

Issue Brief—The Doha WTO Ministerial

AGRICULTURE AND THE VIEWS OF DEVELOPING COUNTRIES

Negotiations to liberalize global trade in agriculture will continue at Doha. The negotiating agenda will be based primarily on three reform pillars that are part of the built-in agenda—domestic support, export competition, and market access. In addition to these reform pillars, negotiating proposals are calling for the inclusion of non-trade concerns (NTCs). Developing countries are active in the agricultural negotiations and have submitted negotiating proposals on various topics. Developing countries' interests in agriculture are varied and encompass a diverse range of issues. Issues advocated by developing countries include binding preferential market access in developed country markets, eliminating domestic subsidies in developed country markets but allowing developing countries to use subsidies, allowing for special and differential (S&D) treatment when making commitments, addressing implementation concerns, providing technical and financial assistance, and a host of additional issues summarized below.

According to WTO figures, in 1998, out of about \$6.7 trillion of world trade in goods and services, agriculture accounted for \$500 billion, or more than 8 percent. In most developing countries, agriculture represents a large share of GDP, accounting for 33 percent of least-developed countries' GDP and 20 percent of sub-Saharan Africa's GDP.

Agriculture is a major source of income for both small and large farmers and a major source of foreign exchange for developing country governments, accounting for 27.3 percent of developing countries' merchandise exports. Agriculture also employs 50.4 percent of developing countries' total population and supplies the bulk of basic food needs.¹

WTO statistics show that developing countries as a whole have seen a significant increase in agricultural exports. Agricultural trade rose globally by nearly

\$100 billion between 1993 and 1998.² Of this, developing countries' exports rose by around \$47 billion—from \$120 billion to \$167 billion over the period. Their share of world agricultural exports increased from 40 to 42 percent. Within the group, however, some individual countries have seen their agricultural trade balances deteriorate as their imports have risen faster than their exports.

Overview of the Agriculture Negotiations

Global agricultural negotiations under the auspices of the WTO were launched in Geneva in March 2000. The Special Session of the Committee on Agriculture conducts the negotiations as required by Article XX of the WTO Agreement on Agriculture (AoA), which mandates that members enter into successive rounds of negotiations on agriculture. The

¹ Human Development Report, UNDP, 1999; FAO STAT 1999.

² Excluding trade in the European Union.

agricultural negotiations have so far been divided into two phases, with subsequent phases to follow.

Phase One

During the first phase of the negotiations, WTO members focused on the technical aspects of the negotiations and submitted proposals setting out negotiating objectives. Altogether, 126 member governments (89 percent of the 142 members) submitted 45 proposals and four technical documents.³ Seven negotiating meetings (“Special Sessions” of the Agriculture Committee) were held. WTO agriculture negotiators wrapped up this phase on March 27, 2001, and began the second phase.

Phase Two

The second phase consists of the actual negotiations. Negotiators will look more closely at the proposals, dividing their work by issue.

Phase Two is extremely important as it will allow members to develop specific proposals and ultimately reach consensus on changes to rules and commitments in agriculture.

Members have agreed that they will address comprehensively all issues set out in the negotiating proposals. They have also agreed that S&D treatment will be an integral part of all elements of the negotiation.

Negotiators will hold six informal and two formal meetings to address the technical details of the proposals submitted. Thus far, there have been three informal meetings (in May, June and September 2001). Topics covered included

- Tariff quota administration;
- Tariffs;
- Amber, green and blue box domestic support⁴;
- Export subsidies;

³ Documents described as notes, submissions, technical submissions, discussion papers. The negotiating proposals and technical documents can be found at www.wto.org and comprise the G/AG/NG/W document series.

⁴ For more information, please see http://www.wto.org/english/tratop_e/agric_e/negs_bkg rnd15_ph2domest_e.htm

- Export credits;
- State trading enterprises and single-desk traders;
- Export taxes and restrictions;
- Food security;
- Food safety;
- Rural development;
- Geographical indications; and
- Special safeguards.

In the remaining three informal and two formal meetings (December 2001, February and March 2002⁵), topics will include environment, trade preferences, food aid, consumer information and labeling, and sectoral initiatives.

Recent Developments—Preparation for Doha

On September 26, 2001, the WTO General Council Chairman Stuart Harbinson submitted a Draft Ministerial Declaration to Members for consideration. It included an Agriculture Mandate for negotiations. In essence, the mandate instructs negotiators to

- Substantially improve market access;
- Reduce and ultimately phase out export subsidies and domestic support;
- Include S&D treatment to enable developing countries to address their development needs, including food security and rural development; and
- Take into account non-trade concerns.⁶

Harbinson’s Mandate was criticized by developed and developing countries alike. The main criticisms reflect the long-standing differences among the players and the many issues that are felt to have been left out of the Agricultural Mandate.

In response, the European Union, United States, and Australia developed a draft text offering alternative wording on key issues, such as specific goals

⁵ The December 2001 and March 2002 informal meetings will be followed by formal meetings.

⁶ NTCs refer to issues such as the social and environmental benefits of agricultural production, food security, biotechnology, and product and labor standards.

of the negotiations and how non-trade concerns should be addressed. Developing countries also focused on the need to place more emphasis on S&D treatment, address implementation concerns, and set up a fund to compensate food importers for fluctuations in food prices (see also Developing Country section).

Major Participants and Positions

*The Cairns Group*⁷

This group of non-subsidizing agricultural exporting countries was formed in 1986 to ensure that agriculture liberalization in the Uruguay Round proceed expeditiously. The Cairns Group is advocating

- Early and total elimination of export subsidies and domestic support measures,
- Regulation of export credits,
- Deep cuts in tariffs, and
- Removal of non-tariff barriers (NTBs).

The Cairns Group also recognizes that developing countries have particular non-trade concerns, including rural development, poverty alleviation, subsistence and small scale farming, and food security concerns. The group is committed to ensuring that S&D provisions enable developing countries to have enough flexibility to pursue their development needs.

The European Union

The European Union is a major player in the agricultural negotiations and any headway made in the negotiations will depend on getting the EU's Common Agricultural Policy (CAP) to conform to WTO requirements for market access, domestic support and export subsidies. This will be a major challenge during the WTO agricultural negotiations. If negotiations on market access are to succeed, the EU must cut CAP price supports, a move EU countries

⁷The Cairns Group consists of Australia, Argentina, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand, and Uruguay.

have continually resisted. Likewise, the EU will insist on maintaining its domestic support subsidies.

Net Food Importing Developing Countries

NFIDCs, along with other developing countries with a significant agricultural sector, will form an important coalition. They seek

- Reductions in export subsidies and trade-distorting domestic supports;
- Increased trade volume under tariff-rate quotas (TRQs) along with reductions in over-quota tariff rates;
- Technical and financial assistance to develop agricultural sectors and institutions;
- To safeguard those domestic support programs that permit assistance to poor farmers and ensure food security;
- To secure necessary food aid and finance; and
- To oppose labor and environment standards.

Asia

The diverse countries that make up this region are not easily categorized, but four primary groups have similar negotiating interests and priorities.

The first group consists of countries that are acceding to the WTO—China, Taiwan, and Vietnam.⁸ These developing countries are considerable agricultural producers and will seek the traditional market access and export subsidy reductions, but will likely oppose any significant changes in domestic support or state trading enterprises.

The second group consists of Japan and South Korea. Japan maintains a highly protected agricultural sector with tight import restrictions on many products and high levels of domestic support and will oppose any changes in domestic supports and market access commitments. At the same time, Japan and South Korea will negotiate to maintain distribution systems that effectively curtail imports.

⁸ Although China and Taiwan have completed all the steps necessary to be formally admitted as a WTO Member, their membership will not be official until they complete the ratification process.

The third group includes Indonesia, Malaysia, the Philippines, and Thailand, all members of the Cairns Group. These countries will adhere to the strategy addressed in the Cairns Group discussion.

The fourth group represents the low-income, densely populated, food-importing countries of South Asia (e.g., India, Pakistan, Bangladesh). This group will oppose any major changes to the AoA.

United States

The United States will focus on expanding market access opportunities, disciplining domestic support, addressing new challenges in the agricultural sector (including NTCs), and ensuring adequate food supplies to the developing countries. The United States would like to see negotiations conclude before December 31, 2003 (before the expiry of the Peace Clause⁹) and would like to have the ability to implement any agreements reached prior to that date. The United States will seek to incorporate all issues discussed in this paper into a comprehensive round of negotiations that includes not only agriculture, but other trade issues.

Developing Country Perspective

It is difficult to group the developing countries for a unified stance during the agricultural negotiations as some are major agricultural exporters, others are net food importers, and still others grow specialized crops (e.g., tropical products).

Developing countries favor dealing with built-in agenda items and keeping issues related to labor and the environment out of the agricultural negotiations.

In addition to pushing for expanding and binding preferential market access to developed country markets and reducing the levels of subsidies in developed countries, it is likely that developing countries will also insist on addressing issues related to

⁹ Article 13 of the AoA- Due Restraint Provision ("Peace Clause"). This provision sets a 9-year period during which domestic support policies and export subsidies are effectively exempt from GATT challenges. These exemptions will remain in force until the end of 2003.

implementation, domestic support, technical and financial assistance, S&D treatment, and measures to ensure development objectives are realized.

Implementation of AoA Commitments

Developing countries still have not implemented many of their AoA commitments because of a lack of technical and financial assistance. These countries are reluctant to enter into any new negotiations or make additional commitments until they have the ability to implement previous commitments. For instance, some would like to review, and if necessary readjust, their bound tariff rates to further protect small and rural farmers.

Of particular concern to developing countries is the Draft Text on Implementation issued recently by the WTO. The Draft Text addresses implementation concerns, but is separate from the Draft Ministerial Declaration and developing countries feel that this separation may downplay implementation issues. They therefore would like implementation concerns integrated into the Draft Ministerial Declaration¹⁰.

Domestic Support

Developing countries believe that binding of subsidies through an aggregate calculation of domestic support to farmers, called the aggregate measurement of support (AMS), and subsequent reduction of AMS levels, did not fairly account for the huge disparity in the subsidy levels of developed and developing countries. Comparatively, developed countries are still able to subsidize agriculture heavily, while developing countries are allowed only minimal subsidies. Developing countries want to be permitted to use the same policies, up to the same levels of subsidy, as developed countries used to develop their agriculture.

Technical and Financial Assistance

To achieve meaningful results from the WTO agricultural negotiations, technical and financial assistance

¹⁰ See "Overview of Developing Country Concerns" in this series.

will be needed if developing countries are to implement desired reforms.

In addition, such assistance is vital if developing countries are to comply with the Agreement on Sanitary and Phytosanitary (SPS) Measures and comply with the standards expected in the markets of developed countries. For instance, developing countries believe that SPS measures are often invoked in a discriminatory manner, particularly by the developed countries. This has led to restricted market access because developing countries often lack adequate infrastructure, technology, and human resources to comply with SPS measures in developed countries.

Special and Differential Treatment

The S&D feature of the WTO allows for less stringent discipline to be placed on developing countries when reforming their trade policies.

S&D treatment recognizes developing countries' lack of institutional capacity for dealing with complex issues and allows these countries to have longer implementation periods and reduced levels of commitments.

Developing countries are clearly pushing for S&D treatment in the use of SPS measures. They are also seeking S&D treatment in implementing commitments taken during the agriculture negotiations.

Developing countries will push for continued S&D treatment while the developed countries will push for a clearer definition of areas in which developing countries receive S&D treatment.¹¹

¹¹ See "Special and Differential Treatment for Developing Countries" in this series.

Measures to Ensure Development Objectives are Realized

Developing countries will push for provisions that enable them to address their legitimate and varied needs, including agricultural and rural development, food security, and subsistence and small-scale farming for the development of domestic food production.

In particular, the NFIDCs are concerned that, with the liberalization of agriculture and the reductions on agricultural export subsidies, agricultural prices on the world market would rise. This could affect their low-income populations and, ultimately, could slow development. Therefore, effective measures to ensure food security in developing countries, particularly in NFIDCs and the LDCs, are of primary concern.

Outlook

Although already actively participating, developing countries need to play a fuller role in shaping both the agenda and the outcome of the agriculture negotiations. They need to consult with their private sector and other government agencies to identify priorities. They also need to identify countries with similar interests and work with them to advance common interests.

At the same time, it is important for developing countries to realize the full benefits of agricultural liberalization while ensuring they have the necessary safeguards to guard against any negative impacts of such liberalization.