U.S. Proposal for the Agricultural Negotiations

WTO/Hong Kong NGO Roundtable
U.S. Department of State
November 4, 2005
Dr. J.B. Penn
Under Secretary/Farm and Foreign Agricultural Services/USDA
WTO/Hong Kong NGO Roundtable

- Doha Development Agenda
- The U.S. Proposal
- Status of Negotiations
Doha: An Opportunity for Trade Reform

Increasing market access, reducing domestic support, and eliminating export subsidies will:

- Provide the best opportunity for developing country economic growth
- Improve living standards throughout the world
- Help lift millions of people out of poverty
- Emphasizes trade as the engine of economic growth
Trade Liberalization - WTO

- WTO negotiations – 148 countries
- Doha Development Round
  - Agriculture: 3 pillars
    - Export competition
      - Subsidies, state trading enterprises, food aid
  - Market access
    - Tariffs, quotas
  - Domestic supports
    - Framework agreed July ‘04
WTO Framework Agreement - July 2004

- July ’04 WTO Framework Agreement in place
  - **Export competition**
    - Eliminate export subsidies
    - Develop rules on food aid
    - Discipline export state-trading enterprises
  - **Market access**
    - Tiered approach – greater harmonization of tariffs
    - Sensitive products option
  - **Domestic support**
    - Harmonize trade-distorting support
    - Redefine the “blue box”
Agriculture: Situation Today

Direct Export Subsidies

EU (over $2 billion a year)

Other
United States
Switzerland
Norway

Market Access
Average WTO Allowed Ag Tariff

Percent

Current Average Agricultural Bound Tariff in the WTO

Domestic Support – amber box:
Bil $ at current x rates

U.S.
EU-25
Japan

- Bold, aggressive measures for agricultural reform and fair trade
- Comprehensive reform in all three pillars by all participants
- Stage 1 (5-year implementation):
  - Substantial reductions in trade-distorting measures and tariffs;
  - Elimination of export subsidies.
- Stage 2 (5 years after stage 1):
  - Eliminate remaining trade-distorting measures.
U.S. Proposal: Export Competition

- 2010 for elimination
- Export credits limited to 180-day repayment
- Trade-distorting practices of STEs to be eliminated
  - Developing country exceptions
- Disciplines on food aid to prevent commercial displacement
U.S. Proposal: Market Access

- Progressive tariff reductions over 5 years
- Developed countries: cut tariffs 55–90%
- Tariff cap of 75%
- Sensitive products: 1%
- Lesser cuts and longer phase-in period for developing countries
U.S. Proposal: Domestic Support

- Reduce amber box Aggregate Measure of Support (AMS) 60%
- Reduce overall allowable trade distorting domestic support 53%
- Harmonization essential
The Current WTO Boxes

- **Amber**: most trade-distorting; tied to price or output; annual limit
- **Green**: none or minimally trade-distorting; decoupled support, no limit
- **Blue**: trade-distorting but has production-limiting features; no limit
- **De minimis**: up to 5% support allowed for product specific and non-product specific amber
Where Do U.S. Farm Programs Fit?

- **Amber (AMS):** dairy and sugar price support programs, marketing loan program (LDPs and MLGs); $19.1 billion limit
- Non-product specific **amber:** crop insurance, previous Market Loss Assistance (meet *de minimis* test)
- **Blue:** previous deficiency payments, new counter-cyclical payments
- **Green:** direct payments, conservation, disaster, food assistance
U.S. WTO Proposal

- **Amber box**: cut U.S. AMS by 60% over 5 years
- **Product specific caps**: 1999-01 base period
- **Blue box**: cap at 2.5% of value of production
- **De minimis**: cut 50% to 2.5% of value of production
- **Overall cut**: 53% for U.S.
- **Green box**: no substantial changes, no cap
What Does the U.S. Proposal Mean for Farm Programs?

- **Amber box**: Reduce $19.1 billion to $7.6 billion, 2005 AMS about $14 billion
- **Blue box**: Allowed 2.5% of value of production - $5 billion; current CCPs are about $6 billion
- **De minimis**: Allowed level cut to 2.5% - $5 billion, 2001 notification of $6.8 billion (crop insurance, MLA)
U.S. Proposal Represents Meaningful Reform

- **Amber box**
  - Current limits
  - New limits

- **Blue**
  - Current limits
  - New limits

- **NPS de min**
  - Current limits
  - New limits

- **PS de min**
  - Current limits
  - New limits

- **$ billions**
  - 0
  - 5
  - 10
  - 15
  - 20
  - 25
U.S. Proposal: First Stage

Direct Export Subsidies

Current
- EU: 87.8%
- Rest of World: 3.0%
- U.S.: 1.8%
- Switzerland: 6.4%
- Norway: 3.0%

EU: over $2 billion

U.S. Proposal
Eliminated by 2010

(others have later dates)
U.S. Proposal: First Stage

Market Access
Average WTO Allowed Ag Tariff

<table>
<thead>
<tr>
<th>Sensitive Products:</th>
<th>1%</th>
<th>1%</th>
<th>8%</th>
<th>8%</th>
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</thead>
<tbody>
<tr>
<td>Current</td>
<td>12%</td>
<td>31%</td>
<td>66%</td>
<td>114%</td>
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<tr>
<td>U.S. Proposal</td>
<td>3%</td>
<td>6%</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>G-20 Proposal</td>
<td>5%</td>
<td>9%</td>
<td>12%</td>
<td>28%</td>
</tr>
<tr>
<td>EU Proposal</td>
<td>8%</td>
<td>16%</td>
<td>23%</td>
<td>45%</td>
</tr>
<tr>
<td>EU New Proposal</td>
<td>6%</td>
<td>13%</td>
<td>15%</td>
<td>29%</td>
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</tbody>
</table>

US | EU | Japan | Korea | India
U.S. Proposal: First Stage

Domestic Support

<table>
<thead>
<tr>
<th>Country</th>
<th>Allowed</th>
<th>Used</th>
<th>New Cap</th>
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<td>U.S.</td>
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Billion $ (at current exchange rates)
EU Counter Proposal – Oct. 27, 2005

- "Disappointing" - lacks ambition on market access
- Cuts tariffs in highest band 60% -- U.S. proposed 90%, G-20 proposed 75%
- 8% of all tariff lines as sensitive products – U.S. 1% of dutiable lines – G20 1%
EU Counter Proposal – Oct. 27, 2005

- **Domestic support**, cut AMS 70%

- Would leave AMS more than **three** times the amount of AMS U.S.--
  - $26.7 billion versus $7.6 billion for U.S.
Overall Trade-Distorting Domestic Support Limits in Various Proposals

$1.22 = 1 euro
Amber Box Support Limits

$1.22 = 1 euro
$1.22 = 1 euro
Where to From Here?

- Time running out
- Nov. 7 & 8 meetings are last chance to get ag agenda on track
- Requires global pressure on the EU to show flexibility
- EU must match level of ambition of U.S.
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