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Global Institutional Reform

Developing Countries and the WTO Agriculture Negotiations

JENNIFER CLAPP



Working Paper No.6
March 2006

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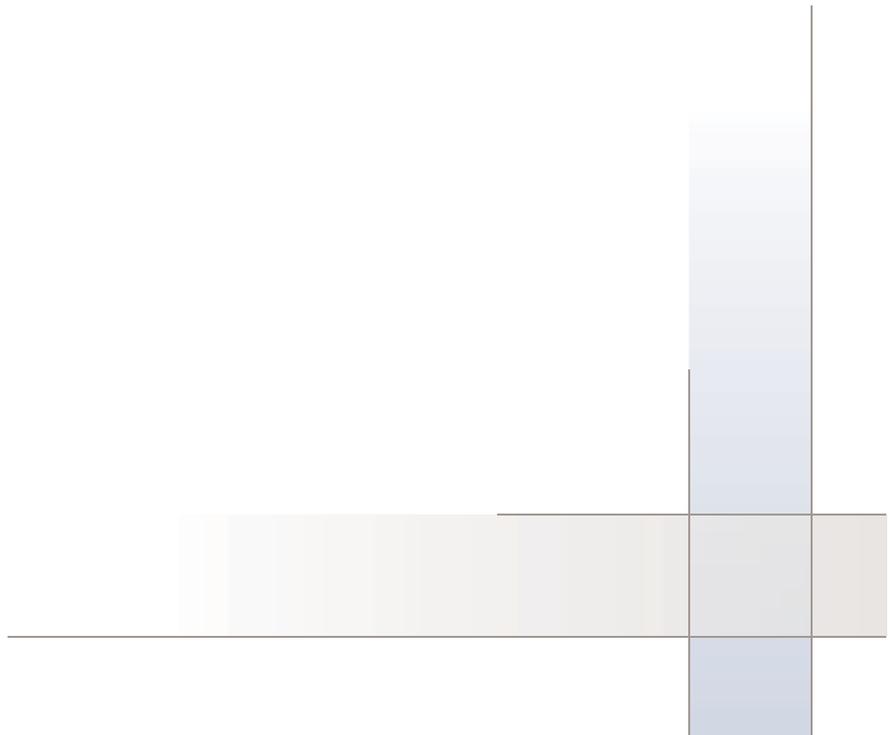
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Abstract

The Doha 'Development' Round of trade negotiations at the WTO has featured agricultural trade liberalization as one of its key aims. But developing countries were frustrated with both the process and the content of the agricultural agreement negotiations early on in the Round. This prompted these countries, through a number of developing country groupings such as the G-20 and others, to call for changes in the talks to ensure that developing country voices and concerns were heard. Though developing countries were in many ways successful in registering their concerns in the latter half of the negotiations and have maintained a fairly high degree of cohesion across the Global South, it remains unclear whether this cohesion will last as the uneven impacts of agricultural trade liberalization become apparent.

1. Introduction

The Doha Round of trade talks was christened as a ‘development’ round. It was supposed to give special consideration to the needs and concerns of developing countries, who had felt that the Uruguay Round, and indeed all rounds that preceded it, reflected the agenda of the industrialized countries. It was widely assumed that the agriculture negotiations in the Doha Round would be where developing countries would make some of the most gains.¹ Since the completion of the Uruguay Round, which was the first to squarely address agricultural trade, it has become apparent that the inequities in the agricultural trade system were not adequately addressed by the agreement. Agriculture is a highly distorted sector in the global economy. Total subsidies to agriculture in the Organisation for Economic Co-operation and Development (OECD) countries—both export subsidies and domestic support—average over US \$300 billion per year and depress global prices for agricultural commodities. Developing countries also face highly protectionist trade structures that limit their access to rich country markets, as tariff rates on the products they export remain high. Because agriculture plays such an important role in their economies, improvement in agricultural trade rules has been at the top of the agenda for most developing countries.

In light of the developing countries’ disappointment with the Uruguay Round, the World Trade Organization (WTO) membership endorsed the idea of a ‘development round’ at Doha. In the area of agriculture, the Doha Declaration indicated that the WTO membership was committed to “substantial improvements in market access, reduction of, with a view to phasing out, all forms of export subsidies, and substantial reductions in trade-distorting domestic support”.² The Declaration further went on to stress that special and differential treatment for developing countries would be integral to the agricultural negotiations.

¹ Early on in the Doha negotiations, World Bank estimates of the economic gains for developing countries from the Doha Round were around US\$500 billion, with about two thirds of that gain coming from agricultural trade liberalization. See Frank Ackerman, *The Shrinking Gains from Trade: A Critical Assessment of Doha Round Projections*, Global Development and Environment Institute Working Paper No. 05-01 (October 2005).

² WTO, *Doha Declaration*, (2001). Online: <http://www.wto.org/english/thewto_e/minist_e/minol_e/mincecl_e.htm>.

In this paper I analyze the politics of the Doha negotiations on agriculture. I focus in particular on the role of developing countries, also sometimes referred to as the ‘Global South’, in the changing dynamic as well as the substance of the talks. I trace the rise of developing country groupings and outline their bargaining positions and impacts on the talks in relation to the United States (US) and the European Union (EU). Space does not permit an extensive analysis of the domestic political forces within each country which produced the positions, though this would provide a more complete picture. Space also does not permit an extensive discussion of the possibility of trade-offs between agriculture and other areas of the talks that might be found in a ‘successful’ development round. The aim of the paper is to analyze the agriculture talks in particular, though I do recognize that this is only one aspect of the Doha Round.

My argument is that developing countries were instrumental in changing the dynamic of the agriculture talks, but that this change may not be enough to ensure that the content of the agreement is acceptable to all countries of the Global South. In the first two years of the talks, the negotiation process was largely top-down. The key battles in agriculture were fought between the US and the EU, and the WTO produced texts without wide consultation or input. In this phase, the Southern countries were yet again left on the sidelines, much as they had been during the Uruguay and previous rounds. It was this dynamic that led the developing countries to put their foot down in Cancun, as they were angered in large part by the process as well as the substance with respect to the agriculture negotiations. Just prior to Cancun, several new groupings were formed—the Group of 20 on Agriculture (G-20), the Group of 33 (G-33) and the African Union/ African Caribbean and Pacific/Least Developed Countries (AU/ ACP/LDC) group—to add voice to the concerns of developing countries in the talks. Since these groups were formed, the developing countries, and the G-20 in particular, have been key in changing the dynamic of the talks. Forming a loose coalition, these groups, though representing diverse interests, did have a sense of unity which gave them strength. Following the emergence of these groups, the agriculture talks in the post-Cancun period were less top-down and more consultative with developing countries.

But as the nature of the talks changed, two of the leading countries of the G-20 were brought into smaller core negotiating groups. While the composition of these core negotiating groups demonstrates recognition of the importance of developing

countries for reaching a final agriculture deal, it has also been criticized by other countries—developing and industrialized alike—as being non-transparent and exclusive. While the developing countries have made a definite impact on the process of the agricultural talks, it has become clear that their interests are indeed diverse, and it is likely that a single ‘development’ deal in the agricultural sector cannot be reached which addresses all of their interests to equal satisfaction. It remains to be seen if the developing countries will be forced to concede to any last minute deals struck between the US and EU, or whether some will walk out if the deal is unsatisfactory to them. In either case, it appears now that any developing country gains will be marginal at best, and while the groups have thus far maintained a significant degree of cohesion, there remains a risk that the varying interests amongst different groupings of these countries could break that cohesion when the final deals are brokered.

2. Limits to the 1994 Uruguay Round Agreement on Agriculture

Prior to the Uruguay Round 1986-1994, agricultural trade, though in theory covered by the original 1947 General Agreement on Tariffs and Trade (GATT) agreement, was exempted from the GATT in practice.³ This was the result of pressure by the US, which had demanded this exemption in the 1950s in order to maintain its complex system of agricultural protection.⁴ The exemption was applied to all countries in practice, with the end result being that agriculture was not disciplined under the GATT. By the 1980s, however, the US and the EU found that the cost of protecting their agricultural sectors—primarily in the form of domestic farm supports in the case of the US and export subsidies in the case of the EU, as well as high tariffs on certain products in both cases—was getting out of hand, as one tried to out-compete the other. Other countries, such as Japan, also practiced agricultural protectionism. By the mid-1980s, OECD agricultural subsidies totaled some US\$300 billion per year. The growing costs to maintain the system of supports led the US to push the idea of including agriculture formally in the GATT.

³ Carlos Primo Braga, “Agricultural Negotiations: Recent Developments in the Doha Round” *Trade Note 19* (Washington, D.C.: World Bank, 2004), 1.

⁴ Fatoumata Jawara and Aileen Kwa, *Behind the Scenes at the WTO: The Real World of International Trade Negotiations*, (London: Zed, 2003), 26.

The high level of agricultural protectionism in the OECD countries had especially harmful effects in the Global South. Years of excessive subsidies and other forms of protection drove down commodity prices for basic staples like rice, maize, and wheat, out-competing local production in developing countries, threatening local livelihoods and harming export income. Many developing countries, including most of Africa, became net food importers by the 1980s.

The 1994 Uruguay Round Agreement on Agriculture (AoA) was the result of intense negotiations.⁵ The main provisions of the agreement cover the key aspects that were seen to be in need of liberalization: market access, domestic support, and export subsidies. The AoA called for the conversion of quantitative restrictions on agricultural products to tariffs as well as their reduction. It also called for cuts to both domestic support subsidies and export subsidies. Developing countries had a more relaxed schedule of reductions, and the Least Developed Countries (LDCs) were exempt from these cuts.

Though the intention was to make radical steps toward liberalizing agricultural trade, the end agreement only took baby steps in that direction, and some say that it even went backwards.⁶ This is due in large part to some important exceptions to the rules which have profoundly influenced their impact. These were largely negotiated between the US and the EU as part of what is now referred to as the ‘Blair House Accord’, a bilateral agreement between the US and EU in 1992 which was seen to have broken the impasse between these major players and allowed for the completion of the AoA.⁷

The first exception has to do with the requirements to reduce domestic support. These subsidies were categorized into different ‘boxes’ according to their potential to distort trade. Those in the ‘Amber Box’ were seen to be highly trade distorting because their level varied with production (such as price supports). These Amber Box subsidies were subject to reduction under the agreement, but countries were allowed

⁵ David Balaam, “Agricultural Trade Policy”, in B. Hocking and S. McGuire (eds) *Trade Politics* (London: Routledge, 2004).

⁶ Mark Ritchie, “Control of Trade by Multinationals: Impact of the Uruguay Round of GATT on Sustainable Food Security”, *Development*, No. 4. (1996); Kevin Watkins, “Free Trade and Farm Fallacies: From the Uruguay Round to the World Food Summit,” *The Ecologist* Vol.26, No.6. (1996).

⁷ Jawara and Kwa, *Behind the Scenes at the WTO*, 2003.

to exempt *de minimis* amounts of them, up to 5% of total agricultural production value and up to 5% of the value of each supported product for industrialized countries (10% below each for developing countries). The 'Green Box' was another category of domestic subsidies which were deemed to have no or minimal distortions to trade (such as research and extension expenditures and income supports), and were exempted from the required cuts entirely, with no limits placed on them. A 'Blue Box' was also negotiated, which included those subsidies that normally would be in the Amber Box, but which also require farmers to limit production, making them somewhat less trade-distorting. These subsidies were exempted from cuts and there was no limit placed on them. In addition, the US and EU insisted on a 'Peace Clause', which prohibited any challenges to subsidies levels until January 1, 2004, to give the members time to adjust their policies.

There were other important qualifications to the agreement too. Although there were minimum cuts to the levels of tariffs which were to be reduced, the reductions were averaged, and in practice they were very different for each product. This meant that tariffs on some key products were reduced by very little in practice, especially where there were high tariff peaks to begin with. In addition, food aid was exempted from the export subsidy reductions. And finally, the base period for the reduction of export and domestic support subsidies was set at 1986-1990 and 1986-1988 respectively, periods of historically high levels of subsidies. This meant that the cuts would only bring subsidy levels down minimally and in fact to levels that were higher than they were in the 1960s and 1970s. These various caveats to the deal created some significant loopholes in the agreement, which allowed the US and the EU to continue with many of the protectionist practices to which they had become accustomed.

The AoA has been criticized as reinforcing already unequal agricultural trade rules. Though subsidies were to have been dramatically reduced, they have in fact increased in the OECD countries since the mid-1980s, as around 60% of OECD subsidies were, because of the exceptions, exempt from cuts.⁸ The total of all agricultural support in OECD countries went from US\$271.2 billion in 1986-1988 to US\$330.6 billion in 1998-2000.⁹ The rise was due largely to the US and EU

⁸ OECD, *The Uruguay Round Agreement on Agriculture: An Evaluation of Its Implementation in OECD Countries*, (Paris: OECD, 2001). Online at: <<http://www.oecd.org/dataoecd/50/55/1912374.pdf>>.

⁹ Dimitris Diakosawas, "The Uruguay Round Agreement on Agriculture in Practice: How Open Are OECD Markets" (Paris: OECD, 2001), 10. Online: <<http://www.oecd.org/dataoecd/54/61/2540717.pdf>>.

shifting their subsidies into the Green and Blue Boxes to save them from being cut. For example, Green Box subsidies more than doubled between 1986-1988 and 1995-1998.¹⁰ In 2003, US agricultural exports sold for anywhere between 10 and 50 percent below the cost of production.¹¹ The EU similarly exports key commodities for less than the cost of production.¹² In 2001, prices received by OECD farmers were some 30% over world prices.¹³

Developing countries were supposed to see a rising share of global agricultural exports as a result of the market access provisions. But their share of agricultural trade has remained steady at around 36% since the agreement was implemented, and their share of agricultural exports to industrialized countries has remained at 22.4% between 1990-1991 and 2000-2001.¹⁴ Because the tariff reductions were averaged, industrialized countries were able to continue to discriminate against products exported by developing countries. Industrial countries have peaks in tariffs on certain products produced by developing countries. For example, tariffs on groundnuts, sugar, and meats, are in some cases up to 500 percent.¹⁵ Tariff escalation, the practice of applying higher tariff rates as the level of processing increases, is also common with products exported by developing countries.

At the same time that their share in agricultural exports did not increase as expected, many developing countries experienced import surges, flooding their domestic markets with cheap, subsidized imported products from industrialized countries. Although both the North and the South were required to liberalize

¹⁰ Ibid., 24.

¹¹ Sophia Murphy, Ben Lilliston and Mary Beth Lake, *WTO Agreement on Agriculture: A Decade of Dumping*. (Minneapolis: IATP, 2005).

¹² Oxfam, *Rigged Rules and Double Standards: Trade, Globalisation and the Fight Against Poverty*, (Oxford: Oxfam, 2002). Online: <<http://www.maketrade-fair.com/en/index.php?file=26032002105549.htm>>.

¹³ OECD, *Agriculture Policies in OECD Countries: Monitoring and Evaluation* (Paris: OECD, 2003),4. Online at: <<http://www.oecd.org/dataoecd/25/63/2956135.pdf>>.

¹⁴ M. Ataman Aksoy, "Global Agricultural Trade Policies", in M. Ataman Aksoy and John. C. Beghin (eds) *Global Agricultural Trade and Developing Countries*. (Washington, D.C.: World Bank, 2005a),22-23.

¹⁵ Aksoy, "The Evolution of Agricultural Trade Flows", in Aksoy and Beghin (eds.) *Global Agricultural Trade*, 47-49. See also Tim Josling and Dale Hathaway, "This Far and No Farther? Nudging Agricultural Reform Forward" *International Economics Policy Briefs*, No. PB04-1 (Washington, D.C.: IIE, 2004),2-3.

agricultural trade, many developing countries,¹⁶ especially the poorest ones, had already substantially liberalized their agricultural sectors under programs of structural adjustment in the 1980s. The liberalization required under Structural Adjustment Programs (SAPs) went much further than what is required by the industrial countries under the AoA. This has meant that even though the rich countries were required to make steeper tariff cuts than the developing countries, they started from a much higher level and it was not enough to eliminate the inequality. Under the AoA the depth of the tariff cuts made by developing countries were on average greater than the cuts made in industrialized countries.¹⁷ The result is that developing countries were left much more vulnerable. Rather than level the playing field, the AoA made it more steeply stacked against developing countries. The effects on small peasant farmers, whose very livelihoods have been threatened by competition from cheap subsidized imports, have been particularly serious.

3. The Early Doha Talks: Stalls and Crashes Prompt the Global South to Organize

The problems with inequities in the 1994 AoA were recognized at the time that it was negotiated, and the agreement included a commitment to pursue further negotiations to begin in 2000. The need for revisions to the agreement was further reinforced at the Doha Ministerial, which highlighted the agriculture talks as a central feature. Revisions to the AoA were to include further liberalization in each of the three pillars: export subsidies, market access, and domestic support. The negotiations on the modalities, or broad parameters for the types of commitments to be made, were to be completed by March 2003 and adopted at the Fifth Ministerial meeting, to be held in September 2003. Neither of these deadlines was met, and the talks were plagued with disagreements over both content and process, with much discontent from the developing countries.

The first phase of the negotiations, prior to the Cancun Ministerial in 2003, saw rising frustration from developing countries. The US and the EU, meanwhile, continued to pursue the negotiations in the way that they were accustomed—by

¹⁶ FAO, *WTO Agreement on Agriculture: The Implementation Experience: Developing Country Case Studies* (Rome: FAO, 2003).

¹⁷ Kym Anderson and Will Martin, “Agricultural Trade Reform and the Doha Agenda”, *The World Economy*, Vol.28, No.9. (2005):1303.

assuming that any agreement would have to be the product of a deal amongst themselves first, usually as part of negotiations within the so-called ‘Quad’, of which Japan and Canada were also included, as was the case in the Uruguay Round. The Chair of the agriculture talks also worked in a top-down fashion as opposed to letting proposals emerge from the members. Both practices frustrated developing countries, which had made presentations on the issues of concern to them, but did not see their views reflected in the texts. Dissatisfaction with their exclusion prompted developing countries to finally take concrete action to form negotiating groups on agricultural issues to express their views. The collapse of the talks at Cancun in large part was a product of the developing country unwillingness to accept the ‘business as usual’ approach.

The timeline for the agriculture talks as outlined at Doha was highly ambitious. The developing countries were anxious about the negotiations and were vigilant about monitoring not just the content of the negotiations, but also the process by which they were conducted. Little headway was made in the first year of the negotiations due to the wide divergence in views amongst the members. Developing countries were focused on the need to incorporate special measures to enable them to protect rural livelihoods and food security. These were at first articulated as some sort of ‘Development Box’ or ‘Food Security Box’.¹⁸ These concepts were later dropped in favour of a designation of Special Products which could be exempted from tariff cuts and a Special Safeguard Mechanism (SSM) to help protect against import surges.¹⁹ Developing countries also wanted to see a reduction in both domestic and export subsidies in the industrialized countries. The US was focused on tariff reduction in order to improve market access for its exports as well as a reduction of export subsidies practiced by the EU. The EU’s main aim was to see reductions in levels of domestic support which forms the bulk of US subsidies, as well as a widening of the pillar of ‘export subsidies’ to ‘export competition’, to incorporate what it considered to be hidden export subsidies in the form of export credits and food aid practiced by the US.

With a lack of convergence on these issues, the Chair of the agriculture committee, Stuart Harbinson, tabled a draft modalities text in February 2003 that contained a formula for tariff reductions and schedules for subsidy reductions. His aim was to

¹⁸ Sophia Murphy and Steve Suppan, “Introduction to the Development Box,” (Winnipeg: IISD, 2003).

¹⁹ ICTSD, “Agriculture” *Doha Round Briefing Series: Cancun Update*, Vol.2, No.2, (August, 2003a),2.

arrive at a compromise text which could be approved in time for the March 31 deadline. The text was submitted in his personal capacity, as he had stressed that the gulf between the members was too wide and he had received very little guidance.²⁰

The Harbinson paper was criticized from all sides. The US felt that it did not go far enough with respect to tariff cuts and export subsidies, while the EU and Japan felt that the proposals did not do enough to put disciplines on export credits and food aid. The developing countries felt that the text was heavily biased toward the concerns of the rich countries.²¹ That the South's concerns were not incorporated into the draft text was also echoed by several studies of the original draft text which estimated that the vast bulk of the gains from the proposal would accrue to the rich countries.²² It is not surprising that the deadline was missed. Harbinson vowed to continue to work toward an agreement in the run up to Cancun in September 2003. But after the missed March deadline, the talks were in jeopardy. Because of the inability to agree on concrete modalities, members decided to work toward a 'framework' for the modalities (for instance general goals without specific numbers) as a first step.²³

In May 2003, when the overall talks were stalled, four West African Countries— Benin, Burkina Faso, Chad and Mali— submitted a paper to the WTO on the impact of cotton subsidies on their farmers and economies.²⁴ The paper called for recognition of cotton as a Special Product for developing countries, a complete phase out of all cotton subsidies, as well as financial compensation for the LDCs during the transition phase. Their aim was to raise attention to the issue, with the hope of having this addressed at Cancun. There was no precedent for a serious

²⁰ ICTSD, "Agriculture: Harbinson Circulates First Modalities Draft", *Bridges Weekly*, Vol.7, No.5, (Feb 12, 2003b). Online: <<http://www.ictsd.org/weekly/03-02-13/story1.htm>>.

²¹ ICTSD, "Agriculture: Harbinson's Modalities Draft Receives Mixed Reactions", *Bridges Weekly*, Vol.7, No.6, (Feb 19, 2003c). Online: <<http://www.ictsd.org/weekly/03-02-19/story2.htm>>.

²² Danish Research Institute of Food Economics, *Note on the Harbinson Draft on Modalities in the WTO Agriculture Negotiations*, (2003). Online: <http://www.ictsd.org/issarea/atsd/Resources/docs/note_harbinson.pdf>.

²³ ICTSD, "Agriculture Negotiations at the WTO: Post-Cancun Outlook Report" (Geneva: ICDS2003d),9.

²⁴ WTO, *WTO Negotiations on Agriculture - Poverty Reduction: Sectoral Initiative in Favour of Cotton*, Joint Proposal by Benin, Burkina Faso, Chad and Mali, TN/AG/GEN/4.(2003a) Online: <<http://www.agradepolicy.org/output/resource/CottonSubmissionWTO.pdf>>.

paper of this sort emanating from a group of the LDCs. The paper was extremely important in that it seemed to epitomize the problems faced by the poorest countries in the previous negotiations. While the WTO members were forced to take note of this paper, little concrete action was taken.

In August 2003, a number of draft texts were put forward on agriculture in an effort to revive negotiations in time for the Cancun Ministerial. The US and the EU met privately and put forward a joint text. Two important features of this joint proposal were provisions for continued subsidies in the form of an amended Blue Box (rather than its elimination), as well as for a 'blended formula' for tariff reductions. This formula would combine different approaches to tariff cuts in different bands, some being linear cuts and some being cut under a more drastic 'Swiss formula', though which tariffs fell into which bands was to be self-selected. The document also called for a reduction, rather than elimination, of *de minimis* spending for the Amber Box. And it called for an extension of the Peace Clause. The document said little about special and differential treatment for developing countries, and noted that sectoral issues (such as cotton) were 'of interest but not agreed'.²⁵

The countries of the Global South were very disappointed with US-EU joint text, which paid little attention to their concerns. In response, a group of developing countries, led by Brazil, India and China, formed a new coalition, the G-20 Group on Agriculture, which aimed to be a developing country counter-force to the US and the EU in the negotiations. The G-20 coalition²⁶ was an important development, as it brought together developing countries with different sets of interests with respect to agriculture, making it a wider ranging coalition than, for example, the Cairns Group (which largely represents agricultural exporters, and which was an important counter force to the US and the EU in the Uruguay Round negotiations). The G-20 included some developing country members of the Cairns group, such as

²⁵ US-EU Joint Text (2003). Online: <http://www.agradepolicy.org/output/resource/EC-US_joint_text_13_Aug_2003.pdf>.

²⁶ The original members of the G-20 were: Argentina, Bolivia, Brazil, Chile, China, Columbia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, India, Mexico, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Venezuela. The G-20 was briefly called the G-22 in September 2003 because Kenya and Egypt had joined after the initial text was put forward. As of fall 2005, the membership of the G-20 includes Argentina, Brazil, Bolivia, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Thailand, Tanzania, Uruguay, Venezuela, and Zimbabwe.

Brazil, Argentina, and Thailand, which have interests in improving market access for their own agricultural exports. But it also included other developing countries, such as India, Mexico, Bolivia, and Ecuador, which are mainly concerned with defending their own domestic markets from import surges.²⁷

The G-20 put forward its own proposal in an attempt to avoid another ‘Blair House Accord’ from emerging between the US and the EU. This proposal squarely reinserted provisions about special and differential treatment, and called for further subsidy cuts for industrialized countries. It also substantially modified the ‘blended formula’ for tariff reductions to better take into account different tariff structures in the North and the South and included special and differential treatment for the South. It further called for the identification of Special Products to be exempt from tariff cuts and a Special Safeguard Mechanism. In addition, it called for an elimination of the Blue Box, rather than its amendment, as well as spending caps on the Green Box. Such a substantial proposal from a new group representing over two thirds of the world’s population and led by three key emerging economies—Brazil, India, and China—brought it a degree of legitimacy that developing country coalitions in the past hadn’t been able to muster. It had become clear that the G-20 was an important negotiating group that the US and the EU would have to contend with.²⁸

Other proposals from developing countries also emerged around this time which echoed and amplified the G-20 proposal. A joint text from the Dominican Republic, Kenya, Honduras, Nicaragua, Panama and Sri Lanka also focused on Special Products and a SSM for developing countries and called for further measures for special and differential treatment for developing countries to be an integral part of the agreement.²⁹ This group came to be known as the ‘SP and SSM Alliance’ and at times the ‘Friends of the Special Safeguard Mechanism’ and later the Group of 33, because

²⁷ Amrita Narlikar and Rorden Wilkinson, “Collapse at the WTO: A Cancun Post-Mortem,” *Third World Quarterly*, Vol.25, No.3. (2004),456.

²⁸ Amrita Narlikar and Diana Tussie, “The G20 at the Cancun Ministerial: Developing Countries and Their Evolving Coalitions in the WTO,” *The World Economy*. Vol.27, No.7. (2004).

²⁹ Dominican Republic et. al., “Negotiations on agriculture: Joint Text by Dominican Republic, Honduras, Kenya, Nicaragua, Panama and Sri Lanka for the Cancun Ministerial Declaration” (August 19, 2003). Online: <<http://www.agradepolicy.org/output/resource/LMG%20Joint%20Text2.pdf>>.

it had a membership of 33 (which has since grown to 44).³⁰ A proposal from the African Union/LDC/ACP grouping (also sometimes referred to as the Group of 90) put forward a proposal that called for yet further special and differential treatment for developing countries, particularly the LDCs. It highlighted the need to address the problem of tariff peaks and tariff escalation and also called for protection of existing trade preferences for these countries under other agreements (for example, the Cotonou Agreement) or at the very least some sort of compensatory mechanism if these preferences are eroded by the tariff reductions.³¹ Their main concern here was that if market access provisions required drastic cuts to tariffs, the special trade preferences they currently receive would be eroded.

The draft Ministerial Declaration for Cancun attempted to incorporate these various positions. But the draft was highly controversial. It was widely perceived that the draft did not represent all members' interests fairly, and in particular was inadequate with respect to developing country concerns.³² It was especially upsetting to those who supported the cotton initiative, as it only asked for further study on the impact of cotton subsidies, and made no steps toward the demands of the African countries.³³

The Cancun Ministerial ended abruptly, ahead of schedule, due to deep divisions expressed by Members. Formally, it was disagreement over the inclusion of the Singapore issues that brought the meeting down, but it was widely agreed that agriculture was just as contentious even though the agriculture texts were not formally discussed. The emergence of the developing country groupings had energized many in the Global South. As Brazil's foreign minister Celso Amorim stated in his speech at Cancun, the G-20's aim was to "bring it [the world trading system] closer

³⁰ As of August 2005, the group's members were: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Cote d'Ivoire, Congo, Cuba, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, The Philippines, Peru, Saint Kitts, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.

³¹ WTO, Consolidated African Union/ACP/LDC Position On Agriculture, WT/MIN(03)/W/17. (September, 2003b).

³² International Food and Agricultural Trade Policy Council, "Twenty Five Ways to Improve the Derbez Draft on Agriculture", (Washington, D.C.: IFATPC, 2004). Online: <<http://www.agritrade.org/Doha/Derbez/Derbez.htm>>.

³³ ICTSD (2003d), "Post-Cancun Outlook Report," 29.

to the needs and aspirations of those who have been at its margins —indeed the vast majority—those who have not had the chance to reap the fruit of their toils. It is high time to change this reality”.³⁴ And that reality did begin to change. One of the first signs of that change, and perhaps one of the more important outcomes of the failed Cancun talks with respect to agriculture, was the expiry of the Peace Clause on December 31, 2003.

A good deal of finger-pointing followed the failure at Cancun, with the US claiming that the G-20 countries had been spoilers. Following pressure from the US to leave the group or forfeit the opportunity to engage in bilateral trade talks with the US, five of the G-20 members— Columbia, Peru, Guatemala, El Salvador, and Costa Rica—dropped out of the group in the fall of 2003.³⁵ The G-20, however, expressed its willingness to continue the negotiations despite losing some of its members (it has since gained more members), though it wanted to ensure that the US and EU made genuine efforts to make compromises themselves before returning to the table.

This early phase of the talks then was characterized by the frustration of the developing countries, and their organization into key groupings to voice developing country concerns. Their main impact in this period, culminating in the Cancun meeting, was to stand firm on their position in the talks as a way of raising awareness of their issues. Solidarity amongst the various groups—the G-20, the G-33 and the AU/ACP/LDC group was high at Cancun, but this cohesion was fragile, as became apparent in the next phase of the talks.

4. A New Start with the July 2004 Framework?

The second phase of the agriculture talks saw a consolidation of developing country positions, and a growing acceptance by the WTO members that the dynamics of the negotiations had to change. This prompted a change not just in content, but also in process. But while the change showed the importance of the

³⁴ Walden Bello and Aileen Kwa, “G20 Leaders Succumb to Divide-and Rule Tactics: The Story Behind Washington’s Triumph in Geneva”, Focus on the Global South (2004). Online: <<http://www.focusweb.org>>.

³⁵ ICTSD, “Post-Cancun Outlook Report,” 37.

developing countries as a force to be reckoned with, it also highlighted the fragility of the Global South as a single coalition. This was because only two countries, India and Brazil—leaders of the G-20—were chosen to represent them in the more exclusive meetings, and this contributed to discontent among other developing countries who were not always assured that their concerns would be given priority in the smaller group meetings.

By early 2004, the US was anxious to re-launch the trade talks.³⁶ The US Trade Representative at the time, Robert Zoellick, traveled to the key developing countries in an attempt to win their support. In March, the first formal talks since Cancun were held, with Tim Groser, WTO Ambassador from New Zealand, as the new chair of the agriculture negotiations. At these meetings, a deadline of the end of July 2004 was set for an agreement on a framework to re-launch the negotiations which would then produce concrete modalities. At this time, however, the various groups of countries were still far apart on the three pillars, particularly on market access.

In addition to setting a deadline for the framework, the March 2004 meetings were significant for another reason. To avoid the North-South confrontation that had emerged at Cancun, the process for the agricultural talks shifted from one of presenting texts to the Chair from various groups and expecting the Chair to come up with a text that members would have to decide whether to agree with, to having the various members and coalitions meet together in pairs as well as in larger groups.³⁷ From the perspective of the developing countries, this new approach was an improvement in terms of increasing transparency, at least initially. Groser, as chair of the talks, vowed that he would not try to table a compromise draft on his own authority.³⁸ It was out of this process that a new negotiating group emerged—which has come to be known as the Five Interested Parties (the FIPs). This included the US and the EU, as key players, along with Brazil and India, representing the

³⁶ Robert Zoellick, “A Strategic Opportunity for Trade”, speech given at the French Institute of International Relations, (May 13, 2004).

³⁷ Goh Chien Yen, “Members Still in a Listening Mode: Report on the Agriculture Week of Negotiations in WTO, 22-26 March 2004”, (Penang: Third World Network, April 4, 2004). Online: <<http://www.twinside.org.sg/title2/twninfo111.htm>>.

³⁸ Chakravarthi Raghavan, “Agriculture Negotiators Resume Efforts for July Framework”, SUNS #5600 (June 24, 2004).

G-20, and Australia, representing the Cairns Group. This new grouping was seen to be vital in reinvigorating the talks.

The framework negotiations were tense throughout the month of July as the deadline loomed. A consensus on the Framework was eventually reached in the early hours of August 1, 2004.³⁹ The adoption of the Framework followed heavy pressure to reach a deal, despite the fact that countries had very little time to consider the document before the deadline because of delays in releasing it, due to last minute wrangling by the FIPs.

The main debates on export competition in these talks were not so much over whether to phase out export subsidies, a goal which was widely agreed. But the EU, which has the highest export subsidies and thus would have to reduce them the most, wanted to ensure that the US also reduced the subsidy element of its export credits and food aid. It also stressed that it wanted to see food aid given only in grant form, and preferably in the form of cash. The US made some concessions on food aid, though it was quick to stress that only the subsidy element of such programs would be reduced, and it would not commit to removing in-kind food aid.⁴⁰ Developing countries expressed their view that all forms of export subsidies should be ended, including the subsidy element of export credit programs. Such practices are largely seen to be dumping of cheap food by the industrialized countries, which hurts the economies of most developing countries. They added, though, that they wish to see the special conditions and needs of the net food importing developing countries (NFIDCs) and LDCs taken into account when disciplining export credits and food aid. It was agreed that export subsidies would be eliminated on a 'credible' schedule, with parallel elimination of export credit and export guarantee and insurance programs that have a repayment period of over 180 days. It was also agreed that food aid would be disciplined, with the aim of preventing commercial displacement. Consideration is to be given to reforming food aid to be on a grant basis only. New disciplines are also to be placed on the export subsidy elements of state trading

³⁹ WTO, *Doha Work Programme: Decision Adopted by the General Council August 1, 2004* WT/L/579.(2004) Online: <http://www.wto.org/english/tratop_e/dda_e/ddadraft_31jul04_e.pdf>; ICTSD. *Agriculture Negotiations at the WTO: The July Package and Beyond*. Quarterly Intelligence Report No.12. Geneva: ICTSD, April 2005a.

⁴⁰ Jennifer Clapp, "Agricultural Trade Battles and Food Aid", *Third World Quarterly*, Vol.25, No.8.(2004).

enterprises. Developing countries are to be given a longer period to phase out export subsidies, and special attention is to be paid to the impact of the reforms on the LDCs and NFIDCs.

On domestic support, the US and the EU wrangled over specific rules on an amended Blue Box and reductions to *de minimis* spending in the Amber Box, while the G-20 wanted to see both the Blue Box and *de minimis* spending in industrialized countries eliminated entirely. The G-20 eventually gave in to the amendments to the Blue Box, provided there were disciplines placed on its use. There was immediate criticism of this move, even from within some of the G-20 countries, including Brazil.⁴¹ The framework document calls for an overall reduction of support via a tiered approach, which would lead to steeper cuts for those countries that subsidize the most, with specific caps and cuts in each area. Major subsidizers are to make an immediate cut in domestic support as a ‘down-payment’. The Blue Box will be redefined to include ‘direct payments that do not require production’, though other new criteria will be added to prevent box shifting. Blue Box spending will also be capped at 5% of total agricultural production. *De minimis* spending under the Amber box is also to be reduced for industrialized countries, and developing countries who spend allocate their *de minimis* spending to programs for subsistence farmers are exempted from this provision. There is also to be a review of the Green Box to ensure that it remains non-trade-distorting.

The discussions on market access were perhaps the most contentious in the framework negotiations. There was much disagreement over the type of formula to adopt which would result in meaningful tariff reductions. The US and the EU had endorsed the idea of a ‘blended’ formula for reducing tariffs. But the G-20 would not accept this approach because it did not take into account the different tariff structures in developed and developing countries. In practice, it would allow the US and the EU to maintain high tariffs on certain products, because they already have excessively high tariff peaks and would simply choose to apply a small linear cut rather than the steeper cut to those products. At the same time, because developing countries have a more homogenous tariff structure, their cuts would be deeper on average than in the industrialized countries. The G-20 favoured a tiered

⁴¹ Daniel Pruzin, “Former Brazilian Ag Official Criticizes Brazil/G-20 Concession on Blue Box Support,” *International Trade Reporter*, Vol.21, No.21 (May 20, 2004).

approach with steeper cuts for higher tariff levels, with developing countries having lesser cuts. The G-33 and the G-20 also wanted to ensure that Special Products of developing countries were recognized, and exempted from tariff cuts. They also pressed for a SSM to help prevent import surges. The EU would only accept this if they too could identify ‘sensitive products’ and make use of the SSM. In the end, a tiered, progressive approach was adopted, based largely on the G-20 proposal, and the developing countries are to have some sort of special treatment, most likely as a percentage cut of the industrialized countries, with the LDCs exempted from these cuts. A specific formula on how to achieve the tariff cuts, however, was not articulated in the framework. All countries can identify an appropriate number of sensitive products, though the number and how they will be chosen was not specified. Developing countries, however, are to be given more flexibility in terms of identifying Special Products based on livelihood and food security considerations as well as rural development needs, and they will be allowed to use a SSM.⁴²

The July Framework was just that, a framework, and the detailed specifics of the commitments and how they are to be achieved were to be hammered out in subsequent negotiations, with a view to adopting full modalities on each of the three pillars at the Hong Kong Ministerial in 2005. Though the developing countries did make some major concessions in the July Framework process, such as giving in to the revised Blue Box, they also were able to secure a Special Safeguard Mechanism and Special Products for the developing countries, a tiered formula for tariff reductions, lower cuts and a longer time frame to cut their own tariffs, and the ability to keep *de minimis* spending for developing countries that was earmarked to support subsistence farmers. Given the pressures at the time it may have seemed to have been the best they could do. But the bargain may come back to haunt the developing countries. Some critics have complained that India and Brazil were co-opted by the US and the EU, being brought into the FIPs only to be neutralized.⁴³ The acceptance of the Framework deal on the part of these countries then could serve to drive a wedge between the G-20 and other developing country groups.

⁴² For details on all three pillars, see WTO, *Doha Work Programme*. Online: <http://www.wto.org/english/tratop_e/dda_e/ddadraft_31jul04_e.pdf>.

⁴³ Bello and Kwa, “G20 Leaders Succumb to Divide-and Rule Tactics,” Online: <<http://www.focusweb.org>>.

5. The Rocky Road to Hong Kong

Remarkably little in terms of concrete progress on defining the modalities was made until just a few months before the Hong Kong meeting, and even then it was largely seen to be too little, too late for the agriculture modalities to be adopted at the Ministerial. The lack of progress was linked in part to two important rulings which were handed down from WTO dispute panels in 2004 with respect to complaints about agricultural subsidies, both of which have relevance for the agriculture negotiations. Both cases involve a complaint about subsidies brought by Brazil. In one case, Brazil launched a dispute against the US with respect to its subsidies to cotton producers, claiming that what the US counted as Green Box subsidies to cotton producers had the effect of depressing global prices, and as such they were trade-distorting. The WTO ruled in favour of Brazil, accepting the argument that the Peace Clause had expired and thus Brazil was free to raise the case. The US appealed but was turned down and is currently attempting to work out a way to comply with the ruling.⁴⁴ In the other case, Brazil, Thailand, and Australia complained that EU dumped sugar is subsidized beyond what is allowed under WTO rules. Again, the WTO ruled in favour of the complainants. The EU appealed and lost.⁴⁵ Before the WTO was established following the completion of the Uruguay Round, binding decisions on international trade disputes were not possible, and weaker trading partners had little recourse. With the new WTO dispute resolution process, the decisions have real impacts on the members involved in them. Both the US and the EU are likely nervous about future litigations of this type.

While these rulings were being deliberated and released, the agriculture talks got off to a very slow start. The G-20 restated its preferences, but waited for specific proposals from the US and the EU, as it felt that it was up to these players to make the first move.⁴⁶ But the US and the EU were still far apart from each other, particularly on market access. In addition, a new Chair of the agriculture talks,

⁴⁴ ICTSD, "Brazil: WTO Cotton Victory Against US Reaffirmed: Pressures on EU Sugar", *Bridges Weekly*, Vol.9, No.8, (March 9,2005b).

⁴⁵ ICTSD, "EU Sugar Dispute: WTO Appellate Body Confirms Brazil's Win," *Bridges Weekly*, Vol.9, No.15 (May 4,2005c).

⁴⁶ Gary Yerkey, "Brazilian Minister Says WTO Waiting for U.S., EU to Move First in Trade Talks", *International Trade Reporter*, Vol.22, No. 38, (Sept. 29, 2005), 1537; G-20, "New Delhi Declaration", (March,2005). Online: <[http:// www.agradepolicy.org/output/resource/G20_delhi_declaration.pdf](http://www.agradepolicy.org/output/resource/G20_delhi_declaration.pdf)>.

Crawford Falconer, was brought in at this time. As a result, little headway was made in the summer months and the target for the first approximations of the modalities was not met.

In an attempt to restart the talks, the EU put forward a proposal in late September 2005 to guide the negotiations at the Hong Kong Ministerial. It called for cuts to domestic support in four tiers, according to a country's level of subsidization, with cuts ranging from 30-65%. On market access, it offered tariff cuts between 20-50% in four bands, with a cap on tariffs of 100% for developed countries. Under this formula developing countries would have two thirds of the developed country cuts, and a cap on tariffs of 150%. It also asked for 10% of its tariff lines to be designated as sensitive products to be exempted from the tariff cuts. The EU committed to the elimination of export subsidies, but did not specify a date.⁴⁷ The EU could not go further than this offer, as France refused to make any further concessions, and in fact argued that the EU commissioner had already overstepped his bounds in making the offer that he did.⁴⁸

The US was disappointed with the EU proposal. Its own proposal called for the elimination of export subsidies by 2010, as well as elimination of trade-distorting domestic support by 2023. The proposal also called for cuts to domestic support in three tiers, ranging from 37-83%. It proposed a cap on the Blue Box of 2.5% (lower than what was agreed in the July Framework), and a 50% reduction of the *de minimis* cap to 2.5%. In an interesting move, it called for a new Peace Clause. These measures were made conditional on substantive progress on market access. On this front the US proposal was aggressive, calling for tariff cuts between 55-90% in four bands, with sensitive products being only 1% of tariff lines.⁴⁹

The developing countries were not impressed with either proposal. The G-20 was disappointed with the EU, and very skeptical of the US. It claimed that the US

⁴⁷ Daniel Pruzin, "EU Signals Movement on Domestic Support, Seeks Significant Cuts from United States", *International Trade Reporter*, Vol.22, No.38, (Sept. 29, 2005a); Daniel Pruzin, "EU Tweaks WTO Farm Subsidy Proposal, Offers 70% Cut in Amber Box Support", *International Trade Reporter*, Vol.22, No. 40. (2005b).

⁴⁸ Joe Kirwin, "EC Retains Doha Negotiating Mandate As French Plan to Monitor Offers Fails", *International Trade Reporter*, Vol.22, No.41 (October 20,2005).

⁴⁹ Daniel Pruzin, "U.S. Unveils Ag Subsidy Proposal for WTO, Would Cut U.S. Amber Box Support by 60%", *International Trade Reporter*, Vol.22, No.40, (Oct. 13, 2005c).

proposal with respect to domestic support was merely box-shifting, and that spending under its proposal could actually increase.⁵⁰ The G-20 was also not happy with the suggestion of a new Peace Clause, which it saw as a bid to avoid future litigation of the kind Brazil was able to bring forward at the WTO. With respect to the EU proposal, it thought the designation of 10% of tariff lines as sensitive was far too high, and that tariff cuts were too low. In its own proposals, the G-20 called for additional disciplines on the Blue Box (beyond spending the cap of 2.5%), such as product specific caps, and limits to the use of counter-cyclical payments. Their proposal on tariffs calls for cuts of between 45 and 75% across four bands, with a maximum tariff of 100%. Developing countries would face tariff cuts of between 25 and 45% and lower thresholds on the tiers, and a maximum tariff of 150%. It also proposed that developed countries could only designate 1% of their tariff lines as sensitive products, while for developing countries it would be 1.5%. Further, it wants to see further overall cuts in domestic support than offered by either the US or the EU.⁵¹

Other developing country groupings, including the G-33 and the ACP group, also put forward statements. The G-33 stressed again the importance of the Special Safeguard Mechanism and Special Product designation for developing countries.⁵² The ACP submission reinforced the SSM and SP issues, as well as the need for more attention to special and differential treatment in all the pillars of the agreement. It further states that the group cannot join a consensus on modalities unless the issue of preference erosion is taken into account. In this respect, it was not critical of the EU's lack of commitment to steeper tariff cuts. Taking this position put it in direct conflict with the G-20 position on market access. The ACP submission also stressed the importance of incorporating specific modalities with respect to the elimination of cotton subsidies.⁵³ Neither the US nor the EU proposal mentioned

⁵⁰ IATP, "The U.S. WTO Agriculture Proposal of October 10," (Minneapolis: IATP, 2005). Online: <<http://www.tradeobservatory.org/library.cfm?refid=77195>>.

⁵¹ Daniel Pruzin, "G-20 Offers Tariff, Domestic Support Proposals for WTO Farm Trade Negotiations," Vol. 22, No.40, *International Trade Reporter*, (Oct. 13, 2005d).

⁵² G-33, "G-33 Press Statement", Geneva (October 11, 2005). Online: <<http://www.agradepolicy.org/output/resource/G33StatementOct05.pdf>>.

⁵³ ACP, "ACP Proposal on Market Access in Agriculture", (October, 2005). Online at: <http://www.agradepolicy.org/output/resource/ACP-Market Access_.pdf>.

the cotton issue, and this could be a sticking point in Hong Kong, as the West African countries warned that without specific measures to address it, they could not join any consensus on an agreement on the agriculture modalities.⁵⁴

Though all of these proposals and statements were issued in a very short period of time, it was widely seen that the EU's position was the biggest stumbling block that would prevent any meaningful deal from being reached in Hong Kong. With threats in late October that the Hong Kong Ministerial might be cancelled if the EU did not come up with a better offer on agriculture, the EU put forward a revised proposal. But this 'revised' proposal hardly made any movement on market access. On export competition, it called for a gradual move to untied and cash only food aid. And while it called for slightly more of a cut to domestic support than it had earlier, there was a significant catch. The EU tied its new proposal to significant movement on other areas in the trade talks, specifically non-agricultural market access (NAMA) and goods and services.⁵⁵ The US, the G-20 and most developing countries expressed dismay at the EU offer. The US said it did not go far enough on market access, and developing countries resented having the offer, which did not even go as far as the G-20 proposal, tied to the non-agricultural talks. Further, the cuts to tariffs that the EU demanded developing countries make on NAMA were much deeper than the EU was willing to take on agriculture. It was widely seen that the EU made this move in order not to be blamed if the agriculture talks fail to reach an agreement.⁵⁶

Expectations for Hong Kong were lowered following the EU's revised proposal on agriculture. Several high-level meetings of ministers, including India, Brazil, the US, and the EU (dubbed by some as the 'new Quad'), were held in November, but little progress was made. The negotiating positions on agriculture did not change much at all going into Hong Kong, nor during the conference. The main objective of the WTO seemed to be to adopt a Ministerial Declaration that contained at least some further agreement on agriculture beyond the July Framework. It became

⁵⁴ Esther Lam, "West African Cotton Producing Nations Warn of Failure in Hong Kong unless Needs Met," *International Trade Reporter*, Vol.22, No.41.(2005).

⁵⁵ Martin Khor, "EU Agriculture Proposal Shifts Burden to South in NAMA, Services", SUNS #5905, (October 31, 2005a).

⁵⁶ Martin Khor, "Reactions to EU Proposal Range from 'Disappointing' to 'Unacceptable'", SUNS #5906, (Nov. 1, 2005b).

clear that the one area where agreement on agriculture might be possible was on an end-date for agricultural export subsidies. But throughout the week, little progress was made even on this issue. The EU indicated that it would prefer 2015, while the US and the G-20 pressed for an end date of 2010. But the EU held out on the later date, with little support from any other members. This stubborn position on the part of the EU angered many developing country delegates.

The lack of real progress on development issues, especially in agriculture, prompted the various developing country groups to hold a joint press conference, with India and Brazil taking key roles. The meeting was dubbed as ‘historic’ by many, being the first joint meeting of the ministers from the G-20, G-33, the ACP Group and the African Group (the G-90), and the Small Economies (collectively dubbed as the G-110). The group stressed its solidarity on key issues, including the 2010 end-date for export subsidies, helping to ease the adjustment of those countries affected by preference erosion, support for duty-free and quota-free market access for the LDCs, as well as the need to address the cotton issue.⁵⁷ Though these groups had some differences amongst them in terms of which issues they saw as most important in the agriculture talks, they were able to reach agreement on supporting each other’s goals at this stage. After long negotiating sessions in which the EU refused to move up their offer of a 2015 end-date for export subsidies, the EU finally offered an end date of 2013 in the last hours of the final day of the conference, which other members finally accepted. The main reason the EU could bring the end-date up to 2013 is that the 2003 reform of the Common Agricultural Policy would see the end to most export subsidies by that date anyway. The Ministerial Declaration that was adopted the following day, however, expressed calls for efforts to ensure that the bulk of the reductions be completed within the first few years of its implementation. The Declaration also set April 30, 2006 as a deadline for completing the modalities on the other aspects of the agriculture agreement. It reiterated many of the points in the July Framework, such as working toward disciplines on in-kind food aid, though it also added provisions for the creation of a ‘safe box’ to ensure that there were no constraints on genuine food aid in emergency situations. With respect to domestic support, in order to cut down on the opportunities for box-shifting, the Declaration calls for

⁵⁷ ICTSD, “Revised Ministerial Draft to be Issued Today,” *Bridges Daily Update on the 6th WTO Ministerial Conference*. Issue 5. (17 December, 2005d).

cuts in this area to be at least as large as the total sum of reductions in all the boxes and *de minimis* levels. But the Declaration did not place any specific constraints put on the Blue Box.⁵⁸

Though the WTO and the media portrayed the decision on the end-date to export subsidies as major progress made at Hong Kong, in reality it was a tiny step, with a long list of other modalities on agriculture which have yet to be decided. The details in many areas were left very vague, and the impact will only be fully understood when final details are hammered out and agreed upon. Analysis of some groups on the proposals on the table already shows that they will not make much impact in practice. On domestic support, it looks as if the redefinition of the Blue Box will enable the US to immediately shift some \$US10 billion into it, subsidies that are currently in their Amber Box. Meanwhile, the EU is also shifting major portions of its Blue and Amber box payments into the Green Box. According to Oxfam, the EU and the US will be able to increase their trade-distorting domestic support by US\$35 billion and US\$7.9 billion respectively, by the end of the implementation period, and there is also scope for both to increase their export subsidies before they are eventually eliminated.⁵⁹ Moreover, the sensitive products designation for the industrialized countries could make the tariff reduction formula ineffective.

6. Conclusion

The developing countries of the Global South have made an important imprint on the Doha agricultural negotiations. After being systematically ignored in the early years of the Doha Round of agricultural trade talks, developing countries took steps to influence both the process and the substance of the negotiations. The emergence of key groupings of developing countries just prior to the Cancun ministerial, including the G-20, the G-33 and the AU/ACP/LDC, were products of their frustrations over the talks. These groups were able to voice their concerns through formal proposals and put pressure on the other key players, primarily the US and the EU, to incorporate their views or face the consequences. They had forced a change of dynamic. This new dynamic was very apparent at Cancun, when

⁵⁸ WTO, *Doha Work Programme: Draft Ministerial Declaration, 18 December, 2005*, (2005).

⁵⁹ Oxfam, *A Round for Free: How Rich Countries are Getting a Free Ride on Agricultural Subsidies at the WTO*. Oxfam Briefing Paper 76. (Oxford: Oxfam, June 2005),36. Online: <http://www.oxfam.org.uk/what_we_do/issues/trade/bp76_modalities_and_dumping.htm>.

the talks collapsed, in part because of the lack of incorporation of the South's concerns on agriculture in the official text. The turn taken at Cancun was not transitory, as the developing country groupings, the G-20 in particular, have become key participants. Because it has a unique mix of countries with diverse interests and has attempted to reach out to other developing country groupings, the G-20 had gained the support and respect of most of the countries of the Global South.

The G-20 has worked hard to show solidarity with other developing country groups, but the cohesion of the Global South on the agriculture talks is fragile. While India and Brazil's membership in the FIPs is significant for the Global South coalition in that it demonstrates the importance of incorporating the voice of developing countries, it did draw criticism from other developing countries. It was a demand for a more transparent process and incorporation of developing country views which spawned the G-20 and other groups in the first place, but bringing India and Brazil into the elite group of negotiating countries only sparked new complaints about lack of transparency and inclusiveness on the part of other developing countries. The G-20 is aware of this tension with other developing country groups, and took efforts at Hong Kong to reinvigorate the cohesion of all the developing country groups by focusing on their points of agreement on broad issues.

But because there are still so many details of the modalities that have yet to be decided upon, it is not clear that this cohesion will last. Indeed, it is likely that whatever deal emerges will result in meager gains and an uneven impact across the Global South. Recent estimates indicate a significant drop in the expected economic gains for developing countries from the Doha Round. Whereas early in the Round some were predicting approximately US\$500 billion in gains to the Global South, new estimates indicate that figure to be more like US\$16 billion. Moreover, the new estimates indicate that about half of the gains for developing countries resulting from the Round will go to just a handful of countries, including most importantly Brazil, India, China, and Mexico.⁶⁰ In this context, it is ironic that the shifts in the negotiation process to include more developing country representatives may weaken solidarity in the Global South coalition on agricultural trade issues.

⁶⁰ See Timothy Wise, "The WTO's Development Crumbs", *Foreign Policy in Focus*. January 23, 2006.

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