



IPC Policy Focus

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Options for Agricultural Trade Negotiations¹

The slow pace of the Doha Development Round Negotiations has led to calls for alternative options to pursue trade liberalization. The summary below examines the likely effectiveness of a number of options for agricultural trade liberalization in particular.

In light of the difficulties and crises experienced during the Doha Round, it is worth considering whether to return to the original idea of the World Trade Organization (WTO) as a permanent negotiating forum that conducts a series of agreed sectoral negotiations. Sectoral negotiations in agriculture may appear an easier task than a Single Undertaking. If sectoral negotiations became a permanent feature of the WTO, there would be no need to establish a parallel institutional negotiating architecture as is done during trade Rounds. Sectoral negotiations, however, do not offer trade-offs across other sectors, which are required in particular for agriculture. Moreover, they risk increasing the number of non-trade concerns being included, as countries with defensive interests are likely to broaden the scope

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of the negotiations. They also risk seriously putting developing countries at a disadvantage, since developed countries can offer reduced export subsidies and domestic support as bargaining chips, whereas many developing countries are only able to offer concessions in market access. To increase the chances of sectoral negotiations succeeding, a commitment to sequentially pursue negotiations in different areas would help to retain a package approach to the nego-

tations. They would also require the participation of all WTO members, regardless of whether they have defensive or offensive interests, otherwise they risk not leading to meaningful commitments.

Plurilateral agreements — negotiated by a subset of WTO members, which then go into effect without the agreement of the entire membership — risk changing the fundamental nature of the WTO. In order to be non-discriminatory, any such agreement must extend benefits to non-signatories. For such negotiations to be successful, they must include most of the important trading countries that have an interest in a particular rule or product. The most likely candidates for such negotiations would involve obligations from only a few countries who are competing with each other in the international market, i.e. a plurilateral agreement among key exporters on an export competition issue, and/or an agreement on export restrictions and taxes, or in a few other areas. There is also the possibility of “critical mass” agreements between a limited number of WTO members that account for the bulk of trade in a particular product or commodity. A key question here is how to define “critical mass” — should it refer to the number of participating countries and/or a certain share of trade? It is up to members participating in a plurilateral negotiation to decide whether “critical mass” has been reached.

Bilateral and regional trade agreements have proliferated and are likely to continue, regardless of the outcome of the Doha Round. These agreements historically did not cover

¹ This Policy Focus is based on the IPC Position Paper, “The Doha Round and Alternative Options for Creating a Fair and Market-Oriented Agricultural Trade System,” written by the members of IPC’s Trade Negotiations working group: Carlos Perez del Castillo, Mike Gifford, Tim Josling, Rolf Moehler and Marcelo Regunaga.

agriculture in a meaningful way, but are now leading to significant market access improvements. If agreements link a smaller country with a larger market, the larger country can usually avoid significant policy changes. In order to have a more significant impact on the multilateral trade system, bilateral and regional agreements should be between large trading entities, which would encourage others to join or form other mega-RTAs. Although WTO members have increased the transparency around such agreements through the Committee on Regional Trade Agreements, they still have not sufficiently engaged in improving the

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quality of such agreements. WTO members should also consider other options to better streamline RTAs in the WTO system, i.e. “multilateralizing” RTAs.

The WTO’s dispute settlement offers another important vehicle for clarifying trade obligations in the absence of negotiations. A review of important agricultural and sanitary and phytosanitary (SPS) cases brought before a dispute settlement panel shows that at times, panels have importantly achieved a resolution, which might not have been forthcoming in negotiations. Other cases, however, show that it would not be wise to solely rely on the dispute settlement process as a substitute for negotiations. In the absence of a Doha Round conclusion, the number of disputes is likely to increase and effort should be made to make the dispute settlement process more user friendly, in particular for developing countries.

A successfully concluded Doha Round still offers the greatest potential for agricultural trade reform at this time. Although not uniform across all three pillars of the negotiations, the Doha Round has made substantial progress in key areas, in particular on export competition and domestic support. The financial crisis should provide the momentum to conclude the Round, and the US has a vital role to play.

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Current modalities are not ideal, but should be used as the basis of ongoing negotiations. Concerns about the significant flexibility included in the market access pillar could be addressed by agreeing on a sunset clause for their expiration or re-negotiation. A sound Aid for Trade program would also greatly facilitate a conclusion of the Round.

Thought should be given to how to facilitate future multi-lateral trade rounds, i.e. by examining the role of the Trade Negotiating Committee, ensuring improved transparency of notifications and increased consultation with non-governmental organizations (NGOs), the private sector and legislative bodies, and/or by broadening the negotiating mandate.

WTO members are also well advised to consider how to update or re-interpret the WTO’s rulebook without relying solely on multilateral rounds. This will become increasingly important as the pace of technology increases and/or as countries increasingly resort to trade measures for achieving various objectives. Amendments to WTO rules in specific cases based on Article X of the Marrakesh Agreement may be a way forward.

In the meantime, it is crucial for the WTO — rather than embarking on all kinds of negotiations in “new areas” — to pursue strengthened coordination with other international institutions. This is particularly important in the realm of international development, given the very serious supply side constraints faced by many developing countries, which hinder their benefits from new market access opportunities. Such coordination will also be important in the context of climate change and other issues.

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