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María Victoria Mutti

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Consejo Latinoamericano de Ciencias Sociales - Conselho Latino-americano de Ciências Sociais
Av. Callao 875 | piso 5º "J" [recepción] | C1023AAB | Buenos Aires | Argentina
Tel [54 11] 4811 6588 | Fax [54 11] 4812 8459
e-mail <clacso@clacso.edu.ar> | web <www.clacso.org>

South – South Cooperation Towards a Fairer Trade System: The G – 20 and The Agricultural Negotiations under the WTO

María Victoria Mutti

This paper was originally presented to the Summer Institute on "International Hegemony and the South: A Tricontinental Perspective", Havana, Cuba, 2005. The event was organized by "The Africa, Asia and Latin America Scholarly Collaborative Program", supported by the Swedish International Development Cooperation Agency.

International hegemony and the south
ISBN: 978-987-1183-88-3

Patrocinado por

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Agencia Sueca de Desarrollo Internacional

The search of a more rational and equitable World order, which the south has pursued for so long, requires a more effectively organized south to present its case and negotiate its demands in world fora [...]It is necessary that the south should speak with one voice.

[South Commission]

There exists a close relationship between the poverty level of developing countries and the restrictions that hamper the trade of agricultural products. Within the main restrictions that distort the global markets of those products we find tariffs, non-tariff barriers, production and exportation subsidies, among others. These measures damaged the increase of the exportations and inhibit the possibility of growth of developing economies. In spite of this, industrialized countries have shown a great resistance to abandon those measures. As opposed to what happened with the trade of industrial products, the liberalization of the trade of agricultural products has never been managed within the frame of multilateral agreements. In this way, from World War II an international trade regime has been consolidating with great benefits for the developed economies but against weaker countries.

In the international trade negotiations developed under the General Agreement on Trade and Tariffs (GATT) the areas of interest of industrialized countries were privileged, that is to say, those characterized by the intra-industrial specialization, scale economies, and product differentiation. However, when the inter-industrial characteristics dominated the trade currents, tariffs were high while non-tariff restrictions and other distorted practices multiplied.

This shows that free trade is not working for the majority in the world. The reality of the world economy has very little to do with the free markets, it is characterized by the neo-mercantilist strategy of the main world power centers. Neo-mercantilism supposes a double-end strategy, on one side, the protection of the great powers towards the domestic capitalists that are not competitive; on the other, abroad, the forced opening of the Third World Countries. In fact, while the great powers spend millions of dollars, euro and yens to subsidy directly or indirectly producers and exporters, they established, at the same time, a great variety of protectionist measures to restrict or exclude the imports from Third World Countries (Petras, 2002:33).

To this respect, the interesting fact about the process of forced liberalization is the acknowledgement that the developed countries promoted the systematic application of opening policies in the periphery of the capitalistic system, while they kept for themselves the right to strongly protect certain huge areas of their economies. In fact, “commercial liberalization, which supposedly was to be matched by an equivalent movement practiced by developed economies at the capitalist core turned out to be an autistic gesture, with catastrophic consequences in the levels of employment of our societies” (Borón, 2005:148).

The foregoing situation forces the developing countries to face a great challenge, that is: the possibility of positioning themselves collectively and firmly against the arbitrariness imposed by the developed countries in the frame of institutions that have been traditionally used only for the benefit of their closest interests. Summing up, what comes into play is the possibility of reverting, at least partially, the asymmetric game that has traditionally existed in the trade system of the world, according to which, the most powerful forces set the rules to which the most vulnerable and impoverished ones must subordinate.

Considering the importance that the trade of agricultural products for the developing countries has, the objective of this work is to deal with the position of the G-20[1] at the United States and the European Union, in the framework of the agricultural negotiations of the World Trade Organization (WTO) corresponding to the Doha Round. This Group was established on 20 August 2003, in the final stages of the preparations for the Fifth Ministerial Conference of the WTO, held in Cancun in September 2003. Since then, its focus has been on agriculture, one of the most important issues of the so called "Doha Development Agenda".

The G-20 has a wide geographical representation, being integrated by 21 member countries, five from Africa: Egypt, Nigeria, South Africa, Tanzania and Zimbabwe; six from Asia: China, India, Indonesia, Pakistan, Philippines and Thailand, and ten from Latin America: Argentina, Bolivia, Brazil, Chile, Cuba, Guatemala, Mexico, Paraguay, Uruguay and Venezuela. According to its extension, the group comprises a substantial share of the world agricultural population, production and trade: 63% of all farmers and 51% of the world population live in the state members of the Group. It is also responsible for around 20% of the world agricultural production, 26% of the total agricultural exports and 17% of all the world imports of agricultural products.

From GATT to WTO: the Design of an Unfair Trade System

The trade system designed by the end of World War II originally included a system that would be administered by an International Trade Organization (ITO). The ITO was never completely realized and the only part of the system that started working was the portion that best suited the interest of the developed countries: the General Agreement on Trade and Tariffs. In the set of agreements that never worked we can find, among others, the one aimed at the stabilization of prices of basic products.

The idea of stabilizing commodity prices was killed when the United Sates congress refused to ratify the Havana Chapter. Consequently, the GATT had little authority to deal with questions concerning the development of the Third World countries. In order to modify this external scenario, in 1964 the United Nations Conference on Trade and Development (UNCTAD) was established with the purpose of promoting development and trade, enhance economic cooperation among developing countries and help to re-dress the inequity in north – south economic relations. Besides, the conformation of the Group of 77 was recognition by the south of the need for more organized solidarity. However, it was soon realized that developed countries were willing to consider only marginal changes in trading arrangements (South Commission, 1992).

The GATT had serious deficiencies, one of which was linked to the non-inclusion of the agricultural area in the promoted agreements. The agricultural protectionism sought protection in the Article XI ("General elimination of quantitative restrictions") and the XVI (Subsidies) that excepted agriculture from the prohibition of applying quantitative and non-tariff restrictions to the imports and the general prohibition of conceding subsidies to the exports. As a result of the application of these policies in the area and its consequences, that is overproduction and artificial depression of prices in the non-protected international markets, exporting countries of agricultural products saw the reduction of their profit margins and of their participation in international markets.

1 Since its formation the group has suffered modifications changing the number of members, so we decided to call it G-20.

The previous trend was closely linked to the usefulness that central countries traditionally gave to the international negotiations, which were conceived as means to the service of more powerful nations with the objective of imposing the conditions of a universal model that would determine the commercial and economics policy of developing countries. In this framework of adversities the integration and cooperation processes among countries with some similar needs were acquiring an important character, since they made their power of negotiation in adverse situations better. So, the conformation of the Cairns Group[2] in August 1986 had, as a result, that the agricultural problem was included in the multilateral negotiations during the Uruguay Round (1986 - 1994).

The Agricultural Agreement of 1994

The treatment on agriculture negotiated at the Uruguay Round had, as a result, the configuration of the Agricultural Agreement of 1994. The three main areas considered by the agreement were: access to markets, domestic support and export subsidies (OMC/WTO, 1995).

As regards *access to markets*, it was established that the access to markets of agricultural products was to be ruled only by a system of tariffs. In that way, the non-tariff measures were replaced by tariffs with equivalent protection level. The resulting tariffs, as well as the tariffs applied on other agricultural products, had to be reduced in 36% in the case of developed countries and in 24% in developing countries. The reductions had to be made during a period of six years for developed countries and ten years for developing countries.

The measures for *domestic support* were subjected to reductions of the aggregate measurement of support or AMS. The assumed compromises demanded a reduction of 20% in the case of developed countries during a period of six years, and of 13% in the developing countries during a period of ten years. The basic period upon which the reductions were to be calculated was 1986-88. The *Agreement on Agriculture* classified the measures of domestic support to the production and commercialization of agricultural products in different compartments. These compartments or “boxes” were three: Amber Box, Green Box and Blue Box.

The measures of the *Amber Box* are considered harmful for the commerce; among them we can highlight: *support* prices, direct payments that affect the volume of production (or *connect*ed prices), and the subsidies to capitals, among others. These measures are subjected to progressive reductions and periodical revisions and are taken into account to calculate the AMS. The measures of the *Green Box* are those that have a *minimum* or no effect at all on production and commerce. It refers to general public services (research, struggle against diseases, food substructure and security), direct payments to producers (direct help to incomes that do not foster production) and direct payments in the framework of environmental programs. These measures are considered *disconnected* payments and they are free from reduction engagements. Finally, the measures of the *Blue Box* are the direct payments that are made in the framework of programs that limit the production, based on surfaces and fixed profits. These payments are also free from reduction engagements.

2 The Cairns Group is currently integrated by: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Philippines, South Africa, Thailand and Uruguay. The Group had its inaugural meeting in Cairns -northern Queensland-, Australia in 1986. In that opportunity Ministers agreed to form an alliance to ensure that agricultural trade issues would be given a high priority in the Multilateral Trade Negotiations. At the conclusion of the Uruguay Round negotiations in Marrakesh, Cairns Group ministers agreed to maintain the Group and continue to pursue efforts for further agricultural reform.

It is necessary to mention that in the framework of the measures of the Amber Box, the so called *minimis clause* consisting of an exception that states that the low rate subsidies are free from reduction or elimination was established. However, to be obtained, the support must not exceed the 5% of the total value of goods production in the case of the developed countries and 10% in the case of developing countries.

Finally, the agreement established compromises in relation to *export subsidies* with the objective of reducing the quantity of money spent and the volume of subsidized exports. In the case of developing countries, the reductions were to be two thirds of those of developed countries and were to be made in a period of ten years.

Despite the importance of the agreement that was reached, the use of the 1986-1988 period as a reference point for the implementation of most of the compromises minimized their effect on the reduction of tariffs and subsidies. When taking into account a period of very low international prices, the equivalent tariffs and subsidies from which the reduction compromises were to be made turned to be very high. At the same time, very important deficiencies in the three main bases were observed, that is: access to markets, domestic support and export subsidies (Nogues, 2004).

As regards *access to markets*, it was observed, among other deficiencies, that the notified tariffs were higher (much higher in occasions) than the true ones that were equivalent to the non-tariff barriers ruling the base period. Thus, the reduction compromises were based on the levels corresponding to "dirty" tariffs and not to the true or real equivalents. In the access to markets there are also difficulties related to the Special Safeguards System[3]. The problematic situation is stated not only as regards the fact that they can be used without the damage proof, but also that certain countries which benefited from them have established activation prices that are very high over those established in the agreement.

In the case of *domestic support*, apart from the very important question of interpreting the compartments and the problem of the so called *box shifting*[4], the compromise to reduce the AMS to a global level and not to a product level, meant in practice, the possibility of increasing the level of support to specific products.

Finally, in relation to *export subsidies,* apart from those enumerated explicitly in the agreement, there are others that, despite not being included and as a consequence not being subjected to reduction compromises produce strong damage to the trade of agricultural products.

As a consequence of the insufficiencies previously mentioned, the levels of help were kept very high. Japan has internal agricultural prices that are higher than the world average in a 170%, Europe in 83%, United States in 28% and Canada in 19%. This includes the transferences from the consumers to the producers due to tariff protection, as well as direct payments to agricultural products (Diaz Bonilla, 2001:47). Moreover, it is estimated that the industrialized world spends $1 billion a day on agricultural subsidies. In 2002, United States farm support was 17,6% of the total value of agricultural production, in the European Union 36,5% and in Japan 59% (Lloney, 2004:129).

Taking into account the insufficiencies of the agreement that was reached, the members of the WTO agreed to go on with the process of reforms in the agricultural area. The new multilateral commercial negotiations called "Development Agenda of Doha" included within its main objectives the reach of a

3 The following are the quantities of categories of products corresponding to some countries that have that right: Canada:150, European Union: 539, Japan:121 and United States:189.

4 Suppose the transference of certain support measures from one category / box to other.

greater liberalization of agricultural trade. Nevertheless, up to now the results are practically non-existent.

Towards the Cancun Meeting and the Birth of the G-20

Taking into account the terms set by the Declaration of Doha, the members of the WTO should come to an agreement about the modalities of negotiation and then present their projects of lists of ministerial compromises of the WTO meeting that was to be held in September 2003 in Cancun, Mexico.

Some months before the meeting in Cancun, the criteria differences among the member states of the WTO were evident. On the one hand, economies with high trade protection, like the United States, the European Union and Japan, and on the other, the countries of the Cairns Group which give little or no protection at all to their agricultural production and exports.

The European Union claimed that the weight of the modifications would damage the industrialized countries, that the European agricultural areas deserved protection, not only for the commercial aspect, but also to maintain the multi-functionality through environmental protection, the preservation of landscapes, rural development and food security. It is necessary to mention that during this period the situation was also characterized by the Common Agricultural Policy reform. However, when this finally finished, subsidies were unchanged and allowed them to increase with the addition of ten new members. The only difference was that part of these payments would be decoupled (Capdevila, 2003: 5).

Paradoxically, the United States claimed for more severe cuts on tariffs and taxes. The American position turns incomprehensible if considering the passing of the Farm Bill 2002 (in charge of regulating the refunds of the American government during the period 2002-2007), law that not only maintains the vast subsidies that the US government gave to its farmers but also adds new ones, which contradict the compromises assumed at the Uruguay Round (Tussie et al., 2003).

In spite of this first difference between the European Union and the United States, they finally developed a common framework agreement. In August 2003, the United States and the European Union put into consideration a shared text. The text included, among others, the following:

- Average reduction of domestic support, instead of a compromise as regards specific products.
- Did not propose the elimination of the Amber Box, was silent on the Blue
- Box and, said nothing about strengthening disciplines in relation to the Green Box,
- Minimal liberalization in market access.
- The Special Agricultural Safeguards for industrialized countries should be negotiated instead of being abolished.
- It was absolutely ambiguous at determining up to which point the export subsidies were to be eliminated (Nogues, 2004).

Besides, the joint proposal of the European Union and the United States avoided setting terms and mechanisms to be used. To sum up, it avoided giving answers to two of the main problems in developing countries, that is, the high tariffs that developed countries apply on the exports of their agricultural products and the strong supports that they give to their agricultural producers by means of subsidies to the production and exportation. The erratic attitude of these two big actors turned offensive when, not offering anything as regards agricultural matters, they demanded the addition to the negotiation of the *Singapore issues:* services, investments, government purchases, property rights, etc. (Estay Reino, 2005: 202).

The framework approach of the developed countries was a major departure from the Doha requirement for agreement on modalities. But, *what happened with the Cairns Group?* The Cairns Group is a forum where not only the developing countries participate but also the developed countries do so (New Zealand and Australia) and where, as a consequence, the *North- South* contradictions are not expressed. Consequently, although the Group had an important role in the Uruguay Round, it couldn't avoid the incorporation of the terms of the agreement between the United States and the European Union, known as *Blair House Agreement*. This arrangement was responsible, for instance, of introducing in the Agreement of Agriculture the *Clause of Peace*, which forbids the demands to the WTO for the application of subsidies to production and exportation, in the frame of other agreements of the organization, like the Agreement on Subsidies (Ruiz Caro, 2005).

In Cancun the Cairns Group made no effective response to the US-EU framework. It had been undermined by differences between those who wanted major tariff reductions, and others who prioritized defending their domestic market against imports. In its place, an informal coalition of countries submitted a joint response: it was the birth of the G-20. From this moment, the discussions were centered on the United States, the European Union and the G-20.

Before the Cancun summit, Brazil, South Africa, India, China and Argentina began to organize the future alliance among developing countries to articulate positions against agricultural protectionism. This group of countries from the South refused to accept the "pre-cooked deal" of the developed countries with the firm belief that such an agreement worked against their interests (Lechini, 2005). Consequently, on September 2nd, Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, India, Mexico, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand and Venezuela presented a framework proposal for the agriculture section of the draft Ministerial Declaration. The G-20 proposal included an approach requiring a substantial contribution from developed countries. Basically, the G-20 proposed a tariff reduction formula, greater reductions in domestic support and an end-date for export subsidies.

In *domestic support*, the proposed cuts were complemented with tighter rules and disciplines. This would ensure that the reform process was effective and did not degenerate into *box shifting*. Furthermore, the proposal was also targeted to avoid the abuse of domestic support not submitted to reduction commitments. *Export subsidies* had to be eliminated. Simultaneously, tighter rules should be established on export credits and food aid. As regards *market access*, the G-20 proposed substantial improvements through deeper tariff cuts and elimination of the *special safeguard* for developed countries. With reference to developing countries, a differentiated formula was proposed in keeping with the capacity of these countries to contribute to the process (G-20, 2003).

The proposal presented by the G-20 showed the importance of the *South-South* cooperation since it managed to direct the needs of all the involved parties. On the one hand, those countries mainly oriented to the exports of agricultural products, which are also members of the Cairns Group, and whose main concerns are the policies of domestic support and the export subsidies applied by the developed countries. And on the other hand, countries such as China, India and others, whose main need is to protect their farmers from the changes in the pressures of the international agricultural market. In these cases a special consideration is required because the customs tariffs are the only means they have to protect the national agriculture from the thoroughly unfair competence from abroad.

The Meaning of the Cancun Summit

The Fifth Ministerial Conference of the World Trade Organization celebrated in Cancun in September 2003 showed the enormous resistance of the United Sates and the European Union to change their agricultural policies. Under that frame, the G-20 was formed to strengthen the negotiation capabilities of a group of developing countries from Africa, Asia and Latin America with the same needs. The G-20 strongly criticized the multilateral rules, as well as, the position of industrialized countries that offered only a little in agricultural matter and demanded a progress in those issues of their interest.

This group, and many other members from developing countries, felt that the previous round of trade negotiations treated them unfairly and was enormously damaging their economies. Under the Uruguay Round developing countries were promised increased trade in agriculture (and others) for agreeing to new rules in services, intellectual property and health and safety measures. Nevertheless, they discovered that in agriculture, virtually no liberalization actually occurred. As a result, in Cancun they demanded compensation and roll back of some Uruguay trade rules as a condition to undertake any new obligation in the Doha Round (Lloney, 2004: 132).

As Benjamin William Mkapa said,"Developing countries went to Cancun with two main objectives: the first one was to dismantle agricultural subsidies and other tariff and non- tariff barriers placed on certain agricultural and processed products in which we have a comparative advantage. We hoped, in the line with the Doha Development Agenda, that Cancun would lead to measures promoting fair trade and thus diminish our over reliance on aid and encourage economic growth. Our second aim was to deny the consensus needed to proceed with the so called *Singapore Issues* (…). Cancun came at a time when it was increasingly unreasonable for rich countries to ask poor ones to open up their markets while simultaneously delaying the gradual dismantling of their own agricultural production subsidies and export credits" (Mkapa, 2004).

In Cancun, WTO General Council President, Uruguayan Ambassador Carlos Pèrez Del Castillo, and the Ministerial Conference President, Luis Derbez, presented projects of ministerial declaration that included the United States and the European Union proposals but that did not reflect the demands of the developing countries. That is, their proposals reflected the fact that the two main parts disagreed about the substantial reduction of agricultural subsidies, but agreed about the demand to the developing countries of substantially reducing their tariffs on agricultural and industrial products. Even the European Union insisted up to the end on including the *Singapore issues*.

This unreasonable attitude not only produced the opposition of developing countries, which refused to sign the ministerial declaration, but also the collapse of the Cancun summit. As Lal Das said "a multilateral system should be based on the perception of shared benefits among its members but if the great majority feels that the system only demanded, with no possibility of receiving, the system would irreversibly turn unstable" (Lal Das, 2003: 12).

Post-Cancun Scenery and the permanence of G-20

The G-20 played a very important role in the negotiations, showing that the position of the developing countries was not susceptible of any modification until the developed countries accepted to disarrange their protectionist agricultural structures. This gains importance if considering the maneuvers performed by the great partners of the WTO tending to disarticulate the actions of the group during and after the meeting in Cancun.

In fact, at the end of the meeting in Cancun, The European Union and, above all, the United States discredited the countries leadering the G-20, accusing them of being responsible for hampering and leading the negotiations to failure. However, it is important to emphasize that the failure in Cancun was produced not only by the negative of the members of the group to accept the American-European proposal as regards agricultural issues, but also by the attitude of less developed countries in Asia, the Caribbean and the Pacific, which said no to the inclusion of the *Singapore issues*.

The true fact is that the maneuvers to disarticulate the G-20 existed, mainly from the United States. The American reaction can be characterized by the manifestations of the US Commercial Representative, Robert Zoellick, who said that United States would adopt the strategy of opening each country out of the WTO. So, little by little the weaker country members would start to suffer pressures with the only objective of separating the Group. Thus, Peru, Colombia, Ecuador, Guatemala, El Salvador and Costa Rica did not subscribe the declaration in Buenos Aires, which the G-20 issued in October 2003 in the frame of a meeting whose objective was to delineate the strategy towards the following WTO meeting to be held in Geneva (Ruiz Días, 2005).

During the meeting in Geneva, the General Council President, the Uruguayan Ambassador Carlos Perez del Castillo, and the WTO General Director, Suipachai Panitchpakdi, presented proposals on how to restart negotiations after the failure in Cancun. They suggested concentrating first on agriculture, and then treating the cotton issue, the access to non-agricultural markets (NAMA) and the *Singapore issues* (Khor, 2003: 3).

The G-20 was to meet again in Brasilia at the beginning of December, 2003. In that opportunity, the president of Brazil, Lula Da Silva, “took matters a step further” when he proposed the establishment of an area of free trade with China, India and other members of the G-20 (Lechini, 2005). The Ministerial Meeting was held in order to exchange views and coordinate positions on how to proceed with agricultural negotiations and on how to achieve progress in the Doha Round. Delegations from Argentina, Bolivia, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Venezuela and Zimbabwe attended the meeting. Ecuador and CARICOM were also represented in the meeting. Besides, the members of the group counted on the presence as special guests of two central figures for the negotiations, Pascal Lamy, European Union Trade Representative, and Supachai Panitchpadki, WTO General Director.

In Brasilia ministers highlighted that “by bringing together developing countries from Africa, the Americas and Asia, with different agricultural structures and orientations within a common negotiating platform, the G-20 has substantially contributed to making the WTO process more inclusive. The G-20 is prepared to continue to play an important role in that respect and to extend its cooperation with other groups”. The ministers also called on WTO members to “give effective and substantive consideration to the concerns of Least Developed Countries (LDCs) –as expressed before and since Cancun”. As regards the future negotiations ministers said that “any framework in order to be viable should be consistent with the Doha mandate and lead to the establishment of modalities capable of ensuring that negotiations in agriculture would result in substantial reductions in domestic support, substantial increase in market access, phasing-out of all forms of export subsidies and operational and effective special and differential treatment that takes into account rural development and food security concerns of developing countries”(G-20, 2003).

In a following summit at the UNCTAD, the Brazilian Ambassador Seixas Correa, said that the developing countries have the wish to negotiate and secure the satisfactory conclusion of the Doha Round, but that this will require substantial progresses in agricultural issues. In this sense, the access to the market of the agricultural products is a central issue for the developing countries, but for such access to be guaranteed, real advances as regards internal support and subsidies to the exports of agricultural products are necessary (Raghavan, 2004a: 3).

Although in January, 2004 the Trade Representative of the United States proposed WTO members to substantially reduce the internal subsidies to agriculture and concentrate the negotiations in the support measures for trade, his speech was only a word game. In fact, the United States keeps the proposal made together with the European Union in September, 2003. Zoellik`s proposal only supposes the transference of certain support measures from one category to other, that is, from the *Amber Box* to the *Blue Box*. Furthermore, it does not mention the *Green Box*, or submit its measures to disciplines or restrictions, since it considers that the measures included in this category do not distort trade (Raghavan, 2004b: 7).

The declarations made by the United States and the European Union representatives after the failure in Cancun, made it clear that they would not accept restrictions to the domestic financing and support, placing this support as subsidies included in the *Green Box*, supposedly not distorting the agricultural markets, including the freedom to enlarge them without any norm to limit that right (Raja, 2004: 8). We have to add, the manifestations of certain developed countries in favor of postponing the *Clause of Peace* of the Agreement on Agriculture of 1994.

The basic reason that the developed countries traditionally offered to exempt certain subsidies from the reduction compromises is that they do not distort trade. However, this is absolutely inexact, since the subsidies to the farmers of the industrialized countries, being of one category or other, do distort production and trade. Although the developing countries are given the possibility to give certain subsidies, that possibility is unreal, since their governments do not possess the financial resources to do it. The fact is that the subsidies that the developed countries keep on applying on one way or other, have caused a loss of 24 000 million dollars a year in agricultural and agro-industrial incomes to the developing countries. The European Union would be responsible for more than half of that loss, and the United States for one third (Lal Das, 2004: 3).

In the negotiations on agriculture week of the WTO, held in March 2005, the G-20 made statements about the three bases on agricultural matters. As regards *access to markets*, the group proposed again the development of a wide and balanced structure that takes into account the needs of development of the involved countries. In this sense, an important aspect of the access to markets, for the developing countries is that they are permitted to implement instruments that benefit their small farmers and food security, as special products and special safeguards. As regards *internal support*, the G-20 claimed to get a substantial reduction that implies deep reductions in the general support that causes distortions to commerce (especially, *Amber Box*, *Minimis Clause and Blue Box*). It sustained that it was necessary to secure the changes so the different forms of internal support are not limited only to a change of label while the distortion effects are maintained. Finally, the G-20 demanded that it was elemental to reach a true and believable date for the reduction of all forms of *export subsidies*, including the indirect ones (Chien Yen, 2004: 6.9).

An encouraging fact in this stage was the sentence of the WTO favoring Brazil. In April the WTO pronounced against the subsidies given by the United States to its cotton producers, what had caused an important fall in the prices. The other achievement of the Brazilian government (together with Thailand and Australia) was the sentence by the WTO against the European Union for the exportation of subsided sugar. According to the director in Brussels of OXFAM International (Oxford Committee for Famine Relief), the sentence on sugar was a triumph for the developing world and sets the death sentence to the unfair subsidies to the sugar agriculture applied by the European Union (Tercer Mundo Económico, 2004). But, it is necessary to mention that the illegal subsidies not only include those linked with sugar and cotton. In fact, a large quantity of other products is currently illegally subsidized with billions of euro and dollars each year. These illegal subsidies cover different agricultural products, such as, butter, orange juice, tobacco, tomatoes, corn and rice, among others (OXFAM, 2005a).

As regards the development of the negotiations, the G-20 met again in Sao Paulo on 12 June, on the occasion of the UNCTAD XI event. In that opportunity ministers restated that a special and differential treatment for developing members must be fully reflected in the outcome of the negotiations. They also recalled the idea put forward by President Lula of the possible launching of a free trade area among G-20 members (G-20, 2004).

On the subject of *export competition* ministers demanded a credible end-date for the phasing out of all forms of export subsidies and added that to achieve this, a precise, effective and workable definition regarding timeframes and disciplines would be needed in order to ensure the elimination of direct export subsidies, as well as, all forms of subsidies in export credits, food aid operations and state-trading enterprise activities. On the subject of *domestic support* ministers alleged that for achieving substantial reduction of domestic subsidies, there must be deep cuts in the sum of overall trade-distorting support, which calls for clarity regarding the point of departure for reduction commitments in the Blue Box. In addition, ministers believed that improved disciplines in distorting domestic support are required to avoid product and box shifting. As far as the Green Box is concerned, representatives stressed the importance of ensuring its non-trading distorting nature and, therefore, then need to clarify its criteria while ensuring transparency and accountability in its utilization. Finally, with respect to *access to markets*, ministers demanded not only a tariff reduction formula, but also an improvement in all other issues related to market access, such as a special safeguard mechanism and special products for developing countries (G-20, 2004).

On July 31st WTO members reached a framework agreement that permitted the relaunching of the process of negotiations and fix certain objectives. The framework agreement offered an element of support for the developing countries, both for those members of the G-20 that have *defensive interests*, like India and China, and for those who have more efficient and competitive agricultural areas, like Argentina and Brazil (Raghavan, 2004c: 4). However, it is important to point out that, although the text of the WTO proclaimed the end of the agricultural subsidies, it did not establish concrete terms or precise mechanisms to reach that objective[5]. As a result, and taking into account the truly existent conditions, it was decided to postpone the end of the Doha Round for a year, until December 2006 (Evia y Gudynas, 2004: 5).

On 18 March, 2005 the G-20 met again in New Delhi to treat the substantial issues in agriculture towards the next WTO Ministerial Conference. On that occasion G-20 ministers recalled that the Group's identity "is deeply linked to the development dimension of the Doha Round. Agriculture is vital for all developing countries and is central to the Doha Development Agenda. Our common goal is to put an end to trade-distorting policies in agriculture maintained by developed

5 Frame of modalities of negotiation in Agriculture set by WTO General Council on August 1st, 2004. Domestic Support: a stratified formulae will be adopted for its reduction to be later negotiated, so the members with higher levels of internal help causing a distortion in commerce will apply greater global reductions aiming at a happy result. Export subsidies: the members agreed to establish detailed modalities to secure the parallel elimination of all forms of export subsidies and disciplines on all relative measures that have an equivalent effect for a final and believable date. Access to markets: the tariff reductions will be done from consolidated types. Substantial global tariff reductions will be obtained as a final result in the negotiations.

countries, thus, contributing to growth and development of developing countries and their positive integration into the world trading system"(G-20, 2005).

As regards *access to markets*, the ministers pointed out that the formula of reduction of tariffs must include: *progressiveness*, that is, greater cuts to the higher consolidated tariffs; *proportion*, which implies that developing countries must have fewer reductions than the developed ones and *flexibility* to take into account the flexible nature of some products. Thus, the declaration highlighted that the special and differentiated treatment is a central element to guarantee food safety and rural development. Besides, they demanded the elimination of all *export subsidies* in a term of five years (Khor, 2005: 13).

Finally, the G-20 protested once more against *box-shifting*, that is, the procedure to change the subsidies in terms of the different boxes, change the *Amber Box* into *Blue Box* and transfer programs in the *Blue* to the *Green* one. The Argentine representative in the WTO, Alberto Dumont, sustained that the G-20 presented domestic support, claiming for an adjustment of criteria in the *Green Box* to achieve the acknowledgement of the policies that are really disassociated to the direct supports to production (Capdevilla, 2005: 11).

The fact that coordinators from other developing country groups had been invited to the meeting in New Delhi, was a good signal of developing countries' intention to work together in the preparations of the Hong Kong Ministerial conference. These developing country groups, such as the G-33, the Africa Union and the LDCs, have serious and justifiable concerns regarding food security and rural livelihoods, the erosion of preferences and cotton. Consequently, the fact that the G-20, the most powerful southern voice in WTO negotiations, had an important role in order to defend also their interests, was a good step to strengthen even more the *South-South* cooperation.

Towards the Ministerial Conference in Hong Kong

The framework agreement of July 2004 had to be precise, with the proposals of each one of the parties involved in the trade negotiations. The deadline for reaching a preliminary agreement on agriculture was December 18, at the end of the Sixth WTO Ministerial Conference in Hong Kong. Following it, WTO member states will have until mid 2006 to reach a global agreement through the Doha Round, date by which the Trade Promotion Authority and the 2002 Farm Bill will expire in the United States. The areas due to submission are the three bases contemplated in the Agreement on Agriculture of 1994, that is, access to markets, domestic support and export subsidies.

A month from the Hong Kong Ministerial Conference there existed huge gaps in negotiating positions. Although the G-20 had presented proposals in all three pillars, in conformity with the Doha mandate and the July framework, the proposals made by United States and the European Union were insufficient. Consequently, the state members of the G-20 firmly criticized them. As regards the European Union proposal, the G-20 alleged, among others, that it provided for only marginal improvement in *market access*. With reference to *domestic Support*, the group similarly saw that the United States proposal felt short of responding to G-20 demands, that there had to be real cuts in all forms of trade-distorting domestic support and effective new disciplines. With respect to *export competition* the members of the group assumed that a credible end date was still missing in the proposals presented. Finally, the G-20 believed that developed members proposals had not incorporated adequately special and differential treatment for developing countries. For the G-20 this would be obtained through ensuring proportionality of commitments and developing the concepts of *special products* and *special safeguard mechanism* (G-20, 2005).

As OXFAM said, "in October 2005, in an effort to rekindle momentum prior to Hong Kong, the USA and EU made proposals on agriculture that purported to offer major progress on all three 'pillars' of the agriculture agreement (domestic support, export competition and market access). On a closer inspection, however, the proposals proved to be more spin than substance, offering few or no real cuts in subsidies or tariffs and insisting on numerous loopholes to allow governments to continue to heavily subsidize agriculture and dump the surplus on world markets. Even then, the EU demanded a *quid pro quo* in the form of greatly improved access for European industries to developing country markets" (OXFAM, 2005b).

The proposals of the two big players of the WTO did not respond to the demands formulated with insistence by the developing countries. The true fact is that proposals of the European Union and the United States would not result in real cuts in levels of support. For instance, the United States offered to lower its import tariffs by between 55 and 90%, and to cut subsidies by 60%, but only if the European Union and Japan reduce theirs by 80%, as it considers them to be currently higher. But the United States' offer to cut its overall subsidization of agriculture was a deception. In fact, it was a cut from allowable levels of support, not from actual and current levels. As a result, it would not only allow the current level of government support to continue but provided space for it to rise. Besides, there were no concrete commitments to significantly reduce the Green Box subsidies. And, indeed, the United States continues to press for the expansion of its Blue Box to accommodate the subsidies legislated by the 2002 Farm Bill. Finally, there were no concrete commitments to cut food aid or reduce export credits, which are forms of export subsidies (Bello, 2006).

Concerning the United States proposal, Celso Amorim, minister of External Relations of Brazil, said that it was insufficient, that it did not have clear disciplines in the *Blue Box* area and had to be improved in terms of the numbers for *Amber Box* support. With respect to the tariff reduction formula, Kamal Nath, Indian Minister for Commerce, said that the United States needed to give full respect to the framework that says that the formula will take into consideration the different tariff structures of developing countries (Raja, 2005).

With reference to the European Union proposal, it included a reduction of 46% in the agricultural tariffs, although a large quantity of sensitive products would be excluded. The proposal also included an average reduction of domestic support and the commitment to give an end date to export subsidies. But the date proposed by the Europeans was not established, while the G-20 demanded determinedly 2010 as a top date. Moreover, as regard export subsidies it is necessary to mention that, although a large proportion of EU supports go into subsidizing exports, only a small part is classified as export subsidies. Consequently, the results of its elimination will be definitively unfair. Furthermore, one of the most questionable attitudes of the European Union was the pressure that developing countries received to widely open their own markets as counterweight to the insufficient European proposal. In fact, Peter Mandelson, EU Trade commissioner, said that concessions that European Union gives in agriculture will have to be linked to real market access openings in developing countries in industrial goods and services (Chien Yen, 2005).

Taking into account the pre-existent differences, before Hong Kong summit it was not possible to reach an agreement as regards the pattern of modalities (approaches, formula and numbers) on agriculture or on NAMA issues, services, special and differentiated treatment to developing countries, problems of application, facilities to commerce and intellectual property.

The Hong Kong Conference

The Ministerial Conference celebrated in Hong Kong had no positive results in terms of advantages for the developing world. The final text was only the formal conclusion of the meeting, with little progress in agricultural matters, but with considerable points in favor of developed economies. Perhaps, the most relevant issue in Hong Kong was the fact that different groups, including the G-20, came together to form an alliance called G-110 with the purpose of exercising pressure on the European Union and United States to reform their agriculture regimes.

In this sense, the G-20 had asked Brazil to convene a meeting with ministers from the African, Caribbean and Pacific Group of States (ACP), African Union, LDCs, and G-33 to start a common process. In Hong Kong the ministers of developing countries emphasized that they intended to work together on agricultural reform and policy space in developing countries and manage any disagreements to prevent the European Union or United States from using the so well known *divide and rule* tactics (OXFAM, 2005b). In this context, Indian minister, Kamal Nath, said that G-20, G-33 and G-90 were going to stand up for the rights of their constituencies (Focus on the Global South, 2005a).

But in spite of the efforts developing countries made to obtain an integral reform of the agricultural protectionist structures existent in the rich countries, the final result of the Hong Kong summit was nominal. The closing ministerial declaration contained some relative *gains* on agriculture. In the first place, there was some progress to agree on new disciplines to stop developed countries abuse of food aid. In the second place, the conference has some more flexibility to protect peasants in developing countries. The text includes both *Special Products* and a *Special Safeguard Mechanism*. According to this, for instance, developing countries can decide themselves which products need to be protected to safeguard food security, rural development and the livelihoods of poor farmers. In third the place, developing countries would have exempted from cuts their agricultural subsidies under the *minimis* clause. Finally, in Hong Kong the *language* on domestic support issues was strengthened (OXFAM, 2005b).

But WTO Conference in Hong Kong did not deal with the substantial issues of the agricultural problem. That is to say, it did not establish concrete numbers in terms of subsidies and tariffs reduction. There were no real cuts in domestic support and export subsidies by the European Union and the United States in the new framework text. As regards the identification of 2013 as an end date for export subsidies, it is necessary to mention that this date was longer than almost all developing countries wanted (2010 at least) and that export subsidies represent the minor part of the farm support. Besides, as it was previously mentioned in the case of the European export subsidies, only a small part is currently classified as export subsidies. The truth is that most of them fall into the Green Box which, regrettably, again avoided disciplines in the last negotiations. As a result, export subsidies were proscribed, but hidden export subsidies in the Green Box will replace the forbidden ones (Focus on the Global South, 2005b).

Furthermore, there were no real cuts in domestic support. Although EU offered to cut trade distorting domestic supports by 70% and the United States by 60%, these supports only cut into resources they are not currently providing to these framers. Consequently, it does not make any cut into their present applied levels. The evident result is the acceptance that in October the United States and the European Union offered proposals in which there were no real cuts into their supports (Focus on the Global South, 2005a).

The Hong Kong ministerial meeting was a missed opportunity to make trade fairer. Developed countries put their commercial interests before those of developing ones and the most difficult decisions were postponed[6]. The final text

6 The most important agricultural issues are to be solved within a deadline of 30 April 2006 for agreement on modalities and country schedules by 31 July 2006.

was insufficient in order to address and revert the distortions caused by excessive levels of domestic support and exportation subsidies (their real amount) in the developed countries. Furthermore, as regards access to markets the text established developed countries are able to protect an unspecified number of sensitive products.

As a result, another time developing countries were forced to put off their own interests. Perhaps the next WTO meeting at a beginning of 2006 found developing states much more prepared to afford the developed world challenges. As the Hong Kong's Conference showed, there existed a first step in order to conform a great *South- South* alliance called G-110, of which G-20 was a member. But this first step was already insufficient, that is, the reason why the final text did not respond to the demands of developing states and that is why another time the development agenda was postponed.

Final Considerations

The ministerial conference of the World Trade Organization celebrated in Cancun in September, 2003 showed the enormous resistance of industrialized countries to change their agricultural policies. In that opportunity, the United Sates and the European Union became allies to avoid the disarticulation of its protectionist structures. Under that frame, the G-20 was formed to strengthen the negotiation capabilities of a group of developing countries with the same needs. This group strongly criticized the multilateral rules, as well as, the position of certain industrialized countries that offered only a little in agricultural matter and demanded a progress in those themes of their interest: services, inversions, government purchases, property rights, etcetera.

The birth of the G-20 as a *South-South* cooperation forum allowed its members to paralyze the negotiations of the WTO, negotiations that sought the consecution of the United States and the European Union objectives, but that paid no attention to the needs of the developing countries involved. After Cancun, the G-20 suffered multiple attacks with the objective of dividing and weakening it; however, the group managed to stay in the international scenery as a valid interlocutor for the central powers in the international negotiations. Although some countries withdrew as a result of the pressures received, both by the US and by the European Union, the G-20 continued demanding a greater equality in the international commerce relations.

Maybe the most outstanding work done by the G-20 was the claim to the *South-South* cooperation. That is, although the G-20 constantly demanded the liberalization of the commercial flows and the elimination of tariff barriers and agricultural subsidies, it proclaimed at the same time the need to defend the internal agricultural structures of those developing and less developed countries where serious poverty problems and rural marginality exist. Perhaps, this attitude responds to the fact that the group has a heterogeneous composition, since it includes not only important agricultural exporters but also net importers, members apparently of divergent interests and of different degrees of protectionism, but linked with the purpose of fighting the internal and export subsidies existent in the developed countries and claiming to a greater access to the agricultural markets of those countries.

As the recent negotiations showed, the G-20 has a lot of challenges ahead of it. In the first place, to assure the elimination of all export subsidies, to eliminate effectively the measures of support to internal production that distort commerce and to drastically reduce the prohibited tariffs imposed by industrialized countries to its agricultural products. In the second place, to extend the work of the group to other areas of interest of developing countries and increase the number of members. In this sense, despite not being enough, the informal conformation of the G-110 during the Hong Kong summit was an important step in order to enhance the south alliance. Finally, another important defy involves the biggest members of the G-20 (China, India and Brazil), which should maintain the solidarity with the less developed countries of the group and the rest of the developing world. That is, the largest states should have the consciousness that in the long term this is the most adequate strategy for the entire developing world, including them.

But perhaps currently the most important task for the group is to remain throughout the passing of time, to avoid its dissolution, to act on behalf of the developing countries, to defend and promote their interests by means of coordinated and collective actions. Until now, the work of its members has made it impossible to impose a new regime as regards agricultural issues; however, since Cancun the G-20 has contributed to the idea that the *South-South* cooperation is still possible; that is, the idea that the cooperation among developing countries can result in the coming of a fairer trade and economic system.

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