INTRODUCTION TO THE DEVELOPMENT BOX

FINDING SPACE FOR DEVELOPMENT CONCERNS IN THE WTO'S AGRICULTURE NEGOTIATIONS

Spring 2003

Sophia Murphy with Steve Suppan
Institute for Agriculture and Trade Policy

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Contents

Preface v

1 Introduction and Overview 1

2 Agriculture in the Doha Agenda 2

3 Agriculture, Trade and Development 4

4 The Development Box – Where Did it Come From? 8

5 Structure and Program of Negotiations 11

6 Negotiating Positions of Countries and Groups 12

- United States 12
- The Cairns Group 13
- The European Union 14
- Friends of Multifunctionality 15
- Former Eastern Bloc and Soviet States 16
- Least Developed Countries 17
- Like-Minded Group 17

7 Key Elements of the Development Box 19

8 Risks of the Development Box 21

9 The Development Box as Negotiations Proper Begin 23

10 Conclusion: Building Support for a Development-Friendly AoA 25

Postscript: April 2003 27

Annex 1: Agriculture and the Uruguay Round 29

Bibliography and Suggested Reading 31

Glossary 33

Preface

This paper was written as World Trade Organization negotiations were in progress. Its content was accurate as of the end of December 2002, but in the few months since, a great deal has happened. We have therefore added a postscript to review where things stand at the end of April 2003, as this paper goes to print. The rapidly-changing environment has changed the status of the "Development Box," which is a package of proposals from developing countries that describes what they would like to see in the next iteration of global trade rules for agriculture. In many respects, the Development Box has been overtaken by events. It was never likely to be a stand-alone element in the new agreement, as this paper explains. At this point, what may survive from the Development Box will be individual proposals from the package. Nonetheless, the paper is still timely. All of the issues raised by the Development Box discussion are still pertinent, and some of them need urgent attention from the international community, no matter how the multilateral trade community decides to handle them in this round of negotiations. The ideas will deserve and require consideration and debate for some time to come.

1
Introduction and Overview

This paper introduces the Development Box—a package of proposals made by a dozen or so developing countries concerned that existing WTO rules for agriculture are undermining food security and rural livelihoods in their countries. The Development Box (DB) offers possible exceptions to the trade rules that would meet the needs of countries with few resources and urgent food security needs. The Like-Minded Group of developing countries, including Pakistan, Kenya and the Dominican Republic, first made the proposal in 2000. India submitted a separate, but very similar, proposal for a Food Security Box at the same time. In its most recent iteration, seven developing countries included the Development Box as part of their comprehensive proposal to the negotiations in November 2002.

The paper situates the Development Box in the framework established by governments at the fourth WTO Ministerial Conference, held in Doha, Qatar, in November 2001. The paper reviews, briefly, the relationship agriculture has with development, food security and trade, to explain the basis for the proposals. The paper then explains the origins of the Development Box, providing an overview of the implementation experience of the existing Agreement on Agriculture (AoA). It then considers the negotiating positions of different countries and groups of countries engaged in the negotiations on agriculture, before turning to the DB in more detail, to outline its principal elements. The paper concludes with an assessment of the strengths and weaknesses of the proposal, and some suggestions for building momentum for a more development-friendly Agreement on Agriculture.

With negotiations on the AoA relatively advanced, there is still much work to be done to ensure that the new rules are more responsive to development concerns, particularly the right to food (which often means access to an income) for the world's poor—the over one billion people who go to sleep hungry every night. It is hoped the paper will provide a straightforward explanation of the ideas, and the urgent need behind them, and so encourage a more informed debate among trade negotiators on how to meet development obligations. We have an important opportunity before us in the lead-up to the September 2003 WTO Ministerial. Let us take full advantage of it.

2

Agriculture in the Doha Agenda

At the WTO Ministerial conference of November 2001, held in Doha, Qatar, WTO Member States reaffirmed their commitment to new negotiations in the area of agriculture—a process that was in any case mandated under the results of the Uruguay Round of trade negotiations, which ended in 1994. Governments chose to link the completion of revised rules for agriculture to reaching agreement on the other areas included in the Doha Agenda. This so-called "single undertaking" means that a series of agreements will be signed as a package—countries cannot pick and choose which agreements they like. While agricultural negotiations have been ongoing longer than the talks on most of the sectors listed for negotiation in the Doha Agenda, and there has been much talk of securing an early Agreement on Agriculture to act as an incentive for countries to make progress in other areas, progress at present is slow, if not stalled.

The mandate outlined for agriculture in Doha encompasses several objectives. First, the original objective, taken from the Uruguay Round Agreement on Agriculture, is reprised: "to establish a fair and market-oriented trading system through a program of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets." Then, "without prejudging the outcome," governments committed themselves to, "comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support."

At the same time, governments reaffirmed their commitment to Special and Differential Treatment (SDT)—that is, to providing assistance for developing countries in the form of such measures as longer implementation periods, less stringent disciplines, obligations of assistance and preference by developed countries, and occasional exemption from the rules altogether. Governments promised in Doha to make SDT "operationally effective." A strong and repeated criticism of existing SDT measures is that they have no real value because they are either not binding or have no practical value (for example, permission to spend non-existent public funds on agricultural support). Developing countries have repeatedly called for this to change, and all Member States have now accepted their responsibility to make SDT useful. The Doha Declaration also obliges Member States, "to effectively take account of their [developing country] development needs, including food security and rural development."

By November 2002, one year after Doha, the negotiating committee on agriculture had met four times: once on each of the so-called pillars (market access, export support and domestic support) and a final meeting on cross-cutting and outstanding issues. The schedule for completion of talks is tight: the Chairman of the negotiations, Stuart Harbinson, provided a comprehensive review of most of the existing proposals on December 18, 2002.[1] Under the Doha schedule, governments committed themselves to reaching a final agreement by March 31, 2003—a deadline that they missed. The agreement was then supposed to wait for the other negotiations to catch up; even under the current ambitious timetable, governments have not committed to signing the single undertaking until 2005.

At this point, however, many governments question whether the timetable is realistic. They wonder aloud whether there can be consensus on agriculture so far ahead of other issues, particularly given the inability of the Chairman of the Negotiating Committee to even pull together a second draft overview paper in time for the March 31 deadline for agreement on modalities. The European Union was not able to submit even a tentative proposal until mid-December, and it seems clear that it has little room to manoeuvre, given how far apart Member States are on which direction reform should take.[2] For now, the United States and the group of exporting countries known as the Cairns Group (described in more detail below) continue to seek ambitious liberalization of agriculture, despite the reluctance of the EU and some others. Moreover, there are fundamental differences between those, such as the European Union, who say they won't offer much on agriculture until they see what countries will offer elsewhere, and those countries that say they won't offer anything elsewhere until they see how serious the EU commitment is to reform in agriculture. This tension is far from played out, as evidenced by the failure to meet the March 31 deadline. As many remember, agriculture was the primary reason it took so long to conclude the Uruguay Round.

Endnotes

1 Stuart Harbinson chairs the Committee on Agriculture—he was formerly Ambassador of Hong Kong to the WTO and is now WTO Director General Supachai's Chief of Staff.

The overview paper (formal reference: TN/AG/6) is available in English, Spanish and French online at: http://www.wto.org/english/tratop_e/agric_e/negoti_modoverview_e.htm

2 Member States approved this proposal in mid-January 2003, making it the official EU negotiating position.

3
Agriculture, Trade and Development

The following section provides a brief overview of the importance of agriculture in developing country economies. It highlights the links among agriculture, trade and development and sets the context within which WTO rules for agriculture operate in developing countries.

Agriculture is an essential economic pillar of practically every developing country. Most fundamentally, agriculture is vital to food security. All UN member states are bound under international law to protect and promote the universal right to food. In South Africa, Brazil and Norway, the right to food is enshrined in national law. Food security has many definitions. One of the most widely-accepted was adopted by governments at the World Food Summit in 1996: "Food that is available at all times, that all persons have means of access to it, that it is nutritionally adequate in terms of quantity, quality and variety, and that it is acceptable within the given culture."[3] The need to secure adequate food to survive is a primary driver of economic activity and the basic means of ensuring adequate food is agricultural production.

Agriculture is also essential to developing country employment, income generation (including foreign exchange earnings), culture and ecological management. The importance of agriculture is obvious in a country such as Rwanda, where agriculture represents 80 per cent or more of total economic activity. Even more diversified developing countries, however, are typically far more dependent on agricultural production than developed countries. Moreover, agriculture is often the most important income source for the people who live in the greatest poverty. If poverty eradication is a primary objective of public policy, then agriculture has to be a focus of public policy interventions.

Despite the fundamental importance of agriculture in development, however, developing countries and the international development community have neglected agricultural development for many years. Many developing countries used agriculture to subsidize other sectors of their economies—governments depressed prices for agricultural products to provide cheap food to urban areas. In part, they did this because economists told them development was linear. To generate the economic wealth needed for increasing populations, economists believed it was necessary to transform economies from an agricultural to an industrial base.[4] Governments squeezed agriculture to generate resources for industrialization.

Today, most economic development theories are more sophisticated than these linear models, which were oversimplified and ignored the specificities of developing country experiences. It is now widely believed that both diversification and specialization are essential to ensure stable and sustainable economic development. The contribution that agriculture makes to economic growth and poverty reduction is better recognized. Agriculture is no longer a sector associated with low growth and "backwardness"; instead, economists accept that agriculture plays a central role in determining economic well-being at all stages of development.

Agricultural development, analysts have shown, is an effective way to generate employment and reduce poverty. Former Director General of the International Food Policy Research Institute, John Mellor, argues this is not because agricultural development necessarily reduces poverty in itself. Farmers are often not the poorest in their societies. Rather, it is because increasing incomes in rural areas has an immediate and significant knock-on effect by increasing demand for local goods and services, such as construction, clothes and hired labour.[5] Increasing farmers' wealth reduces overall poverty because it boosts local employment and capital flows.

Effective agricultural development—development that generates jobs and widely-shared income—depends on land distribution patterns, access to inputs such as capital and labour, environmental conditions and access to markets. Where landholdings are heavily concentrated in the hands of a few landowners, agricultural growth offers significantly less benefit to the wider economy because larger, richer landowners are more likely to consume imported goods and services than to spend the additional income in the rural areas where poverty is concentrated.[6] Strong agricultural development and equitable land distribution, however, together provide a strong basis for economic growth and poverty reduction.

Farmers' welfare is vital to sound agricultural development. Farmers' prosperity depends on their capital base (including access to land, water, credit, seed and animal stock) and their economic power (how much profit they can earn in the market from the exchange of the food they grow). International trade increasingly affects both these elements: access to resources and relative market power. Due to the wider changes associated with globalization, including the liberalization of capital movements and the rapid diffusion of new technologies, international trade plays an increasing role in every country's economy. European supermarkets are investing in Kenya to create a year round supply of fresh vegetables for their shelves. Aid workers in villages in the remotest Andes send bemused reports of U.S.-grown potatoes that arrive in the market and undercut prices for local growers. Production-enhancing technologies depend on imported inputs, such as fertilizers, pesticides, oil and hybrid seeds, provided by an increasingly consolidated number of private firms.

In some cases, the changes associated with globalization have spurred new international initiatives to develop stronger international regulations. In the agricultural sector, heightened concerns about food safety have led to trade disputes and then to new initiatives to develop internationally-agreed standards and norms that are politically acceptable to the people and companies affected.

In other cases, international policy prescriptions have shaped the direction of globalization. For example, through much of the 1980s and 1990s, international financial assistance was conditional on recipient countries reducing their tariff barriers, making their currencies convertible, servicing their debt obligations and increasing export production. These programs prompted a shift towards export agriculture that has transformed the rural economies of many developing countries.

While many developing country farmers remain subsistence producers, they increasingly face competition from internationally-traded goods in their local markets.[7] At the same time, many farmers face pressures to turn to export production, either to meet growing demands for cash (to pay for school fees, hospital bills or farm inputs) or in response to government (and international aid program) incentives that seek to increase foreign currency earnings through agricultural exports. Under structural adjustment programs, government-run agricultural distribution and marketing programs have often been privatized, or simply abandoned. This has pushed farmers to seek alternative markets to ensure a living, or to migrate when no alternative market exists.

Increasing export crop production is not necessarily a problem: it can bring employment, investment and access to new technologies. In practice, however, the changes have too often increased the vulnerability of small producers, or driven them from their land permanently. Export crops tend to demand more capital and less labour. They increase dependence on outside factors and leave the most abundant local resource—people—untapped.

As the context of food production changes, many farmers find survival difficult. Whether they operate in the United States, the Philippines or Mali, farmers share common experiences of losing market power *vis-à-vis* their buyers. They face increased competition from imports, but do not reap the benefits market access in theory should bring.

Why have efforts to increase access for developing countries to developed country markets failed? European export subsidy programs, enormous spending by developed countries on domestic support and persistent high tariffs on some products in large markets (such as on sugar in both the United States and European Union) have been blamed for the failure of increased market access to provide the expected benefits to developing country farmers. However, it is doubtful that the removal of all tariff barriers and the elimination of the European export subsidy system alone would make enough of a difference to the average farmer's marketing opportunities. Dumping (the sale of agricultural products at less than cost of production prices in the local markets of developing countries) is an important problem. Unregulated market power exercised by the transnational companies involved in agricultural trade—whether grain companies, food processors or supermarkets—is another.

Farmers themselves rarely export directly. They are far more likely to sell their crops to middlemen, supply crops under contract to multinationals, or work as hired labour on foreign-owned plantations. Farmers' interest in expanding overseas markets is thus indirect. Their immediate interest is in keeping production costs low and in maximizing the price of the crops they sell in their local market. They want market choices, but few farmers have the capital required to be interested in a market thousands of miles away. Too often, as Canadian and U.S. farmers have witnessed, increasing export shares can accompany flat or even declining farm income. At the level of the national economy, many developing countries have experienced this phenomenon in recent years: a rising volume of exports accompanied by declining export revenues as commodity prices tumble.

Have the technology and communications changes associated with globalization—together with the liberalization of agricultural trade—lowered the cost of food at the consumer end? Results vary, of course, but many of the gains promised by the models have not been realized. Because of the very significant concentration of market power in both global commodity trade and the food retail trade in developed countries, trade liberalization policies have not been as successful at delivering cheaper food to consumers as their advocates predicted. Before governments finalized the Agreement on Agriculture, economists predicted that prices of agricultural products would increase slightly after their implementation. Instead, prices have fallen precipitously, continuing a downward trend that has persisted for decades. Yet consumer prices have not declined.

Mexico provides a very dramatic example of this phenomenon: maize prices for local farmers declined from about 1,300 pesos per tonne in 1982 to just under 600 pesos per tonne in 1998. Yet the retail price of a tortilla increased by almost 500 per cent between 1994 and 1999. While a large part of this was due to the inflation that followed the peso crisis of 1998, and some was also due to the elimination of government subsidies for consumers, prices still increased by 279 per cent in real terms. At the same time, the price of corn dropped by almost half.[8] Global coffee markets offer another example of collapsed commodity prices, this time at the global level, coupled with steady if not increasing prices for the consumers who buy a latte in their nearest coffee shop, or a pound of fresh roasted java beans in their local supermarket.

In the United States, food and commodity prices are virtually independent. As the economist Robert Taylor recently testified to the U.S. Senate Agriculture Committee, "Since 1984, the real price of a market basket of food has increased by 2.8 per cent, while the farm value of that food has fallen by 35.7 per cent." In other words, food prices reflect prevailing inflation levels, while commodity markets follow their own path. It is not that trade liberalization cannot benefit consumers, but that in practice it often has not. This failure for consumer prices to reflect drops in commodity prices can, in large part, be attributed to the concentrated market power of food processors and retailers. When commodity prices fall, these companies simply increase their profit margin. Moreover, many of the poorest consumers are also food producers, whose ability to buy the extra food they need depends on what price they can get for their crops. Even poorer, landless labourers depend on a healthy local agricultural economy to earn the money they need to buy food.

Trade has a complicated relationship to food security and development. Some of the challenge of developing better rules to manage international agricultural trade lies in the nature of agriculture itself, and the particularities of supply and demand in the sector. Agricultural production levels do not respond quickly to price signals. In fact, over time, we see that production trends have increased in response to both high and low prices, although fewer farmers produce when prices are falling. Thus, in the United States, the number of farmers has declined dramatically as commodity prices have fallen, but the land in production has remained relatively stable, while production itself has gone up for many crops. Clearly, policy that seeks to reduce production will have to look beyond cutting prices to a deeper understanding of what drives production.

These complications make it all the more important to get the right rules for multilateral trade in agricultural products. Strong agricultural development is a central strategy in any attempt to end the scourge of hunger in our world of plenty. It is vital to ending the gross disparities of wealth between rich countries and poor.

Endnotes

3 FAO, 1996, Rome Declaration on World Food Security.

4 See, for example, the writings of economic historian Walt Whitman Rostow, who postulated a linear model of development that went through five stages, from traditional (largely agrarian) to the society of mass consumption (the U.S. of the 1950s, when he was writing). In particular, *Stages of Economic Growth* (1960).

5 John W. Mellor, Background Paper: "Reducing Poverty, Buffering Economic Shocks—Agriculture and the Non-tradable Economy," prepared for Experts' Meeting, March 19–21, 2001, Roles of Agriculture Project, FAO: Rome. Online at http://www.fao.org/es/esa/roa/roa-e/EMPDF/PROCEED/BG/MELLOR.pdf

6 Mellor, *op. cit*.

7 Most of these farmers participate to some extent in the cash economy. The household, however, consumes much of their production.

8 Alejandro Nadal, 2000, *The Environmental and Social Impacts of Economic Liberalization on Corn Production in Mexico*, Oxfam GB and WWF International. Pp. 34–36.

4
The Development Box – Where Did it Come From?

The Uruguay Round Agreement on Agriculture (AoA) provides the rules that govern international agricultural trade and, by extension, production. It bans the use of border protection measures other than tariffs, and puts tariffs on a schedule of phased reduction; domestic support programs are categorized as acceptable or unacceptable, with the latter also on a schedule for reduction; and export subsidies, while effectively legalized by the agreement, are also disciplined and scheduled for reduction and eventual elimination. The content of the AoA largely reflects the shared agenda of the United States and the non-European Union grain exporting countries (known as the Cairns Group), who consistently push for as much liberalization of agriculture as possible. At the same time, it includes important exemptions for spending on agriculture, exemptions that are contrary to the goal of liberalization.

The AoA allows countries some leeway to determine the support measures they want for their agricultural sectors. There are no limits on spending that supports low-income and resource-poor farmers in developing countries, nor on insurance programs, infrastructure provision and public food stocks (so long as they are purchased at world prices). Nor are there limits on income-support programs to developed country producers, so long as they are not coupled to production. Spending on programs that link government payments to reduce production of specific crops and production levels is also unlimited, under the so-called Blue Box (article 6.5 of the agreement)—an option obviously open only to countries rich enough to afford it.

The issues of major concern to developing countries in agriculture negotiations fall into two broad categories: so-called rebalancing, and special and differential treatment (SDT) for developing countries. As to the first category, the Philippines and others have made the argument that the existing AoA reflects a lack of balance among the three broad areas of the agreement—market access, domestic support and export subsidies. Everyone is expected to reduce tariff levels, yet rich countries have preserved their right to maintain high levels of spending on both domestic and export support, making the overall package unfair. Proposed measures to rebalance the agreement take the shape of withdrawing export rights from countries that subsidize their exports—that is, importing countries and exporting countries that do not use subsidies are demanding that exports from countries that use subsidies should be subject to additional tariffs. These tariffs would be equivalent to the subsidy levels for the given product in the country of origin. There is some discussion as to whether rebalancing measures ought properly to be considered as part of a Development Box—in some sense they stand on their own merit, reflecting long-standing GATT principles, such as Article VI against dumping and the Agreement on Subsidies and Countervailing Measures.

The second category of measures—(SDT)—are those sought by developing countries to ensure that their particular economic challenges are recognized in rules that are more flexible. Most of the Development Box proposals fall into this category. More specifically, the issues that gave rise to the Development Box include:

- Continued protectionism and use of double standards by developed countries, who have done little if anything to reduce their spending on agriculture while continuing to push for access to developing country markets.
- Implementation problems from the Uruguay Round Agreements, including the difficulty of implementing so many agreements so quickly and all at once. Structural adjustment programs that often require deeper and more rapid liberalization than the WTO rules have exacerbated these problems.
- The erosion of preferential access for a number of developing countries to developed country markets under the AoA and other free trade agreements.
- The increase in dumping levels as commodity prices fall, increasing the gap between sale prices and actual production costs (which are 30 per cent—and more—higher than market prices). This cre-

ates a significant disadvantage for developing country producers, who have no recourse to the income support provided to producers in developed countries, and whose local markets are increasingly flooded with dumped imports from abroad.

- The erosion of Special and Differential Treatment. In the AoA, SDT involves little more than exemptions for the least developed countries, longer transition periods for other developing countries. It also includes higher spending limits for domestic support and export subsidies, but few developing countries can afford such programs in the first place.
- The exacerbation of food insecurity of poor households and communities in developing countries, in large measure linked to the loss of livelihoods in agriculture.
- The failure to implement the Marrakech Ministerial Decision for LDCs and Net-Food Importing Developing Countries, intended to assist poor countries if world food prices rose suddenly.

The Development Box was first proposed at the WTO agricultural talks in 2000 by the "Like-Minded Group" of developing countries, including Pakistan, Kenya and the Dominican Republic. India put forward a similar proposal, calling it a "Food Security Box." These governments were concerned that the liberalization of agricultural trade was jeopardizing their food security and the livelihoods of their producers, especially small farmers, who are among the most vulnerable sectors in the population. The governments who proposed the DB wanted to create exceptions to the trade rules for countries with scarce resources and significant food security concerns.

At this time, some developed countries had started to articulate their own food security concerns, using this to justify the continuance of trade-distorting programs. This raised a concern among developing countries that progress on disciplining the trade-distorting practices of developed countries would be slow to come about. Developing countries wanted to distinguish their food security concerns from those of Japan, South Korea, Norway and Switzerland, who were using food security language.

The name—Development Box—was a deliberate echo of the existing Blue, Amber and Green Boxes, which are the terms that describe various categories of agricultural support measures.[9] In essence, the boxes were designed to accommodate the specific needs of wealthy countries; where spending cuts would be difficult, a separate box was created to protect the programs involved from reductions. Thus domestic payments allocated to the Amber Box have been cut under the AoA, but the Blue and Green Boxes contain programs where no spending limits apply. In the same vein, developing countries created the DB as a catchall for measures designed to meet their specific agricultural challenges.

The DB has significance beyond its being a concerted move to protect developing country interests. It is also a way to give substance to the stated intention of the AoA itself, when it set out in Article 20 to continue the "reform" of agricultural trade rules, taking into account:

(a) "the experience to that date from implementing the reduction commitments;

(b) the effects of the reduction commitments on world trade in agriculture;

(c) non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and

(d) what further commitments are necessary to achieve the above mentioned long-term objectives."

The "objectives and concerns" listed in the preamble include food security, environmental protection, special and differential treatment, and the need to take remedial action should the agreement have a negative impact on net-food importing developing countries. The Development Box is responding to these concerns: the implementation experience is that imbalances in international agricultural trade rules discriminate against those least able to defend themselves. The companies that dominate world commodity markets sell commodities at less than the cost of production prices. Market access to developed country markets remains effectively closed by dozens of regulations, standards and complicated tariff quotas. On the other hand, access to developing country markets has increased significantly, often displacing local jobs, undermining prices for local producers and disrupting local food production.

In 2001, Pakistan called a meeting to create a more formal group to support the DB and thus founded the Friends of the Development Box. In some ways, this group has not been able to work as consistently as its membership—which includes the Dominican Republic, Cuba, Kenya, Uganda and Sri Lanka—would have liked. Nevertheless, the group provided an institutional venue for delegates to consider, debate and decide upon some proposals in the negotiations that answered the food security concerns the DB was designed to address. The South Centre has also played an invaluable role in providing background research and a venue for governments to meet.

Even the earliest analyses of the Agreement on Agriculture pointed out the ways in which the agreement gave developed countries a number of advantages not matched by measures for developing countries. With time, it also became clear that a number of factors beyond the control of the WTO rules were harming developing country agriculture. The need for more flexible trade policies and access to operationally-effective protective measures against uncertain international markets became clear to a number of governments. The DB was a response to this: it challenges the assumption that the only way to manage agricultural markets is through liberalization. The DB is a call by developing countries to the WTO membership to put in place meaningful SDT for agriculture.

Endnote

9 Briefly, Green Box measures are supposed to have no, or minimal, trade distortion, and are allowed; Blue Box measures are directly aimed at limiting production, and are also allowed; Amber Box measures are trade-distorting, and are prohibited beyond a certain minimal level. See glossary for a more detailed set of definitions.

5
Structure and Program of Negotiations

The WTO agricultural negotiations are on a tight schedule. The talks are planned for completion by March 31, 2003. While publicly optimistic about the possibility of keeping to this schedule, few negotiators seem to believe it likely they will be able to respect the deadlines. However, most of the members did manage to provide initial negotiating positions ahead of Chairman Harbinson's first draft composite text of December 18, 2002 (with the glaring exception of the European Union, whose still-to-be-approved submission came out at the same time as the composite text itself).[10]

Between the agricultural negotiating committee meeting of February 24–27 and that scheduled for March 24–26, the timetable required Harbinson to produce a second draft negotiating text based on responses to the first. Negotiators expected this document to offer a second attempt to reconcile what are still very different views on the shape and ambition of the new agreement, but in the final event the widely diverging views of the members did not allow such a draft to be produced. The March meeting of the committee was to have been the final meeting on agriculture until the other agreements foreseen in the Doha Agenda are finalized, but in light of the missed deadline, extra negotiating sessions have been scheduled in the lead up to the Cancun Ministerial in September 2003.

Developing countries put considerable and specific detail into their final Development Box proposals of November 2002. They expected the comprehensive draft of December 18 and the draft negotiating texts would reflect their views. Although the United States and some other developed, as well as some developing countries dismissed many of the proposals, they had attracted sufficient support to merit a place in the debate. Unfortunately, even the comprehensive overview gave short shrift to the proposals, conflating a number of distinct ideas into the discussion of the Special Safeguard for developing countries.

Endnote

10 The EU Member States formally adopted the proposal in mid-January 2003.

6
Negotiating Positions of Countries and Groups

Summaries of the WTO Agricultural Negotiations are available in a Secretariat note entitled "*WTO Agriculture Negotiations*," published on the WTO Web site. More detailed information is available at http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm. The December 18 overview text does not ascribe countries to positions, but provides a comprehensive overview. That document is also online at the WTO Web site: http://www.wto.org/english/tratop_e/agric_e/negoti_modoverview_e.htm.

The following analysis focuses on the countries and country groupings that are active on agriculture. The analysis highlights the main features of the negotiating proposals and the response they elicited from other negotiators. It is current as of late December 2002.

United States

The United States characterizes its WTO proposal on agriculture as "ambitious." Unfortunately, this ambition has not extended to serious consideration of possible operational Special and Differential Treatment (SDT). Nor does it include meaningful reform of the billions of dollars the U.S. spends annually in subsidies to agri-business. In the section of its proposal entitled "Special and Differential Treatment," the U.S. simply restates its objectives: the elimination of export subsidies, the continuation of export credit and food aid programs, the reduction of tariffs and the reduction of "trade-distorting" domestic support. The U.S. presents these ideas as SDT measures in their own right. The further detail is a reprise of the measures that failed to provide adequate assistance under the existing AoA: no limits on spending for programs that target low-income farmers, permission to use export taxes, and reserving part of future tariff rate quota allocations specifically for "nontraditional developing country suppliers." In general, the U.S. is also supportive of longer timeframes for developing country implementation of new disciplines. None of these measures will address the sorts of problems outlined in the proposal for a Development Box.

The main elements of the U.S. proposal are (1) to eliminate export subsidies over a five-year phase-in period; (2) to reduce agricultural tariffs over five years so that no tariff will exceed 25 per cent after the phase-in; and (3) to reduce the use of "trade-distorting" domestic support to five per cent of the total value of agricultural production, also over five years. In the case of the United States, this last would total some $10 billion, given the current value of the domestic agricultural sector. The U.S. would further "simplify" the calculation of trade-distorting support by including the Blue Box—production-limiting payments—in the total expenditure scheduled for reduction. In the current agreement, these payments are not subject to spending limits. This "simplification," together with the objective of eliminating export subsidies, is targeted primarily at the European Union. The EU Common Agricultural Policy depends heavily on both export subsidies and the production-limiting payments.

The U.S. proposal ignores the widespread criticism it incurs as one of the only food aid providers that refuses to abide by international norms designed to ensure food aid is not used to off-load surplus production rather than to assist developing countries. The proposal also ignored export credits, although the U.S. is accused by many of its competitors of using export credits as a hidden subsidy to their exporters. The U.S. is by far the largest user of export credits in agriculture, and the OECD claims that the U.S. is responsible for 97 per cent of the most distorting export credit loans made.[11] In November 2002, the U.S. did make a proposal to at least consider a review of export credit terms to address some of the concerns raised by other WTO Member States. However, they have resisted any effort to introduce serious disciplines on the practice, arguing that poor developing countries benefit from the practice because they thereby get better than commercial terms for their food imports. Needless to say, the European Union can make the same argument about export subsidies. Fortunately, other WTO members are alert to this loophole and have made it clear they expect a policy change from the U.S. in this area. The U.S. proposal calls explicitly for the elimination of the Special Agricultural Safeguard, although the creation of a special safeguard just for developing countries is one of the principal demands in the Development Box. In conversation, however, U.S. officials say they are willing to discuss the proposal to create a new safeguard specifically for developing countries.

For the most part, WTO Members have greeted the U.S. proposal with skepticism. This disbelief is due to the 2002 U.S. Farm Bill, which budgets about $180 billion for agriculture over a 10-year period. The bill, essentially a continuation of the failed 1996 so-called "Freedom to Farm" Bill, does not include any reduction in export subsidies or domestic support (the apparent increases in domestic support are, however, misleading; the U.S. bill simply formalizes what had been payments made as "emergency measures" over the past few years). The 2002 bill features counter-cyclical payments to farmers enrolled in program crops, considered to be trade distorting because the payments increase as production rises.[12] The U.S. administration denies this characterization, but it is clear the bill violates the spirit of the AoA, which is to reduce government support to agriculture.

The Cairns Group

As of October 2002, the Cairns Group of agricultural exporting countries had 17 members: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Columbia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay. The group was formed in 1986 at a meeting in Cairns, Australia. The Australian government is the permanent secretariat of the group and provides much of its research. While the membership has changed over time, the Cairns Group has consistently represented a mix of developed and developing countries that identify their primary interest in agricultural trade negotiations as increasing market access for their exports.

Australia, which is pursuing a bilateral Free Trade Agreement with the United States, was among the few countries to welcome the U.S.-WTO agricultural proposal. Australia has sought to direct Cairns criticism "at the European Union and Japan who continue to resist reform of their agricultural markets."[13] The United States has stressed areas of agreement with Cairns, such as their common market access and tariff reduction position and avoided areas of disagreement, such as the U.S. proposal to discipline single desk exporters, which include the Australian AWB and the Canadian Wheat Board.

There are several fissures within Cairns, as one might expect of a 17-member group. Canada's wish to protect its supply management programs has prevented it from joining both the Cairns proposal on market access and that on domestic support. Indeed, there is some discussion in Canada about whether to withdraw from Cairns altogether.[14] Malaysia did not sign the Cairns proposal on market access, because it wanted a 70 per cent tariff reduction, rather than the 50 per cent reduction agreed to by the group.[15] Indonesia also did not sign this proposal, because the group failed to acknowledge its wish to maintain higher tariff protection on certain food security crops (including rice and maize). The tepid Cairns proposals on SDT and domestic support led some Cairns members to make additional proposals. For example, both the Philippines and Argentina have proposed variations on ways to protect domestic markets from imports from countries that subsidize their production. In November, they joined together with Bolivia, Costa Rica, Paraguay and Thailand to produce a single proposal entitled: Preliminary Modalities of the Special and Differential Countervailing Measure (formal reference JOB(02)/169). The proposal suggested that a new special and differential provision grant developing countries access to temporary countervailing duties against subsidized agricultural products from developed countries. The measure would relieve much of the burden of proof of injury, required under the GATT Agreement on Subsidies and Countervailing Measures, and would instead allow the presumption of subsidy where a developed country had notified the right to use export subsidies or certain kinds of domestic support. For the proponents, the proposal had the double virtue of protecting their producers from dumped production while making their exports more competitive in third country markets. The Cairns Group subsequently endorsed the proposal as a group.

Cairns Group support for the Development Box is limited because of the fear they will lose markets if border measures are increased. The Cairns proposal on domestic support goes no further on SDT than the following: "Consider specific proposals to include additional development programs in Annex 2 [the 'non-distorting' Green Box payments], subject to criteria that these do not distort production and trade."[16]

The European Union

Confirming the suspicions of those who fear the European Union cannot properly engage in the WTO negotiations on agriculture because of internal divisions, the European Commission (which speaks for the EU in trade negotiations) was not able to submit a written proposal until December 16, 2002, almost at the same time as the Chairman had to submit the overview text. Even then, the text had not yet been adopted by the Council of Ministers.[17] As a result, the EU proposal is not reflected in the overview paper submitted to members on December 18. This EU reticence reflects the internal political difficulties among EU member states concerning reforms to the EU Common Agriculture Program (CAP). A recent agreement between Germany and France has made it unlikely that there will be any significant reductions in the use of export subsidies before 2007. The EU, in other words, has little to offer by way of reform proposals. And yet, reform is inevitable. The EU has just welcomed 10 new members, including Poland, which has more farmers than the existing EU members combined. The cost of leaving the CAP unreformed would be entirely unsustainable. Rather, the questions are how the EU will reform (what new measures will it introduce to support its agricultural production), and how quickly will the changes come.

The central elements of the EU proposal were a cut in import tariffs of 36 per cent, a cut in export subsidies of 45 per cent and the reduction of trade-distorting domestic farm support by 55 per cent. In terms of SDT, the EU proposed duty-free and quota-free access for all farm exports from Least Developed Countries and that developed countries give duty-free access to at least 50 per cent of what they import from developing countries. The Commission also proposed a "Food Security Box" (clearly intended to echo the Development Box), which included a version of the special safeguard. Finally, the proposal emphasized non-trade concerns, particularly the environment, rural development and animal welfare.

What does this add up to? First, it is clear the commitment to reduce export subsidies by 45 per cent is a long way from the Doha mandate of "reductions of, with a view to phasing out, all forms of export subsidies." Second, the key to understanding the proposals is to know the baseline from which cuts will be made. The EU proposal would use the Uruguay Round baseline, which allows the EU to use the reforms it has already made (in 1992 and again in 2000) to count as new reforms under the new WTO rules. Worse, the EU proposed that these reductions should be global, rather than per product line. In other words, if export subsidies were reduced by 90 per cent on one product, they could remain much higher than 45 per cent on another product. With the CAP reforms already implemented over the past decade, which have eliminated the use of export subsidies for some products, the global cut of 45 per cent would require no change in existing export subsidy use whatsoever.

The reductions in trade-distorting domestic support were also disappointing, for much the same reasons. Internal CAP reforms have shifted considerable amounts of spending from the Amber Box to the Green Box, much as has happened in the United States. The reductions in so-called "trade-distorting" support have, in large measure, already happened—not by reducing expenditures, but by changing the nature of the programs that provide the support.

The EU's proposed food security exception is likewise not very useful. The EU proposes increased expenditure by developing country governments, rather than tariff measures, to protect food. This leaves developing countries with the same problem they face under the existing rules: only those with the fiscal wherewithal are able to tackle food security needs. The EU's version of the Special Safeguard would limit the measure to designated "food security crops," missing the point of the safeguard, which is to provide temporary protection from import surges. As such, it is neither adequate to address the structural causes of depressed prices in many world agricultural commodity markets, nor should it be limited to food security crops, as import surges can be damaging no matter the sector.

The EU has a few significant agricultural export interests, such as wheat, as well as transnational companies engaged in commodity trading, shipping and processing. This drives EU support for the reduction of tariff barriers in developing countries. However, the EU is also the world's largest agricultural importer, and its market is of great interest to agricultural exporters. EU positions reflect a strong concern to preserve domestic agricultural production capacity, making the EU a strong advocate of multifunctionality (described below). These conflicting interests make the EU a difficult negotiating partner. Moreover, as a coalition of 15 Member States with varied agricultural interests, it is hard for it to arrive at joint positions. The politics are further complicated by the EU's ongoing accession negotiations with the countries in Eastern Europe and the Mediterranean.

The EU has been very explicit about the need to link progress in talks on agriculture to commitments in other sectors. The EU needs a broad round of talks to secure the political trade-offs that will be essential to win over its members to reform. The EU has used this dynamic to force a discussion of the so-called Singapore issues (notably investment and competition) against the wishes of many developing countries, claiming that concessions in agriculture depend on the inclusion of these issues in a new trade round.

When EC Commissioner of Agriculture Franz Fischler proposed in 2002 to move in the direction of U.S. and Cairns demands to de-link agricultural subsidies from production, six EU agricultural ministers publicly rejected the proposal. They said, "For us, agricultural products are more than marketable goods; they are the fruit of a love of an occupation and of the land, which has been developed over many generations."[18] This passionate repudiation of the Uruguay Round premise that agriculture is the same as any other industry was not, however, the reason the EC failed to convince these agriculture ministers to reform the CAP sooner, rather than later. The EC attempt to sell reform by tying de-linked payments to achievement of on-farm environmental, food safety and animal welfare performance benchmarks failed because the EC could not specify how this reform plan could be implemented. Without clear implementation rules, the EU agricultural ministers could not calculate whether their farmers could receive something close to the payments to which they had become accustomed.[19]

In the meantime, EC officials have suggested that the EU will not reduce agricultural subsidies nor reduce market access barriers without concessions from WTO members under Article 20 of the AoA, governing so-called "Non-Trade Concerns." The EU is seeking concessions on geographical indicators (GI) regarding food products (the EC wishes to protect competitive advantage associated with GI product branding, so that, for example, the only thing that can be called Champagne is wine made in Champagne, from Champagne grapes, fermented in the Champagne tradition). The EU also wants strong precautionary measures to guide food safety rules, and the right to pay farmers to implement stringent animal welfare regulations. The United States and the Cairns Group have rejected these proposals. They argue the proposals belong in the Council on Trade-Related Intellectual Property Rights (TRIPs) or in the Committee on the Trade-Related Application of Sanitary and Phytosanitary Measures.

Friends of Multifunctionality

Multifunctional agriculture describes policies for agriculture that go beyond production-related measures to pay farmers for those benefits to society that may come as a side-effect of their farming practices.

Examples include payments for managing water quality, soil erosion, habitats for particular species or other services that are not recognized by market prices and yet have public value. The framework also considers some level of domestic food production to be an essential component of food security.

The core support for multifunctional agriculture comes from Japan, South Korea, Norway and Switzerland. These are wealthy countries with politically-powerful farmers and relatively difficult production conditions. Historically, their farmers have relied on governmental support programs that have maintained high domestic prices and kept out cheaper imports. They are net-food importing countries, whose export volume is small. Norway and Switzerland have small domestic markets as well, making them of limited interest to exporters. The EU associates itself with this group, although there are divisions within the Commission and among member countries as to the usefulness, validity and application of multifunctionality. This reflects the EU's interests as both importer and exporter.

A fundamental criticism of proposals made in the name of multifunctionality is that for them to be economically feasible for all WTO members, the proponents would have to practice what they preach abroad, not just at home. That is, the proponents would have to stop allowing their exporting firms to dump their agricultural exports at below cost of production prices, relying on export subsidies and inflated domestic prices to do so. These practices can end up impairing the ability of agriculture in other countries to fulfil its potential multifunctional roles. The proponents would also have to consider compensatory measures for countries that cannot afford to make up market failures in their agricultural sectors through generous government payments. Particularly since one of the effects of the policies, even if no exportable surplus results, is to maintain production that, arguably, developing country producers might otherwise supply. None of the supporters of multifunctionality have tabled any negotiating proposals that tackle this fundamental source of both market distortion and environmental degradation: the undervaluing of commodities in world markets, exacerbated by the dumping of commodities from rich countries at less than cost of production prices.

Japan's comprehensive proposal of November 2002 would leave significant leeway to countries to determine which products to liberalize and how. The proposal leaves domestic support at the levels reached under the existing AoA and seeks to raise market access barriers on rice. In a footnote to its Tariff Quota Volume proposal, Japan explains "[a]s for primary agricultural products in each Member, a certain level of domestic production needs to be maintained for addressing non-trade concerns such as food security, rural development and environmental protection."[20]

Given the Friends of Multifunctionality want to protect the non-trade functions of agricultural production, not to mention the isolation inherent in proposing measures that go directly against the stated purpose of the AoA (the progressive elimination of market-distorting support) one would expect multifaceted and creative positions from proponents of multifunctionality on SDT, in a bid to find allies among developing countries. Unfortunately, in the few years since the Friends of Multifunctionality first floated their concerns, very little has surfaced that might attract developing countries. Proposals continue to be limited to Uruguay Round-style extended implementation periods and exemptions from some provisions, ignoring the proposals that have come from a number of developing countries for more useful assistance.

Former Eastern Bloc and Soviet States

A limited number of proposals have surfaced from the former Eastern Bloc and Soviet States. They largely reflect two powerful, sometimes overlapping, concerns. The first concern is from the states that hope to accede to the European Union. This group is careful to reflect EU interests in their statements. The second is from those who recently acceded to the WTO. The accession process is infamously brutal, often requiring much deeper liberalization than existing WTO rules, leaving new members in a much-weakened negotiating position. These countries, with support from China, another new Member, are calling for credit for their accession commitments to avoid further tariff cuts for themselves in the new round of agreements. These countries are all interested in seeing broader market access for their own exports, and many of them are dependent on agriculture for a significant share of their foreign exchange earnings.

Least Developed Countries

Least Developed Countries (LDCs), although identified as a group in the AoA, do not work as a group in the Committee on Agriculture in any formal sense. LDCs are exempt from a number of disciplines under the AoA, and to some extent they are ignored in the negotiations—few exporters see potential in LDC markets, and their production is too limited to create problems in world markets. Exemptions proposed for LDCs create tensions within the larger group of developing countries. For example, the EU proposal known as "Everything but Arms," which will give LDCs duty-free access for most products, upset other vulnerable, non-LDC developing countries. Caribbean states, for example, are seeing their market share eroded by creation of new preferential arrangements that exclude them. LDCs have great difficulty participating fully in the negotiations, finding themselves subject to bilateral pressure from donor countries. Many of them also lack representation in Geneva, unable to afford a mission, and have very weak capacity at the capital level to propose negotiating strategies or to react to the proposals coming from others.

Like-Minded Group

The group of developing countries that has identified itself as the like-minded group in agriculture define their shared interest as seeking more liberalized agricultural sectors in developed countries while seeking additional protection for their own agriculture. The Development Box is one of the proposals that originated with this group. Member countries include Pakistan, the Dominican Republic, Cuba, Honduras, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador. India occasionally joins submissions from this group, but it has not joined any since the latest phase of negotiations began. In November, seven members of the group submitted a joint proposal, reiterating the need for a DB.

Most developing countries are net food importers. Many depend heavily on export revenues from just one or a few crops, and in the face of the now 30-year old price depression for most unprocessed agricultural commodities, nearly all have seen their terms of trade deteriorate despite the predictions made as the Uruguay Round Agreements were negotiated. According to the World Bank, 105 of the 148 developing countries are net food importers. According to a WTO report in 2001, agricultural trade originating from developing countries accounted for only 40 per cent of a US$558 billion total.[21] This has remained more or less unchanged since the implementation of the Uruguay Round began in 1995.

The proposals included in the Development Box are reviewed next.

Endnotes

11 As cited by the European Union, online at: http://europa.eu.int/comm/agriculture/external/wto/usfarmbill/qa30.htm

12 "Farm Bill Likely To Increase U.S. Trade Distorting Support," *Inside U.S. Trade*, February 15, 2002.

13 "Truss welcomes U.S. agricultural reform proposal," *Australian Government Press Release*, July 2002, and "Building Stronger Alliances Within Cairns Group and APEC," *Australian Government Press Release*, October 16, 2002.

14 "Cairns Members, Canada Offer Contrary Proposals on Domestic Support, *Inside U.S. Trade*, October 4, 2002, and Barry Wilson, "Feds opt to stay in Cairns Group – for now," *The Western Producer*, October 24, 2002.

15 Aileen Kwa, "WTO Agriculture Negotiations: Lineup of Positions," *Focus on the Global South,* (October 2002) at http://www.wtowatch.org

16 "Cairns Group Proposal," reported in *Inside U.S. Trade*, October 4, 2002.

17 The proposal was finally adopted and formally submitted for WTO Member consideration in January, 2003.

18 Cited in "The French exception," *The Economist*, November 16, 2002.

19 Rasmus Kjeldahl, "Agricultural policy reform process – a role for consumer concerns?" presentation to the TransAtlantic Consumer Dialogue, October 28, 2002.

20 "Market Access, Domestic Support and Export Competition," Submitted by Japan, *World Trade Organization, JOB* (02)/164 (November 21, 2002).

21 Joachim von Braun, Peter Wobst, and Ulrike Grote, "'Development Box' and Special and Differential Treatment for Food Security of Developing Countries: Potentials, Limitations and Implementation Issues," *Zentrum Fuer Entwicklungsforschung*, Discussion Paper on Development Policy, No. 47 (May 2002), 5.

7
Key Elements of the Development Box

The measures proposed as part of the Development Box touch on five key areas:

1. the need to protect and enhance domestic food production, particularly in staple crops;
2. the need to protect the livelihoods of the rural poor;
3. the need to protect local producers from dumped imports and excessive fluctuation in import volumes and price;
4. the need to improve distribution systems for local production; and
5. the need for increased flexibility in existing trade rules to allow developing countries to manage liberalization more carefully.

In their proposals to the WTO Committee charged with negotiating the agricultural agreement, developing country governments gave these concerns tangible form within a Development Box. For example, the existing AoA has a Special Safeguard Mechanism (SSG). Countries created this tool for countries that converted non-tariff barriers into tariffs under the Uruguay Round. The measure was a form of insurance against possible import surges as countries reduced their trade barriers. Governments had used non-tariff barriers to protect domestic producers from the volatility of world market prices; the SSG was an additional tool for these countries, who wanted to ease slowly into a more liberalized framework. Few developing countries had access to the provision, because few had non-tariff barriers to convert.

Under the DB, developing countries proposed the creation of a new SSG for developing countries only. The mechanism would be designed to prevent damaging import surges, particularly in crops that compete with domestic staple foods. As proposed, it would be simple to apply, on the basis that waiting to prove harm to the sector in question might be to allow irreparable damage to occur. The trade-off for a simple mechanism that does not require proof of injury to the sector in question (only that the import price is markedly lower than prevailing domestic prices) is that countries can only use the measure on a temporary basis.

Within the DB, developing countries proposed rules that would allow them to raise tariffs on food security crops, where experience has shown the existing tariff binding to be too low. As a Special and Differential measure, the tariff increase would not be “paid for,” in WTO parlance, with concessions in other areas of trade.

Developing countries also proposed an exemption from spending limits for crops that meet food security criteria. Food security crops are hard to define, which makes the concept problematic. But the proponents of the idea are clear that food security crops are not just crops that represent a major source of caloric intake for a country’s population, but might also be crops that employ a significant proportion of the population, particularly poor and vulnerable groups. Food security is not just about food supply, but access to food—which for most people means access to an income to buy food. In Pakistan, for example, cotton is arguably a food security crop because of its essential role as a source of income for a large number of poor farmers and landless labourers. In a proposal from some Like-Minded Group members submitted in November 2002 (JOB(02)/174), they suggest that if production of a crop is below the FAO determined world average for national production and if exports of that crop are less than 3.25 per cent of world trade in that crop for five years or more consecutively, then spending on that crop should not be included in calculations for reduction (i.e., put in the so-called Amber Box). These criteria are relatively broad, but would both catch some of the key crops that are critical for enhancing food security and avoid protecting production that has a significant impact on world trade. This proposal also suggests excluding expenditures on transportation of staple foods to food deficit areas within the country from spending disciplines.

7

The question of the criteria used to establish whether a crop is a food security crop is difficult. A number of sometimes overlapping concerns have to be taken into account. What percentage of the population is employed in the production of the crop? How many of them are low-income? What percentage of various groups' diets does the crop in question make up? What percentage of a country's foreign exchange depends on the export of the crop? How large a share of total world production, and of the total traded internationally, does the country contribute? Despite these difficulties, agencies such as the UN Food and Agriculture Organization have begun to develop some useful criteria for governments to use. For the crops that governments designate as important for food security, a series of exemptions would come into effect, as described above.

Some NGOs have called for other measures as part of a DB:

- Explicit recognition in the AoA that the right to food must be protected in the implementation of the multilateral trade rules. This might take the form of a new preamble, recognizing the right to food, or a declaration, such as that agreed in Doha for access to essential medicines, which reaffirmed the priority of public health over the patent protection granted in the Trade-Related Intellectual Property Rights (TRIPs) agreement.
- Reform of food aid to ensure it does not compete with local producers in the recipient countries, while ensuring adequate resources are given to protecting poor countries' access to food.
- A ban on dumping—the sale of agricultural commodities at less than the cost of production prices.

8
Risks of the Development Box

With the preceding sections as context, this section considers some of the possible pitfalls for countries that choose to pursue the creation of a Development Box.

All negotiating strategies carry risks; the Development Box is no exception. First, there is the problem that asking for exemptions makes it more difficult to demand disciplines from other Member States. In the WTO logic, either you "engage," which means you offer to liberalize and demand that your trading partners do likewise, or you look for ways to protect yourself, and have to let others do the same. LDCs have suffered from this phenomenon. Although they of course have trading interests, their being exempt from many of the rules and disciplines makes it hard for them to ask for concessions in the form of other countries opening their markets. Of course, LDCs face severe resource constraints as well, making their participation necessarily limited. However, it is clear from conversations with delegates that too many LDC governments, as well as the other Member States, consider LDC interests to be taken care of because few of the rules actually apply to LDCs. This makes it hard for them to seek reform from others.

Similarly, the Africa-Caribbean-Pacific (ACP) group of countries, allied by the Cotonou Agreement with the European Union, has found it difficult to engage simultaneously with the WTO process and with the negotiation of preferential agreements under the Cotonou umbrella. There are difficult trade-offs to make between focusing on special exemptions and joining a broader push from developing countries for a fairer Agreement on Agriculture. The Caribbean has remained active and vocal in the wider discussion, but only a few African countries have managed to do the same.

The risk for the Friends of the Development Box is that while they might succeed in obtaining exemptions for food security crops, as well as some mechanisms to protect their borders, the exchange might cost them their voice in demanding rich countries end their trade-distorting practices. While this ought not happen, it all too often does. It can then be argued that the long-term interest of developing countries would be better served by strong prohibitions on developed countries' market-distorting practices than by the exemptions they hope to obtain through the DB.

Secondly, developing countries have widely differing interests. The politics of the WTO make it difficult for developing countries to make themselves heard if they do not act in concert. However, it is clear that Guyana and Chad are very different from one another, and still more different from Brazil or South Africa. While developing countries share a common interest in curbing trade-distorting practices in developed countries, they see their own trade interests in quite different lights. This is perhaps more evident in agriculture that in other sectors. Some developing countries play a lead role in the Cairns Group, such as Argentina and the Philippines. Others fall into one or more of the other distinct groups—the Like-Minded Group that has an interest in increasing their access to foreign markets (agricultural commodities forming an important part of the foreign exchange revenues) while protecting their food security, the LDCs, the Small-Island States and the Net Food Importing Developing Countries.

Developing countries are often each others' trading partners—sometimes considerable trade volumes are involved. For this reason, exporting developing countries view the creation of new market access barriers with suspicion, despite having some common cause as developing countries. Argentina, Brazil, Malaysia and others have no desire to see their access to other developing countries impeded by new barriers to protect food security. These countries have been unenthusiastic about the SSG proposal, for example, and some of them would prefer to target exports from subsidized countries instead—missing the point of the SSG, which is to protect countries from short-term volatility, regardless of where the imports originate.

This lack of solidarity is perhaps not an inherent problem with the Development Box, but the DB proposal has suffered from this additional tension among developing countries. While it is not clear that an SSG would do much harm to exporting developing countries, it is clear some of them believe it will.

Developed countries have been quick to raise this issue, of course—no doubt, much more interested in their own access to developing country markets than the costs of diminished South-South trade. Nonetheless, the potential harm to South-South trade has been a frequent refrain in the comments from developed countries on the DB proposals.

A third issue is whether the price of the DB might be too high. In the negotiations, it is clear that developed countries will expect some sort of concession in return for their acceptance of measures from which they do not directly benefit. The DB stands on its own merits, particularly in view of existing multilateral commitments to development targets. These development targets should be part of developed country trade policy. However, developed countries are still far from treating the WTO as a venue where their international development obligations apply. In exchange for the kind of exceptions proposed by developing countries in the Development Box, developed countries will expect significant concessions in other areas. The fear is that developing countries might give such concessions, only to find the Development Box measures of no practical use. For example, few of them have the means to support their domestic agricultural production to any large extent. And many of them cannot even raise their tariffs to their current bound rates because of commitments taken to gain financing from the Bretton Woods Institutions. The right to increase their tariffs on food security crops could well prove a dead letter for many of them.

The stakes are high. Many developing countries spoke clearly against the proposal to include investment and competition in the Doha Agenda, a proposal championed by the EU, Japan, Australia and a few others. However, last minute (and late night) negotiations in Doha put these issues back for discussion at the fifth WTO Ministerial (scheduled for Cancun, Mexico, in September 2003), with an all-but agreed commitment to commence negotiations at that time. India has held strongly against this course, and Malaysia has supported India in Geneva, but most developing countries found themselves silenced in Doha by bilateral promises of aid and threats against other looked-for concessions. For example, the European Union is quite clear that it will only make concessions in agriculture if its interests in these other areas are taken into account. From a development perspective, it is a real question whether some further liberalization of agricultural policies in the EU and perhaps the U.S. are worth the exchange, if the price is to liberalize whole new areas of the economy. Many development economists warn that the proposed WTO negotiations on investment have little to offer developing countries, and might well cause a lot of damage to already vulnerable economies.

Finally, it is clear that even were a full-scale DB agreed to—perhaps, miraculously, without further concessions in other sectors—market distortions that damage developing countries will continue. The persistent dumping of agricultural products at less than the cost of production prices in world markets—markets that increasingly affect local markets as remote as those of the Peruvian highlands and the West African desert—will continue to damage small-scale producers. The DB provides protective devices that will only be as strong as the importing government's will to use them. The record of many developing countries in the area of agriculture is so bad that some advocates are demanding the DB come with obligations on developing country governments to invest more in their agricultural sectors. Such a move would be entirely outside the realm of the WTO. However, it does point to something that should be kept very clearly in mind. The DB is not a magic bullet to ensure food security or protect rural livelihoods. It is about the establishment of a few new tools that developing countries can use for their food security, and about acting on the principle that developing countries should not be locked into liberalizing sectors they would be better advised to protect.

9 The Development Box as Negotiations Proper Begin

Despite all these caveats and possible dangers, the DB remains a useful framework for developing country interests. Above all, it is a clear reminder that the multilateral trading system does not stand apart from the wider multilateral system. Developed countries are obligated by a series of commitments to giving priority to development, most recently articulated as the Millennium Development Goals. These goals include the objective of eradicating extreme hunger. The principle of special and differential treatment is a long-standing and essential part of the multilateral trading system. It is not just about charity—about concessions from the rich to the poor. It is essential to the functioning of the system. Developing countries cannot be good trading partners in a system that does not take account of their needs.

In some ways, the DB has already fulfilled its function. From its first mention in government proposals back in 2000, the DB provided a rallying point for developing countries concerned about their food security, much as the Cairns Group offers a focal point for countries seeking to expand their export share. To have a framework of this kind, formalized by a commitment among countries to collaborate, focuses the debate in Geneva. Relying on food security language alone, as implementation of the Uruguay Round Agreement on Agriculture has shown, is not enough.

As Chairman Harbinson called governments for the last few informal discussions to review various proposals before putting out the overview paper in mid-December, it looked as if many of the elements of the DB had made it to the negotiating table. For example, the proposal that the new rules include a new Special Safeguard Mechanism to protect developing countries from import surges looked almost certain to be included. It helped, no doubt, that mainstream development thinking in Europe lent weight and analysis to the DB by providing arguments in support.

More problematic, because criteria are hard to define, but equally important for the countries seeking a DB, are the proposals they have made related to food security crops. A number of international agencies, NGOs and governments have done a lot of work to define criteria that will properly determine what has sufficient impact on food security to be included. The response from other governments has been much more hesitant on this front, because of the difficulty of defining food security crops and the fear that any privileges extended to developing countries will go to large exporters, such as Brazil, as well as more obviously vulnerable countries, such as those in Sub-Saharan Africa. Despite these hesitations, the concept of food security crops also looked likely to survive into the draft negotiating text.

It is unlikely the DB will take shape as a specific annex to the new agreement. Rather, it will be reflected in several new rules that will be scattered across the different sections. In this stage of the negotiations, DB proponents will offer ideas, put the proposals into specific language and negotiate hard to preserve them.

The Friends of the Development Box will have to defend their ideas against those who see their market access undermined and are not willing to concede that food security is a higher order of concern. Those who resist will include the transnational commodity traders and processors, who sit behind many of the WTO Member States, directing their positions, and who have even sat in the negotiating chair as members of the U.S. negotiating team. For them, the objective is to keep the movement of agricultural commodities as unrestricted as possible.

The opening salvo of such resistance came swiftly. In the Harbinson overview text of December 18, the only proposals that the summary did not begin to do justice to were those included in the Development Box. In a move that betrayed intellectual confusion (or cynical disregard for developing country concerns), the text conflated the distinct proposals of the Development Box under a single heading concerned with the Special Safeguard. The measures intended to address structural problems, such as the persistent sale of agricultural commodities at less than production prices, were thereby lost to the concern addressed by a safeguard: temporary import surges.

9

Despite the difficulties, the DB rests on compelling and important principles that merit the fight. The legitimacy of the WTO system—a system still in its infancy—depends on governments' capacity to bring trade policy into coherence with other policy objectives. The Europeans, Japanese and Swiss all argue that agriculture is not the same as other economic sectors. If so, it is time these countries paid more heed to development concerns within the trade system and established a more integrated vision of what non-trade concerns in agriculture are. The DB has created the space for this to happen. We must hope that developed country governments have the will to take this opportunity to refashion the Agreement on Agriculture.

10

Conclusion: Building Support for a Development-Friendly AoA

Agriculture has attracted enormous attention at the WTO. Not only is it vital to most developing country economies, but it is also a central pillar of food security. Few countries, rich or poor, are willing to be entirely dependent on the outside world for the food they need—many import a proportion of their total, but few would want all their food to come from world markets. The United States, along with most other countries, defines food as a national security issue. Agriculture is also a part of human culture in a way that few other economic sectors are. It is fundamental to human survival, and many of our social and religious rituals are rooted in agriculture and the food we produce. Increasingly, we are learning the value of traditional seeds and the knowledge systems needed to cultivate them as an essential counter to the erosion of genetic diversity.

Agricultural practices are intrinsic to our environmental management. The art of managing pastures in mountain ecosystems or the development of new techniques to reduce nitrate run-off into water systems is also a part of keeping ecosystems in balance. Many agricultural practices, particularly in developed countries, have been extremely damaging to the environment. Industrial agriculture is one of the largest sources of climate changing gases—from clearing larger and larger fields for monocrop production (removing tree and hedge cover between smaller fields), to dependence on fossil fuels for every aspect of production, to the use of chemicals such as methyl bromide. We are already seeing, in the U.S., in the EU and elsewhere, new policy initiatives designed to encourage farmers to adopt less damaging production methods. These small moves are often in direct conflict with the pressure to liberalize agriculture completely.

Another source of tension comes in the growing number of initiatives to develop and strengthen voluntary organic standards and fair trade initiatives. This trend is more than just a cynical use of standards to replace what were tariff barriers, despite the alacrity with which those with an interest in higher barriers join the cause. Rather, it is an essential response to the new disease and pollution challenges posed as our world shrinks to a single global market. This is evident in who leads many of the initiatives to create and strengthen standards: citizens, sometimes organized as environmentalists or as consumers, who live in an area affected by low standards and who recognize the need for policy change. They are not usually people with an economic stake in the outcome, but rather with a social or environmental concern. Multifunctional agriculture was not invented by trade officials seeking to avoid new tariff and domestic support reductions. It was the (admittedly awkward) name given to an attempt to renew and update our understanding of the role of agriculture in society and the economy.

Agriculture is much too complex to be governed by international trade rules alone. Many NGOs and farm organizations campaign on the slogan “WTO out of agriculture,” which reflects the view that agriculture is too important to be driven by international trade concerns (which they see as entirely coincident with the interests of large multinational agri-business firms). Others accept the need for international trade rules, but insist the rules must promote the human right to food and the Millennium Goal of halving world hunger. They question the WTO’s capacity to further development goals, given the institution’s single-minded vision of how all trade must be managed.

Developed country farm policies have a long history. They were not invented to industrialize agriculture, or to drive farmers off the land (although that has been an objective of U.S. agricultural policy at different times from the early 1960s). Farm programs such as the Common Agricultural Policy have their origins in trying to manage certain public policy goals—ensuring adequate food production, protecting agricultural livelihoods—and in seeking to counterbalance some of the trends in agricultural economics that make it a difficult sector to manage. For example, agricultural markets tend towards oligopsonies rather than perfect competition—that is, there are large numbers of producers with relatively few buyers. Supply is hard to predict and remains largely dependent on the weather, even in our technological

10

age. Short-term supply responses are inelastic: we cannot yet predict an August drought in April. This necessitates the maintenance of a storage system of some kind, to smooth out supply in bad years. Demand is also inelastic—people must eat to live, and will spend as much income as they have to ensure they get enough to eat. Once sated, however, people will shift their expenditure to other essential items. The body can only take in so much food, no matter how cheap it is. Governments learned long ago that agriculture needed particular kinds of regulation to ensure it delivers the right results.

These unique characteristics of agriculture underline the need for special measures such as those proposed in the Development Box. The Development Box elaborates necessary policy reforms to ensure that governments do not sacrifice food security and developing country livelihoods for the interests of increased trade flows. It is extraordinary that the governments that fight to maintain their right to produce—broadly speaking, those identified as Friends of Multifunctionality—have made so little effort to work with developing country governments who are also trying to balance their trade interests with their broader economic needs. Proposals to allow additional spending, for example, do nothing for countries with scarce resources. Worse, many of the countries that wish to protect their agriculture on the grounds of food security and rural development are also fighting to protect their right to use export subsidies!

Time is running out for governments committed to a just and equitable rules-based system for multilateral trade. New agreements are already under negotiation with no clear commitment to accepting the challenge of integrating 144 Member States, at dramatically different levels of development, into a single set of rules that will serve everyone's interests. The DB has provided a framework for this discussion to take place in the context of agriculture. It is time for developed country governments to engage in this negotiation as seriously as they engage to increase their companies' market shares.

Postscript: April 2003

On February 12, 2003, the Chairman of the agricultural negotiations at the WTO, Stuart Harbinson, released a first draft of what a new agreement might look like. The draft modalities—as the new rules are referred to in trade jargon—were released on the Chairman's personal responsibility, meaning governments were under no obligation to accept them as a basis for negotiations. As the March 31, 2003, deadline for agreeing to modalities in the negotiations passed without even enough agreement to form the basis for a second Chairman's draft, we have only the first draft on which to comment.

The following description uses terms that are explained in the text above and in the attached glossary. In broad outline, the Harbinson draft modalities propose: the elimination of export subsidies over 10 years; a 60 per cent reduction in domestic support classified as Amber Box over five years; moving the Blue Box into the Amber Box, for reduction, or the introduction of a cap on Blue Box expenditures together with a 50 per cent reduction over five years. The market access provisions attempt a reconciliation between simple cuts from existing levels, as occurred under the Uruguay Round Agreement, and the proposal from the United States and some others to harmonize tariffs, by cutting high tariffs by a larger percentage than low tariffs. The proposed cuts would be quite deep, particularly for the highest tariffs.

The only concessions to Special and Differential Treatment were the creation of Special Safeguard for developing countries, to be restricted to a list—to be proposed by each developing country Member State—of so-called "strategic products" (a proxy for food security crops, defined in broad terms to take account of livelihood and rural development concerns). Such crops would be the only crops protected by the safeguard. They would also not be subject to the same degree of tariff cuts, although a minimum five per cent cut would be required on every tariff line, regardless of its importance for food security and regardless how low the tariff on that crop might already be.

Initial responses, perhaps not surprisingly, were not warm. The text is meant to be a compromise among the very different positions submitted in the course of negotiations over the last year. As such, it cannot give every Member State what they want. Overall, the United States and Cairns Group have expressed the most satisfaction with the text, although pushing for deeper and faster liberalization. The European Union, Japan and other Friends of Multifunctionality have been the most vocal in their disappointment. At the negotiating committee meeting held February 24–28 in Geneva, so many countries wished to express their dissatisfaction with aspects of the text that the negotiators were unable to complete their agenda. Although a second draft text was expected from Harbinson in time for the March 25–27 meeting of the negotiating committee, this was not possible because of the widely differing views among WTO Member States.

Developing countries associated with the Like-Minded Group have a number of concerns with the Harbinson draft as well. Very little in the text captures the proposals made under the Development Box rubric. The Special Safeguard has been rendered almost meaningless in being restricted to designated food security crops only. The measures to address dumping of agricultural products, whether the result of export subsidies, unlimited decoupled payments, or excessive concentration of market power among exporters, have all gone. Instead, as under the existing agreement, developing countries are expected to open their borders to imports while developed countries' exporters continue to be allowed to dump their agricultural products in world markets. There is no mention of compensation for the poorest developing countries, who are expected to lose from the impact of further liberalization. Most of the discussion that does deal with SDT is back to encouraging states to spend money on rural development: all very well, but not very realistic, at least for many of the developing countries most dependent on agriculture.

The notion of strategic crops is interesting, and is clearly a contribution taken from those who advocated exemptions for food security crops in a Development Box. The concept is broadly defined. There will likely be a fight over how many crops can be designated this way, and the proposed formulation is very detailed—it would not allow the designation of wheat *per se*, but rather would list hard red winter wheat, which means the list of strategic products risks being very long to protect even a small number of products. The benefits extended to strategic products are also few—they will still be subject to tariff reductions. Nonetheless, the fact that the text broaches the concept provides an important opening for developing countries to push for deeper concessions.

The lack of serious attention to development concepts in the draft text is deeply disappointing for the Member States that had supported the inclusion of measures to address these problems. However, the battle is not yet done. Governments are far from reaching agreement on the new rules for agriculture, and only over the next months, and possibly years, will it be possible to say whether the Development Box proposals will make themselves felt in the new rules that emerge. Given the urgency of the problems involved, it is to be hoped that Member States rise to the challenge sooner than later.

Annex 1: Agriculture and the Uruguay Round[22]

The GATT Uruguay Round Agreements, including the Agreement on Agriculture, (AoA), came into effect on January 1, 1995. Although agriculture was already covered by the GATT, waivers and other exemptions had ensured that most agricultural policies could not effectively be challenged under multilateral trade law. With the conclusion of the Uruguay Round, agricultural trade was submitted to much stronger GATT disciplines which capped or reduced export subsidies, import barriers and domestic support. While still a category apart, under the AoA, trade in agricultural products was treated more like trade in manufactured products in the multilateral trade system.

The willingness to include agriculture under the GATT in a serious way was the result of a number of coinciding factors. By the early 1980s, the European Union was worried about the cost of agricultural subsidies. In part due to an export-price war between the United States and Europe that drove down world prices, the cost of the Union's Common Agricultural Policy (CAP) tripled in the 1980s while average real farm incomes remained stagnant. Between 1980 and 1987, the number of people active in farming in the European Union fell by 50 per cent.[23] The EU was also interested to secure agreements related to trade in services, intellectual property rights protection and trade-related investment measures, all of which were under negotiation during the Uruguay Round. EU negotiators were willing to compromise on agriculture in order to secure their interests in these other sectors.

In the United States, a similar trend towards fewer and larger farms and significant levels of surplus production was evident. Environmentalists and consumer groups in both the European Union and the United States also pushed for reform to tackle ecological and human health problems related to over-intensive production: dangerously high levels of nitrate pollution in drinking water due to excessive fertilizer use, massive soil erosion and high levels of antibiotic use in livestock.

Many developing country negotiators, particularly those that were exporters of temperate agricultural commodities, wanted to stabilize and increase world prices for their food products, a goal that was undermined by the dumping of surplus production from developed countries into world markets. Developing countries hoped to benefit from increased access to developed country markets and from higher prices for agricultural products. Many developing countries had already liberalized their markets under structural adjustment programs and wanted to secure reciprocal liberalization from developed countries. Agriculture is vastly more important to developing countries' economies than it is in developed countries, so economists and public policy officials judged it essential to establish transparent and fair rules for trade in this area.

International development NGOs were also critical of U.S. and EU agricultural policies. In the 1980s, evidence started to mount that EU and U.S. dumping policies were undermining producers and food security in developing countries. Beef dumped from the European Union was shown to have damaged domestic livestock producers in Côte d'Ivoire, Burkina Faso and other countries.[24] NGOs also made a strong case against poorly-timed food aid deliveries, which destroyed local grain markets.[25] In general, cheap grain from world markets was found to substitute for local staples, hurting local producers who had nowhere else to sell their crops.[26]

Another set of actors, however, were even more influential in forcing agriculture onto the agenda at Punta del Este, where governments launched the Uruguay Round in 1986. These were the companies that traded, shipped and processed livestock, grain and other temperate agricultural products, and who wanted access to new markets.

The U.S. negotiator on agriculture at the outset of the round was a former Cargill vice-president, who returned to work for the grain industry after the negotiations ended. Cargill is a U.S.-based multinational company—the largest private company in the United States—that is estimated to control 60 per cent of world cereal trade.[27] As the Uruguay Round got under way, the Cairns Group added its voice to the calls for liberalizing agricultural trade. Australia gave the impetus to the creation of the Cairns Group in 1986, specifically to ensure that trade in agriculture would be included in a serious way under GATT disciplines.

Negotiations proceeded slowly, with many setbacks. The final deal struck between the United States and the European Union at Blair House (the residence of the Vice-President of the United States) in 1992 was imposed on the other parties to the negotiations. One of its most important outcomes was the inclusion of what became article 6.5 of the AoA (often referred to as the "Blue Box"). This allows direct government payments to farmers if made under production-limiting programs. The negotiators at Blair House also secured a more generous baseline against which to measure export subsidy reductions in Article 13 of the AoA, the so-called Peace Clause. This limited action against export subsidies and domestic support payments covered by Annex 2 of the AoA (the "Green Box") until December 31, 2003, at the end of an extended nine-year implementation period.

The Blair House Agreement was a considerable setback for those that wanted to reduce government intervention in world agriculture markets. It was also a disappointment to the NGOs that sought to end the dumping of food.

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22 Text slightly adapted from Murphy, S. (1999), *Food Security and the Uruguay Round Agreement on Agriculture*, London, CIIR.

23 Commission of the European Communities (1991) *The agricultural situation in the community*, Brussels, CEC. OECD, (1987) *National agricultural policies and agricultural trade: the European Community*, Paris, OECD. Both as cited in Watkins, K. with the assistance of Fowler, P. (1996). OECD (1997b) shows a further 27 per cent decline between the 1986–88 average and that of 1992–94.

24 Stevens, Kennan and Yates (1998), contains a review of the different NGO studies made.

25 See for example, Tschirley, D.L. (1998).

26 Economist S.M. Ravi Kanbur offers Senegal as an example of this problem. There millet and rice are both significant sources of calorie supply. Rice is traded and millet is mostly produced domestically. As the two grains are substitutes for each other in the local diet, if rice prices increase in world markets and therefore in Senegal, demand for millet will increase, ultimately increasing the price of millet as well. Eventually a new, higher equilibrium is reached between the prices of the two crops. The converse is also true, so low world market prices for crops such as maize can also lower the price of foods they substitute with. Kanbur (1990), "Global Food Balances and Individual Hunger" in Drèze and Sen (eds), *The Political Economy of Hunger*, Clarendon Press, U.K., ch. 3, p. 70.

27 Lang, T. and Hines, C. (1993), *The New Protectionism: Protecting the Future Against Free Trade*, U.K., Earthscan. The proposal that Continental Grain, the second largest U.S. grain exporter, sell its grain business to Cargill, a proposal currently awaiting U.S. government approval, would considerably increase the already huge market presence of Cargill. Associated Press, "Cargill Said Eying a Rival," Nov. 10, 1998.

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Glossary

Amber Box. Producer payments and subsidies that had to be reduced, but not eliminated. Expenditures on the measures designated in the Amber Box are subject to reduction based on the "Aggregate Measure of Support" (AMS), which is a cash equivalent of government support for agricultural producers, except spending that is exempted under other articles of the agreement.

Blue Box. To break the deadlock on agricultural negotiations under the Uruguay Round, the U.S. and EU brokered a deal in 1992 that created this exemption. Written up in Article 6.5 of the AoA, the Blue Box allows countries unlimited spending for direct payments to farms if the payments are linked to production-limiting program based on fixed areas and yields, or per head of livestock.

Green Box. This is more formally referred to as Annex 2 of the AoA. It is a list of domestic payments that are exempt from the AMS (Amber Box) calculation. The Green Box list includes payments linked to environmental programs, pest and disease control, infrastructure development, and domestic food aid (paid for at current market prices). It also includes direct payments to producers if they are not linked to anything but a fixed base period (so called decoupled payments) and government payments to income insurance programs. Also included in Annex 2 are allowances for expenditure on agriculture as a whole and on particular commodities that are also exempt from the AMS calculations. These are referred to as the *de minimis* levels, and equal five per cent of the total value of production as well as five per cent of the value of each crop produced for developed countries. Developing countries can spend up to 10 per cent in each category.

Non-Trade Concerns. NTCs are listed in the Agreement on Agriculture. They include food security, rural development and environmental protection. The European Union has included animal welfare and eco-labelling as NTCs they wish to protect.

The Peace Clause. (Article 13: *Due Restraint*) Overrides the Agreement on Subsidies and Countervailing Measures. In effect, this prohibits countries from protecting their markets against exporters that subsidize their agriculture within the parameters set by the AoA. It is due to expire in December 2003 and this is considered to be a significant pressure on the EU, the U.S. and others that rely heavily on export and domestic subsidies to secure their market share.

Red Box. Measures outlawed by the Agreement on Agriculture. For example, non-tariff measures such as variable levies are now forbidden under the rules.

Special Safeguards (SSG). Article 5 of the agreement specifies that countries which, at the outset, converted non-tariff measures into tariffs ("tariffied") for each crop could reserve the right to apply safeguard tariffs to protect against sudden import surges or falls in world prices for a limited time, to protect their domestic industry. It was mainly developed countries that tariffied in this way. Only 21 developing countries have access to this provision, the rest having opted to declare general ceilings for tariffs across all their imports, a choice which precluded them from having resort to SSG measures.

Tariff escalation. Tariff variations (usually upwards) associated with the degree of processing (e.g., higher tariffs on chocolate than on cocoa).

Tariff peak. A high tariff on a particular product within a given tariff line (e.g., on cheese but not on cream or milk powder).

Tariff Rate Quotas (TRQs). Intended to create minimum market access by establishing an amount of imports, equivalent to five per cent of domestic consumption, which had to be let in at a tariff that would make the goods competitive with domestic production. This was intended to create further pressure on countries that had high tariffs as a result of tariffication, to ensure that some trade took place.

Tariffication. The word invented to describe the process of converting non-tariff barriers, such as variable levies and quantitative restrictions, into tariffs. This exercise was judged essential by Uruguay Round negotiators to create transparency and to facilitate subsequent reduction of trade barriers.

From the Preface

"…The rapidly-changing environment has changed the status of the 'Development Box,' which is a package of proposals from developing countries that describes what they would like to see in the next iteration of global trade rules for agriculture. In many respects, the Development Box has been overtaken by events…."

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