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## **Proposed WTO Agricultural Modalities: Trade-offs for U.S. Agriculture**

**Washington, DC**—World Trade Organization (WTO) Doha Round negotiations have entered a new and possibly decisive stage. In the weeks ahead, revised agricultural and non-agricultural market access (NAMA) modalities may be released and a Ministerial Conference to finalize an agreement could take place in Geneva. WTO members must now reflect on the extent to which the proposed modalities live up to the mandated objectives of the Doha Round, take stock of probable gains and losses, and examine potential trade-offs between negotiating areas. Although overshadowed by final negotiations of the new U.S. farm bill and by escalating food prices, a new WTO agreement could give a significant boost to the world economy and agricultural trade.

Given the critical role of agriculture in these negotiations, the International Food and Agricultural Trade Policy Council (IPC), International Centre for Trade and Sustainable Development (ICTSD), and the International Food Policy Research Institute (IFPRI) have assessed the implications of the three pillars of the Doha Round agricultural modalities—domestic support, market access, and export competition—for Brazil, European Union, India, and the United States.

The findings of the U.S. study, “Implications of the February 2008 WTO Draft Agricultural Modalities for the United States,” will be presented today on Capitol Hill as part of a workshop on the Doha Round agricultural negotiations. The Honorable Representative Ron Kind (D-Wisc.) and others will also present their views on U.S. agricultural trade and the Doha Round negotiations.

“The assessment for the U.S. demonstrates that the agricultural package alone contains important benefits for the U.S.,” said Charles O’Mara, IPC member and former U.S. agricultural negotiator during the Uruguay Round Agreements Act. “That’s even before we look at the Round in totality.”

Highlights of the U.S. study include:

- For *market access*, the U.S., as a major exporter of agricultural goods, has a substantial offensive interest in obtaining significant reductions in applied tariffs, whereas it has a more defensive attitude in the negotiations on cuts to domestic support. Proposed tariff formulas presently under discussion could sharply reduce the average tariffs U.S. agricultural exports face, from 15.7 percent to 9.6 percent by the end of the six-year implementation period. Most of this reduction comes from a sharp fall in tariffs applied by other developed countries. There is more latitude for developing countries to lower higher bound tariffs without affecting their lower applied tariffs. Still, the modalities could result in a decrease in the average of developing country tariffs applied to U.S. agricultural goods from 10.2 to 9.4 percent. Since the cuts in developing-country tariffs resulting from the formula are low, exemptions being considered could have a limited impact.
- On *domestic support*, if U.S. Department of Agriculture projections for continued high commodity prices prove accurate and there are reduced expenditures for subsidies linked to prices, then an ambitious Doha reduction of Overall Trade Distorting Domestic Support (OTDS) would not be constraining on the U.S., even by the end of the implementation period. Product-specific bindings, however, will be important for cotton, dairy, and sugar. Should these price projections prove too high, U.S. commitment to a lower total Aggregate Measure of Support (AMS) and some product-specific AMS caps could become constraints without any change in U.S. policies. Under that scenario, U.S. policymakers would have the option of shifting the composition of U.S. farm support towards non-trade distorting green box support. Moreover, those OECD countries with the highest levels of trade distorting support will face the greatest cuts—a development the U.S. has long been calling for.

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- For *export competition*, the elimination of export subsidies has been a major U.S. objective in the Doha Round negotiations. The modalities would also require some additional changes in U.S. export credit programs and foresee a reduced emphasis on the provision of in-kind food aid.

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The U.S. study, “Implications of the February 2008 WTO Draft Agricultural Modalities for the United States,” is co-authored by David Blandford, Pennsylvania State University; David Laborde, IFPRI; and Will Martin, The World Bank.

To access the U.S. study and for more information about the May 1 event, “Taking Stock of the Doha Round Agricultural Negotiations: Where are we and what does it really mean for the U.S.?”, please visit: <http://www.agritrade.org/events/DDAonCapitolHill.html>

An analysis for the European Union is also available at this link. Similar analyses for Brazil and India are forthcoming.

*The International Food & Agricultural Trade Policy Council (IPC) promotes a more open and equitable global food system by pursuing pragmatic trade and development policies in food and agriculture to meet the world's growing needs. IPC convenes influential policymakers, agribusiness executives, farm leaders, and academics from developed and developing countries to clarify complex issues, build consensus, and advocate policies to decision-makers. More information on the organization and its membership can be found on our website: [www.agritrade.org](http://www.agritrade.org).*

*The International Food Policy Research Institute (IFPRI) seeks sustainable solutions for ending hunger and poverty. IFPRI is one of 15 centers supported by the Consultative Group on International Agricultural Research, an alliance of 64 governments, private foundations, and international and regional organizations. [www.ifpri.org](http://www.ifpri.org)*

*The International Center for Trade and Sustainable Development (ICTSD) is a non-governmental organization, based in Geneva, which – by empowering stakeholders in trade policy through information, networking, dialogue, well-targeted research, and capacity building – seeks to influence the international trade system such that it advances the goal of sustainable development. [www.ictsd.org](http://www.ictsd.org)*