

Agri-Trade FORUM

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Thompson and Bukman: ***“WTO negotiators can create a solid and specific agricultural agreement.”***

After the collapse of trade talks in Cancun, conventional wisdom said that negotiations would be stalled until 2005, well after US elections and the change in the European Commission. Defying conventional wisdom, political leaders have breathed new life into trade talks, most notably in agriculture. The WTO Secretariat has put a new draft framework for agriculture before negotiators. Without a significant agreement in agriculture, there will be no progress on services, manufactures, intellectual property, or any of the other topics under discussion. As negotiators consider the framework and take the next steps in the negotiation, they must take care not to forget the fundamental building blocks.

Market Access: Most importantly, the final agriculture agreement must require that higher tariffs are cut more than lower tariffs. Both developed and developing countries have sensitive products that require some flexibility, but these products should not escape market access commitments entirely. Instruments that provide flexibility for sensitive products must be clearly defined and subject to strong disciplines. Developed and developing countries also have very different tariff structures, making it difficult for a single approach to produce similar results. Clearly, developing countries should not be required to make tariff cuts as deep as developed countries. However, tariffs are essentially food taxes, and developing country consumers who often spend half their income on food, stand to gain from lower food prices. Negotiating texts and the final agreement should clearly indicate that lower tariffs are positive for both developed and developing countries on balance, and that all countries (with the exception of the Least Developed Countries) must reduce tariffs and expand market access.

Domestic Support: The commitments made by United States Trade Representative, Robert Zoellick to substantially reduce trade-distorting support and cap the Blue Box, along with the commitment made by European Commissioners Pascal Lamy and Franz Fischler to completely eliminate product specific and non-product specific de minimis support offer historic opportunities for progress in this pillar, but negotiators must ensure that the final agreement results in real reductions in trade distorting support. To guarantee that there are real reductions and incentives for countries to shift support into less trade-distorting measures, countries must reduce their trade-distorting subsidies to an agreed percentage of the total value of their agricultural production. If this commitment could be made on a product-by-product basis, or if the current levels of support afforded to individual commodities could be capped, as proposed in Cancun, so much the better.

Export Competition: In an historic gesture, EU Commissioners Pascal Lamy and Franz Fischler committed the European Union to setting a date certain for eliminating export subsidies, assuming an acceptable outcome on market access and domestic support. In return, the European Commissioners called for “full parallelism” on all forms of export competition. In his earlier letter, Ambassador Zoellick agreed to discipline the “subsidy element” of these policies. If the European Union truly eliminates export subsidies – reduces them to zero – then full parallelism must ultimately mean phasing out the subsidies embodied in other export competition programs, as well.

IPC's recommendations for the Doha Round agricultural negotiations can be found at www.agritrade.org/Doha.htm

IPC Launches European Office in Brussels

On 17 May 2004, the IPC formally launched the European Office in Brussels with a seminar entitled, *Agricultural Trade Negotiations: Politics and Prospects*. IPC Vice-Chairman, Piet Bukman, former Minister of Agriculture, of Trade and of Development Cooperation in The Netherlands will represent the IPC in Europe.

The Council established the European Office to maintain regular interaction with European government officials, agribusiness representatives, and food producer and processing groups. The IPC plans to hold regular seminars and briefings in Brussels featuring IPC Members' analysis of contentious issues including agricultural trade negotiations, trade and development, the environment, and agricultural technology.

Issues in Animal Agriculture

At the 33rd IPC Plenary Meeting in Brussels, the IPC agreed to launch a study of issues in animal agriculture to assess their implications for the animal agriculture supply chain, for global trade, and for domestic and international trade policies. These issues will include: animal health, animal welfare, genomics and genetic engineering, environment and human health. Presentations were made at the plenary by Jean-Louis Delforge, International federation for Animal Health, Roelof Raterink, Provimi, and Kristina Kaul, Kaul & Associates which highlighted the issues and their current policy responses. The discussion focused on the need to build a common approach to animal welfare since conceptions are widely disparate across countries and have a significant impact on trade and market access. This topic will be addressed in depth at the 34th IPC Plenary in Buenos Aires in October.



Thompson Named To University of Illinois Ag Policy Chair

IPC Chairman, Robert L. Thompson has been appointed the first Leonard and Lila Gardner/Illinois Farm Bureau Family of Companies Chair in Agricultural Policy in the University of Illinois College of Agricultural, Consumer and Environmental Sciences (ACES). He will begin his new duties on Aug. 1.

As chair, Thompson will provide research and education leadership by working with producers and their organizations, interest groups, state and federal agencies, legislative and congressional staff, elected policymakers and the general public. He will seek to increase understanding of existing policies, engage in the policymaking process, create and analyze policy options and alternatives and shape future policies. Thompson will continue to Chair the IPC alongside his new position at the University.

The Cotton Panel: Implications for US agricultural policy and the WTO negotiations

On June 18, the WTO ruled that US cotton subsidies violate international trade laws. The official decision is not yet public, but press reports indicated that Brazil had won on most points of its argument. The IPC brought together former agricultural trade negotiators, government officials and other stakeholders from Brazil, the United States and other countries to discuss the implications of the apparent decisions in the case.

Pedro de Camargo, IPC Member and the former Secretary of Production and Trade from Brazil who launched the cotton case, acknowledged that a developed country should be able to provide a safety net for its producers; “developed country farmers should not have to live with the savage situation that we farmers from developing countries have to live with,” but he asserted that the damage that US subsidies inflict on other cotton-producing countries “must be wrong.”

Mark Lange, President of the National Cotton Council of America argued that the US believed it was abiding by its WTO commitments in drafting farm legislation. According to Lange, the decision in the cotton case may force agricultural negotiators to insist on very specific language in future WTO agreements, potentially drawing out the negotiations. He warned, “if parties do not trust the adjudicating body in its final interpretations, negotiations can become very cumbersome and detail-focused.”

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Litigation is blurring the distinction between domestic support and export subsidies.
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IPC Member and Stanford University Professor, Timothy Josling, asserted that litigation is blurring the distinction between domestic support and export subsidies as well as the further distinction among domestic support categories. The cotton case is a radical

challenge to the idea of decoupling that underpins the Green Box because the panel apparently considered the trade distorting effects of certain policies even though they are in the Green Box.

This blurring of distinctions between boxes and pillars could create a two-track system where the boxes are irrelevant for the purposes of litigation, but the box system continues to play a central role in the negotiations. He asked, “What is the point of negotiating these disciplines if panels will ignore the box system and just decide whether something is actionable under the Subsidies and Countervailing Measures (SCM) Agreement?”

Pedro de Camargo defended Brazil’s decision to pursue litigation. “As long there is no progress in negotiations, countries should utilize the dispute resolution procedure to fight policies they feel are not in compliance with WTO commitments.” He agreed disputes are not a substitute for negotiation, but argued that countries must have recourse if negotiations are bogged down. Josling agreed that negotiations might need the stimulus of litigation to reach agreement. However, excessive litigation may weaken the trade system.

Participants agreed that a rules-based trading system is important and that it is best to create trade rules through negotiation rather than through litigation. However, according to Josling, now that the Peace Clause has expired, if WTO Members are frustrated that the current Round is not proceeding as fast as originally anticipated, case law will continue to grow.

The text is drawn from discussions and presentations at the 33rd IPC Plenary Meeting, May 15-16 2004 and two IPC seminars: “Agricultural Trade Negotiations – Politics and Prospects,” May 17 in Brussels and “Cotton Sugar and Wheat Board Cases: What do they mean for agricultural negotiations?” June 4 in Washington, DC. The full report can be found at www.agritrade.org/Doha/Cotton/Cotton.html

IPC Publications

The following will be available in late summer and early fall at www.agritrade.org.

Discussion Paper - GM Technology and Developing Countries: Since the early stages of the biotechnology revolution, proponents have argued that biotechnology would benefit developing countries. Fifteen years after the first experimental field plantings and eight years after the first large-scale commercialization of GM crops, developing countries account for only one-third of the global acreage. The IPC's paper sets out the issues facing developing countries in the development, use and trade in GM crops and the role that the private sector, on its own and through public private partnerships, could play in increasing opportunities and reducing risks. The paper identifies lessons learned and best practices and suggests some ways forward in the safe and responsible use of GM crops in the developing world.

Position Paper - Recommendations On Special and Differential Treatment: The original purpose of Special and Differential Treatment (S&D) was to level the playing field and give developing countries more time to adapt to international competition. Currently, S&D provides few benefits to developing countries, and serves as a rationale for limited concessions on the part of developed countries. The IPC believes that there are positive measures that can make S&D more precise, effective and operational as called for in the Doha Declaration.

The IPC's paper advocates using the principle of differentiation among developing countries into Least Developed, Low and Lower-Middle Income Developing and Upper Income Developing Countries used by the World Bank and IMF, for international trade. It offers suggestions for special and differential treatment in market access, domestic support and export subsidies for each group of countries.

Issue Brief - Trade Litigation in Agriculture: Limiting the Abuse of Trade Remedies: Regulating trade remedies in the WTO is an essential part of the process that prevents abuse and maintains the political balance struck in trade negotiations. However, trade remedy litigation can also be pursued in ways that do not serve the multilateral trade system. In the course of interpreting agreed rules, the dispute settlement system can appear to extend the boundaries of political agreement. Subsidy, dumping and safeguard countermeasures can occasionally become instruments of protection, either of import sectors through aggressive use of trade remedies, or of export sectors, through the extension of commercial competition into the legal arena.

The paper, by IPC Members Mike Gifford and Timothy Josling, focuses on key issues surrounding the use of trade litigation in agriculture, particularly in the pursuit of trade remedies. It explores how countries can reduce the potential for such litigation to become a form of trade harassment and a backdoor for uncompetitive sectors to perpetuate protection at the expense of the trade system. It suggests how the existing rules and procedures can be refined to maximize the benefits that countries get from transparent and acceptable trade remedies.

Seminar Proceedings - Achieving Agricultural Development through Agricultural Trade in Africa: The seminar, part of the IPC's ongoing Capacity Building Program, brought together stakeholders in agricultural trade negotiations from within Africa and from other parts of the globe. Discussions focused on what Africa needs from the Doha Round agriculture negotiations; how stakeholders outside the trade negotiations process can integrate their views into the negotiations; the promise and opportunities of regional integration; the Derbez draft text on agriculture; and the politics surrounding the Doha Round of trade negotiations.

Seminar Proceedings - Agricultural Trade Negotiations: Politics and Prospects: Held in conjunction with the 33rd IPC Plenary Meeting in Brussels, Belgium, speakers representing the US, EU, Cairns Group, G20, G10, and the African Group, presented the political constraints facing their country or group of countries in the Doha Round agricultural negotiations. The implications of WTO disputes resolution panels on cotton, sugar and the Canadian Wheat Board were also discussed by leaders from Argentina, Brazil, Canada, Chad, the European Union, the United Kingdom, and the United States.



IPC Programming

Sustainability: The draft IPC Sustainability Framework paper will be published in late summer and a paper by Task Force member, Donald Buckingham, on food labeling and sustainability will be published soon after. The Program will move on to the development of country commodity studies on rice, sugar, dairy and cotton in collaboration with the World Wildlife Fund to test and build onto the framework.

Capacity Building: The IPC has received a planning grant from the Rockefeller Foundation to carry out the Capacity Building Program in Southeast Asia; and funds are being sought to bring the program to the Andean Pact countries in October of 2004 upon the request of WTO delegates from the region. A detailed proposal is available from the IPC. For information, please contact Kari Heerman, IPC Communications Director, at heerman@agritrade.org.

IPC Plenary Meeting, Buenos Aires: The 34th IPC Plenary and Seminar will be held in Buenos Aires, Argentina from October 23-25, 2004.

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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
Csàba Csàki, Hungary
Devi Dayal, India
Pedro de Camargo Neto, Brazil
Luis de la Calle, Mexico
Michael Gifford, Canada
Ahmed Goueli, Egypt
Dale Hathaway, United States
Huang Jikun, China

Heinz Imhof, Switzerland
Hans Jöhr, Switzerland
Rob Johnson, United States
Timothy Josling, United Kingdom
Guy Legras, France
Liberty Mhlanga, Zimbabwe
Rolf Moehler, Belgium
Raul Montemayor, Philippines
Donald Nelson, United States
Joe O'Mara, United States
Nèstor Osorio, Colombia
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Marcelo Regunaga, Argentina
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Jiro Shiwaku, Japan
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