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G2 AND G20, PLEASE TANGO!

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Note presented at the Instituto Affari Internazionali (IAI) and Embassy of the United States International Workshop on “The Transatlantic Relations and the Relaunching of the WTO Round after Cancun,”
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Twenty years ago, at the dawn of the Uruguay Round, Brazil and India teamed up for trying to minimize the scope of the Round. They rejected the introduction of services and the concept of a "Single Undertaking," and this negative approach made difficult for Brazil to support strongly the actual introduction of agriculture in trade negotiations. Brazil and India were followed by the vast majority of developing countries—only a dozen or so choosed to play the game of multilateral and reciprocal concessions. However, eight years later, at the end of the Uruguay negotiations, the Brazil-India coalition collapsed with the prospects of trade liberalization in agriculture and services. Brazil recognized its interests in liberalizing world farm trade, while India did not—although it became slowly interested in negotiating in services, a topic that did not thrill Brazil at all.

From the Seattle to the Cancun Ministerial, no new coalition emerged, with the exception of the African Group. However, this coalition has quickly been seen as having only a blocking capacity. Its internal consistency is clearly doubtful. For instance, the Africa Group positions and those taken by the Least-Developed Countries (LDCs, which comprise many African countries) on the central issue of special and differential treatment show substantial differences. These differences reflect the fact that key countries in the Africa Group (for instance, Mauritius) have defensive interests (rents in a few farm products, such as sugar) that they try to "sell" at the highest possible price by enrolling LDCs as "allies" (LDCs are slow to recognize that they loose in this tactic). Moreover, the Africa Group includes no developing country with a critical mass in terms of negotiating power. As a result, the geographically and negatively defined African Group coalition is doomed to disband relatively easily, if the other WTO members want to make serious progress in the Doha negotiations—arguably, a big if.

Quite different is the G20 coalition. (What follows uses the term of G20 although the membership of the coalition has changed at the margins, and is likely to do so in the future. But as argued later, these marginal changes do not matter.) First, the emergence of such a coalition was quite unexpected, in particular by the G2 coalition (the U.S. and the EC). Although the G20 made clear its positions a couple of weeks before the Cancun Ministerial, the G2 did not react to them, and it did not even immediatly recognize the novelty of the situation. Second, the G20 survival to the Cancun Ministerial was even less expected. Two days before the end of the Ministerial, few observers believed that the G20 could last longer than the G2—as it did.

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The paper looks at three questions. Which is the actual weight of the G20 coalition in the current trade negotiations? How homogeneous is the G20 coalition? What could be the G2 reactions in the rest of the negotiations?

How strong is the G20 coalition?

In the WTO forum, a few simple yardsticks can be used for assessing the strength of a coalition. First is size. Table 1 presents the gross national incomes (GNI) of the G20 countries, of the G2 and of the "Quad" (the G2 plus Canada and Japan) which constituted the dominant coalition during the Uruguay Round. The G20 size can be measured by its GNI at current exchange rates, the indicator that trade negotiators have generally in mind. It can also be measured by GNIs at purchasing power parity, a measure that economists often prefer. Lastly, it can be measured by population which gives a strategic image of future economic weight in the very long run, once growth convergence would have allowed the G20 countries to have caught up the G2 in terms of GNI per capita. Table 1 shows that the G20 coalition represents half the size of one G2 member at current exchange rates, and already the size of one G2 member at purchasing power parity.

A second indicator of great interest is the speed at which GNIs per capita of the G2 and G20 could converge. This aspect can be proxied by the differences between the GDP-based average annual growth rates for recent past, for instance the period 1990-2002. (Past is a very crude indicator of future, but using such a long period provides the simplest guess-estimate, although it systematically overestimates the differences). The G20 (unweighted) average growth rate is almost twice the G2 or Quad (unweighted) average rates. Comparing growth rates shows clearly two weakening countries—the EC and Japan, though Table 1 does not take into account the dramatic demographic decline that these two countries will face in the coming twenty years.

Lastly, a key factor of G20 strength flows from the concentration of its size. In reality, the G20 is a "G3+3" coalition—the jokes among G2 delegations during and after the Cancun Ministerial about the G20 fluctuating membership miss this crucial point. As shown by Table 1, the G20 size and speed of change are massively dominated by the largest three members (Brazil, China and India—the "G3"). Three other large members (Chile, South Africa, and Argentina) have little choice: their offensive farm interests leave them almost no other option than to be loyal to the G20 coalition, hoping that it will work for a freer farm trade. Table 1 shows that this G3+3 configuration keeps intact the above features of the G20 coalition. In other words, changes in the G20 membership have little importance, as long as it does not involve the G3+3 core.

How homogeneous is the G20 coalition?

In the WTO forum, a coalition is, by definition, a transitory state: no coalition survives the last stage of the negotiations, that is, when final concessions are negotiated. In other words, the "winning" coalition is the one which lasts one minute longer than its opponents so that it can define the overall direction of the final negotiations. Homogeneity is a key factor for allowing a coalition to last this extra-minute.

A first source of the G20 homogeneity is simply political—a point important in a world where trade policy is increasingly a central part of foreign policy. The text tabled by the G20 two weeks before the Cancun Ministerial was a political—almost epidermal—reaction to the G2 proposal on agriculture tabled a few weeks before.

It is often said that the G2 made this joint proposal in an effort to launch serious negotiations. However, it is hard to see how this text could have achieved such an outcome for several reasons. First, the fact that the U.S. signed a text with the EC was seen as a dramatic shift of the traditional U.S. position—away from its traditional role as a deal breaker (although admittedly biased in favor of the EC) between the Cairns Group requests and the meager offers of the EC and of the other protectionist WTO members in agriculture. This negative perception was fuelled by the adoption of the 2002 U.S. Farm Bill. Counterweighting this impression would have required a much more precise and pro-liberalization G2 text. Second, the 2003 EC reform of the Common Agricultural Policy (CAP) did not convince the EC trading partners about deep changes in the EC farm policy, and, as time went on, skeptical reactions have been reinforced by more refined studies of this reform [FAPRI 2003, OECD 2004]. It is now clear that the EC reform will have no impact on the EC level of protection—as best illustrated by the insignificant expected decline of the EC average tariff equivalent of the overall "producer support estimate" (PSE) from 57 to 56 percent as a result of the reform, all other things being constant [OECD 2004]. More importantly, the EC reform tends to overcompensate farmers, to perpetuate the existing regressive European farm policy (helping more the rich than the poor farmers, hence unlikely to slow down productions), to over-regulate farm productions for alleged environmental reasons, and to introduce new quantitative restrictions in EC production (fruits and vegetables) and imports (rice). In sum, the 2003 EC reform creates more problems than it can solve, and it boils down to an exercise in "box shifting" (shifting subsidies from the Amber to the Green Box) with no noticeable impact on non-EC farmers [Messerlin 2004].

As a result, the G2 text on agriculture for the Cancun Ministerial was void of substance—and it was largely seen as such by the G20 countries. It did not provide any serious hint about the G2 negotiating intentions, such as the percentages of tariff lines to be put under the Swiss or Uruguay formulas, the maximum farm tariffs at the end of the implementation of the Doha Agreement on Agriculture, the exact evolution in terms of export subsidies, etc. As a result, it could not be seen as a first step in the negotiations.

That the G2 text was so ambiguous is not sufficient to explain the negative G20 reaction. There is the frequent perception that Argentina, Brazil or South Africa have "offensive" interests in agriculture that differ from those of China or India (this perception was the support of the feeling during the Cancun Ministerial that the G20 coalition could not last long).

Table 2 (and the reality until July 2004 at least) suggests serious caveats to this perception. It presents the average applied tariffs on agriculture and industrial imports. In the case of the Quad countries, average farm tariffs have been replaced by the average PSE tariff equivalents in order to take into account the massive domestic support granted by these countries to their farmers. This asymmetrical treatment between the Quad and G20 farm protection aims at providing a more accurate picture of the actual overall situation. Of course, Brazil, China, India and the other G20 members do grant farm subsidies (as best illustrated by Mexico PSE tariff equivalent estimated to 29 percent, or by China which is the second largest subsidizer in cotton, behind the U.S. and before the EC). But on average, the G20 support is generally estimated substantially lower than the G2 support. In the absence of PSEs calculations for the major G20 countries (a lack of data that the OECD Agriculture Directorate is busy to repair), the use of PSEs for OECD countries and tariffs for the G20 countries in Table 2 remains the most accurate approach.

The first caveat suggested by Table 2 is that the average applied tariffs of the G20 countries are rather similar. There are within the range of 10 to 15 percent in agriculture for most countries. China and India seem two exceptions. However, Table 2 does not include the ongoing changes in Chinese tariffs in accordance to China's Accession Protocol (China's average farm tariff at the end of the WTO accession period is expected to be lower than 15 percent) and recent tariff reductions undertaken by India. A second caveat is that most G20 members have close average tariffs for farm and industrial goods (admittedly, average tariffs are very crude estimates for the uniformity of tariff schedules). All this is a sharp contrast with the G2 or Quad coalitions which exhibit a wide discrepancy among members' farm tariffs and very different farm and industrial tariffs for each member—a sure sign of die-hard vested interests in their farm sectors.

Table 2 suggests two other key sources of homogeneity. First is with respect to the very sensitive food security issue (the fear that farm liberalization could generate food shortage in developing countries). Few G20 members have high food security risk (indexes equal or lower than 2). Moreover, the share of farm exports subjected to OECD support suggests that most of the G20 countries which are not members of the core G3+3 have strong incentives to support the G20 requests for OECD farm liberalization.

A second way to assess how much glue is cementing the G2 and G20 coalitions is provided by the gains that their key members could expect from farm liberalization.

In this respect, Table 3 provides two interesting results. First, all the key members of the G2 and G20 coalitions gain from farm liberalization, with the exception of China for which what would happen in the trade negotiations on industrial products is crucial (see discussion below). Second, and more crucially, Table 3 suggests that, among the largest G20 countries, Brazil and India have a similar structure of their expected gains from farm liberalization. Both have high stakes in gains related to farm liberalization, with *more* gains flowing from developing countries liberalization than from G2 or Quad liberalization. For instance, Brazil would gain five times more from the farm liberalization of the developing countries than from OECD farm liberalization. That the G2 gains and the G20 gains flow mostly from their own liberalization and from the liberalization of their coalition fellows reflects both a well known economic result (liberalization benefits to the countries implementing it) and facts (farm trade between developing countries is enjoying robust growth, despite the fact that it is currently hampered by unbound, volatile, tariffs).

These similarities between Brazil and India suggest two concluding remarks. First, of course, economic calculations do not determine political perceptions. New Dehli is certainly much less vocal about farm liberalization than Brasilia. However, anecdotical evidence suggests that Brazilian and Indian business circles have a much more similar approach than their respective governments. In other words, the above calculations (if correct) should, sooner or later, be reflected in political perceptions. Second, the logic of these economic calculations means that the core G20 countries should fight for farm liberalization by the developing countries at least as much as for OECD farm liberalization. It is very unlikely that these key G20 countries are prepared to such a challenge. This may be the Achilles' heel of the G20 coalition, all the more because, would the G20 core countries be prepared to face this challenge, the G2 may try to unite the other developing countries against the G20 coalition—indeed a tactic followed by the EC with a great zeal.

What can the G2 do?

So far, the G2 has not reacted to the G20 initiative—except by "collapsing," in early 2004, with R. Zoellick's letter distancing the U.S. from the G2 text tabled for the Cancun Ministerial, and by "collapsing again," in May 2004, with the Fishler-Lamy "letter" to WTO negotiators (interestingly, the report of this letter by the EC website is more prolix about U.S. protectionist farm measures than about EC concrete initiatives in agriculture). There are three possible reactions for the G2 countries: "divide and reign," negotiate with the G20, or give up the Doha Round.

Divide and reign

The G20 concentration makes a "divide and reign" tactic difficult for the G2—and *a fortiori* for any of its members. However, paradoxically and suprisingly, the U.S. and the EC have tried this tactic, independently from each other, at different times. Difficulties for the G2 start with the fact that trying to "bribe" or threaten a small G20 country (rumors have suggested that it was the case during and immediatly after the Cancun Ministerial) does not give much to the G2 because the G20 core (that is, the G3+3) remains intact. Indeed, a too bullish approach could even generate net losses for the G2 because of the deep political resentment against the G2 countries among small WTO members.

As a result, a "divide and reign" approach requires the G2 to "buy" one of the three largest G20 countries. The G20 member which seems the most natural choice to target first is Brazil, all the more because there is the opportunity of ongoing negotiations on the U.S.-inspired FTAA and on the EC-Mercosur free trade agreement (FTA). Since Spring 2004, the G2 country pursuing the most actively this approach is the EC, with its offers of tariff-rate quotas (TRQs) to Mercosur countries (and specially Brazil) at the detriment of other potential food exporters.

However, this tactic creates serious problems for both the G2 and Brazil. From the G2 side, the vast efficiency of Brazilian agriculture, both in sugar-type products (that is, products with powerful protectionist lobbies in the U.S. and the EC) and in soybean-type products (that is, products with traditionally export-oriented, free trade-friendly lobbies, at least in the U.S.) makes the FTAA and the EC-Mercosur FTA politically unattractive options in the G2 countries. Both preferential agreements require the opening of G2 farm markets, confronting G2 domestic farmers to their most severe world competitors (those from Brazil) while, in exchange, G2 exporting interests get only access to Brazilian markets. In other words, adjustment costs for—hence political opposition from—the EC and U.S. farmers are the same, be the U.S. or EC farm market opening negotiated in preferential agreements or at the WTO level. In sharp contrast, benefits for U.S. and EC exporters from regional or multilateral liberalization are very different because, if Mercosur markets are large, they are nevertheless much smaller than the world markets to be opened by a WTO deal.

Problems from a Brazilian (Mercosur) perspective are quite different. From an economic point of view, TRQs are likely to be a trap for Mercosur exporters. They have the capacity to minimize as much as possible the competitive pressures from Mercosur farmers on European farmers, and they do not ensure that Mercosur exporters will get the TRQ-associated rents (which are much more likely to be grabbed by European importing or producing firms). From a political perspective, it may be difficult for Brazil to leave the G20 coalition that it has so much contributed to create: such a move could generate a long-lasting negative reputation for Brazil as an unreliable coalition leader in the WTO forum. Indeed, Table 3 suggests that the EC or the U.S. could have hard time to "buy" Brazil if Brazil realizes that it can gain so much from developing countries' liberalization.

Trying to extract China or India from the G20 coalition seems even more difficult, even if one leaves aside the size dimension (politically crucial). China's most urgent task is to deliver its own commitments from the Accession Protocol. It is also to reduce its domestic distortions in order to fully benefit from its ongoing liberalization: China is expected to gain more from improving the functioning of its domestic labor markets than from further reduction of its trade barriers [Drake-Brockman and Anderson 2003]. In sum, China is interested in farm liberalization to the extent that it would be accompanied by liberalization in industrial products from its trading partners. Hence, even if one ignores the political costs for China to leave the G20 (to leave the leadership to India) China looks an unplausible candidate for exit. India is in a roughly similar position, even if it is still less confident than Brazil and China in the benefits that it could reap from multilateral trade negotiations, and although its export capacities in services benefit from the ongoing technological progress so greatly that it may not be induced to pay all the necessary attention to the WTO forum. Hence, even leaving aside the political costs from an exit decision (to leave the leadership to China), the potential gains from farm and services liberalization seem sufficient to make exit from the G20 coalition an ultimatly unattractive option for India.

Negotiate

As a result, the G2 may choose the option of negotiating. If the G20 coalition has tabled its offensive interests in agriculture, the G2 has tabled offensive interests in industrial products and services, with U.S. and EC convergent views in these matters. Negotiations thus consist in balancing the G2 requests in industrial goods and services with the G20 requests in farm products. As said above, the Fishler-Lamy letter is much disappointing in this respect. Its industrial section requests a "simple, general and ambitious formula for market opening accompanied by a short set of qualifications or exceptions in country or product terms." This is to compare with its section on farm liberalization which argues for a (much fought by the G20 coalition) "blended formula" on tariffs, a reduction limited to (undefined) "trade-distorting" domestic support, the recognition of the (undated) "objective" of eliminating all forms of export support and the introduction of (undefined) "non-trade" concerns. It is hard to see any progress since Cancun.

The second critical point is that these negotiations require asymmetrical efforts from the U.S. and the EC, and provide them asymmetrical benefits. According to Table 3, the EC gains from farm liberalization would mostly derive from its own farm liberalization, whereas the U.S. gains would noticeably flow from developing countries liberalization. Moreover, additional calculations show that developing countries gain much more from the EC farm liberalization than from the U.S. one [Diao, Diaz-Bonilla and Robinson 2003]. In sum, EC action is what is needed first and foremost. However, acting alone in agriculture is politically difficult for the EC, and U.S. support would make things easier. But, the U.S. needs support from the major G20 members to get the developing countries moving in agriculture, manufacturing and services. There are thus clearly mutually profitable trade-offs, but they require an unprecedented level of "coordinated moves" by 5 to 10 large WTO members—the real challenge of the Doha Round.

Give up

Of course, the G2 countries could adopt a last option: to give up the Doha Round. This option will be a serious blow to the U.S. leadership in trade negotiations (there has never been a noticeable EC leadership in multilateral trade matters). It will further weaken the EC economies which critically need external stimulus for their economic growth. Paradoxically, it will not be necessarily the end of the WTO because, as suggested above, the key G20 members begin to realize that they could greatly benefit from multilateral negotiations. But it will take time before these countries will be conscious enough of these gains, and will be large enough to firmly exert an effective leadership in a renovated WTO.

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Table 1. The G20 and G2 coalitions, selected data (2002)

Countries	Population	GNI [a]	GNI per capita [a]	GNI [b]	GNI per capita [b]	Growth rate [c]	Average tariffs farm [d]	Average tariffs industry	Average tariffs all goods	Food security risk [e]	Farm export exposure [g]	Coalition member [h]
EC	382	8164,1	21372	9906	25932	2,2	57,0	4,2	5,0	10,5	2,2	--
US	288	10207,0	35400	10414	36110	3,4	21,0	4,3	4,8	10,0	5,2	--
total/avg G2	670	18371,1	27420	20320	30328	2,8	39,0	4,3	4,9	10,3	3,7	--
Canada	31	702,0	22390	907	28930	3,2	25,0	4,5	4,5	11,0	3,4	--
Japan	127	4323,9	34010	3481	27280	1,3	144,0	2,7	5,2	9,0	0,1	--
total/avg Quad	828	23397,0	34010	24708	27280	2,5	61,8	3,9	4,9	10,1	2,7	--
Argentina [i]	36	154,0	4220	387	10190	2,7	10,4	11,0	11,0	11	25,6	G77
Bolivia	9	7,9	900	21	2390	3,6	10,0	8,9	9,7	3	11,3	G77
Brazil [i]	174	494,5	2830	1300	7450	2,7	10,8	13,9	13,6	5	13,1	G77
Chile [i]	16	66,3	4250	147	9420	5,9	10,0	10,0	10,0	8	14,2	G77
China [i]	1280	1234,2	960	5792	4520	9,7	16,5	16,9	16,8	6	1,9	G77
Costa Rica [j]	4	16,1	4070	34	8560	4,9	16,8	5,4	7,2	5	37,5	G77
Cuba	11	na	na	na	na	na	9,7	10,9	10,7	2	50,7	G77, LMG
Ecuador [j]	13	19,1	1490	43	3340	1,9	15,5	11,0	11,6	5	31,2	G77
Egypt [k]	66	97,6	1470	253	3810	4,5	22,7	20,2	20,5	7	11,0	G77, LMG
El Salvador [j]	6	13,6	2110	31	4790	4,3	10,0	4,4	5,7	2	42,0	G77, LMG
Guatemala [j]	12	21,0	1760	48	4030	4,0	10,7	7,0	7,6	3	48,6	G77
India [i]	1049	494,8	470	2778	2650	5,8	30,5	32,4	32,2	3	8,4	G77, LMG
Indonesia [k]	212	149,9	710	650	3070	3,6	11,9	10,7	10,9	6	2,9	G77, LMG
Mexico	101	597,0	5920	887	8800	3,0	11,5	10,0	10,1	7	3,0	
Nigeria	133	39,5	300	106	800	2,4	23,0	24,0	23,4	5	1,8	G77, AG, LMG
Pakistan	145	60,9	420	284	1960	3,6	42,7	46,9	46,5	4 [f]	7,0	G77, LMG
Paraguay	6	6,4	1170	25	4590	1,8	10,2	9,0	9,0	5	55,1	G77
Philippines	80	82,4	1030	356	4450	3,5	14,2	9,3	10,0	3	5,6	G77
South Africa [i]	45	113,4	2500	445	9810	2,2	8,0	8,6	8,5	8	6,4	G77, AG
Thailand	62	123,3	2000	425	6890	3,7	32,1	14,6	17,1	12	7,0	G77
Tanzania [k]	35	9,7	290	20	580	3,5	17,4	16,2	16,1	1	na	G77, AG, LMG
Venezuela	25	102,3	4080	131	5220	1,1	12,5	11,9	12,0	5 [f]	0,8	G77
Zimbabwe [k]	13	na	na	28	2180	1,1	27,0	21,7	22,2	na	59,3	G77, AG, LMG
total/avg G20	3520	3903,9	1109	14163	4024	3,7	16,2	14,2	14,6	5,4	18,3	--
total/avg G3+3 [ij]	2600	2557,2	984	10849	4173	4,8	14,4	15,5	15,4	6,8	11,6	--

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Source: World Bank website, May 2004.

Notes: [a] at current exchange rates; [b]: at Purchase Power Parity. [c] average annual growth rate of GDP, 1990-2002.

[d] Applied tariffs. PSEs tariff equivalents instead of farm tariffs for the EC (10%), US (8.7%), Canada (4.6%) and Japan (11%). Tariffs on all goods are based on farm tariffs.

[e] Source: IFPRI, 2002. [f] NFIDCs: Net Food Importing Developing Countries, as defined in the Uruguay Round.

[g] Share of exports subjected to farm support in the OECD countries.

[h] G77: "Developing countries;" LMG: Like-Minded Group; AG: African Group.

[i] The G3+3 core group of the G20 Coalition. [j] G20 members having left the G20. [k] G20 members having joined the G20.

Table 2. Proposals for Liberalizing Agriculture, as of March 2004

	G2 Aug. 13	G22 Aug. 20	GC Chair Aug. 30	Derbez Sept. 13
Market access				
Tariff cuts				
Swiss formula				
Formula mix: UR formula, Swiss formula, tariff elimination	y	y	y	y
Tariff cap		y		
Tariff cap or equivalent access via TQRs	y		y	y
Target for the average tariff cut				y
Exceptions for non-trade concerns				y
TRQs				
Expand the quota component		y		y
Use TRQs in combination with tariff cuts	y		y	
Use as an alternative to tariff cuts for sensitive products			y	
Eliminate or reduce in-quota tariffs		y		y
Strict rules for administration		y		
Eliminate TRQs				
Existing special safeguard				
Keep existing special safeguard	y			
Eliminate existing special safeguard		y	y	y
Special and differential treatment for DCs				
Define benefiting DCs				
No tariff cap				y?
Different tariff caps				
Tariff reductions based on UR formula (3 bands)		y	y	y
Tariff reductions based on UR and Swiss formulas			y	
Duty-free for x percent of imports from DCs	y	y	y	
Duty-free for tropical products		y		
Duty-free for all imports from the poorest countries				
Minima linear tariff cuts and no TQRs for special products			y	y
Tariff reductions and TRQs for sensitive products			y	y
No TRQ expansion		y		
Special products		y		y
Discuss or negotiate Special Safeguard Mechanism (SSM)	y	y	y	y
Export competition support				
Export subsidies				
Eliminate on products of interest for DCs	y	y	y	y
Reduce on other products by UR formula	y		y	y
Eliminate on other products over x years		y		
Discuss date for elimination			y	y
Subsidy component of export credits				
Eliminate on products of interest for DCs	y			y
Reduce on other products in parallel with export subsidies	y			
Discipline by rules		y		
Reduce and eliminate		y		
Eliminate			y	
Phase-out export credits on others				y

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Eliminate in parallel with export subsidies				
Food aid				
Prevent commercial displacement by food aid	y	y	y	y
World Fund for Food Aid				
State trading enterprises				
Discipline STEs	y			
Discipline by rules		y		
Reduce and eliminate subsidy component		y		
Eliminate subsidy component			y	y
Export restrictions				
Stregnthen disciplines			y	y
Special and differential treatment				
Higher de minimis threshold on export subsidies (the "Chilean rule")				
Domestic support				
Amber box (AB)				
Reduce AMS by significantly more than UR	y		y	y
Greater efforts by countries with higher AB	y	y	y	y
Reduce (AB+BB+DM) payments below AMS2000 payments	y			
Reduce (AB+BB+DM) payments below (AMS2000+BB+DM) payments			y	
Reduce AMS on a product-specific basis		y		
Down-payments in first year		y		
Higher reductions on products important in export markets		y		y
Reduce (AMS+DM)		y		y
Cap product-specific AMS levels				y
Reduce AMS by a Swiss formula				
Blue Box (BB)				
Redefine to remove production-limiting requirement	y		y	y
Include only payments based on fixed areas, yields, and limited quantities	y		y	y
Cap payments to 5% of value of agricultural production	y		y	y
Eliminate		y		
Green Box (GB)				
No change	y			
Cap and/or reduce payments for ICs		y		
Dioscuss criteria			y	
Review criteria				y
De minimis (DM) provisions				
Reduce the level of DM provisions	y		y	y
Reduce the level of DM provisions for ICs		y		
Special and differential treatment				
Higher de minimis threshold				

Source: Adapted from Josling and Hathaway, This Far and No Farther? Nudging Agricultural Reform Forward. Institute for International Economics, PB04-1, March 2004.

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Table 3. Expected Gains from Liberalization

	Liberalization of farm and food products				Liberalization of all the other goods				Total gains from liberalization	
	by developed countries		by developing countries		by developed countries		by developing countries			
	$billion	per cent	$billion	per cent	$billion	per cent	$billion	per cent	$billion	% GDP
North America	11	9,0	9	20,0	-8	-44,4	10	14,3	22	0,2
Western Europe	61	50,0	2	4,4	-11	-61,1	19	27,1	71	0,7
Australia/New Zealand	8	6,6	1	2,2	0	0,0	1	1,4	10	2
Japan	30	24,6	0	0,0	6	33,3	8	11,4	44	0,8
HongKong, Korea, Taiwan	1	0,8	12	26,7	3	16,7	12	17,1	28	2,3
Developed countries	110	90,2	11	24,4	-13	-72,2	39	55,7	146	0,6
	75,3		7,5		-8,9		26,7		100,0	
Brazil	1	0,8	5	11,1	2	11,1	8	11,4	16	2
China	-5	-4,1	-4	-8,9	10	55,6	-7	-10,0	-6	-0,4
India	1	0,8	2	4,4	3	16,7	3	4,3	9	1,8
South Africa	1	0,8	0	0,0	0	0,0	1	1,4	1	0,9
Other Latin America	14	11,5	3	6,7	1	5,6	1	1,4	19	2,4
Indonesia	0	0,0	0	0,0	1	5,6	1	1,4	2	0,9
Other SouthEast Asia	-1	-0,8	6	13,3	1	5,6	4	5,7	11	2,6
Other Sub-Saharan Africa	2	1,6	1	2,2	0	0,0	0	0,0	3	1,4
Other South Asia	0	0,0	3	6,7	1	5,6	2	2,9	7	4,6
Turkey	-1	-0,8	1	2,2	1	5,6	1	1,4	2	0,9
Middle East & North Africa	-3	-2,5	0	0,0	2	11,1	-1	-1,4	-2	-0,2
Economies in Transition	1	0,8	2	4,4	3	16,7	0	0,0	6	0,7
Rest of the world	3	2,5	3	6,7	1	5,6	4	5,7	11	3
Developing countries	12	9,8	34	75,6	31	172,2	31	44,3	108	1,9
	11,1		31,5		28,7		28,7		100,0	
All countries	122	100,0	45	100,0	18	100,0	70	100,0	254	0,8

Source: Anderson et al. 2001.

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Table 4. Farm liberalization: main sources of gains and beneficiaries

	Changes in farm value added				
	Liberalization occurs in:				
	US	EC	Japan	All developed countries	All countries
	in millions of USD				
Total developing countries	4977	11402	3246	20263	17050
	in percent of total gains				
Total developing countries	29,2	66,9	19,0	118,8	100,0
	changes from base in percent				
Brazil	0,4	1,1	0,2	1,7	1,9
China	0,4	0,4	0,6	1,5	0,5
India	0,2	0,4	0,1	0,7	0,7
South Africa	0,6	3,4	0,7	4,9	5,0
	net change in the situation, by country				
<u>Number of countries facing net losses from liberalization</u>					
Among the poorest countries	0	0	0	0	0
Among middle-income developing countries	0	0	0	0	1
<u>Number of countries facing net gains from liberalization</u>					
Among the poorest countries	13	13	13	13	13
Among middle-income developing countries	27	27	27	27	26
Total number of developing countries	40	40	40	40	40

Source: Diao, Diaz-Bonilla and Robinson, Tell me where it hurts, an' I'll tell you who to call, IFPRI 2004.

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