PROBLÉMY LIBERALIZACE SVĚTOVÉHO AGRÁRNÍHO OBCHODU

THE PROBLEMS OF LIBERALIZATION OF THE WORLD AGRICULTURAL TRADE

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Anotace:
Příspěvek se zaměřuje na analýzu klíčových problémů liberalizace světového obchodu se zemědělskými produkty, který v současné době patří mezi nejproblematičtější oblasti vyjednávání Katarského kola WTO. Nejvíce problémů, které nedovolují dosáhnout potřebného kompromisu vedoucího k uzavření Katarského kola, vyvstalo vzhledem k odlišnému postoji členských zemí ve třech základních oblastech agrární politiky, tedy přístupu k trhům, domácím podporám a vývozním subvencím.

Klíčová slova:
Liberalizace, světový agrární obchod, WTO

Summary:
The article focuses on the analysis of the key problems of liberalization of agricultural trade, which currently belongs to the most difficult areas of negotiations of the WTO. Most barriers in reaching an agreement and concluding the Round in Doha arises due to different positions of member countries on three fundamental aspects of agricultural policy, i.e. market access, domestic support, and export subsidies.

Key words:
Liberalization, the world agricultural trade, WTO

INTRODUCTION

The most difficult negotiations' area of the World Trade Organization, as practice has shown, is agriculture. Though the participation of agricultural goods in global trade during the last 50 years has decreased from almost 40% to 7%, the value of this trade has grown 40 times and currently amounts to nearly 800 billion USD (International..., 2005). For many countries, export of agricultural products is the basic source of income. In other countries - the key purpose is the protection of native agriculture. Thus, the agreement regarding the liberalization of trade in the agricultural sector (The Agreement on Agriculture - AoA) was formed in years 1986-1994, during the Uruguayan Agenda. Many issues were however left for later negotiations during the next agenda, named the Doha Development Agenda (DDA), which was supposed to come to its conclusion in 2005. Nevertheless, due to different positions of the WTO member countries, clearly divided into the developed and developing one (North - South), no complete agreement has been reached yet.

The article is an attempt to indicate the most serious barriers aggravating reaching a consensus between the WTO member countries. They result mainly from the different roles within the mutual trade exchange between the developed and developing countries, from the diversified scope of access to the internal market and the diversified support of agriculture, which to a large extent deforms the mechanisms of the global market. Additionally, it is increasingly more often emphasized, that a contemporary barrier in deepening the liberalization processes are the particularisms of integration groups, which dominate over the mutual benefits of accession to the WTO.

OBJECTIVES AND METHODS

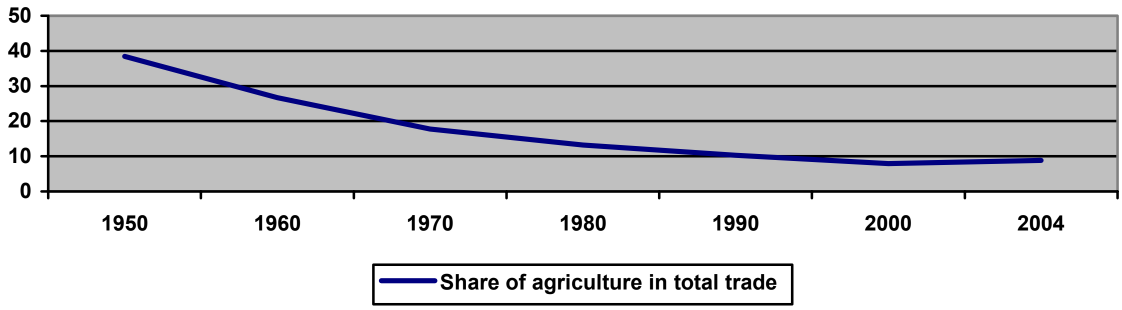
The purpose of this article is an attempt to indicate the most important barriers, which slow down the process of liberalization of global agricultural trade. The implementation of the above state purpose is based on an analysis of statistical material, negotiation positions of the WTO member countries and studies of other authors. The method used in the study is a comparative analysis and a descriptive method.

RESULTS

Size and structure of global agricultural trade

Agricultural products global trade indicates a systematic growth rate during the last 50 years, though significantly slower than trade in general. Its value grew from 11,7 billion USD in 1950 to 783 billion USD in 2004, while the value of global trade grew from 30,5 billion USD in 1950 to nearly 9.000 billion USD in 2004. The diversified growth rate caused the participation of agricultural products in global trade to decrease from 38,4% in 1950 to 8,8% in 2004 (graph 1).

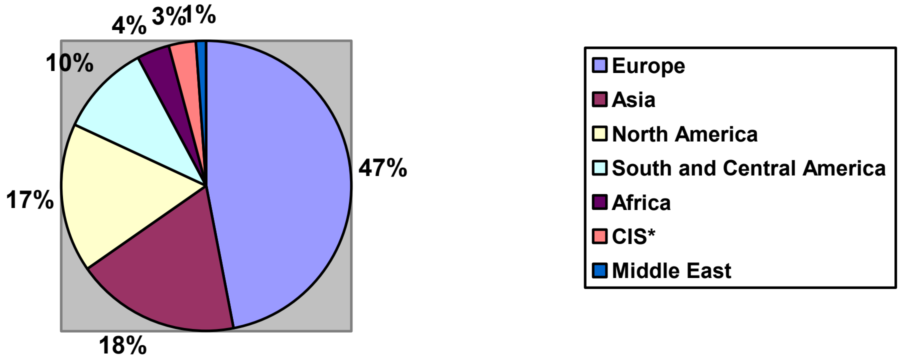
Graph 1. Share of agriculture in total trade, 1950-2004 (in %)



Source: WTO, own calculations

The geographical structure of agricultural trade is very diversified. The largest exporter, and at the same time an importer of agricultural products, is Europe, the participation of which in global agricultural trade amounted to 47% in 2004. The next positions are occupied by Asia and North America (graph 2). The participation of African countries, mostly numbered among the group of the weakest developed ones, amounts to only 4%.

Graph 2. Regional shares in world trade in agricultural products, 2004 (percentage)



* Commonwealth of Independent States (CIS)
Source: WTO, own calculations

One needs to emphasize that the differences in involvement of individual regions in agricultural trade have special significance for the evaluation of barriers in the process of liberalization of agricultural trade. For instance, nearly 80% of agricultural export of the European countries remains in Europe, while export to other regions has great significance for Africa (almost 50% of agricultural export of this continent is directed to Europe, the next 20% to Asia). Additionally, it is worth mentioning, that from among the 49 weakly developed countries, 45 are net importers of food, and in 33 of all agricultural products (Bhagwati, 2005)

Market access
For the purpose of evaluation of the market, import tariffs are most commonly used. Their changes in years 1990-2002 are presented in table 1.

Table 1. Evolution of import tariffs in selected country groups, 1990-2002 (in %)

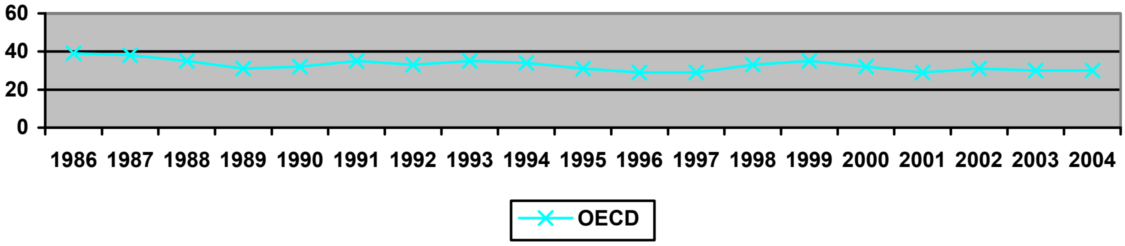
	Simple average		Std. deviation		Weighted Average			
					From LDCs		From EU	
	1990	2002	1990	2002	1990	2002	1990	2002
Developed countries								
Total goods	6,9	3,3	8,9	9,5	5,4	8,9	5,6	2,0
Agricultural products	7,5	3,6	10.6	20,5	3,3	6,7	7,9	4,6
LDCs								
Total goods	24,0	15,1	23,9	11,5	31,2	12,7	13,6	12,0
Agricultural products	25,0	18,1	22,4	11,8	38,9	17,2	16,5	13,3

Source: Paiva, 2005

Although the average level of import tariffs in years 1990-2002 (meaning after the liberalization within the Uruguayan Agenda), both in the developed, and developing countries, decreased, the diversified mutual treatment of countries from both groups deserves attention. An analysis of the weighted averages indicates, that the decrease of import tariffs in the developed countries regarded the products imported from the European Union, and in relation to the developing countries one can observe their visible increase (from 5,4% to 8,9% for all the products and from 3,3% to 6,7% for agricultural products). At the same time the average weighted level of tariffs in the developing countries decreased by almost 50% in comparison to the goods imported from the countries, which belong to the same group, and slightly decreased in comparison to the goods imported from the European Union (from 13,6% to 12,0%). The fact, that tariff barriers in the developing countries are significantly higher than in the developed countries, deserves attention. These differences are the result of the privileged position of these countries, due to Special & Differential Treatment (S&D).

Agriculture's support level
One of the agricultural negotiations' foundations within the WTO is striving for minimizing the negative impact of the instruments of agricultural policy on the market mechanism, which are above all used in the developed countries. An example of the most extensive instrumentation and the greatest scope of support for agriculture is certainly the agricultural policy of the European Union.
According to OECD in years 1986-2004 the general level of support given to agricultural producers in the whole field of this organization decreased from 39% to 30%, thus it is a significant decrease (graph 3). Annual changes of the PSE indicator mainly reflect the actions, which limit the impact of price changes in international trade on the prices in domestic markets.

Graph 3. Changes of Producer Support Estimate (PSE) in OECD, 1986-2004 (in %).



Source: OECD, PSE/CSE database 2005.

In 2004 the size of support given to agricultural producers in OECD amounted to nearly 280 billion USD, while the total level of support given to the agricultural sector was 1,2% of the GDP of the OECD countries, including support in the field of general services for agriculture, such as research, infrastructure, introduction to the market or promotion.
Certainly, one needs to be aware of the diversification of the scope of support given to agricultural producers and the whole agricultural sector among the OECD member countries. For instance, in Japan, the PSE indicator is nearly 60%, and in Brazil - only 3%. Its structure and support forms are also different.

DISCUSSIONS

The diversified roles in the mutual trade exchange with agricultural products between the developed and developing countries, the different scopes of access to internal markets, as well as a different level of support given to agricultural producers, significantly affect the negotiating positions of the WTO member countries. Currently, they concentrate on three primary issues, i.e. the limitations of internal support for the agricultural sector which distorts trade, the limitations of support of agricultural-food export (used in the form of food support, through supporting STE's, export credits, etc.) and further reduction of tariff barriers (Doha, 2005).
Within the first field of operations, one strives for *de minimis* limiting, both in relation to specific and standard products, implementing the mechanism of reducing to "Blue Box", decreasing the AMS indicator (Aggregate Measure of Support), maintaining a privileged position of the programmes within the "Green Box". These are certainly the most difficult issues for the countries characterized by an extensive agricultural policy, especially for the European Union, which opposed the proposition of the United States, regarding the implementation of four bands of domestic support reduction, opting for the introduction of three bands. These principles are additionally difficult to accept for the developing countries, which are net food exporters. The implementation of new disciplining rules, "Blue Box" supported by the United States, and negated by the European Union, arouses many controversies.

In the field of export subsidies (export competition), the proposition of further liberalization regard the continuation of reduction of all the forms of supporting export, including export credits, export credit's guarantees, export credit's insurance issued for 180 days, supporting the export of state trade companies and specifying the principles of food support. Additionally, the regulations of special and preferential treatment of the developing countries were specified. In this case, the European Union opts for the majority of the postulated changes, meeting resistance of the United Stated and Cairns countries, which opt for preserving high-level state support within food support.

On the other hand, the propositions in the field of market access regarded the further preservation of the so-called formula of binding and further reduction of tariff barriers,

maintaining the temporary protection of the so-called vulnerable products and the rules of treating the so-called specific products. Also the project of formulating the principles of the "Special Protection Mechanism" against the changes in the business cycle or specials needs of the developing countries, was discussed in the propositions. The rules of the reduction of tariff barriers are an important issue, which are seen differently by various countries. For instance, the European Union suggests linear reduction of tariffs and implementing other rules of decreasing the tariffs for vulnerable goods. On the other hand, Cairns and G-20 countries are opposed to this concept, they believe, that increasing the market access for vulnerable goods should be realized with the use of appropriately designed tariff contingents.
According to various opinions, the progress in the field of negotiating the rules of liberalization of access to the market is the least. This is the result of the occurrences of many misunderstandings within the WTO (e.g. Preferential Trade Agreements, bilateral Special Preferences Systems, Most Favored Nation Clauses), which are not only increasingly harder to regulate, but also which play an increasingly greater part in the preferential treatment of the countries, which form integration groups.

CONCLUSIONS

Agricultural goods' trade is undoubtedly one of the most difficult negotiations' areas of the WTO. The preliminary agreements entered into during the sixth ministerial conference in Hongkong in December 2005, greatly limit the freedom of conducting agricultural policy by the WTO member countries in the filed of agricultural production and export. Albeit, an important step towards the further liberalization of global agricultural trade was made, though this process requires further agreements and breaking the barriers. The most important of those include:

- further concessions of the developed countries, especially the European Union and the United States, in favor of limiting the level of agriculture's support and the changes of the character of the instruments used for this purpose;
- concessions of the developing countries in favor of increasing the access to their internal markets and abandoning the privileged treatment rules;
- eliminating the category of vulnerable and specific products, a long catalogue of which significantly reduces the actual scope of liberalization;
- moving over the regional "interests".

Breaking these most important limitations will lead to increasing the global benefits of all the WTO member countries. The classic international trade theories admittedly indicate, that these benefits will never be equal, though with all certainty, they will be benefited from by the countries, which open their economies.

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