

# WTO AGRICULTURE NEGOTIATIONS

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U.S. Proposals for  
Comprehensive Reform

# Core Problems in Ag Trade

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- Average allowed WTO tariff on agriculture is 62 percent with many exceeding 100 percent. The U.S. average tariff is 12 percent.
- EU spends \$2 - \$5 billion a year on export subsidies, disadvantaging a broad range of U.S. producers.
- EU is allowed to spend \$60 billion a year on trade-distorting domestic support and has no limit on blue box payments, whereas the U.S. has a ceiling of \$19.1 billion.

# First Step: DOHA DECLARATION

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- **Comprehensive negotiations aimed at:**
  - Substantial improvements in market access
  - Reductions of, with a view to phasing out, all forms of export subsidies
  - Substantial reductions in trade-distorting domestic support
- **Establish Modalities by 31 March 2003**
- **Conclude Negotiations by 1 January 2005**

# Time table for Negotiations

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- June 17 - 19: Special Session on Export Competition
- July 29 - 30: Intersessional meeting on market access
- Sept 2 - 4: Special Session on Market Access
- Sept 5 - 6: Intersessional meeting on domestic support
- Sept 23 - 27: Special Session on Domestic Support
- March 31 2003: Establishment of modalities

# Focus of Presentation

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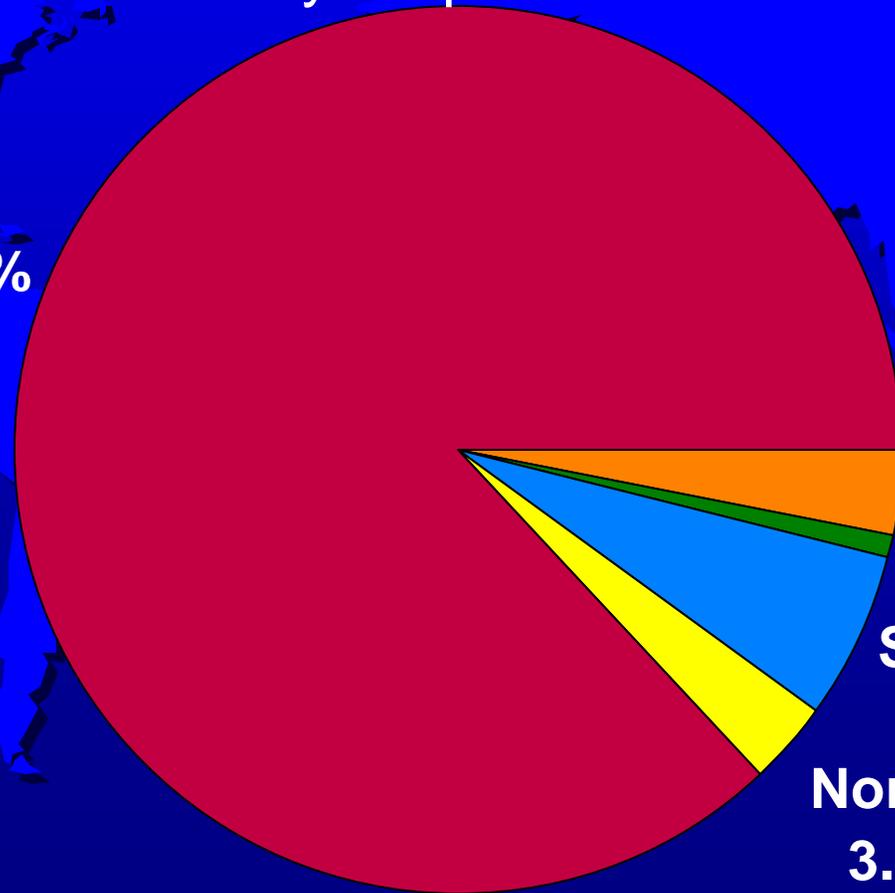
- **Export Competition**
  - Export Subsidies
  - Export State Trading
  - Food Aid and Export Credits
- **Market Access**
  - Tariff Reduction Formula
  - Tariff-rate Quota Expansion
- **Domestic Support**
  - Reduction Formula for Non-exempt Support

# Export Subsidies

Problem: EU export subsidies disadvantage U.S. exports.

Solution: Elimination over 5-year period.

**EU**  
87.0%



**Rest of World**

**U.S. 3.0%**

**1.0%**

**Switzerland**

**6.0%**

**Norway**

**3.0%**

Based on 2000 notifications. Norway and Rest of World are estimated.

# Export State Trading

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- **Problem:** Unfair advantages arising from single-desk and special financing privileges.
- **Solution:** Eliminate the export and purchasing exclusivity, eliminate financial backing, and increase transparency.

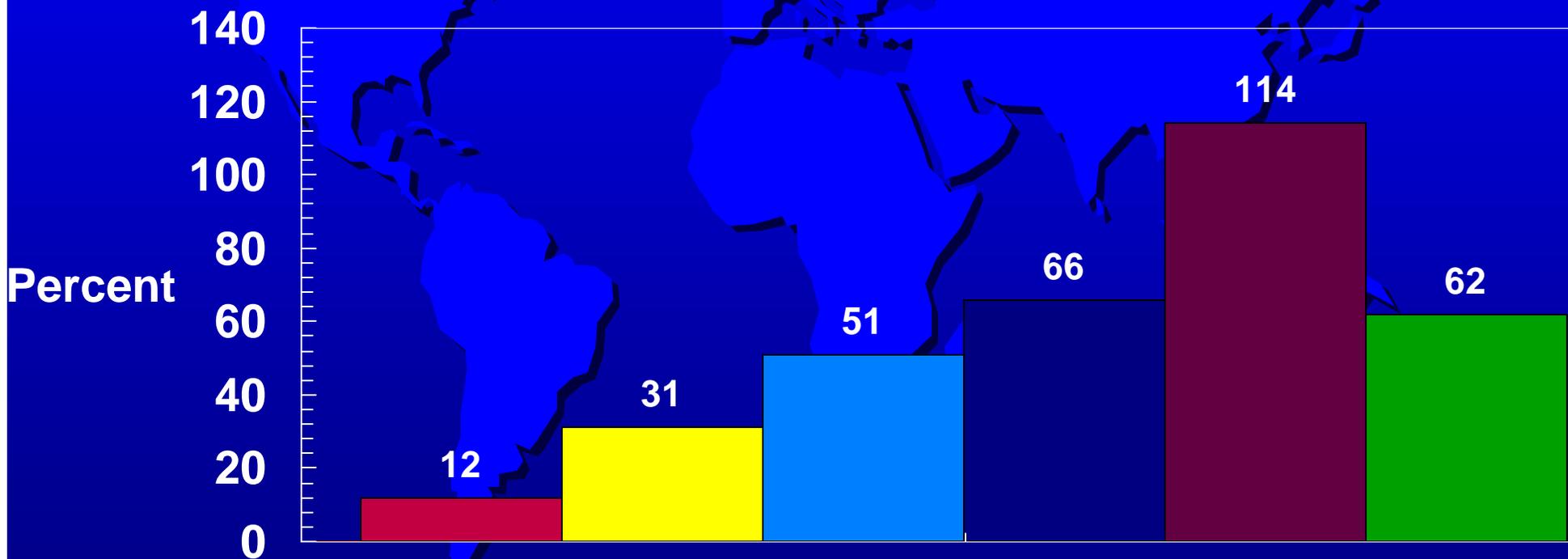
# Food Aid and Export Credits

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- **Problem:** Tighter rules are sought to prevent commercial displacement, but U.S. intends to maintain viability of U.S. programs.
- **Food Aid**
  - **Solution:** Increase transparency and direct international organizations to expand rigor of market displacement analysis.
- **Export Credits, Credit Guarantees and Insurance**
  - **Solution:** Establish disciplines that cover all countries' credit programs and still afford liquidity to assist imports by developing countries.

# Tariffs

Problem: Too many high tariffs in too many countries



Average Maximum Allowed Tariff under Current WTO

■ US ■ EU ■ Japan ■ Korea ■ India ■ World

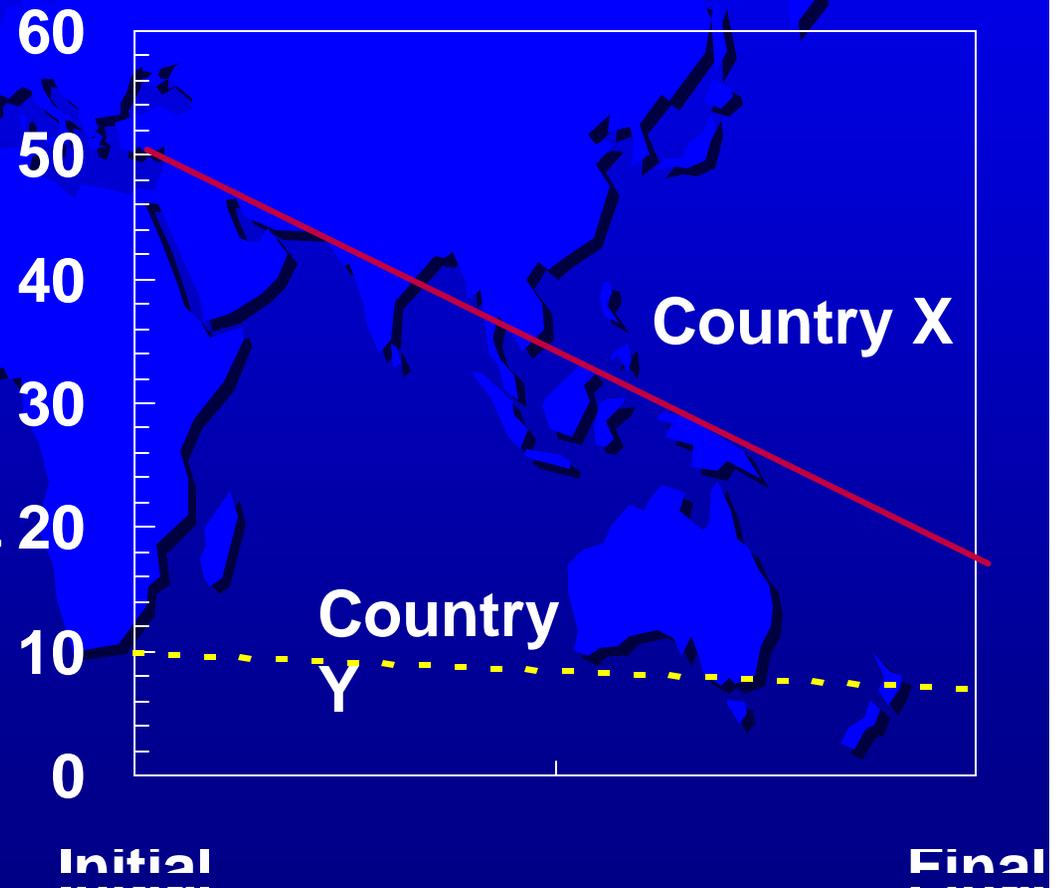
# Tariffs: Solution

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- Reduce all tariffs using a Swiss 25 formula approach over a 5-year period.
  - Ensures no tariff greater than 25 percent and results in similar tariff levels across all products and countries
  - Reduces high tariffs more than low tariffs

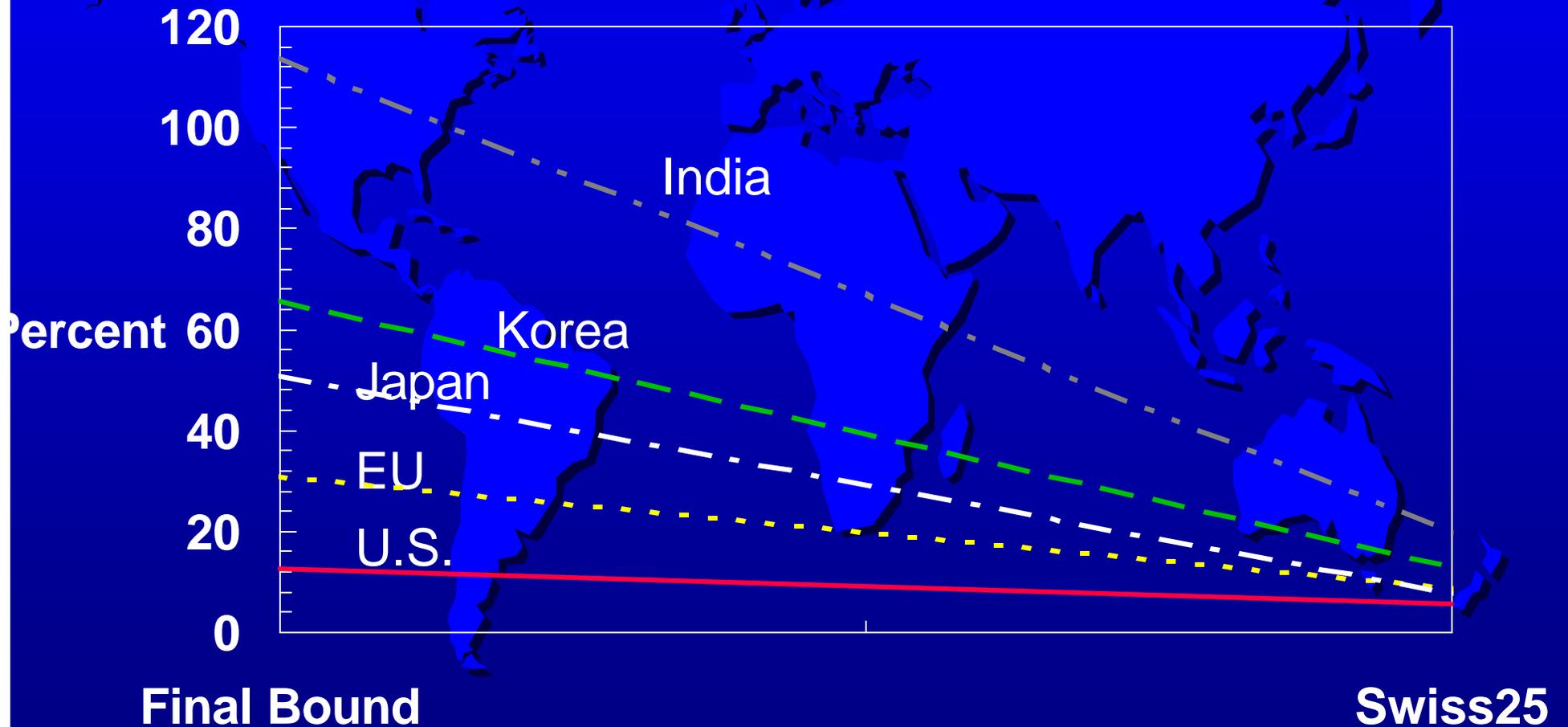
# Swiss Formula in Action

- $T1 = (To * a) / (To + a)$   
a: "ceiling" tariff  
To: Current tariff  
T1: New tariff
- Coefficient:  $a = 25$
- Country X  
Initial Tariff = 50 percent  
Final Tariff = 16.7 percent
  - $T1 = (50*25)/(50+25) = 16.7$
- Country Y  
Initial Tariff = 10 percent  
Final Tariff = 7.1 percent
  - $T1 = (10*25)/(10+25) = 7.1$



# Country View

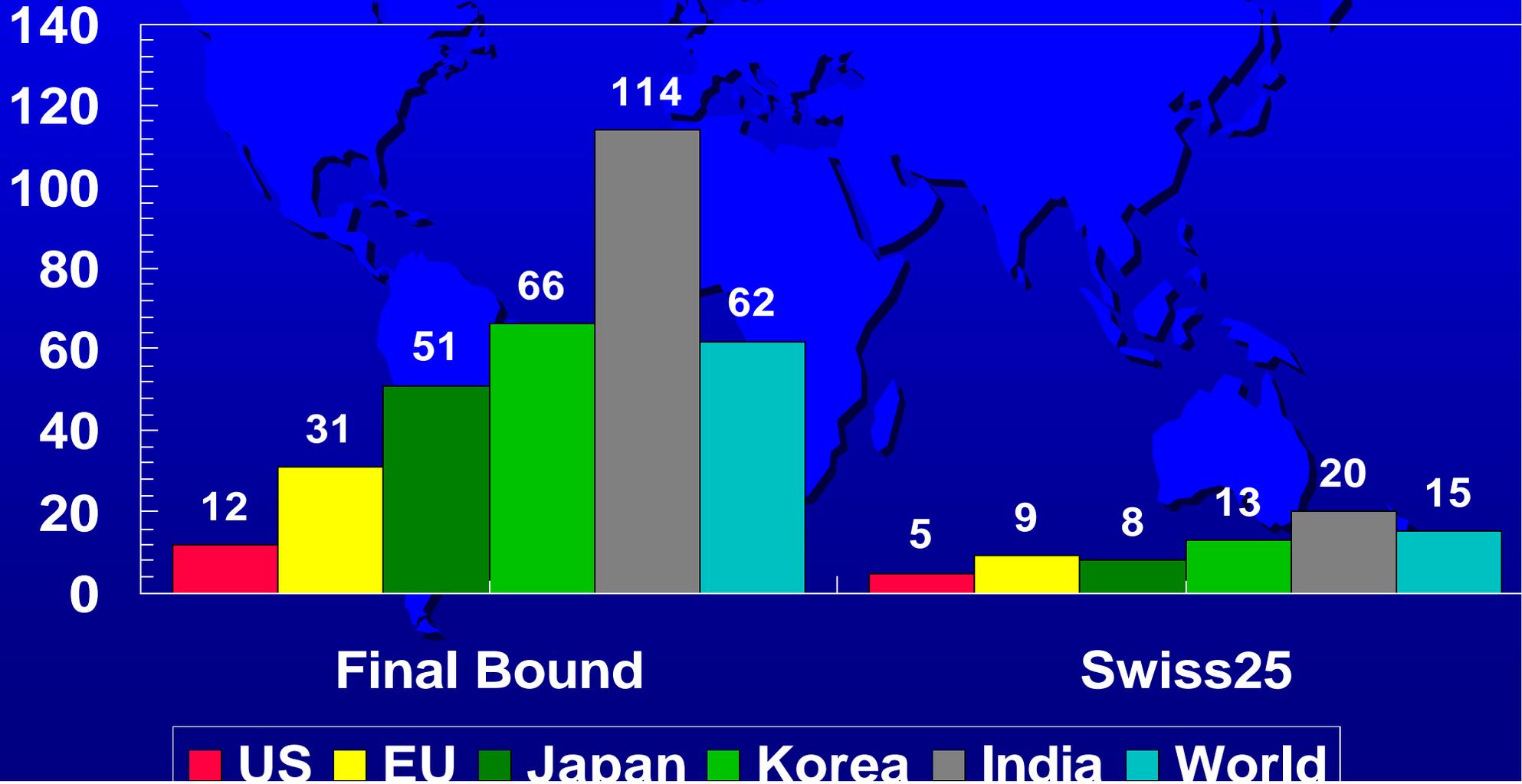
## Average of Maximum Allowed Tariffs



# Country View

## Average of Maximum Allowed Tariffs

Percent

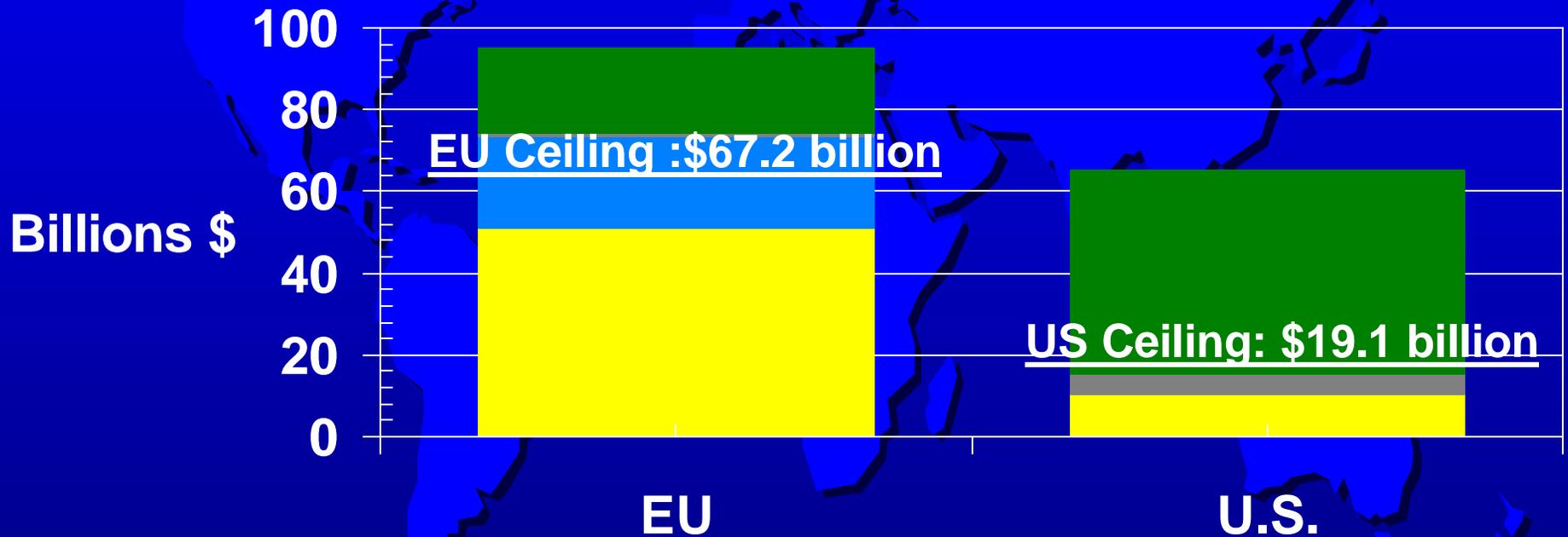


# Tariff-Rate Quotas

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- **Problem: Small quota size restricts access.**
- **Solution: Increase TRQ quantities by 20 percent over a 5-year period.**

# Domestic Support: Breakdown

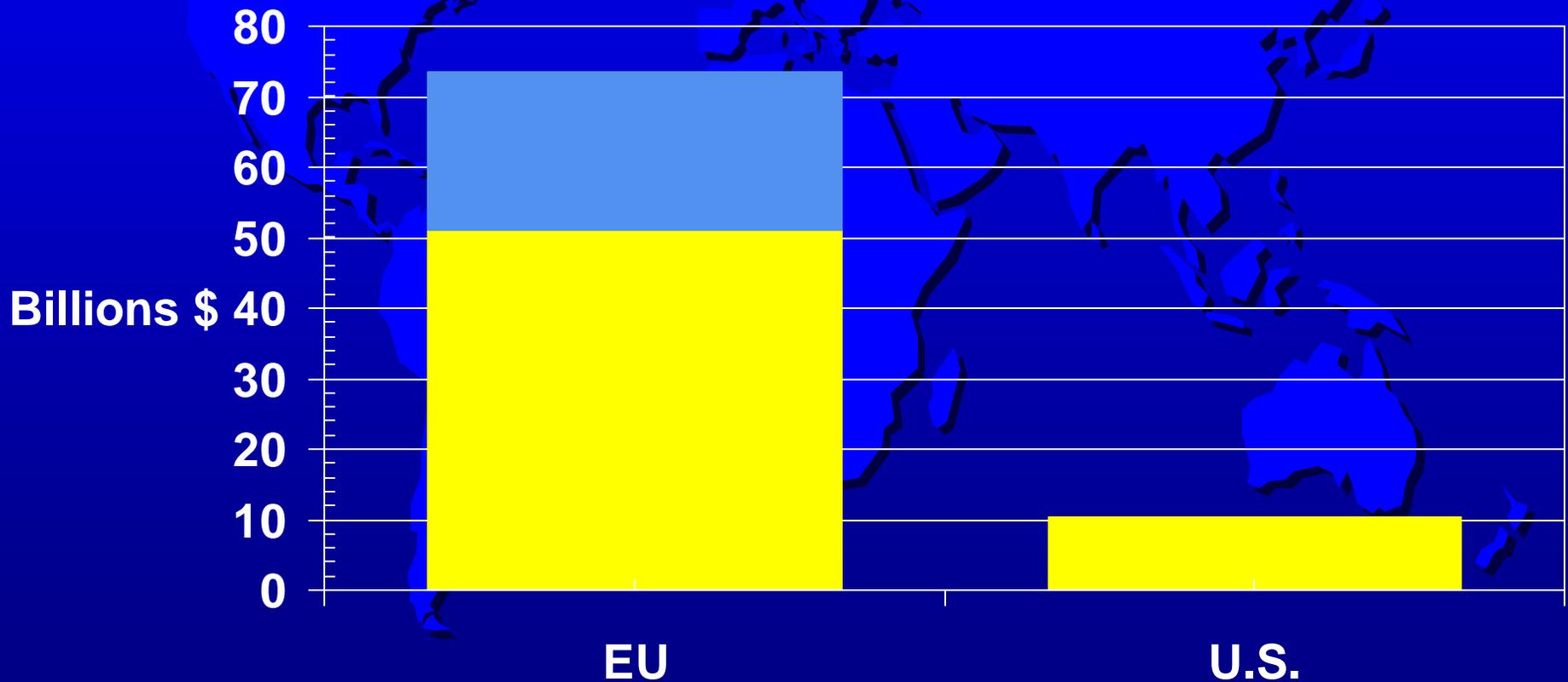


Amber Blue De Minimis Green

# Domestic Support

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Problem: High levels of non-exempt support in the EU

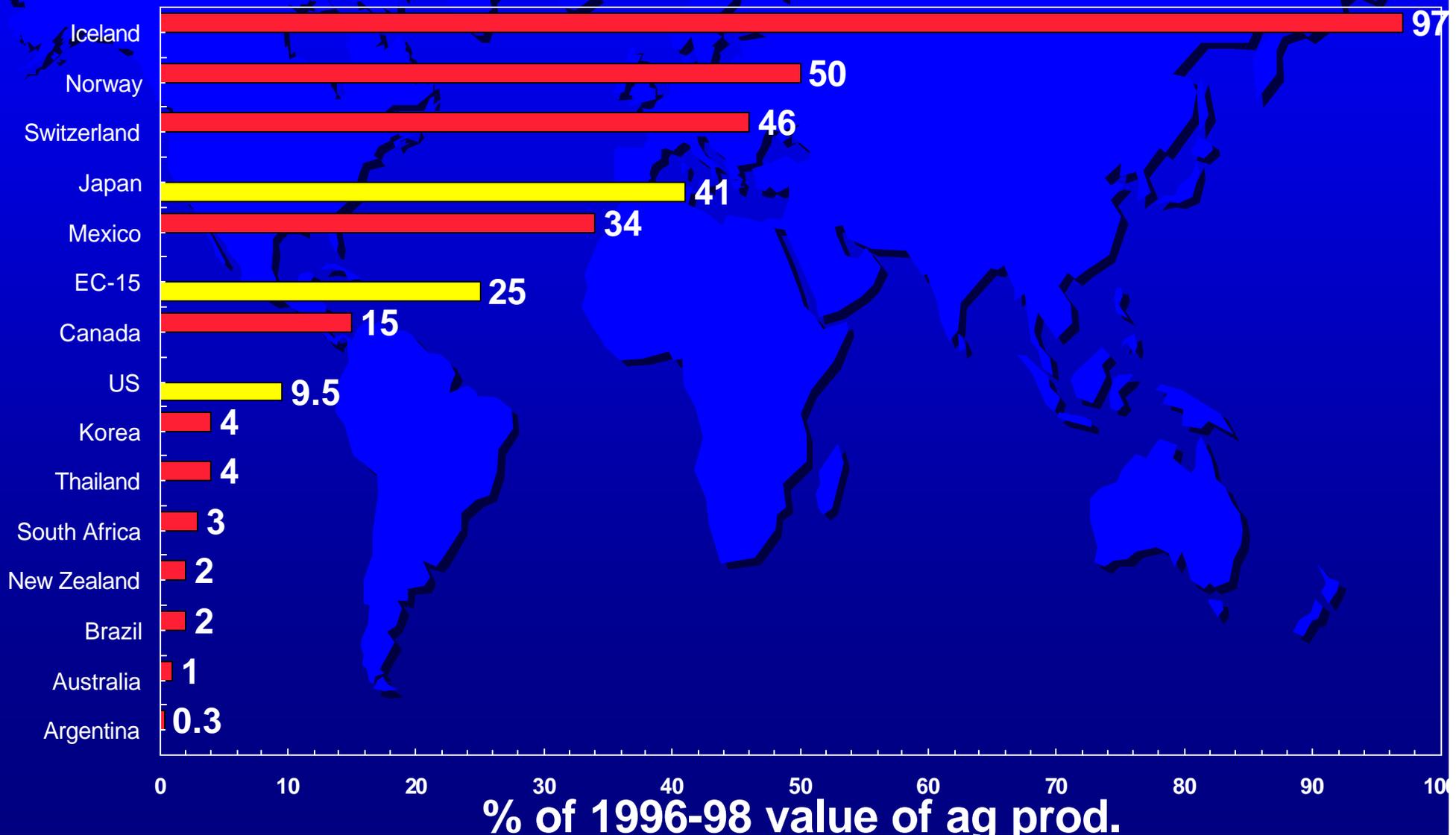


## **Domestic Support: Solution**

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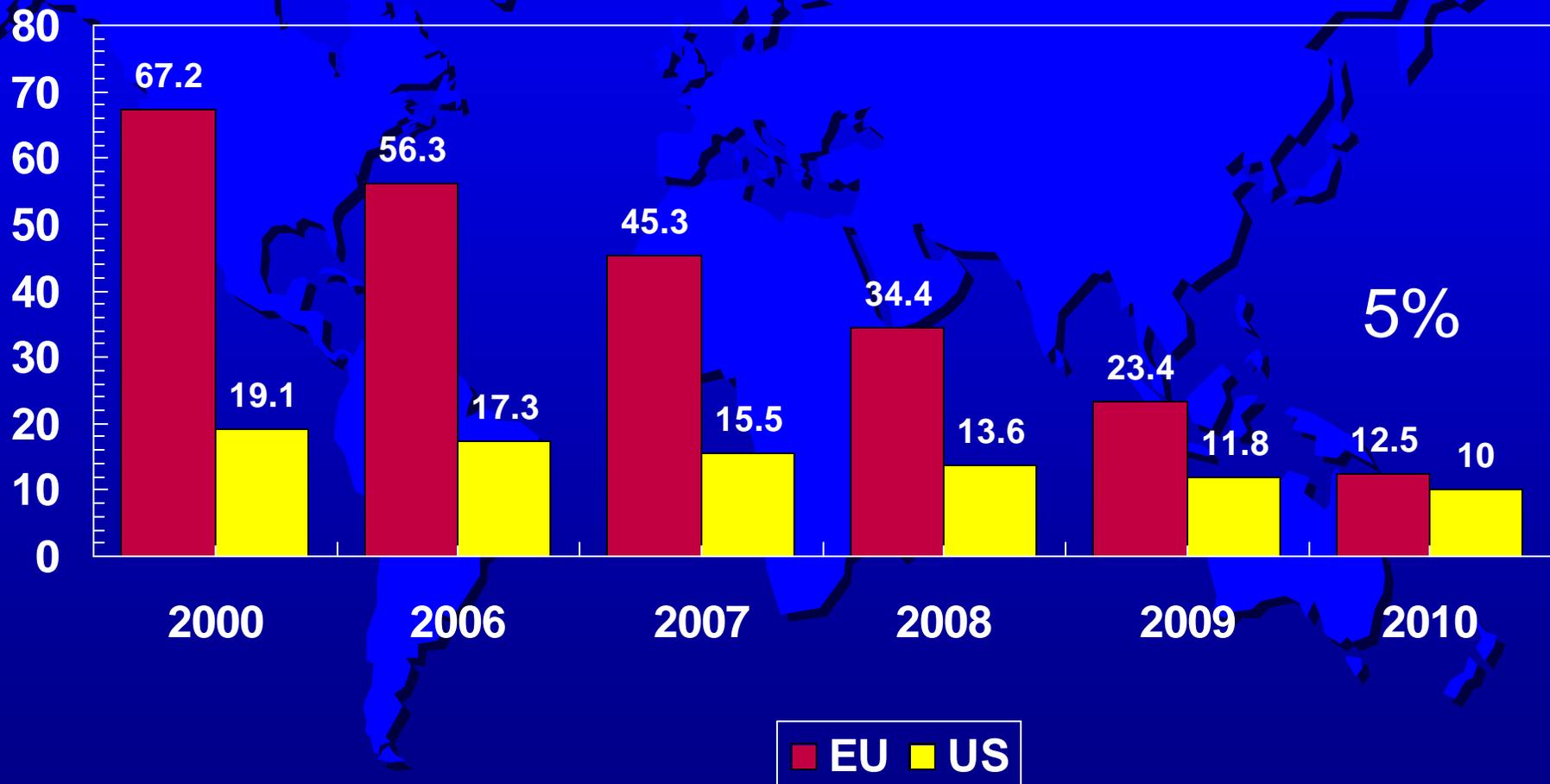
- **To reduce non-exempt support (blue and amber box measures) to 5 percent of a Member's value of total agricultural production over a 5-year period.**
  - Establishes the same standard for all countries' allowed level of trade-distorting domestic support and eliminates the blue box loophole
- **To maintain de minimis provision**
- **No limits on exempt (green box) support**

# Final Bound AMS Ceiling as a Share of Total Value of Agriculture Production



# Leveling the Playing Field

\$Billion



1998 value of agricultural production. 7/9/02 exchange rates.

# **Import Relief Mechanisms (IRM)**

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**Improve IRMs to recognize the unique characteristics of perishable and cyclical agriculture**

**Ensure IRMs for perishable and cyclical agricultural products are accessible and timely**

**Ensure addressing of seasonal and perishable products in investigations relating to dumping and safeguards**

**Special and Differential Treatment for developing countries**

# Complete Harmonization

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- **Commitment to complete elimination of tariffs and trade-distorting domestic support by a date certain.**
  - **Ensures equity will be ultimately achieved for all products across all countries even as substantial progress is made in this negotiation to reduce disparities in support and protection.**

# Level Playing Field

**Export Subsidies:  
Elimination**

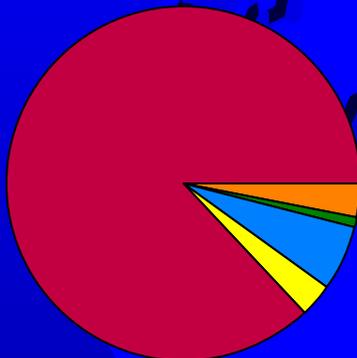
EU 87%

US 1%

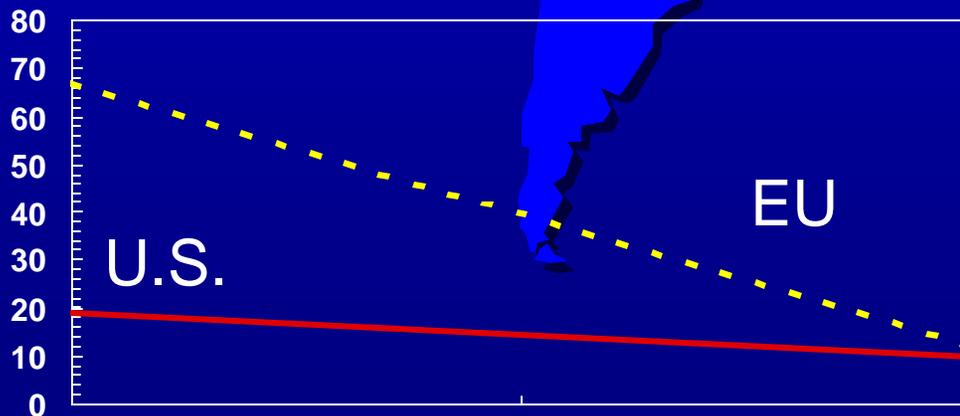
Switzerland 6%

**Domestic Support: 5% VAP**

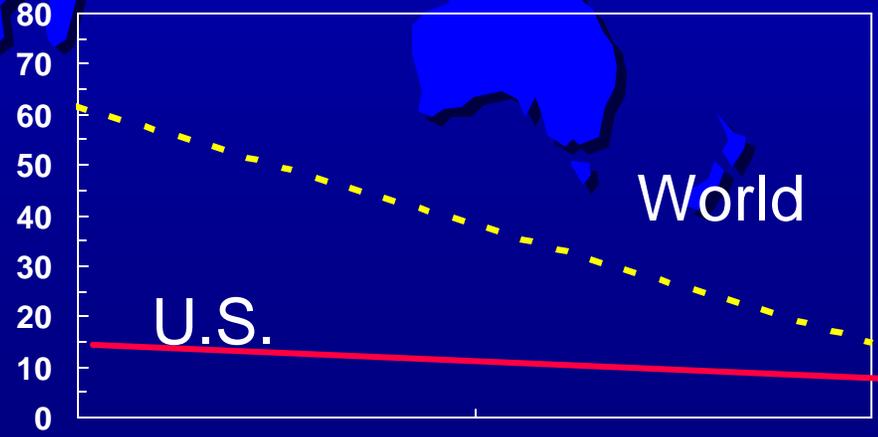
Tariffs: Swiss 25



Billions \$



Percent



Current

5%

Final Bound

Swiss