

A Quick Guide to the Conference Papers

Ngairé Woods, University College, Oxford
June 7, 2004

Below is a brief summary of the background papers and scenarios to help you to map out the arguments and proposals. Let me immediately claim responsibility for all errors and mis-attributions.

What's wrong with the existing agricultural regime?

Kevin Watkins' paper makes two powerful arguments for revising the current agricultural trade regime. It's costly and damaging: export subsidies, export credits, domestic support schemes, and effective dumping in other markets have few if any social benefits in the EU and US. Yet they are denying market access to many developing countries; lowering world prices and increasing price volatility of agricultural goods; artificially expanding the OECD's global market share; and causing lower prices and wages to rural producers in poorer commodity-importing countries. It's not protecting the poor and vulnerable: liberalization in agriculture in developing countries has been pressed with too little attention to poverty reduction and food security. Existing safeguards and special-and-differential treatment are inadequate.

The G20 Leaders should press for the following immediate goals:

- (1) Restrict support that generates export surpluses by reducing the categories of goods which at present can still attract domestic support (Amber box and Blue box);
- (2) Reduce export subsidies and credits by pursuing three achievable aims:
 - an export-subsidy prohibition across all product groups within five years;
 - the elimination of the subsidy component of export-credit programmes in a similar time frame;
 - a prohibition on the use of food aid for commercial market development.
- (3) Better monitor the broad range of subsidies and support which reduce the price of exports (including the kinds of cross-subsidies highlighted in the EU sugar dispute) – e.g. a new OECD measure.
- (4) Ensure a flexible regime in respect of developing countries which can protect domestic policies which address poverty and food security particularly in the least-developed countries and Africa.

Can developing countries be assisted better to benefit from trade?

Carolyn Deere's paper addresses 'capacity building' in developing countries. A core element of a successful Doha Round will be improving efforts at enhancing the capacity of poorer countries to benefit. Although some 5% of development assistance goes into capacity building, the results are disappointing. Four main mechanisms of delivery are reviewed: the Integrated Programme, the Joint Integrated Trade Assistance Programme, WTO-provided technical assistance, and the IMF's new Trade Integration Mechanism. One clear problem is the lack of coherence among the different international regimes. For example, where space for

flexibility has been hard-won in the WTO, some countries will find that space extinguished by blanket World Bank trade liberalization conditions.

The G20 could spearhead an improvement in capacity building and technical assistance by: (1) committing to untie (in a broad sense) capacity building assistance; (2) by increasing (properly used) resources for capacity building; (3) by better allocating functions and ensuring coherence among different international organizations.

Do we need to reform the WTO?

Amrita Narlikar's paper examines the negotiating forum provided by the WTO arguing that it lacks clear procedures. Cancun highlighted disagreement from the start about who sets the agenda and how? Countries rejected attempts by the Chair of General Counsel together with Director-General to proceed on an initial 'Castillo draft'. The negotiating process foundered over what 'explicit consensus' meant and how it should be reached. The use of facilitators ("Friends of the Chair") in trying to bring about consensus was highly controversial. Finally, the closure of negotiations by the Conference Chair (Derbez) highlighted gaps in formal rules of procedure.

Narlikar argues that developing countries cannot gain from flexible rules which leave room for discretion to pursue consensus through informal meetings (8-country proposal) or procedures which give more role to politicians forging compromises establish consultative body (Lamy and EU). This may produce a more decisive organization but it will seriously marginalize developing countries who lack the capacity informally to lobby and to press positions across the bewildering breadth of issues now raised within the WTO. The solution therefore must be to press for strict procedural rules to ensure decisions are taken in formally representative and fully transparency forums (the Like-minded Group and others) and to accept that this requires narrowing the remit of the WTO. This would place the negotiating process more squarely in Geneva amidst technocrats and professionals. The proposal is therefore a considerable challenge for the G20 Leaders-idea since at least some of those leaders are more likely to favour a broad discretionary regime which gives much more of a role to politicians.

Are there other aspects of the WTO that need reform?

Bernard Hoekman will lead off a discussion on other governance issues raised in debates about reforming the WTO include attending to its weak monitoring and enforcement capacity. The WTO, many argue, has a fairly robust adjudication mechanism, but a very weak and decentralized enforcement mechanism. Should this be changed?

Five potential 'win-sets' for the G20 to push

1. Liberalizing agriculture with a special regime for developing countries

Luisa Bernal presents a win set which takes into account that liberalization in the current international regime can exact a heavy price on the poorest and most vulnerable people (particularly rural populations) in developing countries. Like others, she highlights the need to improve market access in developed countries, to eliminate dumping (by prohibiting export financing support), and to restructure and reduce domestic subsidies. Beyond this she

proposes differentiated commitments for developing countries, with flexibility in agriculture, and effective technical assistance to improve the institutional and technical capabilities of countries to design and implement their own food-safety policies. She also stresses the need for improved transparency and monitoring mechanisms to allow equal enforcement of the rules.

(NB useful table at the back of this paper categorizing positions of different groupings of countries on issues of agricultural reform)

2. A special regime for low-income countries

Dominique Njinkeu and Francis Mangeni give a more specific account of what a special regime meeting the special needs of low-income countries would look like. They advocate more careful and differentiated reforms in market access, domestic support, and export competition, along with greater assistance and better role definition among multilateral institutions.

3. NO! Liberalize with the right domestic policies in place

Patrick Messerlin reminds us of the 2002 US Farm Security and Rural Investment Act and recent EU reforms to the Common Agricultural Policy – highlighting that budgetary pressures will bring both to review over the next few years. He reports the results of simulations of farm liberalization – highlighting the gains for agricultural producers in developing countries. He argues that the figures show that liberalization will not reduce food security or generate price increases (cf Watkins, Konandreas). Liberalization should be pursued with an appropriate array of domestic policies and actions (infrastructural investments, credit markets etc). On three core issues he takes a different position to that of most other authors:

- Market access, he argues, is best dealt with using the ‘Swiss formula’ (Panos Konandreas disagrees – see below).
- On abolishing export subsidies, he treads more softly than the other commentators, saving his vigour for greater curbing of domestic support.
- He opposes proposals for safeguards in agriculture on the grounds that safeguards have not in the past worked to protect the poor, they will dilute the pressure on industrialized countries to reform, and that emergency food stocks are a better instrument for ensuring food security.

4. A new formula for opening up market access

Panos Konandreas seizes the issue of market access. The debate on this has become stranded between the ambition of opening up market access and the flexibility to protect the vulnerable (e.g. commodity-specific sensitive) countries. This trade-off was discussed more broadly in the Watkins Paper (above). Again, the evidence was presented that in some cases developing countries are being asked to go further than their developed country partners. Konandreas analyses the four formulae for opening up market-access – to see which of them best achieve both market access and the necessary protection of the vulnerable. His conclusion is that what is preventing any constructive forward movement is the excess of uncertainty in all politically feasible arrangements as they stand. He proposes that a successful approach will require:

- Clarity in reduction commitments

- Clarity on SDT provisions
- Clarity on flexibility allowed and associated penalties

5. Recognize (and better regulate) the power of concentrated agribusiness

Sophia Murphy calls for more attention to (and eventually more regulation of) transnational agribusiness. She highlights that agricultural dumping and low prices will continue at damaging levels under the present international trade regime. One important reason is the special structure of agricultural markets which are slow to respond to changes in price, are highly concentrated in their structures, and command politically powerful lobbies especially in developed countries. It is against this background that trade liberalization measures and advice must be considered. She adds a couple of proposals which others have not addressed, amidst which:

- the WTO must not prohibit State-Trading Enterprises – since they constitute a useful response to concentrated markets.
- governments need dramatically to improve transparency in international commodity markets (developed countries removed UNCTAD's mandate to do this in the 1980s).
- investment and competition rules must be part of the long-term framework on agriculture.

The G20 and how it might forge ahead

John Weekes analyses the who and how of the G20 involvement in the Doha Round. He argues that existing pressures for reform could be effectively harnessed, proposing a specific composition of a G20 meeting on this issue and a timetable for how they might move forwards on it.