

U.S. Proposal for the Agricultural Negotiations

WTO/Hong Kong NGO Roundtable

U.S. Department of State

November 4, 2005

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- Doha Development Agenda
 - The U.S. Proposal
 - Status of Negotiations

Doha: An Opportunity for Trade Reform

Increasing market access, reducing domestic support, and eliminating export subsidies will:

- Provide the best opportunity for developing country economic growth
- Improve living standards throughout the world
- Help lift millions of people out of poverty
- Emphasizes trade as the engine of economic growth

Trade Liberalization - WTO

- WTO negotiations – 148 countries
- Doha Development Round
 - Agriculture: 3 pillars
 - **Export competition**
 - Subsidies, state trading enterprises, food aid
 - **Market access**
 - Tariffs, quotas
 - **Domestic supports**
- Framework agreed July '04

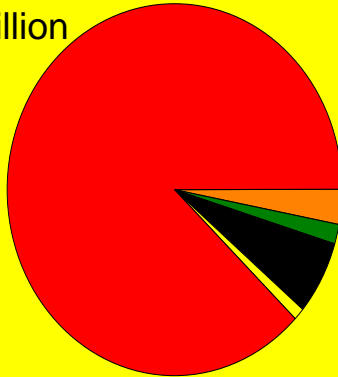
WTO Framework Agreement - July 2004

- July '04 WTO Framework Agreement in place
 - **Export competition**
 - Eliminate export subsidies
 - Develop rules on food aid
 - Discipline export state-trading enterprises
 - **Market access**
 - Tiered approach – greater harmonization of tariffs
 - Sensitive products option
 - **Domestic support**
 - Harmonize trade-distorting support
 - Redefine the “blue box”

Agriculture: Situation Today

Direct Export Subsidies

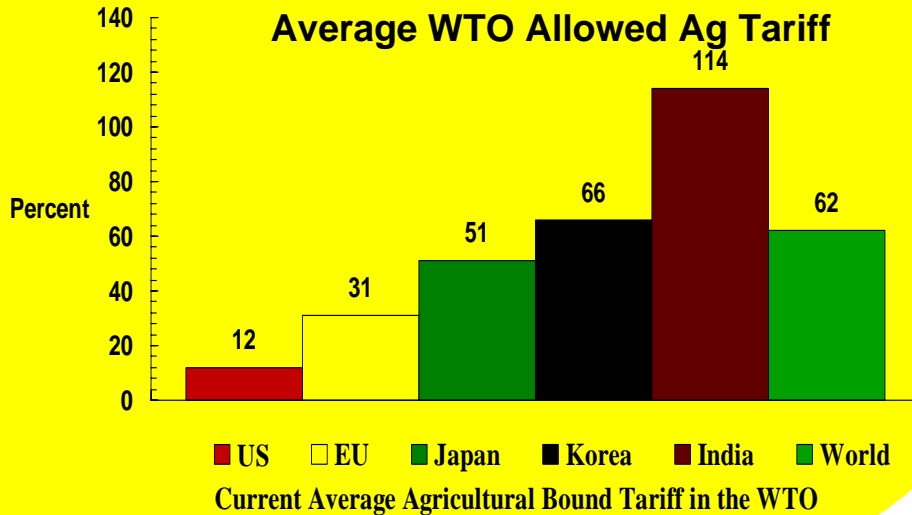
EU
(over \$2 billion
a year)



Other
United States
Switzerland
Norway

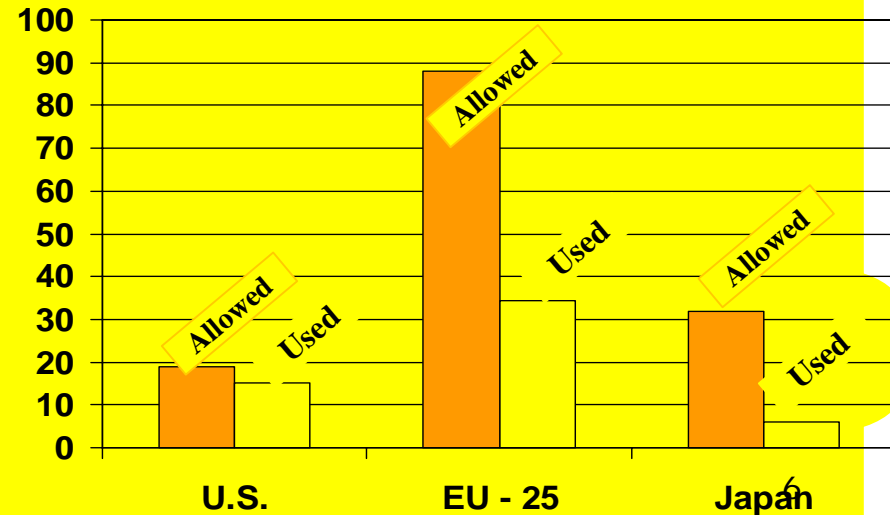
Market Access

Average WTO Allowed Ag Tariff



Domestic Support – amber box:

Bil \$ at current x rates



U.S. Agricultural Proposal – Oct. 2005

- Bold, aggressive measures for agricultural reform and fair trade
- Comprehensive reform in all three pillars by all participants
- Stage 1 (5-year implementation):
 - Substantial reductions in trade-distorting measures and tariffs;
 - Elimination of export subsidies.
- Stage 2 (5 years after stage 1):
 - Eliminate remaining trade-distorting measures.

U.S. Proposal: Export Competition

- 2010 for elimination
- Export credits limited to 180-day repayment
- Trade-distorting practices of STEs to be eliminated
 - Developing country exceptions
- Disciplines on food aid to prevent commercial displacement

U.S. Proposal: Market Access

- Progressive tariff reductions over 5 years
- Developed countries: cut tariffs 55–90%
- Tariff cap of 75%
- Sensitive products: 1%
- Lesser cuts and longer phase-in period for developing countries

U.S. Proposal: Domestic Support

- Reduce amber box Aggregate Measure of Support (AMS) 60%
- Reduce overall allowable trade distorting domestic support 53%
- Harmonization essential

The Current WTO Boxes

- **Amber:** most trade-distorting; tied to price or output; annual limit
- **Green:** none or minimally trade-distorting; decoupled support, no limit
- **Blue:** trade-distorting but has production-limiting features; no limit
- *De minimis:* up to 5% support allowed for product specific and non-product specific
amber

Where Do U.S. Farm Programs Fit?

- **Amber** (AMS): dairy and sugar price support programs, marketing loan program (LDPs and MLGs); \$19.1 billion limit
- Non-product specific **amber**: crop insurance, previous Market Loss Assistance (meet *de minimis* test)
- **Blue**: previous deficiency payments, new counter-cyclical payments
- **Green**: direct payments, conservation, disaster, food assistance

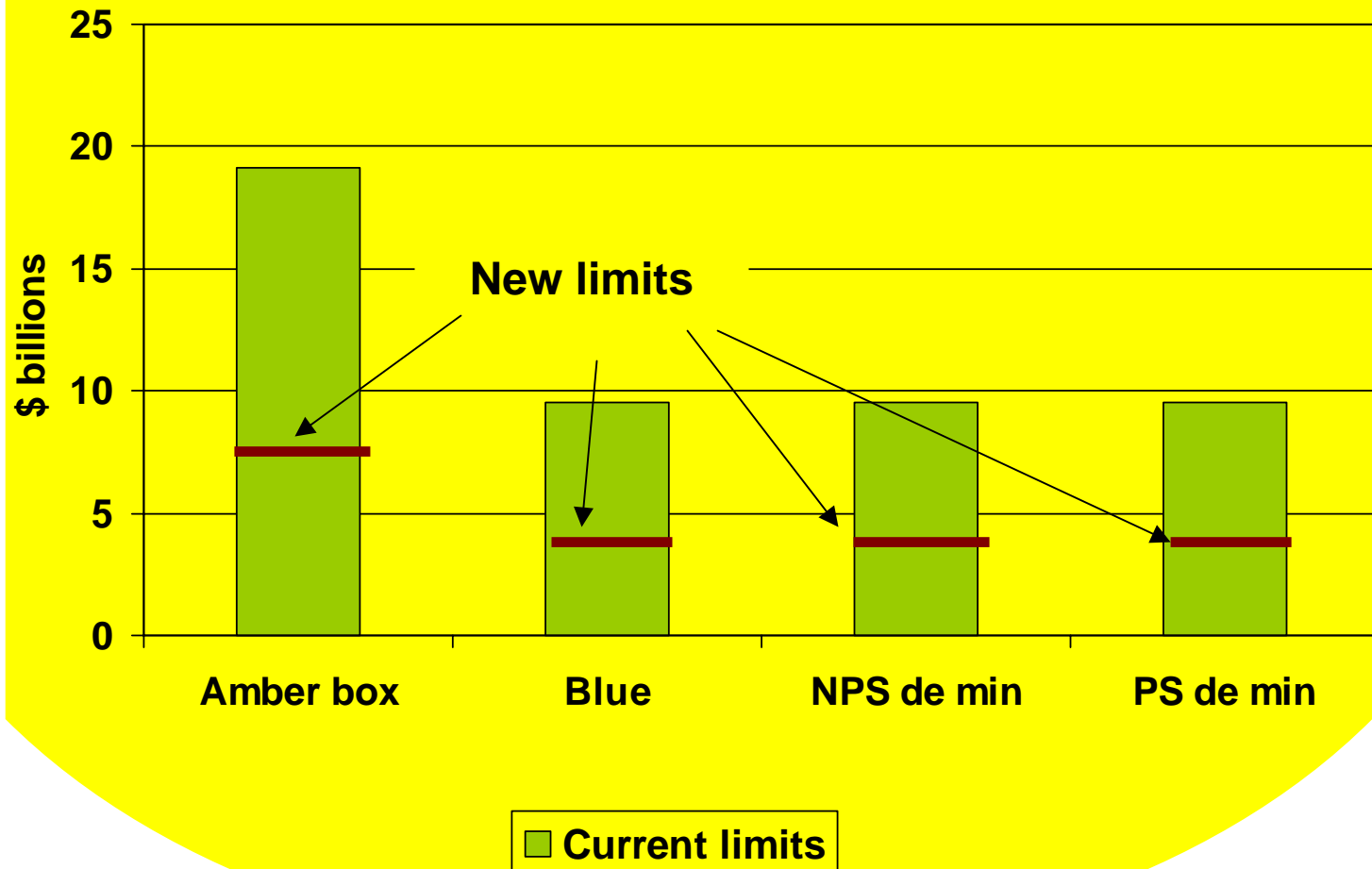
U.S. WTO Proposal

- Amber box: cut U.S. AMS by 60% over 5 years
- Product specific caps: 1999-01 base period
- Blue box: cap at 2.5% of value of production
- *De minimis*: cut 50% to 2.5% of value of production
- Overall cut: 53% for U.S.
- Green box: no substantial changes, no cap

What Does the U.S. Proposal Mean for Farm Programs?

- **Amber box:** Reduce \$19.1 billion to \$7.6 billion, 2005 AMS about \$14 billion
- **Blue box:** Allowed 2.5% of value of production - \$5 billion; current CCPs are about \$6 billion
- ***De minimis:*** Allowed level cut to 2.5% - \$5 billion, 2001 notification of \$6.8 billion (crop insurance, MLA)

U.S. Proposal Represents Meaningful Reform



U.S. Proposal: First Stage

Direct Export Subsidies

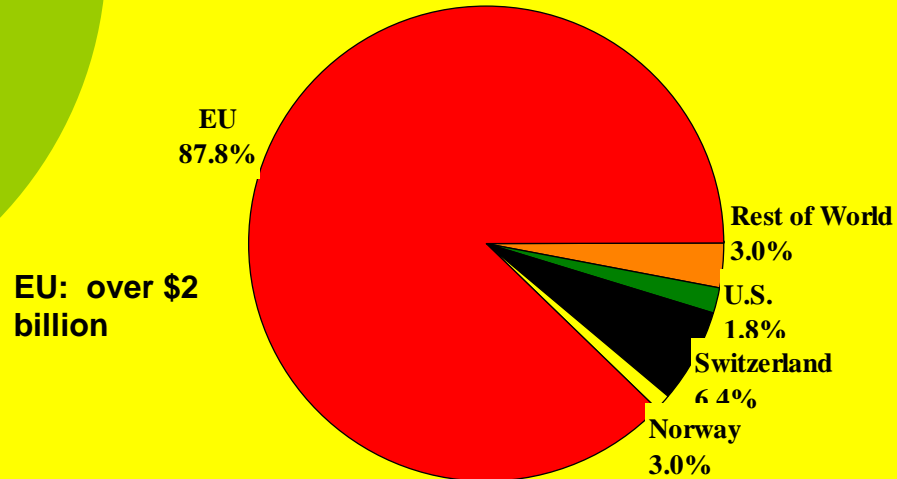
Current

U.S. Proposal

Eliminated by 2010

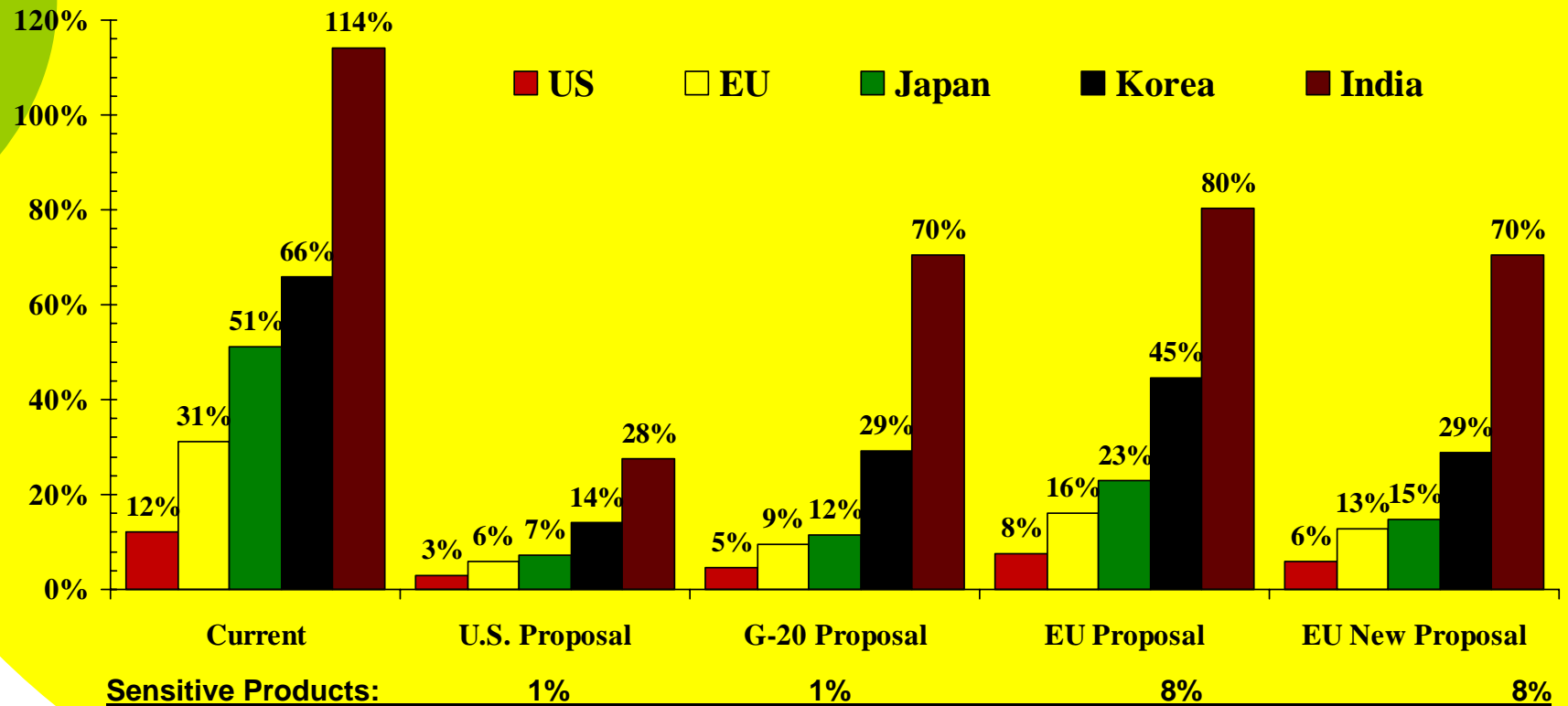


(others have later dates)



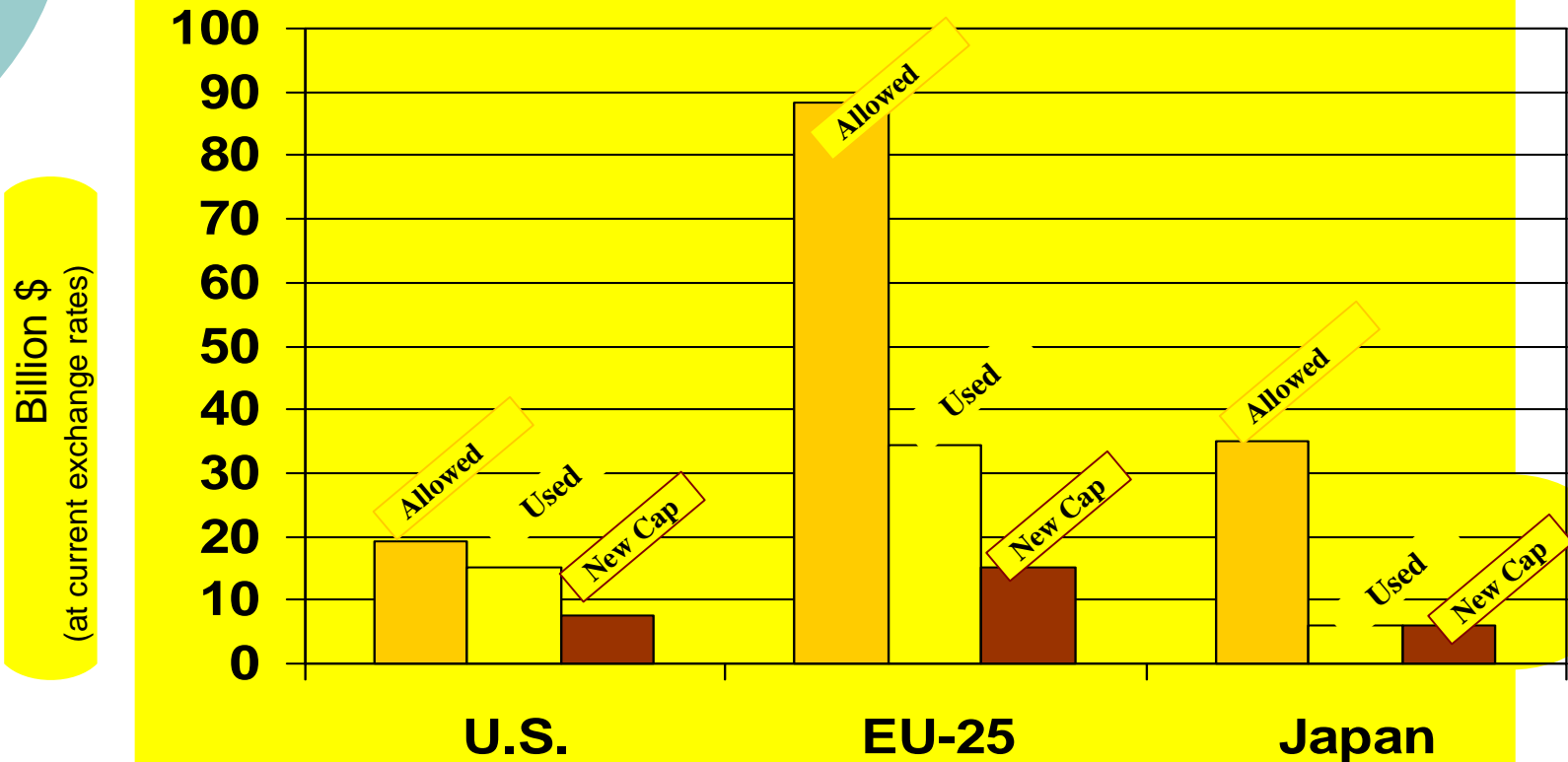
U.S. Proposal: First Stage

Market Access Average WTO Allowed Ag Tariff



U.S. Proposal: First Stage

Domestic Support



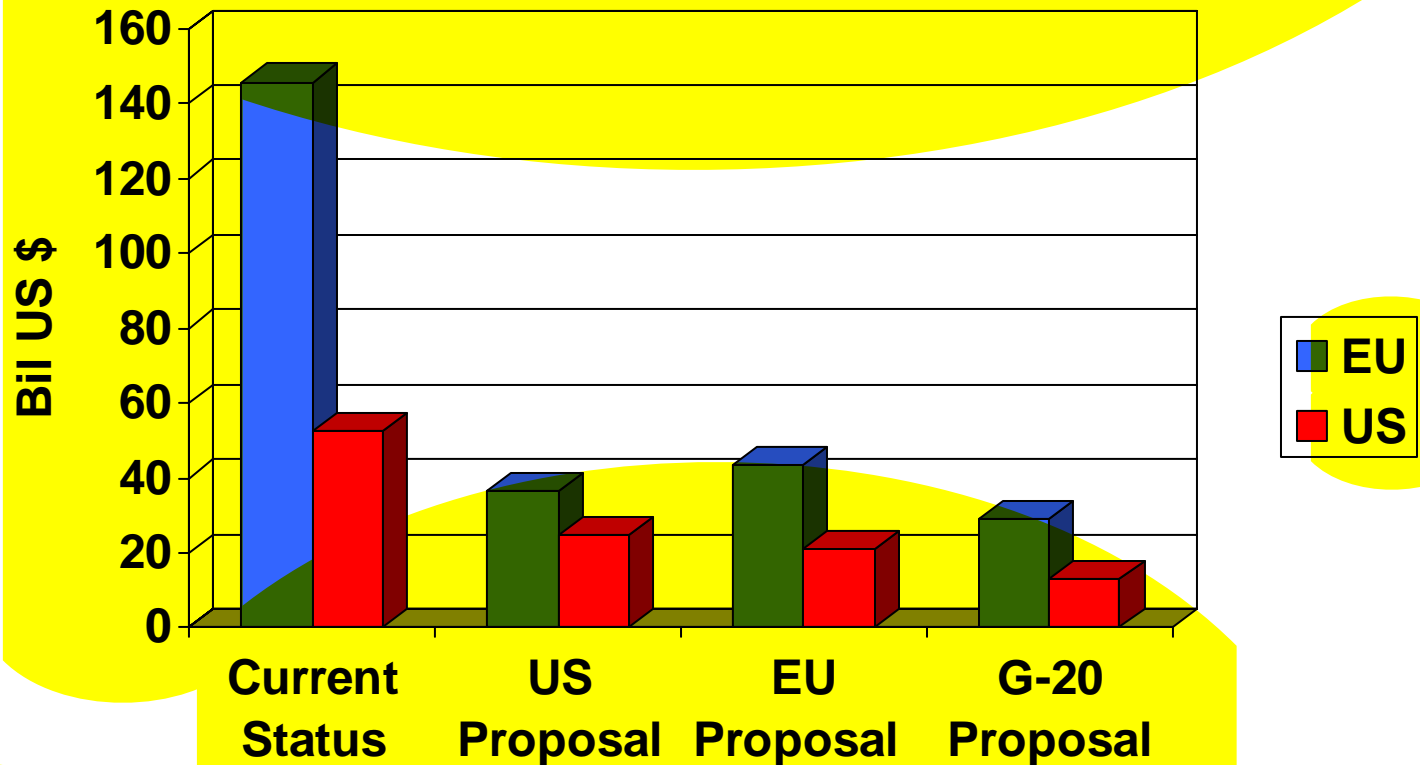
EU Counter Proposal – Oct. 27, 2005

- “Disappointing” - lacks ambition on **market access**
- Cuts tariffs in highest band **60%** -- U.S. proposed **90%**, G-20 proposed **75%**
- **8%** of all tariff lines as sensitive products – U.S. **1% of dutiable lines** – **G20 1%**

EU Counter Proposal – Oct. 27, 2005

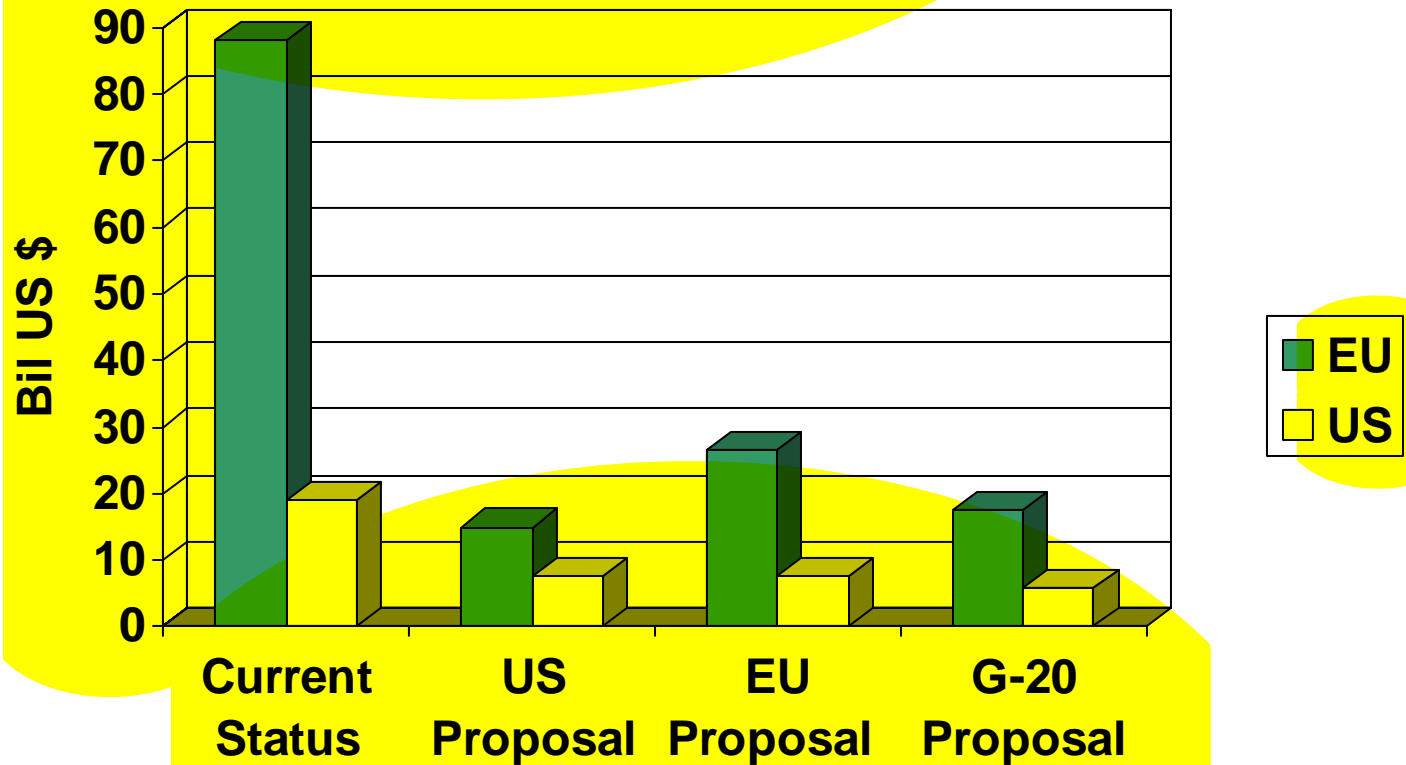
- **Domestic support, cut AMS 70%**
- Would leave AMS more than **three** times the amount of AMS U.S.--
\$26.7 billion versus **\$7.6** billion for U.S.

Overall Trade-Distorting Domestic Support Limits in Various Proposals



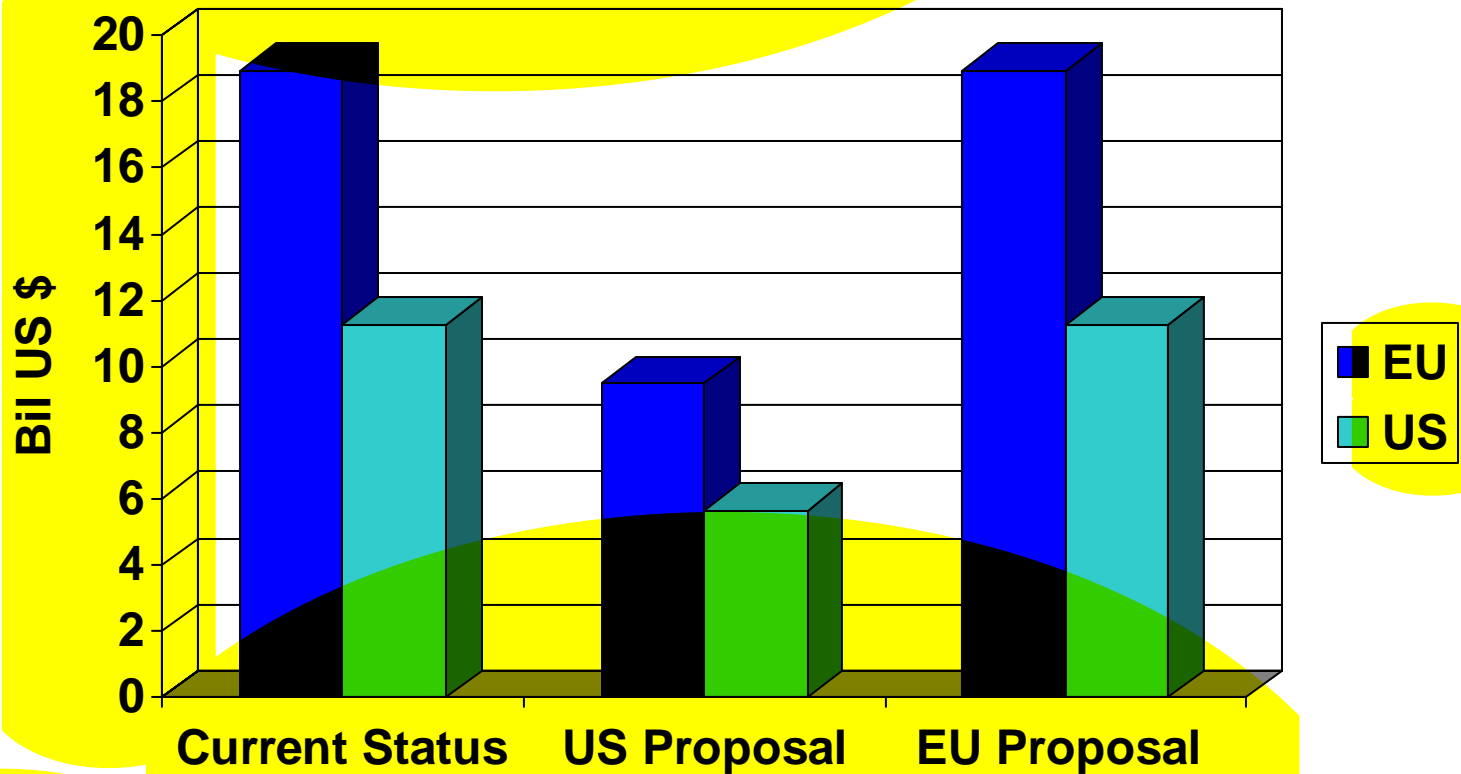
\$1.22 = 1 euro

Amber Box Support Limits



\$1.22 = 1 euro

Blue Box Support Limits



\$1.22 = 1 euro

Where to From Here?

- Time running out
- Nov. 7 & 8 meetings are last chance to get ag agenda on track
- Requires global pressure on the EU to show flexibility
- EU must match level of ambition of U.S.

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