



## RECOMMENDATIONS FOR THE AGRICULTURAL TRADE NEGOTIATIONS

In December, the Chair of the Special Session of the Agricultural Negotiating Committee released his paper summarizing the status of the negotiations. In that paper, the Chairman cited an urgent need for countries to move beyond the restatement of well-known national positions and to seek convergence. He notes wide gaps in national positions on fundamental aspects of reform and wide differences in views on key issues. With the deadline for establishing the overall framework for the agricultural negotiations less than three months away, he has urged negotiators to demonstrate flexibility and think creatively in the next stage of the agricultural trade talks.

The International Food & Agricultural Trade Policy Council hopes that the following recommendations contribute to the dialogue that is beginning this week in Geneva, and illustrate a way forward for the negotiations. **The IPC believes that despite the wide gaps in the current proposals and despite the pessimism being expressed in some capitals, that there is a politically viable way forward; there are compromises that can move agricultural trade liberalization beyond the Uruguay Round Agreement.** In the hope of demonstrating flexibility and creativity, the IPC offers these recommendations on the modalities for the agricultural negotiations. These recommendations represent a consensus of opinion by the 37 members of the IPC, from the Cairns Group, the European Union, Less Developed Countries, Japan and the United States. As with any consensus every member does not agree with every recommendation, but IPC members believe these recommendations represent a balance between the interests of exporters and importers, developed and developing countries.

**The IPC believes that the Doha Round must be and can be more ambitious than the Uruguay Round Agreement.** The IPC believes that the Uruguay Round Agreement established a useful framework for the agricultural trade negotiations, which should serve as the basis for the Doha negotiations. Creating a new framework would be controversial and divisive. However, the Uruguay Round framework needs to have tighter controls and stronger disciplines to bring about the benefits of greater agricultural trade liberalization.

- 1) **Market Access: the IPC believes it is not necessary to use a mechanical formula to improve market access and address extremely high tariffs.** Instead, the IPC proposes establishing a maximum tariff rate for all agricultural commodities and bringing all tariffs to that maximum level immediately and then reduced according to the schedule agreed for all tariffs. There should be a minimum required tariff cut for all tariff lines. But to address the wide dispersion between tariffs on different commodities, the IPC proposes establishing an average tariff cut to be made across individual tariff chapters, rather than across all agricultural products as was done in the Uruguay Round. These measures would lower peak tariffs, decrease tariff dispersion and reduce distortions among products. To expand trade, in-quota tariffs should immediately be reduced to zero, and import quotas should continue to rise as percentage of national consumption. Importers concerns should be addressed by updating the base period for calculating national consumption to reflect recent trends, and creating a simple and transparent, time-limited safeguard mechanism with triggers bound in the agreement. Finally, the IPC believes it is premature to discuss extending geographic indications afforded wines and spirits to foods.
- 2) **Domestic Support the IPC believes it is not necessary to cap domestic support policies to address high levels of trade distorting support.** An overall cap on trade-distorting domestic support does nothing to reduce the disparity in subsidies for individual commodities. More importantly, a cap on all agricultural support could discourage developing countries from making much needed investments in Green Box measures. The IPC believes that Green Box measures should not be capped, and in fact should be encouraged in developed and developing countries. However, **the IPC believes only direct income supports that are completely divorced from current and future production and prices should be in the Green Box.** If farmers can alter current or future payments by adjusting current production, those payments should be reclassified as Amber Box measures. To further reduce the overall level of trade distorting support, Amber Box and Blue Box measures as well as product specific de minimis support should be reduced in tandem. To narrow the distortions in support among commodities, these reductions should be

made on a commodity by commodity basis. The Peace Clause should only be retained for Green Box measures.

- 3) **Export Competition: the IPC believes that the Uruguay Round was unbalanced in its focus on export subsidies and exporting country concerns.** While the IPC believes that a date certain can and should be set for the elimination of export subsidies, the Doha Round also needs to discipline other measures that distort agricultural markets, including export credits, food aid and state trading entities. Export credits beyond one-year in duration, and any non-grant food aid should be treated as export subsidies. State-trading entities should be subject to a growing competition from private entities, and government support to state-trading entities should be reduced and eliminated over the implementation period. To address concerns of food importers, the IPC believes the Doha Agreement should ban export embargoes and taxes for foreign policy or short supply reasons. The Doha Agreement should require countries to reduce and harmonize export taxes used to raise government revenues or protect domestic processing industries.
- 4) **Developing Country Concerns:** The IPC believes that developing country concerns are best met by an ambitious result on market access, export competition and domestic support. **Developing country's interests have not been well served by traditional Special and Differential Treatment, which has delayed rather than eased their integration into world trade.** Special and Differential Treatment in the Doha Round should facilitate developing countries' integration into the global economy.
- **Market access:** The IPC proposes that wealthy countries set tariffs for all developing country exporters at zero, and quotas for the Least Developed Country exporters at zero. Tariff reductions for developing countries can be less ambitious than for developed countries, but should be implemented over the same time frame. Developing countries should have access to a transparent special safeguard to address concerns about import surges. And, finally, the IPC believes that over time, special preferences for some developing countries and products should be converted to generalized preferences for all eligible countries and all products.
  - **Export competition:** Concerns about higher food import prices should be addressed by international and bilateral aid agencies. Subsidies to defray high internal transport costs should continue to be allowed, but direct export subsidies should be reduced at the same pace established for all countries. Export taxes should be reduced and harmonized.
  - **Domestic supports:** Use of Green Box investments in public goods should be expanded to build agricultural capacity in developing countries; agricultural price supports are not an effective substitute and do not address the problems of rural poverty. Developing countries should continue to have access to product and non-product specific de minimis support, as under the Uruguay Round.
- 5) **Non-trade concerns: the IPC believes that countries have many legitimate reasons for supporting their agricultural sectors that go beyond production of food and fiber.** However, the role of the WTO is not to question the rationale for these policies, but to ensure that these policies meet world trade rules. In general, the IPC believes these concerns are most effectively addressed by Green Box measures. More specifically, one-time support measures which compensate producers for capital expenses needed to meet new standards could be counted as Green Box measures, but any on-going payments to producers of specific commodities to cover higher operating costs would be considered Amber Box. The SPS Agreement should not be re-opened or re-interpreted.

**The members of the IPC strongly believe that positive results in agriculture must be achieved by the Fifth Ministerial Meeting in Cancun. The Special Session on Agriculture must therefore work expeditiously to meet the March 31<sup>st</sup> deadline established by the Ministers. Time is of the essence. The world trading system, and particularly poor farmers and consumers in developing countries cannot afford a stalemate or a delay in achieving the ambitions of the Doha Development Agenda.**

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