

# Agriculture in a Multilateral Round

## Geneva Trade & Development Symposium

### Presentation by Carlo Trojan

- Since 2001 –when the Doha Round was launched – the world has changed dramatically. The world food- and agriculture trading system is facing three concurrent and global challenges:
- 1) How to cope with the financial and economic crisis?
- 2) How to cope with climate change?
- 3) How to address food security concerns?
- Keeping markets open and preserving and adapting a sound rules based system is of great importance. I would say far greater than eight years ago.
- In a way the Doha Round is a negotiation on a outdated baseline. But we have to conclude yesterdays negotiating agenda in order to be able to address the new challenges.

## The financial and economic crisis

- The financial and economic crisis has triggered a dramatic decline in world trade and FDI and further slippage towards more trade restricting measures. Up to now WTO disciplines and possibly G20 pledges have constrained governments not to cede too much ground to protectionist pressures. But nobody can deny that protectionist measures are on the rise and that rising unemployment tend to aggravate the situation. GDP growth maybe on the rise but the recovery remains sluggish.
- Policy responses to rising protectionism are containment through WTO disciplines, monitoring and peer pressure.
- Most effective policy response at this stage would be a speedy and successful conclusion of the Doha Round. This would give a political signal of enhanced international cooperation and rejection of protectionism.

## Completing the Doha Round

- Three major reasons for completing the Round: pocket benefits of negotiations so far (tariff cuts, subsidy cuts), constrain scope of legal protectionism, avoid systemic costs of failure.
- What is on the table would substantially reduce “water” between consolidated and applied rates (both industrial and agriculture) and substantially reduce the permitted levels of domestic subsidies in agriculture while eliminating export subsidies.
- It would also entail actual further trade liberalization by improved market access in agriculture (through reduced tariffs and increased import quota’s) and benefits through trade facilitation. Updated rules will strengthen trading system.
- It would leave serious imbalances in present trading system in relation to developing countries and particularly LDC’s.

## So close and yet so far

- According to Lamy overall 80% of the negotiations are practically done. What remains to be done in agriculture is less a technical problem than a political one.
- Negotiations in Geneva are in a stalemate. Mainly due to the domestic situation in the US. TPA expired more than two years ago and US Congress seems not likely to grant a new one. US administration too much occupied with health reform, climate change and economic recovery. Trade is on the back burner.
- Paradoxically developing countries-which were reluctant in first instance-are now strong advocates of concluding the Round.

## How to unblock Doha

- Insiders in both Geneva and Washington tell me that the perspectives of concluding the Round in 2010-or even modalities-are very bleak indeed. Obviously the ritual dance continues. Negotiators are walking in the woods and lunching around and trying hard to find some free time for ski or golf.
- Unblocking Doha has to come from the highest political level. The G20 has pledged three times for an ambitious and balanced outcome of the Round in 2010. Apparently not more efficient than the repeated G7/8 pledges of the past.
- Still, the G20 appears the most likely forum to take advantage of the financial and economic crisis to create a new momentum for trade liberalization. There is a shift in economic power and countries like Brazil and China together with the EU could put some pressure on the US to get moving. The positive outlook of commodity markets in medium and longer term might be helpful in this respect.

## How wide is the window of opportunity?

- Explicit failure or abandonment of Doha is unlikely. Trade Rounds are like old soldiers: they never die, they fade away.
- Obviously the longer we wait the greater the risk of unraveling the July 2008 package.
- Beyond 2010 the EU might be too much involved in its Internal negotiation on the new financial perspectives from 2013 onwards.
- Can we wait that long to address the new agenda?
- The new agenda is already there: trade implications of climate change policies, food security concerns ( including export restrictions), non trade concerns like environment, food safety and labor.

## How to stop Doha falling apart?

- The time may come that one has to consider a Plan B in order to stop Doha from falling apart.
- There have been voices for an early harvest “development package” including quota- and duty free but without any broad based support.
- Another idea would be a two stage approach combining a first stage Doha light (including agriculture and NAMA ) and a second stage comprehensive build in agenda to be concluded within a short period. The first stage agreement would only enter into force once the second stage is concluded.
- Yet another idea would be to enlarge the agenda with new issues.
- The simplest way would be however to conclude the Round building on the July 2008 package with an agreement in first instance on modalities.

## Climate change, food security and trade

- To provide food security for an ever growing world population (over 9 billion in 2050), increased purchasing power in emerging economies (China, India) and changing diets requires doubling of food production by as early as 2030.
- Climate change will modify local and global food security vulnerability patterns.
- An open trade system for food and agricultural products is vital to meet the challenges of food security and climate change.
- Only a few countries have sufficient available land, suitable climate and water resources to rely totally on their own production.
- Trade of food and agricultural products will be crucial to compensate climatic offsets of production due to climate change.
- Food security requires an open and equitable global food system.
- Concluding the Doha Round will contribute to that.

## Beyond Doha

- Previous panelists have already looked beyond Doha and dealt with alternative options of trade liberalization.
- A successful outcome of Doha will most likely already include a build in agenda. The service sector is the most likely candidate but there may also be a build in agenda for some aspect of the agricultural package. In any event there will be quite some unfinished business in terms of trade liberalization.
- A recent IPC study in which our today's chair and Tim Joslings were actively involved still considers the multilateral round based on the concept of a single undertaking the best possible way forward for further agricultural trade liberalization.
- This may be true for major reforms but more punctual adaptations of the WTO rulebook will require more agile processes.

## Alternative options

- We had very interesting presentations on RTA's, critical mass agreements and sectorals.
- However we may need more expeditious processes in order to clarify how WTO rules apply to biofuels and the exact scope of Art.XX in relation to trade related climate change measures.
- Obviously some more detailed rules as a result of the climate change negotiations would be helpful.
- Short of amending the rulebook interpretative declarations can constitute sufficient guidance for the Dispute Settlement System.
- But amendments of the various agreement will most likely be required. Art. X.3 and 4 of the Marrakesh Agreement may offer such a route.
- The way forward beyond Doha will be a cocktail of different approaches including new multilateral rounds at some juncture.