WTO Agriculture Negotiations
Carlos A. Primo Braga
Senior Adviser, International Trade Department
The World Bank
Washington, D.C., April 20, 2004

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...

Integration with global markets is associated with faster growth...

Average annual per capita growth, 1990-99


Integration with global markets is associated with faster growth...

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.

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.

And growth is good for the poor

And growth is good for the poor

Global Economic Prospects

Global Economic Prospects

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.

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

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

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...

Low income countries: Share of exports, 1981-2001 (percent)

Middle income countries: Share of exports, 1981-2001 (percent)

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 of 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 anti-dumping
- 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

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

Developing countries’ share of total world exports

Manufacturing

Agriculture

Exports to rich countries

Exports to poor countries

Exports to poor countries
Agriculture: protection in rich countries remains high despite Uruguay Round commitments.

Industrial countries: Producer Support Estimate

- Direct subsidies
* 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).

Tariff peaks in agriculture
Tariff peaks and variance in selected countries (percent)

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Tariff</th>
<th>Maximum Tariff</th>
<th>St. Deviation</th>
<th>Percentage of tariff lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>5.3</td>
<td>10.0</td>
<td>4.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Japan</td>
<td>10.3</td>
<td>50.0</td>
<td>10.0</td>
<td>85.0</td>
</tr>
<tr>
<td>US</td>
<td>9.5</td>
<td>260.0</td>
<td>29.3</td>
<td>99.5</td>
</tr>
<tr>
<td>EU</td>
<td>10.0</td>
<td>500.0</td>
<td>27.3</td>
<td>85.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>22.0</td>
<td>570.0</td>
<td>29.8</td>
<td>92.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>7.4</td>
<td>55.0</td>
<td>9.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>13.0</td>
<td>150.0</td>
<td>17.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Morocco</td>
<td>63.9</td>
<td>379.5</td>
<td>65.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Namibia</td>
<td>8.5</td>
<td>170.0</td>
<td>24.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Malawi</td>
<td>15.3</td>
<td>25.0</td>
<td>6.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Fiji</td>
<td>14.7</td>
<td>25.0</td>
<td>8.3</td>
<td>99.9</td>
</tr>
<tr>
<td>Uganda</td>
<td>12.9</td>
<td>15.0</td>
<td>3.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: WTO (MFN Applied Duties)

Percentage of Tariff Lines Non Ad-Valorem

Specific duties mask high protection

Average Ad Valorem Duties vs. Ad Valorem Equivalents in Agriculture

Source: WTO (MFN Applied Duties)
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

Development Gateway Portal
[www.developmentgateway.org](http://www.developmentgateway.org)