This summer economists from around the globe gathered in Italy to share insights on the challenges facing the ongoing World Trade Organization (WTO) negotiations, the Doha Development Agenda. The importance of these negotiations lies in the role the WTO plays at establishing rules of international trade. The WTO mediates when trade disputes arise, and provides a framework for member nations to negotiate reductions in barriers to trade. In the current negotiations, agriculture is at the forefront given existing high levels of protection and its importance to less developed countries. The expected outcome of the agricultural negotiations and its impact on domestic economies, the environment, and the future of international trade relations were among the many issues addressed at the conference. The purpose of this brochure is to present some of the views expressed by the participants.

Per Pinstrup-Andersen, the 2001 World Food Prize recipient, set the tone for the conference by presenting his views on the challenges facing human kind today. These challenges revolve around two major issues: **inequality** and **inequity**. While economic growth and the efficiency of resource allocation are important, they should be pursued as a means of reducing inequality and inequity, rather than as goals in and of themselves. Given this background there are 5 major challenges related to agriculture, food and trade:

1. the eradication of hunger and malnutrition;
2. improved access to productive resources and markets by the poor;
3. sustainable use of natural resources;
4. reduction of conflict and instability;
5. guidance of globalization, science and technology, and national policies towards achieving more equality and equity around the globe.

The problem is not one of supply, Pinstrup-Andersen reminded participants. There is enough food produced in the world to meet the nutritional needs of the current world population. On a global scale, as well as in some individual countries, surplus production exists along with widespread hunger. Efforts to achieve food security for all will require investment in public goods such as rural infrastructure, markets and institutions, and research and technology. OECD countries must reform production enhancing and trade distorting policies, expand and improve their focus on foreign aid and share agricultural technologies appropriate for poverty eradication.
to domestic support, are to decide whether to continue the process of fitting farm policies into the existing framework which distinguishes among least trade distorting policies (Green Box), trade-distorting support (Amber Box), or direct payments under production limiting programs (Blue Box). The challenge is to provide countries flexibility to meet their domestic objectives while reducing international market distortions. Any resolution to the dilemma surrounding further constraints on domestic support will likely involve a combination of judicial and political compromises.

Export competition addresses the issue of direct and indirect export subsidies, among the most distortionary policy instruments applied to agricultural trade. There is considerable backing for the reduction and eventual elimination of these subsidies among NGOs, the Cairns Group and developing countries. Progress in this regard, however, will depend on the EU and United States’ willingness to reform their export policies.

**WTO’s Three Pillars on Agriculture**

The Uruguay Round of the General Agreement on Tariffs and Trade (GATT) brought agriculture under global trading rules as part of the newly created World Trade Organization. The Uruguay Round Agreement on Agriculture (URAA) set new rules for trade in agricultural products and initiated a modest reduction in protection. It implemented more transparent tariffs to improve market access and created disciplines on domestic support and export subsidies; collectively these three parts of the URAA are known as the three “pillars.” Without a clear commitment towards further reductions of market distortions through these three pillars, no significant progress in the Doha Round is likely to be achieved.

Market access is a major bone of contention in the ongoing negotiations on agriculture, with many countries objecting to the current import restrictions on agricultural goods, while trade of manufactures has been widely liberalized. One obstacle to negotiations on market access is the myriad of ways that tariffs are notified to the WTO and the large number of individual tariffs for each country. A range of methods exists to compare barriers to market access and no “right” measure of market protection exists. Such variability of measures and development of improved techniques are, and will be, especially important when considering tariff reductions and tariff rate quotas. While not part of the 3 pillars, non-tariff barriers such as sanitary and phytosanitary measures (SPS) and technical barriers to trade provisions (TBT) also limit market access.

In high-income OECD countries, the level of domestic agricultural support has only slightly decreased since the Uruguay Round, and thus remains a contentious issue. The current agricultural trade negotiations, as they relate to domestic support, are to decide whether to continue the process of fitting farm policies into the existing framework which distinguishes among least trade distorting policies (Green Box), trade-distorting support (Amber Box), or direct payments under production limiting programs (Blue Box). The challenge is to provide countries flexibility to meet their domestic objectives while reducing international market distortions. Any resolution to the dilemma surrounding further constraints on domestic support will likely involve a combination of judicial and political compromises.

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**Agriculture 10 years after the URAA**

Nearly 10 years have passed since the Uruguay Round established a framework of international rules and commitments for reducing distortions to agricultural trade. Much remains to be done to achieve further progress towards a liberalized and more market-oriented regime in agricultural trade. In particular, there is still much scope for reforming domestic agricultural policies, and increasing the use of measures that are more decoupled from production decisions, better targeted to well specified objectives, and less trade distorting. Other issues also include state trading and improper forms of food aid.

Future reform must consider the agenda of developing countries and the challenges of the Central and Eastern European Countries (CEEC), some of which are preparing for EU membership in 2004. Despite arguments that the constraints facing the agricultural sectors of the CEECs are structural and cannot be solved by subsidies, producers from these countries would still prefer subsidies rather than government investment in rural development, potentially making the acceptance of the trade reform process more difficult to achieve politically.
Other Issues for WTO Negotiations

Antidumping (AD) and countervailing duty trade laws (CVD), special and differential (S&D) treatment to developing countries, and food safety and quality are other issues with which the Doha Development Agenda will have to contend. Because of the dominance of other forms of trade protection, agricultural activity in AD cases has been relatively low compared to agriculture’s share in world trade. Significant reductions in traditional forms of protectionism may result in a substantial increase in agricultural AD cases as industries turn to this escape valve for protection from foreign competition.

The less-developed countries (LDCs) are pushing for improved market access to the developed countries, focusing on tariff peaks on export products; tariff escalation; increased use of SPS measures and long delays in recognizing the equivalence of developing country SPS measures; trade preference issues; the need for larger tariff rate quota (TRQ) volumes and more transparent administration of access; and the need to dismantle export subsidies.

Special and differential treatment has been the main negotiating stand of developing countries for the last three multilateral trade rounds. The Doha Development Agenda will be no different. However, in agriculture there has been a mixed utilization of S&D bilaterally and this has skewed trade. In the current round, the real desire of developing countries is stronger and more effective access to developed countries’ markets. Developing countries have proposed exemptions from reduction commitments dealing with input and investment subsidies, while insisting on tariff and subsidy reductions by the developed countries.

Food safety, food quality and animal welfare have been proposed as negotiating issues for agriculture. Most WTO member countries recognize the difficulty of addressing these issues within the current agricultural negotiations and are focused on achieving progress on reducing traditional forms of protection. Nevertheless, the political importance of food safety and quality means that concerns about these issues continue to surface, as the current debates surrounding genetically modified foods demonstrate.

The establishment of the trade-related aspects of intellectual property rights (TRIPS) agreement was meant to deal with the inability of national intellectual property rights (IPR) legislation to protect research and development (R&D) investments. The TRIPS agreement makes an extensive set of IPR protection standards mandatory for WTO membership. A crucial issue in the IPR area is “enforcement.” There are opportunities for extensions and refinements of the TRIPS agreement. What is in doubt is whether any consensus is likely to emerge, given the diverging agendas of developed and developing countries.

Concluding Remarks

With so many diverse issues important to a disparate group of countries, the question that continues to be raised is that of the role of the WTO. Is it indeed the best institution to resolve not only the “core” border issues, but also the “behind the border” issues?

While the need for a neutral international party is indisputable, there are new tensions arising between developing and developed countries on account of the high costs of complying with new WTO rules. If future trade negotiations introduce agreements that require more difficult or more costly adjustments for developing countries, then developing countries are likely to insist on special treatment in terms of adjustment periods, more flexible rules, and specific offers of technical assistance.
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For a complete summary of the conference proceedings, please visit our website at www.ecostat.unical.it/2003agtradeconf/

Some Food for Future Thought:

- There has been enormous success in reducing protection in manufactures—from levels about where agriculture is today—by applying simple rules without too many exceptions. Our best chance for progress in agriculture is surely to follow this approach, rather than to create many new agriculture-specific rules and exceptions. (Will Martin, World Bank)
- Developing countries are a significant majority of the WTO Members. Improvements in market access for developing countries will be required for them to sign on to any significant agreement. (Alex McCalla, University of California, Davis)
- The provision of a special safeguard mechanism, open to developing and developed countries alike, would be preferable to the increasingly frequent use of Antidumping law. (Alberto Valdés, Chile)
- Eventually the European Union will need to lower its export subsidies if the goals of the Doha Round are to be realized. Even the developing countries that potentially benefit from the subsidies oppose them since they are unreliable, make domestic agricultural programs more costly, and do not contribute to greater food security. (Philip C. Abbott, Purdue University and Linda M. Young, Montana State University)
- Without more progress on meeting the challenges of food safety and quality regulations, the participation of the developing countries in international trade will be further marginalized, regardless of the progress made in reducing other trade barriers in the Doha Round. (Laurian Unnevehr, University of Illinois and Donna Roberts, ERS)