

Negotiating New Rules and Relationships- WTO and FTAs

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Moving Forward at WTO

- Framework text, adopted on August 1, 2004, moves negotiation forward towards meeting U.S. objectives for agriculture in the Doha Round:
 - Elimination of export subsidies
 - Reduction and harmonization of trade-distorting domestic support
 - Reduction of tariffs and tariff disparities

U.S. Trade Agenda

- Strategy: “Competition for Liberalization”
 - Multilateral – WTO Doha Development Agenda
 - Regional – CAFTA-DR*, FTAA, SACU, Andeans
 - Bilateral – Jordan*, Chile*, Singapore*, Australia*, Morocco*, Bahrain*, Thailand, Panama
 - * *Completed*

WTO Timeline - History

- 1995 – WTO Created – Current Texts
- 2000 – Talks on Agriculture/Services
- 2001 – Doha Development Agenda
- 2003 – Cancun Ministerial – No Agreement
- 2004 – July Framework

WTO Timeline - Future

2005 – Hong Kong Ministerial –
Goal = Modalities

- 2006 – Member Schedules Submitted for Verification, Text scrubbed
- 2007 – TPA Expires (2005-review)

Forces Behind the July Framework

- G20 – Brazil, India, China
- Australia and New Zealand
- G90
- G10
- Africa
- EU
- U.S.

Overview of the Decision Adopted by the General Council on August 1, 2004

- Market Access
- Domestic Support
- Export Competition
- Other Issues

WTO Market Access: Overview

- Substantial improvement in market access for all agricultural products
- Tariffs cut and harmonized
- Sensitive products subject to combination of tariff quota expansion and tariff reductions
- Developing countries part of reform process, but subject to lesser tariff reduction commitments
- Tariff caps, tariff escalation, tariff simplification, and special safeguards to be negotiated

What the United States most highly values in the Framework

■ Market Access

- Substantial improvements in market access for all products
- Deeper cuts in higher tariffs
- Tariff reductions and TRQ expansion for sensitive products
- Guidance on formula (e.g., banded)

WTO Domestic Support: Overview

- Trade-distorting domestic support (amber box) cut substantially
- Harmonization of countries' domestic support levels, with higher allowed levels of domestic support subject to deeper cuts
- 20 percent cut in overall support in the first year of implementation
- Product specific caps; no commitment for product specific reductions
- Green box (minimally- or non-trade-distorting) support to be reviewed and clarified

Domestic Support: *de minimis*

- Under *de minimis*, Members do not need to include in the calculation of the Aggregate Measurement of Support (Amber Box):
 - Trade-distorting, product-specific support less than 5% of the value of production of that product, and
 - Trade-distorting, non-product-specific support less than 5% of the value of all agricultural production
- Reductions in *de minimis* to be negotiated for all WTO Members

Domestic Support: New Blue Box

- New provisions in blue box to allow for U.S. counter-cyclical payments
 - Would allow Members to shift support from the most trade-distorting forms to less trade-distorting forms

Domestic Support: The Boxes

Amber

Payments
Coupled to
Production
and Prices

New Blue

Payments
Decoupled
from
Production
but Coupled
to Prices

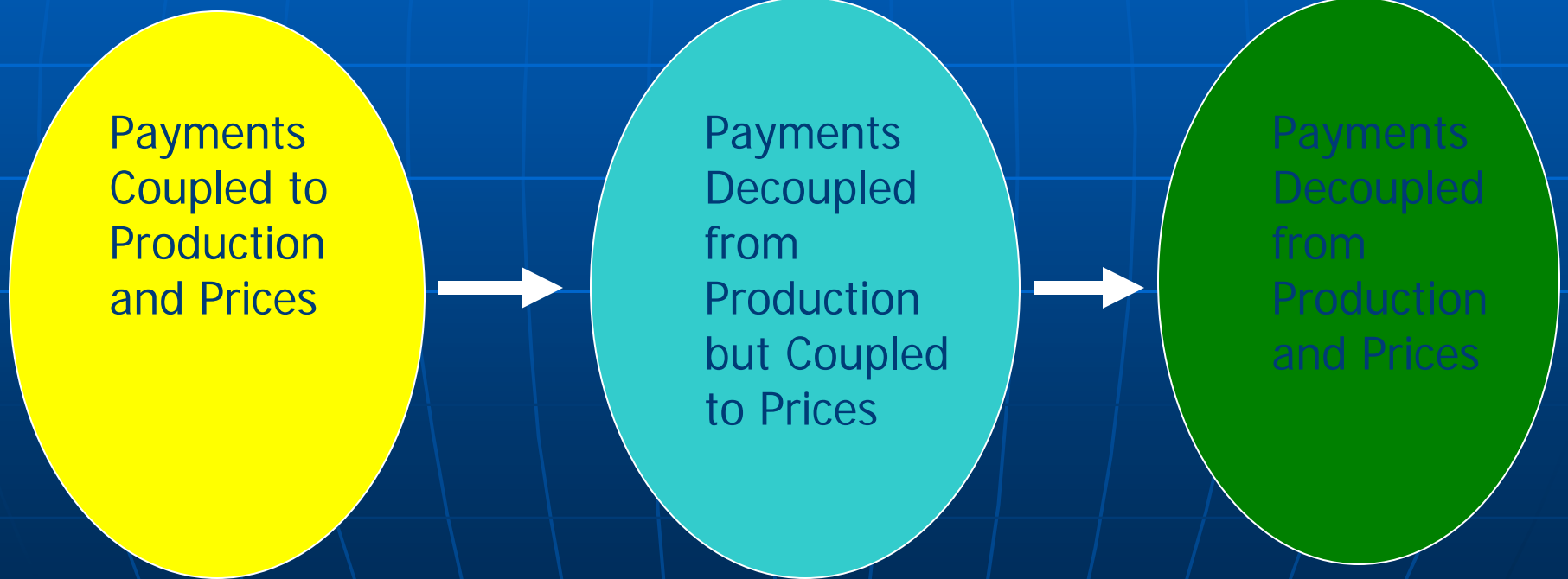
Green

Payments
Decoupled
from
Production
and Prices

Most Trade-Distorting

Less Trade-Distorting

Non-Trade-Distorting



What the United States most highly values in the Framework

- Domestic Support
 - Move towards harmonization of allowed levels for trade-distorting support
 - EU commitment to reduce AMS (amber box) by greater percentage than the United States

WTO Export Competition: Overview

- Export subsidies eliminated by an end date to be negotiated
- Export credits with repayment periods of more than 180 days eliminated
- Trade-distorting practices of exporting (STEs) to be eliminated. Future use of monopoly powers subject to negotiation
- Disciplines on Food Aid to prevent commercial displacement to be negotiated
- Use of differential export taxes may be negotiated, included under "other issues"

What the United States most highly values in the Framework

- Export Competition
 - EU commitment to eliminate export subsidies
 - Strong language regarding Export State Trading Enterprises

Other Issues in Agriculture: Cotton Sectoral Initiative

- No early harvest or specific reduction commitments for cotton
- Subcommittee on cotton:
 - Meets periodically
 - Report to Committee on Agriculture
- Work shall encompass trade-distorting policies in all three pillars

Other Issues in Agriculture: Of Interest But Not Agreed

- Sectoral Initiatives
- Geographical Indications
- Differential Export Taxes

U.S. position – Looking Forward

- Doha Round remains at top of U.S. agricultural trade agenda
- Strong outcome needed on market access to gain U.S. acceptance