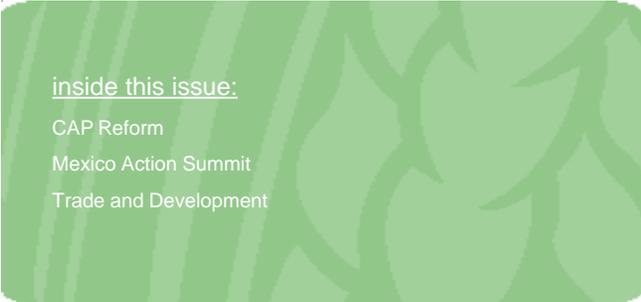


Agri-Trade FORUM



a quarterly newsletter from the International Food & Agricultural Trade Policy Council

IPC Releases Statement of Recommendations for the Cancun Ministerial

In January the IPC issued its recommendations for the Doha Round of agricultural negotiations. In February, Chairman Harbinson, on his own authority, issued his modalities text. During the negotiations, many countries and delegations also offered their own approaches. The IPC's views on how various elements of these proposals might be brought together in a common framework for Cancun was debated and approved at the 31st Plenary Meeting, May 31-June 1.

Negotiators' failure to agree on modalities for agricultural trade reforms in March was disappointing. If the Doha Round is to succeed and if Cancun is to make meaningful progress, political leaders must give their negotiators the flexibility to begin serious consultations and

aggressively look for common ground.

While it is probably unrealistic to expect ministers to agree on detailed modalities at Cancun, ministers should be able to agree on a comprehensive common framework for the agricultural negotiations by the conclusion of the Cancun Ministerial.

The common framework must eliminate the exemptions and loopholes that weakened the impact of the Uruguay Round Agreement, and in particular diluted the benefits for developing countries. The framework must lay the basis for concrete commitments, backed up by workable and enforceable rules for all countries.

The full text of the IPC's Statement of Recommendations for the Cancun Ministerial Meeting is available at www.agritrade.org.

IPC Calendar

July 7: 2nd IPC Sustainability Task Force Meeting, Geneva, Switzerland

July 8: Release of IPC Recommendations for Cancun Ministerial Meeting, Geneva, Switzerland

September 10 – 14: Fifth WTO Ministerial Conference, Cancun, Mexico

November 10 – 14: 32nd IPC Plenary Meeting, New Delhi, India



Recommendations for the Cancun Ministerial Meeting

Market Access

- Immediately reduce peak tariffs, then apply reductions according to tariff bands
- Reduce all in-quota tariffs to zero
- Implement tariff cuts and quota increases on a commodity by commodity basis

Export Competition

- Phase-out subsidies on a single timetable
- Use Uruguay Round disciplines on value and volume
- Disallow exceptions to disciplines on export credits for "unilateral" food aid declarations
- Institute tighter disciplines on state trading entities

Domestic Support

- Apply band approach to domestic supports
- Apply cuts commodity by commodity
- Distinguish among Green Box payments for public goods versus direct payments

Non-Trade Concerns

- Are legitimate, but are best addressed with direct, decoupled payments in most circumstances
- WTO's role is to discipline trade-distorting measures and encourage use of non-trade distorting measures
- Trade distorting measures used to address NTCs should be disciplined under appropriate boxes

Special and Differential Treatment

- Developing country interests are not served by creating exemptions to rules
- Special Products designation is ill-advised
- Retaining Margins of Preference perpetuates protection of sensitive sectors in developed countries
- Special Safeguards are preferable for a limited number of countries for a limited list of products, with time limits and bound triggers
- Self-designation of developing country status should be ended

Reform of the Common Agricultural Policy

by IPC Member, Rolf Moehler
Assessment

The reform package agreed by the Agriculture Council on the morning of June 26th 2003 is a breakthrough towards a new Common Agricultural Policy. Commissioner Fischler has succeeded in persuading Agriculture Ministers to transform existing direct payments into single farm payments and thus to “decouple” them from production. This is a major achievement that a year, or even a few months ago, almost nobody thought to be possible.

On its long and tortuous way towards more market orientation the CAP has made a decisive step.

The agreement reached is not without its shortcomings. The milk quota system has been extended until 2013 and the Commission has taken the commitment to unbind the headnote for rice that links tariff protection to the intervention price. More important, member states keep the option to partially decouple payments for arable crops, beef, sheep and goats. However, decoupling is a new approach and there are uncertainties about its impact on agriculture and rural areas.

The criticism that the reform means a re-nationalisation of the Common Agricultural Policy is overdone. Uniformity of the existing system of direct payments is a result of their origin as compensation for the reduction of market price supports. Once the link to production is broken, uniformity of the system is less pressing as long as distortion of competition can be avoided.

Impact on the Doha Round

Decoupling will allow the EU to shift part of its blue box support to the green box but only if the provision of the green box on decoupled income support remains untouched. Further reduction of the amber box beyond the proposal made of 55% should also be possible.

But, the reform does little to facilitate further market access or to allow elimination of export subsidies. The single farm payments will improve market orientation and thus opportunities for more market access to the European Union, but this will take time. In the near future the EU has to cope with enlargement. Most of the new member states that will join the Union in May 2004 have major structural problems in agriculture. Struggling with competition from within the Union, they will be less than enthusiastic to open up to the outside world.

In short: CAP reform may save Cancun but not the Doha Round.



IPC Membership

IPC Members Named to Key US Agricultural Trade Committees

IPC Members Joe O'Mara, Donald Nelson, IPC Chief Executive M. Ann Tutwiler, and IPC Member Affiliates John G. Reed and Sarah Thorn were appointed, May 12th to serve as private sector representatives to the Agricultural Policy Advisory Committee for Trade (APAC) and four of the six Agricultural Technical Advisory Committees for Trade (ATACs).

O'Mara was appointed to the Agricultural Policy Advisory Committee for Trade (APAC); Nelson to the ATAC for Cotton, Peanuts, Planting Seeds and Tobacco; Tutwiler and Reed to the ATAC for Grains, Feed and Oilseeds; and Thorn to the ATAC for Processed Foods.

The US Congress established the Committees in 1974 to ensure that the private sector had a voice in US trade policy development and trade negotiation objectives. Committee members serve two-year appointments.

Grant Named Monsanto CEO

IPC Member, Hugh Grant has been named Monsanto's new Chief Executive Officer. Grant has been serving as the company's Chief

Operating Officer for the past three years.

Jöhr receives prestigious Rainforest Alliance award

On May 14, Hans Jöhr, Head of Agriculture for Nestle and IPC Member received the Rainforest Alliance's Individual Green Globe Award. Jöhr was one of two individuals and ten companies honored for their contributions to the sustainable coffee movement. He received the award for establishing new precedents in the world of agribusiness and for being the driving force behind the food industry's Sustainable Agriculture Initiative (SAI) (www.saiplatform.org).



31st IPC Plenary Meeting

The 31st IPC Plenary Meeting was held May 31st through June 1st in Mexico City. Members and invited guests discussed the lessons learned from NAFTA. Presentations were given highlighting the role of adjustment policies; the Canadian experience; the experiences of the poultry industry and the sugar and sweeteners industry. In addition presentations were made on the Mexican view of NAFTA and the WTO; and the US-Chile Free Trade Agreement.

At the Plenary Meeting, the IPC debated and approved its Statement of Recommendations for the Cancun Ministerial Meeting. (See page 1). IPC members updated the membership on the situation in agriculture in their home countries. Issue Briefs on Special and Differential Treatment, Biotechnology and LDC's, and Geographical Indications were discussed.

The IPC's Substantive Agenda for 2003-2004 was approved. The Membership decided to hold its 33rd Plenary Meeting in South America and the 34th Plenary Meeting in Central or Eastern Europe. The 32nd Plenary Meeting will be held November 11-14 in New Delhi, India.

Trade and Development

From remarks by IPC Member Luis de la Calle at the Mexico Action Summit, June 2nd, 2003

If developed countries are really serious in their political statements to help the developing world, there is no better place to start than international trade. The export and foreign direct investment flows for developing countries that come from better market access dwarf any assistance funds donor countries could or would ever provide.

Trade opening is often portrayed either as the solution to all development problems or as the root cause of the problems countries face. If this were the case, development would be trivial. In fact, trade is almost always a necessary but not a sufficient condition for development. Trade makes a positive contribution to development through expansion of markets, lowered costs of production, and reduction of investment risk under rules-based trade.

The transmission mechanism for benefits is not just economic. Trade is like a mirror in which countries can see their strengths and weaknesses. By looking into this mirror, countries can determine their comparative advantages.

The success of Doha as a Development Agenda depends as much on the efforts advanced countries make as on the objectives and attitudes of developing country members. I would approach the negotiations with eight suggestions:

1. Developing countries should put a positive agenda on the table. The more subjects on the table, the better the chances that the items developing nations really care about will be there.
2. Governments should come to the table with some degree of support in their home countries.

3. A serious effort ought to be made to move the entire membership of WTO away from seeing negotiations and trade through the prism of mercantilism: your gain is my loss. The success of trade has been measured in terms of deficits and surpluses: deficit you lose, surplus you win. Nothing is farther from the truth – the largest ever surplus for Mexico took place during the worst economic year on record: 1995.

4. What developing countries really need is market access.

The optimal outcome of the Doha Development Agenda is for advanced members to agree to the elimination of duties – after a phase-out period – for all industrial goods, and a significant improvement in access for agricultural products.

5. There is an urgent need to eliminate agricultural subsidies in richer countries. Those in the developed countries who are concerned about the developing world need to work through their own political system to fight agricultural subsidies at home.

6. Capacity building efforts should be promoted under three criteria: 1) *Keep it simple*; 2) *Capacity building should be geared towards the expansion of benefits, rather than the adoption of border measures*; 3) *Capacity should be built to use trade agreements, rather than to negotiate them*.

7. Plurilateralism should be allowed for non-core issues of the Doha Development Agenda.

8. Governments in developed countries have emphasized the importance of liberalized trade in agriculture for many years. Now that many developing countries appear to be ready to take richer members at their word, doubts about trade liberalization seem to have emerged in developed countries.



Mexico Action Summit

In conjunction with the 31st Plenary Meeting, the IPC co-organized The Mexico Action Summit in Mexico City from June 2-3, 2003 with the Monterey Bridge Coalition. The Summit was held under the patronage of Mexican President, Vicente Fox and the Mexican Secretariat of Environment and Natural Resources; the Mexican Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food; and the Mexican Secretariat of Social Development. Approximately 200 representatives of agribusiness, government, farm organizations, academic and research institutions and non-governmental organizations attended the Summit.

Participants in the Summit issued a call to action challenging the G8 and other developing and developed world leaders to address hunger and poverty while protecting and restoring the world's natural environment for future generations.

IPC Chairman, Robert L. Thompson, Vice Chairman Piet Bukman, and IPC Members Pedro de Camargo, Luis de la Calle, Hans Jöhr, and Raul Montemayor addressed the Summit and several other IPC Members participated.

The Call to Action issued at the Summit is comprised of three elements: a Framework, a New Policy Paradigm and Critical Next Steps. The Framework asserts that all future public and private action for alleviating hunger and poverty should be based on the Millennium Development Goals, that these goals are achievable by 2015 if the necessary political will is mobilized, and that taking action through these goals is necessary to eliminate poverty and hunger while maintaining the protection of and restoring the world's natural assets.

The Call to Action, Summit presentations, background papers and a full report on the Summit, as well as more information on the Monterey Bridge Coalition can be found at www.futureharvest.org.

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***Promoting an Open and
Efficient Food and Agriculture
System***

www.agritrade.org

The IPC's Mission

The International Food & Agricultural Trade Policy Council (IPC) is dedicated to developing and advocating policies that support an efficient and open global food system, that promotes economically and environmentally sustainable production and that distributes safe, accessible food supplies to the world's growing population.

The IPC's Members

IPC members represent the geographic diversity of the global food system, and the entire food chain from producer to consumer. IPC members are influential and experienced leaders in agricultural trade policy who are committed to finding solutions to global food and agricultural trade challenges.

Robert L. Thompson (Chair), United States
Piet Bukman (Vice-Chair), The Netherlands

Allen Andreas, United States
Bernard Auxenfans, France
Brian Chamberlin, New Zealand
Norman Coward, United Kingdom
Csàba Csàki, Hungary
Devi Dayal, India
Luis de la Calle, Mexico
Michael Gifford, Canada
Ahmed Goueli, Egypt
Hugh Grant, Scotland
Dale Hathaway, United States
Wilhelm Henrichsmeyer, Germany
Huang Jikun, China

Heinz Imhof, Switzerland
Hans Jöhr, Switzerland
Rob Johnson, United States
Timothy Josling, United Kingdom
Dean Kleckner, United States
Georges-Pierre Malpel, France
Donald McGauchie, Australia
Liberty Mhlanga, Zimbabwe
Rolf Moehler, Belgium
Raul Montemayor, Philippines
David Naish, United Kingdom
Donald Nelson, United States
Joe O'Mara, United States

Nèstor Osorio, Colombia
Michel Petit, France
Per Pinstrup-Andersen, Denmark
Henry Plumb, United Kingdom
Joachim Rathke, Germany
Marcelo Regunaga, Argentina
Hiroshi Shiraiwa, Japan
Jiro Shiwaku, Japan
Jim Starkey, United States
Anthony Wylie, Chile
Jorge Zorreguieta, Argentina

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