Agricultural Policies in OECD Countries 10 Years After the Uruguay Round: How Much Progress?

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In the Uruguay Round, a major step forward was made in terms of agreeing to international rules and commitments for agricultural policy making. After four decades of largely unsuccessful attempts at establishing effective and operational rules for agriculture in the GATT, the Uruguay Round negotiations achieved a breakthrough. Nearly ten years have now passed since the conclusion of these negotiations. How have agricultural policies during this period responded to the new international framework of rules and commitments? Have the Uruguay Round negotiations on agriculture been successful in achieving their objectives? How have agricultural policies developed under the newly established Agreement on Agriculture? This paper makes a modest attempt at providing at least some partial answers to these questions, regarding policy developments in the thirty Member countries of the OECD.

The paper does so by providing some quantitative evidence on agricultural policy developments in the OECD countries. It looks at the way in which the Uruguay Round Agreement on Agriculture has interacted with agricultural policy making in the OECD area and at the evolution of the agenda for the agricultural policy dialogue in the OECD.

There is no doubt that the Uruguay Round negotiations have been a major success, not only in the sense that a new legal framework for agricultural policies at the international level was finally agreed to, but also in the sense that countries have, by and large, lived up to the new rules and commitments. However, the commitments established in the Uruguay Round were so generous that they did not yield much in the way of liberalization. In fact, levels of support provided to agricultural producers in OECD countries, as measured by the OECD’S framework of PSE analysis, have not, on average, declined significantly after the Uruguay Round. This development of the average support level, however, hides notable differences across OECD countries.

It is sometimes claimed that producer support, as estimated in the PSE may not be a good indication of actual policy developments, because its market price support component also reflects changes in world market prices and exchange rates. The largely unchanged level of average support in the OECD area would then, possibly not indicate actual policy adjustments after the Uruguay Round. In discussing this issue, it may be useful to make a distinction between explicit and implicit policy components. The author provides an illustrative quantitative examination of these two policy components for two selected OECD countries/entities.

While overall levels of producer support for the OECD average have not declined significantly after the Uruguay Round, notable changes in the composition of policy instruments have taken place. The gap between domestic producer prices and international market prices has narrowed, both while the Uruguay Round negotiations were conducted and after the Round. This mirrors the fact that the share of market price support and output payments in the overall level of producer support has declined. This is an important development, because these policy measures have pronounced distorting effects on production and trade.

The Uruguay Round has not only resulted in new legal rules and quantitative reduction commitments in the areas of market access, domestic support and export competition. It has also affected the nature of the policy debate in agriculture. The WTO has become a relevant factor in agricultural policy making. Moreover, new items have emerged on the agenda for the international dialogue on agricultural policies. In the OECD, policy issues related to the multifunctional character of agriculture, and to the decoupling of support from the production decisions in agriculture, play a prominent role.

In the context of the ongoing WTO negotiations under the Doha Development Agenda, it is sometimes said that this round should, in agriculture, deal with the unfinished business of the Uruguay Round. Such assertions should not be read to say that the Uruguay Round did not make a big step forward in agricultural trade. However, it is true that a lot remains to be done to achieve further progress towards a liberalized and more market-oriented regime in agricultural trade. In particular, there is still much scope for reforming domestic agricultural policies, characterized by measures that are more decoupled from production decisions, better targeted to well specified objectives, and less trade distorting. Such policies also would allow reduced levels of support, because they achieve their aims more efficiently. Some policy trends in the OECD area since the Uruguay Round have already gone in this direction. The current DDA negotiations are an appropriate opportunity to make another big step forward.