PolicyPennings by Dr. Daryll E. Ray

WTO Director tries to resuscitate multinational trade negotiations

On Friday, July 16, 2004, WTO Director General Supachai Panitchpakdi released a 15 page draft agreement that he hoped would break the impasse in the Doha round of international trade talks. At the heart of the impasse is a disagreement over agricultural export subsidies, agricultural support programs, and tariffs.

Developing countries blame U.S. and E.U. farm subsidies for the low agricultural commodity prices that plagued farmers around the world until just recently. They would like to see the subsidies of these two agricultural powerhouses slashed in the belief that the subsidies have driven production up and prices down. They reason that if farmers in rich nations were not subsidized they would plant less and world prices would rise.

Negotiators will be working on fashioning agreements on as many issues as possible right up to the General Council meeting that begins on July 27. Proponents of the trade agreement argue that a failure to reach an agreement at the General Council meeting will be a significant setback for the Doha round of trade talks. In releasing the draft agreement Supachai said, "[A] failure this month means the continuation of an unsatisfactory status quo, certainly for the remainder of this year and next and possibly for years to come."

To enhance the possibility of reaching an agreement, the 15 page draft includes some flexibility that opens the door to further negotiations rather than trying to come to an agreement on all issues at the same time. Two more steps in the negotiating process would bring negotiations back to a ministerial meeting like the one in Cancun in September 2003.

Of most concern to farmers is what is called Annex A which is a "Framework for Establishing Modalities in Agriculture." The trade reforms in agriculture rest on what are described as three pillars: domestic support, market access and export competition.

The domestic support pillar is aimed at "substantial and effective reduction in Members' product specific support." This includes "substantial reductions in trade distorting domestic support" which will affect commodity programs in developed countries like the U.S. Farm program outlays could experience substantial reductions as a result of these negotiations

The market access pillar calls for "substantial improvement in market access for each tariff line." Without setting percentages at this point, the draft document calls for both an overall reduction and a reduction in each tariff line. That appears to mean that commodities like sugar cannot be protected by making larger tariff cuts on other products.

Lastly the export competition pillar includes "provision for the elimination of export subsidies and elimination of trade distorting elements of other export competition instruments." In the case of export subsidies as compared to domestic support, the call is not for a reduction, but total elimination. The repayment period for export credits will be reduced to 180 days and calls for commercial terms on these loans, rather than the long terms and generous terms that have characterized these credits in the past. In addition food aid will be monitored to make sure that countries are not using it to clear surplus commodities from their larder.

Special and differential treatment will be afforded developing (and particularly least-developed) countries. The developed countries will have to make greater concessions than developing countries. This is in line with the Doha Development Agenda which is focused on improving the economic condition of developing and least-developed countries.

What happens in these negotiations could shape the content of agricultural policy in the United States and the European Union for years to come.

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