

**Agriculture Negotiations at the WTO:
Context Setting and Intelligence Report¹
November 2000**



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**ICTSD welcomes any feedback or criticism on the
contents of this document. These can be forwarded to ICTSD@ICTSD.CH**

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I. Executive Summary

Preparatory work for agriculture negotiations at the World Trade Organisation (WTO) commenced in early 2000. However, rather than actually negotiating further liberalisation of world agricultural markets, Members are still putting forward their initial negotiating goals.

This report intends to:

- provide explicit detail on the political tone surrounding the WTO agricultural reform process;
- provide analyses on those proposals which have been submitted and discussed from the beginning of the Special Session on Agriculture to the end of the third meeting in September 2000 (brief references are also included to proposals submitted and in the November meeting of the Special Session);
- provide an early assessment on the positions of the major negotiating blocs as they pertain to domestic support;
- underscore the concerns of developing countries in the preparatory context; and

To facilitate these objectives, the report has been subdivided into seven main components:

- Section II: Background. This section provides the basic context for the negotiations.
- Section III: Content and State of Play of Current Negotiations. This section provides a more detailed view of the negotiating process and issues.
- Section IV: Proposal and Submission Analysis. This section provides a detailed analysis of the proposals submitted to date in the context of the negotiations and of the relative views of trading partners.
- Section V: The Process of the Negotiations. This section provides a view of the negotiating process in its larger context related to a round of negotiations and to other WTO issues and political events outside of the trade system.
- Section VI: The Work Ahead. This section briefly presents an approach that may be of interest for future reports.
- Section VII and VIII: Civil Society Monitor and Proposal appendices. The Civil Society Monitor reviews selected civil society activities during the past months. The Proposal appendix provides a quick reference to proposals tabled in the Special Session.

II. Background.

The Uruguay Round Agreement on Agriculture (AoA) brought the agricultural sector under international trade disciplines for the first time. During the Round, Members agreed that the long-term objective of the agricultural negotiations was to establish a fair and market-oriented agricultural trading system and that a reform process should be initiated through the negotiation of commitments on support and protection (such as subsidies and import regulations) and through the establishment of strengthened and more operationally effective GATT rules and disciplines.² For some countries such as the US and the EU, this was a major concession; others, and the Cairns Group³ of agriculture exporters in particular, considered the outcome too modest and saw the resulting Agreement as a compromise, leaving some 'unfinished business' for later discussion.⁴

Further negotiations were mandated within the AoA under Article 20, which established the terms for the continuation of the reform process. It states that 'Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period [...]'.⁵ Therefore, technically, negotiations have been underway since the beginning of this year. They are being conducted in 'special sessions' of the Committee on Agriculture and run parallel to the Committee's regular meetings. Four special sessions have taken place to date including: 23-24 March 2000; 29-30 June 2000; 28-29 September 2000; and 15-17 November 2000.

This report will cover activities up to, but not including the 15-17 November meeting, which will be covered in the next report.

The remaining special sessions of the preparatory phase 1 are scheduled as follows:

Phase 1: (excluding the first four special sessions)

- Fifth special session: 5-7 February 2001.
- Sixth special session: 28-29 March 2001 (end of phase I, stock taking)

Phase 2 and Phase 3: No meetings have yet been scheduled for the second and third phase. Some countries such as the US are pushing for early deadlines for the negotiations while others argue in favour of setting deadlines only when sufficient work has been completed under phase 1. It is currently anticipated that phase 2 will be scheduled during the Special

² Ministerial Declaration, Montreal 1988: The Mid Term Review.

³ Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

⁴ Some of the major agricultural exporting countries expected the results of the UR to be more concrete in terms of the elimination or significant reduction of export subsidies, trade-distorting domestic support measures and simple and transparent import tariff barriers. However, this agreement was the best they could negotiate at the time for a variety of reasons: the EC was under a great deal of pressure to preserve its Common Agricultural Policy (CAP), which is one of the pillars of the Community. Japan and Korea conditioned their acceptance to negotiate further to the inclusion of an exception for food security reasons. The Nordic countries had strong positions related to what they called the specificity of agricultural production, this is, that agriculture is more dependent on exogenous factors such as natural, geographical, demographical, economical and social factors, than industrial production. Austria and Switzerland were concerned with non-economic factors such as cultural heritage, rural development, and decentralised settlement of the territory and the protection of landscape. Japan, as the Nordic countries, insisted that agriculture had specific characteristics, which meant that it should be treated differently from other sectors: constraints and land resources, the need for stable food supplies and demands for environmental protection required that 'the rule of market forces should be modified'. Interestingly, 'non-trade concerns' (including food security) were a Northern issue, because of historical fears arising from post-war food shortages; see John Croome: 'Reshaping the World Trading System' p. 96.

⁵ The Results of the Uruguay Round Multilateral Trade negotiations, Juridical Texts, p. 21.

Session in March 2001 and will cover the establishment of negotiating modalities⁶ and rule making. However, if progress in the submission and analysis of proposals continues to be slow, this may stretch even this deadline to a later date. This is both a tactical and practical concern for countries as the scope⁷ of the negotiation and its broader context within a possible round will substantially impact the possibilities for negotiation.

No deadline has been set for concluding the negotiations, but Members' agricultural support schemes will become actionable under the Agreement on Subsidies and Countervailing Measures after the 'peace clause' expires at the end of 2003. The countries most intent on agricultural liberalisation have made it clear that they will oppose any extension of the dispute settlement moratorium unless measurable progress is made by then.

III. Content and State of Play of Current Negotiations

The present round of agricultural negotiations addresses the three major components of the AoA: market access, domestic support and export competition. Article 20 also establishes that the negotiations must take into account 'special and differential treatment to developing country Members', as well as 'non-trade concerns' (including food security and the environment, *ed.*). A lively debate has arisen on the last topic. Some Members – the Cairns Group in particular – argue that the AoA already offers sufficient latitude for countries to address legitimate non-trade concerns, while others – the EU, other European countries, Japan and Korea – insist, at this stage at least, on their inclusion in the process as a pre-condition for moving forward on the market access/support front.⁸ A substantial portion of the November special session dealt with non-trade concerns and will be covered in ICTSD's next report.

To date, more than half of WTO Members have – individually or jointly – made submissions and statements covering a broad range of topics in the special sessions. Documents include official statements by delegations, proposals and discussion papers by Members, and WTO Secretariat background papers.⁹ A summary of the substantive submissions follows in section IV of this report. A detailed list on the submissions is attached as an appendix.

⁶ The "modality" of negotiations describes *how* commitments will be exchanged between Members. It may take any form members agree, however, the most common of these include: request / offer; formula; and zero for zero. Request / Offer is a mode in which requests and offers are made bilaterally among trading partners; formula is an approach often described as a percentage of a particular area (the current AOA is largely the result of a formula approach); and zero for zero, an approach suggested in the agriculture negotiations specifically is favoured by some countries for substantial targeted negotiation by area in which all tariffs are dropped to zero in the area while other tariffs are not subject to similar cuts. Finally, the approach toward modality may also apply to, or be in conjunction with, rule making (as opposed to specific market opening commitments).

⁷ Scope refers to the breadth of issues (including market access and rule making) under negotiation. There are widely differing viewpoints on the optimum scope of the agriculture negotiations which will have significant impacts on individual member positions.

⁸ It is interesting to point out here that at the outset of the preparatory process (agreed at the Singapore Ministerial Conference) most developing countries were not actively engaged with the issue of 'non-trade concerns' (NTCs). As they have become more familiar with it and have started to use it to express their own concerns, major agricultural exporters, namely the Cairns Group and the US, have become more reluctant to use the term at all. Originally, the latter had some sympathy for NTCs although they saw them best addressed through "green box" measures.

⁹ The following is a list of WTO Secretariat papers made available to the special sessions. Each can be obtained from the WTO Document Dissemination Facility, <http://www.wto.org/wto/ddf/ep/public.html>: Changes in tariff quota administration and fill rates, 8 November 2000 (G/AG/NG/S/20); Studies on the Implementation and Impact of the Agreement on Agriculture, 9 October 2000 (G/AG/NG/S/16); Special agricultural safeguard, 6 June 2000 (G/AG/NG/S/9); Tariff quota administration methods and tariff quota fill, 26 May 2000 (G/AG/NG/S/8); Tariff and other quotas, 23 May 2000 (G/AG/NG/S/7); Agricultural trade performance by developing countries 1990-98, 23 May 2000 (G/AG/NG/S/6); Export subsidies, 11 May 2000 (G/AG/NG/S/5); Decision on measures concerning the possible negative effects of the reform programme on least-developed and net food-importing developing countries (NFIDC decision): actions taken within the framework of the decision as notified by members, 27 April 2000 (G/AG/NG/S/4); Green box measures, 19 April 2000 (G/AG/NG/S/2); Domestic supports, 13 April 2000 (G/AG/NG/S/1), {and correction, 25 April 2000 (G/AG/NG/S/1/Corr.1)}.

In spite of the substantial participation of a number of Members, some of the smaller delegations feel left out of the process. This may reflect their relatively smaller agricultural sectors and the fact that substantive work is carried out informally by the most active Members. However, as agriculture is a priority for almost every country, it is likely that lack of participation among smaller countries is mainly related to their financial and human resource constraints in trade policy-making in general and at their Geneva missions.

Some delegations feel frustrated at the slow progress, which they largely attribute to the reluctance, on the parts of Europe, Japan and Korea, to engage in agricultural negotiations in the absence of a comprehensive round of trade liberalisation. On the other hand, many negotiators acknowledge that the first round of any trade talks consists of tabling 'wish-lists' rather than actual negotiations. However, it is important to recognise that this phase of the negotiations is not simply a positioning exercise on substantive issues. Members are also establishing their positions on the scope of negotiations.

For some Members such as the Cairns group the scope of the negotiations would fall well within the current AoA. They are essentially seeking reductions in all types of support and in making the rules more rigorous in terms of the derogations from levels of protection and support now available. In other countries, perhaps best exemplified by the EU, a very broad scope is being proposed that brings other issues traditionally outside of the AoA, such as animal welfare and food quality which some Members feel may be dealt with more appropriately in the Technical Barriers to Trade (TBT), Sanitary and Phytosanitary (SPS) or Trade Related Intellectual Property Rights (TRIPS) agreements.

The establishment of the scope of the talks is critical for all countries. For those seeking a narrower scope, a broadened scope implies a longer and perhaps less fruitful negotiations. For those seeking a broader scope, a narrower scope leaves little room for trade-offs and for gaining domestic consensus for further liberalisation. Thus, the establishment of the scope of the negotiations has significant implications on the nature and for some, even the possibility, of further negotiations. The connection to a broader round of negotiation is also critical in this context as it may allow Members like the EU to move forward even under a narrower scope negotiation.

The proposals tabled so far do not offer a reliable indication as to the likely outcome of the negotiations, although it appears there is an interest in negotiating among a majority of Members. But the progress of agricultural negotiations will largely depend on the next phase of talks regarding substance and scope, and the development of a broader round.

IV. Proposal and Submission Analysis

Members' contributions in the first phase of the special sessions range from concise or preliminary positions to more elaborate and comprehensive ones.

- The **Cairns Group** (CG) has tabled three submissions on: export competition, domestic support and market access. One Cairns Group member – Canada – has tabled its own proposal regarding market access, and a group of Latin-American Cairn Group countries has submitted a discussion paper on food security, food dependence and export subsidies.
- The **United States** (US) has tabled three submissions on: comprehensive, long-term agricultural reform; domestic support reform; and tariff-rate quota reform.

- The **European Union** (EU) has tabled four submissions on: the blue box and other support measures; food quality and market access; animal welfare and agricultural trade; and export competition. A comprehensive proposal expected at the November meeting failed to materialise.
- The '**Like-minded Group**' (LMG)¹⁰, a coalition of developing countries, has made submissions on: special and differential treatment and a development box; green box/Annex 2 subsidies; and market access.
- **ASEAN** countries have made one submission on special and differential treatment for developing countries.
- Eastern European countries and **economies in transition** have made two submissions so far on market access; and the need for additional flexibility in domestic support for transition economies.¹¹
- Among the other major players in this process, **Japan, Korea** and the European **EFTA** countries¹², have not yet tabled negotiating proposals.¹³

Comprehensive Proposals

To date, only one comprehensive proposal has been submitted.

United States

This proposal submitted by the US on long-term agricultural trade reform sets the US agenda for the scope of the agriculture negotiations.¹⁴ The major challenge this delegation sees, is to build upon the long term reform agenda established in the Uruguay Round, by accelerating the reduction of trade distortions while preserving the appropriate role for governments to address agricultural concerns in a non-trade-distorting fashion.

The US expects this round of agriculture trade talks to be comprehensive and deal with:

- market access issues, including the volume and tariff levels in import quotas (TRQs), reduction of present tariff levels to pursue further liberalisation, elimination of tariff peaks, thus avoiding distortions through high tariffs for certain products that may compete with domestic ones, and tariff escalation, which typically takes place when a product can be imported as a commodity at a certain tariff rate and at a higher rate when it has been processed;
- the elimination of export subsidies, as well as disciplining various instruments and mechanisms that may lead to trade distortions such as export restriction, state trading enterprises and domestic support;
- new disciplines that may allow the regulated use of genetically modified organisms (GMOs); and
- fostering more market-oriented production in developing countries to enhance food security.

¹⁰ Cuba, Dominican Republic, El Salvador, Haiti, Honduras, Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda and Zimbabwe

¹¹ These submissions include some of the same countries but do not match completely. Together they include: Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Mongolia, Slovak Republic and Slovenia.

¹² Iceland, Liechtenstein, Norway and Switzerland

¹³ However, these countries together with the EU and Fiji (a member of the Cairns Group) have introduced a discussion paper on Non Trade Concerns based on a conference in Norway earlier in the year.

¹⁴ WTO document G/AG/NG/W/15

The Cairns Group, the Like-minded Group, the EU, EFTA countries and Japan broadly commented upon this proposal among others. Representatives of these countries, as well as economies in transition, pointed out that the instruments used by the US such as export credits, market support systems, governmental programmes designed to enhance exports, as well as food aid programmes should also be looked at, because their impact on trade is similar to that of an export subsidy. They also expressed concern over the fact that discussions on export credits have been going on at the OECD and have not been discussed at the WTO. The issue for some is whether the discussion at the OECD is relevant for the development of WTO disciplines in this area. For countries such as the EU, which have expressed a desire to look at all support measures broadly, leaving the export credit talks exclusively to the OECD is unacceptable as these measures are used by other major trading partners including the US and Canada. This perspective was clearly expressed by the EU in its paper on export competition (see page 13), which found wide support from many agriculture exporting Members and developing countries.

Other comments made by delegations and some observers after the meeting indicated that the US is pressing for the agriculture negotiations to include guidelines regarding approval processes for genetically modified organisms (GMOs). This is resisted by many delegations and is considered to be a topic more appropriate for discussion under the Sanitary and Phytosanitary (SPS) Agreement. It appears that the US is trying to advance its position to favour its advantage in GMO technology (past investment, but also forward gains). The Cairns Group has already agreed that the gains from GMO exports outweigh the risks, and many of its members are prepared to use the technology as well. The US is also shifting some of its domestic support programmes to the use of GMOs. The EU, on the other hand, is acting cautiously both from a traditional trade protection perspective but also because of a high level of public concern in member countries.

It should also be noted that the deliberations of the Codex Alimentarius Commission's Task Force on Foods Derived from Biotechnology are expected to conclude in 2004 (trade measures based on Codex standards are legitimate under the WTO's SPS Agreement while restrictions based on higher standards are open dispute settlement challenges). Thus, although it is not yet clear how the GMO issue will be included in the negotiations on agriculture, it appears that it will eventually fall under the scope of WTO rules.

Finally, a significant element of this paper is the way proposed measures for developing countries are addressed to respond to these countries' needs. In two sections on Special and Differential treatment and food security, the US stresses its support for flexibility and the pursuit of domestic development policy objectives. Some observers speculate that these suggestions were tailored to address the Like-minded Group's and Korea's desire to protect domestic policies designed to enhance self-sufficiency in food.

European Union

There was some speculation on whether or not the EU would introduce an outline of its comprehensive negotiating proposal at the November meeting, but it did not. According to a draft document, the EU submission would include all of the issues tabled until now (these are covered below) as well as treatment of the 'peace clause'. The proposal is expected to be structured as follows:

- Trade issues: market access, export competition and domestic support;

- Non-trade concerns: the multifunctional role of agriculture, environmental protection, agriculture's contribution to rural development and poverty alleviation, food safety, consumer concerns and protection of animal welfare;
- Developing countries/special and differential treatment: trade preference to developing and least developed countries, food security, food aid and technical assistance; and
- The need for the continuation of the peace clause as the corollary of the specific nature of the Agreement on Agriculture.

Difficult internal negotiations have been suggested as the reason for the delay in submission of this proposal. ICTSD will cover the proposal in detail after it has been presented and discussed by Members.

Market Access

The Cairns Group, Canada, the US, the Like-minded Group and transition economies have tabled proposals in the area of market access.

Like-minded Group

The document submitted by the Like-minded Group (LMG) on market access¹⁵ illustrates the group's perspective regarding its expectations of the Uruguay Round negotiations and the generally inadequate results obtained for developing countries. The area that was supposed to benefit developing countries most as a result of the implementation of the Agreement on Agriculture was greater market access and more exports to the developed countries. But quite the opposite has happened, as there seem to have been more exports from the developed countries into the markets of developing countries. Thus, one of the key concepts embedded in the LMG proposal is that there should be two standards of rules: one addressing measures in developed countries that affect the trade performance of developing countries, and another set of rules allowing for greater flexibility for developing countries. The bulk of the LMG proposal is focused on reform of developed country policies.

For the Like-minded Group, the reasons behind these poor outcomes may be found in:

- 'Dirty tariffication': when converting non-tariff barriers to tariffs, many developed countries took on tariff levels that were much higher than their non-tariff equivalents.
- Tariff escalation or the difference between the tariffs on processed products and a primary input commodity.
- Unweighted tariff reductions resulting from applied formulas where governments reduced high tariffs on sensitive products by a smaller percentage, while reducing low tariffs by a larger percentage,
- Complex non-transparent tariffs to accommodate different tariffs applicable to the same product, such as seasonal, in-quota and above-quota tariffs, and more frequent use of non-ad valorem tariffs. Variable tariffs are also used.
- Tariff rate quota systems, which allow non-transparent administration and the manipulation of domestic consumption calculations. TRQs are also used to allot quotas for aggregated commodity groups resulting in quota under-fill.
- High subsidies in OECD countries, which result in food surpluses that are often exported to developing countries, hence taking away third country markets from exporting

¹⁵ WTO document G/AG/NG/W/37

developing countries. In addition, subsidised OECD imports into developing countries destabilise and depress prices, destroy producers and thus reduce developing countries' production capacity and export potential.

- SPS measures used as a trade barriers: several major importing countries are asking for 'sameness' in the process, rather than 'equivalence', in essence acting as discriminatory barriers.

To address these problems, the LMG recommends the elimination of barriers resulting from the misuse of measures or non-transparent procedures. More specifically, it proposes – among other measures – a set of guidelines for the administration of TRQs, mandatory filling of quotas in developed countries and basing quotas on specific products, rather than aggregated commodity groups.

Although the proposal was submitted at a rather late stage prior to the September meeting and many delegations made only preliminary comments, many Members welcomed this paper, as tariffs cuts and the elimination of TRQs distortions are seen as one of the major goals of this round. Many developing countries stressed that there was a lot to do in this area, as the Uruguay Round agricultural negotiations failed to accommodate developing countries' concerns regarding major industrialised countries' bound tariffs. They would hope to see lower tariffs for products of interest to developing countries in schedules from Europe, Japan, Canada and the US.

It is interesting to note the relationship between this proposal and others tabled at the November meeting to the extent that there may be several converging approaches. One example is the US proposal on TRQ administration and quota under-filling. This interaction will be further covered in the next report.

Cairns Group

The Cairns Group introduced its third proposal at the November meeting. It called for more access at lower tariff rates, the progressive elimination of tariff rate quotas (TRQs), more transparent quota administration rules, and the elimination of tariff peaks and tariff escalation. The proposal also addresses special and differential treatment for developing countries. It will be analysed in greater detail in the next report.

Canada

Although Canada is a member of the Cairns Group and has joined the two earlier proposals submitted by the CG, it has taken a different approach in the area of market access. Some commentators have suggested that Canada arrived at this 'middle-ground' position approach because of its need to protect sensitive areas and its desire to retain higher tariff rates in some areas.

Canada proposes an approach that covers single-stage tariffs, two-stage tariffs and tariff quotas. According to the proposal, a number of products would have a single tariff, which should be subject to a formula reduction resulting in a substantial reduction in tariffs and a greater harmonisation of tariff levels. Other products would have an in-quota and an out-of-quota tariff. This category would include products now covered by the UR bound import quotas and those single-stage tariffs for which the final bound duty results above a certain threshold, as it would be converted into a two stage tariff. A specified quantity of duty free

in-quota access would be provided for the two-stage tariffs. Canada also proposes that tariff escalation between primary and processed forms of the same product should be eliminated.¹⁶

While European countries such as Hungary, the Czech Republic and the Slovak Republic welcomed this proposal (it reflects their own interests), some Cairn Group delegates privately expressed their concerns over it because of the weakening effect on their own proposal.

United States

The US presented a proposal in the November meeting on tariff rate quota (TRQ) reform. This will be covered in detail in the next report. The main thrust of the proposal is that in many cases TRQs present unjustifiably burdensome import requirements that can and should be streamlined. Many countries, including countries from economies in transition, developing countries and some QUAD members, use non-transparent mechanisms to administrate their bound TRQs, resulting in most cases in the 'under-fill' of the TRQ. This proposal should be expected to garner wide support as it affects all countries exports. It is also important to bear in mind that the issue of quota administration was presented at the consultations taking place on implementation issues (a concern of many developing countries, as analysed below) as one of the problems that require immediate attention.

Transition Economies

Two papers on market access and domestic support were submitted by groups of economies in transition from Eastern Europe and the former Soviet Union during the November meeting.¹⁷ The concerns of economies in transition have not been included as a separate concept in the text of the AoA. This was because the Uruguay Round coincided with wide-ranging and unprecedented structural reforms in agriculture that occurred in the broader context of the process of transformation from centrally planned into market economies, whose future developments could not be foreseen. The reforms undertaken resulted, *inter alia*, in changes in ownership and production structures, redefinition of the role of the state, drastic reductions of all forms of supports and subsidies, affecting these countries competitiveness. Thus, these countries have requested full recognition of these changes in the course of the negotiations and specifically seek accommodation considering their high level of market opening and restructuring and their vulnerability resulting from the transformation process.

Many of the countries sponsoring the documents have associated themselves with concepts important to the EU and the EFTA countries, such as flexibility for domestic support, and have supported the concept of multifunctionality. It could be speculated that this is what they demand in return. These proposals will be covered in greater detail in the next report.

Domestic Support

The Cairns Group, the US, the EU and the Like-minded Group have tabled proposals in the area of domestic support.

¹⁶ This may be looked from a different perspective: tariff escalation would be turned into a resulting average for all tariffs referring to a specific product and then, as the outcome may be beyond the threshold, it would fall in the two-stage tariff quota.

¹⁷ These are: WTO documents G/AG/NG/W/57, WTO NEGOTIATIONS ON AGRICULTURE: MARKET ACCESS, a negotiating proposal by Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kyrgyz Republic, Latvia, Slovak Republic, Slovenia, Croatia and Lithuania; and WTO document G/AG/NG/W/58, WTO NEGOTIATIONS ON AGRICULTURE: DOMESTIC SUPPORT – ADDITIONAL FLEXIBILITY FOR TRANSITION ECONOMIES, a negotiating proposal by Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Mongolia, Slovak Republic and Slovenia.

Cairns Group

According to the Cairns Group, the UR disciplines on domestic support, while making the distinction between trade-related and production-related support and measures with no (or minimal) distorting effects, have not resulted in a shift away from trade distortion. The Group maintains that even 'green box' measures are causing, or have the potential to cause, distortions. Additionally, while the CG concedes the value of domestic support measures to protect the environment, among other things, they note that domestic support can and does lead to over-farming and extensive use of fertilizers in some countries.

To overcome this situation and to pursue further the objectives set in the reform process, the CG seeks domestic support reductions in the following manner:

- A formula approach to achieve major reductions and removal of disparities among countries.
- Negotiation of the timeframe for the elimination of such measures.
- Fifty percent initial reduction during the first year.
- Commitments will be on a disaggregated basis to ensure it will apply to all agricultural products.
- Criteria for 'green box' support will be reviewed to ensure it shall meet requirements of no or minimal trade or production distorting effects.
- Enhanced special and differential treatment (S&D) through 'green box' provisions and other measures including preserving de minimis provisions for developing countries.

Comments by delegates were similar to those referring to the CG export competition paper, namely that the proposals were too ambitious and did not have sufficient regard for national policies needed to address non-trade concerns. In addition, the submission was criticised by Mauritius for not taking into account those concerns of developing countries that cannot be addressed through S&D measures alone and which require complementary measures.¹⁸ Others, like India and Norway, echoed this criticism.

United States

The US proposal on domestic support may be of interest to environmental agencies.¹⁹ The US proposes two categories for domestic support measures, non-exempt and exempt support. It addresses the need to reduce trade-distortive domestic support in proportionate levels through a formula-based approach by which non-exempt support will be calculated based on a fixed percentage of the total value of agricultural production, thus providing for equivalent levels of support to all Members. It also establishes criteria-based exempted support measures, which the US views as minimally trade-distortive, hence pursuing substantial reduction in present trade-distorting support measures

For the US, policy directions – both new and old – could be addressed through measures that fit into the category exempt of support reduction. Criteria-based support measures exempt of reduction commitments should be developed in order to address non-trade concerns, development objectives unique to developing and least-developed countries and to promote

¹⁸ It should be noted that Mauritius co-hosted the Ullensvang meeting on non-trade concerns and supports many of the submissions made by the LMG.

¹⁹ WTO document G/AG/NG/W/16

sustainable, vibrant agricultural and rural communities in a manner that is, at most, minimally trade-distorting. In addition to current provisions, these criteria-based exempt measures could address new policy directions, such as: farm income safety-nets and risk management, tools, environmental and natural resource protection, rural development, new technologies and structural adjustment. Additional criteria-based exempt support measures could be developed for challenges faced by developing and least-developed countries.

Comments dealt with the formula approach and the inclusion of old and new measures under the exempt support concept. Major agricultural exporters found interesting the formula approach based on the total value of agricultural production, because the more it is implemented, the more flexible the implementation period. In contrast, small exporting countries and net food-importing countries found the formula unfair.

Most developed countries and economies in transition welcomed criteria-based exempt support measures. For Like-minded Group delegates, however, it mostly expressed the policies of interest to the US and did not address the reality or needs of developing countries.

European Union

The submission from the EU regarding the 'blue box' and other domestic support measures stresses the value in this mechanism to shift from market price supports to less distortive ones.²⁰ In addressing the need to further discipline domestic support, the EU emphasises the importance of assessing the effects of the present support schemes in pursuing the long-term objective of the reform programme set in the AoA.

Bearing this in mind, the EU proposes to maintain the blue and green boxes, as well as the general rules and disciplines that apply to them.

As expected, European countries (EFTA and economies in transition), Japan and Korea supported the proposal, while the CG rejected it and called for its elimination on the basis that the creation of the 'blue box' was the result of a political compromise reached during the last round and that special and differential treatment was available to WTO Members. In particular, Argentina expressed its difficulty with the blue box, linking its continuation with the possibility that it might be used to cover issues it viewed as unrelated to the agriculture negotiations such as animal welfare.

It may prove difficult to address this issue: the CG has set an objective of limiting green box disciplines further so as to allow only non-distorting or nearly non-distorting effects, while the EU ultimately intends to include blue box measures within the green box, even if blue box support does have a distorting effect on trade. The positions are too far apart and will need a lot of compromise-building and trade offs.

Like-minded Group

The proposal submitted by the Like-minded Group on the green box and Annex 2 Support addresses what it views as the shortcomings and problems of the green box measures.²¹ These include: a higher use of support by developed countries, in particular the EU and the US; the misuse of provisions which result in an increase of production levels, producer income and land price; non-transparent or discretionary understandings of the meaning of 'no

²⁰ WTO document G/AG/NG/W/17

²¹ WTO document G/AG/NG/W/14

or at most minimal trade distorting effects'; protection from countervailing duties; and bias against developing countries' non-trade concerns.

The LMG proposes to collapse green box and other domestic support provisions into one 'general subsidies box', for which criteria would be defined and within which three levels of support would be allowed. Developing countries would enjoy S&D treatment under a 'due restraint clause', as well as the flexibility provided by a new 'development box', where special attention would be given to food security (see page 14 for further details). The LMG further maintains that the peace clause for green and blue box measures should be terminated.

As for the LMG paper on special and differential treatment (see page 15), delegations generally welcomed the rationale behind the proposal but did not appear enthusiastic in supporting its recommendations. India was the exception as it supported it widely, in spite of not having sponsored it.

Interestingly, when proposing three-level support, the LMG uses the same argument as the US for establishing the basis of non-exempt support: a fixed percentage of the total value of agricultural production.

Export Competition

The Cairns Group and the EU have tabled proposals addressing export competition. See page 7 for a discussion of Members' reactions to US views on export competition.

Cairns Group

The Cairns Group considers export subsidies the most trade distorting of agricultural policies.²² In the CG view, the use of export subsidies depresses and destabilises international market prices, affecting incomes in other exporting countries and harming local production in food-importing countries. They also undermine environmentally sustainable production methods by farmers in developing countries. Furthermore, many developing countries have large rural populations, which depend on agricultural production as a way of living. The CG maintains that subsidised competition does not allow proper development, and contributes to rural poverty, the swelling of overcrowded cities and the promotion of social unrest.

Hence, the Cairns Group seeks the complete elimination of agricultural export subsidies by committing Members to:

- a date for the elimination of the remaining export subsidies;
- a 50 percent reduction during the first year and an accelerated process of reduction of remaining subsidies leading to zero;
- a starting point for reduction (Cairns proposes binding reductions to a ceiling as of year 2000 for developed countries and 2004 for developing countries);
- develop other rules to prevent circumvention of the elimination of all forms of export subsidies, including – but not limited to – export credits, export credits guarantees or insurances programmes and non-commercial transactions; and
- develop special and differential treatment provisions for developing countries.

²² WTO document G/AG/NG/W/11

Many delegations stated privately that the Cairns Group had excessively high expectations on the interest or will of other Members to cut export subsidies and domestic support to this degree. Some of their comments merit special attention. India for instance, while agreeing with the overall approach of the proposal, stated that the Cairns Group should also propose a set of rules and disciplines only applicable to developed countries, thus allowing room for different forms of support for developing countries. But such a solution, as expressed by the delegate from Colombia, would have a negative impact on trade *among* developing countries, which has increased significantly in the past years. The Philippines and Argentina stressed the need to have disciplines on export credits and other forms of enhancement as stipulated in the AoA, before the end of this year. The interest of countries to examine all support measures may have been directed to the EU considering its recent willingness to examine all support measures, specifically export credits (not just export subsidies which are the main targets of Cairns and the US), and may point the way to a more inclusive negotiation in agriculture rather than a narrower one.

European Union

The EU paper on export competition, expresses interest in approaching unfair export competition from a broad perspective and not just as a problem of export subsidies.²³ Other instruments, namely export credits, abuse of food aid, state-trading enterprises (STEs), market support systems and export enhancement programmes are also trade distortive, less transparent and not covered by WTO disciplines. They are also being increasingly used. For this reason, the EU wants to further reduce all forms of agricultural export support. The EU proposal includes:

- Proceeding with negotiations according to article 10.2 of the AoA, including disciplines on export credits within the framework of the WTO.
- Provision of food aid in the form of grants not credits.
- Food aid if in exceptional cases is addressed by credit, it must not be tied to a credit provider.
- Negotiations on food aid rules or code of conduct.
- Elimination of unfair trade practices through state trading enterprises (STEs).

Issues related to export credits and STEs were largely directed at the US and Canada and were not supported by them. However, many other Members welcomed the proposal (the CG, the LMG, EFTA, economies in transition, Japan, India and other countries individually). Interestingly, Argentina and the Philippines, expressed their intention to pursue the development of disciplines on export credits (mandated under article 10.2 of the AoA) as an implementation issue rather than an agriculture issue per-se, leaving some ambiguity over the commitment to address this area in the negotiations.

Non Trade Concerns / Other Issues

Proposals addressing non-trade concerns been tabled by the Cairns Group, the EU, the Like-minded Group, and ASEAN.

Like-minded Group

The submission by the LMG on special and differential treatment and a development box begins by stating that the concept of special and differential treatment originated from the fact

²³ WTO document G/AG/NG/W/34

that developing countries have very different economic, financial, technological and development circumstances as compared to developed countries²⁴. Therefore, certain advantages and flexibilities must be given to them to take into account their different needs. In the view of the LMG, due to the special place of agriculture in most developing countries' economies and because food security is integrally related to broader security concerns²⁵, S&D provisions are crucial for them.

The paper notes that encouraging developing countries to increase domestic food production may not be market efficient. However, if all the benefits are taken into account – agriculture as the sole source of employment for the majority of developing countries, and domestic production especially of key staple products as the most accessible source of food for the majority – then clearly these benefits outweigh the supposed 'economic costs'. This line of argument may well be associated with the multifunctional character of agriculture, but the LMG expressly points out that the flexibility sought must be differentiated from support measures used by exporting developed countries to gain markets abroad.

The document takes up the issue of the 'development box' as a more elaborate and complete way of addressing S&D treatment. To that end, the LMG recommends the establishment of a development box that would shield developing countries' policy instruments that aim to:

- protect and enhance domestic food production capacity;
- provide or sustain employment for the rural poor;
- protect agricultural producers of key agricultural products from cheap imports;
- flexibility to provide support to small farmers to increase their production capacity and competitiveness; and
- stop the dumping of cheap, subsidised imports on developing countries.

It also recommends policy instruments for food security reasons such as:

- permitted use of a positive list approach to declare which agricultural products or sectors they would like disciplined under AoA provisions;
- the possibility to re-evaluate and adjust tariff levels and, where cheap imports are destroying or threatening domestic producers, raise bindings on key products to protect food security. In this regard, developing countries should be allowed an additional 10 per cent on their de minimis support level, i.e. bringing the level from 10 to 20 percent; and
- additional, flexibility in levels of domestic supports.

The Like-minded Group recommends the prohibition of:

- the use of the Special Safeguard Clause for developed countries;
- dumping of agricultural products; and
- all forms of export subsidies (direct or indirect) used by developed countries.

²⁴ WTO document G/AG/NG/W/13

²⁵ As described in their document, chronic food insecurity puts national security in jeopardy by placing at risk the health of people, and incites internal turmoil and instability. It is also seen from the political independence and sovereignty perspective.

Finally, the LMG believes that competition policy in agriculture must be addressed in this review. Developing countries must be given an easily accessible mechanism to protect themselves against the abuse of monopoly power and to seek compensation.

Comments made on the LMG proposal varied from strong support by India (who did not sponsor it with the other LMG colleagues), to privately expressed concern on the dangers of creating a 'two-standard' agreement, by the US, EU and CG members. While in agreement with some of the proposed individual measures, the overall tone of comments was cautious. Norway, for instance, welcomed the approach, but pointed out the need to allow room for domestic policy flexibility to *all* WTO Members. There was clearly a need to further analyse and address the problems faced by developing countries, but, as stated outside the meeting room, in more WTO-consistent ways. Some developing countries (like Colombia and Uruguay), consider that to allow domestic support measures to developing countries may be as damaging as granting them to developed countries, because much of present trade is among developing countries.

Latin American Cairns Group Countries

The paper submitted by a group of Latin American Cairns Group countries²⁶, tabled for the September special session, was discussed at the November meeting. In the paper, this group of developing countries from Latin America state their view that export subsidies perpetuate poverty through food dependence. It follows the line of argument developed by the Cairns Group in its proposal on export competition, described above. Although this paper relates specifically to food security/dependency, the analytic framework may be extended to environmental degradation as well, as in the views expressed by the Cairns Group, export subsidies and depressed prices undermine environmentally sustainable production methods in developing countries.

Several things stand out in this document. First, while it could have been a Cairns Group contribution or at least a developing country Cairns Group document, only some Latin-American members of the Cairns Group sponsored it. Two other countries from the region, namely Colombia and Guatemala did not subscribe to it. Nevertheless, delegates of these countries said they would support it during the November meeting and that there was no conflict of views. Other observers suggested that Colombia might not be comfortable with its content, perhaps because of subsidies provided in the exports of flowers.

Additionally, this discussion note is addressed to the Like-minded Group because of its strong views on food security and its proposal on flexible agricultural trade policies for developing countries (i.e. through domestic support measures, border measures, high tariffs to protect domestically produced products from external competition, and export subsidies in particular, to help net-food importing countries, which benefit from low-priced subsidised products). It also addresses concerns expressed by Korea, as a developing country, and other countries defending the concept of multifunctionality, that food security be sustained through the availability and accessibility to food, a stable food supply and the provision of safe, quality food to satisfy consumer preferences. The mechanisms proposed by this group of countries are close to LMG position; in order to guarantee food security, there is a need for flexibility to allow a certain level of domestic production through a proper combination of appropriate domestic support measures and border measures and a balanced reflection of the interests among importing, especially net food-importing countries and exporting countries.

²⁶ WTO document G/AG/NG/W/38 presented by Argentina, Brazil, Paraguay, Uruguay (MERCOSUR), Chile, Bolivia and Costa Rica.

European Union

The EU submission on animal welfare states that this is an issue of growing importance in the EU and other European countries.²⁷ There is an increasing awareness among European consumers and producers about the effects that breeding and farming techniques may have on animal health and welfare and on the environment. New standards and appropriate labelling have been developed, as consumers and producers alike demand a predictable environment, while maintaining market competition. Thus, the EU considers there is a need to address animal welfare within the WTO in order to ensure that trade does not undermine efforts to improve the protection and welfare of animals.

Members were highly critical of the proposal. It was perceived as a new way of protecting Europe from external competition, *inter alia* through 'legitimate compensation' for high animal welfare standards. The concerns expressed in these proposals were also perceived as a response to internal EU pressures, lobbies or constituencies rather than as a multilateral negotiation strategy. In the opinion of some delegates, the negotiations on agriculture are not the right forum to deal with animal welfare or food quality, as they believe they are best addressed through the provisions of the SPS and TBT Agreements. Some delegates and other observers wondered why this issue was put forward in the first place and in way that would predictably annoy other Members. While the EU delegate said that the forum did not understand what the proposals were about, some delegations saw the submission as a part of EU positioning for a broader scope negotiation.

The EU has been working on the best way to introduce animal welfare into the WTO for several months now. For this delegation, as well as for Switzerland, Norway and Iceland (EFTA countries), animal welfare is an integral part of the 'multifunctional character' of agriculture. Interestingly, it appears as though strategically the EU and EFTA countries de-linked this issue from their 'non-trade concerns' conference held in Norway earlier in the year, in spite of their strong commitment to it. The issue was not on the conference agenda. It is thought that animal rights were excluded from the conference's definition of 'non-trade concerns' in order to bring developing countries on side and to help build a negotiating counter-balance to the Cairns Group. The conference involved a number of developing countries and was co-hosted by Mauritius, and the inclusion of animal welfare issues would certainly have made this task more difficult, if not impossible. A note developed on the basis of the Norway conference was submitted to the special session by Norway and supported by other delegations attending the meeting,²⁸ including those from developing countries. This submission received a great deal of attention at the November special session and will be discussed further in the next report.

Another EU submission on food quality stressed the link between market access and the issue of food specificity, or quality food specificity.²⁹ The EU stressed the objective of opening markets to increase gains from trade and consumer choice. This must be achieved by pursuing fair competition, consumer protection and proper protection of denominations linked to food quality or food specificity. In the area of agricultural products, food specificity is particularly important in consumer choice. There is demand for products incorporating

²⁷ WTO document G/AG/NG/W/19.

²⁸ WTO document G/AG/NG/W/36 presented by Barbados, Burundi, Cyprus, Czech Republic, Estonia, The European Communities, Fiji, Iceland, Israel, Japan, Korea, Latvia, Liechtenstein, Malta, Mauritius, Mongolia, Norway, Poland, Romania, Saint Lucia, Slovak Republic, Slovenia, Switzerland and Trinidad and Tobago.

²⁹ WTO document G/AG/NG/W/18

specific and identifiable characteristics, including traditional know-how and geographical origin.

The objectives of the EU can be summarised as follows:

- to obtain effective protection against usurpation of names in the food and beverages sector;
- to make market access effective, by ensuring that products which have the right to use a certain denomination are not prevented from doing so; and
- to ensure consumer protection and fair competition through regulation of labelling.

While some countries with specific interests in developing disciplines on geographical indications for products other than wine welcomed the proposal, others saw it as yet another way of protecting Europe from external competition by imposing discretionary standards and more barriers and burdens for producers. Many members maintained that geographical indications should be discussed under the TRIPs Council, not in the context of agriculture negotiations. Tactically it appears that the EU is trying to build a coalition on an intellectual property issue of interest to many developed and developing countries. Some powerful participants such as the Cairns Group consider this approach unacceptable as they perceive the intention behind it to be further justification of the multifunctional character of agriculture and, thus, domestic support policies.

These differences were illustrated in the declarations made by, for example, Hungary and the Cairns Group. Hungary shared the EU's view that real market access for those food products that incorporate specific and identifiable characteristics, like traditional know-how or geographical origin depend very much on the extent to which the denominations of such products are being protected. Furthermore, the Hungarian delegation said that usurpation of denominations is an increasing problem and presents problems of consumer deception in import markets. This delegation found the usurpation of names problematic as it negatively impacts domestic programmes and other means of supporting rural development strategies based on local resources in a sustainable manner, which is generally accepted as a legitimate agricultural policy goal.

The CG and particularly Australia indicated that most legal systems already provide balanced forms of protection for consumers and producers; while consumers are entitled to safeguards against being misled or deceived, and against unsafe or unhealthy products, they are entitled to a wide selection and freedom of choice in what they purchase, whether or not it is a domestic or imported version of the same product. By the same token, producers are entitled to present and describe their products in ways that attract, inform and interest consumers, and are entitled to use descriptive terms and appealing ways of presenting their product, provided that this is done in a fair and truthful manner. Due to this existing balance of rights on the side of consumers as well as the producers, the Cairns Group expressed doubts that the concept of 'food specificity' helped advance the discussion on fair competition.

Association of South East Asian Nations (ASEAN)

ASEAN³⁰ tabled a proposal on special and differential treatment at the November meeting. The document is interesting since the group is composed mainly of developing countries.

³⁰ Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

However, many ASEAN members are also part of the Cairns Group, but articulate differing views on development. In other fora, for example, Malaysia, Indonesia and to some extent Thailand, act jointly with the LM, which is a development policy-oriented group.

Briefly, ASEAN's proposal begins with a specific definition of 'special and differential treatment' for developing countries and articulates how the concept should be applied to the negotiation of export subsidies, domestic support and market access. This proposal will be discussed more thoroughly by the ICTSD in the next report.

V. The Process of the Negotiations

In the Context of Agriculture

There will be one more special session meeting, scheduled for 5-7 February 2001, at which final proposals are to be submitted and analysed. Nevertheless, as agreed at the March meeting, proposals can be tabled at a later date. This ambiguity allows room for latecomers (particularly developing countries), but some Members now fear that the EU, Japan or the US will use it as a delaying tactic. The Cairns Group is hence putting pressure on timely submissions and meeting the deadline. More proposals are expected by the next meeting, and some delegations doubt that there will be enough time in the next meeting to finish this analytical or pre-negotiation phase. If the major negotiating partners introduce substantive negotiating proposals, a thorough analysis may be expected. Additionally, some delegations such as the EU and Japan have privately pointed out that their own internal procedures might impede them from tabling submissions before next year. This means that the March deadline may not be met.

In the Context of a New Round of Negotiations

One of the reasons the Seattle Ministerial Conference failed to launch a new round of negotiations was the differing perception of the Cairns Group and the EU over the interpretation of article 20 of the AoA. The first saw it as unfinished business, while the latter viewed it as material for new negotiations undertaken in the context of a new comprehensive round of multilateral trade liberalisation.

This still seems to be very much the case. The positions brought to the negotiating table for the Seattle meeting have not been narrowed. Quite the contrary, it seems as if they have been radicalised, so as to force a midstream solution (one may regard the Cairns proposal on support reduction and the EC proposal on animal welfare as opposing extremes in this process). Indeed, while the Cairns Group, supported by the US, is pushing for a result in agriculture before engaging in a new round, some Members think that the EU will not move forward until a new round is agreed. It should be kept in mind that, at this early stage of negotiations, many of these positions are likely to be purely tactical.

It is also unclear whether a new comprehensive trade round is negotiable for the majority of WTO members. Before Seattle, the Cairns Group had accepted this possibility as a compromise, but under the changed circumstances, both Cairns members and the Like-minded Group are far less ready to make concessions. Because alternatives range from no trade round to a comprehensive round, the political compromise that would end the deadlock needs to find a middle ground starting point. The QUAD (US, Canada, EU, Japan) is presently working along those lines but it is too soon to know what the outcome might be. Meanwhile, nothing seems to point at a clear solution in the short term.

Other large factors may affect negotiations. Some of these include:

- **Expiration of the Peace Clause.** This particularly affects the EU's policies on domestic support and export subsidies. Many dispute settlement panels might be established as soon as the implementation period is over (at the end of 2003). If the EU does not succeed in extending the Peace Clause, it might have to reassess the benefits of its Common Agricultural Policy in terms of the additional costs a dispute settlement process would imply for producers, governments and taxpayers. Hence, it seems logical for the EU to start comprehensive negotiations before 2003, to eventually include this issue as a trade off.
- **Results on the Implementation Issues Consultations.** The WTO General Council has engaged in a review of the issues tabled by developing countries for the Seattle Ministerial Conference as implementation concerns that require immediate action in the agreements on antidumping, textiles, subsidies, TRIPs and sanitary/phytosanitary measures (SPS). There has been little progress until now, as major industrialised countries have shown little commitment to effectively address the problems. The December General Council meeting is expected to report on progress and possible ways for continuing the analysis. This may force Members – and the WTO Secretariat – to be more proactive. The results of this exercise will have an impact on the agriculture negotiations as well as on the possibility of a new trade round.
- **Progress of Services Negotiations.** While negotiations are proceeding apace in the mandated services negotiations, there are some indications that parity between these talks and those on agriculture may be demanded by some Members. Most visible is the insistence by Mercosur countries (Brazil, Argentina, Paraguay, Uruguay) that progress in services negotiations will be dependent on parallel progress in agriculture negotiations. However, it is also possible that services negotiations will run into the broader problems of implementation issues in general, to the extent that they are not addressed as part of a new round. Although progress is now underway independently in the areas of Services, Agriculture and Implementation, it is clear that for many countries they will intersect in the future and either provide negotiating space, or constrain, future negotiations.
- **Accession of China.** China was expected to join the WTO during this year or, at the very latest, by the beginning of 2001. Bilateral market access negotiations – normally the most difficult part in any accession process – have almost concluded, with only negotiations with Mexico to wrap up. The focus of the negotiations is now on the Protocol of Accession and the Report of the Working Group. Once a China becomes a Member of the WTO, the Chinese government will have significant influence in any negotiations that follow. This may have a significant braking effect on agricultural negotiations and a broader round.
- **US Presidential Elections.** As in most other international issues, the weight the US has in international decision-making puts the multilateral trading system 'on hold' to some extent until the new government takes office. Although in general terms there are no major differences in the two presidential candidates' trade programmes, there are differences in approach, most notably with regard to including environment and labour issues in a new trade round, favoured by Gore and opposed by Bush.
- **Outside perception of the WTO.** After Seattle, pressure groups from civil society are perceived to be better positioned. Although the reasons for the failure of the Ministerial Conference may lie elsewhere, governments are seriously taking into account their

domestic lobbies, pressure groups and NGOs, rather than committing to new trade talks amidst an adverse political climate. Many developing countries are taking advantage of this situation to promote their concerns within civil society in Northern countries. They are flagging the lack of opportunities for their exports and the enormous political and technical costs of the Uruguay Round for poor nations. Meanwhile, the WTO has engaged in a public relations campaign to overcome civil society's negative perception of the organisation and, by extension, of free trade. So far, neither the WTO Secretariat nor the Members have been able to convey the message that renewed negotiations will bring along more development and more respect for the environment and civil rights.

In conclusion, negotiations on agriculture are focusing on bringing substance to the process and establishing the scope of the negotiations. The next meeting of the special session will continue to focus principally on substantial issues and then shift in March to issues related to scope and modes of negotiation.

VI. The work ahead, exploring alternatives.

Multiple Possibilities

Most delegates contacted are of the view that negotiations will not move in the short term as there are too many issues to deal with, and too many differing interests to reconcile. Expectations on starting negotiations as such, even for the US delegation, are at this moment, very low.

Until now, a widespread perception is that Europe's non-trade concerns (NTCs), including the environment, are the trade concerns of many developing countries. Many developing countries believe that these NTCs impede trade and work against their interests. Yet, common interests are clearly visible in the need to reduce trade distortion in agriculture while keeping national priorities intact.

How these concerns will play out in negotiations will be directly related to the substance and scope of negotiations. In large measure, it appears that narrower negotiations in agriculture will not effectively address Europe's broad, transitional needs in several areas that are closely connected to agriculture. Without addressing these concerns, domestic support to move ahead on agriculture within the EU is likely to be weak. Negotiators will balance this with the expiration of the Peace Clause which will put additional pressure, especially on the EU, to negotiate. Such negotiations could conceivably be narrower in scope but including an extension of the Peace Clause for example, or they may be broader, reflecting the need for diverse accommodations among Members.

As a general proposal, it would appear that broad negotiations would be the best hope of inserting environmental concerns into forthcoming agreements. Although narrower negotiations could have positive effects in terms of the reduction of distortive support, it is possible that the EU will only be able to negotiate provisions that preserve production-linked environmental support for agriculture within a broader round for concessions in areas of more traditional agricultural support.

Possible topics for further exploration

Given the complexity and numerous possible paths in the agriculture negotiations, there are several possibilities for producing the next reports.

- ICTSD can continue to do in-depth analysis of proposals and their context, focusing on negotiating dynamics principally within the agriculture negotiations.
- ICTSD can continue analysis at a more descriptive level and focus on linking negotiating issues to their broader contexts within areas such as SPS, TBT, TRIPS and other agreements. This kind of approach would look at broader Member interests in those areas in the context of agriculture and of a new round.
- ICTSD could pursue an approach such as that above, but with a thematic focus, looking for movement or interests in particular areas of concern. Such a report may focus specifically on flexibility mechanisms and how they are described and viewed (i.e. such as blue box, green box, development box, Special and Differential Treatment, etc.).

VII. Appendix I - Civil Society Monitor

This section is intended to provide a broader, albeit cursory, perspective on the alternative trade agendas competing for Members' attention at the WTO agriculture negotiations. It is subdivided into two categories: environment/development, and trade associations.

Environment/Development

The convergence of environment and development with the multilateral trade regime is topical (many even consider these themes as core explanations for the failure of the Seattle Ministerial).

To address the myriad developing country concerns, ranging from food and environmental security to the implementation of the Uruguay Round Agreements, four non-governmental organisations from developed and developing countries³¹ recently held a seminar in Geneva to which WTO Members were invited to discuss an alternative negotiating agenda. As the seminar organisers are not usually closely affiliated, commonalities between the developed and developing world may be emerging with regard to the environment, agriculture and trade liberalisation. It is also worth noting that the seminar was well attended by both developed and developing country delegations, although some of the larger Cairns Group members, including Canada and Australia, were noticeably absent.

The current Article 20 negotiations are mandated to deal with export subsidies, market access and domestic support. The alternative agenda proposed by seminar participants would include the effects of commodity dumping and predatory pricing, the role of multinational corporations in world markets and food security.

Dumping

The practice of dumping of commodity surpluses on global markets has the dual effect of lowering world market prices, while limiting the market access opportunities of developing country producers. As a result, the food production capacity of these regions is marginalized and food security threatened. Moreover, the regional capacity to generate positive environmental externalities, such as enhanced biodiversity and other public goods, is diminished.

To address these problems, IATP proposed an alternative methodology for calculating total production costs, which it argued could be used by affected developing countries to more effectively measure injury in antidumping investigations. Data on total production costs could be easily collected at the OECD, for example.

Role of multinational corporations

Often overlooked in the rules-based multilateral trade system are the market power asymmetries conferred to highly integrated multinational corporations (MNCs). Vertically integrated MNCs strategically occupy both upstream and downstream links in the food chain thus generating a cost-price squeeze to which farmers must adjust. Adjustment generally

³¹ The South Centre Project on the WTO (Geneva, CH), the Institute for Agriculture and Trade Policy (Minneapolis, US), ActionAid (London, UK) and Focus on the Global South (Bangkok, Thailand).

takes the form of intensifying production, concluding contracts with MNCs or retiring from farming.

To address the problem of power asymmetry, seminar participants recommended that a more effective competition and/or anti-trust policy be designed to preserve liveable farm incomes and to develop a more effective agricultural model for generating joint products through agricultural production.³²

Food Security

The generally accepted argument pertaining to regional food security is that developed country export subsidies marginalize domestic producers in developing countries and replace domestic food production with food imports. The 'net food import' model is highly vulnerable to market vicissitudes and currency fluctuations, erodes domestic food security and the opportunity to generate 'joint products' by deploying sustainable agriculture methods.

To address the problem, a combination of policies was recommended: a) the reduction of export subsidies in all forms and b) legitimising domestic policies designed to enhance sustainable local agriculture and its capacity to generate 'joint product' outcomes.

Trade Associations

Cairns Group Farm Leaders: a collection of highly motivated regional/national trade associations and private interests with an interest in eliminating export subsidies and trade distorting domestic supports. CGFL is an independent trade association with autonomous decision-making authority. During trade negotiations, the governmental Cairns Group acts largely – but not exclusively – on behalf of the CGFL.

In August of 2000, the Australian and New Zealand Members of the CGFL called for the 2001 WTO Ministerial Conference to launch a new round. The CGFL actively endorses the use of biotechnology in agricultural production and believes that an open trade system is the best method for distributing trade benefits to farmers. The group believes that environmental and labour concerns, as they pertain to trade in agricultural products, are an effort to prevent developing countries from actively benefiting in agricultural trade.³³

³² It should be noted that many of those MNCs implicated in this argument are, in practice, service providers (distributors, marketing agencies, shippers). As such, the regulation of these actors is also a services issue and would therefore fall under the purview of the GATS.

³³ It should be noted that the Cairns Group is actively using this tactical argument to garner support from developing country WTO Members. Derek Hanekom, MP and former Minister of Agriculture of South Africa made exactly this appeal at the aforementioned seminar in Geneva.

VIII. Appendix II – Proposals submitted to date

Country	Title	Doc Reference	Submitted
Second Special Session			
Cairns Group	Negotiating Proposal: Export Competition.	G/AG/NG/W/11	16 June 2000
Canada	Negotiating Proposal: Market Access	G/AG/NG/W/12	19 June 2000
Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, and El Salvador	Negotiating Proposal: Special and Differential Treatment and Development Box	G/AG/NG/W/13	23 June 2000
Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, El Salvador	Negotiating Proposal: Green box / Annex 2 subsidies	G/AG/NG/W/14	23 June 2000
United States	Negotiating Proposal: Comprehensive Long-Term Agricultural Trade Reform	G/AG/NG/W/15	23 June 2000
United States	Submission: Note on Domestic Support Reform	G/AG/NG/W/16	23 June 2000
European Communities	Negotiating Proposal: The Blue Box and Other Support Measures to Agriculture	G/AG/NG/W/17	28 June 2000
European Communities	Negotiating Proposal: Food Quality - Improvement of Market Access Opportunities	G/AG/NG/W/18	28 June 2000
European Communities	Negotiating Proposal: Animal Welfare and Trade in Agriculture	G/AG/NG/W/19	28 June 2000
Third Special Session			
European Communities	Negotiating Proposal: Export Competition	G/AG/NG/W/34	18 September 2000
Cairns Group	Negotiating Proposal: Domestic Support	G/AG/NG/W/35	22 September 2000

Barbados, Burundi, Cyprus, Czech Republic, Dominica, Estonia, EU, Fiji, Iceland, Israel, Japan, Korea, Latvia, Liechtenstein, Madagascar, Malta, Mauritania, Mauritius, Mongolia, Norway, Poland, Romania, Saint Lucia, Slovak Republic, Slovenia, Switzerland, and Trinidad and Tobago (Haiti)	Submission: Note on Non-Trade Concerns Revision	G/AG/NG/W/36 G/AG/NG/W/36/Rev.1	22 September 2000 9 November 2000
Cuba, Dominican Republic, El Salvador, Haiti, Honduras, Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda, Zimbabwe	Submission: Market Access Revision	G/AG/NG/W/37 G/AG/NG/W/37/Rev.1	28 September 2000 11 October 2000
Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Chile, Bolivia and Costa Rica	Discussion Paper: Export Subsidies - Food Dependency or Food Security	G/AG/NG/W/38	27 September 2000
Fourth Special Session			
Cairns Group (excluding Canada)	Negotiating Proposal: Market Access	G/AG/NG/W/54	10 November 2000
ASEAN	Negotiating Proposal: Special and Differential Treatment	G/AG/NG/W/55	10 November 2000
Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Mongolia, Slovak Republic and Slovenia	Negotiating Proposal: Domestic Support	G/AG/NG/W/56	14 November 2000
Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kyrgyz Republic, Latvia, Slovak Republic, Slovenia, Croatia and Lithuania	Negotiating Proposal: Market Access	G/AG/NG/W/57	14 November 2000
United States	Negotiating Proposal: Tariff Rate Quota Reform	G/AG/NG/W/58	14 November 2000