WTO Agriculture Negotiations

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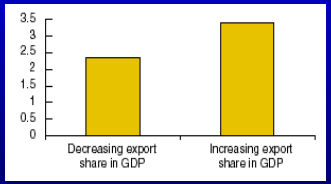
OUTLINE

- Trade, growth and poverty reduction
- The Doha Round
  - Agriculture
    - Market Access
    - Export Subsidies
    - Domestic support
  - Cotton
- Concluding remarks

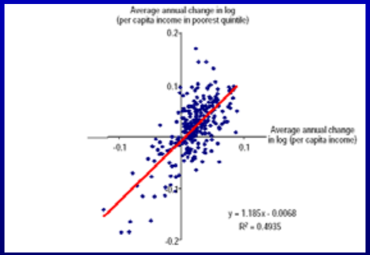
Integration with global markets is associated with faster growth…

Average annual per capita growth, 1980-99



Source: World Bank, Global Economic Prospects, 2001

And growth is good for the poor



Source: Dollar and Kraay, "Growth is Good for the Poor," PRWP No. 2587, 2001

Global Economic Prospects

http://www.worldbank.org/prospects/gep2004/index.htm

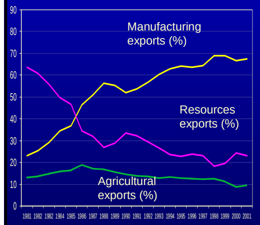
- Global recovery is underway (corporate profits are up, equity markets are stronger, and business sentiment is picking up). Still, uncertainty remains unusually high and room for additional fiscal and monetary stimulus is limited;
- Progress on structural reforms and, in particular, positive results in multilateral trade negotiations become increasingly important in such a scenario.
- The Doha Agenda can speed growth and poverty reduction, and help countries attain the Millennium Development Goals.
- All countries have an interest in taking advantage of this opportunity… and responsibility to face the related challenges.

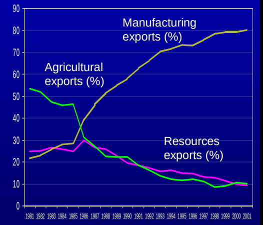
A pro-poor outcome of the Doha Agenda can speed attainment of the MDGs

- Developing countries have improved their integration with the world economy in the last 20 years, but the global trading system is still characterized by many inequities.
- To realize the development promise of the Doha Agenda, negotiators need to tackle these inequities.
- A "good" agreement could further reduce poverty by 140 million people in 2015.

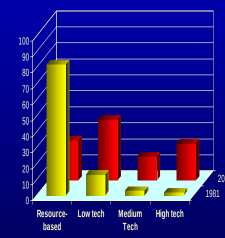
World trade trends: developing countries are exporting more manufactures…

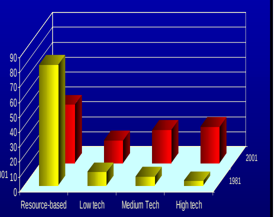
Composition of exports: 1981-2001





Developing countries are moving up the technology ladder…





But not all news are good…

- Roughly one-third of developing countries have not benefited significantly from growth in international trade.
- Some countries with solid export growth have not translated that into significant poverty reduction.
- Developing countries could have done better if protection did not discriminate against products in which they have comparative advantage (particularly, in agriculture).
- And many developing countries face significant supply constraints and infrastructure bottlenecks that hamper their integration into the world economy.

Global strategy: Making the world trading system more conducive to development

Progress is the Doha Agenda is a priority…

- Failure at Cancun has put the round at severe risk
  - disillusioned leadership in the North…
  - political timetable
  - efforts will not be capitalized… in ag, mfgs, and services
- Consequence: impetus to bilateral deals undermines multilateral negotiations
  - Puts developing countries in weakest negotiating positions with big players
  - Many countries excluded
  - No way to discipline most injurious practices that hurt poor people… e.g., agricultural subsidies or antidumping
- Risk: Upsurge in protectionism (e.g., ongoing debate on outsourcing…)
- Lost opportunity to accelerate growth and poverty reduction

Most of the world's poor live in rural areas

Distribution of poor in developing countries (1999)

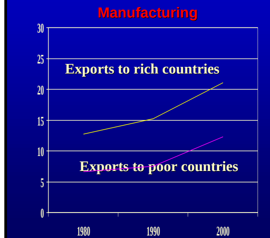
	Population in millions (2001)			Percent rural	Percentage of world's rural population	Poverty headcount, under \$1/day in 1999	
	National	Rural	Urban			(percent)	(millions)
Least developed countries	596	443	153	74	15	49	292
Other low income	839	501	338	60	17	26	218
Middle income[a]	1,435	478	957	33	16	8	114
China	1,272	805	467	63	27	18	226
India	1,032	745	288	72	25	35	358
Total	5,175	2,972	2,203	57	100	23	1,209

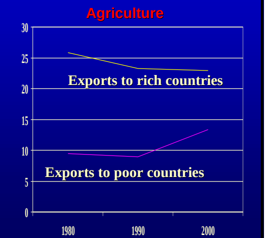
a. Excluding China and India.

Source: World Bank data

Agriculture: developing countries have failed to penetrate agricultural markets of rich countries

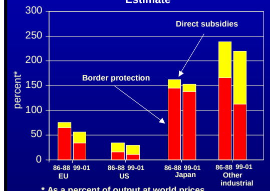
Developing countries' share of total world exports





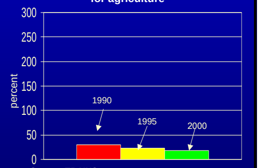
Agriculture: protection in rich countries remains high despite Uruguay Round commitments

Industrial countries: Producer Support Estimate



* As a percent of output at world prices
Source: OECD

Developing countries: average tariffs for agriculture



Source: TRAINS

Figure 9: Total Domestic Support Measures, US, EU, Japan, and Others, 1995-99 (US$B).

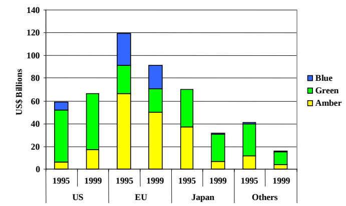
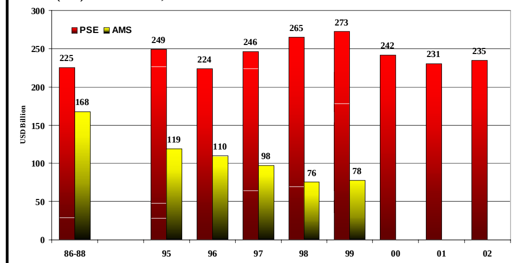


Figure 11: Trends in Aggregate Measurement of Support (AMS) Compared to the Producer Support Estimate (PSE) 1986–88 to 1999, in USD Billion



Source: de Gorter, Ingco, and Ignacio in *Agriculture and the WTO: Creating a Trading System for Development*

Tariff peaks in agriculture

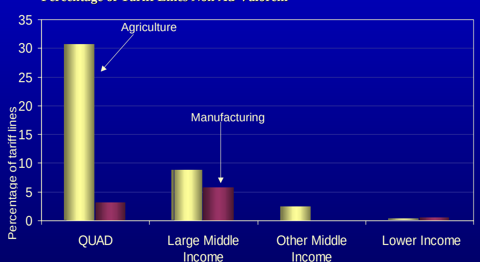
Tariff peaks and variance in selected countries (percent)

	Average Tariff	Maximum Tariff	St. Deviation	Percentage of lines covered
Canada	3.8	238.0	12.9	76.0
Japan	10.3	50.0	10.0	85.5
US	9.5	350.0	26.2	99.3
EU	19.0	506.3	27.3	85.9
Korea	42.2	917.0	119.2	98.0
Brazil	12.4	55.0	5.9	100.0
Costa Rica	13.2	154.0	17.4	100.0
Morocco	63.9	376.5	68.2	100.0
Indonesia	8.5	170.0	24.1	100.0
Malawi	15.3	25.0	9.1	100.0
Togo	14.7	20.0	6.5	99.9
Uganda	12.9	15.0	3.7	100.0

Source: WTO IDB (MFN Applied Duties)

Specific duties mask high protection

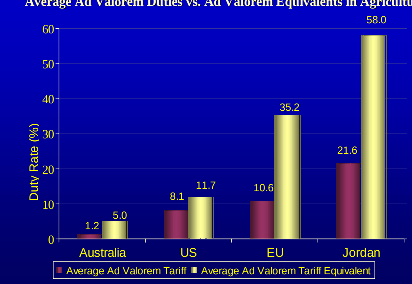
Percentage of Tariff Lines Non Ad-Valorem



Source: WTO IDB (MFN Applied Duties)

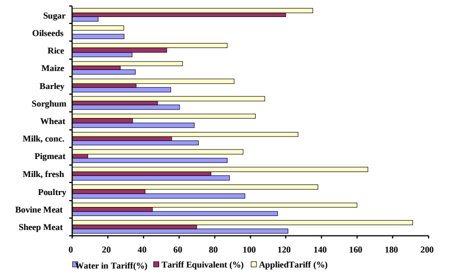
Specific duties mask high protection

Average Ad Valorem Duties vs. Ad Valorem Equivalents in Agriculture



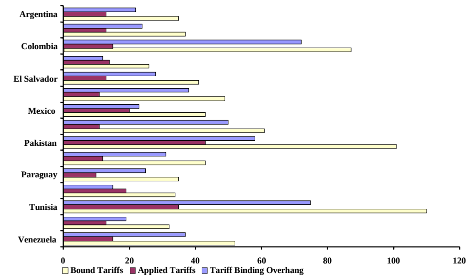
Source: WTO IDB (MFN Applied Duties)

Figure 4: Estimates of Water in Tariffs for Commodities in Selected OECD Countries (%)



Source: de Gorter, Ingco and Ignacio in *"Agriculture and the WTO, Creating a Trading System for Development."*

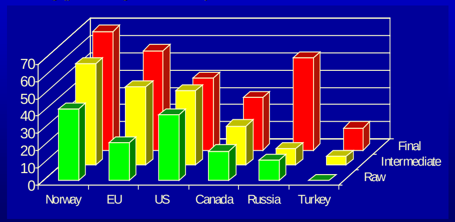
Figure 2: Estimates of Tariff Binding Overhang for Selected Developing Countries (%).



Source: de Gorter, Ingco and Ignacio in*"Agriculture and the WTO, Creating a Trading System for Development."*

Putting it all together: specific duties, tariff-rate quotas, and escalation

Tariff lines containing specific, compound or mixed duties, by stage of processing (percentage of all lines)



Source: WTO IDB (MFN Applied Duties)

Cotton: Some background

- **Slow growth in demand**
- **Rapid productivity growth**
- **Extended supply, "new" entrants**
- **Downward price trends**
- **High degree of volatility**
- **West African countries: price competitive/high quality**

Broad Implications

- **Need to operate at a global level with agricultural negotiations**
- **Step up efforts to enhance the pace of reforms**
- **Focus initially on West Africa but more needs to be done globally**

General Approach

- **Country ownership within PRSP**
- **Focus on helping the farmers**
- **Exploit regional synergies**
- **Enhance the role of private sector and rely on market-based instruments**

Specific Actions

- Enhance productivity
- Improve price for farmers
- Explore specific niches
- Explore the role of trade logistics
- Continue the process of reforms

Summing up: pro-poor policies in agriculture

- **Increase transparency by eliminating non-ad valorem duties, seasonal tariffs and TRQs.**
- **More drastic cuts of tariffs, more stringent subsidies disciplines and decoupled support.**
  - **Agreed date for phase-out of all export subsidies**
  - **Tariff peaks and escalation should be significantly reduced**
  - **More decoupling (particularly in the cases of sugar and cotton) and commitments to reduce Amber Box measures at product-level**
- **Reforms need to be global and across the board, but rich country leadership is essential. Cotton should be dealt with in the agricultural negotiations, but the development aspects of the cotton sector in LDCs need special attention. Donor support could be enhanced as part of the broader development dialogue (via PRSPs).**

Concluding remarks:

- For the development promise of the Doha agenda to be realized, all countries have to take responsibility:
  - Rich countries have to lead in agriculture, labor intensive manufactures, and development assistance as well as in services (mode 4).
  - Middle income countries have to be willing to provide new access in services, increase the coverage/binding of their services' policies under GATS and lower high external tariffs -- benefiting themselves and their neighbors.
  - Low-income countries, while seeking donor assistance and derogation on resource-intensive rules, have to be willing to reform their own border protection and to gradually assume greater commitments vis-à-vis the multilateral trade system.

More information

The World Bank
www.worldbank.org

Development Gateway Portal
www.developmentgateway.org