

Agriculture Negotiations at the WTO: Context Setting and Intelligence Report¹

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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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Executive Summary

This report constitutes the last of a three-part series detailing the developments in the agriculture trade negotiations currently underway at the World Trade Organisation.

Building upon the first two reports in the series, the present report examines the salient issues emerging within the WTO agriculture negotiations. Bear in mind, though, when reading through this assessment, that by virtue of its early stage of development and its dynamism, the negotiation process continues to be very uncertain. Strategic alliances, such as the Cairns Group, although proving very successful in driving the negotiations' agenda on specific issues, may begin to weaken as the negotiation enters into more serious technical discussions and bargaining.

Since the last report, participation in the WTO agriculture negotiations has flourished, particularly from the African membership. In the interim between the Fifth and the end of the Sixth Special Session, 10 additional proposals were submitted bringing the total number of proposals to 44. Three technical submissions have also been received.

Perhaps, the most significant development to have occurred within the negotiations since the release of the last report has been the adoption of a work programme which will structure the next year of negotiations. This is important not simply because it signals the willingness of Members to proceed with the talks, but also because it moves the negotiation away from the posturing dialogue which characterised phase one and towards more technical dialogue better suited for concession bargaining².

The report is subdivided into three main sections:

- Section 1 is a brief introduction placing the agriculture negotiations within the logistical context of the WTO;
- Section 2 extrapolates from the negotiation those themes that are gaining in significance as the negotiation progresses;
- Section 3 provides descriptive and analytical detail of selected proposals that were submitted to the negotiation.
- Section 4 discusses briefly those emerging themes which will be highly relevant to the negotiation in the coming months.

The methodology used in compiling this report combined extensive outreach to country delegates based in Geneva as well as representatives of local non-governmental organizations and intergovernmental organizations with a thorough assessment of the country proposals and official statements submitted to the WTO Secretariat during the course of the last several months.

² Note that earnest concession making is not likely to begin until after March 2002 when the negotiation is scheduled to enter into phase three.

Section 1: Context Setting

Since March 2000, World Trade Organisation (WTO) member states, mandated by Article 20 of the existing Agreement on Agriculture (AoA), have been negotiating the continuation of the reform process for international agriculture trade, commenced under the Uruguay Round. To date, six formal negotiating sessions have convened to which members have submitted their negotiating positions for discussion, while one formal stock-taking session has been held. The present report will address both the Sixth Special Session – the final proposal submission and discussion exercise of phase one - and the Seventh Special Session – the stock-taking exercise - of the Committee on Agriculture held March 22-23 and 26-28 March respectively.

It should be noted that the Sixth Special Session was not originally scheduled when phase one negotiating dates were initially agreed upon in early 2000. Rather, at the close of the Fifth Special Session in February 2001, originally the last session in phase one, with seven proposals remaining to be discussed, Members agreed that one final Special Session would be required in order to accommodate the overflow of proposals. By default, this session became the Sixth Special Session and included discussion on not only those seven proposals carried over from the Fifth Special Session, but also ten additional proposals subsequently added to the discussion list during the interim between the Fifth and the close of the Sixth Special Session. Due to time constraints, however, discussion of these proposals was limited to 45 minutes per proposal. Discussion of these proposals for the most part, therefore, takes the form of official statements submitted by members.

On substance, the most significant development emerging from the Seventh Special Session, 26-28 March, was consensus on a work programme that will now serve to guide phase two of the negotiation (see Appendix A)³. This consensus is significant not simply because it will structure the next year of discussions, but also since it lends a degree of momentum to a negotiation process about which some Members have been very sceptical. The extent to which the work programme mitigates this scepticism is also important.

1.1 Work Programme

In the work programme, the following dates have been selected for continued negotiation through phase two⁴.

3 Formal sessions, corresponding with the regularly scheduled meetings of the Committee on Agriculture, will be held in:

- September, 2001; December 2001; and February 2002 with a formal stock-taking exercise scheduled for March 2002

5 Informal sessions will be held on (in):

- 21-23 May 2001; July 2001; September, 2001; December 2001; and in February 2002.

³ See Chairperson's report to General Council: G/AG/NG/7.

⁴ As in phase 1, it is entirely probable that this schedule will be augmented. Yet, in discussing the scheduling frequency of phase 2 with various Members, ICTSD learned that the frequency of the talks, and therefore to some extent the pace of the negotiation, was well received by most developing countries as a manageable time frame.

At this early stage of the process, several features of the work programme are worth noting. First, the work programme contains a list of issues that will be discussed during phase two (see Appendix A). Bear in mind however that this list is not exhaustive, but is merely intended to give scope to the first 2 or 3 negotiating sessions in phase two. The work programme explicitly states that Members will "work in depth on **all** issues and options for policy reform **set out in Members' proposals**," and so should not be inferred to preclude other issues from future discussion. Several Members subsequently validated this interpretation during the preparation of this report.

Second, the work programme states explicitly that "special and differential treatment" (SDT) (for developing countries) is an integral part of all elements of the negotiations." Although not a complete elaboration of the SDT idea, this feature of the work programme is important for two reasons. In one sense, by establishing a discrete role for SDT in the negotiations, Members will be better positioned to settle the definitional contest currently characterising SDT within the negotiation⁵. But in another sense, offering distinct status to the SDT concept within the work programme sets it apart from the concept of non-trade concerns (NTCs) in the negotiation. That is, Article 20 of the Agreement on Agriculture (AoA), which mandates the present negotiation, specifies that both SDT and NTCs are to be "taken into account" in the negotiation itself.⁶ As it is written in the AoA text, it can be assumed that these two concepts should be given equal treatment in the negotiation. This assumption is, however, challenged by the newly articulated status given SDT in the work programme.

Yet, even when understanding the relationship between NTCs and SDT in this way, it should be borne mind that since overall reference to SDT still remains sufficiently vague, the work programme does not necessarily signal a concrete willingness to renegotiate the operative terms of the concept per se.

Third, the work programme makes no reference whatsoever to debates within the WTO regarding the relationship between Article 20 and a new round of multilateral trade negotiations. Rather, the work programme implicitly emphasizes that regardless of the "new round" political climate, the Article 20 negotiations are mandated to occur and will proceed regardless of any exogenous influences. While the issue has been recurring informally since the dates of the Doha Ministerial were finalized in January, no substantive efforts to reconcile the debate have been attempted. Very likely the negotiation is itself not far enough advanced that this should be a foremost consideration for negotiators.

One final observation should be made regarding the context emerging within the Article 20 negotiations. During the last several months, the level of African participation in phase one has been relatively high. Of the 16 proposals discussed in the Sixth Special Session, 8 of these were submitted by African countries -- Namibia, Senegal, Kenya, Democratic Republic of Congo, Nigeria, Egypt, Morocco, and the African Group⁷. Moreover, of the 44 total proposals submitted to the negotiation, 10 (23%) were submitted exclusively and independently by African

⁵ This definitional contest is comprised of three distinct conceptualisations of SDT. These are: (i) redistributing the rules to improve the competitiveness of developing country industry (India and African Group); (ii) expanded flexibilities for those committed to market reform, yet overcoming the political inertia of control economics (transitional economies); and (iii) a straightforward 'derogation of the rules', or 'exception from the rules' approach. This threefold interpretation was originally articulated in the second report in this series.

⁶ It should be noted further that SDT is a recognised principle in other WTO agreements, while NTCs are specific to the Agreement on Agriculture.

⁷ Bear in mind the Africa Group proposal, consisting of all African WTO Members, is "without prejudice to individual country positions."

countries, while Uganda, Zimbabwe, Madagascar, Mauritania and South Africa were listed as joint sponsors on several group proposals. This dynamic is important for two reasons. First, it is indicative of the importance African countries, and developing countries more generally, place on developing their agriculture sectors, significant considering their historically weak participation at the WTO, particularly among LDCs. But perhaps mostly importantly, the volume of African proposals specifies more concretely the quality of reform they seek. Here many of the proposals outline a reform position, similar to the Indian proposal, aimed at conferring greater international competitiveness to both their commodity and value-added production by securing more beneficial rights, while at the same time minimising their concessional obligations in the negotiated text.

1.2 Phase Two Informal Meeting #1

Very recently, the WTO Secretariat announced that the first informal meeting in phase two of the negotiations is scheduled for 21-23 May. The topics to be discussed are as follows:

- tariff quota administration;
- tariffs; and
- amber box domestic supports

These topics were chosen as they represent those currently specified in country reduction commitments and therefore show the greatest potential for reform. However, members may want to raise other issues. Yet, because the meetings are classified as "informal", no official draft agenda - or airgram - will be circulated.

Section 2: Substantive Themes Emerging in the Sixth Special Session

2.1 Export Credits⁸

An important dynamic in the agriculture negotiations, the treatment of export credits in the coming year will be a telltale indicator of progress inside the negotiation. From the outset, the EC has said that only on the condition that the US takes commitments on export credits – either inside the Article 20 talks or within other international fora, such as the Organisation for Economic Cooperation and Development (OECD) - and that only if these are incorporated into the WTO rules and disciplines would it consider negotiating reforms to its own export subsidy regime. Yet, despite mounting pressure inside the Article 20 negotiations, and within the European Commission itself, to unilaterally reduce and eventually eliminate export subsidy use, the EC has remained steadfast in this conviction.

The main position taken by the US has been that, because discussion of export credit reform had been ongoing at the Organisation for Economic Cooperation Development (OECD) since before completion of the Uruguay Round, these discussions should not be relocated to the WTO. Complicating the US argument, however, is Article 10.2 in the existing AoA which states that members must “undertake to work toward the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes.” At first glance, one might assume that Article 10.2 requires that members negotiate export credit reductions inside the WTO, yet this is not necessarily the case. At the time that the Uruguay Round Agreement on Agriculture was being negotiated, export credit negotiations were going on simultaneously at the OECD and because of this it was considered politically expedient to design a deliberately vague treatment for export credits within the Uruguay Round text, language that would both acknowledge the OECD talks, yet also bring these under WTO purview. At the time, it was assumed that since the OECD export credit negotiations would have been long completed by the time the Article 20 negotiations got underway, politically palatable, vague language presumably would not have come to bear on the Article 20 negotiations. The resulting language in the AoA is Article 10.2’s reference to the notion of “internationally agreed disciplines”, a provision which can be interpreted in various ways. Therefore, some members, MERCOSUR+ for example (see below), interpret Article 10.2 to mean that export credits disciplines are required under the auspices of the WTO, preferably negotiated within the Article 20 process, while the US maintains that the OECD forum is best suited for this. It is important however to bear in mind that members are not mandated to conclude agreement on this topic, but only to negotiate.

To this end, MERCOSUR⁹, Costa Rica, Guatemala, India, and Malaysia submitted to the negotiation a joint proposal¹⁰ asserting that since “internationally agreed disciplines” on export credits have not been developed at the WTO, Article 10.2 remains unimplemented. For these countries, reduced export credit use by the US is of paramount concern given that export credits

⁸ In their simplest sense, export credits, also referred to as export financing, should be understood as those forms of export assistance which do not take the form of direct subsidies and which are directly conditional on the export of commodities. Here, the most basic form of export credit is the ‘government loan guarantee’ whereby private loans granted to commodity purchasers, usually developing countries, at rates slightly more favourable than those offered commercially, are underwritten, or guaranteed by the state. In this sense, the risk associated with the extension of such loans becomes socialised since the government will guarantee the lender full repayment in the event that the borrower defaults on the loan. Other forms of include insurance and other financing arrangements. The OECD provides an excellent utility for understanding how export credit schemes operate: <http://www.oecd.org/ech/act/xcred-en.htm>.

⁹ A Latin American customs union consisting of Argentina, Brazil, Paraguay and Uruguay and associate members, Chile and Bolivia.

¹⁰ G/AG/NG/W/139

create an incentive to produce commodities for export in jurisdictions which practice export crediting, a process that they feel has severely trade-displacing effects on their producers. While no mention of the OECD discussion is made explicit in this proposal, the position of MERCOSUR+ indicates that if disciplines on export credits are going to be formulated and subsequently applied to all Members, then these disciplines *must* involve all WTO members, since the rules and disciplines will apply to all members, and not simply those represented at the OECD (see section 3.3 on Export Competition).

Based on this assessment, it follows that the agriculture talks may advance to the extent that the US and EC resolve their differences over the export credit issue. Moreover, should earnest reductions in export subsidies in exchange for disciplines on export credits begin, this may open a space, or create an incentive, for parties to explore alternate policies through which to manage domestic agriculture.

2.2 SPS Revisited

A cross-cutting theme, one that will invariably reappear as the negotiations proceed, is that of sanitary and phytosanitary measures (these fall under the SPS agreement which is closely linked to the AoA). To date, the discussion has been broadly divided into two fundamental camps: those countries who see food, animal and plant safety issues as essential to protecting national interests; and those countries that see the proliferation of complex and unpredictable legislation in export markets as a significant barrier to trade. These issues were brought up only in a few proposals during the Sixth Special Session. Of the proposals presented to the Sixth Session, only two of these mentioned the increased use of sanitary and phytosanitary measures in preventing agricultural imports from entering developed countries. Others simply stated a recurring theme carried over from earlier sessions, that a uniform and more predictable set of sanitary and phytosanitary measures should be negotiated and implemented by members in order to dispel any uncertainty about the requirements for acceptable importation. However, despite this reference to the market access impediments of the SPS agreement in these proposals, specific discussion of these positions did not occur during the Sixth Special Session, nor was there any comment offered on these positions in the official Member statements submitted to the WTO Secretariat. Further discussion on SPS is given in Section 3.1 on Market Access.

Section 3: Proposal Analysis

In this section, we discuss and analyse the proposals themselves. The analysis is subdivided into five subsections reflecting the basic structure of the negotiating modalities: market access, domestic support, export competition, non-trade concerns and Special and Differential Treatment. At the outset of each subsection, a **Quick Reference**¹¹ guide helps capture the main thrust of country positions on the key areas of the negotiation. Please note that due to the complexity of the negotiation process and the high level of detail in most proposals, the **Quick Reference** is not a suitable substitute for reading the actual proposals. Rather, it is merely meant to help the reader identify major themes.

A complete list of those proposals discussed at the Sixth Special Session is found in **Appendix B**.

¹¹ Included in the Quick Reference is a compilation of statistical data that highlights the basic trade flow weights characteristic of each country or relevant grouping concerned. A short note on the methodology used in the calculation of these statistics is warranted. In selecting its data source, ICTSD selected the United Nations Food and Agriculture Association (FAO) statistical database for its reputation as a statistical source of international repute. Users of this data should note that the WTO maintains a similar data source in *International Trade Statistics, 2000*, but that this data set is incomplete for the purposes of our analysis, nor is its methodology comparable. WTO publishes data on 'selected economies', while ICTSD statistics include data from a wide range of trading nations. We therefore caution against direct comparisons between data sets. Finally, though different in total amounts, relative percentages of world trade are quite similar between the two sources. WTO statistics include trade in raw materials which include: hides, skins and fur skins, raw; crude rubber (including synthetic and reclaimed); cork and wood; pulp and waste paper; textile fibres and their wastes; crude animal and vegetable materials, n.e.s. (SITC divisions 21, 23, 24, 25, 26, 29). ICTSD figures include crops and livestock, primary and processed.

3.1 Market Access

Quick Reference – Market Access			
Country	%of total world agriculture trade		
	exports	imports	
Cairns Group	33	13	Elimination of all tariffs, with 50% down payment
US	19	14	Automatic reduction of in-quota duties in case of TRQ under-fill.
EC	18	18	UR formula for reduction, improved TRQ administration, geographical indications; safeguards.
ASEAN	9	6	Improved TRQs; inclusion of tropical products; continued safeguard mechanism; improve working of GSP.
African Group	5	6	Credit for autonomous reduction; discipline tariff peaks and escalations; maintain preferences; safeguards; inclusion of SPS 9&10 and TBT 11 & 12 in AoA.
India	2	2	Reduction of tariff peaks and escalation; protective tariffs; separate safeguard mechanism; no obligation for minimum market access.
Transitional Economies	2	2	Flexibility to compensate for transitional economies' vulnerabilities.
Mexico	2	3	Tariff reductions; geographical indicators are not an AoA issue.
Switzerland	1	1	Flexibility to implement TRQ and SSG by importing country. Case by case market access improvements for developing countries
Japan/Korea (NFIC)	1	14	Market access should reflect domestic conditions, taking into account factors of production.
Norway	<1	<1	Tariff reductions should respect objective of retaining domestic production.
SIDS	<1	<1	SIDS Import regimes to exclude of sensitive sectors; SIDS export markets to must be predictably accessible.
Namibia	<1	<1	Reduce tariff peaks and escalation; universalise SPS measures; exempt countries with low bound tariffs.
Senegal	<1	<1	Maintain preferences; protect special safeguards; free access for LDC products; technical assistance to improve compliance with standards; "give and withdraw" principle.
Nigeria	<1	<1	Ceilings on tariff peaks and expand TRQs; global arrangements should not supersede bilateral arrangements; reduce tariffs; universalise SPS measures; limit developed country safeguards.
Egypt	<1	1	Reduce tariffs; eliminate tariff peaks, escalations and disparities; discipline and disaggregate TRQs; safeguards.
Turkey	1	1	Eliminate tariff peaks and escalations; reduce developed country tariffs; flexible use of tariffs and tariffs reductions for developing countries.
Poland	1	1	Improve TRQ access; reduce in-quota tariffs by 50% in cases of under-fill; maintain Article 5 (Special Safeguard Mechanism).
Jordan	<1	<1	Tariff reduction commensurate with level of development; maintain safeguards against extreme price fluctuation and import surges

Norway

Although debates around the utility, acceptability, and operationalisation of the multifunctionality concept will undoubtedly persist throughout the agriculture negotiation, Norway's proposal was the final multifunctionality-type proposal formally presented and debated by the special session. Predictably, reactions to Norway's market access recommendations were mixed.

In its proposal¹², Norway makes the point that 50 percent of its caloric needs are derived from food imports and that these are currently subject to either zero, or low bound, tariffs. On this basis, it argues further that future Most Favoured Nation (MFN) reductions should be made with a view to ensuring the viability of domestic production and to developing country interests.

Very generally, reaction to Norway's proposals can be categorised into two groups. On one hand, some countries – Slovenia, the Czech Republic, the Baltic States and Sri Lanka – have commended Norway's idea of MFN tariff reductions on limited products, with a view of ensuring that their key agricultural sectors are not eroded. In principle, the group expressed its sympathy to the idea of multifunctionality. For the Czech Republic, consideration of market access commitments should follow a balanced assessment of its trade and non-trade concerns. Accordingly the Czech Republic states, "once we have been able to clarify the principles to be applied with respect to the non-trade concerns we shall be better disposed to look at the proposal to allow members to make only limited tariff reductions on their key agricultural commodities."¹³ Closely related to this position is Sri Lanka's which argues that access to this type of flexibility should be "based on objective criteria that takes into account the different measures already used by countries."¹⁴

On the other hand, several Cairns Group countries including Colombia, Australia and South Africa and ASEAN (also including some non-Cairns members), have been less enthusiastic about granting this type of flexibility for the purposes of addressing non-trade concerns. Their rationale follows that such an approach would be incongruous with the purpose of the agriculture negotiation, since doing so effectively protects uncompetitive sectors. In the Cairns Group view, protecting uncompetitive sectors is anathema to the principle of comparative advantage and therefore counterproductive to the process of reform of distorted agricultural trade. Moreover, it is more likely that the Cairns Group would consider extending such a flexibility provision to a developing country in the context of SDT, than it would to a developed country like Norway.

African Group

For the most part, the African Group position is consistent with those put forward by many developing countries throughout the Article 20 negotiation. Here, their core demand is that improved access to developed country markets and reduced trade distorting domestic and export specific support are essential for African countries to address issues of poverty alleviation, food security, and sustainable rural development: well developed export sectors with reliable market access will generate gains and foreign exchange earnings sizeable enough to compensate for these non-trade concerns.

¹² G/AG/NG/W/101

¹³ G/AG/NG/W/156

¹⁴ G/AG/NG/W/159

With respect to market access, the proposal spells out those commitments that must be taken by developed countries, and simultaneously those rights that must be conferred unto African countries, in order to effectively rebalance the inequities characterising the present agreement and its implementation. In particular, the proposal calls for reforms to developed country tariff regimes, including the elimination of tariff peaks and tariff escalation with a view to creating investment opportunities in value-added production in Africa. At the same time, the African Group proposes to base its own tariff reduction commitments on final bound, as opposed to applied, rates. The proposal also asserts the need to review Article 5 of the AoA, a safeguard measure available only to those countries which tariffed their non-tariff barriers¹⁵ following the coming into force of the AoA. The central idea of the review is to ensure that an appropriate safeguard mechanism is designed for those developing countries which did not specify tariffication plans in their schedules.

The African Group proposal also calls for making mandatory within the AoA Article 9 and Article 10 of the SPS Agreement and Article 11 and 12 of the TBT Agreement which specify both the technical assistance obligations required of members in facilitating developing country implementation of acceptable standards and the *special and differential treatment* provisions for developing countries. In doing so, the African Group considers market access not simply an issue of how border measures are used, but also how regulatory measures, such as those falling under the TBT and SPS agreements, act as considerable barriers to trade and competitiveness.

Namibia and Nigeria

On the level of generality, both the Namibian and Nigerian proposals follow very closely the recommendations specified in the African Group proposal. Each, however, articulates a unique recommendation not appearing in the African Group proposal and so therefore deserves some attention. Both call for a uniform, internationally agreed, set of sanitary and phytosanitary disciplines that would add an element of predictability to the use of SPS measures.

This is an extremely topical request given the recent political emergence of food safety concerns, both public health and technology related, in the developed world. In the absence of universal standards for assessing food safety and quality, many developing countries face the very real possibility of not meeting individualised domestic developed country standards, particularly in the event that these become more stringent as food safety concerns gain in political prominence. According to this view, import bans often have the appearance of being arbitrary, particularly where an import ban on a certain product may occur in one jurisdiction, yet not in another¹⁶. Such universalised standards would therefore provide developing country exporters an element of predictability when developing specific export sectors. Moreover, as discussion increases within the EC about a potential shift in agriculture production methods from

¹⁵ Here, *tariffy* and *tariffication* refer to the conversion of non-tariff barriers specified in Article 4.2 into tariffs for the purposes of making percentage based reduction commitments.

¹⁶ During a recent conference in Geneva on SPS and TBT in the agriculture negotiations, researchers from select developing countries provided the Geneva trade community with several case studies detailing how the use of both SPS and TBT measures prevent the entry of substandard foodstuffs. In many instances, particularly those dealing with the export of fish from west Africa, SPS was used to legitimise EC import bans on the basis of protecting public health. While not attacking the bans as unfounded or discriminatory, most of the research pointed out that similar bans were not imposed by other import markets, notably the US and Japan. Fortunately, in some cases, lost sales resulting from the EC bans were compensated for, at least in part, by shifting exports from the EC to the US and Japan. Yet, what this body of research does is emphasise that the adjustment effects such bans impose on developing countries place them at a comparative disadvantage, as developing country exporters are forced to adapt to conditions of market access uncertainty. The rhetorical question that is raised here is: why are the same products banned in one jurisdiction and not another? It is by advocating universal standards of food safety that these countries are seeking to mitigate these cross-jurisdictional discrepancies in risk tolerance thereby adding an element of predictability to the trade system.

'industrial' to 'sustainable', the likelihood that this shift is reflected in greater, rather than fewer, SPS-type market access restrictions is high.

While not exactly an echo of the US position, this recommendation suggests convergence potential with the US call for uniform, transparent, science based processes for approving the environmental release of genetically modified organisms (GMOs) or the export of products containing GMOs. Similarly, EC and Japanese interest in a more precise operationalisation of the precautionary principle, suggest further negotiation of the SPS agreement could prove mutually beneficial to all concerned parties.

Mexico

While also presenting a set of recommendations consistent with 'developing country' concerns, namely improved market access through tariff reform and reduced subsidy support, Mexico adds to the negotiation a very specific requirement that geographical indicators 'not fall within the mandate of the negotiations on agriculture.' This proposal is targeted primarily at the EC which has argued in favour of 'food specificity', a concept recognising that food produced in specific regions is of a specific quality and kind. In its proposal, Mexico reiterates Australia's opposition to the market access implications of protected geographical indicators in the agriculture agreement. According to Australia, protected geographical indicators for specific agricultural products impede consumer choice and act as *de facto* barriers to market access for those agricultural products of the same quality and kind produced in other regions.

In its proposal, Mexico also asserts that any discussion of sanitary and phytosanitary measures must not become an issue for the agriculture negotiations, but should remain within the purview of the SPS Agreement.

3.2 Domestic Support

Quick Reference – Domestic Support			
Country	%of total world agriculture trade		
	exports	imports	
Cairns Group	33	13	Reduce support and reduce disparity between developed/developing country levels of overall support.
US	19	14	Simplified definition of domestic support; "exempt" and "non-exempt" supports". Proposal of technical working group on Annex II measures.
EC	18	18	Existing AoA structure should be maintained
Switzerland	1	1	Wait to negotiate Amber and Blue until instruments of NTCs agreed in principle. Examine and specify Green Box measures.
ASEAN	9	6	Flexibility for developing countries; deep reductions for developed countries.
African Group	5	6	Reduce developed country supports; ensure green box measures are non, or at most minimally, distorting; flexibilise AMS and de minimis for developing countries; expand SDT to benefit developing country NTCs.
Like-minded Group	4	4	Collapse support into one category and discipline as percentage of production; add Development Box
India	2	2	Exempt antipoverty measures; reduction below de minimis for all countries;
Transitional Economies	2	2	Flexible approach given transitional sensitivities.
Mexico	2	3	Maintain green box; continued reduction of amber box; accelerated blue box reductions.
Japan/Korea (NFIC)	1	14	Seeks also to provide supports to entire market structure, including factors of production.
Turkey	1	1	Reduce de minimis for developed countries; increase de minimis for developing countries; exemptions based on domestic inflation; maintain Article 6.2 and qualified green box use; do not renew Peace Clause.
Poland	1	1	Reductions of bound levels of AMS based on Uruguay Round formula; maintain blue box.
Norway	<1	<1	Two-tiered system for domestic and export production.
SIDS	<1	<1	Manage economic and geographical vulnerabilities. Special attention to sensitive sectors.
Namibia	<1	<1	De minimis and AMS should be reconsidered by those with zero or negative rates; eventual elimination of all distorting support; discipline green box, cap blue box and eventually eliminate.
Senegal	<1	<1	Flexible support for developing countries to ensure food security, rural employment and poverty reduction.
Nigeria	<1	<1	Article 6.4 subsidies should continue to receive immunity from Article 13 (peace clause); subsidies in excess of de minimis for developing countries; more transparency of domestic support regimes.
Egypt	<1	1	Reduce developed country supports; up-front reduction down payment.
Jordan	<1	<1	Review green box to ensure that measures are non-distorting; maintain blue box subject to reduction commitments; de minimis for developing countries only.

Norway

On domestic support, Norway presents a unique concept that has received little attention during the Article 20 negotiations, namely that domestic supports should be subcategorised as (i) those used to promote agriculture production destined for domestic consumption and (ii) those earmarked for export-destined production. Here, Norway argues that domestic agriculture production is of vital importance for safeguarding domestic NTCs and that, given its price depressing effects, export competition policy is not well suited for achieving these goals and should be subject to reduction commitments. In short, reducing market access holds less appeal than reductions in export competition supports. This position obviously suits Norway very well given its limited export capacity.

Again, reaction to this idea has elicited both outright rejection and tacit and stated approval. Colombia, ASEAN and Turkey have opposed the idea saying that such an approach would constitute a cumbersome administrative burden, the costs of tracking domestic goods and export-destined goods being prohibitively unmanageable. On the other hand, countries such as India, the Czech Republic and Sri Lanka for example, have said that, at a minimum, designing domestic support along these lines is a welcome idea, but that details regarding its operationalisation need to be further elaborated.

African Group

With respect to domestic support, the African Group again asserts a position seeking tighter obligations on developed countries while at the same time allowing developing countries greater flexibility in the use and administration of domestic supports in order to meet their food security, sustainable rural development, and poverty alleviation objectives.

Lending added convergence potential to the emerging treatment of green box supports within the agriculture negotiations, the African Group proposes that green box measures be maintained on the condition that they are non-distorting, transparent, and targeted. This qualified use of green box measures is consistent with the positions of several countries and country groupings, including the Cairns Group, Swiss and EC. Jordan also supported this view in its proposal to the Sixth Special Session.

Turkey

In its proposal on domestic support, Turkey follows an approach similar to that of the African Group. Turkey begins arguing that domestic support regimes are a reflection of the structure of domestic production and of specific policy objectives of a given country. It then says that agriculture makes an integral contribution to developing country social, political and economic stability, and food security needs and must therefore be strategically oriented to achieving these objectives. To do so, Turkey argues that domestically supported agriculture will enable this to occur, but that presently there are sizeable imbalances in levels of domestic support available to countries. Turkey therefore recommends that *de minimis* levels of domestic support granted developing countries should be increased to an agreed upon level, while developed country supports in excess of *de minimis* levels should be reduced substantially or eliminated.

On green box supports, Turkey is in favour of maintaining its qualified use and proposes that clear definitions and rules be developed to ensure that green box measures are not abused. Turkey also requests that, in line with Article 18.4 of the AoA, 'the negative effects of high inflation rates' be duly considered when implementing domestic support commitments. This

latter position is consistent with India's proposal on domestic which asserts that a 'suitable methodology for notifying the domestic support in a stable currency/basket of currencies should be adopted for taking into account the incidence of inflation and exchange. At this stage no specific methodology, nor base period, has been put forth for negotiation, yet India does make reference to a 70 percent Rupee devaluation calculated in 1986-87 real US dollars to emphasise the point.

In response, the Turkish position on domestic support has received a great deal of positive attention from all countries, developed and developing alike. This is unique particularly as it pertains to developing countries. Very crudely, developing country positions fall within two distinct camps, those of the Cairns Group and those of the Like Minded Group. Yet, in this case Turkey has managed to garner support from countries in both alliances, notably Sri Lanka and India from the Like Minded Group and from ASEAN many of whom are members of the Cairns Group as well.

On the level of generality, those developing countries which offered comment on Turkey's proposal all agreed that progress in the negotiation will proceed to the extent that developed countries are willing to make meaningful domestic support reduction commitments. In the area of domestic support, most countries agreed with Turkey's assessment that developing countries would stand to benefit if developed countries either reduced or eliminated supports in excess of their *de minimis* entitlements. But some, Colombia and Australia in particular, were not supportive of Turkey's recommendation to increase *de minimis* thresholds for developing countries on the grounds that developing countries generally lack sufficient financial resources to make such provisions worthwhile. Australia adds that permitting greater levels of domestic support in developing countries will generate future trade distortions which would be counter productive to the reform process.

Mexico

The Mexican proposal on domestic support is concise and simple. In essence, it too seeks to rebalance disparities in levels of support between developed and developing countries by aggressively reducing developed country support levels. However, in contrast to many other developing country proposals, like India's for instance, Mexico does not advocate a restructuring of domestic support provisions by increasing rights to developing countries and flexibilising their obligations. Instead, Mexico asserts a reductions approach which allows derogations in rates of reduction that would benefit developing countries. Mexico takes this approach on both blue and amber box supports.

However, Mexico advocates maintaining the green box with a view to ensuring that developing country programmes currently justified by this type of support are not affected. Mexico also supports the use of existing domestic support related SDT provisions and the states that measures falling under Article 6.2 - investment and input subsidies used by developing countries - should not be countervailable.

Given its relatively strong market orientation approach, save derogations in reduction rates for developing countries, the Mexican proposal has received little scrutiny. One might expect greater criticism from developing countries with an interest in acquiring more rights and fewer obligations, but such criticism has not been forthcoming.

3.3 Export Competition

Quick Reference – Export Competition			
Country	%of total world agriculture trade		
	exports	imports	
Cairns Group	33	13	Discipline all forms of support.
US	19	14	Elimination of export subsidies and taxes.
EC	18	18	Must discuss all export competition measures, including credits and food aid, rather than narrow focus on export subsidies.
Switzerland	1	1	Discipline all forms of support.
ASEAN	9	6	Eliminate all forms of export support for developed countries; extended use of existing Article 9.4 export subsidies for developing countries
African Group	5	6	Eventually eliminate export subsidies; strengthen Article 9.4; develop disciplines on export credits taking into account LDCs and NFICs needs.
India	2	2	Discipline all forms of support; continued flexibility for developing countries
Transitional Economies	2	2	Discipline all forms of support (Poland)
Mexico	2	3	Discipline all forms of export support.
Japan/Korea (NFIC)	1	14	Discipline all forms of support. Reduce export barriers; improve disciplines for state trading exporters.
Turkey	1	1	Eliminate export subsidies; food aid in grant form; bring Article 10.2 discussion into WTO.
Poland	1	1	Discipline all forms of export support; 36% reduction for all non-Article 9 subsidies and 21% reduction for Article 9 subsidies.
Egypt	<1	1	Discipline all forms of export support.
Norway	<1	<1	Negotiated reduction of all forms of export support. Norway acknowledges adjustment effects on Norwegian milk production with reduced export support.
Namibia	<1	<1	Discipline all forms of export support; food aid in grant form.
Senegal	<1	<1	Reduction of subsidies; discipline any form of export assistance; allow derogations for developing countries; adjustment mechanism to manage food insecurity resulting from reductions by developed countries.
Nigeria	<1	<1	Rationalise export subsidies and domestic support in developing countries.
Jordan	<1	<1	Discipline all forms of export support.

General Comments

In the area of export competition, most countries are in agreement that all forms of export competition, including production related export subsidies and export crediting regimes, should be disciplined. This is a theme consistent with previous Special Sessions and need not receive a great deal of discussion at this time. For the most part, as it was described in Section 2, the real debate on export competition is over the use of EC export subsidies and US export credits. In both cases the trade distorting effects of both practices are quite clear, yet more scrutiny has been directed at the EC for its use of production related export subsidies than it has been at the US. It seems however that a shift has occurred in this debate whereby developing countries are beginning to pressure the US as well in the knowledge that reduced EC export subsidies are conditional on similar reductions taken by the US on export credits.

MERCOSUR + Chile, Colombia, Costa Rica, Guatemala, India and Malaysia

In this proposal, MERCOSUR+ take a strong position on the export credit issue arguing that negotiated rules and disciplines for export credits must be undertaken at the WTO. As mentioned above, while these discussions are technically underway in the OECD forum, by virtue of the OECD membership, these talks have not included the viewpoints of all WTO members. If for no other reason, bringing the export credit discussion into the WTO will at least alleviate this structural inequity.

It is worth noting that bringing the export credit discussion to the WTO, to some extent, may temper the adversarial relationship between the EC and Cairns Group. At the moment, the EC has not strongly advocated moving the export credit discussion to the WTO. Instead, its position has been that the US must agree to reductions in export credit use, in exchange for reductions in its own use of export subsidies. In order therefore for MERCOSUR+, of which there is significant overlap with the Cairns Group membership, to obtain EC support for its export credit proposal, it will likely offer concessions to the EC in other areas of the negotiation. Doing so may have the effect of weakening the Cairns Group, since not all members of the Cairns Group will necessarily be willing to offer the same concession simply to have export credits more unambiguously disciplined with the WTO. Hungary and Mauritius have offered their support to this proposal.

Norway

Norway's position on export competition, namely the need for stricter disciplines on all forms of export support, was welcomed by many countries. Only South Africa expressed disappointment that the Norwegian proposal called for 'stricter disciplines on', as opposed to 'elimination of', export competition measures.

African Group

Very bluntly, the African Group proposal advocates for reduced use, and eventual elimination, of export subsidies by developing countries. The proposal asserts that the rights to export subsidy use by developing countries specified under Article 9.4 should be strengthened and, furthermore, that disciplines on exports should be agreed to expeditiously.

Poland

On export subsidies, Poland makes a unique contribution to the debate arguing that, in addition to commitments on all forms of export subsidy, all export subsidies not specified in Article 9 (i.e.: all developed country export subsidies) should be reduced by 36 percent and those which do fall within Article 9 should be subject to a 21 percent reduction. Poland then says this should be followed by gradual reductions. Here, Poland is proposing a standard reductions formula similar to that mandated by the Uruguay Round, although in this case Poland does not differentiate levels of reduction for developed and developing countries, a provision specified in the existing agreement.

Reaction to Poland's proposal on export subsidies was not favourable. Members were pleased with Poland's theoretical approach to export subsidy reduction, but on the level of detail most felt that a formulaic reduction strategy was insufficient for addressing the severity of current trade distortions.

MERCOSUR + Chile and Colombia

This group presents a recommendation that, by their very nature, state-trading enterprises (STEs) possess monopoly import/export rights, have an incentive to distort markets and should therefore be disciplined.

Australia agrees that the distorting effects of STEs are problematic, but points out that guidelines regulating STE activity exist under Article XVII of the GATT 1994. Therefore, STEs should be assessed for their trade distorting effects on a case-by-case basis, and not from the starting assumption that all STEs have a propensity to distort.

3. 4 Non-trade Concerns

Quick Reference – Non-trade Concerns			
Country	% of total world agriculture trade		
	exports	imports	
US	19	14	Liberalisation alone will not achieve food security
EC	18	18	Maintaining positive externalities (public goods) cannot be de-linked from agriculture production.
African Group	5	6	Negotiation should take into account NTCs such as food security, sustainable rural development and poverty alleviation.
Argentina	4	<1	Eliminate distortions in world agriculture markets that exacerbating non-trade concerns in developing countries - rural poverty, unemployment and environmental protection.
LMG	4	4	Special and differential treatment should lead to Development Box allowing measures for food security, rural development, etc
India	2	2	Food security box as prime objective, but also addressing most of same issues of LMG.
Transitional Economies	2	2	Flexibility to ensure non-trade concerns are addressed through domestic support and market access measures.
Mexico	2	3	NTCs must be clearly defined and their measures non-distorting.
Japan/Korea (NFIC)	1	14	Maintaining positive externalities (public goods) cannot be de-linked from agriculture production. Negative externalities must be minimised. Importer's rights must be strengthened.
Switzerland	1	1	Seek win-win-win solutions. Reduction commitments must be considered in context of NTCs
Turkey	1	1	NTCs are important but should not disguise protection.
Poland	1	1	Right to protect policies linked to NTCs.
Norway	<1	<1	Maintaining positive externalities (public goods) cannot be de-linked from agriculture production. Negative externalities must be minimised.
SIDS	<1	<1	Food insecurity must be mitigated by special safeguards and technical assistance. AoA waived during natural disasters.
Namibia	<1	<1	Legitimate, measurable and quantified values should be attached to NTCs; provision of household food for rural poor should be flexible.
Senegal	<1	<1	Defined as food security; operationalise "Marrakesh Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on LDCs and NFIDCs"; transparent and participatory food aid management; establish fund to enable infrastructural development.
Nigeria	<1	<1	Provisions for food security; regulate multinationals.
Jordan	<1	<1	Olive production is defence against desertification; preserve cultural heritage of Bedouin nomads and fat tail sheep varieties.

Norway

On NTCs, Norway presents a joint-production position arguing that its NTCs – rural viability, food security, cultural heritage, landscape preservation, agro-biological diversity, land conservation, and high standards of plant, animal and public health – are produced jointly with the production of agricultural commodities. That is, in their entirety, these cannot be delivered in the absence of domestic agricultural production. Sharing a core theme with the Japanese concept of co-existence, Norway argues that a ‘one size fits all’ approach to agriculture, cannot be operationalised as the ‘policy objectives and agricultural production conditions’ among members ‘vary considerably’.

Response to Norway’s *joint-production* proposal reflects a persistent rift in the agriculture negotiations between so-called Friends of Multifunctionality¹⁷ and the Cairns Group-US grouping. In principle, the main reason for this divide is not the idea that countries have NTCs which are related to agriculture production, but that existing measures designed to mitigate NTCs have trade distorting effects and therefore harm other agriculture exporting nations. Once again, the argument from the Cairns Group countries is clear: measures used to address NTCs must be targeted, transparent and non-distorting.

In contrast, Norway’s proposal garnered support from the traditional Friends of Multifunctionality group, but also from several members not commonly associated with the multifunctionality concept, namely the Czech Republic, Sri Lanka and Slovenia. For each, the general message conveyed was that national governments have specific policy objectives unique to geography, level of technological development, economic diversity and cultural and social history which must be kept in mind during the reform process and that these cannot be compromised as the negotiation unfolds.

African Group

Not surprisingly the African Group proposal brings to the negotiation a set of NTCs - food security, sustainable rural development and poverty alleviation - yet only in the context that trade liberalisation must take these into account. Consistent with many developing country proposals - India and Argentina for example - the African Group argues that the most effective method with which to address these concerns is through gaining market access to developed country markets. The foreign exchange obtained through such transactions is the best conduit for delivering on non-trade concerns.

Two exceptions worth noting are the Mauritius’ and Democratic Republic of Congo’s position. Unlike most African countries, these countries make reference to environmental preservation and environmental protection, respectively, among the non-trade concerns each seeks to address. The African Group proposal on the other hand is less explicit using ‘sustainable rural development’ terminology to capture this concern. Swaziland uses the term ‘sustainable development’ in this regard.

Reaction to the African Group position on NTCs has been non-existent except in a statement by India in which it welcomed the African proposal.

¹⁷ European Commission, Switzerland, Croatia, Norway, Korea and Japan.

Croatia

Although previously not a vocal supporter of the multifunctionality concept, in its proposal Croatia accepts the multifunctional nature of agriculture production as an integral component in delivering sustainable development, environmental protection, and poverty alleviation. So supportive of the idea is Croatia that it should be considered among the core group of multifunctionality supporters - Switzerland, Norway, EC, Japan and Korea. Croatia supports the EC and Swiss recommendation that measures addressing NTCs should be targeted, transparent and no more than minimally distorting.

Predictably, reaction to Croatia's proposal was mixed, reflecting existing divisions among negotiating Members.

3. 5 Special and Differential Treatment

Quick Reference – Special and Differential Treatment			
Country	% of total world agriculture trade		
	exports	imports	
Cairns Group	33	13	Access to special safeguards; developing market access improvements for developing country products.
US	19	14	SDT based on products of interest to developing countries; technical assistance; flexibility for criteria based exempt support measures.
EC	18	18	Enhanced Green Box measures, revision of de minimis clause; technical assistance.
ASEAN	9	6	Longer implementation periods insufficient for developing countries. SDT must mean deep and substantive commitments and flexibility in rules benefiting developing countries.
African Group	5	6	SDT should be binding while reducing inequalities in market share, access to technology and financing and infrastructure.
LMG	4	4	Significant restructuring and changes to AoA to support developing country development goals. Operationalise SDT.
Mexico	2	3	SDT to stimulate agriculture sector, promote rural development, combat poverty and reduce rural unemployment.
India	2	2	Similar to LMG, need to operationalise special provisions around concept of food security as well as continuing SDT in other aspects of agreements.
Japan/Korea (NFIC)	1	14	Market access and domestic support flexibility and continued use of export supports for developing countries
Turkey	1	1	SDT integral part of negotiations.
Poland	1	1	Willing to discuss SDT for least developed countries.
Egypt	<1	1	SDT should be cross-cutting; flexibility for developing countries.
Norway	<1	<1	SDT should improve market access and permit domestic support flexibility and continued use of export supports for developing countries.
Senegal	<1	<1	Flexibility to develop short and long term agriculture production; replace derogations and base SDT access on verifiable economic indicators; revise deadlines.
Nigeria	<1	<1	Measures should be equity generating; technical assistance; flexibility for sensitive products, rural livelihood, employment, and self-sufficiency.
Jordan	<1	<1	Export development fund for developing countries; trade policy impact-monitoring programme to assess effects of AoA on environment and farmers.

Norway

In terms of special and differential treatment (SDT), in its proposal Norway provides a comprehensive treatment of SDT. In essence, it asserts a definition of SDT defined not as simply a derogation from the negotiated rules – extended implementation deadlines for example, but instead should include additional differential provisions, such as preferential access and increased *de minimis* levels, accessible only to uniquely qualified developing countries. Norway also recognises the need to review the *Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Countries* with a view to ensuring its full implementation.

As one might expect, reaction to Norway's SDT proposal provisions has been mixed and by no means reflects a simple 'developed versus developing country' perspective. In contrast, some developing countries, Colombia for instance, have said that in the absence of real domestic and export support reductions by Norway and other industrialised countries, SDT, as it is presented by Norway, remains an "insignificant palliative" for developing countries. Australia reiterated this view saying that while it agrees with the need to pay special attention to the needs of developing countries, doing so from a "stand that effectively aims to overturn the long-term global goal envisioned for the future of agriculture of substantial and progressive reform" is anathema.

Other reactions, however, were more favourable, particularly those of the so-called Like Minded Group. India for instance applauded Norway's recognition of the structural impediments facing developing countries' agriculture sectors as did Turkey and Sri Lanka. For India, Norway's recommendation on SDT is consistent with its own; developing countries should be afforded greater rights while developed countries should be more heavily obligated. Only through rebalancing the rights and obligations in favour of developing countries will developing country industry acquire the degree of competitiveness required to overcome their persistently low levels of food security.

It is worth noting however that no member from the Economies in Transition group has favoured the principles of SDT outlined by Norway. It can be assumed that economies in transition are in direct competition with developing countries for developed country market access and are therefore predisposed not to confer special treatment for their competitors.

Jordan

In the area of special and differential treatment, Jordan offers the negotiation a few concrete recommendations intended to help operationalise SDT. First, it suggests that members establish an export promotion programme designed to "provide technical assistance to developing countries to increase their capacity and capabilities in the market access field". Second, it recommends that a monitoring body be set up which would "provide the Committee on Agriculture" with information on the effects of the AoA on small farmers, the environment and food security.

Thus far, these recommendations have garnered no formal response from Members.

Section 4: Forward Thinking

In this section, we briefly examine the relationship between the Article 20 negotiations and the prospects of a new round of trade negotiations which some Members consider will be the likely result of the WTO Doha Ministerial Conference. At this stage of the negotiations, formal debate on this topic has not occurred, though it can be assumed that Members are actively considering this relationship as they begin preparing for Doha.

In general, the main question outstanding can be posed as follows: in the event that a new round of multilateral trade negotiations is launched in Doha, how, and to what extent, will the Article 20 agriculture negotiations relate to this process. This is an important question to ask for a number of reasons. First, according to some, the Article 20 negotiations, in a strictly legal interpretation, will proceed regardless of whether a new round is launched or not. That is, the text stands alone and in order to preserve the credibility of the WTO, Members are obligated to implement its agreements. Yet, it is widely understood that gains in agricultural reform will more likely transpire if the breadth of the negotiating agenda is not limited to simply one sector.

Second, while the negotiations under Article 20 are presently structured around five themes - market access, domestic support, export competition, special and differential treatment and non-trade concerns, some have argued, albeit informally, that in the context of a new round this mandate should be re-examined. What this means is that as "payment" for including agriculture among the sectors to be negotiated in the new round, those countries, like the EC, which stand to gain from minimising their agriculture concessions in the context of a comprehensive round, should agree to open up the agriculture mandate to the benefit of those countries, such as the Cairns Group, which stand to gain from insulating the agriculture negotiations from cross-sectoral concession making.

Third, given the historically contentious relationship between agriculture and trade liberalisation, evidenced by the substantial agricultural "carve-outs"¹⁸ built into the original GATT, limited agriculture concessions during the Uruguay Round and its uncertainty during the Seattle Ministerial, agriculture will continue to be a subject of strong domestic concern as the Doha Ministerial approaches. However, unlike during the Seattle Ministerial, negotiations in agriculture are now legally mandated which means the outcome for agriculture will be substantially different in Doha than it was in Seattle. The likelihood that this historic-political tension will become exacerbated during the mandated talks, particularly as the Doha Ministerial approaches, is predictably strong. It is therefore of enormous strategic value that Members fully consider the political implications of the relationship between the Article 20 negotiations and a new round of multilateral negotiations.

Asking about this relationship, as in any effort to assess dynamic relations, is therefore multidimensional. For the sake of simplicity, we recommend posing this inquiry along three specific themes:

¹⁸ During the post-war international restructuring in the mid-1940's when the GATT was first negotiated (along with the other Bretton Woods institutions, the IMF and World Bank), it was felt, primarily by the US, that agriculture could not be treated like any other sector. As such, the US was successful in establishing exceptions to the GATT rules for agriculture, rules which accommodated the uniqueness of food per se, but which also suited the structure of US agriculture policy. In short, GATT agriculture carve outs permitted GATT Members to subsidise farmers, provide border protections and facilitate export commodity surpluses. Source: "Multilateral Trade Negotiations on Agriculture: A Resource Manual, Food and Agriculture Organisation of the United Nations, Rome: <http://www.fao.org/ur/>.

- how will key domestic political constituencies line up behind specific aspects of the agriculture negotiations?;
- what strategic approach will Members take when formalizing the relationship between Article 20 and a comprehensive round of negotiations?;
- under these circumstances, in what fundamental ways could the prospects of a new round of trade negotiations alter and/or contribute to the agriculture negotiations (i.e.: setting a deadline, restructuring the negotiation themes etc...)?

The following is a preliminary attempt to give scope to these questions and should not be read as an exhaustive treatment. Rather, it is meant simply to structure some basic thinking about the coming months as the WTO Membership prepares for Doha.

With respect to the first of these questions, likely the two most pertinent domestic political climates to assess are the US and EC. Both have very strong farm (agriculture) lobbies, and both have heavily state financed agriculture sectors. In both instances, these lobbies maintain, at a minimum, a strong interest in curtailing the adjustment effects which would follow the liberalisation of their respective agriculture sectors.

For the US, the most salient trade issue facing the Bush administration is its Congressional struggle for "fast track" approval, or "trade promotion authority" (TPA) as renamed by the Bush administration. What this means is that with TPA, the US Trade Representative would be legally permitted to negotiate trade agreements with its trading partners which, once finalised, would be subject to a simple "yes" or "no" vote in Congress while remaining free of Congressional amendments. As such, domestic constituencies with strong trade interests are now also actively engaged in this political battle and are arguing their positions before Congress.

To this end, agriculture industry and trade association groups have already begun pressing the Bush administration to obtain TPA. In a letter addressed to President Bush dated 20 March 2001, a coalition of trade associations - the American Farm Bureau Federation; Farmland Industries, Inc.; National Oilseeds Processors Association; and National Pork Producers Council - strongly urged the President to obtain TPA as quickly as possible. But perhaps more emphatically the same coalition, with the support of 105 other US-based associations and multinational companies, both agribusiness and otherwise, have urged the Bush administration to pursue, as a second priority, a comprehensive round of multilateral trade negotiations. Illustrating the point, an excerpt from their letter to the president reads:

...but the most urgent priorities should include the following:

2. Launch a comprehensive WTO negotiation with aggressive pursuit of trade liberalizing policies in agriculture. As described above, many barriers to trade continue to exist around the world. The best opportunity for addressing these concerns is through a comprehensive WTO trade negotiation. For your consideration, attached is a Seattle Round Agricultural Committee (SRAC) WTO Policy Statement that was approved by the over 105 organizations and companies listed on the statement. We endorse your policy of concluding these WTO negotiations with a single undertaking that encompasses all sectors because this is the only way to maximize U.S. leverage in these negotiations.

On the subject of export credits in particular, a letter sent by Democratic members of Congress Tom Harkin and Max Baucus to Agriculture Secretary, Ann Veneman, prior to the most recent OECD negotiation on export credits in mid-April urged Veneman not to submit to pressure to curtail US use of export credits. Their argument followed that export credits are too integral a component of US agriculture trade policy to be subject to unilateral reductions at the OECD

without some assurances that reciprocal commitments will be taken by other agricultural competitors. In their view, it would seem prudent that the export credit issue be taken up inside the WTO negotiations where the likelihood of reciprocity is much greater.

Although it is too speculative to say what exactly the US will do with the export credit issue as the agriculture negotiation proceeds, the results of the most recent OECD export credit discussion suggest the US will pursue one of two courses of action. Yet, before describing these some background on the OECD discussion is required. Briefly, this discussion resulted in a non-decision wherein Canada disagreed with the US proposal to set export credit loan repayments terms to 18 months, while pressing for a maximum 12 month loan repayment term, a position for which both Canada and Australia have argued consistently in previous OECD export credit talks.

Thus, it appears likely that the US will concede to including export credits in the agriculture negotiations, on the grounds that therein the likelihood for reciprocity is greatest. Alternatively, the US may remain steadfast in its refusal to talk about export credits, a position to which it is legally entitled. It should be pointed out, however, that in the view of some WTO Members, the US export credit measures remain actionable under the AoA. Yet, ICTSD learned after speaking with EC delegates that, while the EC considers a legal challenge to US export credit measures a strategic possibility, it has been avoided at this critical juncture in the interest of advancing the negotiations and preserving amicable transatlantic trade relations.

As for European agriculture trade policy, the European Commission has made abundantly clear its interest in a comprehensive round of multilateral negotiations. On the level of generality, it seems that the EC has a great deal to gain from minimising its agriculture concessions inside a comprehensive round of negotiations since doing so would allow it to proceed with reforms to the EU Common Agriculture Policy at a more politically palatable rate.

Giving scope to the last question is markedly more difficult, as countries have not publicly articulated their positions regarding the relationship between the Article 20 negotiations and a comprehensive round of multilateral negotiations. ICTSD has however ascertained some preliminary country positions on this matter, shaping up according to the following:

- New Zealand has expressed its hope that preparations for a new round will not alter or influence the Article 20 negotiations;
- Brazil has expressed its interest in enlarging the mandate of Article 20 if agriculture moves forward in a new round;
- Swaziland hopes that Article 20 momentum will not be lost as a result of a new round;
- Argentina has said that the phase two work programme, agreed to at the March stock-taking, would have to incorporate the results of the Qatar meeting whatever these may be.

In future reports, ICTSD will assess in greater depth specific country positions on this topic and how these may converge or diverge as the Doha Ministerial approaches.

Conclusion

In summarising the agriculture negotiation, particularly as it enters into phase two, it needs to be re-emphasised that phase one, although a vital stage in the negotiation process, was driven by Members' national objectives, rather than on establishing common positions for multilateral negotiations. Increasingly, however, WTO Members will be faced with a technical *and* a political challenge as they seek to mesh their objectives first in agriculture, and then with their broader trade objectives. This process will, for all practical purposes, eliminate some of the more extreme positions from the negotiation as Members shift their energy from the desirable to the possible. Thus, the second phase of the negotiation promises to be considerably more complex, and also critically important in shaping the future of the agricultural reform process as well as the role of sustainable development within this process.

Appendix A - Work Programme for Phase Two

WTO Agriculture Negotiations Phase 2 Work Programme¹⁹

WORK PROGRAMME FOR THE SECOND PHASE OF THE NEGOTIATIONS FOR CONTINUING THE REFORM PROCESS UNDER ARTICLE 20 OF THE AGREEMENT ON AGRICULTURE

- Nature and scope of Work Programme: work in depth on all issues and options for policy reform set out in Members' proposals, with further elaboration as appropriate.
- Basis of work: Article 20, negotiating proposals submitted by Members and their additional elaborated proposals.
- Special and differential treatment is an integral part of all elements of the negotiations.
- Organisation of Work Programme: work to be conducted in informal and formal meetings of the Special Sessions; Chair to prepare reports on the informal meetings and prepare annotated agendas ahead of the meetings.
- Sequencing of Work Programme and Timetable: three Special Session meetings to be held back-to-back with the regular meetings of the Committee on Agriculture in September and December 2001 and in March 2002 (each of these Special Sessions would convene informally and conclude with short formal meetings), plus three informal Special Session meetings in May and July 2001 and in February 2002. Any additional meetings would be scheduled by the Chair after consultations with Members.
- Review of progress of the negotiations shall take place in the formal March 2002 meeting.

Without prejudice to Article 20, which details the objective of the negotiations and the factors to be taken into account, the Chair recommends the following list of trade and non-trade issues drawn from Members' proposals for the first two/three meetings:

Tariff quota administration
Tariffs
Amber Box
Export subsidies
Export credits
State trading enterprises
Export restrictions
Food security
Food safety
Rural development

The foregoing work programme is adopted without prejudice to the decisions that may be taken at the fourth Ministerial Conference.

¹⁹ G/AG/NG/7

Appendix B - List of Proposals

Proposals Discussed at the Sixth Special Session of the Committee on Agriculture, 22-23 March 2001²⁰

<i>Symbol</i>	<i>Title</i>	<i>Date</i>
G/AG/NG/W/143	WTO Negotiations on Agriculture - Namibia	23 March 2001
G/AG/NG/W/142	WTO African Group: Joint Proposal on the Negotiations on Agriculture - African Group	23 March 2001
G/AG/NG/W/141	WTO Negotiations on Agriculture - Submission by Croatia	23 March 2001
G/AG/NG/W/140	WTO Negotiations on Agriculture - Jordan	22 March 2001
G/AG/NG/W/139 G/AG/W/50	WTO Negotiations on Agriculture - Export Credits for Agriculture Products - MERCOSUR	20 March 2001
G/AG/NG/W/138	WTO Negotiations on Agriculture - Mexico	19 March 2001
G/AG/NG/W/137	Agriculture Trade Negotiations in the WTO - Senegal	19 March 2001
G/AG/NG/W/136	WTO Negotiations on Agriculture - Kenya	12 March 2001
G/AG/NG/W/135	Negotiating Proposals - Democratic Republic of Congo	12 March 2001
G/AG/NG/W/130	WTO Negotiations on Agriculture - Nigeria	14 February 2001
G/AG/NG/W/107	WTO Negotiations on Agriculture - Egypt	6 February 2001
G/AG/NG/W/106	WTO Negotiations on Agriculture - Turkey	5 February 2001
G/AG/NG/W/105	WTO Negotiations on Agriculture - Morocco	5 February 2001
G/AG/NG/W/104	WTO Negotiations on Agriculture - State Trading Enterprises - MERCOSUR, Chile and Colombia	23 January 2001
G/AG/NG/W/103	WTO Negotiations on Agriculture - Poland	19 January 2001
G/AG/NG/W/102	WTO Negotiations on Agriculture - India	15 January 2001
G/AG/NG/W/101	WTO Negotiations on Agriculture - Norway	16 January 2001

²⁰ This table lists only those proposals discussed in the Sixth Special Session of the Committee on Agriculture. For a complete listing of proposals, submissions, official statements and WTO Secretariat papers use the WTO Document search facility http://docsonline.wto.org/gen_search.asp. In the field entitled "document symbol" type the following: G/AG/NG/W/*.

Appendix C - Country Groupings

<p>Cairns Group</p> <p>Argentina Australia Bolivia Brazil Canada Chile Colombia Costa Rica Fiji Guatemala Indonesia Malaysia New Zealand Paraguay Philippines South Africa Thailand Uruguay</p>	<p>Transition Economies</p> <p>Albania Bulgaria Croatia Czech Republic Estonia Georgia Hungary Kyrgyz Republic Latvia Lithuania Mongolia Slovak Republic Slovenia</p> <p>Reflects: G/AG/NG/W/57 G/AG/NG/W/58</p>	<p>Small Island Developing States</p> <p>Antigua and Barbuda Barbados Belize Dominica Grenada Jamaica Saint Kitts and Nevis Saint Vincent Grenadines Trinidad and Tobago Suriname Mauritius</p> <p>Reflects: G/AG/NG/W/96 G/AG/NG/W/97 G/AG/NG/W/100</p>	<p>European Union</p> <p>Austria Belgium-Luxemburg Denmark Finland France Germany Greece Ireland Italy Netherlands Portugal Spain Sweden United Kingdom</p>
<p>Like Minded Group</p> <p>Cuba Dominican Republic El Salvador Haiti Honduras Kenya [India] [Nigeria] Pakistan Sri Lanka Uganda Zimbabwe</p> <p>Reflects: G/AG/NG/W/14 G/AG/NG/W/37 G/AG/NG/W/102</p>	<p>EFTA</p> <p>Switzerland Norway Iceland Croatia</p> <p>Japan/Korea</p> <p>Japan Korea</p>	<p>ASEAN</p> <p>Brunei Darussalam Cambodia Indonesia Laos Malaysia Myanmar Philippines Singapore Thailand Viet Nam</p>	<p>African Group</p> <p>All African members of the World Trade Organisation.</p>