

Agricultural negotiations in the framework of the Doha Round

1. The origins of GATT – a multilateral agreement on trade liberalization

In the aftermath of the Second World War, a number of international negotiations were launched, under several initiatives of the Governments to improve their mutual relations. One of the most important ones took place in 1947, in Havana, Cuba, within the framework of a UN meeting on trade and development.

During the meeting, a decision of establishing an International Trade Organization was reached on, with the aim of liberalizing world trade. For several reasons, not least the concerns of participating countries arising from the recent war undergone, the intended organization was not then established. Instead, an agreement was signed by a group of 23 countries, the General Agreement on Tariffs and Trade (GATT). This Agreement provided for a series of rules and arrangements aiming at removing the barriers for international trade and generally at changing and/or eliminating those policies that limited the free transboundary movement of goods.

GATT came into force on 1/1/1948. Greece signed the Agreement by the end of the same year. Thus, Greece is considered to be one of the GATT founding contracting parties.

2. From GATT to WTO

Up to 1995, when GATT was replaced by the World Trade Organization (WTO), a series of negotiations took place, resulting to the expansion of the agreement so as to cover additional sectors. On the other hand, membership increased significantly. Today, WTO counts for 148 members and accession negotiations are carried out for many more countries.

The multilateral trade negotiations are taking place in the framework of the so-called "negotiating rounds", each one lasting for several years.

In the framework of the Uruguay Round (1986 – 1993) agreement, entered into force since 1995, WTO replaced GATT, fulfilling the establishment of an International Trade Organisation, after the failure of 1947 to bring forth the endeavour.

The conversion of GATT into this Organization was partly attributable to the need for the achieved agreement to touch on sectors and issues, not previously covered by the original GATT. Agriculture was among the latter sectors.

3. The agricultural sector within the multilateral trade negotiations

Up to the Uruguay Round, the agricultural sector received a special treatment as permanent and temporary exceptions were provided.

However, as time span, the significance of agriculture for developed countries was gradually reduced, with yields and levels of food security increasing spectacularly, while many of them, especially the European countries, from net food importers became food exporters. In addition, a greater emphasis was laid on opening the markets in both developed and developing countries for industrial products and services (insurance, banking, telecommunications etc).

The first step towards liberalizing agricultural products' trade was achieved in 1995, in the framework of the Uruguay Round Agreement for Agriculture, the first purely multilateral agricultural trade agreement up to 2000.

4. The Uruguay Round Agreement on Agriculture (URAA)

This agreement provides for commitments, rules and disciplines under three pillars. These pillars are: **Market Access** concerning primarily duties, **Export Competition** with regard to export subsidies and **Domestic Support** referring to producer's subsidies. WTO members are obliged to align their agricultural policies accordingly.

1. Market access: the protection from imports can only be enhanced by custom duties, since non-tariff measures – for example, quantitative restrictions on imports – were converted into equivalent tariffs through a procedure known as “tariffication”. Imposing new non-tariff measures was prohibited by the agreement. Equivalent tariffs were gradually reduced (basic rule of the GATT), while each contracting member committed itself to cover a percentage of its domestic consumption by imported products (minimum access commitment). In order to avoid serious distortions in the internal market, the possibility for imposing additional duties, when a need arose, was provided (SSG – Special Safeguard Clause).

2. Export Competition: According to free trade supporters, export subsidies are the main trade distorting measure that reduces world prices of the agricultural products. The commitment for reducing them was the main issue of the agricultural negotiations during the Uruguay Round. Specific reductions of the volume of the subsidized exports, as well as the amounts of export subsidies were fixed. Other restricted rules were also provided in order to avoid the circumvention of the commitments via indirect export subsidies.

3. Domestic support: it covers all measures (aids – subsidies) provided by the agricultural policies in support of the agricultural sector. Subsidies are classified as in:

- Trade distorting subsidies which must be reduced. These subsidies are fall within the Amber Box. WTO members are committed to reduce them gradually. Aids in production, price support through intervention etc, are included in these subsidies.
- Subsidies for which there are no reductions as they are not linked either to production or to trade and consequently they are not considered as trade distorting. These are classified in the green box, such as, investment aids, measures for the protection of the environment, and aids to agricultural

research. The decoupled payments of the new CAP will be also included in this box.

- Subsidies connected to a production limiting program, as it is the case of production quotas. These measures are considered to be less trade distorting, and subsidies reductions are not imposed because they fall within the transition from the amber to the green box. Classified in the blue box, they include the deficiency payments (particularly popular in the US agricultural policy) and aids per hectare or animal head (CAP measures adopted after the 1992 reform).

The Uruguay Round Agreement for Agriculture (URAA) was the result of hard negotiations and became viable only after a "pre-agreement" between the EU and the USA, the so-called "Blair House Agreement". The latter was the result of the 1992 CAP reform, whose main principles are still in force, formulating the basis for the recent 2003/04 reform.

5. The new round of negotiations – Doha Round

In the on-going negotiations, the stand and interests of the different WTO members are based exactly on the above mentioned pillars.

The launching of a new round of negotiations on agriculture was stipulated in article 20 of the URAA, thus stating the long-term target of reforming agricultural policies and adjusting them to the market.

The agricultural negotiations started in 2000. The first phase (March 2000 – March 2001) was marked by the submission of proposals and the second one (March 2001 – February 2002), by the detailed deliberation on the aspects of the negotiating proposals.

During the Ministerial session held in Doha, November 2001, the agricultural negotiations were integrated into the framework of a new round of multilateral trading negotiations. Since then, agriculture is an integral part of the built-in agenda of the negotiations, which should be concluded by the end of 2004, as stated in the Doha Ministerial declaration. That means that no agricultural agreement can be achieved without a total agreement on all issues of the negotiations.

Agriculture provisions are included in paragraphs 13 and 14 of the Doha Ministerial Declaration, where the targets and the timetable are defined. Negotiations run along Article 20 of the URAA and the negotiating proposals of the Contracting Parties. Notwithstanding the final output, negotiations are focused on:

- A substantial improvement in market access
- Reductions of, with a view to phasing out, all forms of export subsidies
- Substantial reductions in trade – distorting domestic support.

Special and Differential Treatment for developing countries is an integral part of the negotiations while non-trade concerns will be taken into account. Non – trade concerns, or multifunctionality of agriculture, as the Community defines it, refer mainly to the contribution of agriculture in rural development and employment, the protection of the environment and landscape, food security etc.

With regard to the timetable, the declaration stipulated that an agreement on modalities should be concluded until 31/3/2003, including the reduction percentages, while during the 5th Ministerial of the WTO (Cancun – September 2003) the submission of the specific member's schedules should be carried out, namely the commitments per product that each WTO member would have undertaken. None of the above mentioned timetables was met.

6. Main Objectives – Controversial issues between the major trading partners

The **EU approach** could be defined as “**gradual adaptation**”, evolving around two targets:

- a) to help establishing the necessary alliances and convergences at WTO level,
- b) to send a positive message to the community of the European farmers.

The convey points are summarized as follows:

- Negotiations should be based on Article 20 of the URAA as a whole.
- A **balance between trade aspects** (market access, export competition, domestic support) and **non-trade concerns** (multifunctionality) must be achieved.
- All basic arrangements already included in the URAA, as for example, the structure of the domestic support pillar, should be maintained, meaning that the three boxes remain unalterable.
- The improvement of the market access should be linked to the protection of **the geographical indications**.
- **All forms of export subsidies** are subdued in discipline. That means, not only direct export subsidies granted by the EU, but also indirect export subsidies (export credits, food aid and State Trading Enterprises). These measures are usually by the USA and other big-exporting countries, with a view to circumvent the reduction commitments for export subsidies.
- With regard to the **special and differential treatment** of the developing countries, an emphasis must be laid on the maintenance of the privileges that these are enjoying through specific arrangements.

The **USA approach** stands completely opposite to that of the EU. This approach can be described as "**drastic reform**" or "harmonization approach".

Its basic points are summarized as follows:

- **Elimination of the direct export subsidies is the basic target.** They do not accept as a condition the equivalent discipline for the indirect export subsidies.
- Concerning the domestic support, it seeks for the incorporation of the blue to the amber box and it supports drastic reductions in them. Like the EU, the US approach does not accept restrictions or stringent criteria to be applied for the green box.
- The non-trade concerns are acknowledged but they should not be an internal issue of the negotiations. Instead, the non-trade concerns should be addressed within the green box.
- With regard to the market access, drastic reductions of the tariffs aiming at their complete abolition are proposed, aiming at the opening of the markets in both developed and developing countries.
- The linkages existing between the agricultural negotiations and other broader issues, such as, extension & protection of geographical indications, labeling of agricultural products, etc, are not accepted and they should not be taken into consideration.

The **members of the Cairns group** (net exporters of agricultural products) follow a similar but more ambitious approach compared with that of the USA. They aim at product specific reductions in the area of domestic support, stricter criteria and capping in the green box. Up to the Ministerial Session in Cancun, the Cairns group included the countries: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay.

Just before the Ministerial Session held in September 2003, the developing countries established a new group, under the leadership of Brazil and India, the so-called G-20 (all the developing countries being members of the Cairns group plus India, China and Mexico), dividing essentially the Cairns group (today this latter group is consisting only of Australia, New Zealand and Canada).

The group of **G-20** polarised the negotiations between rich and poor countries by raising excessive demands, while offering almost nothing. This approach can be characterized as "extreme", in the sense that it establishes two completely different set of rules. The one (developing countries), is exceptionally loose, when the other (developed countries), is extremely restrictive.

7. Evolution of the negotiations

The Doha Round at its entity, not solely with regard to its agricultural component, can be described as a round of lost deadlines and timetables. Due to the above mentioned differences in the negotiating proposals of the WTO members, it is of no surprise that no agreement on modalities was achieved till the end of March 2003. In fact, the WTO members preferred to leave the settlement of disputes to the Ministerial Conference of Cancun which thus became of special importance.

Previous experience shows that two are the major factors, which will play a significant role in achieving a final agreement: development of the USA policy on one hand, and CAP development on the other.

- The USA have recently undertaken a drastic reform of their agricultural policy. The new "Farm Bill" stands, in general, in the opposite direction of the URAA as well as of the objectives that the US has put forth the new round. It increases significantly the support levels to the American farmers and brings back in force the support system via prices. On these grounds, the US received a sharp criticism during the Geneva negotiations.
- The EU, on the other hand, achieved a compromise, under the Greek Presidency, during the Council of Ministers of Agriculture in June 2003, proceeding to a historical CAP reform, which aims at orientating European agriculture to the market as well as safeguarding the interests of consumers and tax payers.

By "Single Payment" entering into force in 2005, most of the subsidies will not be anymore linked to the production volume or to the prices of the agricultural products. Subsidies will be converted to neutral extensive aids based only on historical data and consequently, they do not distort international trade. Most of the aids today included in the amber or the blue box that were heavily criticized during the negotiations, will be transferred to the green box. This reform certainly facilitated flexibility on behalf of the EU in the WTO agricultural negotiations

8. EU – USA common position

The above mentioned data allowed EU to seek for a common stand with the USA. After the failure of the timetable envisaged for 31/3/2003, many of WTO members exercised a pressure on the two major players of the negotiations to seek for a common ground in order to put negotiating procedures back on track. So, in August 2003 a general agreement between EU-USA was achieved leading to the announcement of a common position in many aspects, although there are still points for which no common ground could be found.

The main points of this common position are the following:

- A significant reduction of the blue box, up to 5% of the value of agricultural production, with no change of the criteria concerning the green box.

Commitments for reducing the sum of the three boxes are stipulated as well. By maintaining the same structure concerning the way of support, the amber and blue boxes are to be determined in such levels as to create no problems for the EU, while aligning to the last CAP reform.

- Tariff reductions for certain products using the same formula of Uruguay Round, providing for average tariff reductions, thus giving ground of flexibility to the countries in choosing the reduction percentages in accordance to the sensitivity of each product. Tariff reductions, for some other products, within the so-called Swiss formula according to which a maximum tariff is determined with a reduction of duties to follow, so that the latter do not exceed this maximum limit. This method is reducing protection essentially. Finally, elimination of the duties for the rest of the products is provided. Thus, the EU deems that it will still have the opportunity to continue protecting its more vulnerable products, within its internal market.
- Elimination of the export subsidies for certain products of interest to developing countries and reduction of export subsidies for the rest of the products. Also a respective discipline for export credits is provided.

The most impressive and non-foreseeable development this position caused, was the “regeneration” of the north-south dispute on aspects of international trade. The establishment of the G-20 group was the outcome of this common position.

9. The Cancun Session

This dispute was particularly intensified during the ministerial session held in Cancun, Mexico, in September 2003.

The developing countries, supported by a great number of Non-Governmental Organizations, escalated the dispute, aiming to put pressure both on EU and USA to fall back from their common position, which was declared from the very beginning as their red line, allowing for no retreat.

Finally, the Cancun session did collapse but not due to the agricultural negotiations. The major reason for the failure was attributed to the Singapore issues (trade and competition, trade facilitation, government procurement, trade and investments) which do not concern the agricultural sector. Despite the flexibility shown by the EU on these issues, proving its good will for the agricultural negotiations, its position was clear cut. Through the CAP reform, the EU defined its negotiating limits and showed its intention for an agreement expecting that its counter-partners would show their good will as well.

10. The cotton issue

This issue was not included in the Doha Declaration. It was the outcome of an initiative undertaken by four African countries (Benin, Burkina-Faso, Mali, Chad), former French colonies, whose economy is heavily or exclusively dependent on cotton

production (June 2003).

This initiative was supported by many Non-Governmental Organizations and by a significant number of developed and developing countries. It was also supported by some EU member states, primarily by France, the industry of which has a strong textile presence in its former colonies.

The basic elements of the initiative are based on:

- The strategic role cotton plays for the development and poverty alleviation in the Least Developed Countries (LDCs).
- The necessity to eliminate all the measures in three pillars for cotton (triple zero approach).

In order to restore full operation of the international market, the interested countries had proposed:

- While in Cancun, a decision should be reached on accelerating reduction of support, and defining the final date for completely abolishing it.
- Until the complete abolition of the support takes place, compensation should be granted to the producers of the poorer countries for their income losses due to the world prices reduction resulting from the support the rich countries provide to their cotton sector.

Greece, whose only ally in Cancun was Spain, found itself isolated throughout the Conference. EU members, third countries and Non-Governmental Organisations repeatedly stressed the importance of the cotton sector for fighting poverty.

The Greek arguments focused on the fact that the poverty issue in Least Developing Countries can not be tackled exclusively through trade. Poverty is of a structural nature and more comprehensive approaches should be envisaged. This argumentation, however, was not acceptable, not on the grounds of justification, but because:

a) the whole issue has been linked with poverty reduction, and this meant that our country was, in principle, isolated, and

b) the real target of the initiative was USA policy. Greek producers would only be "collateral losses" in the fight against US policy.

Therefore, the failure which marked the Conference lifted the pressure on the Greek side.

Recently, the EU decided to reform its cotton regime. The new regime stipulates a 65% decoupling, while 35% of the payments amount will be granted on the basis of

the cultivated area (per hectare). This way, the payments for cotton will be "transferred" from the amber to the green (decoupled element) and blue boxes (per hectare payment). Under this reform, the EU can handle more efficiently the international pressure on this issue and change its stand at WTO level on the basis of the reformed regime.

Recently a decision was taken by a panel (a procedure that basically constitutes a WTO "court of law") against the USA, concerning its cotton policy. Brazil, which appealed against USA, claimed that the USA policy prejudices the interests of the Brazilian producers and the WTO "court of law" decided favourably on their demand. No matter how long the final decision is delayed, due to the appeal lodged by the USA, it proves the necessity and the importance of the cotton reform undertaken by the EU, while it proves once more how negotiations and agreements at WTO level impact on internal policies.

11. Geographical Indications

The Geographical Indications (GIs) is an important issue that has been discussed during the round and is of high priority for Greece. It refers to the potentiality of certain geographical areas to produce exclusively a product with a specific designation. For example, our country has recently succeeded in protecting, within EU borders, the designation "FETA", produced exclusively in certain areas of Greece. No other member state of the EU has the right to use the same designation.

In the framework of the agricultural negotiations, the EU effort aims at establishing the "exclusiveness" of the products and the use of designations at world level for a series of designations of EU designated products, which should not be used by other countries. Feta and Ouzo are included in this list of products.

12. Perspectives

The Cancun failure halted the negotiations. Similar failures have been noticed in many negotiating rounds in the past (e.g. the session of Brussels in 1990, which extended the Uruguay Round by three years).

Agriculture still remains a controversial issue in the negotiations albeit that it did not cause the breakdown of the Cancun session. The G-20 countries formed their strategy on the expectation that the EU would defer to issues concerning agriculture in order to take advantage of an estimation which proved to be wrong.

After the Cancun failure, many problems and questions were raised concerning the future of the multilateral negotiations. It is obvious that the multilateral trading system is beneficial to the development of all countries, of which the developed ones are sharing more of its benefits. Concerning the EU, one has to take into account the existence of big European industrial corporations, the competitiveness of the European enterprises in the services sector and of course the gradual decrease of the agricultural sector.

However, the ability of carrying on substantial negotiations throughout 2004, is restricted due to the fact that the two major players , e.g. EU and USA, are faced with the term of office for the European Commission and the Presidential elections in November in the USA respectively.

The USA, by intervening several times throughout the first half of 2004, appeared to defer from the common EU-USA position, trying obviously not to isolate itself from the Latin American countries and wishing to establish a Free Trade Area of the Americas.

On the other hand, after the Cancun failure, the European Commission wished for a progress to be achieved before summer of 2004 in order to start negotiating before the change of the Office. Today the negotiation procedure has started again, aiming at the achievement of a framework-agreement until July 2004. This agreement can not be specific but it can encourage negotiations.

Considering the limitations both EU and USA face, it is rather obvious that a "rapid" agreement cannot be either substantial or specific.

Probably, a "general" text will be acceptable by everyone, providing the excuse for the stake-holders to be relieved of the responsibility of a new failure, while providing, at the same time, a "broad" framework to resume negotiations after the developments in EU and USA take place.

Therefore, the timetable stipulated at the Doha Ministerial Declaration providing that the round should be concluded at the end of 2004, is impossible. It is obvious that the negotiations will be continued. No substantial negotiations are expected before 2005 and the most likely year for a final agreement is considered the year 2007.

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