FOOD AND AGRICULTURAL SECTORS IN DEVELOPING COUNTRIES: WHAT DO THEY HAVE TO GAIN OR LOSE IN TRADE NEGOTIATIONS?

ORGANIZER JOHN G. STOVALL (USA)

RAPPORTEUR JOHAN SWINNEN (BELGIUM)

Historically, developing countries have played a passive or reactive role in multilateral trade negotiations. Rich countries, mainly the USA, Japan and the EU, set the agenda and agreed terms, and the smaller and developing countries followed their lead. As the recent Seattle WTO ministerial meeting made clear, the system no longer works in that way. The dynamics of trade negotiations have clearly changed in favour of developing countries and smaller economies.

The mini-symposium examined these issues more fully to bring about a better understanding of the legitimate interests of developing countries and to enlighten the policy-making process. It was organized around two themes. The first, on the current status of international efforts to liberalize trade in agricultural products, was led by Tim Josling (Stanford University). The second, centred on strategies for developing countries in trade negotiations, drew on presentations by Kym Anderson (University of Adelaide) and Ashok Gulati (Institute of Economic Growth, New Delhi).

Status and prospects for trade negotiations

Josling explained that the talks on agriculture were delayed but not directly affected by the failure to reach agreement in Seattle. Several position papers have now been submitted and much information is available. The key question has changed from whether agriculture should be treated the same way as other sectors, as it was prior to the Uruguay Round Agreement on Agriculture (URAA), to whether agricultural reform should be implemented at the same rate in all countries. The core issues of market access, aggregate support and export subsidies remain important, though several additional ones are under consideration. Developing countries (DCs) have expressed interest in 'special differential treatment', although definition of the concept is unclear. Dealing with food security in the WTO also raises problems. One other suggestion is the launch of a 'development box' which such countries could use without being challenged. However, 'developing countries' are a very heterogeneous group both in terms of comparative advantage for exports and in relation to current access to rich country markets through preferential agreements. This affects their position and preferences on a variety of WTO issues.

The question of the advantages accruing to developing countries from the URAA was raised in discussion since it often appears that the balance lies with the developed world. Tim Josling argued for the establishment of favourable legislation to counteract the general view that DCs were disadvantaged by weak institutions and lack of skills in negotiation and analysis. Various ways forward were discussed, though it became clear that there is no miracle solution. The best that can be done is to proceed with negotiations but to back up the process by supporting stronger institutional backing both 'in Geneva and at home'. It might also be advantageous for developing countries (and especially the smaller ones) to negotiate collectively. This is happening to some extent, through joint tabling of papers and as a result of some countries integrating with the Cairns group. However, diversity remains as a continuing obstacle to collective action.

Strategies for developing countries

Kym Anderson emphasized that traditional issues in the WTO remain very important and that agriculture is now the most trade-distorted of all sectors, with very significant costs. On the basis of modelling analysis, he argued that developing countries would experience huge gains from further liberalization, though most of them had applied for, and received, very high bound tariff rates in the WTO. Banning export subsidies and tariff rate quotas (TRQs) should be a key objective. In his view the least developed would make a grave error in accepting the current proposal for free access, because it would undermine the bargaining position of the whole group without giving any substantial gains. But he did not want them to follow a protectionist path; it was something which should be avoided, particularly in some notable cases including that of China.

Ashok Gulati argued that most models underestimated the gains from trade for developing countries, but he also stressed that there are strong political and economic constraints in removing trade barriers within them. Food importers would need compensation, while transparency and a 'level playing field' would be required for lower trade barriers to be acceptable anywhere. He also warned of a proliferation of WTO boxes, such as a new 'development box' or a 'multifunctionality box'. This would merely further complicate negotiations and trade itself and have an undesirable effect. Instead he proposed that everything (including the existing 'green box') should be put into a single category and be made subject to a simple 'cap' on total support.