



WTO Agreement on Agriculture

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Topics

- **Agriculture and the GATT**
- **Patterns in agricultural trade policies**
- **Uruguay Round Agreement**
- **The Doha Agenda**



Agriculture and GATT

- **Always covered by GATT**
- **But escaped!!!**
 - **Exceptions on QRs and on export subsidies**
 - **Weak rules on export taxation**
- **Problems worse in the 1980s**
 - **EU moved to surplus & subsidized exports**
 - **World prices fell to very low levels**
- **The result: “Agriculture in Disarray”**
 - **Competing export subsidies**
 - **Agreement on need for reform in U Round**



Patterns of agricultural protection

- **Industrial countries**
 - **High protection**
 - **Export subsidies**
 - **Production subsidies**



Pre-Agreement Protection: OECD

	USA	ANZ	Japan	EC	EFTA
Beef	31	0	99	98	165
Dairy	123	37	353	189	297
Wheat	19	1	521	65	234
Rice	0	6	348	114	0



Developing country pattern

- **Agriculture often taxed directly**
 - **Especially through export taxes**
 - **Cheap food policies & urban bias**
- **Indirect taxation from industrial protection & exchange rate overvaluation**
- **Restricted access to industrial country markets**



Developing country policies

	China	India	Nigeria	Brazil
Beef	-24	0	0	-23
Dairy	0	0	0	-21
Wheat	-21	-32	123	55
Rice	-45	-18	36	39



Was it to protect the poor?

	Percent of the poorest working in agriculture
Côte d'Ivoire	87.5
Peru	61.2
Ghana	77.3
Jamaica	41.0
Mauritania	43.7



Was it to promote productivity growth?


Productivity growth 1967-92

Agriculture

2.29

Manufacturing

1.74



More powerful explanation: Power of special interests

- **Predicts that sectors able to get assistance will be**
 - **Relatively small**
 - **Easily organized**
 - **eg Regionally concentrated industries**
- **Dairy, sugar, frequently cotton, are highly protected in many countries**
- **All of agriculture in rich countries?**



Interest groups: poor countries

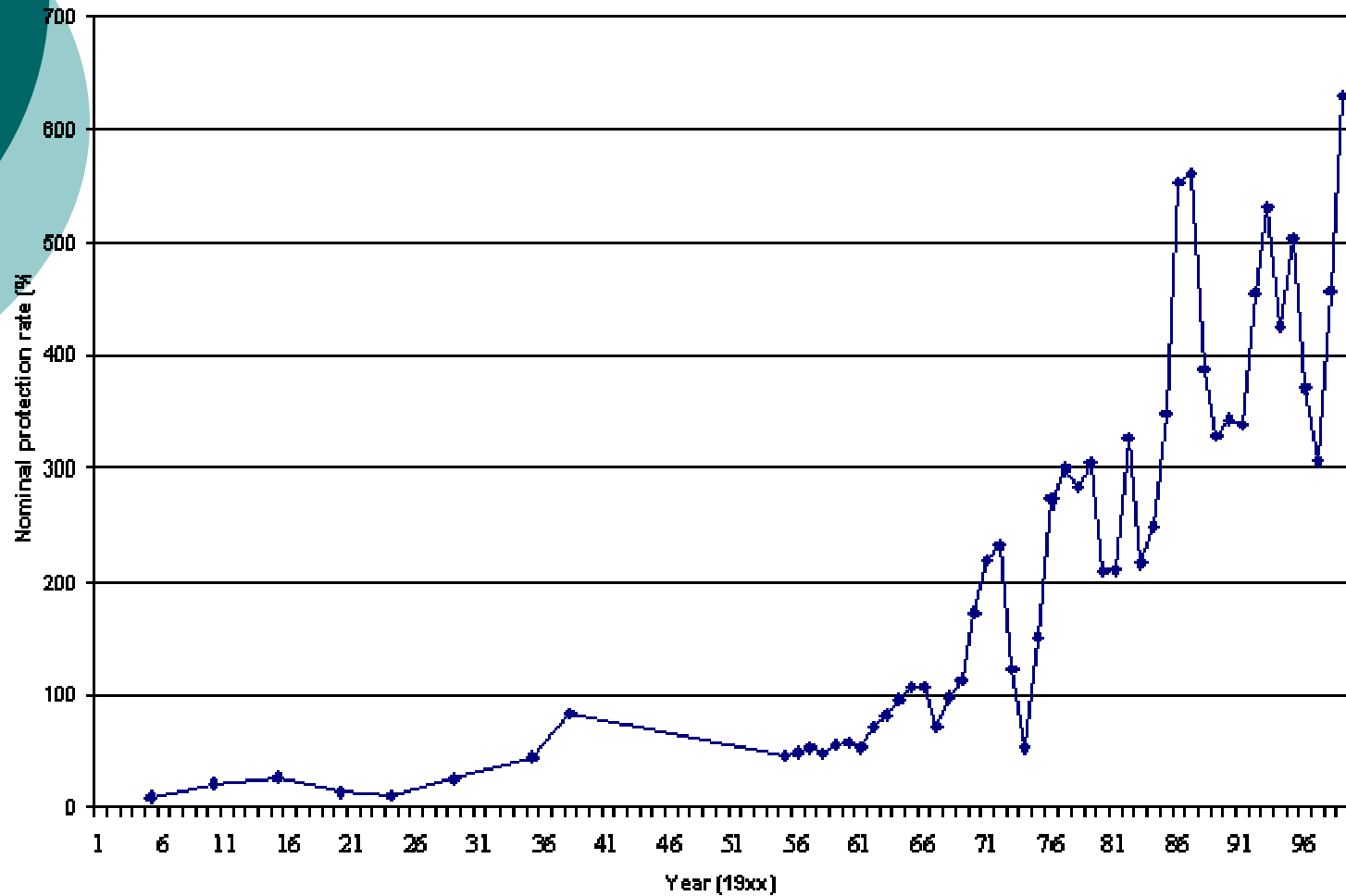
- Urban consumers are a small group, easy to organize, and influential
- Food a large share of urban budgets
- Farmers a very large share of the population and hard to organize
- Farmers mainly subsistence
- Result: Urban bias & agric taxation



Interest groups: *As incomes grow*

- Urban popn bigger & harder to organize
- Food becomes a smaller share of urban budgets– consumers care less about price
- Farm numbers decline-- easier to organize
- Farmers become more commercial and interested in food prices
- Export mix shifts to manuf/services
- Result: rising agricultural protection

Example: Japan Rice





Japan rice: why so protected?

- **Small number of farmers**
 - **Commercially oriented**
- **Large no. of high-income consumers**
 - **Rice a small budget item**
- **Import competing, so little budget cost**
- **Cost-of-production pricing \Rightarrow domestic prices out of line with world prices**



Effects on World Markets

- **Prices depressed**
- **Volatile, residual markets**
- **Creates a justification for protection**



Price impacts: OECD liberalization

	Anderson- Tyers	USDA
Wheat	25	27
Rice	5	18
Meat	43	16
Dairy	95	84



Importance of WTO for Agric Reform

- Power of special interests makes it very difficult to combat agricultural protection in rich countries
- Also very difficult in regional arrangements
 - Tends to be excluded
- WTO seems the only possible approach to reforming industrial-country agriculture
 - Though it is difficult in the WTO



UR Agricultural Agreement

Three pillars

- **Market access (tariffs)**
- **Domestic support (subsidies)**
- **Export competition (exp subsidies)**



Uruguay Round Reform Goals

- **All Nontariff barriers changed to tariffs**
 - **Success--- but some very high bindings**
- **Tariffs cut**
 - **36% in industrial countries, 24% developing**
- **Export subsidies cut 36 or 24%**
- **Domestic support cut 20 or 14%**
- **Market access opportunities- TRQs**

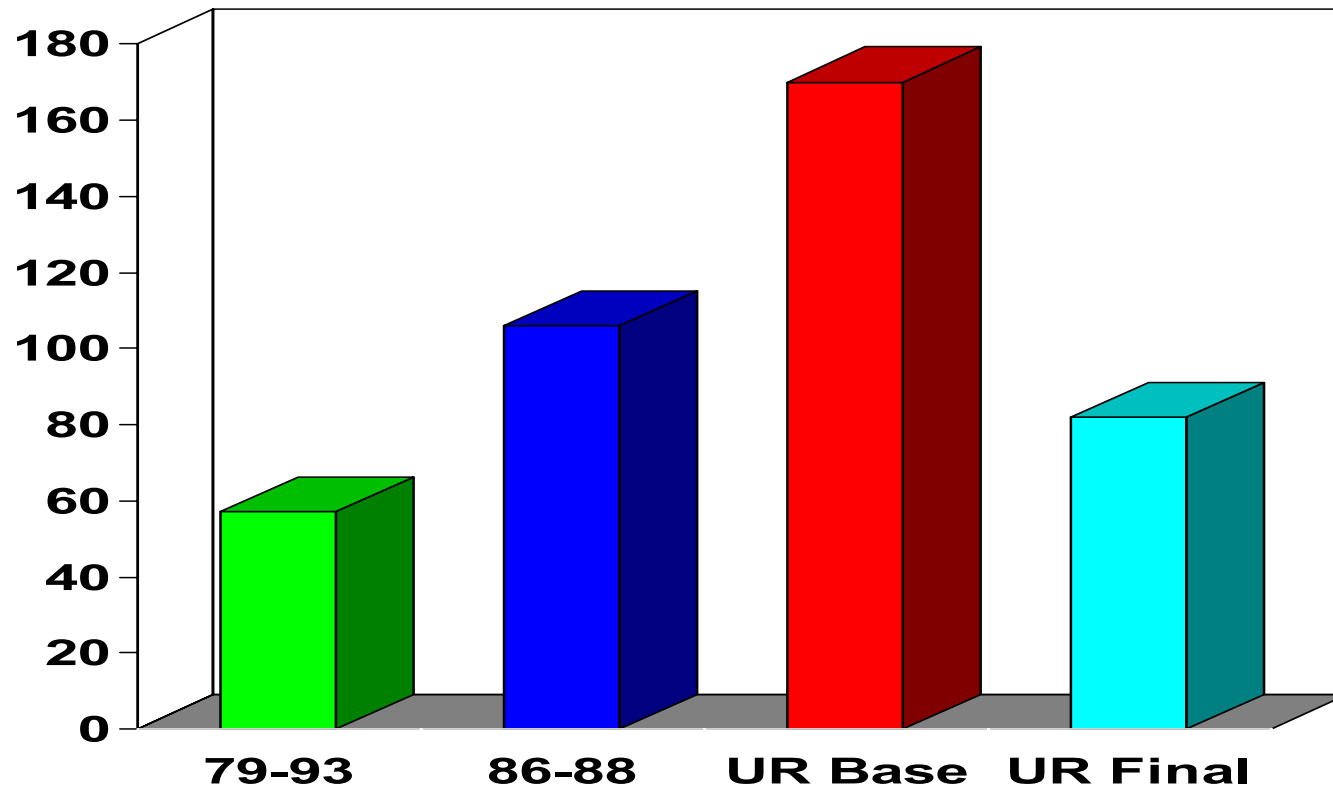


What Happened?

- **Choice of 1986-88 base**
- **Dirty tariffication**
- **Domestic support- many exceptions**
- **Restraints on export subsidies**

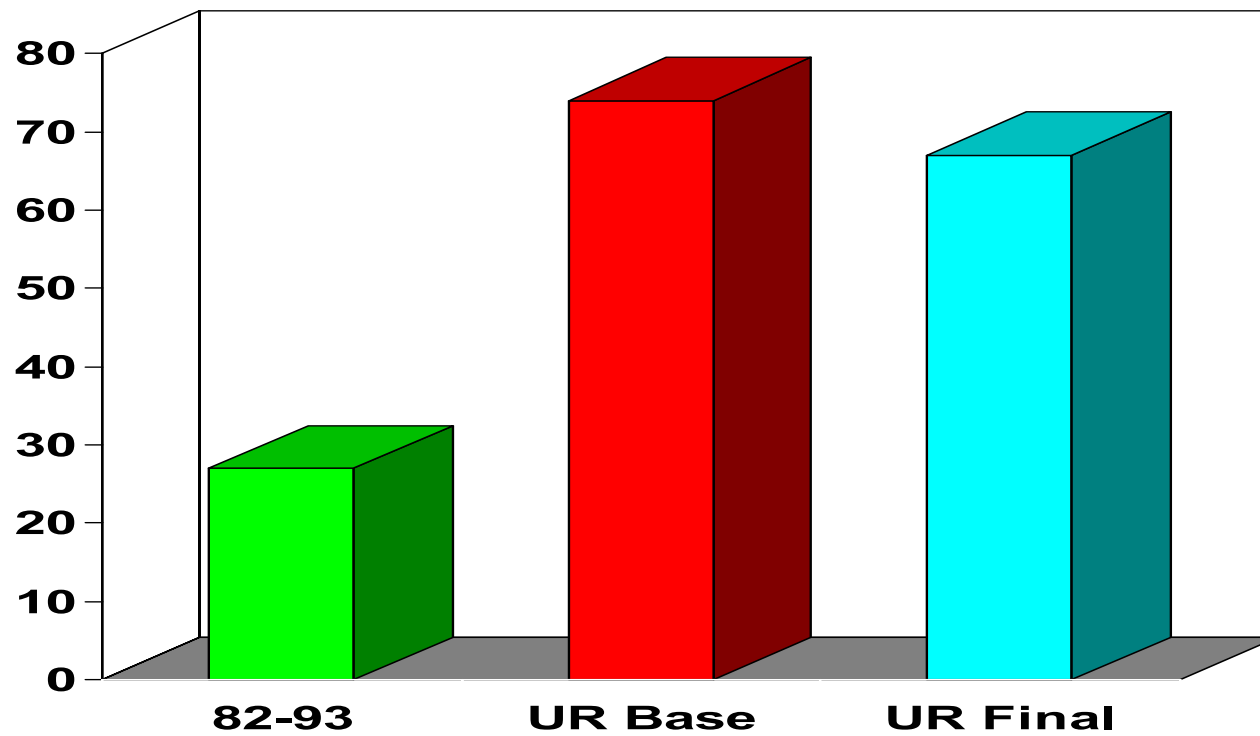
EU Wheat:

Two Steps Up & One Step Down



Mexico Wheat:

One step up & One Down

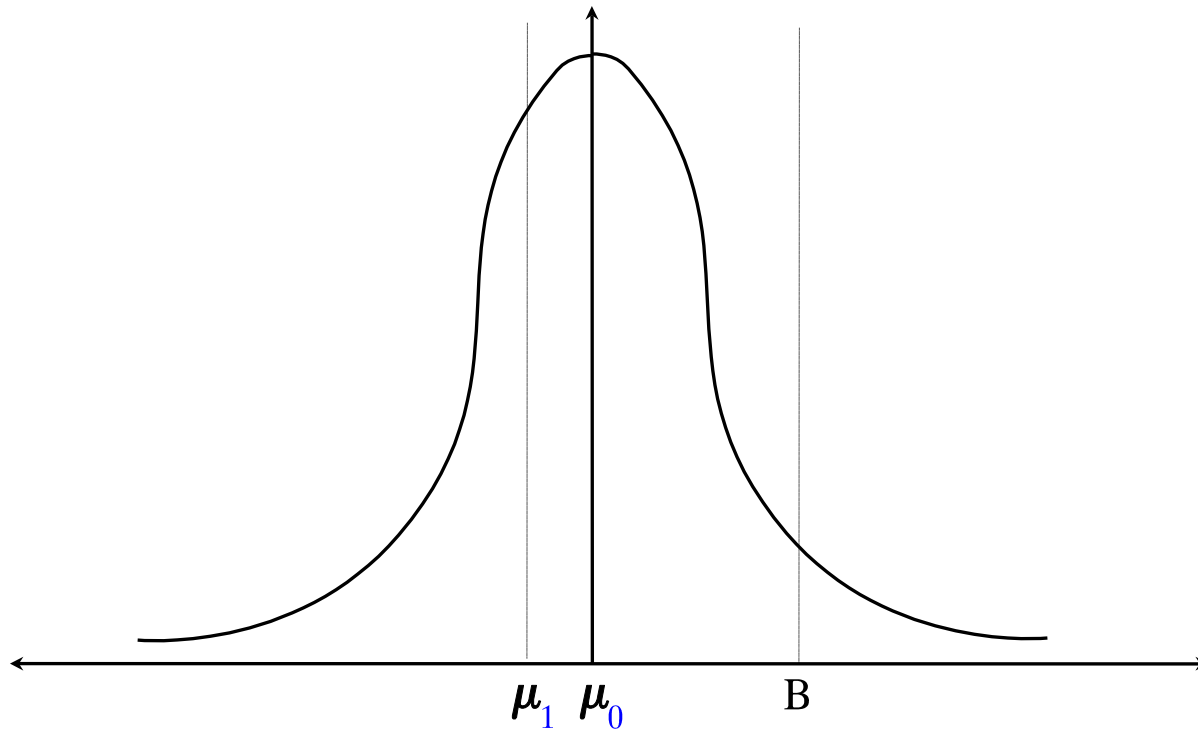




Final tariff bindings

	Wheat	Dairy	Meat
EU	82	178	76
USA	4	93	26
Maghreb	151	87	213
Mexico	74	54	45

Even high bindings have value:
Unbound tariffs vary over time





Erosion of Agricultural Libn Gains

	Actual gain	With formula
	% GDP	%GDP
USA	0	0.2
Canada	0	0.6
EU	0.3	0.9
Japan	0.4	0.9
India	0.5	0.8
China	-0.1	-0.2
World (bn)	48	137



Uruguay Round Agreement a base for Doha Negotiations

- **Focus on Reducing protection**
 - **Many members so formula approaches needed**
- **Market Access**
 - **“Tiered” formula approaches**
- **Domestic Support**
 - **“Tiered” formulas**
- **Bans on Export subsidies**



The road ahead

- **Critically important for WTO**
- **The framework of rules from the Uruguay Round is important**
- **Need to avoid exceptions and “slippage”**