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Saving the Doha Round—We Need Real Political Leadership

By Timothy Groser

Pascal Lamy, the WTO Director General told IMF Finance Ministers at the 2007 Spring Meetings that if the situation does not change soon, governments will be forced to confront the unpleasant reality of failure – the first ever failure of a multilateral trade round. He added – quite correctly – that success was entirely within reach and that the challenge was less technical than political.

In a technical sense, this negotiation has been underway since 1999 (the BIA, or 'Built-in-Agenda', as the technicians call it). Few hard political choices have been required since. Unfortunately, some tough political calls are required, and they are required now. The economic return is already clear: a significant boost to world trade, further major locking in of many countries' domestic reform programmes – particularly the far-reaching farm reforms of Europe, which will otherwise remain open to the vagaries of European politics, and a boost to development.

Less often talked about is the political return. As anyone surveying world affairs more generally knows, multilateral institutions and multilateral solutions are under extraordinary stress. Some of them are of course deeply flawed. But the WTO, like the GATT before it, is a sharp exception. In the current difficult international environment, to throw aside the most obviously successful multilateral institution in favour of misleading 'muscular' rhetoric about alternative ways of moving forward on trade issues is, shall we say, careless to say the least.

The deal on the table is not a perfect deal – in all the 50 years of multilateral trade liberalisation there never has been a perfect deal. But it is a good deal that will take everyone forward.

One of the fundamental problems is that there are too many lobbies with political influence in many countries that imagine that this deal can, in a single stroke, eliminate all the major imbalances that exist and which are of concern to them. For example, many developing countries have liberalised their trade regimes way ahead of their formal WTO commitments – known as bindings. This creates, as every technician knows, the phenomenon of 'water in the tariff'. It leaves open the very clear possibility that in some important cases any conceivable formula cut in, for example, certain very high

IPC Member Ajay Vashee discusses the importance of multilateral trade opportunities for Africa, and the need to promote sustainable African agriculture at an IPC event, "Doha: What's at Stake for Africa?"

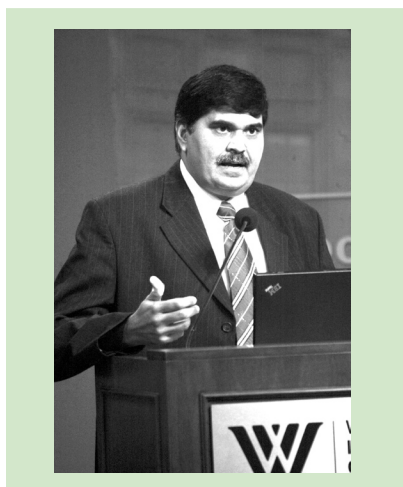
developing country agriculture tariffs may not be sufficient to bring the new legal binding down to the applied tariff. So, the argument goes, no new trade will be created.

Technically correct, but politically naïve. First, there is not even a theoretical, let alone a politically negotiable, formula that can be created to eliminate this problem. Second, if near-term political opportunists are allowed to destroy this Round, what do critics seriously expect will happen? A sudden burst of liberalisation to solve such imbalances?

If we walk away from this Round, no progress will be made in removing these imbalances. And a new generation of political trade managers will have to confront exactly the same starting point if they seek to revive world trade talks. Equally, for those who think
(Column cont. on page 2)

How Sanitary Standards Impact Dairy Trade

The dairy sector remains one of the most protected agricultural sectors in the world. As trade liberalization in the three traditional agricultural pillars progresses, however, the issue of divergent standards will become increasingly important. Although sanitary standards play a crucial role in promoting human and animal health, they can be abused for protectionist purposes, and this is a reality facing export-
(Cont. on page 3)



(COLUMN: *Saving Doha*)

that an aggressive bilateral trade diplomacy can solve these agriculture market access problems, perhaps they should be asked why the recent FTA negotiations between Korea and the United States, or Australia and the United States, failed to achieve any liberalisation whatsoever on rice and sugar, respectively.

The progressive liberalisation of barriers to world trade is imperfect and infuriatingly slow – but it works. It is an instrument of evolution, not revolution. The great political leaders of the post-war era who put their stamp on the Bretton Woods institutions understood this well.

I have no doubt that the political equation between open economic and open political markets remains as valid today, even if it has changed its form. Today we view China as the main competitor to US power. But surely it is a huge and positive advance that such competition is viewed primarily in economic terms, unlike the earlier competitor, the now defunct Soviet Union, which was seen as a fundamental security threat.

I am not making light of that economic competition. But only the institutions of multilateral trade diplomacy can manage successfully that economic competition between these two giants – as the recent decision of the US authorities to use WTO dispute settlement procedures

over subsidy and other Chinese policies demonstrate.

It is time for political leaders to save these multilateral trade talks. This will be done not by attending yet further international meetings and issuing additional largely meaningless communiqués “underscoring the importance of the Doha WTO Round,” but by providing real and far sighted leadership at home. Let us not make the perfect the enemy of the good.

Tim Groser, formerly New Zealand's WTO Ambassador, was Chairman both of the Rules Negotiating Group and the Agriculture Negotiating Group. He is today New Zealand's Shadow Minister of Trade and Deputy Finance.

The Doha “Development” Round: What’s at Stake for Africa?

During the kick-off of the Farm Bill debate in Washington, IPC, in partnership with the Woodrow Wilson International Center for Scholars, hosted a public speaking engagement to present an African perspective on agricultural trade policies. Meeting on February 14, 2007, Secretary General Erastus Mwencha of the Common Market for Eastern and Southern Africa (COMESA), along with Ajay Vashee, IPC member and president of the Southern African Confederation of Agricultural Unions (SACAU), Cris Muyunda, COMESA’s senior agricultural advisor, and William Jackson, director for African Affairs at the Office of the US Trade Representative, discussed the importance of agriculture and the current Doha “Development” Round to rural development and poverty alleviation in Africa. Kent Hughes, director of the Science, Technology, America, and the Global Economy program at the Woodrow Wilson

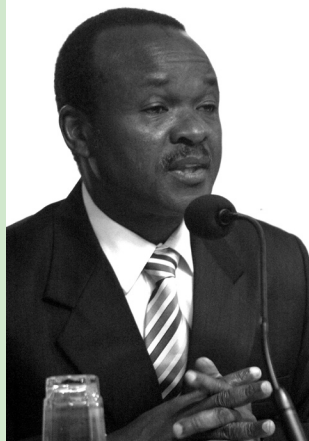
Center, made opening remarks, and IPC President Charlotte Hebebrand served as moderator.

Speakers urged for further trade liberalization by OECD and African countries, and the need to improve the competitiveness of African agriculture so that farmers can better take advantage of regional and global markets. Agriculture, which provides for 60-90 percent of employment in some African countries and constitutes one-third of African GDP, is a crucial sector for rural development and poverty reduction efforts on the continent. Mr. Mwencha emphasized the need to overcome constraints to trade in agriculture, saying that “answers for African farmers can be found at the global, regional, and farm level.” He acknowledged that African trade concerns would best be addressed through multilateral means, saying that a successful Doha Round is the only means of reducing agricultural support that distorts trade, and the most efficient way for African coun-

tries to obtain greater market access. However, trade liberalization alone is not enough, given the other constraints to trade on the continent, and the erosion of trade preferences that may result from liberalization. These factors further underline the need for capacity-building to enhance African competitiveness.

One solution Mr. Mwencha identified was for the WTO’s “Aid for Trade” initiative to play a key role in capacity building to strengthen African agricultural markets. He suggested that “Aid for Trade” efforts could be implemented under the Comprehensive Africa Agricultural Development Project (CAADP), an initiative of the New Partnership for Africa’s Development (NEPAD), which is being implemented by COMESA at the regional level. Representing the views of African farmers, Ajay Vashee said that farmers support the multilateral trading system, and initiatives to promote trade opportunities and sustainable agriculture. According to Vashee, “Aid

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Secretary General of the Common Market for Eastern and Southern Africa (COMESA) Erastus Mwencha, spoke of the need to strengthen African agricultural markets through existing regional trade and development groups in Africa.

(At stake for Africa? Continued from page 2)

for Trade” could address the specific supply-side constraints of poor transport and telecommunications infrastructure, low soil and seed quality, lack of monetary and fiscal incentives for investment, and insufficient coordination between the public and private sectors.

William Jackson of the USTR lamented the decrease in Africa’s share of global trade from 6 percent in the 1970s to 2 percent today, and said that an increase

of Sub-Saharan Africa’s share of global trade from 2 percent to 3 percent would create \$70 billion in revenue for African producers. “There are no other countries in the world that have more to gain from Doha,” Jackson said.

A summary and webcast of this event is available online at: http://www.agritrade.org/events/at_stake_for_africa.html

(Sanitary Standards, continued from page 1)

ers of animal-derived products from developed and developing countries.

To explore this issue, IPC led a discussion on the role of standards in the dairy sector on March 2, 2007 in an Information Session hosted by the WTO at the margin of the SPS Committee Meeting. Thom Achterbosch with the Agricultural Economics Research Institute at Wageningen University, and author of IPC’s survey, presented his findings to a group of more than ninety delegates to the SPS Committee. His survey examined the incidence of divergent standards on the top dairy exporters, and how these standards impacted trade and the cost of doing business in dairy.

Gretchen Stanton, Secretary of the WTO SPS Committee, made introductory remarks, and was followed by comments from Dr. Annamaria Bruno, Food Standards Officer at

Codex, Dr. Sarah Kahn, Chief of the World Animal Health Organisation’s (OIE) International Trade Department, Bram Francke, external affairs officer of the Dutch dairy company Friesland Foods, and Jeremy Hill, Director of Regulatory Affairs of the New Zealand Fonterra Cooperative Group.

Achterbosch’s survey demonstrates that sanitary requirements can also serve as impediments to trade and increase business costs. The dairy sector remains highly protected with high tariffs and production quotas; divergent standards do pose difficulties and are likely to increase in importance after further liberalization.

The survey results pointed to three overriding difficulties faced by exporters. The first is that **emergency trade restrictions put into place by importing countries following an animal disease outbreak are not expeditiously removed** upon declaration of disease free status. Although making OIE standards binding would be a potential solution to this problem, it was widely acknowledged that this was not a feasible option, since it would make it more difficult to arrive at standards and since governments would always (rightly) insist on being

able to set standards according to their own perceived level of risk. Given the need for a quick resolution of such disputes, a more rapid consultation procedure should be envisaged to address such matters, as the formal dispute settlement process is too lengthy.

A second difficulty pertains to **divergent analysis and sampling methods used to enforce mandatory zero tolerance standards for contaminants and pathogens**. Zero tolerance is often simply not feasible; moreover non-uniform detection methods can lead to vastly different findings in different countries and even within countries. Solutions to this issue include replacing zero tolerances with maximum residue levels, harmonized sampling and testing methodology, and greater use of equivalence agreements.

The third issue is the **lack of differentiation of dairy products for the application of animal health standards**. While the OIE recognizes that properly treated dairy products are not vectors for animal or zoonotic diseases, importing countries nonetheless do often apply veterinary standards. This matter could be addressed by establishing more differentiated rules for different categories of dairy products.

**NEW PUBLICATIONS AND
UPCOMING ACTIVITIES:**

Should the Green Box be Modified?

Non- or minimally trade distorting domestic support has been and continues to be crucial for domestic policy reform. At the same time, however, some countries have raised concerns that current Green Box criteria do not sufficiently limit trade-distorting effects, and others claim that the criteria are not sufficiently flexible to allow for a full range of legitimate programs. To address these issues, IPC has recently published a Discussion Paper titled, "Should the Green Box be Modified?" by David Blandford and Timothy Josling, and will host an experts' discussion to present this paper on May 4, 2007 at the Woodrow Wilson International Center for Scholars from 2:30 to 4:30pm. The paper is available online at: http://www.agritrade.org/Publications/green_box.html.

IPC Policy Focus, Farm Bill Series

As debate about the future of US agriculture policy and the current Farm Bill is underway, IPC has undertaken a series of briefs to clarify and raise awareness of the key topics in the debate, culminating in a larger paper to be released this summer. IPC's new "Farm Bill Series" focuses on a number of likely scenarios for the 2007 Farm Bill, and how such scenarios might impact agricultural producers in developing

countries. Read IPC's Farm Bill series and stay informed on the key issues as they unfold. They are available online at: http://www.agritrade.org/Publications/farm_bill_briefs.html.

**39th IPC Plenary and Seminar,
Lusaka, Zambia**

IPC's 39th seminar, "An International Workshop on Strengthening and Widening Markets and Overcoming Supply Side Constraints for African Agriculture" will be held in Lusaka on June 3-5, 2007. IPC is pleased to co-host this workshop with the Common Market for Eastern and Southern Africa (COMESA) and the International Partnership to Cut Hunger and Poverty in Africa. The workshop will convene African policymakers, private sector representatives, agricultural trade experts, and private sector representatives from around the globe to examine how best to improve market access for Africa, and how to address supply constraints that hinder African producers from accessing markets. Distinguished speakers include the Zambian Ministers of Agriculture and Trade, the Director General of COMESA, and the Deputy Director General of the European Commission's DG Trade. Please see <http://www.agritrade.org/events/index.html> for the program.

NEW MEMBERS



IPC extends a warm welcome to Joachim von Braun, who joined the Council in February 2007. Mr. von Braun has served as the Director General of the International Food Policy Research Institute (IFPRI) since 2002, where he guides and oversees the Institute's efforts to provide research-based sustainable solutions for ending hunger and malnutrition. Prior to joining IFPRI, von Braun was director of the Center for Development Research (ZEF). He received his doctoral degree in agricultural economics from the University of Goettingen, Germany in 1978, and currently serves on the boards of several academic journals, as well as on the international advisory boards of several research and policy organizations.

IPC's Spring 2007 plenary meeting will be held on June 2-3, prior to the seminar.

Corrections:

An article on "Addressing Outstanding Doha Issues: IPC and ICTSD Host Experts' Roundtable" in the last issue of the *AgriTrade Forum* omitted the participation of IPC Member Leonard Condon, also vice president of international business relations for Altria. IPC apologizes for this omission and expresses appreciation for Mr. Condon's perspectives given at the meeting. Presentations and selected speeches from the Roundtable can be found at: http://www.agritrade.org/events/Glion_roundtable.html.

IPC MISSION

The International Food & Agricultural Trade Policy Council (IPC) promotes a more open and equitable global food system by pursuing pragmatic trade and development policies in food and agriculture to meet the world's growing needs. IPC convenes influential policymakers, agribusiness executives, farm leaders, and academics from developed and developing countries to clarify complex issues, build consensus, and to advocate policies to decision-makers.

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