Delivering on Doha: Farm Trade and the Poor

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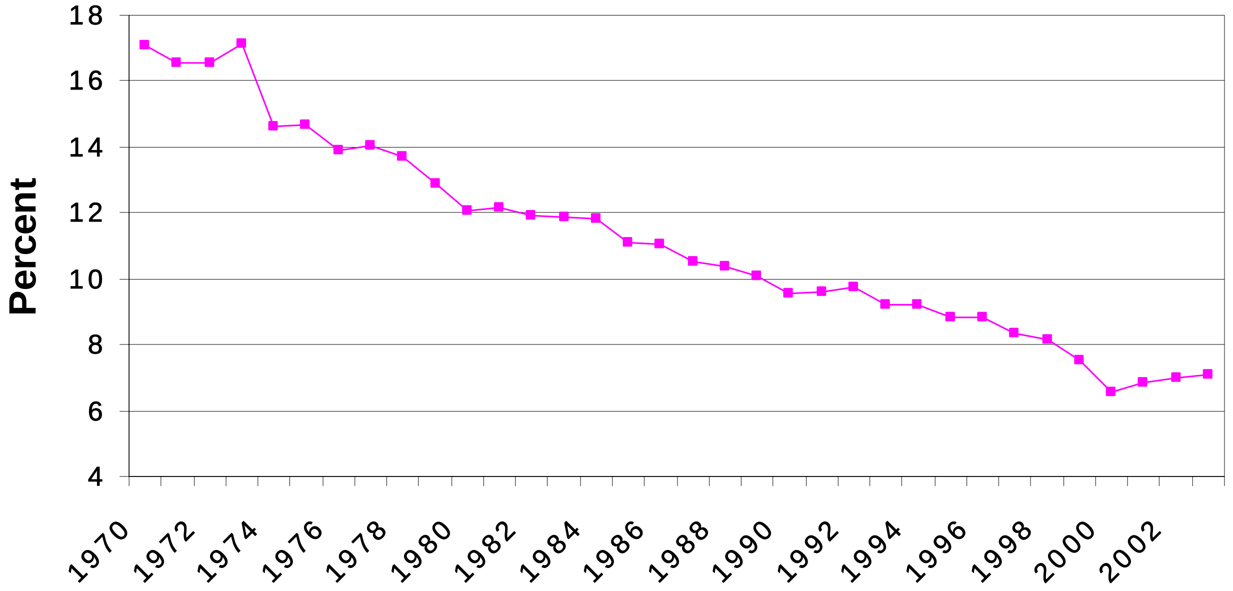
1) Puzzle

2) Myths

3) Pillars

Why is agriculture at the center of the Doha Round?

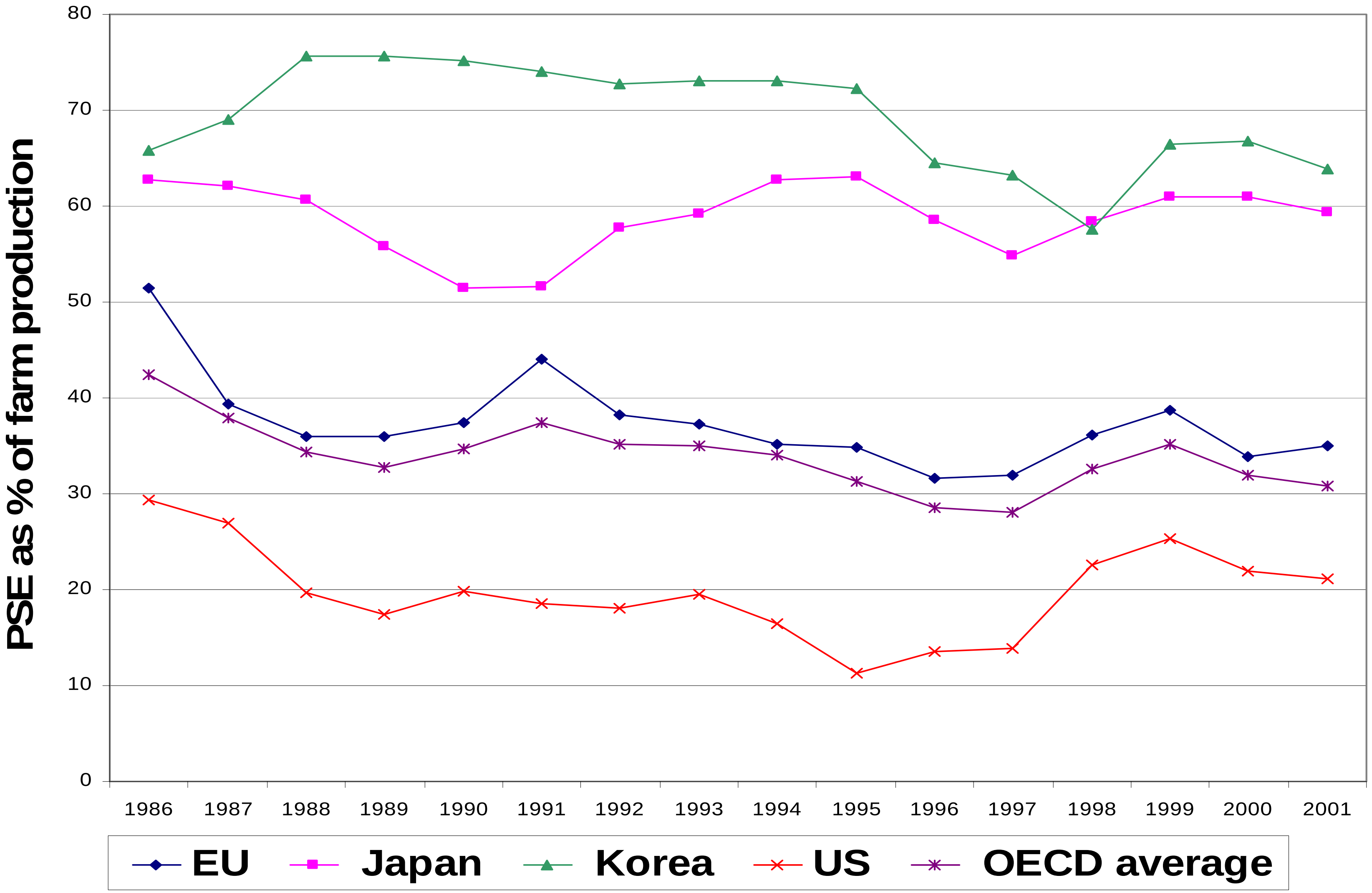
Agriculture in total goods trade



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



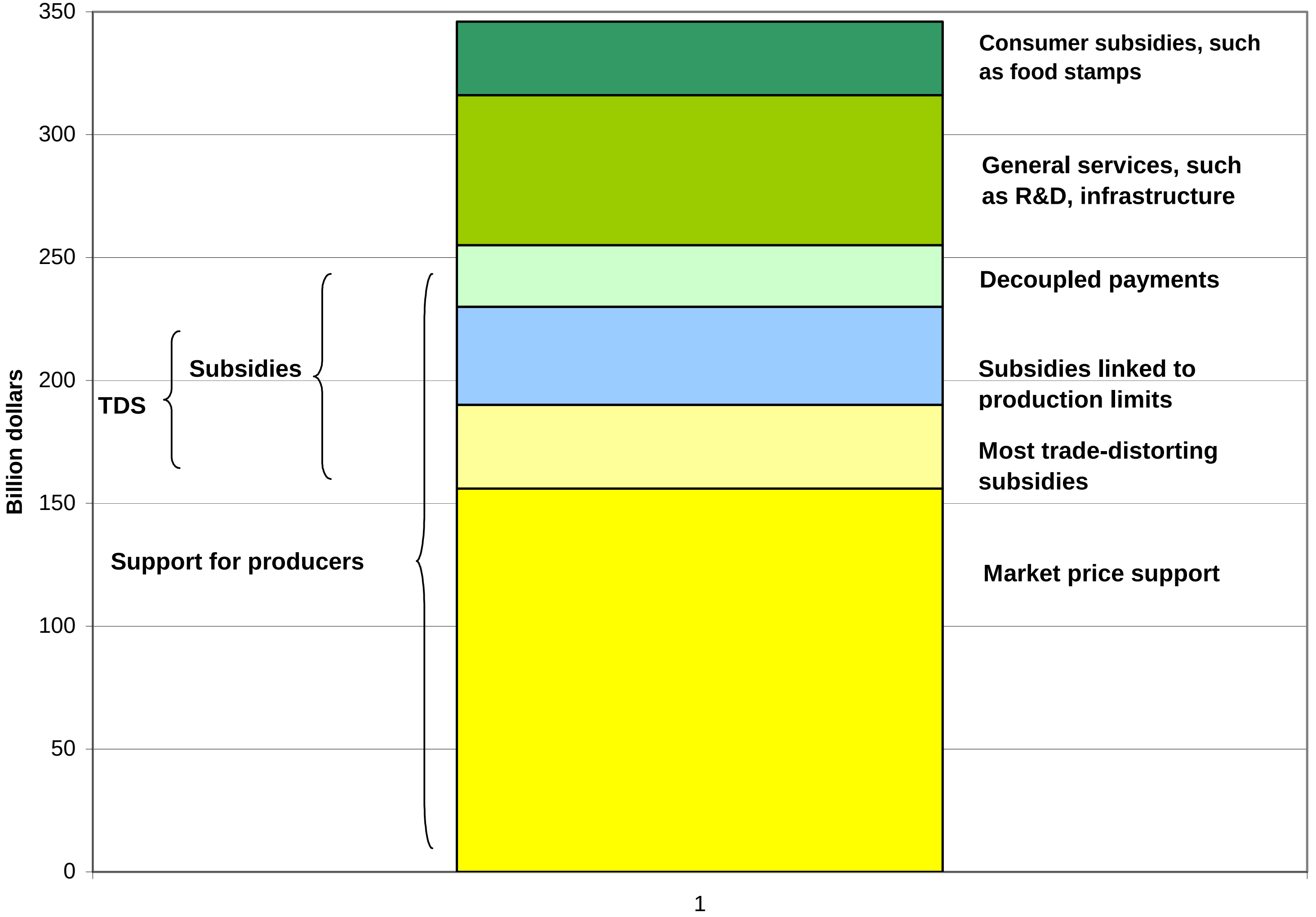
And where the gains are

Gains from global free trade	Cline ('04)	World Bank ('05)
(percentage change in income)		
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 the 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 poor people		
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;
- 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 are unlikely to be as serious as feared due to:

- A limited number of countries

- A limited number of commodities, such as sugar and bananas.

- A 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 developing 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

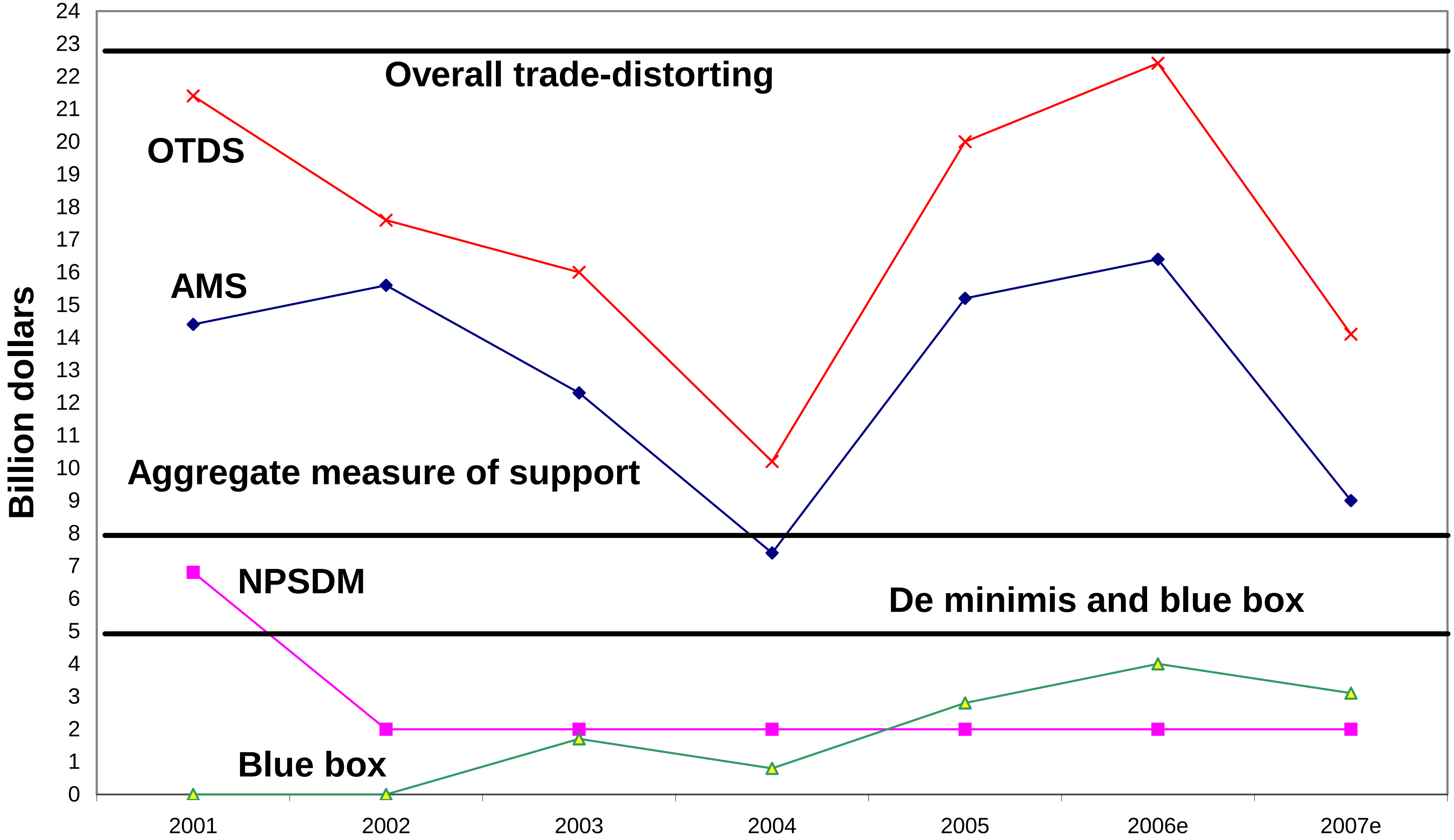
Three Pillars

- Eliminate export subsidies by 2013
- Domestic subsidies and other support
- Tariffs, quotas, and other market access issues

Most trade-distorting support

- A 70–75 percent cut would lock in EU reforms that moved most subsidies to the blue, green boxes.
- A 60 percent cut would have little impact on Japan because of technical changes that removed rice from domestic support pillar.
- A 60 percent 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 less than half of the 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 one-third.
- A Combined number of sensitive, special products shielded from average cut should be under 10 percent.
- Countries not already providing export, trade-distorting domestic subsidies should foreswear them.