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## **Agricultural Market Access and a Doha Agreement**

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Efforts continue to revive the Doha Round of WTO trade policy negotiations. The potential for a successful outcome of restarted talks continues to rest on market access for agricultural products. A recent paper by Michael Gifford, former chief agricultural trade negotiator for Canada, titled "Unlocking the Doha Round Impasse" released by the International Food & Agricultural Trade Policy Council provides insights on possible resolution of market issues.

Before the talks were suspended in late July, progress had been made on market access. In the previous round of negotiations, the Uruguay Round completed in 1994, the members agreed to average tariff reductions of 36 percent with minimum reductions in individual tariffs of 15 percent. The agreement did not address high tariffs that remained after the 36 percent reduction. The Doha talks address this point by establishing four tiers of tariffs with tariffs in the higher tiers to be reduced by a larger percentage.

Gifford believes that negotiators are moving toward the G-20 proposal by developing country exporters like Brazil and South Africa and importers like India and Indonesia that would provide tiers of tariffs for the developed countries at 0-20, 20-50, 50-75 and 75 percent and higher. The Uruguay Round established a precedent that developing countries would make two-thirds of the adjustments required of developed countries. Developing country tiers would be 0-30, 30-80, 80-130 and 130 percent and higher. The average tariff cuts in the bands would be 45, 55, 65 and 75 percent for developed countries and 25, 30, 35 and 40 percent for developing countries. The minimum average reductions in tariffs for a developed country would be 54 percent and the maximum for a developing country would be 36 percent.

Compared to the average reductions under the Uruguay Round, this arrangement would be an improvement. It falls short of the U.S. proposal for developed countries for tariff bands of 0-20 percent, 20-40 percent, 40-60 percent and over 60 percent and tariff reductions beginning at 55 percent and escalating to 85-90 percent for tariffs beyond 60 percent.

These formulas do not entirely resolve the very high tariffs commonly called "tariff peaks." For example, the Korean tariff on popcorn is 600 percent. A 40 percent reduction (Korea is considered a developing country) would still result in a tariff of 360 percent. The U.S. has proposed a tariff cap of 75 percent for developed countries, and several other countries have proposed tariff caps of 75-100 percent for developed countries and 150 percent for developing countries. Gifford says the G-10 group (Japan, Norway, Switzerland, etc) with highly protected domestic agricultures has threatened to walk away from the talks if tariff caps are part of the plan.

All trade negotiations must deal with politically “sensitive” products that cannot bear the full weight of tariff reductions. The Uruguay Round created a precedent for sensitive agricultural products by requiring tariff rate quotas (TRQs) for a volume of imports to assure some increased market access. The U.S. has suggested that only 1 percent of the tariff lines in agriculture be declared sensitive, while the G-10 has called for 15 percent. Gifford believes that the “emerging convergences” except for the G-10 is around 4-5 percent. Countries have about 2000 agricultural tariff lines. Allowing 4-5 percent of tariff lines as sensitive would result in 80-100 tariffs with smaller reductions.

The negotiators will need to thrash out how to set the TRQs. The U.S., Australia and the G-20 want them based on a percentage of domestic consumption, while the G-10 has proposed basing them on existing TRQs, and the EU wants to use current imports. There does appear to be agreement that smaller existing TRQs should be increased by a higher percentage than larger ones. Some members have proposed that some minimum TRQ percentage of the base be applied to all sensitive products.

The July 2005 WTO framework agreement also included provisions for an unspecified number of “special products” for developing countries based on food security, livelihood and rural development. Gifford stated, “This is arguably the most difficult issue Doha negotiators face.” He explained, “... positions are so far apart that it is difficult to know where to start the negotiations.” The proposals range from the G-33 group of developing countries for 20 percent of the tariff lines (with half of those requiring no reductions) to the U.S. proposal for only 5 tariff lines for special products.

Beyond these knotty issues, there are differences on allowing special agricultural safeguards for temporary tariff increases when tariff reductions result in import increases that threaten to injure domestic producers. This is a standard feature of many trade negotiations as countries struggle with opening markets while avoiding rapid changes in a domestic industry.

The likely tariff reductions in agriculture are not at the levels that many hoped to achieve in this round, but substantial progress has been made compared to the Uruguay Round and in relation to the status quo positions advanced by countries like the G-10. The tariff cap issue may be the make-it-or- break-it issue.

The sensitive products and special products talks could undo much of the progress made in the overall tariff rate schedule. Flexibility is essential to deal with the many countries specific political and economic issues, but that flexibility cannot be so great that it circumvents the obligations that countries have to increase market access. Also, the flexibility must not be so complex that WTO members cannot accurately judge how much market access is achieved in the final agreement. Until the sensitive products and special products are conclusively dealt with, the overall agreement on tariff tiers and percentage reductions will have little meaning.