

# **ACHIEVING AGRICULTURAL DEVELOPMENT THROUGH AGRICULTURAL TRADE:**

*What do developing countries need from trade negotiations?*

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## 1. Introduction

This paper has been compiled in response to an invitation by the International Food and Agricultural Trade Policy Council (IPC) to address the first seminar of IPC's Capacity Building series, on *Achieving Agricultural Development through Agricultural Trade*.

In attempting to answer the question of *What do Developing Countries Need from Trade Negotiations*, this paper focuses on the theme of the seminar, which is, *Achieving Agricultural Development through Agricultural Trade* and thus may not necessarily cover all the needs that developing countries may require from the ongoing trade negotiations in order to achieve their developmental objectives.

Similarly, it must be pointed out from the onset that the needs and concerns of developing countries are as diverse and complex as their developmental stages are. Hence, it would be foolhardy to attempt to speak on behalf of such a diverse group of countries in answering the question of *What do Developing Countries Need from Trade Negotiations*. As a consequence, the principle of *one size fits all* is not applicable. The paper, therefore attempts to only cover what Namibia, as a developing country, needs from trade negotiations with the hope that other, if not all developing countries, find solace in and associate themselves with these needs.

Furthermore, whilst recognising that agricultural trade negotiations take place at multilateral, regional and bi-lateral levels, the primary area of focus in this paper is on the multilateral agricultural and related trade negotiations currently taking place under the auspices of the World Trade Organisation (WTO). To this end, the paper will cover the following areas:

- Current world agricultural trade developments
- WTO Agreement on Agriculture
  - The three pillars of the Agreement on Agriculture
  - Deficiencies within the Agreement on agriculture
- The Doha Development Agenda
- The needs of developing countries
  - Procedural principles
  - Overall negotiations outcome
  - Specific negotiations outcomes
- Conclusion

## **2. Current World Agricultural Trade Developments**

According to the WTO International Trade Statistics 2003 Bulletin, Western Europe had a share of 42.7% of the world's total agricultural exports during the year 2002 while Africa which consists mainly of developing countries dependent on agriculture as a source of revenue generation through exports had a miniscule share of only 1.4%. Latin America on the other hand, had a meagre share of 0.6%. These statistics further show that agriculture accounts for over one-third of export earnings for 50 developing countries and for over half of export earnings for 40 of them.

Within the European Union (EU) market agricultural products originating from the African, Caribbean and Pacific Group of States (ACP) only represent 4% of the EU's imports. 70% of these traded agricultural exports are concentrated on only 10 products such as sugar, beef, fish and shell fish, rice, oil, coffee, cocoa, tobacco, fruits (including bananas), and tea.

The above scenario, clearly reflects a gross imbalance in world agricultural trade in favour of developed countries which could be attributed to various factors including, but not limited to, the following:

- Unfair provisions within the Agreement on Agriculture;
- Capacity constraints;
- Limited/lack of financial resources;
- Limitations in technological transfer;
- Trade inhibiting Sanitary and Phytosanitary regulations (SPS);
- Trade distorting support measures i.e. subsidies;
- Limited research and development;
- Institutional weaknesses in terms of legislation, organisational structures, and implementation of policies in developing countries.

## **3. WTO Agreement on Agriculture**

### **3.1 The three pillars of the Agreement on Agriculture**

The WTO Agreement on Agriculture (AoA) was concluded in April 1994 with the signing of the Marrakesh Declaration which established the WTO after the Uruguay Round of negotiations, and came into force on 1 January 1995. The implementation period as agreed for the AoA was 6 years for developed countries and 10 years for developing countries.

The aims of the AoA are to liberalise agricultural trade and to limit the national agricultural policies that have trade distorting effects. It embodies three types of agricultural policy instruments, namely, (1) measures limiting/facilitating access to markets (market access), (2) production support (domestic support), and (3) export support or subsidies (export competition).

- ***Market access***

Measures under this pillar are tariff barriers, i.e. customs duties, and non-tariff barriers, i.e. import licenses, import quotas and minimum import prices. The objectives under the market access pillar within the AoA are to increase transparency through the process of tariffication (conversion of non-tariff barriers into tariffs or customs duties), to reduce prohibitive tariffs and to ensure that there is no introduction of new protectionist measures. Furthermore, to encourage minimum market access opportunities, the agreement provides for tariffied products to enjoy minimum import thresholds, i.e. tariff rate quotas. The mechanism to attain this is through preferential or reduced customs duties.

- ***Domestic support***

The domestic support pillar provides for three types of production support categories popularly referred to as the Green, Blue and Amber Boxes.

- **Green box** support measures are those domestic support policies for agricultural products exempt from the Uruguay Round reduction commitments and are permitted without limits. These may include support towards relief to farmers through a wide range of assistance measures which have a minimal impact on trade, such as disaster relief, research and extension, disease control, infrastructure, environmental protection and food security.
- **Blue box** support measures are linked to production, but subject to production limits and therefore regarded as minimally trade-distorting. They are exempt from the reduction commitments under the WTO Agreement on Agriculture.
- **Amber box** support measures are considered to distort trade and therefore subject to reduction commitments. As a result of the Uruguay Round negotiations WTO Members had to quantify the value of these supports and inscribe it in their schedules of commitments. Members may not exceed this level.

- ***Export competition***

The measures contained in this pillar are aimed at limiting export support since this support measure distorts trade by enhancing the competitiveness of the export subsidy beneficiaries.

### 3.2 Deficiencies within the Agreement on Agriculture

During the implementation of the Agreement on Agriculture, it became apparent that it provides differentiated opportunities for developed *vis a vis* developing countries. These deficiencies are depicted in three main areas which have a negative impact on developing countries. These areas are:

- Trade

Developed countries' agricultural markets are protected by high tariffs such as tariff peaks and tariff escalation, non-tariff barriers such as import licenses, import quotas and minimum import prices; and technical barriers to trade, such as stringent prohibitive SPS measures.

- Policies

Due to inherent financial constraints, developing countries are unable to enjoy the full utilisation of the Green box support measures. However, developed countries are in a position to extensively make use of domestic support measures and export subsidies thereby creating unfair competition with developing country producers. Measures such as SSGs meant to safeguard domestic producers from unfair competition are complex and inaccessible to most developing countries since they lack the legislative, institutional and financial and technical capacity to establish and enforce them so as to shield themselves from such practices. Moreover, the now expired peace clause within the AoA further shielded the developed countries from remedial action when their subsidised agricultural products gained unfair competitiveness in third country markets.

- Food security

Sustainable food security within many developing countries has been and continues to be compromised due to their inability to protect their local producers from imports of highly subsidised agricultural products. The consequence of this is that domestic commodity prices are depressed thereby undercutting local producers and forcing them out of production. It may be argued that lower commodity prices benefit consumers especially in net food importing developing countries (NFIDC's). This may be true for the short term; however, in the long term it renders such countries perpetually dependent on imports to meet their domestic consumption requirements, exposing such countries to volatile world market forces. Furthermore, such countries may in the long term not be able to afford such imports thereby rendering them food insecure.

Another deficiency which is compromising food security of some developing countries, most particularly NFIDC's, is the non operationalisation of the Marrakesh Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed Countries and Net Food Importing Developing Countries.

#### 4. The Doha Development Agenda

The on-going Doha Development Agenda (DDA) negotiations on agriculture derive its mandate from paragraphs 13 and 14 of the Doha Ministerial Declaration of November 2001. These negotiations are aimed at *substantial improvements in market access; reduction of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.* Special and Differential (S&D) treatment for developing countries shall be an integral part of all elements of the negotiations to be embodied in the resultant schedules, while non trade concerns (NTC's) are to be taken into account in the negotiations as provided for in the Agreement on Agriculture.

After Doha, countries were to begin negotiating modalities regarding how and when the objectives of the DDA would be achieved. These modalities were then to be turned into obligations in terms of country schedules. The deadline for developing the modalities was 31<sup>st</sup> March 2003. However, this deadline was missed.

The search for a draft on modalities resulted in different proposals on a framework agreement at the last General Council meeting prior to the Cancun Ministerial Conference. One such framework was agreed upon by the European Union and the United States while a counter proposal was agreed upon by Brazil, China, India, South Africa, Egypt and other developing countries. This group of countries became known as the G-20 plus group. Subsequent to this the Chairperson of the General Council produced a draft framework paper which was forwarded to Cancun on his own responsibility. This text met different reactions from WTO Member States with all countries that took the floor objecting to the elements of the draft in part or in whole; culminating into the famous or infamous Cancun debacle/failure.

#### 5. The needs of developing countries

What do developing countries, such as Namibia need from trade negotiations? This question provokes an answer that consists of three components; namely:

##### 5.1 Procedural principles

First, developing countries, like Namibia need **Fair Procedures to Ensure a Fair Outcome**. In other words, for the Doha Development Agenda objectives to be achieved the current on-going negotiations must take place under the principles of:

- Transparency;
- Inclusiveness;
- Non discrimination;
- Equality;
- Balance;
- Fairness; and
- Flexibility.

These principles will be attained and seen to be attained when those mandated to steer the Negotiations process together with the WTO Secretariat observe the following:

- Widen the intersessional consultations to all Member States either individually or collectively.
- Ensure that all developmental groupings of countries, i.e. developed, developing, least developed, net food importing developing, highly indebted poor, and small island developing countries are fully and adequately represented in all inter-sessional consultations and so-called Mini Ministerials;
- Do away with the notion of the chosen few so-called green room or even better back- door consultations;
- Do away with so-called Chairpersons` texts produced on their “own responsibility” as this highly exclusive practice defeats the very purpose of the negotiations. Any text or report of the Chair to be submitted to Ministers for their consideration must, as a principle of procedural fairness, have the explicit endorsement of the members of the committee over which the Chair presides;
- Assist those that lack the means and capacity to participate fully in the negotiations through capacity building, technical assistance and support with regards to travel and lodging expenses;
- Accord equal weight or importance to the viewpoints of all Member States irrespective of the size of their economies or their share of World Agricultural Trade;
- Ensure meaningful and effective cross linkages in all areas of the single undertaking negotiations, i.e. making sure that losses resulting from concessions made by developing countries in one area of the single undertaking negotiations are adequately compensated for by gains derived from concessions made by the developed countries in other areas; the Win-Win concept; and
- Accord developing countries sufficient requisite flexibility to take account of their development needs.

## 5.2 Overall negotiations outcome

Second, and perhaps the simplest component of the answer to this question is that developing countries need **A Multilateral Development Oriented Doha Round Agreement on Agriculture** as encapsulated in the DDA. That is what the highly esteemed and visionary Ministers fought for in Doha and managed to achieve to a certain extent. Any departure from the noble objectives of the DDA will be a betrayal of the Ministers` confidence and faith in the negotiators. Without a multilateral Agricultural Trade Agreement, the law of the jungle will become the order of the day where the strong ones will prevail and prosper at the expense of the weaker ones.

### 5.3 Specific negotiation outcomes

The third and perhaps the most difficult and controversial component of the answer should be tackled bearing four key imperatives in mind, namely:

- That trade is a means to an end, not an end in itself. Agricultural trade can and must be a means of putting an end to hunger, malnutrition and poverty of the 840 million people suffering from these shameful menaces, most of them residing in developing countries. However, putting an end to hunger, malnutrition and poverty is perhaps the greatest challenge of the 21<sup>st</sup> century for many developing countries.
- That Agriculture is the engine for development in almost all developing country economies due to the significance it plays in terms of employment creation, income generation and stimulation of secondary and tertiary industries. Integration of developing countries into global agricultural trade would go a long way in putting an end to hunger and poverty in these countries. However, enormous agricultural subsidies in developed countries deter developing countries from maximizing the gains they can potentially reap from global agricultural trade.
- That all WTO Member States need to acknowledge the current imbalances in global trade and portray a political will and commitment to redress these imbalances. Without this requisite political will and commitment the reform of agricultural trade will remain elusive.
- That developing countries need to be accorded the degree of flexibility necessary to pursue their agricultural development and food security policies. In this regard, developing countries should have recourse to special safeguard measures for a limited number of sensitive basic foodstuffs and perhaps only with some tightening of "triggers" so that there is no abuse; hence the "specific products" (SP) and special safeguard mechanism (SSM) concepts for developing countries.

Specifically with respect to the three pillars of the AoA, the needs of developing countries, such as Namibia are as follows:

#### **Amber Box**

- Significant reductions in total AMS, as these have not been binding at all;
- Further limitations on switching of support between products, preferably making AMS reduction commitments product-specific;
- Elimination or reduction of *de minimis* allowances for developed countries;
- Burying once and for all the now expired or "dead" peace clause; and
- As S&D, maintain current level of *de minimis* for developing countries

## **Blue Box**

- Acknowledging Blue Box measures as trade-distorting and counting them under Current Total AMS for reduction purposes over an agreed period of time, if not phasing them out completely.

## **Green Box**

- Tightening of the criteria for inclusion in the green box, including a more concise/measurable notion of what is "minimal effect on production and trade".

## **Export competition**

- Substantial reduction, with a view to the phasing out/elimination over a sufficiently adequate time period of export subsidies that distort trade and displace domestic production, to take due consideration of possible negative effects on NFIDCs (e.g. strengthening the Marrakesh *Decision on NFIDC's*) in order to help food importers adjust to change on the one hand while allowing developed country producers ample time to adjust to unsubsidized production and export regimes;
- Subjecting all forms of export support to the same provisions accorded to export subsidies;
- As S&D, provision of food aid in fully grant form only, with a set of provisions that promote the purchasing of food from developing countries;
- Extension of clause 9.4 of the AoA with respect to export subsidies listed in subparagraphs (d) and (e) of Article 9, clause 1;
- Longer implementation time periods coupled with low repayment interest rates of export credits for developing countries; and
- Allowing developing countries flexibility to impose temporal export restriction measures for the express purpose of food security and for vertical diversification of economic base (value addition).

## **Market access**

- Substantial reduction with the view to phasing out tariff peaks, tariff escalation and high tariffs in developed economies;
- Phase out minimum import prices imposed by developed countries on agricultural products originating from developing countries;

- Simplify and improve the transparency and efficiency of import licenses administration;
- Uniform internationally accepted SPS regulations coupled with financial and technical assistance to developing countries to achieve compliance with set international standards;
- As S&D accord countries that benefit from preferences a period of time to adjust and make the required structural adjustments;
- Eliminate SSG for developed countries or alternatively tighten the criteria for the use of SSG by developed countries against developing countries;
- Provide minimum market access volumes for special products of developing countries into the markets of developed countries;
- Provide duty and quota free market access for agricultural products originating from least developed countries in all developed countries; and
- Provide for longer implementation time periods and lower tariff cuts for developing countries.

### **Special and Differential Treatment**

- S&D must remain a meaningful integral part of the reform process. Experience in the WTO has it that S&D has been largely whittled down to best-endeavour and largely ineffectual statements of intent by the developed countries.

### **Other areas**

- In respect of technical assistance and capacity building, developing countries need **technical and institutional support** to effectively implement the sanitary and phytosanitary requirements.

## **5. Conclusion**

The outcomes outlined above should provide considerable room for increasing domestic food production. Improved market access and other related reforms should contribute to raising export earnings, which are fundamental for improving the capacity to import food, particularly by LDC's and NFIDC's. World Agriculture Trade has the scope and potential to liberate humanity from the scourge of hunger, malnutrition and poverty. This potential can however not be realized in a World Agriculture Trade Environment where the rules of play are biased and skewed in favor of those who only hear from and see hunger, malnutrition and poverty in others. What developing countries need from these negotiating partners is the requisite political will and commitment to acknowledge the current inherent imbalances of the WTO AoA in it's current form and the political will

and commitment to redress these imbalances now and not later , for the benefit of all. Alone, the developed countries will never be able to rid the hitherto marginalized developing world of these dreaded evils whilst continuing their exclusion from fully benefiting from global agricultural trade. There is therefore an urgent need for an **“All Inclusive trade coalition” using an “All inclusive world agriculture trade strategy”**, if mankind is to rid the developing world of these menaces.

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