Whither Multilateralism?

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Kraft Lecture
University of Manitoba
21 October 2016
Or wither multilateralism…
Making America Great Again?
US net exports as percent of GDP

Surplus driven by productivity growth (Gordon)
Growth in global agricultural trade

Launch of Doha Round

Source: WTO
Growth in trade volumes, selected product groups

Source: USDA, PSD database
Growth of South-South Ag Exports

Source: UNCTAD
Growing share of developing country exports go to other developing markets

Source: UNCTAD
## Largest Developing Country Exporters

<table>
<thead>
<tr>
<th>Country</th>
<th>2013 Exports Billion USD</th>
<th>Change from 2009</th>
<th>Share to Developing Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>84.6</td>
<td>+59%</td>
<td>66%</td>
</tr>
<tr>
<td>China</td>
<td>46.1</td>
<td>+65%</td>
<td>56%</td>
</tr>
<tr>
<td>India</td>
<td>41.8</td>
<td>+188%</td>
<td>79%</td>
</tr>
<tr>
<td>Argentina</td>
<td>40.6</td>
<td>+50%</td>
<td>74%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>34.7</td>
<td>+67%</td>
<td>68%</td>
</tr>
<tr>
<td>Thailand</td>
<td>32.7</td>
<td>+53%</td>
<td>67%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>26.5</td>
<td>+47%</td>
<td>76%</td>
</tr>
<tr>
<td>Mexico</td>
<td>22.0</td>
<td>+52%</td>
<td>12%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>16.1</td>
<td>+83%</td>
<td>59%</td>
</tr>
<tr>
<td>Turkey</td>
<td>16.1</td>
<td>+58%</td>
<td>56%</td>
</tr>
<tr>
<td>World</td>
<td>1,502.7</td>
<td>+49%</td>
<td>39%</td>
</tr>
</tbody>
</table>

• 2001: Launch post 9/11
• 2003: Cancun ministerial => emergence of G20/G33/C4
• 2004: Framework Agreement => tradeoffs (CCPs for SSM/SP)
• 2005: Hong Kong ministerial => elimination of export subsidies
• 2006: Geneva meltdown => EU market access v US domestic support
• 2007: G4 process => Potsdam (EU/US v BZ/India)
• 2008: July ministerial => breakup over SSM (India v US)
• 2013: Bali ministerial => trade facilitation; public stockholding
• 2015: Nairobi ministerial => export competition
Nairobi Package

• Export subsidies eliminated
  – Developed countries: 2020
  – Developing countries: 2023
  – Developing use of marketing and internal transportation subsidies (Art 9.4): 2028
  – Volume standstill based on average of previous 5 years

• Export credits—repayment period restricted to 18 months
  – Developed: end of 2017
  – Developing: end of 2020

• Food aid
  – Best efforts on cash versus in kind

• State Trading Enterprises
  – Best efforts
Nairobi Package

- Special Safeguard Mechanism
  - Recognizes right of developing countries to have SSM (HK ministerial)
  - Committee on Agriculture will have special session to discuss
- Public Stockholding for Food Security Purposes
  - Reaffirmed Bali declaration—peace clause for stockholding practices; vulnerable to SCM challenge
  - Permanent solution to be found by MC11 (2017)
- Cotton
  - Market access—Developed and developing countries “in position to do so”: duty free/quota free access to LDCs
  - Domestic support—recognize efforts to reform policies; more to be done
  - Export competition—immediate phase out for developed; by 2017 for developing
- Market Access—
- Domestic support—
Average bound MFN tariffs for agricultural products

Source: WTO
Average applied MFN tariffs for agricultural products

Source: WTO
Applied versus bound tariffs

Source: WTO
Impact of DDA reduction formula on applied tariff rates

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Formulas without exceptions</th>
<th>Formulas with exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>7.4%</td>
<td>7.3%</td>
<td>7.4%</td>
</tr>
<tr>
<td>China</td>
<td>7.0%</td>
<td>5.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>India</td>
<td>49.9%</td>
<td>47.3%</td>
<td>49.9%</td>
</tr>
<tr>
<td>Japan</td>
<td>23.2%</td>
<td>12.7%</td>
<td>17.6%</td>
</tr>
<tr>
<td>USA</td>
<td>3.3%</td>
<td>1.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>EU28</td>
<td>13.9%</td>
<td>4.9%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Selected countries</td>
<td>12.2%</td>
<td>7.1%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Most market access gains concentrated in key developed countries.

Minimal access in developing countries due to high tariff binding overhang.

Source: Laborde 2014.
But, far from comprehensive

- Sensitive products remain protected under TPP
  - Dairy
  - Sugar
  - Rice

- More access for SeP under Rev4?
  - Limited tariff lines
  - TRQs
“Deep” agreements => standardization and harmonization of standards

<table>
<thead>
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<th>TPP</th>
<th>TTIP</th>
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<tbody>
<tr>
<td>• Labor</td>
<td>• GMO approvals</td>
</tr>
<tr>
<td>• Environment</td>
<td>• SPS harmonization</td>
</tr>
<tr>
<td>• Cross border services trade</td>
<td>• Growth hormones</td>
</tr>
<tr>
<td>• E-commerce</td>
<td>• Geographical indications</td>
</tr>
<tr>
<td>• SPS</td>
<td></td>
</tr>
<tr>
<td>• Dispute settlement</td>
<td></td>
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</tbody>
</table>
Domestic support levels

Producer Subsidy Equivalent
as percent of value of farm production

Source: OECD
Composition of domestic support

OECD Average

- Tied to output
- Tied to inputs
- Decoupled from production

Source: OECD
Producer Subsidy Equivalents

Percent of value of production

Source: OECD, calculations by author
Composition of Domestic Support 2014

Source: OECD
Growth of Agricultural Insurance Programs

Premium volume

Source: Glauber 2015
China corn support

Source: Gale 2015
China corn

Source: USDA, PSD database
Estimated change in outlays, FY 2014-23, by WTO classification under 2014 farm bill

Net change:
- Green: -$52.8 bil
  Amber: +$32.3 bil

Source: Glauber and Westhoff 2016
Implications for the WTO

• Do new mega-regionals establish standards for global trade?
• Multi-lateralize mega-regionals?
  – Expansion to TPP: Indonesia, Philippines, Korea, ...
  – China? India??
  – Brazil
  – LDCs
• If inclusive, brought into the WTO
• If exclusive, does WTO primary role becomes dispute resolution?
• What if TPP fails to be ratified?
With no agreement on domestic support, dispute settlement likely venue for addressing adverse trade effects

- **US—Upland Cotton**
- **US—Country of Origin Labeling**
- 2014 farm bill:
  - Peanuts
  - Soybeans
  - ARC/PLC for cottonseed
- Developing country subsidies
Conclusions

• Rise of protectionist sentiments—hopefully temporary?
  – In US, failure to address adverse effects of globalization
• For agriculture, growth in demand is outside of US and Canada
• US and Canada are well poised to take advantage of that growth, but the degree of access to those markets must not be limited by the demand of sensitive commodities within our countries
• While most gains of liberalization are in market access, the other pillars must not be ignored (indeed the exchange rate may be quite high)
• Bilateral agreements and mega-regionals like CETA, TPP, TTIP and NAFTA have potential to provide significant market access gains and progress in resolving NTBs, BUT unless plura-lateralized through WTO have potential to weaken the multilateral system and risk leaving many members (particularly developing countries) disadvantaged
• Important for world for US to retake a leadership role in Geneva