

# Confronting the Real Challenges

## Where next for the Doha Negotiations on Agriculture?

### OVERVIEW

On April 30, Ambassador Falconer, Chair of the WTO negotiations on agriculture, released a long-promised “challenges paper” addressed to the WTO membership. The paper is a plea to drop political posturing and to get to the core issues that have left negotiations at an impasse. The paper will give new life to the talks. The paper was widely expected and WTO members appear to be by and large pleased to have something fresh to work with. The paper covers many of the issues raised in relation to the negotiations on domestic support, export subsidies, and market access. A number of issues, however, including the Special Safeguard Mechanism, were not addressed and a second paper is expected in the second week in May.

The paper is personal, direct and succinct, and it clarifies a number of technical points. The paper also challenges the membership, pointing out some of the dead-ends that members have talked themselves into over the years of negotiations. There is nonetheless a “but”: The Chair is working on a set of assumptions that suggest the really big challenge, namely how to ensure agricultural rules support sustainable rural livelihoods, has completely been missed.

Within the narrow parameters that guide the Chair’s remarks, the paper offers a good assessment of the issues. These parameters are: the Doha Agenda (though this is not often mentioned), the July 2004 Framework (which expanded the scope of the Blue Box category of domestic support payments) and the Hong Kong Declaration. They are a number of implicit assumptions, including that the talks should

conclude by December (which is not a view that all members subscribe to), and that all members will need to make further compromises on their positions but there are clear limits on what the U.S. or EU can be expected to do.

In the exposition of where matters stand are some important ideas that are not the “middle ground” that the Chair says he is seeking. This is in part because, as the Chair acknowledges, this is a political negotiation, not simply a technical exercise. The Chair’s summary of the different positions accepts, if grudgingly in some areas such as cotton and levels of spending on total trade distorting support, that the EU and U.S. bottom lines are less likely to shift than those of other members. While this pragmatism makes sense, the Chair’s approach sells the South short. The Chair implicitly assumes with his summary that talk of development, food security, livelihood security and rural development—themes addressed most clearly by the G33—are not readily translatable into numbers or schedules and are inherently less relevant to an outcome than the need to meet the commitment to show a marked reduction in domestic support and tariff levels. In this assumption, he ignores the important work done on indicators for Special Product designations by FAO and others. Perhaps more importantly, in as much as the proposals of the G33 were an attempt to put development issues at the heart of the negotiations—a promise made to each other by the members in Doha—then the “challenges” paper fails that biggest challenge and reverts to trade negotiations *à l’ancienne*.



Written by Sophia Murphy, IATP Trade and Global Governance Program

**Institute for Agriculture and Trade Policy**

2105 First Avenue South | Minneapolis, Minnesota 55404 | USA | (612) 870-0453 | [iatp.org](http://iatp.org)

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## MORE SPECIFICALLY

1. It will be difficult for the membership to reject the paper. It is an accurate reflection of where things stand in many places and its “realism” is widely, if not universally, shared.
2. The paper highlights the need for developing country members to focus on specific areas that need clearer articulation. There is a danger that the seemingly sensible middle ground proposed by the Chair’s paper in fact undermines positions that some members hold dear. The danger is clearest in relation to Special Products. If SPs are about how to find ways to exempt certain products from the same level of tariff cuts as the rest, then The Chair makes a number of very sensible points, worthy of consideration. On the other hand, if SPs are about establishing the policy space for developing countries to use trade as a tool in their broader development program, without subscribing to the belief that all tariff reductions are necessarily good for their development, then the Chair’s paper continues to either miss or deliberately undermine the function of SPs in attaining development objectives.
3. The paper focuses far more on the urgency of meeting deadlines than on the importance of satisfying the Doha mandate. “If we do not get serious momentum over the next few weeks (I hesitate to say months) we will either fail or we will put this whole exercise in the freezer for some considerable time until a better generation than us can thaw it out.” (from the Introduction). The Chair is responsible to get negotiations moving again, however members do not have to accept this push for meeting a deadline. A number of developing country delegates raised their concern with the constant push for a result in the Trade Negotiating Committee meeting of April 20, saying they think the deadlines are being artificially imposed. The G4 (the U.S., the EC, India and Brazil) set an end-of-the-year-deadline but the rest of the membership has not endorsed this target.
4. The ostensible purpose of the Doha Agenda was to address existing imbalances in WTO Agreements, as well as incomplete implementation of Uruguay Round commitments (in particular by developed countries) and the failure of the benefits promised under the Uruguay Round to materialize for most developing countries. This is how the Agenda was sold as a framework for a Development Round. Nowhere does the Chair’s paper acknowledge this original mandate. The paper is all about subsidy and tariff cuts. It ignores the need to create better trade rules for development. This reflects the realities of the negotiations since Doha, in which most developed and many developing-country members have ignored development priorities to focus on increased market access and cuts to domestic support. This realism does not make it right, however. In fact, the paper is possibly something of a wake-up call for those members that hoped SPs and the SSM would alone turn the Doha Agenda into a development round. Much more is needed if members want such an outcome.
5. A small example of this self-limiting realism is the Chair’s acceptance that there is a link between Special and Sensitive Products. As far as his point goes, he is right: whatever the ceiling for what percentage of tariff lines developed countries can claim as Sensitive Products finally turns out to be, it will set the floor for the percentage of tariff lines developing countries can claim as SPs. He fails, however, to point out that the two categories are very different in practice—the first is finding a way to accommodate countries that have very high tariffs on very few products, creating a political challenge for those that favor increased liberalization. SPs, on the other hand, are an attempt to carve out additional policy space for food security, livelihood security and rural development. This makes the mechanistic association of the two forms of exemption unhelpful, whatever the politics. Given the Chair’s willingness to point out other areas where negotiators have ignored earlier interim agreements on what they would negotiate, the Chair should be reminding negotiators of the distinct purposes of the policy instruments rather than limiting himself to a summary of the haggling over numbers.
6. It is now widely accepted that a number of anomalies and exceptions allowed in the Uruguay Round Agreement on Agriculture gave developed countries the means to avoid the spirit of their commitments. Worse, the failure of the U.S. to notify its spending after 2001-2002 shows a willful disregard for the integrity of the rules-based system, which cannot function adequately without transparency and accountability in particular from the wealthiest members. As early as 2001, in Doha, developing countries were seeking an agenda to rectify these imbalances. The SPs and SSM are two of the proposals that have survived from that impetus—they are not just about trying to protect certain commodities from the anticipated market access requirements. They are an attempt by developing countries to secure policy space that was denied to them under the Uruguay Round while shamelessly claimed (and abused) by the wealthiest members.
7. The Chair’s paper accepts the political realities in the U.S. and EU. He accepts, for instance, that the U.S. will reduce its overall trade distorting domestic support somewhere in the range of \$12 and \$19 billion dollars a year, probably landing somewhere midway between the two extremes. Since the beginning of the year, the G4 have been working on these numbers and the rumors that came out of the various G4 meetings suggest the U.S. is getting closer to agreeing a limit of \$15 billion. Similarly on tariffs: the EC Trade Commissioner, Peter Mandelson, has made it public for many months now that he would be able to agree to an overall average tariff cut of 54 percent. The Chair proposes that the overall tariff cut must be above 50 percent. This is

not a big stretch for the EC. Indeed there are some EU member states that objected to this proposal, but it still remains a reasonable proposal for the EC to consider.

8. On the other hand, the paper dismisses the negotiating proposals of the G33 and makes a dramatic proposal to cut the number of tariff lines eligible for SP treatment from 20 percent to 5-8 percent. This may make technical sense, assuming the logic of further liberalization. It flies in the face, however, of the agreement in Doha to address inequities in the existing system, and in the demands of developing country members that their development needs should be given central importance. The paper ignores the work of FAO and others on possible criteria to give substance to the category of SPs, as well as the arguments in favor of such a differentiated approach to market access for developing country agriculture.
9. The Chair's final proposal is provocative. "I sometimes have the sense," he recalls, "that in the framework we made things absurdly complicated for ourselves and that this is the fundamental reason why we have come to realise we are in such difficulties now." He goes on to say that the market access approach "was a very radical departure from the past, and, although it was in the end agreed, the "quid pro quo" was a corresponding set of provisions" (here he is referring to SPs and the SSM) that he believes have counterbalanced any ambition that came with this radical new approach. He proposes for developing countries: "drop the tiered approach, drop the complicated flexibilities, two-third proportionalities, all the specials debate, etc., etc., all of which threatens to amount to an ever more complicated and ever-cascading exercise in stalemate negotiation and counterbalancing complications. And just go to something more simple and straightforward and, above all, clear." His proposal is to go back to the approach that applied to developed countries in the Uruguay Round and proposes that developing countries agree to the same this time around—to cut their tariffs by, on average, 36 percent over 6 years (developing countries had ten years to cut their tariffs by 24 percent under the Uruguay Round Agreement).

There are a number of considerations here. First, to do this would be to reopen the agreed negotiating mandate. To open that could risk opening other areas that are now agreed to—a risk no member will undertake lightly, however much it might dislike elements of what has been agreed to date. It is not at all clear the membership would accept such a dramatic proposal. Consider the U.S., which as the Chair's paper notes, succeeded in raising the ceiling on its trade-distorting support in the 2004 July Framework. Would agreeing to return to the URA tariff formula risk that "acquis" by opening other areas of the existing mandate? Second, there is an open question for developing countries as to whether such an approach would be better for their objectives overall: would it mean more or less tariff cuts at the

end of the day? Would the trade-off in simplicity make it worth forgoing the concept of SPs? Are there better ways to protect rural livelihoods?

Most importantly, such an approach would abandon the attempt to integrate development indicators into the trade talks, through SPs in particular. For all the complications entailed in getting SPs to work, this would be a big setback for the countries that believe trade should serve and not drive development.

10. The Chair is clearly frustrated by the lack of progress on the Hong Kong decision on cotton. The overall resistance to commodity specific AMS payment caps that he notes, especially by the United States, makes nonsense of the Hong Kong decision on cotton (paragraph 48). The U.S. Department of Agriculture 2007-2012 Farm Bill proposal would in fact increase direct payments for cotton by 65 percent over five years, apparently precluding any good faith effort to implement the Hong Kong decision regarding AMS payments for cotton.
11. It is worth a special note on the summary of the food aid debate, which is clear and helpful. It suggests criteria that could be applied to all food aid, ways to encourage better food aid without discouraging existing disbursements, and makes a strong case for the WTO to work with other, more competent, multilateral institutions to determine whether specific instances of food aid are a trade problem or not. This kind of institutional collaboration is to be strongly encouraged. The Chair's paper does not of course suggest it, but it might be worth members considering a stand-alone agreement on food aid, along the lines described in the Chair's paper, as a way to demonstrate tangible interest in making good on the so-called Development Round.

## CONCLUSION

Ambassador Falconer's paper is provocative on its own terms, it clearly and succinctly written, and it is almost certain to be the basis for discussions in the coming months. Most members say they want a deal and are looking for ways to break through the stalemate so as to maintain their political commitment to the Doha Round.

Now members need to decide what they are after—an agreement based on the principles set out in Doha with trade rules that promote "recovery, growth, and development" or further liberalization of global agricultural trade along the lines set out by the Uruguay Round. The Chair's paper is a good start at the latter. It leaves unanswered, however, how all the different groups with "special needs" (LDCs, recently acceded members, landlocked, commodity-dependent, net food importing, etc., etc.) will be accommodated, and it eviscerates the ideal behind the G33 proposals: that rural livelihoods and food security take precedence over trade and are not always best served by a liberal trade agenda. Let us hope it is not too late for advocates of meeting the tougher challenge to triumph.