

DISCUSSION PROCEEDINGS, HIGHLIGHTS AND THEMATIC SYNOPSIS  
“AGRICULTURAL TRADE AND THE NEW ROUND OF WTO NEGOTIATIONS”

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#### INTRODUCTION AND OVERVIEW

This electronic conference was sponsored by the World Bank and its development partners as part of the project of capacity building for developing countries on trade policy, and took place from June 18 to July 18, 2001. The broad goals of the project were "to carry-out an integrated program of research, policy analysis and capacity building to enhance the participation of developing countries in the new WTO negotiations in agriculture. With special emphasis on targeting benefits toward the rural poor, the project activities aim to assist countries to successfully identify and assess their interests and policy options on major issues in the new round, to articulate those interests effectively, and to formulate negotiating objectives and strategies." (Merlinda Ingco, from "Invitation to Participate")

Given the critical importance of agricultural trade for low income countries and the on-going evolution of national agricultural policies since the Uruguay Round, Governments and policy-makers actively engaged in trade issues at the World Bank and with its development partners must now assess the economic implications of existing policies in the agricultural sector, and develop the themes for the forthcoming Millennium Round. Key issues to resolve include: What was the impact of the URAA on developing countries? How were their trade opportunities improved or hampered as a result of the Agreement? What is at stake in the new WTO Round? What achievements, concessions, or changes might developing countries seek and expect in the negotiations?

This discussion was meant in a small part to stimulate thinking on possible answers to those questions. Overall, there were 985 members on the list from 72 different countries and a variety of organizations and occupations; a number of others joined voluntarily as the discussion progressed. 297 messages were posted in four weeks (an average of about 10/day) and there were 105 contributors, 54 of whom gave multiple contributions.

The moderators of the discussion had various interests and experiences in the area of agricultural trade and rural development. They were: Merlinda Dador Ingco, Senior Economist and Project Manager, Rural Development Department, World Bank; Susan Scurlock Theiler, Trade and Agribusiness Specialist, Rural Development Department, World Bank (formerly Director, Agricultural Trade Office in China, and Senior Advisor, Trade Policy, U.S. Department of Agriculture); Eugenio Diaz-Bonilla, Senior Economist, International Food Policy Institute; and Jonathan Brooks, Economist, Non-Member Economies Division, Organization for Economic Cooperation and Development (OECD).

Discussion was intended to focus around 6 main (albeit somewhat inter-related) topics:

1. Comprehensive Round or Agriculture Alone?
2. Trade Barriers and Market Access
3. Domestic Support
4. Food Security and the Poor
5. Special Treatment (for Developing Countries)
6. Sanitary and Phytosanitary Measures

The discussion also was to include discussions of a regional nature, divided into geographically relevant areas. (For a more detailed listing and review of these issues, see the background information on the discussion at: [http://www.worldbank.org/devforum/forum\\_ag-trade.html](http://www.worldbank.org/devforum/forum_ag-trade.html) under "supporting documents")

In addition, guest moderators also attempted to focus the discussion in certain weeks on other related aspects, such as Mr. Diaz-Bonilla on "Export Subsidies and Market Access" in Week Two and Mr. Jonathan Brooks on "Making the Link from Grass-roots Experience," in Week Four. Also, a number of other issues were also raised and addressed, as befits an open discussion forum, though only the most relevant are included in the review here.

What follows is a thematic or topical synopsis of the discussion, along with an analysis of areas of consensus and conflict, and issues for future discussion. Please note that this review is not necessarily in chronological order, though where certain issues were raised in a more in-depth fashion in some particular weeks by certain moderators, it follows their format. These highlights, though as accurate and comprehensive as possible under the circumstances, are nevertheless only a snapshot, and one perspective, on the conference. A more complete and detailed record of the conference can be found in the archives of the discussion itself at: [http://www.worldbank.org/devforum/forum\\_ag-trade.html](http://www.worldbank.org/devforum/forum_ag-trade.html) (follow links from "View the discussion" into main menu and click on "Read Messages"). Those interested in specific regional issues or case studies are recommended to likewise use the archives to search for relevant countries, regions, and/or topics.

#### COMPREHENSIVE ROUND OR AGRICULTURE ALONE?

Susan Theiler framed the issue in the "Topics for Discussion": "There is disagreement about the prospects for success of the agricultural talks without a full, new Round covering the range of trade issues including manufactures, investment, and services. Can the agricultural talks succeed as "stand-alone" negotiations?"

Not surprisingly, the discussion did not come to a clear answer on this question. Participants saw benefits from both, though slightly more favored the stand-alone approach. Ji-So Woo argued for a comprehensive new WTO round, since "One has to be pragmatic about the chances of extracting deep reform in agriculture from developed countries rich enough to continue extravagant domestic support to their small farming populations, and with the political motivation to continue doing so, if there is nothing else on the table. A comprehensive round allows greater cross-sectoral flexibility and more scope for creative ways to bridge differences." Also, a non-comprehensive round would likely mean a continuation of distorting trends toward regional trade preferences (e.g., NAFTA). Indian civil servant Sai Yvst, currently studying the issue for his government, believes that since the primary produce of developing countries is agriculture, and since true world trade must be widespread, "the next round of the trade talks shall focus only on agriculture with a view to accommodate the interest of billions of world population against few rich MNCs and if necessary, talks on other issues can be held later..."

There was consensus, however, on the notion that agriculture plays a special, even primary role in world trade, and is especially important for poorer nations. These aspects make it both unique and deserving of special consideration in all trade negotiations. As Fred Schneider put it: "Since nothing ever happens in a vacuum, the Round should deal with all 'trade', but agriculture as the producer of the single most important 'commodity' should be the #1 subject and the center of all other discussions." Future research and deliberations will have to determine which type of negotiations is better at achieving agricultural trade goals.

#### TRADE BARRIERS AND MARKET ACCESS

Though touched on throughout the conference, in Week Two Eugenio Diaz-Bonilla focused on the topic

of trade barriers for LDCs, along with the related issue of subsidies and domestic support (see below). Several participants mentioned the benefits to developing countries of agricultural liberalization in industrialized countries ("If rich countries were to remove subsidies, poor countries would benefit by more than three times the amount of all the overseas development assistance they receive each year." Ji-Soo Woo, quoting *The Economist*) Ricardo Phillips, from the Mexican Finance Ministry argued: 'According with my experience, agricultural trade is the least trade in the world. Developed countries use subsidies to help farmers to produce their products. Developing countries cannot help their farmers or use inadequate programs to improve agriculture.... The most important for thing for Developing countries is to stop those barriers of trade by industrialized countries, to cancel every subsidy to agriculture in UE and USA, unless there is an emergency to use a subsidy to help a specific farmer in solving financial problems. This is more important than getting resources from international financial organizations (IMF, WB) to help those sectors.'

In reviewing the discussions, Mr. Diaz-Bonilla also noted the global benefits for all types of nations that would come from such reforms. "In summary, the main negative impact of protectionism is on the citizens of the country utilizing that practice. Foreigners will also be affected (particularly if protectionism leads to surpluses that are then sold in world market with subsidies), but typically the main damage is done on the citizens of the protectionist country. In particular trade protection for food products is equivalent to a regressive implicit tax on food consumption, mostly captured by large agricultural producers, with a greater impact on poor consumers."

...I believe that the best approach for developing countries appears to be the elimination of biases against the agricultural sector in the general policy framework, and increase in investments in human capital, management of land and water, land ownership by small producers and landless workers, technology, infrastructure, nonagricultural rural enterprises, and organizations of small farmers and other forms of expansion of social capital and political participation for the poor and vulnerable. At the same time, developing countries may need policy instruments to protect the livelihoods of the rural poor from import surges, and, in the current WTO agricultural negotiations, may legitimately insist that industrialized countries reduce first their higher levels of subsidization and protection."

## DOMESTIC SUPPORT

The issues here essentially concern subsidies and other protectionist policies of the developed countries to aid their farmers. Given their superior resource base, this is no small matter.

There was widespread agreement that developed countries have abused the provisions of the Agreement on Agriculture (AoA) to their advantage, along with subsidizing their farmers both domestically and with export support policies, all of which have injured developing countries and their farmers. Anil Bhajwar noted "the AoA magnified the 'dirty games' played by both developed and developing countries in the name of Agriculture. Further, the agreement expose[d that] ...the WTO could also be used as an instrument to block reforms!" In his view, the AoA is clearly the most important component given the heavy involvement of people in the Third World in agricultural sector, yet it has failed to help the poor nor even increase agricultural trade, since governments have manipulated the rules; he hopes governments will address this in the future rounds. Kim Hjort also sees governments and government policy as the problem. "The (AoA) does provide incentives to member governments to pursue positive domestic expenditures through the Green Box. All expenditures on non-price and non-trade distorting measures are exempt from domestic support reduction. This works well as long as countries have enough money to spend on these types of programs. However, as we all know, the majority of developing countries are faced with considerable financial constraints." She asks: "What rules will make it easier for farmers to compete? Those are the rules that remove distortions from world commodity markets. The first place to start is with an immediate end to export subsidies. Existing excess commodity supplies in countries subsidizing exports should go into food aid. The second place for reform is the Blue Box. Abolish it."

Costa Rican economist Otto Solis took the eye-for-an-eye perspective: "we in the poor and emerging economies must just look at the rich ones. They have faced this era of market preaching constantly increasing subsidies and public-sector interventions in agricultural production and in agricultural markets. If concerning agriculture, successful countries trust the judgment of interested groups, bureaucrats and politicians more than free markets, we must do likewise." While not all members certainly shared this view, clearly it appeared from the discussions that domestic support is one, if not the, foremost obstacle to effective, free, and fair agricultural trade for LDCs. How they can effectively use the WTO to ensure such concessions and reductions, however, especially given the strong political and economic incentives in the developing world remains an open question.

#### FOOD SECURITY AND THE POOR

Along with domestic support, this was by far the most involved, detailed, and extensive of the discussion topics. Almost 100 messages addressed, or at least in some way touched on, this issue. Food security at its root is the issue of countries being able to feed themselves, or at least have enough food for all citizens (be it through imports, or special provisions, if necessary). "WTO members need to establish a new category of "food-insecure" countries, those for whom famine is just one catastrophic harvest away." (Eugenio Diaz-Bonilla)

It also seemed to be one of the most important of the issues discussed, with widespread support for insuring food security for all nations. Disagreements arose, however, over whether WTO and agricultural trade were the best routes for achieving this, given the instability of world commodity markets and natural profit motives of suppliers. An example was the view of Indian banker Srinivasan: "Trade is not about anyone's security, but one's own profits. The bottom line is what can I earn (even from other's misery)." Others called for import substitution and other means of self-sufficiency, without relating it to agricultural trade provisions directly.

There was also a degree of consensus around the idea that the structure of the WTO, and the personnel, resource, and other advantages of the North within it, have prevented LDCs from moving forward on this issue. Some rightly or cynically note that developed countries already rank highly on food security, and so it is consequently less of a priority for them. The need for unity and focus on this issue among the South was likewise emphasized.

Notably, several detailed policy proposals about a new "Development Box" were offered in the forum near the end of the conference: Duncan Green (7/2/01), with ones based on a report from Youth Centre, an IGO based in Geneva and the Public Policy Unit of CAFOD, the official aid agency of the Catholic Church in England and Wales; Fred Schneider (7/16), citing a German plan from GERMANWATCH; and Lucio Munoz (7/17) who agreed in principle with the other two but had specific differences. (See their posts, under their name and date above, in the archives for more information). For example, the CAFOD plan believes the Box should include exceptions "which a) allow governments to provide positive support for low income and resource-poor farmers; b) distinguishes between 'food security crops', and other crops. These are defined as 'crops which are either staple foods, or which are the main sources of livelihood or low-income and resource-poor (LI/RP) farmers.' They justify this emphasis by noting poor farmers are key moral and economic components, and food security issues are essential for meeting increases in demand, import substitution, economic stimuli, etc.. The other two plans have similar, if distinct and/or additional, elements.

There appeared to be tacit support for these ideas, as a few responses came in praising them and no detracting ones were received. Future discussions might take these proposals as starting points for new ways to address this issue.

## SPECIAL TREATMENT

Here, it is argued that by exercising their differential rights under the current WTO regime, developing countries have not benefited as much as they could from reciprocity in agricultural trade with developed nations; more directly, this refers to proposal that (as New Zealand has done) LDCs' exports receive "special treatment" from DCs in terms of reduced or eliminated tariffs, while those of other nations do not. These issues provoked little discussion in the forum, with the exception of agricultural economist Jacques Berthelot, who thought that "in spite of the verbal gesticulations of western countries and the WTO on the SDT granted to poor countries, the reality is quite the opposite: SDT works clearly to the advantage of rich countries," because they give more subsidies, and have a "defacto monopoly on the SSG (special safeguard provision)"; are in effect the only ones qualified to use the "amber box"; most developing countries cannot afford to take advantage of their higher (10% v. 5% for developed) de minimis provisions; and due to "outright cheating by the EU and USA."

However, on the latter issue, based on a thorough reading of the political-economic views expressed (see below), one imagines that the bulk of the participants believe that future special trade treatment for LDCs is the least that the developed nations can do for them, given the exploitation or profit-making they have gained from the relationship, although debt cancellation and direct grants are equally if not more important. Perhaps research on the effects of policies, such as those of New Zealand referred to earlier, will aid in deciding the best approach to this issue.

## SANITARY AND PHYTOSANITARY (SPS) MEASURES

Under this category fall provisions which allow countries to limit imports due to health and safety concerns. An example would be the EU's limits on imports of genetically modified food (GMOs). At issue here is what to do with these provisions, and how to identify and tell when a country is using them legitimately - due to domestic social and/or health concerns - and when they are using them as a protectionist smokescreen. Countries would have to provide a scientific basis to use these measures.

Here, too, the participants had little to say. Only two spoke directly on this issue, each seeing them as potentially beneficial. Carlos Tarazona of Comunidad Andina thought "there still is the perception - mainly in developing countries- that those measures are secondary tools for the Agriculture Development; however, also a policy of new market access, and to preserve the plant, animal and human health, this agreement must be recognized not only as a trade agreement, but world public health and food security. It will alert to the governments to invest more money in health farming services..." Another participant raised the issue that crop storage and waste from pests is a major factor in reducing yields, and hoped WTO and GMOs could be used to reduce losses, though other participants noted the WTO has little jurisdiction over internal agricultural practices.

Others briefly discussed the specific example of "Golden Rice," a form of GM food in Asia, with a critical eye, believing that such technologies undermine sustainability, ecology, and potentially enslave farmers in LDCs to MNCs with the patents on them. One participant from Taiwan argued labeling of all GM food be required: "The bio-safety on Golden Rice is just one critical problem ...the consumer should be informed as the declaration at Helsinki. The WB and other World Orgs. should comply this as a prerequisite on any project."

There was generally overwhelming support for sustainable and organic, or at least traditional, agriculture. The overall consensus of the discussion, to the degree the issue was addressed, certainly was against GMOs and the use of potentially dangerous (or at least, not-yet-fully-known) food technology. Thus, participants did not appear to be opposed to SPS measures per se, but how they are used.

Some touched in part on the issue of the ability of the LDCs to participate effectively in WTO negotiations (albeit more generally on a variety of complex issues, not just these) given their limited

budgets, lack of expertise or personnel, etc.. Much likewise remains to be studied and discussed on this issue.

#### "MAKING THE LINK FROM GRASS-ROOTS EXPERIENCE"

Jonathan Brooks of OECD, issue moderator for Week Four, chose to focus the discussion on “how the impacts of agricultural trade reform are felt at the grass-roots level,” and “trying to link these insights to the broader principles of how economies are affected by trade reform.” In viewing the discussion up to that point, he noted:

Few doubt that developing countries should, in principle, be able to benefit from increased trading opportunities. Yet many contributors doubt their ability to do so in practice. There are two main reasons for this skepticism: one is a belief that markets work (or rather fail to work) in ways that undermine the interests of developing countries (with some arguing that free markets would be OK but the markets are not really free); another is the view that these countries cannot compete with developed countries when it comes to negotiating at the WTO.

Differing views were offered, though most focused on effectiveness and efficiency of markets, both domestic and global, and whether or not they really “work” at all. Some advocated more government intervention, or even cutting off from world markets altogether, while others obviously disagreed and were more concerned with making “free markets” – which don’t really exist – more beneficial to poor farmers in developing nations.

Perhaps most notable of the perspectives based on “real-world experience” was that of Wambui Gathanya, Kenyan small farmer and Ph. D. student: “[policy] flexibility is crucial to accommodate human and other local factors even within the globalized scenario. To do this the “ivory tower” planners/economists, the middle persons and their political partners need to reach out to the “soil-end” group and actually understand what their problems and, perhaps even more important, their strengths are. The latter too have something to offer to the new formula, and in most cases the most practical solutions will come from this low power base. You would be surprised at the successful appropriate and traditional technology that is applied by small scale farmers, but has either not been tapped or, if at all, the grassroots source of such knowledge is never acknowledged. ... Knowledge production and protection may therefore be an issue that may need to be discussed.”

In reviewing these deliberations, Jonathan Brooks noted that it is difficult to have a concrete discussion about the effectiveness of markets with those who believe they are the root of all evil. He concluded that “markets can be a force for good, but that markets don’t always work efficiently (and in any case may not be sufficient to alleviate poverty). I have sympathies with many of the examples [from developing countries] that have been provided of market failures. On these empirical issues I am optimistic about the prospects of a sensible and informative discourse.”

#### OTHER ISSUES

Notions of Efficiency: As a somewhat related (and unrelated) off-shoot of domestic support issues, participants got into a lengthy discussion over what constituted economic efficiency. A sizable portion of the discussion in the first week revolved around or touched on this topic. Some questioned, given the large amount of domestic subsidies, along with chemical, mechanical, ecological, energy, research and development, etc. inputs that go into US and EU farming, how “efficient” these countries and modes of agriculture really were. Therefore, a broader understanding of efficiency needed to be considered before addressing world trade and models for LDCs. Conversely, others argued for simple adherence to traditional narrow economic definitions. The people in the former camp believed such considerations were crucial before moving on to other issues, and offered some unique perspectives and definitions; see

Ed Deak's lengthy post on "the Real Economic Efficiency" for a notable example. Others, however, felt that this issue was peripheral to the main points of discussion.

NGOs and the International Political Economy: As Diaz-Bonilla observed: "There were some basic differences in the perceptions about how the world works. Some appear to consider the participation in the world economy as the root of all problems, and see the world controlled by corrupt governments and greedy multinational corporations. The policy implications are to cut off links with the world, or reduce them substantially through protectionism. Others disagreed, citing the historical experience of countries that attained greater societal welfare by participating in the world economy and by maintaining more open economies and societies."

While there was no real consensus here, it is clear from this discussion that agricultural negotiations in the WTO are part of the larger contemporary world political and social debate over globalization, integration, and the role of international non-governmental organizations. Those who are concerned with agricultural trade need recognize they must also consider these contexts.

Modes of Agricultural Organization: In Week Three, a lively banter ensued over the best way for organizing the farmer for free (or any) trade. In response to earlier questions about co-ops, economist James D. Paul set off a minor spark by saying "The only solution to this problem is not the co-operative farming but the corporate farming. Unless the corporate farming is allowed, there cannot be a free market for the agriculture." He believes "that when large number of employment is generated by this form of agriculture, allowing imports would worsen the food security for the masses who are dependent on agriculture for their food. Hence the globalisation of agriculture has to wait till the time the ag sector has been organised."

Numerous others then responded, and basically debate and discussion revolved around notions of "corporate" and "cooperative" farming, and which was best -- though a consensus was reached that corporate as defined by type of organization rather than ownership or production was the concept that was most important. Much discussion also surrounded the best way to "organize the unorganized" and that in fact one way NGOs can aid small farmers in poor nations is through expertise, training and business help (accounting, marketing, etc.). In that sense, "corporate farming" is a boon.

## CONCLUSION

There were of course myriad other related and unrelated issues to the ones listed above, and one should review the archives for a fuller flavor of them. Obviously, more consensus, analysis, and specific policy proposals were achieved on some elements than others.

Likewise, in terms of the questions raised in the introduction, the discussion did not come to clear answers on many of them. There appears to be consensus that the rules underlying the current Agreement on Agriculture have not aided developing countries, though whether the fault lies primarily with them or their governments and the strategies they have pursued, or with the abuse, unfair advantages or structural disparities favoring the developed world was a matter of dispute. While not many specific policy recommendations emerged, many of the different-colored "box" provisions need to be re-vamped, if not removed altogether. Likewise, a new "development box" focusing on food security and favoring LDCs should be implemented.

While many of the issues remained open and unresolved, this discussion should still provide a preliminary foundation for subsequent ones. With these things in mind, the discussion may resume again sometime in September.