



Asia-Pacific Economic Cooperation

2004/ASCC/057

Panel: 12

Agricultural Trade Negotiations: Hot Issues

Purpose: Paper presented to ASCC, PECC Trade Forum-LAEBA
Conference

Submitted by: Mário Jales
ICONE/Brazil



APEC Study Centers Consortium
Viña del Mar, Chile
26 -29 May 2004



Agricultural Trade Negotiations: HOT ISSUES



Mário Jales

Senior Researcher

ICONE

**APEC Study Centers Consortium
Annual Meeting – Chile 2004**

“The Challenges of APEC:
Trade, Security and Capacity Building”

Viña del Mar, 29 May 2004

SUMMARY

- 1. Overview**
- 2. Market Access**
- 3. Domestic Support**
- 4. Export Competition**

OVERVIEW

*How uncompetitive countries
distort agricultural markets*

THREE PILLARS

AGRICULTURAL TRADE PROTECTIONISM

**Restricted
Market
Access**

**Poorly
Restricted
Domestic
Support**

**Unfair
Export
Competition**

INSTRUMENTS

- | | | |
|------------------------|---|---------------------------|
| 1. Tariff Peaks | { | Market Access |
| 2. Tariff Escalation | | |
| 3. Specific Tariffs | | |
| 4. Tariff-Rate Quotas | | |
| 5. Special Safeguards | | |
| 6. Non-Tariff Measures | { | Domestic Support |
| 7. Amber Box Payments | | |
| 8. Blue Box Payments | | |
| 9. De Minimis Payments | | |
| 10. Export Subsidies | { | Export Competition |
| 11. Export Credits | | |
| 12. Abuse of Food Aid | | |
| 13. Trade Monopoly | | |

AGRICULTURAL PROTECTIONISM: United States

Product	AVE (%)	TRQ	SSG	Specific Tariff	Tariff Escalation	Domestic Support	Export Subsidy
Milk (skim powder)	49.1	•	•	•	•	•	•
Sugar (raw)	167.0	•	•	•		•	
Chocolates	21.6	•	•	•	•		
Ethanol	46.3	•	•	•			
Beef (frozen)	26.4	•	•				
Orange Juice	44.5			•			
Pork (frozen)	0.7			•			
Chicken Meat (frozen)	16.9			•	•		•
Tobacco (unmanufactured)	350.0	•			•	•	

1. AVE: *ad valorem* equivalent; TRQ: tariff-rate quota; SSG: special safeguard.

2. All tariff rates are presented in the form of AVEs , and correspond to bound tariffs at the WTO at the 8-digit level of the Harmonized System.

3. Uniform external reference prices were used to convert specific tariffs into AVEs.

Source: ICONE. Based on WTO, COMTRADE/UN and TARIC/EU.

MARKET ACCESS

GOAL:

*Reduction of tariff and non-tariff
barriers to agricultural trade*



MARKET ACCESS: Hot Issues

- Appropriate Forum:

REGIONAL & BILATERAL
US & EU

vs.

ALL LEVELS
G-20 & Cairns Group

- Appropriate Method:

QUOTA INCREASE
US & EU

vs.

TARIFF REDUCTION
G-20 & Cairns Group

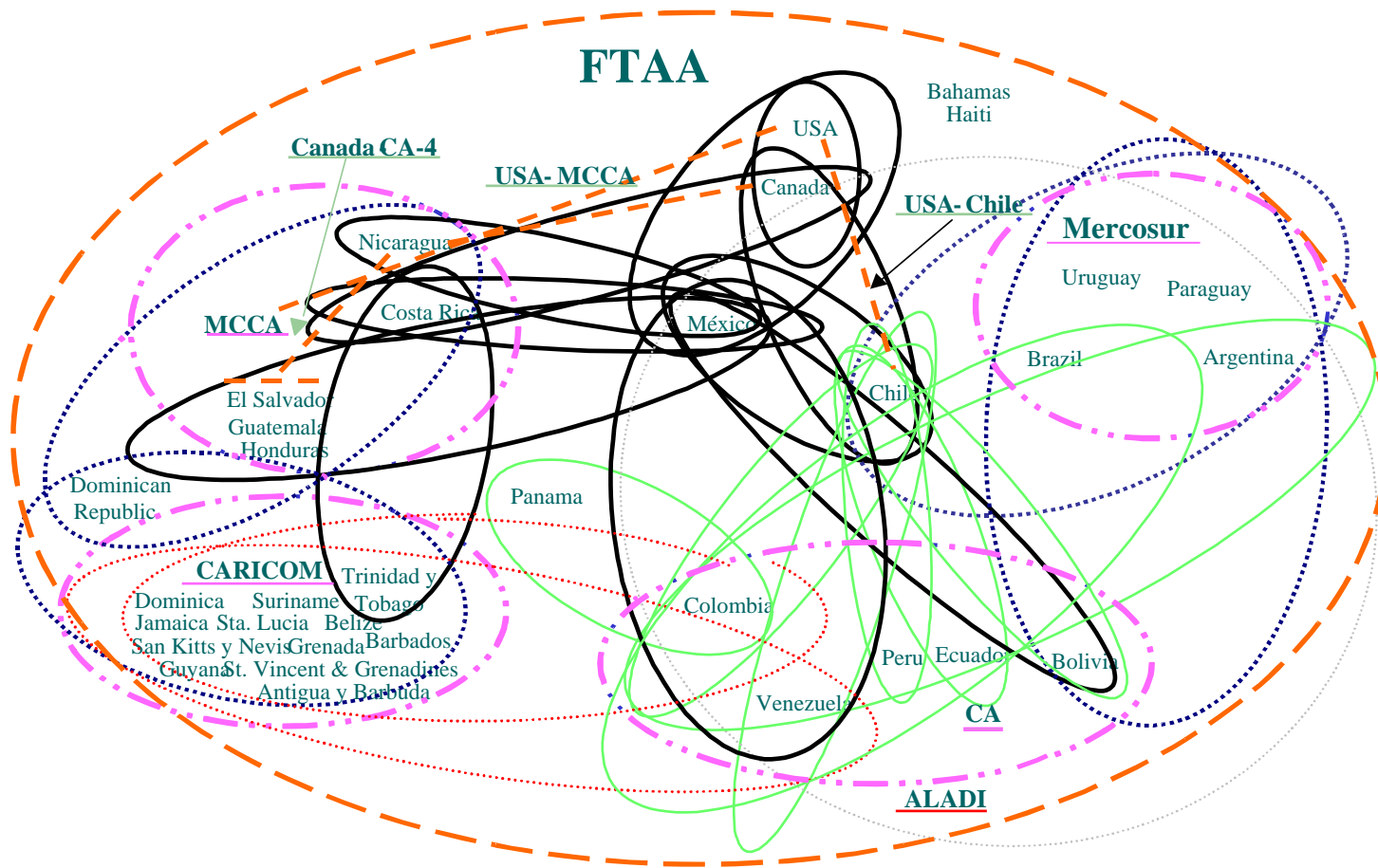
- Appropriate Formula:

BLENDED FORMULA
US & EU

vs.

PROGRESSIVE CUT
G-20 & Cairns Group

APPROPRIATE FORUM: The Risk of a “Spaghetti Bowl”



APPROPRIATE FORMULA: The “Blended Formula”

Derbez Draft Framework for Agriculture

2.1. *The formula applicable for tariff reduction by developed countries shall be a **blended formula** under which each element will contribute to substantial improvement in market access for all products. The formula shall be as follows:*

*(i) [...] % of tariff lines shall be subject to a [...] % **average tariff cut** and a **minimum of [...] %**; for these import-sensitive tariff lines market access increase will result from a combination of tariff cuts and TRQs.*

URUGUAY ROUND REVISITED!

*(ii) [...] % of tariff lines shall be subject to a **Swiss Formula** with a coefficient [...].*

*(iii) [...] % of tariff lines shall be **duty-free**.*

APPROPRIATE FORMULA:

Different Types of Tariff Distribution

Tariff Profile	USA	EU	Mercosur
Mean	12.4%	29.3%	10.2%
Median	4.4%	14.4%	10.0%
Standard deviation	29.8%	40.3%	6.0%
Maximum	350.0%	277.2%	55.0%
Minimum	0.0%	0.0%	0.0%
Coefficient of variation	2.40	1.37	0.58

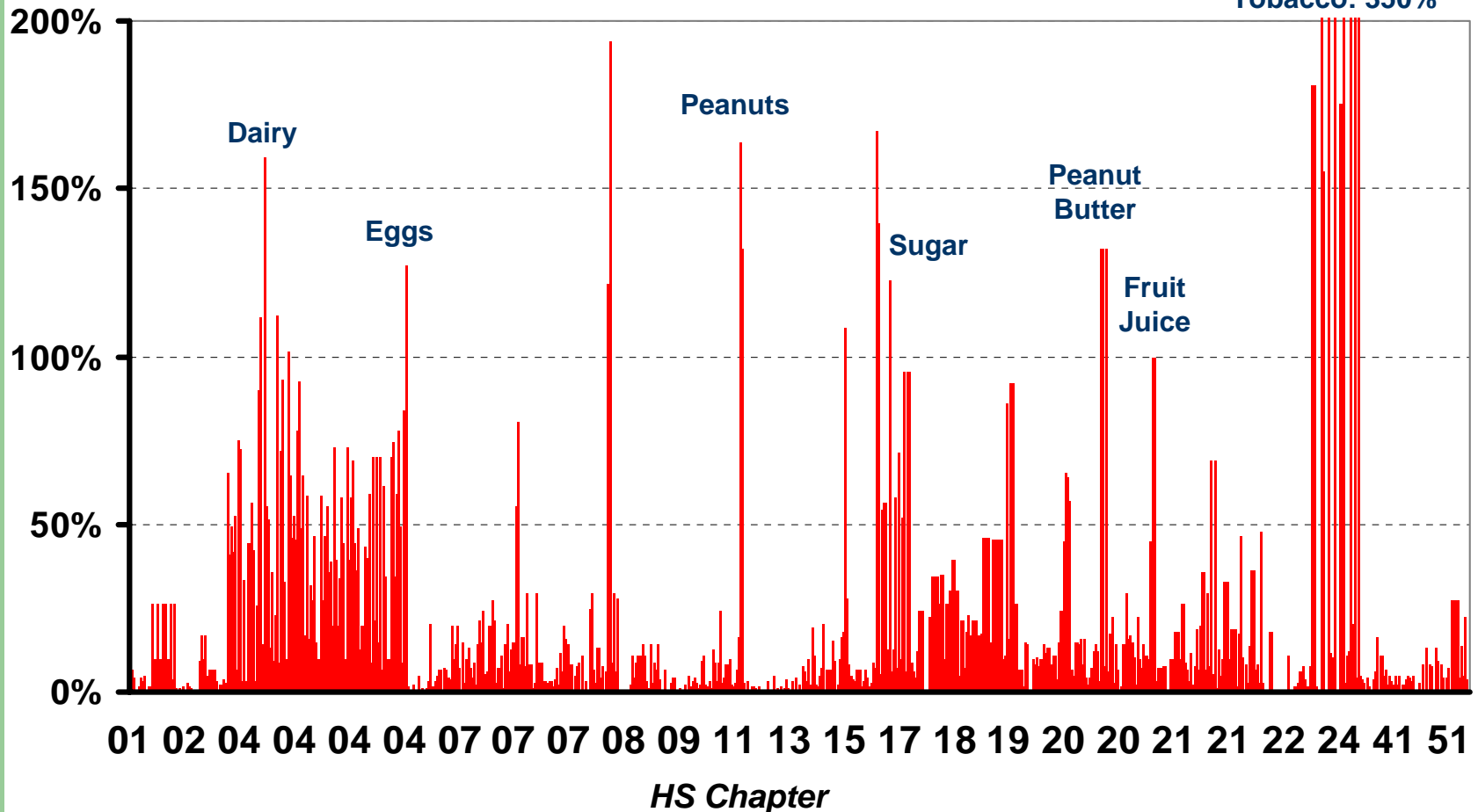
Sources: USITC, European Commission, and Brazilian Ministry of Industry, Development and Foreign Trade. All specific and mixed tariffs were converted into *ad valorem* equivalents (AVE) using international reference prices. The figures for Mercosur are based on Brazil's list of exceptions to the CET.

APPROPRIATE FORMULA:

United States Tariff Distribution (2003)

Ad valorem tariff

Tobacco: 350%



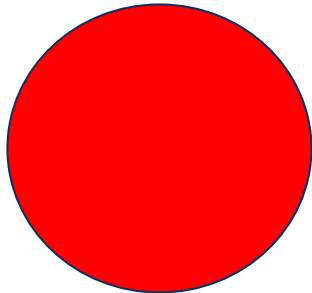
Source: USITC.

DOMESTIC SUPPORT

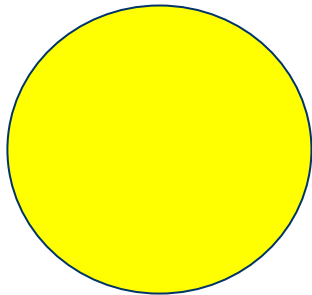
GOAL:

*Reduction of trade-distorting
domestic support*

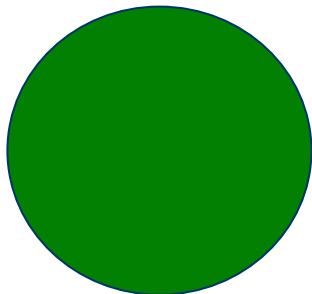
DOMESTIC SUPPORT: Early Uruguay Round



Trade Distorting Subsidies
→ Not Allowed

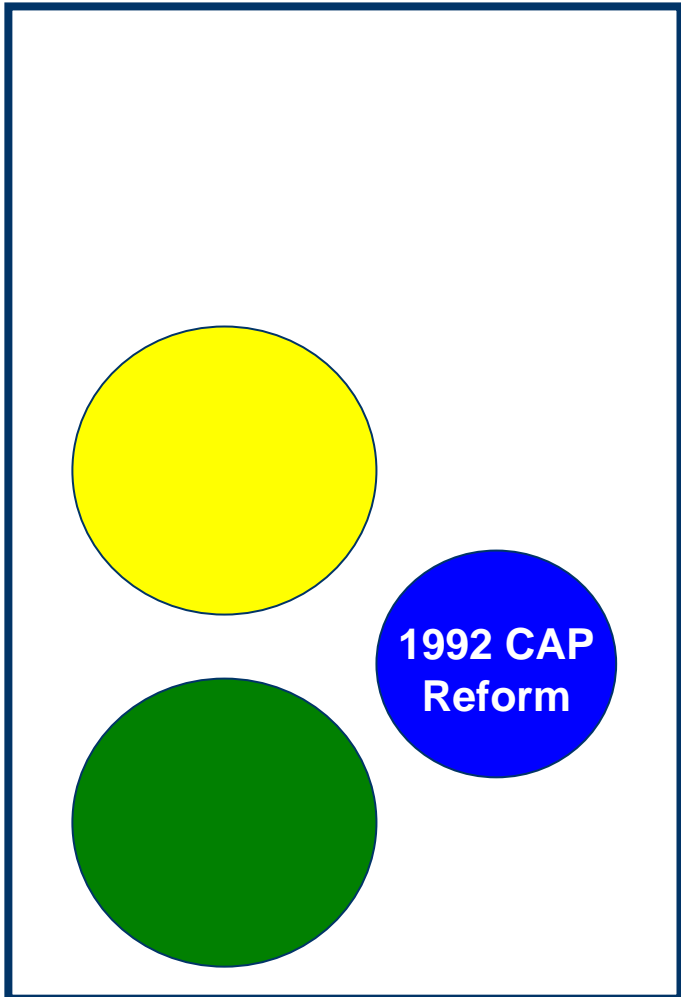


Trade Distorting Subsidies
→ Monitored, Global Capping



No or Minimally Trade Distorting
→ Allowed

DOMESTIC SUPPORT: Late Uruguay Round

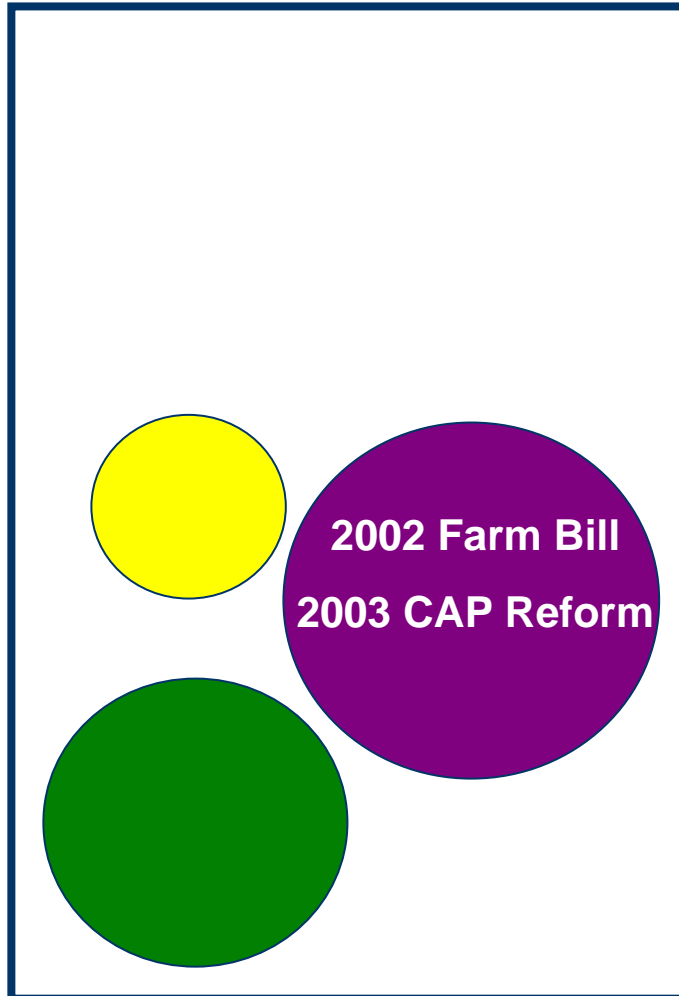


Trade Distorting Subsidies
→ Monitored, Capping

**Trade Distorting Subsidies
with Supply Control**
→ Allowed

No or Minimally Trade Distorting
→ Allowed

DOMESTIC SUPPORT: Doha Round



Trade Distorting Subsidies
→ Monitored, Capping

**Trade Distorting Subsidies
with Supply Control**
→ Allowed

No or Minimally Trade Distorting
→ Allowed

DOMESTIC SUPPORT: Hot Issues

- Appropriate Forum:

MULTILATERAL
US & EU

vs.

ALL LEVELS
G-20 & Cairns Group

- Appropriate Method:

NEW BLUE BOX
US & EU

vs.

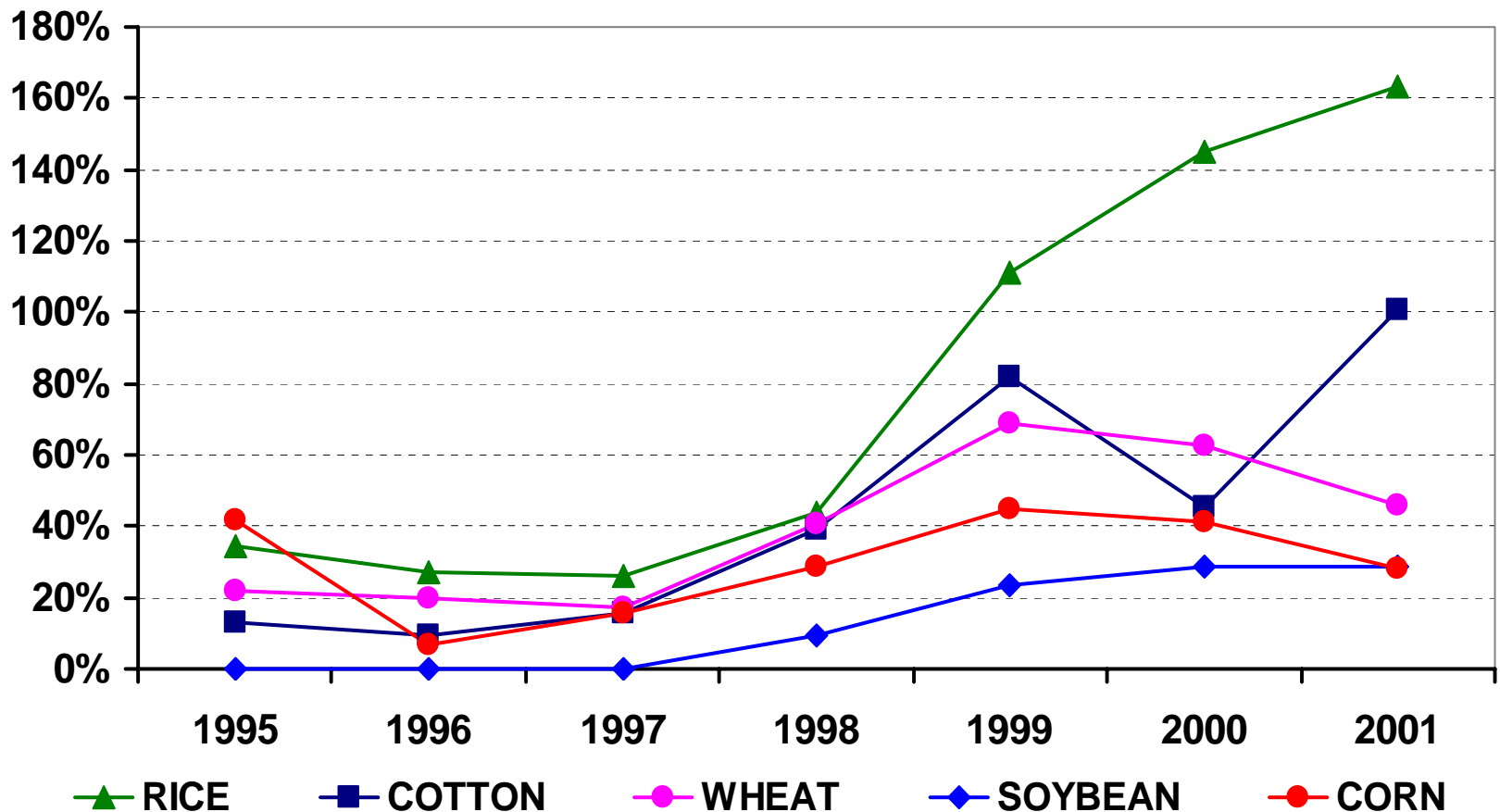
CUT IN AMS
NEW BLUE BOX PHASE OUT
G-20 & Cairns Group

OVERALL COMMITMENTS
US & EU

vs.

SPECIFIC COMMITMENTS
G-20 & Cairns Group

DOMESTIC SUPPORT IN THE US: SHARE OF SUBSIDIES IN PRODUCTION VALUE



EXPORT COMPETITION

GOAL:

*Reduction with a view to eliminate
all forms of export subsidy*



EXPORT COMPETITION

EXPORT SUBSIDY <i>European Union</i>	EXPORT CREDIT <i>United States</i>
TRADE MONOPOLY <i>Australia & Canada</i>	FOOD AID <i>United States & others</i>

- ➔ Full vs. Partial Elimination
- ➔ Full Parallelism

CONCLUSIONS

- The EU-US position at the WTO negotiations on agriculture is insufficient to achieve the goals of the Doha Round
 - An alternative to the Blended Formula is necessary;
 - The suggested domestic support disciplines do very little to reduce trade distorting practices.
- Agreement on “parallelism” in export competition likely between EU and US. Canada unlikely to accept.
- Developing countries more active and better organized in the current round.
- Cotton Case (and possibly Sugar Case) will force the US and the EU to revise domestic support mechanisms.
- Multilateralism vs. Regionalism.

The logo for ICONE features the word "ICONE" in a white serif font. The letter "O" is replaced by a stylized graphic consisting of a green parallelogram with a yellow circle inside it. The logo is centered within a dark blue rectangular box.

ICONE

Institute for International
Trade Negotiations

THANK YOU – GRACIAS – 谢谢

MARIO JALES

mjales@iconebrasil.org.br

www.iconebrasil.org.br