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PRESS RELEASE

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U.S. WTO Agriculture Proposal Keeps Unfair System Intact, New Analysis

Details Reveal a Conditional Offer With No Benefits For Farmers

Minneapolis - The U.S. proposal for new agriculture trade rules at the World Trade Organization (WTO) would allow a deeply flawed system in agricultural trade to continue, according to a new analysis by the Institute for Agriculture and Trade Policy (IATP).

The U.S. proposal claims to want a zero-tariff, zero-trade-distorting support model for agriculture. This vision - not supported by Congress or U.S. farm organizations - would allow agricultural export dumping at artificially low prices to continue and possibly even accelerate, according to the analysis.

“The model leaves food production to be driven by import and export commercial interests rather than by public interest priorities, such as food security, jobs and the need to protect an already stretched natural resource base,” IATP’s analysis concludes.

According to IATP’s analysis, the U.S. proposal is severely compromised by the absence of timely notifications of domestic support to the WTO. The U.S. has not notified its spending since the reintroduction of various domestic support programs under the 2002 Farm Bill. The EU is similarly behind in its notifications of domestic support.

“It is impossible to have a high functioning system of trade rules when countries refuse to notify their domestic support,” said the report’s author Sophia Murphy. “There is no accountability and no basis for evaluation without notifications. The U.S. promises a 60 percent cut to its most trade-distorting support. IATP estimates the cut is closer to five percent. But without knowing how the U.S. plans to classify its support, a precise appraisal is impossible.”

Other key findings:

* The U.S. proposal ignores the most trade-distorting aspect of agricultural trade: unmanaged production sold at less than cost of production prices into world markets, resulting in dumping, the impoverishment of commodity growers and the rapid consolidation of food processing and retailing.

* The timing proposed by the U.S. envisages a total elimination of tariffs and domestic support by 2022. The proposal includes flexibility to change course midway but such flexibility leaves developing countries negotiating in uncertainty.

* While WTO ceilings on elements of U.S. program spending would be lowered, actual spending on U.S. domestic support would hardly be affected. The trick lies in the expanded Blue Box, which would allow the U.S. to include countercyclical payments.

* Current levels of countercyclical payments are below the proposed Blue Box spending limit. But the proposed cap on the Blue Box could affect future spending.

* The inclusion of a renewed Peace Clause at the behest of powerful agriculture chairs in Congress is a deal breaker for some countries. Effectively, a Peace Clause would grant agricultural subsidies a privileged place at the WTO, even if the subsidies are found to nullify and impair another member's expected benefits from signing a round of agreements. Such an exemption from WTO disciplines dramatically undermines U.S. credibility as a country that seeks fair rules for agriculture that treat all countries alike.

* The U.S. proposal for market access would be disastrous for family farmers, food workers and small-scale producers worldwide. The proposal shows no interest in accommodating developing country concerns (nor those of the G-10 developed countries, whose agricultural sectors are generally small, highly protected, and for the most part not especially trade-distorting as exporters)). The proposal insists that even special products (crops that play a significant role in food security and rural employment) for all non-least developed countries should be subject to significant tariff cuts.

* The U.S. proposal on food aid ignores the key problems – the concessional sale of some food aid rather than grant-based donations; and, insisting on the costly and time-consuming transport of food rather than allowing the flexibility to buy from regional producers when circumstances warrant it. The disciplining of poorly designed food aid with a prohibition on all food aid not made in grant form is an obvious goal for the new Agreement on Agriculture. WTO members should firmly reject the U.S. proposal and continue to push for meaningful disciplines on U.S. food aid.

To read the full analysis, including a breakdown of domestic support, market access, and export competition provisions, go to: iatp.org.

The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy.