
BRUSSELS SESSION OF THE PARLIAMENTARY CONFERENCE ON THE WTO

24-26 November 2004

Organised jointly by the Inter-Parliamentary Union and the European Parliament

Item 3(a) of the provisional agenda

AGRICULTURE

Discussion paper

Contents

	<i>Page</i>
▪ Submission by Mr. Joseph Daul, Member of the European Parliament	1
▪ Submission by Mr. Boureima Gado, Member of the National Assembly (Niger)	2
▪ Submission by Senator Evelyn Matthei Fernet (Chile).....	5
▪ Submission by Mr. Masatoshi Wakabayashi, Member of the House of Councillors (Japan)	7

Mr Joseph Daul, Chairman of the European Parliament's Committee on Agriculture

Reforming the common agricultural policy

This reform amounts to much more than just changing the terms under which markets are managed. It addresses several areas of need:

- tackling the challenge of the accession of ten new Member States;
- setting up a new policy for agriculture and rural development, the scope of which extends beyond production to include the multifunctional role of agriculture;
- responding to emerging social demands in respect of safer, healthier food, spatial planning, conservation of the environment and biodiversity, animal welfare and the preservation of the countryside with its wealth of culture and heritage.

The next step: reforming the CMO for sugar

It is a little early to discuss this in detail, as the European Commission's legislative proposals will not come out until the WTO procedure has come to an end. It is, however, an especially important matter as it has a major impact on relations with developing countries, especially those in Africa, the Caribbean and the Pacific that have preferential access to the Community market under the sugar protocol appended to the Cotonou Agreement.

The key issues in WTO agriculture negotiations

Balance is key to the success of the Doha round on agriculture. This implies:

- with regard to domestic support: recognising the specific characteristics of European agriculture, in particular the fact that it is multifunctional;
- with regard to market access: the European Union is already the most open area in the world as far as products from developing countries are concerned, in particular as a result of our partnership with African, Caribbean and Pacific countries and the 'Everything but Arms' initiative. If efforts need to be made, then the European Union cannot act alone. It is essential that other industrialised countries and countries in transition also act responsibly by opening up their markets to the world's poorest countries;

- with regard to export subsidies: any dismantling of these should be balanced, other countries with specific policies should make equivalent commitments.

Conclusions

- By reforming the CAP, the European Union has made a substantial effort with regard to agriculture and it expects other producer countries to make similar efforts.
- The WTO negotiations do not focus solely on agricultural subsidies: other aspects involved include industrial products, services, public procurement, subsidies for the aeronautical industry, etc. There is a need to bring agriculture and other sectors into line with each other.
- The general agreement reached at the WTO must be balanced, both geographically and at a sectoral level.

Mr. Boureima Gado, Member of the National Assembly (Niger)

FOR THE DOHA DEVELOPMENT AGENDA TO SUCCEED, SHOULD WE SCRAP AGRICULTURAL SUBSIDIES AND PROMOTE MULTILATERALISM?

1. As a citizen of a developing country – which is actually one of the ‘least developed countries’ (LDCs) – I should like to outline some concerns about the WTO General Council’s decision of 1 August 2004 on the adoption of a framework for establishing the modalities for negotiations on agriculture. These concerns relate to the following points:

- Parliamentarianism and the *de facto* establishment of informal groups during WTO negotiations on agriculture
- Agricultural subsidies and food security: the short-term benefits and long-term drawbacks
- The initiative on cotton: testing the ability of WTO countries to reconcile aspects of trade and development
- Multilateralism, trade and development: forging links between WTO agreements and the Millennium Development Goals

I. WTO negotiations on agriculture: parliamentarianism and the *de facto* establishment of informal groups

2. A theoretical and intellectual debate is currently rumbling on and on about the fact that, for locally centred development to take place in a country, ownership of a successful agricultural system is a prerequisite for industrial production. Three points stand out from this discussion:

- It is clear beyond all doubt that WTO (and UN) member countries classed as ‘developed’ are often those which, throughout their economic histories, have been able to implement the right strategies to allow them to manage the process of producing and/or acquiring agricultural goods intelligently, so that they can both meet their own needs and sell off the surplus on external markets.
- The ‘emerging’ countries, which now basically comprise the G-20 grouping, seem to be following in the footsteps of the ‘developed’ countries in that, under their respective agricultural and economic policies, they have taken ownership of the agricultural development process.
- By contrast, the G-90 countries – i.e. the LDCs and a few others – have not yet been able to develop strategies that even begin to address the many problems surrounding ownership of their agricultural development processes. As a result, fairly latent food crises are the norm in most of these countries. These adversely affect their ability to take part in international trade and result in missed development opportunities.

3. The above assertions, which some might describe as simplistic, nevertheless give a fairly clear picture of just how complicated the WTO agriculture negotiations are. The interests of those involved can seem to vary to such an extent that, despite the commitments governments made when they signed the Marrakesh Agreements, it is clearly tempting to stand up for the specific features of different groups.

As part of their contribution to the search for a solution, parliamentarians should make every effort to follow the development of this approach, which, though informal, is nevertheless a reality. It would also be useful if parliamentarians could take this acknowledgement that groups are indeed being formed within the WTO agriculture negotiations as a basis for making bold attempts to reconcile different points of view.

II. Agricultural subsidies and food security: the short-term benefits and long-term drawbacks for trade and development

4. In the General Council's decision of 1 August 2004¹, paragraph 2 of Annex A – which deals with agriculture – is a good summary of the concerns that WTO members should be addressing to ensure that the link between 'Trade and Development' is more than just an abstract vision, a combination of opposites or a pipe dream. It reads: **'The final balance will be found only at the conclusion of these subsequent negotiations [on the basis of the Doha mandate] and within the Single Undertaking. To achieve this balance, the modalities to be developed will need to incorporate operationally effective and meaningful provisions for special and differential treatment for developing country Members. Agriculture is of critical importance to the economic development of developing country Members and they must be able to pursue agricultural policies that are supportive of their development goals, poverty reduction strategies, food security and livelihood concerns ...'** There are three areas in which parliamentarians can act in an effort to ensure that these words do not go unheeded and that the negotiations do not drag needlessly on.

5. Agriculture in developing countries – particularly LDCs – has weaknesses that must be corrected before any lasting solution can be found, including: illiteracy, that, in the long term, scuppers attempts to introduce successful new methods; problems relating to the private ownership of land, which often hinder the start-up of new businesses and therefore block investment; and the fact that even savings and micro-loans are making their way into the agricultural system so slowly that no positive effects have yet been felt.

6. With regard to scrapping agricultural subsidies on food products, in addition to the negative long-term effects subsidies have on people in developing countries, the positive short-term aspects could also be considered. What would the food situation (and by extension the sociopolitical situation) be like in many developing countries if foodstuffs such as rice, milk, wheat, poultry and other meat, etc. stopped coming in – at affordable prices – from countries that subsidise agriculture? That being said, there is no doubt that agricultural subsidies increase impoverishment, turn eating habits and food cultures upside down, and are a factor in the outflow of often scarce foreign currency, thereby rendering locally-centred development impossible in the countries concerned. Both the developed and less-developed countries in the WTO should make every effort to act in good faith by facing up to their respective responsibilities in this area. Only then can the process of turning WTO agreements into relevant legislation that is complied with be seen as a step towards development for poor people, who are paying increasing attention to criticism from civil society.

7. At the end of paragraph 2 of the decision (cited above), the WTO member countries acknowledge the need to take account of poverty and food safety, i.e. 'Non-trade concerns, as referred to in Paragraph 13 of the Doha Declaration'. It now remains for the countries concerned to turn these words into specific actions. Clearly, the developed countries are now convinced that it will be difficult to foster development through trade alone, no matter whether this means trade with poor countries or between the poor countries themselves. To break the vicious circle of poverty, WTO members should agree to begin negotiations as soon as possible on a minimum list of subsidised agricultural food products. This would reduce poverty and improve food security, meaning that the people of the countries concerned could take part in the process of international trade on a sound basis, with improved incomes and an increased capacity for efficient production.

III. The initiative on cotton: testing the ability of WTO countries to reconcile aspects of trade and development

8. The lack of consensus on the initiative on cotton – proposed by several producer countries – was one of the reasons behind the failure of the Ministerial Conference in Cancún in September 2003.

¹ http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm

However, the General Council's decision of 1 August 2004 shows that significant progress has been made on cotton.

- The General Council devotes specific paragraphs to the issue of cotton, both in the main body of the text and in Annex A on agriculture. In doing so, it is acknowledging the significance and relevance of the initiative on cotton.
- Also with regard to cotton, the General Council 'wishes to stress the complementarity between the trade and development aspects' and 'instructs the Director General [of the WTO] to consult with the relevant international organizations, including the Bretton Woods Institutions, the Food and Agriculture Organization and the International Trade Centre to direct effectively existing programmes and any additional resources towards development of the economies where cotton has vital importance'.

9. Paragraphs 4 and 5 of Annex A, which also deal with cotton, are rather confusing, however, because although it is entitled 'Framework for establishing modalities in agriculture', it is difficult to see any specific 'modalities' for implementation in the Annex. Admittedly, paragraph 4 states that 'the General Council recognizes the (...) vital importance [of cotton] for developing countries, especially LDCs. It will be addressed ambitiously, expeditiously, and specifically, within the agriculture negotiations', but unfortunately the rest of that paragraph instead raises a number of questions, set out below, on the practical arrangements for carrying out the WTO member countries' intention of **addressing the issue of cotton 'ambitiously, expeditiously, and specifically'**.

- To address the issue of cotton 'ambitiously', why is the General Council not ensuring 'appropriate prioritization of the cotton issue independently from other sectoral initiatives', instead of asking for progress to be reviewed at the special session of the Committee on Agriculture, which could otherwise have been able to decide on the technical and practical aspects of the arrangement?
- How will the issue of cotton be dealt with 'expeditiously' when no deadline has been set by the General Council, which, in paragraph 4, stipulates that 'a subcommittee on cotton will meet periodically and report to the Special Session of the Committee on Agriculture to review progress'? There would have been two advantages in setting such a deadline: first, the LDCs – for whom cotton is of 'vital importance' – would have seen that a solution was soon to be found through which the negotiations on cotton could show that aspects of trade and development can complement one another; second, it would have shown that the initiative on cotton was a successful test of the WTO member countries' willingness to go ahead with the practical implementation of the 'framework for establishing modalities in agriculture'.

10. If parliamentarians helped provide appropriate answers to the two questions above, this might in turn help the Committee on Agriculture and the subcommittee on cotton meet the objectives set by the General Council, which, wishing to address the issue of cotton 'specifically', states that 'work [of the two committees] shall encompass all trade-distorting policies affecting the sector in **all three pillars of market access, domestic support, and export competition, as specified in the Doha text and this Framework text'**. In paragraph 5, the General Council also emphasises that 'coherence between trade and development aspects of the cotton issue will be pursued as set out in paragraph 1.b of the text to which this Framework is annexed'.

IV. Multilateralism, trade and development: forging links between WTO agreements and the Millennium Development Goals

11. Thanks to the initiative on cotton, 'Multilateralism, Trade and Development' has become an approach that the WTO member countries must try gradually to build into their development policies at national, regional and international level. On 1 August 2004, the General Council did not mince its words in emphasising the need to find the links required to make the contributions of different international organisations more consistent: '**Members should work on related issues of development multilaterally with the international financial institutions, continue their bilateral programmes, and all developed countries are urged to participate. In this regard, the General Council instructs the Director General to consult with the relevant international organizations, including the Bretton Woods Institutions, the Food and Agriculture Organization and the International Trade Centre to**

direct effectively existing programmes and any additional resources towards development of the economies where cotton has vital importance’.

12. The General Council’s decision is a significant step forwards in the agriculture negotiations and should be welcomed. It also appeals to parliamentarians, the representatives of the people, to become more involved, on a systematic basis, in WTO agreements and the Doha Development Agenda, the implementation of which – for better or for worse – will affect people all over the world.

13. With some minor changes, the General Council’s decision on cotton could apply to several agricultural products that are traded internationally, and to foodstuffs in particular. By taking one step at a time, the General Council is following a logical progression that would seem to make it possible to move on from cotton to other aspects of agriculture which are increasingly being addressed in terms of combating poverty via the Poverty Reduction Strategy, one of the Millennium Development Goals.

14. The Bretton Woods institutions (the IMF and the World Bank), to which the General Council’s decisions refer, currently have a leading role in encouraging developing countries to draw up and implement Poverty Reduction Strategies based on a set of principles, which, like the principles for WTO agreements, relate to liberal economies based on production and trade, and economic growth achieved via macroeconomic reform. To a greater or lesser degree, the Poverty Reduction Strategies involve the majority of the ‘G-90’ countries.

15. The Poverty Reduction Strategy is the first of the Millennium Development Goals (MDGs) setting out targets to be reached by 2015, coming under the heading ‘Eradicate extreme poverty and hunger’. The other MDGs, which are no less important, are: (2) to achieve universal primary education, (3) to promote gender equality and empower women, (4) to reduce child mortality, (5) to improve maternal health, (6) to combat HIV/AIDS, malaria and other diseases, (7) to ensure environmental sustainability and (8), to develop a global partnership for development.

16. Despite the importance of these issues as prerequisites for development and trade, the WTO cannot deal directly with them as this may distract the organisation from its aims. However, there is little prospect of the MDGs being met by 2015 – no matter how effective the United Nations System is – if they are ignored or disregarded in the WTO’s Doha Round negotiations. The three components of MDG 8, for example, are closely related to the issues under consideration in the WTO as part of the Doha Agenda. These issues relate to aid, debt relief and market access.

17. In the light of the above, parliamentarians are called upon to acknowledge the challenges they must face up to in forging links between WTO agreements and the Millennium Development Goals, considering legislative texts, voting on budgets and scrutinising government activity, with the trio of ‘multilateralism – trade – development’ always in mind, and all in the interests of those they represent across a world that is now a global village.

Submission by Senator Evelyn Matthei Fornet (Chile)

- Chile is committed to an ambitious outcome across the whole agenda of the Doha Round. We are interested in achieving substantive results in areas such as market access for industrial products, services, antidumping and trade facilitation. We have been active and constructive players in all those areas. This is recognized by all WTO Members.
- But at the same time agriculture is for us the single most important part of the Doha Round. Why?
 - Agriculture has been central to the process of export-driven growth and export diversification that Chile has gone through for more than 2 decades. One only needs to recall that by the mid seventies copper accounted for more than 70% of Chilean exports.
 - We have invested enormous efforts for more than 2 decades to become a relevant player in world agricultural trade. The success stories of Chilean wine, salmon, fresh fruit and processed foods testify to this. Investments have been made and jobs created. For Chile, agricultural trade has been a crucial development engine.

- Yet we have not been able to reap the full benefits of our comparative advantage in agriculture.
 - It is true that we currently enjoy an improved access to most of our main export destinations through our network of free trade agreements.
 - But enormous amounts of subsidies are still in place, especially in Europe and the United States, which prevent us to have a bigger presence in those markets.
 - Moreover, subsidized European products unfairly compete with our agricultural exports in third markets, and occasionally even displace them entirely from those markets. The bitter experience of our canned peach exporters being displaced from Mexico and other Latin American markets by heavily subsidized European canned peaches is just one example.
- I think this explains why we have so consistently pushed for the reform of world agricultural trade, since 1986 within the Cairns Group and since 2003 also within the G20 group of developing countries. Both groups have very similar views on most aspects of the agricultural dossier, and we see both as complementary.
- The trade-distorting subsidies granted by OECD countries to a privileged minority of their population engaged in farming outstrip the development aid granted by those same countries by a factor of 6 to 1. And let's not forget that most of the world's poor earn their living in agriculture.
- Our own experience has convinced us, against what some like to say, that agricultural exports may be an important tool for development. What has worked for us surely can work for others. But for those benefits to fully materialize we need a level playing field, that is, a world free of distortions in agricultural trade.
- This reality is behind the emergence in August 2003 of the G20 group of developing countries. It's interesting to note that several members of the G20, such as India and Egypt, are net agricultural importers. But still they face the problem of their poor farmers having to compete with cheap subsidized imports from developed countries
- We need to dispel some misconceptions. We are not against European agriculture, or actually against any other country's agriculture. This is a debate about tools, not about goals. Governments are free to pursue their own goals in all spheres of public policy, including agricultural policy. But it is important that in doing so they do not undermine other countries' legitimate expectations. This is particularly true when those other countries are developing countries trying to make a living and to get their populations out of poverty by exporting those products in which they enjoy comparative advantage.
- Another common misconception, at least in Europe, is that some developing countries stand to benefit from agricultural liberalization to the detriment of other developing countries. According to this view, the richer countries of the G20 will gain at the expense of the poorer countries of the so-called G90 group of mainly African countries. This is plainly wrong. Trade is not a zero-sum gain, and G90 countries stand to gain a lot from agricultural trade liberalization. Trying to pit developing countries against each other is also a dubious negotiating tactic. Moreover, things are not that clear cut. Several G90 countries are actually richer on a per capita income basis than most G20 members, with their huge poor populations (for example India, China, Pakistan, Indonesia and Brazil).
- We welcome the reform of the EU's Common Agricultural Policy that is to take place starting next year. We see it as an important -yet insufficient- step in the right direction, which makes an agreement in the WTO easier to visualize.
- The countries maintaining the most protectionist and anti-development agricultural policies are the same ones who have benefited enormously from the impressive liberalization of trade in manufactures that has taken place for almost 60 years since the creation of the GATT. The lowering or even removal of tariffs in industrial products has allowed those countries to fully exploit their comparative advantage in those products.
- It is high time for those countries to allow developing countries to do the same: exploit their own comparative advantage in agriculture, so they can also improve their populations' lives and aspire to development.
- The framework agreement reached last July is an important step in the right direction. In particular, the commitment to put an end to all forms of agricultural export subsidies is of tremendous

importance. We pay tribute to the courage shown by the European Union's negotiators in making this decision.

- But many uncertainties and difficulties remain. These difficulties are not essentially technical; they are political. If we are to arrive at a successful outcome, a lot of courage will be required from both the governments and parliaments of those WTO Members with the most protectionist agricultural policies. But it is crucially important that those reforms are made. They not only are indispensable to allow a sound conclusion of the Doha Development Agenda: they will ultimately benefit the economies of those countries undertaking them
- To conclude, let's recall that agricultural liberalization is not just a trade issue: it is a development issue. And development is what the Doha Development Agenda is supposed to be all about

Submission by Mr. Masatoshi Wakabayashi, Member of the House of Councillors (Japan)

1. Basic stance of agricultural importing countries

- Countries which import agricultural products have greatly contributed to the expansion of world trade in the field of agriculture through their high level of imports. In addition, these countries contend that the diversity of agriculture should be respected, and that non-trade concerns, which include food security, should be taken into consideration for the coexistence of various types of agriculture. We understand that these ideas are matters of common concern and interest among all the WTO members.
- Japan wishes to contribute positively, as the world's largest net importer of agricultural products and as a traditional agricultural nation, toward solving the problems that will face the world in the twenty-first century, such as population, food, the environment, hunger, and poverty.
- In the current negotiations, we define our basic philosophy as the "coexistence of various types of agriculture" so as to maintain the foundations for the existence of agriculture even amid differing production conditions in each country.
- We advocate the establishment of realistic and flexible trade rules that give consideration also to non-trade concerns, including the multifunctionality of agriculture, such as in relation to food security and national land preservation functions.
- The trade order established by these negotiations should achieve a balance among the three areas of market access, domestic support, and export competition; ensure a balance of the rights and obligations between importing and exporting countries; and be truly equitable and fair.
- Also, balanced results should be ensured between agriculture and other negotiated areas.
- Since the Uruguay Round Agreement, Japan has steadily promoted agricultural policy reform, including paddy-field agriculture, and will continue these reform efforts.
- From now on, it will be essential to ensure flexibility in the modalities that are to be established on the basis of the framework agreement so that each country can continue agricultural policy reform and respond appropriately to sensitive matters, such as non-trade concerns.

2. Thoughts on domestic support and export competition in the agricultural negotiations

- The main users of domestic support and export competition are the developed countries.
- Trade-distorting domestic support and export-promoting measures, including export subsidies, by the principal exporting countries take away the opportunities of developing countries to maintain and expand domestic production and promote exports.

- The substantial reduction of such trade-distorting domestic support and elimination of trade-distorting export competition measures are an extremely high priority objective in the Doha Round agricultural negotiations.
- Also, we believe that this will lead to a vast improvement of market access for developing countries.
- For this reason, on the basis of the July framework agreement, we think that the following points should be materialized in future negotiations.

(a) Domestic support

- Policies with a strong element of trade distortion should be reduced even more substantially.
- Conditions should be stipulated so that a lesser degree of trade distortion is ensured for “Blue Box” measures than for “Amber Box” measures.
- Since “Green Box” measures, which are extremely important policies for dealing appropriately with non-trade concerns, have either no or minimal trade distortion effect, efforts should be made to ensure their transparency and in principle to maintain the current discipline.

(b) Export competition

- Since export -promoting measures, such as export subsidies, have the strongest element of trade distortion, export subsidies, export credits with a high degree of trade distortion, and trade-distorting behavior in such areas as state trading should be abolished as soon as possible. Food aid that acts as a substitute for commercial trade should be eliminated.