

**International Food and Agricultural
Trade Policy Council**

“Achieving the Doha Development Agenda”

Part I: *Export Competition and Market Access*

Part II: *Domestic Supports*

Part III: *Non-Trade Concerns and Consumer Concerns*

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Achieving the Doha Development Agenda in Agriculture: A Series of Three Workshops for Agricultural Trade Negotiators

As the world food and agricultural system becomes increasingly global, it has become clear that agricultural trade policies, both in developed and in developing countries, have a powerful and sometimes contradictory effect on agricultural development in developing countries.

Free-trade adherents focus on the opportunities; free-trade skeptics focus on the constraints. The debate over trade liberalization in the last few years has polarized these two extremes, but most politicians and economists now agree that trade can be a powerful engine of growth for developing countries, if developing countries' concerns are addressed. The question then becomes how to make an open trading system work for developing countries.

The Doha Round of trade negotiations offers one avenue for addressing some of these concerns. The Doha Round has been dubbed the "Development Round" because of a political imperative to improve the economic prospects of developing countries. Agricultural negotiations will be a central part of the overall trade talks.

The International Food and Agricultural Trade Policy Council (IPC) organized a series of three seminars held in Geneva, Switzerland in June, September and October 2002 to address these issues. The seminars provided an opportunity for agricultural trade negotiators from developing and developed countries and experts from the IPC to share insights and exchange views on how the negotiations can achieve the promise of the Doha Development Agenda. The sessions provided an opportunity for Geneva-based negotiators, as well as negotiators from capitals, to discuss how the Uruguay Round rules and modalities address the concerns of developing countries; and how the modalities and rules need to be modified to take developing country concerns into account. These papers are a summary of the presentations and discussions during these seminars.

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**IPC member panelists herein represent their own personal opinions. They do not represent a particular country or organization.*

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TABLE OF CONTENTS

SEMINAR ONE

Agenda	3
Proceedings	5
Session One: Uruguay Round Implications for the Doha Agenda	5
Session Two: Export Competition	6
Session Three: Issues in Market Access	9
Session Four: The Links Between the Pillars.....	11
Session Five: The Relationship Between Agricultural Trade and Development.....	12

SEMINAR TWO

Agenda	15
Proceedings	16
Session One: How will the Domestic Political Environment in the United States, The European Union and Japan Affect Their Positions in the WTO?.....	16
Session Two: How Should Developing Country Concerns be Addressed?	18
Session Three: How Should Domestic Supports be Disciplined in the Doha Round?	20

SEMINAR THREE

Agenda	22
Proceedings	23
Session One: Special Preferences and Special and Differential Treatment	23
Session Two: Addressing Non-Trade Concerns	26
Session Three: Addressing Consumer Issues	28

Agenda

Seminar One: Achieving the Doha Development Agenda: Export Competition and Market Access

June 13, 2002, Geneva Switzerland

9:00- 10:30 The Uruguay Round Agreement: Implications for the Doha Agenda

Opening Remarks: Dr. Dale Hathaway, Former Undersecretary, International Trade and Commodity Programs, USA

In the Uruguay Round Agreement on Agriculture, the United States and the European Union played the leading roles, with developing countries (outside of the Cairns Group) participating on the sidelines. The final agreement was essentially brokered between the United States and the European Union in the so-called "Blair House Agreement." Developing country concerns were, for the most part, addressed under the rubric of Special and Differential Treatment. In the intervening years, it has become apparent that if developing countries are to benefit from the global food and agricultural trade system, their needs and interests must be integrated into the entire agricultural trade agreement. In what ways does the Uruguay Round Agreement need to be improved to meet the needs of the developing countries? What would constitute a success for developing countries in the Doha Round?

11:00-12:30 Issues in Export Competition

Opening Remarks: Joe O'Mara, Former Special Agricultural Trade Negotiator, USA
Rolf Moehler, Former Deputy Director General, Agriculture, European Union

In the Uruguay Round, export competition was defined fairly narrowly, focusing almost exclusively on EU and US export subsidies. In the Doha Round, the issue of export competition has been defined more broadly to include export credits, food aid, state trading exporters, and export taxes and embargoes. The ramification of export subsidies is fairly clear-cut for most developing countries. But, the implications of export credits, food aid, export taxes, export embargoes, and exporting state trading entities is more complicated. What are the available options for modalities and rules to govern export competition? What are the various proposals for addressing export competition? What is the impact of various proposals for developing countries?

14:00-15:30 Issues in Market Access

Opening Remarks: Mike Gifford, Former Chief Agricultural Trade Negotiator, Canada.
Rolf Moehler, Former Deputy Director General, Agriculture, European Union

Market access issues were also defined fairly narrowly in the Uruguay Round Agreement. Product aggregation and tariffication formulas limited developing countries' access to developed country markets. Special and differential treatment allowed developing countries additional time to reduce tariffs and did not require duty free market access. What type of formula should be used to expand market access, and address tariff-escalation and tariff peaks. How should tariff-rate quota regimes be addressed? There are also proposals to allow developing countries to impose higher tariffs on subsistence crops to address food security concerns, or simply to allow their agricultural sectors more time to adjust to open markets. Other proposals include enhancing the use of special safeguards to deal with import surges. How do these debates affect developing country interests? What modalities and rule changes are needed to improve the Uruguay Round Agreement for developing countries? How will the existing proposals on market access affect developing countries interests? What are the pros and cons of retaining Special and Differential Treatment and Special Preferences in place?

16:00-17:00 The Links between the Pillars

Opening Remarks: Dr. Dale Hathaway, Former Undersecretary, International Trade and Commodity Programs, USA

In the Doha Round, negotiations on the modalities will be inter-related. Reductions in import duties in developing countries will be linked to reductions in domestic supports and export subsidies in developed countries, as well as to protection for subsistence farmers and their crops. Reductions of developed country tariffs and enhanced market access will be linked to special trade preferences. Developed countries will link rural development to domestic supports, and food security to export taxes. Yet, developing countries' appreciation of these linkages (for example the concepts of food security or rural development) is vastly different from the understanding in developed countries. How will these linkages between pillars affect the outcome of the negotiations? How can the concerns of developed and developing countries be addressed in ways that encourage and enhance global trade liberalization?

17:00-18:00 The Relationship between Agricultural Trade and Development

Opening Remarks: Dr. Robert L. Thompson, Special Trade Advisor, World Bank

Agricultural trade policies, both in developed and in developing countries, have a powerful effect on agriculture in developing countries. Developed country policies continue to deny developing countries access to markets for agricultural products. Yet, when market access is provided, developing countries may not be able to take advantage of it because of inadequate infrastructure or because of stringent phytosanitary requirements. High tariffs between developing countries inhibit the development of strong regional markets, yet lower tariffs may subject subsistence farmers to fierce competition. Developed country export subsidies and export credits lower world market prices, hurting farmers in developing countries, while enabling net food importers enjoy lower food import bills. Preferential tariff treatment creates markets in the short-run for developing country exporters, but in the long run may leave a country dependent on a single commodity. Most politicians and economists agree that trade can be a powerful engine of growth for developing countries, if developing countries' concerns are adequately addressed.

SESSION ONE: URUGUAY ROUND IMPLICATIONS FOR THE DOHA AGENDA

Dale Hathaway: The Uruguay Round introduced rules for agriculture where there had been none in the original GATT. The results of the Uruguay Round are that: 1) tariffs remain high, especially on products that underwent tariffication; 2) export subsidies continue; and 3) there are no controls on export credits, food aid and state trading organizations. The rules that were set up did not effectively control trade-distorting domestic subsidies and according to the OECD, rich countries are spending more to subsidize agriculture now than at the end of the Uruguay Round.

Rolf Moehler: In this Round the role of the developing countries is stressed. There are those who say that in the Uruguay Round, developed country negotiators neglected the developing countries. In the agriculture negotiations only two groups of developing countries were interested, those in the Cairns group and the net food-importing countries. I am pleased to see that this has changed. The Uruguay Round was also good for enlarging the WTO. It would have been hard to accept China, and in a few years Russia, as a member without any preexisting disciplines on agriculture from the Uruguay Round. I believe that it was a very good idea to make Article 20 part of the Uruguay Round Agreement on Agriculture. If we fail to open agricultural trade, there will be a backlash.

Mike Gifford: Until the Uruguay Round there were too many individual country exceptions. One cannot underestimate the benefit of the establishment of the rule of law in agricultural trade that was established in the Uruguay Round. Developing countries have to decide how much weight to place on the general applicability of rules to all countries, while at the same time arguing for Special and Differential treatment. If you are the European Union or the United States, you can get your way by pushing through what benefits you. But, if you are a smaller country, you have to rely on the rule of law and the general applicability of the rules.

Discussion

The Rule of Law and the Uruguay Round

The discussion was opened by an acknowledgement of the importance of the rule of law that was created in agriculture through the Agreement on Agriculture for the small countries. However, one negotiator pointed out, large countries gained a lot from this as well because before the Uruguay Round, large countries, particularly the United States and European Union had difficulty resolving even the most minor disputes.

Rolf Moehler agreed saying that before the Uruguay Round, if there was a disagreement and a panel was raised, either actor could just 'block the panel.' He said, however that some issues, such as the GMO issue may be too big for dispute settlement since they are not only a matter for commercial trade, but also of consumer tastes.

Hathaway agreed that the creation of the dispute settlement system was very valuable. However, he pointed out what the respected legal scholar, John Jackson has said; the dispute settlement system is now being used to solve problems that should be negotiated. He further said that settling things through dispute settlement might be a disadvantage for smaller countries that may not have the legal resources necessary to make themselves heard effectively.

The Blair House Agreement

One negotiator said that from the developing countries' point of view there is no point in negotiating a multilateral agreement if the large countries are going to have another Blair House agreement. He asked panelists whether they foresaw a repeat of the Blair House agreement. Moehler responded that the Blair House Agreement was the end of a process where everybody asked the European Union and the United States to come to an agreement. He felt that it was likely that this would happen again.

O'Mara said he did not feel that by making the Blair House Agreement the United States was not allowing the smaller countries' voices to be heard. He insisted that other countries were invited, but the invitations were not taken. It was not a perfect outcome, but under the circumstances, something was better than nothing. He said that it was too early to tell whether or not there would be a repeat of Blair House, but expressed confidence in the chairman and the clarity of his program. He said that given the clear program set out by Ambassador Harbinson, it all depends on the political will in the capitals.

The questioner agreed that small countries should not feel that it is useless to negotiate. He felt that it is likely that the large countries will come to an agreement alone at the end, but that they will not be going into it with "a blank piece of paper." The large countries realize that whatever they decide, they will have to sell to the rest of the WTO members. He said that if the unhappiness is greater than the relief at arriving at an agreement, large countries realize it will be difficult to convince the other countries that they should implement it. He emphasized that the more inflexible the small countries are in the negotiations, the less impact they will have on the final outcome.

The Outlook for the Doha Round

One developing country negotiator pointed out that agriculture is not the only area being negotiated and because of this, developing countries may have to compromise their position in agriculture. A country would then be bound to implement the agreement, and the "playing field will continue not to be level." He wondered if at the end of this Round, there will be another dissatisfactory outcome and the need for another Article 20.

Gifford recommended that developing countries work together to say to the developed countries, 'you are not going to have much progress *outside* of agriculture without an ambitious result *in* agriculture'. He felt confident that negotiators could expect more progress on agriculture than in the Uruguay Round, because this time they are not starting from scratch. He indicated that the question may be *how much* emphasis to place on agriculture.

O'Mara asked whether regional trade agreements might be mechanisms where developing countries could better advance their interests. One negotiator replied that the WTO is where the groundwork for all regional agreements must take place. It is difficult to have a free trade agreement without a strong agreement at the WTO.

Several negotiators asked panelists what would constitute a success for the developing countries in this Round. One negotiator pointed out that it is generally accepted that agricultural liberalization will play a significant part in a good outcome for developing countries. This could afford an opportunity to attract investment into their agriculture sectors and allow them to concentrate on comparative advantage in order to develop industries for export. The negotiator further said that elimination of export subsidies and large cuts in domestic subsidies may be the best way to achieve this outcome.

Moehler argued that the only developing countries that would truly benefit from trade liberalization would be those who are already efficient producers. O'Mara disagreed and said, the more liberalization of trade in agriculture the better for developing countries. The first fifty years of GATT, at least on the industrial side, gave a huge benefit for post-war Europe and the United States. I cannot imagine why liberalization of trade in agriculture would not have that same outcome.

The negotiator replied that it might be the efficient producers that are able to take advantage immediately from liberalization. Other small countries would have to make some significant policy changes and infrastructure investments in order to benefit fully from liberalization. However, at least in a more liberalized trading system they would have an opportunity that does not now exist for them.

Same Rules in Agriculture and Industrial Products

Panelists were asked whether it was possible to have the same rules in agriculture as in industrial products. Gifford said that it was indeed possible to have the same rules, but that it might not always be practical. In some cases the Agreement on Agriculture goes farther than the agreement on industrial products and agriculture should not have to go backward in these areas. He gave the example of anti-dumping: The administrators of anti-dumping legislation around the world find it more convenient to say that dumping is going to be defined as selling for export at below a constructed cost of production. This means nothing in agricultural due to its cyclical nature. The steel and textile people will make sure that there is no change in the anti-dumping rules, why should agriculture follow them?

Moehler felt that advocating for the same rules in both areas may be a useful negotiating position as it is used by the Cairns group, but that it is not likely to happen. He further said that it would be a waste of time to pursue this. He recommended that the negotiators concentrate on tightening up the rules that already exist.

Special and Differential Treatment

O'Mara contended that the best special and differential treatment for developing countries would be to have the same rules for every member of the WTO. Hathaway added, in the Uruguay Round we said, "there are a lot of policies that you have and they are bad for you, but as a special and differential treatment, we are going to let you keep them for quite a while." Special and differential treatment should give developing countries the advantage of gaining from the system rather than by allowing them to opt out of the system.

SESSION TWO: EXPORT COMPETITION

Joe O'Mara: The major issue in this Round in relation to export subsidies is whether or not they will be eliminated. The rules on export credits are laid out in Article 10.2 where it was agreed to negotiate an international discipline in the OECD to govern their use. This has never been accomplished. It should be quite possible in this round to reach discipline on this. The difficulty will be with countries and entities within countries where it is unclear how the moneys are spent and what kind of terms and conditions are used. Whether or not there can be a way to discipline State Trading Enterprises will be the question for this round. With regard to food aid, it is unwise to create new rules until it is clear why the existing rules are not working or why it is impossible to keep them from working. The rules that exist in the food aid Convention and the FAO Committee on Surplus Disposal have the responsibility for disci-

pline. If the United States circumvents export subsidy rules in the way it runs its food aid program, the idea should not be to set up new rules, but to take the United States to the disputes resolution panel.

Rolf Moehler: The case for elimination of export subsidies is grossly overdone. Export subsidies have two negative effects on international trade: the price effect and the production effect. The price effect has been reduced by the disciplines introduced in the Uruguay Round. If export subsidies were eliminated, EU policies would have to change market-based support in a way that would enable the European Union to export without export subsidies. Therefore the effect on the world market may not be as big as some people think. Of course elimination of export subsidies is in the interest of the Cairns Group-member developing countries. But African countries that now have some kind of preferential access would lose and also to some extent the net importing developing countries would also lose. If you only come to discipline on export credits rather than elimination, your case for export subsidy elimination will be weakened. It would be useful to seize the opportunity to avoid the abuse of food aid as a hidden export subsidy in the future. This would again help the exporting developing countries, but also those who are the beneficiaries of food aid because they would be better able to develop their agriculture. If we insist on having food security at least partly by means of international trade, we have to do away with export restrictions and export taxes. A safeguard clause would be useful in the case of an emergency; it would be possible for a member to reduce its exports, but not block them off entirely.

Mike Gifford: Because we do not have identical domestic policies, a wide variety of export assistance measures have developed. If Europe is going to be asked to eliminate export subsidies over a number of years, then politically it is important that there be the perception that other countries means of assisting exports must also be brought under some kind of a discipline. You are going to have to have all of the perceptions as well as the realities on the table if you are going to have a thorough discussion of what is to be done. Nobody has a problem with food aid if it is given on a grant basis, but the perception is that if you are going to deal with export assistance measures, you are going to have to 'throw the net fairly wide' so that everyone is captured.

Dale Hathaway: One thing about the United States Title One Program that is hardly noted and never mentioned is that it is a balance of payments program in bad times. It has nothing to do with food. Are the developing countries interested in having the United States give up this potential tool on balance of payments assistance that does not require going through the IMF?

Discussion

Export Assistance Programs

One negotiator expressed concern about whether the United States Congress, through the trade promotion authority (TPA) bill, would require US negotiators in Geneva to eliminate export subsidies while keeping its export credit and food aid programs intact. O'Mara responded that despite any wording in the TPA bill, he did not believe that the US negotiators would not avoid negotiating on this issue. [Note: Seminar was held prior to passage of TPA.]

The panel was asked to respond to Moehler's statement in his opening remarks that fighting for elimination of export subsidies while refusing to negotiate on the elimination of export credits and food aid was unrealistic. Gifford responded that if you want to have an ambitious result in agriculture, when it comes to export assistance everything has got to be on the table whether it causes political difficulties or not. "If you expect the US to negotiate disciplines on single-desk selling agencies but say that food aid and export credit are not on the table, you are dreaming in Technicolor." Many negotiators and panelists agreed that all export assistance measures need to be negotiated together in order to come up with an optimal package. One negotiator commented that "there is no reason to say which of these are more distortive because some are more transparent. Crimes are being committed and we cannot say that those that have more witnesses should be treated more favorably than others."

One negotiator, whose country has been a beneficiary of many of the export assistance programs under discussion has also been negatively effected by export assistance to a neighboring country with whom it has a traditional trading relationship. The negotiator commented that there are times when these programs are very useful, but expressed the need to create rules that prevent these programs from becoming supply driven.

Robert Thompson asked to hear from some of the high food-importing country negotiators about their opinions on export assistance programs. One net food-importing country negotiator said that what they fear most is that a market would be literally removed from under-foot by the use of food aid grants.

A six-part suggestion was presented that was taken from a proposal by a group of developing countries whose aim was to help negotiators put rules on food aid so that they would not be used as surplus disposal but for the legitimate needs of less fortunate members. The recommendations were that: 1) Food aid should be 100% in grant form. 2) It should be entirely demand driven. 3) There should be an in-built mechanism so that food aid is higher when world prices are higher and not vice versa. 4) food aid should be procured regionally, indirectly assisting production in neighboring countries. 5) food aid must also be accompanied by a quick response in both technical

and financial aid which may be made for increasing domestic production. 6) An inter-agency revolving fund should be created; one permanent fund, which would take care of all food aid.

Export Subsidies

Gifford expressed confidence in the possibility of eliminating export subsidies in this round, but asserted that in order for that to happen two things have to occur. 1) Certain countries have to change their domestic agricultural policies. 2) Everyone's practices must be covered under export assistance or else there will be the perception that it is an unbalanced deal. You have got to address that perception if you want a big result. One negotiator disagreed with Moehler's comment in his opening remarks that the elimination of export subsidies would lead to a reduction in prices, but said that he would expect to see an increase in prices. Moehler said that it was clear what should be done with regard to export subsidies, and that is a continuation of what was done in the Uruguay Round, namely, a reduction of the volume and the budgetary outlay commitments.

Food aid

The panelists were asked for more ideas on how to handle food aid other than the United States saying there should be nothing done in the WTO and the European Union calling for all food aid outside of emergencies to be called an export subsidy. It was suggested that there might be a problem in the future because some countries are calling for a definition of what is good and what is bad food aid. Gifford replied that the WTO should not necessarily define what is good versus bad food aid, but should define it as part of the export credit continuum. He maintained that grant food aid should be used based entirely on each country's willingness to aid countries in need. He suggested that rather than coming at food aid directly, it is better to come at it through the rubric of export credit. If you start from the export credit side, you can make a decision whether or not you need anything on top of that on food aid in the WTO. One negotiator said that some developing countries think food aid should be demand driven. Countries would import those products that they do not produce that would not hamper their domestic production, at food aid prices. He conceded, however that this too would be trade distorting.

Hathaway was not opposed to negotiating discipline on food aid in the WTO. He does not think that the FAO deals with the food aid situation effectively. He believes the problem is more that negotiators do not know what they want to do on food aid.

Both negotiators and panelists were concerned about the difficulty of defining what is good versus bad food aid. One negotiator used the example of the US sending a great deal of food aid in the form of soya oil when it was apparent that stocks of soya oil in the United States were particularly high to illustrate 'bad food aid.' The recipient country may be happy, but this has caused disturbance in the oil markets of other countries.

However, one negotiator pointed out that although it required intense negotiation, in the Uruguay Round negotiators did come to an agreement on what was distorting versus non-distorting forms of support. This is the same kind of situation. He further pointed out that in the United States food aid often garners political support because the aid might open new markets. O'Mara stated that a rule delineating good versus bad food aid would not be helpful due to the changing nature of need. He stated that if countries feel that the United States or any other country is circumventing its obligations on export assistance, that they should bring a case against them in the WTO and prove that it had an injurious effect. He agreed that although it is appropriate for the WTO to decide whether or not food aid is being used as an export subsidy, that the WTO is not a competent body to define when it is appropriate to use food aid.

Several negotiators articulated the difficulty of bringing a case against the United States on the issue of food aid. Many negotiators agreed that it may be viewed as 'politically incorrect' to say that you want countries to give less food aid to people in developing countries. Negotiators also commented that it would be risky to pursue a case on this against the United States because the rule that applies, Article 10.4, is very unclear. One negotiator compared his country's reluctance to bring a case on food aid to that of the reluctance of others to bring a case on GMO's into the WTO saying that one does not want to taint one's reputation on a commercial interest.

Hathaway was concerned about categorizing food aid in the WTO. If grant aid or long term loans are the only criteria used, what happens if you give grant aid as balance of payments assistance? You have to be careful in making categories because too much of a good thing may turn out to not be a good thing.

Many negotiators and panelists agreed that the fact that the United States' food aid program is run out of the Department of Agriculture is suspicious. Gifford suggested that because of this, food aid should be treated as a means of circumventing the rules on export assistance. Hathaway declared that the United States Department of Agriculture (USDA) has more ability to operate food aid and to withstand political pressure to use it as a dumping program than the United States' Aid agency. He further explained that the USDA is best equipped to deal with the program because it knows how to get commodities transported. Gifford countered by saying that although the Canadian Department of Agriculture used to run their food aid program, that the experts were moved to the aid agency thirty to forty years ago.

Prospects for the Doha Round

One negotiator expressed his frustration that the products where developed countries are inefficient have special rules, whereas there are very strict rules for products where the developing countries are efficient. He asserted that this trade pattern was not fair, and could even be defined as colonial. He said that from a balance of payments point of view, it is not feasible to have a lot of imports of products where you are not efficient and on the other hand, not be able to sell a liter of milk into other markets. Latin American negotiators commented on the fact that they had expected gains in agriculture from the Uruguay Round that were never realized. Some went further to say that if they do not receive a good deal on agriculture in this round, that they may prefer not to have any agreement.

SESSION THREE: ISSUES IN MARKET ACCESS

Mike Gifford: For developed countries, most of the potential future growth in agricultural trade is going to be with and between developing countries. If developing countries say, 'we are not going to do much in access, it has all got to be done in developed countries,' that will just give the import sensitive sectors in developed countries the ability to say, 'the developing countries are not prepared to offer access, why should we?' The modalities for tariff reductions are going to have to address tariff escalation and tariff peaks. The only way a developed country can steer through the minefield is if everything is covered and there are no exceptions.

In a new round, market access should be granted on an MFN basis to the maximum extent possible. There should be a genuine minimum access commitment negotiated that grants either free access or access at a very low nominal rate, and then those minimum access commitments should be expanded. Commitments should not just deal with commodities that are at 3% going to 5% of domestic consumption, but also with those like sugar. If you want to encourage the modalities to become rules instead of an airy suggestion by the chairman you need to build in some inducements. One potential inducement: only those countries that fully subscribe to the modalities proposed in the chairman's paper will have the right to use special agricultural safeguards. TRQs need to be made more common. Three percent should be a legitimate minimum and the within tariff quotas should be low or free.

Domestic support is important, and certainly the most egregious forms need to be disciplined and limited, but from a developing country perspective the real gains from this round have to be in significantly improving market access. It was a good idea to divide the domestic support into trade distorting and non-trade distorting. But once measures are classified as non-trade distorting it is very difficult to persuade a domestic member of parliament in a developed country that domestic subsidies should be subject to reduction commitments on non-trade distorting support. If I were a developing country negotiator, I would focus on getting the maximum access, getting rid of export subsidies and disciplining all the other export assistance measures. If there is a repeat of Blair House, it will be over domestic support. Neither Brussels nor Washington are going to accept the kinds of reductions that developing countries would like to see.

Rolf Moehler: My advice would be to stick with the formula from the Uruguay Round. It is a relatively simple formula. I know the arguments against it – it does not deal with mega tariffs, it leaves high tariffs, it leaves the possibility to have only minimum reduction for certain products. However, the Uruguay Round formula is the only formula that is possible if you want to have your modalities ready by the 3rd of March of next year. Tariff rate quotas have a bad reputation. Their administration should be improved and these quotas should be increased. Special and differential treatment does not help developing countries much on market access.

The European Union has made an interesting proposal that, to my knowledge has not been discussed, but which presents a possible solution for this problem namely, a general system of preferences (GSP) for developing countries. Make it more predictable, make it renewable and go further for developing countries as far as market access is concerned. The other way is to go through tariff rate quotas. If a country declares 'we have basic commodities which cannot be exposed to the volatility of the world market,' they could use a tariff rate quota. I agree that there may need to be a Special Safeguard Clause for developing countries. Do not use the current Special Safeguard Clause. I have difficulties every time I read it to understand it. But, some sort of special safeguard clause may be necessary if you move to greater liberalization in developing countries. Why should developing countries be less protected than we are in the developed world?

Joe O'Mara: I agree that the market access outcome is the most substantial in terms of its benefits to all members and has the largest benefit for developing countries. I advocate the elimination of tariff rate quotas. There are high tariffs in certain commodities in certain countries but if you were to look at what is the most pervasive, most difficult to manage, it is tariff rate quotas. If I had to prioritize where the effort should be, I would spend more time on tariff rate quotas instead of versions and variations of formulas on tariffs to improve the current situation.

Dale Hathaway: The current Special Safeguard Clause which the rich countries wrote for themselves, should be abolished and a new Special Safeguard Clause should be created for all of agriculture rich and poor. If you want to do something for the developing countries, allow them to use different trigger levels.

Discussion

Tariff Formulas

The panelists were asked whether the formulas presented so far could result in effective market access and elimination of tariff peaks. Moehler replied that although the Uruguay Round formula would not reduce all of the tariffs, that it would at least be a step in the right direction and result in significant market opening. He commented that there are not many tariffs that are at 300-400% any more, and the technical basis is lacking to address this problem head on.

Ad Valorem Tariffs

One negotiator asked the panelists whether or not they thought it was possible to convert all tariffs into non ad-valorem tariffs. He said that in the Uruguay Round, countries gave concessions for some products in order to get some access to certain countries. But now, after so many years have passed and prices have gone down protection has gone up again. He asked, "are we supposed to pay again to reach the levels for which we already paid in the Uruguay Round?"

O'Mara agreed that switching to ad valorem tariffs would be much simpler, especially for customs administration. Moehler agreed that while it is possible to convert all specific duties into ad valorem tariffs, that it may not be worth the fighting that would arise from the negotiations.

Special Safeguards

Moehler agreed with Hathaway's suggestion to rewrite a special safeguard applicable to all. He reminded attendees that the actual Special Safeguard Clause is linked to tariffication and said the farther we get from the Uruguay Round, the more tenuous this link will become.

One negotiator from a developing country agreed that the current special safeguard should be eliminated and a general safeguard that can be more easily used should replace it. The negotiator noted the dual nature of agriculture, in many least developed countries where 50% of agricultural production is in large industrial holdings and the other 50% are subsistence farmers. Small-holders' largest competition may not be from the high-income countries' subsidized exports, but rather from large-scale farmers in their own or another developing country. Special and differential treatment is not needed for the large holdings, but for the small-holders and subsistence farmers.

Gifford agreed that there certainly needs to be some kind of easily triggered, but rigorously disciplined agricultural safeguard to handle situations like that. But suggested that if a country is not prepared to play by other rules of the game, it should not be able to use it. O'Mara voiced hesitation about the use of a trade instrument to combat the problems of subsistence farmers saying that he is more concerned about how such a tool would be abused. He expressed further concern about the difficulties that may arise from defining subsistence. O'Mara thought that a special safeguard would leave a lot of room for abuse and still would not deal with the problem. The negotiator suggested that a level of 10% of the level of income support that the United States gives could be a definition of subsistence.

Thompson contended that any mechanism that distorts market prices distributes the benefits in proportion to sales. By definition, the small subsistence farmer, who sells very little, gets very little of the benefit. By its very design, this type of scheme fails to aid the farmers it purports to help. The negotiator agreed that there is no trade remedy that can truly help subsistence farmers without benefiting large farmers. He added that in countries that have a very large percentage of subsistence farmers and there is no technical capacity for efficient distribution, targeting the small farmer is very difficult. Therefore, any special safeguard designed to deal with this situation must be used on a country-specific basis. Another developing country negotiator worried that his farmers would be locked out of other small countries' markets with safeguards. He said that his country is working to create a measure that distinguishes between the difficulties of subsistence farmers competing against subsidized imports while allowing his countries' farmers a chance to compete in international markets as well.

Hathaway noted that his intention was not for a general safeguard to be used to help subsistence farmers. He gave an example in which a safeguard like he suggested would be needed. Every once in a while, the US market for poultry comes under pressure. The United States primarily exports dark meat. When US poultry prices collapse, large quantities of dark meat are dumped on small, Caribbean countries. Since regular safeguard rules are so cumbersome and so slow that they will never be put in place in time to save developing country businesses, small markets and other countries must be able to deal with this type of major import surges.

O'Mara agreed that in the situation described by Hathaway there may be a need for a time-limited safeguard although it would clearly not be an effective instrument for assisting subsistence farmers. His concern was that if a major outcome in market access is vital to this negotiation, how much energy and time should be spent to make sure it has no impact? Gifford agreed with O'Mara's concern over possibility of further protection. He reiterated his feeling that instruments like this should not be used unless a country is playing by the other rules of the game and urged negotiators not give it as a "freebie." He emphasized that it should only be considered as part of an ambitious outcome.

One negotiator brought up the idea of a special and differential countervailing measure, under which countries can apply a countervailing measure on imports from developed countries without proving injury and causal links with a subsidy. He suggested that a measure like this would be effective since it targets those who are subsidizing their farmers. Gifford argued that an automatic countervail based on domestic support would not be likely to get any support from developed country members of the WTO.

Another negotiator argued that a general safeguard could be disastrous for negotiations of other regional trade agreements since they are based on WTO agreements. Gifford suggested that parties to the agreement could agree not to use the safeguard among them. However, the negotiator felt that the necessity of negotiating about the existence of such an instrument would be an added burden to an already complicated set of negotiations. He further noted that this might indicate that the only way to achieve free trade is through regionalism. Another negotiator agreed, adding that, if there is a readily usable instrument, it is very difficult to resist the pressure of local constituencies to address this problem. He further discouraged the creation of any new instruments for protection from import surges saying that what concerns him most is the *lack* thereof. He said that there are number of instruments for commercial defense, and suggested that the creation of a permanent new feature would perhaps not be the avenue to put emphasis on.

SESSION FOUR: THE LINKS BETWEEN THE PILLARS

Dale Hathaway: A number of countries will not place real offers in agriculture until they see the situation in industrial tariffs. They must have good political returns and prospects from industrial tariffs in order to be more flexible in agriculture.

The key link between the three pillars is domestic policy. If export subsidies are eliminated, internal prices must be lowered to compete in international markets. If you screw down export subsidies, the Europeans will have to change their policy. If export subsidies are eliminated, you cannot keep high internal prices. You would have to move all elements of these three pillars together. Moving domestic supports to Green Box policies will allow the elimination of export subsidies. The same thing is true of much of the protection on access. The key, therefore, is domestic policy and until and unless the domestic policy is aligned properly, the ability to deal with and make real progress on the other two pillars is very limited.

Joe O'Mara: There are degrees of importance, or benefit within the three pillars. The pillar that has the most beneficial impact on all of the WTO members is market access because it forces eventual reform within the domestic policies irrespective of what the domestic support requirements may be in the WTO agreement.

Discussion

Non Trade Concerns

The panelists were asked their opinions on how to address non-trade concerns. Gifford stated that the domestic political situation would determine what a government would spend on its agricultural sector. However, he noted that because one country thinks something is a non-trade concern, other countries could not be expected to then understand that there would be no further liberalization. Gifford said that he agrees with European Commissioner for Agriculture, Franz Fischler that the multiple objectives in agriculture should be achieved in non-trade distorting ways and not at the expense of other countries. Moehler emphasized the need to look at the different non-trade concerns individually rather than in a general way.

O'Mara maintained that non-trade concerns were dealt with in the Uruguay Round in Paragraph Five, Annex Two, which says specifically that environmental conservation and related objectives are permitted policies if they are delivered in a non-trade distorting way. The negotiator explained that in a few countries, the prices for production of agricultural goods are much higher than the world market price. Because the costs are so high for the producer that there needs to be a higher price. If there are non-trade concerns such as food security and agricultural landscape there needs to be support related to products. O'Mara countered that it is unreasonable to expect a change to something that has already been negotiated, particularly if it would result in less liberalization. The negotiator replied that he was not advocating less liberalization, but that some countries may not support an elimination of tariffs and Amber Box support.

Another negotiator emphasized the need to take into account the non-trade concerns that arise from the lack of liberalization. He pointed out specifically, environmental damage, rural poverty and rural unemployment cause by protection and subsidies.

SESSION FIVE: THE RELATIONSHIP BETWEEN AGRICULTURAL TRADE AND DEVELOPMENT

Robert L. Thompson: If the developing countries are going to benefit more from this round of trade negotiations than past negotiations, there needs to be more help to facilitate greater development, reduce poverty, and expand export revenues. The World Bank agrees with the developing countries that in past Rounds, they benefited relatively little and the Bank is spending a lot of time right now addressing this issue. Most of the world's poverty is in rural areas. Roughly 70% of the people who live on less than one dollar a day reside in rural areas and most of them are farmers. The Bank has recently reviewed its rural development strategy and my comments draw heavily on that exercise.

The agriculture sector in most developing countries is under-performing relative to its potential. In part, the international environment in which developing countries function is distorted against those that have export aspirations because of the artificially depressed international prices. Also, binding tariff rate quotas increase the variance of international prices. High-income country policies have driven prices below the long term trend-line, and this is hurting the earning potential of the lowest income members of society, farmers.

Developing country governments have artificially depressed the incentives to produce and artificially depressed the incomes of the already lowest income members of their society. In part this reflects the political economy in many developing countries. Governments, responding to the balance of political power in many developing countries, have had a strong incentive to keep the price of food artificially low for their urban residents.

Another important part of the climate in developing countries that the Bank believes has also impeded their agriculture development and accelerated poverty in rural areas is the gross under-investment in Green Box measures, particularly in rural roads, telecommunications, infrastructure in general, investments in agriculture research and extension, market information systems, enforcement of honest weights and measures, etc. Every high-income country that has become a significant agricultural exporter made large investments in these kinds of Green Box measures, which translated a latent comparative advantage into a realized export performance. Whether you are talking about national investments, borrowing from international banks or official development assistance from bilateral donors, none of these are creating the enabling environment that is necessary for trade. The Bank is trying to convince Ministries of Finance that they need to do more to raise productivity in agriculture, but they also must acknowledge the need to develop the rest of the non-farm rural economy. The Bank wants to build more trade enabling capacity-building into its ongoing lending program so that if greater market access is achieved, developing countries will be able to take advantage of it. The Bank believes that if the WTO negotiations provide full market access tomorrow to all low-income countries, nothing would happen in a number of them. They do not have the minimum basic infrastructure and investment know-how to take advantage of those opportunities.

The present international trading environment increases the variability of international market prices for many agricultural products as well as depresses them. This has significant adverse impacts on the macroeconomy of export-dependent developing countries. The Bank is trying to find mechanisms to help developing countries on both the micro and the macro level to lay off some of this risk through market instruments. The negotiations should remove the artificial distortions of the terms of trade that exist so the incentive to produce is not artificially depressed. The Bank also needs to invest in raising productivity in agriculture so that agriculture can contribute more to the incomes of rural people. But, we must acknowledge that solving the problem of rural poverty requires productivity in agriculture, and also non-farm employment opportunities.

The Bank believes there is a strong relationship between agricultural trade and development. Trade, is a much more powerful engine of growth than aid, but the Bank also recognizes that aid, whether in borrowing or official development assistance, can play an important role in providing the essential Green Box investments that are necessary to translate latent comparative advantage into trade performance.

Discussion

The link between trade liberalization and poverty alleviation

Thompson was asked to quantify how much trade liberalization contributes to alleviating poverty. The questioner noted that if efficiency is increasing, people will continue to have to move out of agriculture and asked what those people should do in countries with large rural populations. Thompson advocated a focus on creating non-agricultural jobs in rural areas so that these people are not flooding already crowded urban areas causing more unemployment, urban crime, urban unrest and political instability.

With regard to quantifying the benefits, Thompson mentioned a model being developed at Purdue University linking trade liberalization and poverty alleviation. He said that the mistake that the World Bank and IMF made in the past is assuming that if the gains of the gainers exceed the losses of the losers, society as a whole is better off. He acknowledged the valuable contribution made by NGOs in forcing the World Bank and IMF to recognize that if the 'losers' are among the lowest income people in society and policies drive them below the subsistence level, then there needs to be some compensation for them.

Investment Priorities for Developing Countries

O'Mara asked Thompson if he thought that aid had been a failure. Thompson replied that he was limiting his comments specifically to aid for agricultural development. He pointed out that there is a present and increasing urban bias in how developing countries are investing their own public investment resources, what they are willing to borrow from international banks and also from what they are asking the bilateral donors to provide. If a country is really committed to poverty reduction, it has to make investments where the bulk of poor people reside. Otherwise a large number of rural poor will immigrate to the cities.

Moehler asked how the Bank avoids the risk of capital misallocation when deciding how to target the trade assistance that it provides to small countries. He asserted that it would be difficult to decide where to invest the money due to the unpredictability of the outcome of the WTO negotiations. Thompson replied that the Bank's trade assistance goes for more general investments like investments in roads, telecommunications, and laboratory capacity to help exporters meet the sanitary and phyto-sanitary requirements in importing countries.

One negotiator asked why developing countries have reduced their investment in the agricultural sector over the last fifteen years. Thompson suggested that, if countries do not have expectations of profits, it may be difficult for them to justify investments in agriculture. He said that there is speculation both among economists and in Ministries of Finance whether it is ever possible to get a positive cost-benefit ratio on any agricultural product with the current depressed state of world prices. This has also been a contributing factor to the low investment in agriculture. He contended that the availability of cheap imports from subsidizing countries has gotten the developing country governments off the hook in some cases.

The Development Box

Thompson was asked about the proposed 'Development Box' and whether he thought that the intended development objectives could really be realized through the proposed tools that would go in such a box. He responded that the most important tools of development are already available through Green Box policies. He said that a society has to make those investments from their own resources or from borrowing from international institutions.

The WTO as a Development Agency

One negotiator asked Thompson if the expectations about the WTO accomplishments are inflated, or whether the proper limits on the WTO's role versus the role of other agencies is not set effectively. Thompson asserted that expectations are too high if it is not acknowledged that the primary investments in infrastructure need to be made before a level playing field can be created and trading opportunities can be realized.

Another negotiator noted the tendency among many developing country negotiators to demand the use of the same distortive policies used by the developed countries, instead of implementing better policies. He added that, although you may be able to feed your whole population, you may not be able to employ everyone in agriculture.

O'Mara commented that attempting to use trade policy as a development tool is unrealistic and asked Thompson if there was any coordination between the Bank and UNCTAD in trying to help make needed infrastructure investments. Thompson replied that although the Bank does not collaborate with UNCTAD, it does have a relationship with the FAO, which is also helping the developing countries participate effectively in the negotiations. He added that although the negotiations are certainly essential, they are not sufficient.

Moehler cautioned that we should be aware of the limits of the WTO. He agreed that NGOs in developed countries are playing a useful role in highlighting the responsibility of the WTO to take developing countries' needs into consideration. However, he warned that we cannot see the WTO as *the* engine of economic development. Thompson noted that often it is in the areas where developing countries are most efficient that the developed countries are the most protectionist.

Gifford agreed that although trade liberalization is a necessary condition for agricultural development that it is not sufficient. Developing countries will not rest in agriculture in the absence of a positive international trading environment, particularly when some can increase imports of subsidized products from developed countries as a substitute for investing in their own agriculture. It is difficult to get people to invest, particularly in developing countries, unless there is greater security of access and a greater certainty that there will be a better outcome from the WTO negotiations.

Biotechnology, Trade and Development

Thompson emphasized the need for investments in agricultural research. Agriculture will probably have to double production with less water. In the long run, the trading environment is very important, since more products will have to move through international markets. However, we need to recognize that we do need to survive the short run to get to the long run.

When asked whether the lack of a common view toward biotechnology by the developed countries has affected the Bank's policies toward biotechnology and its effect on the production capacity of developing countries. Thomp-

son noted that although the Bank has no official position on biotechnology, economists at the Bank feel that developing countries should have all the available research techniques to bring to bear on these problems. If rich consumers in high income countries do not want to use the products of biotechnology, so be it. But do not deprive the poor in the developing countries from the potential benefits they might be able to achieve.

One person referred to the work of Rob Paarlberg on GMOs in developing countries, noting that in his recent papers and speeches he has emphasized that developing countries are hesitant to adopt GM technologies because they fear exclusion from certain markets. Paarlberg's concern is that this is going to be a major impediment to the adoption of these technologies. Moehler indicated that if he were a developing country producer he would also be reluctant to use GMOs due to the political climate on biotechnology in Europe. There is a strong consumer resistance fueled by respectable NGOs and political parties, and governments are reluctant to get into a fight with public opinion because they feel that they would lose. He suggested that the optimal situation may be one where products of GM technology are admitted into the European Union as imports regardless of whether the European Union would like use GM technology in their own production. He further noted that the argument that these technologies could provide an important benefit to the developing countries is not well publicized.

Gifford agreed that the concerns in Europe have inhibited the use of the new technologies in developing countries keeping them from being able to use it to develop their agriculture sectors. O'Mara expressed his worry that if countries continue to use unreasonable precaution with respect to these technologies as Europe has, that it may be the end of the SPS agreement and a serious blow to any outcome in agriculture. One developing country negotiator added that although they may negotiate greater market access in this Round, that access could very well evaporate in the next second due to SPS standards by other countries.

The seminar closed with a warning from Moehler that negotiators realize that they are not starting from zero. "Don't try to reinvent the wheel," he cautioned.

Agenda

Seminar Two: Domestic Supports, Political Environment for Reform in OECD Countries, Addressing the Concerns of Developing Countries and Options for the WTO Negotiations

September 10, 2002, Geneva Switzerland

9:30-10:45 How Will the Domestic Political Environment in the United States, the European Union and Japan Affect Their Positions in the WTO?

The Uruguay Round Agreement on Agriculture brought domestic subsidies under international trade rules. However, while the URAA encouraged some OECD countries to shift their support from Amber to Green Box policies, the total level of support to OECD farmers remains significant. Many voices are calling for further reductions in domestic support under the Doha Negotiations. In recent months, the United States has enacted a new farm bill, announced its negotiating proposal and passed Trade Promotion Authority. The European Commission has announced plans to shift support from Amber to Green Box payments, a proposal that has met with resistance in some member states. The Japanese government is considering further reforms in Japan's agricultural policy regime. What is the political environment for further domestic policy reform in key OECD countries? How will the domestic political environment affect them in the WTO negotiations on domestic supports?

Robbin Johnson, Senior Vice President, Cargill, United States

Piet Bukman, Former Minister of Agriculture, and Development Cooperation, The Netherlands

Hero Shiraiwa, Counselor, Japan International Agricultural Council, Japan

11:00-12:15 How Should Developing Country Concerns be Addressed?

What are the pros and con's of creating another box? What are the possible contents of a Development Box? Is a Development Box necessary or could the Green Box be revised to address developing country concerns? Should a "Development Box" be available to any country eligible for S & D, or should it be limited to "Least Developed Countries"? Should developing countries be allowed a longer time frame to implement domestic policy commitments? Should developing countries be allowed a higher *de minimis* level for non-commodity specific support? How should macroeconomic issues, such as hyperinflation and exchange rate depreciation, be addressed? What types of disciplines on OECD countries would best address developing country concerns?

Luisa Bernal, Agricultural Trade Consultant, South Centre

Robert Thompson, Senior Advisor, Agricultural Trade, World Bank

Panos Konandreas, Food and Agriculture Organization

12:15-1:30 How Should Domestic Supports be Disciplined in the Doha Round?

Should limits be placed on Green Box policy expenditures? Should the definition of Green Box policies be expanded, or narrowed? Should countries be allowed to address "non-trade concerns" through Green Box measures only, or through Amber Box Measures? How should Amber Box policies be disciplined? Should Amber Box limits be made commodity specific? What should be done with the Blue Box? Should the Peace Clause be renewed, to avoid politically sensitive challenges to domestic policies, which could undermine support for the WTO? Or should the Peace Clause be applied only to Green box policies, and allowed to expire for Amber Box policies to exert discipline on domestic spending? How will countries that exceed their Amber Box limits be disciplined? How does the recent US proposal address these issues? How does the EU's CAP reform address them?

Mike Gifford, Former Chief Negotiator, Canada

Rolf Moehler, Former Deputy Director General, Agriculture, European Commission

Dr. Magdi Farahat, Minister Plenipotentiary, Commercial Office, Mission of Egypt to the WTO

SESSION ONE: HOW WILL THE DOMESTIC POLITICAL ENVIRONMENT IN THE UNITED STATES, THE EUROPEAN UNION, AND JAPAN AFFECT THEIR POSITIONS IN THE WTO?

Robbin Johnson: Developing countries and competing exporting countries have reacted critically to the *potential* of large trade distorting payments in the new United States farm bill. There are significant regional and commodity imbalances in the new farm bill and American farmers are starting to notice some of its shortcomings. The 5% ceiling on trade distorting domestic support in the United States' negotiating proposal stands a better chance than many may think of gaining support over time, even among US farmers. Over the next few years, farm groups in the United States will have an interesting debate as they discover that, although they may have more power to make farm policy in Washington than in Geneva, they may have a better chance to make farm prosperity in Geneva than in Washington.

We are beginning to see some dramatic shifts in patterns of comparative advantage in agriculture. Many developing countries are becoming increasingly competitive in bulk commodities. They are undertaking land, legal and institutional reforms that are accelerating improvement in agricultural productivity. In response, capital and technology is beginning to flow to these countries, which will help close the productivity gap. As they enter early stages of economic development, they are likely to have weak currencies that will guarantee them competitive costs in the global marketplace. This means that developed countries will have to supplement their bulk production systems with value-added, niche market and higher quality products.

Trade negotiations involve two kinds of effects. The first is consumer welfare gains due to lower prices, wider choice and more competition. The second is producer gains and losses from export-oriented and import-sensitive sectors respectively. Consumer gains from trade may be more economically important, but it is usually the producer gains or losses that determine the political outcome. There are three policy levers for overcoming organized policy resistance from those who believe that they are likely to suffer from further trade liberalization: 1) meaningful trade adjustment assistance; 2) limiting liberalization; and 3) competitive policy reform packages that stimulate enough trade and economic growth to ease the adjustment strains. Those who favor agricultural trade liberalization can find much to like in the United States' agricultural negotiations proposal instead of the Farm Bill, and could improve prospects for reform by supporting it.

Piet Bukman: There are three historic trends in European agricultural policy: 1) protecting farmers against international competition; 2) opening up to international competition; and 3) recognizing the multifunctional nature of agriculture. The original targets of the Common Agricultural Policy were to create an environment that would support enough, cheap food of a reasonable quality. However, the price support that was included in this policy was so attractive to farmers that it created the surplus problem. The external pressure created by the Uruguay Round was a fundamental factor that influenced the reform in 1992. That reform was the first step toward reducing the trade distorting elements of the Common Agricultural Policy. The ministers continued to move in that direction with Agenda 2000 and Commissioner Fischler moved further in that direction in July, proposing an even more systematic approach. The reasons behind this movement are not just those of idealism; it also has to do with money, enlargement and the third trend – multifunctional agriculture. We cannot go on in this process of globalization without opening our markets to products from developing countries.

More and more attention has been given to multifunctionality as a basis for continuing some farm-related support for the farmers in the Union. This is related to meeting consumer preferences for quality, variety, animal welfare, environmental considerations, etc. Liberalization of trade has positive possibilities for developing countries and their export ambitions. However, liberalization of trade is not the only solution for developing countries. The food security problem in many developing countries cannot be solved by surpluses. More attention needs to be given to domestic agricultural policies in developing countries. South-south trade may have even more potential for developing countries than a strong market position in the industrialized countries. Developing rural areas with economic activities other than agriculture is also very important. It should not be prohibited by elements of the Doha Round, but rather should be promoted.

Hiroshi Shiraiwa: Japanese farming after World War II was like that of a developing country today. Agrarian reform was implemented enabling tenant farmers to own farmland and raising incentives to increase food production. Large-scale industrialized operations by private corporations and farm management entities entered into the market, mainly in livestock farming and horticulture. However, in rice and vegetable farming, the core of Japanese agriculture, small family farmers exist with low productivity. The average arable cropland per farm is 1.6 hectares, compared to the European Union's average of 18.4 hectares. With economic growth and improvement in the standard of living, the nation's diet has improved dramatically and currently is in maturity. Japan is heavily vulnerable to overseas markets. It became the world's largest agricultural products importer, tipping off the domestic and import food supply balance, relying heavily on imports and increasing insecurity. According to a survey, 80% of Japanese feel uneasy about future food supply and hope for reform and new development in agriculture and the food industry complex. There is also much interest in environmental and landscape preservation and revitalization of farm villages. At the same time, efficiency and structural reform in domestic farm production and logistics is desired.

Some of the most important points in Japanese agriculture today are: 1) Sustainable farming is the theme. 2) Co-existence and co-prosperity in regional farming is necessary. The majority of people are concerned about food import reliance and want to strengthen domestic farming. Therefore, structural reform in farming joined by industry is desired. 3) Although the Uruguay Round agreement has been kept, time is still needed for areas such as rice since structural reform is taking time. 4) Since consumer confidence is low due to problems such as the BSE crisis and false labeling incidents by food manufacturers, the food supply system itself needs to be reevaluated and new legislative measures are essential. 5) The United States has recognized the importance of domestic protection in the latest farm bill. However, their proposals in the Doha agricultural negotiations are drastic, hasty and unrealistic. Further agricultural reform is committed in the Doha Declaration, but it was also agreed that it be promoted progressively according to diversity among member countries in terms of conditions of agricultural production and different stages of agricultural policy reforms.

Discussion

Further Liberalization

One negotiator asked whether liberalizing trade will help developing countries reorient their exports. He asked Piet Bukman what the European Union is doing to help developing countries reorient their trade pursuant to his suggestion that trying to gain market share in industrialized countries was not the only approach for developing countries. Bukman reiterated his point that the European Union cannot demand high standards for products from its own farmers, but accept a lower standard from developing countries. It is possible in the context of developing country cooperation to help developing countries improve the quality in their production. He maintained, however that there are also great possibilities for developing countries to export to countries that have lower standards than the European Union. Bukman further emphasized that in the Doha Round, developing countries should not be able to build high walls through special and differential treatment provisions. In order to achieve food security, they need to invest in rural areas, prevent migration to big cities and improve the quality of their production. This will ultimately, not only solve their food security issues, but also give them better export opportunities.

Balancing the Pillars

Another negotiator noted there is a lot of work to be done on the export assistance pillar, particularly with regard to export subsidies. Since the European Union is the main user of export subsidies, he wondered whether they would be a leading force on domestic support. If there has to be a balance between what can be achieved in export subsidies and what can be achieved in domestic support, what is the effect of this likely to be on market access? The negotiator expressed concern that if nothing can be done on the other two pillars, negotiators may feel obligated to get a lot of improvement in market access. This may mean asking the developing countries to go further in tariff reduction, which is already a problem. He wondered how far the negotiations could go on the market access pillar in isolation of the other two.

Bukman responded that the negotiations must make progress on all three pillars in order to come out with an integrated result. He thinks that a movement toward less domestic support in the appropriate time frame is the right direction to go. Johnson said that in the areas of domestic support and market access, negotiators can reduce the level of domestic support and increase the level of market access, but they can also change the *form* of market access into more transparent forms of protection. With respect to export subsidies, however, the two-pronged approach is not available, he said. You have to fully eliminate the practice.

Food Security

The panelists were asked what further liberalization, particularly a reduction of domestic support, would mean for food security. Thompson replied that subsidy policies in higher income countries that stimulate higher production than would otherwise occur and the use of implicit or explicit export subsidies significantly depresses international commodity prices, all other things equal. He said the World Bank believes that in the event of a reduction in domestic support, we would see some increase in international prices, the most subsidized products having the largest reduction in price relative to equilibrium.

Johnson predicted that trade in value-added, semi and fully-processed products, which has significantly increased over the last few decades, will continue to multiply in the future. He thinks that the real growth in food and agriculture trade may be more in animal products and semi and fully processed grain and oilseed products, a change which is restructuring the market and bringing more players and competition.

Shiraiwa noted that in his experience, the market price has always improved based on supply rather than the agriculture policy. He recommended looking at the old-fashioned way of commodity agreements among the exporting countries, and strengthening the surveillance on the pricing of export commodities.

The United States Farm Bill

IPC member and former United States Farm Bureau President, Dean Kleckner agreed with Johnson and asserted that the new US Farm Bill was nothing more than a money grab that was allowed to pass because of the November

elections in the United States. He suggested that those who are dwelling on the Farm Bill have a right to criticize it, but that they should move on and look at the US negotiating proposal. Kleckner believes that the general public in the United States will at some point rebel against big subsidy payments to farmers and that farm groups are short-sighted when they do not realize that change is coming. He further said that farmers are really no better off with this farm bill because the increase in subsidies has been immediately capitalized into land values. Kleckner contended that the United States and the European Union would continue to pay their farmers, so the question is, how trade distorting will the subsidy payments be?

SESSION TWO: HOW SHOULD DEVELOPING COUNTRY CONCERNS BE ADDRESSED?

Luisa Bernal: Agriculture continues to be the main way of life in developing countries. It is a major source of foreign exchange; it provides basic food requirements and it is the major source of subsistence and cash income for large rural populations. However, the agriculture sector is underdeveloped in many developing countries. If developing countries want to make substantial progress in alleviation of poverty, economic growth and improvement in food security, something has to be done. There are two major reasons for the underdevelopment of agriculture in these countries. 1) The traditional bias in government policies against agriculture. 2) The subsidization in OECD countries' agriculture sectors.

Although the Agreement on Agriculture was meant to liberalize trade and reduce the support given to agriculture, the overall level of support has increased rather than decreased. The agreement gave legal recognition and protection to the type of support that high-income countries give to agriculture and undermined the ability of the developing countries to protect their agriculture sector. This has led to import surges in the developing countries in important staple and sensitive products. It has undermined production in developing countries, and their food security situation has deteriorated.

In market access, expectations of developing countries have been nowhere near realized. Where there are no safety nets it is difficult to make a transition to another economic activity or to give other kinds of support such as direct income support like developed countries do. From the perspective of developing countries, there is a clear link between what can be done in terms of domestic support and export subsidies reform and what can be achieved from market access. It does not seem wise to further reduce tariffs since they are the only instruments to protect agriculture if domestic support and export subsidies are not reduced considerably.

The Blue Box should be eliminated and counted as part of the AMS support or moved to the Amber Box. Some tightening and reduction should be done in the Green Box. The idea that this support is not trade distorting or is at least minimally trade distorting is not reality. Moreover, the developing countries either do not have the institutional capability or the financial resources to use domestic subsidies. The Amber Box has not been a constraint for developed country support. AMS support could be reduced to a 5% de minimus level in a very short period of time. Overall support should be capped, including the Green Box. This would prevent countries from shifting between the different boxes.

Suggestions for meeting developing country concerns: 1) Government assistance to encourage agricultural and rural development as well as food security and poverty alleviation in developing countries should be exempt from reduction commitments. 2) Support given by developing countries to crops whose productivity is average or below average as indicated by the FAO could be exempt from reduction commitments. Since productivity in these crops is low, the impact that they might have in trade would be small. 3) The revised agreement should give legal security, expanded flexibility and strengthen the clarity of Article 6.2. 4) A credit could be given in the form of a positive AMS to discount negative AMS. 5) There could be an increase in the overall de minimus level of support for developing countries. 6) Taking inflation into account to keep the real value of support should be addressed. 7) Article 13, the Peace Clause, should not be extended so developing countries have the opportunity to protect themselves against subsidization. 8) Finally, attention has to be given to the concerns of NFIDCs and LDCs with regard to the increase in prices.

Robert Thompson: People who are food insecure lack the purchasing power to access food supply. There are five ways that a small holder can increase family income. 1) Get a hold of more land. 2) Increase production per hectare. 3) Grow a higher value per hectare crop, or higher value product. 4) Supplement income from the farm through non-farm employment. 5) Migrate out of agriculture into higher paid employment either in cities or within rural areas.

For many developing countries there simply is no more land that can be brought into production by each farmer. That means that we need additional investments in technology that can raise the productivity per hectare. I have reached the conclusion that you have got to increase the productivity per hectare or grow higher value per hectare crops in order to allow the family to earn a higher income and remain on the farm. In our recent review of the rural development strategy at the World Bank, we came to the conclusion that every country that has solved the problem of rural poverty has done it principally by supplementing family income with non-farm employment. This has hap-

pened in every country that has succeeded in gaining high levels of income. But, we see tremendous urban crime, pollution and all the accompanying problems of very large cities resulting from excessive out-migration from agriculture to large cities. We have got to have the proper enabling environment so that the factors that can increase family income for impoverished farmers can be activated.

Most developing countries have been under-investing in the basic Green Box measures. When you look at public expenditure surveys in developing countries there is a pronounced urban bias. The countries' own governments, official development assistance from other countries, the World Bank and the other regional development banks have significantly reduced their investments in agricultural development in these basic Green Box measures over the last twenty years. When you follow the money, the priority is not in solving the problem of poverty where the bulk of it resides, in rural areas. Without investment and assistance, you are not going to be successful in agricultural or non-agricultural development and you will not reach the food security or poverty reduction objectives that you wish.

The present agricultural policies in high-income countries hurt the development potential of agriculture in low-income countries. Because of those policies, the prices that developing country farmers face are lower and have a higher variance and are therefore reducing their earning potential. Farmers in many developing countries are effectively taxed. This has often been implemented in order to protect urban consumers from paying a high cost for food. The developing countries need to change their own policies. At the same time, they need fairer treatment in the world market by elimination of export subsidies; reduction of domestic subsidies linked to production; reduction of the disparities in protection among crops in high income countries; reduction of tariffs; expansion and cleaning up of the administration of tariff rate quotas; and reduction of peaks and cascading of protection. We need increased consistency between high and low income country agricultural policies, between trade policies in high income countries and agricultural policies in high income countries, and between their official development assistance policies and all of the above.

Panos Konandreas: How effective have the boxes been in disciplining OECD support? The AMS commitments have been met, but absolute support is up and the producer subsidy equivalent measure is at the same level as prior to the Uruguay Round, about 40%. There has been a reinstrumentation of domestic support towards Green Box policies. But, the massive support that continues to be given under these boxes does distort production and trade. There is much flexibility in the provisions agreed and the countries that have the means, take advantage of it.

The general trend experienced in the developing countries in the 1980s and 1990s was the removal of price supports as a result of structural adjustment programs. Despite this, the disciplines on either those that had specific AMS commitments or those that fall under the 10% de minimus level have not yet constrained policy options for developing countries. Non-product specific support is a very attractive option for many developing countries for food security reasons. Many developing countries cannot increase the price of wheat or rice because they are basic foodstuffs, so they choose to reduce the cost of production for the farmers by subsidizing the inputs. There has not been any evidence so far that the boxes have constrained developing country policies.

The percentage of developing countries that use Article 6.2 is small but it could be highly valuable. Developing countries have only made partial use of the flexibility they have on domestic support, mainly because of lack of funds rather than lack of need. Three possible reasons why developing countries call for more flexibility: 1) Fear for the future; if the situation changes, their investment strategy may need to be reassessed. 2) What countries commit to the WTO is for the long term. 3) To attain some greater balance with regard to the flexibility they have vis a vis the flexibility the developed countries have. The boxes have not been effective in disciplining domestic support in the countries they were meant to discipline. They have not constrained developing countries policies, but they have not helped them either.

A new approach could be to eliminate all boxes and bring all support under one roof. There could be a long-term support target of 20% of the value of agricultural production, which would apply equally to all countries. This model will get us closer to a level playing field. However, a method working within the existing Agreement on Agriculture is more likely to prevail. Potentially, the Green Box could do the trick, but it is perhaps the wrong idea to fortify it when it already has problems. Green Box measures are resource demanding and those that have the means to take advantage of them will; those are not the poor developing countries.

There are large differences in the level of development among the developing countries. Special and differential treatment either discriminates between countries, or it is shallow and does not amount to much. Shallow treatment is useless in practice and differentiating between countries tends to be politically unattractive. Large market distortions may result from providing special and differential treatment across the board. It is wiser to devise policies that target problems rather than countries. If the problems being targeted are predominantly those of the most needy countries, it will be effective special and differential treatment. A good example of a problem specific provision is Article 6.2. The conditions under which it applies, apply to those countries that are in need.

If coupled policies are meant to solve food security problems in food insecure agrarian economies they should be encouraged. If by increasing agricultural output you increase purchasing power, the beneficiaries are going to buy the products they are producing and the net effect of the increase in production is less than what it would be in a developed country. Demand and supply are two sides of the same coin for these households. Greater flexibility for developing countries without reform from developed countries is of little value. Developing countries may be better served by focusing more on reform in OECD countries than by obtaining more flexibility for themselves.

Discussion

Increased Flexibility

One developing country negotiator asked the panel, if the developing countries are not legally constrained, why do they need more flexibility? He further pointed out that the Uruguay Round educated farmers in his country about the subsidy levels in the United States and the European Union, which constrains his government *politically* from reducing support. He stated that the creation of a development box would be, a clear message that development policy in the agriculture sector will predominate and trade policy will be subservient. The negotiator went on to point out that those countries with an AMS commitment have a great deal of flexibility since support can be aggregated and countries can shuffle across various kinds of support. However, those countries without an AMS commitment, mostly developing countries, are constrained only by the de minimus limits, which are calculated on a disaggregated basis. He suggested that disaggregated de minimus limits be removed.

The Boxes

One negotiator asked Konandreas why he proposed to cap the level of all support at 20% and eliminate all boxes. Konandreas responded that he chose 20% because it is much less than what developed countries are using now and much higher than what developing countries are using, but would be meaningful. The negotiator asked, if the same level of support applies to all countries, where is the flavor of the Doha Development Round? He asserted that if problems rather than countries were targeted, those that had the resources would likely be able to take advantage of whatever new resources there are, and those who did not would go without. Konandreas responded that he did not believe special and differential treatment would be necessary in his scenario for domestic support, but that it might be necessary in the other pillars.

The negotiator further contended that encouraging coupled policies in developing countries would do no good. The problem is not that the developing countries do not have enough flexibility in their options for support, but that they do not have the money. Konandreas countered that if the problems are well-defined enough and are predominantly poor country problems, it is effectively self-targeting. Another developing country negotiator said his country was a consistent user of Article 6.2 and thinks that there is enough flexibility in the existing disciplines.

One negotiator worried that developing countries would have to use a lot of political 'chits' to get a development box and that it would not do them much good in the end. He thinks that most of the effort needs to be in reforming OECD countries' domestic support. Konandreas agreed saying that the answer to whether or not a development box is necessary relates to what developing countries are going to give in order to get a development box and what they can potentially get from it. If this give and take does not match up, just aiming for a development box is not a good strategy. He worried that if this box was created, the tools in it would be used by the most developed of the developing countries to the detriment of those who are worst off.

Bernal was concerned about how the instruments in the development box would be decided. She suggested that specific new provisions in the other pillars, such as a special safeguard instrument in market access might, however, be necessary. Thompson said that a special safeguard is something that is going to have to be considered carefully. He added that it is simply not fair to ask low-income farmers to compete with the treasury of the United States and European Union.

SESSION THREE: HOW SHOULD DOMESTIC SUPPORTS BE DISCIPLINED IN THE DOHA ROUND?

Mike Gifford: The GATT failed because domestic policies were at the root of the trade problems. This was not recognized until the 1980s. If countries move to Green Box policies, they can cut exports and increase market access. You will not get export subsidies discipline and market access commitments without keeping the Green Box available. Commodity specific support is ideal, but if it cannot be negotiated, you have to come up with something else. If Green, Blue and Amber boxes and aggregated support remain the characteristics of the domestic support pillar, exporters need to get back their right to claim impairment, given up under the Peace Clause. This reinforces developing countries arguments for recourse to special safeguards without countervailing duty complications. If you keep the Peace Clause, Green measures should not be countervailing.

Non-trade concerns should be dealt with in the Green Box and nowhere else. A de minimus level of 5% for commodity specific support is too high. If you decide to modify the Green Box, be very careful that you are not opening a Pandora's box. The Blue Box is less trade distorting than the Amber Box, so you cannot just merge

them. The Blue Box should be reduced, but not as much as the Amber Box. It would be nice to have an overall cap on support. If that cannot be negotiated, it will be politically impossible to get OECD countries to accept limits on the Green Box. Developing countries are then forced to get better market access and export assistance agreements.

If you want a big result in agriculture in this round, you will have to agree to a longer implementation period than is currently planned. You can get a modest result with a five-year implementation period, but a big result needs a ten-year implementation period. If you stick to the current timeline, you will have to wait for the next round to get the next increment of reform.

Rolf Moehler: The distinctions between the types of support should not be dropped. Negotiators should figure out how to constrain payments to farmers, but the Green Box cannot be limited as long as the Amber Box is so high. Non-trade concerns can be dealt with in the Green Box. Therefore, there is no need to enlarge Green Box except for animal welfare. Article 6.2 is sufficient for developing country concerns. There is merit to keeping the Blue Box, but it should be tightened. The Amber Box must be substantially cut if it does not include commodity specific support. If commodity specific support is included in the Amber box, you are using it effectively and it should be continued.

The Uruguay Round got rid of the traditional price support. When world prices fell, loan deficiency payments became even more distorting than traditional price supports. The benefits of renewing the Peace Clause are overestimated. It does not keep importers from taking action, but it does prevent exporters from attacking competitors on domestic support, which affects third markets. There may be a case to limit the use of the Peace Clause in domestic support, but not for the other pillars. It should be limited to Green Box measures.

Magdi Farahat: It is important to remember that the Doha Round is not the Uruguay Round. There are new negotiators and more countries involved. In particular, there are more developing countries that are involved in the negotiations in this round. The title 'Doha Development Round' implies that this will be a different kind of Round. There are not just technical issues this time; there are also more political issues.

We should have different expectations than what we had from the Uruguay Round. The developing country view on the goals for this round is that: 1) There should be an overall further liberalization of trade. 2) The playing field needs to be leveled among countries. 3) Agriculture negotiators should be sure to watch what is going on in the other areas of the negotiations. Agriculture is not the only area where negotiations are taking place. The level of ambition for agriculture in this round seems excessive for the amount of time set out to come to an agreement.

Over time all boxes should be eliminated except the Green Box. The Green Box needs to be capped; it should not be open-ended. If you cap the Green Box, there will be no need to change it. If you cannot negotiate a cap, you need to tighten the policies that are allowed under it. Developing countries are rather cynical about the Green Box. It is difficult for developing countries to hear about non-trade concerns on animal welfare when human beings in their countries do not have welfare. Non-trade concerns for developing countries are more basic: food security, rural poverty, etc. These two types of non-trade concerns are not equal. They need to have flexibility.

The Amber Box and Blue Box are not popular in developing countries. They should both be eliminated in this round. Amber and Blue Box support is about \$120 billion. That is three times the GDP of Egypt. Elimination of both is very likely not possible to negotiate in this round. In that case, the Blue Box *must* be eliminated in the current round. The Amber Box can be eliminated in the next round. The Peace Clause and the Special Safeguard Clause should be eliminated for the OECD countries. The United States' negotiating proposal is not very ambitious on domestic cuts.

Discussion

The Boxes

One negotiator maintained that Blue Box policies contribute to lower production and increased prices because of the requirement to meet production-limiting criteria (i.e., payments made on fixed areas and yields; or on 85% or less of base production; or livestock payments are made on a fixed number of head). In fact one could argue that they should be included in the Green Box. Rolf Moehler noted that, although some EU Blue Box policies were based on a 10% set-aside and had been successful in eliminating surpluses, Green Box should not require production limits.

Another negotiator claimed the policies in the Blue Box were not operating in the way that they were originally intended and that Blue and Amber support policies were drowning out the benefits of having the Green Box. Gifford suggested that, since Blue policies were less distorting than Amber, it made more sense to require a smaller reduction commitment for Blue instead of lumping Blue with Amber as some have suggested. However, Blue policies should lose their current Peace Clause protection and be subject to serious prejudice challenges. As regards depth of cuts, he noted that larger cuts might be more negotiable if they were based on longer transition periods. He added that the OECD countries were putting themselves at a long-term disadvantage because high levels of domestic support were invariably capitalized into land values, rents and quota values.

Agenda

Seminar Three: Special Preferences, Non-Trade Concerns And Consumer Concerns October 31, 2002, Geneva, Switzerland

9:30-10:45 Special Preferences/Special and Differential Treatment

Many developing countries have relied on preferential access into OECD markets. This has left their economies dependent on exports of one or two commodities. As internal support prices in OECD countries are being reduced, and as market access is increasing, the value of these preferences is declining. Yet, in the short term, developing countries have little chance to re-orient their economies. How can the Agricultural Agreement facilitate the transition away from special preferences without disruption for countries that depend on them?

Rolf Moehler, Former Deputy Director General, Agriculture, European Commission

Tim Josling, Professor Emeritus, Stanford University

10:45-12:00 Addressing Non-Trade Concerns (Food Security, Rural Development, and Environmental Sustainability)

The Uruguay Round Agreement on Agriculture acknowledged the role of non-trade concerns in future agricultural negotiations. Included under the rubric of non-trade concerns are rural development, food security and rural development. While normally associated with developed countries, all three are also concerns for developing countries, albeit from a vastly different perspective. How are these concerns currently addressed in the Uruguay Round Agreement? Can these concerns be addressed with Green Box measures alone? If not, how can they be accommodated in the negotiations without imposing trade distortions?

Bob Thompson, Former Director, Rural Development, World Bank; IPC Chairman, USA

Joe O'Mara, Former Special Agricultural Trade Negotiator, USA

12:00-1:15 Addressing Consumer Issues (Geographic Indicators, Precautionary Principle, Production Process Methods)

Access to markets depends not only on tariffs and other "formal" trade barriers, but also depends on sanitary and phytosanitary standards, and labeling rules and regulations. While there is little sentiment for re-opening the SPS Agreement, some countries wish to clarify the right to exercise "precaution" in their regulatory framework. Other countries want to expand the system of geographic indications now in place on wines and spirits into foods. Finally, there are efforts in some countries to label products based on production methodology or country of origin. How can the WTO balance trade liberalization against individual societies' tolerance for risks? What are the implications of geographic indicators for developing countries? How do existing WTO rules address production process labeling? How can such labeling be trade-neutral?

Willem-Jan Laan, Agricultural Economic Advisor, Unilever

João Magalhães, Counsellor, Agriculture and Commodities Division, WTO

SESSION ONE: SPECIAL PREFERENCES AND SPECIAL AND DIFFERENTIAL TREATMENT

Rolf Moehler: The advantages of special preferences are obvious. Countries with special preferences have better access than other developing and developed countries to a given market. If the market is being supported in the donor country, beneficiary countries also obtain higher prices than they would otherwise. The disadvantages have become more obvious. The economies, or at least certain production patterns in beneficiary countries, become too linked to the economy of the donor country. This is a distortion not only for world trade in general, but also for the countries involved because they are not exposed to the competitive forces of world markets. They become dependant on the market of the donor country and this results in inflexible market structure, lack of competitiveness, etc. Furthermore, those developing countries who are not beneficiaries of a given preference scheme are disadvantaged in this system.

However, special preferences for developing countries are in decline. They are progressively being replaced by free trade agreements and are being eroded by tariff reductions agreed in the WTO negotiating rounds. Yet, because tariff protection in agriculture is relatively high around the world, special preferences still play an important role. Countries are allowed to give special treatment to developing countries under the generalized system of preferences (GSP). The enabling clause for the GSP however, requires that preferences given under the GSP are given to all developing countries. If a member country wishes to extend special preferences to a specific country or group of countries, it needs a waiver. One option would be to commit countries to phase special preferences out and transfer all of them into the GSP. This would eliminate the discriminatory effect on other developing countries.

It is useful to include the GSP in the negotiations to make it more economically beneficial. Special preferences could be required to: 1) cover substantially all trade; 2) not be quota restricted; and 3) give duty free access, not only a reduced tariff. However, negotiators should be cautious of putting additional obligations on the GSP. Proposing additional obligations may cause developing countries to fear giving up their current preferences. The only improvement that *should* be made is to add an amendment to the enabling clause stating that if a country gets special preferences for a certain product or for all products, the preference should be given for a specific period of time. Otherwise the security of investment and the confidence of investors and traders, which is very important for success in this system, will not be present.

Timothy Josling: Non-reciprocal preferences are problematic for exporters outside of the special preference system, who are often developing countries. Therefore, preferences basically give some groups of developing countries preferential access to developed country markets at the expense of other developing countries. Non-reciprocal preferences can be problematic in particular for competitive exporters of the commodities that are highly protected. There is a simple model of trade creation and trade diversion that economists use to explain this situation. Trade creation comes from the fact that there is additional access created. Trade diversion comes from the fact that the access is from a high cost supplier. Trade diversion is greatest when the MFN tariff is the highest and that is when the preferences tend to be most useful. Furthermore, the more useful preferences are in terms of getting access, the more distortions they create in the recipient country. The recipient country is compensated by an implicit rent from the preference but it is by no means clear that those rents have been used appropriately.

Preferences are a variant of the Article 24 problem to the extent that they raise similar problems as customs unions and free trade areas. Article 24 has constraints: the substantially all trade constraint, no increases in tariffs to others without compensation under Art 24.6, and the fact that the preferences under a customs union or a free trade area have to be 100% preferences.

It is better to grant technical assistance on a country by country basis rather than give preference to groups of countries such as least developed countries or small island countries, who might have very little in common other than their development or geographical status. All the potential groups have the same trade diversion problem, and therefore it is better to improve their market access in other markets and other commodities than to hang on to preferences or grant new preferences.

It is best to review preferential programs on a regular basis rather than have countries graduate from preferences based on income level. There are significant, negative incentives and discontinuities at the time of graduation. It is better to have a more gradual or stepwise graduation rather than create an income threshold past which a country can no longer have preferences. Preferential access should be reduced along with increases in market access in other countries.

It is possible for the terms of preferences be improved. For example, preferences could be bound in WTO schedules. However, if the degree of preference is bound, it would diminish the incentives for reducing MFN tariffs, which is contrary to the whole purpose of the WTO. The key issue is abrupt removal of special preferences. The concerns of beneficiary countries are not so much whether preferences will be gone in the long run, but the significant disincentive to any sort of investment that the threat of removing preferences holds and the significant disruption of major

agricultural enterprises if there is an abrupt removal. For that reason, negotiators should be focusing on schedules for phasing out preferences and setting up compensation for the phase out.

The phasing out of special preferences could be handled the way decoupling of price supports was handled in the MacSharry reform of the European Union's Common Agricultural Policy. If the European Union had removed the price support suddenly and had given no compensation there would have been a serious economic and political problem. Countries that receive preferences could be asked to have a plan for the use of the compensation, which could be distributed either as a capitalized lump sum or as digressive annual payments.

Is it possible to calculate the value of the preferences and put that into a technical assistance fund for development? The problem is that there is no guarantee that countries would contribute. Many potential donors do not have former colonies and therefore may not contribute. The contributors would be the United States and the European Union. The European Union has its own plans in the regional economic partnership agreements and the United States has plans for free trade areas with the Andean Pact and Central America as well as for the Free Trade Area of the Americas. If these agreements materialize, few special preferences will remain. Therefore, the issue may be best handled on a direct compensation by commodity for phase out rather than a by a technical assistance fund which might be difficult.

The value of preferences is being eroded from below by better access for other countries. This increases the general access into the developed countries and therefore makes any existing preferences less significant. Their value is also being eroded from above by reductions of MFN tariffs and price supports. It is best for small countries to get compensation where there is significant potential impact on their economy rather than to try to keep special preferences. The task is to find constructive ways to make sure those countries that are seriously affected by the sudden withdrawal of special preferences do not suffer too badly the effects of their withdrawal.

Discussion

Do Special Preferences Benefit Beneficiary Countries?

One seminar attendee asserted that special preferences are important only for specific products. He questioned whether special preferences have really been instrumental in increasing beneficiaries' exports to certain markets. Even where countries have preferences they have lost markets while countries in the Far East and Latin America have taken over. Particularly in economies that are dependant on only one or two commodities, preferences for raw materials exports do not really matter. Preferences matter when the exports are processed products. Agricultural raw materials, for the most part, enter markets with hardly any tariffs. The problem is the lack of skills in market entry rather than lack of market access. Countries might not know how to sell their products, the quality of their products may not be very good, or they are not successful in getting into international supply chains. The standards and the requirements of supply chains are more important than market access barriers.

Josling agreed that market access now is a lot more than just preferences. For example, certain banana suppliers have agreements with certain supermarkets and they are getting more than they ever would through preferences in competition with the Latin American bananas. However, it is difficult to argue that standards in supermarkets are creating value chains for other products like sugar. Moehler agreed that preferences are less important now than they were and that the supply chain is now sometimes more important. But, there are still important in cases where the tariffs of the donor country are prohibitive.

One Latin American delegate asked panelists to address preferences given to products that compete with domestic production in the countries granting preferences versus preferences given for products that are not protected. He said that there is a good political message in developed countries that says 'by giving special preferences, we are assisting developing countries while we are able to keep this unfair system within our own frontiers.' For example, in tropical products where market access barriers are not so high, other developing countries have become more efficient than those that have preferences, and have been able to gain a share of the market previously taken by the countries benefiting from preferences have. Another delegate agreed and emphasized that some of the developing countries that are negatively affected by the special preferences of others have a lower GNP per capita than some of the beneficiary countries

IPC member Joe O'Mara said it is to the benefit of all WTO members for all preferences to be phased out. However, it cannot be done quickly, and it cannot be done so that countries that are benefiting from preferences do not have time to make adjustments. He offered a solution that takes into account the political as well as the economic aspects: Phase out preferences during the period when complete liberalization in the WTO is being accomplished. For least developed countries, a form of the 'everything but arms' concept should be accepted by all of the developed countries.

A representative of a beneficiary country said that part of the reason developing countries participation was weak during the Uruguay Round was an over-concentration on maintaining preferences regimes, which ignored distortions

that occur as a result of trade preferences. He said that it is important for developing countries to promote the productive areas of their economies, especially since most of the countries that are dependant on preferences are also single commodity economies and need to diversify. He maintained that if developing countries continue to rely on the current preference regime, they risk delaying the day when they completely develop the productive bases of their economies and fully integrate into the multilateral trading system. He asked how to maintain the current preferences regime and at the same time achieve the objective of accelerating the integration of these developing countries into the multilateral trading system. Josling's answer was continued integration of the world economy through a lowering of MFN tariffs in to the major markets. As tariffs are reduced, the preference is reduced, but market access in other places is increased. Moehler agreed that improved access to other markets will enable beneficiary countries, along with technical and financial assistance, to open up new markets.

Trade Diversion and Trade Creation

One attendee pointed out that just as trade diversion and trade creation are important when the MFN tariff is much higher, trade diversion is lower when the MFN tariff is lower. In agricultural products that are of export interest to developing countries like coffee and cocoa the MFN tariff is not very high. In products like fruits and vegetables, which are dynamic in the world market and bring good returns, the problem is not tariffs or trade barriers that are dealt with in the preferential agreements, but seasonal problems. When it is the season that things are grown in Europe, these preferences do not usually work.

Graduation from Preferences

A Latin American delegate encouraged attendees to remember that the idea of graduation of developing countries has come up in other areas of the negotiations and that it would be very difficult if not impossible for many developing countries to accept the concept, fearing that similar graduation standards would be proposed for other areas of the negotiations.

Grandfathering of Preferences

A delegate from a small island developing state acknowledged that his country had benefited from special preferences, but that it has made good use of the rents obtained from them. He asked the panelists to comment on the notion of grandfathering of preferences. Moehler granted that the idea of grandfathering is very good, but said that it is a question of whether the other developing countries will accept it. A grandfather clause will prolong the transition while the economic benefits of the preferences diminish.

Compensation

Several delegates from developing countries asked Josling to elaborate further and provide some examples of compensation as he proposed. Josling gave the example of sugar. He suggested looking at suppliers under the sugar protocol as essentially being EU suppliers. If EU prices change, these countries would be eligible in exactly the same way as EU suppliers of sugar for the compensation they would get from the price cut. He conceded that there is a financial cost to that, but contended that is the cost of having a foreign policy that has perpetuated these trading arrangements. Even in cases like bananas, where there is little or no domestic production, Josling said it would be relatively easy to calculate payments to current producers. He suggested calculating payments in the form of a deficiency payment to allow countries to compete at European prices without complexities like quotas. Moehler agreed that compensation is a good idea. He suggested that it should be done in such a way that alternative production will be supported and built up.

One delegate from a small island developing country remarked that all of the discussion had focused on ending special preferences. He pointed out that countries that depend on preferences are small and vulnerable and that they depend on single commodities for exports. They are very limited in terms of diversification. He asked the panelists what the alternatives are for countries that depend on preferences.

Josling pointed out that one problem with relying on rents is that it the difficulty of deciding when to diversify. If you diversify too much you no longer get the rents. He suggested phasing out preferences would help that situation because countries would be able to make use of those rents in a way to diversify the economy.

One delegate from a developing country emphasized the particular importance of technical assistance for small countries. Josling agreed but said technical assistance is not an alternative to compensation, rather they are both needed. He suggested creating specific funds for specific goals rather than a broad fund that would be dissipated in all sorts of activities.

An attendee asked what kind of approach to compensation could make sure the benefit the producers receive from preferences is preserved. Moehler said that when designing a compensation program, it is important to set up mechanisms that ensure that farmers get the money. It is not always easy to go through governments due to the lack of administrative capabilities in some countries, but he gave examples of other development funds that have successfully gotten money distributed through the government to appropriate recipients. Josling contended that it is

better to compensate farmers by channeling the funds through farmers' organizations rather than through governments. It is important that the money does not end up in the hands of trading companies.

Special Preferences and Developed Country Domestic Policies

Josling suggested looking at resolving the preference issue at the same time as resolving developed country agricultural policy issues. In the particular case of sugar in the EU market, the preferences under the protocols are quota restricted because the preference is limited. He suggested thinking of the protocols as being exceptions to free access. It is the removal not just of the marginal preference, but also the quota, which restricts the access of these countries into the EU market that should be looked at. He asserted that with CAP reform there would be a resolution of the system. The Economic Partnership Agreements with ACP countries could be the downfall for the sugar programs in the European Union. He predicted that dairy will eventually go the same way.

SESSION TWO: ADDRESSING NON-TRADE CONCERNS

Robert L. Thompson: At the individual level food insecurity is a poverty problem. If we solve the poverty problem, we generally solve the food insecurity problem at the household level. At the global level, there is a long-term downward trend in commodity prices with significant volatility around it. In recent years international prices have been depressed relative to that trend. They have been depressed by the export and production subsidies of the high-income countries and by binding tariff rate quotas, which protect individual economies from price variability.

Over the last one hundred-fifty years technological change has expanded supply faster than demand. Forecasts that the world will run out of food have been wrong because they assume static technology. In fact, because of technological change, supply has grown faster than demand and that is the fundamental reason for the long-term downward trend in the real price of food in the world. Food security has not been a problem at the global level up until now. That is in part due to the fact that we have at least 800 million people who are not demanding as much food as they would if they had adequate purchasing power. At the national level, a country has to either produce the food supply that its people need and demand, or have adequate foreign exchange earning potential to buy enough food on the international market. Virtually every developing country's agricultural sector is under-performing relative to its potential consistent both with economic efficiency and environmental sustainability.

There is a close relationship between the type of agricultural production system, the effect of public policy on that system, and in turn protection of the soil, water, forests and issues such as the amount of chemical applications per hectare and the intensity of animal agriculture. The World Bank's recent Rural Development strategy predicted that global demand for food would double by 2050 with half of the growth coming from population growth and half from income growth. Yet, according to the FAO there is at most 10% more land available to be brought into production that is not erodable, subject to desertification or forested. There will be keen competition between agriculture and forestry for the remaining available land in the future. If we want to protect forested areas, we have to almost double average productivity of agricultural land during the first half of the 21st century. Increasing food production by cutting trees would cause loss of biodiversity, wildlife habitat, and carbon sequestration capacity. Direct payments are more efficient than price distortions in achieving environmental benefits because environmental effects do not have a high correlation with the volume of production of any individual commodity. Moreover, while developing countries accept the importance of protecting the environment, they realize that high-income countries abused and exploited their environments when they were at similar stages of development. Therefore, if protecting the environment in developing countries is essential to the well being of high-income countries, the high-income countries ought to pay for environmental services.

Under-investment in Green Box measures is contributing to problems in each of these areas. Policies that artificially depress the price of food and inflate the price of inputs result in lower food production and artificially cheap food. This benefits those who spend the largest percentage of their income on food, but depresses the income earning potential of the already lowest income members of society, the farmers. A direct food subsidy is more efficient if a government is trying to keep the price of food low to urban consumers. Agricultural policy in the form of price distortions has a very weak effect on rural development. There is a small multiplier within the rural community if benefits are concentrated in the hands of rich farmers. When benefits are distributed in proportion to sales the largest and richest farmers get most of the benefits and the wealthiest farmers often do not keep money in the rural areas, rather they spend it on imports or goods produced in cities.

The development box is a valuable concept from the political perspective, since this is the 'Doha Development Round,' but I have not seen anything in the development box proposals that is worth doing that cannot be accomplished in the Green Box.

Joe O'Mara: The answer to the question of whether or not non-trade concerns are dealt with in the Uruguay Round text on domestic support is yes. The Uruguay Round domestic support provision defined support to producers of agriculture in terms of trade-distortive or non-trade distortive domestic support. The distinction is defined in terms of how support is delivered, not the rationale for the support. Whether there is an environmental justification or a rural development justification is irrelevant.

There is no need to change any rule that is currently in the Uruguay Round Agreement on Agriculture to accommodate non-trade concerns. If there were to be an attempt to justify the policy, environmental or otherwise, it would erode the basic concept of the domestic support provisions. The WTO is a set of general rules, not specific rules. No negotiator can conceive of situations that may develop ten or fifteen years out. If we make the mistake of getting very specific, we run the risk that the rules over time will have no value. What equates all of us as members of the WTO whether developed or developing countries, are the rules. Not only is it not necessary to change the current rules, it would be a mistake.

Discussion

The Green Box

One attendee pointed out that although developed countries met their commitment to the WTO by reducing their expenditures in Amber Box policies, they have now been able to shift most of them to the Green Box. That is a good thing to the extent that the Green Box is not production and trade distorting. To the extent that it is, there is a problem. Another attendee agreed and said that it does not help producers in the developing world if by shifting support to the so-called non trade-distorting category, the amount of production of that particular commodity has not come down.

A delegate asked why Annex Two was drafted to classify "minimally trade distortive measures" as Green Box measures. O'Mara answered that there is no such a thing as a totally non-trade distortive trade policy. However, paragraph six of the Uruguay Round Agreement on Agriculture defines those policies that are considered so in the WTO. O'Mara contended that Paragraph Six clearly does not need to be changed since there have not been any challenges to any policy that a member has been using under it. To this, a delegate replied that the Peace Clause impedes challenges to Paragraph Six, but that after its expiration there may be challenges.

Thompson agreed that there are instruments in the Green Box that are production distorting and therefore trade distorting. He broke the Green Box into two parts. One part is the income transfer, and the other is investment in provision of public goods by society. He said that it is useful to distinguish between these because it helps keep the public goods investments separate and distinct and these investments should not be capped since developing countries have a history of under-investment in those public goods that are necessary for both agricultural and non-agricultural rural development.

A developing country Ambassador pointed out that developing countries in the WTO have different levels of means to take advantage of tools such as the Green Box. Some countries will benefit from increased market access, but some rely on export earnings that they receive through preferences. He asked what will happen to those who are going to lose resources and how will they address their non-trade concerns. He asked if it is a satisfactory result if, in the name of trade liberalization, we celebrate that developing countries were exporting an average of 4% and now they are exporting an average of 15% if reality is that for some countries it is 100% and for others it is -20%.

The Development Box

One seminar attendee asked Thompson to elaborate on his statement that Green Box measures are sufficient to achieve any of the measures that could be achieved with the proposed Development Box. Another attendee agreed that to a large extent the development box does not contain anything that is not covered by the existing parameters, but said that the Development Box as proposed by a number of countries goes beyond domestic support parameters. If alternatives can be generated through infrastructure development and growth in the services sector, etc, developing country governments will try to do it. The delegate maintained that some countries do not have resources available in other sectors of the economy and the Development Box also deals with those kinds of concerns.

Thompson argued that if developing countries do not have sufficient resources to invest in the Green Box, they do not have sufficient resources to invest in a lot of the price distorting measures suggested in many Development Box proposals. He added that in most developing countries, Green Box investments could come from foreign aid, borrowing from regional development banks, or the World Bank. Public sector investments are made, but because most of the political clout is in the cities most of them go to urban areas even though the majority of the poor live in rural areas.

One delegate encouraged developing countries to use the flexibility available in the Green Box and the exceptions in Article 6.2. He pointed out that the two key restrictions that keep developing countries from making use of the

flexibility available in the Agreement on Agriculture are a lack of resources and a lack of infrastructure. Further it is difficult to set up, implement and manage national programs. These are often larger restrictions than the rules of the agreement themselves. He suggested rather than trying to enhance existing provisions the interest of developing countries could focus on enhancing provisions that would have a greater value added such as seeking more market access.

Developed Country Domestic Support

A delegate asked the panelists their opinion on whether trade distortive domestic support in developed countries, including some Green Box programs, may damage rural development in developing countries by diverting from investment flows. He gave an example that a bank would lend money to a farmer who receives a lot of subsidies, but not to a farmer in a developing country who does not. Thompson asserted that the huge income transfers to American and European farmers at the moment are all capitalized into the price of land. He said the policies are counter-productive in transferring income to farmers; they are wealth enhancers for landowners. He further asserted that the same thing applies to the value of quotas; the only people helped by quotas are those who get the quotas when they are offered free at the beginning. As soon as they have changed hands once, the price has internalized the entire benefit of the income transfers and it becomes part of the capital cost of production. These policies force agriculture to have higher capital costs and the investment capital could be used much more productively elsewhere in society.

Another delegate asked O'Mara to address his assertion that the WTO should address non-trade concerns only from the viewpoint of Green Box measures, which are non-trade distorting domestic supports. He pointed out that the current agriculture agreement contains many export restrictions and export taxes. From the viewpoint of economics, export taxes have the same effect as trade distorting support and trade restriction has the same effect as distorting import restriction. O'Mara agreed that export restrictions of any kind are trade distorting. He said that an attempt was made in Article 12 to address the concept that these policies are trade restricting and there needs to be consultation among WTO members if they are invoked. Unfortunately there is no penalty if they are invoked.

Food Security

A developing country Ambassador pointed out that there is another dimension to food security other than production. That is the procurement of food. In certain developing countries food production is simply impossible. In these cases, it is the means of food procurement that is important and this is the non-trade concern. Thompson agreed that it is often a procurement question and further noted that one could argue that in today's world, in which there is an excess of cereals, that it is not a shortage of grain, rather it is a shortage of purchasing power.

SESSION 3: ADDRESSING CONSUMER ISSUES

Willem Jan Laan: A predictable rule-based system in the WTO has the support of the food industry and we hope that the WTO members will adhere to the time frame and agenda set. Geographical indications are a TRIPS issue. The TRIPS text refers to geographic indications in Articles 22-24. In Article 22, the system of notification and registration for wines is called for and the Doha Agreement extended this to spirits. Interested countries should provide sufficient, transparent information concerning geographic indications. Article 22 of the TRIPS agreement already allows members to use geographic indications in general. Do we need a proper registration system for wines and spirits before we talk about an extension?

The basis for using a precautionary approach in the international arena is the Rio Declaration. The Rio Declaration spells out specifically what is meant by the precautionary approach with regard to environment and development. For environmental purposes solutions should be based on the Rio Declaration. With regard to food and food safety, Articles 2.2 and 5.7 of the SPS agreement apply. Article 5.7 says that for food safety, under the current SPS agreement individual countries have the possibility to apply appropriate food safety standards. Currently there is no need to amend or renegotiate the SPS agreement. Nevertheless, the EU wants clarification with regard to the relationship between precaution and the WTO rules in order to reduce trade frictions, promote predictable regulation and assure that precaution is not at use for protectionist purposes.

In "Achieving Public Confidence in the Global Food System," the IPC stated that there are no satisfactory alternatives to a science-based system. As soon as you step away from a science-based system, you are undermining the WTO rules-based approach. Efforts should be made to improve the quality and comprehensibility of scientific advice. From a business point of view, it is not acceptable to have a case begin and fifteen years after the event, to still be looking for scientific material. It should be possible to have a system in place where you can agree on modalities in order to unite scientific experts. Experts themselves should work out solutions within the Codex framework.

Labeling is a regulatory issue, but it is not only a regulatory issue. The Committee on Trade and the Environment included in the Doha text a commitment to give attention to labeling for environmental purposes. The European Union believes that there is a need to establish a more systematic work program on labeling by the TBT committee.

However, any discussion must not undermine existing TBT rules, nor create scope for protectionism and take full account of the needs of developing countries.

João Magalhães: It is important to recall the basic elements of the SPS agreement. It is the only agreement that deals with the notion of precaution. But it is not only Article 5.7 that deals with precaution. Article 2.2 requires scientific evidence for sanitary and phyto-sanitary measures. In the process of scientific risk assessment an element of precaution is already incorporated. The preamble of the SPS agreement itself also addresses the issue of precaution. Again, the agreement recognizes the sovereign right of members to establish their own level of protection, then elaborates on the different provisions that allow members to do so.

Article 5.7 goes a bit further, but when the agreement was negotiated it did not deal with the issue of precaution. It dealt with situations where a disease or pest could come in and create an emergency in a country where that disease or a particular pest previously did not exist. The possibility of action in Article 5.7 of the SPS Agreement is a provisional measure. The fact that a government is faced with an emergency situation or a situation where scientific evidence is not sufficient does not mean that the government can invoke Article 5.7 and do nothing about it. The Article very clearly says the government has to look for further information and upon finding it, the country has to change existing measures to put them in conformity with the new evidence found.

It is clear that today neither the SPS agreement nor the TBT Agreement is on the table for negotiation. In the Uruguay Round, however, many things that were not originally on the table were negotiated. Some countries may want to obtain a clarification of the precautionary approach and other countries have other areas of concern that they would like to be clarified with regard to the SPS agreement. There seems to be no clear alternative to a science-based approach within the context of the WTO. The SPS Agreement is a difficult agreement for developed countries to implement and even more so for developing countries.

Timothy Josling: Obviously, one has to take consumer concern seriously. The question is which consumers are being discussed, those who vote with their dollars, those who vote at the polling booth, or those who lobby. Governments, through the Uruguay Round, devised trade rules to make it easier to say no to the producers that were trying to use the system of protection addressed in the SPS/TBT Agreements for protection. Now there are consumers and consumer groups lobbying governments for their own protection. They are skeptical that the SPS and TBT agreements protect them at all and argue that they really only protect the producers. Governments are trying to figure out how to react to the fact that there are now some very powerful and effective consumer groups.

Governments are reacting in two ways. One is the safe approach or the substantial equivalency approach. These governments let the private sector chase the consumer dollar and merely act as a referee and hope that the credibility of the health authorities themselves reassure the public. Another approach is to join the fray, to react to consumer pressures, to mandate labeling, to scrutinize new technologies if there is any concern at all, and shift the burden of proof using the precautionary principle.

The phrase 'precautionary principle' needs to be used carefully because it can become a shield for scientifically dubious regulatory decisions. Can the two approaches coexist? Can there be both voluntary and mandatory labeling systems in the WTO in the world trade system? The answer is yes but at a cost, and that cost might be worthwhile bearing. The cost of forcing the voluntary countries into mandatory labels may not be worth the effort. In fact, they may create expensive control systems that hurt poor consumers and poor countries and delay the new technology that could create great benefit. Forcing the mandatory countries to move to voluntary labels through the WTO risks undermining its credibility because it appears to put trade ahead of food safety. Therefore, the best notion is to muddle through with segregated markets, hope the irrelevant information is ignored and eventually can be dropped from the labels.

Geographic indications and country of origin labels are a different problem. Consumers are not arguing for geographic indications. These are producer concerns in the name of consumer information. Geographic indications are pitting new producers against old producers, in other words pitting those who have the rents against those who do not. Geographic indications are not trade expanding for agricultural goods. Trademarks are a better way to go. Country of origin labeling is a dangerous mixture of motives. It is a proxy for a process label. The best solution is: leave information on quality attributes to the private sector where health is not an issue; police claims vigorously; search for negative side effects; be cautious in risk analysis where risks are high and irreversible; develop consumer confidence; and avoid mandatory labeling of quality attributes where quality is subjective, political and cultural.

Discussion

Precaution

One negotiator pointed out that it is very difficult to discuss precaution in the WTO. She suggested that it may be best to 'face the monster head on' and really discuss it. Emphasizing that she was speaking on her own behalf, she further suggested that it may be worthwhile to at least clarify Article 5.7 and asked panelists to comment on this.

Other seminar attendees agreed. She specifically asked panelists to comment on the notion of a 'reasonable period of time' and how to deal with a minority opinion. The negotiator reminded attendees that one of the main arguments of the demandeurs of precaution was that it is such an important issue that it cannot be left to the dispute settlement system. They felt if it was left to the dispute settlement system it would have to be decided on a case by case, which could work to the detriment of developing countries or countries that defend more market access.

Laan pointed out that both parties subject to the beef hormones dispute have welcomed the final outcome as far as the interpretation of the agreements were concerned by the appellate body. He believes that this stance can provide some clarification on the SPS agreement in itself. The dispute, however, has not been settled. The European Union still bans the import of the products and the United States still has counter measures in place. However, food companies are still involved in the dispute because they have to face the measures of the United States when exporting a number of their products there. He suggested that compensation by the European Union would be appropriate in this situation. He asserted that the issues of what is a reasonable amount of time and how to deal with scientific evidence when there is a minority point of view is not an issue to be dealt with by trade negotiators. He suggested that it is an issues that an appropriate number of people in Codex framework should deal with.

Magalhães agreed that a precautionary principle might be reflected in a number of different articles in the GATT. With regard to the minority opinion, he thinks that the hormones appellate body came out with a conclusion. He admitted that the conclusion was not welcomed in the same manner by all of the parties, but agreed that it was welcome and probably explains why the European Union is somehow a bit more confident with the application of the SPS agreement.

Consumers

One delegate asked who has decided what truly are consumers' concerns. Is it governments or is it the pressure groups that are lobbying governments? The delegate brought up a survey that was carried out two years ago regarding concern about GMOs. In this survey, 50% of respondents had never heard of GMOs. The delegate felt that more transparency in fundraising for NGO's may help to clarify the issue.

Magalhães said that the question of what type of consumers you are talking about is beside the point. The negotiators and the policymakers have to take it into account as a new development. He said, "there is consumer representation, and we could speculate about their legality their representativity, but they have this fantastic capacity to wake up the media, which the politicians do not have today." He asserted that it is important that negotiators take this into account and discuss the issues and not let solutions come out of panels or appellate body reports.

Implementation of TBT and SPS Agreements

A delegate from a developing country mentioned a proposal on special and differential treatment that was tabled by the African group, which said that every time there is a TBT technical measure or standard, and perhaps also for SPS measures, the country that makes the regulation or measure should be bound to contribute to a fund that would be used to help developing countries abide by these measures.

Labeling

Laan agreed that labeling would add quite a bit of cost. It could be very difficult for certain producing countries, in particular developing countries, to fulfill all of the obligations, that are set by importing countries, usually developed countries. He asserted that if you take the precautionary approach together with labeling provisions and topped by geographic indications and so on, and endorse it with a WTO agreement, it might lead to trade restricting practices, not only for developed, but also for developing countries.

“Promoting an Efficient World Food System”

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