
- **Notion of “Development Agenda”**
  - Development = liberalization.
  - Development = mechanisms to avoid negative impact of trade.
  
- **Multilateral round, but few countries will make efforts**
  - LDCs, SVEs and RAMs.
  - Developed: US, EU, Japan, Switzerland, Norway, Iceland, Canada, Australia, New Zealand.
  - Developing: Mercosur, India, Indonesia, Malaysia, Philippines, Thailand, South Korea, Mexico, Colombia, South Africa, and others.
  
- **Much of the “effort” will be “squeezing water.”**

# Domestic Support in Brazil

- Like most developing countries, Brazil does **NOT** provide significant levels of domestic support.
  - Scarcity of funds
  - Competitiveness of Brazilian agriculture
- Trade-distorting support is **NOT** significant
  - Monetary value (95-04 avg): **\$1.15 billion**
  - Share of ag production value (95-04 avg): **2.6%**
- Trade-distorting support is mostly **NON** product-specific
  - Share in total trade distorting support (95-04 avg): **72%**
- Green Box support is also **NOT** significant
  - Monetary value (95-04 avg): **\$2 billion**
  - Share of ag production value (95-04 avg): **4%**
  - Green Box expenditures significantly reduced: **\$800 million** in 2004 (**1.3%** of ag production value).

# WTO: OVERVIEW OF TRADE-DISTORTING SUPPORT



# Domestic Support Commitments in Brazil After the Doha Round

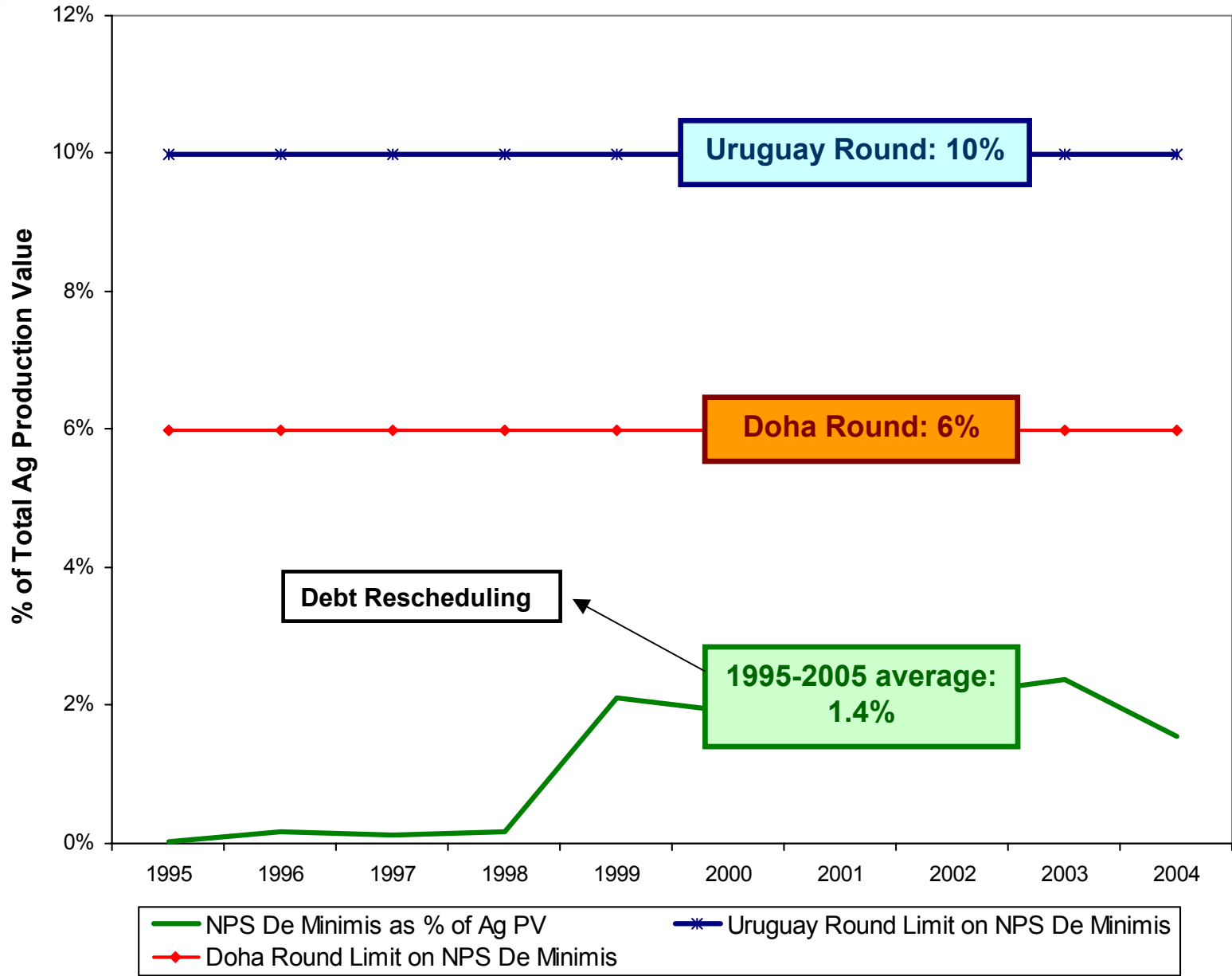
CATEGORY	DOHA ROUND MODALITIES			APPLIED LEVELS (95-04)
	Base (US\$ Million)	Reduction	New Ceiling (US\$ Million)	(US\$ Million)
AMS	912 <i>(UR final bound level)</i>	30%	638	8
PS De Minimis	5,202 <i>(UR level: 10% of PV)</i>	[40%]*	3,121	251
NPS De Minimis	5,202 <i>(UR level: 10% of PV)</i>	[40%]*	3,121	540
Blue Box	2,601 <i>(New base: 5% of PV)</i>	0%	2,601	0
OTDS	13,917	[40%]*	8,350	799



\* Reduction of OTDS and De Minimis for developing countries will be between 33.3% and 40%. The table simulates impact of the highest possible cuts in this interval.

➔ In addition, Brazil will have continued access to the provisions of **Article 6.2** of the URAA.

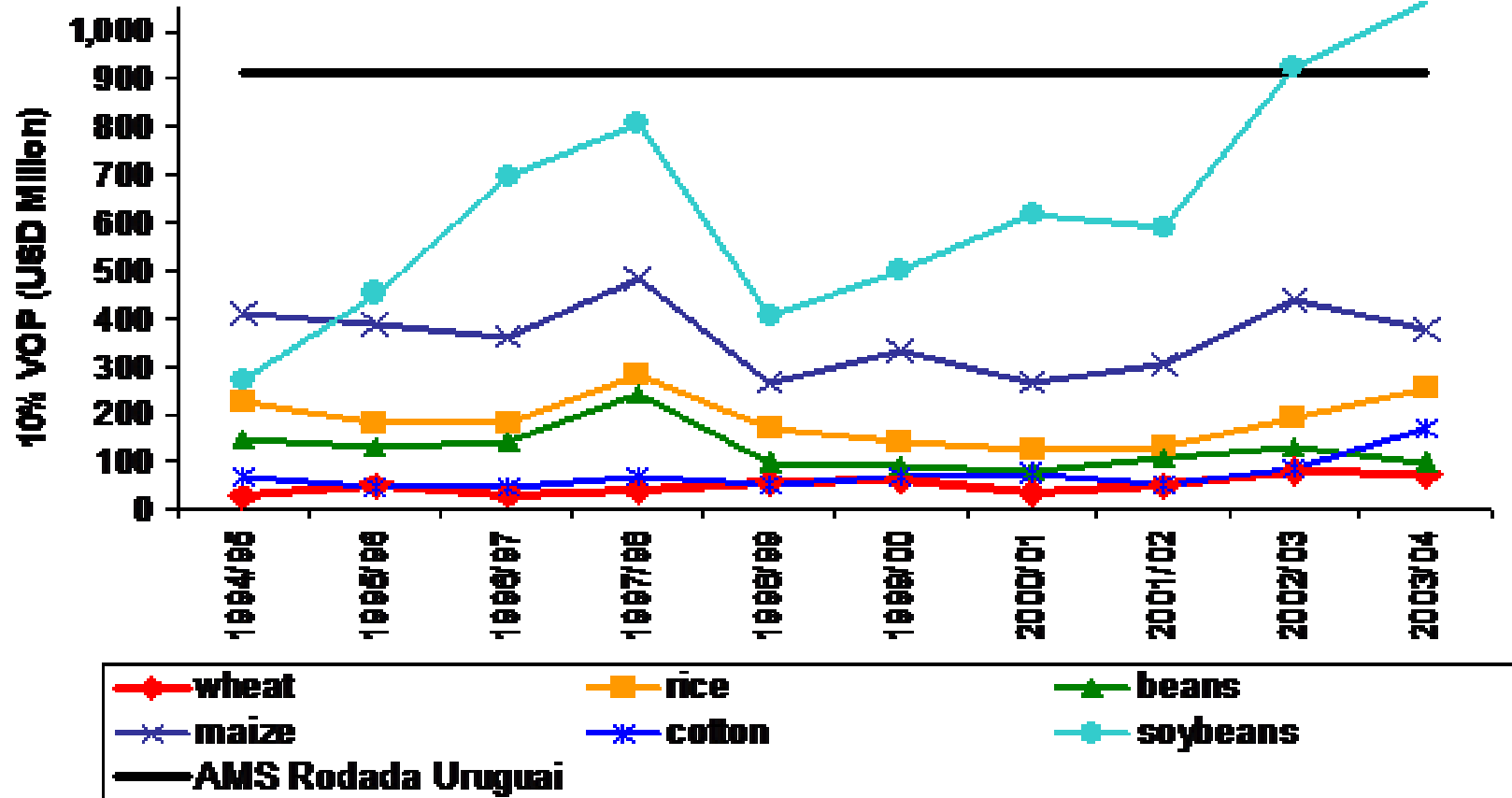
# NPS De Minimis Not Binding in Brazil



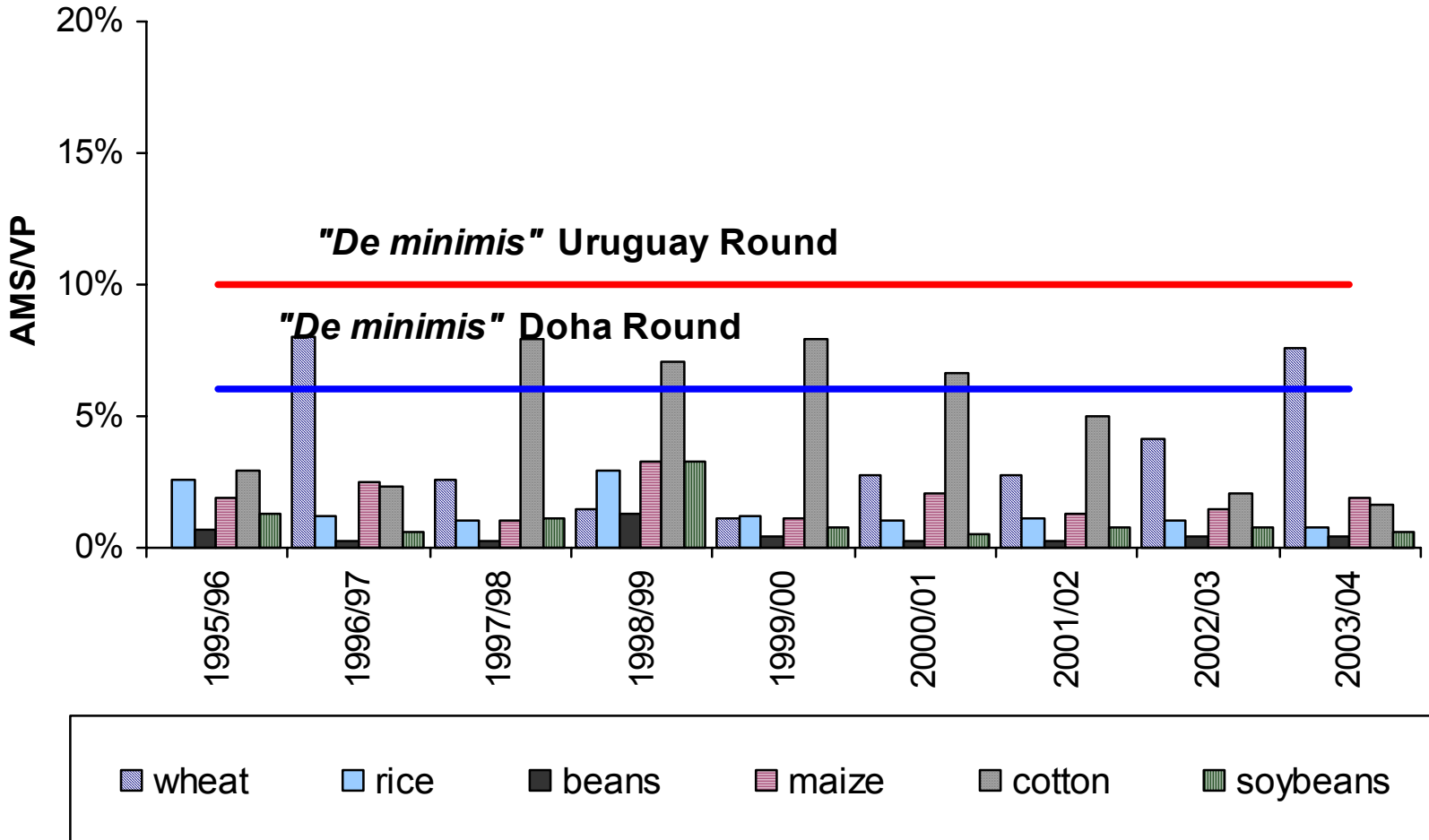
# Product Specific De Minimis as Key Factor Disciplining DS in Brazil

- Brazil's Final Bound Total AMS is low relative to the value of production: \$912 million (1.7% of the value of ag production).
- The De Minimis commitment level for a single crop, i.e. soybeans, is higher than Brazil's total AMS.
- If soybean subsidies exceed the De Minimis level, they automatically exceed the Final Bound Total AMS.
- The same would apply if Brazil concurrently exceeded its de minimis levels in Sugarcane and Corn.

# Product Specific De Minimis as Key Factor Disciplining DS in Brazil



# Product Specific De Minimis

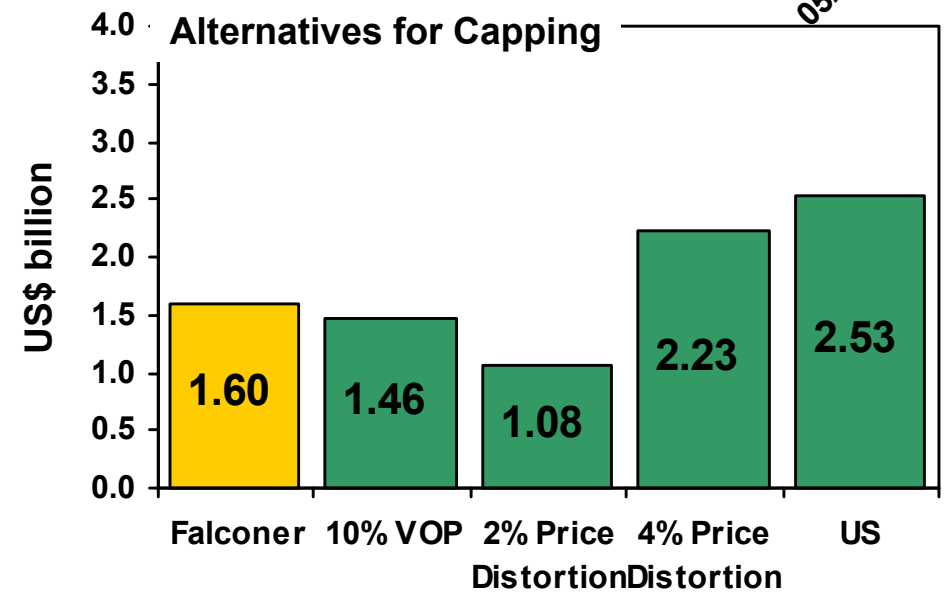
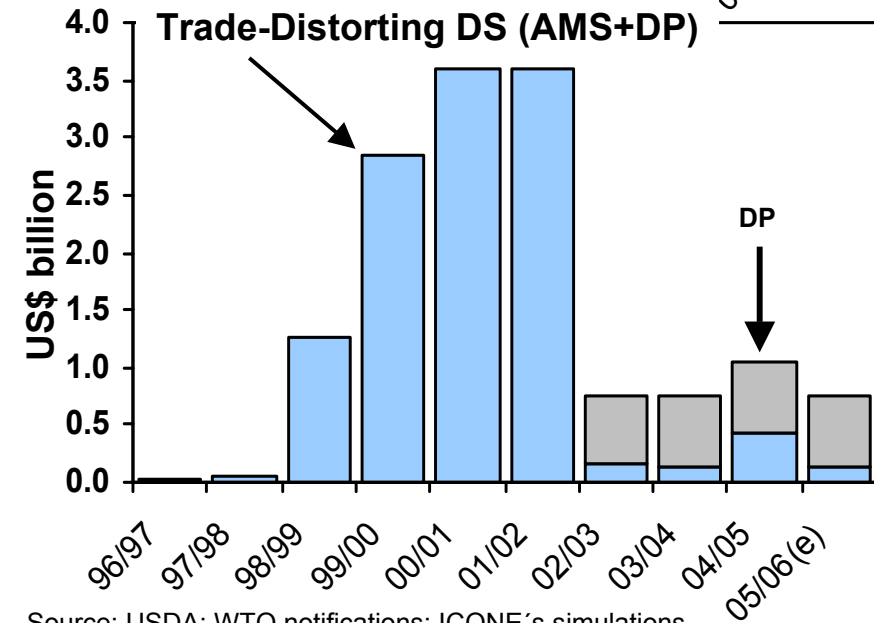
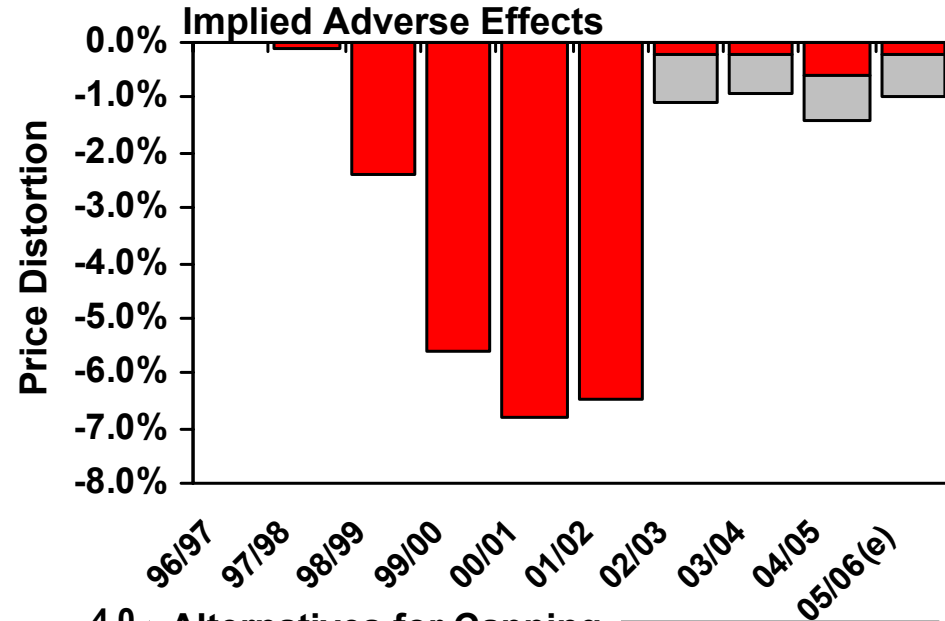
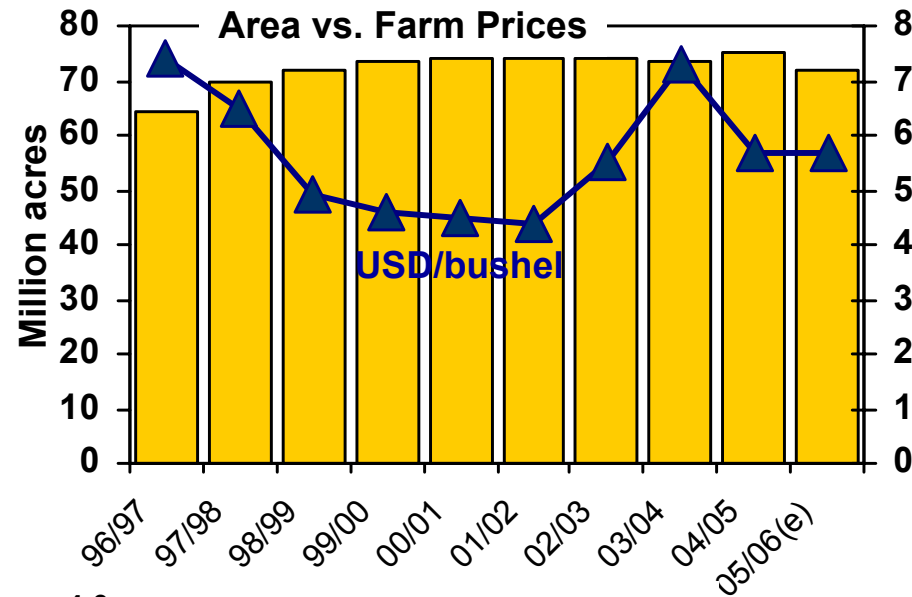


# What does really matters?

**Domestic Support Elsewhere.**

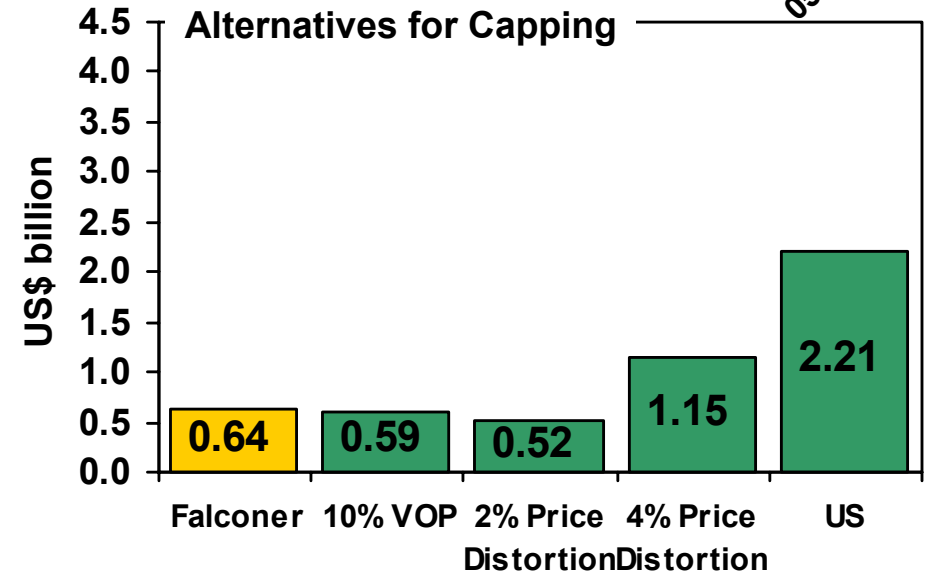
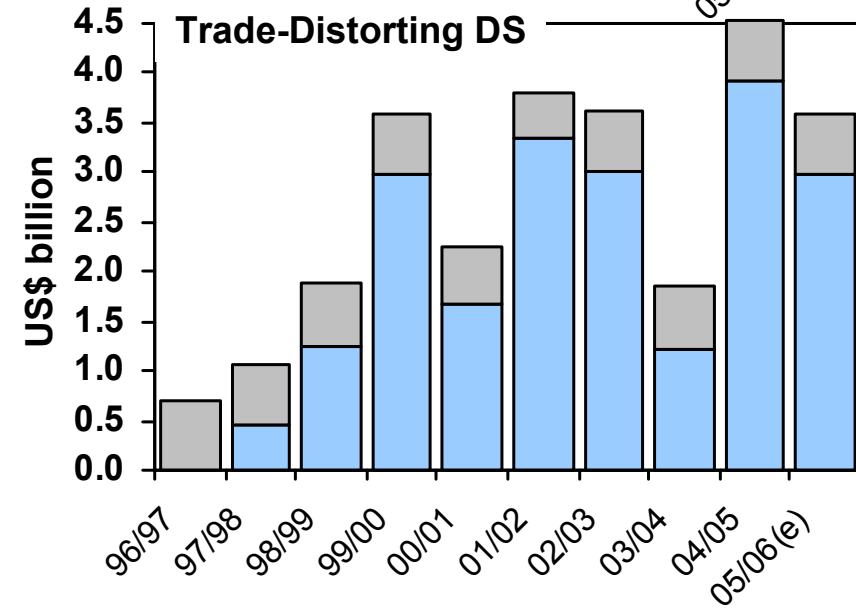
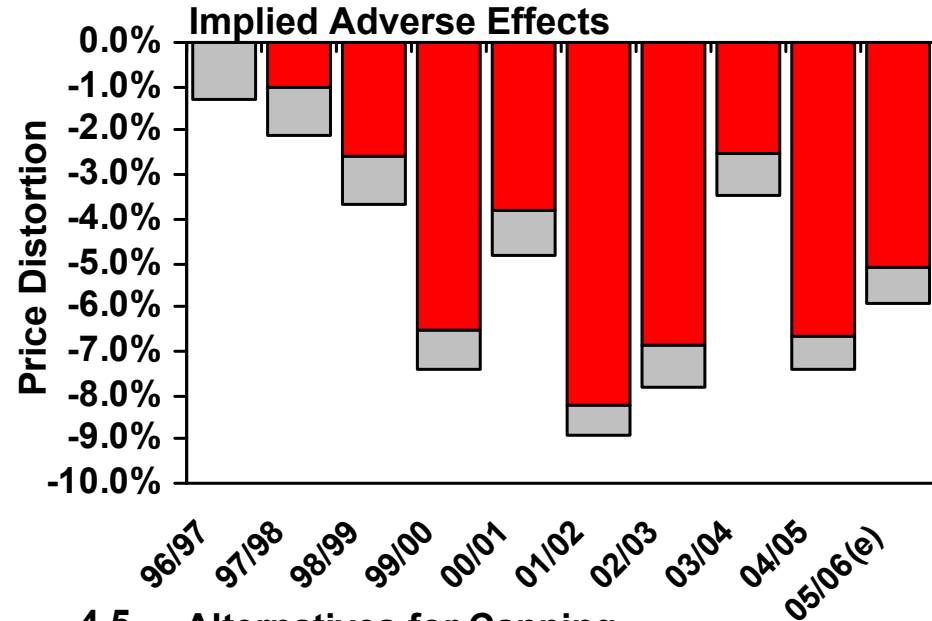
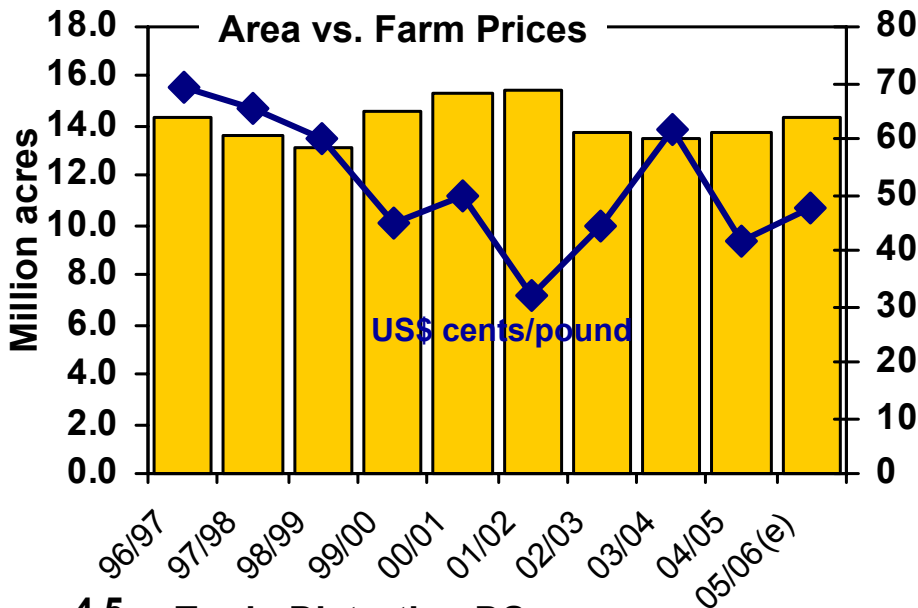
# US Soybeans

## Product Specific Capping based on Adverse Effects on World Market



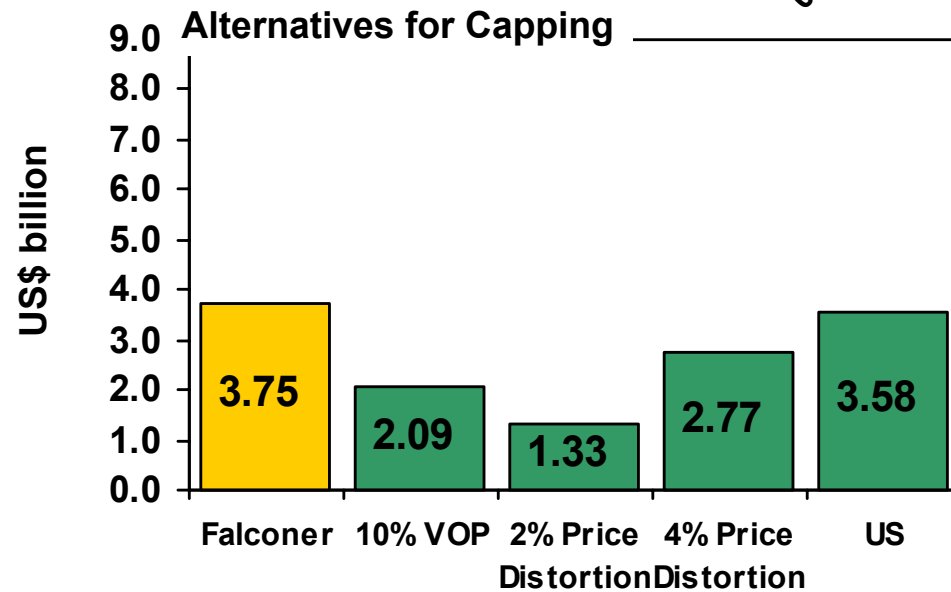
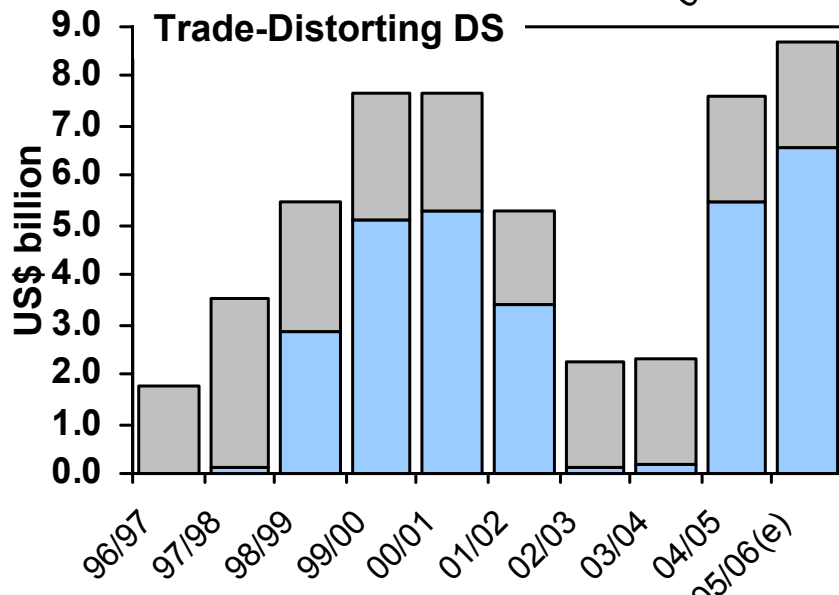
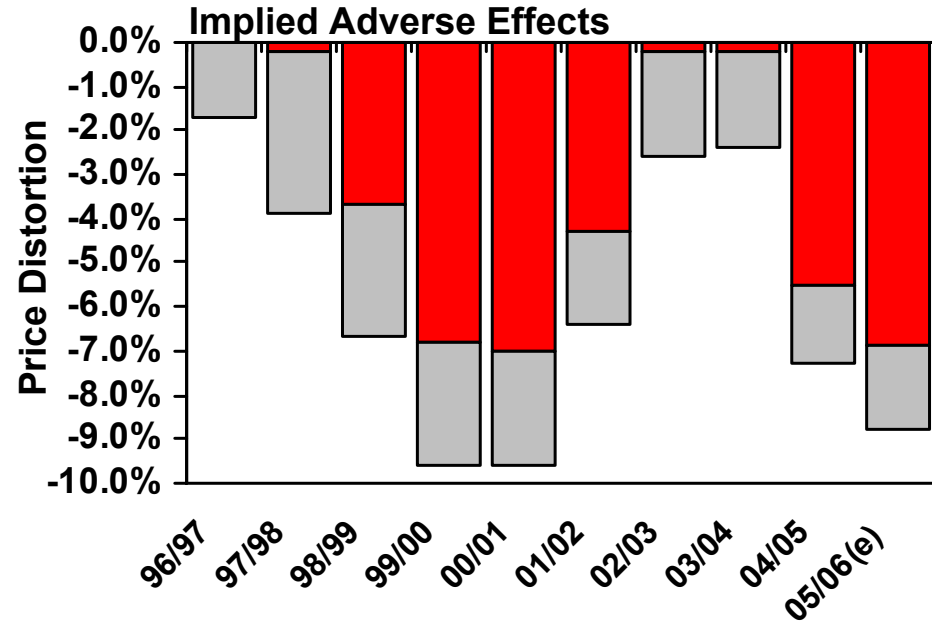
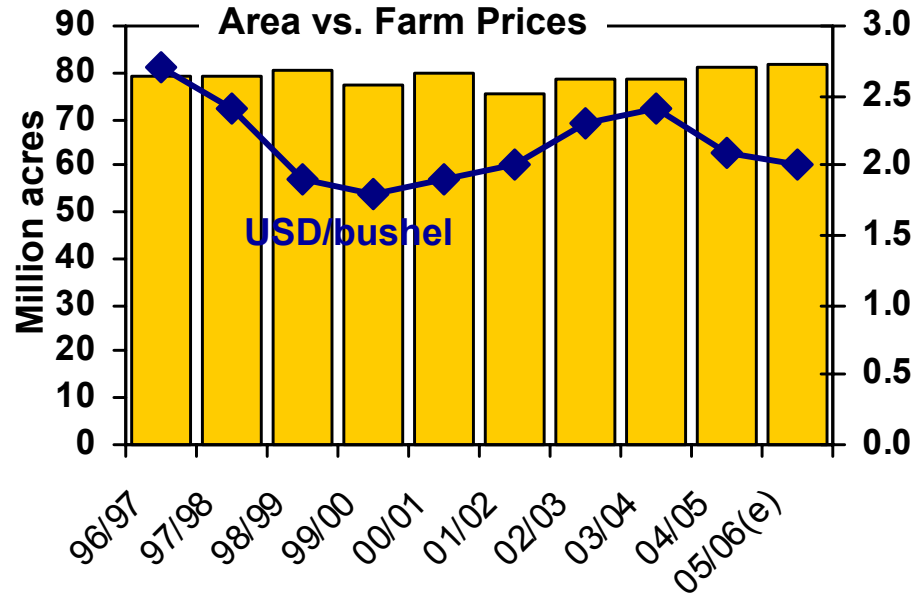
# US Cotton

## Product Specific Capping based on Adverse Effects on World Market



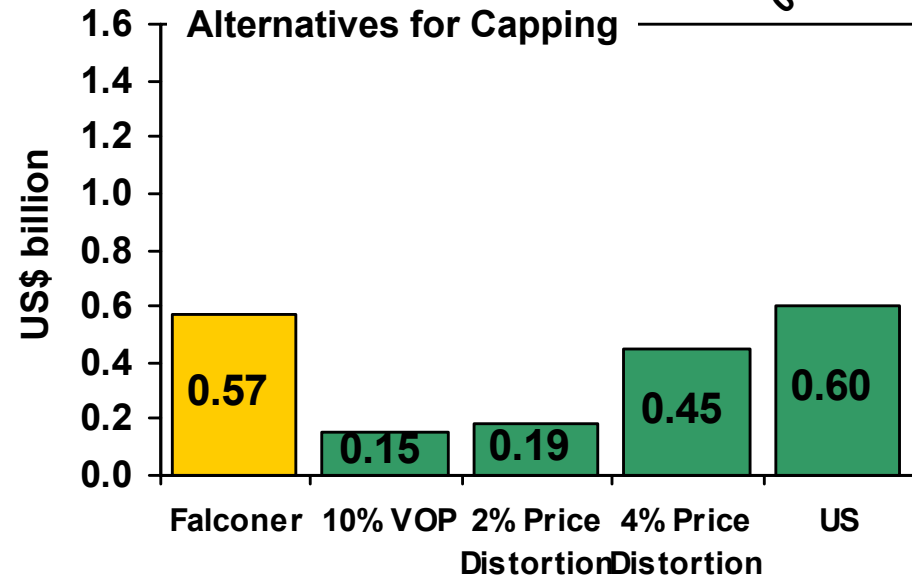
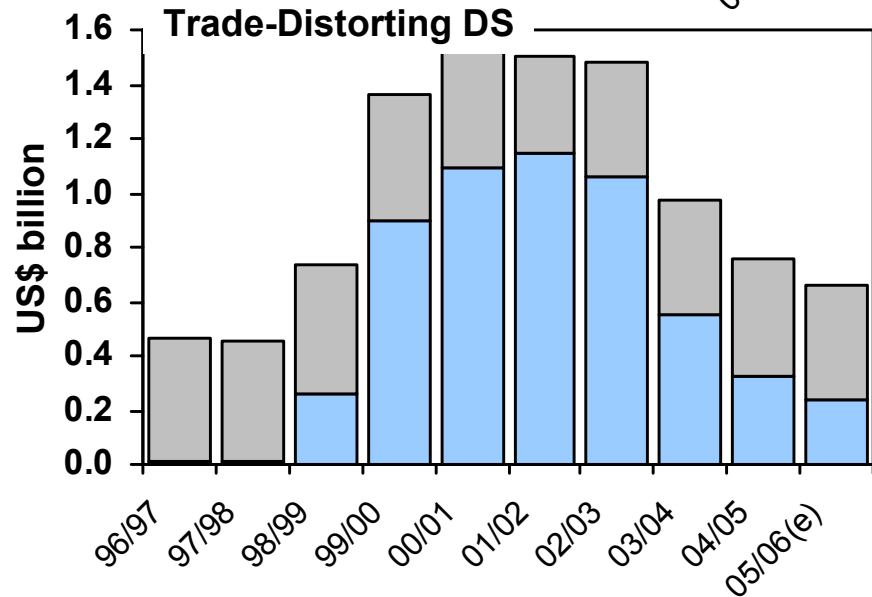
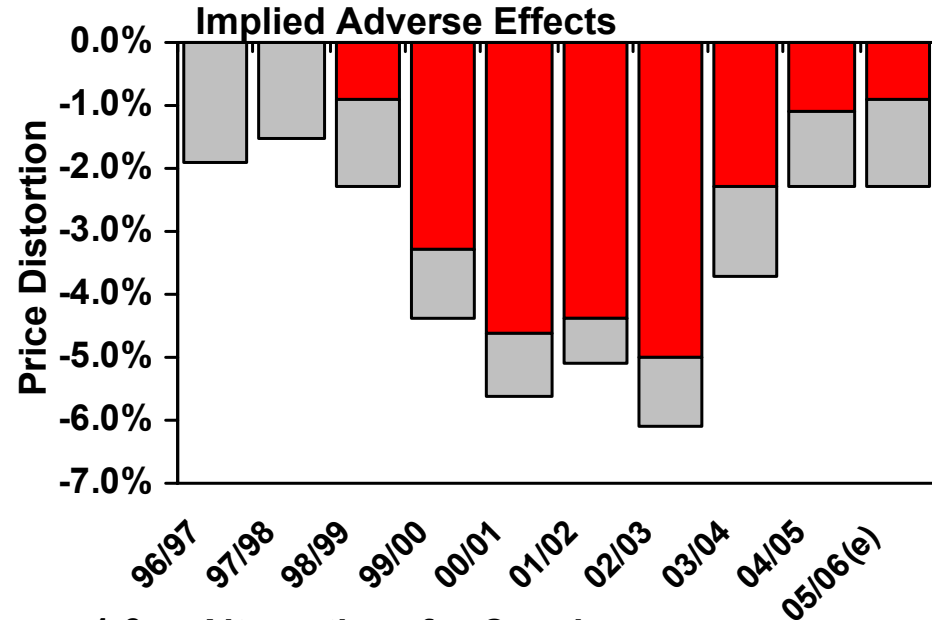
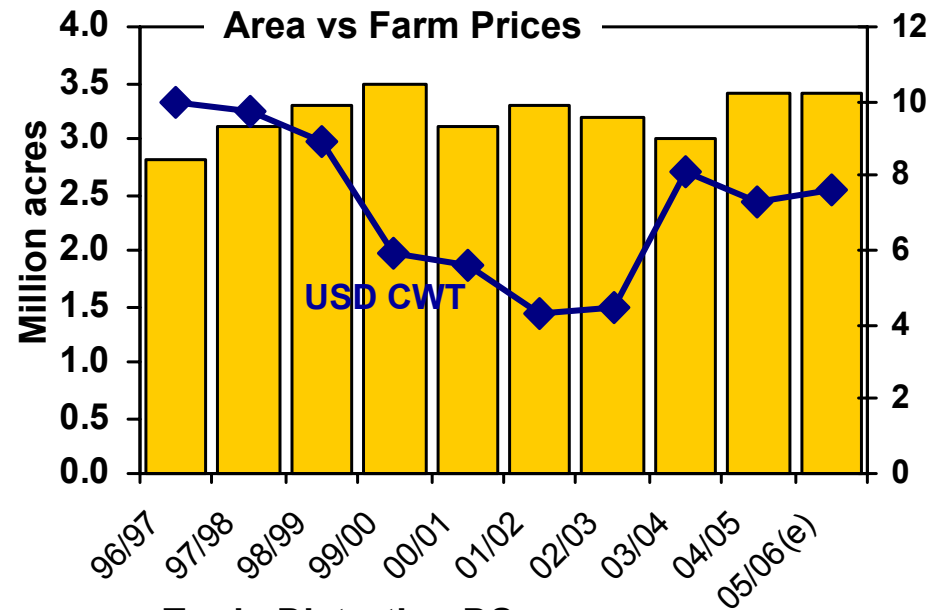
# US Corn

## Product Specific Capping Based on Adverse Effects on World Market

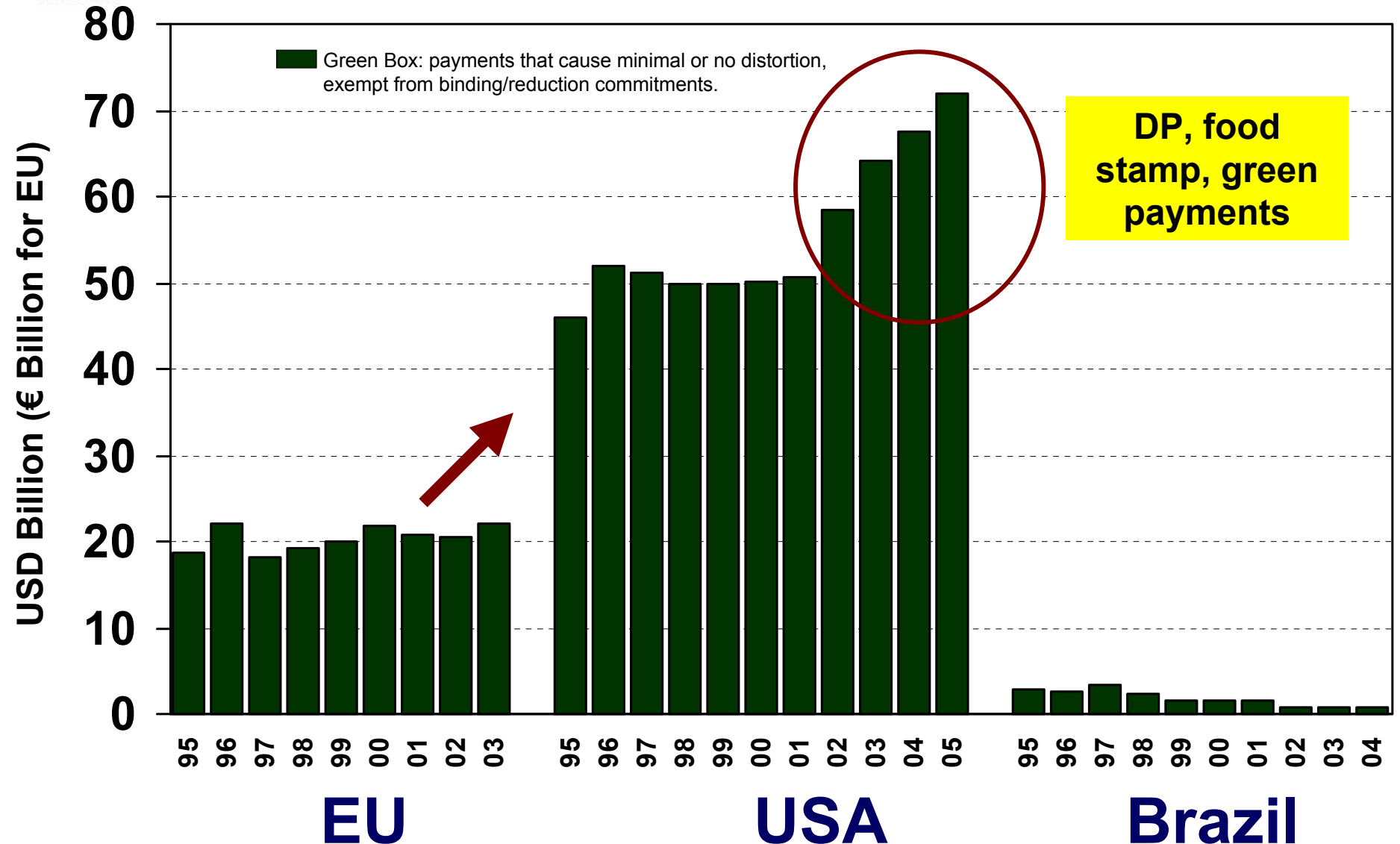


# US Rice

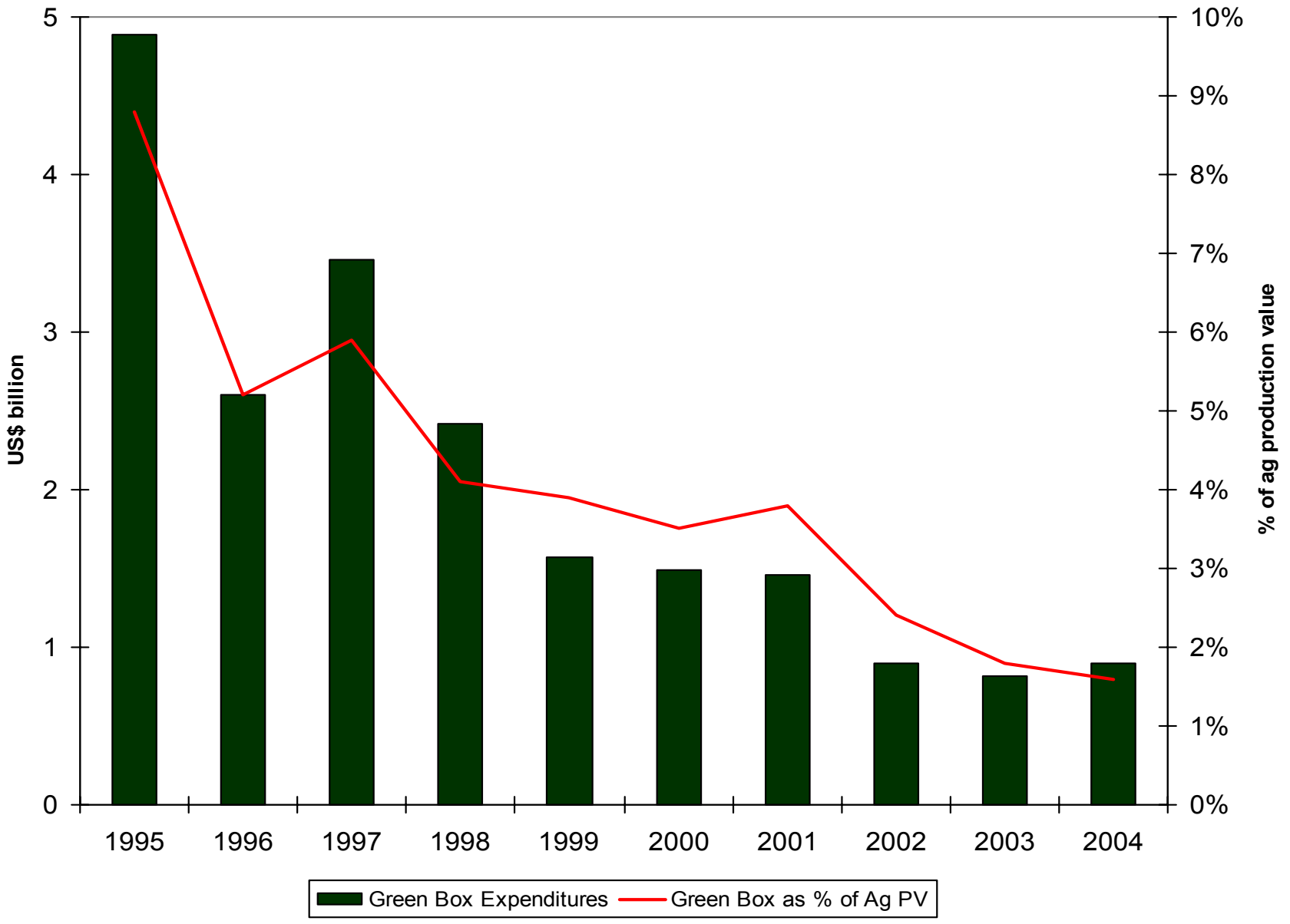
## Product Specific Capping based on Adverse Effects on World Market



# GREEN BOX: Three Main Ag Exporters



# Green Box Support in Brazil



# Doha Round: Some Conclusions Regarding the Case of Brazil

- The new scenarios for **domestic support** are not enough to limit current expenditure levels. Proposals should not generate changes in current programs.
- Brazilian trade policy does not make significant use of **export competition** instruments, therefore modalities in this area should also not generate changes in current Brazilian policy.
- Because of the low level of cuts in Brazilian applied tariffs and because they occur in products with little relevance, Brazilian **market access** commitments will probably not increment agricultural imports.
- Thus, Brazil's **offensive position** in the Doha agricultural talks.
- Current modalities are important in order to reduce the current levels of protection of agricultural markets. However, because these levels are extremely high, such reductions are **not enough to considerably increase world trade.**



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# Product-Specific AMS Caps

- Of the three methods from which developing countries may choose to establish product-specific AMS limits, the one that generates the highest limits to Brazil (in the majority of its products) is the application of two times its URAA product-specific de minimis level to the value of production (i.e. 20%) in 1995-2004.

**PRODUCT-SPECIFIC AMS CAPS (in US\$ '000)**

Product	Average Applied Level (95-04)	20% of VOP	20% of Annual Total Bound AMS
Soybeans	0	1,266,081	127,695
Cotton	0	146,801	127,695
Corn	46,756	726,711	127,695
Rice	40,659	376,483	127,695
Wheat	16,916	101,064	127,695
Beans	0	255,099	127,695

**Actually bound by the new Doha AMS: \$638.5 million**