A Quarterly Trade Magazine of Centad

Vol-1 Issue 2 July - Sept. 2005

TRADING UP

Centad
Centre for Trade & Development
An Oxfam GB Initiative

For Private Circulation Only

Agricultural Trade

A Bout between Unequals

Contents

Editor: Dr. Samar Verma

Editorial Board:
Robin Koshy, Prabhash Ranjan and K.M. Gopakumar

Editorial Assistance : Palakh Jain and Avinash Sharma
Cartoons: Sharad Sharma, World Comics

Caricatures: New Concept Information Systems

Published by
Centre for Trade & Development (Centad)
An Oxfam GB Initiative
406, Bhikaiji Cama Bhavan

Bhikaiji Cama Place, New Delhi - 110066, India
Tel: + 91 - 11 - 51459226
Fax: + 91 - 11 - 51459227
Email: centad@centad.org
Web: www.centad.org

Design and printing: New Concept Information Systems

Towards Fairer Trade in Agriculture

It has been less than a year since the Centre for Trade and Development (Centad) was set up by Oxfam GB to engage in the critical discourse on how trade can be made to work for the poor. Given the myriad issues surrounding international trade, Centad seeks to carry out top quality policy research and advocacy to enhance the understanding of the linkages between trade and development. In its brief existence so far, Centad has published several research papers, launched a Trade Magazine and advocated with policy-makers based on its policy research work. Centad's progress so far has been rapid and is perhaps, reflective of the scale of work that needs to be done in South Asia. A South Asia Trade and Development Report, a series of working papers and national consultation on India's negotiating options ahead of the Hong Kong Ministerial Meeting of the World Trade Organisation (WTO) and a training workshop on WTO for South Asian journalists are some of the work planned in the months ahead. Centad will also be providing research and advocacy support to Oxfam International's campaign on Make Trade Fair in India and Bangladesh.

The impact of international trade on agriculture is a key area of concern in South Asia and a primary theme of research and advocacy at Centad . Although the share of agriculture in the national incomes of South Asian countries has declined over the last couple of decades, it remains the most important sector in terms of livelihood in the region. Agriculture still engages more than half the workforce in the region. More importantly, South Asia is home to small farmers. It is estimated that more than 125 million farm holdings operate on a little over 200 million hectares of land that is available for farming. Hence, incomes of most farmers remain small and volatile, and agricultural surpluses for local and international markets are marginal.

Therefore, agricultural trade is a very small share of the overall trade and only India and Sri Lanka have a favourable trade balance in agriculture. Although the share of trade is small, the impact of trade is not. Cheap imports from abroad, role of transnational corporations, and the inability of governments to use appropriate trade and state policy instruments to ensure food security, livelihood opportunities and rural development compromise the lives of millions of small farmers in South Asia. The limited export opportunities in agriculture is in itself a direct fallout of the agricultural policies of developed nations that encourage dumping in the global commodity markets and maintain high trade barriers to keep out exports from the developing world.

Fairer trade in agriculture holds the key to lifting millions of the poor out of poverty in South Asia and other poor regions of the world. For that to happen, the rules of engagement have to change. As we approach the WTO Ministerial in Hong Kong, developing countries are increasingly disenchanted with the course of the agricultural negotiations and its ability to deliver on the Doha Development Agenda. The emergence of the G20 in the build up to Cancun Ministerial in 2003 was vital in conveying the unhappiness of the developing world with the double standards of developed countries in agricultural trade. Whether such formations will be able to hold out and articulate the case for fairer trade in agriculture at Hong Kong remains to be seen. Failure in the agricultural negotiations at Hong Kong is an option that neither developing nor developed countries can afford, as it will undermine the future of the multilateral trade regime.

This second issue of 'Trading Up' focuses exclusively on Trade in Agriculture from a Southern perspective. 'Trading Up' looks at the various battle formations, and the negotiating options that developed countries have. Since 'Trading Up' is positioned as a key advocacy and campaign tool of Centad, this issue also features several sections that seek to demystify issues around trade in agriculture. It is hoped that readers will find the style and approach of 'Trading Up' accessible.

Response from our readers to the first issue of 'Trading Up' has been very encouraging. We have incorporated many of the suggestions, including a more comprehensive cover story and a longer section on trade jargon. As always, feedback would be greatly appreciated.

Dr. Samar Verma
Regional Policy Advisor
Oxfam GB

The Twisty Saga of Farm Talks

Prabhash Ranjan

One of the most significant outcomes of the Uruguay Round (UR) of negotiations (1986 – 94), which led to the formation of the World Trade Organisation (WTO), was bringing agriculture within the ambit of the multilateral trading regime by adopting the Agreement on Agriculture (AoA). For the first time in the history of global trade, substantive rules governing multilateral trade in agriculture were laid down through this agreement. This is not to suggest that agriculture was not governed or covered under the General Agreement on Tariffs and Trade (GATT) 1947, the predecessor of the WTO. However, GATT rules were largely ineffective in regulating international agriculture trade, primarily because there was no provision in GATT to tackle trade-distorting subsidies.

Moreover, developed countries like United States (US) sought relaxations from some of the GATT rules, such as prohibition of quantitative restrictions on imports. This waiver was aimed at protecting sugar, dairy and other agricultural products in the US and was granted to US in 1955. Meanwhile, the European Union (EU) started providing mammoth domestic and export agricultural subsidies. Buoyed by these subsidies, EU transformed itself from being a net importer to a net exporter in agriculture.

Build-up to the Review Process

Beginning 1980s, there was a growing realisation amongst industrial and some developing countries, mainly the Latin American countries, that international trade in agriculture was distorted and that the GATT rules were grossly inadequate to deal with it. Bringing agriculture within the ambit of multilateral trade regime by framing substantive rules covering all the three aspects of agriculture trade, namely market access, domestic support and export subsidies, was considered one of the ways of levelling the playing field in agricultural trade.

On the other hand, there were many developing countries and least developed countries (LDCs) that were apprehensive of integrating agriculture with the multilateral trading regime. These apprehensions stemmed from the argument that integrating agriculture with the global trading regime would make the agricultural sector volatile and hence endanger the already vulnerable farming communities in these countries. Concerns were also expressed about agriculture being reduced to a trade issue disregarding its basic role of providing livelihood and food security in many poor countries. The only silver lining was that with agriculture being subjected to universal trade rules, there would be more markets for developing countries and LDCs.

However, this would depend on two fundamental factors. Firstly, developing countries and LDCs are able to generate enough surpluses in their agricultural sector so as to be able to export. Secondly, and more significantly, the global trade rules of agriculture are able to correct distortions like the

Box 1

Ever Surging Agricultural Subsidies

According to the UNDP, OECD countries provide $1 billion a day in agricultural subsidies. About 50 percent of OECD spending on agricultural support occurs in the EU and almost 40 percent of it in Japan. In US, support to agriculture surged to $28 billion in 2000. Hence, depression of prices in the international markets due to agricultural subsidies of developed countries continued even after subjecting agriculture trade to global trade rules.

excessive subsidies prevalent in agricultural trade that furrow the playing field.

Since, the first factor relates to the internal agricultural competitiveness of different countries, it is the latter issue that falls within the purview of AoA. It was expected that the rules in the AoA would reform agricultural trade by causing the reduction in domestic and agricultural subsidies in developed countries. The AoA allowed only those subsidies that did not distort trade, and made it illegal to provide those subsidies that distorted trade.

However, the manner in which the AoA was implemented left a lot to be desired. The flawed implementation of AoA has largely been due to the protectionist policies of developed countries and the loopholes that exist in the AoA. Developed countries did not cut their trade distorting domestic and export subsidies. On paper, there was reduction in the total Aggregate Measure of Support (AMS) of developed countries. However, this reduction was superficial as developed countries shifted subsidies from the Amber box (trade distorting – impermissible subsidies) to Green Box (non trade distorting – permissible subsidies). Consequently, in spite of a reduction in the so-called "trade distorting" subsidies, the total quantum of subsidies increased because of the increase in the supposedly "non trade distorting category"(See Box 1).

Developed countries have also continued to maintain higher tariff rates on products of developing countries and LDCs. Higher tariff barriers in the form of tariff escalation and tariff peaks have been a major hindrance for developing countries and LDCs to graduate to more processed and diversified exports. For instance, in Canada, the MFN average tariff rate on cocoa is zero percent, but this rate increases to 59 percent for processed chocolate. Similarly, in US, the tariff rate on raw sugar is 32.8 percent, but this rate increases to 45.5 percent if the sugar is refined. The products of developing countries and LDCs also face tariff peaks in the range of 350 to 900 percent on food products such as sugar, dairy products, rice, fruits and vegetables, meat etc in Canada, EU, Japan and US.

Dawning the Review

Article 20 of AoA warrants that the review process of the AoA should be initiated a year before the implementation period – 1 January 2000. Further, due to the flawed implementation of AoA, which led to the continuation of all kinds of protectionist devices, a review of AoA started in early 2000. Developing countries and LDCs demanded that the AoA be reviewed in order to put an end to harmful and gigantic trade distorting subsidies provided by developed countries and also to drastically cut the high tariff rates imposed by developed countries.

The first phase of the review process of AoA in 2000 saw some 45 proposals being submitted by about 120 member countries of the WTO. These proposals were general in nature covering all the three aspects of the AoA. These proposals played an important role in initiating the review process as well as putting the fears on the table.

Informal meetings largely dominated the second phase, which started from March 2001 and went up to February 2002. There was progress in the review process, as countries were focusing more on specific issues. The negotiations were getting more complex. This phase of agricultural negotiations witnessed the adoption of the Doha Ministerial Declaration in November 2001, which took cognisance of the negotiations on agriculture that were already underway and made it a part of the single undertaking. The declaration stated that negotiations on agriculture should focus on preventing restrictions and distortions in world agricultural markets. The declaration also stated that negotiations should lead to substantial improvement in market access, elimination of the export subsidies, and substantial reduction in trade distorting domestic support. Special and differential treatment for developing countries and LDCs was said to be the cornerstone of the entire negotiation process. Apart from underlying the basic principles that had to be followed during the negotiations, the declaration also proposed a time frame for the entire negotiating process (See Box 2).

The Doha Declaration on Agriculture was a shot in the arm for developing countries and LDCs. It was expected that the time bound negotiation process would lead to better results.

Box 2

Doha Declaration had proposed the following dates for the review of the AoA

- Formulas and other "modalities" for country's commitments by **31 March 2003**
- Comprehensive draft commitments by countries by 5th Ministerial Conference, **10 – 14 September 2003.**
- Stocktaking: 5th Ministerial Conference, **10 – 14 September 2003.**
- Deadline of complete review: **1 January 2005**, part of single undertaking.

1 January 2005 was seen as the day that would herald the dawn of a new AoA, which would take care of the concerns of developing countries and LDCs. However, this utopian dream failed to be realised and the negotiations on agriculture, just like on other issues, missed all the deadlines.

The first step in realising the Doha mandate on agriculture was to establish modalities for future negotiations. Originally, a 12-month time period was set to establish these modalities, which included identification of targets for tariff reduction, elimination of export subsidies, and substantial reduction in domestic support.

Topsy-Turvy Ride Continues...

To establish these modalities, negotiations started in all earnest after the Doha declaration, and focused separately on each of the three aspects of AoA through a pillar-by-pillar approach. However, in all these negotiations, countries stuck to their "take it or leave it" attitude. The positions, being general in nature, reflected the reluctance of countries in providing specific details. Stuart Harbinson, the then chair of agriculture negotiations, described this as "a continuing lack of specificity". Despite these differences and the extreme positions of the countries, Stuart Harbinson came out with an overview paper (TN/AG/6) to meet the deadline of 18 December 2002 for circulating an overview document towards establi shing the modalities. This overview document compiled all the ideas developed by different countries towards establishing the modalities.

However, countries maintained their extreme positions and were reluctant to make concessions. Stuart Harbinson made his first attempt at a compromise, by releasing the "First Draft of the Modalities for Future Negotiations". This was followed by a revised draft circulated on 18 March 2003, which popularly came to be known as the "Harbinson text" (TN/AG/W/1/Rev.1). In spite of these attempts, no compromise was reached and the deadline of 31 March 2003 was missed.

Even after missing the deadline, work at a technical level continued on most of the issues such as domestic support categories, tariff quotas, export credits, food aid, etc. According to Stuart Harbinson, though a worthwhile progress was made in a number of rule related areas, differences continued on core modalities and as a result the overall negotiations suffered. Many have argued that negotiations suffered because of lack of political will to move forward. Meanwhile, time was running out and the Cancun Ministerial was knocking at the door.

Before the Cancun Ministerial EU and US released a joint framework paper on agriculture on 13 August 2003 containing some very radical provisions. The EU-US framework paper had proposed a blended formula for tariff reduction, which was unacceptable to developing countries. In fact, the EU-US draft pressed the panic button in developing world and on 20 August 2003, just days after the framework paper was released, a group of 20 developing countries, led by Brazil and India formed a coalition called the Group of 20 (G20), whose primary aim was to resist the EU-US onslaught on agriculture.

The formation of the G20 was easily the most significant development in the ongoing agriculture negotiations. The G20 submitted a framework paper on agriculture, which was a response to the EU-US text. This paper proposed a milder approach to tariff reduction for developing countries.

The formation of the G20 was easily the most significant development in the ongoing agriculture negotiations. The G20 submitted a framework paper on agriculture, which was a response to the EU-US text. This paper proposed a milder approach to tariff reduction for developing countries.

Just before the Cancun Ministerial, the then WTO General Council Chair, Carlos Perez del Castillo, released a draft Cancun Ministerial text, which came to be known as the "Castillo Draft". This draft borrowed heavily from the EC-US joint paper with some cosmetic changes here and there. As a result, this draft too was unacceptable to developing countries.

There were enough pointers to indicate that the Cancun Ministerial was heading for choppy waters and this is exactly what happened. On 13 September 2003, the Cancun Conference Chair, Luis Ernesto Derbez, tabled a draft text. Though this text was a minor improvement over the "Castillo draft", many of its provisions still remained unacceptable to developing countries and hence no agreement could take place. Further, due to the stalemate over the Singapore issues, not much discussion could take place on the text and the 5th ministerial meeting of the WTO came to an end without achieving anything substantial.

This stalemate at Cancun continued for many months even after the ministerial meeting got over. There was no political will to move the Doha Round forward until January 2004, which saw some public posturing by the "big boys", exhibiting their political will to push the multilateral trade negotiations. On 11 January 2004, the then US Trade Representative Bob Zoellick wrote that famous letter to all the WTO ministers seeking support to move the Doha Round forward. EU matched this supposedly good and ethical behaviour of the US, when Pascal Lamy, the then EU Trade Commissioner, also wrote a letter to his counterparts in all countries to play a pivotal role in realising the Doha objective. Brushing aside the task of actually measuring the seriousness of these countries in moving the Doha round forward, these letters did play a role in building the political will to move forward.

Meanwhile, in Geneva, Tim Groser of New Zealand was appointed as the new chairperson of agriculture negotiations. The first official meeting on agriculture, after the debacle at Cancun, was held in Geneva on 22–26 March 2004. The mood was better, though wide differences remained.

By June 2004, discussions gained momentum. Negotiations and discussions were taking place not just in Geneva but also in many other places and in different fora. This period was marked by many mini ministerials and consultations including the United Nations Conference on Trade and Development (UNCTAD) XI meeting at Sao Paulo in Brazil. The contesting parties were no longer negotiating with the Chair, but amongst themselves. The Chair also held several meetings and round of discussions with many countries, groups and alliances.

A Common Meadow to Graze: July Agreement

All these negotiations and discussions culminated into an agreement called the July package on 30 July 2004. This package provided a framework for establishing modalities for future negotiations on four issues including agriculture. This agreement was significant, as it was the first agreement reached by the WTO member countries after the impasse in Cancun. The WTO General Council adopted this agreement on 2 August 2004. This agreement, though lacking in specific details, gave direction to the ongoing agriculture negotiations. It was the first concrete step in agriculture negotiations ever since its review started. It also conveyed the necessary political will to take the process forward. In agriculture, the most significant pronouncement in the July package was the agreement to completely eliminate the export subsidies.

After the adoption of the July agreement, week long negotiation meetings in agriculture were initially planned from October

Contd. on page 27

"Developing Countries should not be Disenchanted"

William R. Cline, the author of the much acclaimed book, "Trade Policy and Global Poverty" talks to Centad on agricultural liberalisation, domestic subsidies and the future of multilateral trade.

Centad: Your book – 'Trade Policy and Global Poverty' concludes that increase in market access in agriculture (and to a lesser extent, textiles and apparel), will provide significant welfare gains to developing countries. However, domestic lobbies within many developed countries, including the United States (US) would strongly oppose such liberalisation. What is the way out?

William Cline: Domestic lobbies will certainly resist liberalisation in agriculture and textiles and apparel in the industrial countries. However, there is more scope for liberalisation than many might think. An underlying force is the political need for the Doha Round to be a meaningful success in the global fight against poverty. Industrial countries have become much more active in supporting global development in recent years, and policy-makers are aware that trade opportunities are key to development. There would be a high cost to the international reputations of the United States and the European Union (EU) in particular if the Doha "Development Round" was seen to be a failure in contributing to the development objective. In agriculture, there is already some movement. Export subsidies are to end. The EU has just announced a 40 percent cut in the sugar price maintenance target in response to a World Trade Organisation (WTO) ruling on a Brazilian petition, and the United States will have to liberalise cotton because of a similar WTO ruling. The EU argues that its subsidies have been decoupled from output, and developing countries can insist on an external verification of this in the negotiations. In textiles and apparel, the key is to ensure that quotas really do disappear, and that the initial round of safeguards measures is temporary as safeguards are supposed to be. Industrial countries must accept some tariff cuts in textiles and apparel as well, given that they have tended to insist on general tariff cutting formulas. It will be crucial, however, for the developing countries, especially the middle-income countries, to make substantial offers to reduce their own protection (and to reduce not just bound tariffs but also applied tariffs), in order to induce pressure within industrial countries from manufacturing interests to limit the obstacles imposed by the agricultural (and textile-apparel) interests.

Centad: Even if agricultural markets were liberalised, the benefits might accrue to large agriculture exporting developing countries such as Argentina and Brazil? Would it not be better to strengthen preferential access for developing countries than liberalise the agricultural markets completely?

William Cline: Argentina and Brazil are not unique in having a comparative advantage in agriculture among developing countries. A large range of developing countries have comparative advantage in agriculture, and should benefit from improved terms of trade from general agricultural liberalisation. My calculations show that free trade in agriculture contributes 53 percent of the total income gains to developing countries from global free trade. They also show that free trade in agriculture would benefit almost all of the developing countries and regions. Keeping agriculture protected while increasing preferential access for some developing countries would inevitably yield a minimalist result. The least developed countries account for only 3 percent of the agricultural exports of developing countries as a whole. Strategically, for the developing countries as a group, it would be a mistake to let the industrial countries avoid overall agricultural liberalisation in exchange for improving preferential entry for the least developed countries – the logical candidates for preferences.

The developing countries should insist on deep liberalisation in industrial country agriculture, including decoupling subsidies from output, as well as substantial cuts in high tariffs. Developing countries should call for wider free entry for imports from least developing countries, and the middle-income countries should also grant free entry to the least developed countries.

Centad: Studies by the Center for Global Development, point out that 80 percent of the $114 billion that US gave away as subsidies to American producers between 1995–2002, went to agribusiness firms? Is there a case to argue that the small farmers in the US are in the same boat as the farmers of the developing world?

William Cline : The main point is that agricultural subsidies in the United States are indeed concentrated on the larger farms. The top 10 percent of recipients receive 65 percent of the subsidies. Yet the politics of subsidies justify this on grounds of preserving the small family farm. The real problem is that the subsidies make it highly profitable to engage in lobbying. It might be difficult, nonetheless, to make the case that small American farms are infact made worse off by the subsidies. In some products their small share of subsidies may just reflect their small share of output.

Centad: Are Free Trade Agreements (FTAs) fair substitutes for multilateral liberalisation? Would the Central American Free Trade Agreement (CAFTA) that US intends to sign with six countries in Central America help them improve market access for agricultural exports such as sugar and rice?

William Cline: FTAs should not be seen as desirable substitutes for multilateral liberalisation. The challenge today is to get deep liberalisation multilaterally through the Doha Round. After that it will be the right time for individual regions to go further and adopt FTAs, for example the Free Trade Area of the Americas. It is important that CAFTA is completed soon, because otherwise the Central American preferences will expire. Ideally CAFTA should allow market access for sugar and rice, but we will have to see whether this is blocked by the interest groups.

Centad: What would be your three top prescriptions to prevent the disenchantment of developing countries with the Doha Round? What concessions would developing countries (especially the more advanced ones), have to make in agricultural and non-agricultural market access?

William Cline: Developing countries should not be disenchanted; they successfully forced more than expected meaningful liberalisation at Cancun, and they can build on their success in the future. The developing countries should insist on deep liberalisation in industrial country agriculture, including decoupling subsidies from output, as well as substantial cuts in high tariffs. Developing countries should call for wider free entry for imports from least developing countries, and the middle-income countries should also grant free entry to the least developed countries (LDCs). At the same time, developing countries should be willing to offer enough liberalisation of their own markets to make it attractive to industrial country manufacturing interest groups, to put pressure on liberalisation of their own countries' agricultural and other sectors of interest to developing country exporters. This would mean cutting applied tariffs on manufactured goods in developing countries, which are typically around 15 percent.

■ Dr. William R. Cline is Senior Fellow, Center for Global Development and Institute for International Economics, Washington DC, USA

Agriculture: Key to the Success of Doha Round

Muchkund Dubey

Trade in agricultural products remained outside the General Agreement on Tariffs and Trade (GATT) discipline for close to half a century. Immediately after GATT came into operation, developed countries took a waiver for their agriculture from the GATT rules and developed it behind high protectionist walls. In the process, they emerged as net exporters of several agricultural products till the end of the Second World War and kept the prices of agricultural products depressed in the world market thereby depriving a vast number of developing countries of their competitive advantage in agricultural products. These developed countries accumulated massive agricultural surpluses, which they either destroyed or dumped on the developing countries. This further depressed world prices and adversely affected the agricultural prospects of the developing countries.

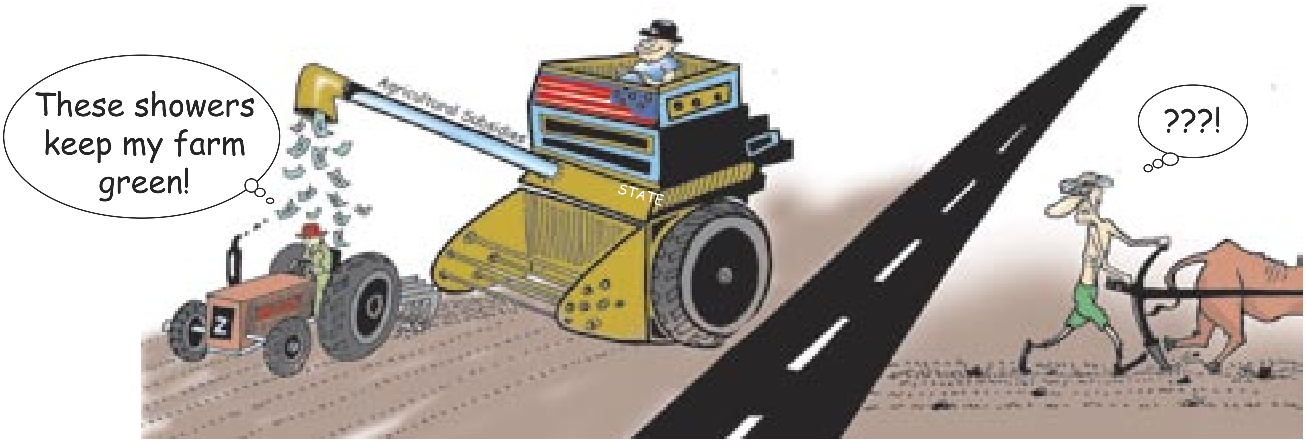
The initiative towards undoing this massive aberration from the rules governing world trade was taken by the United States (US) and a group of exporters of agricultural products, only during the run-up to the Uruguay Round of Trade Negotiations in the mid-1980s. The US initiative was driven by its desire to take full advantage of its perceived competitive advantage in agricultural exports, which could not be brought into play until the Common Agricultural Policy (CAP) of the European Union (EU) was substantially modified. The EU itself was also coming to realise that its CAP was a major factor responsible for it slipping behind in global competitiveness. For even if a part of the huge amounts spent on agricultural subsidies could be diverted to R&D in the frontier areas of technology, it could go a long way towards restoring EU's competitiveness.

However, for obvious political and other non-economic reasons, the EU was prepared to make a beginning but not to move very fast or far towards liberalising agricultural trade. In any case, it was not prepared to subscribe to the objective of total liberalisation. The compromise reached in the Uruguay Round was reflected in the Agreement on Agriculture (AoA) which, among others, provided for a 20 percent cut by developed countries in their aggregate domestic support, 36 percent cut in their export subsidies and 36 percent cut in their trade barriers.

Many developing countries, including India, reposed high hopes in the AoA, believing that it marked a beginning towards an eventual integration of the agricultural trade of developed countries with the international trading system. While commending the outcome of the Uruguay Round to the nation, the then Government of India laid particular emphasis on the expected gains from the AoA. According to the projections made at that time, 90 percent of the gains from enhanced market access from liberalisation under the Uruguay Round were to come from agriculture.

Unfortunately, this promise did not materialise primarily because of the manner in which the AoA was implemented. Taking advantage of the flexibility provided in the agreement, developed countries, rather perversely, managed not only to maintain but also to substantially increase their domestic subsidies. As a result, their domestic subsidies which were around US$ 250 billion when the AoA came into force in 1995, increased to US$ 350 billion in 2003. Besides, several developed countries resorted to what has come to be known as "dirty" tariffication, raising their bound tariffs to dizzying heights, going as high as 700 percent, as in the case of Japan. In addition, they continued to resort to specific duties and tariff escalations on agricultural products. They have also been using the World Trade Organisation (WTO) Agreement on Sanitary and Phyto-Sanitary (SPS) Measures and their unilateral health and environmental standards, for protectionist purposes against agricultural exports from developing countries.

Consequently, prices of major agricultural products exported by developing countries have generally remained depressed in the world market. In several cases, there is an evidence of a long-term decline in prices, a phenomenon which Dr. Raul Prebisch, the famous Argentinean economist and the first Secretary General of UNCTAD, had drawn attention to, as early as in the 1960s. Meanwhile, under the gospel of the Bretton Woods Institutions and donor countries, to give full play to free market forces, all attempts at commodity market stabilisation at the international level were terminated and national commodity boards, which used to function as safety nets for the farmers in developing countries, were dismantled. Now these farmers are exposed to the ravages of commodity market fluctuations and depression, brought about largely by the agricultural protectionist policies of



Farming in developed countries and developing countries – miles apart

developed countries, without being able to fall back on any support system.

For several developing countries, agriculture is not a business carried out for profit, but a source of livelihood. In India, even though the contribution of agriculture value-added to GDP came down from 46.54 percent in 1960 to 22.67 percent in 2002, close to 650 million people, i.e., 65–70 percent of the total population, depend on agriculture or agriculture-based activities, to eke out their living. After the elimination of quantitative restriction on practically all imports by the end of March 2001, tariffs have remained the only means of protection for agriculture. Therefore, India and other similarly-placed developing countries are circumspect in accepting far-reaching commitments for reducing tariffs on agricultural imports.

These countries have adopted a two-pronged approach to the negotiations on agriculture. On the offensive side, they want to see a substantial reduction in the domestic support provided by developed countries, an elimination of their export subsidies within a time-bound framework, and a significant lowering of their trade barriers. On the defensive side, developing countries want the application of agreed measures for special and differential treatment in the negotiations on tariff reduction, thereby establishing for them a category of special or strategic products for which maximum flexibility in reducing tariffs would be permitted and the provision of special safeguard measures in the event of import surge, available only to developing countries.

According to Article 20 of AoA, the mandatory negotiations on agriculture began on 1 January, 2001. From November 2001, these became a part of the Doha Round. For want of a consensus on modality, the negotiations were at a standstill till the Cancun Ministerial Meeting. This was mainly because some of the developed countries, particularly EU and Japan, made progress in the negotiation on agriculture conditional upon that in other areas under negotiation. Another reason was that the policy measures announced by the two principal negotiating partners i.e. US and EU virtually foreclosed the possibility of any significant dent on their domestic support in the near future. This was duly reflected in the joint US-EU proposal submitted just before the Cancun Meeting, which gave virtually nothing away to developing countries except some vague promises on the reduction of domestic support and export subsidies which thereby shifted the emphasis in the negotiation decisively towards drastic tariff reductions. This forced the developing countries to make agriculture the breaking point at the Cancun Meeting.

The situation was resurrected somewhat by the consensus decision taken at the WTO General Council Meeting in Geneva at the end of July 2004. This decision no doubt enhanced the prospect of reaching an agreement on the modality of the negotiation on agriculture. However, the progress made is not at all as impressive as it appears on the surface. The true value of what has been agreed would very much depend upon the outcome of the ongoing negotiations.

The negotiations in the coming months on agriculture are going to be of crucial importance for developing countries. They cannot afford to depart much from their negotiating position. The firmness they displayed at Cancun through the Group of 20 has sent a clear signal to the developed countries that they simply cannot sit on their domestic support policies. They will have to make a decisive shift in their position in order to prevent a breakdown of the Doha Round. The G-20 countries on their part will have to maintain their unity against all pressure, both inside and outside, to be able to safeguard their interest.

■ Prof. Muchkund Dubey is the President, Council for Social Development, N.Delhi and Former Foreign Secretary, Government of India

A Deal is Still Possible in Agriculture

Sophia Murphy, one of the most articulate campaigners against agricultural dumping speaks to Centad.

Centad: It has always been argued that trade in agriculture is good for developing and least developed countries (LDCs) since these countries have comparative advantage in agriculture. However, after ten years of rule-based multilateral trade in agriculture, most of the developing countries have not benefited to the desired extent. Who is to be blamed for this? Is there something wrong with the rule-based multilateral trading regime in agriculture *per se* or in its practice?

Sophia Murphy: The problems faced by developing countries in relation to agricultural trade relate both to the rules for international trade in agriculture – set out in the WTO Agreement on Agriculture – and the way in which these rules are followed, or abused, by some of the largest agricultural exporters and importers. However, the fundamental problem lies in the starting premise – only a few developing countries have any comparative advantage in agriculture, under the existing regime. These countries include Brazil, Argentina and a handful of others. In a system of deregulated agricultural exchange, where border barriers such as tariffs are lowered and production levels are not managed, developing countries cannot benefit from the international trading system.

Centad: You have always advocated against developed countries dumping their agricultural produce in developing and least developed countries. What are the possible ways in which agricultural dumping could be targeted? What, besides reduction in export subsidies, are the plausible options to counter agricultural dumping in poor countries?

Sophia Murphy: The key is to first assess cost of production in the country where the produce is grown, so as to have a reference. This is what Institute for Agriculture and Trade Policy (IATP) has done with five of the big United States (US) commodities in our dumping report (wheat, maize, soyabeans, cotton, and rice). The US does not use export subsidies, although it does have a few more disguised ways to support its exports of food. But the transnational companies that buy US grains and export them definitely dump, because they do not pay the US farmer what the commodity is worth and they export it below the cost of production as well, creating downward pressure on all producers of that commodity. Ideally, an export tax should oblige the companies to charge at least the cost of production and a normal profit for any commodity that leaves the port for export. ,The second best option would be that the Organisation for Economic Co-operation and Development (OECD) or a similar body could formally publish comparable cost of production figures for the major dumping countries, and developing countries impose tariffs in order to ensure that the commodities entering their borders were priced at least at the level of the cost of production.

Centad: Do you look at the Appellate Body reports on cotton and sugar as a shot in the arm in the campaign to amend the unfair rules in agricultural trade? Has the Appellate Body, through these two rulings, clarified some of the ambiguous subsidy disciplines in the Agreement on Agriculture (AoA)?

Sophia Murphy: I do see the outcome of the disputes on cotton and sugar as positive. I think the rulings have shown the existing AoA rules to be tougher than what NGOs and many governments thought, and just the fact of the disputes was enough to shape the negotiations that followed the collapse of Cancun and led to the establishment of the July Framework last year. However, I think developing countries missed an opportunity to drive a harder bargain in the light of the rulings. To allow the US, for example, to use the new negotiations on agriculture to legitimise some of the payments that the Dispute Settlement Body ruled illegal, was an extremely disappointing outcome from the last July Framework's proposal.

Centad: How do you look at the recent 'alleged' breakthrough on conversion of specific duties into Ad Valorem Equivalents (AVE) on agricultural products? Do you think this decision has paved the way for future negotiations on agriculture?

Sophia Murphy: If you think the AoA negotiations are headed in the right direction, and I do not, then the AVE breakthrough was of course welcome. You cannot discuss tariff reduction without first finding a way to make the tariffs that you are talking about comparable. Many EU tariffs in particular were opaque, and the solution would have been a decent attempt to make those transparent. Without this breakthrough, any further discussion on market access was held up.

The Organisation for Economic Co-operation and Development or a similar body could formally publish comparable cost of production figures for the major dumping countries, and developing countries impose tariffs in order to ensure that the commodities entering their borders were priced at least at the level of the cost of production.

Centad: What possible shape would negotiations on agriculture have in the run-up to the Hong Kong Ministerial? Do you foresee the possibility of a breakthrough or deal in agriculture before or in Hong Kong?

Sophia Murphy: It is always hard to predict where negotiations are headed, since so many unforeseen events can both knock them off, or put them back on course. I would say that there is a considerable momentum in the agricultural negotiations right now, and there is some hope among delegates (hardly ever expressed out loud in Geneva for fear of breaking the spell) that a deal on agriculture would be one of the things the delegates take to Hong Kong for their Ministers. This July will be very important – it is hard to see how the delegates could cover enough ground to actually finish a deal in time for the General Council, but it will be clear by the end of the July meetings if a deal is impossible or still possible for Hong Kong in December.

Sadly, there is very little sign that dumping will be addressed in any way. Some of the developing countries' defensive interests will probably be taken into account, but the presence of large volumes of commodities at less than cost of production prices in world markets will not be disciplined. Nor will perhaps the biggest trade distortion of all – the oligopoly power of transnational food and agriculture companies, a small number of whom dominate most agricultural commodity markets at the international level. We still have a lot of work to do to build a fair, rules-based multilateral trading system.

■ Sophia Murphy is Program Director, Trade and Agriculture Program, Institute for Agriculture and Trade Policy, Minneapolis, USA

Anticipating "First Approximations" – A Perspective from Bangladesh

Uttam Kumar Deb

The sixth Ministerial Meeting of the World Trade Organisation (WTO) is scheduled for 13-18 December 2005 in Hong Kong. Agriculture was the deal breaker during the fifth Ministerial in Cancun. So, all interested quarters are concerned about the developments, the likely outcome of the agriculture negotiations and how far the interests of the developing countries, particularly least developed countries (LDCs) would be protected. From an LDC and Bangladeshi perspective, what have been some of the developments so far and what are the likely outcomes?

Negotiations on agriculture are held under three pillars of the Agreement on Agriculture (AoA): market access, domestic support, and export competition. Focus of negotiations related to market access is on reduction of tariffs and removal of non-tariff barriers. Negotiations related to domestic support is on reduction of absolute level of total domestic support as well as reform in domestic support provided under three boxes, namely, Amber Box, Green Box, and Blue Box. Ambassador Tim Groser has been facilitating the on-going negotiations on agriculture as Chair of the Committee on Agriculture (CoA). It may be recalled that the agriculture negotiations in Cancun were aimed at agreeing on a framework for establishing modalities. Major conflicts among developed and developing countries at Cancun meeting were related to reduction of tariffs, export subsidies, Special Products (SPs), and Special Safeguard Mechanisms (SSMs).

Another important issue was "cotton" where African LDCs demanded elimination of huge subsidies provided to cotton growers in USA. LDCs and developing countries made a strong demand for substantial reduction in the wide-ranging agricultural subsidies allowed under the Blue Box and Green Box provisions. Developed countries agreed to cap some of these, albeit at high threshold levels. However, wide differences among the demands of developed and developing countries constrained them from reaching any agreement in Cancun.

Major conflicts among developed and developing countries at Cancun meeting were related to reduction of tariffs, export subsidies, Special Products, and Special Safeguard Mechanisms. Another important issue was "cotton" where African LDCs demanded elimination of huge subsidies provided to cotton growers in USA.

Developments after Cancun

Some progress has been made since the Cancun meeting. The most significant milestone in this regard has been the "July Package 2004" in which WTO members agreed on a framework package to keep the Doha Round alive and postponed the 1 January 2005 deadline for concluding the talks until the sixth WTO Ministerial meeting. In this package, the General Council agreed for reduction of export credit subsidies and a separate discussion on cotton through a sub-committee on cotton. It was also agreed that major unresolved issues with regard to domestic support, market access, and modalities for SPs and SSMs for developing countries would be dealt within subsequent negotiations.

Therefore, to have a successful agreement in Hong Kong, a concrete and meaningful framework is essential before the General Council Meeting to be held in July 2005. To achieve this, Agriculture Committee Chair Tim Groser introduced a new phrase –"First Approximation" as a first step towards establishing modalities. The phrase 'First Approximation' is basically targeting the preparation of an adequate structure in all three pillars of agriculture negotiation. This exercise is scheduled for completion by the end of July 2005.

Current State of the Negotiations

There has been some progress in negotiations on agriculture, but a lot more needs to be done for a meaningful agreement in Hong Kong. On the issue of market access, members have agreed to substantial improvements for all agriculture products. They have agreed on a tiered approach to reduce tariffs, while progressive tariff reductions will be achieved through deeper cuts in higher tariffs with flexibility for sensitive products. For implementation

Unequal powers in the agricultural negotiations

of tiered approach, conversion of specific tariffs to ad valorem equivalents (AVEs) is essential. Agreeing to a commonly accepted formula for AVEs became a major issue of contention in the negotiations and members have spent a lot of time on this. Members have now agreed on the formula for AVE conversion. They are yet to agree on a core market access formula or even the central elements of the market access formula.

It is agreed that Members will be allowed to designate a certain number of SPs. Improvement of market access will be achieved through combinations of tariff quota for each of the SPs. SPs provision would be applicable for both developed and developing countries and this would allow them some flexibility in increasing their market access. However, they have not yet been able to agree on further elaboration of flexibilities for SPs and SSMs for developing countries and sensitive products. It is not clear yet what will be the criteria for designation of SPs, how many products can be designated as SPs or how SSMs would be operated.

In the case of Domestic Support, members agreed on: (i) Commitment to reduce overall trade-distorting domestic support on the basis that higher levels of subsidies are subject to deeper cuts. A down payment of 20 percent will be provided in the first year of implementation; (ii) Blue Box will be capped to 5 percent of the value of production. However, new criteria for the Blue Box are yet to be negotiated and agreed; (iii) Green Box criteria will be reviewed and clarified. There is apprehension that changes within the Blue Box relating to allowable areas for the purpose of domestic support would shift allowable subsidies, rather than effect any actual reduction. Thus, there is apprehension that through switching of boxes, developed countries may window-dress their domestic support measures.

On Export Competition, members have already agreed for "complete elimination of agricultural export subsidies". However, no timeframe or road map for such elimination has been agreed on so far. Under this commitment, export credits, export credit guarantees or insurance programmes with repayment periods beyond 180 days will also be eliminated, while those of 180 days and below will be disciplined. Members also agreed for new disciplines on state trading enterprises. However, modalities for these are yet to be agreed. LDCs will have full access to all special and differential treatment provisions and they will not be required to undertake reduction commitments. The text on agriculture added that developed members, and developing country members in a position to do so, should provide duty-free and quota-free market access for products originating from least-developed countries. Thus, it appears that a definitive "shall" is still missing in the July text, which is essential for improving market access for agricultural products originating in LDCs.

A special sub-committee on cotton is dealing with the issue of cotton subsidy. The sub-committee had two meetings on this issue; however, no significant progress has been made. Rwanda, is asking for considering other commodities of export interest to African countries instead of considering only cotton on a priority basis. However, there is an apprehension that this may dilute the "cotton issue".

A major challenge for LDCs particularly for net food importing developing countries (NFIDC) like Bangladesh would be the likely increase in food prices due to increased liberalisation and reduction in domestic support and export subsidy by the food exporting countries.

Likely Outcome

The problem with AVE calculation has been resolved, but designation of SPs has so far kept the market access issue as a vague aspiration. There has been some progress and negotiations on these are continuing in Geneva. It is expected that "first approximation" would be possible by second week of July, i.e. during the Beijing Mini-Ministerial Meeting. A major challenge for LDCs particularly for net food importing developing countries (NFIDC) like Bangladesh would be the likely increase in food prices due to increased liberalisation and reduction in domestic support and export subsidy by the food exporting countries. This problem may be aggravated because of the stringent rules on Sanitary and Phytosanitary (SPS) measures. SPS are a major challenge for export of agricultural commodities to the developed country markets, particularly EU.

Reduction or elimination of subsidy on cotton is likely to raise the market price for cotton (at least in the short run), which will negatively affect Bangladesh's apparel and textile sector by pushing up the cost of raw materials. Bangladesh may have to accommodate this in the interest of solidarity among LDCs.

Negotiations Reality

One can identify two broad (extreme) negotiating positions among WTO members. One group (mostly the developing countries) maintains that agriculture is the "engine of negotiations" and positive outcomes from this area will generate positive knock-on effects for the rest of the Doha agenda. Conversely, another group (largely developed countries) reckons that in order to obtain success in agriculture, there has to be "progress in tandem" in other areas. Modalities accepted for AVEs and special products in agriculture may also influence negotiators in NAMA. Progress in agriculture has until now been rather slow and negotiators in Geneva have lowered their ambition level compared to their expectations a few months back. Erosion of tariff preference on export of agricultural commodities from LDCs is likely to have negative impact on export potential of LDCs such as Bangladesh which might negatively affect balance of payment situation in these countries. The role of the Five Interested Parties (FIPs) – Australia, Brazil, EC, India and USA, has been reduced in the negotiation process. It may be recalled that FIPs played an important role in formulating the July Package 2004.

Bangladesh's Interests and Strategy

As mentioned earlier, a definitive "shall" is still missing in the agriculture negotiation related text, which is essential for improving market access for agricultural products originating in LDCs. Bangladesh and other LDCs need to pursue this. Cotton issue has not yet received due commitment for elimination of subsidy in a time bound manner. LDC leaders are aware about these issues and will be actively pursuing them. The Livingstone Declaration adopted at the Fourth LDC Trade Ministers' Meeting held on 25–26 June 2005 at Livingstone, Zambia called upon the relevant WTO bodies and the Sixth Ministerial Conference to agree on "Binding commitment on duty-free and quota-free market access for all products from LDCs to be granted and implemented immediately, on a secure, long-term and predictable basis, with no restrictive measures introduced." The Declaration has also asked for "Complete exemption for LDCs from any reduction commitments". In addition to these, the Declaration asked for technical support for SPS compliant facilities, reduction in domestic support and export subsidies in the developed countries, which will ultimately increase the possibility of increasing their market access. Thus, it seems that LDCs are considering both the defensive interests such as "no reduction commitments" as well as proactive interests such as market access, issue of preference erosion, and implications of food price increase. Bangladesh and other LDCs, to ensure their food and livelihood security, should consistently pursue these until a new agreement is reached. Without persistent and active engagement in negotiations, LDCs will not be able to realise their legitimate demands.

■ Dr. Uttam Kumar Deb is Senior Research Fellow, Centre for Policy Dialogue (CPD), Dhaka, Bangladesh. He can be contacted at uttam_deb@yahoo.com

A Case for Break-up

– Reviewing Regional Trade Agreements

Robin Koshy

In the 13th century, when Kublai Khan (1216–94) consolidated the vast Mongol empire forged by his grandfather, the legendary Genghis Khan with blade and dare, it stretched from Hungary in the North to Vietnam in the South. The Mongol empire that he lorded over was the largest union of diverse societies and economies known to that date. It is a drastically different picture today, as Mongolia is perhaps known for its splendid isolation and friendly disinterest in global coalitions of most sorts. It is also the only WTO member that is not a member of Regional Trading Agreements (RTAs) of any type.

Contrast that with Mexico, which is a member of seven RTAs or Tanzania that has a tally of four. RTAs – be they free trade areas, customs unions or partial scope agreements have never been more popular than they have been since the mid-1990s. 312 RTAs have been notified to the WTO as of January 2005; of these, 170 are in force. If all the RTAs that are currently being negotiated or proposed were to be implemented, there would be nearly 300 RTAs in force by 2008. RTAs have increasingly become instruments for countries to confer and demand reciprocal treatment.

Why are RTAs so popular when economic theory demonstrates that the welfare gains from multilateral trade exceed that from RTAs? Political compulsions might be only part of the answer. A series of studies on RTAs by the Overseas Development Institute (ODI) tests the theoretical framework that RTAs can reduce poverty through increased allocative efficiency, volume and poverty focus of investment, scale of migration and regional socio-economic projects. The studies demonstrate that the benefits tend to be unequal and domestic supply side constraints prevent developing countries from reaping the benefits of regional integration. It appears that trade liberalisation is not the substitute for sound, domestic macro policies and pro-poor growth strategies. Service liberalisation (for example, migration), and regional ‘public goods’ (say, common transport infrastructure) could offer greater gains to developing countries. The study cautions that RTAs could reduce the incentives to participate in multilateral trade, as countries would be reluctant to give up ‘preference margins’ that could be lost under free trade.

What could these preference margins be? Between 1995 and 2005, 27 RTAs between developed economies and developing economies have come into force. The European Union (EU), Japan, US and other developed countries are in or negotiating a host of RTAs with developing countries. Reciprocal treatment and comprehensive liberalisation are the pillars of these agreements as against the non-reciprocal terms that many developing countries enjoy under the Generalised System of Preferences (GSP) or Everything but Arms (EBA) initiative. The Economic Partnership Agreements (EPAs) that the EU is negotiating with African, Caribbean, and Pacific (ACP) Group of countries is expected to exclude many of the non-reciprocal preferences granted under the Cotonou Agreement. Further, the ‘Singapore Issues’ (Trade Facilitation, Investment, Government Procurement and Competition) that got rejected at the WTO ministerial in Cancun in 2003 have found their way into many RTAs between developed and developing country partners, as have intellectual property clauses that are more restrictive than those provided for under TRIPS.

Is everything rosy within RTAs between developed countries? A recent book presents an interesting case for break-up within the world’s most famous customs union – the EU. In *“Should Britain leave the EU?”* - Patrick Minford, Vidya Mahambare and Eric Nowell of Cardiff University, Wales analyse the economic costs and benefits to the United Kingdom (UK) from being a part of a protectionist RTA. The EU’s subsidies and preferences represent a negative transfer for UK, as it is a net consumer of agricultural and manufactured goods given its lack of comparative advantage in either. EU’s Common Agricultural Policy (CAP), much reviled as it is by developing countries for aiding the dumping of EU farm goods in the global market and keeping developing country exports out, boosts the prices paid to EU farmers by about 50 percent above world prices. Hence, British consumers pay a lot more for their apples than they would have paid if, say, apples from Pakistan had easy access to their market. The excess they pay largely goes to continental farmers (France, Germany etc.), as UK is a net consumer. This cost of agricultural protectionism has been put at 0.3-0.5 percent of the national income.

The story is no different with manufactured goods. In most developed countries, market forces have made manufacturing uncompetitive and most of these industries have moved on to more efficient locations in developing countries. Developed countries including the UK, have thereby specialised in highly technology intensive and niche segments. Continental Europe has however, retained many of the technologically low-end industries behind the shelter of trade barriers. The authors argue that the quotas (such as that existed in textiles) and anti-dumping measures keep prices for manufactured goods high almost as if a 'Common Manufacturing Policy' existed. This trade diversion cost amounts to about 2–3 percent of the British GDP. So consumers in the UK, pay 66% more for a television or a music system than what it would cost in the US.

Conversely, trading in services is an area where the UK has a comparative advantage. However, a common market for services such as airlines, communication, electricity and insurance does not exist as each country protects its service sector with a myriad of national regulations. If services were protected by a customs union type regime, then UK would gain sufficiently to compensate for its losses in the other sectors. The authors cannot see continental European countries being naïve enough to expose their service monoliths to nimbler competition from the UK.

Similarly, dumping the pound sterling for the euro would also be counter-productive to the UK. Besides losing control over monetary policy, the UK, which trades primarily with the dollar area, would also bear the brunt of the fluctuations of the euro against the dollar.

Adoption of the Charter of Fundamental Rights in the proposed EU constitution would have significant implications on labour rights and social entitlements. The modelling suggests that rise in wage levels, union power and welfare benefits could lead to higher unemployment and lower output. The social costs would be high too. The recent rejection of the EU constitution by voters in France and Holland should allay some of this fear.

Adoption of the Charter of Fundamental Rights in the proposed EU constitution would have significant implications on labour rights and social entitlements. The modelling suggests that rise in wage levels, union power and welfare benefits could lead to higher unemployment and lower output.

So which is the way for the UK? The book is clearly not intended for those in favour of a powerful EU state and would appeal more to audiences in the UK who demand bold steps to protect national interests. The authors recommend that the UK should step out of this troubled relationship with high economic costs and resort to free trade under the WTO Framework. In the event that a piqued EU decides to retaliate, the UK could join the NAFTA, which allows members the freedom to pursue their own trade agenda, to balance its power in the event of disputes! UK could consider negotiating with the EU on specific agreements in areas such competition policy and should continue to press for a single market in services.

These debates about UK's relationship with the EU have been raging since it took membership in 1973, although they have mostly remained at the level of rhetoric. While acknowledging the political hurdles, Minford, Mahambare and Nowell present some compelling arguments to state the case for UK to become single and ready to mingle. At a general level, the book highlights some of the practical difficulties of customs unions that require the establishment of common tariff boundaries and surrender of national autonomy in setting trade and commerce policies. It also explains why only 8 percent of the currently notified RTAs are customs unions.

Indeed, the book contains several messages that South Asian countries could well take note of. Many countries see RTAs as a way of spreading political influence even when economic benefits appear hazy. The analogy of comparative advantage in services can be extended to countries like India. The authors also point out that the argument that RTAs help in attracting foreign investment does not hold water. Countries with sound macro-economic policies, infrastructure and flexible labour regimes will attract foreign investment irrespective of membership in FTAs.

Perhaps, there is merit in joining Mongolia on the sides to watch the RTA circus play out.

Minford, P., Mahambare V., and Novell, E., 'Should Britain leave the EU? An Economic Analysis of a Troubled Relationship' Edward Elgar and Institute of Economic Affairs, London, May 2005.

■ References: Crawford, J and Fiorentino, RV, 'The Changing Landscape of Regional Trading Arrangements', 2005
Velde D.W. te et al, 'Regional Integration and Poverty' ODI Briefing Paper, 2005

■ Robin Koshy is Programme Officer, Centre for Trade & Development, an Oxfam GB Initiative. He can be contacted at robin.koshy@centad.org

Glaring Disparities

Centad Team

Table 1

This is what it equals!!

Amount of farm subsidies given by OECD countries in 2001 = $311,000,000,000 = 37 × Total agricultural exports Of South Asia($ 8.5 bn) in 2003

Source: http://www.oecd.org/dataoecd/37/56/2751286.pdf (visited 28 June 2005)
FAO Statistics, Compendium of Agricultural - Environmental Indicators (1989-91 to 2000), http://www.fao.org/es/ess/os/envi_indi/part_2210.asp (visited 18 June 2005)

$311,000,000,000 = 2 × Combined GNI of Bangladesh, Nepal, Sri Lanka and Pakistan($148 bn) in 2003

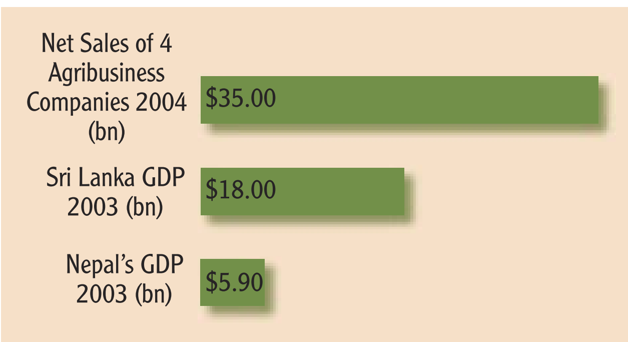
Source: World Development Report 2005, World Bank

$311,000,000,000 = 6 × Level of development aid to poor nations

Source: Secretary General, UNCTAD, High-level Segment of the United Nations Economic and Social Council: Promoting an integrated approach to rural development in developing countries for poverty eradication and sustainable development, Geneva 30 June 2003
http://www.unctad.org/Templates/webflyer.asp?docid=3696&intItemID=2054&lang=1 (visited 25 June 2005)

Table 2

How many times??

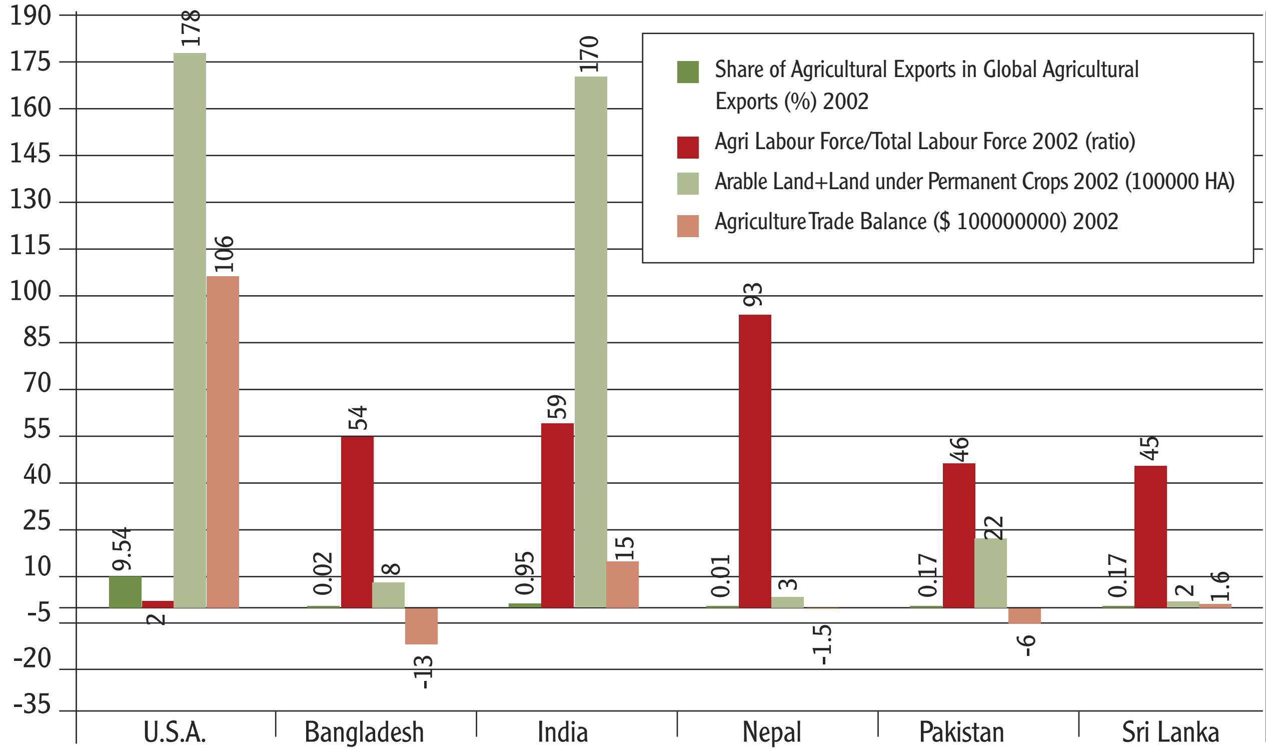


Source: Country Profile, http://devdata.worldbank.org/ (visited 10 June 2005)
The four Agri-business companies selected are:

1. Kelloggs http://investor.kelloggs.com/downloads/AR_2004.pdf (visited 28 June 2005)
2. Nestle http://www.nestle.com/NR/rdonlyres/2BF16220-A35B-49EE-BA5E- 45F3F031A971/0/RG04_GB.pdf (visited 28 June 2005)
3. General Mills http://media.corporate-ir.net/media_files/irol/74/74271/reports/ar2004_final.pdf (visited 28 June 2005)
4. Land O'Lakes http://www.landolakesinc.com/investor/overview.asp (visited 28 June 2005)

Table 3

A contrasting picture: U.S.A. vs South Asia



Notes:

The Y axis is independent of units for the ease of comparison on the same graph.

The unit for each variable is specified in the data table.

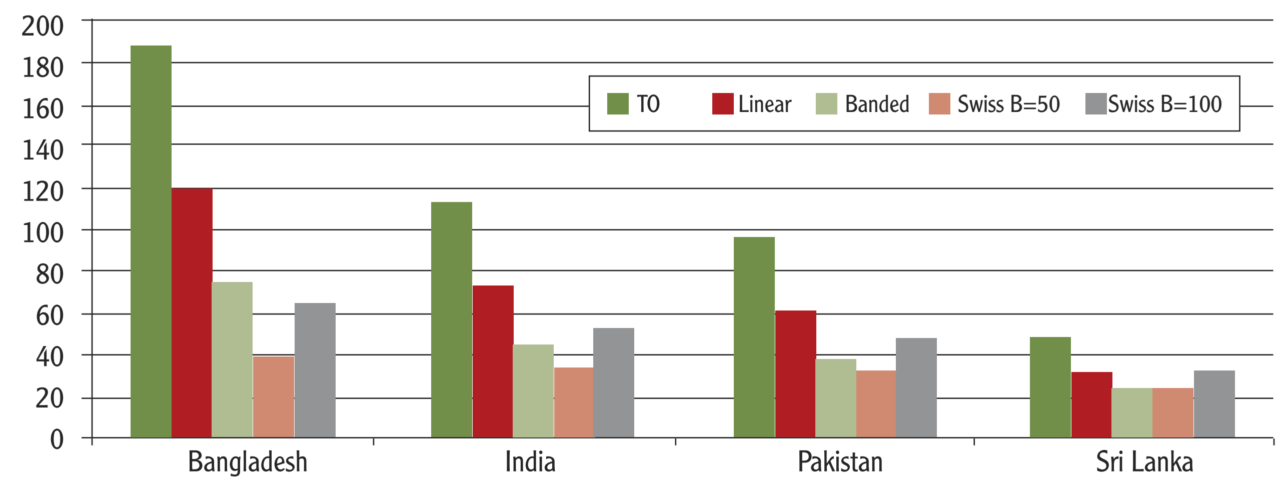
Source: FAO Statistics, Compendium of Agricultural - Environmental Indicators (1989 - 91 to 2000), http://www.fao.org/es/ess/compendium_2004/list.asp (visited 17 June 2005)

FAO Statistics, Country Profiles, http://www.fao.org/countryprofiles/overview.asp?lang=en (visited 16 June 2005)

International Trade Statistics 2003 Table IV.9, World Trade Organisation, http://www.wto.org/english/res_e/statis_e/its2003_e/its03_bysector_e.pdf (visited 31 June 2005)

Table 4.1

Impact of different tariff reduction formulae on the average bound tariff rates of agriculture of South Asian countries



Source: Centad's calculations

Table 4.2

Impact of the application of the banded formula on the MFN bound tariff rates of select product categories of Bangladesh, India, Pakistan and Sri Lanka

Product	Bangladesh		India		Pakistan		Sri Lanka	
	Initial Tariff (T0)	Final Tariff (T1)	Initial Tariff (T0)	Final Tariff (T1)	Initial Tariff (T0)	Final Tariff (T1)	Initial Tariff (T0)	Final Tariff (T1)
Fruits and vegetables	189.2	75.6	105.4	42.1	100.3	40.1	50.0	25.0
Coffee, tea, mate, cocoa and preparations	187.5	75	133.1	53.24	108.3	43.3	50.0	25.0
Spices, cereal and other food preparations	195.6	78.2	126.5	50.6	100.0	40.0	49.7	24.8
Grains	158.1	63.2	86.3	43.1	112.5	45.0	50.0	25.0
Oilseeds, fats and oils and their products	186.5	74.6	168.9	67.5	100.0	40.0	49.7	24.8

Source: Centad's calculations

Table 4.3

Impact of the application of the pure Swiss formula on the MFN bound tariff rates of select product categories of Bangladesh, India, Pakistan and Sri Lanka, B = 50

Product	Bangladesh		India		Pakistan		Sri Lanka	
	Initial Tariff (T0)	Final Tariff (T1)	Initial Tariff (T0)	Final Tariff (T1)	Initial Tariff (T0)	Final Tariff (T1)	Initial Tariff (T0)	Final Tariff (T1)
Fruits and vegetables	189.2	39.5	105.1	33.8	100.3	33.3	50.0	25
Coffee, tea, mate, cocoa and preparations	187.5	39.4	133.1	36.3	108.3	34.2	50.0	25
Spices, cereal and other food preparations	195.6	39.8	126.5	35.8	100.0	33.3	49.7	24.9
Grains	158.1	37.9	86.3	31.6	112.5	21.4	50.0	25.0
Oilseeds, fats and oils and their products	186.5	39.4	168.9	38.5	100.0	33.3	49.7	24.0

Source: Centad's calculations

Notes:

Linear Formula: T1=T0*(1-A/100), A=36, if average 36 percent reduction on tariffs is to take place and A=15, if minimum 15 percent reduction on tariffs is to take place

Swiss Formula: T1=B*T0/B+T0, B=50,100

Banded Formula: T1=T0*(1-A/100), where A=60 if T0>90 (average reduction of 60 percent with a minimum of 45 percent), A=50 if 15<T0<=90 (average reduction of 50 percent with a minimum of 35 percent), A=40 if T0<= 15 (average reduction of 40 percent with a minimum of 25 percent) Where,

T1= Proposed rate in post millennium round negotiations

T0 = Base rate of negotiation

A= A coefficient representing percentage linear cuts

B= A constant value, commonly known as Swiss coefficient

Demystifying Agricultural Trade and Poverty Reduction

Centad Team

Can trade in agriculture play a role in poverty reduction?

Yes, trade in agriculture can play a very critical role in poverty reduction because a huge population across the globe depends largely on agriculture. According to the World Bank about 40 to 60 percent of the poorest in the developing world live in rural areas and are primarily dependent on agriculture for their livelihood. Though a majority of agricultural producers in poorer countries produce for self-consumption, domestic and regional market, a significant proportion of farmers in developing countries also produce for the export market. These export markets can stimulate production in developing countries and hence enable the farmers of these countries to earn more.

Further, there are many countries in Asia Pacific and South Asia (India and Sri Lanka) whose agricultural exports are more than agricultural imports (net exporters of agricultural goods). In these countries, a significant proportion of population is involved in agricultural production. Hence, increasing international trade and thriving export markets could act as stimulants for the growth and development of the farmers in these countries.

Though a majority of agricultural producers in poorer countries produce for self-consumption, domestic and regional market, a significant proportion of farmers in developing countries also produce for the export market. These export markets can stimulate production in developing countries and hence enable the farmers of these countries to earn more.

Has agricultural trade, in practice, been able to alleviate poverty in developing countries?

No, global trade in agriculture has failed to have the desired impact on poverty reduction. This is true despite the fact that global trade in agriculture is now conducted in accordance with the multilateral trade rules encapsulated in the Agreement on Agriculture (AoA) in the World Trade Organisation (WTO). Arguably a uniform rule-based trading regime at the multilateral level is superior as it makes the entire system more predictable and stable. Any country can trade with the rest of the world on the basis of a set of multilateral rules. No country is required to enter into trade agreements with every other country. It also reduces the possibilities of trade being subverted by rich and powerful countries in their favour. Despite this, the share of all developing countries taken together in the world agricultural markets rose only by 1 percent between 1980 and 1997.

For a rule-based trade regime to deliver, it is necessary that the rules, according to which trade takes place, are fair for all countries and there is an honest implementation of these rules. The present trade rules in the AoA are not fair, as they tend to favour developed countries more. The trade rules in the AoA are such that developed countries can use them to employ trade-distorting measures including providing gigantic subsidies to their agriculture. These huge subsidies provided by developed countries allow their farmers to overproduce and then flood the international markets by selling these products at very low prices where the selling price is even less than the cost of production (dumping in international markets). This depresses the prices of agricultural products in the international markets resulting in the farmers of developing countries failing to get remunerative prices for their commodities. The losses that these farmers suffer have condemned them to a viscous cycle of vulnerability, debt, and poverty.

Propelled by huge subsidies, the dumping of agricultural produce by developed countries has not allowed trade in agriculture to play a critical role in poverty reduction.

Are there examples to show the unfair and rigged nature of global agricultural trade?

There are plenty of examples to show the rigged and unfair character of global trade in agriculture that has favoured developed and rich nations. The most famous example is of cotton, where huge cotton subsidies provided by the United States (US) have enabled it to dump cotton in international markets. According to the Institute for Agriculture and Trade Policy (IATP), US has been dumping cotton in international markets since 1990. The dumping margin (difference between the selling price and cost of production) has hovered from 32 percent to 47 percent from 1990 to 2003, touching 63 percent and 65 percent in 2001 and 2002 respectively. This enormous export dumping has depressed prices of cotton in the international markets and consequently impaired livelihoods of millions of farmers across Central America and Africa. Since 2001, when wilting cotton prices became very evident, Africa has been losing on an average US$ 441 million a year because of the distorted cotton trade. Since 2003, the West and Central African producers have suffered export losses of about US$ 382 million.

Similarly, for rice, US farmers receive around US$ 232 per hectare in government subsidies, which is more than the annual income of many farmers in Africa. According to a study done by Oxfam, the US government provided subsidies worth US$ 490 million from 1995 to 2003. Due to these generous subsidies, Riceland, a US-based agribusiness firm, has been exporting rice to 75 countries. Further, these subsidies made US the third largest exporter of rice in 2003, after Thailand and Vietnam, although producing rice in US is almost two times costlier than it is in Thailand and Vietnam.

Are these subsidies a result of the flawed rules in the AoA or due to gross violation of these rules?

Both. The gigantic subsidies are a result of the flawed rules and a gross violation of the existing rules. Let us understand both these cases separately.

AoA allows countries to provide non-trade distorting subsidies to their farmers called the Green Box subsidies, which include subsidies such as direct payments to the farmers or subsidies for environmental purposes. However, there is no upper

Table 5

Average bound MFN (most favoured nation) tariffs in the major importing developed countries: selected products

Product	Primary/processing level	Average final bound MFN tariffs (Simple averages at the 6-digit of the harmonised system)			
		USA	EU	Japan	Canada
Cocoa	Beans	0	0	0	0
Coffee	Chocolate	6.9	21.1	21.3	59.0
	Green	0	0	0	0
Oranges	Roasted	0	9.0	12.0	0.4
	Fresh	3.5	16.7	24.0	0
Pineapple	Juice	11.0	34.9	31.0	1.0
	Fresh	1.2	5.8	12.1	0
Hides & Skins	Juice	4.1	11.6	24.3	0
	Raw	0	0	0	0
Sugar	Tanned	3.0	5.4	23.5	6.3
	Raw	32.8	134.7	224.9	8.5
	Refined	42.5	161.1	328.1	107.0

Source: FAO Fact Sheets: Input for the WTO Ministerial Meeting in Cancun, http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/005/y4852e/y4852e02.htm (visited on 25 June 2005) limit or restriction on the quantum of green box subsidies. Even if some upper limits exist, they are very vague and ambiguous. In other words, countries can give any amount as an environmental subsidy to its farmers.

All this needs to be seen in the right perspective. Subsidies, whether they are for environmental or any other purpose, puts the person receiving it in a better position as compared to the person not receiving it at all. Most of the farmers in developing countries do not get these subsidies because developing countries lack the resources to support their farmers. Hence, the developed country farmer having access to any kind of subsidy is certainly better placed in the global trade regime than the developing country farmer.

These subsidies are also provided in contravention of the rules of AoA. The dispute settlement body of the WTO has held many agricultural subsidies given by developed countries as illegal. For instance, Brazil had challenged the subsidies provided by US to its cotton farmers in the dispute settlement body of the WTO, which found that the annual cotton subsidies to the tune of US$ 3.2 billion provided by US were illegal. Also, export credit subsidies of about US$ 1.6 billion given by US to its cotton growers was also inconsistent with AoA and hence illegal.

Similarly, Brazil, Thailand and Australia, brought another case against excessive sugar subsidies provided by EU. The EU was found guilty of providing illegal subsidies that encouraged overproduction of sugar, which was subsequently being dumped in the international markets.

What are the other reasons that have not allowed trade in agriculture to play a critical role in poverty reduction?

Apart from the gigantic farm subsidies, high tariff rate on agricultural products in developed countries is also responsible for not allowing agricultural trade play a critical role in poverty reduction. Although developed countries reduced their average tariff rate from 10 percent in 1980 to 5 percent in 1999, tariffs on products of export interest to developing countries, like staple food crops, vegetables, some beverages, and processed food products, have remained high. EU applies a tariff rate as high as 250 percent on imported meat products, while Canada and US impose a tariff rate in excess of 120 percent on groundnuts and meat products respectively. The escalating tariffs with increasing degree of processing (tariff escalation) on products is a very important factor in not allowing developing countries to graduate from exporting primary products to more processed products (See Table 5).

What should be done to make agricultural trade fair for all the countries and to allow it to play a role in poverty reduction?

Following should be done to make agricultural trade fairer:

- Developed countries should stop providing gigantic subsidies to its agricultural sector. Cut or reduction in these huge subsidies would disallow overproduction and hence stop export dumping.

- Developed countries should steeply cut their high tariff rates on agricultural products especially products of export interest to developing countries. Also, tariffs on processed food products need to be cut drastically. This would ensure better market access to developing countries and hence allow agricultural trade to foster development and reduce poverty.

- Developing countries should be empowered with some specific safeguard measures, such as the option of taxing agricultural imports or stopping the entry of imports in case there is a surge in imports, which could be a major cause of concern since it threatens livelihoods.

- Developing countries should also have the flexibility to impose higher tariff rates on agricultural imports and should not be asked to cut their tariff rates as steeply as developed countries. Further, developing countries should also have the option of not reducing tariffs at all on products that it deems sensitive. In other words, developing countries should not be asked to undertake stringent requirements that limit their ability to pursue developmental objectives such as fostering livelihood opportunities, food security and rural development.

Agreement on Agriculture Jargon

Centad Team

Agreement on Agriculture (AoA): One of the agreements of the Uruguay Round of negotiations that led to the establishment of the World Trade Organisation (WTO) in 1995. The AoA became operational with the establishment of the WTO from 1st January 1995. It brought agriculture under the purview of substantive multilateral trade rules for the fist time. Developed and developing countries got six and nine years respectively for the implementation of AoA. The AoA comprises of three pillars namely, domestic support, market access and export competition. It also contains provisions for reviewing the agreement. Presently, the AoA is being renegotiated on the terms agreed by the WTO member countries at the Fourth Ministerial meeting at Doha in 2001. Although the deadline for the review was 1 January 2005, the negotiations are far from complete. The deadline for this review was 1 January 2005. However, this deadline has been missed. A framework to establish future modalities for negotiations on reviewing the AoA was agreed by the General Council of the WTO on 1 August 2004.

Domestic Support

Subsidy: A set of financial contributions by the government (e.g. direct transfer of funds, potential direct transfers of funds, revenue foregone) covering some costs of doing business or a particular activity. In the agricultural context, it could mean certain financial benefits to farmers, fertiliser companies, price support for agricultural products, among other forms of support.

Aggregate Measurement of Support (AMS): Quantification of aggregate value of domestic support provided by governments to specific as well as non-specific products. It includes both production and trade distorting measures introduced by governments. AoA obligates member countries to bring down the AMS.

Amber Box: Denotes those domestic support subsidies that are considered to distort production and trade. Domestic support subsidies falling under the Amber box are to be eliminated or reduced under the AoA. These subsidies include market price support, various kinds of payments, input subsidies, etc. These subsidies are subject to reduction based on a formula called the "Aggregate Measure of Support".

Blue Box: Denotes those domestic support measures, which allow countries in the WTO to make direct payments to agricultural producers for limiting the production on fulfillment of certain conditions. The level of payment should be based on fixed areas and yields or per head of livestock. This support is unlimited and need not be reduced or eliminated. The Blue Box subsidies are an outcome of a compromise (Blair House Accord) reached by the United States (US) and the (European Union (EU) in 1992 to break the deadlock during the Uruguay Round. In the ongoing negotiations, developed countries want to retain the Blue Box, whereas many developing countries are calling before the complete elimination of the Blue Box subsidies.

De minimis: De minimis margin is the maximum ceiling on domestic support spending on agriculture. In other words, domestic support should not cross this limit. If countries provide domestic support to their agriculture below this ceiling or threshold it will not be subject to reduction using AMS reduction formula. This ceiling or threshold is for both general support to agricultural production, and specific agricultural programmes such as product specific or crop specific support. The de minimis level for developed countries is 5 percent of the total value of production for general support and 5 percent of the value of each crop for commodity specific support. Suppose, the total value of production of agriculture in a developed country is 100 units. In such a case, domestic support up to 5 units is permissible and will not be subjected to reduction. In this case 5 units is the de minimis level of support spending. De minimis level for developing countries, in this case, would be 10 units.

Green Box: Domestic support subsidies that are exempted from reduction are called Green Box subsidies. Further, to qualify as a Green Box subsidy it must not distort trade at all, or at most cause minimal distortion. These subsidies should be government funded and should not involve price support. In other words, green box subsidies are permissible subsidies, as they are considered to have minimal or no trade distorting effect. It mainly includes subsidies linked to environmental programmes, pest and disease control, infrastructure development, domestic food aid, etc. The implementation of AoA has witnessed many instances where the subsidies presently classified as Green Box are actually found to be distorting trade. The examples of such subsidies are – direct payment to producers, decoupled income support, and government financial support for income insurance.

Market Access

Market Access: Permission to a foreign product to enter into domestic or local market and to compete with domestic product on a non-discriminatory basis. In other words, it is the willingness of government to allow imported goods and services to compete with similar domestic goods and services.

Special Safeguards (SSG): These are the right of some of the WTO member countries to impose additional duties on imported agricultural products in case there is an increase in import of these commodities into their territories. The increase in import could be due to increase in volume of import or because of decrease in prices of commodities. By applying additional duties, countries make these imports expensive in their domestic markets and hence make them less attractive. Special Safeguards in Agriculture are different from the safeguard measures defined in Article XXIX of the General Agreement on Tariffs and Trade (GATT). Safeguard measures under Article XXIX of GATT are used when import surge leads to serious injury to domestic industry. This is not a condition for special safeguards in agriculture. Moreover, safeguard measures under Article XXIX are mostly in the nature of restricting quantity of exports and not by imposing additional duties. However, all the countries cannot use the special safeguard measure and only those countries that "tariffied," i.e., converted their non-tariff barriers, such as variable levies and quantitative restrictions into tariffs, are allowed to use the special safeguards. Till date, only 21 developing countries have the right to use special safeguards in Agriculture.

Special Safeguard Measures (SSM): A proposal to amend AoA by incorporating the provision to grant the right to impose safeguard measures as they are defined in Article XXIX of GATT to protect the importing country from market volatility due to import surges. This proposed SSM is different from the existing provision of special safeguards in the AoA.

Tariff: A tax or levy imposed at the (national) border on imported products. Tariffs can be imposed in two ways. First is the ad valorem tariff, where the tariff rate is based on the value of the import i.e., it is based on the price of the imported product. Second is the specific tariff rate, where tariff rates are imposed on the basis of weight of the imported product irrespective of the price of the product.

Bound Tariff: Ceiling tariff or maximum tariff that can be levied on a particular imported product. For instance, if an imported product has a bound tariff rate of 100 percent – it means that the maximum tariff that can be levied on this particular product is 100 percent. Countries can levy tariff rates less than or equal to 100 percent, but not more than 100 percent on this particular product.

Applied Tariff: Tariff that is actually levied on an imported product.

Water in the Tariff: The difference between bound tariff rate and the applied tariff rate is called water in the tariff.

Unbound Tariff Line: A tariff line or product for which there is no ceiling or maximum tariff rate that can be levied. In other words, if a tariff line is unbound it means that the applied tariff rate can go to any level.

Tariffication: The process of converting the non-tariff measures that existed during the Uruguay Round of negotiations into tariffs.

Tariff Reduction Formula: This refers to different approaches or methodologies for cutting or reducing tariff rates on different agricultural products or tariff lines so as to lead to more meaningful market access.

Uruguay Round Formula: This formula or approach to cut tariff rates was proposed during the Uruguay Round of negotiations. This formula is also known as the linear reduction formula, it talks of an average overall reduction in the tariff rates with a minimum reduction or cut per tariff line. For instance, during the Uruguay Round negotiations the average and overall minimum reduction per tariff line were 36 percent and 15 percent respectively. This formula does not lead to steep reduction in the tariff rates.

Swiss Formula: This formula aims at harmonisation of tariffs (bringing all tariffs at the same level) between member countries of the WTO. It cuts higher tariffs more steeply than the lower tariffs. It does not support the cause of developing countries and LDCs as most of these countries have high tariff rates. Adopting Swiss formula would lead to steep reduction in their tariff exposing them to market volatilities.

Banded Formula: According to this formula, all tariff lines are to be divided into different bands or categories and then each band or category is to be subjected to tariff reduction by applying the Uruguay Round formula.

Blended Formula: This formula mixes the Uruguay Round formula and the Swiss formula. According to this formula, the tariff lines of a particular country are to be divided into three different categories. Of the three, one category or portion would be subject to the Swiss formula, another category or portion of tariff line would be subjected to the Uruguay Round formula and the third category of tariff line would be reduced to zero.

Tiered Formula: This formula or approach was adopted by the WTO General Council on 1 August 2004, as a part of the framework for establishing modalities for future negotiations. According to this, the tariff lines are to be divided into different bands or categories. Bands or categories comprising of higher tariff rates would be subjected to steeper reductions. However, how the bands are to be classified and how many tariff lines will be there in each band is yet to be decided.

Tariff Escalation: Increase in tariffs with the degree of processing of a given commodity. For instance, Canada has a tariff rate of 8.5 percent on raw sugar. However, the tariff rate escalates to 107 percent for refined sugar.

Export Competition

Export Subsidies: These are payments made by the government to export firms encouraging them to buy the expensive domestic product and not the cheaper imported alternative or substitute. These payments cover the difference in cost of the expensive domestic product and the cheaper import alternative so that firms buy from the domestic producers. For example, assume that in country 'A' the cost of an apple is 6 units and the cost of an imported variety of apple is 2 units. In such a scenario, the government of country 'A' makes a payment of 4 units (difference in the cost of domestic and imported product) or more to the export firms and asks them to buy the expensive domestic products. This payment of 4 units or more is the export subsidy, which compensates the export firm for buying the expensive domestic product. Export subsidy is trade distorting, as it impedes efficient imports and encourages inefficiently produced domestic products.

Export Credit: These are payments made by governments to companies to underwrite their cost of doing business on commercial terms. This helps the domestic company to do export more at the cost of the government.

General

Non-Trade Concerns: The term used in the AoA to refer to those aspects of agriculture that are not related to trade such as food security, rural development, employment protection, environmental protection, etc. Agriculture in developing countries and in LDCs is a livelihood issue more than a trade issue.

Contd. from page 7

The Twisty Saga of Farm Talks

2004 to July 2005. Talks on issues such as export credit progressed well, while talks on more politically contentious issues like the Green Box subsidies and tariff reduction formula struggled. In December 2004, talks came to a standstill on the dispute over the issue of conversion of specific duties into ad valorem equivalents (AVE). This deadlock continued till May 2005 when countries reached an agreement on how to convert specific tariffs into AVE in Paris.

Tim Groser has set July 2005, as the deadline to get the first approximations on establishing the modalities before the Hong Kong Ministerial. Notwithstanding the adoption of the July framework, countries are still far from reaching an agreement on most of the issues including reduction in domestic support, tariff reduction, selection criteria of special products, and special safeguard mechanism.

And Miles to go before I Sleep...

As we head towards the Hong Kong Ministerial, the battle lines get more prominently drawn. Different coalitions and groups such as the G20 and G33 are busy formulating new strategies and proposals. As the battle intensifies, realignment amongst different groups and coalitions cannot be ruled out. A lot is at stake, especially for developing countries, as they have been the victims of the rigged rules in agriculture trade. Whether Hong Kong is able to deliver the expected results or not, will to a large extent, depend on the unity of the developing world reflected through groups like the G20. Failure at Hong Kong in not being able to move ahead from the July agreement could cause a lot of damage to the multilateral trading regime and to the negotiations on agriculture and the resultant delay in correcting the rigged agricultural trade rules would only prolong the suffering of millions of farmers in the South.

■ Reference : WTO Agriculture Negotiations: The Issues, and where we are now, http://www.wto.org/english/tratop_e/agric_e/agric_e.htm (visited on 15 June 2005).

■ Prabhash Ranjan is Research Officer, Centre for Trade and Development, an Oxfam GB Initiative. Views are personal. He can be contacted at prabhash.ranjan@centad.org

About Centad

Established by Oxfam GB in 2004, Centre for Trade and Development (Centad) is a not-for-profit organisation that seeks to strengthen the ability of governments and communities to make trade and globalisation work for development through policy research, advocacy, and promotion of informed public debates through seminars and fora.

The last five to six decades have witnessed an unprecedented growth of global interdependence created by the explosive flow of goods, services, people, capital and ideas across borders. Reduction of barriers, advances in technology and implementation of radical ideas have further catalysed this global integration.

Developing nations must go beyond debates of whether globalisation can be reversed and whether trade is necessary. More importantly, they need the capacity to protect their interests in multilateral trade engagements. They require, inter-alia, policy advice based on sound research and the presence of a wide segment of stakeholders who understand trade and can engage in a meaningful dialogue.

In order to address these issues, there is an urgent need to connect and enrich high-level policy research, negotiations and advocacy with experiences of people and their organisations at the grassroots. Centad will attempt to address this by:

- Developing a comprehensive knowledge centre on policy issues related to trade and development.
- Engage with policy-makers to advocate and lobby for change by providing well-researched and cogently argued policy advice on the linkages between trade and development.
- Building the capacities of civil society organisations (CSOs), private sector, trade unions, media, parliamentarians to understand and articulate debates around trade and development.

Forthcoming Events

- **Training Seminar on WTO issues for Journalists –** Centad in association with South Asia Watch on Trade Economics and Environment (SAWTEE), Kathmandu is organising a three day training seminar for South Asian Economic Journalists in Pokhara, Nepal from 11–13 July 2005. The primary objective of this training seminar is to build the capacity of South Asian journalists on trade and World Trade Organisation (WTO) so as to improve the standard of press reporting on these issues.
- **National Consultation on Agriculture and NAMA** – Centad is organising a national consultation on 22 July 2005, in New Delhi with the primary objective of identifying negotiating options that India can take to the table in the present round of negotiations on different issues of Agriculture and Non Agricultural Market Access (NAMA). The national consultation would also seek to take on board the concerns and perceptions of all the stakeholders representing the government, academia, business chambers, and civil society on these two critical issues before the next WTO Ministerial meeting in Hong Kong in December 2005.

Forthcoming Publications

- **Trade and Development Report** – Centad is working on a South Asia Trade and Development Report, which will be released in October 2005. The thrust of the report would be on analysing the impact of trade on the development process in South Asia, especially after the formation of the WTO. The impact would be determined through rigorous research that would truly reflect the South Asian perspective in the ongoing negotiations in the WTO. On the basis of this research, the report would advocate for changes by making recommendations of relevance to the negotiators and policy makers of South Asia.
- **Hong Kong Series** – Centad will also be coming out with a Hong Kong Series of papers on Agriculture and NAMA. The primary objective of this series of papers is to provide negotiating inputs of relevance to India in the ongoing round of multilateral trade negotiations on Agriculture and NAMA.

For further information, contact:

Email: centad@centad.org

Website: www.centad.org