

ADAPTING THE INTERNATIONAL TRADE REGIME TO NEW CHALLENGES

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I am humbled and at the same time honored to be part of this panel. I am not a trade negotiator, and before the mid-1990s when our government acceded to the Uruguay Round agreement and joined the WTO, I knew absolutely nothing about the GATT and international trade rules. But being a representative of farmers in the Philippines, I began to follow developments in the WTO by force of circumstance, and my involvement with the IPC and having the opportunity to listen directly to people like Mr. Groser and Mr. del Castillo have benefited me tremendously in understanding what is going on and in relating what I have learned to the situation of small farmers in the Philippines and many other developing countries.

Indeed, climate change, food security and even the current economic crisis bring new challenges to the international trade regime. But as is often said, challenges also bring opportunities, and the ideal situation would be that these new challenges could act as positive pressures that could bring trade negotiators back to the negotiating table and finally come to an agreement under the Doha Round.

Yesterday, I was thinking out loud as to why the global community was able to act so swiftly and resolutely, sometimes at great cost and sacrifice, to the swine flu crisis. No big meetings, no protracted negotiations, no countless walk in the woods, and no need for magic wands. If you come to think of it, there will probably be more people who will suffer and die from future climate disturbances, or a recurrence of the food crisis, or another trade war, but there does not seem to be a sense of urgency or even panic like what we have seen with the swine flu problem.

Still, I believe that the proper time to conclude the Doha Round will come and we should not be too much in a hurry to pick a fruit when it is not yet ripe. Besides, trade will continue even without a Doha agreement, and what we need to do now is to make sure that countries do not regress into protectionism or go back on their commitments to trade reform in the interim. And we should also try to look for ways to address the new challenges in a way that facilitates a consensus on trade rules, and not place added barriers to reaching an agreement.

For developing countries, the major concerns they have raised in the WTO negotiations - food security, poverty alleviation, and rural development - are the same concerns behind their negotiating stance in the climate change talks. The problems that make small farmers in developing countries uncompetitive and vulnerable to imports and therefore scared of free trade – poor roads and infrastructure, lack of credit, weak technology development and dissemination, etc. – are the very same problems that make them particularly at risk to climate change and ill-equipped to contribute to any significant mitigation and adaptation effort. So, there is an opportunity here to hit two birds with one stone, and make developing countries more inclined to come to an agreement in both negotiating fora, if these concerns are adequately addressed.

Let me now give some examples of how we could possibly do that.

First of all, we need to incentivize mitigation initiatives in agriculture, especially in developing countries, instead of taking a punitive approach. Enabling small farmers to access carbon markets and rewarding them for adopting climate-friendly farming practices will be the best way to get their support. In agriculture, we should also reward gains in efficiencies instead of absolute reductions in green house gas emissions, because many emissions are beyond the control of farmers and are necessary side-effects of food production. How should these rewards and incentives be treated in the WTO? There should be little argument that these incentives will be considered distortive of trade, since they will not be based on outputs or prices. In a sense, farmers simply get a premium price on their products for providing an environmental service to society. What we should guard against, on the other hand, will be attempts to impose new non-tariff trade barriers that restrict imports because they do not comply with environmental standards or implement comparable mitigation measures.

Adaptation efforts are more relevant and appealing to developing countries, since they are generally more at risk and vulnerable to a problem that is historically not of their own doing. Here, we have a potential conflict because, on the one hand, we want to pursue trade liberalization, market opening and tariff reductions, but on the other hand, the process of upgrading both the competitiveness of farmers and their resiliency to climate change takes time, and to some extent, requires some shielding from cheap imports and premature liberalization. Here, I think the provision of effective trade remedies that will help developing countries address market

emergencies and volatility, including the much-criticized special safeguard mechanism, will be essential in giving developing countries the confidence to pursue market liberalization even as they have to undertake long-term reforms and investments at home.

Finally, we should always keep in mind that trade is only one part of the solution to food insecurity, poverty alleviation and even climate change. As DG Lamy said last night, domestic government policies and programs are even more crucial in enabling farmers to become competitive in the trade arena and at the same time resilient in the face of climate change. To a large extent, the defensive posture of many developing countries in international negotiations arises from their failure to implement these basic policies and programs domestically. They are in effect not really protecting their farmers from international competition, but protecting themselves from political and social backlash when the problems arising from their negligence and failure crop up once domestic markets are opened up. Part of the strategy for facilitating consensus in both the trade and climate change negotiations is encouraging and at the same time supporting governments to undertake the necessary domestic reforms and investments, which will eventually make them more confident and prepared to engage constructively in the negotiations.