

20 years

INSTITUTE
for
AGRICULTURE
and
TRADE POLICY

2105 First Avenue South
Minneapolis, Minnesota 55404

USA

iatp.org

tradeobservatory.org

*The Institute for Agriculture
and Trade Policy promotes
resilient family farms,
rural communities and
ecosystems around the world
through research and education,
science and technology,
and advocacy.*

COMMENTARY MAY 18, 2006

The moment of truth

WTO members confront the challenge of reconciling the WTO's trade paradigm with development goals

By Carin Smaller and Sophia Murphy

The debate on food and livelihood security and rural development in the World Trade Organization (WTO) Doha negotiations on agriculture has come to a head. The debate was triggered by recent proposals from the U.S., Thailand and Malaysia, and a framework paper on special products (SPs) from the Chair of the agriculture talks, Ambassador Crawford Falconer of New Zealand. On May 11 the G-33—the Group of 33, also known as the Alliance on Special Products and a Special Safeguard Mechanism, and now comprised of 42 WTO members—joined with the African Group, Least Developed Countries (LDCs) and the Africa-Caribbean-Pacific (ACP) group to voice their protest at what they saw to be a misrepresentation of the negotiations to date. The ambassadors of Indonesia and the Philippines issued a joint press statement to complain that the chair's framework paper failed to capture the G-33's development concerns and seemed to prejudge the question of how many tariff lines might be needed to make SPs operational. The framework paper dismisses the G-33 proposal (of at least 20 percent of all agriculture tariff lines) as far too generous.

New Zealand's Ambassador Crawford Falconer's reference paper points to the difficulties and uncertainties of establishing indicators based on food and livelihood security, particularly given the diversity of situations both among and within WTO members. His paper instead encourages the debate to focus on numbers: how many tariff lines should get how much additional flexibility to maintain relatively higher tariffs. No doubt Ambassador Falconer sees this as a practical way of moving the debate forward. Yet his illustration of two (unnamed) developing countries that could use 20 percent of their tariff lines to in fact protect upwards of 94 percent of the value of their import trade in agriculture is an illustration of how arbitrary the use of numbers in tariff lines is. Logically, the same two countries could—if they chose—use 80 percent of their tariff lines to protect 6 percent or less of their import value. The point is surely that WTO members need to struggle with some qualitative measures, and not just numbers.

Falconer's shift to a numeric focus, clearly supported by a number of WTO members while strongly resisted by the G-33 and others, is a missed opportunity to show that the WTO really can accommodate development priorities. It is precisely the inability of the current trade rules to cope with qualitative differ-

ences—either within members' different economic sectors or among developing countries as a group—that has done so much to damage the WTO's credibility in the eyes of the many civil society organizations and indeed the general public in a number of developing countries.

Since WTO members agreed to the Doha Agenda at the fourth WTO ministerial conference in Doha in November 2001, a number of developing countries (many of them now members of the G-33) have argued tirelessly for the inclusion of mechanisms that would allow developing countries the policy space to protect rural development priorities within the framework of the renegotiated Agreement on Agriculture. In July 2004, the G-33 successfully convinced the WTO membership to include SPs and the SSM in the "July Package," which ensured the mechanisms a place in the final agreement with the details still to be worked out. Since then the G-33 have engaged in extensive work, both at the national level and in Geneva, to develop a set of indicators to determine which kinds of products should be eligible for "special" treatment and what that treatment should be. Similarly, they have worked to define rules for the operation of a new SSM.

At the sixth WTO ministerial conference, held in Hong Kong in December 2005, WTO members agreed that developing countries would be allowed to self-designate special products with a ceiling established by a still to be defined percentage of all tariff lines. The designation is to be "guided by indicators based on the criteria of food security, livelihood security and rural development." In addition, the G-33 succeeded in getting agreement for both a price and a volume trigger for the SSM, over the objections of many developed and some developing countries.

WTO members are now struggling to conclude the Doha Round (the agriculture and nonagricultural market access talks were due to be concluded on April 30, but governments again failed to meet the deadline). WTO members have been discussing SPs and the SSM, alongside a number of other issues on the agriculture agenda. Several WTO members that are most skeptical of the mechanisms, such as the U.S., Malaysia and Thailand, have submitted contributions of their own. These contributions, particularly those from Malaysia and Thailand, shed light on just how difficult it is for trade negotiations framed by the Doha agenda to properly take account of development concerns.

The U.S. proposal focuses on numbers rather than qualitative indicators. The U.S. proposal establishes a target of five tariff lines (out of a rough average of ± 2000 agricultural tariff lines notified per WTO member) and includes several criteria to limit the tariff lines eligible for SP treatment. Agricultural products are notified to the WTO at a detailed level, so, for example, instead of notifying "dairy" as one product, a country will notify cream, skim milk powder, yellow cheese, white cheese and so on each as a separate tariff line.

The U.S. proposal shows it is not interested in accommodating the development needs outlined by the G-33 (and, indeed, by the Africa Group, LDCs and ACP). To suggest five tariff lines at the detailed level used at the WTO could adequately address food and livelihood security and rural development concerns in developing countries is astonishing. The result of the proposal has been to worsen the already strained relations among negotiators; the G-33, together with many of the WTO's smallest and weakest members, are insulted, and with good reason. The U.S. proposal ignores the extensive range of proposals, submissions and ministerial declarations made by G-33 countries over the past few years on SPs and the SSM.

The proposals from Thailand and Malaysia focus on the challenge of how to deal with poor producers who are integrated into export agriculture production systems. Thailand gives the example of rice farmers and Malaysia that of palm oil producers. In Malaysia, 41 percent of palm oil producers are small-scale farmers. The Thai and Malaysian proposals claim the development of export markets for commodities such as rice and palm oil has made significant inroads against

economic diversity, and who are least able to provide alternative livelihoods when workers are displaced.

There is no simple solution to these complex challenges, but a few things are clear. First, trade liberalization is not an end to be pursued without regard to other objectives. Trade is a tool and it needs a careful and pragmatic framework to work effectively. Second, South-South trade is an important and growing phenomenon. The challenge is to strive for its emergence along lines that best promote the welfare of the countries involved, and in particular the welfare of the poorest within those countries. Increased trade volumes are a poor indicator of the quality of trade taking place. Third, to address the enormous complexities and uncertainties of food security and rural livelihoods in a trade negotiation requires something less crude than a ceiling on the number of tariff lines. It requires strong and respected input from other multilateral agencies and government officials with the requisite expertise. If criteria are hard to determine and easy to hide behind, then WTO members must find some way of judging the criteria (and their application) with experts who know something about rural livelihoods and food security. This is not a task for trade lawyers alone.

Were the multilateral trade agenda properly integrated into the wider multilateral system of governance such an approach would be obvious. Instead, WTO members have deliberately chosen to keep the WTO mandate outside the broader multilateral system and therefore strong social and economic policies do not find their place in the talks. The concept of food and livelihood security and rural development are now firmly in place in the Doha Round. How WTO members decide to resolve the issues will test whether WTO members can confront the challenge of reconciling the current trade paradigm with development goals. ▣

Carin Smaller is a Program Officer for the Trade Information Project of the Institute for Agriculture and Trade Policy in Geneva. She edits the e-newsletter *Geneva Update*, which monitors the WTO negotiations.

Sophia Murphy is IATP's Senior Adviser on Trade.

Documents

Chair's Reference Paper on Special Products

<http://www.tradeobservatory.org/library.cfm?refid=80770>

Chair's Reference Paper on the Special Safeguard Mechanism (SSM), April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80729>

U.S. proposal on Special Products (SPs)

<http://www.tradeobservatory.org/library.cfm?refid=80730>

Thailand Paper on Special Products, May 2006

<http://www.tradeobservatory.org/library.cfm?refid=80728>

Malaysia Paper on Special Products, March 2006

<http://www.tradeobservatory.org/library.cfm?refid=80869>

Joint Communication from the G-33, African Group, ACP Group, and LDCs on Special Products and the Special Safeguard Mechanism

<http://www.tradeobservatory.org/library.cfm?refid=80825>

G-33 Contribution on the Chairman's Reference Paper on Special Products

<http://www.tradeobservatory.org/library.cfm?refid=80824>

References

1. The framework paper can be found at the WTO Web site, at http://www.wto.org/english/tratop_e/agric_e/refpapers_apr06_e.htm. The G-33 and other responses are posted at www.tradeobservatory.org. Search the documents for "Special Products and Special Safeguard Mechanism."
2. Arif Simeh and Tengku Mohd Ariff Tengku Ahmad, "Regional Workshop on Commodity Export Diversification and Poverty Reduction in South and South-East Asia: The Case Study on the Malaysian Palm Oil," April 2001.
3. PAO (May 2006), "Towards Appropriate Agricultural Trade Policies for Low Income Developing Countries," Trade Policy Technical Note, No. 14. FAO: Rome. On-line at <http://www.tradeobservatory.org/library.cfm?refid=80797>
4. Jacques-chai Chomthongdi, "Challenging the Market Access Agenda: A Case Study on Rice from Thailand," November 2004.

