

The World Trade Institute

Bern, Switzerland



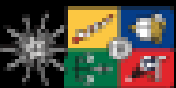
Agriculture and Food Security

Instituto de Estudios
Internacionales

Presentations by Christian Häberli
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Tuesday, 3 September 2013

móvil

UNIVERSIDAD DE CHILE



9.04.2013

Questions from yesterday?
Want to discuss test subjects?
(you can also write to me at
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Programme Proposal

Monday-Thursday

- ① The WTO Agreement on Agriculture,
- ② WTO's Impact on National Policies,
The Doha Round Failure, Agricultural
Dispute Settlement
- ③ Food Security
- ④ Case Study Presentations and Wind-up

I. Impact on National Policies and Trade

1. Common features
2. US Farm Bills
3. EU Common Agricultural Policy (CAP Reform)
4. Swiss Law: Re-Instrumentation
5. Reforms in certain developing countries

1. *Common features*

Policy Space vs Market Access

1. Systemic and regulatory impact (tariffication, re-instrumentation in export competition etc.)
2. Present agricultural policies in major countries and their impact on agricultural trade
 1. The wide variety of instruments used in agricultural and related policies
 2. Quantification of agricultural policies and support levels in major countries

2. *US Farm Bills*

- Low tariffs – with exceptions
- Sectoral differences
- Support measures: In 2009, support to producers (%PSE) increased from 8% in 2008 to 10%, triggered by sharp increase in MPS for milk. In a longer term, the %PSE fell from 22% in 1986-88 to 9% in 2007-09, which is less than half the OECD average.

(OECD 2010)

- Since the case *US – Upland Cotton* the mere threat of Brazilian sanctions works as a powerful tool for Brazilian interests.

3. CAP Reform

Common Agricultural and Fisheries Policy (CAP) (Art.33-44 ECT)

- Originally with target, intervention and threshold prices, and export subsidies (“préférence communautaire”, common prices, common financing)
- WTO AoA (1995) implied reform
- Today: internal market with high but eroding border protection, domestic support (60% of EU budget) and (again) limited export subsidies

(ICTSD 2009)

- 2013 EU Parliament debates re Commission Proposals for crop diversification vs crop rotation as from 2014

4. *Swiss Agricultural Policy*

“The Confederation shall ensure that the agricultural sector, by means of a sustainable and market oriented production policy, makes an essential contribution towards (a) the **reliable provision of the population** with foodstuffs (b) the **conservation of natural resources** and the **upkeep of the countryside** (c) **decentralised population settlement** of the country.” (Art.104 Cst)

- WTO Accession implied 100% tariffication and a re-instrumentation of domestic support (mainly \pm Green Box-compatible direct payments)
- Border protection and direct fiscal support: **SFR 4bn each** (= ~60% PSE)
- (so far) **no concessions** in bilateral and EFTA free trade agreements

Three Ways to Milk

	Switzerland	New Zealand	Canada
Milk Producers	26'000	11'700	13'000
Cows	570'000	4'400'000	965'000
Cows per Farm	22	376	75
Milk per Cow (kg/yr)	7'178	3'750	9'770
Milk Quantity (mio t/yr)	3.4	16.5	8.4
Producer price May 2011 (¢/kg)	60	41	65
Dairy Sector (% of GDP)	1.3	2.8	1.0
Dairy Exports (%)	0.4	26	<0.1
Producer Support Equivalent (\$bn/06-08 est)	5.6	0.1	5.5

5. Reforms in certain developing countries

- **Applied** tariffs on ag and food imports have come down, but mostly unilaterally, in many low- and middle-income countries
 - helped by WTO accession e.g. in the case of China
- DCs also have reduced, but again unilaterally, their ag export taxes and other negative incentives for farmers
 - including reducing their **manufacturing protection** and **distortions to exchange rates**
- Those reforms are of limited use to DC farmers while OECD countries continue to subsidise their agriculture, and their exports.

(Anderson 2007; Orden 2011)

II. Why did Doha/Agriculture fail?

Main issues 'Revised Draft Modalities' 6
December 2008

- Tiered reduction formula (OTDS and MA)
- SENSITIVE PRODUCTS
- SPECIAL PRODUCTS
- SPECIAL SAFEGUARD MECHANISM
- COTTON (Hong Kong promises, and *US-Cotton*)

Summary of Market Access „Modalities“

- Tariffs mainly reduced according to a **formula**, with steeper cuts on higher tariffs. Ranges of cuts all in single numbers: (i) For *developed countries* the cuts would rise from 50% for tariffs below 20%, to 70% for tariffs above 75%, subject to a 54% *minimum* average, with penalties for (‘peak’) tariffs above 100% (‘capping’) (ii) For *developing countries* the cuts in each tier would be two thirds of the equivalent tier for developed countries, subject to a *maximum* average of 36%.
- Some products would have smaller cuts via a number of **flexibilities** designed to take into account various concerns (i) **sensitive products** (available to all countries) with smaller cuts offset by tariff quotas allowing more access at lower tariffs (ii) **special products** (for developing countries, for specific vulnerabilities).
- **Special Safeguards**: (i) Scrap existing “special safeguard” (SSG, for UR-tariffed products) (ii) More proposed details for the new hotly contested “special safeguard mechanism” (SSM, for developing countries only)

Summary of Domestic Support Reductions

- **OTDS (\geq AMS)**
- **Tiered reduction formula** – higher cuts for higher levels
 - Highest (EC: -80%)
 - Second highest (US: -70% and Japan: -75%)
 - All other developed: -55% (countries with high relative levels of OTDS to undertake additional effort)
- **Implementation: 6 steps over 5 years**
 - Developed countries in tiers 1 & 2 reduce base by 1/3rd on 1st day of implementation & then equal annual installments
 - Developing countries in tier 3 reduce base by 1/4th (25%) on 1st day of implementation & then equal annual installments
- **MINIMUM OVERALL COMMITMENT**

Summary: Export Competition

1. **Export subsidies:** elimination by 2013/16
2. **Export credits, insurance and guarantees:**
replace existing Article 10.2 of the AoA and
add a few new disciplines
3. **Food aid:** prevent *commercial displacement*
4. **Exporting State Trading Enterprises:**
Simplified GATT-Art.XVII for monopolies

Export restrictions: an unresolved issue!

Differential export taxes: development-sensitive

What happened since 2008?

- Trade since 1995 expanded, especially for ag exporting developing countries
- But the breakdown has consequences
- Domestic support (re-)increases.
- Litigation often inconclusive, and expanding beyond tariff and subsidy disputes.
- Negotiations go non-multilateral, further trade liberalisation looks erratic.

Consequences of the Doha Round Breakdown

- Prevent rules development except partial, incremental results (no “package”/single undertaking for a long time) – or plurilaterals (outside agriculture)
- Preventing substantial new negotiations e.g. multilateral disciplines for investment, competition etc.
- Promoting regionalism – but “WTO+” is rather difficult
- Agriculture:
 - “Tariff overhang” – while RTAs eliminate tariffs
 - “Subsidy overhang” – rollback of ag reforms (EU, US etc) with subsidy increases
 - Export competition with few constraints

New Cases in Agriculture: No end in view

- *Indonesia — Importation of horticultural products, animals and animal products (DS455)*
- *China — Measures Relating to the Production and Exportation of Apparel and Textile Products (DS446)*
- *Argentina — Measures Affecting the Importation of Goods (DS451)*
- *United States — Certain Measures Affecting Imports of Poultry from China (DS392)*
- *China — Grants, Loans and Other Incentives (390, 388, and 387)*
- *European Communities — Certain Measures Affecting Poultry Meat and Poultry Meat Products from the United States (DS389)*

III. Agricultural Dispute Settlement

1. Market Access (Chile, India, EC)
2. Domestic Support (Korea)
3. Export Competition (Canada, EC, US)

(WTO One-Page Case Summaries:

http://www.wto.org/english/res_e/publications_e/dispu_settlement_e.htm

Panel/AB Reports:

http://www.wto.org/english/tratop_e/dispu_e/find_dispu_cases_e.htm#results)

Dispute Relevant to Market Access

Tariffication

Chile – Price Band System (WT/DS207) and the scope of converted measures in AoA-Article 4.2:

- ❖ Argentina brought a complaint concerning Chile's price band system, which imposed variable tariffs on imports of wheat, wheat flour, edible vegetable oils and sugar. Under the Chilean price band system, additional duties were imposed on imported commodities if market prices in “markets of concern to Chile” fell below an administratively-determined price band.



Chile – Price Band System

Panel/AB ruling

- The Appellate Body upheld the Panel's finding that Chile's price band system was designed and operated as a border measure sufficiently similar to "variable import levies" and "minimum import prices" within the meaning of footnote 1 and therefore prohibited by Art. 4.2.
- The amended price band system continued to be a border measure similar to a variable import levy and a minimum import price and was therefore still inconsistent with Art. 4.2 of the Agreement on Agriculture.

(Non-) Implementation

- Dispute settlement with Argentina over Chile's Price Band System (compliance report with findings of non-compliance in 2007, and no progress after that)
- Dispute settlement with Argentina over Chile's antidumping duties against wheat flour imports (consultations stage in 2009, and no progress after that)

Dispute Relevant to Market Access

India – Quantitative Restrictions (WT/DS90) and balance-of-payments procedures

India imposed quantitative restrictions on agricultural, textile and industrial products in 2,714 tariff lines, covering one-fourth of all its tariff lines, claiming balance-of-payments justifications under Article XVIII:B of GATT 1994.

The Panel found that the measures were in violation of GATT Article XI:1 and not justified under Article XVIII:B. The Panel therefore held that the agric. measures violated Article 4.2 of the Agreement on Agriculture. The Appellate Body upheld the Panel's ruling without discussing Article 4.2.



Dispute Relevant to Market Access

EC – Poultry (WT/DS69)

and special safeguard measures

- ❖ Brazil complained about the allocation among supplying countries of an EC tariff-rate quota for frozen poultry meat and the use by the EC of a special safeguard measure under the Agreement on Agriculture. The dispute required the interpretation of the EC's tariff schedule and its relationship with a dispute settlement bilateral agreement between the EC and Brazil, which provided for an annual duty-free tariff-rate quota for frozen poultry meat.



Dispute relevant to Domestic Support

Calculation of the AMS in ***Korea - Various Measures on Beef*** (WT/DS161, 169)



The US and Australia challenged two types of measures affecting imports of beef to Korea: first that Korea exceeded its reduction commitments, in breach of Articles 3, 6 and 7 of the AoA, and second, that Korea maintained a separate retail distribution channel for imported beef under a “dual retail system” which required foreign beef to be sold under a separate display, in breach of GATT Article III:4 and not exempted under GATT Article XX.

Dispute relevant to Export Subsidies



Canada – Dairy (WT/DS103, 113)

- This dispute concerned Canada's milk market organisation, which allowed domestic dairy processors to buy milk for export at lower prices than the milk destined for the domestic market.
- The Panel and AB ruled that this involved an indirect export subsidy incompatible with Canada's obligations.

Dispute relevant to Export Subsidies



EC - Sugar (WT/DS265)

- ❖ This dispute was initiated by Australia, Brazil and Thailand against the export subsidies provided by the EC to its sugar industry, and to ACP sugar. Their claim was that the EC had acted contrary to Articles 3, 8, 9 and in the alternative 10.1 of the AoA by exporting quantities of subsidised sugar in excess of its annual commitment levels. The Panel concluded that the EC had acted inconsistently with its obligations under Articles 3.3 and 8 of the AoA by providing export subsidies within meaning of AoA-Article 9.1(a) and (c).

Dispute relevant to Export Subsidies



US – Foreign Sales Corporations (WT/DS108)

- ❖ The EC successfully complained that the FSC scheme was inconsistent with US obligations under, *inter alia*, Article 3.1(a) and Article 3.1(b) of the SCM Agreement by granting subsidies contingent in law upon export performance and the use of domestic over imported goods; Articles 3 and 8 in conjunction with Articles 9.1(d), 10.1, and 10.3 of the AoA by granting export subsidies to agricultural goods in excess of its reduction commitments.



Exemption of export credit guarantees: *US – Cotton Subsidies (WT/DS267)*

- ❖ Brazil complained about various subsidies provided to United States producers, users and/or exporters of upland cotton. The complainant argued that the above measures were contrary to Articles 3.3, 8, 9.1(a) and 10.1 of the Agreement on Agriculture, to Articles 3.1(a), 3.1(b), 3.2, 5(c), 6.3(c) and item (j) of the Illustrative list of the SCM Agreement, and finally to GATT Articles XVI:1 and XVI.
- Brazil claimed that subsidies had “caused, cause and continue to cause 'serious prejudice' to Brazil's interests by” significantly suppressing upland cotton prices in the United States, world and Brazilian markets

US-Cotton: Serious Prejudice

Panel addressed SCM-Art. 6.3(c): Is there a world market price?

Panel and the AB relied on the “A-Index”, as it reflects the world price in the world market for upland cotton

➤ Did the US subsidies cause price suppression?

- (i) Panel and AB relied on the large magnitude of US's production and export
- (ii) Verified broad decline in the overall price level from 1996-2002
- (iii) Noted that directly price-contingent programmes had a direct effect on stimulation of production and export
- (iv) Causal link – amount of US exports, etc.

US-Cotton: Serious Prejudice to whom?

- ❖ Brazil was allowed to but then agreed not to ‘suspend concessions’ up to US\$800m for US products...
- ❖ ... in exchange for ‘technical assistance’ to Brazilian cotton producers to the tune of \$184m p.a. and the abolition of a US sanitary measure.
- ➡ double impact on “C4” countries!
- ➡ ongoing negotiations for the 2012 US Farm Bill



Effects on African cotton export prices

- US cotton enters world markets and has suppressed the world price by 6% - 17%.
- Africans export almost all their cotton and compete directly with US cotton in mills around the world.
- A lower export price for African cotton translates into a lower prices for African farmers.
- Important recent market share shifts between different African cotton producing countries.

Tomorrow Wednesday

9am-1pm (FAO)

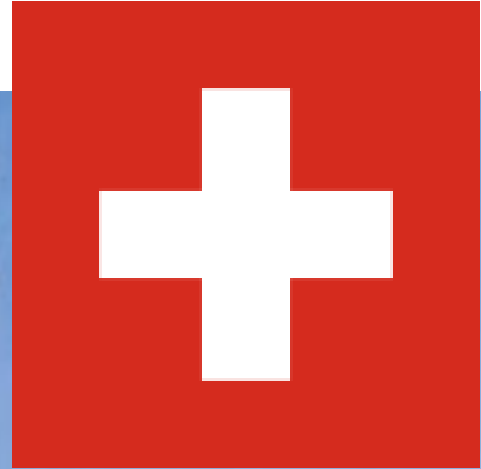
“MEDIDAS SANITARIAS Y FITOSANITARIAS EN
EL CONTEXTO DEL COMERCIO
INTERNACIONAL”

Auditorio de la Oficina Regional para América
Latina y el Caribe de la FAO (Av. Dag
Hammaraskjöld 3241, Vitacura)

6.30-8-30pm (MEIPC)

Food Security

Thank you for your attention!



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