

Delivering on Doha: Farm Trade and the Poor

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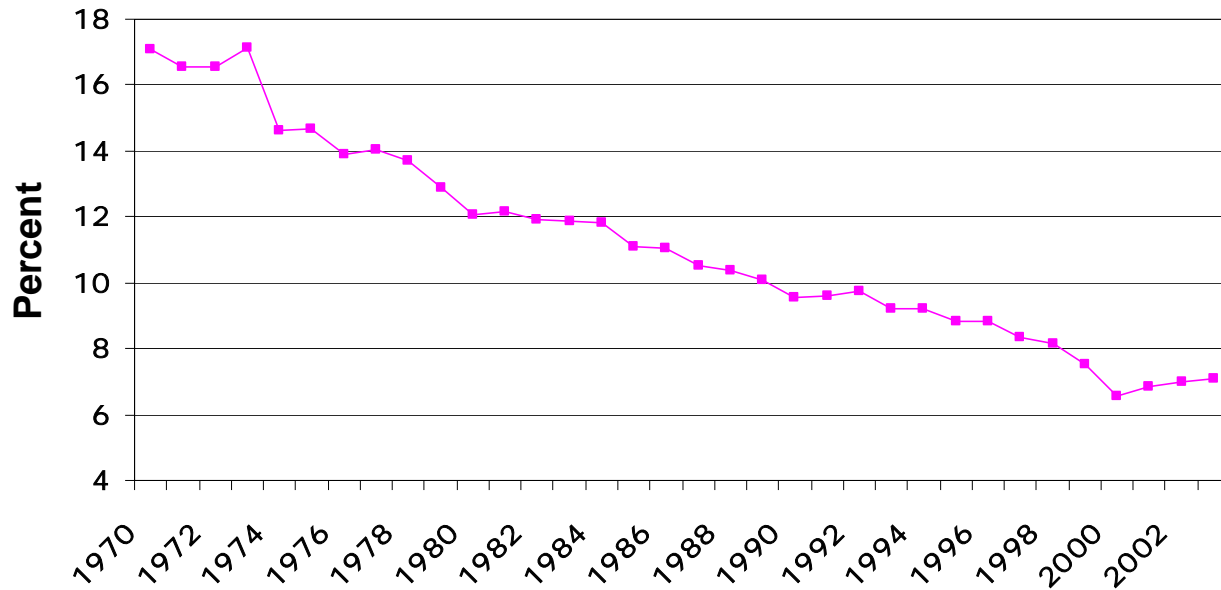
1 Puzzle

2 Myths

3 Pillars

Why is agriculture at the center of the Doha Round?

Agriculture in total goods trade

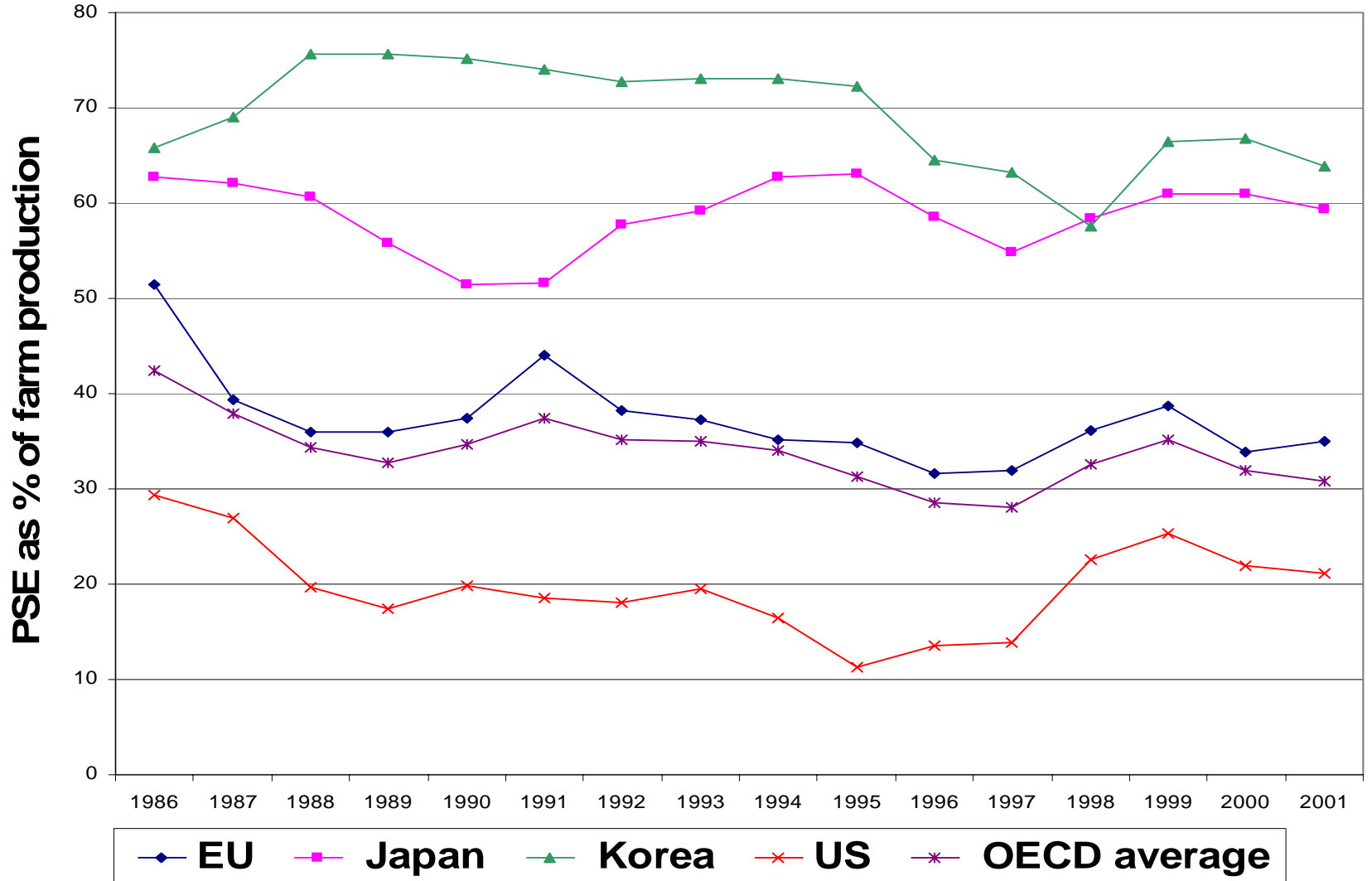


Because that's where the barriers are

Average Applied Import Tariffs, 2001		
	High-income countries	Developing countries
Agriculture	16	18
Textiles, apparel	8	17
Other manufactures	2	9
All merchandise	3	10

Source: Anderson and Martin, 2005.

OECD Producer Support Estimates



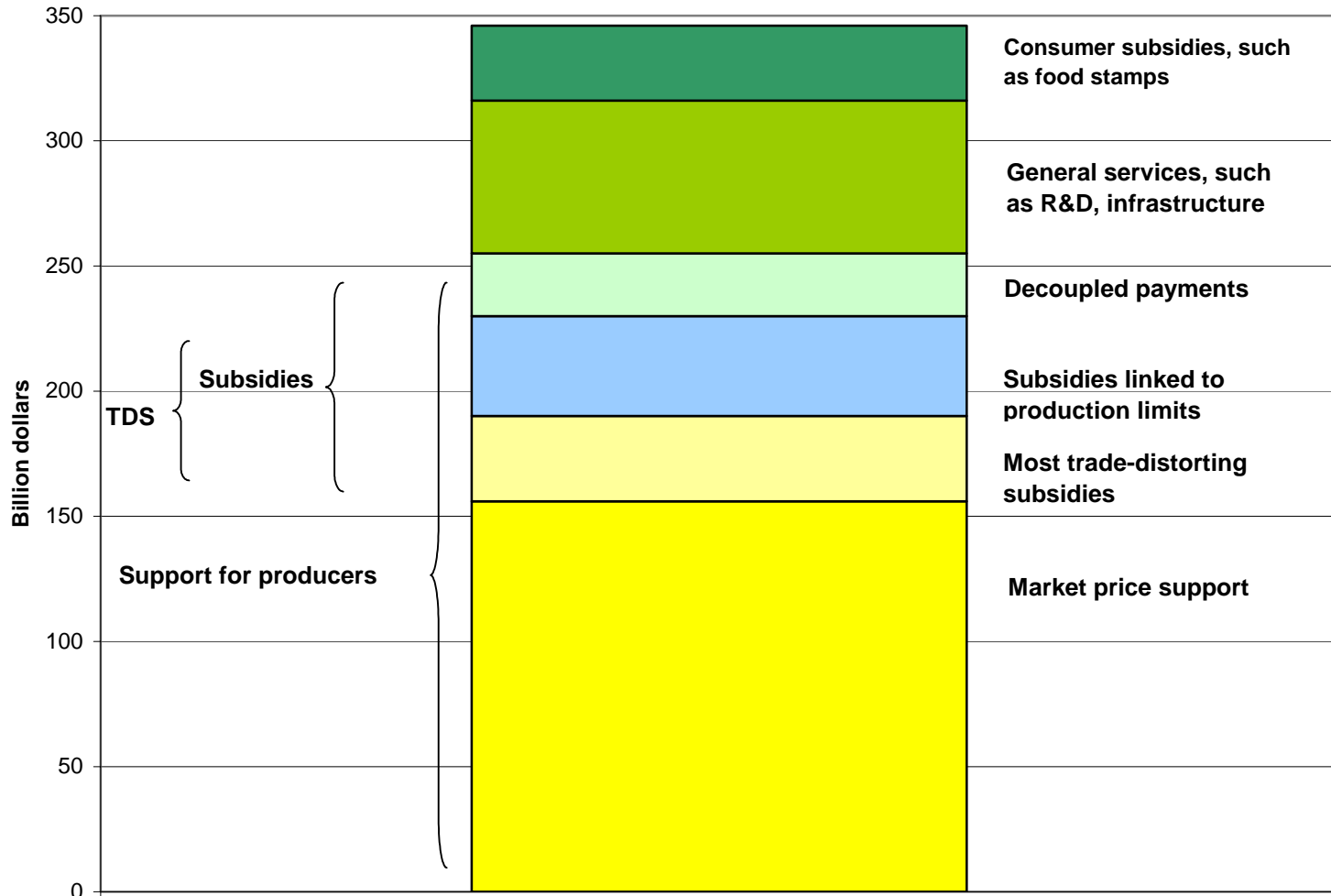
And where the gains are

	Cline ('04)	World Bank ('05)
Gains from global free trade <i>(percentage change in income)</i>		
Industrial ctries	0.8	0.6
Developing ctries	1.35	1.2
Share of gains due to agriculture	57%	63%
Developing ctry share of gains	38%	31%

Two Myths

- Subsidies are main problem:
Rich countries pay their farmers
\$1 billion per day
- Cutting subsidies will pull
subsistence farmers out of
poverty

OECD Estimates of Agricultural Support, by Type



Agriculture and the Poor

Percent of:	Low-income	Upper middle-income
Population in rural areas	70	22
Poor in rural areas	74	37
Agricultural value-added in GDP	31	7

Agricultural liberalization will help farmers in developing countries if:

- they are net sellers of food
- and the price change reaches them
- and they can get their goods to markets.

It could harm them if:

- they have preferential access to markets where they can sell at above-world prices
- or they are net buyers of food.

These challenges unlikely to be as serious as feared:

- Limited number of countries
- Limited number of commodities (sugar, bananas)
- Limited Doha outcome will mean small effects on farm prices—for both good and ill

World price effects of moving to global free trade

Milled rice	7.7%
Wheat	9.0%
Other cereal grains	12.2%
Beef	8.4%
Dairy products	11.8%
Vegetable oils	3.4%

Source: World Bank.

Supply constraint challenges

	Low-income countries	All develop'g countries
Percent of roads paved	25	50
Aircraft departures/million people/year	285	4120
Fixed line+ mobile phone subscribers per 1000 people	39	501
Number land-locked	21	1

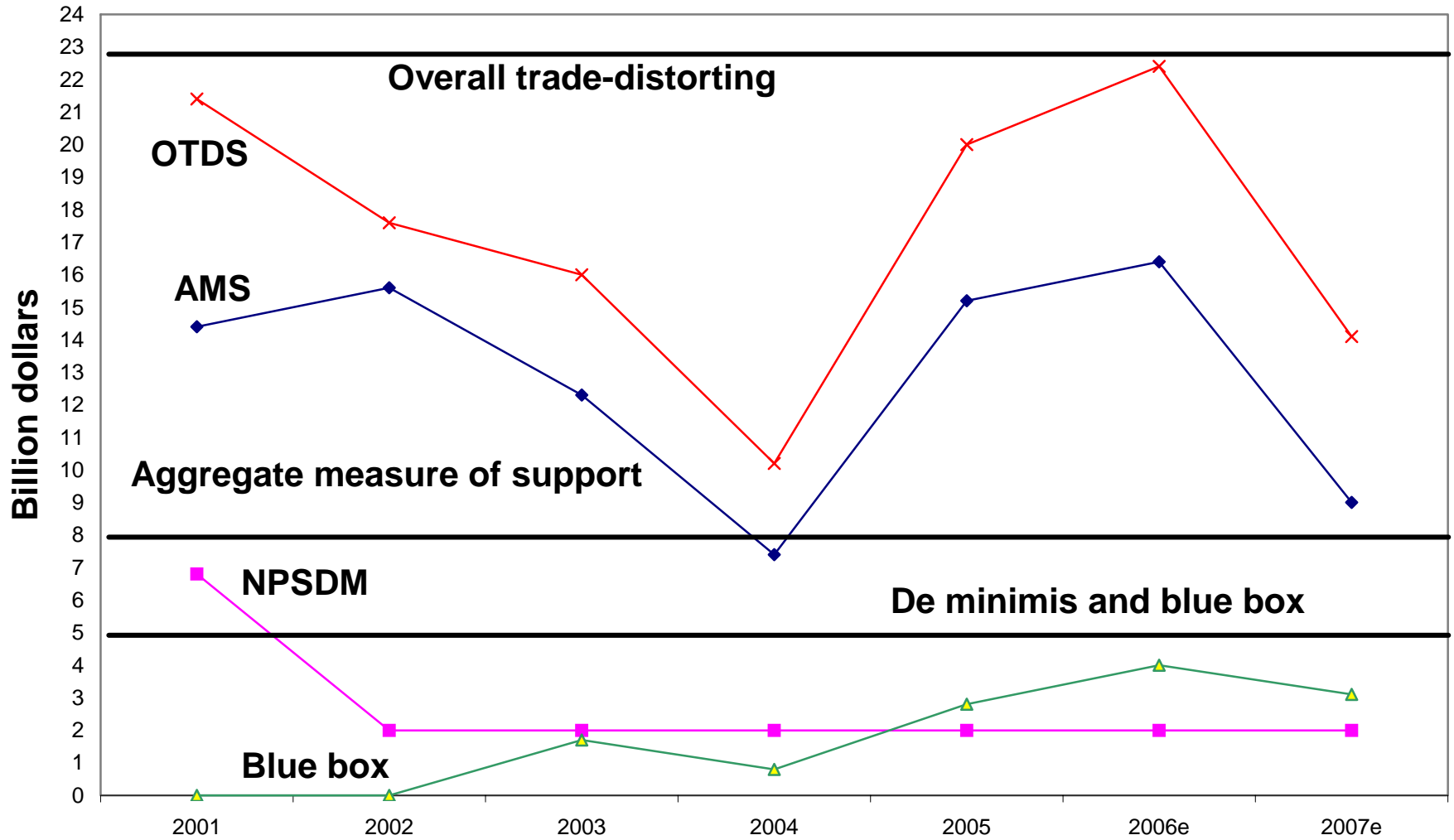
Three Pillars

- Export subsidies (eliminate by 2013)
- Domestic subsidies and other support
- Tariffs, quotas, and other market access issues

Most trade-distorting support

- 70-75 % cut would lock in EU reforms that moved most subsidies to the blue, green boxes
- 60 % cut would have little impact on Japan because of technical changes that removed rice from domestic support pillar
- 60 % cut would force US to make at least modest changes in most trade-distorting subsidy levels

US Proposal for Cutting Domestic Support



Key Tariff-Cutting Proposals

US cap = 75% Sensitive products = 1%		G20 cap = 100% Sensitive products = 1%		EU cap = 100% Sensitive products = 8%	
TH	AC	TH	AC	TH	AC
0-20	55-65	0-20	45	0-30	35
21-40	65-75	21-50	55	31-60	45
41-60	75-85	51-75	65	61-90	50
>60	85-90	>75	75	>90	60

TH = threshold; AC = average cut.

Cutting trade barriers

- The average tariff should be cut by more than 50 percent
- Number of sensitive products should be < half EU proposal
- Tariff caps should apply to all products
- Access should be improved for sensitive products, without exception

Special and differential treatment

- Average tariff should be cut by at least a third
- Combined number of sensitive, special products shielded from average cut should be under 10 %
- Countries not already providing export, trade-distorting domestic subsidies should forswear them