

AGRICULTURE

Agriculture plays a major economic role for many countries, especially for efficient producers like New Zealand. Most of the developing world also relies heavily on agriculture. For such countries, trade distortions caused by market protection and government handouts to wealthy farmers cause real harm.

High tariffs – taxes imposed at the border – effectively keep farm goods out of many markets, even those from low-cost producers. Those same tariffs can force consumers to pay many times the world price for imported food. Further distortions are caused by the hundreds of billions of dollars that governments in developed countries spend on subsidising their farming sectors. Subsidies are paid to help domestic markets ('domestic support') and to assist exporters ('export subsidies'). Export subsidies cause the worst distortions of any protection measure, and hit dairy products particularly hard – a major problem for New Zealand.

These high levels of support and protection mean that the agriculture negotiations in the WTO Doha Round are central to achieving a more open global trading environment that gives fair opportunities to all countries.

What progress has been made in the negotiations?

Agriculture has been the focus of an intensive negotiating process since the launch of the Doha Round in 2001. Despite this, progress in the negotiations has been slow. Five years on, wide differences still remain among countries' positions.

The main sticking point is over how ambitious proposed trade reforms should be, particularly around market access issues. Areas of contention include the extent of tariff cuts and the level of expansion of tariff quotas. There is also disagreement over the size of cuts to domestic support, and over a number of elements of export subsidies.

While progress has been slow, some significant gains have been made. The most notable of these has been an agreement to eliminate all export subsidies by 2013.

What positions are countries taking?

Many WTO members – including New Zealand and many developing countries – are seeking an ambitious outcome in all areas, especially market access. This objective is in line with the original reform goals decided at Doha in 2001. Others, however,

are advocating a more minimalist outcome that would allow them to continue to protect and support politically sensitive sectors.

Many developing countries also want to ensure that core development issues, such as food security and rural development, are also safeguarded in the negotiating process. This means that they want a less bold agreement with limited trade liberalisation. Developing countries are particularly concerned about opening up their own markets to developed countries.

A step-by-step approach

Members originally tried to negotiate a document that would set out the detailed structure of a new agriculture agreement. This document is commonly referred to as the 'modalities' package. This would have provided a way forward on the specific size of tariff cuts and subsidy reductions, as well as providing outlines for other trading rules.

This process proved very difficult, however, and members decided to proceed in a more incremental way. This was done through the negotiation of a less detailed document, without numbers, to guide the remainder of negotiations. This particular framework for agriculture was agreed at the end of July 2004, and formed part of a broader package that also covered industrial goods, services, development and a number of other issues.

The framework contains several elements that are important for New Zealand, including the important concept in market access that substantial trade reform improvements must be achieved for every product across the board.

The Hong Kong Ministerial Conference

Trade ministers, including Hon Jim Sutton and Hon Phil Goff from New Zealand, met at the Sixth Ministerial Conference in Hong Kong in December 2005. Despite the intensive efforts of negotiators in Geneva during the preceding months, it was clear by the time of the conference that it would be impossible to find agreement on the complete 'modalities' package. Differences among members over the level of required reform were simply too great to be resolved. Instead, ministers issued a declaration that recorded the further progress that had been made in the negotiations.

In the Hong Kong Declaration, ministers agreed that all export subsidies would be eliminated by 2013. They also agreed to

further details on market access and domestic support. The deadline for agreeing on the final 'modalities' package was set for 30 April 2006. Members are expected to submit their individual trade reform commitments based on that package by 31 July 2006.

Following the Hong Kong meeting, intensive negotiations have resumed in Geneva to put the flesh on the bones of a more specific framework of commitments in agriculture.

The agriculture negotiation is not, however, happening in isolation. Progress in other areas of the negotiations, such as market access for industrial goods and liberalisation in services, will also be necessary to secure the final Doha Round outcome. The conclusion of this round will be followed by an implementation period of some years.

What do the agriculture negotiations cover?

The WTO negotiations are guided by an agreement, decided upon in Doha in 2001, which calls for:

- "substantial improvements in market access". This involves reductions in tariffs, expansion of tariff quotas and other elements.
- "reductions of, with a view to phasing out, all forms of export subsidies". Export subsidies will be eliminated by the end of 2013. Further disciplines are being negotiated on other export protection measures that have equivalent effects, such as subsidised export credits, and commercially-displacing food aid.
- "substantial reductions in trade-distorting domestic support".

A final 'modalities' package will set out the detail of how to achieve these goals.

In addition to these goals, WTO members have agreed that 'special and differential treatment' for developing countries will be integral to the progress of negotiations. This will serve to provide flexibility in reform commitments to allow developing

countries adequate time to adjust to a more liberalised trading environment, while safeguarding their important development goals such as food security and rural development.

The Doha negotiating mandate also makes provision for certain 'non-trade concerns', such as protection of the environment, to be taken into account.

What are the potential benefits to New Zealand?

An ambitious outcome on agriculture is one of New Zealand's top priorities for the Doha Round. Agriculture and agri-processing contribute more than half of New Zealand's merchandise exports (around NZ\$15 billion), around 10 percent of GDP and 12 percent of jobs nationwide. Important products include dairy, sheepmeat, beef, wool, wine and horticultural products.

Improvements in market access and the elimination of export subsidies would boost New Zealand's annual export earnings by hundreds of millions of dollars, or more.

In the longer term, reductions in trade- and production-distorting support would create a more stable global marketplace, and a level playing field for our farming exporters. The results of the current negotiations are still some years off, but the gains for the agriculture sector could be significant.

Developing Countries

World agricultural trade reform is particularly important for developing countries. Agricultural exporting plays a big role in the economies of many developing countries. Agriculture also plays a vital role in food security, rural development and poverty alleviation for most. Far-reaching trade reforms will enhance development, particularly when combined with domestic reforms, targeted technical assistance and capacity building in developing countries.

For a glossary of trade associated words please go to:
http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm