

## **The WTO Reaches Agreement on Agriculture: Will It Give a Push to the FTAA?**

Negotiators from 147 countries reached agreement on a framework for proceeding with agricultural negotiations in the World Trade Organization (WTO) during a meeting in Geneva that ended the weekend of August 1. The WTO Doha Round (started in Qatar in 2001) of trade liberalization talks had been in disarray since the Cancún WTO meeting in 2003, which failed to find common ground for the agricultural negotiations. The hard work of negotiating the details of changes to agriculture protectionist regimes in developed and developing countries alike remains to be done, but the WTO has reaffirmed its commitment to facilitating international trade through market opening as the December 2005 WTO Ministerial Meeting in Hong Kong approaches.

### *Major Provisions of the Framework Agreement*

The major breakthroughs were in agriculture. Agreement was reached to eliminate agricultural export subsidies, improve market access through tariff cuts and quota expansion, and substantially reduce trade distorting agricultural support programs. Progress on non-agricultural market access (NAMA) and services was minimal: Only the "initial elements" of the framework for NAMA negotiations were agreed to, while for services a deadline of May 2005 was set for governments to present new offers for opening up their markets. Issues requiring additional negotiation include a formula for reducing tariffs, whether or not participation is mandatory in a sectoral initiative to eliminate tariffs, and flexibility for developing countries.

Market access for manufactured goods is to be increased by broad tariff cuts, tariff elimination or harmonization in industrial sectors, and reduction of non-tariff barriers. Negotiations will begin to open global services markets and facilitate trade facilitation by cutting red tape and increasing efficiency in the movement of goods across borders.

### *Reaction to the Agreement*

The Framework Agreement was welcomed by most governments, albeit with some caveats. EU Trade Commissioner Pascal Lamy focused on the guidelines to cut industrial tariffs (60% of world trade), the setting of a date for services negotiations to begin and, defensively, the right to protect sensitive agricultural products. USTR Robert Zoellick hailed the agreement as "a crucial step for world trade" and said, "we have put these negotiations back on track. We have laid out a map for the road ahead." The Brazilian government was pleased because the agreement represents a victory for developing countries by eliminating agricultural subsidies, although the timing and details of this change are yet to be negotiated. China's ambassador to the WTO, Sun Zhenyu, claimed that his country had played an active role in the talks and welcomed the outcome but noted that "the developing countries are not fully satisfied." Indian Minister of Commerce Kamal Nath, who joined Brazil in fighting for elimination of subsidies, called for continuing the momentum of the talks and finishing the negotiations in 2006.

The reaction of private agricultural associations was mixed. The political opposition in the Australian Senate called the agreement a defeat for the Cairn's Group, a group of countries that favor free trade in agriculture. The list of special products, it claimed, allows countries to continue to protect against the import of products produced by Australian farmers. The AgTrade Coalition praised US negotiators for achieving the

framework agreement, as did the National Cattlemen's Beef Association and the US Meat Export Federation, among others. But the Canadian Wheat Board, concerned about its marketing arrangements and the support it receives, said the agreement was a bad deal for Western Canadian farmers.

*Does the WTO Framework Agreement in Agriculture have implications for the FTAA?*

The FTAA's Trade Negotiating Committee (TNC) was supposed to meet in the third quarter, but this has been postponed until at least the fourth quarter. The delay is just one more indication of the slow pace of negotiations. Informed observers have suggested that Brazilian and US FTAA negotiators will prefer to wait and judge progress in the WTO before doing anything innovative in the FTAA. Others point out that the US has always said that concessions in agriculture could only be achieved in a global context.

On its face, it seems that any agreement to open up agricultural trade should facilitate progress in the FTAA negotiations. However, Brazil feels strong after winning the cotton subsidy ruling in the WTO and playing a key role in working out the Framework Agreement in Agriculture and so may feel it can get more in the FTAA. Brazil may also choose to drag out the negotiations to flex its muscle without making the hard decisions a complete agreement would imply.

The United States continues to work on bilateral FTAs; most recently, negotiations with Panama in Tampa, Florida during the week of August 9 saw much progress, although future meetings appear to be necessary. Negotiations with the Andean countries are also scheduled. At the point, the US probably feels no pressure to give in to Brazil to get an FTAA at any cost.