The WTO(?) and Competing Policy Issues

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The Cancun Framework Agreement

Where were we in relation to U.S. objectives when the talks stalled?

The
“Three Pillars”

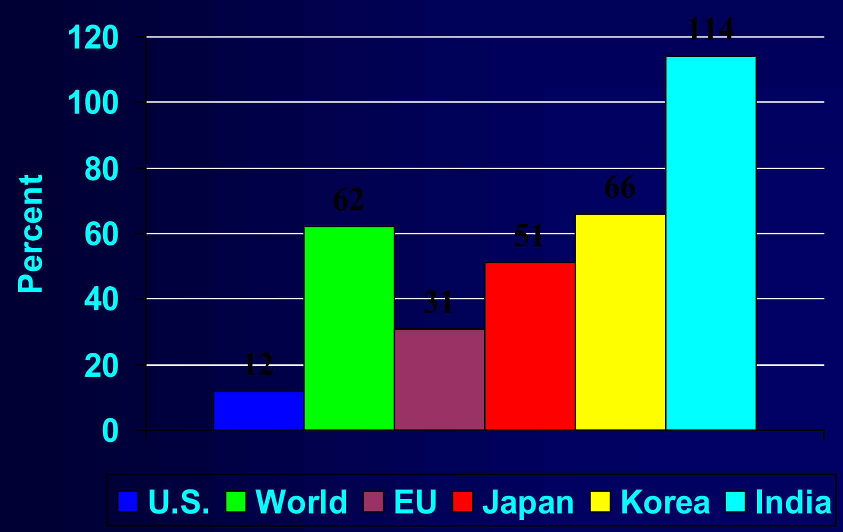
- ***Market access***
- ***Export competition***
- ***Domestic support programs***

Principal U.S. Ag Objectives:

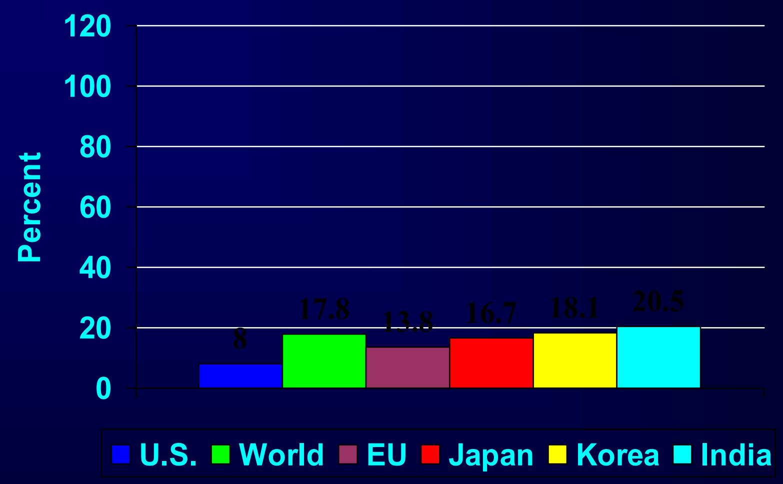
- Pillar one: Increase foreign market access and reduce disparities in tariffs (Swiss formula for all products and countries).

Market Access

Current Average U.S. and Foreign Agricultural Tariffs



Effect of U.S. Harmonization Approach



How does the framework paper address market access?

U.S. objectives:

- Harmonize tariffs (Swiss formula);
- No exceptions;
- Increase TRQ's;
- Same formula and numbers for both developed and developing

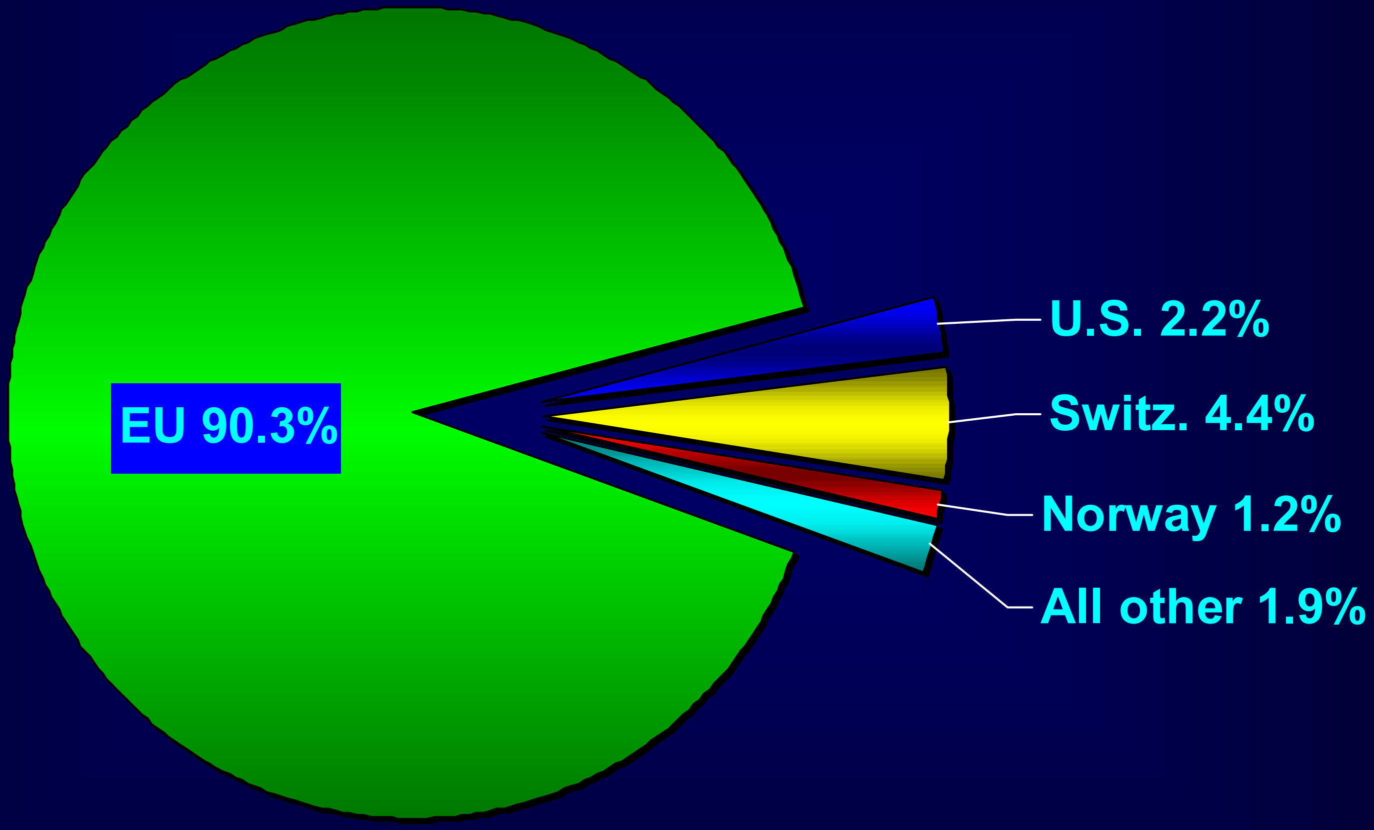
Framework paper:

- Blended approach: Swiss formula for most, but not the most sensitive;
- Some tariffs must be zero
- Tariff cap [with exceptions?]
- Same modalities for both developed and developing [different numbers]

Principal U.S. Ag Objectives:

- Pillar one: Increase foreign market access and reduce disparities in tariffs (Swiss formula for all products and countries).
- Pillar two: Eliminate export subsidies and subsidy elements of STE's; deal with export credits through strengthened WTO rules.

Export Competition



How does the framework paper address export competition?

U.S. objectives:

- Eliminate all export subsidies;
- Strengthen rules on export credits rather than numerical limits;
- Eliminate monopoly practices of export STE's.

Framework paper:

- Eliminate for all products of interest to developing countries;
- Reduce with view to phase out others;
- Parallel action on subsidy elements of export credits and STE's.

Principal U.S. Ag Objectives:

- Pillar one: Increase foreign market access and reduce disparities in tariffs (Swiss formula for all products and countries).
- Pillar two: Eliminate export subsidies and subsidy elements of STE's; deal with export credits through strengthened WTO rules.
- Pillar three: Reduce and harmonize trade-distorting domestic supports; eliminate the blue box (later changed); maintain the green box.

Refresher on the Famous Colored Boxes:

Amber: Trade distorting

Blue: Trade distorting but subject to production controls

Green: Non-trade distorting (e.g. research, conservation, non-product specific de-coupled payments)

"De Minimis": Trade distorting but green if it is non-product-specific and less than 5% of the value of production.

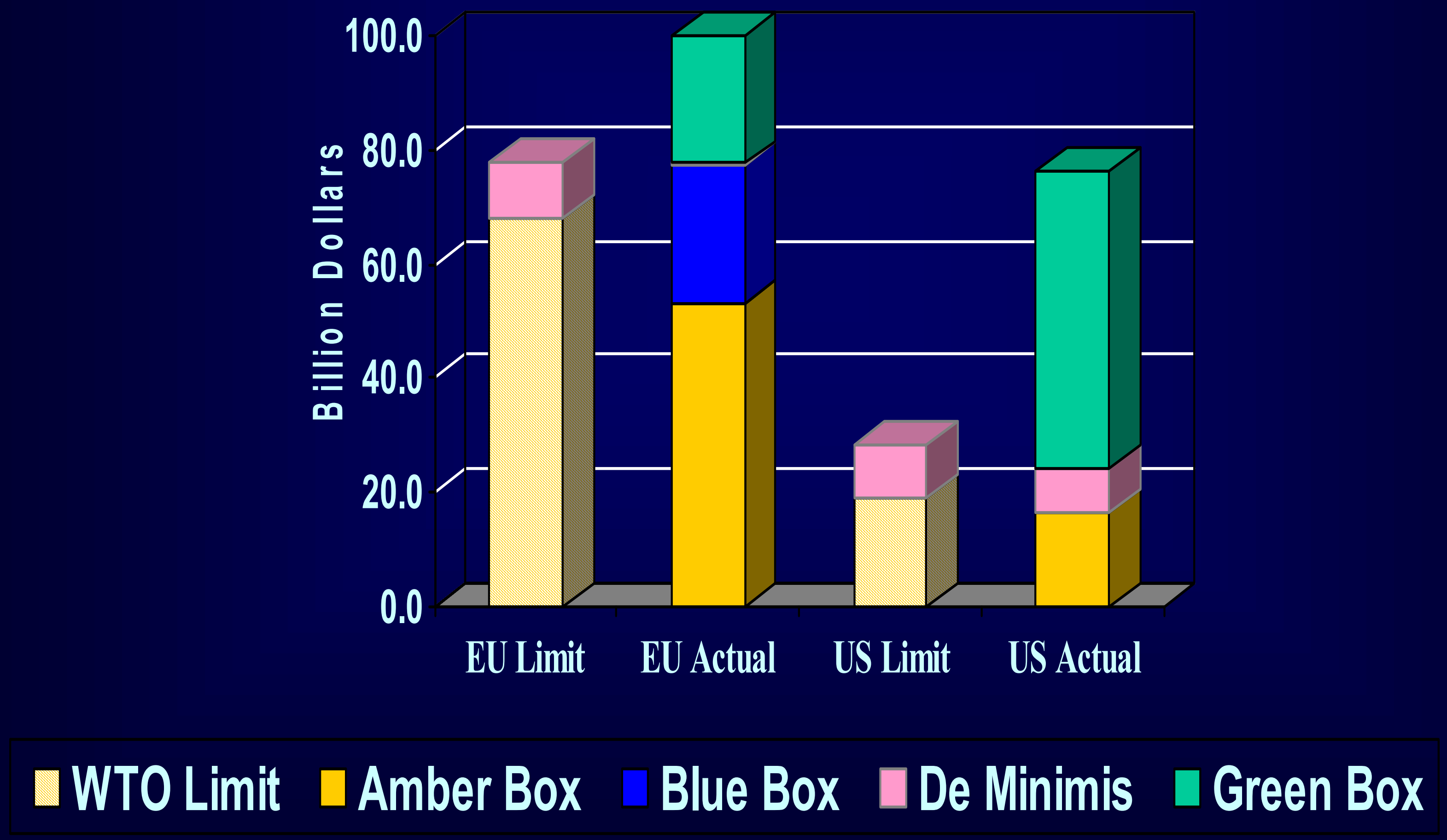
What U.S. Programs Have Gone in Each Box?

- U.S. price support programs (dairy, sugar, peanuts), LDPs, marketing loan gains are classified as amber.
- The U.S. put deficiency payments based on 85% or less of base production in the Blue Box until it gave up the program in 1996. The U.S. no longer uses the Blue Box.

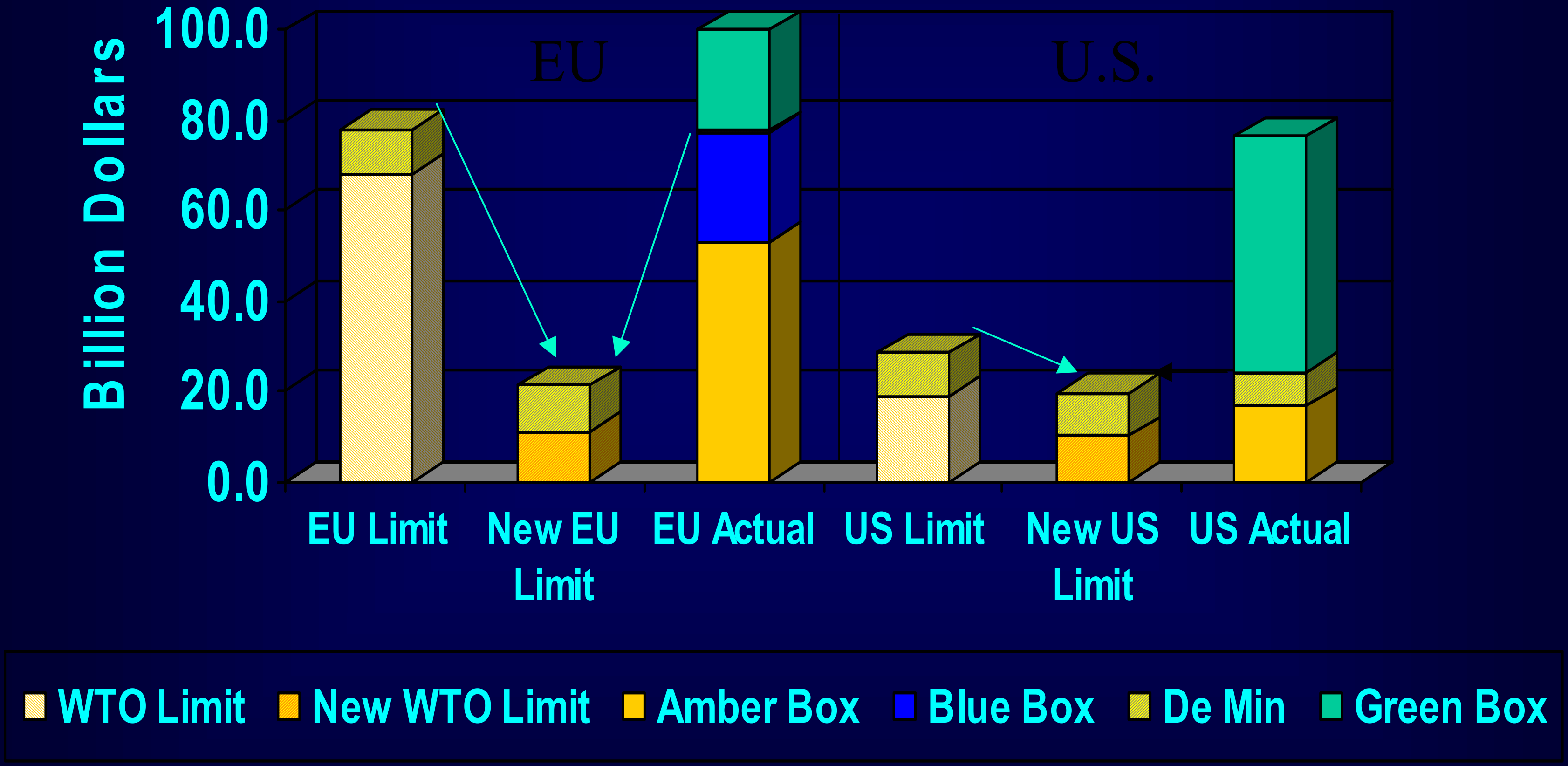
- AMTA payments were eligible for the Green Box because they were fixed in the 1996 farm bill at $35 billion over 7 years and paid on the basis of historical, not current production. They qualified for Green Box because payments were "not related to [current] prices, production or factors of production…."

- Supplemental AMTA's (Market Loss Assistance Payments (1998-2001)) were notified as amber but classified as "De Minimis" because
- (1) they totaled less than 5% of the value of U.S. production (i.e, less than around $10 billion), and
- (2) they were not "product specific".
- Therefore they were not included in the $19.1 billion U.S. WTO amber box limit.

Comparison of Current U.S. and EU Domestic Supports Including Green Box Supports (Unlimited)



What Would Happen Under the U.S. Proposal



How does the framework paper address domestic supports?

U.S. objectives:

- Harmonize amber box at 5% of value of production;
- Create new blue box at 5% of value of production to cover U.S. countercyclical supports;
- Maintain green box and de minimis uncapped.

Framework paper:

- Reduce amber box supports by a range to be decided [provides for possibility of harmonization];
- New blue box starting at 5%, but phased down;
- Review green box criteria; reduce de minimis; new overall limit.

Other Issues

- Peace clause: the framework paper would have extended it; now it is certain to expire.
- Cotton: the framework offered possibility of sectoral negotiations to benefit cotton-producing developing countries; these negotiations will not take place.
- Geographical indications: No specific language in the text.

Would the framework have achieved U.S. objectives?

Maybe yes, maybe no.

Everything would depend on the numbers in the brackets, and those would probably not have been filled in until the next Ministerial.

Given the right numbers, the framework could result in a very good deal for the U.S.; given the wrong numbers, it could be very bad.

Why did the U.S. decide to expand the blue box rather than eliminate it?

Would Section 1104 Counter-Cyclical Payments Qualify as Non-Product-Specific De Minimis?

- Language of Section 1104 sounds very "product specific"
  - *"The Secretary shall make counter-cyclical payments to producers…with respect to the covered commodity"*
  - *"…if the Secretary determines that the effective price for the covered commodity is less than the target price..."*
  - *"The payment rate used to make countercyclical payments with respect to a covered commodity..."*
- And the statute lists separate target prices for eight crops.

($000s)

COMMODITY CREDIT CORPORATION
FY 1999 THROUGH 2002 ACTUAL MARKET LOSS ASSISTANCE PAYMENTS

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COMMODITY	CROP YEAR	FY 1999	FY 2000	FY 2001	FY 2002	Total CY
Corn	1998	1,307,578	-10	94	-37	1,307,625
	1999	.	2,543,804	560	-223	2,544,141
	2000		2,542,349	2,341	-165	2,544,525
	2001			2,156,282	266	2,156,548
	TOTAL FY	1,307,578	5,086,143	2,159,277	-159	
Sorghum	1998	141,532	-7	-36	-2	141,487
	1999		276,556	40	-19	276,577
	2000		275,659	289	46	275,994
	2001			235,795	-5	235,790
	TOTAL	141,532	552,208	236,088	20	
Barley	1998	59,089	1	1	0	59,091
	1999		114,672	18	-12	114,678
	2000		113,740	206	-14	113,932
	2001			97,260	40	97,300
	TOTAL	59,089	228,413	97,485	14	
Oats	1998	4,236	0	1	0	4,237
	1999		8,407	3	-1	8,409
	2000		8,305	8	0	8,313
	2001			6,881	0	6,881
	TOTAL	4,236	16,712	6,893	-1	
Total Feed Grains		1,512,435	5,883,476	2,499,743	-126	
Wheat	1998	744,677	39	-10	-13	744,693
	1999		1,445,038	399	-311	1,445,126
	2000		1,442,770	1,969	-295	1,444,444
	2001			1,223,166	204	1,223,370
	TOTAL	744,677	2,887,847	1,225,524	-415	
Rice	1998	237,960	0	25	-61	237,924
	1999		464,544	142	-214	464,472
	2000		463,263	517	-10	463,770
	2001			397,531	108	397,639
	TOTAL	237,960	927,807	398,215	-177	
Upland Cotton	1998	316,229	-17	-42	16	316,186
	1999		613,251	236	-140	613,347
	2000		611,746	1,054	-75	612,725
	2001			523,641	183	523,824
	TOTAL	316,229	1,224,980	524,889	-16	
Dairy	1998	200,012	0	0	0	200,012
	1999		44	-36	-2	6
	2000		122,507	307	-5	122,809
	2001			672,274	-370	671,904
	TOTAL	200,012	122,551	672,545	-377	
TOTAL ALL COMMODITIES		3,011,313	11,046,661	5,320,916	-1,111	0

USDA is reporting market loss assistance payments on a product-by-product basis...

But product-specific payments cannot be "De Minimis"