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On November 25, 2003, the Cordell Hull Institute held a Trade Policy Roundtable discussion, "Getting the WTO Negotiations Back on Track".

The meeting was held at Arnold & Porter, attorneys-at-law in Washington, DC. Pictured above is the well of the firms building.



Reproduced opposite is the paper by **Rubens Barbosa** (above).

About the Author

Rubens Barbosa (above) is the Brazilian Ambassador to the United States. He was earlier Ambassador to the United Kingdom (1994-99).

Before that Ambassador Barbosa was Under Secretary-General for

PAUSE FOR REFLECTION...

Why the Group of 20 was "Suddenly" Formed

Rubens Antonio Barbosa

AGRICULTURE has traditionally endured a distinct status in international trade negotiations. Since the entry into force of the General Agreement on Tariffs and Trade (GATT) in 1948, the sector has been repeatedly singled out, excluded from broad trade-liberalization initiatives. The Agreement on Agriculture signed at the end of the Uruguay Round negotiations was a first step in the direction of disciplining agricultural protectionism and, along with several other agreements, is part of the World Trade Organization (WTO) that came into force in 1995.

So the current Doha Round negotiations, launched in November 2001, are a unique opportunity to close the distance between multilateral trade rules for agricultural and non-agricultural goods. Nonetheless, the dynamics of the negotiations on modalities have indicated, so far, that the developed countries are still not willing to strive for the level of ambition on agriculture that was set out in the Doha Ministerial Declaration.

This issue is of utmost relevance for a country like Brazil, not only because of the importance we attach to the multilateral trading system, and to the successful conclusion of the Doha Round negotiations, but also because Brazil is increasingly a major player in international agricultural trade and played a pro-active role in the creation and leadership of the Group of 20 (G-20).¹

The enormous challenge that lies ahead is how to achieve the fundamental reform in agriculture that would allow the establishment of a fair and market-oriented multilateral trading system.

Uruguay Round Agreement on Agriculture

In order to understand what led to the creation of the G-20 during the Doha Round negotiations, we must go back to the WTO Agree-

Trade and Regional Integration in Brazil's Ministry of Foreign Relations, Brasilia (1991-93), having been successively Chief of Staff to the Minister of Foreign Relations (1985-86) and Under Secretary-General for Multilateral Affairs (1986-87); and Secretary for International Affairs in the Ministry of Finance (1987-88).

About the Meeting

Efforts are proceeding in Geneva to find a basis on which to get the Doha Round negotiations back on track, even as the "Quad" countries continue to blame others for the Cancún debacle, and others blame the Quads, as if none of them had anything to do with what happened. In the meantime, the multilateral trading system is again drifting, its fragmentation quickening.

So what are the chances of re-starting the WTO negotiations this year? Is it likely to complete them by the end of next year? If that's not on, what about completing them before the trade-negotiating authority of the U.S. Administration expires at the end of June 2007, assuming a two-year extension?

These are the questions that were addressed at this particular meeting of the Cordell Hull Institute's Trade Policy Roundtable.

Other Speakers

In addition to Rubens A. Barbosa, other speakers at the meeting included **Edward Menzies**, President, Canadian Agri-Food Trade Alliance, Ottawa; **Harald B. Malmgren**, President, Malmgren

ment on Agriculture. This legal instrument dealt, for the first time, with the untouchable issue of agricultural protectionism and introduced sweeping changes to existing trade rules. Despite its well-known shortfalls, the agreement represented the "basis for initiating a process of reform of trade in agriculture".

During the Uruguay Round negotiations, explicit reference was made, in the end, to three pillars for the liberalization of the international trade in the agricultural sector, namely market access, domestic support and export subsidies. After an arduous negotiating process, and following a bilateral understanding between the European Union and the United States, known as the Blair House accord, the Uruguay Round agreement was finally reached. Agricultural tariffs were bound and reduced and disciplines were created to limit the use of domestic support and export subsidies. Nevertheless, the quantitative commitments were so generous that they did not require major, if any, domestic-policy changes in the subsidizing countries. The result was that the Agreement on Agriculture did not, after all, pave the way towards the liberalization of global trade in agriculture. Actually, the agreement created an extremely sophisticated mechanism for the "special and differential treatment" of developed countries, which has become blatantly clear in recent years.

While recognizing that the long-term objective of substantial progressive reductions in agricultural support and protection is an ongoing process, Article 20 of the Agreement on Agriculture established that negotiations for continuing the process of liberalizing the agricultural sector should be initiated in early 2000 – five years after the WTO's entry into force. And a new mandate for negotiations on agriculture was agreed in the Doha Ministerial Declaration that launched the Doha Round negotiations.

Doha Mandate and the Cancún Ministerial

Before the Doha Ministerial Conference, negotiations on agriculture began in Geneva in March 2000, as provided in Article 20 of the Agreement on Agriculture. From March 2000 to March 2001, 45 negotiating proposals and three technical documents were submitted to the WTO on behalf of 126 members (89 percent of the organization's membership at the time). From March 2001 onwards, revised and more detailed proposals were submitted by several countries and groups of countries. But the positions of the various WTO member countries would change significantly, especially after the launch of the Doha Round negotiations.

The Doha Ministerial Declaration established the mandate, the general parameters, that would guide the negotiations and require members to agree on modalities for further commitments on agriculture.² Based on the several proposals submitted by members, the Chairman of the WTO Committee on Agriculture, Stuart Harbinson, presented a first draft of modalities for

Group, business consultants, Warrenton, Virginia; **Andrew Stoeckel**, Executive Director, Centre for International Economics, Canberra; and **Clayton Yeutter**, Counsel, Hogan & Hartson, attorneys-at-law, Washington, DC.

Trade Policy Roundtable

The Cordell Hull Institute's Trade Policy Roundtable is sponsored by seven international law firms in Washington, DC: Akin Gump Strauss Hauer & Feld, Arnold & Porter, Hogan & Hartson, O'Melveny & Myers, Sidley Austin Brown & Wood, Steptoe & Johnson and Wilmer Cutler Pickering Hale & Dorr.

negotiations in February 2003. Given the level of ambition level in the Doha ministerial mandate, Harbinson's paper was cautiously received, resulting in countries not being able to agree on modalities. The Cairns Group³ and the United States believed that Harbinson's paper was not ambitious enough while the European Union and Japan argued it was too ambitious and unbalanced.

The deadlock continued until the European Union and the United States released on August 13, 2003 (just before Cancún), a joint framework paper on agriculture – as re-requested by developing countries. This new document was substantially less ambitious than the original U.S. proposal and only slightly more ambitious than the original E.U. paper. The move from a modalities paper to a framework document in itself represented a decline in the level of ambition set fourth in the Doha Ministerial Declaration, since framework documents do not contain numerical targets that can more clearly guide negotiators.

As a response, sixteen developing countries released on August 20, 2003, their own joint framework proposal. Six other developing countries joined this coalition in the following days and gave rise to what was called the G-22, now the G-20. Of the original 22 countries in this coalition, twelve were Cairns Group members, while ten were non-Cairns Group developing countries.⁴ The G-20 framework paper was less ambitious than the one originally presented by the Cairns Group and concentrated on agriculture and "special and differential treatment" (S&D) provisions relating to the market-access commitments of developing countries. There are two important issues to highlight here:

(a) First and foremost, the worst distortions in the world agricultural markets are caused by heavily subsidized production and high market-access barriers in developed countries. Total support in OECD countries has been put at US\$318 billion dollars in 2002, but the farm population in these countries is very small, ranging from 3 to 5 percent of total population.

(b) Developing countries have no means to subsidize agriculture. On the other hand, they have huge farm populations – 300 million in India, 800 million in China, for instance – that would be immediately and heavily penalized should agricultural tariffs come down abruptly, particularly for staple crops. Domestic markets would be immediately invaded by cheap subsidized imports. Millions of family farmers would be unable to sell their production and would be thrown into misery. This would be socially and politically unacceptable. Thus S&D treatment for market access seems a rather logical and ethical option.

But it is important to say that Brazil continues to be a member of the Cairns Group and takes part in Cairns meetings and deliber-

ations. Both groups met during the WTO Ministerial Conference in Cancún and will continue to do so. Their overall goals are the same: further reform and meaningful liberalization in agriculture.

On August 24, 2003, the Chairman of the WTO General Council, Carlos Pérez del Castillo, circulated a draft Cancún ministerial text that was very close in its content and ambition to the joint paper presented by the European Union and the United States. The G-20 did not accept Ambassador Pérez del Castillo's paper as the basis for the negotiations and demanded that its own paper should remain on the negotiating table. On September 13, 2003, the Chairman of the WTO Ministerial Conference in Cancún, Minister Luis Ernesto Derbez, released a revised draft Cancún ministerial text, with a level of ambition slightly superior to that of Pérez del Castillo's paper.

If one considers the three main agriculture drafts circulated by WTO representatives since the start of the Doha Round negotiations (Harbinson's, Pérez del Castillo's and Derbez's), it is evident that the overall level of ambition has declined significantly in comparison with the Doha ministerial mandate. If one looks, however, at the several country and coalition proposals on the modalities and frameworks, it is clear that the distance separating them became significantly smaller as the talks got closer to the Cancún ministerial. The United States migrated from its original offensive position to a mainly defensive one (shared by the European Union, which at first was even more defensive). Some members of the Cairns Group and other key developing countries had gone from positions that were respectively very offensive and very defensive to a more middle-ground position, based on the reductions of tariffs and subsidies in developed countries and the granting of increased S&D treatment for developing countries.

Bearing in mind these facts, it is clear that the creation of the G-20 resulted from the deep frustration of developing countries with regard to agricultural negotiations since 2000 and the first two years of the Doha Round negotiations. First, because the delay in approving the latest reforms of its common agricultural policy (CAP), the European Union held up its final negotiating proposals on agriculture until, as mentioned, August 2003. The delay affected most of the negotiating deadlines established in, and after, the Doha Ministerial Declaration, not only in this sector but also in other areas such as implementation issues, services, dispute settlement and so on. And the frustration of developing countries continued with the attempt in the EU-US paper to do "another Blair House accord" with a self-serving proposal that fell short of the Doha ministerial mandate.

Role of the G-20 at Cancún

The Cancún Ministerial Conference did not produce consensus, it's true. The discussions among WTO members continue to be

inconclusive and somehow will have to be resolved by delegations in Geneva. Although the absence of agreement on modalities for moving forward with the liberalization of agricultural trade was a disappointment for countries like Brazil, in one fundamental respect Cancún can be viewed as positive. The attempt of the major trading powers to dilute the Doha ministerial mandate on agriculture did not prosper and the voice of the developing world was taken into consideration.

The question that one should pose here is not whether a modest outcome in Cancún would have been better than no results at all. The real dilemma that most developing countries faced was whether it was sensible to accept an agreement that would essentially consolidate the policies of the two subsidizing super-powers – with very modest gains and even some steps backward (for instance, with a new and broader definition of “blue box” subsidies, accommodating U.S. interests under the Farm Act of 2002) – and then wait another fifteen to eighteen years to launch a new WTO round, having spent precious bargaining chips.

As coordinator of the G-20 (encompassing 60 percent of the world’s population, 70 percent of the world agricultural population and 22 percent of the world agricultural production), Brazil is convinced that the Cancún Ministerial Conference will be remembered as the occasion that signaled the emergence of a less autocratic multilateral trading system. In Brazil and in a host of other developing countries, large and small, Cancún is perceived as a turning point. Moreover, it is important to point out that the positions defended by the G-20 did not reinstate the North-South confrontation, nor create a category of “won’t do” countries, as some have asserted.

The G-20 has a specific agenda on agriculture and it is based on a concrete proposal to reduce the outrageous level of subsidies granted to farmers in developed countries. To use a popular expression among trade negotiators when combating protectionism in its many guises, Brazil’s and the G-20 platform is about achieving “a level playing field” through the full integration of agriculture into the rules-based multilateral trading system. It is about addressing, in a decisive way, the most important “unfinished business” of the Uruguay Round negotiations and honoring the terms of the Doha Ministerial Declaration, afterwards called the Doha Development Agenda, especially in the agriculture area that is unanimously regarded as its centerpiece.

Cancún cannot be seen in isolation. It was a mid-term review of an exercise that started two years ago at the Ministerial Conference in Doha where WTO members agreed a mandate on agriculture that included the substantial improvement of market access, the phasing out of export subsidies and the substantial reduction of trade- and production-distorting domestic support in agriculture. It is important to underline, however, that the trade-liberalizing



The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a district of Tennessee in the Congress of the United States, and was elected a senator from there, before becoming U.S. Secretary of State (1933-44).

"The mockingbird is known for fighting for the protection of his home – falling, if need be, in its defense. Mockingbirds are not intimidated by animals larger than themselves and have been known to attack eagles"

– Diana Wells, *100 Birds and How They*

exercise launched at Doha represented a long overdue collective commitment to do away with protectionist barriers and trade-distorting measures in an area of vital importance to competitive exporters in both developed and developing countries. No other area of trade is subject to such blatant discrimination. Distortions in agricultural trade not only harm efficient exporters by denying them market opportunities. Domestic and export subsidies in developed countries depress prices and incomes around the world, cut into export earnings and increase food insecurity in developing countries. Their addictive nature does not contribute to productivity gains or the creation of wealth. They only generate dependence, on one side, and deprivation, on the other.

Contrary to what some have said, the G-20 has a maximalist agenda. In fact, the "offensive" objectives of the group are similar to those, for instance, that the United States advanced during negotiations in Geneva until quite recently. Indeed, they are the sort of proposals the United States promoted when the Permanent Representative of Brazil in Geneva was nominated (by the United States) as chairman of the WTO Agriculture Committee.

In Cancún, even after the G-20 made a genuine effort to accommodate the interests of its broad-based constituency, we could venture to calculate that between 70 and 80 percent of its proposals corresponded almost literally with what the United States upheld until not very long ago. It is important to point out, too, that the Cancún ministerial did not fail on account of agriculture. The G-20 was ready to negotiate in earnest. The group had prepared amendments to the last text brought to the negotiating table. This was recognized even by those on the other side as "businesslike".

Therefore, the G-20 did not cause the Cancún ministerial to collapse. In the end the collapse was not even due to agricultural negotiations, but to the Singapore issues.⁵ What the G-20 really did – and this is probably the reason for such great discomfort in Brussels and Washington – was question for the first time the duopoly of the European Union and the United States in the WTO system.

After the collapse of the Cancún ministerial, the reaction, not to say exasperation, of the major trading powers with the G-20 position was not an answer to the substance of the group's proposal itself. Their reaction had to do with power politics as it became clear to the European Union and the United States that the G-20 had put down a challenge to the long established and untouchable farm-subsidy policies of developed countries worldwide. The tactical maneuver of creating the G-20 before the Cancún ministerial was an important step in the direction of fundamental reform in agriculture that would allow the establishment of a truly fair and market-oriented multilateral trading system that will help to promote growth in many agricultural-based developing countries.

Got Their Names (Chapel Hill, NC: Algonquin, 2002)

Trade Policy Analyses

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Conclusion

As WTO members try to resume negotiations in Geneva – hopefully with a lighter agenda as regards the Singapore issues – may we bear in mind the lessons of Cancún. The G-20 is actively working for the resumption of negotiations, but the G-20 and other developing countries will no longer accept the role of supporting actors in discussions that affect their development prospects. Consensus cannot be imposed through pre-cooked deals that disregard previous commitments and ignore the legitimate aspirations of the majority of the world's population. Trade must be a tool not only to create wealth but also to distribute it in a more equitable way.

Brazil is confident that a virtuous alliance among those who support free trade and economic development throughout the world will prevail in steering the Doha Round negotiations to a successful outcome, in line with the promises raised at its inception in Qatar. And Brazil will be working actively with all WTO trading partners to make this possible.

The Doha Ministerial Declaration states: "We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. We recall the long-term objective referred to in the Agreement 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. We reconfirm our commitment to this program. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves 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."

¹ Initially the G-22 was composed of Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Venezuela and Thailand.

² The Doha Ministerial Declaration states: "We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. We recall the long-term objective referred to in the Agreement 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. We reconfirm our commitment to this program. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves 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."

³ The Cairns Group comprises seventeen agricultural-exporting countries that support trade liberalization in agriculture and together account for one-third of world agricultural exports. It was created in 1986 in Cairns, Australia, and is composed of Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

⁴ With the absence of results in the Cancún Ministerial Conference, the following countries have formally left the G-22: Colombia, Costa Rica, Ecuador, Guatemala and Peru.

⁵ The “Singapore issues” were brought to the WTO at the 1996 Singapore Ministerial Conference, with the creation of working groups to undertake studies with a view eventually to negotiating multilateral disciplines in the following areas: trade and investment; trade and competition policy; transparency in government procurement and trade facilitation.