

**IPC SEMINAR
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PANEL ONE: A DEVELOPMENT ROUND

Mike Gifford:

Mr. Gifford introduced the topic, noting that agriculture is difficult to negotiate, but unless developing countries are on board there won't be a round at all. He noted that the purpose of the IPC meeting was to get a perspective on what developing countries need and want in the next round.

Pedro de Camargo: Trade Issues and Barriers to Brazilian Agricultural Exports

Mr. Camargo discussed the status of Brazilian agriculture and the key goals for the new WTO negotiations on agriculture. He stated that Brazil is a large country with competitive agriculture in a number of products like sugar, ethanol, cotton, meat, fisheries and fruits. Much of the success of the agriculture sector recently is due to increased productivity, technological innovation and sanitary and phytosanitary improvements. Agriculture is the anchor of Brazilian development. It is necessary to have a trade surplus in agriculture to finance the imports of infrastructure and information technology necessary for future development. Key goals for the negotiations are the elimination of tariff barriers in terms of tariff peaks and escalation and export and domestic subsidies, the expansion or elimination of quotas. Mr. Camargo stated that if there were no meaningful progress in agriculture, there was no sense in having any agreement at all in either FTAA, WTO or EU-Mercosur.

Devi Dayal: Indian Perspective on DDA

Agriculture is an essential component of the Indian economy. Over the last few years, there has been rapid improvement in Indian agriculture. Agriculture contributes to 24% of GDP, provides food to 1 billion people, and sustains 65% of the population. India is the largest producer of pulses, tea and milk and the second largest producer of fruits and vegetables. It is India's goals to double food grain production to make India hunger free.

Special and differential treatment is a core element of developing country goals for the WTO agriculture negotiations. Key goals are:

- Developed country market access and the elimination of export subsidies
- Specific and targeted special and differential provisions, with longer transition periods and reduced rates of tariff reductions
- Domestic policy flexibility to protect food security
- Retaining bound tariffs to protect farmers
- Use of a special safeguard (SSG) and the eliminate discretion in application of SPS standards

- No commodity specific commitments

Liberty Mhlanga: All Africa Perspective

Mr. Mhlanga offered a perspective on African positions before, during and after Doha. He noted that key concerns leading up to the Doha Ministerial were implementation, TRIPs commitments and access to essential medicines. In addition, many nations were concerned about implementation issues in the areas of agriculture, services and industrial tariffs as well as increased flexibility for access to medicines and a need for protection of traditional knowledge.

Agriculture objectives include:

- An emphasis on S&D treatment in all areas of the text
- Rural development should be crafted in a non trade distorting manner, using green box support
- There should be a special safeguards across the board for all products
- Developed countries should set up a revolving fund to help African countries to cope with rising food demand and bills
- In addition, high income countries should assist African nations in technical and financial assistance for SPS measures as well as TBT rule

The IPC can play a critical role for developing countries though help in analytical support through seminars and plenary meetings. In addition, the IPC can convey developing country concerns to high-income farmers and help to define modalities for going forward after Doha.

Jorge Zorreguieta: The Argentinean Perspective

Meaningful reform of agriculture is a priority for Argentina. In Argentina, agriculture production has increased dramatically from 38 million tons in 1991 to 68 million tons in 2002. Although exports increased to \$7 billion in 2001, there are still significant trade barriers that keep products out of international markets.

Argentina is concerned that the United States will not exert the strong leadership necessary to produce meaningful reform in the WTO negotiations. The US farm bill and continued lack of TPA will complicate US positions going forward. In addition, although CAP reforms indicate that the EU is on the right track, there are still concerns about an expansion of the green box due to multifunctional concerns. Argentina will push for aggressive reform in agriculture, the maintenance of the SPS agreement, and special and differential treatment for developing countries.

Discussion

Q: What do developing countries feel they need or want in special and differential treatment?

A: The term must be better defined since in last round it meant extended phase-outs and lower tariff reductions, whereas some countries would benefit more from accelerated phase-outs. Maybe we can repeat this approach or perhaps modify it in some way. It is clear that developing countries need additional time to adjust, however, the definition also must take into consideration outcome of the round.

Other panelists had a more expansive view of special and differential treatment. They stated that it should include safeguards and specialty payments related to food security and developing concerns. In addition, all measures for poverty reduction and rural development should be exempt from countries. Food security should be taken care of through a separate food box not subject to commitments. Domestic support in terms of specific commodities should be allowed to be adjusted. Decoupled payments should also be part of AMS. Support to low-income farmers should be exempt for developing countries. Developed countries should reduce domestic support.

On market access, developing countries should be allowed to raise tariff bindings to ceilings and there should be no minimum market access for developing countries. The special safeguard should be made available to all developing countries to combat surges in imports. All export support even credits should be made part of export subsidy commitments. Tariff-rate quotas should be abolished and should not be used in developed countries. Excessively high tariffs in developed countries brought down. Finally, negotiators must take into account the needs of subsistence farmers.

Q: The focus of the discussion seems to be on North-South rather than South-South trade, even though studies show greater gains through South-South trade. What are the chances for liberalization in South-South trade?

A: Panelists responded that they were not sure whether these figures were correct and that they would need more information about how the agreement has been implemented. Others noted that South-South trade is much more complex than traditional tariff barriers. Corruption, black market exchange rates etc. and other peculiar situations make it hard to measure how gains may accrue.

PANEL TWO: DIVERGENT AGENDAS

Discussion of how focus on LDCs will alter negotiating positions in the new round.

Joe O'Mara: US Perspective

Mr. O'Mara presented an optimistic outlook for the new round, largely because of the impact of the existing framework for the negotiations that was developed during the Uruguay Round. Much of the debate during the Uruguay Round was about the rules or terms of trade. For example, discussions on exemptions to the rules took nearly seven and a half years. Instead, this time the focus will be on how deeply to cut, getting right to matters of direct interest to developing countries. In addition, negotiators have already developed the framework for Tariff-Rate-Quotas (TRQs), so you don't have to start off over again, the decision will be to either eliminate TRQs or substantially liberalize them

Although there is deep concern globally of the impact of the farm bill, Mr. O'Mara stated that the Administration will implement the bill in a manner consistent with US WTO obligations. In addition, the US Administration and the agricultural community still want trade liberalization to move forward. He stated that he expects the US to be very aggressive as the negotiations move toward modalities. He stated that with political will, it will be very possible to get the job done right for both developed and developing country interests.

Brian Chamberlain: Australia/New Zealand Perspective

New Zealand has the lowest PSE in OECD and, on average, the most prosperous farmers in the world. New Zealand and Australia are distressed at the current US farm bill, and find it very difficult to see how US would insist that developing countries open up markets while increasing support to agriculture.

The Cairns Group, although a diverse group, all are very supportive of policies regarding importance of international development and trade liberalization in agriculture. However, with regard to developing country priorities, believe that first, a development box is unrealistic as there are too many boxes already and the focus should be on looking at reducing boxes and tightening boxes, since many of the needs can be addressed in present boxes. In addition, food aid is not the answer, since often in the long term it makes situations worse. What you need is to increase farmer wealth not decrease wealth through cheaper food aid products.

For developing countries to be successful, you have to get more income into the general population's pockets. In addition, high-income countries must offer increased market access not just in agricultural access, but for industrial products and textiles, shoes etc. to raise general welfare.

Michel Petit: European Union Perspective for Doha Round

The European Union believes that this round of negotiations is really a global round, which must also take into consideration the multifunctional nature of agriculture. EU positions are very much driven Uruguay Round reforms, enlargement, budget pressures, as well as new actors, such as NGOs and consumer organizations who have distinct goals for the negotiations.

Key goals for the negotiations include, market access and the elimination of export subsidies including export credits all measures supporting exports. In the area of domestic support, the EU has a major stake in retaining the blue box and the peace clause, however it is unlikely the blue box will survive the next round. Non-trade concerns and multifunctionality represent a new social contract on the place of agriculture in society. A key issue will be whether it is possible to design programs that will be non-trade distorting while supporting goals. The EU would also like to enhance the understanding of the agreement on sanitary and phytosanitary measures, recognizing that SPS the acceptable level of risks to society are not equal among all societies.

In general however, there is a more favorable environment in the EU for meaningful CAP reform and trade liberalization.

Discussion:

Q: Are the timelines realistic? How to you reconcile goals of export countries/products as well as import countries and sensitive crops?

A:

In terms of the timeline, the negotiations are certainly ambitious and complex, but are also doable. At some point in the negotiations, there has to be an evaluation as to whether all divergent interests have enough balance in the agreement to achieve domestic support for the agreement. Unfortunately, we won't know the answer until the negotiations are almost concluded. At least the groundwork is there this time, which means negotiators will get to the heart of the matter quickly. If wealthy countries reduce more quickly, then developing countries would not be so inclined to seek protection. However, the protectionist movement in the United States, very akin to 1930s in the United States, could scuttle negotiations because the EU will not pick up leadership of negotiations.

Q: What role does enlargement play?

A: It increases incentive to reduce supports

Q: For how long do developing countries get Special and Differential treatment? What conditions do you need to qualify for S&D treatment? Do you ever graduate?

A: The practice in the WTO is that countries self designate as developing countries, so there is no criteria for category or graduation. Criteria for developing country status will definitely come up again in these negotiations, especially in terms of the least developed countries as compared to developing countries.

Q: Please comment on the need for some kind of protection for poor farmers and poor people in developing countries?

A: First, developing countries have rights under the current agreement to assist poor farmers. Secondly, if there is a perfect level playing field, there is no need for any special safeguards. However, given the nature of subsistence agriculture, the political reality is that there is no way to sell major liberalization with great social cost without some protection.

PANEL THREE: NON-TRADE CONCERNS

Jiro Shiwaku: Japanese Perspectives

Both Article 20 of the Uruguay Round Agreement and the Doha Declaration direct ministers to “take into account” non-trade concerns. Japanese society believes that there is a co-existence of various types of agriculture throughout the world in terms of multifunctional nature of agriculture as well as food security. International trade agreements must also balance the interests of exporting and importing countries

Japanese believe in the multifunctional nature of agriculture. In Japan there is a very low self-sufficiency ratio (40% percent) as well as a two-tier structure between wheat and rice, where there is a 92% sufficiency. The public is uneasy about food security and in general would rather produce domestically even if the price were higher. In addition to food security, there is a growing demand for agriculture that respects conservation, preservation and the maintenance of the landscape.

Regarding the WTO negotiations, key Japanese proposals will be to maintain tariffs at a reasonable levels taking into account multifunctionality and food security and to maintain the special safeguard. For domestic support, green box requirements should be improved, the blue box should be maintained, and supports should be determined in a realistic manner. It is important to note that there is a new inter-agency process in Japan for determining negotiating positions. MAFF is no longer in sole control of the agriculture negotiations.

Rolf Moehler: Non-Trade Concerns of the EU

Non-trade concerns are legitimate concerns that must sit uncomfortably with trade liberalization. There is now a broad definition for non-trade concerns that includes food security, multifunctionality, rural development, food safety and animal welfare, whereas in the Uruguay Round the key concern was food security.

In Europe, there is a belief that agriculture should be about more than just producing food and fiber. Agriculture is an important part of the landscape, can produce environmental benefits, and can contribute to the socio-economic viability of rural areas. However, this is a description, not a policy, with a hidden agenda to shift support from agriculture production to other things.

In general, non-trade concerns must be seen within the context of the agriculture agreement and must not thwart objective of agreement. In fact, green box measures are well suited to deal with non-trade concerns especially those like animal welfare if support is limited to covering additional costs. Labeling can also be an important tool for dealing with non-trade concerns as long as there is nodiscrimination between domestic and imported goods. Finally, developing

countries have room under domestic support to meet non-trade concerns, however it is still uncertain as to whether they should be allowed to use border protections to meet non-trade concerns.

Anthony Wylie: Chilean Perspective

Non-trade concerns are variable and can assume different characteristics depending on commodity, country, customs, socio-economic level of countries. It is clear that different players in world trade have differing views on trade barriers. Also, non-trade concerns change over time as circumstance and market conditions change, but in general, non-trade concerns they affect everyone in both developed and developing countries. Finally, one country's non-trade concern can look very much like protectionism in another country, as in the case of animal welfare to countries that are below subsistence levels.

So, how do you allow all parties to escape global distortions that these barriers create? If a country is rich enough to want to promote animal welfare, they should be allowed to do so provided that they do not distort trade. However, there should be a respect for different cultural approaches toward non-trade concerns, especially in the area of animal welfare where animals may be treated in particular ways for religious or social reasons.

There must be a greater emphasis on education and training if developing countries are to grow. In addition to providing technical assistance, countries must accelerate the rate of declines of tariffs and build trust between trading partners.

Discussion

Q: Would it be useful to distinguish non-trade concerns along the lines between public goods and private goods? Would it be useful to separate mandatory and voluntary labeling schemes?

A: You can make the distinction between public goods and private goods, but the outcome is such that it is of little use. In terms of mandatory vs. voluntary labeling, voluntary is preferable but mandatory should also be possible.

Q: When there are so many people do not have even basic human welfare, is it right to present animal welfare to developing countries?

A: Perhaps the world health is better than welfare, but perhaps this is a bigger difference than just semantics. It is true the approach has a lot of resistance globally, However, in Europe, there have been consequences of industrial production in terms of cruelty and poor treatment which must be dealt with because consumers want it.

Q: Compensation for animal welfare? If consumers really want this, why can't they pay for it? Rather than making governments pay for it?

A: That is happening to an extent in Europe. For examples, eggs cost more without choice because they must now be raised outside of cages. It is true that it is better to solve these issues through labeling.

PANEL FOUR: WHAT FOCUS FOR THE ROUND

Dale Hathaway

During the last round, negotiators essentially rewrote the rules for trade in agriculture, but there was no real liberalization. Developing countries effectively protected their own industries and the biggest subsidizers arranged to exempt subsidies and sensitive products. For example, in the old way of negotiations, countries took a 15% reduction for a 200% tariff and balanced it with a 50% cut on a 2% tariff, for the aggregate 33% cut. The end result was no significant liberalization in agricultural trade. Furthermore, special and differential treatment focused on reducing commitments for developing countries, allowing them to keep their protectionism longer than they would have normally.

The development round will differ in that the outcome should increase income growth for the population of developing countries, which is different than saying you can protect longer than before. It also implies significant tariff reductions on products of developed countries, an end to tariff peaks and tariff escalation, and an increase in tariff rate quotas. It also means that there should be a phasing out of all export subsidies and substantial reductions/eliminations of trade distorting domestic subsidies in OECD countries. Finally there is a major case to be made for easily applicable safeguards in a world where surplus commodities are often dumped on the world market. The present rules for safeguards are so complicated as to be useless.

Suzanne Vinet

The central issue for the next round will be that of domestic support. In addition, we need predictable rules for market expansion so that developing country producers can compete on a level and predictable playing field. We need to continue to bring agriculture trade under the rule of law so that agriculture can serve as an engine of growth and development in developing countries.

Development will also be a key issue in the negotiations. The theme permeates the Doha declaration. It is an important political commitment that must be delivered on through technical assistance, capacity building and results of negotiations themselves. This means enhanced access to developed country markets and capacity building.

Special and differential treatment will also be a key focus. Old special and differential treatment meant that the agreement on agriculture has had little impact on domestic programs. Therefore, many of the ideas for special and differential treatment amount to seeking more ambitious reform for developed countries while seeking to maintain maximum flexibility for their own markets. This is problematic because often trade distorting policies do not foster development (i.e. an increase tariffs beyond bindings or CVD at will) and can restrict trade amongst developing countries, which is a point of concern for many

developing countries. Therefore, developed countries need to find ways to help developing countries to facilitate transition to open economies.

This includes, protecting low-income farmers for income surges, which is mainly a problem of subsidized exports from developing countries, through a special countervail program. Special safeguards should also operate effectively without long-term distortions

Canada will continue to push for maximum market access and reductions in trade distorting domestic support, but will have to take into account developing country concerns. The EC and the US remain key players, however the mood has changed largely due to the farm bill, and there is great concern that the US will not be able to lead.

Discussion

Q: Would it be appropriate to come forward with ideas on rules for South-South trade? Do you really think that capacity building really helps? What does capacity building really mean, especially since what they really need to know is their own interests

A: Capacity building in agriculture to help developing countries determine their own interests is going on at the South Center. And, if you look at participation now, you can see that they understand much better how the negotiations proceed.

Q: Why argue for a more simple special safeguard mechanism?

A: Only those countries that "tarrified" can use the special safeguard. No developing countries can use it. The general safeguard law is too complicated because it was written by lawyers for lawyers.

Q: Can't more countries "tarrify" and then gain use of SSG? Also, couldn't you use tariff rate quotas with high out of quota rates to address import surges? So do we need to increase TRQs?

A: Adding TRQs would be a long step backwards. They are terribly trade distorting. There are other ways to deal with the problem. Especially since TRQ administration is so flawed. However, some countries do not have means to apply very complex rules. We are going to have to find a way to allow developing countries some form of adjustment or transition through protection against surges of imports and to bring along their poorest farmers.

Q: Who imagined the title of Development Round? There's much more in the package for developed countries than developing ones. Is it balanced?

A: Pre-Seattle there was no recognition of developing country concerns. Only when those concerns were acknowledged, there was agreement on a negotiating agenda.