

TO BENEFIT DEVELOPING COUNTRIES, THE DOHA ROUND AGRICULTURE AGREEMENT MUST BE AMBITIOUS

by

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On February 14 and 15, trade ministers from around the world met to give a much-needed boost to the Doha Development Round negotiations. Unfortunately, it appears that just the opposite has occurred. And, even more unfortunately, it appears that agricultural trade is again at the center of the controversy.

Agricultural trade distortions impose huge costs on the global economy. These distortions inflict particular harm on poor farmers in developing countries. Trade distortions make it impossible for poor farmers to escape hunger and poverty. Many developing countries import food because trade distortions do not give them a chance to produce enough of their own. Other developing countries, that are able to export agricultural commodities, face artificially lower prices caused agricultural subsidies in wealthy countries. Without ambitious results in agriculture, there will be little reason for the developing countries to move forward with the negotiations.

The International Food and Agricultural Trade Policy Council believes that developing countries must work together to demand an ambitious agricultural agreement with tighter controls, stronger disciplines and no exceptions. They must demand an agreement that reduces tariffs and increases market access for all commodities; that reduces all forms of trade-distorting support, and that disciplines all forms of government financed export competition.

The IPC, whose membership includes former trade negotiators, government officials, farm leaders, agribusiness executives and leading policy experts from Africa, Asia, Europe, North America and South America, has found a consensus on an agricultural negotiating framework. This consensus demonstrates that negotiators can reach an agreement that balances the interests of exporters and importers, developed and developing countries.

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Developing countries must also demand an agreement that brings them into the world trade system. Past trade agreements have postponed the process of reform in developing countries and delayed the benefits of a more open economy. To realize the benefits of trade, developing countries need help meeting health, safety and quality standards; enhancing investment in rural roads; expanding access to appropriate technology, land and credit; and improving marketing and production systems. But this is a two way street. Developing countries must also put agriculture first in their own development efforts.

The International Food & Agricultural Trade Policy Council's membership represents countries that want aggressive results, countries that want modest results and countries that want limited results. But all IPC members strongly believe that positive results in agriculture must be achieved in the Doha negotiations if the negotiations are to benefit the developing countries.

The trade ministers' should be heartened that a diverse group of agricultural leaders from around the world has already reached consensus on so many controversial issues. The IPC recommendations should become an example for the agricultural trade negotiators as they labor to meet their March deadline.

Full details of IPC's recommendations can be found at www.agritrade.org .

Ends

NOTES TO EDITORS

Key elements of the IPC consensus proposals:

Market access

Developed countries should provide duty and quota-free access to their markets for all — not just some — commodities.

Export competition

A date should be set to eliminate all export subsidies. But, all other measures that distort agricultural markets, including export credits, food aid and state trading entities, must be disciplined as well. Export embargoes and taxes imposed for foreign policy or short supply reasons should be banned.

Domestic Support

The definition of allowable subsidies should include investments by developing countries in rural roads and ports, transportation, and agricultural research and extension. However, some subsidies that were allowed in the Uruguay Round should be reclassified. All trade distorting measures (however classified in the previous negotiations) should be reduced in tandem, commodity by commodity. This will prevent countries increasing subsidies for politically sensitive products, while reducing subsidies for others.

Food safety and labelling

The existing agreement on sanitary and phytosanitary regulations allows countries adequate latitude to address issues where science may be inconclusive. The SPS agreement is not the appropriate tool to address matters of consumer choice or consumer preference. Where labelling is required to address consumer concerns, it should ideally be voluntary, independently verifiable and realistic.

Non-trade concerns

In the years since the Uruguay Round, countries have discovered many legitimate reasons to support their farmers beyond the simple production of food and fiber, such improving the environment, promoting rural development, enhancing food security, and protecting animal welfare. It is not the WTO's role to question the rationale for a country's policies. But, it is the WTO's responsibility to ensure that these policies comply with trade rules, and that they do not reverse the gains from trade liberalization.

The background from Uruguay

The Uruguay Round Agreement established a useful framework for the agricultural trade negotiations, but made little progress towards liberalizing agricultural trade because of a series of loopholes and last-minute deals.

In the early years of trade negotiations, developing countries received Special and Differential Treatment, which gave developing countries more time to adjust to world markets. Recent history has demonstrated that developing countries do not need delays, they need assistance to integrate their agricultural sectors into the global economy. Trade agreements that simply delay the process of policy reform in developing countries also delay the benefits of a more open economy.

Tariffs on some agricultural products, especially those of interest to developing countries, remain extremely high. Tariffs on dairy products are as high as 325%; on chocolate, 275%; on oilseeds, 170%; on sugar, 350%. By permitting countries to average their tariff cuts across all agricultural products, the Uruguay Round Agreement allowed some countries to avoid tariff cuts on politically sensitive commodities of particular importance for developing countries—namely cotton, rice and sugar. Not only do these tariffs harm poor people in developed countries, they raise food prices for consumers in developed countries and they provide little protection to farmers. Tariffs and quotas are also very inefficient ways to protect farm income: the OECD estimates that farmers receive less than 25 cents of every dollar of border protection.

The continued high levels of support for farmers in rich countries is the major shortcoming of the Uruguay Round Agreement. According to the OECD, developed countries continue to provide close to \$1 billion per day to their farmers—little different from 10 years ago. While the Uruguay Round Agreement did encourage countries to shift from trade-distorting subsidies to non trade-distorting subsidies, more than 60% of the support provided to farmers in wealthy countries still distorts trade. Developing countries cannot afford to subsidize their farmers, and their farmers cannot compete against highly subsidized farmers in developed countries.

In many ways, export subsidies were the driving force behind the Uruguay Round negotiations. The Uruguay Round disciplined export subsidies, it did not eliminate them. Export subsidies and similar measures have been banned for industrial products since the 1950s. Agricultural export subsidies are particularly debilitating for developing countries because they artificially lower world market prices for their exports. In the short term, low-income countries benefit from lower food import prices. But in the longer-term, farmers in low-income countries cannot compete against subsidized imports and are forced out of business.

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