IMPLICATIONS OF WTO DEVELOPMENTS FOR MARKET INTEGRATION.

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INTRODUCTION.

- Task Has Three Challenges – predict whether Doha will conclude? –predict what an agreement might look like? –analyze consequences for NAFTA.
- But there is more- also need to explore consequences for NAFTA of “NO DEAL” in Doha.
OUTLINE

- APPARENT STATUS OF DOHA ROUND AGRICULTURAL NEGOTIATIONS
- WHY IS AN AGRICULTURAL AGREEMENT SO DIFFICULT?
- WHAT CAN DEVELOPING COUNTRIES GAIN FROM A DOHA DEAL?
- WHAT MIGHT BE A MINIMALLY ACCEPTABLE “DEAL”?
- CONSEQUENCES OF A “DEAL” FOR NAFTA
- CONSEQUENCES OF “NO DEAL” FOR MARKET INTEGRATION IN NAFTA
APPARENT STATUS OF DOHA ROUND AGRICULTURAL NEGOTIATIONS.

- URRA required start by 2000
- Started March 2001 despite Seattle mess
- None of this happened –Cancun- a bust;
- July 24, 2006 Lamy suspends Round Indefinitely—“..there are no winners and losers…Today, there are only losers.”
Feb. 7, 2007 Lamy “We have resumed negotiations fully across the board”

April 30, 2007 Chair Ag. Negotiating Group issues a “Challenges" paper.

May 19 says “they were starting to negotiate content rather than rejecting it”.

May 25, 2007 Chair Falconer issues “Second Installment” but little forward movement

Therefore Negotiations Still Alive, barely
WHY IS AN AGRICULTURAL AGREEMENT SO DIFFICULT?

- Agriculture has Always Been a Problem.
- Expanding Membership - Is WTO Ungovernable?
- New Groupings as Developing Countries Organize (see next slide)
- Are the Opponents of Globalization Going to Kill Freer Trade?
- Are Bilateral and Regional Trade Agreements the Wave of the Future?
# Small Groups Relevant to Agriculture

<table>
<thead>
<tr>
<th>Regional Groups</th>
<th>Offensive Coalitions</th>
<th>Defensive Coalitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACP</td>
<td>C-4</td>
<td>G-10</td>
</tr>
<tr>
<td>African Group</td>
<td>G-11</td>
<td>G-33</td>
</tr>
<tr>
<td>LDCs</td>
<td>Cairns Group (NS)</td>
<td>RAMs</td>
</tr>
<tr>
<td>G-90</td>
<td>G-20 (S/S)</td>
<td>SVEs</td>
</tr>
</tbody>
</table>
Regional Trade Agreements RTA’s

- GATT 1948-1995 - 124 notifications, 38 still in force
- WTO since 1995 - >240 notifications
- Dec 2006 – WTO says 215 in force
- Projected to 2010 – approaching 400
- 96% FTA’s, 75% existing are bilateral; 90% under negotiations bilateral.
WHAT CAN DEVELOPING COUNTRIES GAIN FROM A DOHA “DEAL”? 

- Many models run and papers written
- Bouet reviewed 16 GE models done since 1999 – gains variable but small and declining in more recent analysis.
- Gains range from 0.2 to 3.1 % of GDP over period to 2015.
- World Bank done more than anybody
- Most recent Anderson and Martin (A&M)
WHAT CAN DEVELOPING COUNTRIES GAIN FROM A DOHA DEAL? -2

- WB Linkage model based on GTAP, ver. 6
- Full Liberalization gains $287 Bil/yr
- Ag Reform contributes 63% of gain even though only 7% global Pdn & Trade
- 55% from DC’s, 45% from developing c.
- Low & Mid Y Countries gain $86 bil, 0.8% of their GDP and 63% of this gain from Ag. Trade Liberalization.
### WHAT CAN DEVELOPING COUNTRIES GAIN FROM A DOHA DEAL? - 3

All benefits for developing count. comes from better access, rich country subs. don’t matter

<table>
<thead>
<tr>
<th>Who Benefits</th>
<th>Tariffs</th>
<th>Dom. Subsidies</th>
<th>Export Sub.</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dev’ing Count</td>
<td>106</td>
<td>2</td>
<td>-8</td>
<td>100%</td>
</tr>
<tr>
<td>High-Income</td>
<td>89</td>
<td>6</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>World</td>
<td>93</td>
<td>5</td>
<td>2</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Martin and Anderson
## WHAT CAN DEVELOPING COUNTRIES GAIN FROM A DOHA DEAL? - 4

<table>
<thead>
<tr>
<th>Gains by sector</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>20</td>
</tr>
<tr>
<td>Sugar</td>
<td>18</td>
</tr>
<tr>
<td>Meats (esp beef)</td>
<td>16</td>
</tr>
<tr>
<td>Other Grains</td>
<td>11</td>
</tr>
<tr>
<td>Oilseeds Prod.</td>
<td>7</td>
</tr>
<tr>
<td>Dairy</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>23</td>
</tr>
</tbody>
</table>
WHAT MIGHT BE A MINIMALLY ACCEPTABLE “DEAL”? -1

What Is On The Table?

Further liberalization of the Three Pillars:
- Domestic subsidies (AMS)
- Export assistance
- Market access
- Special and differential treatment for LDC’s

Everything else agreed to in URAA – tariffs, only, no QR’s, no new export sub., caps on AMS and export subsidies, TRIPS, SPS, and dispute settlement mechanism – Stay in Place
WHAT MIGHT BE A MINIMALLY ACCEPTABLE “DEAL”? - 2

- Current State of Play - numbers needed
  - Under Domestic Support - # of bands, boundaries and agreed reductions
  - Under Export Assistance - confirm abolition in 2013 and agree on revised phase in schedule.
  - Under Market Access - # of tiers and % linear cut in each tier.
  - Under Special and Differential Treatment – lesser reductions, longer time frame; sensitive products; special products.

- Ag Chairs Papers 4/30/07; 5/25/07
### What Might A Deal Look Like?

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Top Tariff Cut %</th>
<th>Sensitive Products%</th>
<th>EU/US AMS Cut %</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>85-90</td>
<td>1</td>
<td>83/60</td>
</tr>
<tr>
<td>EU</td>
<td>60</td>
<td>8</td>
<td>70/60</td>
</tr>
<tr>
<td>G-20</td>
<td>75</td>
<td></td>
<td>80/70</td>
</tr>
<tr>
<td>Chairman</td>
<td>70-80</td>
<td>1-5(sen)5-8(sep)</td>
<td>75-80/65-70</td>
</tr>
<tr>
<td>Martin &amp; Anderson</td>
<td>75</td>
<td>0-5</td>
<td>75/75</td>
</tr>
</tbody>
</table>
WHAT MIGHT BE A MINIMALLY ACCEPTABLE “DEAL”? - 4

- Results of Anderson and Martin Scenario:
  - Run one - 75% tariff cuts, 75% AMS cuts US & EU, no sensitive products, LDC cuts 2/3 of DC: +0.2% GDP for DC’s, 0.1% for Developing Countries - (½ gains from full lib).
  - Run two - same as one except rich countries are allowed 2% sensitive products: benefits drop - for DC’s 0.05%, for developing countries – nothing
  - Run three - same as one except high income LDC’s take 33% higher cuts in tariffs: DC’s +0.25%, LDC’s 0.16% of GDP;
  - Run four - all countries take reductions agreed for Developed countries and no sensitive products; DC’s +0.3%, developing +0.22.

Bottom Line: Sensitive/special products exemptions even as low as 2% drastically reduce benefits of liberalization
CONSEQUENCES OF A “DEAL” FOR NAFTA

- If something like a G-20 Deal Happens, what does it mean for NAFTA?
- Basic Answer –Not Much.
  - AMS already low in US(16);Mex.(15);Can.(22)
  - Tariff cuts could cause preference erosion but hard to find serious cases –tomatoes?
  - Export subsidies not a real issue
  - Sensitive products-> 2% exemption of tariff lines means nothing bites
CONSEQUENCES OF “NO DEAL” FOR MARKET INTEGRATION IN NAFTA

Specifically for NAFTA as an entity likewise little impact;

- Loss of abolition of export subsidies.
- Less pressure to reduce domestic sub.(US)
- May increase pressure for broader regional integration but make it more difficult because countries like Brazil want WTO pressure on US to increase access & reduce subsidies.
- But impact on each country could be large if WTO erodes
IMPACTS ON GLOBAL TRADING SYSTEM - BIG

Schott sees major costs for Global Trading System.
- Loss of real gains from liberalization
- Erosion of free trade system – systems cannot be static – either liberalizing or reverting
- Rise in Protectionism
- Increased Regionalism and proliferation of Bilateral deals
- Opportunity costs for LDC’s of liberalization as catalyst for own reform
Hufbauer & Pischedda consider several scenarios if Doha Fails:

Scenario 1: Erosion of the world trading system and the rise in protectionism.

Scenario 2: Expanded regionalism on a big scale- Free Trade Area of The Asian Pacific (FTAAP) or Transatlantic Free Trade Area.

Scenario 3: Proliferation of bilateral trade agreements, including possibly by one like US-Japan, EU-Korea, etc.

Scenario 4: The above prospects are so dire that big countries, led by the U.S., would make some kind of a deal to keep WTO in the game.
CONCLUDING COMMENTS.

- So does it matter? Overriding in my mind is a deep foreboding that a failure in Doha caused by an agricultural failure would have very severe long run consequences for the global economy.
- Where it will come out no one knows
- All we know is that the clock is ticking and the fuse is getting very short.