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WTO farm deal would open China's markets significantly

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A global trade deal at the World Trade Organisation (WTO) would lead to significant cuts in China's already low agricultural tariffs, new ICTSD research shows.

As governments renew efforts to clinch a deal in the ongoing Doha Round of trade talks, the study shows that the draft accord would cut China's maximum permitted 'bound' farm tariffs by around one sixth – despite current rates already being one quarter of the average world tariff level. Because China's actual applied tariff levels are close to these bound levels, most cuts would translate directly into new market access for exporters.

“China is one of the least protected markets for agricultural products in the developing world” notes the author of the study, Professor TIAN Zhihong of the China Agricultural University.

The study shows that tariff rates would be brought down to 13 percent from an initial average of 15 percent, after accounting for gentler tariff cuts for products deemed to be 'sensitive' and for those considered important for food security and livelihoods. With 900 million people working in agriculture, and a growing income gap between cities and the countryside, China has emphasised the need to shield key products from cuts.

“China has set the pace in promoting the liberalisation of trade among WTO Members” says Tian. “There is therefore relatively little room left for further substantive concessions on special products that are important for food security, farmers' livelihoods and rural development.”

China will also benefit from clauses permitting countries that have recently joined the WTO to cut tariffs by less – a key Chinese demand after gruelling accession negotiations slashed tariffs on 95 percent of products to below 30 percent.

With urban incomes over three times higher on average than those in rural areas, the government has recently shifted from taxing agriculture to supporting it. The new draft text could constrain planned spending on cotton, and, if prices are high, on wheat. However, many other payments are likely to be exempt from cuts on the basis that they cause no more than minimal trade distortion.

“WTO regulations will be important factors affecting China's agricultural policy-making” says Tian.

The draft text could also reduce barriers to China's exports - primarily in developed countries, where average tariffs facing Chinese exports would be cut by about one third, from 16 percent to 11 percent. Continued EU and Japanese protection for rice – one of China's main exports – would probably mean little market access expansion for this product, although tariffs on other key exports such as vegetables could be cut by around one third.

The study is online in English and Chinese at: <http://ictsd.net/i/agriculture/50467/>

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Notes to editors:

1. The World Trade Organisation (WTO) is an organisation based in Geneva, Switzerland, which is responsible for liberalising and regulating international trade in goods, services and other areas. It has 153 Members.
2. The WTO Doha Round of trade negotiations was launched in Doha, Qatar, in 2001. It seeks to reduce trade barriers to a variety of goods and services, but has been plagued by repeated missed deadlines and breakdowns. In agriculture, it aims at “*substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support*”.
3. 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
4. China is home to 1.3 billion people, of which 900 million work in agriculture. Its immense size and sustained high rates of economic growth mean it has become a key player in world trade talks. However, China committed to exceptionally low tariff levels for many farm products as part of the accession process by which it joined the WTO.
5. The US has insisted that large developing countries such as China offer more market access for their exports before a draft WTO accord can be signed. Developing countries have argued that this would affect their food security and the livelihoods of small farmers, especially while developed countries maintain extensive trade-distorting subsidies for their domestic producers.

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