The Doha Round:  
Objectives for Trade and Agriculture  

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I. Background

The Doha Round is the latest round of negotiations held by the World Trade Organization (“WTO”). The WTO emerged from the Uruguay Round in 1995 as a successor to the General Agreement on Tariffs and Trade (“GATT”). As of July 23, 2008, there are 153 WTO members. The WTO organizes rounds of discussions with the purpose of overcoming trade obstacles and furthering economic development. National and foreign treatment of agricultural

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products constitutes a substantial part of these discussions. It often takes years to create an acceptable draft because of disagreement over the terms of the trade measures.

The Doha Round, which follows the Uruguay Round, began in 2001 in Doha, Qatar. Building on the Uruguay Round’s progress, the Doha Round seeks to resolve trade-obstructing domestic practices in addition to trade obstacles found at national borders. The agricultural goals of the Doha Development Agenda include opening markets, reducing export subsidies, and eliminating domestic policies that distort trade. Essentially, developed countries are bargaining for more market access in developing countries in exchange for a reduction of their own domestic subsidization of agriculture.

The Doha Round also has focused on trade as a way to encourage economic growth and reduce poverty. Negotiations in this round have lasted more than seven years because of heated debate on how to best meet the development goals. Currently, the negotiations include a significant decrease in subsidy caps, the elimination of export subsidies, and steps toward eliminating trade-distorting aid and export programs. The July 10, 2008 draft sought to outline


6. Ministerial Conferences, World Trade Organization, http://www.wto.org/english/thewto_e/minist_e/minist_e.htm (last visited Aug. 11, 2008). A round may take years to complete. During every round, there are ministerial meetings, mini-ministerial meetings, Trade Negotiations Committee meetings, summits, and numerous informal meetings.

possible compromises on these issues. At the Trade Negotiations Committee meeting in Geneva near the end of July 2008, the topics of discussion were domestic support, market access in developing countries, sensitive and special products, and the special safeguard mechanism (“SSM”). The meeting imploded over the SSM issue on July 29, 2008. Now little progress is expected to occur on a WTO trade agreement until next year. U.S. elections and turnover of EU officials will prevent significant headway on a new trade deal until political stability is regained.

Leaders have publicly stated that it is important for WTO members come to an agreement and conclude the Doha Round within the near future. In June 2008, global business leaders met in Sweden for the World Business Summit and declared their support for a timely conclusion to the round. They emphasized the importance of efficient trade practices in a time of high oil and food prices.

8. Committee on Agriculture, Special Session, Revised Draft Modalities for Agriculture, WORLD TRADE ORGANIZATION, July 10, 2008, http://www.wto.org/english/tratop_e/agric_e/agchairtxt_july08_e.pdf. The July 10, 2008 modalities draft cuts domestic support using a base level and a tiered reduction formula and cuts tariff rates with a tiered formula. The draft also suggests the possibility of eliminating the special safeguard (“SSG”) created by the Uruguay Round. A new special safeguard mechanism (“SSM”) might correct some of the problems with the SSG. The draft additionally proffers modalities of greater liberalization of tropical products and cotton, two notoriously sensitive issues. Market access and opening, as well as export competition measures, are also addressed in the draft.


II. Issues

Political, diplomatic, and economic difficulties surround debate over key issues in the Doha Round. Although the SSM was the sticking point at the mini-ministerial meeting in Geneva, other concerns about subsidization and market access continue to be voiced. Direct payments, countercyclical payments, marketing loans are being analyzed as tools of subsidization.

The WTO divides commodity subsidization into three main categories: the green box, the blue box, and the amber box. The classification of a support program into one of these boxes indicates whether or not the program expenditure would count against a nation’s allotted Aggregate Measure of Support (“AMS”). Support that does not improperly affect international trade is deemed to be within the green box. This includes government programs giving financial assistance to conservation, domestic food aid, disaster relief, and agricultural research. The blue box category covers limits on production that governments might impose on producers. Blue box programs include payments based on yield or head, certain types of deficiency payments, and supply management programs. Neither green box nor blue box program expenditures count against the AMS. In contrast, amber box supports are against WTO rules. This box includes


marketing loan support, and most members of the WTO argue that direct and countercyclical payments should also be in the amber box. In fact, in the Brazil Cotton Case, the WTO ruled that direct payments distort trade and belong in the amber box. Countercyclical payments also are questionable because they resemble the loan deficiency payment programs opposed by most WTO members.

When or if the Doha Round ends with a consensus on the suggested modalities, the process of adapting existing U.S. agricultural policies to the new WTO agreement would be the next challenge. WTO agreements, declarations, and judgments do not automatically gain legal status in the United States. Congress must enact legislation or the President must issue an Executive Order for them to become law in the United States. This takes political capital, and it may be difficult to garner enough political support to reform relevant U.S. laws to meet the new


16. United States – Subsidies on Upland Cotton, World Trade Organization, Dispute Settlement: Dispute DS267 (May 30, 2008), http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm (last visited Aug. 11, 2008). In 2002, Brazil initiated a complaint against the United States for not abiding by the terms of the Uruguay Round Agreement. Brazil and the “cotton-4” (major African cotton-producing nations) were concerned that U.S. domestic subsidies were seriously distorting the cotton market. In 2005, the WTO appellate body ruled against the United States.

WTO requirements. Implementation in the United States of the future WTO agreement on trade and agricultural policies could provide access to foreign markets. If the United States demonstrates a commitment to honor its WTO agreements, then other countries may be more willing to open their markets. The level of difficulty of implementation of a future WTO agreement in the United States is still an open question because of the correlation between market prices and subsidization amounts.

Many members of the WTO are concerned about the United States accepting and implementing the terms of the next WTO trade agreement. The U.S. President’s “fast track authority,” with which he could present trade agreements to Congress without the possibility of amendments, has now expired.18 Other WTO members see little worth in a new agreement if the U.S. Congress can amend it.

On July 10, 2008 Ambassador Crawford Falconer, chairperson of agricultural negotiations at the WTO, circulated the latest revised draft modalities.19 This revision built on the previous draft from May 19, 2008.20 The latest modalities include cuts of domestic support distorting trade, elimination of the special safeguard mechanism and revisions of the new

18. Trade Act, 19 U.S.C. § 3803-3805 (2002). The Trade Promotion Authority comes from the Trade Act of 2002. Under this law, Congress can only pass or not pass the trade agreement in question. No amendments may be proposed by Congress. The “fast track authority” to get trade negotiations passed by Congress expired on July 1, 2007, however, and has not been renewed.


mechanism, and complete elimination of export subsidies by 2013 (with half of export subsidies to be eliminated by 2011). Other important revisions in the latest draft include modalities on export credit and food aid.

The challenges to the Doha Development Agenda include political, diplomatic, and economic difficulties. A chief political difficulty is the clash of domestic law with international trade ambitions. The United States may have to reconsider some aspects of the 2008 Farm Bill if the WTO produces a new trade agreement before the law expires. The newest Farm Bill supports commodities through direct payment, countercyclical payments, and marketing loans. Direct payments are based on acreage and yield. Countercyclical payments are based on the expected price of a commodity in relation to the actual price, and are paid out only when commodity prices are high. Nonrecourse marketing assistance loans establish a minimum price for farmers’ crops, thereby reducing the amount of production of that commodity. The 2002 Farm Bill required the Secretary of Agriculture to adjust domestic programs so far as was practical in order to stay under the $19.1 billion per year expenditure limit set by the WTO. The Congressional Budget Office predicts that the U.S. government only will spend $7 billion on


commodity support under the new Farm Bill in light of the current high price period. Powerful developing countries such as Brazil, India, and China would like to see the United States make cuts in actual subsidization spending. The United States wants a figure higher than $7 billion in case lower price periods return, and recently offered to limit its trade-distorting subsidization to $15 billion. This is significantly below the United States’ former offer of $22.5 billion, but it is still approximately twice the total U.S. actual subsidization spending. Some WTO members are skeptical about the United States’ promise to make substantial changes, and hesitate to allow greater access to their markets until the United States does so.

The Doha Round has been fraught with diplomatic challenges, but one of the worst occurred on July 19, 2008, when Brazil’s foreign minister accused the United States and other members of the G8 of using Nazi-like propaganda tactics. Many developing countries believed the United States and other trading giants were not living up to their claims of significantly decreasing subsidization. The minister later issued an apology, but the remark greatly contributed to the tension at the Geneva summit.


The rise in food prices also poses a challenge to the Doha Round objectives. Many countries, including India and Indonesia, are banning or severely limiting exports of rice and wheat. If this trend continues, the Doha Development Agenda could be severely undermined. This door-closing denies market access and advantages domestic producers. Ultimately, it drives food prices higher because it reduces world supply.

In the past, one way the United States has dealt with its traditional food surplus is donating food as aid. This strategy works to keep domestic food prices from falling too low. The U.S. food aid policy is codified in Public Law 480. The terms of the July 10 Doha Round draft promote monetary aid rather than donated food and commodities because exports classified as “food aid” often work to disrupt trade balances. The United States will likely adapt smoothly to new draft modalities regarding food aid because domestic food prices are already high. There is no need to boost prices by diminishing domestic supply.

If the current high oil and food price period continues, the United States might not have to make enormous changes to existing policies to adapt to the other new suggested WTO regulations. Cotton continues to be a contentious issue in the aftermath of the 2005 Brazil Cotton Case, however. In reaction to the WTO Dispute Settlement Body’s ruling for Brazil, the


32. 83 Pub. L. No. 480 (2006). See also Public Law 480, Title I, USDA, FAS, http://www.fas.usda.gov/excredits/FoodAid/pl480/pl480.asp (last visited July 22, 2008). Public Law 480 is comprised of three titles. Each of the three titles addresses agricultural aid to different countries at various levels of development. The USDA administers Title I and the Agency for International Development (AID) administers Title II. The Agency for International Development works to advance U.S. foreign policy by promoting economic growth, agricultural trade, world health, democracy and humanitarian assistance. There is no funding or agency to administer Title III, leaving it with no practical effect.
USDA eliminated its “Step 2” cotton program. The USDA also changed its Export Credit Guarantee Program (GSM-102) to be more risk-based and scrapped the Intermediate Export Credit Guarantee Program (GSM-103). Now the Commodity Credit Corporation (CCC) must structure its fees on calculated risk for both GSM-102 and the Supplier Credit Guarantee Program (SCGP). Because of the cotton case, the United States has already altered a number of its programs to better comply with the principles articulated by the WTO.

The United States is willing to trade some of these agricultural subsidies for more access to foreign markets, but the line that must be reached is still in the balance. If changes in U.S. farm policy are not made, then the United States might face complaints in the WTO Dispute Settlement Body from other WTO members.

33. *USDA Proposes Legislative Changes to Cotton and Export Credit Programs to Comply with WTO Findings*, USDA NEWS RELEASE NO. 0242.05, July 5, 2005, [http://www.usda.gov/wps/portal/?u/p/s.7_0_A/7_0_1OB?contentidonly=true&contentid=2005/07/0242.xml](http://www.usda.gov/wps/portal/?u/p/s.7_0_A/7_0_1OB?contentidonly=true&contentid=2005/07/0242.xml).

34. About the Commodity Credit Corporation, FSA, USDA, [http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc](http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc) (last visited July 22, 2008). The CCC disperses funds for a number of programs related to agriculture. These include trade programs, commodity support programs, and environmental programs.

35. *USDA Proposes Legislative Changes to Cotton and Export Credit Programs to Comply with WTO Findings*, USDA NEWS RELEASE NO. 0242.05, July 5, 2005, [http://www.usda.gov/wps/portal/?u/p/s.7_0_A/7_0_1OB?contentidonly=true&contentid=2005/07/0242.xml](http://www.usda.gov/wps/portal/?u/p/s.7_0_A/7_0_1OB?contentidonly=true&contentid=2005/07/0242.xml).

36. See Understanding the WTO: Settling Disputes, World Trade Organization, [http://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm) (last visited Aug. 7, 2008). The Uruguay Round created the Dispute Settlement Body (“DSB”) to facilitate the resolution of conflicts between member nations. The DSB is composed of all the WTO member nations. If one nation believes that another has violated a WTO agreement, the complaining nation may request consultations with the other nation. If the dispute is not solved after consultations, the parties may proceed to appoint a panel to hear their case. The panel would then issue a finding, which could be appealed. Appeal is possible only if there is a consensus in the DSB to reject the panel’s holding.

At the mini-ministerial meeting in July 2008, trade representatives tackled controversial farm subsidies, tariffs on tropical products like bananas and sugar, and geographical indications. Developing countries pressed the United States to decrease its actual subsidies, in addition to lowering the ceiling of subsidization which the United States is already below. Tariffs on tropical products were also contentious issues. Additionally, the EU, Brazil, China, Pakistan and Switzerland suggested new rules for labeling with geographical indications.

The defining issue of the mini-ministerial meeting, however, turned out to be the special safeguard mechanism. On July 29, blockage over the SSM issue derailed the meeting. Member nations agreed that there should be an SSM. They also reached agreement on how large of an increase in imports would be needed to trigger the SSM. The obstacle that could not be overcome was the debate of whether tariffs could be permitted to exceed the limits set by the pre-Doha meetings. Seven countries led the discussion on this issue: Australia, Brazil, China, the EU, India, Japan, and the United States. When these countries were unable to reach a compromise, negotiations at the Geneva meeting stalled. Member nations failed to settle on final draft modalities.

While strong differences remain,37 most WTO members are anxious to conclude the Doha Round successfully. High food and fuel prices have added an element of urgency to the negotiations. Many believe the Doha Round has the potential to revitalize a troubled global

economy. The collapse of negotiations on July 29, however, has halted what progress had been made by the Trade Negotiations Committee.

On July 30, Lamy spoke to the delegations, urging them to preserve the progress and compromises that they had reached.38 Headway was made on new support mechanisms for developing countries, for example. The modalities agreed upon by all members, such as aid for trade and free market access for the least developed countries, may be implemented in the near future.39 Lamy also stressed the importance of member nations’ commitment to the multilateral trading system – a system that the WTO facilitates.40 Although the mini-ministerial in Geneva ended without agreement on a final draft of modalities, the Doha Round negotiations provide a basis for future progress on development and trade liberalization.

38. WTO News – DDA July 2008 Package: Summary 30 July, World Trade Organization, http://www.wto.org/english/news_e/news08_e/meet08_summary_30july_e.htm (last visited Aug. 8, 2008). Director General Pascal Lamy remarked, “This represents thousands of hours of negotiation and serious political investment by all the members of the WTO. This should not be wasted.”

39. Id.

40. Id. Lamy commented, “Our immediate priority is to reaffirm our commitment to the multilateral trading system, which comes out dented this week.”
Doha Round Timeline

2001
Doha
The Doha Round begins in Doha, Qatar. Here WTO members undertake the creation of a development agenda. The original deadline is set for January 1, 2005.

2003
Cancun
Developing countries, led by Brazil and India, oppose the United States and the EU’s agricultural proposal. A new trade bloc is formed – the G20. This group of developing countries challenges the G8’s proposals. Ultimately little progress is made because of disagreement over farm subsidies.

2004
Geneva
Negotiations continue during talks in Geneva. Developed countries consider reducing farm subsidies. Developing countries consider reducing tariffs on manufactured goods.

2005
Hong Kong
Trade ministers and WTO members meet in Hong Kong to establish consensus on sensitive issues. They reach an agreement that opens developed countries’ markets to goods from the least-developed countries. WTO Members also set a new timetable, having now missed the original deadline, and decide to conclude negotiations by the end of 2006. Trade ministers agree to eliminate agricultural export subsidies by 2013.

2006
Geneva
A meeting of trade ministers in Geneva in July generates few results. Many WTO members grow increasingly pessimistic about the Doha Round. The Trade Act permitting the United States president to sign onto trade deals without involving Congress is set to expire a year from this July 2006 meeting. Without the Trade Act, U.S. agreement to a deal is less likely because Congress could amend the agreement. At this point, both the United States and the EU face strong domestic pressure not to reduce farm subsidies further.

2007
Potsdam
Trade ministers and top negotiators of the G4 travel to Potsdam to negotiate solutions to the current impasse. The G4 group includes the giants of both the developed and developing world: the United States, the EU, India and Brazil. No agreement is reached, however. The developed countries accuse the developing countries of bringing nothing new to the table. The developing countries counter that the United States and EU’s farm subsidy cuts are too minimal to make any difference.
2008
Geneva
From July 21 to July 29, ministers from around the world met in Geneva in an effort to agree on modalities. The meeting collapsed when members were unable to reach agreement on the terms of a special safeguard mechanism (“SSM”).