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# IMPLICATIONS OF WTO DEVELOPMENTS FOR MARKET INTEGRATION.

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# INTRODUCTION.

- 3<sup>rd</sup> Time Asked to Deliver Paper on WTO before Negotiations Complete-1993, 2003 and 2006. Why Do I Do It ??
  - 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.
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# 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**
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## APPARENT STATUS OF DOHA ROUND AGRICULTURAL NEGOTIATIONS.

- URRA required start by 2000
  - Started March 2001 despite Seattle mess
  - Doha Ministerial Nov. 2001 established Ag time table: modalities- 31 March, 2003; draft schedules- Cancun Sept. 2003; complete agreement Jan. 2005.
  - None of this happened –Cancun- a bust;
  - Framework Aug. 1, 2004 but nothing ready for Hong Kong Dec. 2005
  - July 24, 2006 Lamy suspends Round Indefinitely-  
***“..there are no winners and losers...Today, there are only losers.”***
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## APPARENT STATUS OF DOHA ROUND AGRICULTURAL NEGOTIATIONS. cont.

- 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
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## **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?**
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# Small Groups Relevant to Agriculture

Regional  
Groups

Offensive  
Coalitions

Defensive  
Coalitions

ACP

C-4

G-10

African Group

G-11

G-33

LDCs

Cairns Group (NS)

RAMs

G-90

G-20 (S/S)

SVEs

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# Regional Trade Agreements RTA's

- GATT 1948-1995 -124 notifications,38 still in force
  - WTO since 1995 - >240 notifications
  - Jan 2004 – Feb. 2005 – 43 notifications
  - Dec 2006 – WTO says 215 in force
  - Projected to 2010 – approaching 400
  - 96 % FTA's, ;75 % existing are bilateral;90 % under negotiations bilateral.
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## 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)
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## 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.
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# 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**

<b>Who Benefits</b>	<b>Tariffs</b>	<b>Dom. Subsidies</b>	<b>Export Sub.</b>	<b>All</b>
Dev'ing Count	<b>106</b>	<b>2</b>	<b>-8</b>	<b>100%</b>
High-Income	<b>89</b>	<b>6</b>	<b>5</b>	<b>100%</b>
World	<b>93</b>	<b>5</b>	<b>2</b>	<b>100%</b>

Source: Martin and Anderson

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## WHAT CAN DEVELOPING COUNTRIES GAIN FROM A DOHA DEAL?- 4

■ Gains by sector:	%
■ Rice	20
■ Sugar	18
■ Meats (esp beef)	16
■ Other Grains	11
■ Oilseeds Prod.	7
■ Dairy	5
■ Other	23

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## 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**
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## 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
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# WHAT MIGHT BE A MINIMALLY ACCEPTABLE “DEAL”? - 3

## ■ What Might A Deal Look Like?

Proposal	Top Tariff Cut %	Sensitive Products%	EU/US AMS Cut %
US	85-90	1	83/60
EU	60	8	70/60
G-20	75		80/70
Chairman	70-80	1-5(sen)5-8(sep)	75-80/65-70
Martin & Anderson	75	0-5	75/75

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# 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- (1/2 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**

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## 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
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## 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
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# 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
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## IMPACTS ON GLOBAL TRADING SYSTEM

- **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.
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# 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.
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