

Agri-Trade FORUM

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

Reason for Optimism in the Doha Development Round

By IPC Chief Executive, M. Ann Tutwiler

The deadline for agricultural negotiators at the WTO to agree upon a framework to guide their work leading up to the Cancun Ministerial this September has passed. Despite Herculean efforts by the chairman of the agricultural committee, negotiators have not officially embraced his proposed framework. This is extremely unfortunate, but it is not fatal.

Even if Mr. Harbinson's paper does not become the basis for the final negotiations, it has served an extremely useful purpose in forcing negotiators and stakeholders to think beyond their own countries' proposals, and in so doing, has paved the way for eventual compromises.

There are real philosophical issues dividing the negotiators: whether to harmonize protection levels, or substantially reduce them; whether or not to explicitly address non-trade concerns in the agricultural negotiations; how to provide special and differential treatment to the least developed countries. A number of WTO disputes threaten to poison the atmosphere. There has been little progress on other issues of interest to developing countries. The political calendar – there is always an impending election somewhere – is never convenient.

While there are still vigorous debates about the details, there is convergence on the need to substantially reduce trade-distorting domestic supports. There is a convergence on the need to tighten the definition of non-trade distorting subsidies for developed countries and to expand it for developing countries. There is convergence on the need to open markets to developing countries and reduce tariff escalation. There is convergence on the need to eliminate export subsidies and discipline export credits, food aid and state-trading entities.

There are more important arguments not to allow this missed deadline to poison the summer's preparations for Cancun. For reasons totally outside of the agricultural negotiations, the United States, the European Union, Canada and Australia need to begin repairing their relationships. The WTO negotiations provide an opportunity to do just that. Now is the time for negotiators to work together, not to question each other's commitment to the negotiations.

The OECD countries need to demonstrate their commitment to the Doha Development Round by making progress in agriculture. The Uruguay Round took eleven years to negotiate and another ten to implement. OECD countries had the time and money to weather the lengthy Uruguay Round talks. Developing countries have neither. Cancun must be taken seriously. In a time of global economic uncertainty, it is not the time to repeat the mistakes of the 1930s and let trade become victim to geopolitics.

The IPC will be developing recommendations for the Cancun Ministerial meeting at its 31st Plenary Meeting May 31-June 1, 2003 in Mexico City. The recommendations will be released soon after.

IPC Calendar

May 31 – June 1: 31st IPC Plenary Meeting, Mexico City, Mexico

June 2 – 3: Mexico Action Summit, Mexico City, Mexico

June 23 – 27: International Agricultural Trade Research Consortium Meeting, Capri, Italy

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



WTO Proposals: Obstacles and Opportunities

Obstacles: Global

- Short time frame, high expectations
- Reform in long-term interest of less powerful countries
- Lack of international leadership
- Competition in bilateral and regional trade negotiations
- Lack of agricultural and non-agricultural industry pressure
- Need to find balance within agriculture
- Lack of progress on other LDC issues
- Unresolved WTO disputes

Obstacles: US Political Climate

- U.S. skeptical of international institutions
 - Unilateral interventionism
 - Regional, bilateral agreements
- US farmers skeptical of free trade
 - Biotech, beef controversies
 - Brazilian competition
 - China, Russia, Mexico disputes
- US consumers skeptical of further benefits
 - Marginal Benefits: lower prices more choice
 - Large Costs: lost jobs, lower wages, environmental damage
- Fewer US Congressmen vote consistently for freer trade

Opportunities

- URAA framework exists
- Political need for US to re-engage internationally
- Re-emerging US, EU budget pressure
- Political calendar: 2005-2006 propitious
 - US presidential election, 2004; Farm Bill expires 2007
 - Japanese elections, 2004
 - EU CAP reforms, 2006-2008
 - Regional trade deadlines as of 2005
- US commercial farmers interests changing
- EU consumers view of agriculture changing
- Developing countries engaged
 - Can exert political pressure and hold regional agreements hostage
 - More diverse Cairns Group can play important role as voice for developing countries

What must happen?

- Invest in multilateral negotiations: U.S.
- Make political decisions: E.U.
- Form alliances: OECD/LDCs
- Maintain focus on pillars
- Increase pressure on other sectors, other ministries and other players such as civil society and agribusiness
- Educate consumers, farmers and taxpayers on the benefits of free trade
 - increased efficiency
 - equity
- Start negotiating: negotiators
- Prepare stakeholders for compromise.



Mexico Action Summit

The IPC and the Monterrey Bridge Coalition are jointly organizing the Mexico Action Summit June 2-3, 2003 in Mexico City. Entitled *Poverty, Agriculture and Biodiversity: A Call to Action*, the Summit will assess the progress made towards the Millennium Development Goals as well as the goals set in Johannesburg, Doha, and Monterrey and make concrete recommendations on how to move toward meeting those goals.

The Summit will be held under the Patronage of President Vicente Fox and with the assistance of the Mexican Secretariat of Environment and Natural Resource Management; the Mexican Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food; and the Mexican Secretariat of Social Development.

Speakers at the Summit will include IPC members Luis de la Calle, Pedro

de Camargo, Raul Montemayor, Piet Bukman, Hans Jöhr, Csaba Csaki and Robert L. Thompson as well as others such as The Honorable Susan Whelan, Canadian Minister of International Cooperation; Pedro Sanchez, last year's World Food Prize Laureate; Roberto Zambrano, President of Pronatura and Advisor of Cemex; Raymond Offenheiser, President of Oxfam United States; and Sheila Sisulu, Deputy Director of the World Food Program.



IPC Chairman and Chief Executive Travel to Australia and New Zealand

IPC Chairman, Robert L. Thompson and Chief Executive, M. Ann Tutwiler traveled throughout Australia and New Zealand in early May. Their travel was organized by IPC Members Brian Chamberlin and Donald McGauchie,

and IPC Member Associate Dick Wells.

Chamberlin organized a seminar hosted by the Federated Farmers of New Zealand on Thursday May 1st. While in New Zealand, Ann and Bob met with The Acting Minister of Agriculture and Trade, Hon. Damien O'Connor and his senior staff; representatives from Fonterra, Meat New Zealand, the Horticultural Exporters Council, Wrightsons, the Trade Liberalization Network and television, radio and print media.

In Australia, Ann and Bob met with Australia's Chief Trade Negotiator and his senior staff; representatives from the Australian Dairy Corporation; the Department of Agriculture, Fisheries and Forestry; the National Farmers Federation; ABARE; GrainCorp; Queensland Sugar and Queensland Cotton.

IPC Issue Brief: Revisiting Special Preferences for Developing Countries

The issue of special preferences is one of the most challenging and controversial political issues confronting trade negotiators in the Doha Development Round. Special preferences, which provide access to developing countries into developed country markets, usually at high domestic prices, benefit both developing country farmers who grow the crops under preferential schemes, but also developed country farmers, whose crops are also protected by limited access into their markets. Developing countries that produce commodities benefiting from preferences, and developed country farmers who are also protected by preferences are deeply worried about the potential loss of preferential arrangements.

Yet, even developing countries that receive special preferences understand that the time is coming to begin to dismantle them.

The economic arguments, coupled with trends in agricultural policy in the United States and Europe are building a strong case for finding alternatives to special preferences.

Special preferences conflict with a key goal of trade negotiations – expanding overall market access. In addition, they can disadvantage developing countries that do not have special access, consumers who pay higher prices for food, and developing countries whose agricultural economies have become inexorably tied to preferences.

The IPC's first Issue Brief examines four types of preferences, assesses their economic costs and benefits, and the consequences for the international trade system. The Issue Brief also

places preferences into the larger context of economic development. The paper concludes by recommending that special preferences evolve over time into a general system of preferences.

In order to link together the work of the IPC's Capacity Building Program, the IPC has begun a series of Issue Briefs. The Briefs contain concise, practical information from IPC members and other experts on topics of importance to developing country participation in the world food and agriculture system. The briefs will be made available on the IPC website and a print subscription is available for \$50 per year.



Doha: IPC Roundtable Discussion

On May 13th the IPC held a roundtable discussion on the progress of the Doha Round at its headquarters in Washington. IPC Chairman Robert L. Thompson; IPC Chairman Emeritus, Lord Henry Plumb; and IPC Member, Dale Hathaway presented information on current issues important to progress in the Doha Round.

Lord Plumb reviewed the effects of EU accession and the hopes for the midterm review of the Common Agricultural Policy. Plumb said that if Fischler's proposed reforms are accepted, it will be the largest ever reform of the Common Agricultural Policy and the European Union will have a stronger negotiating position at the WTO. He said that although the proposals have been met with a mixed reaction from the Member States, he is optimistic that Fischler will be successful in completing the reform by June of 2003.

Dr. Thompson emphasized that developing countries make up the majority of WTO members and that if they do not perceive a benefit, there will be no agreement in agriculture. Thompson further noted that developing

countries are a heterogeneous group, which makes creating a system of special rules difficult. There is wide agreement on how to deal with the needs of the Least Developed Countries - that there should be an arrangement like the EU's Everything but Arms agreement - one that truly includes everything (even rice, sugar and bananas).

Thompson remarked that the designation of 'developing country' is well defined in the IMF and the World Bank, but that since countries can self-designate as a developed or developing country in the WTO - putting Singapore on the same plane as Brazil - this impedes progress.

Dr. Hathaway expressed his concerns about the proliferation of regional free-trade agreements being led by the United States and the European Union. Hathaway commented that although US bilateral free trade agreements typically include commitments on agricultural tariffs, they do not typically agree to reduce them quickly. He noted that the United States usually refuses to discuss domestic subsidies, export subsidies and other similar issues in regional negotiations, saying that they are to be dealt with at the international level. However, Hathaway was pessimistic that progress would be made on these issues internationally preventing the United States from having to make any difficult commitments.

Hathaway commented on the European experience with bilateral agreements and expressed concern that a system of regional and bilateral FTAs could create a system of preferential access, which could reduce the incentives for developing countries to negotiate an agreement for an overall reduction in tariff levels because their interest in holding on to preferential access could outweigh their interest in achieving freer trade. *(More on this roundtable and the discussion that followed can be found at www.agritrade.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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