

World Trade and Multifunctional Agriculture

World trade in agriculture holds the multilateral trade negotiations as a hostage and this for the second time in history. All the Uruguay Round progresses were possible in all other areas exclusively after moves in the negotiations in agriculture. It is the same pattern we face in the present Doha-Round. Trade in agriculture is only about 8.5% of world trade. It's a small share with a high priority in the WTO compared to trade in counterfeit goods which amounts to 10.5% of world trade without any work being done in the WTO presently.

Three reasons explain why agriculture is at a such a high focus in the WTO. First the agriculture exporters acting in various coalitions between the CAIRNS-group¹, the G-20² and the US believe that trade in agriculture is nothing different than trade in any good. Therefore, they claim for a rapid liberalization all the more as historically, their issues have been neglected. Secondly, many developing countries believe that improvements in the area of agriculture will facilitate their development and third the importing countries need to reform their agricultural policies and welcome – to a certain extent – the pressure from the WTO-negotiations.

The importing countries argue that each country has a right to have an agriculture and cannot be punished in the trading system of WTO because of the uncompetitiveness of their agriculture, due to the size, the climatic conditions, the different political objectives agricultural policies have to fulfill. They produce at a higher cost than those exporters which at this stage have a comparative advantage. In fact the difficulty is to find a common ground for competitive agricultures where the law of competitive advantages may apply and the situation of importing countries (developed or developing alike) where non-trade concerns have to be taken into account. In the present negotiations this situation led to different coalitions. We already mentioned the exporters. Among the importers you find the G-10³, the EU, the G-33 under the leadership of Indonesia⁴, the G-90⁵ and the African-group. The common ground for these groupings is their need for flexibility.

The abolition of all export competition measures, a very significant cut of trade distorting domestic support measures and an improvement in market access will provide a very high package of results which will have a strong impact on the framework conditions of trade in agriculture. Importing countries cannot be expected to commit political suicide by to harsh reforms.

There is a need to gradually eliminate all trade distortive measures except the only legitimate WTO tool to protect at the border: the tariffs. Tariffs on industrial products needed about 9 rounds to sink to a low level in industrial countries. I am sure that the liberalization in agriculture will evolve step by step and take more than one or two additional rounds.

¹ Today basically Australia, New Zealand and Canada

² Coalition of about 20 emerging markets under the leadership of Brazil, India, China and South Africa.

³ Chinese Taipei, Korea, Iceland, Israël, Japan, Liechtenstein, Mauritius, Norway, Switzerland

⁴ Fighting for a minimal improvement on market access to protect their special products (e.g. rice, sugar) from competition by applying no or very little tariff reductions and a new special safeguard measure.

⁵ ACP-countries (former territories linked to Europe in Africa, the Caribbean and the Pacific)