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Beyond Special and Differential Treatment

The majority of WTO members are now developing countries. Yet, until the launch of the Doha Development Round, their interests remained on the periphery of multilateral trade negotiations. Because development is at the center of the Doha Round, developing countries must seize the moment to obtain an agreement that promotes their integration into the world economy and provides an opportunity to compete in the global marketplace. First and foremost, that means developed countries must reduce trade-distorting domestic subsidies, eliminate government funded export competition, and increase market access. But, it also means that developing countries must ensure that the Doha Round helps them take advantage of more open markets, both as exporters and as importers.

In the early years, the GATT dealt primarily with reciprocal tariff negotiations, where developing countries had little to give. In the early 1960's, as a result of pressures from UNCTAD and the Group of 77, a development dimension (Part IV) was introduced into the GATT. Part IV opened the door for preferential treatment of developing countries and provided some flexibility to the strict reciprocity conditions of the GATT. However, ***despite Special and Differential Treatment, the early rounds of trade negotiations did little to benefit developing countries.***

When the Uruguay Round negotiations were launched, the growing integration of the global economy, the emergence of competitive developing country exporters, and the increased understanding of the positive role trade can play in economic development brought the interests of developing countries into the trade negotiations. Nowhere was this truer than in agriculture. However, the Uruguay Round agricultural negotiations focused mainly on developed country agricultural policies and their impact on competitive developing country exporters, who were mostly members of the Cairns Group.

The effect of these policies on developing country farmers and consumers, who are among the world's poorest citizens, was not a central focus of the negotiations. The Doha Round must continue to reduce the distortions on world markets, but it must also deliver greater and quicker benefits to developing countries.

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IPC Issue Brief Number Two: Beyond Special and Differential Treatment

Preface

The goal of the Doha Development Round is to bring the benefits of more open markets to developing countries. Yet, much of the discussion about the interests of developing countries has been subsumed under the subject of Special and Differential Treatment—a structure that was created in the 1960s when the needs and interests of the developing countries were quite different than they are today.

Today, the interests of developing countries are in well-functioning global food markets, with a minimum of distortions. These interests are no different than the interests of many developed countries. The Doha negotiations on agriculture depend on developing countries. Without their concurrence and acceptance, there will be no deal. If developing countries put their negotiating capital into an ambitious outcome that substantially reduces the distortions in agricultural trade through real increases in market access and substantial reductions in trade distorting subsidies they will derive far greater benefits than seeking exemptions and exceptions from the WTO rules.

That is not to argue that developing countries do not need special considerations to deal with their very pressing agricultural challenges. Some of these can be addressed through longer implementation periods for policy reforms. Some can be addressed through special safeguard measures. But many must be addressed with additional resources—both domestic and international—to modernize their agricultural sectors, and with supporting domestic policy environments.

This paper was drafted by the IPC Secretariat and discussed by IPC members at the 31st Plenary Meeting in Mexico City. A number of IPC members have offered extensive comments on the draft. As such the Issue Brief reflects the general views of the IPC members, but it should not be assumed that every IPC member necessarily agrees with every point made in the Brief.

The IPC hopes that this Issue Brief on Special and Differential Treatment can illuminate the debate now taking place in Geneva and in national capitals, and serve to encourage developing countries to continue to push for an ambitious result in Cancun and in Doha.

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About the IPC

The International Food & Agricultural Trade Policy Council (IPC) convenes high-ranking government officials, farm leaders, agribusiness executives and agricultural trade experts from around the world and throughout the food chain to build consensus on practical solutions to food and agricultural trade problems.

An independent group of leaders in food and agriculture from industrialized, developing and least developed countries, the IPC's thirty-eight members are chosen to ensure the Council's credible and impartial approach. Members are influential leaders with extensive experience in farming, agribusiness, government and academia.

The Evolution of Special and Differential Treatment

First the GATT and now the WTO have addressed developing country concerns under the general rubric of Special and Differential Treatment (S&DT). The original concept behind S&DT was that developing countries needed more time to adjust to open trade—a variation of the infant industry argument popularized in the late 1950s and early 1960s. In its early days, S&DT primarily exempted developing countries from the commitments undertaken by developed countries. More recently, S&DT has come to include positive actions by developed countries to support developing countries, such as technical assistance and capacity building.

While still recognized as essential, given the sharp differences in developed and developing country agriculture and the high level of agricultural subsidies offered to developed country farmers, the conventional wisdom about S&DT has evolved in recent years. Development economists began to emphasize the benefits of trade and open markets for developing countries, arguing that developing countries would benefit more from real market liberalization rather than delaying liberalization under S&DT provisions. Also, the needs of developing countries began to diverge as their levels of development diverged. No longer are developing countries negotiating as a single block. Indeed, developing countries are now often found on opposite sides of agricultural issues.

For example, the African Group, the Like Minded Group, the Small Island Developing Nations, the Land Locked Countries and the Cairns Group (whose membership includes a number of developing country exporters) have submitted very different proposals on Special and Differential Treatment. The Cairns Group proposed enhancing the Green Box by including measures of interest to developing countries, retain the de minimis provisions for domestic subsidies, eliminate tariffs on products of interest to developing countries more quickly, and to create a special import safeguard.

The Net Food Importers proposed extending the Peace Clause for developing country policies aimed at food security, rural poverty and rural development, and exempting staple crops from tariff cuts.

The Africa Group called for enhanced Green Box measures, special import safeguards, food aid provisions to guard against market disruptions, retention of existing preferences, and retention of bound tariffs on staple foods.

India supported a Food Security Box; blanket exemptions for all measures aimed at alleviating poverty, rural development and food security; and higher tariffs on staple products. The diversity of these proposals in the Doha Round highlights the growing divergence of interests among developing countries.

Special and Differential Treatment in the Uruguay Round Agreement on Agriculture

Under the terms of the Uruguay Round Agreement on Agriculture, developing economies faced reduced commitments and longer implementation periods than were agreed for developed countries.

- **Market Access**: developing countries' tariff reductions were two-thirds of those for developed countries. Tariffs could be reduced over ten years instead of six. Minimum market access commitments could be phased in over ten years, instead of six. Developing countries were not required to convert their non-tariff barriers on dietary staples into tariffs and were allowed to provide reduced access to those products in their markets. (Japan invoked the exemption and did not convert its non-tariff barrier for rice into tariffs at the outset of the Uruguay Round in exchange for higher market access commitments. It should also be noted that only a few developing countries have used this option, notably Korea and the Philippines for rice.)
- **Domestic Support**: developing countries had to reduce their trade-distorting domestic support by 13% instead of 20% as required of developed countries. Investment and input subsidies for low-income farmers, as well as subsidies to aid diversification out of narcotics production, were exempt from cuts. The *de minimis* threshold is 10% for product specific and non-product specific support, compared to a 5% threshold for each in developed countries. Least developed countries were completely exempt from reduction commitments. Subsidies to poor consumers and public stockholding for

food security purposes were also excluded from disciplines.

- **SPS Measures**: Developing countries can delay implementation of SPS measures, have more time to comply and can request special technical assistance in complying with SPS measures.
- **Export Subsidies**: Developing country commitments to reduce export subsidy outlays and volumes were reduced. The least developed countries are exempt from making commitments to reduce export subsidies. Some forms of export subsidies, such as processing, handling and transportation subsidies, used by developing countries were also excluded from reduction commitments. Net food importing developing countries were also exempt from commitments to avoid export restrictions.

Limitations of Special and Differential Treatment

While it is widely accepted that developing countries need more help to compete in world markets, trade agreements that provide only for longer implementation and reduced commitments mean that the process of economic policy reform, which is in developing countries' own interest, is delayed.

In some areas, ***longer implementation and reduced commitments provided for in the Uruguay Round Agreement have been meaningless to all but a few developing countries.*** For example, only a few of the most developed developing countries can afford to provide budgetary support or export subsidies to their farmers. For countries that compete against subsidized commodities in world markets, such reduced commitments are meaningless if developed country export subsidies are still in use. And, allowing countries to delay implementation of SPS provisions may make it more difficult for developing countries to access developed country markets.

Some S&DT provisions in the Uruguay Round Agreement have had unanticipated consequences. For example, least developed countries were not required to convert their non-tariff barriers into tariffs, but instead were allowed to establish ceiling bindings on tariffs. However, because they did not convert these non-tariff barriers into tariffs, they do not have access to the special safeguards provision. Therefore, the least developed countries have less flexibility to protect their vulnerable farmers against import surges even as OECD governments have made significant use of the safeguard provision to protect their farmers from import surges.

It is also likely that ***developed countries have used development in general and S&DT in particular as a rationale to delay their own reforms in some areas.*** For example, developed countries retain practices that lower world commodity prices, such as export subsidies, surplus disposal, and export credits, as well as practices that restrict market access, such as high tariffs and quotas for products with preferential access into developed country markets. Developed countries often cite the beneficial effects of these policies on recipient developing countries (such as lower prices for food importers on the world market, or higher prices for exporters into protected markets). But, those arguments invariably do not consider the impact of these policies on developing countries that do not benefit from preferential access. In short, "development" becomes a rationale for countries to continue policies that disrupt agricultural markets. It does not necessarily follow that developed countries would immediately change their policies if they could not make this particular set of arguments, but they are powerful in persuading some developing countries not to press too hard for reforms.

This is also true in reverse. The original purpose of Special and Differential Treatment was to level the playing field between developed and developing countries. Increasingly, Special and Differential Treatment has become a means of compensating developing countries for the lack of market access and the existence of distorted commodity markets.

There are other shortcomings as well. Under the Uruguay Round Agreement, developing countries have access to the same "de minimus" rules (albeit at different levels) on commodity-specific, and non-commodity specific support as do developed countries, but ***because of limited domestic resources, only a handful of developing countries have made use of either category of subsidies***. Developed countries, on the other hand, have made ample use of commodity- and non-commodity specific *de minimus* rules to supplement their Amber Box supports. While the use of these policies is perfectly legal under the WTO, in the eyes of many developing countries, these policies have undermined the intent of the Uruguay Round.

The other anomaly is that developing countries are not *allowed* to introduce new Amber Box measures, beyond the 10 percent de minimis levels, while developed countries based their reduction commitments on historically high levels of spending in place prior to the Uruguay Round. Even though developed countries are reducing Amber Box subsidies, there is still a huge disparity between what developed and developing countries are *allowed* to spend on their agricultural sectors. This difference highlights the huge disparity in public resources spent on farmers in developed and developing countries.

More generally, S&DT that has allowed developing countries to maintain higher tariffs hurts consumers, who face higher food prices as a result, and it also retains resources in commodities that may not be economic to produce. At a minimum, it discourages countries from adopting new technologies, and innovating to reduce their cost structures and improve their competitiveness. And finally, ***higher tariffs among developing countries have also inhibited the development of South-South trade.*** South-South trade now accounts for 40 percent of developing country exports, and 70 percent of the duties paid by developing countries are paid to other developing countries. Economists estimate that half of the benefits of liberalizing trade will come through lower tariffs between developing countries. Agricultural tariffs between developing countries are often higher than agricultural tariffs between developed and developing nations. Reducing tariffs among developing countries could facilitate regional markets, which provide an excellent proving ground for developing country exporters.

Beyond Special and Differential Treatment

In the early days of the GATT, the main issue for developing countries was gaining access to developed country markets. This is still a primary objective. But, in the current round, developing countries are being asked to liberalize and develop their own economies, expose their farmers to global competition, and compete for market share in the global export marketplace. ***Developing countries need not only access to markets, they need assistance meeting quality and safety standards necessary to actually capture market share. Developing countries need not only a reduction in price depressing export subsidies, they also need more investment in infrastructure to compete on the global marketplace.***

Special and Differential Treatment—longer transition periods and reduced commitments— is no longer sufficient to address the complex challenges facing developing countries as they attempt to integrate into the global economy while addressing their very legitimate development concerns.

Going forward, developing countries must ask for Special and Differential Treatment that meets their needs and to seek an agreement that provides them real market access into developed and developing country markets.

They must demand an agreement that reduces the level of trade-distorting domestic subsidies, and that eliminates subsidized export competition. Special and Differential Treatment that allows countries to simply delay reforms will find it more difficult to develop, adjust and compete in the global arena.

Above all, developing countries must not let S&DT become the trade-off for a less than ambitious outcome in the overall trade negotiations.

For many developing countries, the real concern is competing against subsidized farmers in developed countries. These countries argue that they cannot compete against producers who receive export subsidies, marketing loans, counter-cyclical payments and direct income support. For these countries, an ambitious outcome that increases market access, reduces government funded export competition and reduces trade-distorting domestic subsidies will deliver greater benefits to developing countries than traditional S&DT ever could. Developing countries still have unique concerns that need to be addressed in the negotiations. But, developing country concerns should be addressed in ways that integrate them into the global trade system, promote economic development and facilitate economic adjustment.

Some developing countries and some international organizations have called for the creation of a Development Box or a Food Security Box to address developing countries' concerns about food security, and to balance the interests of developing countries against developed countries. But over time, a separate box—or separate commitments— for developing countries could fall victim to the same problems of traditional S&DT. This is not to argue that developing countries do not have particular interests in say, expanding the types of policies covered by the Green Box, for example. However, creating a separate set of commitments and differentiating between developing country commitments and developed country commitments risks leaving developing countries further and further behind in integrating their economies into the global arena.

Moreover, a separate set of commitments for developing countries sets a dangerous precedent of creating two sets of rules, one for developed countries and another for developing countries.

The WTO is an agreement based on rules. This rules-based system is particularly important for developing countries because all countries, regardless of size or power, must play by the same rules. If developing countries are allowed a different set of rules (rather than simply delayed or reduced commitments), developed countries could more easily rationalize skirting the rules for their own benefit. (It is important to emphasize that in such a system, all participants, including developing countries, must be able to make use of the rules to protect their interests.) ***It took many years to address agriculture under the GATT precisely because agriculture was subject to special exemptions that kept sensitive commodities off the negotiating table. It is extremely dangerous to go back down that road. It would be better to ensure that the rules were fairly and equitably applied to both developed and developing countries.***

Developing Countries' Stake in the Doha Round Negotiations

Many developing country concerns are, in fact, similar to concerns of any food exporting or importing country, and can be addressed under the three pillars of the negotiations—market access, export competition and domestic support. Some of these concerns—for example administration—are even more vital for developing countries than they are for developed countries.

Market Access: ***Many of the problems faced by developing country exporters (tariff peaks, tariff reduction formulas, and tariff rate quota (TRQ) administration) are not dissimilar to problems confronting exporters in developed countries.*** The Uruguay Round Agreement did little to address tariff peaks and tariff escalation. It allowed countries to leave tariffs on sensitive commodities higher than tariffs for less sensitive products. A formula that either caps peak tariffs or reduces higher tariffs more than lower tariffs would address these concerns. To ensure that tariffs on sensitive commodities are reduced, it is important that tariff cuts not be averaged across all commodities, but rather across individual tariff chapters. It would also be important that import quotas continue to expand on a commodity by commodity basis.

The Uruguay Round Agreement did not provide guidelines on TRQ administration, which have made it difficult for exporters to take advantage of market access improvements. The complexity of TRQ administration is a particular problem for developing country exporters who may not have access to current information about quota fill rates, or who may not have been "historical" suppliers. Here the developing countries have a strong incentive to join forces with developed countries seeking to clarify guidelines for TRQ administration in order to improve real market access opportunities.

Lower tariffs and increased access will benefit developed country exporters, but they create concerns about the impact of imports on subsistence farmers and in particular, imports of subsidized commodities. Some developing countries have proposed creating a special category of "Strategic" or "Special" products which would be exempt from tariff cuts (or in some cases which could see higher tariffs) and import quota increases.

However legitimate these concerns, raising tariffs or avoiding tariff cuts for products on development or food security grounds will reinforce protectionist interests in developed countries, make it less likely that developed countries will make meaningful cuts in trade distorting subsidies, and will keep protected commodities of interest to developing countries off the negotiating table.

Without strict criteria or time limits, an "open-ended" exemption to the general rules for "Special Products" producers of any commodity, regardless of how important it might be to a country's actual food security could petition their government for protection*. **Protection would go to the most politically powerful, not necessarily the most vulnerable.*** Also, because developing countries trade in relatively few tariff lines, even a short list of "Special Products" could essentially eliminate all agricultural trade. Moreover, since many of these "strategic" products are important to intra-regional trade between developing countries, maintaining high tariff barriers against developed country products may exact greater damage on neighboring developing countries.

And, once declared, it would be impossible to remove a Special Product from the list. One need only look at entrenched protection across many commodities in developed countries to appreciate the difficulties associated with revoking such a declaration. Finally, such protection does not necessarily benefit those it tries to help: farmers in developing countries. Many of these farmers grow too few tons to receive much benefit from higher prices. Moreover, high tariffs on staples raise food prices for all consumers, but most critically the poorest consumers. In developing countries, the poorest consumers are subsistence farmers who do not grow enough food to be self-sufficient. As consumers, higher food prices do them more harm than good. Providing such protection also keeps resources employed in uneconomic sectors in the economy and ultimately raises transition costs for uncompetitive farmers.

Lower tariffs and broader access are also a concern to countries that benefit from Special Preferences. These countries, as well as the European Union, which provides preferential access have proposed that "margins of preference" on products subject to special preferences be retained. These proposals would enable developed countries to avoid tariff cuts in their most sensitive products—which are exactly those products of most interest to developing countries**.** Allowing developed countries to maintain "margins of preference" for certain countries discriminates against other developing countries who do not benefit from preferences, but who nevertheless wish to compete in export market.

Moreover, as spelled out in the IPC's recent issue brief on Special Preferences, these ***preferences have often locked developing countries into a dependency on commodities in which they may no longer hold a comparative advantage,*** inhibiting adjustment to potential new markets. In some cases, the high prices offered under preferential access have diminished the need to adapt new, cost saving technologies, leaving the developing country producers with high, and uncompetitive cost structures. (Revisiting Special Preferences for Developing Countries, IPC Issue Brief Number One, May 1, 2003.)

Of most concern, these proposals will actually increase protection in developing countries, rather than provide for a longer transition time or shallower reduction commitments. Not only would many of the gains to be reaped from lower protection in developed countries be reduced if developing countries increased their trade protection, but trade between developing countries would suffer as well. And, there is a risk that they will be offered in exchange for a less than ambitious outcome in the overall negotiations. The trade-off could well be less market access in commodities or sectors of interest now—or in the future— to developing countries.

Yet, for least developed countries, tariffs are often the only feasible instrument to protect farmers in the face of import surges—from whatever source. Least developed countries do not have the financial resources to provide income support to farmers hurt by imports. This is doubly true when imports are made cheaper through subsidized export competition, or by trade distorting domestic policies. Developing countries need to be able to deal with import surges of critical crops, whether caused by subsidized exports or global demand and supply conditions. ***A narrowly defined special safeguard, for a pre-determined set of crops could help.***

This safeguard should be simple and transparent, with triggers (imports below an established price or above an established quantity) bound in the agreement. The use of special safeguards could be limited to a list of declared crops, with a maximum total tariff bound in the agreement. It should also be limited to specific periods of time. One suggestion might be to allow safeguards only on products with tariffs below a minimum threshold level or only for countries with domestic subsidies below some level of agricultural GDP. ***The use of special safeguards should not be linked only to crops that are subsidized, since from the point of view of the importing country's farmers, import surges are disruptive, regardless of the reason.***[1]

Domestic Support: Over the years, many developing countries have taxed, rather than subsidized, their farmers. According to recent studies, this taxation seems to be abating in many developing countries. However, ***developing countries continue to under-invest in the sorts of Green Box measures that could improve their long-term competitiveness. Investments in rural roads, research and regulatory infrastructure have lagged.*** In part this is caused by developing countries themselves, who have placed a higher priority on urban projects, and in part it is caused by the decline in Official Development Assistance to the rural and agricultural sectors.

In fact, very few developing countries are close to the 10% *de minimus* levels allowed under the URAA. Only eight developing countries have reported positive AMS figures to the WTO. In many countries, product specific support is actually negative. (Thirty WTO members have the right to use Amber Box subsidies, including a number of developing countries, such as Argentina, Brazil, Columbia, Costa Rica, Mexico, Morocco, Papua New Guinea, Thailand, Tunisia, and Venezuela.)

The Uruguay Round Agreement (Article 6.2) does allow for certain policy instruments to encourage agricultural and rural development in developing countries. Investment subsidies and agricultural input subsidies are also allowed if they are targeted to low income or resource-poor producers. (These subsidies are not found, however, in the Green Box. They are classified under "temporary measures" which have to be periodically reviewed.) Subsidies provided to encourage producers to diversify out of illegal narcotics are also allowed, as are rural development programs, stock-holding to enhance food security and food subsidies for the urban and rural poor. Even though the overall level of agricultural investment is inadequate in most developing countries, over half of the domestic support provided by developing countries falls within Green Box, or other unrestricted categories.

Yet, developing countries remain concerned that the current definition of Green Box subsidies might impede their ability to support their agricultural sectors in the future. The most significant concern for developing countries revolves around subsidies allowed under the Green Box and the expiration of the Peace Clause. Some subsidies, such as those for irrigation, are allowed under the Green Box as currently written. But, these subsidies could significantly increase production, and by extension, trade. If the Peace Clause is not extended, developing countries fear these subsidies could be subject to challenge by a third country exporter. Some of these concerns have merit, but ***rather than creating a separate set of rules, these concerns should be addressed under the existing definition of Green Box subsidies.***

Developing country concerns that some provisions of the Uruguay Round Agreement weakened disciplines on domestic subsidies are well taken. The Blair House Agreement, in which the United States and the European Union agreed to make domestic subsidy commitments binding across the entire agricultural sector, rather than commodity by commodity, certainly meant that trade distorting domestic subsidies were not reduced as much as originally envisioned. And, in some cases, the relative level of protection has actually increased. Here again, developing countries share the interests of other WTO members in seeing the level of domestic subsidies reduced and the disciplines tightened, commodity by commodity.

Developing countries also rightly point out that developed countries, which provided support to their farmers in excess of their

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[1]Countries that converted their non-tariff barriers into tariffs during the Uruguay Round were allowed to use special safeguards to protect these commodities against import surges. These mostly developed countries have made wide use of special safeguards since the Uruguay Round agreement, often on crops that were not "critical" in any sense of the word. The European Union, for example, has reserved safeguards on 539 products; the United States, 189 products; and Japan, 121 products. Some have argued that this provision was essentially "special and more favorable treatment" for developed countries. In the Doha Round, any limits on the number of commodities eligible for safeguards should apply to developed and developing countries alike. Price and volume triggers for developed countries could be set higher than for developing countries.

Amber Box commitments via de minimis measures, will be allowed to reduce those excesses over time, while developing countries are prohibited from going beyond their Amber Box levels. This should not, however, be a rationale for developing countries to increase their trade distorting support; rather it should be a reason to argue even more forcefully for disciplines on developed country Amber Box and de minimis measures.

Finally, while it is not in the direct purview of the WTO, it is important to point out that many developing countries have not made the necessary investments in Green Box measures to provide the underpinnings of a viable agricultural sector. Investments in rural roads, telecommunications, market information, research and extension must be supported by developing countries themselves but also by multilateral and bilateral aid programs. Unfortunately, foreign assistance to agriculture and rural development has fallen dramatically over the last twenty years; and the philosophy of multilateral lending agencies has not recognized the very legitimate role the public plays in creating the environment for a market economy. For their part, developing countries themselves have failed to ask international institutions to invest in rural infrastructure.

It is deeply inconsistent for developed countries to ask developing countries to open their markets while reducing foreign assistance to agriculture. It is equally inconsistent for developing countries to argue for more protection when they have failed to promote their own agricultural development.

Export Competition*: The proposals submitted by developing countries (even net food importers) generally oppose export subsidies by OECD countries, but some argue that developing countries should be allowed to continue to use these policies.* Developing countries are also concerned about other means of government supported export competition (such as surplus disposal or market development programs operating under the guise of food aid, or export credits which disrupt local markets). While these programs have legitimate uses, such as assisting developing countries with financial constraints to import food, or in real emergencies providing food to starving people, if poorly timed or used inappropriately, they can disrupt markets in developing countries. ***These concerns are widely shared with many WTO members and need to be addressed on a comprehensive basis in the negotiations.***

It is in the interest of developing countries overall to negotiate tough rules on all forms of export competition. Developing countries cannot afford to use export subsidies. Nor can they afford costly subsidy wars with OECD countries. And, of all subsidies, export subsidies are the most trade distorting, and the most inefficient at supporting farm incomes. Export subsidies hurt developing country farmers by lowering world market prices and displacing domestic consumption. Export credits and food aid can also reduce domestic prices in developing countries. These policies do provide short-term benefits to developing country consumers in the form of lower commodity prices. But, in net food importing countries, most consumers are also farmers who cannot compete against lower-priced imported food. Moreover, lower food prices benefit both rich and poor consumers—not only those who most need it. It would be far more effective and efficient to target assistance to poor consumers who cannot afford to buy food, than to subsidize all consumers.

Developing countries, alongside many developed countries, are critical of export embargoes, taxes and restraints that withhold food from the world market, whether due to short supplies or foreign policy concerns.[2] Embargoes due to short supply exacerbate high prices, and embargoes due to political considerations create uncertainty and unpredictability. Either makes it difficult for developing countries or other food importers, to rely on the world market as a source of food security. But, again, ***developing countries share these concerns with food-importing developed countries and would be best served by an outcome that restricts and then bans these kinds of export restraints.***

[2] Some developing countries use differential export taxes that act as a subsidy to processing industries by reducing the taxes paid on processed goods. In some cases, these taxes are an important source of government revenue. But, in either case, these taxes should not be used to subsidize domestic industries and should be made less trade-distorting, then disciplined and reduced.

Differentiation: Under WTO rules, developing countries have been allowed to self-declare eligibility for S&DT. Many economists have argued that such a broad definition of "developing country" makes any S&DT concessions essentially meaningless. Moreover, it is politically easier for developed country politicians to give S&DT to developing countries than it is to open sensitive agricultural markets to competition.

Developing countries are no longer a homogeneous group. They are not at the same stage of development. Some countries that now apply for S&DT have per capita incomes that are higher than that of OECD member countries. Others, who may be competitive in one commodity, may still have many subsistence farmers in other sectors. Yet, under the current framework, there is no way to distinguish among developing countries or to define which countries are developed and developing. Nor is there a way to distinguish between developing countries, some of which may have competitive exporting sectors alongside subsistence farmers.

S&DT can never be meaningful as long as near-developed countries can also be classified as developing countries. For S&DT to be meaningful, it should be limited to countries that are indeed developing. There are several ways to address this issue. The first is to establish fixed, general economic criteria (such as GDP per capita and level of economic diversification), similar to that used by the World Bank and the IMF. The second is to supplement general economic criteria with agriculture specific criteria, such as overall agricultural export market share, the level of competitiveness or subsistence in particular commodities. For example, countries with a competitive export sector in one commodity would be prohibited from using S&DT measures related to that commodity, but could use them for other commodity sectors or for general agricultural investment purposes.

A third option would be to maintain some forms of S&DT for all countries (such as broader definitions of Green Box measures), but restrict other forms to specific countries (such as providing duty and quota free access to least developed countries). ***It is important that any criteria established for which countries could benefit from S&DT is objective, rather than based on subjective judgements which leave too much room for political decisions***.

Conclusions

The objective of the Uruguay Round was to bring agriculture under WTO rules and to reduce the level of trade distorting subsidies. The Uruguay Round Agreement accomplished the first objective, and made progress toward the second. However, the Uruguay Round Agreement did not address many concerns of developing countries. The overall level of subsidies in OECD countries increased even though the form of subsidies has changed. Import barriers have been reduced, but not in the products of interest to many developing nations. Export subsidies have been reduced, but along with other forms of export competition, still disrupt commodity markets. Export restraints and embargoes were not addressed.

Clearly, the Doha Round must go beyond the Uruguay Round to impose disciplines on developed country agricultural policies. It would be unrealistic to expect developing countries to agree to reduce their trade barriers without a similar, and binding, commitment on behalf of developed countries.

The limitations of the Uruguay Round Agreement should not be used as an excuse for developing countries not to liberalize their own economies in the Doha Round.

Economic studies demonstrate that it is in the developing countries' economic interest to continue moving forward with liberalization. But, economic benefits are even greater if both OECD and developing countries liberalize. And, difficult reforms are easier to sell politically if everyone makes them simultaneously. Therefore, the primary goal of developing countries in the Doha Round should not be to create exemptions for themselves. Developing country interests would be better served by expending their political capital on getting the most ambitious deal possible.

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IPC Issue Brief Number Two: Beyond Special and Differential Treatment

The goal of the Doha Development Round is to bring the benefits of more open markets to developing countries. Yet much of the discussion about the interests of developing countries has been subsumed under the subject of Special and Differential Treatment – a structure that was created in the 1960s when the needs and interests of the developing countries were quite different than they are today.

Today, the interests of developing countries are in well-functioning global food markets, with a minimum of distortions. These interests are no different than the interests of many developed countries. If developing countries put their negotiating capital into an ambitious outcome that substantially reduces the distortions in agricultural trade through real increases in market access and substantial reductions in trade distorting subsidies they will derive far greater benefits than seeking exemptions and exceptions from the WTO rules.

That is not to argue that developing countries do not need special considerations to deal with their very pressing agricultural challenges. Some of these can be addressed through longer implementation periods for policy reforms. Some can be addressed through special safeguard measures. But many must be addressed with additional resources – both domestic and international – to modernize their agricultural sectors, and with supporting domestic policy environments.

Economic studies demonstrate that it is in the developing countries' economic interest to continue moving forward with liberalization. But, economic benefits are even greater if both OECD and developing countries liberalize. Difficult reforms are easier to sell politically if everyone makes them simultaneously. The primary goal of developing countries in the Doha Round should not be to create exemptions for themselves. Developing country interests would be better served by expending their political capital on getting the most ambitious deal possible.