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OECD GLOBAL FORUM ON AGRICULTURE 2005

Session 2 – Enhancing Global Agriculture Trade Through a Fair and Market Oriented Trading System

POLICY COHERENCE FOR DEVELOPMENT: ISSUES FOR BRAZIL

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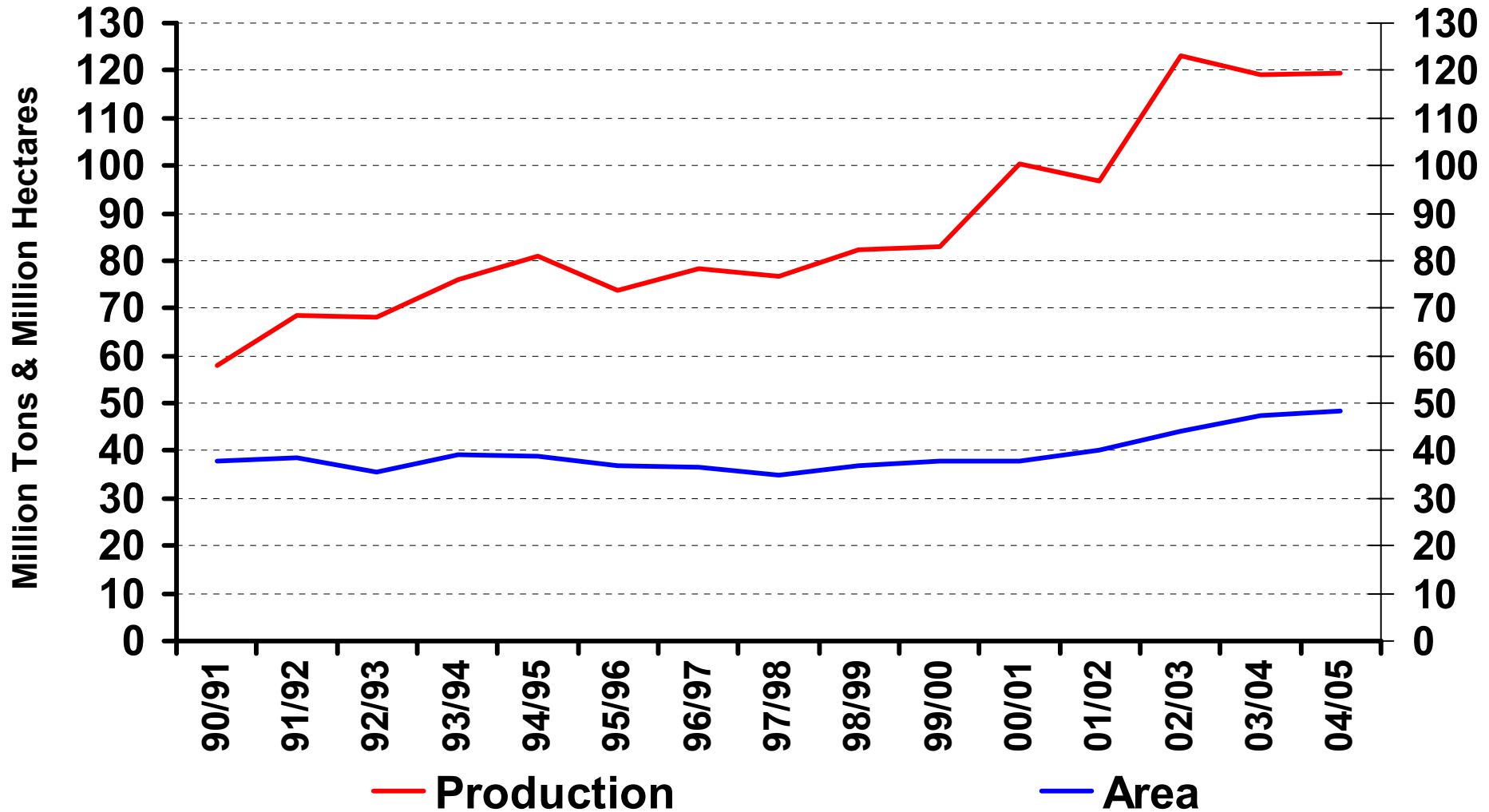
Paris, France

30 November 2005



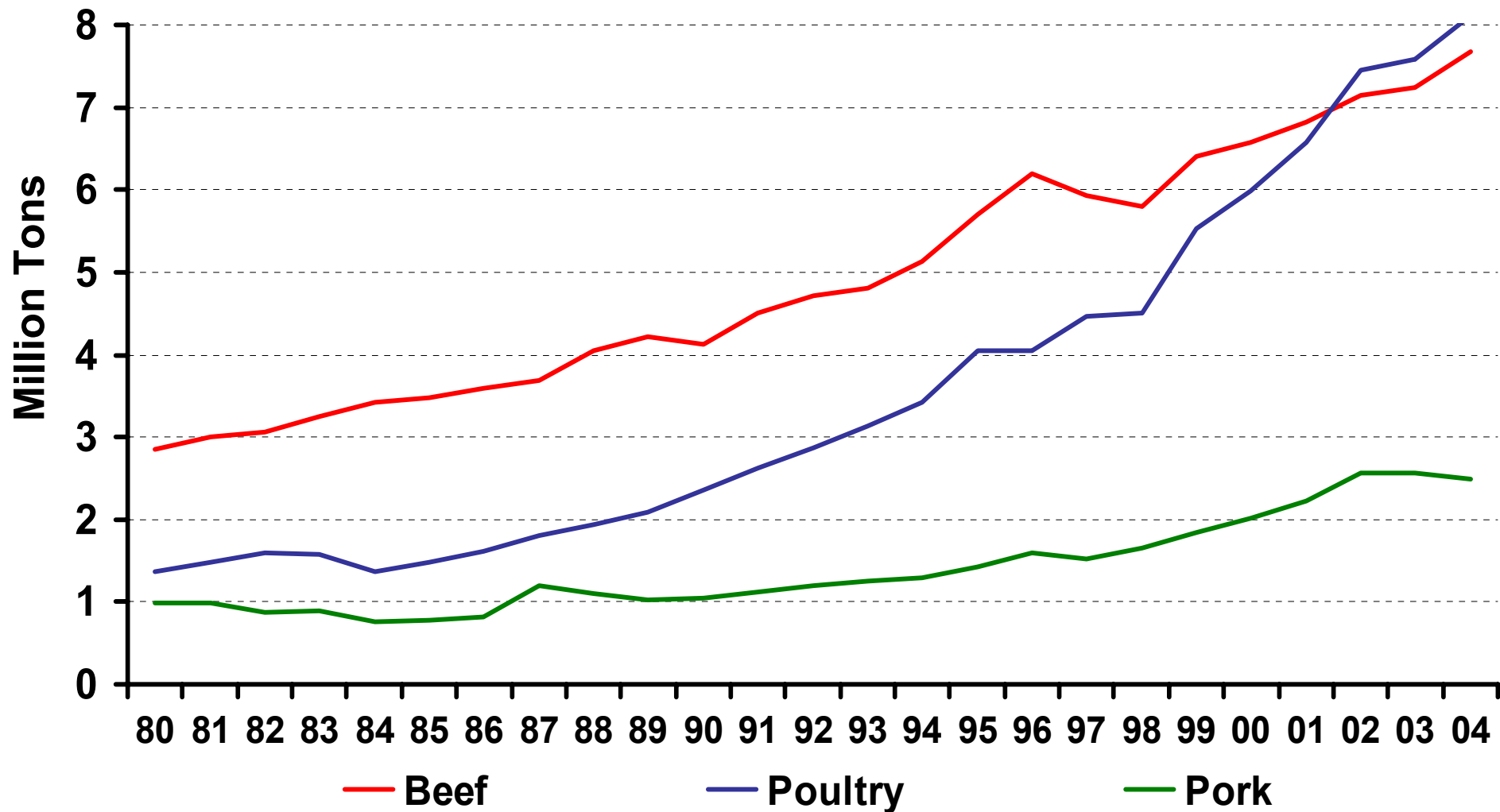
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Evolution of Brazilian Agriculture: GRAINS



Source: CONAB
Elaboration: ICONE

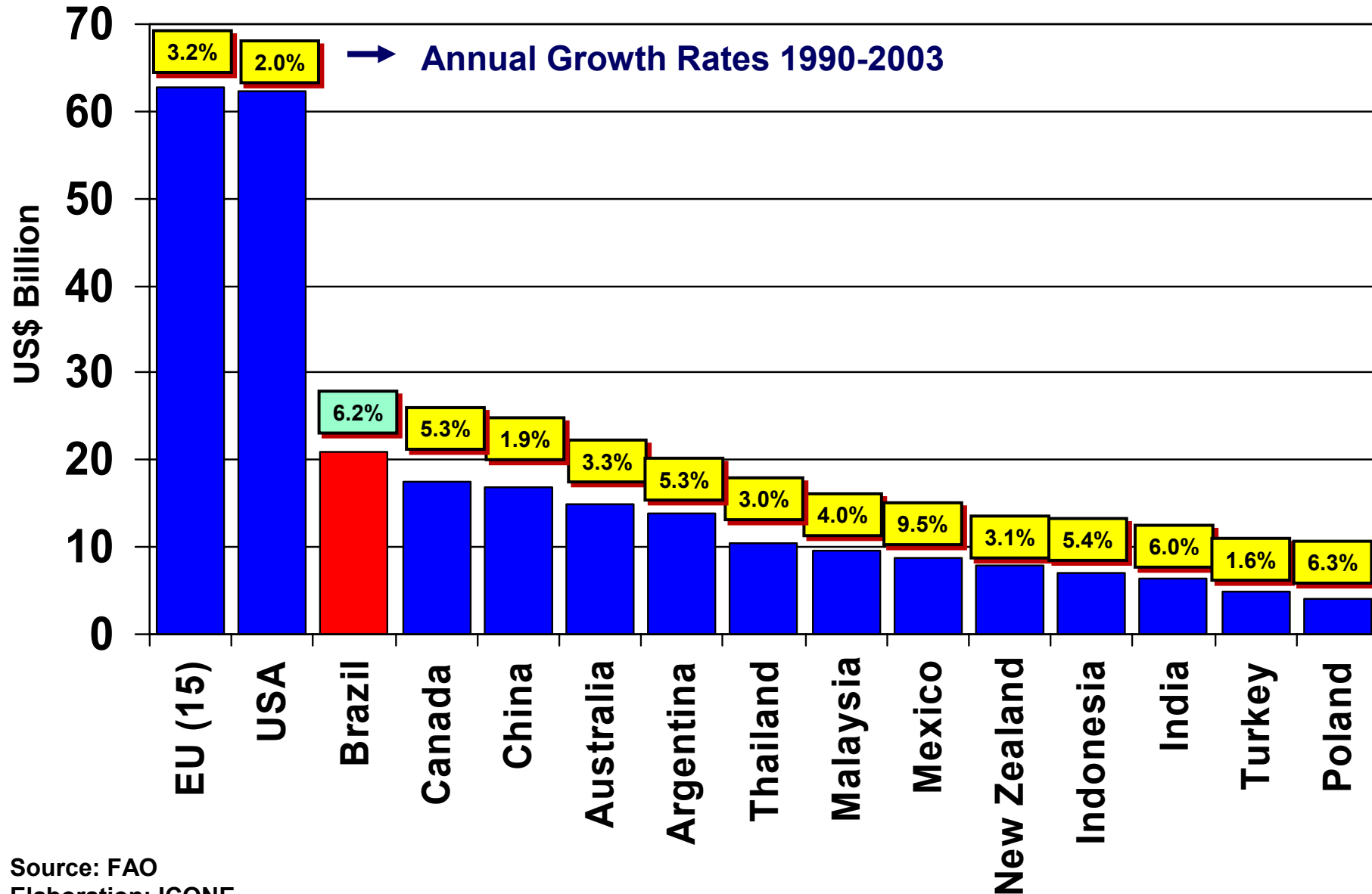
Evolution of Brazilian Agriculture: MEATS



Sources: CONAB (1995-2003); FAO (1980-1994)
Elaboration: ICONE

International Agribusiness Trade

Agribusiness: 15 World Largest Exporters (2003)

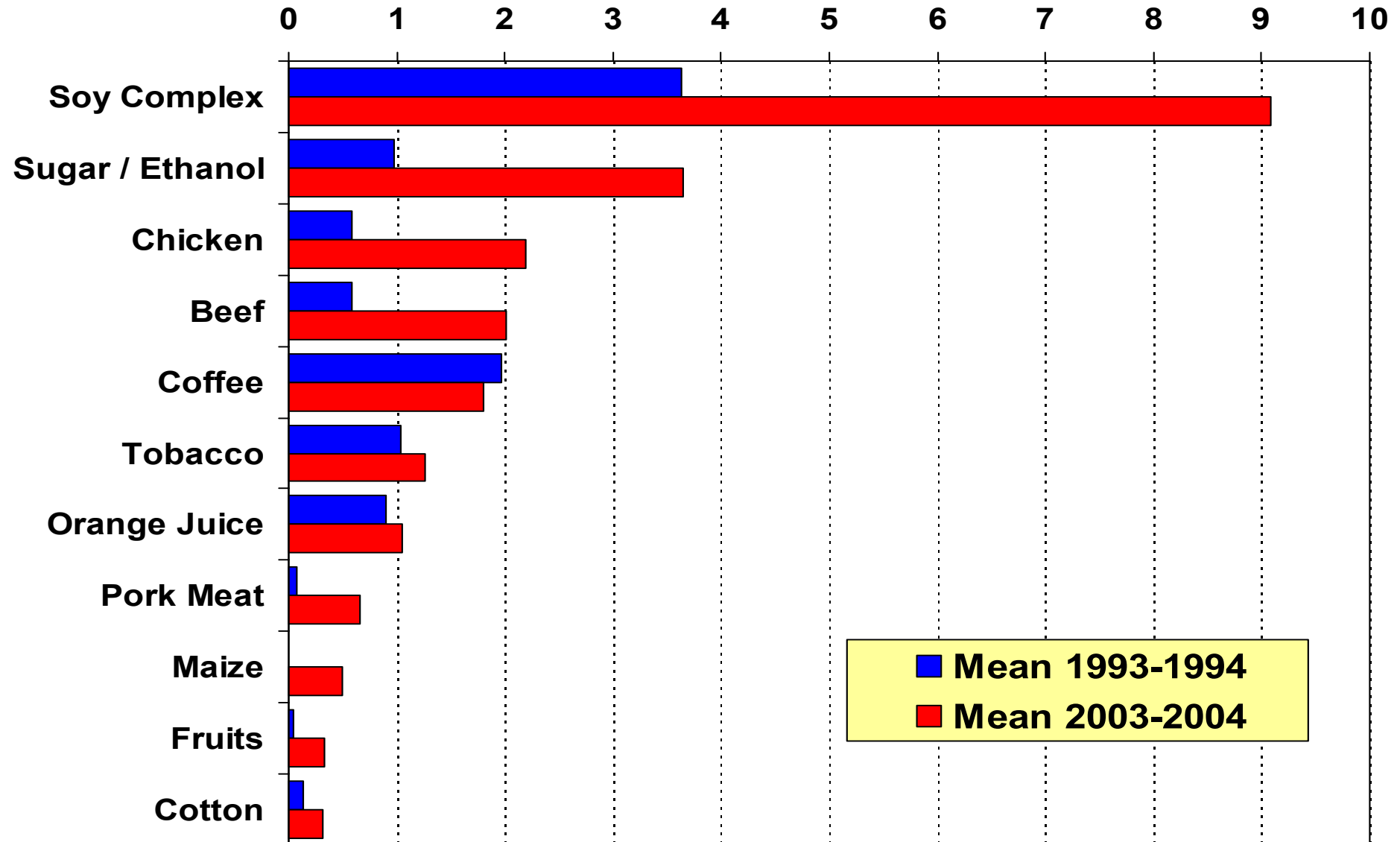




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Brazilian Agrifood Exports

US\$ Billion





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But...

**agrifood development faces
significant external and
domestic constraints**



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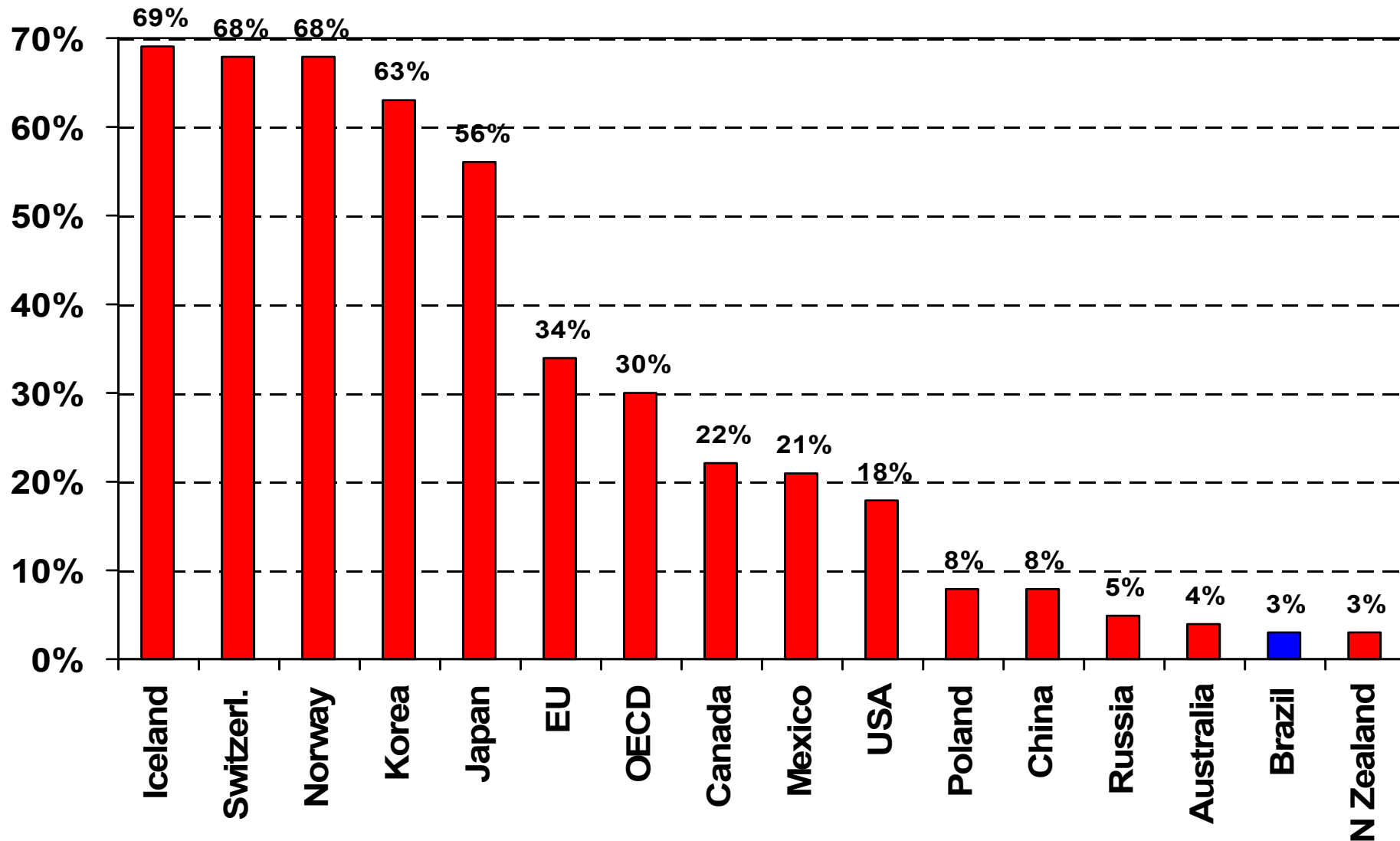
External Constraints

External Constraints

- **Traditional commodities: 90% of Brazilian agrifood exports.**
- **Market Access:**
 - **High tariffs, Tariff Peaks & Escalations, TRQs, Special Safeguards,....**
 - **NTBs: Sanitary, Technical, Environmental, Social, Multifunctionality.**
- **Domestic Subsidies, especially in the US and EU.**
- **Export Competition: export subsidies & credits, food aid.**
- **Brazil is increasingly demanding a fair and market oriented rules-based system:**
 - **WTO Doha Round: G-20 (priority is to address systemic issues).**
 - **Regional agreements: FTAA and EU-Mercosur.**
 - **Litigation: Cotton, Sugar and Poultry Cases.**
 - **SPS: The “Regionalization” Principle (OIE).**

Overview of Domestic Subsidies

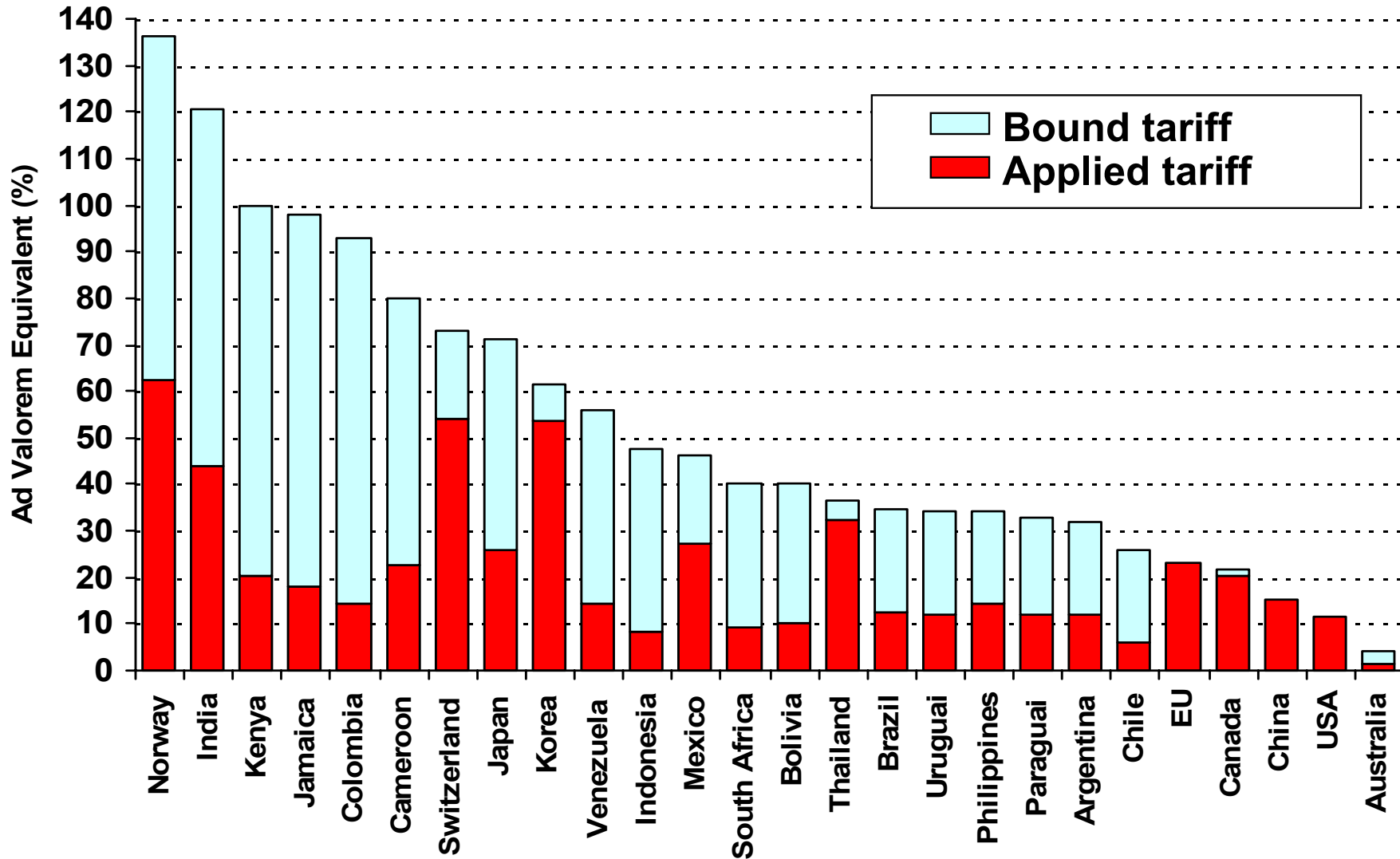
OECD - Producer Support Estimate (PSE%)



Notes: The %PSE expresses the total producer support as a percentage of gross farm receipts, measured by the value of total production (at farm gate prices) plus budgetary support. China and Russia data are 2002-03 averages. Source: OECD PSE/CSE databases, 2005.

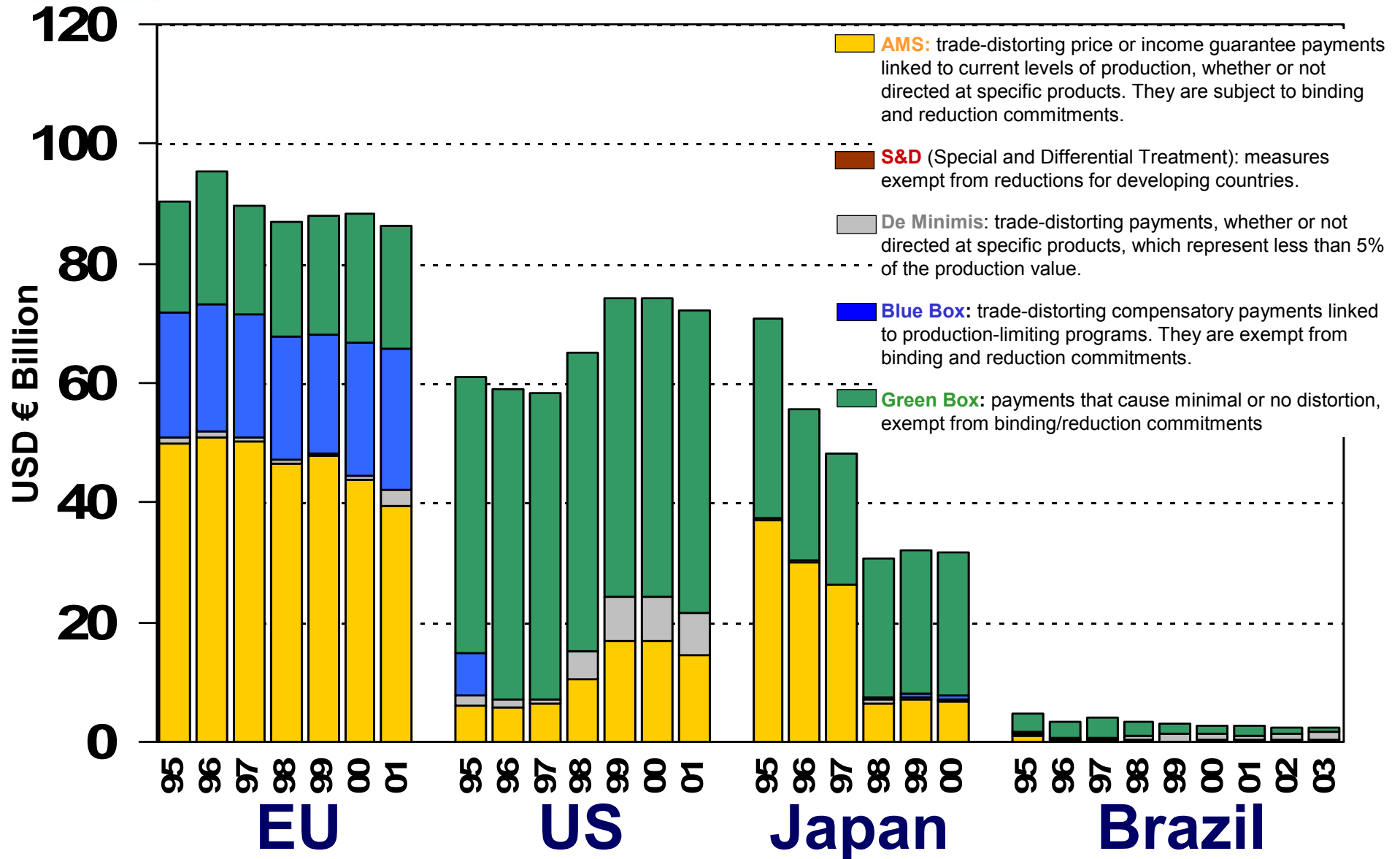
AVERAGE AGRICULTURAL TARIFFS

Bound x Applied



Note: 1) Specific and compound tariffs were converted into Ad Valorem Equivalents following the methodology agreed by WTO Members in 2005. Source: WTO. Elaboration: ICONE.

WTO: Overview of Total Domestic Support

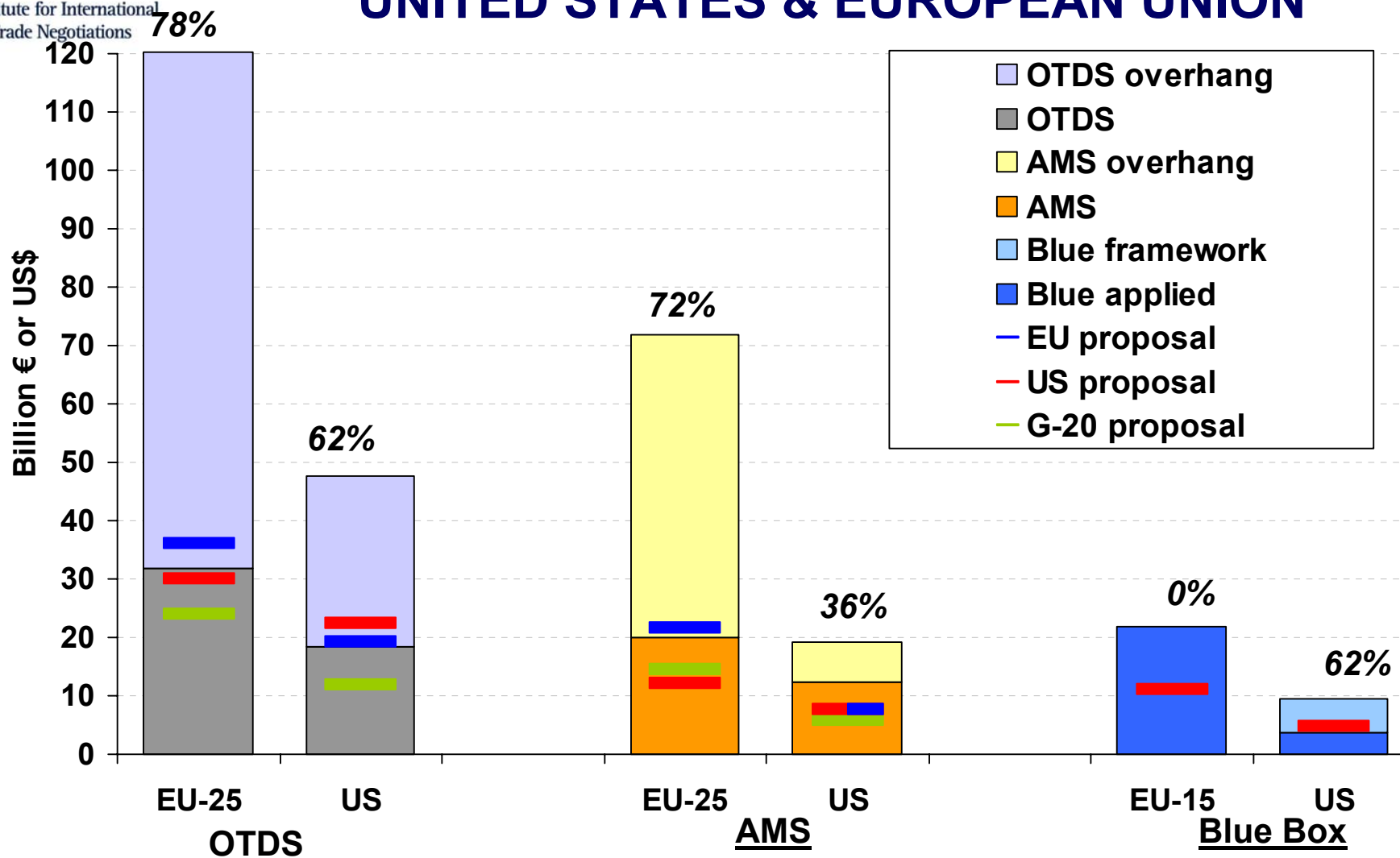


Source: WTO notifications.



OVERHANG IN TRADE-DISTORTING DOMESTIC SUPPORT UNITED STATES & EUROPEAN UNION

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Sources: European Commission and USDA/Commodity Credit Corporation.

Notes:

EU: OTDS and AMS applied levels estimations for EU-25 according to the provisions of the Fischler Reform of the CAP. Figures are estimates for 2008. €26 billion were projected in OTDS. Data for the Blue Box refers to the latest EU-15 notification to the WTO.

US: 2004 data were collected in the USDA-CCC reports and adapted to the format of WTO notifications. Expenditures on CCP were included in the Blue Box.

Elaboration: ICONE.

Trade Barriers to Brazilian Exports (%)

Bound Tariff

Product	EU	USA	JAPAN
Raw Sugar	<u>161</u> *	<u>133</u> *	311*
Ethanol	43*	46*	27
Powder Milk	<u>64</u> *	<u>44</u> *	<u>155</u> *
Frozen Chicken Cuts	94*	12*	12
Frozen Pork	<u>43</u> *	0	<u>136</u> *
Frozen Beef	<u>124</u> *	<u>26</u>	50
Corn	<u>73</u> *	1*	87*
Tobacco	75	350	0
Orange Juice	15	39*	25

(*) indicates that specific tariffs were converted into their *Ad Valorem* Equivalent (AVE)

Underlined numbers indicate the existence of Special Safeguard Measures (SSG)

Shaded cells indicate sanitary restrictions that act as a barrier to trade



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Domestic Constraints

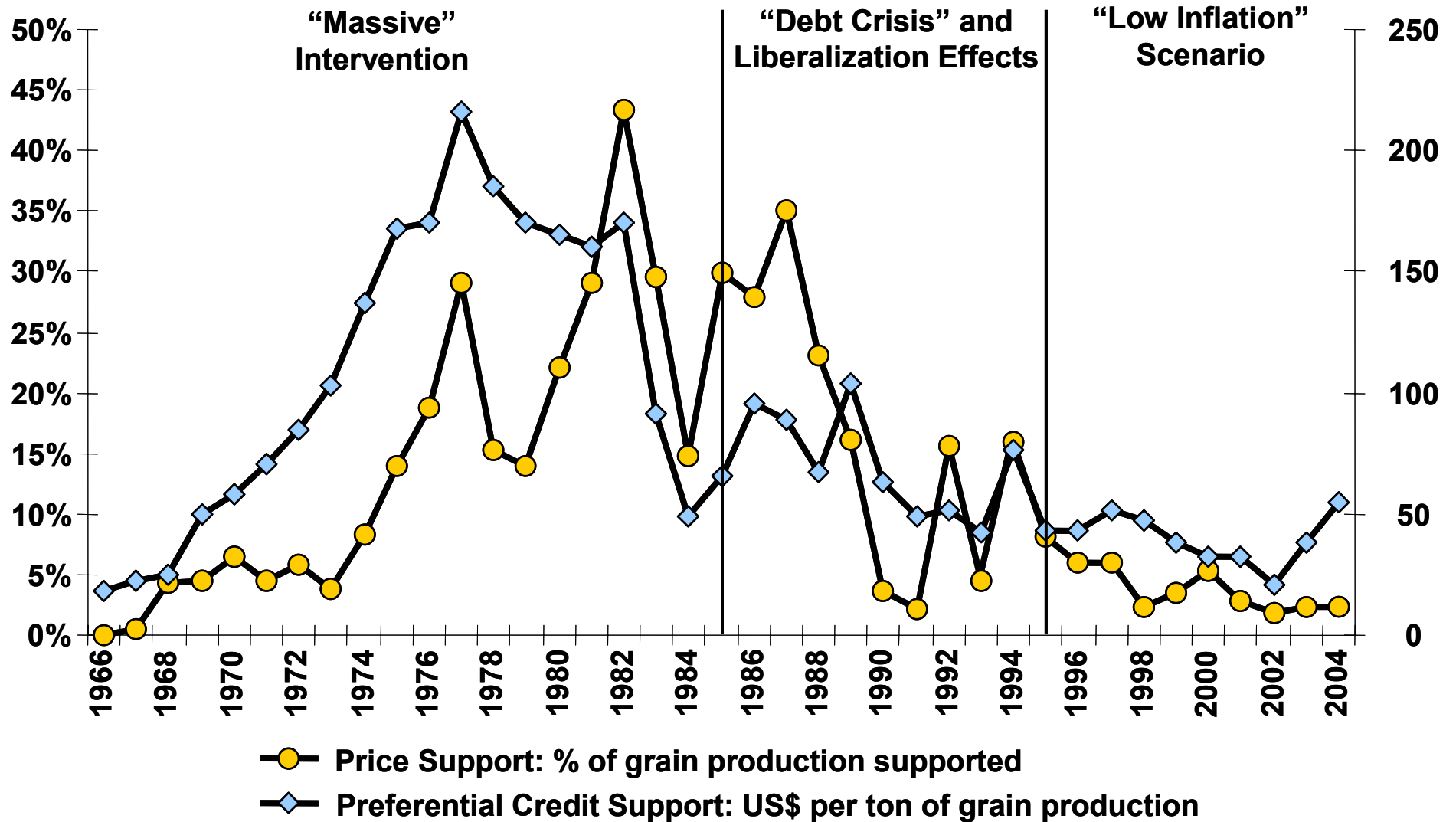


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Domestic Constraints

- Volatility of macroeconomic policies.
- Lack of clearly defined property rights to land.
- Regulatory framework of GMOs.
- Poor infrastructure.
- Priority shifts in agricultural policy goals:
 - Decline in government spending in traditional programs;
 - FMD crisis.

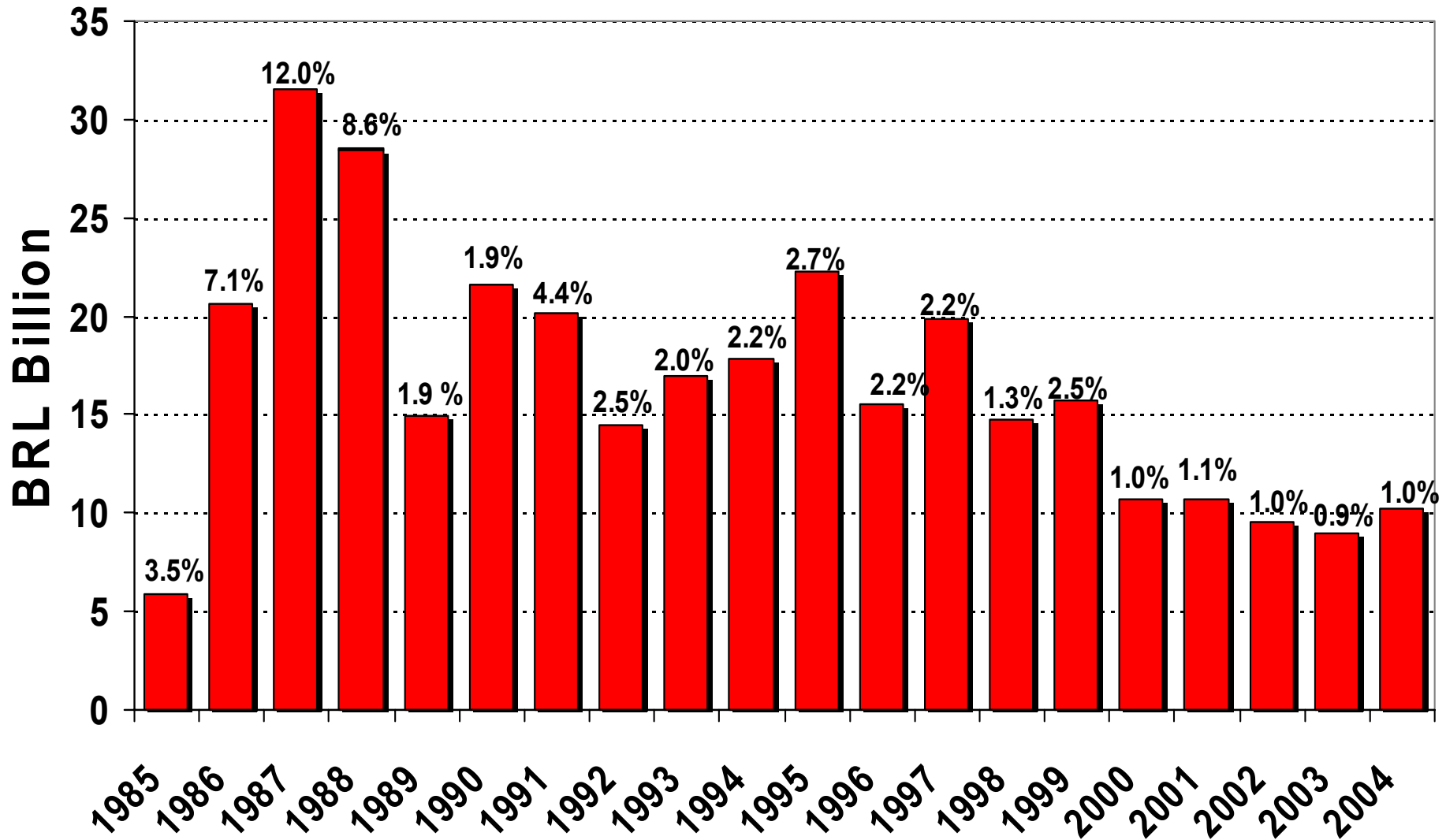
Brazil: Agricultural Policy Evolution



Note: Before 1965, there was price support for coffee, sugar cane, milk, and grains.

Source: Ministry of Agriculture, Livestock and Food Supply (MAPA), 2005. Elaboration: MAPA.

Brazilian Government Expenditures on Farm Programs*



Source: Ministry of Finance (2005).
Elaboration: Gasques (2004) and ICONE.

*Expenditures were corrected for inflation
by IGP-DI (base year is 2004).



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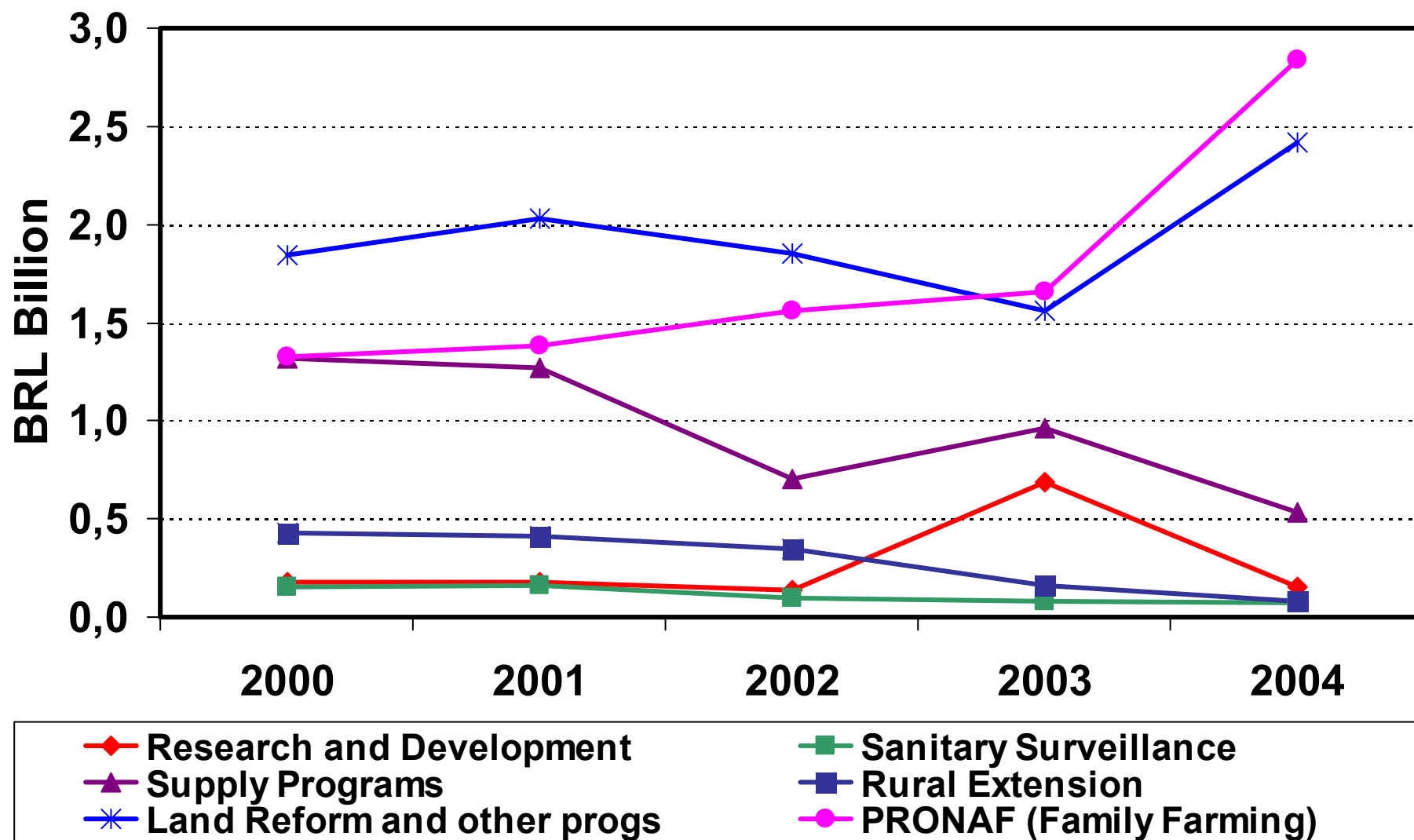
Brazilian Government Expenditures (BRL Billion)*

Years	Total Expenses In Agricultural Programs (A)	Total Expenses in Agrarian Organization (B)	(A)/ Total Government Expenditures	(B)/(A)
1985-89	101.52	6.47	5.6%	6.4%
1990-94	91.11	5.97	2.4%	6.6%
1995-99	88.15	15.01	2.1%	17.0%
2000-04	50.06	18.88	1.0%	37.8%
1985-04	330.85	46.34	3.1%	16.9%

Source: Ministry of Finance (2005).
Elaboration: Gasques (2004) and ICONE.

*Expenditures were corrected for inflation
by IGP-DI (base year is 2004).

Brazilian Government Expenditures in Specific Farm Programs*



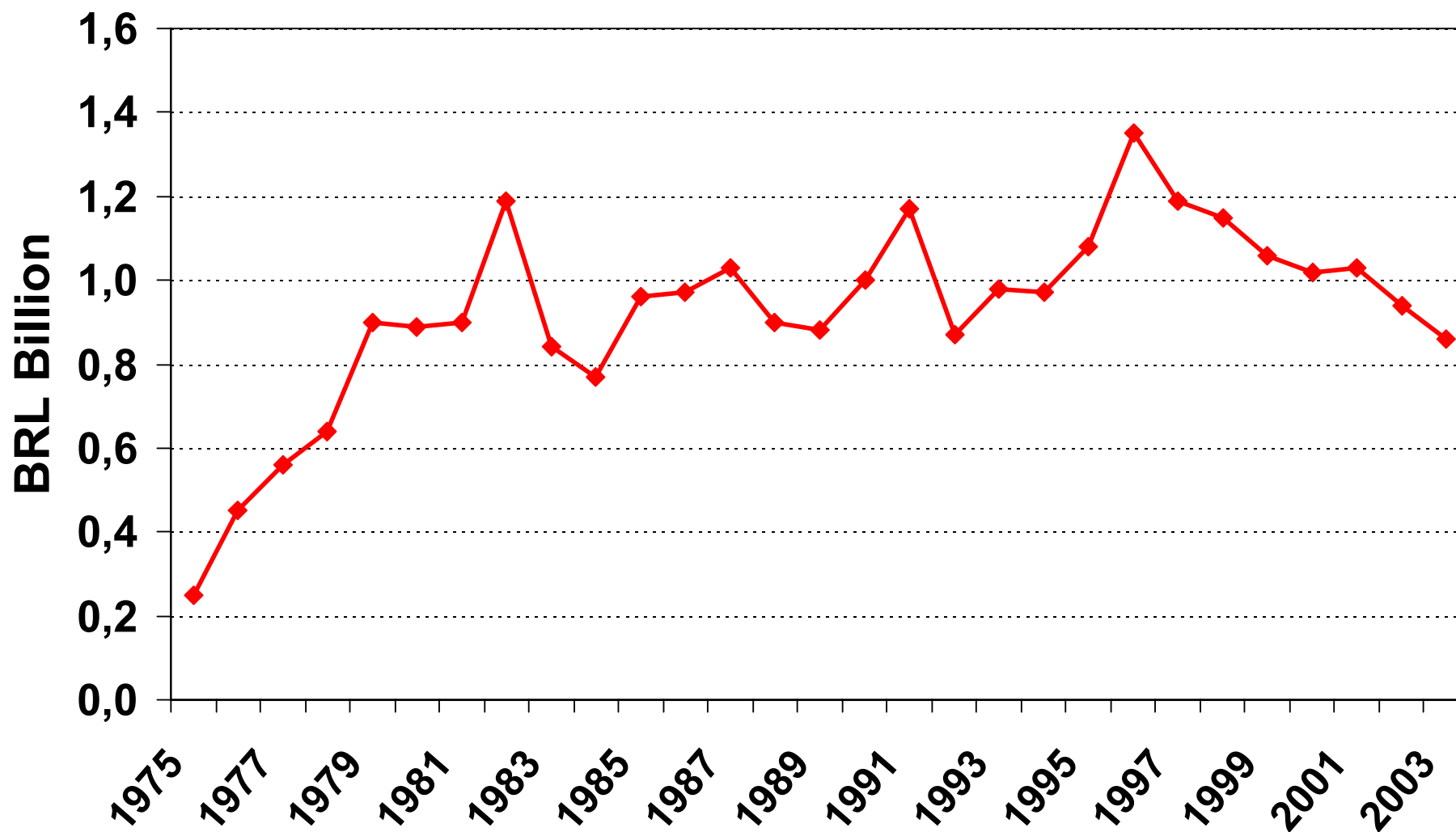
*Expenditures were corrected for inflation by IGP-DI (base year is 2004).

Source: Ministry of Finance (2005). Elaboration: Gasques (2004) and ICONE.



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Brazilian Government Expenditures in Agricultural Research (Embrapa)*



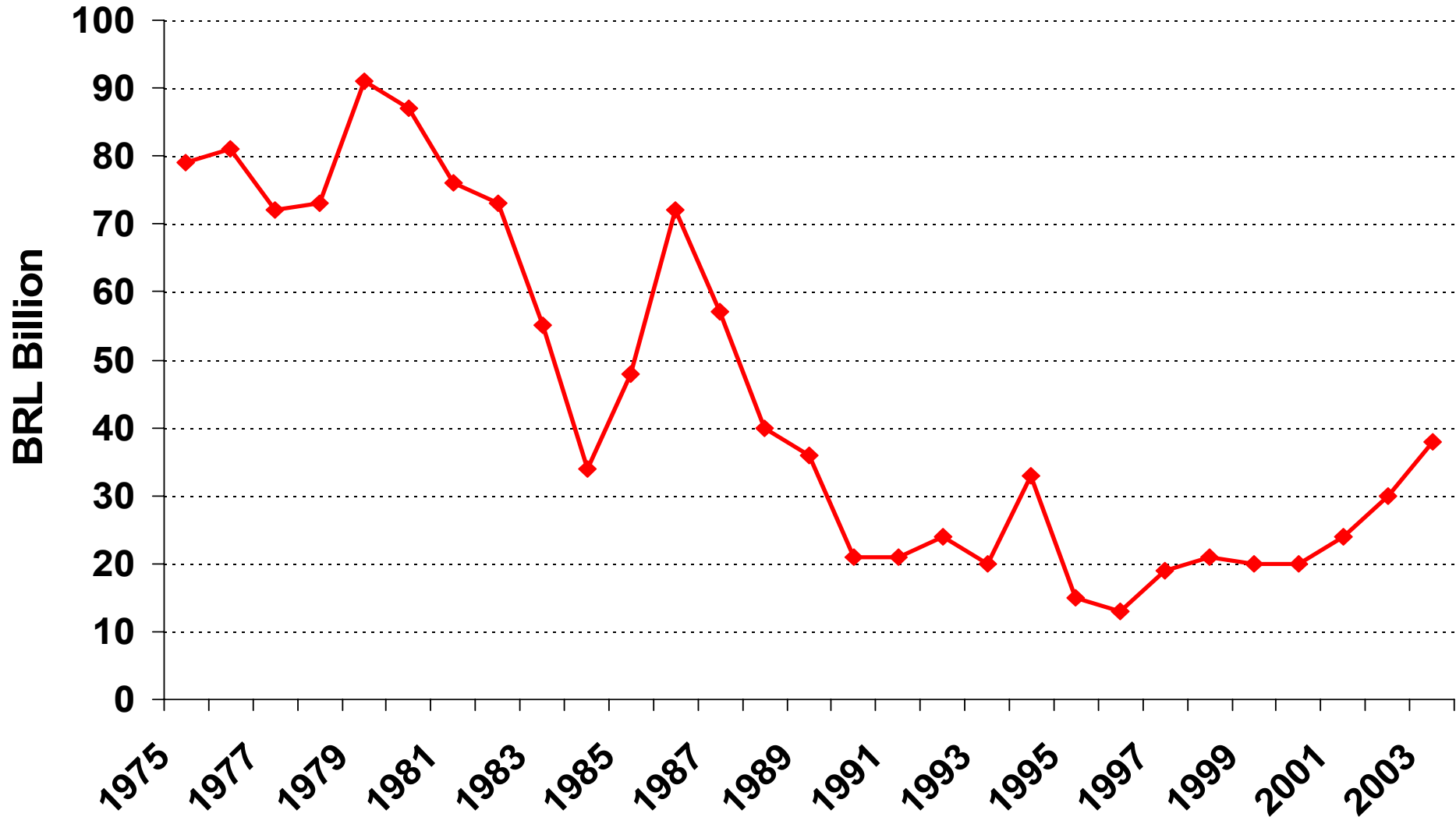
Source: Ministry of Finance (2005).
Elaboration: Gasques (2004) and ICONE.

*Expenditures were corrected for inflation
by IGP-DI (base year is 2004).



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Brazilian Government Supply of Agricultural Credit*



Source: Ministry of Finance (2005). Elaboration: Gasques (2004) and ICONE.

*Expenditures were corrected for inflation by IGP-DI (base year is 2004).



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Conclusions



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Traditional Ag Policies in Brazil

**Priority shift: family and commercial
agriculture seen as substitutes**

Food Security (1960 to 1990)	Social Inclusion (1990 to 2005)
<ul style="list-style-type: none">• Investments in tropical R&D.• Subsidized rural credit.• Commodity price support.• Government purchases.• Public agencies.• Price controls.• High tariffs & Import Substitution Model.• Export taxes.	<ul style="list-style-type: none">• Land Reform Programs.• “Family farms”: increasing resources targeted to heterogeneous groups (PRONAF).• Other distributive programs:<ul style="list-style-type: none">- “Bolsa família”- Rural retirement• Debt rescheduling.



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Ag Policies in Brazil: Looking Ahead

Competitiveness	Social Inclusion
<ul style="list-style-type: none">▪ Infrastructure.▪ Sanitary surveillance, SPS.▪ Private instruments for agricultural finance.▪ Crop insurance.▪ Aggressive trade policies: negotiation, litigation, NTBs▪ Agrifood coordination, contracts & property rights.▪ Research & Development (including GMOs).▪ Environmental sustainability, traceability, certification, TBT	<ul style="list-style-type: none">▪ Land reform and family farms programs:<ul style="list-style-type: none">▪ Redefining▪ Retargeting▪ Monitoring▪ Distributive programs: social inclusiveness.▪ Education, capacity building, targeted research & extension.▪ Cooperative development.▪ Access to markets.



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Thank You



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Mantenedores



Parceiros

