International Trade Liberalization and EU Agricultural and Consumer Policies

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The collapse of the WTO DDA round and EU agricultural and trade policies

Giovanni Anania

Università della Calabria

Prin 2007 PUE PIEC

AgFoodTrade

New Issues in Agricultural, Food & Bioenergy Trade

two issues:

- **the collapse in July of WTO DDA round negotiations**

  what happened?
  why did it happen?
  what's ahead?

- **the implications for EU agricultural trade policies and for the reform process of the CAP**

…the expectations arriving in Geneva

- **nine years of negotiations and five “crises”**
- **10 July: a revised version (the fourth) of the draft *modalities* text for agriculture**
- **on many issues an agreement is still far away**
- **in the statements made arriving in Geneva the most commonly used words are “concern” and “preoccupation”**
- **Pascal Lamy (… optimist, by default): *the chance of reaching an agreement is only slightly above 50%***

the main issues still to be resolved

- domestic support reduction *(for US only)*
- reduction of the largest tariffs (AVE above 75%)
- tariff cap
- tariff “simplification”
- “sensitive products” *(how many? new TRQ?)*
- “special products”
- Special Safeguard Mechanism (SSM)
- tropical products
- preferences erosion
- bananas
- “cotton initiative”
- geographical indications
- tariff reduction for non-agricultural products

after nine days of negotiation, a solution in sight for:

- domestic support reduction *(for US only)*
- reduction of the largest tariffs (AVE above 75%)
- tariff cap
- tariff "simplification"
- "sensitive products" *(how many? new TRQ?)*
- "special products"
- Special Safeguard Mechanism (SSM)
- tropical products
- preferences erosion
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- "cotton initiative"
- geographical indications
- tariff reduction for non-agricultural products

…but no solution in sight for:

- **domestic support reduction** ***(for US only)***
- **reduction of the largest tariffs (AVE above 75%)**
- **tariff cap**
- **tariff “simplification”**
- **“sensitive products”** ***(how many? new TRQ?)***
- **“special products”**
- **Special Safeguard Mechanism (SSM)**
- **tropical products**
- **preferences erosion**
- **bananas**
- **“cotton initiative”**
- **geographical indications**
- **tariff reduction for non-agricultural products**

the Special Safeguard Mechanism

- **the possibility, only for developing countries, to temporarily increase tariffs above bound levels in place today (i. e. post-UR, pre-Doha) when market developments occur creating serious problems to domestic actors**
- **as a matter of fact, there has been no meaningful negotiation on the issue before Geneva!**
- **India, arriving in Geneva: *this issue is linked to the survival and poverty of our farmers; it is not an issue open for negotiation***
- **India: SSM triggered if imports increase by 10%; tariff can reach 140% of the UR bound level**
- **US: triggered if imports increase by 40%**

the Special Safeguard Mechanism

- Lamy (July 25): triggered if imports increase by 40%; tariff can reach 115% of the UR bound level (or +15 percentage points, if this is larger)
- India: no. US: no.
- Lamy (July 28): triggered if a panel (whose decision cannot be appealed) finds that a serious, factually verifiable, damage exists in terms of survival of domestic population
- India: yes. US: no.
- US refuses to move to other negotiation issues and to come back to SSM later
- other proposals (July 29): India: no. US: no.

….negotiations are suspended

- not "*a technical issue*":

  a 10% imports increase is what it is reasonable to expect as a result of the agreement on tariff reduction which is on the table; …the SSM proposed by India may translate <u>under normal market developments</u> in a reduction of market access, rather than an expansion

  an increase in imports does not imply, per se, problems for the domestic market!

  concerns for domestic producers should be linked to a price decline, rather than to increased imports …and concerns for domestic consumers should be due to a price increase, not to increased import and/or a price decline

- **US firm in their unwillingness to search for a possible compromise…**
- **on the opposite front, India is not alone (China and several other G-33 countries; …China needs a SSM more than India)**
- **a conflict with a South-South component, (Latin American net agro-food exporters)**
- **…it is puzzling that negotiations never addressed the issue of the <u>price</u> reduction needed to trigger the SSM**

cotton

- the *cotton initiative*
- US: refused to make any offer before an agreement was reached in the negotiations on market access in agriculture and in NAMA

  a significant reduction in domestic subsidies to cotton producers only if China will agree on a significant reduction in its import tariffs on cotton and cotton-based products
- C-4 (Burkina Fasu, Benin, Chad and Mali): *if their expectations on cotton are not met there will be no DDA agreement*

- negotiations at the TRIPS table
  - register for wines and alcoholic beverages
  - extension to other agro-food products?
- *in seven years no step forward whatsoever!!*
- US: *there is no mandate in this round for an extension to all agro-food products, it is not a good idea and we are not available for discussing it*; no negotiating mandate?
- positions remain unchanged all the way until the suspension
- could EU negotiators come back home without a meaningful agreement on GI?

why was not an agreement reached?

- **because of the SSM?**
  …not only*:* very likely negotiations would have collapsed also on cotton, geographical indications and NAMA
- **is India to be blamed? (and China, and Indonesia)**
  unwilling to compromise on SSM, but firm on NAMA as well
- **are the US to be blamed?**
  firm on SSM, but likely unwilling to compromise on cotton, geographical indications, domestic support and NAMA
- **was there anybody who really wanted or needed an agreement?**
- ***Development round* or *business as usual*?**
- **the climate in international relations**
  the round was not the only issue on the table

the DDA round, what's ahead?

- "*multilateral negotiations never fail, they simply continue*",
  …do they continue or just pretend to continue?
- the responsibility or the failure is not to be attributed to the WTO and countries did not try to blame the WTO for what happened, the legitimacy of the WTO as institution has not been questioned
- US: Presidential elections; no TPA; certainly not a conducive climate for trade agreements in the Congress…
- EU: Mandelson resignation; 2009: EU Parliamentary elections and a new Commission…
- India: elections in 2009…

four alternatives

an agreement is reached relatively soon (early in 2009) and the round is concluded at the end of 2009:

- a *weak* agreement
- a *"strong"* agreement

- there is no agreement, negotiations formally continue

- the round comes to an end with no agreement

four alternatives

an agreement is reached relatively soon (early in 2009) and the round is concluded at the end of 2009:

10% a *weak* agreement

5% a "*strong*" agreement

80% there is no agreement, negotiations formally continue

5% the round comes to an end with no agreement

what the implications for EU ag and trade policies?

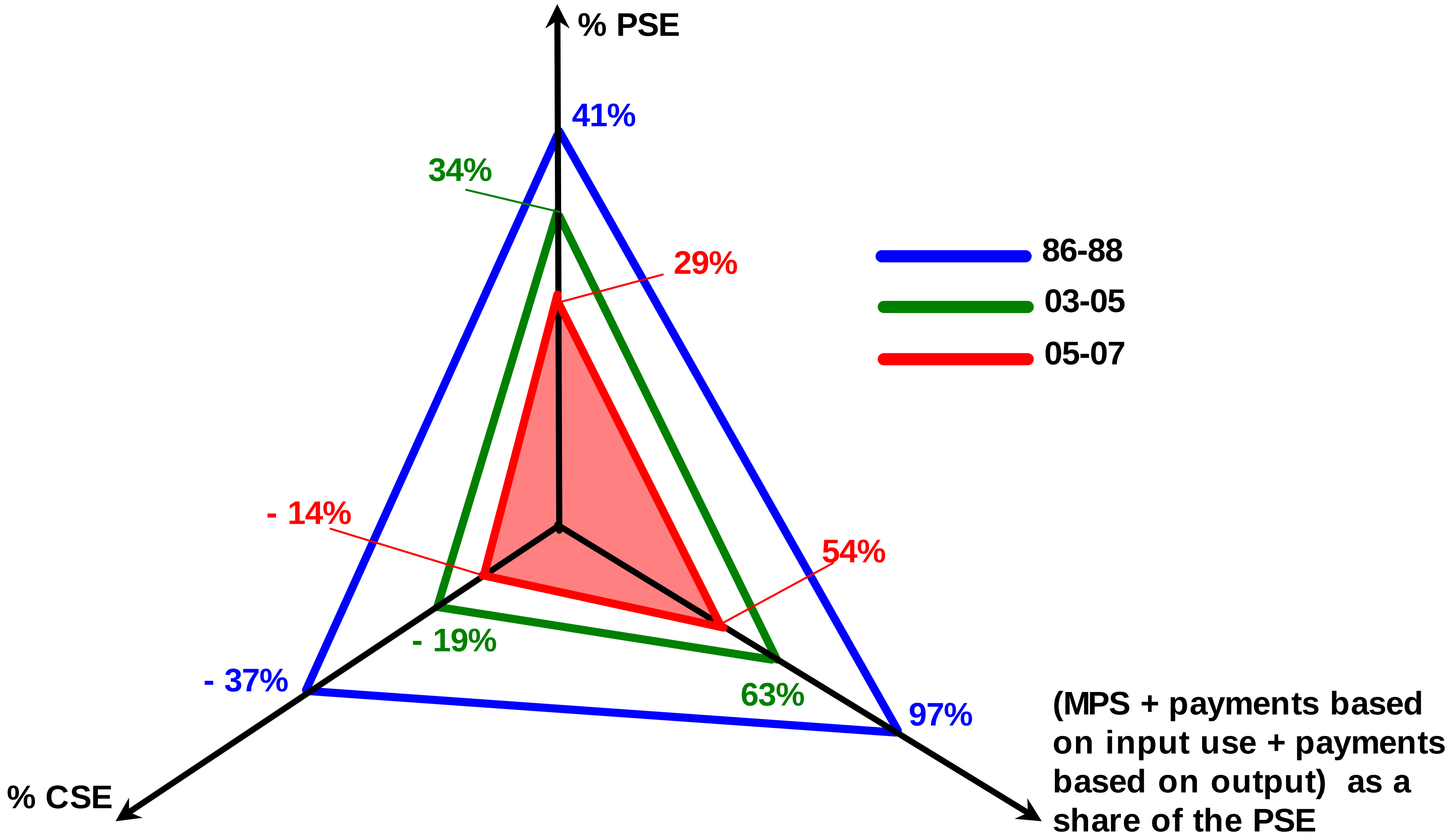
- **what are the implications of the collapse of the negotiations for the reform agenda of the CAP?**

…very little change

- **export subsidies**
- **market protection**
- **domestic support**

… very little change because the motivations for reforming EU policies were and remain mostly domestic

…CAP changes over time



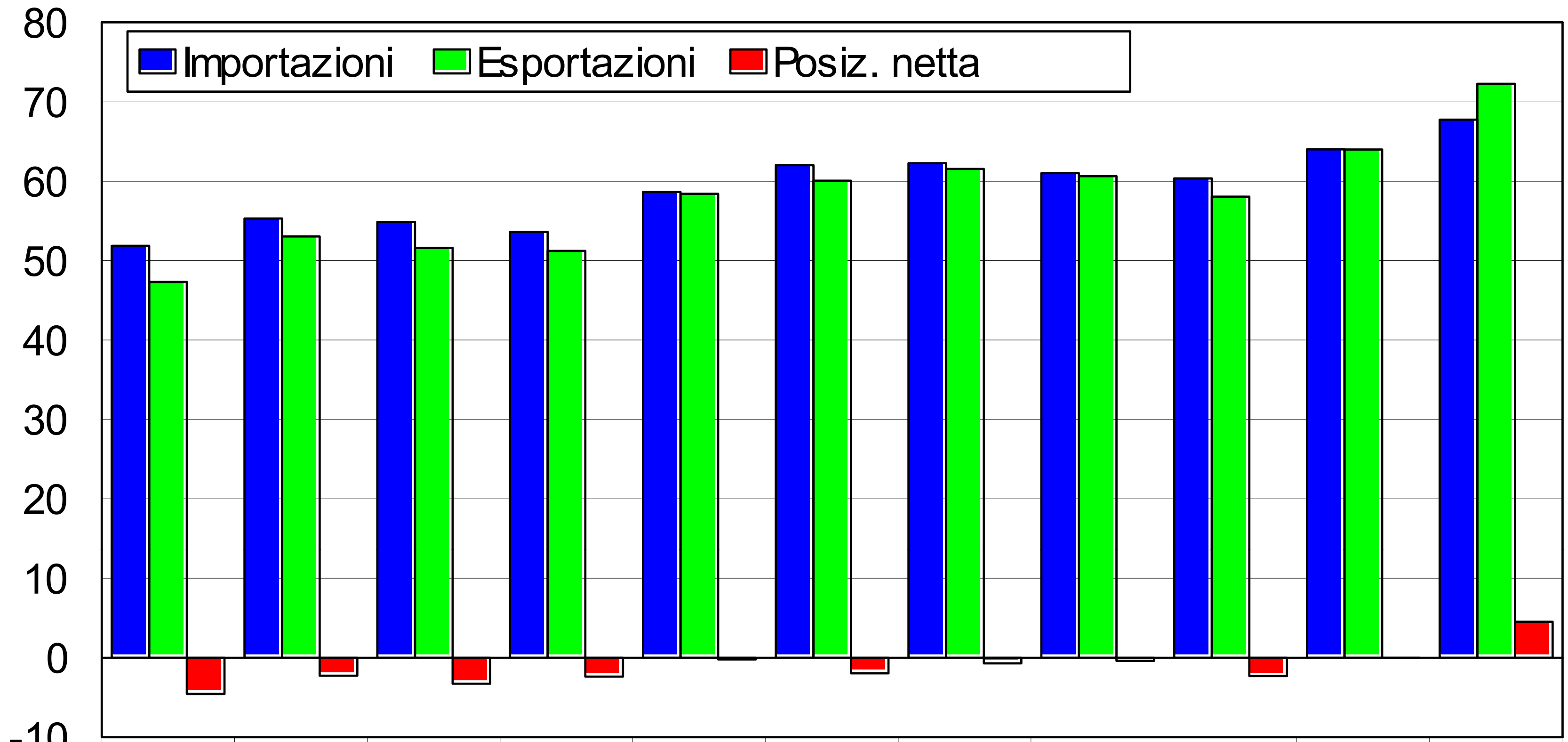
Evolution of CAP support between 86-88 and 05-07 (OECD)

EU trade policies, regardless of the DDA round

- **the *Economic Partnership Agreements* with ACP countries**
- **EU enlargement to Turkey and the Balkans**
- **the *European Neighborhood Policy*, economic integration in the Mediterranean and along the Eastern border**
- **bilateral and regional trade agreements currently being negotiated**

  [MERCOSUR, Middle East, Central America, Andean Community, India, China, Russia…]

EU – Agricultural products. Imports, Exports and Net trade position (extra-EU trade only) (96-03 EU-15, 04-06 EU-25; billion euro)



	1996			1999				2003			2006
Importazioni	51,872	55,307	54,87	53,616	58,64	62,028	62,256	61,014	60,35	64,018	67,738
Esportazioni	47,319	53,035	51,603	51,23	58,426	60,068	61,547	60,632	58,059	63,986	72,265
Posiz. netta	-4,553	-2,272	-3,267	-2,386	-0,214	-1,96	-0,709	-0,382	-2,291	-0,032	4,527

Fonte: Eurostat.

the future beyond policies: market developments

- **expanded food demand as a result of economic development in larger, relatively richer, developing countries**
- **increased diversification in demands for food with specific quality characteristics and larger quantities of embedded services**
- **new production, processing and transportation technologies; new modalities of consumption**
- **production of bio-fuels vs production of food and feed products**
- **the euro and the competitiveness of domestic vs foreign production (at home and abroad)**