Delivering on the Doha Development Agenda: Is Agriculture the Key?

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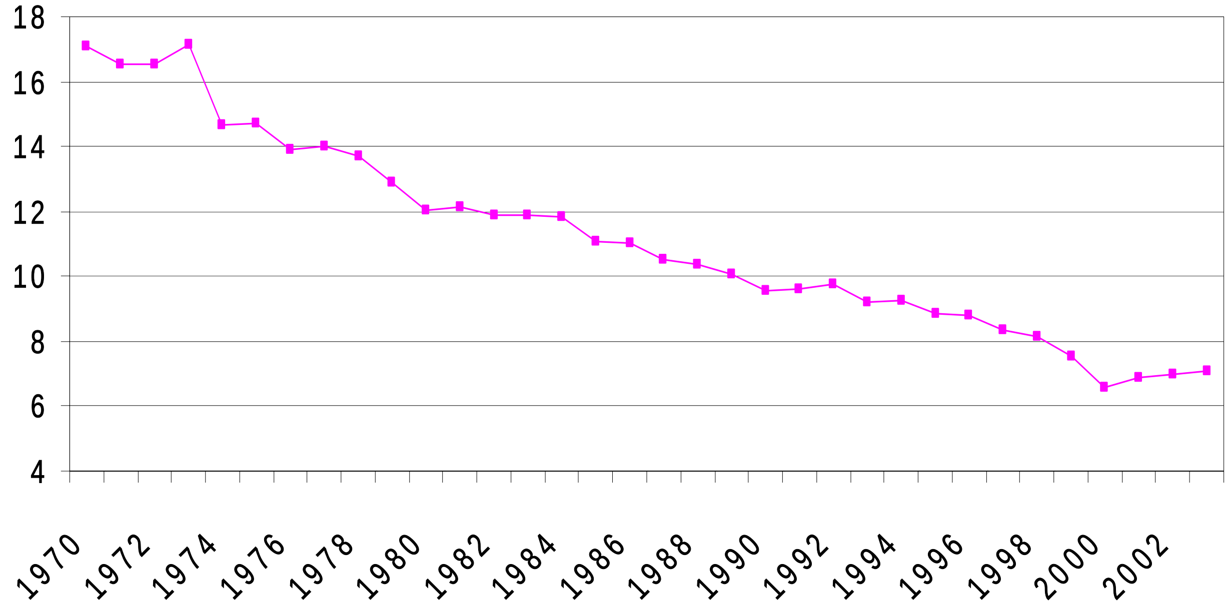
Why so much attention to agriculture in the Doha Round?

Agriculture as % of 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	1	8
All merchandise	3	10
Source: Anderson and Martin, 2005.		

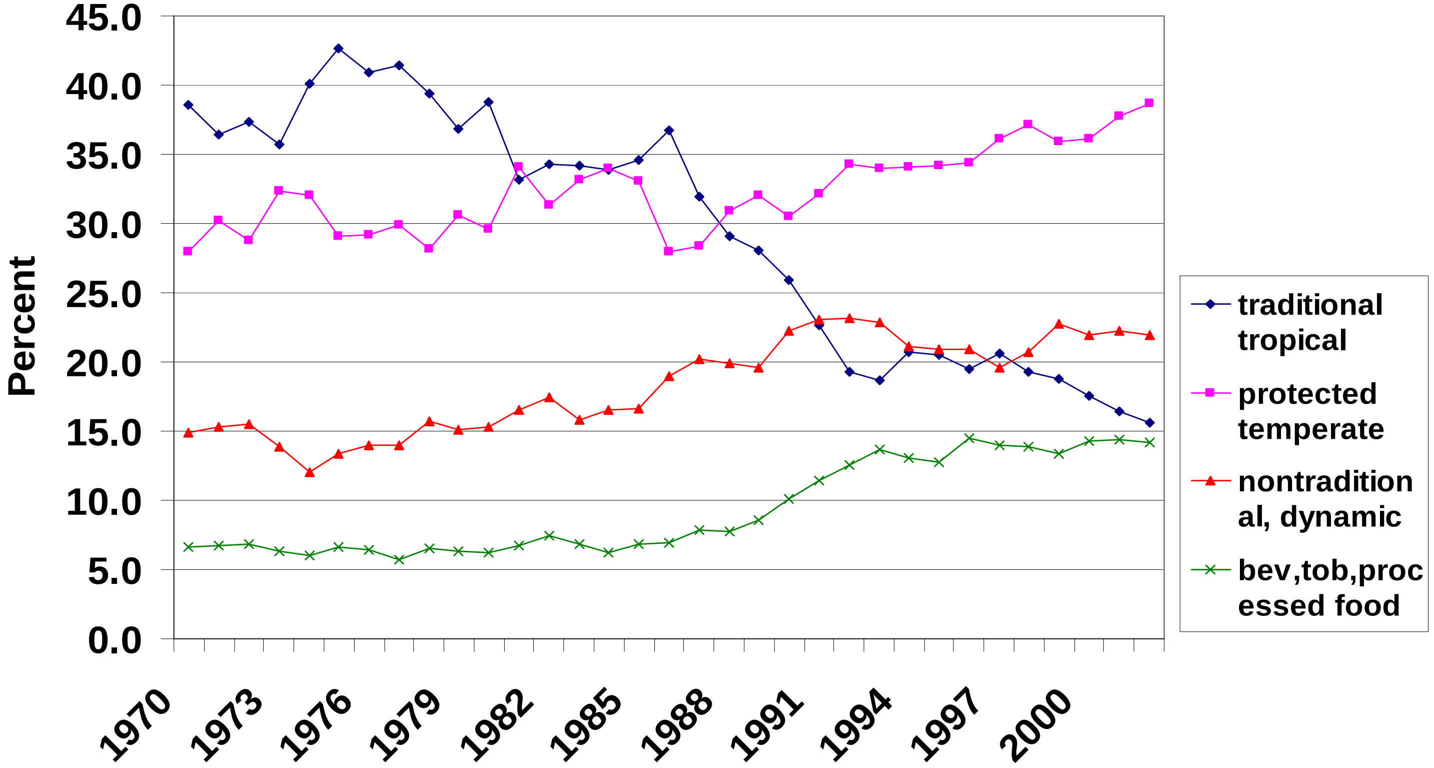
Because that's where the poor are

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

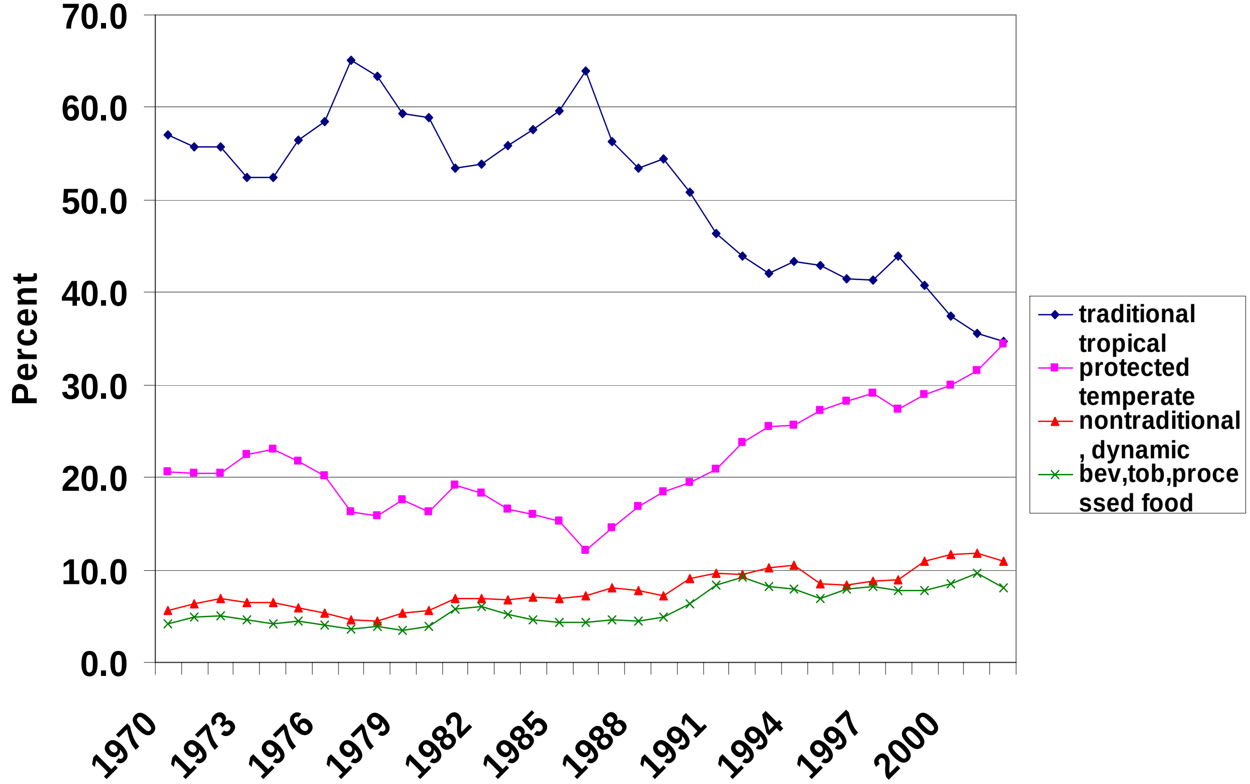
And some poor countries are dependent on agriculture

- In 20 mostly low-income countries, agriculture > 50% of total exports
- In these countries, on average, a single commodity = 75% of agricultural exports
- But, usually traditional tropical products—
  - Coffee, tea, cocoa, and spices
  - Sugar
  - Tobacco
  - Fruits and vegetables in a few

Shares of Middle-Income Country Exports



Shares of Low-Income Country Exports



Challenges

- Preference erosion
- Higher food prices, most DCs are net food importers

These problems not as serious as often thought—

- Limited number of countries
- Limited number of commodities (sugar, bananas, rice)

Supply Constraint Challenges

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

What is the path after Hong Kong?

- Export subsidies will be eliminated—but when?
- Domestic subsidies will be cut—but how large will the real cuts be?
- Are meaningful increases in market access possible?

Estimated effects of US Subsidy Cut Proposal		
Figures based on 2001 WTO notifications	EU (€b)	US ($b)
Current AMS ceiling	67.2	19.1
Actual spending	39.3	14.4
Proposed level	11.4	7.6
Permitted "de minimis"	25.0	19.0
Actual spending (NPS only)	0.6	6.8
Proposed level (NPS only)	6.3	4.8
Current blue box spending	23.7	0(3-6)
Proposed 5% (of prod.) cap	12.5	9.5
Proposed cut to 2.5%	6.3	4.8

The tough part: market access

Tiers and average cut less important than:

- How many sensitive products?
  - US/G20 1% v. EU 8% of tariff lines
- A cap of 75%-100%, but for everything?
- EU proposal clearly inadequate, but will member states go further?
- EU has not yet reformed F&V sector—flexibility to be more accommodating on market access?

Sensitive Product Candidates

	European Union			Japan			United States		
	Production-weighted, applied	Number of TRQs	Number of tariff lines under TRQ	Production-weighted, applied	Number of TRQs	Number of tariff lines under TRQ	Production-weighted, applied	Number of TRQs	Number of tariff lines under TRQ
Sugar	90.4	3	7	227.0	0	0	24.2	6	16
Dairy	38.0	12	51	82.4	10	56	16.7	24	97
Beef, sheepmeat	75.8	15	51	38.2	0	0	2.6	1	1
Pork, poultry, other	15.2	13	66	36.5	0	0	3.3	0	0
Rice	110.8	3	3	886.7	1	17	5.2	0	0
Wheat	0.7	2	2	214.4	1	23	3.2	0	0
Corn, other grains	17.2	10	12	53.2	1	12	0.9	1	0
Fruits,vegetables, nuts	19.1	15	33	21.4	3	9	5.0	5	6

Alongside Doha: addressing supply constraints in DCs

- Bilateral compensation for preference erosion, mainly EU bananas and sugar?
- Look for creative ways to address SPS compliance challenges—mutual recognition for SSA?
- Integrate trade and supply constraints in overall development strategies
- But, is dedicated fund needed to make resource transfer promises credible?