Border Protection under Pressure - WTO
Grensevern under press II - WTO

ECN260 Landbrukspolitikk

Agricultural Policy

1 October 2014

1. Multilateral Liberalization: From GATT to WTO

1.1 Background concepts

- Globalization
- Multilateral trade liberalization

1.2 What was the GATT?

- Accomplishments and limitations
- GATT negotiation rounds: Uruguay Round-GATT
- World Trade Organization (WTO)

Multilateral Liberalization, continued

Round	Period/ parties	Coverage	Outcome
Geneva	1947 / 23	Tariff cuts item-by-item	26% cuts; 15000 concessions
Annecy	1949 / 33	Tariff cuts item-by-item	3% cuts; concessions on 5 000 lines; 9 accessions
Torquay	1950 /34	Tariff cuts item-by-item	4%; 8 700 concessions; 4 accessions
Geneva	1956 / 22	Tariff cuts item-by-item	3%; cut on existing commitment
Dillon Round	1960-61 / 45	Rebalancing due to the creation of the EEC	4%; 4 400 concessions
Kennedy Round	1963-67/ 48	Formula for tariff cuts; AD & customs valuation	35% avg cuts; 33 000 lines bound; agree on NTBs
Tokyo Round	1973-79 / 99	Tariff cuts and broad NTB negotiations	33% cuts to 6% for OECD manufactures imports; agreement across NTBs
Uruguay Round	1986-94 / 103 begin 117 end	Formula cuts and item-by-item cuts; NTBs, ag, services IP, disputes	33% cuts; ag, textiles, services subject to rules; rules apply to all members

Multilateral Liberalization, continued . . .

1.3 What is the WTO?

- Multilateral organization
- Government-to-government
- Body dealing with trade rules
- Forum for holding trade negotiations
- Settle trade disputes

Multilateral Liberalization, continued

1.4 Perceptions of the WTO process

2. WTO Rules and Commitments on Agriculture

2.1. Rules on import (market access) restrictions

- Tariffs rather than quotas
- Tariff ceilings (bound rates)

2.2. UR-GATT commitments on agricultural trade

- Tariff ceilings and tariffication, base yr 1986-88
- Tariff cuts, average
  - Develop: 36% over 5 yrs, 1995-2000
  - Developing: 24% over 10 yrs
- Tariff-quota for min market access

WTO Rules and Commitments on Imports

2.3 Overall trade policy regime in selected countries

- Profile of import restrictions in developed countries

		Tariff regime, %			Bindings, %			Ag lines with quotas, %
		Total	Ag	Non-ag	Total	Non-ag		
US	Final bound, avg	3.5	4.9	3.3	100.0	100.0		4.5
	MFN applied, avg	3.5	5.0	3.3				
	Trade weighted avg	2.1	4.5	2.0				
Japan	Final bound, avg	5.3	22.8	2.6	99.7	99.6		5.7
	MFN applied, avg	5.3	23.3	2.6				
	Trade weighted avg	2.1	11.2	1.3				
EU-27	Final bound, avg	5.2	13.8	3.9	100.0	100.0		11.3
	MFN applied, avg	5.3	13.9	4.0				
	Trade weighted avg	2.8	9.9	2.4				
Switzerland	Final bound, avg	10.5	59.7	3.0	99.7	99.7		17.5
	MFN applied, avg	7.8	43.5	2.4				
	Trade weighted avg	3.3	34.0	1.3				
Norway	Final bound, avg	**20.3**	**132.7**	3.2	100.0	100.0		30.4
	MFN applied, avg	**7.8**	**55.8**	0.5				
	Trade weighted avg	3.0	36.0	0.4				

WTO Rules and Commitments on Imports

- Distribution of tariff lines by rate, % of total lines, 2011

Selected countries	Agricultural tariff lines					Non-agricultural lines			
	Duty-Free	1-9%	10-24%	25-99%	100%+	Duty-Free	1-9%	10-24%	25%+
Norway									
Bound	29	22	2	5	42	49	40	11	0
Applied	**45**	10	7	19	**19**	**95**	0	5	0
Switzerland									
Bound	23	28	11	22	17	18	75	6	1
Applied	29	35	11	14	**11**	19	76	5	0
EU-27									
Bound	32	26	24	15	1	28	64	8	0
Applied	30	26	27	12	1	27	66	8	0
Japan									
Bound	34	34	19	8	5	56	41	3	0
Applied	35	34	19	8	5	57	40	3	0
US									
Bound	33	56	8	2	1	48	44	7	1
Applied	30	58	8	2	1	48	44	7	1

WTO Rules and Commitments on Imports

- Profile of Norway's tariff regime and imports, 2010

Product categories by HS-description	Bound rates			MFN applied rate			Imports, %	
	Avg	Duty -free lines	Max	Avg	Duty-free lines	Max	Share, total	Duty-free
Animal prod	351	8.6	741	175	9.4	741	0.2	4.5
Dairy	323	0.0	453	69	0.0	213	0.1	0.0
Fruits, vegetables	81	21.8	606	31	46.4	520	1.8	50.5
Cereals	232	10.9	640	75	15.9	640	1.8	7.7
Oilseed, fat & oil	93	29.3	363	35	43.8	357	0.9	45.9
Sugar & confection.	82	23.1	369	26	37.0	134	0.3	51.0
Beverage & tobacco	41	54.7	496	27	70.1	496	1.1	84.8
Cotton	0	100	0	0	100	0	0.0	100.0
Fish & products	4	97.2	344	2	98.8	338	1.5	84.2
Minerals & metal	1	79.0	12	0	100	0	15.6	100.0
Petroleum	0	100	0	0	100	0	4.5	100.0
Chemicals	3	59.2	7	0	100	0	116	100.0

Source: WTO, tariff profile, *2013*

WTO Rules and Commitments on Imports

Product categories by HS-description	Bound rates			MFN applied rate			Imports, %	
	Avg, %	Duty -free lines	Max %	Avg, %	Duty-free lines	Max %	Share, total lines	Duty-free
Wood, paper, etc.	1	70.1	5	0	100	0	6.6	100.0
Textiles	7	15.6	14	1	95.6	14	1.6	86.1
Clothing	11	0.0	14	8	16.4	11	3.0	5.0
Leather, footwear, etc	3	56.3	10	0	100	0	2.0	100.0
Non-electrical mach.	3	30.9	6	0	100	0	13.4	100.0
Electrical machinery	2	44.4	14	0	100	0	8.5	100.0
Transport equipment	3	33.6	10	0	100	0	16.9	100.0
Manufactures, other	2	38.6	10	0	100	0	7.6	100.0
Sub-total, duty-free							86.7	

Source: WTO, tariff profile, *2013*

WTO Rules and Commitments on Imports

- Example of Norway's commitments on market access

Schedule of MA commitments, agriculture – Norway, chapter 2					
Harmonized system		MFN rate of tariff			
		Base rate		Bound rate	
Code	Product description	kr/kg	%	kr/kg	%
02.01	Bovine meat, fresh or chilled				
.10	Carcasses	37.97	405	32.28	344
02.03	Meat of swine, fresh or chilled				
.11	Carcasses	28.99	428	24.64	363
02.04	Meat of lamb, fresh or chilled				
.10	Carcasses	38.22	505	32.49	429
02.07	Poultry meat (Gallus domesticus)				
.21	Not cut in pieces	30.25	341	25.71	290

Source: WTO Schedule XIV, Norway, section 1-A, Tariffs, 1995

3. Agricultural Subsidies and DS Commitments

3.1. Rules and disciplines on agricultural support

- Categories of support
- Logic of the categories
- Ceiling on value of support
- Reduction commitments on total support

Ag Subsidies and DS Commitments, continued . . .

3.2. DS rules and commitments: green box

- Green box defined and economic rationale
- Examples of green box in schedules, table DS:1

DS: measures exempt from the reduction commitment, green box

Type of measure as defined in criteria in Annex 2	Country–specific commitments		
	US	EU	Norway
"General services", total - Research and development - Pest and disease control - Marketing and promotion - Training services - Extension and advisory - Inspection - Infrastructure	9,214	5,636	4,217
"Public stockholding for food security"	0	18	**716**
"Domestic food aid"	**33,916**	243	0
"Decoupled income support"	**4,100**	166	0
"Payments for relief from natural disasters"	1,421	399	28
"Structural adjustment assistance"	1,730	**6,249**	1,554
"Environmental programs"	291	**5,519**	364
"Regional assistance programs"	0	**2,420**	1,555
"**Other**: Vacation and sickness support"	-	-	**1,323**

Source: WTO; values in million $US, 2001; million €, 2001/02; million NOK

Ag Subsidies and DS Commitments, continued . . .

3.3 DS rules and commitments: blue box measures

- Blue box subsidies defined and economic rationale
- Types of blue box measures

  Direct payments based on:
  - Fixed area and yields
  - 85% or less of the base level of production
  - Fixed number of head of livestock
- Commitments specified in Supplementary table DS:3 (country-specific comparisons of blue box use)

Ag Subsidies and DS Commitments, continued . . .

Supporting Table DS:3, Direct payments – exempt direct payments		
Measure type	Name and description of measure with reference to criteria in Article 6:5	Value of measure
US, 2001-02	**None**. Program eliminated after 1995	$ 0.0
EU, 2001-02		€ mln
Payments based on fixed area and yields		
	Per ha compensatory payments, maize	1,613.6
	Per ha compensatory payments, cereals	10,717.9
	Set-aside compensation, cereals	1,893.3
	Per ha compensatory payments, oilseeds	1,846.2
Payments based on 85% or less of the base level of production		
	None.	0.0
Livestock payments made on a fixed number of head		
	Payments to producers of suckler cows	1,959.2
	Special premium, beef and veal	1,748.4
Total blue box exempt payments, all products		**€23,725.9**

Source: www.wto.org; notification docs, country specific, G/AG/N/USA/51 and G/AG/N/EEC/51

Ag Subsidies and DS Commitments, continued . . .

- Norway's notifications on blue box support

Programs listed as blue box measures	1995-00	2001-04	2005	2006-11
	Official notifications, million NOK			
Acreage/cultural landscape	**3 219**	**2 993**	**0**	**0**
Structural income support	1 436	1 218	1 067	1 038
Deficiency payment, milk	438	408	409	454
Deficiency payment, meat	507	534	564	565
Headage support	1 895	2 261	1 874	2 026
Total blue box support	7 494	7 414	**3 915**	**4 084**

Sources: WTO notifications, OECD database; Gaasland, Garcia and Vårdal, 2008

Ag Subsidies and DS Commitments, continued . . .

3.4. DS rules and commitments: amber box measures

- Amber box subsidies defined and economic rationale
  - Product-specific support
    - Market price support – WTO vs theory
    - Input price support
    - Coupled income support
    - Product-specific equivalent support
  - Non-product-specific support
  - Measures subject to reduction commitments
- Commitments specified in Supporting tables DS:5-9

Ag Subsidies and DS Commitments, continued . . .

Supporting Table DS:5, product-specific AMS, **market price support**						
Product	Measure type	Applied admin price	External reference price	Eligible prodn	Fees/ levies	Total mkt price support
US, 2001/02:	P-support under prodn quotas	$/ton	$/ton	mln ton	$ mln	$ mln
Dairy		218.26	159.83	76.726		4,483.2
Sugar		374.79	230.82	7.167		1,031.7
Peanuts		672.41	413.16	1.198		310.6
Total, all						**$5,822.6**
EU, 2001/02:	Price supports	€/ton	€/ton	mln ton	€ mln	€ mln
Milk powder		2,055.2	684.7	1.000		1,370.5
Sugar		631.9	193.8	14.145	476.8	5,720.1
Butter		3,282.0	943.3	1.900		4,443.5
Beef		3,013.0	1,729.8	7.566		9,708.7
Total, all						**€27,518.8**
Source: www.wto.org; notification docs, country specific, G/AG/N/USA/51 and G/AG/N/EEC/51						

Ag Subsidies and DS Commitments, continued . . .

3.5 Aggregate measure of support (AMS)

- Computing current total AMS
  - Sum over all types of amber box domestic support
  - Subtract value that qualifies as *de minimus* support
  - Total is Current Total AMS (CTAMS)

- Current and bound AMS and reduction commitments
  - AMS computations – Supporting table DS:4
  - AMS ceiling, 19986-88 base period
  - Reduction commitments
    - Developed: 20% cut in bound AMS, 1995-2000
    - Developing: AMS cut 13% over 10 yrs

Ag Subsidies and DS Commitments, continued . . .

Table DS:1, Total AMS commitments (excludes green and blue boxes)								
Base 86-88	1995-00	2000	2001-05	2006	2007-10	2008	2011	Comply
US AMS commitments, $ million								
23 879	21 093	19 103	19 103	19 103	19 103		19 103	Bound
-	10 401	16 843	11 121	7 742	5 225		4 654	Applied
EU-15 and EU-27 AMS commitments, € million								
83 949	72 916	67 159	67 159	72 244	72 244		72 244	Bound
-	48 242	43 654	31 704	26 632	11 678		-	Applied
Norway, AMS commitments, million kr								
14 311	12 641	11 449	11 449	11 449	11 449	11 449	11 449	Bound
-	10 468	10 293	10 704	10 766	10 470	11 555	9 843	Applied
Source: www.wto.org; entire DS document series of G/AG/N/USA/; G/AG/N/EEC; and G/AG/N/NOR								

Bound ceiling and ↓ AMS by 20% over 6 yrs

Ag Subsidies and DS Commitments, continued . . .

3.6 Measures of protection/support

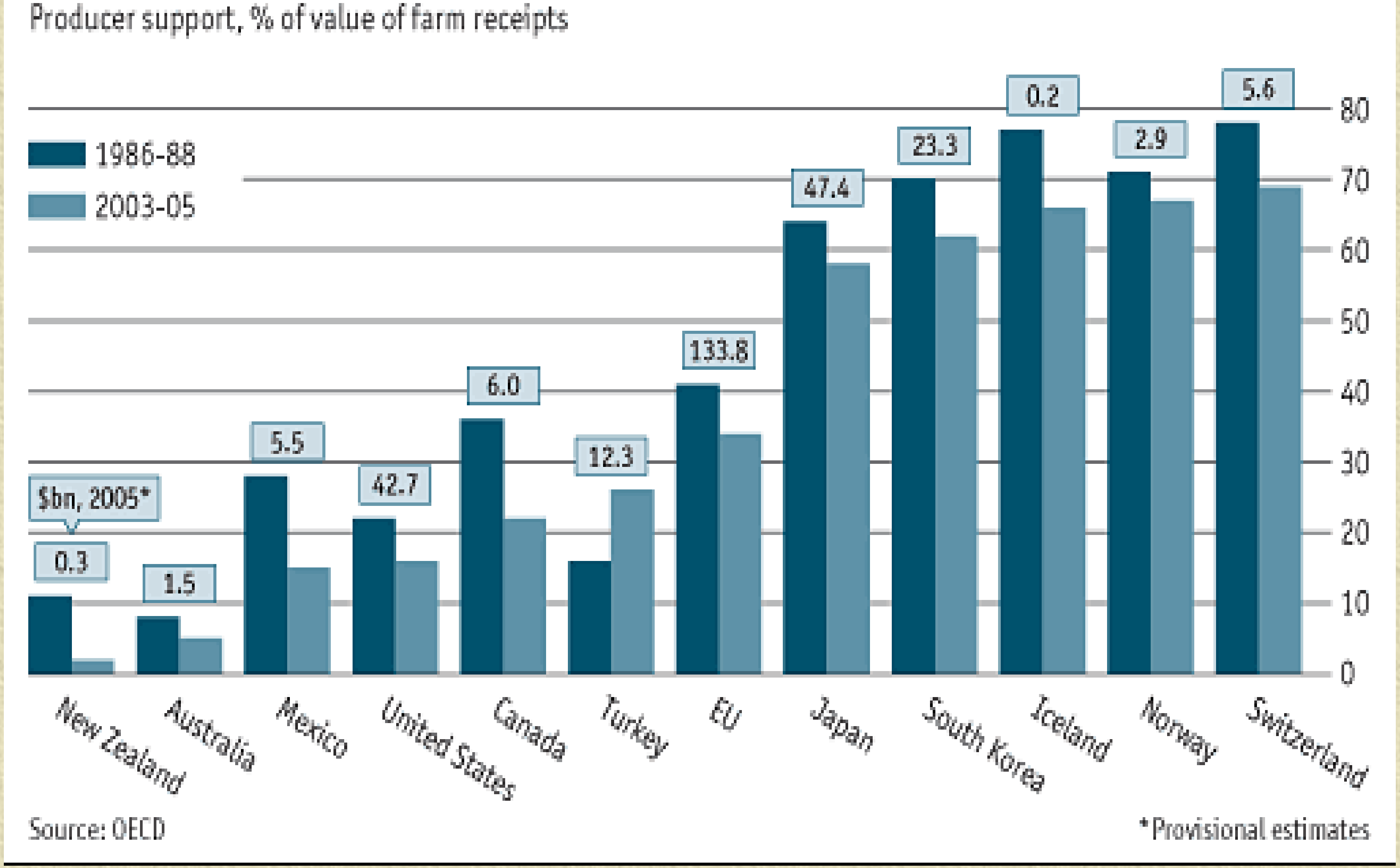
- Nominal protection rates and price supports

Country groupings by rate of nominal protection coefficient, P_D/P_B							
Group 1	NPC	Group 2	NPC	Group 3	NPC	Group 4	NPC
Australia	1.00	US	1.07	EU	1.25	Japan	2.19
New Zea	1.02	Mexico	1.08	Turkey	1.30	Norway	2.23
		Canada	1.13			Switzer	2.31
						Korea	2.57
						Iceland	2.69
Price support as a % of total support (rough indicator of MA)							
Australia	0%	US	20%	EU	44%	Japan	91%
New Zea	74%	Mexico	43%	Turkey	77%	Norway	43%
		Canada	45%			Switzer	52%
						Korea	92%
						Iceland	50%

Source: OECD estimates

Ag Subsidies and DS Commitments, continued . . .

- Producer support equivalents (PSE)



4. Doha Round Negotiations: Concluding Comments

4.1 Modalities on market access, agriculture

- Consolidated proposal , tariff cuts in agriculture

Developed countries		Developing countries*	
Tariff range	Reduction commitment	Tariff range	Reduction commitment
$0 < \tau \leq 20\%$	50%	$0 < \tau \leq 30\%$	⅔ the cut of DCs
$20 < \tau \leq 50\%$	57%	$30 < \tau \leq 80\%$	
$50 < \tau \leq 75\%$	64%	$80 < \tau \leq 130\%$	
$\tau > 75\%$	75%	$\tau > 130\%$	
Min avg cut of 54%			

Source: WTO doc, JOB(07)/128, 17 Jul 2007 (status updated in 4 Jan 2008 in working docs)

* Excludes "small, vulnerable economies"

Doha Round Negotiation, continued . . .

- Right to designate sensitive products

<table>
<tr><th colspan="2">Developed countries</th><th>Developing countries</th></tr>
<tr><td colspan="3">Limits on the number of sensitive products</td></tr>
<tr><td colspan="2">4-6% of all ag tariff lines</td><td>⅓ more tariff lines than DCs</td></tr>
<tr><td colspan="3">Reductions in tariffs</td></tr>
<tr><td>Min rate cut</td><td>Max rate cut</td><td rowspan="2">Same min and max rates as DCs using LDCs rate cuts</td></tr>
<tr><td>⅓ rate cuts as that for non-sensitive products; quota volume larger</td><td>⅔ rate cut as that for non-sensitive products; quota volume larger</td></tr>
<tr><td colspan="3">Source: WTO doc, JOB(07)/128, 17 Jul 2007 (status updated in 4 Jan 2008 working docs)</td></tr>
</table>

Doha Round Negotiation: Conclusions, continued . . .

4.2 Modalities on domestic support, agriculture

- Computation of OTDS and ↓ AMS (1995-00 base)
  - Total trade-distorting support: bound AMS + 5% value of ag prodn + higher of 5% prodn value or of blue box value

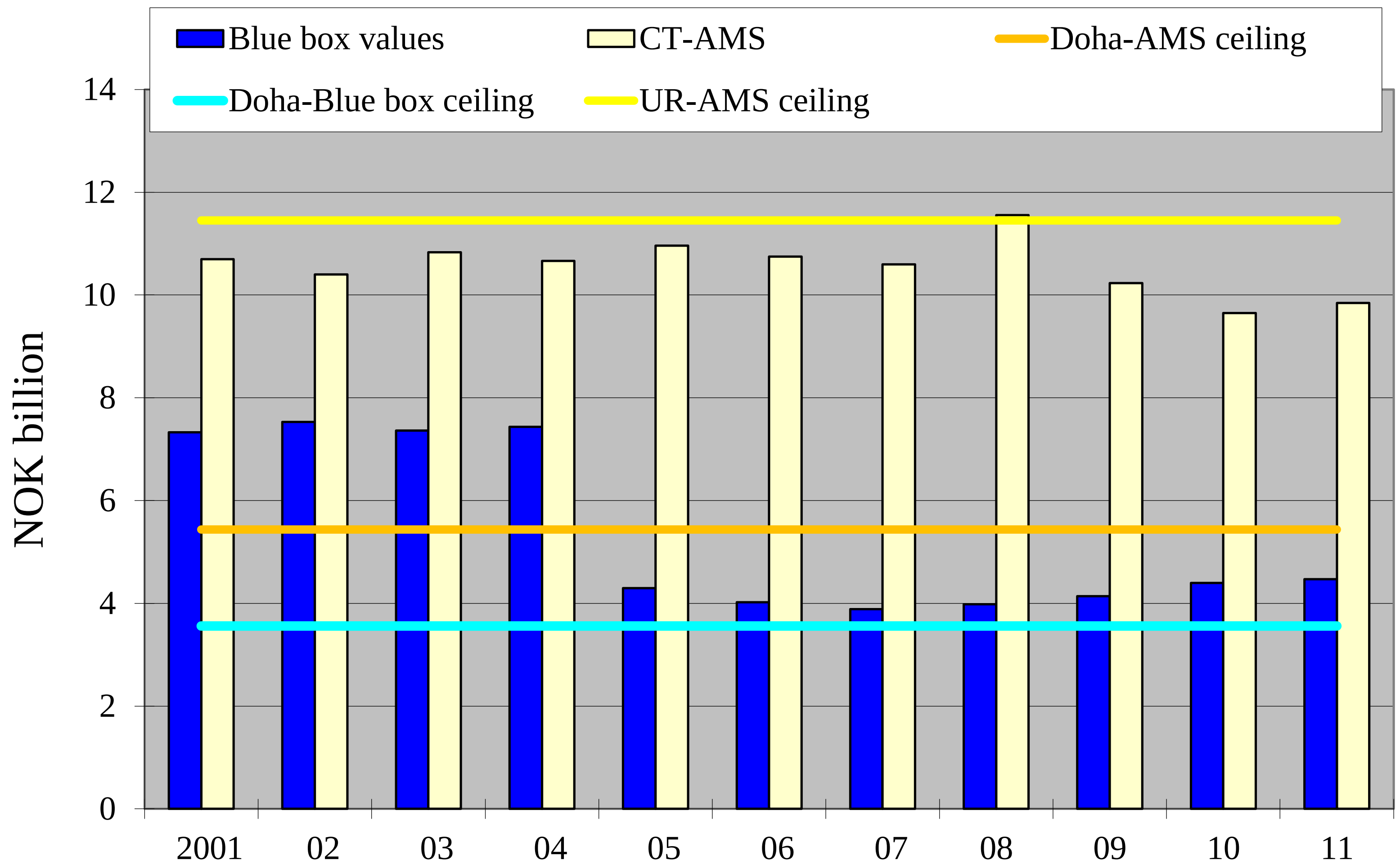
Draft modalities, last version			
Overall total trade-distorting domestic support		Final bound total AMS (amber box)	
Range of value of OTDS	Proposed % cuts	Range of value of AMS	Proposed % cuts
> $60 bln	80	> $40 bln	70%
$10-60 bln	70	$15-40 bln	60%
< $10 bln	55	< $15 bln	45%
Additional cut if BB is 40% of AMS (Norway)			7,5%
Source: WTO document, Dec 2008			

Doha Round Negotiation: Conclusions, continued . . .

- Current status: Blue box
  - Total blue box shall not exceed 2,5% of avg total value of ag prodn, 1995-2000 base year.
  - Where BB was 40% of total value of trade-distorting support, 1995-2000, **(i.e., Norway),** the limit is equal to the reduction in AMS or 52,5%

Doha Round Negotiation: Conclusions, continued . . .

- Current support relative to new BB and AMS ceilings
  - Norway



Sources: WTO modalities, 2008; WTO notification docs; Gassland, Garcia and Vårdal, 2008

Doha Round Negotiation: Conclusions, continued . . .

Complying with AMS – reducing MPS

2007: MPS on poultry cut to 0.0 from NOK 1.0 bn

2009: MPS on beef reduced from 2.6 NOK bn to 15 NOK mn

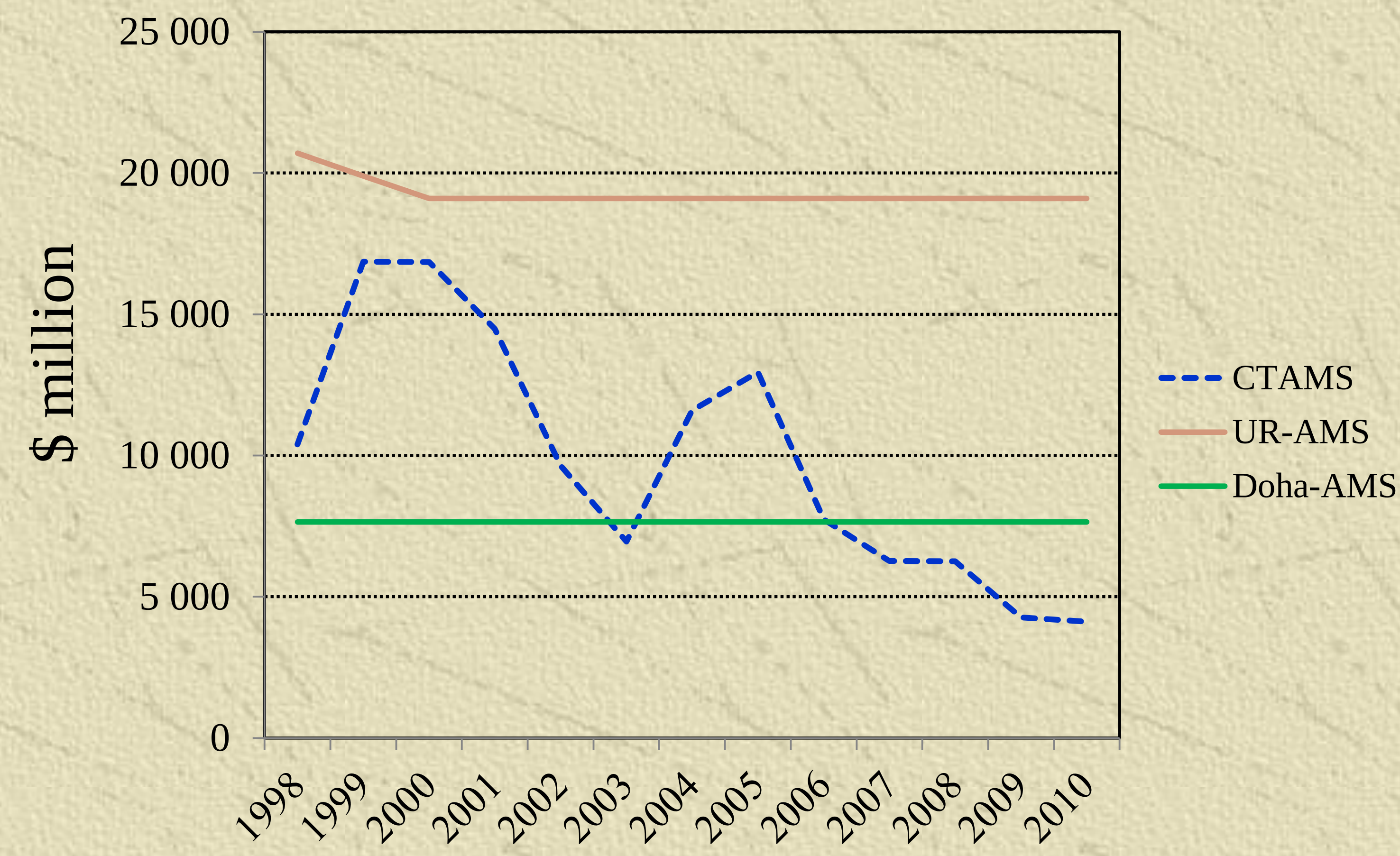
Notified market price support	2006	2007	2008	2009		2010-11
	Official notifications, mill NOK					
				1st half	2nd half	
Beef	2 136.7	2 120.2	2 598.2	1 276.9	14.7	0.0
Poultry	1 023.7	0.0	0.0	2.7		0.0
Lamb/sheep	822.0	881.0	1 033.0	830.0		858.0
Pork	1 989.0	2 018.0	2 320.0	2 268.0		2 580.0
Note: 2009 values are reported as equivalent support (beef from July)						

Source: WTO DS notification documents

Doha Round Negotiation: Conclusions, continued . . .

- US AMS commitments under Doha (mill USD)

  Current total AMS, UR and Doha final bound rates

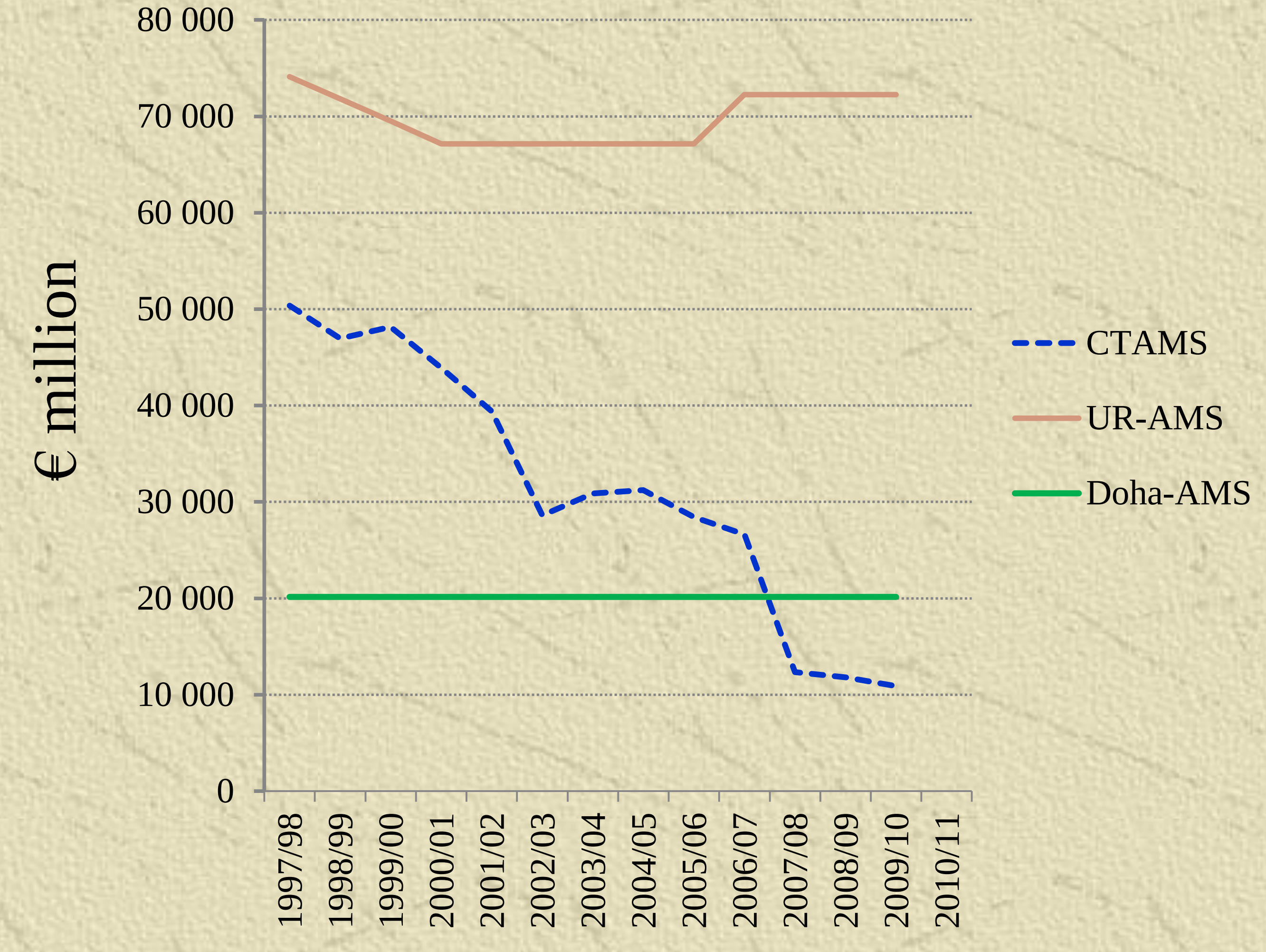


Source: WTO DS notification documents

Doha Round Negotiation: Conclusions, continued . . .

- EU AMS commitments under under Doha (mill €)

  Current total AMS, UR and Doha final bound rates



Doha Round Negotiation: Conclusions, continued . . .

4.4 Concluding comments

- Negotiated base rates of protection / support were high
  - Protection has limited market access and competition
  - Support has not resulted in much reform
- UR-GATT disciplines on agriculture allowed countries with no interest in liberalizing or reforming to avoid doing so
- Implications of Doha Round modalities
  - Removeal of reduction levels of protection
  - Strategies such as box shifting and reform avoidance to not require / result in an real change