



NEWS RELEASE

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WTO Agriculture Modalities: Gains and Concessions for the U.S., EU, and India

World Trade Organization Director General Pascal Lamy has called for a mini-Ministerial in Geneva for the week of July 21 in an attempt to resolve the remaining outstanding issues in the Doha Round negotiations. At this critical juncture, the International Centre for Trade and Sustainable Development (ICTSD), the International Food & Agricultural Trade Policy Council (IPC), and the International Food Policy Research Institute (IFPRI) are releasing an overview of the modalities and three studies assessing the effects of the May 2008 proposed modalities on the U.S., EU, and India, with a particular focus on the market access and domestic support pillars. The overview paper demonstrates the significant reforms entailed in the May modalities, in particular with regard to what was achieved during the Uruguay Round. With the Ministers' meeting on the horizon, the three country/region-specific papers serve to highlight the likely gains and concessions for these important players in the Doha Round.

The **U.S.** study shows that the U.S. gains most market access in other developed countries, where the average of applied agricultural tariffs will decrease from 18.7 to 9.1 percent. Reductions in applied tariffs in developing countries will be less significant due to the higher binding overhang and lower initial rates of applied protection; and go from 10 percent to 9.1 percent. With regard to domestic support, if U.S. Department of Agriculture price projections hold true, the new limits on Overall Trade-Distorting Domestic Support will not constrain U.S. agricultural policy. However, product-specific limits for sugar and cotton could force changes to programs for these individual commodities.

The **EU** study details considerable market access gains for the EU: With all flexibilities accounted for, EU exporters would see a 17 percent cut in duties faced; barriers in other developed countries would be reduced 33 percent. The EU would also make significant reductions in its own tariffs: the tiered formula would result in large tariff reductions for many of the EU's heavily protected sectors, and average bound duties would fall from 22.9 to 10.9 percent. The proposed domestic support limits are not projected to constrain the EU Common Agricultural Policy (CAP) until the end of the agreement's five-year implementation, and domestic reforms to the CAP have allowed the EU to accept the new disciplines with relative ease.

The tiered formula for reducing tariffs would decrease **India's** average bound tariffs by 38 percent, but the special and differential treatment flexibilities limit that reduction to 21 percent. The flexibilities eliminate any reduction in applied tariff rates, but do significantly reduce binding overhang. Indian exporters would see significant liberalization on 30 percent of exports, largely in developed country markets. India's domestic support policies are subject to the limits for product-specific and non-product-specific AMS support, which are based on value of production. While domestic support outlays are projected to increase over the implementation period, India will still retain considerable flexibility in implementing its domestic support policies.

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To access the studies:

An Overview Assessment of the Revised Draft WTO Modalities for Agriculture
<http://www.agtradepolicy.org/output/resource/Overview%20paper%20final.pdf>
Michael Gifford and Raul Montemayor, June 2008

Implications for the United States of the May 2008 Draft Agricultural Modalities
<http://www.agtradepolicy.org/output/resource/US%20paper%20final.pdf>
David Blandford, David Laborde and Will Martin, June 2008

Implications for the European Union of the May 2008 Draft Agricultural Modalities
<http://www.agtradepolicy.org/output/resource/EU%20paper%20final.pdf>
Sébastien Jean, Tim Josling and David Laborde, June 2008

Implications for India of the May 2008 Draft Agricultural Modalities
<http://www.agtradepolicy.org/output/resource/India%20paper%20final.pdf>
Munisamy Gopinath and David Laborde, June 2008

A second series of papers analyzing implications of the modalities for Brazil, China, Ecuador, Japan and Mauritius is forthcoming.

The International Food & Agricultural Trade Policy Council (IPC) promotes a more open and equitable global food system by pursuing pragmatic trade and development policies in food and agriculture to meet the world's growing needs. IPC convenes influential policymakers, agribusiness executives, farm leaders, and academics from developed and developing countries to clarify complex issues, build consensus, and advocate policies to decision-makers. More information on the organization and its membership can be found on our website: www.agritrade.org.

The International Food Policy Research Institute (IFPRI) seeks sustainable solutions for ending hunger and poverty. IFPRI is one of 15 centers supported by the Consultative Group on International Agricultural Research, an alliance of 64 governments, private foundations, and international and regional organizations. www.ifpri.org

The International Centre for Trade and Sustainable Development (ICTSD) is a non-governmental organization, based in Geneva, which – by empowering stakeholders in trade policy through information, networking, dialogue, well-targeted research, and capacity building – seeks to influence the international trade system such that it advances the goal of sustainable development. www.ictsd.org