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## Concessions as Opportunities

*a commentary by IPC CEO Charlotte Hebebrand*

Meeting in Geneva at the end of June, international trade negotiators failed once again to successfully conclude the Doha Development Round. This nearly two-year stalemate is the result of the major players - particularly the EU, the US, and the G-20 - persistently treating the negotiations as a zero-sum game, only making a concession in exchange for one from the other sides. With no player willing to even take the first step, the talks remain deadlocked. Regrettably, this improvident approach to trade negotiations overlooks two important considerations. First, many "painful" concessions are, in reality, beneficial policy measures that should be undertaken whether or not concessions are extracted from the other parties. Second, negotiators have lost sight of the big picture, namely that all parties stand to benefit from an agreement, even if concessions are not equally balanced.

The players in the Doha Round make much of the offers they have placed on the table, but truly many of these "concessions" are tantamount to sound domestic policy measures. While the EU and the US face off regarding the EU's agricultural tariffs versus the US's domestic support, they ignore the economic gains from lower prices and decreased tax burdens that would be captured by their own consumers if these concessions were made. Moreover, producers in the EU and the US - in the face of greater competition from abroad - would have to rise to the challenge of responding to market signals; many would actually become more competitive as a result.

Rather than clinging to high tariffs or trade-distorting support, US and EU producers would do better to turn their attention to expanding their export markets. Food demand is expected to double in the next fifty years, due to increasing populations, and most of this growth will occur in developing countries. EU and US producers need to look ahead to the population boom beyond their borders to be in position to meet the demands of these new consumers. However, this population surge will only translate into greater purchasing power if incomes in the developing world grow. And the most effective way to reduce poverty is to provide developing countries with

the opportunity to export products in which they have a comparative advantage, many of which are agricultural products. Experience clearly shows that countries that are integrated into the global economy grow faster than those that are not and that open trade is a key determinant of economic growth; this, in turn, is the only path to sustainable poverty reduction. Unfortunately, developed countries myopically place high levels of protection on many of these agricultural products from developing countries.

However, developed countries are not the only parties who need to reconsider their approach to concessions. Developing countries are clearly justified in calling for an end to export subsidies and a drastic reduction in domestic support and tariffs in developed countries as well as for special and differential treatment for their own reforms. But only demanding reform from others while completely postponing their own liberalization will not serve them well. If developing countries insist on a large number of exemptions in the form of "sensitive" and "special" products and on expansive and long-lasting special safeguard mechanisms, they will limit the benefits that liberalized trade will deliver to their own economies and hamper opportunities for trade with developed countries and, more importantly, with other developing countries.

Developing countries arguing for unlimited self-designation of special products or universal coverage of the special safeguard mechanism may merely want to maintain these practices as options, rather than actually implement them. But this "policy space" is not without its drawbacks, since the ability to resort to measures that could offset trade reforms will be viewed unfavorably by investors interested in market stability and predictability.

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## New IPC Chairman and Vice-Chairman

Piet Bukman was elected Chairman during the Board Meeting of the IPC in Budapest, Hungary, on 13 May. He replaces Robert L. Thompson, who completed his term as Chairman at the meeting. Bukman, who has previously served as Vice-Chairman of the IPC, is a former Dutch Minister of Agriculture, Trade, and Development Cooperation. At the same meeting, Marcelo Regunaga, IPC Member and former Argentine Secretary of Agriculture, was elected Vice-Chairman. The IPC thanks Bob Thompson for his commitment and leadership of the IPC during a most productive period for the organization.

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## Concessions as Opportunities

Clearly, it is more difficult for developing countries to address adjustment costs that accompany trade liberalization. The answer to such adjustment costs, however, should not be to forego or postpone trade reform, but rather to accompany trade reforms with flanking policies that make needed investments or that provide needed compensation, so that trade-led growth can benefit the poor. The “aid for trade” debate initiated by the WTO should address how the donor community can best help developing countries take advantage of new market access opportunities and help meet adjustment costs.

Negotiators should not lose sight of the big prize, namely a successful conclusion of the Doha Round. Even if the overall outcome is not as ambitious as some parties had hoped, it will lock in a number of very significant reforms, specifically an end to export subsidies, further disciplining of domestic support, and more far-reaching tariff reductions. Despite its faults, the multilateral trading system remains a preferable option both for conducting trade liberalization negotiations as well as for ensuring that members are living up to their commitments. Bilateral and regional trade agreements will always provide less liberalization, especially in agriculture, since countries hesitate undertaking reforms knowing that others outside of such agreements are not required to do so.

Ideally, some of the issues on the table now should be seen as opportunities from which countries can benefit individually as well as jointly, rather than painful concessions that are best avoided. Successful trade negotiations, as the parties must realize, result in more than the sum of their parts, or concessions, as the case may be.

### Mike Mack and Carl Hausmann Join IPC

The IPC is pleased to announce that Mike Mack and Carl Hausmann have accepted invitations to become Members of the IPC. Both bring a broad range of industry expertise to the Council.



Mike Mack is Chief Operating Officer of Syngenta Seeds, the global seeds division of Syngenta. He joined Syngenta in September 2002 as President of Syngenta Crop Protection Inc., North America and Chairman of Syngenta Corporation, United States. He was formerly president of the Atlanta-based worldwide paper division of Imerys, S.A., a French corporation. He also held executive positions, based in the US, with English China Clays plc, a British-owned mining and chemicals company, and with Mead Corporation.

Carl Hausmann currently is president and CEO of Bunge North America. Prior to this role, he was the president and CEO of Bunge Europe, a post he held since coming to Bunge with the acquisition of Cereol S.A. in 2002. He formerly held chief executive positions with Cereol S.A., and Central Soya. He began his career in the agro-industrial industry in 1978 at Continental Grain. In his career, he has worked in South America, Europe, Africa, and the United States. He is on the Board of Directors of the National Association of Manufacturers and is also a past president of Fediol, the European association of oilseed crushers.



“We are extremely pleased that Carl Hausmann and Mike Mack have decided to join the IPC. They bring a wealth of international business experience to the Council,” commented IPC Chief Executive Charlotte Hebebrand. Carl Hausmann and Mike Mack take over from Andrew Burke and Heinz Imhof respectively, who have ended their membership terms. The IPC would like to thank Mr. Burke and Mr. Imhof for their contributions to the IPC throughout their membership.

### Forthcoming IPC Study on Biofuels

In conjunction with the Renewable Energy and International Law Project (REIL), the IPC will contribute to the debate on biofuels by publishing a paper which examines the implications of WTO trade disciplines on biofuels development and investment. The paper, supported by the United Nations Foundation and the German Marshall Fund, will analyze the effects of the current classification of ethanol as an agricultural good and biodiesel as an industrial good on the ability of these products to be traded internationally. It will also explore different trade scenarios should one or both of these products be reclassified. Moreover, if an Environmental Goods and Services agreement is concluded at some point, it could have significant implications for the classification - and therefore trade - of biofuels as well. In addition, the paper will explore how subsidies to biofuels and technical barriers to trade interact with WTO rules. Author Robert Howse, a legal expert in trade law and a core team member of REIL, will present his findings in Bonn, Germany, on **13 October 2006 at the conference “Sustainable Bioenergy – Challenge and Opportunities,”** sponsored by the United Nations Foundation and the German NGO Forum on Environment and Development.

## IPC and COCERAL Hold First Joint Congress

COCERAL, the European grain and oilseed trade association, and the IPC drew positive conclusions from their first joint Congress, held 10–12 May in Budapest, Hungary. The Congress brought together leaders and decision makers from the agricultural sector to discuss the WTO agricultural negotiations, the rising demand for agricultural feedstocks for biofuel production and the impact of EU enlargement in Central and Eastern Europe.

The keynote speakers of the conference expressed their continued commitment to finding an ambitious outcome to the Doha Development Round. At the opening session of the Congress, EU Commissioner for Agriculture and Rural Development Mariann Fischer Boel commented that: “from a European point of view we will do our best to support the possibility of finalizing before summer the modalities for a final outcome.” The Hungarian Minister of Agriculture Jozsef Graf gave a positive assessment about the impact on Hungary of both the Doha Development Agenda and EU enlargement. Stuart Harbinson, special adviser to the WTO Director General, commented: “The Doha Development Agenda is alive and kicking. The ingredients of a major deal are still there. But we are under major time pressure.” Outgoing IPC Chairman Robert Thompson moderated the opening session and commented on the US position in the Doha Round negotiations.



S. Harbinson, R. Thompson, M. Fischer-Boel and J. Graf

Several IPC Members were featured speakers in the various sessions throughout the two-day conference. In the session entitled “Surviving and Prospering in a Global Environment,” Philippine



Hans Jöhr

farm leader Raul Montemayor provided an overview of the risks and challenges facing Asian farmers with the increasing globalization of agriculture. In particular, he highlighted the importance of a rules-based, global trading system under the WTO and the need to provide sufficient time for developing countries to adjust to the changing market forces. In the same session, Hans Jöhr, Corporate Head of Agriculture of Nestlé, illustrated how Nestlé’s concept of social responsibility relates closely to its business strategy. Citing examples from Nestlé’s operations in Latin America, he showed how working together with local agricultural producers can have positive social effects and create shared value for communities, agricultural



Raul Montemayor

production and sustainability as a whole. Klaus Schumacher of Toepfer International also emphasized in his presentation that sustainable agricultural production techniques are a critical competitive factor for major agricultural processors like Toepfer International and ADM.

Former EU Commissioner for Agriculture Franz Fischler chaired a session focused on biofuels and sustainability. The panelists identified increasing demand for biofuels as an exciting opportunity and emphasized the importance of identifying the sustainable production methods rather than rushing into short-term fixes made viable only through subsidization. Fischler also chaired a session that analyzed the impact of EU enlargement and the Doha Round on the agricultural sector in Central and Eastern Europe. Despite initial transition difficulties, panelists from Poland, the Czech Republic, Slovakia and Hungary concluded that EU enlargement had made a positive impact on their respective agricultural sectors, clearly leading to increased competitiveness and prosperity.

### Save the Date:

**The next IPC Seminar and Plenary Meeting will be held in Washington DC**

- IPC Seminar / Cotton Conference: Thursday, 26 October
- IPC Plenary Meeting: Friday - Monday, 27-30 October



## IPC News in Short:

### *IPC Planning Committee Formed*

During its Plenary Meeting in Budapest, the IPC formed a working group to reflect on the main issues facing the food and agricultural sector over the next twenty years and to set the future work program of the IPC. The members of the working group are: Piet Bukman, Pedro de Camargo, Luis de la Calle, Franz Fischler, Tim Groser, Rob Johnson, Hans Jöhr, Raul Montemayor, Michel Petit, Marcelo Regunaga, Hiroshi Shiraiwa and Ajay Vashee. The Planning Committee has been deliberating electronically and will have a face-to-face meeting in July in Washington DC.

### *Charlotte Hebebrand attends conference in Burkina Faso*

In preparation for the IPC and IDEAS Centre's conference this fall on African cotton, IPC Chief Executive Charlotte Hebebrand visited Burkina Faso to attend the "International Seminar on the Development of the Cotton Sector in Africa," held in Ouagadougou on 19-20 June. The Seminar was attended by government officials from several West African countries, participants from the World Bank and the WTO, African cotton producer groups and donor governments. It focused on three main topics: cotton sector reforms undertaken by West African governments; follow up to the Cotonou Conference of 2004 and issues surrounding the inputs into cotton production as well as the strengthening of

professional organizations. As part of her visit, Charlotte Hebebrand met with Burkina Faso's Minister of Commerce, H.E. Benoit Ouattarra. She also visited cotton producers in rural Burkina Faso.

### *IPC Discussion Paper on WTO Modalities for Agriculture*

The IPC published a Discussion Paper "Options for the WTO Modalities for Agriculture" in May 2006. The authors, Professor David Blandford of Penn State University and IPC Member Tim Josling, Professor at Stanford University, focus on the key operational issues that remain to be addressed in the agricultural modalities. The paper discusses the technical and operational aspects relating to the three pillars of the Uruguay Round Agreement and then turns to some other elements that may have to be included in a final agreement to achieve a balanced outcome, such as a Geographical Indications and Monitoring and Surveillance. The authors comments on two issues that are likely to influence the acceptability of the final package of modalities, the Peace Clause and a Continuation Clause.

The paper is available on the IPC website at: <http://www.agritrade.org/publ.htm>

## IPC Announcements:

### *IPC Welcomes New Staff*

The IPC welcomes Amy Testa, who joined the IPC's Secretariat in May as Program Manager. Prior to IPC, Amy worked for CHAI – Concern for Helping Animals in Israel, Inc. in Washington DC, where she was involved in fundraising and program development as Office Manager. She holds a Bachelor's degree (BSc) from Cornell University in Environmental Policy and Management. Welcome Amy!

The IPC also welcomes Tiffany Taylor, who has started a 6-month internship with the IPC in July. She is currently a senior at American University majoring in International Relations.

## The IPC's Mission

The International Food & Agricultural Trade Policy Council (IPC) finds practical solutions that support the efficient and equitable trade of food & agricultural products to meet the needs of the world's growing population. The IPC accomplishes its mission by convening influential policy-makers, agricultural trade experts, agribusiness executives, farm leaders and academics from around the globe to clarify complex issues, build consensus and advocate policies to decision-makers and stakeholders.

## The IPC's Members

Piet Bukman (Chairman), The Netherlands

Allen Andreas, United States  
Bernard Auxenfans, France  
Malcolm Bailey, New Zealand  
Csaba Csaki, 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  
Tim Groser, New Zealand  
Carl Hausmann, United States

Marcelo Regunaga (Vice-Chairman), Argentina

Jikun Huang, China  
Rob Johnson, United States  
Hans Jöhr, Switzerland  
Timothy Josling, United Kingdom  
Mike Mack, United States  
Rolf Moehler, Belgium  
Raul Montemayor, Philippines  
Donald Nelson, United States  
Joe O'Mara, United States  
Nestor Osorio, Colombia  
Carlos Perez del Castillo, Uruguay

Michel Petit, France  
Per Pinstруп-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  
Robert L. Thompson, United States  
Ajay Vashee, Zambia