

Agri-Trade FORUM

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

Twenty Five Ways to Improve the Derbez Draft on Agriculture

The agricultural text drafted by Mexican Foreign Minister Luis Ernesto Derbez at the Cancun Ministerial Meeting appears to be the basis for further negotiations. This is a positive development – starting over would cause considerable delay. But, if the Derbez text is to be the basis for further negotiations it must be improved considerably to ensure that reforms are real and meaningful for all countries.

The IPC has assessed the Derbez proposal against the dual goals of furthering agricultural trade reform and achieving the development objectives of the Doha Round in a publication entitled, *Twenty-Five Ways to Improve the Derbez Draft on Agriculture*. The analysis is based on the IPC's *Recommendations for the Doha Agricultural Negotiations*, issued in January 2003, and the evolution of consensus in the WTO negotiations that led to the Derbez text. The publication includes a side-by-side comparison of the major proposals issued since March 2003. The IPC hopes that these suggestions will provide food for thought as countries come back to the bargaining table.

Key Recommendations

On subsidized export competition: The Uruguay Round Agreement reduced, but did not eliminate traditional export subsidies. It did little to reduce other forms of subsidized export competition like export credits, food aid programs and subsidized state trading entities. The Derbez text calls for reducing all forms of subsidized export competition, but "a date certain for phasing out all forms of export subsidies" remains under negotiation. ***Negotiators must commit to establishing a fixed date to eliminate all forms of subsidized export competition.***

On domestic support: The Derbez text threatens to create a *new* loophole that will allow developed countries to move trade distorting domestic subsidies into a redefined Blue Box. Because countries are spending far below the targets allowed under the Uruguay Round Agreement, ***without very deep cuts in all forms of trade distorting subsidies, the actual level of trade distorting subsidies could be completely unaffected.***

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IPC to Launch European Office with Seminar on the Politics of Trade Reform

On May 17, the IPC will hold a seminar, entitled, *Agricultural Trade Negotiations: Politics and Prospects* in Brussels Belgium in conjunction with the 33rd IPC Plenary Meeting. The seminar will mark the official launch of the IPC's European Office in Brussels.

The IPC's seminar, *Agricultural Trade Negotiations: Politics and Prospects*, will address the political realities of domestic politics in various countries and regions and how those domestic issues impact the willingness of leaders to pursue further agricultural trade reform. In the afternoon session, speakers will analyze the potential implications of the outcomes of the Cotton, Canadian Wheat Board and Sugar Panels. A cocktail reception will follow the seminar.

Speakers will include IPC Vice-Chairman, Piet Bukman; Brazilian Ambassador to the WTO, Felipe Seixas Correa; Mauritian Ambassador to the European Union, Sutiawan Gunnessee; Ron Heck, President of the American Soybean Association; Ajay Vashee, President of the Southern African Confederation of Agricultural Unions and others.

For agenda and registration, please see www.agritrade.org.

IPC Calendar

May 15-16: 33rd IPC Plenary Meeting - Brussels

May 17: IPC Seminar: *Agricultural Trade Negotiations - Politics and Prospects*

May 17: IPC European Office Launch

October 23 - 25: 34th IPC Plenary Meeting and Seminar - Buenos Aires, Argentina

32nd IPC Plenary Meeting, New Delhi, India

IPC Members gathered in New Delhi, India from November 10-14 for the 32nd IPC Plenary Meeting and Seminar. The seminar, *Easing the Transition to More Open Global Markets*, was attended by IPC Members as well as Indian government officials, business leaders, representatives of NGOs and farm leaders.

Easing the Transition to More Open Global Markets

Many developing countries are skeptical about opening their markets to international trade. They fear that their farmers will not be able to take advantage of new market opportunities. The IPC's seminar, *Easing the Transition to More Open Global Markets*, November 12-13, 2003 in New Delhi, offered some valuable insights into the concerns of developing countries and how they can ease their transition to more open global markets. A summary of the proceedings has been published by the IPC. Both the summary and full proceedings are available on the IPC website, www.agritrade.org.

There was broad agreement that trade is the most powerful engine of economic growth, but that in agriculture, the playing field is tilted against developing countries. Indian Agriculture Minister, Shri Rajnath Singh echoed the widespread agreement that the developed countries need to correct the global environment for trade if the developing countries are to benefit from trade.

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The responsibility for more open markets does not lie with developed countries alone.
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But, Minister Singh argued that the responsibility for more open markets does not lie with developed countries alone. Developing countries must also take a number of steps to integrate into the global market. Former WTO Deputy Director General, Anwarul

Hoda, along with Nestor Osorio, a former Chairman of the WTO's agriculture committee, contended that trade liberalization is much more important for developing countries than for developed countries. Hoda argued that developing countries should hold out for a strong deal in the WTO negotiations, but Osorio cautioned developing countries not to block a deal. As he pointed out, there are many protectionist interests in developed countries that would benefit from a failure in the WTO.

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In his address, Minister Singh noted that for developing countries, there are really two, not one transitions to an open market. The first transition must be from subsistence agriculture to market-oriented agriculture within the country's own borders. The second transition must be from internal to external trade. Thus, as Philippine farm leader, Raul Montemayor argued, trade cannot substitute for domestic agricultural reforms. Trade reform can complement this transition by providing markets for excess local output, but developing countries cannot export themselves out of under-development. While it is often believed that the financial costs of such internal market liberalization are high, **the kinds of reforms cited as most important were not necessarily expensive.** For example, according to Jikun Huang, one of the most important institutional changes China made was giving farmers the right to control their land for thirty years. In India there is still no land lease law.

Concluding the meeting, IPC Member Devi Dayal said **while the current debate implies that the national government's role is small, the consensus of the seminar is the opposite.** The government has an important role to play to ensure that agriculture benefits from liberalization.

New Supporters

The IPC welcomes **Elanco** of the United States and **ABSA Bank** of South Africa as Affiliate Members of the IPC. We would also like to thank the **United States Department of Agriculture** (USDA) for their support of the IPC's Capacity Building Program.



IPC Capacity Building Seminar Johannesburg, South Africa

On February 29 the IPC presented the first seminar in its series of Capacity Building seminars in Johannesburg, South Africa. The seminar brought together government officials, farmers, and other agricultural stakeholders in the region to discuss the role that agricultural trade can play in economic development and to relate that role to trade negotiations at the multilateral, regional and bilateral levels.

The program was based on a series of seminars carried out by the IPC in summer and fall 2002 for developing country trade negotiators in Geneva entitled *Achieving the Doha Development Agenda*.

Participants in the Geneva seminars cited a need for similar 'real world' advice and information to flow to officials in capitals as well as the broader community of agricultural stakeholders. In response, the IPC developed the Capacity Building Program, *Achieving Agricultural Development through Agricultural Trade*.

Papers and presentations from the seminar are available at www.agritrade.org. Seminar proceedings will be published in spring 2004. IPC has received a planning grant from the Rockefeller Foundation to develop the program in Southeast Asia. Similar seminars will be carried out in other regions in 2004 and 2005.

**IPC Roundtable Discussions:
Topics in Trade**

The IPC hosted two Members at the Washington office in February. While in Washington, Marcelo Regunaga and Rolf Moehler briefed members of the Washington agricultural community on the issues affecting agriculture and trade in The Americas and the European Union respectively.

The Americas

On February 4, Regunaga addressed issues related to ongoing trade negotiations and biotechnology. He explained that Argentina and other developing countries expected to see a lot of benefit from the Uruguay Round negotiations, but they were disappointed. At the launch of the Doha Development Round, Argentina’s stance was, ‘no agreement is better than another bad agreement.’ In the run up to Cancun, most parties in Argentina with a stake in the negotiations supported this position.

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Changes in the Cairns Group have led Argentina and others to focus more on the G20, but Argentina’s real positions are closer to those advocated by the Cairns Group.
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He explained that changes in the Cairns Group have led Argentina and others to focus more on the G20, but he noted that Argentina’s real positions are closer to those advocated by the Cairns Group. In particular, Regunaga criticized the G20’s position on market access, but he emphasized the importance of the Group as a strong voice for developing countries.

Regunaga also discussed Argentina’s position on biotechnology. In his opinion, Argentina must focus on implementing domestic policies to improve competitiveness. He explained that Argentina is able to accept new technologies easily because of the domestic policies that were established in the early 1990s, but also because Argentina’s climate is similar

to the United States where many of the products are developed.

He noted that almost 100% of Argentina’s soya crop is genetically modified as is about 50% of the corn. With the use of biotech soya, Argentine farmers are using better land-management, have reduced costs of production and increased income.

The European Union

On February 12, Rolf Moehler discussed CAP Reform, European Union Enlargement and how Europe sees the Doha Round negotiations.

Moehler gave background on the CAP and its past reforms. He explained EU Agriculture Commissioner, Franz Fischler’s commitment to moving away from product support toward single, direct payments under the Agenda 2000 and Mid-Term Review reforms. Moehler emphasized the difficulty Fischler faced in carrying out such a reform. He suggested that the fact that this accomplishment is not always appreciated discourages further reform.

Moehler noted that on May 1st, the European Union will become larger by ten members. In most of the new member states the contribution of agriculture to GDP and the percentage of total employment in the agricultural sector is greater than the current EU average. The number of farmers in the EU will increase dramatically and the average size of a farm in Europe will fall. This will put a great deal of budgetary pressure on the Union.

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Enlargement will not change the EU’s position in the WTO negotiations immediately. However, the new members may decide in the future that the Union’s position would require too much reform too quickly.
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Moehler outlined the EU’s position in the Doha Round. He indicated that enlargement will not change the European Union’s position in the WTO negotiations immediately. However, the new members may decide in the

future that the Union’s position would require too much reform too quickly.

Proceedings from these two Roundtables are available at www.agritrade.org.

Twenty Five Ways... (continued from front page)

Early drafts of the Uruguay Round Agreement proposed to discipline domestic subsidies commodity by commodity. At the last minute, countries decided to discipline subsidies across the board, which allowed them to shift support amongst commodities and even raise subsidies on some. **Trade-distorting domestic subsidies must be capped, substantially reduced, and disciplined commodity by commodity.**

On market access: Perversely, by enabling countries to use two tariff reduction formulas, the Derbez text could allow countries to reduce their highest tariffs the least, and lowest tariffs the most. **Requiring a minimum tariff cut, commodity sector by commodity sector, and requiring countries to subject the bulk of their tariffs to the more ambitious tariff-reduction formula would close that loophole.**

More troubling, however, are proposals in the Derbez text to exempt politically sensitive commodities from all but minimal tariff cuts. All countries face politically powerful commodity groups. The best way to deal with this is to allow **countries with politically or economically sensitive products to be given some flexibility to phase in sensitive tariff cuts over a longer implementation period, or provide increased market access in those products through higher import quotas. But, no products should be wholly exempt from increasing market access.**

The full text is available 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
Andrew Burke, United States
Brian Chamberlin, New Zealand
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