

DOHA ROUND AND THE TRADE WITH AGRICULTURAL PRODUCTS

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Trade with agricultural products represent a central issue in the Doha Round negotiations, as also happened in the previous round, Uruguay, when were initiated most of the measures to eliminate barriers in agricultural products trade. The importance of this chapter is also outlined by the fact that suspension of Doha Round negotiations in July 2006 was due in good measure to the impossibility of reaching a common point in the agricultural issue. To achieve consensus are necessary agreements on three major issues on the agricultural policy of the countries which are part of the WTO: market access, export subsidies and internal policies to support agriculture. Our approach seeks to identify the main barriers to agricultural products trade, the benefits that liberalization would have on the global economy and the goals in this direction of the Doha Round.

Key words: Doha Round, agricultural products trade, liberalization, trade barriers

Agriculture is a very important subject for developing countries, having a high share both in Gross Domestic Product and in total exports of these countries. Moreover, most of the people in the poorest countries in the world live in rural areas and depend on agriculture directly. For these reasons, reducing poverty and raising living standards in the world should aim to broadly improve the economic situation of rural areas through efficiency measures of the agricultural sector. Policies of farming subsidies and agricultural products support prices are only distorting global trade and investment initiatives by maintaining low prices for agricultural products, affecting the ability of developing countries to value their comparative advantages.

The importance of agriculture in terms of its ability to decrease world poverty and to develop the poorest countries of the world led it to represent a very important topic on the agenda of the World Trade Organization (WTO). Since the Uruguay Round, the need for trade liberalization in agricultural products has generated the first results, WTO member countries initiating a comprehensive program of gradual reduction of tariff barriers. However, the programs to subsidize the agricultural producers and exports and to limit imports, promoted by the developed countries, continue to be responsible for the maintenance of artificial prices of agricultural products and for restraining the developing countries', largely dependent on trade in such products, access on world market.

In this context, the Doha Round launched in 2001, which is supposed to be a development round, has proposed three major goals in order to eliminate distortions in global trade in agricultural products: free access to markets by removing barriers to imports, limiting subsidies to farmers and export subsidies.

MATERIAL AND METHOD

In order to write this paper we use the World Trade Organization reports on trade in agricultural products, the statistical analysis and studies carried out by international bodies like the World Bank, European Commission, U.S. Department of Agriculture, etc.. Research methods used included the investigation and analysis of empirical data on the degree of liberalization of trade in agricultural products and the effects that opening agricultural markets would have on global economy.

RESULTS AND DISCUSSIONS

Countries often impose policies that interfere with free market mechanisms. Through distorting the production and consumption decisions, these policies involve a number of high costs for both the trading partners of countries that practice them and for these countries as well. According to a study conducted by the Department for Agriculture of the United States, the combination of tariffs on imports of agricultural products, agricultural internal support and export subsidies are responsible for maintaining with 12 percent lower the prices of agricultural products [1]. In this context, the market position of the producers in the developing countries is strongly affected; their agricultural products can not compete with those offered at much lower prices by producers from the countries practicing an active policy to support agriculture. Doha Round, called also the Development Round, was initiated to sustain the market position of less developed countries principally based on primary resources, on agriculture, in order to compete with developed countries and to reevaluate their potential competitiveness.

Unrestricted access of agricultural products in all markets and removing government support means an intensification of free competition between producers, most having to win the final consumers. Even though it is often claimed that renouncing the policy of subsidy would increase prices of agricultural products, consumers will benefit from lower prices for imported agricultural products not affected anymore by taxes.

Overall, agricultural policies reform and liberalization would mean a net win in terms of efficiency for the global economy.

Table 1 [1]

The effects of eliminating agricultural subsidies and tariffs on imports of agricultural products (U.S. \$ billion)

	Resources allocation gains	Investments growth gains	Investments growth and productivity gains
Developed countries	28,5	29,7	35,1
Developing countries	2,6	6,5	21,3

Greater openness of national economies to the outside will increase their productivity, especially in the developing countries where investment will generate technological progress and gains in terms of know-how. Free access on the world market for producers in the poorest countries represents a chance for their development through the comparative advantages held. For the developed countries, the economic growth of the poorest ones as a result of revaluating their advantages in agriculture is a chance to expand their export markets. At the same time, the renunciation to their policies to support domestic farmers would imply an important win for the developed countries in terms of reallocating resources to other areas with competitive potential. Liberalizing trade with agricultural products means increasing the real value of agricultural exports of developed countries, but also an increase of their imports. It is estimated that boosting investment and productivity due to agricultural policies reforms would represent 45% of the full benefits of trade liberalization [1].

The series of meetings and negotiations on world trade with agricultural products carried out under the auspices of the Doha Round was accompanied by a permanent common feature - the inability of the participating countries to reach a common point and to respect the objectives and the deadline imposed. These disputes culminated in July 2006 with the suspension of negotiations, impasse that seriously put into question the ability of the World Trade Organization to achieve its goal of multilateral trade liberalization. Obtaining a consensus in the negotiations on the agricultural issue involves a general agreement as regards the free market access, export subsidization reducing and limitation of the policies to support domestic producers. For each of these points there are serious obstacles whereas many countries feel their position strongly threatened. For example, the European Union and the United States support their domestic producers through massive subsidies, while the developing countries practice especially tariffs on imports of agricultural products, increasing their national budget revenue and affecting equally both consumers and producers.

Resuming the negotiations after their failure of 2006 is a sign that countries still wish to obtain consensus regarding the liberalization of trade in agricultural products, despite the persistence of some protectionist beliefs and ambitions.

CONCLUSIONS

Agriculture remains the area with the highest barriers to free trade and the largest potential gains to all developing countries in terms of liberalization. The costs of protectionist agricultural policies promoted by different countries of the world are paid mainly by consumers and taxpayers whose governance choose to support domestic producers through subsidies, to the detriment of free competition. Some of these costs are transferred through trade on foreign farmers, they having a cumbersome effect for the poorest countries of the world. Farmers in these poor countries are affected both by low prices as a result of internal subsidizing policies

promoted by the developed countries and also by limited access on markets because of the trade barriers.

Even if we can not deny the need of the poor countries to benefit from "fair" trade, we are convinced that a free trade fully liberalized would mean significant gains in terms of efficiency and productivity for the entire world, for producers and consumers alike. Despite the obstacles to Doha Round negotiations, the possibility of arriving at a common point in the agricultural problem still exists as long as free trade, increased efficiency and productivity and reduced worldwide poverty are still desired.

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