

*Impact of Trade Negotiations and Disputes on
US Farm Policy:*

The Perfect Storm?

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*21st Century Farm Policy: Challenges and
Opportunities*

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Introduction

- 2005 is proving to be a critical year for US agricultural trade policy
 - Push for agreement on Modalities at WTO Ministerial in December
 - Implementation of changes as a result of the WTO cotton ruling
 - US talks on regional FTAs continues with Andean Pact and Thailand
- Each of these will impact on the US Farm Bill

Introduction

- Compared with ten years ago
 - US-EU influence on trade agenda now circumscribed by developing countries
 - China, India and Brazil are taking more active role in trade discussions (G-20)
 - WTO litigation impacting domestic policy: key cases (cotton and sugar) and GI case: GMO report due in January
- Bottom Line: we are in a period of significant change in agricultural trade relations

Outline

- Progress in the Doha Round
- WTO Litigation in Agriculture
- Progress in Regional, Bilateral Talks
- Implications for US Agricultural Trade Policy
- Conclusions

Progress in the Doha Round

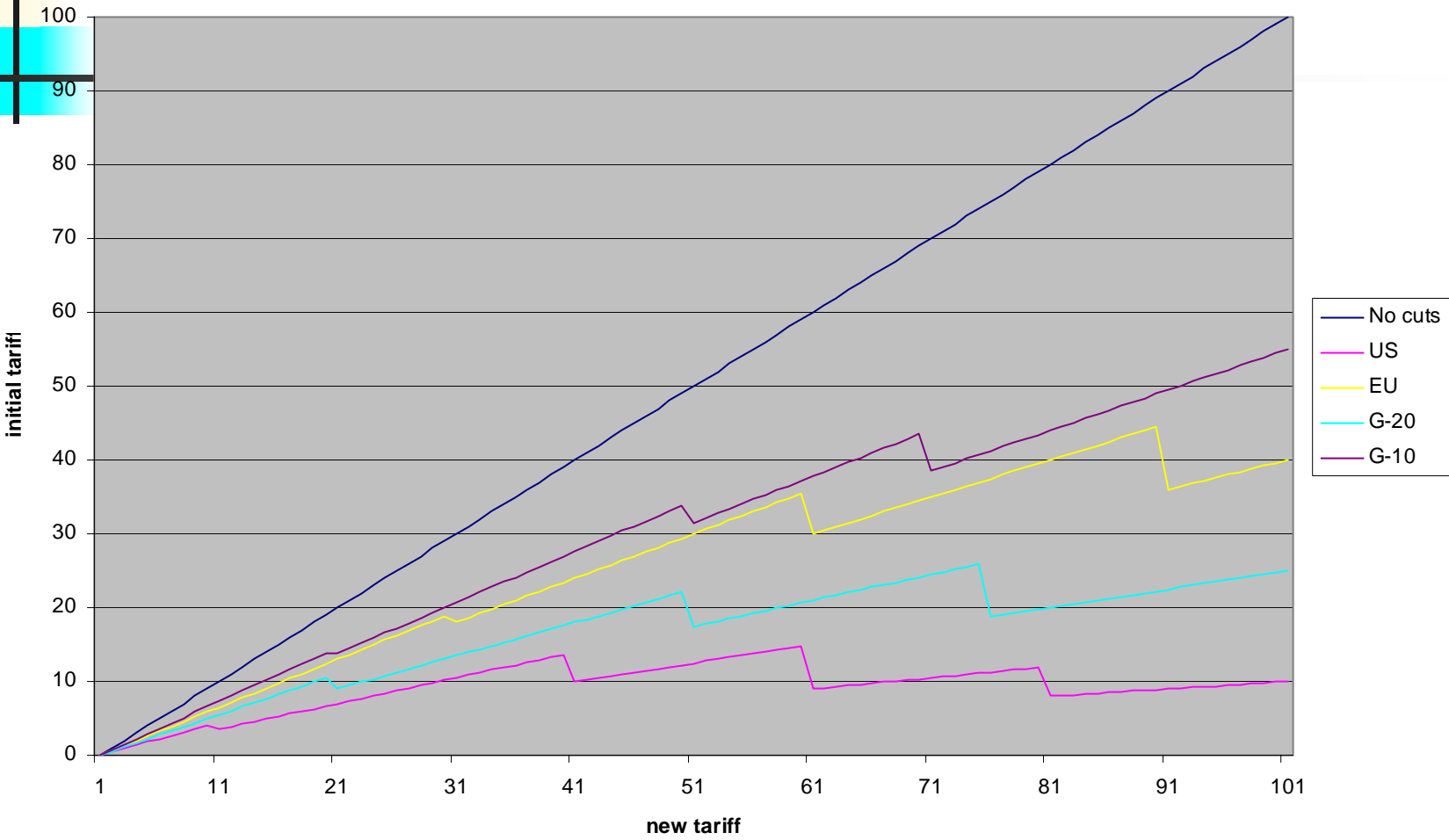
- WTO talks are on a “knife edge”
- Significant measure of agreement needed within the next two weeks
- Tough political decisions still needed to reach an agreement
- US and EU must decide that next step in agricultural reform in WTO is compatible with domestic objectives
- But developing countries may yet resist market opening and demand too much of developed countries by way of cuts in domestic support
- Stalemate in December could halt the WTO negotiations for many years

Progress in the Doha Round: Agriculture

- Market Access is key
- US proposal calls for sharp cuts, few exceptions, low tariff cap (75 percent)
- EU tabled mild offer, but has since improved it substantially: still wants exceptions for “sensitive products”
- G-20 proposed a compromise
- G-10 still balks at deep cuts and tariff caps, and wants many exceptions

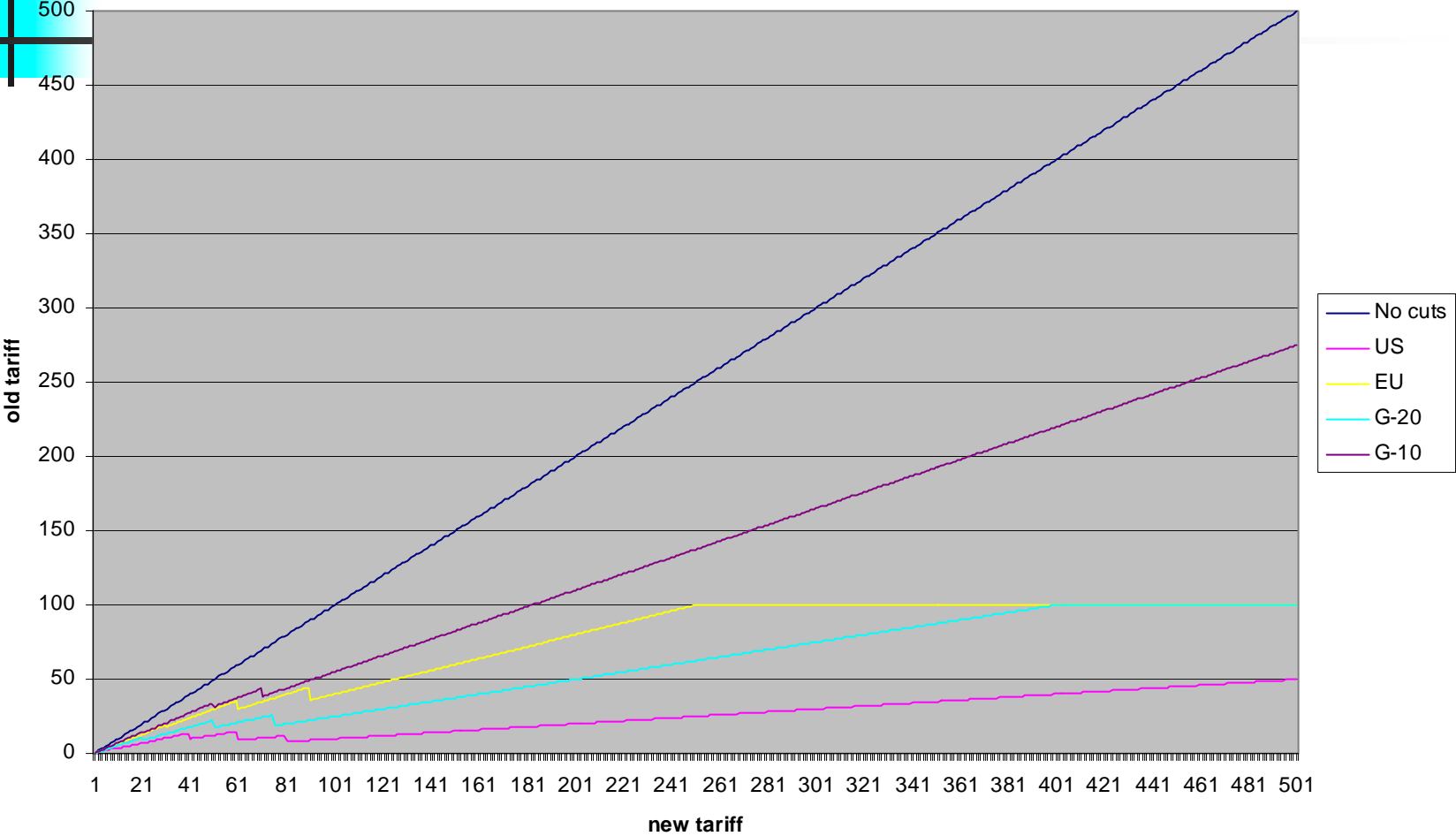
Tariff Reduction Proposals

Tariff Cuts (1-100)



Tariff Reduction Proposals

Tariff cuts 1-500



Progress in the Doha Round: Agriculture

- Export Competition is less of an issue
- EU has agreed to end export subsidies if other export programs are curbed
- US has agreed to modify export credit guarantees and appears willing to modify food aid programs
- Canada has yet to agree to change CWB operations
- Main decision is to set “credible” date

Progress in the Doha Round: Agriculture

- Domestic Support is also proving difficult
- US energized talks with October offer of 60 percent cuts if EU and Japan cut more
- EU laid out plans for significant cut in its own domestic support
- G-20 demanded deeper cuts from both
- Question remains how to cut “headline” support but keep programs intact?
- And how to convince others that these cuts are worthwhile?

Other Agricultural Topics

- Geographical Indications
 - Negotiations ongoing on multilateral list for wines
 - Discussions continuing about extension of coverage of “enhanced” protection for other food products
 - EU will want some concessions on this at Hong Kong
- Peace Clause
 - No mention in Framework Agreement
 - US has argued for its revival
 - May be needed in final package at Hong Kong

Progress in other areas of the WTO negotiations

- NAMA (manufacturing tariffs)
 - Non-agricultural market access talks are going slowly
 - Level of “ambition” depends on agricultural talks
- Services (request and offer)
 - Few significant offers of service liberalization
 - No progress on Mode 4 (labor movement)
- Progress needed before Hong Kong to enable a deal to be reached

WTO Litigation on Agriculture

- Additional pressure from WTO challenges put on US, EU to modify agricultural programs
- Panels have found against Canadian Dairy policy, and some CWB practices
- Significant rulings against US Cotton and EU sugar regimes
- Impact of rulings not restricted to these commodities: could influence other aspects of US and EU farm programs
- Other cases (e.g. GMO, GIs, Byrd Amend.) also have implications for agricultural trade

Progress in Bilateral Talks

- Significant US Bilaterals completed or underway
 - Chile – in place after ten years of talks
 - Australia – in place after two years of talks
 - CAFTA – passed Congress by a slim margin
 - Andean Countries – talks moving forward
 - Thailand – progress slow
 - Jordan, Morocco, Oman – part of mid east strategy

Progress in Regional Talks

- Regional trade developments
 - FTAA – waiting for outcome of WTO talks (unable to deal with domestic support at a regional level)
 - Asia – moving ahead with regional talks (India and China are talking)
 - Europe – evolving trade relations with former colonies, with Central Asia and North Africa, and Least Developed Countries

Implications for US Agricultural Trade Policy – multilateral trade relations

- Trade relations with Developing Countries will be major focus for the future
- China becoming major player in agricultural trade
- Brazil's competitiveness and confidence becoming a challenge
- US-EU "harmony" elusive but still needed
- WTO Leadership now shared by the Five Interested Parties (Australia, Brazil, EU, India and US)

Implications for US Agricultural Trade Policy – WTO litigation

- Other countries may continue to challenge farm policies through WTO panels (unless there is a new peace clause)
- More farm programs be found inconsistent with WTO SCM Agreement
- Or there could be domestic resistance to Panel rulings (as with Beef Hormones in EU)
- This could weaken WTO legitimacy and credibility as countries find that the US (and EU) do not modify policies

Implications for US Agricultural Trade Policy – Bilateral and Regionals

- Regional agreements may be boosted by slow progress in WTO, become the prime location for US trade policy
- US could expand its agreements in the Americas and Africa, along with those in Asia and the Middle East
- Bilateral with the EU may come up again
- Asian regional could exclude US, set up discrimination against exports
- Result could be weakening of multilateral trade system and increasing tension among regions
- Successful Doha Round would slow these developments

Conclusion (1)

- Agriculture is at the heart of most of the trade policy negotiations, at WTO and regional levels
- Pressures to reduce tariffs will continue either on an MFN basis or with other countries on a bilateral basis
- Export subsidies are on the way out along with some export programs in US and Canada
- Domestic support programs will continue to be under international scrutiny to see that they do not impede other countries
- Litigation could add to these pressures but will ultimately run up against limits to the willingness to comply with WTO panel rulings

Conclusion (2)

- “New” trade issues will become increasingly important:
 - Intellectual property issues such as Geographical Indications
 - SPS and TBT issues relating to standards and health restrictions
 - Biotech issues such as GM foods and cloned animals
 - Invasive species and the protection of plant and animal health without losing the advantages of trade
 - Structural issues in the food system such as control of supply chains and problems with those that cross borders

Conclusion (3)

- US trade policy can accommodate to these pressures if it keeps in mind the ultimate goal of a global market that allows US agriculture to take advantage of its efficiency
- Bilateral, regional and multilateral trade agreements are broadly mutually complementary, and each offers possibilities for wider markets
- Domestic policy is (slowly) evolving to become less obtrusive in trade relations, whether through negotiation or litigation
- Integration of the food and agricultural system will continue on a global scale to the considerable advantage of US agriculture and the world's consumers

Thank You