Doha Developments; CRP, Commodity Price Impacts

Posted By Keith Good On July 18, 2008 @ 7:38 am In Farm Bill, Conservation, Doha / Trade, EU | Comments Disabled

Doha

Yesterday, the U.S. Trade Representative's Office (USTR) released three "Fact Sheets" that provided background and perspective on the WTO Doha Round of trade negotiations.

The first document, "Doha Development Agenda," provided a timeline of key events that have occurred throughout the multi-lateral negotiations and explained that, "The World Trade Organization (WTO) Doha Development Agenda (DDA) has been at the center of the Administration's trade policy since this multilateral negotiating round was launched in Doha, Qatar in 2001. The DDA is the ninth successive round of multilateral trade negotiations to be carried out since 1948. The goal of the DDA is to reduce trade barriers in order to expand global economic growth, development, and opportunity. The main focus of the negotiations under the DDA is in the following areas: agriculture; industrial market access; services; trade facilitation; WTO rules (i.e., trade remedies, fish subsidies, and regional trade agreements); and development."

With respect to development, the second USTR document, "The Benefits of Trade for Developing Countries," noted in part that, "**The economics are clear: trade liberalization, combined with pro-market, developmental domestic reforms, enhances the economic growth potential of developing countries**.

"The World Bank has reported that per capita real income grew nearly three times faster for developing countries that lowered trade barriers more (5.0 percent per year) than other developing countries (1.4 percent per year) in the 1990s.

"Trade liberalization and domestic reforms go hand in hand. Studies show that openness is linked to key macroeconomic and governance policies that enhance growth."

The document added that, "**Developing countries are potentially large beneficiaries of an ambitious outcome to the Doha Round of WTO negotiations**.

"According to a World Bank study, roughly half of global economic benefit from free trade (goods only) would be enjoyed by developing countries. The estimates for the increase in developing countries annual income by 2015 are:

"-Static measurement - $142 billion of $287 billion (49 percent)
"-Dynamic measurement - $259 billion of $461 billion (56 percent)

"Developing countries would receive nearly two-thirds (63 percent) of the potential benefits of eliminating agriculture distortions (tariffs and trade-distorting subsidies) by developing and developed countries."

And more specifically with respect to the U.S. perspective on the Doha negotiations, the third USTR document, "United States Leads the World to Liberalize Trade Through the Doha Round," included a quote from President Bush, who stated at the United Nations back in September of 2005: ""Today I broaden the challenge by making this pledge: the United States is ready to eliminate tariffs, subsidies and other barriers to free flow of goods and services as other nations do the same… It's the key to overcoming poverty in the world's poorest nations. It's essential we promote prosperity and opportunity for all nations. By expanding trade we spread hope and opportunity to the corners of the world and we strike a blow against the terrorists who feed on anger and resentment."

On the issue of agriculture, this document indicated that, "Agriculture — The United States is already one of the most open markets in the world, with average agricultural tariffs of 12 percent (compared to the global average bound tariff of 62 percent) and with 90 percent of developing country agricultural imports entering duty free. But more can be done. The United States seeks to:

"-Cut trade-distorting agriculture subsidies using formulas that ensure countries with the largest allowable subsidies make the biggest cuts;

"-Open agriculture markets through ambitious tariff cutting formulas while avoiding the use of loopholes by advanced developing countries that would limit real market openings; and

"-Continue to support American farmers in WTO-consistent ways."

Also yesterday, the European Commission issued a news release, which stated that, "Speaking at a Press Conference in Brussels, Commissioner Mandelson and EU Agriculture Commissioner Mariann Fischer Boel said that they would travel to WTO Doha Round negotiations in Geneva next week knowing that the EU has done 'all that it realistically can to secure a deal'. Calling on all negotiators to work for a 'balanced and ambitious' outcome Mandelson said 'Europe can't and won't accept a deal that we cannot defend at home - be it to our farmers, our industry, our consumers, or here in this press room'.

"Commissioner Mandelson said that while negotiators in Geneva would rightly be focussing on the detail of negotiations in agriculture, industrial goods and services, Commissioner Mandelson urged them to see the deal they hope to strike in Geneva next week as laying the foundations for trade and prosperity over the next decade."

Excerpts from Commissioner Mandelson's comments at yesterday's briefing can be viewed here.

In the briefing, Commissioner Mandelson stated that, "**We will sustain our current agriculture offer, which is part of an ambitious package involving major real-time cuts in tariffs and trade distorting subsidies. It will include the elimination of farm export subsidies, if others match our efforts**. But agriculture is not the only area where the EU is paying into this Round. We are doing so in industrial goods and services also, cutting already low tariffs and further opening our markets. We are offering others new opportunities to trade with Europe. The challenge for others in Geneva is to do the same. There is no other way to a deal. In the developed world we are expecting equal efforts. From the fast-growing developing countries, we are not demanding parity but we are asking for balance."

An interesting exchange in yesterday's briefing, perhaps in reference to conflicting public remarks on Doha made by Commissioner Mandelson and French President Nicolas Sarkozy, included this transaction:

"Question: You talk about the possibilities for success, but how serious can you be when EU unity, particularly on the agriculture issue, is simply not there. Surely EU unity is a fiction?

"Peter Mandelson: …"We have one mandate. We have been operating within it and will continue to do so. We have one set of negotiating directives from the MS, I don't envisage those changing. Of course there are different priorities and emphases amongst the Member States, but when you arrive at a common trade policy, as we have, and a community competence and a single negotiator, - the Commission, responsible for advancing that policy -you do so in the knowledge that whatever the tensions, there is at the end of the day unity amongst the Member States for the position that we have the responsibility for arguing and negotiating in Geneva. I believe that will be reaffirmed by the Council tomorrow, and I look forward to that."

And with respect to the recently passed U.S. Farm Bill, this question and answer also emerged in yesterday's press briefing:

"Question: Does the US Farm Bill represent a risk to developing country support for the Doha Round?

"Peter Mandeson: "There is a risk, but it is an avoidable one. I think that the United States' negotiators are very mindful of these risks and their responsibilities. **I can say two things about the US Farm Bill. One, it takes US farm support and their trade-distorting subsidies up. An secondly, and given the two thirds support in Congress for this farm bill, the only way to supplant that Farm Bill and get alternative policies in place in to invite that Congress to endorse a Doha deal. Agreed multilaterally… That is one among many very good reasons for getting a Doha deal".**

In recent news articles regarding the Doha talks, an AFP article from yesterday indicated that, "With regard to agricultural subsidies, a key sticking point, [U.S. Trade Representative Susan Schwab] noted the US was proposing spending 60 percent less than its currently allowable rate.

"However, critics of US and EU farm subsidies say developed countries are failing to promote a freer flow of food to developing countries."

And John W. Miller and Greg Hitt, writing today at The Wall Street Journal, reported that, "Officials meet in Geneva next week to secure a deal in the Doha round of global trade talks, but disputes over tariffs for cars, chemicals and other goods, as well as drug-patent and food-name-copyright rules make a breakthrough unlikely.

"The U.S. and European Union are closer than ever to agreeing on new limits for agricultural subsidies and tariffs, prompting the World Trade Organization to invite about 35 officials representing about 95% of world trade to its first formal talks in two years on the stalled Doha agreement.

"The talks start Monday at the WTO's Geneva headquarters and could last all week. WTO chief Pascal Lamy is working against the clock. The U.S. election cycle will soon make all such gatherings pointless until late 2009, when a new U.S. trade representative will be ready to negotiate, analysts say, and the next U.S. president could be less committed to a Doha deal than President George W. Bush. **Any deal signed by Mr. Bush or his successor would later have to pass a skeptical Congress, probably controlled by Democrats**."

The Journal writers added that, "In the past month, the EU and U.S. have come closer to a compromise. The EU has pledged to cut farm tariffs by 54%, **while the U.S. says it will keep farm subsidies between $13 billion and $16 billion a year, down from more than $20 billion**. The U.S. Congress and skeptical EU governments such as France could still scuttle any farm deal. But for now, the spotlight has moved to developing nations' barriers to trade in goods and services, with discussions focusing on how deeply tariffs will be cut and which products would be shielded from foreign competition." (Note: related graphical background information on U.S. agriculture expenditures is available here, while more detailed information on U.S. farm expenditures is available here.)

Reuters writer Doug Palmer reported yesterday that, "The top trade negotiator of the United States said on Thursday she was 'cautiously optimistic' about the chances of a breakthrough next week in key talks on the World Trade Organization's Doha round.

"U.S. Trade Representative Susan Schwab said there was a sense of momentum before the meeting in Geneva but cautioned the United States would only agree to a deal that generates increased trade.

"That means major developing countries like India, Brazil, China, South Africa, Argentina and the Association of Southeast Asian Nations must further up open their agriculture, manufactured and services markets, she said."

Tony Barber, writing yesterday at the Financial Times Online, reported that, "International agreements on climate change, food security and energy use could drift beyond reach if next week's Geneva talks on liberalising world trade collapse, Peter Mandelson, the European Union's chief trade negotiator, warned on Thursday.

"'The chances for a breakthrough are improving, but that breakthrough is not yet in the bag,' said Mr Mandelson."

The FT article noted that, "There are also frictions inside the EU, with Mr Mandelson under fire from Nicolas Sarkozy, president of France, which holds the EU's rotating presidency.

"Mr Sarkozy accuses him of sacrificing the interests of European farmers without receiving guarantees of concessions from non-EU countries in industry and services."

Meanwhile, with respect to India, Reuters writers Charlotte Cooper and Surojit Gupta reported yesterday that, "India stands to gain from a global trade deal if it helps curb developed countries' farm subsidies and deepens trade in services but many, including industry, have misgivings over what the real benefits will be.

"Indian Trade Minister Kamal Nath spelled out his demands on Wednesday ahead of a ministerial meeting in Geneva next week that many see as the last chance to push the Doha round talks forward before a change of U.S. administration in 2009.

"**He told reporters he expected developed nations to reduce their farm subsidies substantially, a key sticking point for India with its 600 million farmers, and said he would not be flexible unless he got a good package on trade in services.**"

In some recent editorial items regarding Doha, The Economist indicated yesterday that, "The WTO's director-general, Pascal Lamy, puts the odds of success at more than 50%. That, sadly, seems optimistic. America's trade representative does not have the 'trade promotion authority' that would allow her to conclude a deal without fear of congressional amendment; India's commerce minister must race back to Delhi during the meeting to vote in a 'trust' motion faced by his minority government; and the EU's chief negotiator lacks even the pretence of support from France's president. The hope is that these hamstrung negotiators can set down, in black and white, whatever progress they have made thus far, so that the next American president, Indian government and EU commission will not undo it all."

The item also stated that, "High food prices have also left the round looking anachronistic, if not obsolete. The Doha draft would stop members subsidising their farm exports, but says nothing about the opposite, more pressing problem of governments banning food exports. **And thanks to high prices, America's farm handouts have dropped far below the spending limits contained in the draft Doha deal. One negotiator wonders if the proposals now pass the 'laugh test'**".

(*FarmPolicy.com Note:* Recall however, that if the market prices of some U.S. crops decrease, expenditures under the new ACRE program could increase. As researchers at the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri–Columbia noted in a recent report ("The Food, Conservation and Energy Act of 2008: Preliminary Analysis of Selected Provisions"), "**In years when prices decline sharply from recent levels, ACRE payments may be several billion dollars**. In contrast, when prices are rising, ACRE payments may be less than the traditional program payments that participating producers agree to forego."

The FAPRI report stated on page 12 that, "ACRE payments **could** have important WTO consequences if they are classified as amber box support. While the dairy provisions of FCEA may reduce US amber box support subject to limitation, the ACRE payments may increase US amber box support. **While the average level of ACRE payments is relatively modest, the payments could vary dramatically from one year to the next, adding billions of dollars to US amber box support in some years**.")

And Australian Trade Minister Simon Crean noted in an item posted today at The Australian Online, "This meeting in Geneva will be the ultimate test of that political will.

"Each multilateral trade round has provided a stimulus to world trade: we now need another boost to world trade. In this period of economic uncertainty we need to introduce some certainty into the global economic outlook. Global trade has grown at three times the pace of global output in the post-war period. But during the past five years, despite the rapid growth of China and India, global trade has slowed.

"The message is clear: if we want to secure our economic future, we've got to engage trade and open it up further."

Lastly on Doha, an update posted yesterday at the WTO Online stated that, "Further modifications to the latest agriculture draft text, in the form of corrections, are possible before a representative group of ministers start talks on 21 July, but only if members make more progress in small-group consultations, farm talks chairperson Crawford Falconer said today [audio available here]. He was speaking in the first meeting of the full membership since the agriculture draft was circulated a week ago."

CRP

DTN writer Chris Clayton reported yesterday (link requires subscription) that, "**A temporary restraining order will remain in place this week blocking livestock producers from haying and grazing Conservation Reserve Program land under a special USDA program and a federal judge likely will place tight controls on any haying or grazing next week.**

"**USDA cannot unilaterally modify Conservation Reserve Program contracts across the country without doing a more open environmental impact study than the one done before the department announced the critical-feed use initiative in May, U.S. District Judge John Coughenour told attorneys in a hearing Thursday morning**."

Mr. Clayton noted that, "After listening to arguments, Coughenour said he will likely issue a preliminary injunction next week that would place tighter controls on the acreage and usage of CRP land in the critical-feed use program. **Coughenour said he would restrict potential haying and**

grazing acreage to about 2.5 million to 3 million acres."

Read more on this issue at the DTN Ag Policy Blog.

Commodity Price Impacts

David Streitfeld reported in today's New York Times that, "Catfish farmers across the South, unable to cope with the soaring cost of corn and soybean feed, are draining their ponds.

"'It's a dead business,' said John Dillard, who pioneered the commercial farming of catfish in the late 1960s. Last year Dillard & Company raised 11 million fish. Next year it will raise none. People can eat imported fish, Mr. Dillard said, just as they use imported oil.

"As for his 55 employees? 'Those jobs are gone.'"

The article explained that, "**Perhaps nowhere has the rise in crop prices caused more convulsions than in the Mississippi Delta, the hub of the nation's catfish industry. This is a hard-luck, poverty-plagued region, and raising catfish in artificial ponds was one of the few mainstays.**

"Then the economics went awry. Feed is now more than half the total cost of raising catfish, compared with a third of the cost of beef and pork production, according to a Mississippi State analysis. That makes catfish more vulnerable. But if the commodities continue to rocket up — and some analysts believe they will — other industries will fall victim as well."

Keith Good
