



**IPC-NCIEC Seminar:
International Agricultural Trade and Sustainable Development in Southeast Asia
October 31, 2005
Hanoi, Vietnam**

IPC Seminar Proceedings¹

The 36th IPC Seminar, "International Agricultural Trade and Sustainable Development in Southeast Asia," was held on October 31, 2005 in Hanoi, Vietnam, together with the National Committee for International Economic Cooperation (NCIEC). The seminar featured a keynote address by Luong Van Tu, Vietnam's Deputy Minister of Trade. The morning sessions focused on growth in agriculture through trade, with reference to Vietnam's accession to the WTO, experiences of other regional countries in becoming members, the current state of the Doha Round and expectations for the upcoming WTO Hong Kong ministerial meeting. The luncheon address focused on balancing growth in agriculture with environmental sustainability. The afternoon sessions discussed the domestic effects of agricultural trade liberalization, including ways to make developing agriculture sectors competitive, effects on rural areas and populations, and future prospects for Vietnam's cocoa industry as attempts sustainable growth.

Opening Address - Building a Sustainable Future for Agriculture in Vietnam

Luong Van Tu, Vietnam's Deputy Minister of Trade, posed two important questions that Vietnam's government must attempt to answer: how can the government improve farmers' opportunities through trade liberalization while also helping them to cope with world market fluctuations and how can agricultural production be maintained without trade distorting support? A first step in finding the answers to such crucial questions is to ensure that agriculture in Vietnam is properly managed to promote long-term growth and natural resources conservation, while also providing farmers with the infrastructure, technology, and education necessary to successfully achieve economic, social, and environmental goals.

Session 1 - WTO Accession: Regional Experiences and Lessons for Vietnam

In order to get an idea of what Vietnam can expect once it gains WTO membership, it is useful to draw on the experiences of other nations that have gone through the same process. Trade has been an obvious indicator of growth in Vietnam's economy, and WTO membership will serve to build additional trade relationships and strengthen existing ones.

Jikun Huang, IPC Member and Director of the Center for Chinese Agricultural Policy, began the session by outlining the trade liberalization strategy that China has followed. Since China began reforms in 1978, the size of its economy has doubled, and rural poverty has been greatly reduced. This success has been the product of simultaneous trade and domestic policy reforms, which included domestic improvements in information access, marketing techniques, and transportation infrastructure.

Csaba Csaki, IPC Member and Professor at Corvinus University in Budapest, discussed the situations in Russia and the Ukraine. Both countries are hoping to become WTO members, both have begun to reform their agricultural industries and they have since seen increases in their agricultural productivity. Russia is an importer of agricultural products and ought to be considered a huge market opportunity for the WTO. Ukraine, on the other hand, is an exporter of agricultural products and sees the WTO as an open door for increased trade.

¹ This document is a summary of the IPC Seminar proceedings. Please visit the IPC website for full-length minutes.



Brian Chamberlain, IPC Member and Former President of the Federated Farmers of New Zealand, pointed out that agriculture plays an important role in both New Zealand and Vietnam. Membership to the GATT and WTO has been to the benefit of New Zealand and its agriculture by helping to secure more market access for the country. Internal subsidies in wealthy countries have switched from production related subsidies to less trade distorting payments and the Doha Round aims to decrease subsidies further over time. That is better for both Vietnam and New Zealand as the countries face less unfair competition in international markets.

Session 2 - Multilateral Trade Negotiations: Update on the Doha Development Round

As the Hong Kong ministerial meeting draws near, it is important to realistically define the potential successes and challenges that may be encountered. This session analyzed the different proposals and positions of the major WTO players.

IPC Chairman, Robert Thompson, outlined the US proposal, and concluded that writing the next US Farm Bill and completing the Doha Round negotiations are on the same timetable – mid-2007. Changes in US agriculture, he pointed out, happen slowly and they are generally evolutionary, not revolutionary. But, there are a number of forces that could bring bigger changes in 2007: the Federal budget deficit, WTO trade negotiations and public perception that farm programs are not achieving their objectives

Rolf Moehler, IPC Member and Former Deputy Director General of Agriculture for the European Commission, laid out the EU proposal, which includes less ambitious market access provisions than the US or the G20 proposals. The major point of contention for the EU is Blue Box domestic support payments. The EU does not want US countercyclical payments to be included. Moehler pointed out that market access will likely be the sticking point for the EU at Hong Kong and will probably not be solved. But he anticipates that a solution will emerge as the Doha Round comes to a close.

Marcelo Regunaga, IPC Member and Former Secretary of Agriculture in Argentina, discussed the G20 proposal, which would foster agricultural growth in developing countries as an avenue for poverty eradication. Domestic supports must be reduced through a combination of significant cuts, disciplines, and monitoring. The elimination of export subsidies must have a credible timetable, no longer than five years.

Luncheon Address - Balancing Environment and Growth

Delicate ecosystems within Vietnam's Greater Mekong Region are home to many globally valuable resources. The population of Vietnam is highly dependent upon the sustainable use and management of these resources, but increasing demand due to population pressures and competing uses between rural and urban areas has brought about conflicting views on prioritizing environmental and economic development.

During his Luncheon Address, Eric Coull, Director of WWF Indochina, spoke about the difficulty between managing the environment and pursuing economic goals. Agricultural trade has been responsible for habitat loss in environmentally sensitive areas of Vietnam. Coull points out, however, that the harms of agriculture to biodiversity can be alleviated through changes in practices and infrastructures.

WWF has been heading up its own projects in Vietnam and partnering with the Asian Development Bank's Greater Mekong Sub-region and corporations to achieve sustainable agricultural practices that ensure biodiversity and further economic trade and growth.



Session 3 - Getting Agriculture Ready to Compete

As agricultural sectors embrace trade reform, they must also consider what adjustments will be necessary for entry into international markets. These considerations will play an important role in determining what the country's level of competitiveness will be.

Csaba Csaki provided reasons for the disparities in the success of the agricultural sector among different countries. Among the reasons are: inadequacies in domestic and trade policies, market infrastructures, rural financial systems, property rights, political institutions, and world market access. Countries experiencing growing agricultural industries can attribute that success to: fair policies, open economies, recognition of external markets, technological progress, and substantial outside investment. Csaki identified the best kind of growth as knowledge-led growth that considers the entire value chain and emphasizes value added production.

Dang Kim Son, Director General of the Vietnam Ministry of Agriculture and Rural Development, discussed Vietnam's current agricultural development situation. Since 1998, Vietnam agriculture has grown 4 to 5 percent. The industry has embraced production diversification, has become more export oriented, and focuses more on quality rather than volume. Globalization and market integration have had important effects on Vietnam's economy, allowing rice exports to remain competitive and providing potential growth in tea and pepper exports. Son believes Vietnam's competitiveness will be further enhanced through technological investment, improved services, an application of standards, improved production and marketing infrastructures, and reformed enterprises and businesses.

Bui Quang Toan, Director of the Center for Agricultural Extension, outlined the advantages and disadvantages afforded to Vietnam in terms of agriculture. Vietnam has fertile soil, a tropical climate, a large labor force, convenient international transportation, and investment interest from developed countries. However, Vietnam also has an underdeveloped infrastructure for agriculture, forestry, and fisheries, low levels of education, natural disasters, and fragmented or small-scale production. Toan then discussed proposals from the Vietnamese government intended to develop and stimulate agricultural production and trade. The seven solutions include ensuring food security, establishing high-quality products, improving post-harvest techniques, investing in advanced processing facilities, enhancing marketing and information systems, protecting natural resources, and continuing to reform institutions and policies as necessary.

Session 4 - Rural Development, Agriculture, and Domestic Policy

With development comes a fundamental change in the economic landscape of a country. As areas become more urban and consumption increases, it may become difficult to address socio-economic concerns and issues of poverty in rural areas.

Chu Tien Quang, from the Research Department on Rural Economic Development Policies in Vietnam's Ministry of Planning and Investment, identified state investment in agriculture, forestry, and aquaculture as potential ways to develop rural infrastructure and eliminate poverty.

H.S. Dillon, IPC Member and Executive Director of the Partnership for Governance Reform in Indonesia, discussed the importance of a healthy rural population with access to education and infrastructure as a key to agricultural productivity. Increased labor opportunities in agriculture will provide a way for people to lift themselves out of poverty. Dillon also pointed to risks coming from increased agricultural trade liberalization: developing countries will be expected to compete with rich countries and fast reform may cause sectors to collapse. High quality governance will be important to overcome these risks and pursue strategies that will create sustainable livelihoods for all. The benefits of growth must apply to an entire population, because leaving behind portions of society will eventually limit economic growth.



Raul Montemayor, IPC Member and Business Manager of the Federation of Free Farmers Cooperative in the Philippines, identified agriculture as the most important economic need in the pursuit of development. Vietnam ought to develop priorities and strategies for agricultural development based on the experiences of Europe, Asia, and elsewhere. Governments must spend money wisely and be open to adjusting its agricultural self-sufficiency in exchange for opening doors to imports. Above all, Montemayor suggests that strategies be comprehensive in scope and beneficial to farmers. Farmers must be involved in every step, since they represent the most important factor in agricultural development. Making farmers accepting of trade liberalization policies will help ensure growth.

Session 5 - Sustainable Cocoa and the Value Chain

This topic is of particular interest as the IPC collaborates with the World Wildlife Fund's Macroeconomics for Sustainable Development Program Office to study sustainable cocoa production in Vietnam. The production of cocoa has become a compelling example of the potential to balance economic and environmental incentives with sustainable development.

Doan Trieu Nhan, Chairman of the Vietnam Coffee and Cocoa Association, discussed ways in which Vietnam may successfully develop its cocoa production. The Mekong Delta and the central coast are areas very suitable for cocoa and available for expanded cultivation for the next 5 to 10 years. Vietnam can look to Malaysia, where the cocoa industry has recently expanded, for guidance. High quality seeds of the proper variety must be available to farmers in Vietnam. Demand for cocoa in Vietnam is currently high, so an increased supply would be well used. Vietnam will need to be aware of overall trends and issues in the global cocoa market if they want to be competitive. Solid strategies implemented with government assistance will help to make Vietnam's cocoa industry very profitable.

Vuong Dinh Tuan, Head of the Forest Breeding Division of the Forest Science Sub-Institute of South Vietnam, provided an overview of the world cocoa market and Vietnam's plan to produce 20,000 hectares of cocoa by 2010 without repeating the mistakes made with coffee. He noted that if Vietnam wishes to be a well-known exporter of high quality cocoa beans, it must pay attention to the environment, provide good seeds to farmers, and emphasize smallholder production. Tuan recommends that Vietnam complete a set of cocoa bean quality standards, establish nurseries for high quality seeds, provide farmers with training programs, and ensure market security for farmers. The government should also research the environmental impacts of cocoa production, increase support to post-harvesting facilities, develop coordinated government planning with regards to cocoa production, assess the impacts of tariff escalation on the industry, and allow stakeholders to take part in the development process.

Ross Jaax, the Head of ACDI/VOCA in Vietnam, described the SUCCESS Alliance, which is a three-year-old public-private alliance project that seeks to promote prosperity amongst smallholder cocoa farmers through socially, economically, and environmentally sustainable growth of Vietnam's cocoa industry. The SUCCESS Alliance hopes to learn lessons from the poorly coordinated and rapid growth experienced by the coffee sector in order to make cocoa into an agroforestry system and improve cocoa technologies and practices. The SUCCESS Alliance's ambitious plans to increase cocoa production in Vietnam have provided a very important lesson: long-term economic growth for agriculture within a country or region cannot take place without environmental sustainability.



Seminar Closing Remarks by IPC Chief Executive M. Ann Tutwiler

- Ignoring agriculture has great costs in the long run. Over the past 40 years agriculture has gone in and out of fashion but ignoring agricultural development today will clearly be costly in the long run.
- Perseverance is vital. The problems of agricultural development cannot be fixed in the short run, as there are so many interrelationships (infrastructure, economic development, sustainability, etc.) that need to be managed.
- The importance of human resources (labor productivity, education, technology, research, etc.) cannot be underestimated.
- The need to balance the demands of economic growth and the environment must be realized. It has been hard for many developing countries to balance the two, but long-term losses will result if they are not properly managed.