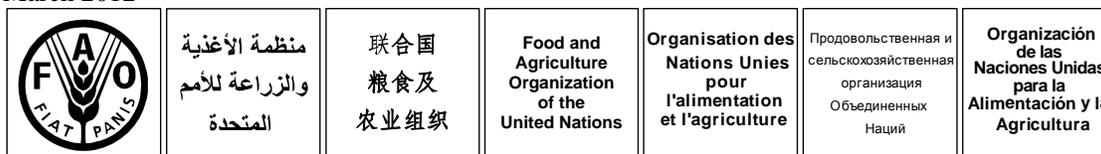


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COMMITTEE ON COMMODITY PROBLEMS

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DEVELOPMENTS IN THE DOHA ROUND AGRICULTURAL NEGOTIATIONS AND REGIONAL TRADE AGREEMENTS

Executive Summary

Updates on the Doha Round agricultural negotiations have been on the agenda of the CCP in the last three sessions in view of the high importance that the Committee has always attached to the Doha Round agreement for its potential contribution to creating an enabling environment for agricultural development and food security, as well as, in the new context, to responding to high and volatile food prices. This document follows in that tradition and provides an update on the latest developments in the Doha Round, including the outcome of the Eighth WTO Ministerial held on 15-17 December 2011. It also presents a brief on the treatment of agriculture in Regional Trade Agreements in view of the proliferation of these agreements. Lastly, it highlights the Secretariat's trade-related activities and seeks the Committee's guidance on future work programme.

Suggested action by the CCP

The Committee is invited to:

- Take note of the Trade and Markets Division's trade-related work and activities.
- Provide recommendations as regards continuation and strengthening of trade-related work, namely review and analysis of trade policy, conducting studies on implications for food security, developing capacity building programmes and assisting the developing countries in their trade agreements.
- Guide FAO's role, once the Doha Round is concluded, in helping countries implement the Agreement.

I. UPDATES ON THE DOHA ROUND AGRICULTURAL NEGOTIATIONS AND EIGHTH WTO MINISTERIAL CONFERENCE

A. Doha Round agricultural negotiations

1. The draft modalities paper finalized in December 2008 (WTO document TN/AG/W/4/Rev.4) remains the latest package for the Modalities¹. Further work since then has been through consultations with WTO Members by the Chairperson of the agricultural negotiations with a view to building consensus on divisive issues, notably those on which text was bracketed in the draft Modalities. A report by the Chairperson dated 21 April 2011 (WTO document TN/AG/26) provided the latest updates on the negotiations. Progress on two broad streams of work was outlined: i) status on the draft Modalities; and ii) parallel works on templates and statistics.

2. On **draft Modalities**, the Chairperson summarized the outcomes of his consultations in nine areas. This is presented succinctly in Box 1 below.

Box 1 - Status on nine divisive issues in the draft Modalities

Issues	Status
Blue Box – product-specific limits	No further technical work required.
Cotton	Not all Members in a position to agree to the text as drafted and no new contributions, technical or substantive, received.
Sensitive Products – designation	Some Members still seeking flexibility to designate additional sensitive tariff lines, and not clear what if any “payment” would be asked for by others for such designation.
Tariff Cap	Views remain sharply divided on whether there should be an exception allowing the maintenance of tariffs in excess of 100 percent <i>ad valorem</i> on products outside a Member's overall "Sensitive Product" entitlement, and what “payment” for that.
Tariff Quota Creation	Views remain divided on whether such flexibility should be afforded, and more consultations and factual clarification likely needed.
Tariff Simplification	Members continue to discuss amongst themselves to better understand how proposed simplifications would work in concrete terms, including possible alternatives.
Special Products	Reservations were expressed by a number of developing country Members concerning the numbers of special product tariff lines, also noting that this may be affected by what is decided in other areas of the text. This status remains.
Special Safeguard Mechanism (SSM)	Issues remain around several elements of the SSM, notably price and volume cross-checks, seasonality, price-based SSM and flexibilities for Small, Vulnerable Economies (SVEs). Several fresh analytical papers have been circulated by Members on these issues – the discussions continue but no definitive move towards consensus seen as yet.
Tropical and Diversification Products, and Long-standing Preferences and Preference Erosion	Some progress reported following two separate communications in December 2009 by the EU, the ACP countries and some other Members, one on tariff reductions by the EU on bananas, and the other for the treatment of Tropical Products and for Preference Erosion. Further consultations showed some Members not party to these communications expressing concern over the implications for them.

Source: Abridged from the report of the Chairperson of agricultural negotiations, document TN/AG/26, 21 April 2011, WTO.

¹ Modalities set numerical targets and other details for achieving the objectives of the Doha Round and determine the shape of the negotiations' final outcome.

3. The Chairperson also reported progress on the **parallel work on templates and data-related activities**. **Templates** are essential for formatting various statistics and information for the Modalities as well as for expressing specific commitments and supporting tables in the final agreement. For example, templates are required for presenting various domestic subsidy commitments, tariff reduction schedules and tariff-quota expansions. A considerable amount of progress has already been made in finalizing the templates. This work also contributed to further clarifying issues in the draft Modalities as concrete statistics were reviewed.

4. The way in which commitments resulting from the Modalities can be readily understood and verified is a data-intensive exercise, which makes the parallel work on **data-related activities** equally important. The initial focus has been on those areas where the draft Modalities provisions required data to be available and capable of having been verified by Members in advance of the establishment of Modalities. These include, for example, statistics on value of production, essential for specifying domestic subsidy commitments, and consumption data, essential for specifying tariff quota volumes. The submission of these statistics by Members has also been useful for a thorough process of verification by other Members, thus contributing to increased transparency.

B. The Eighth WTO Ministerial Conference

5. The Eighth WTO Ministerial Conference was held in Geneva, Switzerland, from 15 to 17 December 2011. It approved the accessions of Montenegro, the Russian Federation and Samoa and adopted six decisions on: i) intellectual property, ii) electronic commerce, iii) small economies, iv) LDCs' accession, v) a services waiver for LDCs; and vi) trade policy reviews.²

6. In parallel to the Plenary Session where Ministers made statements, Working Sessions were held with a view to providing an interactive forum for Ministers. Three themes were selected for this discussion: i) Importance of the Multilateral Trading System and the WTO; ii) Trade and Development; and iii) Doha Development Agenda.

7. The outcome of the Conference is presented in the form of the Conference Chairperson's concluding statement which comes in two parts. The first part represents *Elements for Political Guidance* which was a consensus text from the General Council and covers the above three themes for the Working Sessions. The second part is the Chairperson's summary, under own responsibility, of the main points which emerged from the discussions during the Conference. This is presented under nine topics: i) keeping markets open and resisting protectionism; ii) current global challenges; iii) dispute settlement; iv) accessions; v) Regional Trade Agreements; vi) the role of the Committee on Trade and Development (CTD); vii) food security; viii) Aid for Trade and the Enhanced Integrated Framework; and ix) Doha Round negotiations.

8. What follows provides some information from the Chairperson's summary on two of these topics, Doha Round negotiations and food security.

9. On the **Doha Round negotiations**, the Chairperson's summary states that Ministers deeply regret the impasse in the negotiations, acknowledging significantly different perspectives on the outcomes in certain areas of the Doha Round single undertaking, and observing that it is unlikely that all elements of the Doha Round package could be concluded simultaneously in the near future. However, strong commitments were reaffirmed towards concluding the Round. Given the situation, Ministers also recognized that Members need to more fully explore different negotiating approaches, such as early harvesting of agreements where consensus can be reached quickly, although strong reservations were also expressed by many Members on such an approach. The centrality of development of the Doha Round was widely stressed.

10. On **food security**, the two paragraphs from the Chairperson's summary are reported below:

² These are explained in a series of briefing notes by the WTO Secretariat, available at: http://www.wto.org/english/thewto_e/minist_e/min11_e/brief_e.htm

“Many Ministers urged WTO Members to commit to remove and not to impose in the future, food export restrictions or extraordinary taxes for food purchased for non-commercial humanitarian purposes by the World Food Programme. Other Ministers stressed the importance of addressing the root causes of food insecurity and underlined the importance of allowing Members to use their rights under WTO Agreements”.

“Some Ministers signalled their support for a proposal to establish a work programme on trade-related responses to mitigate the impact of food market prices and volatility, especially on LDCs and NFIDCs, for action by the Ninth Ministerial Conference. Several Ministers noted that the issue of food security was multi-faceted and needed to be looked at in its entirety, including the impact of export restrictions on international prices.”

11. These two topics relate to two proposals submitted by groups of Members to the General Council for the eventual inclusion in the final outcome of the Eighth Ministerial Conference, i.e. for acceptance and adoption by all WTO Members.³ While this did not happen, it is likely that the General Council might pursue these issues during the course of 2012. In particular, the proposal on NFIDCs calls for the General Council to develop a comprehensive, fact-based, result-oriented and time-bound work programme on the trade-related response to mitigate the impact of the food market prices and volatility on WTO LDCs and NFIDCs. The specific elements of this work programme mentioned in the proposal include exempting LDCs’ and NFIDCs’ food purchases from quantitative export restrictions, and a food financing facility related to the Uruguay Round *NFIDC Decision*.

II. AGRICULTURE IN REGIONAL TRADE AGREEMENTS

12. Some 300 Regional Trade Agreements (RTAs) are estimated to be currently in force, with several others under negotiations. Most of these are bilateral free trade agreements (FTAs) with over 50 percent having come into force since 2000. Agriculture is an integral part of these agreements. While there are no recent estimates of trade under RTAs, in 2003 they were estimated to have accounted for over 50 percent of world trade and the share was expected to increase.

13. The typical questions asked or issues raised on the proliferation of the RTAs are as follows. Are RTAs an alternative to a multilateral approach to trade liberalization? Do RTAs eventually contribute to fostering multilateralism or are they stumbling blocks? Do RTAs provide WTO-plus provisions for the developing countries? What features of an RTA promote multilateralism? Do the RTAs contribute to trade in a manner that promotes competitiveness, growth and poverty reduction? How best to minimize trade diversion impacts of an RTA? How should WTO review and regulate RTAs?

14. On the treatment of agriculture in RTAs, the emerging picture may be summarized as follows.⁴ First, RTAs are mostly found to be “WTO-plus”⁵ on tariff reduction commitments, more so for the South-South than the North-South agreements. Second, exemptions from liberalization are also fairly common for sensitive sub-sectors, notably dairy, meat, sugar and cereal preparations, and typically using Tariff-Quotas for regulating imports. Third, with some exceptions, RTAs are generally not WTO-plus in SPS and TBT areas. Fourth, RTAs are either quiet on export subsidies or are WTO-plus (i.e. calling for full prohibition). Fifth, RTAs mostly avoid commitments on limiting domestic subsidies. Sixth, RTAs typically have complex provisions on Rules of Origin and, on the whole, considered to be fairly restrictive. Seventh, while RTAs create more trade they do also divert

³ Details on these proposals are found in a briefing note on food security by the WTO Secretariat, available at http://www.wto.org/english/thewto_e/minist_e/min11_e/briefingfoodsec_e.htm

⁴ This summary is based on a review of some recent studies on the treatment of agriculture in RTAs, notably: *Regional Trade Agreements - Treatment of Agriculture*, by L. Fulponi, M. Shearer and J. Almeida, *OECD Food, Agriculture and Fisheries Working Papers*, No. 44, 2011, OECD Publishing; and *The Treatment of Agriculture in RTAs in the Americas*, by M. Shearer, J. S. Almeida and C. M. Gutierrez, Jr., Inter-American Development Bank, 2009.

⁵ The term “WTO-plus” is often used to indicate whether commitments made in a RTA go beyond those that result from a multilateral approach, e.g. tariffs cuts from the WTO agriculture agreement.

trade away from countries not party to the RTA. Some RTAs could divert substantive volumes of trade. And lastly, multiple and overlapping RTAs also complicate policy formulation and create confusions among traders.

15. Traditional RTAs were typically among natural trading partners such as neighbours or historically and culturally linked countries. But this is changing rapidly with new approaches such as RTAs among countries from different continents as well as super RTAs formed by existing RTAs. In Africa, an effort has been underway for many years towards a pan-African RTA. Most recently, the Summit of the African Union at its January 2012 Session, which had “boosting intra-African trade” as its main theme, approved the establishment of a Continental FTA (CFTA) by 2017 on the basis of the following road map:⁶ i) completion of Regional FTA processes by 2014; ii) consolidation of the Regional processes into the CFTA between 2015 and 2016; and establishment of the CFTA by 2017. The CFTA initiative followed from years of deliberations and efforts towards accelerating trade integration in Africa.

16. As a last point, some **rules on the RTAs** are also being negotiated as part of the Doha Round. Negotiations addressed two rules: transparency mechanism for RTAs and **systemic issues**. On the **transparency mechanism**, two views have emerged among Members. One holds that all RTAs should be reviewed by a single Committee, the Committee on RTAs (CRTAs), while the other view is for continuing with the current practice of reviews by separate Committees: RTAs notified under Article XXIV of GATT reviewed by the CRTAs and those notified under the Enabling Clause, i.e. trade arrangements between developing countries, by the Committee on Trade and Development. On **systemic issues**, one view is that language on special and differential treatment for developing countries should be inserted into GATT Article XXIV (for example, the principle of less than full reciprocity and longer implementation periods) for RTAs involving developing and developed countries. Alternative views expressed have been that this would move the negotiations in the wrong direction and that more discussions and analyses on the impact of such changes to Article XXIV are needed.

III. FAO TECHNICAL ASSISTANCE

17. As the Doha Round negotiations essentially stalled and no new issues were raised since December 2008, the demand for technical assistance has decreased. A somewhat similar situation is with the EPA negotiations between the EU and the ACP countries. One exception to this was increased requests for information and analysis on food export restrictions in view of the food price spikes during 2007-2011. On this topic, the Secretariat collated considerable information and prepared analyses and presented them to seminars held in Geneva as well as other fora, notably 12 FAO sub-regional seminars on high and volatile food prices.

18. In the mean time, available resources were channelled to technical assistance in other areas, notably national and regional trade policies. On national policy, a substantive multi-country analysis and capacity building project was implemented on articulation of trade policy and support measures and mainstreaming in development policy. Likewise, books were published on food import surges and on the question of why Africa became a net food importer.

19. On regional trade, recent and ongoing activities are focused on supporting regional bodies to strengthen policy and regulatory environment for increased intra-regional trade. Examples include the development of strengthened public-private dialogue relating to the design and implementation of trade and related policies in the grain markets of East and Southern Africa, as well as in the Pacific and the Caribbean regions, analysis of common external tariffs on sensitive products, enhanced cross-border trade in the Great Lakes Region in Africa, trade policy and regional value chains, commodity-specific developments in several regions of Africa and analyses of appropriate policies for enhancing private investment in agriculture.

⁶ *Draft Framework, Road Map and Architecture for Fast-tracking the Continental Free Trade Area (CFTA)*, December 2011, African Union, Addis Ababa, Ethiopia.

20. Some of these activities will continue in 2012-13. The relationship between trade policy and food security is expected to remain prominent in view of the continued concerns with the global food markets. At the WTO, some proposals related to food security were submitted by Members in late 2011 and FAO involvement is anticipated in technical activities on this subject. Work on trade and related policies in the grain markets of East and Southern Africa will also continue, building on partnerships that have been established with public and private sector organizations in that sub-region. The Secretariat also anticipates a continuation of the involvement in supporting the promotion of intra-regional trade in Africa following the recent African Union initiative towards the establishment of the African Continental FTA. Lastly, some of the activities underway or planned of an analytical nature include the role of trade policy in processes of food value chain development and small holder market integration and analysis of the implications of agricultural trading firm behaviour for the levels and distribution of potential gains from trade in agricultural products. Another analytical area that the Trade and Markets Division plans to emphasize is trade and nutrition. The results of this work will, among other things, feed into the State of Food and Agriculture (SOFA) 2013 which will have "nutrition" as its theme.

IV. GUIDANCE SOUGHT FROM THE CCP

21. The Committee is invited to:
- a) Take note of the Trade and Markets Division's trade-related work and activities.
 - b) Provide recommendations as regards continuation and strengthening of trade-related work, namely review and analysis of trade policy, conducting studies on implications for food security, developing capacity building programmes and assisting the developing countries in their trade agreements.
 - c) Guide FAO's role, once the Doha Round is concluded, in helping countries implement the Agreement.