



INTERNATIONAL FOOD
POLICY RESEARCH INSTITUTE
sustainable solutions for ending hunger and poverty

More or Less Ambition?

Modeling the Development Impact
of U.S.-EU Agricultural Proposals in the Doha Round

Antoine Bouet

Simon Mevel

David Orden

More or Less Ambition?

- Will the Hong Kong Ministerial December 13-18 lead to a real “Development Round”?
- How much does trade liberalization contribute to poverty alleviation and development?
 - *protection concentrated in agriculture and textile/apparel among developed countries*
 - *developing countries have comparative advantage in these activities*
 - *poverty highest among unskilled labor*
 - *agriculture and textile/apparel intensive in unskilled labor*

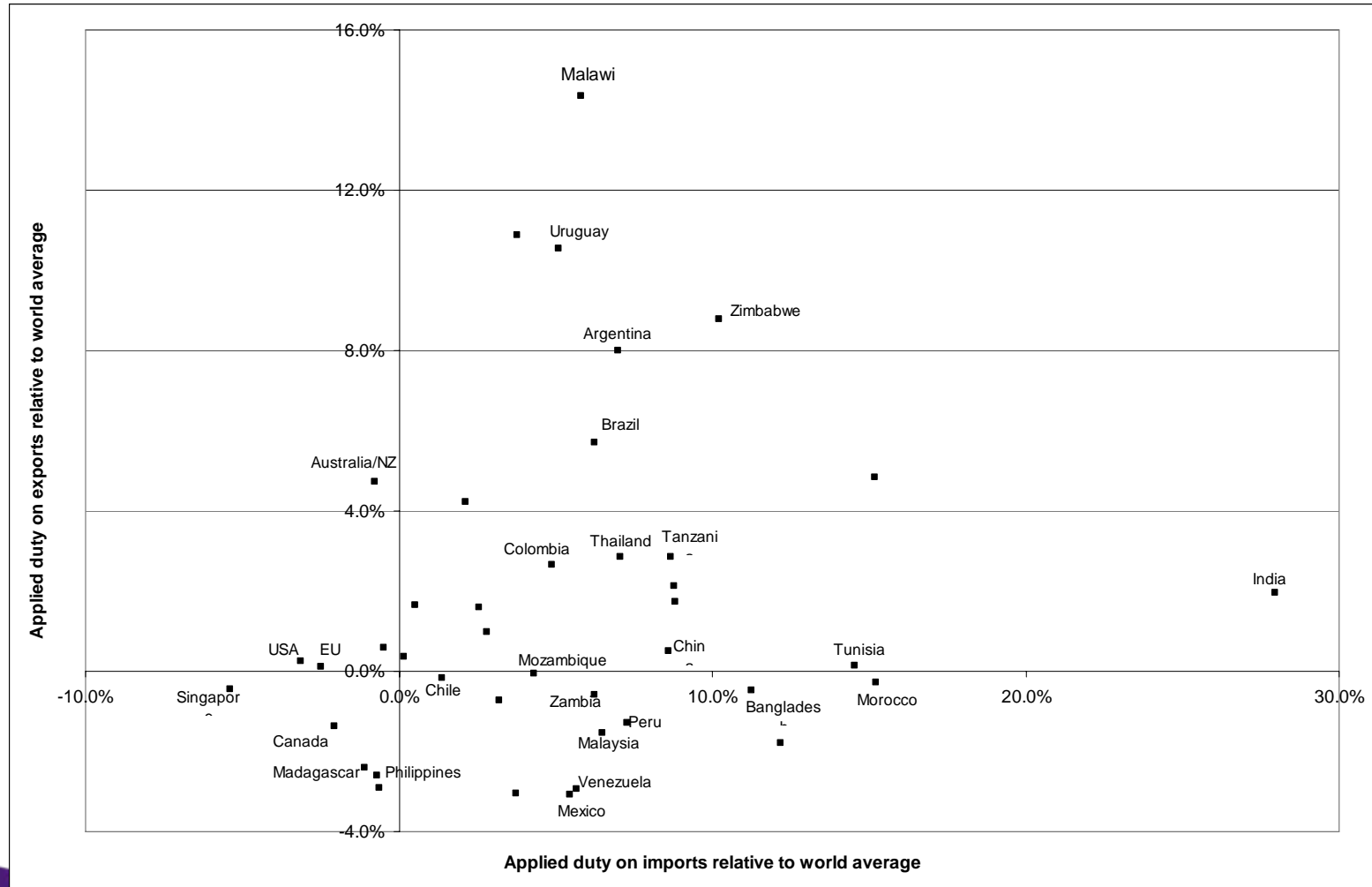
More or Less Ambition?

- A new feature is that developing countries are actively taking part to this negotiation
 - *G20, especially Brazil and India (largely offensive)*
 - *G90 (more defensive)*
- But a key issue remains the EU/US stance
 - *EU proposal criticized on market access*
 - *US proposal criticized on domestic support (e.g. cotton) despite claiming a “bold reform” proposal*
- Object of this study
 - *Assess the potential impacts of an ambitious versus unambitious trade liberalization outcome from Doha using the MIRAGE global CGEM (CEPII - Paris)*

More or Less Ambition?

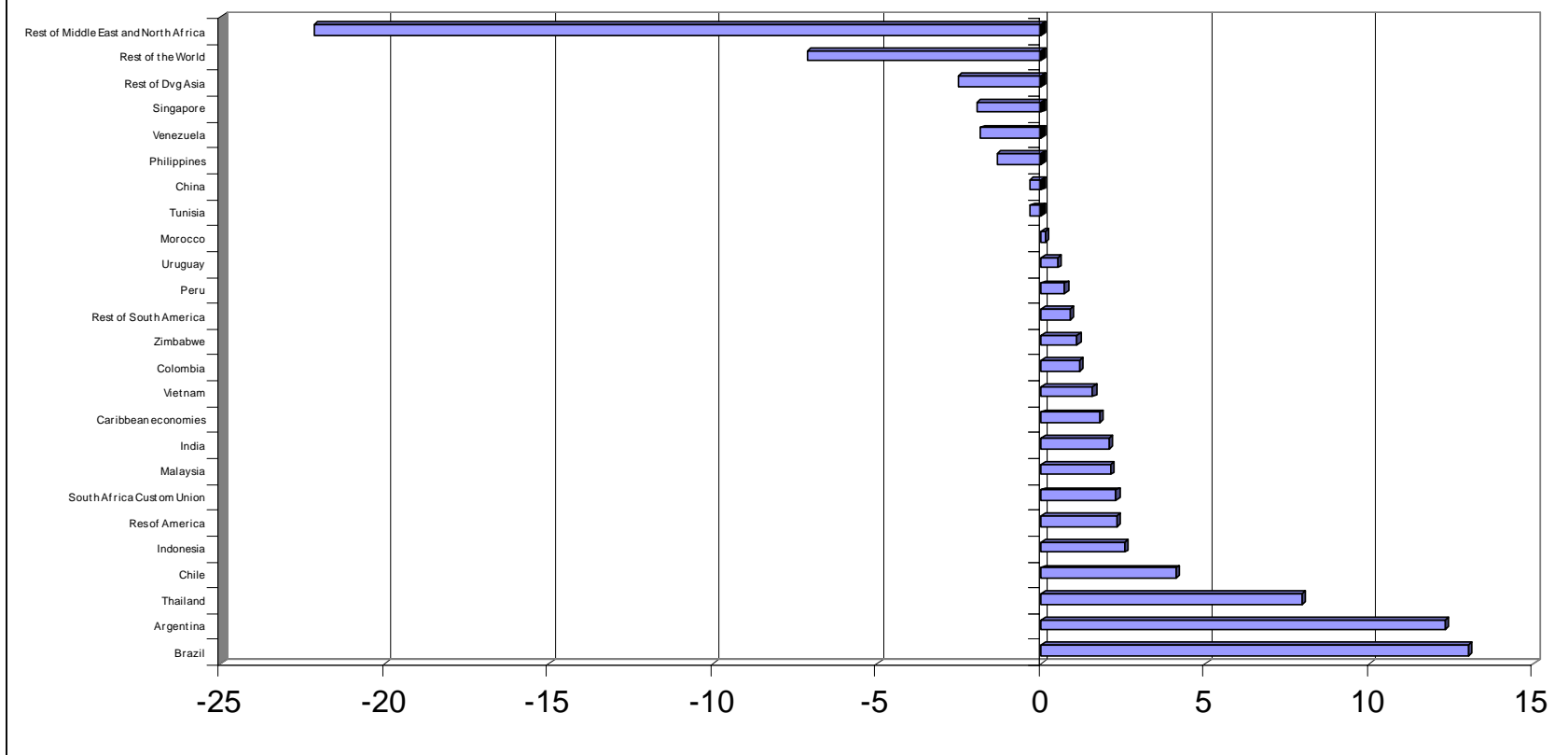
- Policy and agricultural trade stance today
- Defining ambitious and unambitious scenarios drawing on the current proposals
- What do these scenarios imply?
- Concluding remarks

Policy stance today



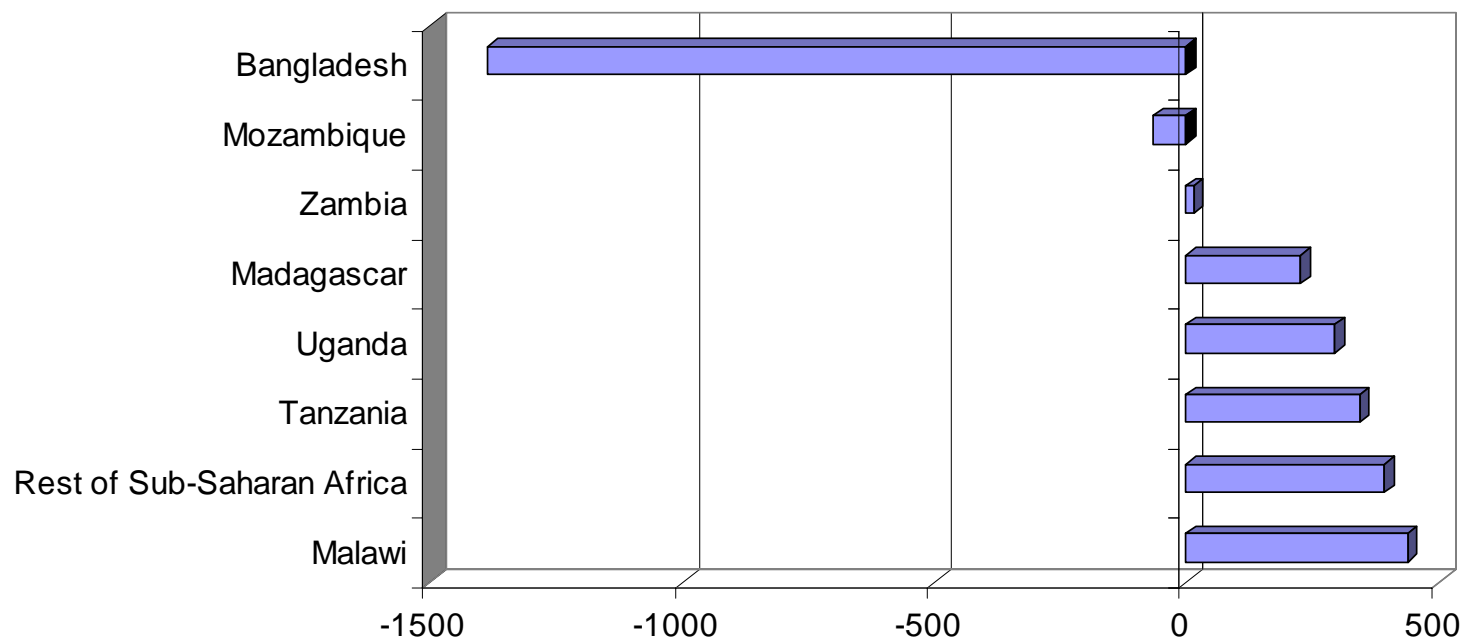
Agricultural trade stance today

Agricultural trade balance - 2005 - USD bln - MIC



Agricultural trade stance today

Agricultural trade balance - 2005 - USD mios - LDCs



Policy and trade stance today

- High complexity and high level of distortions affecting international agricultural trade
- Heterogeneity among developing countries
 - applied protection
 - access to the world market
 - specialization
 - net food importing/exporting countries
 - geographical concentration of their exports

Main features of proposals on the table

- Common features of the proposals
 - progressivity in tariff formulae
 - tariff caps in agriculture
 - Swiss formula in industry
 - Sensitive/Special products clauses
 - disciplines encouraging decoupling of domestic support
 - elimination of export subsidies
 - lesser commitments by developing countries (special and differential treatment)

Main features of proposals on the table

- Disagreement on
 - level of reduction rates (tariffs, domestic support)
 - level of tariff caps
 - number of Sensitive/Special products
 - whether tariff caps apply to Sensitive/Special products
 - whether LDCs cut their import duties
 - whether LDCs obtain free access to OECD markets

Main features of proposals on the table

- Strong trade liberalization aspects of the US proposal
 - highest reduction rates in tariff formulae
 - level of tariff caps (75% for developed countries)
 - small number Sensitive/Special products
 - LDCs will cut their import duties
 - stronger broad disciplines on trade-distorting domestic support

Main features of proposals on the table

- Strong trade liberalization aspects of the EU proposal
 - LDCs offered free access to OECD countries
 - call for strong reduction in industrial protection worldwide
 - specific cotton initiative

Our ambitious scenario

- **Tariffs**

- US tariff formula for agriculture
- Tariff caps in agriculture
(Dvd countries=75%; Dvg countries=112.5%)
- US Sensitive/Special products clause (1%)
- Tariff caps applied to Sensitive/Special products
- Swiss formula cuts for manufacturing tariffs
(Dvd countries coef.=8%; MIC countries coef.=15%
LDC coef.=25%)
- EU proposal of free OECD access for LDCs

- **Domestic Support**

- Cut in applied levels by 20%

- **Export Subsidies:** eliminated

Our unambitious scenario

- **Tariffs**

- EU tariff formula for agriculture
- Higher agricultural tariff caps
(Dvd countries=150%; Dvg countries=225%)
- EU Sensitive/special products clause (8%)
- Caps not applied to Sensitive/Special products
- Swiss formula cuts for manufacturing tariffs
(Dvd countries coef.=10%; MIC countries coef.=20%)
- LDC do not reduce their import duties
- No additional free OECD access for LDCs

- **Domestic Support**

- No cut in applied levels

- **Export Subsidies:** eliminated

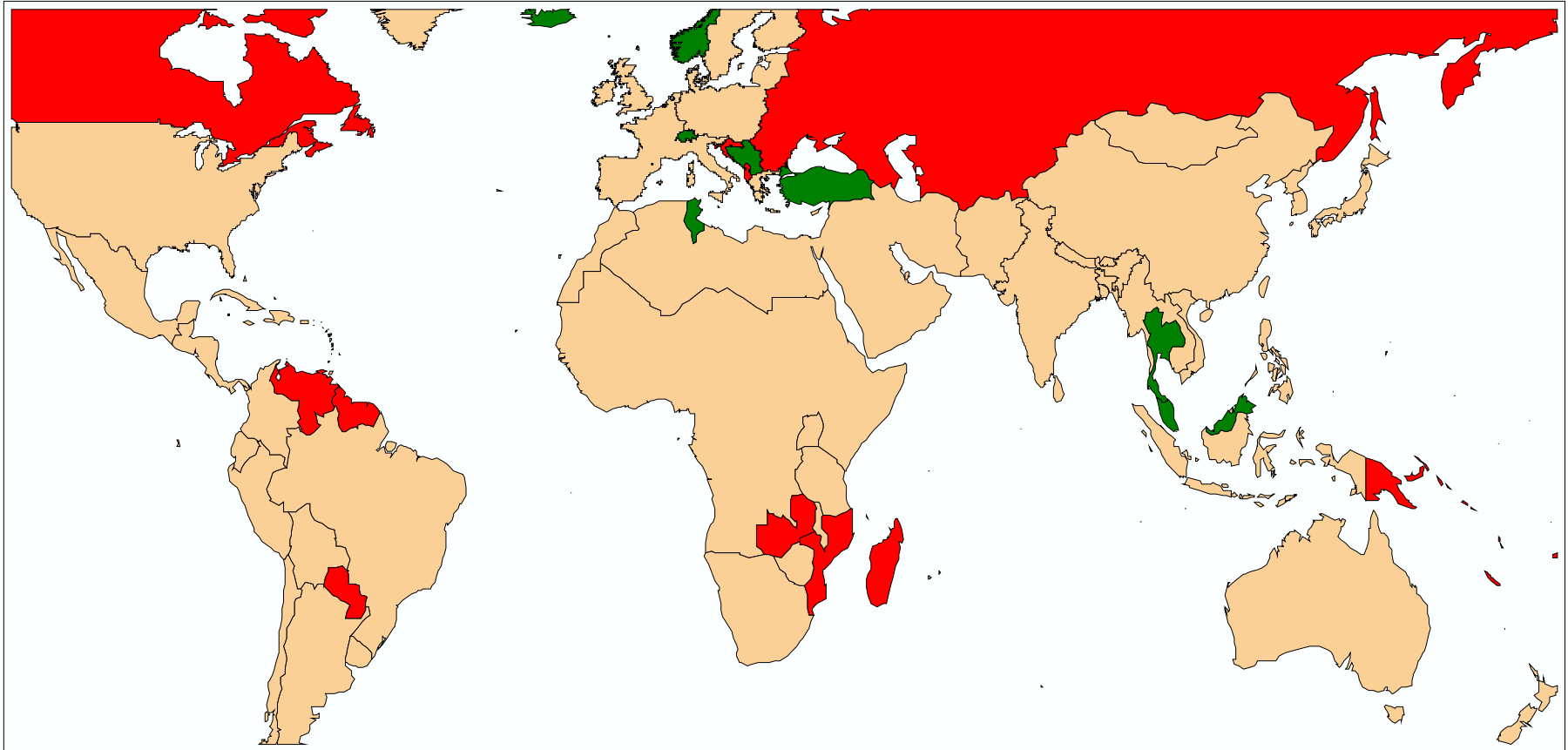
What do these scenarios imply?

- MIRAGE model (CEPII – Paris)
 - multi-sector, multi-region computable general equilibrium
 - dynamic set-up with fixed technology
 - MacMaps-HS6 and GTAP6 data bases
- Our application
 - country disaggregation focused on developing countries
 - commodity application focused on agriculture
 - results reported for 2019 assuming implementation begins in 2006

What do these scenarios imply?

	<i>World protection</i>	<i>Real income gain</i>	<i>World trade</i>
<i>Full trade lib'n</i>	-5.4%	\$ 157 bln	12.1%
<i>Ambitious scenario</i>	-2.2%	\$ 103.7 bln	4.1%
	(41%)	(66%)	(34%)
<i>Unambitious scenario</i>	-1.4%	\$ 41.5 bln	2.0%
	(26%)	(26%)	(16%)

Unambitious Scenario (Real income : gains or losses)



Winners



Neutrals



Losers

Concluding remarks

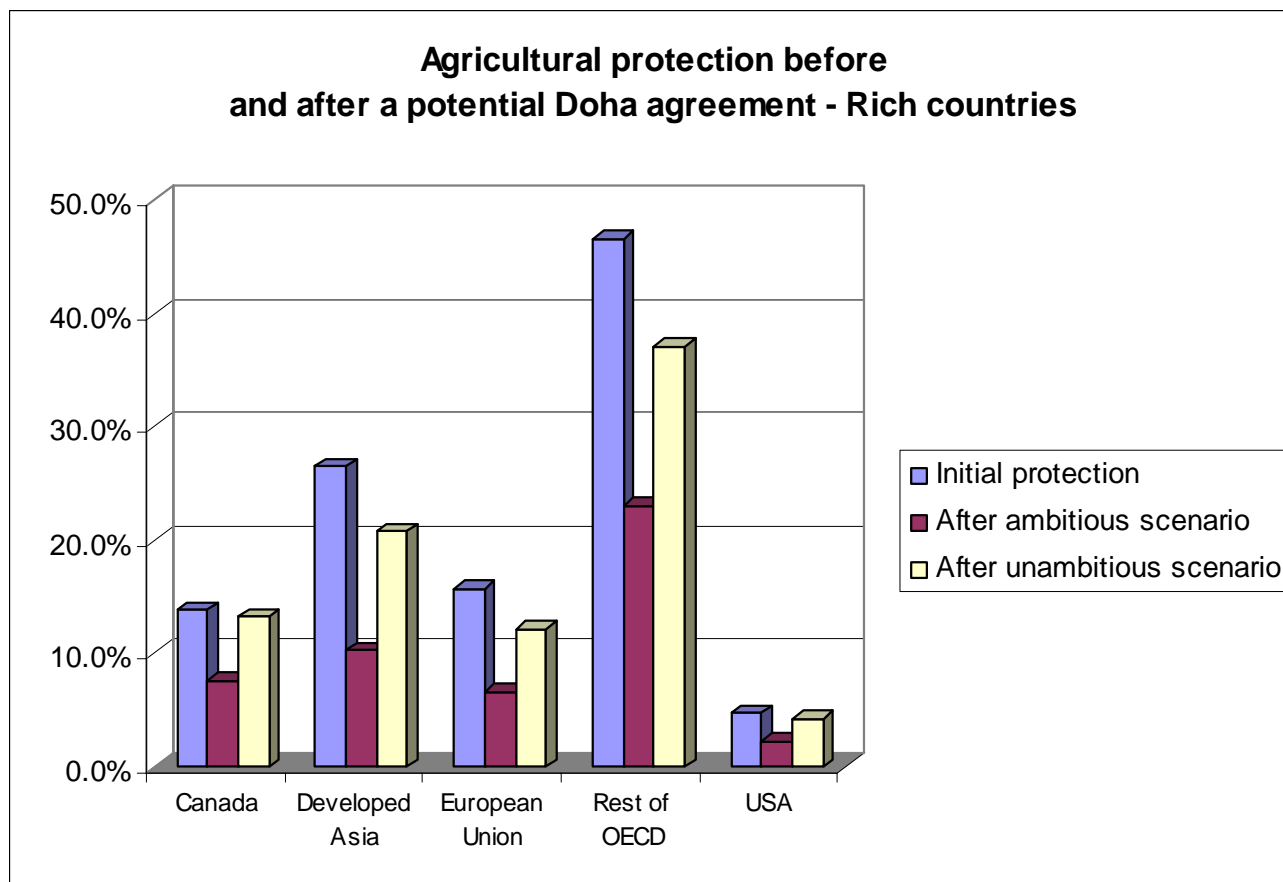
- **A Doha agreement within proposals on the table is potentially beneficial for developing countries**
- **Critical issues include**
 - reduction rates have to be high
 - developing countries have to liberalize
 - problems coming from sensitive products clause and other clauses
 - binding overhang
 - trade liberalization is more beneficial for middle income countries than LDCs
 - an ambitious scenario, as compared to an unambitious one, is especially beneficial for OECD countries and LDCs
 - specific actions are needed to address problems coming from less preferential access, net food importing countries, and broad development needs for LDCs to benefit from trade



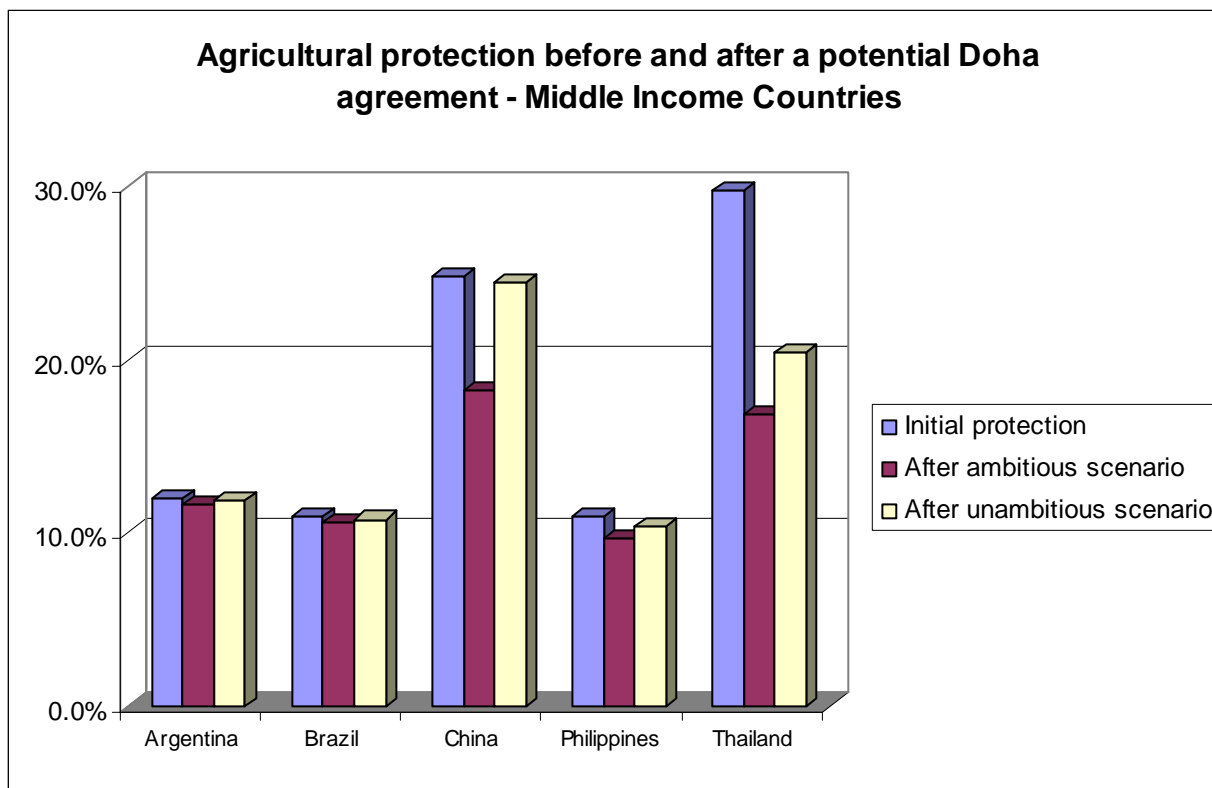
INTERNATIONAL FOOD
POLICY RESEARCH INSTITUTE
sustainable solutions for ending hunger and poverty

Annex

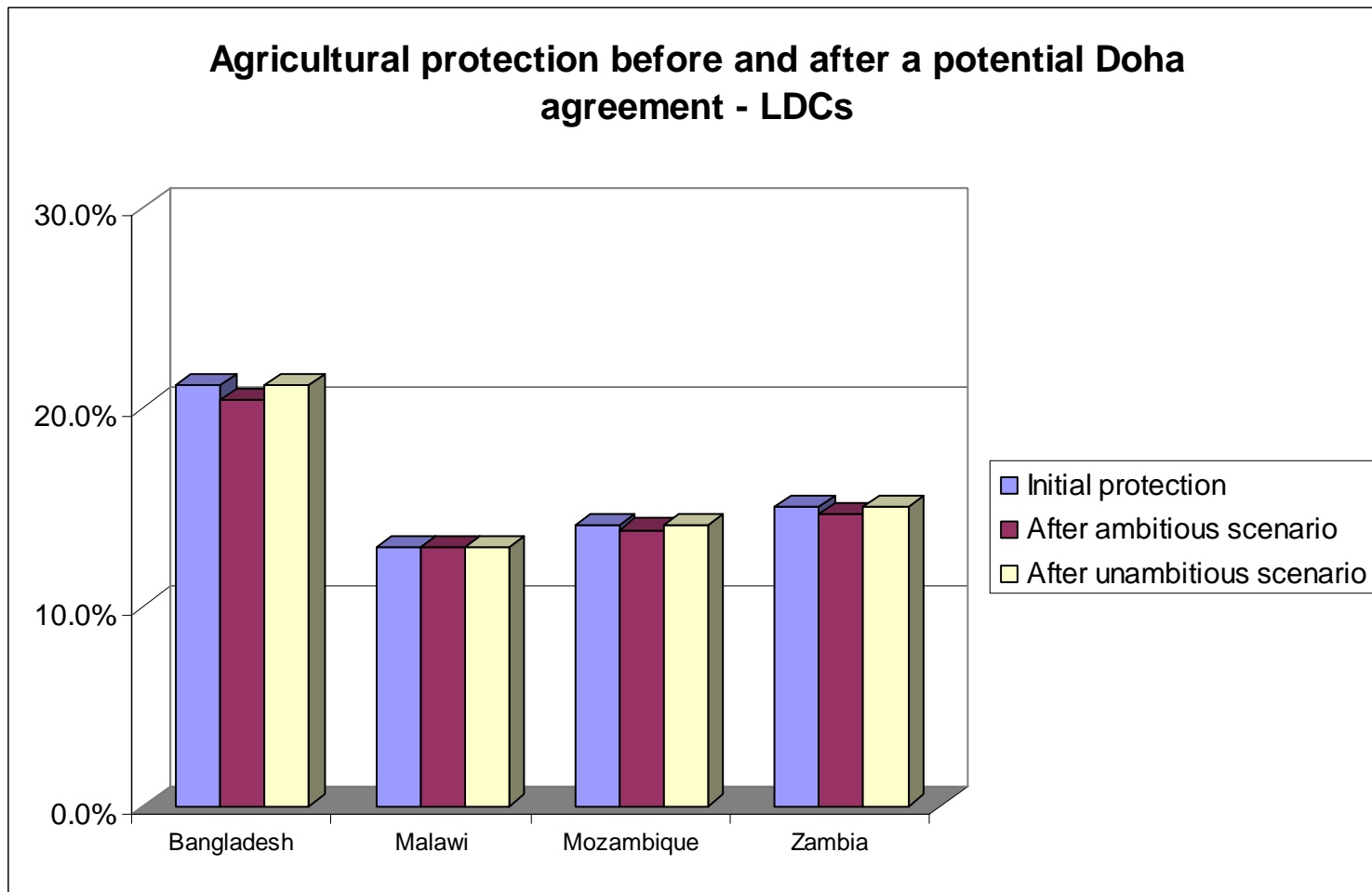
What do these scenarios imply?



What do these scenarios imply?



What do these scenarios imply?



What does the unambitious scenario imply: middle income countries

	<i>Real income (in %)</i>	<i>Allocation efficiency gains (in %)</i>	<i>Terms of trade gains (in %)</i>
<i>Argentina</i>	0.2	0.1	0.0
<i>Brazil</i>	0.1	0.1	0.0
<i>Caribbean economies</i>	0.2	0.1	0.0
<i>Chile</i>	0.2	0.0	0.1
<i>China</i>	0.4	0.0	0.2
<i>India</i>	0.3	0.8	-0.5
<i>Thailand</i>	0.6	0.9	-0.4
<i>Venezuela</i>	-0.3	0.1	-0.2
<i>Vietnam</i>	0.5	0.0	0.3
<i>Zimbabwe</i>	0.3	0.5	-0.2

What does the unambitious scenario imply: least developed countries

	<i>Real income (in %)</i>	<i>Allocation efficiency gains (in %)</i>	<i>Terms of trade gains (in %)</i>
<i>Bangladesh</i>	0.2	0.0	0.1
<i>Madagascar</i>	-0.2	0.0	-0.2
<i>Malawi</i>	0.2	0.0	0.1
<i>Mozambique</i>	-0.2	0.0	-0.1
<i>Rest of Sub-Saharan Africa</i>	0.0	0.3	-0.3
<i>Tanzania</i>	0.1	0.0	0.0
<i>Uganda</i>	0.1	0.0	0.1
<i>Zambia</i>	-0.1	0.0	0.0

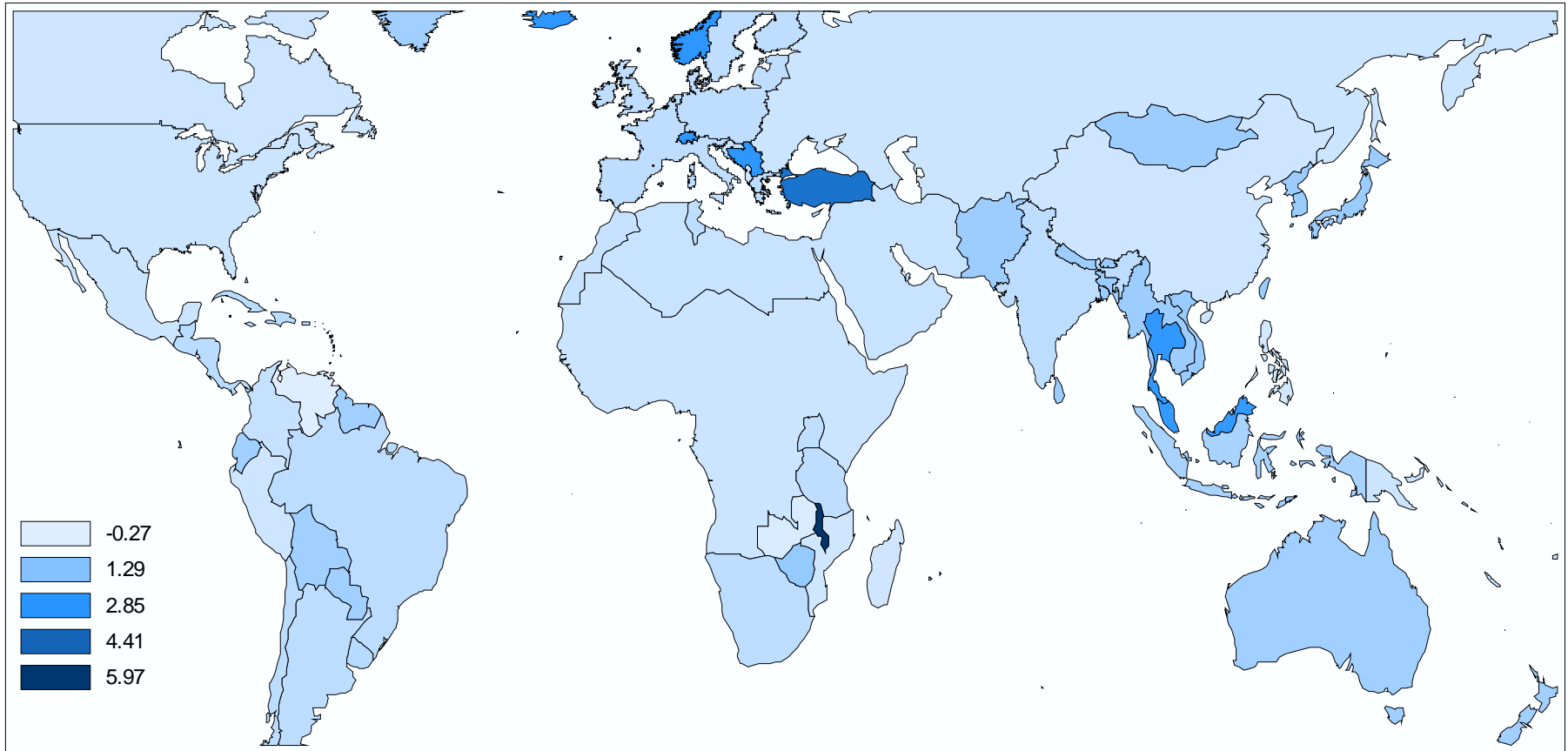
What does the ambitious scenario imply: middle income countries

	Real income (in %)	Allocation efficiency gains (in %)	Terms of trade gains (in %)
<i>Argentina</i>	0.3	0.1	0.7
<i>Brazil</i>	0.3	0.1	0.5
<i>Caribbean economies</i>	0.4	0.2	0.6
<i>Chile</i>	0.3	0.0	0.4
<i>China</i>	0.0	0.5	-1.1
<i>India</i>	0.3	0.9	-4.3
<i>Thailand</i>	2.7	1.2	0.5
<i>Venezuela</i>	-0.3	0.1	-1.5
<i>Vietnam</i>	0.9	0.0	1.0
<i>Zimbabwe</i>	1.0	0.6	1.1

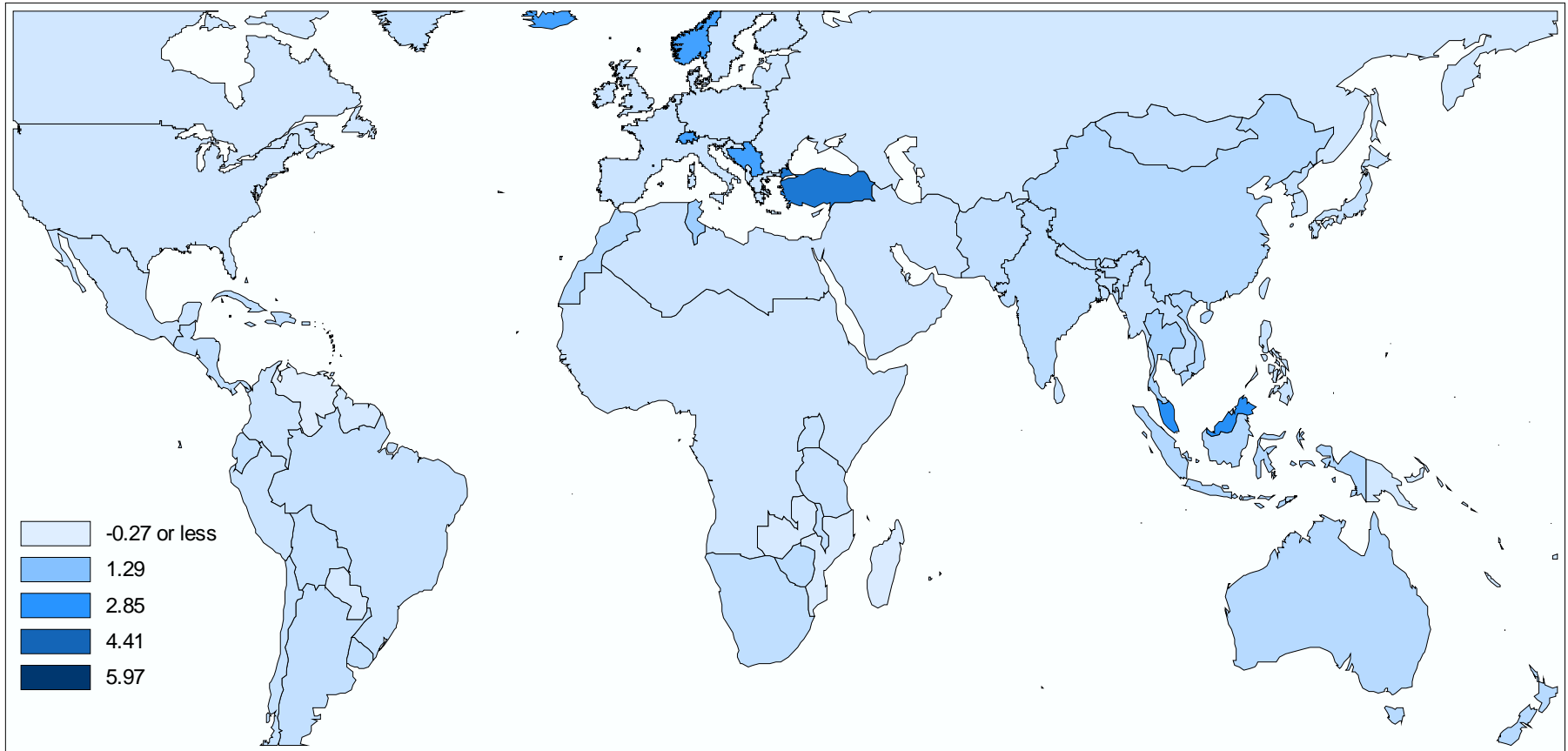
What does the ambitious scenario imply: least developed countries

	Real income (in %)	Allocation efficiency gains (in %)	Terms of trade gains (in %)
<i>Bangladesh</i>	0.9	0.8	-0.5
<i>Madagascar</i>	0.0	0.0	0.0
<i>Malawi</i>	6.0	0.8	9.5
<i>Mozambique</i>	0.0	0.1	0.0
<i>Rest of Sub-Saharan Africa</i>	0.1	0.4	-0.7
<i>Tanzania</i>	0.3	0.1	0.1
<i>Uganda</i>	0.2	0.0	0.8
<i>Zambia</i>	-0.2	0.1	-0.2

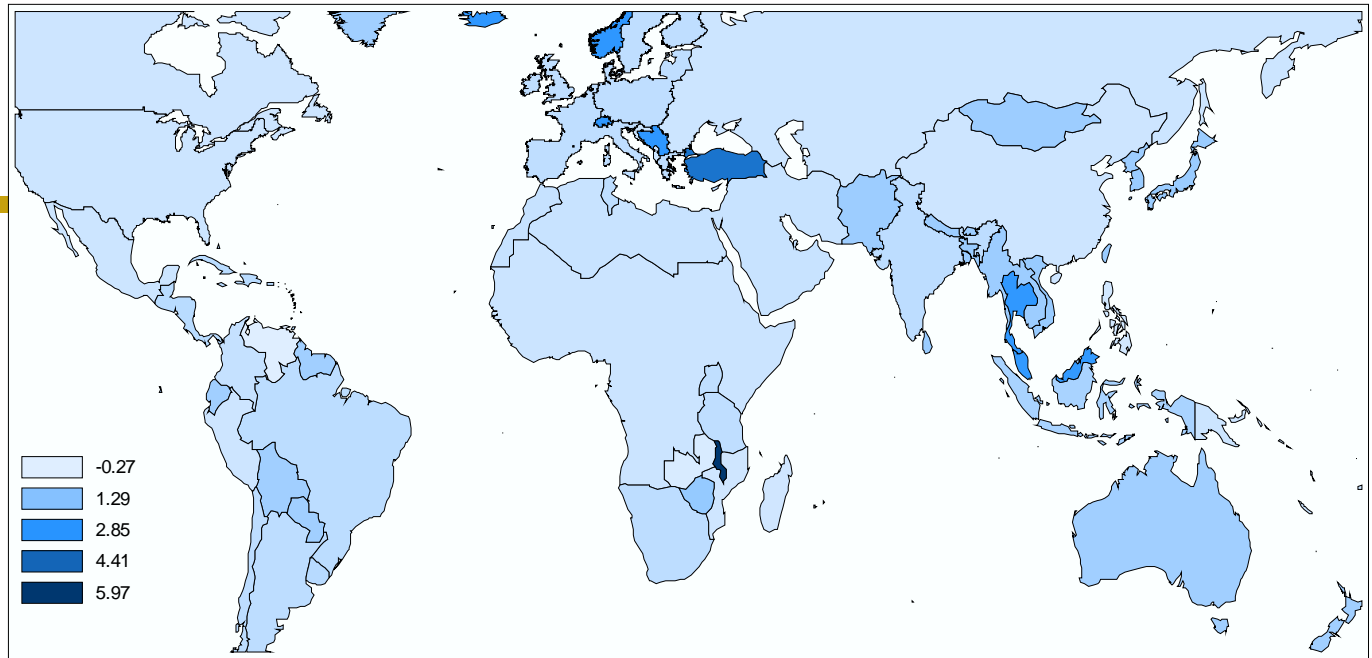
Ambitious Scenario (Real income : gains or losses)



Unambitious Scenario (Real income : gains or losses)



**Ambitious
Scenario**
(Real income :
gains or losses)



**Unambitious
Scenario**
(Real income :
gains or losses)

