

Agri-Trade FORUM

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

IPC presents study “Making Agricultural Trade Reform Work for the Poor” at G8 Summit

Piet Bukman, Vice Chairman of the IPC and former Dutch Minister of Trade, Development Cooperation and Agriculture and **Ajay Vashee**, IPC Member and President of the Zambian National Farmers Union (ZNFU) and founder, Southern African Confederation of Agricultural Unions (SACAU) presented the IPC’s paper “Making Agricultural Trade Reform Work for the Poor” at the G8 Summit, held in Gleneagles, Scotland. The paper, highlighting the link between agricultural trade liberalization and poverty alleviation, was formally presented at a panel on trade on July 6th during the German Marshall Fund (GMF) & PCHPA G8 Parallel Seminar “Raising Living Standards in Africa: A Role for the G8”.

As welcome as they are, neither debt relief nor foreign aid can enlarge poor countries’ opportunities for economic growth, the only real and sustainable path out of poverty. Economic growth in agriculture has a particularly important role to play because so many of the world’s poor live in rural areas and are employed in agriculture.

The IPC paper discusses how developing countries can successfully manage to open their economies while reducing poverty. It addresses the potential welfare impacts of policy reform and examines the recent trends of open trade in developing countries. It refutes some of the arguments for protectionism in the name of preserving small farms and food security. The paper also identifies reforms that could be effective in combating poverty in conjunction with a more open trade policy. Other major findings include:

- Trade has the potential to lift developing countries out of poverty on a scale that could generate several times any conceivable benefit from direct monetary aid or debt relief: every dollar of additional income to farmers generates an additional three dollars of income in rural areas.
- Three-quarters of the gains to poor countries come from reducing their own tariffs. Only one quarter of the gains to poor countries come from lower tariffs in developed countries.
- More open trade by itself is not enough. Trade reforms in developing countries must be accompanied by domestic policies that facilitate agricultural development, centering around the four I’s: infrastructure, information, institutions and investment.

This IPC’s study on trade and poverty can be found at www.agritrade.org/publ.htm.

Trade and Poverty Outreach: This study will be presented to other international audiences, including the Millenium +5 Summit in New York City in September. The paper will also be published as a chapter in a forthcoming book by Cornell University.

IPC Calendar

July 15: 2007 U.S. Farm Bill Discussion with IPC Chairman, Robert L. Thompson

July: Presentation of Trade and Poverty Paper at G8 Summit

August 15-18: Presentation of WTO Options Papers in Buenos Aires, Brasilia and Sao Paolo

The IPC welcomes New Zealand Dairy Farmer and Member of the Board, Fonterra, Malcolm Bailey to its membership.

Mr. Bailey’s extensive experience in New Zealand agriculture brings great value to the IPC’s programs in animal agriculture and trade. He has long been a part of New Zealand’s dairy industry, which has become renowned for the most efficient production of quality milk in the world.

Mr. Bailey is the former National President of Federated Farmers, a former Fonterra Shareholder Councillor and has served as Special Agricultural Trade Envoy for the New Zealand Government. He has nine years experience as a member of the Technology NZ Reference Group analyzing research and development projects, and has served on the Animal Remedies and Pesticides Boards, as well as a director of Embryo Technologies Ltd since 1993.

In his capacity at Fonterra Cooperative Group, Ltd. as External Monetary Policy Adviser to the Reserve Bank and Member of the Board, Mr. Bailey is close to the important and emerging issues in international dairy trade. With customers and consumers in 140 countries, Fonterra has become the leading exporter of dairy products, an innovator in the industry, and a key player in almost all parts of the dairy value chain.

IPC publishes “Building on the July Framework Agreement: Options for Agriculture”

On June 28th, the IPC released its discussion papers “Building on the July Framework Agreement: Options for Agriculture.” The publication draws heavily on the original papers commissioned by the IPC from members of the International Agricultural Trade Research Consortium with funding by the William and Flora Hewlett Foundation and the German Marshall Fund. These papers were enriched, by the views and opinions of task force and IPC members throughout the spring of 2005, and presented and discussed at the IPC’s plenary meeting in May.

The publication provides negotiators and other interested stakeholders with an independent analysis of options for elaborating the July Framework Agreement, as it moves from a “first approximation” in the summer of 2005, towards the development of concrete negotiating modalities at the Hong Kong Ministerial in December 2005.

“Building on the July Framework Agreement” draws on several areas of each of the three pillars of agricultural negotiations where progress is possible, if countries have sufficient ambition, and points to areas where progress on paper may not translate into progress in reality. It looks at the timing and different methods of reducing domestic support and what types of payments should be excluded as minimally distorting. It stresses the importance of eliminating all forms of subsidized export competition and limiting the power of state trading entities (STEs). It examines various ways to restructure food aid. Finally, the paper emphasizes market access as the linchpin for the success of the Doha Development Agenda, and gives a comprehensive

review of the various components involved in this pillar, from recommendations on tariff formulas and quotas to determinations on sensitive and special products and preferential access.

A clear conclusion from the International Policy Council’s analysis emerges: trade-offs between pillars are virtuous because progress must be made on each pillar in tandem. For any given commodity, reductions in domestic support may not be sufficient to decrease trade distortions, but reductions in border measures might. For other commodities, the binding constraint will be domestic support, not export subsidies or market access. *This IPC paper and its supplements are available at www.agritrade.org/home.html.*



35th IPC Plenary Seminar: The 2007 Farm Bill Debate

The 35th IPC Plenary Seminar, “The 2007 Farm Bill Debate: Converging Domestic and International Policy Imperatives,” was held on May 24, 2005 in Washington, DC. The seminar featured keynote addresses by Charlie Stenholm, Senior Government Affairs Advisor, Olsson, Frank and Weeda, P.C. and former Ranking Member, United States House of Representatives Agriculture Committee, and Franz Fischler, former Agricultural Commissioner, European Union. Morning sessions focused on international issues, with reference to the potential implications and repercussions on US agriculture. The afternoon sessions discussed how US agricultural policy can achieve domestic goals in terms of promoting competitiveness, addressing the environment; and supporting rural communities.

Seminar speakers generally agreed that the convergence between the Farm

Bill debate and the WTO negotiations presents the United States with a unique opportunity to advance the interests of its farmers and rural communities, while coming together with other countries in finding a middle ground in the Doha Round negotiations.

“We must never forget that politics is the art of the possible and reform is a marathon, not a sprint.”

-Franz Fischler

While participants did agree that the 2007 Farm Bill must promote more open international trade, there was a broad sentiment that the political process and special interest groups of the US could become a constraining factor.

Participants spoke to the common theme that the real potential for growth in world agricultural markets is in low-income countries, and that this could drive increased production and trade around the world. Strong emphasis was placed on the importance of trade liberalization in stimulating faster economic growth to meet this demand.

There were mixed feelings on the progress that could be achieved in agricultural negotiations before the Hong Kong ministerial meeting of the Doha Round. Key trade-offs were identified between domestic subsidies in developed countries and market access in developing countries, and there was concern that some countries would end up temporizing on market access. Developing countries participants were particularly skeptical about special and differential treatment.

Participants underlined the core element of reforms in terms of decoupling support from production and investing in research and technological improvements to improve competitiveness and develop entrepreneurship among farmers.

There was recognition of the tremendous opportunity both to improve environmental performance

and to use stewardship payments as income support, as well as the opportunity to mesh energy policy with farm policy.

.....
“The 2007 Farm Bill needs to come up with some new ideas for rural communities that are dying. Energy policy will have a role to play.”

- Charlie Stenholm
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The seminar underscored the significance of having an open dialogue between individuals of diverse nationalities and backgrounds in informing the debate on agricultural trade issues, especially in the context of US agriculture.

In the evening’s keynote address, Long Yongtu, Former Vice Minister and Chief Representative for Trade Negotiations of China’s Ministry of Foreign Trade and Economic Cooperation, spoke about the changing environment of Chinese agriculture and trade.

A summary of Long Yongtu’s keynote address available at www.agritrade.org/Home.html

Proceedings from the IPC Seminar are available at www.agritrade.org/Plenary/DC/dcagenda.htm

The Emerging Global Market

*From remarks by IPC Chairman, **Robert L. Thompson**, at the IPC seminar “The 2007 Farm Bill Debate”, May 24th, 2005.*

In the Doha Round it has become a priority for high income countries to increase access to their markets for products in which developing countries have a comparative advantage. Subsidized competition from high incomes countries, which drives down the level of world prices in the most protected commodities, eg., sugar, rice, cotton, dairy and peanuts, not only reduces the incomes of many of the already poorest member of global society, but also impedes those countries’ national economic development.

However, there are also a number of things low income countries themselves have to fix if they are to take advantage of export opportunities that may open up. Many LDCs lack the necessary infrastructure, technology and know-how to take advantage of market opportunities. A positive business climate is essential

because it is the private sector, not the government, that will create jobs.

Developing countries also need to liberalize trade amongst themselves. About 40 percent of developing country exports go to other developing countries, yet they impose higher barriers against imports from one-another than high income countries impose on them.

Developing countries are poised to become an incredible growing market for efficient agricultural producers. In many of these countries, the growing demand for food will outstrip production capacity, creating a large potential market for agricultural exports. Producers from other developing countries will only be able to seize this opportunity if they can export products in which they have a comparative advantage and if they are granted better access to these markets

Lecture Power Point slides can be found at www.agritrade.org/Plenary/DC/dcagenda.htm

IPC Announcements

Ann Tutwiler Receives John W. Kuykendall Award

On April 30, the Davidson College Alumni Association presented Ann Tutwiler with the John W. Kuykendall Award for Community Service. This award was presented to Ann in recognition of her extraordinary service and demonstrated leadership in her life’s work to improve living conditions among the global community.

IPC Welcomes New Staff

The IPC welcomes Kai Bucher and Kyle Chapman who have both recently joined the IPC’s secretariat. Mr. Bucher will replace the outgoing Kari Heerman in the role of IPC Communications Director and Mr. Chapman will oversee the tasks of former IPC Program Manager, Christin Cogley.

IPC to hold 36th Plenary Meeting and Seminar in Hanoi:

The 36th IPC Plenary and Seminar will be held in Hanoi, Vietnam from October 29-31. The theme of the seminar will be ***Sustainable Development and the Environment.***

Correction to Last Newsletter

In the last newsletter co-authors Mario Jales and Andre Nasser were not properly credited for their extensive comments on the IPC Options paper on Domestic Support. The IPC would like to extend its most sincere apologies for this error.

The IPC would like to thank the National Philharmonic for donating space at the Music Center at Strathmore for a reception on the evening of May 23rd, as part of the IPC’s 35th Plenary Meeting.

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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
Malcolm Bailey, New Zealand
Andrew Burke, United States
Csàba Csàki, Hungary
Pedro de Camargo Neto, Brazil
Luis de la Calle, Mexico
H.S. Dillon, Indonesia
Cal Dooley, United States
Franz Fischler, Austria
Michael Gifford, Canada
Ahmed Goueli, Egypt

Huang Jikun, China
Heinz Imhof, Switzerland
Rob Johnson, United States
Hans Jöhr, Switzerland
Timothy Josling, United Kingdom
Guy Legras, France
Rolf Moehler, Belgium
Raul Montemayor, Philippines
Donald Nelson, United States
Joe O'Mara, United States
Nèstor Osorio, Colombia
Michel Petit, France

Per Pinstrup-Andersen, Denmark
Henry Plumb, United Kingdom
Marcelo Regunaga, Argentina
Eugenia Serova, Russia
Hiroshi Shiraiwa, Japan
Jiro Shiwaku, Japan
Jim Starkey, United States
Jerry Steiner, United States
Ajay Vashee, Zambia
Anthony Wylie, Chile
Jorge Zorreguieta, Argentina

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