Position Paper
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Doha and Beyond: Continuing the Reform of the International Trade System for Food and Agricultural Products

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About IPC
The International Food & Agricultural Trade Policy Council promotes the role of trade in creating a more open, equitable, productive and sustainable global food & agricultural system. IPC makes pragmatic trade policy recommendations to help solve the major challenges facing the global food & agricultural system in the 21st century—the need to promote global food security, to sustainably increase productivity, and to contribute to economic growth and development.

IPC convenes influential policymakers, agribusiness executives, farm and civil society leaders, and academics from around the world in order to clarify complex issues, foster broad stakeholder participation in policy deliberations, and build consensus around pragmatic policy recommendations. More information about the organization and its membership can be found on our website: www.agritrade.org.
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Executive Summary

The Doha Development Round negotiations have entered their tenth year. An experts’ group, chaired by Jagdish Bhagwati and Peter Sutherland, recently issued a call to governments to conclude the negotiations by the end of 2011 so as to pave the way for a “global economic stimulus of hundreds of billions of dollars in new trade annually,” and to safeguard the future of multilateralism more generally. The International Food & Agricultural Trade Policy Council (IPC), an international group of food and agricultural trade experts from around the world, was founded in 1987 initially to encourage a constructive outcome of the Uruguay Round. The Agreement on Agriculture (URAA) was indeed a major step towards the reform of the trade system for agricultural products: for the first time agriculture was fully covered by multilateral trade rules. Yet, the agricultural sector remains relatively much more distorted than the industrial sector, and a great deal of further reform is required. While the stakes are high for the entire trade system, they are particularly high for agriculture since the Doha Round is only the second round to tackle agriculture whereas it is the ninth round for industrial products. Given the sensitivities over agricultural liberalization, a multilateral approach – which offers countries trade-offs outside of agriculture – has always been considered crucial for further reforms in the international food and agricultural trade system.

IPC therefore adds its voice to those who continue to argue that a successfully concluded Round will bring enormous benefits, both in economic terms, but also in systemic terms—the GATT/WTO system should be strengthened and not weakened in these turbulent times. There are particularly substantial gains to be had in the agricultural sector: although important progress was made in the URAA, subjecting a highly distorted international agricultural trading system to only one Round was clearly not sufficient. The Doha Round provides for a further set of important advances in agricultural reform: it paves the way for an elimination of export subsidies and for a significant reduction of trade distorting support. In the market access arena, IPC shares concerns that provisions on sensitive and special products lessen the impact of the tariff reductions, but we emphasize that they do not negate the progress that such cuts would represent. The Doha Round would be an important step to creating a more level playing field in agricultural trade. At the same time, we acknowledge that further reforms in the three pillars of market access, domestic support and export competition will be required in a post-Doha world.

There is another important reason to conclude the Doha Round: it would free WTO members up to consider a host of food and agricultural policy issues that require serious analysis and deliberation. These range from exploring the ramifications for trade disciplines of possibly higher and more volatile prices, to making more progress on food standard related issues, improving compliance in the realm of monitoring, seriously engaging on how preferential trade agreements deal with agriculture, and starting the difficult but necessary process of greater differentiation among developing countries. These issues are complex and will not be easily solved. But there is no doubt that the international community will be better equipped to tackle these pressing issues if it can successfully wrap up the current agricultural negotiations.

1. Introduction

The Doha Development Round negotiations have entered their tenth year. An experts' group, chaired by Jagdish Bhagwati and Peter Sutherland, recently issued a call to governments to conclude the negotiations by the end of 2011 so as to pave the way for a “global economic stimulus of hundreds of billions of dollars in new trade annually,” and to safeguard the future of multilateralism more generally. The urgency is accentuated by the still incomplete recovery from the worldwide economic slump and the partial collapse of trade experienced in the past four years. A stark assessment by the WTO Director General Pascal Lamy, issued on April 21, emphasizes the economic and systemic benefits of concluding the Round, but acknowledges the issues that “still divide negotiators and put the successful conclusion of the Round at serious risk.”

The International Food & Agricultural Trade Policy Council (IPC), an international group of food and agricultural trade experts from around the world, was founded in 1987 initially to encourage a constructive outcome of the Uruguay Round. The Agreement on Agriculture (URAA) was indeed a major step towards the reform of the trade system for agricultural products: for the first time agriculture was fully covered by multilateral trade rules. Yet, the agricultural sector remains relatively much more distorted than the industrial sector, and a great deal of further reform is required. While the stakes are high for the entire trade system, they are particularly high for agriculture since the Doha Round is only the second round to tackle agriculture—whereas it is the ninth round for industrial products. Given the sensitivities over agricultural liberalization, a multilateral approach—which offers countries trade-offs outside of agriculture—has always been considered crucial for further reforms in the international food and agricultural trade system. The IPC therefore strongly supports a timely and successful conclusion of the Doha Negotiations. In his April 21 communication, Director General Lamy rightly identifies the gap in the NAMA negotiations as a key obstacle to wrapping up the Doha Round, but it is understood that the stand-off over NAMA (as well as the less than satisfactory progress in the Services negotiations) also implicates the agricultural negotiations, since emerging economies are demanding greater concessions in agriculture from developed economies in exchange for agreeing to more liberalization in NAMA.

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2. The Case for a Doha Agreement.

A Doha Round Agricultural Agreement would build on and improve upon the URAA. The URAA brought agricultural trade under the umbrella of multilateral
trade disciplines, a significant accomplishment in itself. But the Agreement was only a start and further progress has been needed to broaden and deepen that accomplishment. The Doha agricultural negotiations have provided an important opportunity to achieve significant reductions in tariffs, make sharp cuts in domestic programs that distort trade and finally eliminate export subsidies. A comparison between the cuts proposed in the Doha Round and those achieved in the Uruguay Round is illustrated in Figure 1. In each of the three pillars, the size of the cuts foreseen in the Doha Round exceed considerably those agreed in the Uruguay Round (though from a somewhat lower base). We believe that a Doha Round Agreement outcome will lead to more open markets and to the locking in of policy reforms that have taken place in many countries in the past fifteen years. Decreasing, or in some cases eliminating trade distortions will provide greater incentives for investment in the agricultural sectors of developing countries. This will help lead to productivity increases that are badly needed in order to meet the rapidly growing demand for food as a result of anticipated growth in population and incomes.

A. Market Access

The Doha Round agricultural negotiations are built on the structure laid out in the URAA, specifically the “three pillars” of market access, domestic support and export competition. Progress in expanding market access is the key to a successful round. The URAA made visible the high level of protection that was long hidden by non-tariff barriers. Quantitative restrictions, variable import levies and other similar measures were converted into tariffs, making market access conditions in agricultural trade significantly more transparent. The URAA bound all tariffs, making it impossible to raise tariffs without re-negotiation with one’s trading partners. The Agreement also mandated a 36 percent average cut in agricultural tariffs for developed and a 24 percent cut for developing countries over six and ten years respectively and with a minimum cut of 15 percent and 10 percent respectively. But allowing countries to average their tariff reductions across all commodities meant that most politically sensitive tariffs in developed countries were often only cut by the required minimum, and substantial tariff peaks continued to exist for certain products.

For those products where non-tariff border measures were converted to tariffs, countries were obliged to allow particular quantities to be imported at low or zero tariffs (tariff rate quotas, or TRQs). These have led to some expansion of trade but have also perpetuated the problems associated with quota allocation. Countries could also designate those products whose border measures had been “tariffied” as being eligible for special safeguards to protect against import surges. Developing countries were allowed to set their tariffs at “ceiling” rates rather than calculate tariff equivalents, but as a result were not eligible for the special safeguards. This has led to widespread concerns among developing countries that they have inadequate recourse if imports threaten their own food system.

The agricultural market access chapter of the Doha Round seeks to remedy a number of these shortcomings. It calls for a tiered tariff cut, with products that have the highest tariffs required to take the greatest reduction. The cuts would range from 50 percent to 70 percent for developed countries and from 33 percent to 47 percent for developing countries. Agricultural tariffs would have a much different profile.

Least developed countries – LDCs – were not required to undertake commitments in the URAA and are also expected to be exempt from undertaking commitments in the DDA.
after such cuts, though average tariff levels would still be above those in most non-agricultural markets. However, the price paid for getting agreement on this tiered tariff cutting approach has been to allow countries to establish a certain number of tariff lines as sensitive (developed and developing countries) and special (developing countries only) for which lesser tariff reductions will be required. An overall average cut of at least 54 percent is to be required of developed countries and developing countries do not have to agree to cuts in excess of 36 percent on average. Moreover, for non-sensitive products, a ceiling of 100 percent for tariffs would cut off some egregious tariff peaks, and any remaining tariffs of that height should be compensated by substantial cuts in other tariffs.

The IPC shares concerns that provisions on sensitive and special products lessen the impact of the tariff reductions, but emphasizes they do not negate the progress that such cuts would represent. Sensitive products would be limited to 4 percent of tariff lines (though particular developed countries may be allowed extra flexibility if they offer greater market access in other areas) and would be offset by expanded TRQs. Though it may be better to make the selection of the products based on a formula, the reality is that governments will require some flexibility if they are to reach agreement. The introduction of special products for developing countries is perhaps of more concern in the longer run. It is important that particular products are not taken “out of the marketplace” altogether by some developing countries from the point of view of trade. The impact would be felt by developing country exporters as well as by the consumers in those countries. The present proposal is for 12 percent of tariff lines to be self-designated as special, and the tariff cuts would be limited to 11 percent. However, the designation of “super” special products that would have no tariff cuts is a poor precedent. This may be one of those topics that have to be dealt with as a part of the final package rather than within the agricultural talks per se.

With respect to safeguards, the IPC welcomes the proposal to end the special safeguard (SSG) for developed countries that added uncertainly in several markets. The details of the new Special Safeguard Mechanism (SSM) for developing countries have yet to be finally agreed. The main point of contention at present is under what conditions can temporary tariffs imposed as safeguards exceed pre-Doha rates? It would indeed be retrogressive if the new SSM led to widespread increases in tariffs in developing countries, though such a situation is not very likely.

Several other areas of market access offer constructive advances in agricultural trade conditions, and should not be overlooked. The way in which the problem of TRQ underfill is addressed (Rev 4, Annex A) should improve the workings of this (imperfect) device for opening markets. Tariff simplification would also be taken an important step forward, with the conversion to ad valorem tariffs and subsequent binding occurring where the conversion does not lead to higher tariff levels. Tariffs on tropical products and diversification goods will be reduced, though some negotiations on details are still ongoing. Tariff escalation will also be less of a problem in the future as a result of the implementation of formulae that ensures that processed products are subject to tariff cuts at least as high as the raw materials that they contain.

B. Domestic Support

The URAA identified different types of domestic support and imposed reduction requirements on the type of support with the largest impact on production and trade. This support was calculated in an “aggregate measurement of support (AMS);” developed countries had to reduce their AMS by 20% and developing countries by 13 per cent. Policy changes in developed countries, encouraged to varying degrees by the constraints of the URAA, have led to a substantial reduction of AMS, concomitant with a rise in non- or minimally-trade distorting “green box” support. As in the market access pillar of the URAA, however, a focus on average cuts meant that countries could continue to provide some commodities with a substantial amount of trade-distorting support. Moreover, the commitment to reduce trade distorting domestic support by only 20% from the (then) record high levels of the mid-1980’s represented a generous cap for developed countries. Nevertheless, these commitments represented a breakthrough by forcing domestic policy makers to face up to the adverse
trade consequences of certain forms of domestic farm policies.

Though no longer as significant for trade volumes given the trend of higher prices, restraints on domestic support are an important part of the trade disciplines. The IPC welcomes the opportunity offered by the reduction in AMS over the past decade for many countries to tighten the cap on such spending. The Doha Round negotiations have proposed reductions of from 50 to 85 per cent in the AMS of developed countries. There would also be caps for the first time on the AMS for particular products. The Blue Box support (currently tied to production controls) would be limited to 2.5 percent of the value of production, and individual product Blue Box payments would also be capped.7

To avoid “box-shifting” among types of support the Doha Round agricultural modalities impose additional domestic support reductions not only on the AMS and the Blue Box but also on the Overall Trade Distorting Support (OTDS), which includes all such subsidies. Whether this additional constraint will prove to be necessary remains to be seen, but it plays an important role in giving members confidence in the ability of the WTO rules on domestic support to constrain developed country trade-distorting farm policy. And, though the negotiations have descended to parsing the provisions so as to address implicitly or explicitly the situation in particular members, the overall result of clamping down on high levels of domestic support is to be greatly welcomed.

C. Export Competition

The URAA also imposed disciplines on export subsidies, and required WTO members to both specify and cut their export subsidies. Developed countries were required to cut the value of export subsidies by 36 percent. While this was an important commitment, countries continued to have access to this most trade distorting type of subsidy. Moreover, there were no new disciplines on food aid or export state trading enterprises and negotiations on export credits were transferred to the OECD (which ultimately failed).

An important milestone will have been reached in the Doha Round in the form of a commitment to eliminate export subsidies. WTO members are also close to an agreement on disciplines for export credits and food aid. The pillar of export competition is therefore generally in place, and the Doha Round will have fulfilled one of the tasks set in the Uruguay Round. Producers in exporting countries around the world should recognize this as a major achievement.

D. Other Issues

Though the three pillars of domestic support, market access and export competition make up the bulk of the issues under negotiation in the Round, there are some sensitive items that extend across all the pillars and others that lay outside them. Of the cross-pillar issues the most difficult is the special treatment of cotton, a commodity of intense interest to a group of African countries and one that is produced in the US with the aid of domestic support programs. The Chairman’s report of April 21 notes the continued commitment of WTO members to find a solution that addresses the issue of cotton “ambitiously, expeditiously and specifically”. The solution proposed by the Cotton 4 (Mali, Chad, Burkina Faso, and Benin) was incorporated in the December 2008 Draft Modalities but has not found favour with the US. Direct negotiations have been ongoing but no resolution has been found nor has any counter proposal from the US been published. The cotton question is likely to be among the last “balancing items” that will be decided at the final stage of the negotiations.

A similar fate awaits a topic pushed by the EU and Switzerland on the creation of an international register for geographical indications (GIs) for wines and spirits. Along with a companion proposal to extend some elements of GI protection now restricted to wines and spirits to other GI products, the multilateral register has polarized opinion among countries. Though the Chairman of the TRIPS negotiating committee has recently issued a draft text, the various positions are

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7 Some accommodation would be made for cases where the Blue Box product limits led to anomalies, and the definition of the Blue Box itself would be broadened to include historically fixed payments even when no production controls are in place. In addition, some minor changes in the definitions of subsidies eligible for the Green Box are included in the Draft Modalities.
still far apart. The entrenched commercial interests on both sides make a compromise difficult. But some register of a limited nature would seem to be a reasonable outcome, with a commitment to review its working and improve it later if necessary.

An issue that has received less attention than it deserves is that of export taxes and restrictions. Countries continue to tax or restrict exports in times of high prices. This weakens the foundations of the trade system (as well as reducing the incentives of producers to meet market needs) and causes importers to be wary about relying on imports. It may be impracticable to introduce stronger rules on export restraints into the Doha agenda at this late stage, although an exemption for food aid purchases from such restrictions should usefully be negotiated at this stage. Moreover, a willingness of exporters to negotiate or self-impose such restraints in future may be a valuable complement to the Doha Round.

Another issue relating to export taxes revolves around the use of such taxes to restrict raw material exports with a view to keeping such prices down for domestic processors. The effect is similar to escalating tariffs on import items, which gives extra protection to processing sectors by lower tariffs on raw materials. The WTO needs to develop clearer rules on exporter behaviour and the issue of differential export taxes is one aspect that could be tackled in the future.

3. Unfinished Business within Doha Framework

Though many of the outstanding issues will be resolved by a successful Doha Agreement, further progress will still be needed to remove unnecessary barriers to trade in agricultural and food products. This section of the paper considers some of the additional steps that will be needed to complete the process of reform within the framework of the three pillars of domestic support, export competition and market access. In the domestic support pillar, the reduction of trade-distorting support will still be an important issue on a future agenda. Countries should be encouraged to pursue an agreement to eliminate this type of support altogether, as they will have done for export subsidies. Why is this an important priority? The Doha Round would impose serious restrictions on developed countries, essentially removing the “policy space” that would have allowed for a reversion to widespread price supports. However, the Doha Round would leave significant flexibility for emerging economies, still classified as developing economies, to increase their levels of trade-distorting support. As these countries become wealthier, they may well take advantage of these flexibilities, an outcome that was not considered likely or important in the Doha negotiations, but one that may have serious implications for the global trade regime some years down the road.

One way to view this question is by comparing the OTDS as a percent of total value of agricultural production, as shown in Figure 2. The developed countries OTDS is on a downward trend, dipping below 10 percent for the US, EU and Japan (though still higher for countries such as Norway). This is still much higher in terms of percentage of total value of agricultural production than developing countries, most of which have little trade-distorting support by WTO classification. But the OTDS as a share of output in emerging economies is increasing. Indeed, the allowable trade distorting support for India and China by the end of a transition period would be 25 percent of their value of production, or $85.5 billion and $25.6 billion, respectively. By contrast, the allowable trade-distorting support for the EU would be 9.2 percent of the value of production ($33.1 billion) and for the US the limit would be 7.4 percent of production ($14.5 billion) (Orden, Blandford and Josling, 2011).

Questions about whether green box support is truly non- or minimally trade distorting are also likely to come to the forefront, in particular as OECD countries' levels of green box support will continue to increase.

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Green Box support has increased considerably in the past decade, particularly in the US and the EU. In the EU the total green box support notified in 2007/08 was 56.6 billion euro ($79 billion), with the largest item being direct payments (33.7 billion euro) and very low costs for domestic food programs (0.4 billion euro). In the US the total was $99.6 billion, with $75.9 billion accounted for by domestic food aid programs (food stamps, now called supplemental nutritional assistance) and $6.1 billion by direct payments. US food stamps increase demand from low income families and this can be met in part by imports. But it nevertheless constitutes a significant subsidy within the global food system, and this might eventually cause some concern for lower-income countries (see below). The EU single farm payments are more acceptable to other countries than were the price supports that they replaced, but again the impact on other countries of $50 billion being paid annually to EU farmers might not be benign.

In the market access pillar, future negotiations are likely to zero in on the exceptions built into a Doha Round agreement—in particular the sensitive and special products provisions. Experience with the
SSM will show whether concerns about it leading to widespread increases in tariffs in developing countries for protectionist purposes have been justified or not. The export competition pillar is widely seen as the one where the most progress will have been made with a Doha Round, but issues such as differential export tariffs and other export restrictions may grow in importance.

Export taxes and restrictions have only recently been seen as properly fitting into the export competition pillar. This would be reinforced if in the future export competition is recognized as encompassing “access to imports” mirroring the “market access” pillar. The widespread resort to export restrictions of the last few years has brought this issue to the forefront of the food security agenda. While the existing language on agricultural restrictions may be strengthened somewhat, and WTO members may agree in particular to exempt food aid purchases from export restrictions, it is clear that serious work will need to be done in order to fix the imbalance that presently exists within the URRA, which provides substantial market access guarantees for exporters, but does not provide importers with similar assurances when it comes to supply availability.  

4. Impact of a Doha Agreement on Other Issues

Another major reason for concluding the Doha Round is the desirable effect that it would have on a number of “new” trade issues in agriculture and food. The Doha Round would significantly improve upon the outcome of the Uruguay Round and serve as an important step towards a less distorted and more equitable global food and agricultural trade system. Yet, important questions will still have to be tackled that are outside the three pillars that have defined these agricultural negotiations. Not surprisingly there have been a host of issues that are either “new” or have become more pertinent since the discussions leading up to the URRA and even since the Doha Round started in 2001.

The IPC is of the view that agricultural trade liberalization can most effectively occur in a multilateral context, but it would be idle to speculate on when or whether a further negotiating round beyond Doha might be feasible. Some of the new or emerging issues will be addressed in plurilateral, sectoral or regional negotiations.  Moreover, some of the new issues may overlap with non-trade issues and could well involve other institutions beyond the WTO. But the ability of the international community to tackle these issues would be greatly enhanced if a ten-year old trade negotiation can be brought to a successful conclusion. In the next section we limit ourselves to a discussion of the outstanding and new issues pertinent to the food and agricultural sector rather than what such negotiations and processes might look like. There clearly remains a great deal of work to be done.

A. Market Volatility and High Food Prices

Agricultural product prices have been rather volatile over the past four years (see Figure 3). Real prices have not returned to the high levels of the 1970s, but markets have experienced two price spikes (2007-08 and 2010-2011). This changes radically the set of questions that policy has to address. The Uruguay Round Agreement was concluded in 1995, and many of its provisions were intended to address problems primarily arising from overproduction, surplus disposal and an artificial lowering of international prices as experienced in the 1980s. Today, concerns are rather different: the need to increase food production by at least 70% by 2050 due to population and income growth (as calculated by the FAO), concerns about a slower rate of agricultural productivity, and a rapid ramping up of biofuel production have driven food and agricultural prices in recent years. This has led experts to speak of a possibly higher price plateau and an end to the overall decrease in commodity prices seen—despite temporary volatility—over the


last few decades, as well as of the likelihood of greater volatility ahead.

If this scenario is correct, what are the implications for international trade rules? Beyond the need for stronger disciplines on export restrictions, a different approach might also be required in the domestic support pillar. Rules disciplining trade distorting support were created to respond to high levels of domestic support coupled to production, which resulted in large surpluses that were often “dumped” onto international markets, driving down international prices to the detriment of developing country farmers. These harmful effects were litigated in the WTO dispute settlement proceedings on US cotton and EU sugar. It was not envisaged that a country might complain about high prices; in fact set-aside requirements were “blessed” as contributing to less production and higher prices and placed into the green box. Recourse to the WTO’s dispute settlement process on domestic support measures is almost always instigated by producer interests who feel that they have suffered a lack of income as a result of another countries’ support measures. Producers clearly have no incentive to complain about measures that serve to raise international prices, as set-aside and biofuels subsidies do, since they stand to benefit from such price rises. Might there be a need to reconsider this in the future?

If one believes that fears of scarcity and high prices are likely to dominate in the years ahead, should questions about import (and/or consumption) subsidies be raised as well? If such measures are seen to lead to tightening global supplies and driving up international prices, such questions may well become relevant.

B. Public and Private Food Standards

With tariffs and subsidies taking on less importance over time, the impact of national food standards will likely become an increasingly important topic for food and agricultural trade. The Uruguay Round Agreement importantly included two agreements pertaining to standards, one on sanitary and phytosanitary (SPS) measures, the other on technical barriers to trade (TBT). These established a number of useful disciplines: countries are required to notify new measures before implementing them and countries are required to undertake measures that are not more trade restrictive than necessary to meet their objective. In addition, SPS measures were required to be based on a scientific risk assessment, although
countries were allowed to establish their own levels of acceptable risk. Both agreements also include hortatory language on important principles, urging countries to abide by internationally agreed standards in order to move towards greater harmonization, and to provide recognition of equivalent measures. We focus here in particular on SPS measures, as these are particularly relevant to the food and agricultural sector.

The principles of harmonization and equivalence are important and far-reaching, but their implementation has been mixed at best. According to Josling, Roberts and Orden (2004), the WTO’s promotion of harmonization has been less successful than its attempts to increase transparency or require that measures be based on a risk assessment. A recent examination of some 2,340 notifications made to the SPS Committee made from 2006-2009, found the following:

- 36% indicated adherence in full or in part to an international standard
- Nearly 56% of the notifications indicated that no international standards existed on which to base national measures on
- Only some 300 out of over 1300 high income country notifications were harmonized with an international standard; approximately half of notifications from upper income countries but a much higher 76% of middle and lower income countries indicated that their measures were based on international standards.

These findings demonstrate that the WTO’s principle of harmonization has not been widely implemented, that there is insufficient progress on establishing internationally agreed standards, and that higher income countries in particular often choose not to base their measures on international standards. There is therefore serious work that needs to be pursued in this area if the goal of harmonization is to be pursued more effectively. Likewise, an exhortation to arrive at equivalence agreements has not been widely heeded, with countries by and large still requiring that imports comply with the requirements of the importing country. The majority of trade concerns raised in the SPS Committee pertain to what are perceived to be overly lengthy and complex import approval requirements, indicating that language urging members to process such requests without “undue delay” could well benefit from some clarification. Considering that standards have such a large impact on food and agricultural trade, the question of whether more binding provisions could be envisaged in future negotiations is worth considering.

Although the DDA mandate (par.16) urges members to agree to negotiations to reduce or eliminate non-tariff measures, in particular on products of export interest to developing countries, the negotiations have not advanced significantly in the area of agriculture and food. An issue that has received a significant amount of attention in the NAMA negotiations is a proposal to establish “flexible and expeditious procedures of a conciliatory and non-adjudicatory nature” to resolve differences among countries on standards-related issues, since recourse to the dispute settlement proceeding is seen as too time consuming and costly by many countries and industries. While consensus on such a mechanism, which foresees a horizontal mechanism, that would submit issues to specific WTO committees, is not yet agreed, some countries are requesting in the meantime to agree on an ad hoc process for resolving SPS disputes.

Yet another issue on the standards agenda, is the proliferation of private standards. Questions are being raised about their impact on market access, in particular for developing country producers and exporters, but also about whether and how existing SPS rules apply to such standards.

Concerns about a declining resource base, land degradation, pollution and greenhouse gas emissions have led to both public and private environmental standards targeted in particular at food and agricultural products, ranging from palm oil to biofuels, which raises a number of issues that would benefit from clarification, among them the relationship of private standards to international trade disciplines, but also questions pertaining to whether products can be

13 Josling T. and D. Roberts, “Tracking the Implementation of Internationally Agreed Standards in Food and Agricultural Products”, contribution to the IPC Study on Transparency of SPS Barriers, forthcoming

14 Annex 5, I Ministerial Decision on Procedures for the Facilitation of Solutions to Non-Tariff Barriers
differentiated based on their production process methods, even if these are not detectable in the product itself.

C. Improved Monitoring of Compliance

Beyond providing a forum for trade negotiations and a mechanism for resolving disputes, another of the WTO’s key functions is to monitor compliance with obligations. WTO functions related to monitoring do not receive the same amount of attention as negotiations and high profile WTO disputes, but nonetheless are very important. Binding requirements for WTO members to notify national measures, such as planned SPS measures as mentioned above, or domestic support provided to their agricultural sectors, provide for a “one stop shop,” allowing WTO members to more effectively track their trading partners’ trade related measures. Yet, there are some important issues that require clarification and reinforcement, for these monitoring schemes to remain relevant and useful. The Doha modalities call for a strengthening of the notification process, which would be much welcome considering that many countries have been seriously behind in their annual notifications, including countries that cannot argue that they lack the capacity to provide annual updates. Along with the timely notification it is important to have more uniformity of treatment of types of policy. One such question arises over the notification of “administered prices” for calculating the level of domestic support. Countries have sometimes “abolished” an administered price that has resulted in significant changes in the level of support even though producer prices have not been affected (Orden, Blandford and Josling, 2011). Countries have also varied in their notification of the “eligible quantity” for support, ranging from the amount purchased by the authorities to the whole of the crop. This obviously makes any interpretation of the actual impact on production and trade somewhat difficult. And it would be useful to have reference prices determined by a moving average rather than continue to use prices that are over two decades old.

Clarification is also required with regard to the notification of WTO members’ measures in support of biofuels. As IPC has pointed out in a recent paper, there is no clear guidance on how such support should be notified and counted. Agreement is needed on the appropriate classification of ethanol and biodiesel and hence whether they are regarded as agricultural products or not. This would be useful to fend off any disputes that may emerge with respect to subsidies for biofuels.

D. Coming to Grips with PTAs

Since the Doha Round was launched in 2001, a considerable number of Preferential Trade Agreements (PTAs) have been concluded, many of which will change the conditions for trade in food and agricultural products. The relationship between PTAs and the WTO of course is an issue that goes beyond agriculture and has been termed by WTO Director General Pascal Lamy as one of the most important issues WTO members need to address in a post-Doha environment. Of particular relevance for agriculture, however, is the present requirement that countries forming customs unions and free trade areas should seek to eliminate duties and other restrictive regulations of commerce “on substantially all trade between the constituent territories in products originating in such territories.” This condition is not being interpreted or implemented in a unified fashion. Significant discrepancy therefore exists among PTAs’ market access provisions pertaining to agriculture, with some PTAs leaving out entire products from liberalization commitments altogether or allowing for very long implementation periods. Considering that an increasing number of PTAs are being negotiated and concluded, it will be very important to seek greater clarity on these questions in order to ensure that these agreements will trigger the required agricultural reforms.

To the extent that PTAs are becoming the main vehicle for trade liberalization, there are a number of other agriculture related issues that should usefully

17 Article XIV.8(b)
be addressed: Is there an effective way for PTAs to address subsidy related issues since this has generally been considered to be only feasible in the multilateral context? How can PTA standards-related provisions truly offer something beyond the rules laid down in the SPS and TBT Committees? If the key issue to making progress on technically complex standards questions is to bring national regulators together in order to facilitate a better understanding of each party’s requirements and to build up trust, then PTAs might offer an opportunity in the realm of standards. Could they also, however, include more clear-cut commitments, i.e. on establishing equivalence or setting forth requirements on parallel regulatory efforts?

E. Development Issues

The present round of negotiations was called the Doha Development Round because members were keen in particular to remedy remaining distortions in the agricultural sector, which is of vital importance to many developing countries. A considerable focus of the negotiations has therefore been justifiably on the extent to which wealthy countries provide unfavorable market access to least developed18 and developing countries, continue to provide (or have the option to provide) large amounts of trade distorting subsidies. Least developed economies were not required to make any commitments in the URRA, nor are they being asked to do so in the Doha negotiations, whereas developing countries are subject to “special and differential treatment,” which offers them lower reduction requirements in the market access and domestic support pillars. There is no doubt that the effort towards further reforms in OECD countries must be maintained so that the trading system can become more equitable. The emphasis on special and differential treatment, however, has arguably kept the focus off of two important topics. The first issue is whether it any longer makes sense to group all developing countries together, considering that there is a vast difference between emerging economies, whose agricultural and trade policies are having an increasingly significant impact on other developing economies, and small and vulnerable economies whose trade policies are almost entirely predetermined by their relations with large neighbors or former colonial powers. The graduation of important players to where they assume full burdens proportionate to their place in world trade would allow more selective help to those that need it most. The second issue is whether special and differential treatment keeps least developed and developing countries from considering more seriously the development benefits that can be accrued from their own trade liberalization, in particular vis-à-vis neighboring countries. It is time for a more proactive approach to trade liberalization by some of these countries.

5. Conclusion

There is a lively debate underway on whether and how to salvage the Doha Round. IPC adds its voice to those who continue to argue that a successfully concluded Round will bring enormous benefits, both in economic terms, but also in systemic terms – the GATT/WTO system should be strengthened and not weakened in these turbulent times. There are particularly substantial gains to be had in the agricultural sector: although important progress was made in the URRA, subjecting a highly distorted international agricultural trading system to only one Round was clearly not sufficient. The Doha Round provides for a further set of important advances in agricultural reform. We also emphasize that concluding the Doha Round would allow WTO members to consider issues that have emerged (or re-emerged) since this last Round was launched, many of which require urgent attention.

However, It is now abundantly clear that the DDA cannot be completed by the end of 2011 and WTO members are engaging in a discussion of the scope of “Plan B,” alternatively also referred to as an “early harvest” or a “down payment.” These discussions about how to proceed in the Doha Round are taking place while the international community is also considering how best to respond to increased food price volatility. This paper has shown the important agricultural trade reforms that are encompassed in the Doha Round agricultural modalities and points
to the need to conclude these negotiations as soon as possible in order to tackle issues that have arisen since the Doha Mandate was agreed to in 2001.

Any Plan B should focus on development and address price volatility. To make a virtue out of necessity the WTO should focus on an interim package of trade reforms by December 2011 that is development focused and seeks to address some trade-related aspects of food price volatility. Extreme price volatility places the greatest burden on the most vulnerable living in poor countries.

With respect to the agricultural component of the Round, the following should be seriously considered for inclusion in a December package:

• A duty free/quota free package for least developed countries to encompass all food and agricultural tariff lines.
• The elimination of agricultural export subsidies and similar disciplines on all export measures with equivalent effect, including export credits, food aid and STEs.
• Improved disciplines on agricultural export prohibitions and restrictions, including an exemption to such restrictions for food aid purchases.
• Addressing all trade distorting policies affecting cotton and development assistance related aspects.
• Improvements in the administration of TRQs, including the introduction of a Tariff Quota Underfill mechanism.
• Enhanced Monitoring and Surveillance of Domestic Support and other aspects of the Uruguay Round Agreement on Agriculture in order to improve transparency and accountability.

Such a package, along with a renewed commitment to work towards the completion of the Doha Round as a whole, would contribute to a strengthening of the trade system for agricultural and food products and particularly to the food security of the world’s consumers.