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Notes for Discussant
PECC Position Paper on Agricultural Negotiations,
The Role of Agriculture in the World Trading System

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Notes for Discussant

PECC Position Paper on Agricultural Negotiations, The Role of Agriculture in the World Trading System

I appreciate the opportunity to comment on the “PECC Position Paper on the Agriculture Trade Negotiation” and on Robert McRae’s presentation on “The Role of Agriculture in the World Trading System”

I think that these two papers compliment each other quite nicely, the organizers have done a good selection putting them together on the program. The McRae paper provides many of the arguments as to why trade liberalization is important, particularly for developing countries. The PECC Position paper focuses on the specific negotiating elements of a revised Agreement on Agriculture. Both of these presentations provide a lot of material for discussion on this very important topic.

I would argue that trade negotiators tend to get ‘tunnel vision’ and an inflated perspective about the benefits that changes in trade rules will generate. This creates a credibility gap when results don’t match the rhetoric. The PECC paper falls into this trap when it attributes all of the gains in agricultural trade between 1986-90 to 1996-98 from the Uruguay Round Agreement on Agriculture. Clearly, the Uruguay Round did not produce many benefits in market access or domestic support.

What the Uruguay Round did do was establish a **framework** to allow the current round of trade negotiations to provide some substantive liberalization. This is why the current round of negotiations is so important. **It could provide the first significant progress in liberalizing global agricultural trade.**

In general, the PECC paper presents a good discussion on the background to the Doha Development Agenda, outlines the diverse initial positions of the various Member country players, and presents a number of the outstanding non-trade concerns, and related arguments on the options for the negotiations.

The PECC paper illustrates how difficult it is to get a multi-country position on agricultural trade policy that goes much beyond some basic principles—given the wide range of views among member countries. All of these principles in the paper are consistent with the objective of trade liberalization, and in some cases seem quite innovative, but in other cases offers a somewhat waffling position.

For example, on market access, there is a lack of agreement on the size of tariff reductions, especially for the mega-tariffs, and the speed of the reductions. The paper proposes a flexible approach and only gives “examples” of tariff reduction formulae.

There is a clear statement in the PECC paper that eventually, the **tariff rate quotas** must be replaced by tariffs only. However, the road map is missing, and the modest concrete proposal in minimum access is only given as an ‘example’.

The PECC paper seems to be inconsistent on its recommendations on **state trading**, between importers and exporters.

Interestingly, on **Special and Differential Treatment**, the PECC paper differentiates between whether the developing country is a net exporter or importer of specific food stuffs. This raises some interesting trade strategies and implications for trade reversals. The paper notes that many developing countries of APEC “will outgrow their developing country status in the near future” (para. 16). The EC-US Joint Text on Agriculture also made the point that --...” **the rules and disciplines will need to be adjusted for significant net food exporting countries.**”

The McRae paper and the PECC paper disagree, somewhat, on *special and differential treatment*, on the concept of an international *food stockholding*, and on *non-trade concerns*. The papers are more or less in agreement on *domestic support*, but the McRae paper seems to be more forceful on their reduction.

The papers seem to have very different views of the role of trade in ensuring **food security**. The McRae paper arguing that international trade is essential to achieve food security, while the PECC paper seems to argue that international trade can reduce food security.

I am surprised that neither the PECC nor the McRae papers included **food aid** in their discussion on food security. It is clear that food aid needs to be more closely monitored under the purview of the WTO. The PECC paper could be strengthened by proposing a *traffic light categorization* of food aid, similar to that used for domestic support, with trade distorting food aid being capped, and eventually be phased out.

I would quickly like to make two additional points on **market access** and **Special And Differential Treatment**. These points are taken from the results of six studies of trade liberalization using large quantitative international policy models.

First, on the point of which trade policies are most important, which neither paper addresses. Improved **market access** is clearly the area of most benefit for both developed and developing countries, compared to domestic support. This is a very important result in terms of trade negotiating strategies—focus most of your ‘negotiating currency’ on market access. *Market access is clearly the area where developing countries have the most to gain, not only from the OECD countries, but from other middle income developing countries.*

Second, empirical studies have indicated that the largest trade and welfare gains occurred to those countries/regions that liberalized as part of a global process. Countries that do not participate in a global liberalization would be expected to experience only limited welfare gains or even losses. This supports the McRae paper that questions *whether it is in the developing countries best interests to seek exclusions from reductions in support and protection.*